DMCI HOLDINGS INCORPORATED

BEHIND OUR BREAKTHROUGHS

Annual Report 2021

ABOUT **THIS ANNUAL REPORT**

Behind our Breakthroughs is the 2021 Annual Report of DMCI Holdings, Inc. It provides information on the financial and operating performance of the Company, its subsidiaries and affiliate.

This report is meant to assist shareholders and other stakeholders in understanding and interpreting the Consolidated Financial Statements of the Group, which was prepared in compliance with Philippine Financial Reporting Standards (PFRSs).

We encourage our stakeholders to read the annual report together with our 2021 Sustainability Report, which details the economic, environmental, social and governance issues that are most material to our Company and key stakeholders. Both reports may be downloaded from our website at www.dmciholdings.com.

CAUTIONARY **NOTE**

Neither DMCI Holdings, Inc. (PSE:DMC) nor its advisors make any representation regarding, and assumes no responsibility or liability for, the accuracy or completeness of, or any errors or omissions in any information contained herein. Such information is subject to change without notice, and its accuracy is not guaranteed and may not contain all material information concerning the Company.

In addition, this document contains certain financial information and results of operation, and may also contain certain projections, plans, strategies, and objectives of DMC, that are not statements of historical fact which would be treated as forward looking statements within the meaning of applicable law.

Forward looking statements are subject to risks and uncertainties that may cause actual events and DMC's future results to be materially different than expected or indicated by such statements. No assurance can be given that the results anticipated by DMC, or indicated by any such forward looking statements, will be achieved.

THE DMCI CREED

WE BELIEVE:

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

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

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

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

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

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

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OUR WOMEN IN FOCUS

2021 was a breakthrough year for DMCI Holdings. Amid the uncertainties and challenges created by the COVID-19 pandemic, our businesses delivered exemplary performances.

This would not have been possible without the contributions of women in our workplace. Their talents, perspectives and dedication to getting the job done have made us more resilient and adaptable to the global crisis.

In this annual report, we recognize and celebrate the women who enriched our organization because of their leadership and excellence.






MARIA CRISTINA C. GOTIANUN
President and COO
Semirara Mining and Power Corporation

01

"Women in the workplace face many challenges. I am no exception.

I have to work doubly hard to meet the needs and expectations of our stakeholders, including my family. This can be overwhelming at times but seeing others thrive under my care has been a great source of personal and professional fulfillment.

Looking back, being in a group where women are valued, trusted and supported has made all the difference."

02

"There are unwritten and unspoken gender rules and biases that exist in my industry.

I strive to overcome this reality by working hard, knowing my stuff, learning more and delivering results, all the while maintaining my female empathy and people skills.

At DMCI, women are given the same opportunity as their male counterparts. Management accords its trust, support and confidence to those who can step up to the challenge."

ENGR. REBECCA E. CIVIL
SVP, Joint Ventures and Business Development Head | D.M. Consunji, Inc.

ATTY. MIRACLE JOY SEVILLA
VP, Legal, Permits and Compliance
DMCI Mining Corporation

03

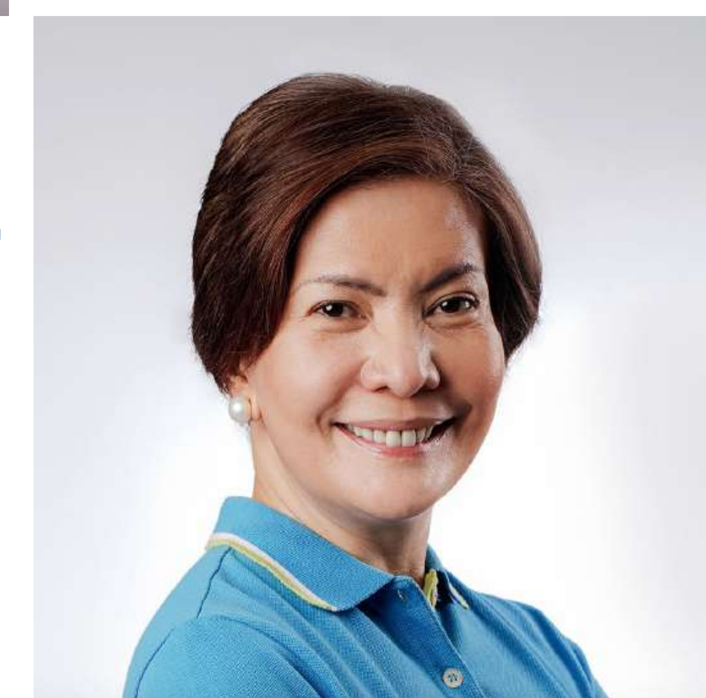
"At DMCI Mining, positions are filled based on qualifications, credentials and key experiences. We have equal access to company resources and opportunities. There is no room for discrimination.

But to excel, one (whether male or female) must have the tenacity to learn, and be proactive in finding solutions. I come to the office each day with this outlook, as I strive to be better both in life and in work."

04

"Maynilad walks the talk when it comes to gender diversity in the workplace. Roughly a third of our executives and managers are women, which means they have a say in how the company is being run.

In my 14 years of being part of top management, I have never felt being treated differently. And I believe that this is the best way to treat women in the workplace– as equals."



ATTY. LOURDES MARIVIC K. PUNZALAN-ESPIRITU
SVP, Legal and Regulatory Affairs
Maynilad Water Services, Inc.

ENGR. YOLANDA C. LUCAS
VP, Program Management
Maynilad Water Services, Inc.

05

"As a lady engineer for over 30 years, I have been in heated debates where the voices of men are overpowering. Rather than be intimidated, I took these as opportunities to improve my leadership and communication skills.

My bigger challenge is ensuring that projects are completed on time while fulfilling my role as a wife and a mother. To do this, I rely on the support of Maynilad management and employees."

06

"After graduating and passing the board exam, I was concerned that companies would prefer male geologists over female ones because of the nature of the work. There were also employees who thought men are more intelligent and capable than women.

Fortunately, SMPC does not discriminate on gender. They gave me the opportunity to do fieldwork, learn the ropes of the job, build my portfolio and go up the career ladder."

GIRLIE P. BITARRA
Geology Deputy Head
Semirara Mining and Power Corporation

JASMIN E. LAPAN
Manager, Integrated QESH
Management Systems
DMCI Power Corporation

07

"I do not feel any discrimination in our company because I am a woman. In our workplace, we do not see each other as male or female.

We respect our co-employees and treat one another as unique individuals. Sometimes, our differences become a source of friendly banter, but we never take it seriously. We know that at the end of the day, we see the positive side of the person."

08

"I work closely with our host communities, which takes me far away from my own home.

But I am very grateful that our company provides a flexible, supportive work environment. I can perform my duties as an employee, mother and wife by carefully managing my time and priorities.

It is not easy but I choose to do it because it is necessary for my personal and professional fulfilment and growth. *Tiwala lang.* [Just trust]"

DEBORAH A. AQUIJO
Community Relations Officer
Berong Nickel Corporation

ENGR. MARIA FLEURDELIZ R. SOMBRERO
Post-Construction Manager
DMCI Homes

09

"In a male-dominated field, striving to lead with confidence and seeking support from male counterparts can be challenging.

Fortunately, DMCI Homes does not stereotype or prioritize based on gender. My superiors mentored and trained me regardless of my femininity.

Here, I am an equal voice. I can express my opinions and suggestions without reservation. I am given equal opportunity to grow, become better and pursue excellence."

10

"Working at DMCI has been a career breakthrough for me. Aside from planning and managing our team's workload, I am a mother to my subordinates. I look out for their welfare, growth and success.

I feel gratified, inspired and optimistic to work at DMCI because they do not look at gender but the skills and quality of the individual.

I am a woman and a proud member of the DMCI family."

ENGR. GLENDA S. ANDRADA
Head Office Engineer
D.M. Consunji, Inc.

ENGR. JOYCE ANN MARTINEZ
Plant Control Room Operator
DMCI Power

11

"My line of work is dominated by men so I challenge myself to perform well. I want to prove to others that women can thrive in this environment.

Sometimes, certain types of work require physical strength and I can only rely on myself to get things done. I appreciate that the company provides mechanical equipment, tools and trainings to all employees, without prejudice. This improves the workplace and makes the job easier."

12

"In our industry, men often outnumber women in the workplace. This can be quite intimidating for us women. But I believe that gender is not the basis of one's competence and abilities.

My gender does not stop me from giving my best in my job. I exert extra effort to prove that I am capable of performing it. I want to prove that women are as equally capable as men."

VIVIENE GRACE B. OLAGUER
Human Resource Specialist
DMCI Homes

DMC AT A GLANCE

DMCI Holdings, Inc. (PSE:DMC) was listed on the Philippine Stock Exchange on December 18, 1995 to extract greater value from the engineering expertise and construction resources of D.M. Consunji, Inc. (DMCI), the pioneering contractor behind some of the biggest and most complex infrastructures in the Philippines. Among the publicly listed holding companies in the Philippines, DMC is the only one that has construction as its core investment.

VISION

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

Deliver exceptional shareholder value

Motivate and provide employees with opportunities and just rewards

Cultivate growth in remote areas and key sectors

Integrate sustainable development with superior business results

MISSION

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

VALUES

Integrity • Fairness • Customer Focus • Teamwork
Accountability • Innovation • Sustainability

OUR CORPORATE STRATEGY

CHOOSE

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

ENGAGE

We engage and retain our employees by investing in their skills and career development.

PURSUE

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

MANAGE

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

GEOGRAPHIC FOOTPRINT

We are a Philippine company with investments and projects in Metro Manila, Antique, Baguio City, Batangas, Boracay, Cavite, Davao City, Masbate, Oriental Mindoro, Palawan and Zambales among others.

KEY FIGURES

SHAREHOLDERS

₱102.37 bn
market capitalization

26.14%
free float level

₱7.71
closing share price

₱1.39
earnings per share

₱12.75 bn
dividends paid

EMPLOYEES AND WORKERS

35,455
total workforce

2,610
female workforce

₱10.51 bn
wages and benefits

8,479
employees outside Metro Manila

96.17%
vaccination level

GOVERNMENT AND COMMUNITY

₱6.35 bn
royalties paid

₱9.23 bn
taxes paid

13,214
local hires

299
scholars

1,279
reforested areas in ha

COVID-19 RESPONSE

Zero
employees retrenched

12,686
workers hired

12,500
test kits donated

33,640 doses
vaccines procured

139
isolation beds for employees

OUR PORTFOLIO

We invest in businesses that drive socio-economic development, particularly in the countryside.

By applying our engineering and management expertise, our businesses have become pioneers and key players in their respective industries.

CONSTRUCTION | 100%

- Founded by the Grandfather of Philippine Construction Industry
- Builder of landmarks
- Pioneered several construction methodologies
- First Quadruple A contractor in the country
- Completed over 1,000 projects of varying scale and complexity

D.M. CONSUNJI, INC.
ENGINEERS • CONTRACTORS

REAL ESTATE | 100%

- First Quadruple A real estate developer in the Philippines
- Pioneered "resort-like" condominium living
- Only developer capable of in-house design and construction
- Uses patented Lumiventt® Design Technology
- Turned over 49,206 residential units since 1999

DMCI PROJECT DEVELOPERS, INC.

DMCI HOMES
Feels real good to be home

INTEGRATED ENERGY | 56.65%

- Vertically integrated power company
- Accounts for 99% of domestic coal production
- Has a total installed capacity of 950MW
- One of the top dividend-paying stocks in the local bourse
- Included in the 2022 Bloomberg Gender Equality Index (GEI)

SEMIRARA MINING & POWER CORPORATION

OFF-GRID POWER | 100%

- On track to be the largest off-grid energy supplier in the Philippines
- Operates the first thermal plant in the off-grid market
- Serves three of the biggest missionary areas
- Over 1.35MW in total installed capacity
- Supplies electricity through long-term power supply agreements

DMCI POWER CORPORATION

NICKEL MINING | 100%

- Nickel ore producer with mining assets in Palawan and Zambales
- Total annual production capacity of 2 million wet metric tons
- Uses surface mining technology
- Supplies nickel ore to China, Japan and other markets
- Has over 9,000 hectares of nickel resource, pending permit issuance

DMCI MINING CORPORATION

WATER DISTRIBUTION | Indirectly 25%

- Largest private water distributor in terms of customer base in the Philippines
- Serves 17 cities and municipalities in Metro Manila and Cavite Province
- First company to operate a large-scale microfiltration and reverse osmosis water treatment plant in the country
- Holds over 243 ISO certifications for its multi-site operations

Maynilad

SUMMARY OF CONSOLIDATED FINANCIAL PERFORMANCE

Figures in billion pesos unless otherwise stated

REVENUES
60% YoY

2021	108.3
2020	67.7
2019	87.8

COST OF SALES AND SERVICES
34% YoY

2019	2020	2021
60.1	51.9	69.7

OPERATING EXPENSES
58% YoY

2021	14.1
2020	8.9
2019	12.2

GROSS PROFIT
145% YoY

2019	2020	2021
27.7	15.8	38.7

EBITDA
109% YoY

2019	2020	2021
28	17.6	36.8

EBIT
199% YoY

2021	28.2
2020	9.5
2019	17.1

EBITDA MARGIN
30% YoY

2019	2020	2021
31.9%	26%	34%

NET INCOME
214% YoY

2019	2020	2021
10.5	5.9	18.4

CAPITAL EXPENDITURES
2% YoY

2021	22.1
2020	21.7
2019	33.8

CASH AND CASH EQUIVALENTS
-3% YoY

2019	2020	2021
21.6	18.9	18.3

TOTAL EQUITY
8% YoY

2021	108.8
2020	101.2
2019	102.8

TOTAL ASSETS
5% YoY

2019	2020	2021
200.8	204.4	215.1

TOTAL LIABILITES
3% YoY

2019	2020	2021
97.9	103.2	106.3

NET DEBT TO EQUITY
-3% YoY

2021	32%
2020	33%
2019	25%

RETURN ON EQUITY*
214% YoY

2019	2020	2021
13%	7%	22%

** to Parent*

EQUITY ATTRIBUTABLE TO PARENT
8% YoY

2019	2020	2021
82.4	81.6	87.8

2021 EVENTS & MILESTONES

JAN

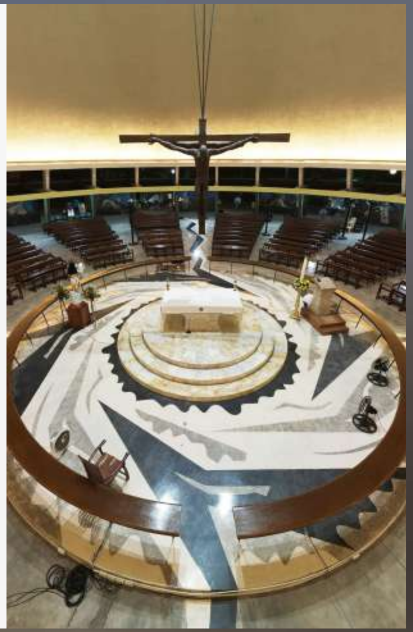
- DMCI Holdings lands in 2021 Bloomberg Gender Equality Index
- DMCI achieves 6 Million Safe Man-hours in a petrochemical plant expansion project
- DMCI Homes launches Soraya Building in Allegra Garden Place
- Maynilad operates new, expanded Water Laboratory

FEB

- SMPC remits ₱1.09 billion royalty to DOE for Q4 2020 sales
- DMCI Power secures Certificate of Non-Coverage (CNC) for the 4MW Cataingan Solar Power Plant from the Department of Energy
- DMCI Homes receives Top 50 Taxpayers in Business Tax and Top 50 Taxpayers in Real Property Tax Awards from the City of Manila
- DMCI completes 32-storey Somerset Central Salcedo Makati

MAR

- DMCI Holdings declares regular and special cash dividends of ₱0.48/share to stockholders of record as of April 15, 2021 and payable on April 26, 2021
- SMPC declares regular cash dividends of ₱1.25/share to stockholders of record as of April 13, 2021 and payable on April 23, 2021
- Berong Nickel Corporation receives 2020 Presidential Mineral Industry Environmental Award (Surface Mining category) and Best Mining Forest Award (Metallic Category)
- DMCI Homes completes UP Chapel renovation project



APR

- DMCI bags contract for 15-storey Philippine General Hospital Multi-Specialty Building
- DMCI Homes launches The Oriana
- Maynilad provides hydration support to medical frontliners during Enhanced Community Quarantine in NCR

MAY

- DMCI Holdings and SMPC hold Annual Stockholders' Meetings
- SMPC remits ₱660 million royalty to DOE for Q1 2021 sales
- DMCI completes Ikea Philippines commercial building
- Maynilad and Metropolitan Waterworks and Sewerage System (MWSS) sign Revised Concession Agreement validating concession until 2037

JUN

- DMCI Group starts COVID-19 employee vaccination drive
- DMCI bags contract for NCCC Mall Ma-a; completes 60-storey Anchor Grandsuites
- Maynilad energizes 1-megawatt solar power farm inside La Mesa Compound

JUL

- DMCI Power signs engineering, construction and installation contract for Masbate hybrid diesel-solar power plant
- DMCI substantially completes LRT 2 East Extension Project (stations); President Rodrigo R. Duterte inaugurates new stations
- Berong Nickel Corporation receives government approval for its Berong mine final rehabilitation and decommissioning plan
- Maynilad kicks off COVID-19 vaccination drive for employees and dependents

AUG

- DMC removed from PSEi
- SMPC remits ₱1.70 billion royalty to DOE for Q2 2021 sales
- DMCI Homes starts COVID-19 vaccination drive for construction workers
- Zambales Chromite Mining Corporation secures MPSA renewal

SEP

- DMCI Power breaks ground for 15MW thermal plant project in Palawan
- DMCI Homes completes Brent Building in Brixton Place and North Tower in Infina Towers
- SMPC wins 2021 ASEAN Energy Awards for accelerated rehabilitation of South Panian mine
- Maynilad completes installation of Julian Modular Treatment Plant in Cavite

OCT

- SMPC declares special cash dividends of ₱1.75 share to stockholders of record as of October 25, 2021 and payable on November 9, 2021
- DMCI Homes completes The Celadine and Verdon Parc Residences
- Maynilad realigns 2-meter diameter primary line in Manila to give way to government flood control project

NOV

- SMPC remits ₱1.94 billion royalty to DOE for Q3 2021 sales, an all-time-high for a quarter
- Berong Nickel Corporation receives 2021 Presidential Mineral Industry Environmental Award (Surface Mining category) and Safest Mines Award (1st Runner-up) from the DENR Mines and Geosciences Bureau
- Zambales Diversified Metals Corporation receives Platinum Achievement Award and Best Mining Forest Award (3rd Runner-up, Metallic Category) from the DENR Mines and Geosciences Bureau

DEC

- DMCI Power secures ISO certifications for its head office and Oriental Mindoro plant site
- Maynilad receives approval for its 25-year franchise application; authorization for MWSS to extend revised concession agreement to 2047
- DMCI Malasakit Pantry distributes 974 relief packs by year-end
- SCPC, SLPGC and SEM-Calaca RES receive DOE recognition for full compliance to Retail Competition and Open Access issuances

ECONOMIC CONTRIBUTION*

Our Company generated a total value of ₱111.1 billion in 2021, most of which came from the sale of our products and services. We returned most of this value to our stakeholders in the form of payment, reinvestment, dividends, salary, taxes and royalties.

GENERATED **VALUE**

₱111.1 bn

108.3 | 2.8

Collection from sales and services
97%

Other income
3%

DISTRIBUTED **VALUE**

₱97.6 bn

58.1 | 8.9 | 21.0 | 9.3

Operating costs
52%

Employee wages and benefits*
8%

Dividends and interest payments
19%

Government taxes
8%

RETAINED **VALUE**

₱13.6 bn (12% of generated value)

13.6

* from subsidiaries

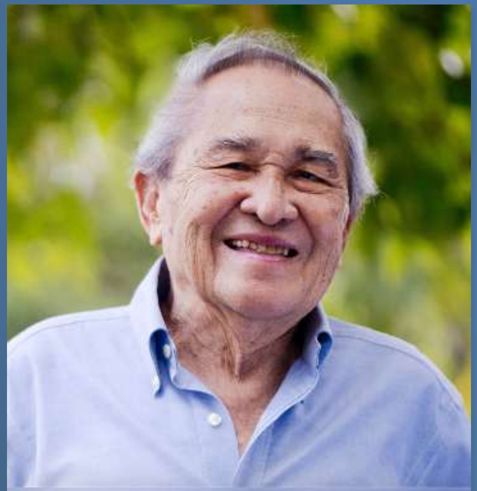
BOARD OF DIRECTORS

ISIDRO A. CONSUNJI
Chairman and President

MA. EDWINA C. LAPERAL
Executive Director

JORGE A. CONSUNJI
Non-Executive Director

LUZ CONSUELO A. CONSUNJI
Non-Executive Director



CESAR A. BUENAVENTURA
Vice Chairman
Non-Executive Director

HERBERT M. CONSUNJI
Executive Vice President
& Chief Finance Officer

MARIA CRISTINA C. GOTIANUN
Executive Director

ANTONIO JOSE U. PERIQUET
Lead Independent Director

HONORIO O. REYES-LAO
Independent Director

HISTORIC RESULTS & HIGHLIGHTS

REVENUES

- DMC
- SMPC
- DMCI HOMES
- DMCI MINING
- DMCI POWER
- DMCI

NET INCOME

- SMPC
- DMCI HOMES
- DMCI MINING

CORE NET INCOME

- DMC
- SMPC
- DMCI HOMES
- DMCI MINING

AVERAGE SELLING PRICES

- SMPC
- DMCI HOMES
- DMCI MINING
- DMCI POWER

GENERATION/ PRODUCTION

- DMCI MINING
- DMCI POWER

SALES VOLUME

- DMCI MINING
- DMCI POWER

DIVIDEND PAYOUT RATIO VS POLICY

- DMC
- SMPC

SHARE PRICE PERFORMANCE

-0.24%	36%	55%
PSEI	DMC	SCC

GOVERNMENT SHARE

- SMPC
- DMCI MINING
- DMCI POWER

LETTER TO SHAREHOLDERS

FELLOW SHAREHOLDERS,

Coming off a very bad year, I had modest expectations for our Company.

I knew that the health risks and economic scarring of the COVID-19 pandemic would continue to test the resilience of our businesses.

Fully reopening the economy and achieving some form of normality was also unlikely given the emergence of new variants and delayed vaccine rollout.

At the same time, I believed in our people and their ability to break through barriers. And despite the economic downturn and financial strain we experienced in 2020, we kept our workforce intact because of their crucial role in our pandemic recovery.

OUR CONSOLIDATED RESULTS IN 2021 DEMONSTRATE THE STRENGTH OF OUR INVESTMENT PORTFOLIO AND THE SOUNDNESS OF OUR MANAGEMENT DECISION.

From ₱6.6 billion, our core net income soared by 164 percent to ₱17.4 billion, an all-time high for our Company.

Including a nonrecurring income of ₱1 billion in 2021 mostly from deferred tax remeasurement under the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act and nonrecurring loss of ₱708 million mainly from sales cancellations for a real estate project in 2020, our net income expanded more than three times (214%) to ₱18.4 billion, 75 percent more than our pre-pandemic profit level and the second highest in our corporate history.

Our 2021 bottom line was narrowly eclipsed by our 2013 results when it reached ₱18.9 billion because of a one-time gain of ₱8.4 billion when we sold some of our shares in Maynilad.

WE CREDIT OUR SOLID RECOVERY TO THE RECORD-SETTING PERFORMANCES OF OUR SUBSIDIARIES.

Capitalizing on the bullish coal and electricity markets, **Semirara Mining and Power Corporation** generated record revenues and delivered ₱9.2 billion in core income contribution, a 360-percent upswing from ₱2 billion.

DMCI Homes more than doubled (127%) its contribution from ₱1.9 billion to ₱4.4 billion as higher construction accomplishments accelerated revenue recognition to historic levels.

With the resurgence of nickel coinciding with the full-year operations of its two mines, **DMCI Mining** was able to boost its contributions by 150 percent from ₱483 million to ₱1.2 billion, its highest ever.

Contributions from **DMCI Power** grew 8 percent from ₱537 million to ₱580 million on all-time high electricity sales and full-year operations of its 15MW thermal plant.

Higher construction accomplishments translated to historic revenues for **D.M. Consunji, Inc.**, which led to a 247-percent jump in contributions from ₱109 million to P378 million.

Affiliate **Maynilad Water Services**, Inc. contributed ₱1.6 billion, largely unchanged from last year because of weaker billed volume and lower average effective tariff.

Income from **parent and other investments** improved by 122 percent from a net loss of ₱51 million to a net income of ₱11 million due to the absence of expenses related to COVID-19.

True to our commitment to shared value creation, we distributed record high dividends and royalties to our shareholders and government-partners, respectively.

In 2021, our total dividend payout per share reached ₱0.96, which translates to a yield of 15 percent based on our average daily closing price for the year of ₱6.38.

Altogether, we returned ₱12.75 billion to our shareholders for a dividend payout ratio of 194%—well above the company dividend policy of 25% of the previous year's core net income and the highest ever for the group.

APRIL PAYOUT

₱0.13/share REGULAR

₱0.35/share SPECIAL

+

NOVEMBER PAYOUT

₱0.48/share SPECIAL

=

2021 PAYOUT

₱0.96/share TOTAL

Against the backdrop of a sluggish market and despite our exclusion from the Philippine Stock Exchange index (PSEi) in August, our year-end share price rebounded strongly from its pandemic low (134%) and continued to do well versus the previous year (36%).

SHARE PRICE PERFORMANCE

in pesos

The remarkable performances of our subsidiaries SMPC, DMCI Mining and DMCI Power also gave rise to all-time high government share, which can aid in the pandemic recovery efforts of our country.

SMPC
₱6.4B
GOVERNMENT SHARE

DMCI MINING
₱170.9M
EXCISE TAX ON MINERALS

DMCI POWER
₱3.7M
ER 1-94

Apart from our economic contributions, I am proud to report on our environmental, social and governance (ESG) accomplishments during the year.

DMCI Holdings and **SMPC** were among the 380 companies from across the world that made it into the 2021 Bloomberg Gender-Equality Index (GEI).

The GEI is a reference index that assesses listed firms in terms of five gender equality pillars: female leadership and talent pipeline, equal pay and gender pay parity, inclusive culture, sexual harassment policies, and pro-women brand.

We are grateful to be part of this select group because it reinforces who we are as an organization.

While our businesses belong to predominantly male industries, we treat our people equally and recognize them based on merits—not gender.

Both companies also received corporate governance recognition from the Securities and Exchange Commission (SEC) and Institute of Corporate Directors (ICD).

DMCI Holdings received a 3-Golden Arrow Award after scoring at least 80 points in the 2019 ASEAN Corporate Governance Scorecard (ACGS) Assessment.

The ESG initiatives of our non-listed subsidiaries were likewise recognized during the year, as summarized in the opposite page.

Looking back at 2021, I am reminded of what Peter Drucker once said, that "Management is about human beings. Its task is to make people capable of joint performance, to make their strengths effective and their weaknesses irrelevant."

The historic results of our Company would not have been possible without our employees and workers who found a way to work together despite the constraints and risks posed by the global health pandemic.

They physically showed up, adapted to the changing quarantine guidelines and worked under unprecedented pressure to keep our essential facilities and job sites going.

As a result, we were able to ride the commodity and electricity market tailwinds, and boost construction productivity while keeping workplace infections in check.

AWARDS & RECOGNITION

SMPC

- Winner, Special Submission category
  Accelerated Coal Mine Rehabilitation of South Panian Mine
  2021 ASEAN Energy Awards
- 2-Golden Arrow Award
  2019 ASEAN Corporate Governance Scorecard
  Institute of Corporate Directors (Philippines)
- Asia's Best Employer Brand Award
  16th Employer Branding Awards
  Employer Branding Institute (India)

DMCI HOMES

- Overall winner, 1st Philippines Excellence in Concrete Construction Awards ("UP Chapel Restoration Project")

DMCI POWER

- Corporate Social Responsibility (CSR) Initiative of the Year, Asian Power Awards ("Panderya sa Tugbo")

ZAMBALES DIVERSIFIED MINING CORPORATION

- Platinum Awardee, Presidential Mineral Industry Environmental Award - Surface Mining Category
- 3rd Runner-Up, Presidential Mineral Industry Environmental Award - Metallic Mining Category

BERONG NICKEL CORPORATION

- Presidential Award, Presidential Minery Industry Environmental Award - Surface Mining Category
- Runner-Up, Safest Surface Mines
- 2021 Gender Sensitive Mining Company - Mines and Geosciences Bureau - MIMAROPA Region

MAYNILAD

- Energy Management Insight Award, Clean Energy Ministerial
- "Utility of the Future" citation, World Bank
- 2021 Going Digital in Infrastructure Awards (Lone Philippine Finalist), Bentley Systems, Inc.

My deep admiration and gratitude goes out to the men and women of the DMCI group for their determination, commitment and tenacity.

I would also like to thank our Board of Directors, shareholders, host communities, regulators, business partners and other stakeholders for their continued trust and support.

GOING INTO 2022, WE SHOULD EXPECT MORE VOLATILITY AND CHALLENGES FOR OUR COMPANY.

While it could be the year when COVID-19 transitions from pandemic to endemic, the emergence of new, more contagious variants remains a possibility because of border reopenings, waning vaccine efficacy and low vaccination rates in certain areas.

The outcome of the national and local elections could also lead to significant changes in economic policy, mining regulation and infrastructure spending, which could alter the growth trajectory of our businesses.

However, the biggest threat to our economy and business performance would be geopolitical tensions.

As I pen this letter, Russian forces have staged a military assault on Ukraine, triggering unprecedented economic sanctions on Russia—the world's third-largest and sixth-largest producer of nickel and coal, respectively.

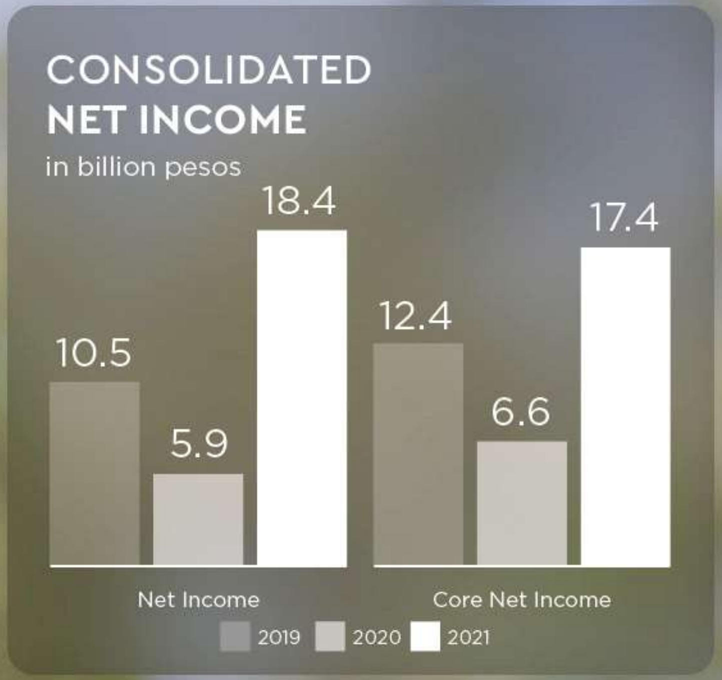
The escalation and prolonged aftermath of these events will have serious implications on the global supply chain, and consequently commodity prices.

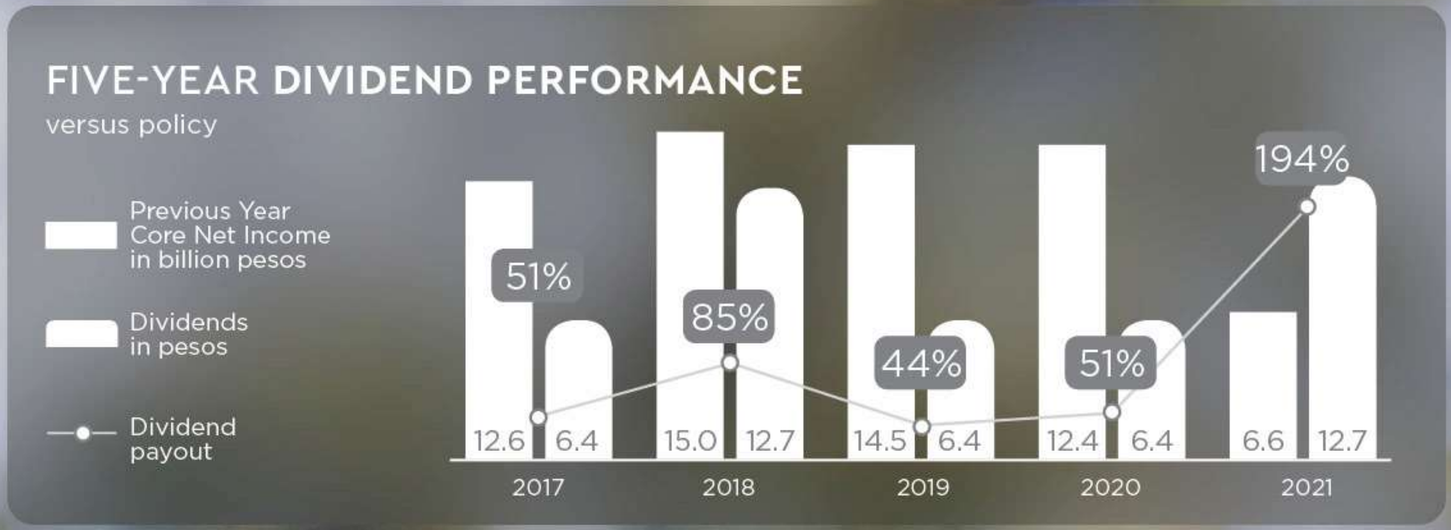
We expect wild swings in coal, nickel, fuel and other raw materials as the rest of the world deals with the geopolitical uncertainty, supply tightness and consumption slowdown caused by the Russian invasion of Ukraine.

It would be impossible to predict the net effect of these events on our Company. But I would like to reassure you that our Board, management teams and workforce are united and resolute in addressing the looming challenges.

I firmly believe that together, we can overcome whatever lies ahead and deliver on our stakeholder commitments.

ISIDRO A. CONSUNJI
Chairman of the Board and President





CHIEF FINANCE OFFICER'S REPORT

TO OUR VALUED SHAREHOLDERS,

In 2021, the widespread transmission of COVID-19 and emergence of new variants posed serious challenges on our businesses and operating environment.

We had to adapt to erratic market conditions and changing quarantine restrictions to ensure our pandemic recovery and reinforce our sustainability.

Despite the odds, our Company delivered a banner performance because of our resilient workforce and COVID-19 adaptation measures.

WE SET NEW RECORDS IN TERMS OF CONSOLIDATED REVENUES AND CORE NET INCOME IN 2021.

Our topline grew faster than cost of sales, jumping 60 percent from ₱67.7 billion to ₱108.3 billion. Our cost of sales grew 34 percent from ₱51.9 billion to ₱69.7 billion.

Coal mining accounted for one-third of consolidated revenues followed by real estate sales (22%), construction contracts (21%), electricity sales (20%) and nickel mining (4%).

Improved sales volume and prices more than doubled (145%) our gross profit from ₱15.8 billion to a record high of ₱38.7 billion.

This translated to a gross margin of 36 percent—better compared to our pre-pandemic level of 32 percent.

Our full-year core net income soared by 164 percent from ₱6.6 billion to ₱17.4 billion, the highest in our corporate history.

Including nonrecurring items, our Company recognized a net income of ₱18.4 billion, up 214 percent from ₱5.9 billion.

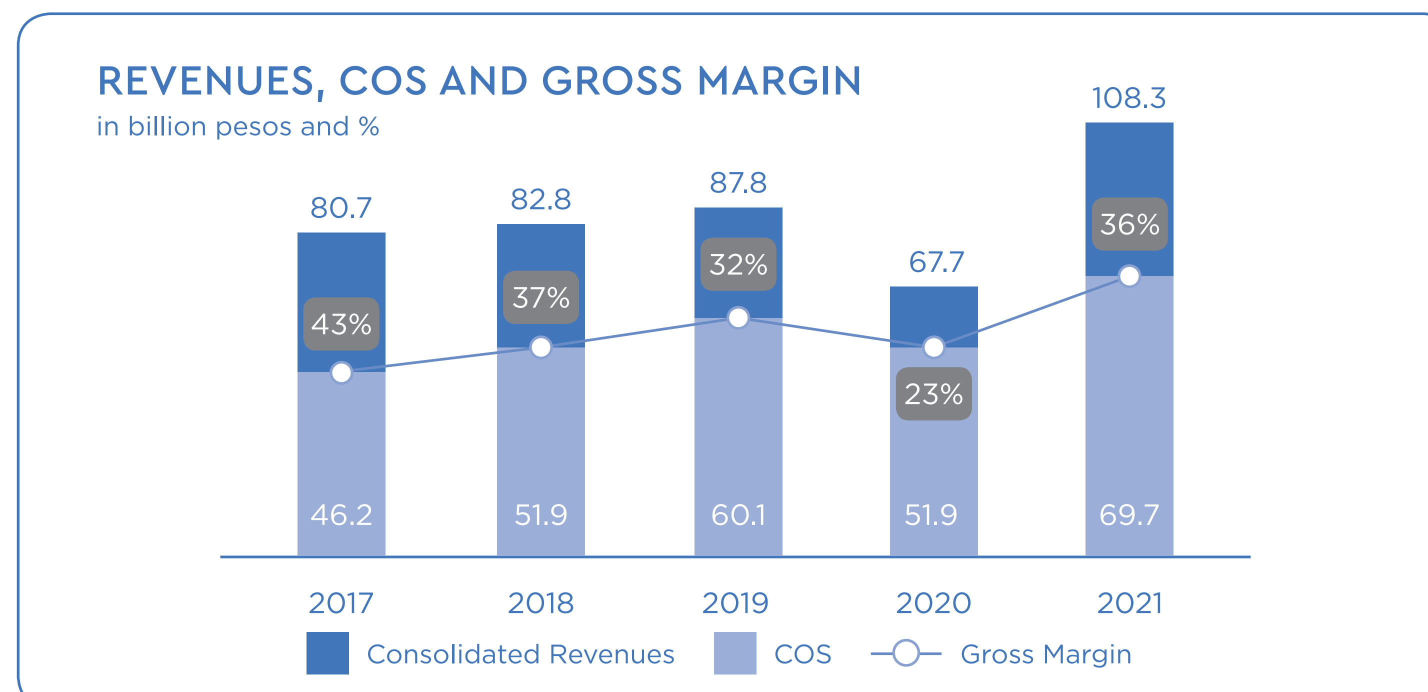
The one-off items in 2021 include a gain of ₱955 million from deferred tax remeasurement under the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act, income of ₱203 million from the sale of land and losses of ₱127 million from Maynilad severance pay and other expenses.

In 2020, the one-off items relate to a nonrecurring loss of ₱708 million mainly from sales cancellations for a real estate project.

WE SAW A MARKED POSITIVE SHIFT IN OUR CASH FLOW.

Our operating cash flow improved by 108 percent from ₱10.8 billion to ₱22.5 billion mainly due to higher coal and nickel sales.

Consistent with our commitment to generating strong operating cash flow, we were able to pay



₱12.7 billion in dividends, while minimizing debt availment.

Investing cash outflow declined to ₱4.5 billion (net) due to timing of lower property, plant and equipment payments.

Our cash balances also showed minimal movement (-3%) from ₱18.9 billion to ₱18.3 billion.

Consolidated debt, on the other hand, showed a slight uptick (2%) from ₱51.8 billion to ₱53.0 billion.

To fund ongoing projects, DMCI Homes and DMCI Power had net debt availments of ₱4.3 billion and ₱1.0 billion, respectively. These were partially offset by the net debt payments (₱4.8 billion) of SMPC.

Current ratio remained at 225%, while net debt-to-equity ratio declined to 32% on higher retained earnings growth (9%). Our Company remained debt-free at the parent level.

Capital spending rose slightly (1%) from ₱21.7 billion to ₱22.1 billion, most of which (89%) went to DMCI Homes and SMPC.

Government royalty share and excise mineral tax amounted to ₱6.5 billion, 261 percent higher than the ₱1.8 billion last year.

OUR COMPANY'S FINANCIAL POSITION REMAINS STRONG AND HEALTHY.

As of the end of 2021, our group total assets expanded by 5 percent to ₱215.1 billion, largely driven by higher contract assets of DMCI Homes and trade receivables of SMPC. Both are in line with higher construction accomplishments and coal sales.

Higher coal sales translated to a 3-percent rise in total liabilities to ₱106.3 billion due to accruals of production expenses and higher government share.

At a debt-to-equity ratio of 0.49x, the group is well below its lowest debt covenant ratio of 2.0x.

Overall, the group balance sheet remained healthy as our book value per share of ₱6.61 grew faster (7%) than total assets and liabilities. This despite a total dividend payout of ₱0.96 during the year.

WE RECORDED NOTABLE IMPROVEMENTS IN OUR VALUATION.

Our market capitalization during the year leaped by 36 percent from ₱75.2 billion to ₱102.4 billion, exceeding our pre-pandemic level and the PSEi (-0.24%).

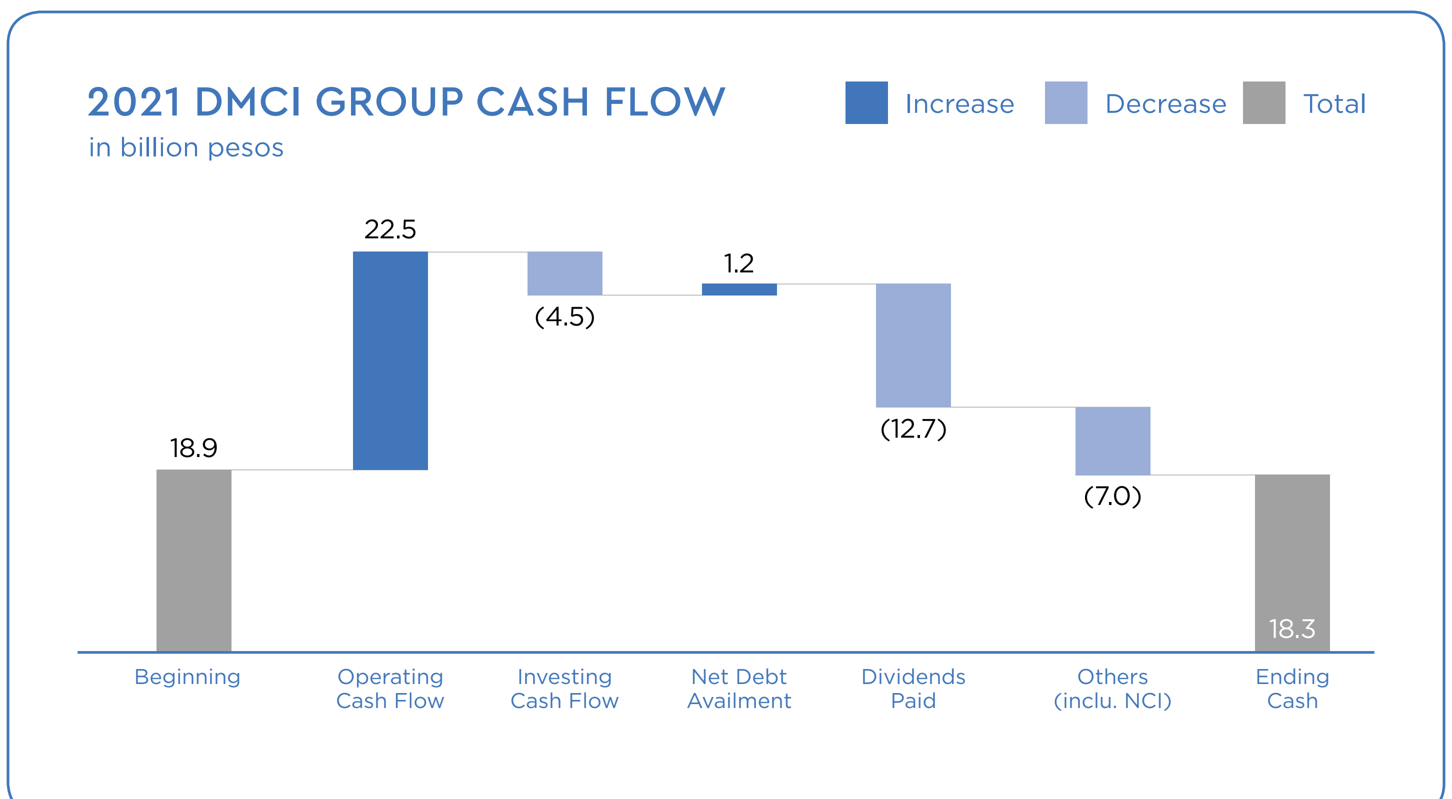
Including dividends declared during the period, our total returns reached 53 percent, the best among our listed conglomerate peers.

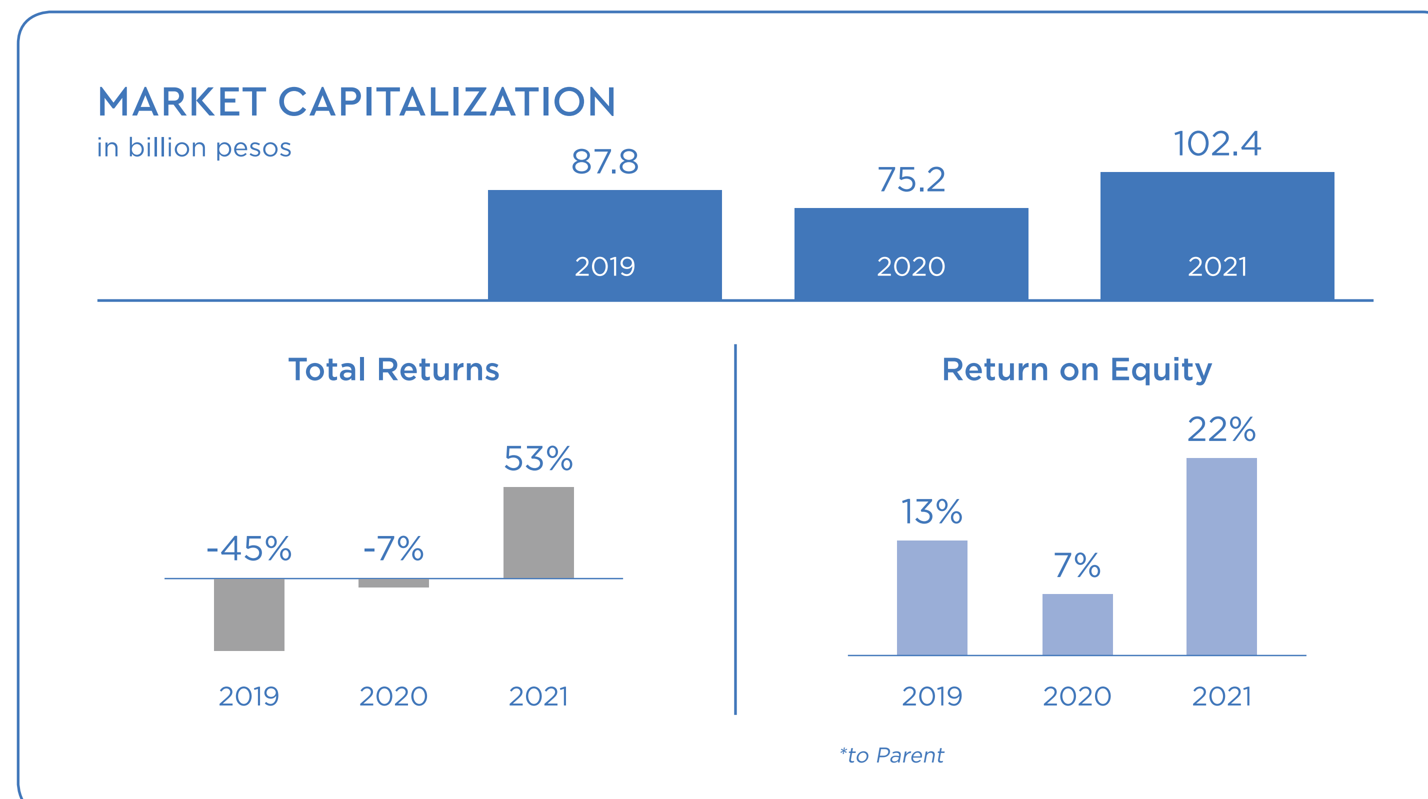
We also improved our capital efficiency as return on equity expanded from 7 percent to 22 percent, which we believe is the highest in our sector (conglomerate).

Meanwhile, our price-to-book ratio improved to 1.2x, better than our year-on-year and pre-pandemic levels.

WE INTEND TO SUPPORT OUR ORGANIC GROWTH THROUGH OUR INVESTMENTS.

For 2022, our subsidiaries have earmarked ₱30.3 billion in capital spending, a 37-percent bump up from the ₱22.1 billion spent the prior year.





Most of our group capex (60%) will go to DMCI Homes for construction activities (₱14.8 billion), land acquisitions (₱3.3 billion) and fixed assets (₱0.2 billion).

SMPC plans to spend ₱4.6 billion for mine equipment refleeting and ₱2.4 billion for power plant construction. To be located in Semirara Island, the 30MW power plant will replace a facility set for retirement while boosting supply for mining operations.

In line with its expansion plans, DMCI Power has set aside ₱2.2 billion for its 15MW thermal plant in Palawan, 12MW Masbate hybrid plant and other plant equipment. The facility is expected to start commercial operations in the second half of 2022.

DMCI Mining has allocated ₱0.5 billion for exploration activities in Palawan and Zambales. It also intends to acquire additional mining equipment for its Zambales operations.

Our subsidiaries intend to use internally generated cash to fund most of these capital spending.

WE ARE CAUTIOUSLY OPTIMISTIC ABOUT THE FUTURE.

Our robust businesses, financial prudence and healthy balance sheet have allowed us to weather the worst of the pandemic and emerge even stronger from the ordeal.

While this gives us reason to rest easier, we cannot be complacent. As we have seen happen in March 2020, things can dramatically change in an instant.

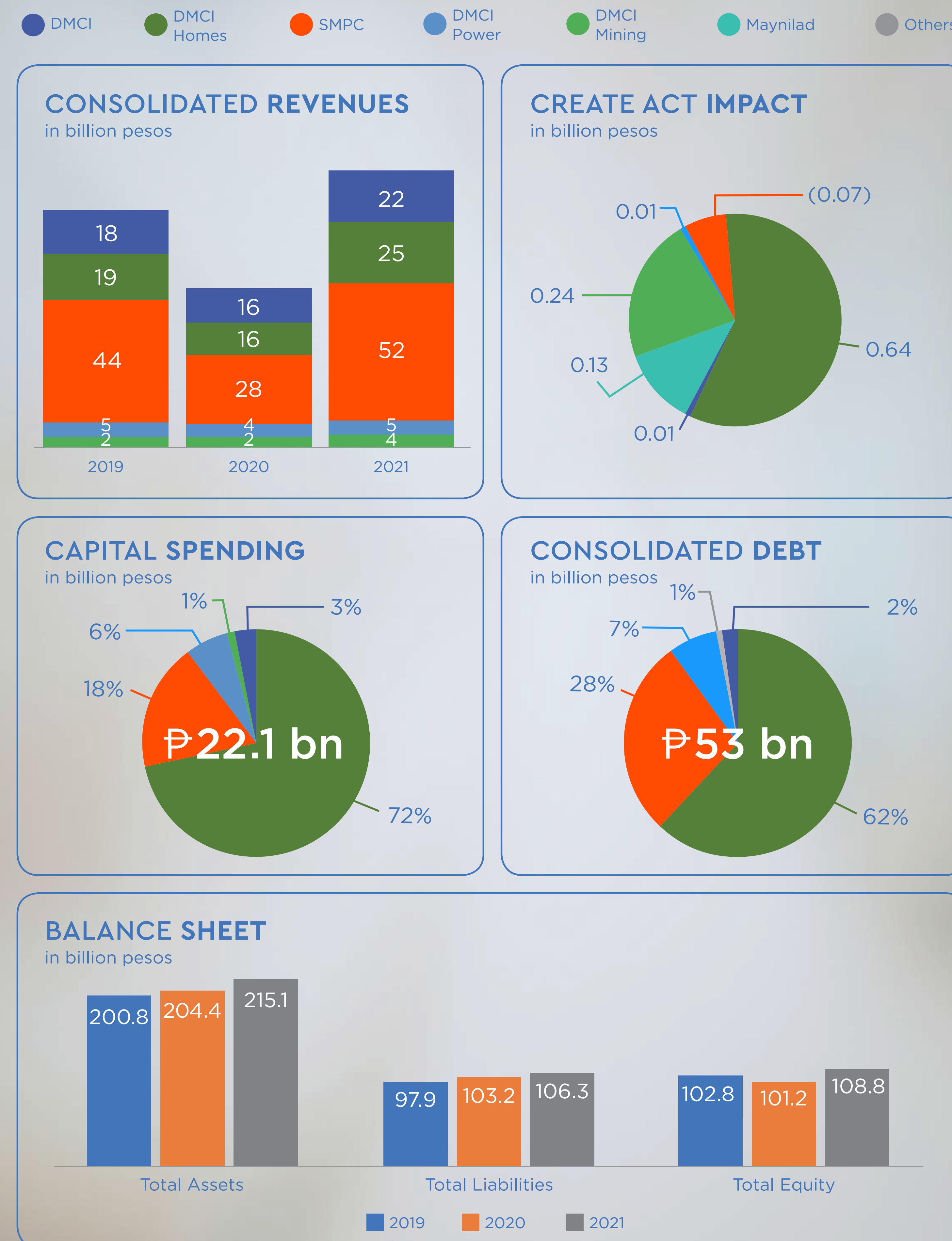
The widening and deepening impacts of the Russia-Ukraine conflict on the global economy, food supply, energy security and supply chain serve as another painful reminder of that.

COVID-19, along with the other crises we survived, has taught us that strategy, and prudent cash management can go a long way in mitigating uncertainty and volatility.

Rest assured that these lessons are deeply ingrained in our finance teams. We are committed to safeguarding the financial welfare of our Company and will work tirelessly towards this end.

With your trust and support, we can adapt to the changes and overcome any challenges that lie ahead for our Company.

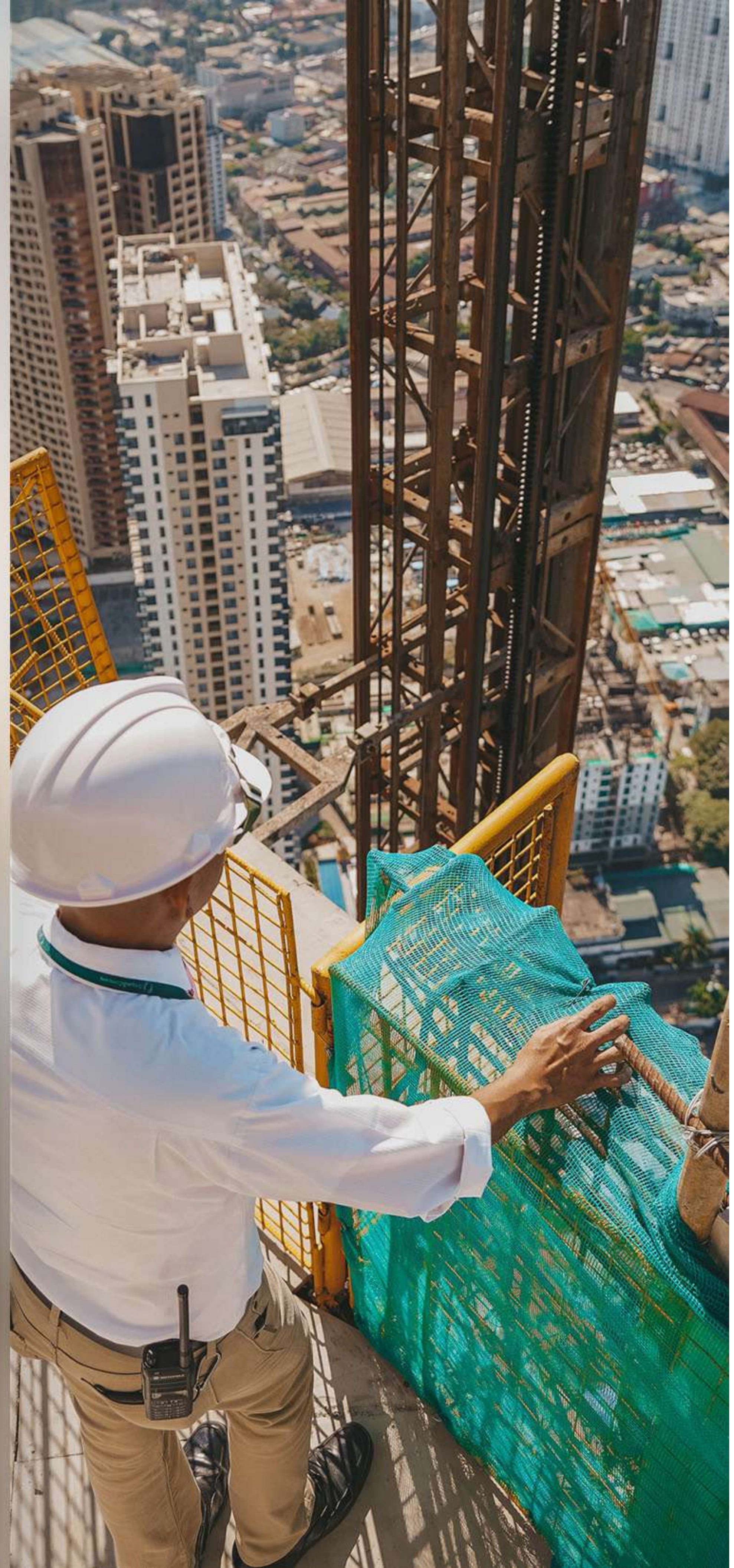
HERBERT M. CONSUNJI
Executive Vice President and
Chief Finance Officer



BUSINESS REVIEW

D.M. CONSUNJI, INC.
ENGINEERS · CONTRACTORS

Established on December 24, 1954, D.M. Consunji, Inc. (DMCI) is one of the leading engineering-based integrated construction firms in the country. It operates in four key construction segments: building, energy, infrastructure, as well as utilities and plants.



The Philippine construction sector regained some lost ground in 2021, growing by 9.8 percent to ₱1.23 trillion due in large part to low base effect and higher public infrastructure spending.

Although a marked improvement from ₱1.12 trillion in 2020, the construction value for 2021 was still 18 percent lower than the pre-pandemic level of ₱1.51 trillion, as private construction remained sidelined by market uncertainty and tight credit standards.

Even with the phased economic reopening in 2022, analysts expect the construction sector to be among the last to recover from the COVID-19 pandemic owing to weak economic conditions and low demand for new office buildings, commercial spaces and high-rise dwellings. Public investments will continue to prop up the construction sector, which is seen to return to its pre-pandemic trajectory sometime in 2023/2024.

OPERATING **HIGHLIGHTS**

Exemption from strict quarantine restrictions, higher vaccination rates and implementation of various COVID-19 resiliency measures allowed DMCI to accelerate construction works amid the surge in cases in April and September.

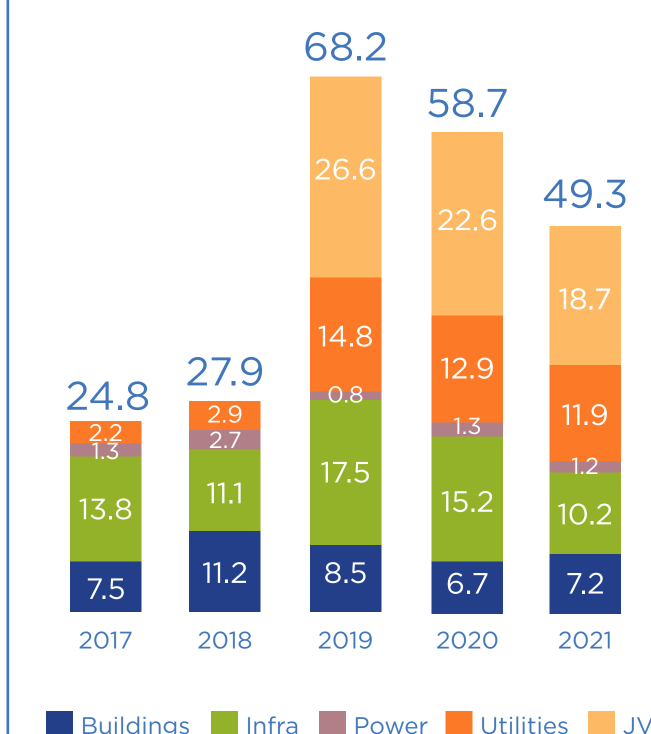
The company completed 11 projects, including JGSP OSBL Expansion K006, SM MOA Block 4 (Ikea Pasay), Nagtahan Rampway, PSG Station Hospital, and various buildings and plant facilities. These projects have a total contract value of ₱8.3 billion.

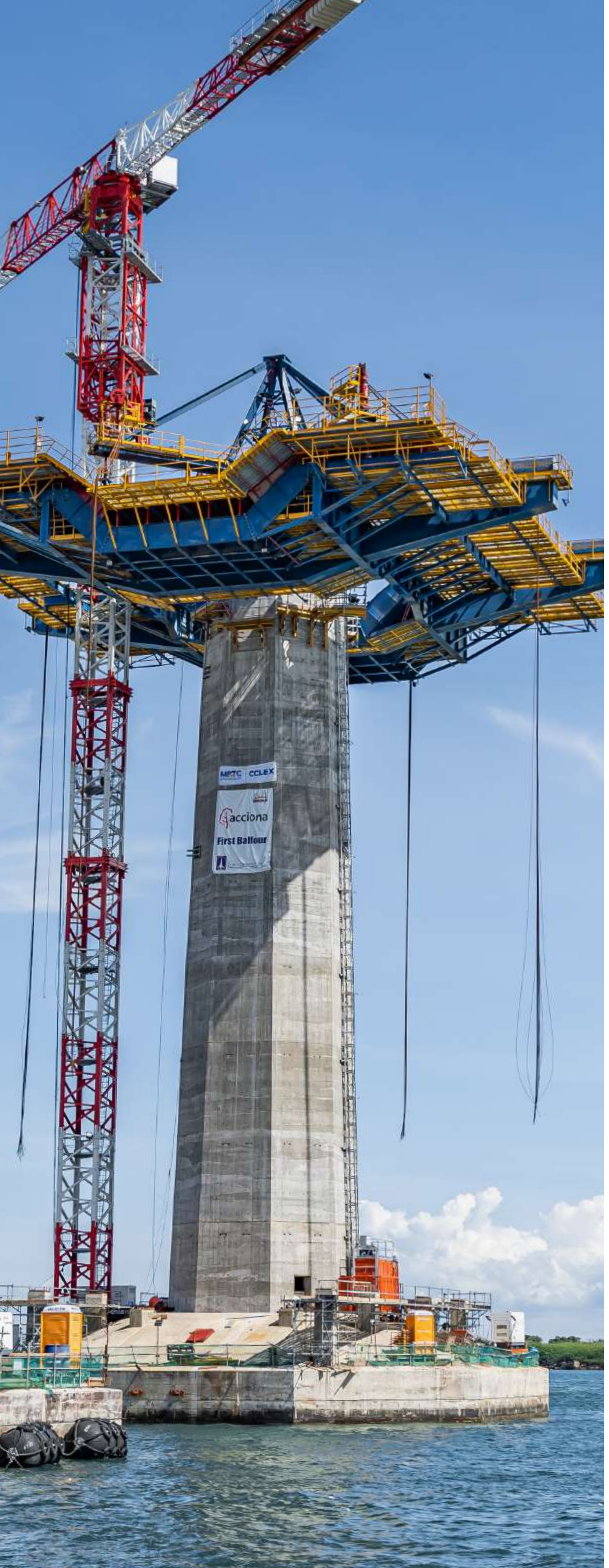
Meanwhile, ongoing projects consist mostly of joint venture, infrastructure and utilities contracts such as NLEX-SLEX Connector Road, NSCR Project, Camana Water Reclamation facility, Poblacion water treatment plant, among others. In all, these projects have an order book balance of ₱49.3 billion.

Reflecting the soft rebound in private construction and delayed award of big-ticket government projects, DMCI added only ₱4.7 billion-worth of new contracts in 2021, an 88-percent improvement from the ₱2.5 billion signed last year. Meanwhile, change orders grew faster at ₱2.9 billion from ₱300 million owing to design changes and work rescoping.

With these movements, the DMCI order book reached ₱49.3 billion by year-end, 16 percent lower compared to ₱58.7 billion the previous year. Joint venture (JV) and utilities projects accounted for the bulk of the backlog, which is enough to sustain the company for roughly three years.

ORDER **BOOK**
in billion pesos





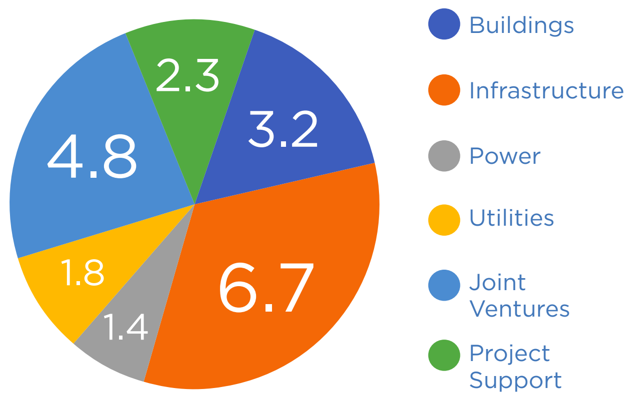
FINANCIAL PERFORMANCE

DMCI posted a strong recovery in 2021, with revenues hitting an all-time high and net income growing fourfold.

Revenues increased by 19 percent from ₱17.0 billion to ₱20.3 billion on higher construction accomplishments. The revenues came mostly from infrastructure and JV projects, as the former rose by 33 percent from ₱5.0 billion to ₱6.7 billion while the latter jumped by 15 percent from ₱4.2 billion to ₱4.8 billion.

2021 REVENUE BREAKDOWN

in billion pesos



In line with topline growth, cost of sales expanded by 18 percent from ₱17.0 billion to ₱20.3 billion on higher construction accomplishments.

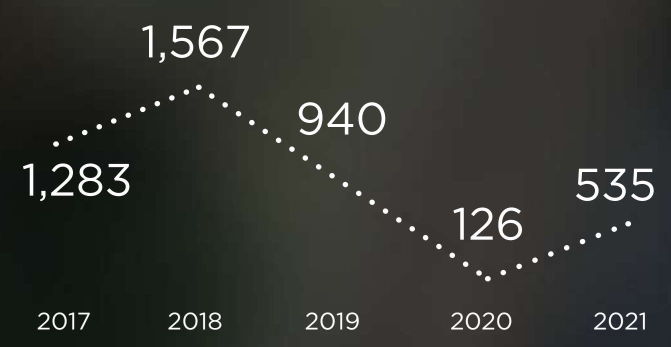
Operating expenses advanced at a slower pace (8%) from ₱523 million to ₱566 million due to lower pandemic-related expenses.

Higher revenues coupled with a one-time gain of ₱191 million from sale of land pushed net income to soar by 336 percent from ₱109 million to ₱477 million.

5-YEAR PERFORMANCE REVIEW

NET INCOME

in million pesos

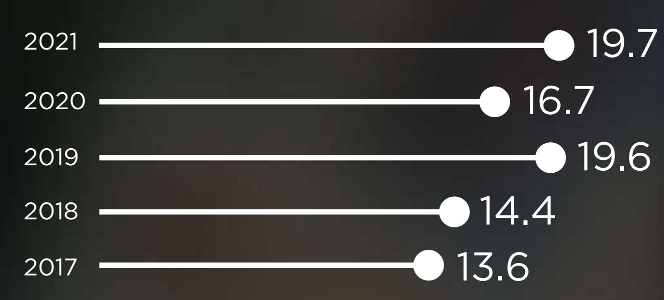


REVENUES

in billion pesos

COS AND OPEX

in billion pesos

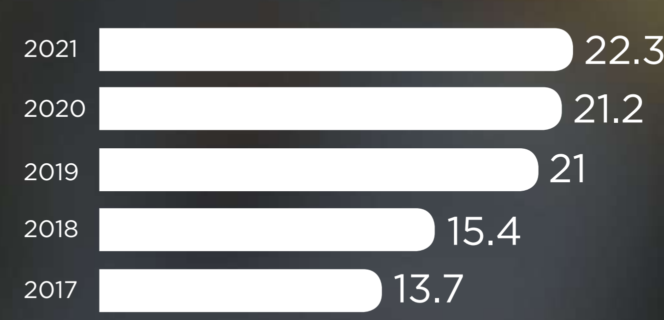


ORDER BOOK

in billion pesos

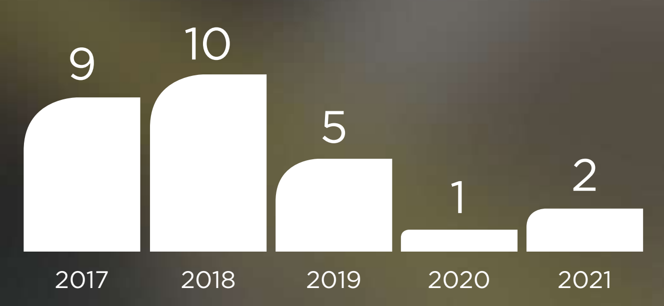
TOTAL ASSETS

in billion pesos



RETURN ON ASSETS

in %



*All figures standalone

DMCI HOMES
Feels real good to be home

Initially a housing division under D.M. Consunji, Inc., DMCI Homes was spun-off in 1999 to address the surge in demand for urban homes. Since then, the company has become a key player in the Philippine real estate sector, particularly in the mid-income segment.

Real estate demand continued to languish in 2021 due to weak macroeconomic conditions, COVID-19 surges and pandemic-related uncertainties. According to property consulting firm Colliers Philippines, condominium pre-selling in Metro Manila plummeted by 60 percent to 12,000 units during the year.

For four straight quarters starting last quarter of 2020, housing prices in the National Capital Region (NCR) also declined as families moved out of the capital to cut expenses, improve housing conditions and avoid strict lockdowns.

While low interest rates spurred household demand for housing loans, overall credit standards was mostly tight during the year. This was largely due to deteriorating borrowers' profile, economic uncertainty and lower risk tolerance by the banks. In the fourth quarter, lenders showed signs of easing credit standards as economic outlook and borrowers' profile improved on the back of increasing vaccine coverage and the phased reopening of Metro Manila.

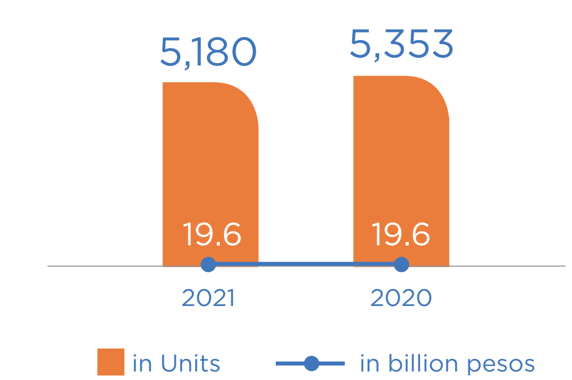
OPERATING **HIGHLIGHTS**

DMCI Homes launched one project in 2021 as against two the prior year. The slowdown was due to the combined effect of sluggish demand, substantial inventory and delayed permit issuance.

Located in Quezon City, The Oriana has 2,508 residential units with a sales value of ₱16.1 billion, 7 percent higher than the ₱15.1 billion total sales value of the 2,247 residential units in Alder Residences and The Camden Place.

The launch of The Oriana, together with the completion of new projects and launch of units in Allegra Garden Place, pushed total inventory to rise by 66 percent from ₱24.6 billion to ₱40.8 billion. Accounting for 72 percent of inventory, the pre-selling units have a total sales value of ₱29.3 billion while the ready-for-occupancy (RFO) units are valued at ₱11.5 billion.

SALES AND **RESERVATIONS**



Sales and reservations slipped by 3 percent from 5,353 units to 5,180 units, of which 2,959 were residential units and 2,221 were parking slots. The lackluster result is largely attributable to slow demand recovery, strict mortgage lending and restricted mobility in NCR and other key areas.

Despite the decline, total sales value was steady at ₱19.6 billion owing to a 10-percent increase in average selling price per unit, from ₱5.5 million to ₱6.0 million. The price adjustment was driven by the rising costs of land and construction materials.

Continued rationalization of land acquisitions translated to a 2-percent uptick in total land bank from 182.1 hectares to 186.5 hectares. Land banking activities were limited to Luzon (outside Metro Manila), which increased by 6 percent from 61 hectares to 64.9 hectares. Total land inventory was mostly in Metro Manila (61%) and Luzon (35%).

FINANCIAL PERFORMANCE

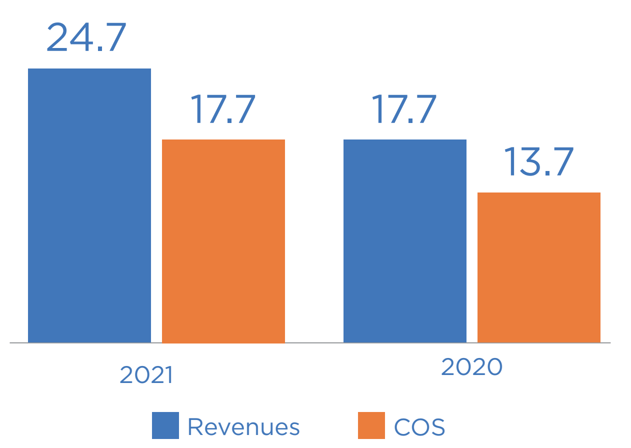
Real estate, hotel services and property management recorded a 39-percent upswing in revenues from ₱17.7 billion to ₱24.7 billion, an all-time high for the company.

Contributing 98 percent to the combined results, real estate revenues expanded by 39 percent from ₱17.3 billion to ₱24.1 billion due to higher construction accomplishments.

Under the percentage of completion method of revenue recognition, revenues are recognized based on the progress of development of the project and payment of at least 15 percent of the contract price by the buyer.

REVENUES AND COS

in billion pesos



Hotel services under Alta Vista de Boracay plunged by 90 percent from ₱19.6 million to ₱2 million as the island was closed to tourists for the most part of the year.

Contributions from property management grew by 10 percent from ₱205 million to ₱225 million following an increase in RFO projects and upward rate adjustment to cover additional manpower deployment.

Cost of sales advanced at a slower pace in relation to revenues (29% versus 39%) due to the absence of dress-up costs for units completed in prior years. From ₱13.7 billion, it went up to ₱17.7 billion.

Beginning 2020, DMCI Homes automatically dressed up residential units to optimize its finishing costs and allow faster unit turnover. Prior to this, units were only dressed up after receiving confirmation from clients.

Meanwhile, operating expenses increased by 11 percent from ₱2.2 billion to ₱2.4 billion on higher manpower costs, taxes and licenses.

Other income rose by 66 percent from ₱767 million to ₱1.3 billion because of higher unit cancellations, forfeitures and rental income.

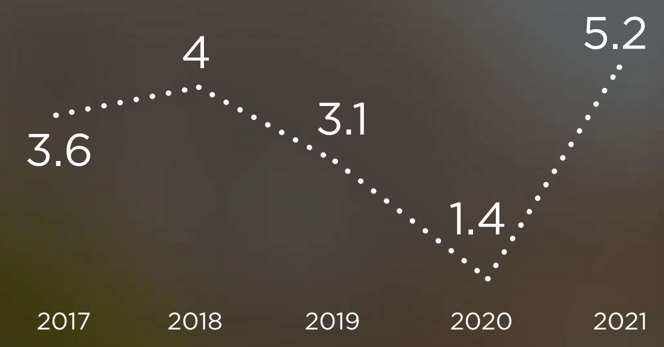
DMCI Homes also recorded nonrecurring gains of ₱649 million in 2021 from the sale of land, deferred tax liabilities remeasurement and income tax adjustment under the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act.

With these one-time gains and including a one-time loss of ₱570 million (net of tax) in 2020 from sales cancellations for a Davao project, net income surged by 269 percent from ₱1.4 billion to ₱5.2 billion, the highest ever for the company.

5-YEAR PERFORMANCE REVIEW

NET INCOME

in billion pesos



REVENUES

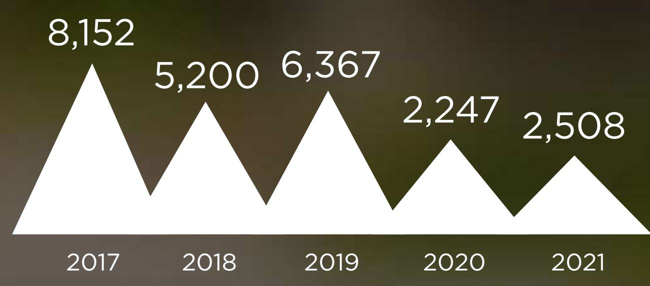
in billion pesos

SALES AND RESERVATIONS

in billion pesos

RESIDENTIAL LAUNCHES

in actual units

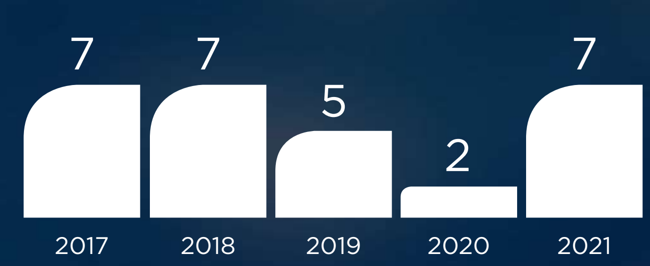


RESIDENTIAL TURNOVERS

in actual units

RETURN ON ASSETS

in %



*All figures at PDI conso level **Net of sales value reversal from project cancellation for a Davao project

Notes: In June 2017, DMCI Homes changed its accounting policy on recognition of real estate sales and cost of sales from completed contract method to Percentage of Completion (POC) method as allowed under the Philippine Financial Reporting Standards (PFRS). The shift in accounting policy is to align the company's revenue recognition with the current practice in the industry. In 2018, DMCI Homes fully implemented the new PFRS 15 and 9. As a result, gross profit margin for the year decreased because of the new accounting method for sales commission, depreciation and cost of sales.

SEMIRARA MINING & POWER CORPORATION

Acquired by DMCI Holdings in April 1997, Semirara Mining and Power Corporation (SMPC) is the largest coal producer in the Philippines, and the only power generation company in the country that produces its own fuel (coal). Its subsidiaries—Sem-Calaca Power Corporation (SCPC) and Southwest Luzon Power Generation Corporation (SLPGC)—provide baseload power to the Luzon and Visayas grids.

Global supply and demand imbalance pushed coal prices to record highs in 2021. Adverse weather conditions, COVID-19 containment measures and mine suspensions throttled production in China, India and Indonesia, which together account for over 67 percent of overall production.

In contrast, the stronger-than-expected rebound of major economies—compounded by lower output of renewable energy plants, high natural gas prices, low coal stockpiles and elevated heating and cooling requirements—boosted global demand by an estimated 6 percent.

On October 5, the Newcastle index peaked at US$269.50 while the ICI4 index hit US$122.08 on October 8. The two indices eventually closed the year at US$165.86 and US$60.60, respectively.

Domestic electricity prices recovered with the gradual easing of COVID-19 quarantine measures, which allowed more businesses to operate for longer hours and at increased capacities. Average spot prices more than doubled year-on-year from ₱2.27/KWh to ₱4.83/KWh.

OPERATING HIGHLIGHTS

COVID-19 adaptation measures and effective water seepage management allowed the coal segment to ramp up operations and take advantage of the rallying market. The power segment grappled with prolonged and forced plant outages but its overall performance was aided by high selling prices.

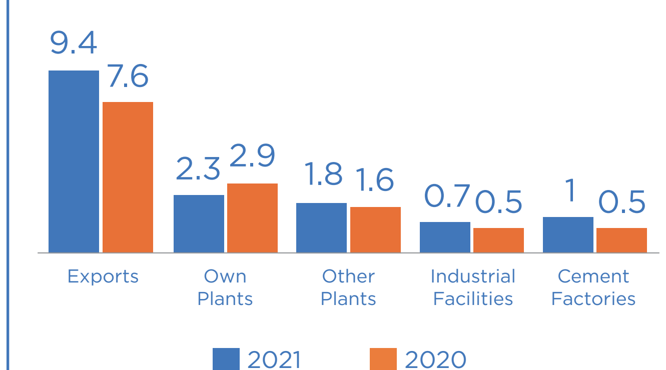
Coal production went up by 8 percent from 13.2 million metric tons (MMT) to 14.3 MMT on favorable weather conditions and more manageable water seepage level in Molave North Block 7 (NB7).

Average water seepage level decreased by 62 percent from 6,846 cubic meters per hour (m3/hr) to 2,395 m3/hr while full-year rainfall receded by 14 percent. Consequently, aggregate (actual) strip ratio declined from 13.9 to 11.0, which is lower than the expected strip ratio of 11.42 for 2021.

Coal sales jumped by 16 percent from 13.1 MMT to 15.2 MMT on robust foreign and domestic demand. Exports expanded by 24 percent from 7.6 MMT to 9.4 MMT, the bulk of which (95%) went to China. Local sales rose by 5 percent from 5.5 MMT to 5.8 MMT on higher sales to other power plants, industrial facilities and cement factories.

COAL SALES SUMMARY

in MMT



Contracts from December 2020 that were delivered in the first quarter and record high index prices in the second semester led to a 71-percent upturn in the average spot selling price of Semirara coal from ₱1,577 to ₱2,695, an all-time high for the company.

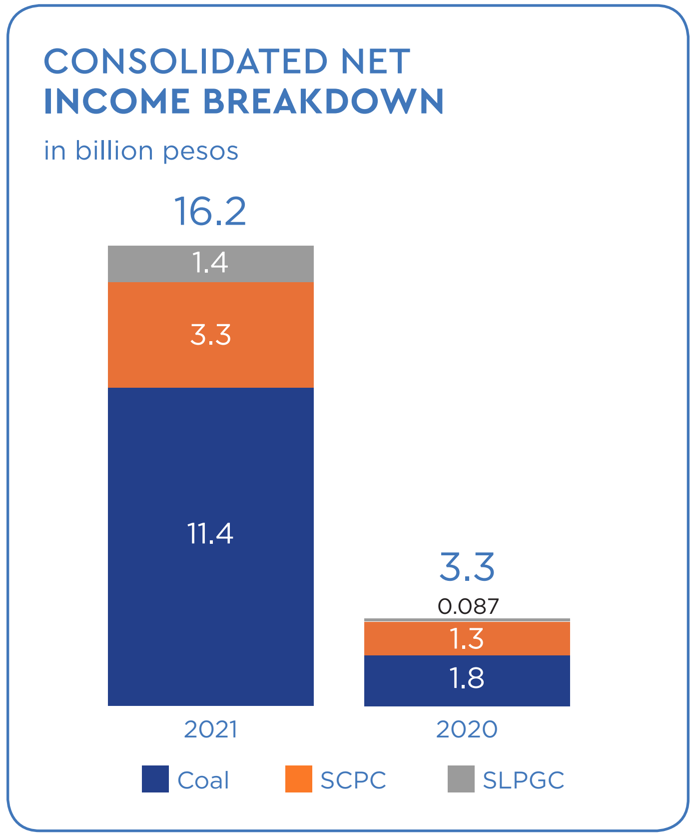
Overall gross generation of its power segment fell by 15 percent from 4,677 GWh to 3,959 GWh mainly due to the 31-percent drop in SCPC plant availability from 74 percent to 51 percent.

SCPC Unit 1 was on forced outage for 33 days because of boiler tube leaks while Unit 2 was out of commission for 305 days because of a defective generator stator. SLPGC fared better, with plant availability improving by 23 percent from 62 percent to 76 percent.

With lower generation, SMPC sustained a 4-percent drop in total power sales volume from 4,218 GW to 4,032 GW, the impact of which was offset by the sharp rebound in electricity prices.

Average selling price went up by 49 percent from ₱2.76 to ₱4.11 owing to an 8-percent increase in electricity price of a bilateral contract with a fuel pass-through provision and the 138-percent surge in average spot selling prices.

The expiration of a 170MW supply contract coupled with the 2-month availability of SCPC Unit 2 in the fourth quarter enabled the Company to further benefit from the rise in spot electricity prices in the WESM.



FINANCIAL PERFORMANCE

From a 10-year record low of ₱3.3 billion, consolidated net income rebounded by 393 percent to ₱16.2 billion, the highest in 41 years.

Accounting for 70 percent of consolidated earnings, coal contributed ₱11.4 billion, a 535-percent upsurge from ₱1.8 billion. SCPC more than doubled (154%) its contribution from ₱1.3 billion to ₱3.3 billion while SLPGC contribution soared by 1,563 percent from ₱87 million to ₱1.4 billion.

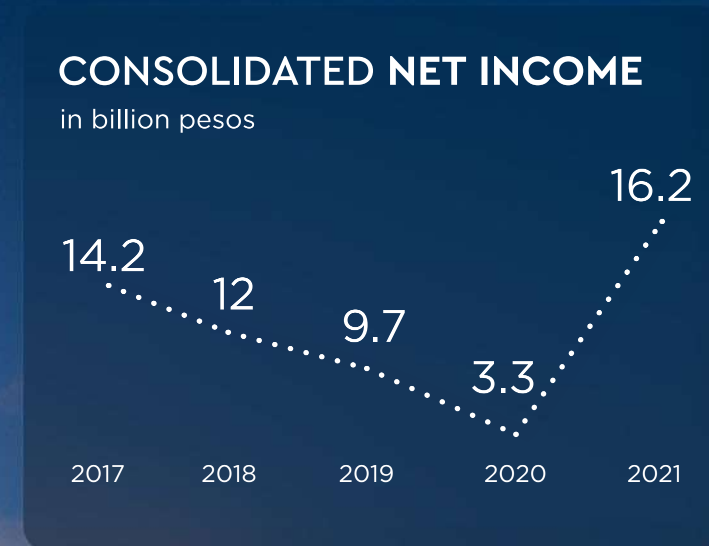
Consolidated revenues surged by 86 percent from ₱28.3 billion to an all-time high of ₱52.4 billion, after coal revenues swelled by 116 percent to ₱35.6 billion and SCPC revenues advanced by 28 percent to ₱9.3 billion. SLPGC posted a 71-percent upswing in revenues to ₱7.3 billion.

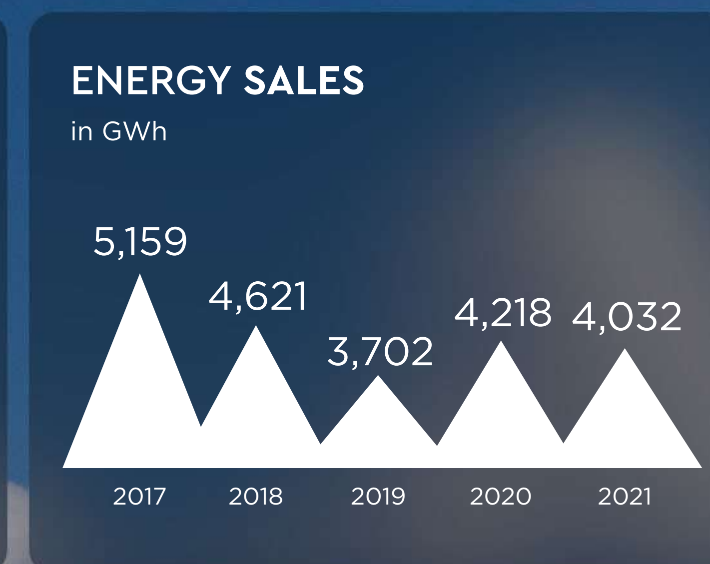
Consolidated cash cost of sales grew at a slower pace (50%) from ₱13.4 billion to ₱20.1 billion owing to higher coal shipments and elevated prices.

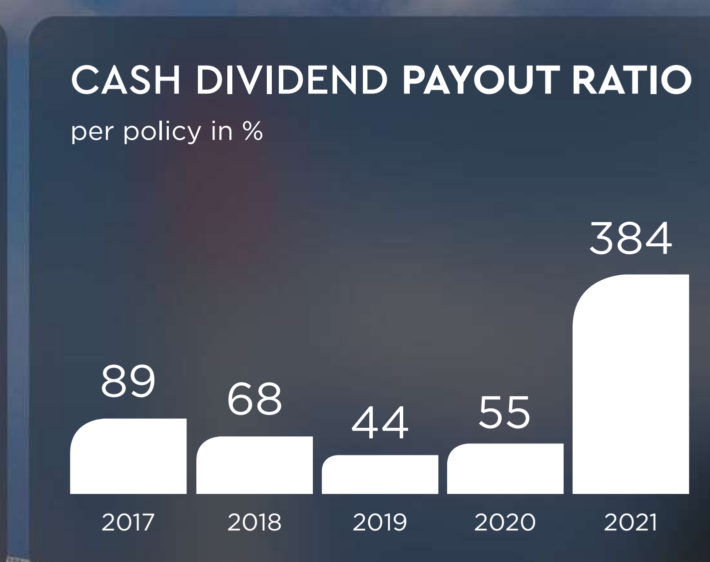
Consolidated cash operating expenses climbed by 18 percent from ₱2.4 billion to ₱2.8 billion due to higher taxes, maintenance and various information, communication and technology (ICT)-related expenses.

Excluding one-time losses of ₱197 million in 2020 and ₱133 million in 2021 mainly due to deferred tax remeasurement under the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act, consolidated core net income increased by 369 percent from ₱3.5 billion to ₱16.3 billion.

5-YEAR PERFORMANCE REVIEW







*Consolidated figures of SMPC and its subsidiaries

DMCI POWER CORPORATION

In October 2006, DMCI Power Corporation (DPC) was established to provide affordable electricity to small and remote islands in the Philippines. It currently operates and maintains thermal, bunker and diesel plants in parts of Masbate, Oriental Mindoro and Palawan.

Global petroleum demand outpaced supply in 2021 as major economies rebounded faster and stronger from the COVID-19 lockdowns. This pushed the annual average Brent crude oil prices to US$71 per barrel, 68 percent higher year-on-year and the highest in three years. Tracking the movement of Brent crude oil, the price of West Texas Intermediate (WTI) crude oil averaged US$68.

In the Philippines, the gradual easing and brief reimposition of quarantine restrictions during the year facilitated the recovery of domestic tourism and economic activities in selected areas. However, a severe tropical storm (Typhoon Odette) hit parts of Visayas and Mindanao in mid-December, including central and northern Palawan.

Palawan Electric Cooperative (PALECO) sustained over ₱130 million-worth of damages on their transmission lines and electrical posts, causing blackouts for several days in Puerto Princesa City and other towns. Power supply was mostly restored by year-end.

OPERATING **HIGHLIGHTS**

The full commercial operation of the 15MW Masbate thermal plant raised total gross generation by 5 percent from 370.91 gigawatt-hours (GWh) to 387.98 GWh.

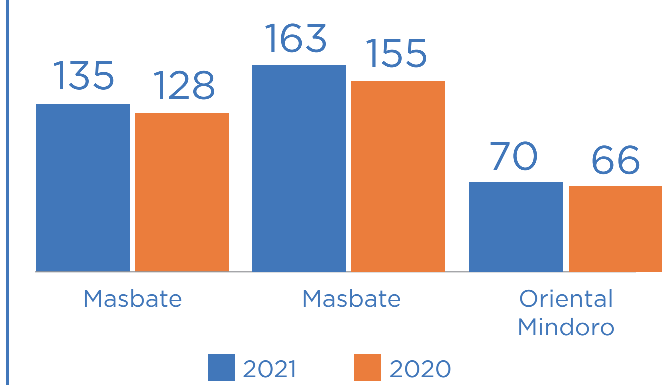
Bulk of the produced electricity (41%) came from diesel plants, followed by bunker (34%) and thermal (25%).

Total sales volume improved by 5 percent from 349 GW to 368 GW, an all-time high for the company. The sales growth was due to improved market conditions and higher dispatch.

Palawan accounted for 44 percent of total sales volume, followed by Masbate (37%) and Oriental Mindoro (19%).

Of the three off-grid markets, Oriental Mindoro showed the strongest growth (6%) from 66 GW to 70 GW. Palawan and Masbate both grew 5 percent to 163 GW and 135 GW, respectively.

ENERGY **SALES**
in GW



FINANCIAL **PERFORMANCE**

Consolidated revenues jumped by 17 percent from ₱4.0 billion to a record high of ₱4.7 billion owing to stronger sales, elevated average selling prices (ASP) and full-year operations of the Masbate thermal plant.

Bulk of the consolidated topline (44%) came from Palawan, which grew by 22 percent from ₱1.6 billion to ₱2.0 billion.

Masbate revenue contribution hit 37 percent after recording a 10-percent improvement from ₱1.6 billion to ₱1.8 billion.

Accounting for 19 percent was Oriental Mindoro whose revenues climbed by 23 percent from ₱716 million to ₱880 million.

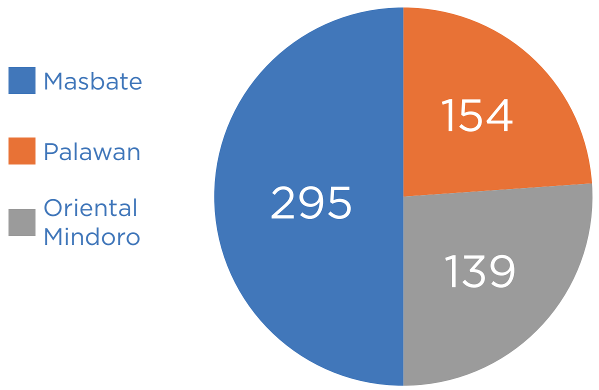
Overall ASP expanded by 11 percent from ₱11.40/kWh to ₱12.70/kWh due to soaring fuel costs. Diesel accelerated by 26 percent from ₱31/liter to ₱39/liter while bunker spiked by 31 percent from ₱29/liter to ₱38/liter.

Cost of sales (COS) grew slightly faster (18%) than revenues because of higher fuel cost during the planned maintenance outage of the Masbate plant. From ₱3 billion, COS advanced to ₱3.6 billion.

Noncash items climbed by 24 percent from ₱278 million to ₱345 million, driven by higher depreciation from full-year operations of the 15MW Masbate plant.

Consolidated finance costs rose by 159 percent from ₱16 million to ₱42 million due to the previous-year availment of a long-term loan for the newly completed 15MW Masbate thermal plant.

EARNINGS CONTRIBUTION
in million pesos



Consolidated net income climbed by 10 percent from ₱537 million to ₱588 million on stronger revenues. Masbate remained as the top earnings contributor (50%), then Palawan (26%) and Oriental Mindoro (24%).

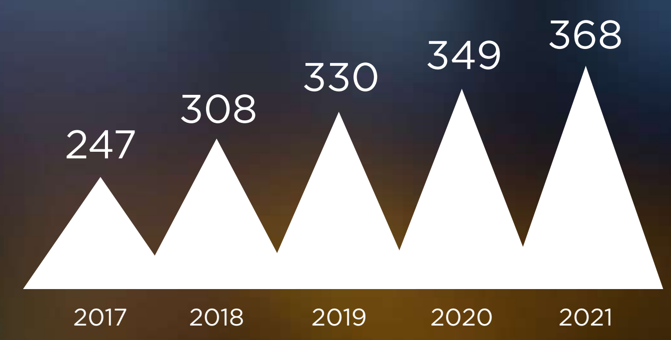
5-YEAR PERFORMANCE REVIEW

NET INCOME
in million pesos

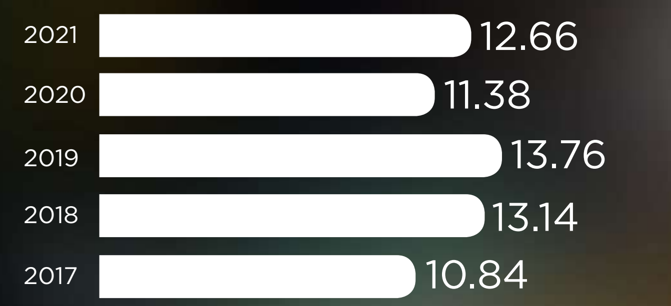
REVENUES
in billion pesos

GENERATED POWER
in GWh

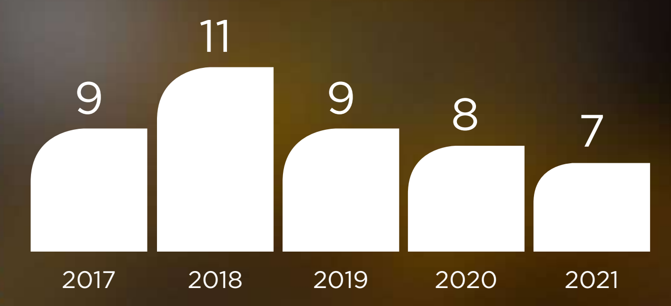
ENERGY SALES
in GWh



COMPOSITE AVERAGE PRICE
in peso per KWh

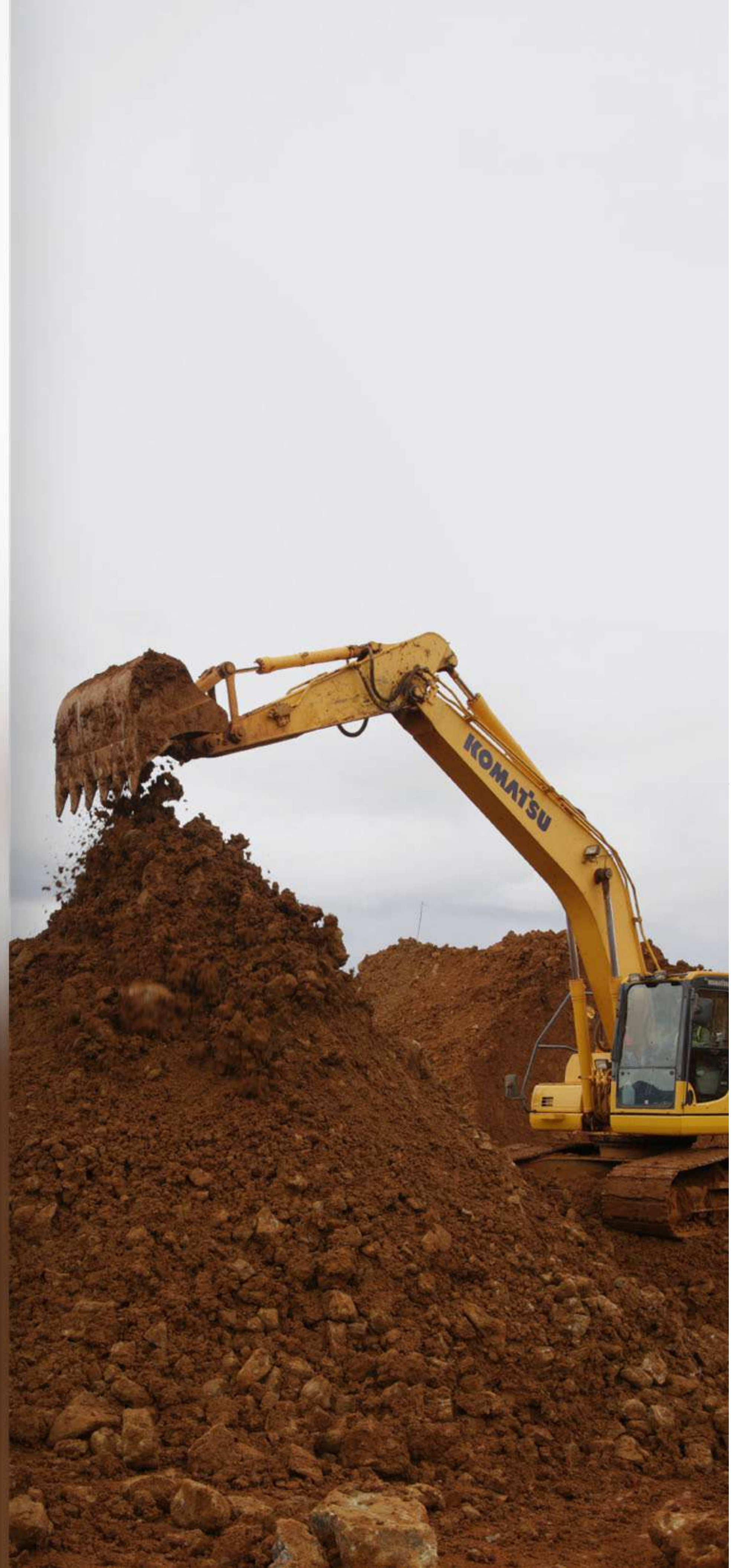


RETURN ON ASSETS
in %



DMCI MINING CORPORATION

In 2007, DMCI Mining Corporation was formed to engage in ore, metal and mineral exploration, development and shipping, among others. It has two operating nickel mining assets—Berong Nickel Corporation (BNC) and Zambales Diversified Metals Corporation (ZDMC).



Low inventories, production headwinds, continued strong demand for stainless steel and expectations of higher usage for electric vehicle batteries pushed London Metal Exchange (LME) nickel prices to multi-year highs before closing at US$ 20,925 in 2021, a 25-percent upturn compared to the prior year.

According to U.S. Geological Survey estimates, global nickel mine production rose by 8 percent to 2,700 thousand tons (kt) while demand outstripped production by over 144 kt. The top three nickel-producing countries accounted for 60 percent of total mine production: Indonesia (37%), the Philippines (14%) and Russia (9%).

With bullish metal prices and new policy issuances, Philippine nickel producers were able to boost production by 11 percent to 370 kt, driving overall metallic output in 2021. Of the ₱160.91 billion in metallic mineral production value generated by the country, more than half (55.61%) came from nickel and nickel products (₱89.48 billion).

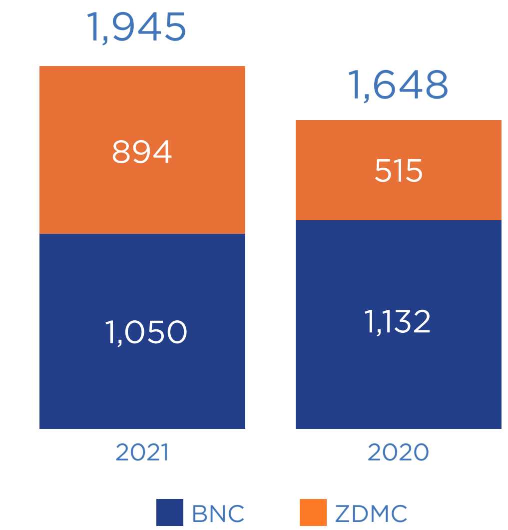
OPERATING **HIGHLIGHTS**

DMCI Mining set new records as the full-year simultaneous operations of its two nickel assets coincided with the remarkable rally of nickel prices.

Overall production volume expanded by 13 percent from 1,583,767 wet metric tons (WMT) to a record high of 1,787,885 WMT. Majority (52%) of the nickel ore came from ZDMC, whose production nearly doubled (91%) from 490,025 WMT to 934,154 WMT.

The production ramp up of ZDMC helped cushion the impact of BNC's mine depletion in the last quarter of the year. From 1,093,672 WMT, BNC nickel ore output dropped by 22 percent to 853,731 WMT.

TOTAL **SHIPMENTS**
in WMT '000



Higher production and a strong starting inventory (469,365 WMT) allowed DMCI Mining to take advantage of the global supply-demand deficit. Its total shipments advanced by 18 percent from 1,647,555 WMT to 1,944,808 WMT, another all-time high for the company.

Most of the shipments (54%) came from BNC at 1,050,379 WMT, 7 percent down from the previous year. Meanwhile, ZDMC shipments surged by 74 percent from 515,183 WMT to 894,429 WMT.

Average grade of nickel sold improved from 1.33% to 1.36% as BNC shipped higher volumes and nickel grades (1.37%) during the year. Conversely, ZDMC shipped lower nickel grades (1.36%) compared to last year (1.41%).

Overall average selling price (ASP) rose by 40 percent from US$ 30/WMT to US$ 42/WMT, the best ever recorded by the company.

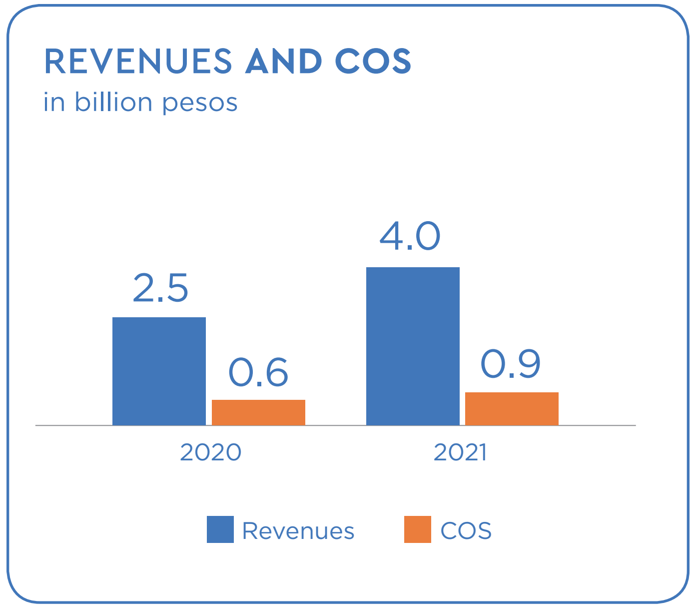
The uptrend was largely driven by BNC, whose ASP accelerated by 53 percent from

US$ 27/WMT to US$ 42/WMT due to higher sales volume and nickel grade.

ZDMC ASP grew at a more modest pace (15%) from US$ 37/WMT to US$ 43/WMT as it shipped lower grade nickel during the year.

By year-end, total inventory retraced by 17 percent from 469,365 WMT to 389,167 WMT because of the depletion of Berong mine.

BNC accounted for 286,872 WMT, down by 31 percent from 418,316 last year while ZDMC doubled (100%) its inventory to 102,295 WMT.



FINANCIAL PERFORMANCE

The double-digit increase in sales volume and ASP drove consolidated revenues to an all-time high of ₱4.0 billion, a 63-percent upswing from ₱2.5 billion.

Total cash costs grew by 33 percent from ₱1.2 billion to ₱1.6 million due to the production ramp up of ZDMC while non-cash costs climbed by 68 percent from ₱348 million to ₱584 million largely due to depletion rate adjustments from operating mine assets.

Depreciation and amortization rose by 52 percent from ₱348 million ₱584 million on higher shipments, purchase of new equipment and accelerated depletion of remaining depletable costs for its Berong and Zambales mines.

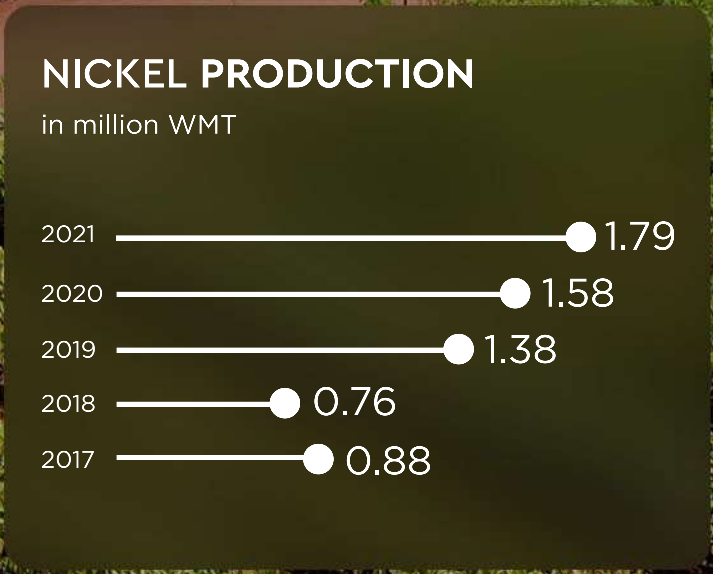
Income tax provision spiked by 89 percent from ₱243 million to ₱460 million because of stronger topline.

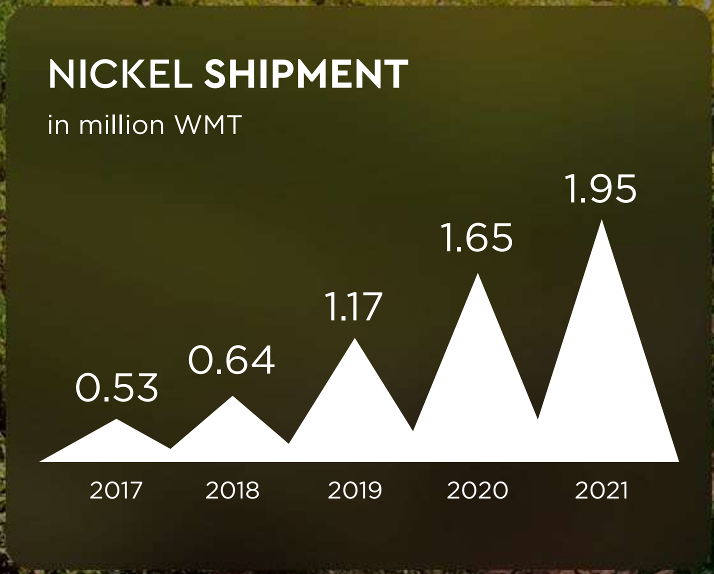
With record production, shipment and ASP, consolidated net income nearly tripled (188%) from ₱575 million to ₱1.7 billion, the highest ever recorded by the company.

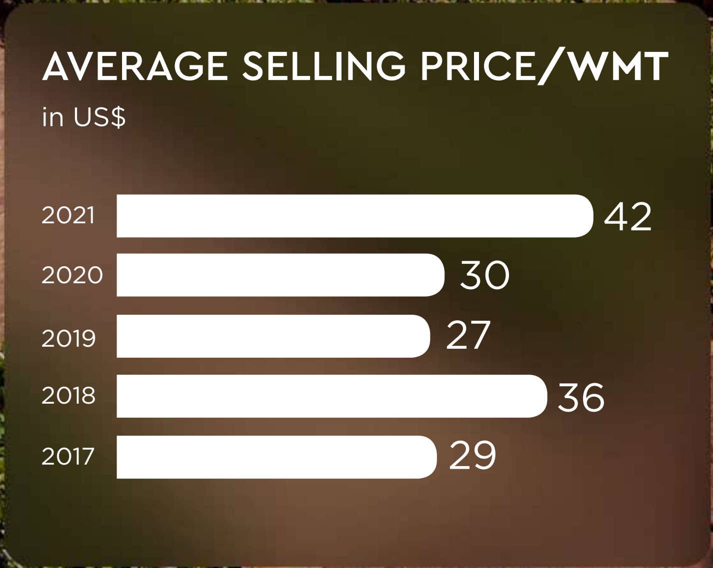
DMCI Mining availed a long-term loan of ₱350 million to boost ZDMC's in-house mine production capacity. Around ₱347 million was spent to acquire additional heavy equipment for the Zambales operations.

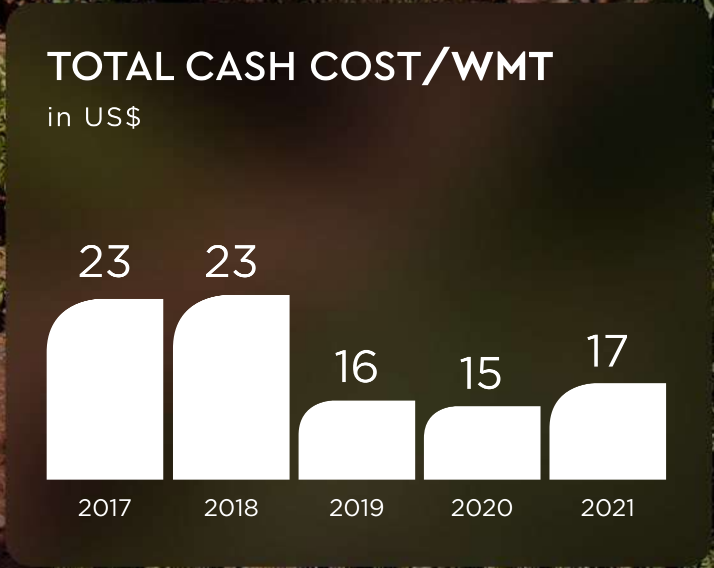
The company recognized nonrecurring gain of ₱247 million largely due to deferred tax liability remeasurement and 2020 income tax adjustment under the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act.

5-YEAR PERFORMANCE REVIEW





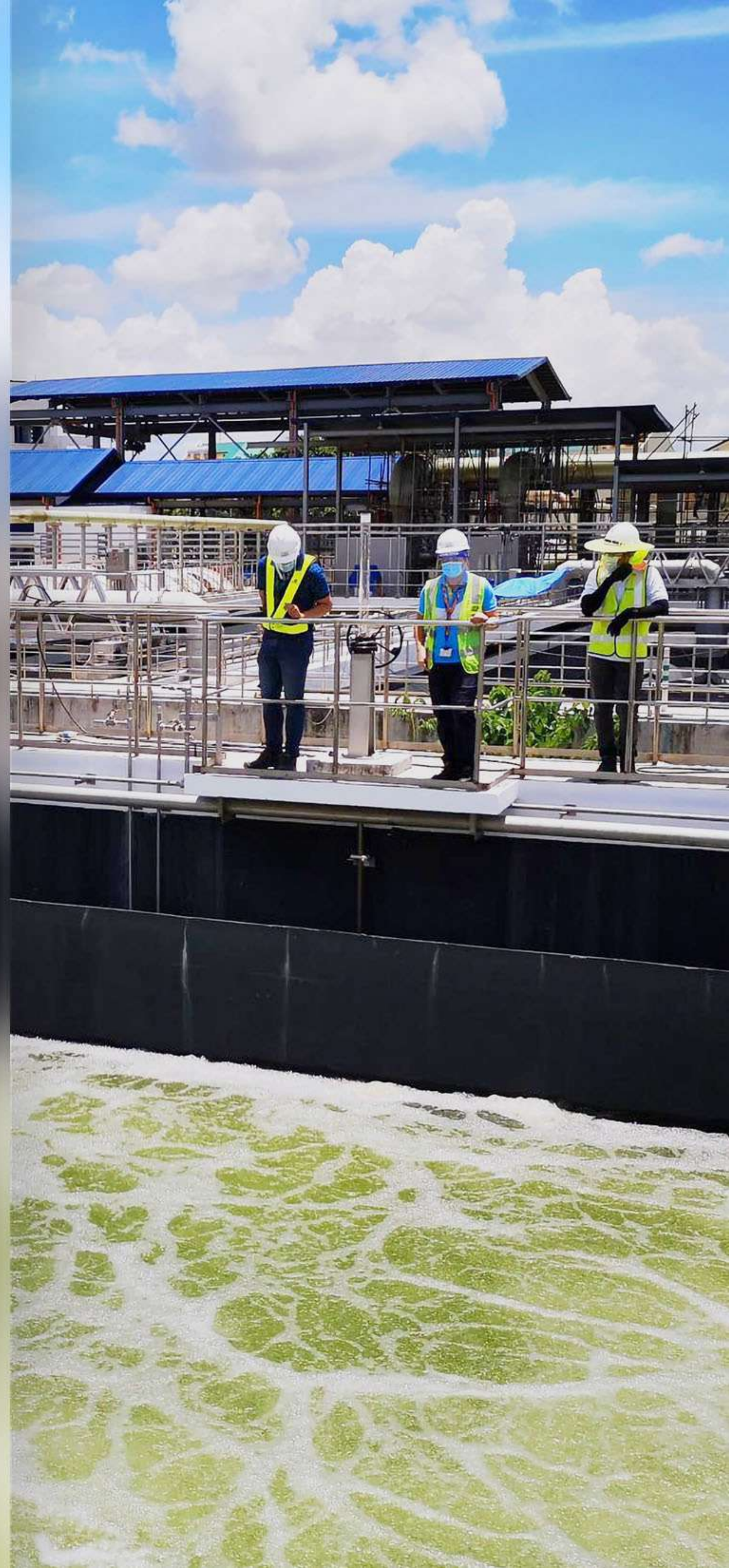




All figures standalone

Maynilad

On December 10, 2021, Maynilad Water Services, Inc. (Maynilad) was granted a 25-year legislative franchise to establish, operate and maintain the waterworks system in the West Zone of the Greater Manila Area. DMCI Holdings has indirect ownership of Maynilad through a 27-percent stake in Maynilad Holdings, which owns 93% of the water company.



A year into the pandemic, the Philippine government reimposed strict quarantine measures in the National Capital Region and nearby provinces to stem the surge in COVID-19 infections, especially with the emergence of new variants.

Consequently, Maynilad service areas were placed under some form of quarantine (General, Enhanced or Modified Enhanced) for nearly six months starting March 22.

On September 16, the government piloted the implementation of the alert level system in Metro Manila, placing it under Alert Level 4— the second most restrictive classification. The restrictions eased on October 16 (Alert Level 3) and November 5 (Alert Level 2), with the latter remaining in effect until the end of the year.

Aside from dampening demand, the pandemic curbs prompted Maynilad to suspend water service disconnection activities for roughly three months when its service areas were placed under Enhanced Community Quarantine and Modified Community Quarantine.

OPERATING **HIGHLIGHTS**

Prolonged lockdowns, weak consumption and flat growth in water service connections weighed down billed volume and average effective tariff during the year.

Water service connections increased marginally (1%) from 1,468,900 to 1,485,479 as the company neared market saturation.

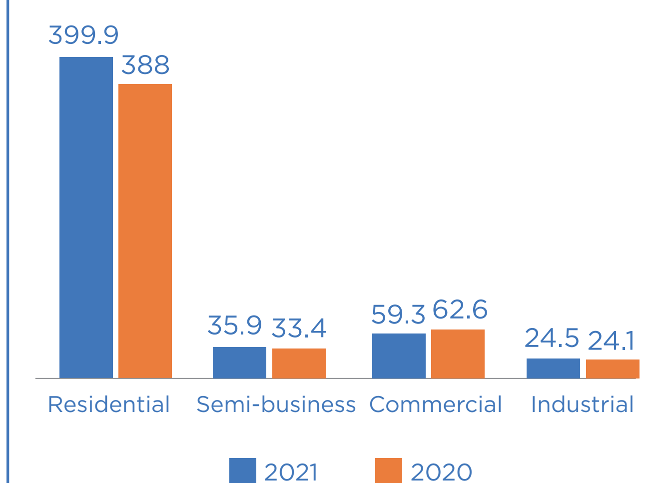
Coming from flat billed volume of 536 million cubic meters (MCM) in 2020, it recorded a 3-percent decline in overall water consumption to 519.6 MCM.

The downtick was driven by single-digit contractions in billed volume across residential (-3%), semi-business (-7%) and commercial (-5%) accounts. Industrial customers bucked the trend, improving by 2 percent.

Work-from-home arrangements, reduced operating capacities, closure of business establishments and relocation of families outside Metro Manila resulted in a 4-percent downturn in average consumption per connection from 1.00 cubic meter per day (CMD) to 0.96 CMD.

BILLED VOLUME PER CATEGORY

in MCM



With these movements, customer mix was unchanged year-on-year and strongly skewed towards domestic accounts (83.9%) versus commercial accounts (16.1%). Consequently, average effective tariff was largely flat (1%) at ₱41.6 compared to ₱42.

FINANCIAL PERFORMANCE

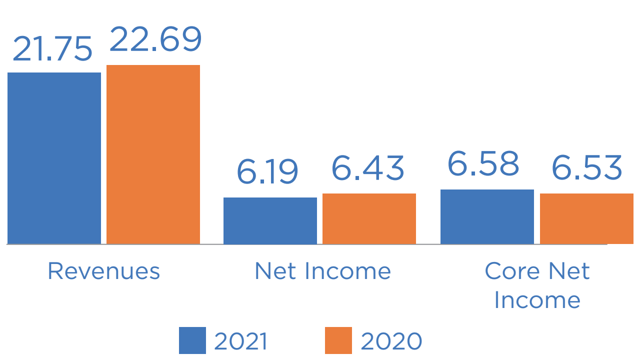
Combined revenues from water and wastewater operations slipped by 4 percent from ₱22.9 billion to ₱22.0 billion as revenues from water services slipped by over 4 percent to ₱17.8 billion and revenues from wastewater services declined by nearly 5 percent to ₱3.8 billion.

The anemic results were primarily due to the decline in billed volume, foregone ₱1.95/cu.m. tariff adjustment effective January 1, 2021 and the consumer price index (CPI) adjustment which Maynilad announced on November 3, 2020.

Cash operating expenses grew by nearly 6 percent from ₱6.3 billion to ₱6.7 billion primarily due to higher light and power, and repairs and maintenance.

Light and power accelerated by roughly 25 percent to ₱1.0 billion from ₱824 million on low base effect, as 2020 billings for the pumping stations, sewage treatment plants and other offices were only received in January 2021.

FINANCIAL RESULTS
in billion pesos



Meanwhile, repairs and maintenance climbed by 33 percent from ₱463 million to ₱617 million due to lower leak repair billings in 2020 because of work stoppage during the quarantine period.

Total non-cash operating expenses receded by almost 9 percent from almost ₱5.0 billion to ₱4.53 billion since no provision was made in 2021 for expected credit losses owing to improved collection.

Net income declined by roughly 4 percent from ₱6.4 billion to ₱6.2 billion due to the combined effect of lower revenues, higher operating expenses and lower taxes because of the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act.

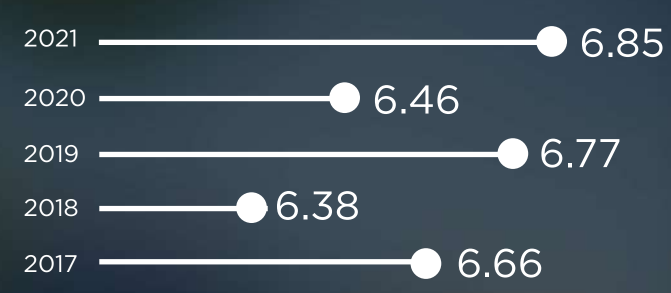
Excluding one-time charges (₱388 million) such as the impact of change in projections to the deferred tax liability (₱380 million), donations (₱55 million), COVID-19 expenses (₱57 million) and severance pays (₱46 million), cushioned by gain from deferred tax liability remeasurement and 2020 income tax adjustment under the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act (₱107 million) and foreign exchange gains (₱15 million), core net income was flat at ₱6.6 billion.

5-YEAR PERFORMANCE REVIEW

NET INCOME CONTRIBUTION
in billion pesos

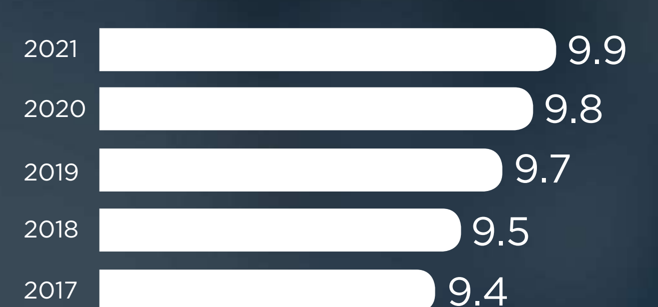
BILLED VOLUME
in MCM

CONSOLIDATED CASH OPERATING EXPENSES
in billion pesos



CONSOLIDATED CAPITAL EXPENDITURE
in billion pesos

SERVED POPULATION
West Zone, in millions



AVERAGE NON-REVENUE WATER
in %

**Based on 27.19% share in Maynilad Holdings*
Note: Figures based on financial results of Maynilad and Philhydro

FINANCIAL STATEMENTS

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

The management of **DMCI HOLDINGS, INC. AND SUBSIDIARIES** is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2021 and 2020, 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 fee 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.

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

ISIDRO A. CONSUNJI
Chairman of the Board/
President

HERBERT M. CONSUNJI
Executive Vice-President/
Chief Financial Officer

Signed this March 7, 2022

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

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

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

- financial transactions are properly authorized, recorded and maintained to enable the preparation of financial statements that give a true, fair and transparent view of the Company's financial position and operating results; and

- governance processes and internal controls are strengthened, and significant risks are managed to ensure the achievement of the Company's business objectives.

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

ISIDRO A. CONSUNJI
Chairman of the Board/
President

HERBERT M. CONSUNJI
Executive Vice-President/
Chief Financial Officer

Signed this March 7, 2022

AUDIT COMMITTEE REPORT TO THE BOARD OF DIRECTORS **FOR THE YEAR ENDED DECEMBER 31, 2021**

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

a. support the Board of Directors in meeting its responsibilities to shareholders;
b. enhance the independence of the external auditor;
c. facilitate effective communications between management and the external auditor and provide a link between the external auditor and the Board of Directors;
d. Increase the credibility and objectivity of the Company's financial reports and public disclosure.

In 2021, the Audit Committee accomplished the following in compliance with its Charter:

1. The members of the Audit Committee are composed of two (2) Independent Directors and one (1) Non-executive director.
2. The Chairman of the Audit Committee is an Independent Director.
3. The Committee convened four (4) meetings in 2021.
4. The Committee had an executive meeting with the external and internal auditors.
5. Recommended the appointment of the external auditors to the Board.
6. Reviewed the external auditor's audit plans, fees and schedules and any related services proposals.
7. Reviewed and pre-approved the non-audit services provided to the Company by its internal/external auditor prior to Board approval.
8. Ensured that the external auditor met the rotation requirements for handling partners pursuant to SRC Rule 68(3)(b)(iv) and SEC Memorandum Circular No. 8 Series of 2003.
9. Reviewed and discussed with the management and external auditors the consolidated financial statements ended December 31, 2020 including audit and accounting issues of the Company's subsidiaries, material transactions with related parties, accounting policies, and audit results prior to recommendation to Board for approval and to dissemination to stockholders and the public.
10. Assessed the integrity and independence of external auditors and exercising effective oversight in reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process
11. Reviewed and discussed the external auditor's audit plans for the year ending December 31, 2021, which focus on (1) engagement team, (2) audit services, (3) audit plans, (4) areas of audit emphasis, (5) ethics and interdependence, and (6) regulatory updates.
12. Reviewed and discussed the internal auditor's plans for the year ending December 31, 2021, which include (1) review of internal audit mandate (2) business development, (3) financial consolidation and reporting, (4) treasury and cash disbursement, and (5) governance, risk and compliance,
13. Reviewed the 2020 audit assessment results.
14. The Committee reviewed the adequacy and effectiveness of the internal control and risk management system based on its assessment, from the reports provided by internal and external auditors, and from management's assessment of internal controls.
15. Reviewed and discussed with the management the quarterly financial reports which include changes in accounting policies and practices, significant adjustments resulting from the audit, compliance with accounting standards, material transactions and accounting issues of the Company's subsidiaries.
16. Reviewed the Management Discussion and Analysis of the annual and quarterly financial statements prior to public disclosures.
17. Reviewed the propriety of related party transactions (RPTs) and the required reporting disclosures, considered the terms are on arm's length and fair to the Company; determined if the significant RPTs were in the best interests of the company and the shareholders; whether the RPT met the prescribed threshold set in Company's policy and by the Securities and Exchange Commission (SEC).
18. The Committee Chairman and members attended the Annual Stockholders' Meeting on May 18, 2021.

HONORIO O. REYES-LAO
Chairman, Audit Committee

Signed on February 24, 2022

INTERNAL AUDITOR'S **ATTESTATION**

10 February 2022

The Audit Committee DMCI Holdings, Inc.

Internal Control and Compliance System For the year ended 31 December 2021

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

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

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

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

Based on the results of our reviews covering the period 01 January 2021 to 31 December 2021, we attest to the overall adequacy and effectiveness of the internal audit, internal control, and compliance system of the Company.

ISIDRO A. CONSUNJI
Chairman and President
DMCI Holdings, Inc.

MICHAEL C. GALLEGO
Internal Audit (Outsourced)
Partner, Punongbayan & Araullo

INDEPENDENT AUDITOR'S **REPORT**

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

Opinion

We have audited the consolidated financial statements of DMCI Holdings, Inc. and its subsidiaries (collectively, the Group), which comprise the consolidated statements of financial position as at December 31, 2021 and 2020, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group as at December 31, 2021 and 2020, and for each of the three years in the period ended December 31, 2021 are prepared in all material respects, in accordance with Philippine Financial Reporting Standards (PFRSs), as modified by the application of the financial reporting reporting reliefs issued and approved by the Securities and Exchange Commision (SEC) as described in Note 2 to the consolidated financial statements.

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.

Emphasis of Matter

We draw attention to Note 2 to the consolidated financial statements which indicates that the consolidated financial statements have been prepared in accordance with PFRSs, as modified by the application of the financial reporting reliefs issued and approved by the SEC in response to the COVID-19 pandemic. The impact of the application of the financial reporting reliefs, which are applicable to DMCI Project Developers, Inc., a subsidiary under the Group's real estate segment, on the 2021 consolidated financial statements are discussed in detail in Note 2. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

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

Recognition of Revenue from Real Estate and Construction Contracts

For real estate contracts, the following matters are significant to our audit because these involve the application of significant judgment and estimation around: (a) the assessment of the probability that the Group will collect the consideration from the buyer; (b) the determination of the transaction price; (c) the application of the output method as the measure of progress in determining real estate revenue; and (d) the recognition of cost to obtain a contract.

In evaluating whether collectability of the amount of consideration is probable, the Group considers the significance of the buyer's initial payments (buyer's equity) in relation to the total contract price. Collectability is assessed by considering factors such as history with the buyer, age of real estate receivables and pricing of the property. Also, management evaluates the historical sales cancellations and back-outs, after considering the impact of the coronavirus pandemic, if it would still support its current threshold of buyers' equity before commencing revenue recognition.

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

In measuring the progress of its performance obligation over time, the Group uses the output method. This method measures progress based on the physical proportion of work done on the real estate project which requires technical determination by the Group's specialists (i.e., project engineers).

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

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

Relevant disclosures related to this matter are provided in Notes 3 and 32 to the consolidated financial statements.

Audit Response

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

Real estate contracts

For the buyer's equity, we evaluated management's basis of the buyer's equity by comparing this to the historical analysis of sales collections from buyers with accumulated payments above the collection threshold. We also considered the impact of the coronavirus pandemic to the level of cancellations during the year. We traced the analysis to cancelled sales monitoring and supporting documents such as notice of cancellations.

For the determination of the transaction price, we obtained an understanding of the nature of other fees charged to the buyers. For selected contracts, we agreed the amounts excluded from the transaction price against the expected amounts required to be remitted to the government based on existing tax rules and regulations (e.g., documentary stamp taxes, transfer taxes and real property taxes).

For the application of the output method in determining real estate revenue, we obtained an understanding of the Group's processes for determining the POC and performed tests of the relevant controls. We obtained the certified POC reports prepared by the project engineers and assessed their competence, capabilities and objectivity by reference to their qualifications, experience and reporting responsibilities. For selected projects, we conducted ocular inspections, made relevant inquiries, including inquiries on how the coronavirus pandemic affected the POC during the period, and obtained the supporting details of POC reports showing the completion of the major activities of the project construction.

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

Construction contracts

We inspected sample contracts and supplemental agreements (e.g., purchase orders, variation order proposals) and reviewed management's assessment over the identification of performance obligation within the contract and the timing of revenue recognition. For the selected contracts with variable considerations arising from change orders for which the corresponding change in price has not yet been finalized, we obtained an understanding of the management's process to estimate the amount of consideration expected to be received from the customers. For change orders and claims of sampled contracts, we compared the amounts approved by the customers against the amounts estimated by management to be received from those customers.

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

Recoverability of Nonfinancial Assets with Indicators of Impairment

Under PFRSs, the Group is required to test the recoverability of its nonfinancial assets namely, mining properties, power plants, and other property and equipment, if there are indicators of impairment.

The Group has nickel mining properties in Zambales amounting to ₱1,076.00 million as of December 31, 2021 which include a mining property that has not commenced commercial operations and has an ongoing application for renewal of its Mineral Production Sharing Agreement (MPSA). In addition, the Group has yet to obtain a supply agreement for its gas turbine plant with a carrying value of ₱1,010.42 million as of December 31, 2021. Also, the joint venture agreement for the development of a thermal power plant was terminated in 2020 and, as of December 31, 2021, construction has not commenced and no supply contract has been secured. As of the same date, the carrying value of the related asset amounted to ₱104.84 million. These conditions are impairment indicators for which the Group is required under PFRSs to test the recoverability of the related nonfinancial assets.

These matters are significant to our audit because the amounts are material to the consolidated financial statements and the assessment of recoverability requires significant judgment and assumptions, such as the estimated timing of resumption of commercial operations and mine production, coal and nickel prices, price inflation, commodity prices, foreign exchange rates, future electricity demand and supply, diesel costs and discount rates. The relevant information on this matter are disclosed in Notes 3, 9 and 11 to the consolidated financial statements.

Audit Response

We involved our internal specialist in evaluating the methodologies and the assumptions used in the estimation of recoverable amounts. These assumptions include the estimated timing of commercial operations and mine production, coal and nickel prices, price inflation, commodity prices, foreign exchange rates, future electricity demand and supply, diesel costs and discount rates. With respect to mineral production, we compared the forecasted mine production with the three-year work program submitted by the Group to the Mines and Geosciences Bureau and with the historical mine production output. We compared the nickel prices, price inflation, foreign exchange rate and discount rate with externally published data. We also discussed with management the status of renewal of the MPSA and obtained management assessment of the potential impact of the remaining pending permits and timing of resumption of commercial operations, particularly the recoverability of the affected assets and any potential liabilities. With respect to future electricity demand, we tested the reasonableness of the inputs to the forecasted revenue based on current and historical dependable capacity, electricity prices and growth rate, taking into consideration the impact associated with the coronavirus pandemic. We compared the electricity and coal prices, diesel costs and inflation rate with externally published data.

We tested the parameters used in the determination of the discount rates against the discount rates of comparable companies.

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

Estimation of Provision for Decommissioning and Mine Site Rehabilitation Costs

The Group has recognized provision for decommissioning and mine site rehabilitation costs for the open pit mines of its coal mining activities amounting to ₱298.76 million as of December 31, 2021. This matter is important to our audit because the amount involved is material and the estimation of the provision requires significant management judgment in the use of assumptions, which are subject to higher level of estimation uncertainty. Key assumptions include costs of backfilling, reforestation, and maintenance of the rehabilitated area, inflation rate, and discount rate.

Relevant information on the provision for decommissioning and mine site rehabilitation costs are disclosed in Notes 3 and 18 to the consolidated financial statements.

Audit response

We obtained an understanding of, and performed test on controls of management's processes and controls in the estimation of future decommissioning and mine site rehabilitation costs. We evaluated the competence, capabilities and objectivity of the mine site engineers and reviewed the relevant comprehensive mine rehabilitation plan prepared by the Group's Mine Planning and Exploration Department and Environment Department. We inquired of changes in the mine plan and in the cash flow assumptions, including management's bases for identifying and estimating the costs for various mine rehabilitation and closure activities, such as backfilling, reforestation and maintenance of the rehabilitated area. We compared the timing of the expected cash flows with reference to the rehabilitation plan for the open pit mines. We compared the cost estimates to billings, invoices and official receipts. We also evaluated the discount and inflation rates used by comparing these to external data.

Estimation of Mineable Ore Reserves

The Group's coal mining properties amounting to ₱4,562.64 million as of December 31, 2021 are amortized using the units-of-production method. Under this method, management is required to estimate the volume of mineable ore reserves for the remaining life of the mine which is a key input to the amortization of the coal mining properties. This matter is significant to our audit because the estimation of the mineable ore reserves of the Group's coal mines requires use of assumptions and significant estimation from management's specialists.

The related information on the estimation of mineable ore reserves and related coal mining properties are discussed in Notes 3 and 11 to the consolidated financial statements.

Audit response

We obtained an understanding of, and performed test of controls on management's processes and controls in the estimation of mineable ore reserves. We evaluated the competence, capabilities and objectivity of management's internal specialists engaged by the Group to perform an assessment of the ore reserves by considering their qualifications, experience and reporting responsibilities. We reviewed the internal specialists' report and obtained an understanding of the nature, scope and objectives of their work and basis of estimates, including the changes in the reserves during the year. We also tested the application of the estimated ore reserves in the amortization of mining properties.

Accounting for the Investment in a Significant Associate

The Group has an investment in Maynilad Water Holdings Company, Inc. (MWHCI) that is accounted for under the equity method. More than 90% of MWHCI's net income is derived from Maynilad Water Services, Inc. (MWSI). For the year ended December 31, 2021, the Group's share in the net income of MWHCI amounted to ₱1,566.18 million and is considered material to the consolidated financial statements. The Group's share in the net income of MWHCI is significantly affected by: (a) MWSI's recognition of water and sewerage service revenue, (b) the amortization of MWSI's service concession assets (SCA) using the units-of-production (UOP) method, and (c) MWSI's recognition and measurement of provisions related to ongoing regulatory proceedings, disputes and tax assessments. In addition, MWSI received a letter from Metropolitan Waterworks and Sewerage System (MWSS) in 2019 informing MWSI that it was directed to perform a review of MWSI's Concession Agreement (CA), with which a revised concession agreement (RCA) was signed in 2021 as a result. However, the effectivity of the RCA has been deferred to 2022 and Maynilad is yet to finalize its business plans pursuant to the RCA for submission and approval by the grantor. The foregoing remains an impairment indicator for which the Group is required under PFRSs to assess the recoverability of its investment in MWHCI.

These matters are significant to our audit because (a) the recognition of water and sewerage service revenue of MWSI depends on the completeness and accuracy of capture of water consumption based on meter readings over the concession area taken on various dates, propriety of rates applied across various customer types, and reliability of the systems involved in processing the bills and in recording revenues, (b) the UOP method involves significant management judgment, estimates, and assumptions, particularly in determining the total estimated billable water volume over the remaining period of the CA, and (c) significant management judgment is involved in MWSI's estimation of provisions related to ongoing regulatory proceedings, disputes and tax assessments. The inherent uncertainty over the outcome of these regulatory, legal and tax matters is brought about by the differences in the interpretation and implementation of the relevant laws and tax regulations and/or rulings. Moreover, the determination of the recoverable amount of the investment in MWHCI requires the use of significant judgments, estimates, and assumptions about the future results of business such as the tariff rate, revenue growth, billed water volume, and discount rate.

The Group's disclosures regarding these matters are included in Notes 3 and 9 to the consolidated financial statements.

Audit Response

Our audit procedures included, among others, obtaining the relevant financial information from management about MWHCI and performed recomputation of the Group's equity in net earnings of MWHCI as recognized in the consolidated financial statements.
On the recognition of water and sewerage service revenue of MWSI, we obtained an understanding of the water and sewerage service revenue process, which includes maintaining the customer database, capturing billable water consumption, uploading captured billable water consumption

to the billing system, calculating billable amounts based on MWSS-approved rates, and uploading data from the billing system to the financial reporting system. We also evaluated the design of and tested the relevant controls over this process. In addition, we performed test recalculation of the billed amounts using the MWSS-approved rates and formulae, and compared these with the amounts reflected in the billing statements. Moreover, we involved our internal specialist in performing the procedures on the computer application automated aspects of this process.

On the amortization of MWSI's SCA using the UOP method, we reviewed the report of the management's specialist and gained an understanding of the methodology and the basis of computing the forecasted billable water. We evaluated the competence, capabilities, and objectivity of management's specialist who estimated the forecasted volumes, taking into consideration the impact associated with the coronavirus pandemic. Furthermore, we compared the billable water volume during the year against the data generated from the billing system. We recalculated the amortization expense for the year based on the established billable water volume.

On the recognition and measurement of MWSI's provisions, we involved our internal specialist in evaluating management's assessment on whether provisions on the contingencies should be recognized, and the estimation of such amount. We also discussed with management and obtained their assessment on the expected outcome and the status of the regulatory proceedings and disputes arbitration. In addition, we obtained correspondences from relevant government agencies and tax authorities, replies from third party legal counsels and any relevant historical and recent decisions by the courts/tax authorities on similar matters.

On the determination of recoverable amount of the investment in MWHCI, we involved our internal specialist in evaluating the methodology and the assumptions used in the determination of the recoverable amount of the investment. These assumptions include the tariff rate, revenue growth, billed water volume, and discount rate. We compared the forecast revenue growth against the historical data of the investee and inquired from management about the plans to support the forecasted revenue and tariff rates assumed. We also compared the Group's key assumptions such as water volume against historical data. We tested the discount rate used in the impairment test by comparing it with the weighted average cost of capital of comparable companies in the region. Furthermore, we reviewed the Group's disclosures about those assumptions to which the outcome of the impairment test is most sensitive; specifically, those that have the most significant effect on determining the recoverable amount of the investment.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2021, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS, SEC Form 17-A and Annual Report for the year ended December 31, 2021 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, as modified by the application of financial reporting reliefs issued and approved by the SEC as described in Note 2 to the consolidated financial statements, 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 accordance with PFRS, as modified by the application of financial reporting reliefs issued and approved by the SEC, as described in Note 2 to the consolidated financial statements.

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Dhonabee B. Señeres.

SYCIP GORRES VELAYO & CO.

Dhonabee B. Señeres

Dhonabee B. Señeres
Partner
CPA Certificate No. 97133
Tax Identification No. 201-959-816
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 97133-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-098-2020, November 27, 2020, valid until November 26, 2023
PTR No. 8854369, January 3, 2022, Makati City

March 7, 2022

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Thousands of Pesos)

	DECEMBER 31	
	2021	2020
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 4 and 33)	₱18,342,019	₱18,918,450
Receivables - net (Notes 5, 19 and 33)	23,537,419	20,422,255
Current portion of contract assets (Note 6)	14,063,912	11,282,073
Inventories (Note 7)	54,208,873	53,895,389
Other current assets (Notes 8 and 34)	11,014,804	7,902,971
Total Current Assets	121,167,027	112,421,138
Noncurrent Assets		
Contract assets - net of current portion (Note 6)	12,455,643	6,706,034
Investments in associates and joint ventures (Note 9)	17,522,876	16,590,561
Investment properties (Note 10)	97,787	132,663
Property, plant and equipment (Note 11)	59,355,978	62,023,797
Exploration and evaluation assets (Note 12)	235,192	229,060
Pension assets - net (Note 21)	814,947	708,040
Deferred tax assets - net (Note 27)	598,948	938,621
Right-of-use assets (Note 31)	145,731	183,094
Other noncurrent assets (Notes 12 and 33)	2,751,359	4,460,531
Total Noncurrent Assets	93,978,461	91,972,401
	₱215,145,488	**₱204,393,539**
LIABILITIES AND EQUITY		
Current Liabilities		
Short-term debt (Notes 13 and 33)	₱1,039,363	₱5,800,060
Current portion of liabilities for purchased land (Notes 14 and 33)	694,654	849,024
Accounts and other payables (Notes 15, 19 and 33)	28,122,231	24,813,775
Current portion of contract liabilities and other customers' advances and deposits (Note 16)	13,450,572	11,361,748
Current portion of long-term debt (Notes 17 and 33)	10,396,191	5,425,745
Income tax payable	251,811	325,733
Total Current Liabilities	53,954,822	48,576,085

(continuation)

	DECEMBER 31	
	2021	2020
Noncurrent Liabilities		
Contract liabilities - net of current portion (Note 16)	₱2,950,368	₱5,311,878
Long-term debt - net of current portion (Notes 17 and 33)	41,613,047	40,663,165
Liabilities for purchased land - net of current portion (Notes 14 and 33)	876,715	1,170,582
Deferred tax liabilities - net (Note 27)	4,961,965	4,952,056
Pension liabilities - net (Note 21)	301,256	782,884
Other noncurrent liabilities (Notes 18 and 31)	1,640,703	1,734,118
Total Noncurrent Liabilities	52,344,054	54,614,683
Total Liabilities	106,298,876	103,190,768
Equity		
Equity attributable to equity holders of the Parent Company:		
Paid-in capital (Note 20)	17,949,868	17,949,868
Treasury shares - Preferred (Note 20)	(7,069)	(7,069)
Retained earnings (Note 20)	70,039,693	64,391,833
Premium on acquisition of noncontrolling-interests (Note 30)	(817,958)	(817,958)
Remeasurements on retirement plans - net of tax (Note 21)	513,860	149,316
Net accumulated unrealized gains on equity investments designated at fair value through other comprehensive income (Note 12)	100,319	99,131
Share in other comprehensive loss of an associate (Note 9)	(21,611)	(118,800)
	87,757,102	81,646,321
Noncontrolling-interests (Note 30)	21,089,510	19,556,450
Total Equity	108,846,612	101,202,771
	₱215,145,488	**₱204,393,539**

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF INCOME

(Amounts in Thousands of Pesos, Except for Earnings Per Share Figures)

	YEARS ENDED DECEMBER 31		
	2021	2020	2019
REVENUE (Note 32)			
Current Assets			
Coal mining	₱35,592,979	₱16,488,547	₱ 29,085,433
Real estate sales	24,328,512	16,078,509	18,519,744
Construction contracts	22,469,649	16,563,725	16,563,725
Electricity sales	21,471,122	15,730,695	19,710,544
Nickel mining	4,022,442	2,471,999	1,610,297
Merchandise sales and others	458,165	366,624	532,712
	108,342,869	67,700,099	87,761,221
COSTS OF SALES AND SERVICES (Note 22)			
Construction contracts	21,194,313	15,601,800	16,254,733
Coal mining	17,449,383	12,280,312	17,783,786
Real estate sales	17,387,078	12,954,284	13,176,975
Electricity sales	11,814,131	9,849,262	11,787,026
Nickel mining	1,436,291	928,705	680,480
Merchandise sales and others	384,835	312,036	371,661
GROSS PROFIT	38,676,838	15,773,700	27,706,560
OPERATING EXPENSES (Note 23)	14,087,696	8,913,688	12,158,269
	24,589,142	6,860,012	15,548,291
EQUITY IN NET EARNINGS OF ASSOCIATES AND JOINT VENTURES (Note 9)	1,612,328	1,546,131	1,802,385

(continuation)

	YEARS ENDED DECEMBER 31		
	2021	2020	2019
OTHER INCOME (EXPENSES)			
Finance income (Note 24)	394,817	503,052	996,537
Finance costs (Note 25)	(1,139,255)	(1,191,072)	(1,523,452)
Impairment of goodwill (Note 3)	–	–	(1,637,430)
Other income - net (Note 26)	1,969,255	1,034,558	1,418,034
	1,224,817	346,538	(746,311)
INCOME BEFORE INCOME TAX	27,426,287	8,752,681	16,604,365
PROVISION FOR INCOME TAX (Note 27)	1,759,163	1,344,572	1,758,909
NET INCOME (Note 32)	₱25,667,124	₱7,408,109	₱14,845,456
NET INCOME ATTRIBUTABLE TO:			
Equity holders of the Parent Company	₱18,394,231	₱5,858,949	₱10,533,131
Noncontrolling-interests (Note 30)	7,272,893	1,549,160	4,312,325
	₱25,667,124	₱7,408,109	₱14,845,456
Basic/diluted earnings per share attributable to equity holders of the Parent Company (Note 28)			
Equity attributable to equity holders of the Parent Company:	₱1.39	₱0.44	₱0.79

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands of Pesos)

	YEARS ENDED DECEMBER 31		
	2021	2020	2019
NET INCOME	₱25,667,124	₱7,408,109	₱14,845,456
OTHER COMPREHENSIVE INCOME (LOSS)			
Items that will not be reclassified to profit or loss in subsequent periods			
Changes in fair values of investments in equity instruments designated at FVOCI (Note 12)	(1,262)	7,916	17,663
Net remeasurement gain (loss) on pension plans net of tax (Note 21)	297,082	(209,970)	(319,173)
Share in other comprehensive income (loss) of associates (Note 9	97,189	(55,509)	(21,900)
TOTAL OTHER COMPREHENSIVE GAIN (LOSS)	393,009	(257,563)	(323,410)
TOTAL COMPREHENSIVE INCOME	₱26,060,133	₱7,150,546	₱14,522,046
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Equity holders of the Parent Company	₱18,796,816	₱5,615,860	₱10,234,310
Noncontrolling-interests	7,263,317	1,534,686	4,287,736
	₱26,060,133	₱7,150,546	₱14,522,046

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Amounts in Thousands of Pesos)

	ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY											
	CAPITAL STOCK (Note 20)	ADDITIONAL PAID-IN CAPITAL (Note 20)	TOTAL PAID-IN CAPITAL (Note 20)	TREASURY SHARES – PREFERRED (Note 20)	UNAPPROPRIATED RETAINED EARNINGS (Note 20)	PREMIUM ON ACQUISITION OF NON-CONTROLLING INTEREST (Note 30)	REMEASUREMENTS ON PENSION PLANS (Note 21)	NET ACCUMULATED UNREALIZED GAIN ON EQUITY INVESTMENTS DESIGNATED AT FVOCI (Note 12)	SHARE IN OTHER COMPREHENSIVE INCOME (LOSS) OF ASSOCIATES (Note 9)	TOTAL	NON-CONTROLLING -INTERESTS (Note 30)	TOTAL EQUITY
	For the Year Ended December 31, 2021											
Balances as of January 1, 2021	**₱13,277,474**	**₱4,672,394**	**₱17,949,868**	**(₱7,069)**	**₱64,391,833**	**(₱817,958)**	**₱149,316**	**₱99,131**	**(₱118,800)**	**₱81,646,321**	**₱19,556,450**	**101,202,771**
Comprehensive income												
Net income	–	–	–	–	**18,394,231**	–	–	–	–	**18,394,231**	**7,272,893**	**25,667,124**
Other comprehensive income (loss)	–	–	–	–	–	–	**364,544**	**1,188**	**97,189**	**462,921**	**(9,576)**	**453,345**
Total comprehensive income	–	–	–	–	**18,394,231**	–	**364,544**	**1,188**	**97,189**	**18,857,152**	**7,263,317**	**26,120,469**
Acquisition of noncontrolling interest	–	–	–	–	–	–	–	–	–	–	–	–
Cash dividends declared (Note 20)	–	–	–	–	**(12,746,371)**	–	–	–	–	**(12,746,371)**	**(5,730,257)**	**(18,476,628)**
Balances at December 31, 2021	**₱13,277,474**	**₱4,672,394**	**₱17,949,868**	**(₱7,069)**	**₱70,039,693**	**(₱817,958)**	**₱513,860**	**₱100,319**	**(21,611)**	**₱87,757,102**	**₱21,089,510**	**108,846,612**
	For the Year Ended December 31, 2020											
Balances as of January 1, 2020	₱13,277,474	₱4,672,394	₱17,949,868	(₱7,069)	₱64,906,070	(₱817,958)	₱344,568	₱91,459	(₱63,291)	₱82,403,647	₱20,434,427	₱102,838,074
Comprehensive income												
Net income	–	–	–	–	5,858,949	–	–	–	–	5,858,949	1,549,160	7,408,109
Other comprehensive income (loss)	–	–	–	–	–	–	(195,252)	7,672	(55,509)	(243,089)	(14,474)	(257,563)
Total comprehensive income	–	–	–	–	5,858,949	–	(195,252)	7,672	(55,509)	5,615,860	1,534,686	7,150,54
Acquisition of noncontrolling interest	–	–	–	–	–	–	–	–	–	–	9,148	9,148
Cash dividends declared (Note 20)	–	–	–	–	(6,373,186)	–	–	–	–	(6,373,186)	(2,421,811)	(8,794,997)
Balances at December 31, 2020	₱13,277,474	₱4,672,394	₱17,949,868	(₱7,069)	₱64,391,833	(₱817,958)	₱149,316	₱99,131	(₱118,800)	₱81,646,321	₱19,556,450	₱101,202,771
	For the Year Ended December 31, 2019											
Balances as of January 1, 2019	₱13,277,474	₱4,672,394	₱17,949,868	(₱7,069)	₱60,746,125	(₱817,958)	₱636,260	₱76,688	(₱41,391)	₱78,542,523	₱18,536,936	₱97,079,459
Comprehensive income												
Net income	–	–	–	–	10,533,131	–	–	–	–	10,533,131	4,312,325	14,845,456
Other comprehensive income (loss)	–	–	–	–	–	–	(291,692)	14,771	(21,900)	(298,821)	(24,589)	(323,410)
Total comprehensive income	–	–	–	–	10,533,131	–	(291,692)	14,771	(21,900)	10,234,310	4,287,736	14,522,046
Cash dividends declared (Note 20)	–	–	–	–	(6,373,186)	–	–	–	–	(6,373,186)	(2,390,245)	(8,763,431)
Balances at December 31, 2019	₱13,277,474	₱4,672,394	₱17,949,868	(₱7,069)	₱64,906,070	(₱817,958)	₱344,568	₱91,459	(₱63,291)	₱82,403,647	₱20,434,427	₱102,838,074

DMCI HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands of Pesos)

	YEARS ENDED DECEMBER 31		
	2021	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	₱27,426,287	₱8,752,681	₱16,604,365
Adjustments for:			
Depreciation, depletion and amortization (Notes 10, 11, 12, 22, 23 and 31)	8,674,659	8,166,024	9,202,083
Finance costs (Note 25)	1,139,255	1,191,072	1,523,452
Write-down/impairment of property, plant and equipment (Notes 3, 11, 23 and 26)	1,041	157,196	83,536
Net movement in net pension asset	(158,969)	59,589	131,569
Net unrealized foreign exchange loss (gain)	174,050	58,544	(236,020)
Equity in net earnings of associates and joint ventures (Note 9)	(1,612,328)	(1,546,131)	(1,802,385)
Finance income (Note 24)	(394,817)	(503,052)	(996,537)
Loss (gain) on sale of property, plant and equipment - net (Notes 11 and 26)	(189,372)	(67,003)	14,847
Impairment of goodwill (Note 3)	–	–	1,637,430
Unrealized market loss (gain) on financial assets at FVPL (Note 26)	–	–	245,444
Gain on sale of undeveloped parcel of land (Note 26)	(12,432)	–	–
Operating income before changes in working capital	35,047,374	16,268,920	26,407,784
Decrease (increase) in:			
Receivables and contract assets	(11,824,299)	(3,103,847)	(1,947,484)
Inventories	1,402,585	(2,684,959)	(3,814,532)
Other current assets	(2,471,300)	(504,374)	2,316,342
Increase (increase) in:			
Accounts and other payables	4,253,926	(242,589)	2,499,305
Liabilities for purchased land	(448,237)	123,443	(105,980)
Contract liabilities and other customers' advances and deposits	(272,686)	3,515,197	1,905,090
Cash generated from operations	25,687,363	13,371,791	27,260,525
Interest received	392,642	506,747	996,176
Income taxes paid	(2,198,634)	(1,636,124)	(1,938,770)
Interest paid and capitalized as cost of inventory (Note 7)	(1,407,899)	(1,436,506)	(1,186,166)
Net cash provided by operating activities	₱22,473,472	₱10,805,908	₱25,131,765

(continuation)

	YEARS ENDED DECEMBER 31		
	2021	2020	2019
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received from associates	₱45,000	₱36,000	₱1,286,086
Additions to:			
Property, plant and equipment (Note 11)	(6,451,869)	(7,543,412)	(15,183,170)
Investments in associates and joint ventures (Note 9)	(207,376)	(56,500)	(500,000)
Investment properties and exploration and evaluation assets (Notes 10 and 12)	(6,132)	(8,241)	–
Interest paid and capitalized as cost of property, plant and equipment (Note 11)	(3,162)	(21,742)	(85,228)
Proceeds from disposals of:			
Property, plant and equipment	469,388	642,927	–
Investment properties	19,320	–	–
Decrease (increase) in other noncurrent assets	1,662,636	1,567,484	(2,256,727)
Net cash used in investing activities	(4,472,195)	(5,383,484)	(16,739,039)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from availment of:			
Short-term debt (Note 36)	350,000	4,260,929	35,882,500
Long-term debt (Note 36)	17,759,494	13,558,760	23,564,500
Payments of:			
Short-term debt (Note 36)	(5,110,697)	(952,991)	(40,405,654)
Long-term debt (Note 36)	(11,838,767)	(11,951,261)	(13,574,242)
Dividends to equity holders of the Parent Company (Notes 20 and 36)	(12,746,371)	(6,373,186)	(6,373,186)
Dividends to noncontrolling-interests(Notes 20 and 36)	(5,730,257)	(2,307,438)	(2,390,245)
Interest	(1,384,172)	(968,913)	(1,586,134)
Lease liabilities (Note 31)	(46,625)	(43,872)	(67,268)
Increase (decrease) in other noncurrent liabilities (Note 36)	164,271	(3,314,421)	2,651,082
Acquisition of noncontrolling-interests	–	(3,230)	–
Net cash used in financing activities	(₱18,583,124)	(₱8,095,623)	(₱2,298,647)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	₱5,416	(₱6,174)	₱21,780
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(576,431)	(2,679,373)	6,115,859
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	18,918,450	21,597,823	15,481,964
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	₱18,342,019	₱18,918,450	₱21,597,823

See accompanying Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

DMCI Holdings, Inc. (the Parent Company) was incorporated on March 8, 1995 and is domiciled in the Philippines. The Parent Company's registered office address and principal place of business is at 3rd Floor, Dacon Building, 2281 Chino Roces Avenue, Makati City.

The Parent Company and its subsidiaries (collectively referred to herein as the Group) is primarily engaged in general construction, coal and nickel mining, power generation, real estate development, and manufacturing of certain construction materials. In addition, the Group has equity ownership in water concession business.

The Parent Company's shares of stock are listed and are currently traded at the Philippine Stock Exchange (PSE).

The accompanying consolidated financial statements were approved and authorized for issue by the Board of Directors (BOD) on March 7, 2022.

2. Summary of Significant Accounting Policies

Basis of Preparation
The consolidated financial statements of the Group have been prepared using the historical cost basis, except for financial assets at fair value through other comprehensive income (FVOCI) which have been measured at fair value. The Parent Company's functional currency and the Group's presentation currency is the Philippine Peso (₱). All amounts are rounded to the nearest thousand (₱000), except for earnings per share and par value information or unless otherwise indicated.

Statement of Compliance
The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs), as modified by the application of the financial reporting reliefs as issued and approved by SEC in response to COVID-19 pandemic.

Through DMCI Project Developers, Inc., a subsidiary under its real estate segment, the Group has availed of the relief granted by the SEC under Memorandum Circular (MC) No. 34-2020 which further extended the deferral of PIC Q&A 2018-12-D (assessment if the transaction price includes a significant financing component) until December 31, 2023.

The Group has also availed of the relief granted by SEC under MC No. 34-2020 deferring the adoption of IFRIC Agenda Decision on Over Time Transfers of Constructed Goods under PAS 23, Borrowing Cost (the IFRIC Agenda Decision on Borrowing Cost) until December 31, 2023.

SEC MC No. 34-2020 deferring the adoption of the exclusion of land in the calculation of percentage of completion is not applicable to the Group as is it is already in full compliance with the requirements of the provisions of the Philippine Interpretations Committee Q&A No. 2018-12.

The details and the impact of the adoption of the above financial reporting reliefs are discussed in the Adoption of New and Amended Accounting Standards and Interpretations section of this Note.

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

Basis of Consolidation
The consolidated financial statements comprise the financial statements of the Group as of December 31, 2021 and 2020, and for each of the three years in the period ended December 31, 2021.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included or excluded in the consolidated financial statements from the date the Group gains control or until the date the Group ceases to control the subsidiary.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if and only if the Group has:

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

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

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

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary, the carrying amount of any noncontrolling-interests and the cumulative translation differences recorded in equity

- Recognizes the fair value of the consideration received, the fair value of any investment retained and any surplus or deficit in profit or loss.
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

The consolidated financial statements are prepared using uniform accounting policies for like transactions and other similar events. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

		2021			2020		
	NATURE OF BUSINESS	DIRECT	INDIRECT	EFFECTIVE INTEREST	DIRECT	INDIRECT	EFFECTIVE INTEREST
		(in percentage)					
General Construction:							
D.M. Consunji, Inc. (DMCI)	General Construction	**100.00**	**-**	**100.00**	100.00	-	100.00
Beta Electromechanical Corporation (Beta Electric)[1]	General Construction	-	**53.20**	**53.20**	-	53.20	53.20
Raco Haven Automation Philippines, Inc. (Raco)[1]	Non-operating	-	**50.14**	**50.14**	-	50.14	50.14
Oriken Dynamix Company, Inc. (Oriken)[1]	Non-operating	-	**89.00**	**89.00**	-	89.00	89.00
DMCI Technical Training Center (DMCI Training)[1]	Services	-	**100.00**	**100.00**	-	100.00	100.00
Bulakan North Gateway Holdings Inc (Bulakan North)	Non-operating	-	**100.00**	**100.00**	-	100.00	100.00
Real Estate:							
DMCI Project Developers, Inc. (PDI)	Real Estate Developer	**100.00**	**-**	**100.00**	100.00	-	100.00
DMCI-PDI Hotels, Inc. (PDI Hotels)[2]	Hotel Operator	-	**100.00**	**100.00**	-	100.00	100.00
DMCI Homes Property Management Corporation (DPMC)[2]	Property Management	-	**100.00**	**100.00**	-	100.00	100.00
Zenith Mobility Solutions Services, Inc. (ZMSSI)[2]	Services	-	**100.00**	**100.00**	-	51.00	51.00
Riviera Land Corporation (Riviera)[2]	Real Estate Developer	-	**100.00**	**100.00**	-	100.00	100.00
Hampstead Gardens Corporation (Hampstead)[2*]	Real Estate Developer	-	**100.00**	**100.00**	-	100.00	100.00
DMCI Homes, Inc. (DMCI Homes)[2*]	Marketing Arm	-	**100.00**	**100.00**	-	100.00	100.00
L & I Development Corporation (LIDC)	Real Estate Developer	-	**100.00**	**100.00**	-	-	-

(continuation)

		2021			2020		
	NATURE OF BUSINESS	DIRECT	INDIRECT	EFFECTIVE INTEREST	DIRECT	INDIRECT	EFFECTIVE INTEREST
		(in percentage)					
Coal Mining:							
Semirara Mining and Power Corporation (SMPC)	Mining	**56.65**	**-**	**56.65**	56.65	-	56.65
On-Grid Power:							
Sem-Calaca Power Corporation (SCPC)[3]	Power Generation	-	**56.65**	**56.65**	-	56.65	56.65
Southwest Luzon Power Generation Corporation (SLPGC)[3]	Power Generation	-	**56.65**	**56.65**	-	56.65	56.65
Sem-Calaca RES Corporation (SCRC)[3]	Retail	-	**56.65**	**56.65**	-	56.65	56.65
SEM-Cal Industrial Park Developers, Inc. (SIPDI)[3]	Non-operating	-	**56.65**	**56.65**	-	56.65	56.65
Semirara Energy Utilities, Inc. (SEUI)[3]	Non-operating	-	**56.65**	**56.65**	-	56.65	56.65
Southeast Luzon Power Generation Corporation (SeLPGC)[3]	Services	-	**56.65**	**56.65**	-	56.65	56.65
Semirara Claystone, Inc. (SCI)[3]	Non-operating	-	**56.65**	**56.65**	-	56.65	56.65
St. Raphael Power Generation Corporation (SRPGC)[3]	Non-operating	-	**56.65**	**56.65**	-	56.65	56.65
Off-Grid Power:							
DMCI Power Corporation (DPC)	Power Generation	**100.00**	**-**	**100.00**	100.00	-	100.00
DMCI Masbate Power Corporation (DMCI Masbate)[4]	Power Generation	-	**100.00**	**100.00**	-	100.00	100.00
Nickel Mining:							
DMCI Mining Corporation (DMC)	Holding Company	**100.00**	**-**	**100.00**	100.00	-	100.00
Berong Nickel Corporation (BNC)[5]	Mining	-	**74.80**	**74.80**	-	74.80	74.80
Ulugan Resouces Holdings, Inc. (URHI)[5]	Holding Company	-	**30.00**	**30.00**	-	30.00	30.00
Ulugan Nickel Corporation (UNC)[5]	Holding Company	-	**58.00**	**58.00**	-	58.00	58.00
Nickeline Resources Holdings, Inc. (NRHI)[5]	Holding Company	-	**58.00**	**58.00**	-	58.00	58.00
TMM Management, Inc (TMM)[5]	Services	-	**40.00**	**40.00**	-	40.00	40.00
Zambales Diversified Metals Corporation (ZDMC)[5]	Mining	-	**100.00**	**100.00**	-	100.00	100.00
Zambales Chromite Mining Company Inc. (ZCMC)[5]	Non-operational	-	**100.00**	**100.00**	-	100.00	100.00

(continuation)

	NATURE OF BUSINESS	2021 DIRECT	2021 INDIRECT	2021 EFFECTIVE INTEREST	2020 DIRECT	2020 INDIRECT	2020 EFFECTIVE INTEREST
				(in percentage)			
Fil-Asian Strategic Resources & Properties Corporation (FASRPC)[5]	Non-operational	-	**100.00**	**100.00**	-	100.00	100.00
Montague Resources Philippines Corporation (MRPC)[5]	Non-operational	-	**100.00**	**100.00**	-	100.00	100.00
Montemina Resources Corporation (MRC)[5]	Non-operational	-	**100.00**	**100.00**	-	100.00	100.00
Mt. Lanat Metals Corporation (MLMC)[5]	Non-operational	-	**100.00**	**100.00**	-	100.00	100.00
Fil-Euro Asia Nickel Corporation (FEANC)[5]	Non-operational	-	**100.00**	**100.00**	-	100.00	100.00
Heraan Holdings, Inc. (HHI)[5]	Holding Company	-	**100.00**	**100.00**	-	100.00	100.00
Zambales Nickel Processing Corporation (ZNPC)[5]	Non-operational	-	**100.00**	**100.00**	-	100.00	100.00
Zamnorth Holdings Corporation (ZHC)[5]	Holding Company	-	**100.00**	**100.00**	-	100.00	100.00
ZDMC Holdings Corporation (ZDMCHC)[5]	Holding Company	-	**100.00**	**100.00**	-	100.00	100.00
Manufacturing:							
Semirara Cement Corporation (SemCem)	Non-operational	**100.00**	**-**	**100.00**	100.00	-	100.00
Wire Rope Corporation of the Philippines (Wire Rope)	Manufacturing	**45.68**	**16.02**	**61.70**	45.68	16.02	61.70

*Ongoing liquidation.
[1] DMCI's subsidiaries. In 2021 Bulakan North was sold.
[2] PDI's subsidiaries. In 2020, ZMSSI became a wholly-owned subsidiary thru the acquisition of 49% noncontrolling-interests. In addition, on October 1, 2020, PDI entered into a share purchase agreement to acquire 100% of the total outstanding shares of LIDC. The acquisition of LIDC was accounted for as an asset acquisition (see Note 3).
[3] SMPC's subsidiaries. In 2020, SMPC entered into a deed of assignment for acquisition of remaining 50% ownership interest in SRPGC. The acquisition of SRPGC was accounted for as an asset acquisition (see Note 3).
[4] DPC's subsidiaries.
[5] DMC's subsidiaries.

Noncontrolling-Interests

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

Noncontrolling-interests are presented separately in the consolidated statement of income, consolidated statement of comprehensive income, and within equity in the consolidated statement of financial position, separately from equity holders of the Parent Company. Any losses applicable to the noncontrolling-interests are allocated against the interests of the noncontrolling-interests even if these result to the noncontrolling-interest, having a deficit balance. The acquisition of an additional ownership interest in a subsidiary without a change of control is accounted for as an equity transaction.

Any excess or deficit of consideration paid over the carrying amount of the noncontrolling-interests is recognized in equity of the parent company in transactions where the noncontrolling interest are acquired or sold without loss of control.

The proportion of ownership interest held by noncontrolling-interests presented below on the consolidated subsidiaries are consistent with the prior year:

	(IN PERCENTAGE)
Beta Electromechanical Corporation (Beta Electromechanical)	46.80
Raco Haven Automation Philippines, Inc. (Raco)	49.86
Oriken Dynamix Company, Inc. (Oriken)	11.00
Semirara Mining and Power Corporation (SMPC)	43.35
Sem-Calaca Power Corporation (SCPC)	43.35
Southwest Luzon Power Generation Corporation (SLPGC)	43.35
Sem-Calaca RES Corporation (SCRC)	43.35
SEM-Cal Industrial Park Developers, Inc. (SIPDI)	43.35
Semirara Energy Utilities, Inc. (SEUI)	43.35
Southeast Luzon Power Generation Corporation (SeLPGC)	43.35
Semirara Claystone, Inc. (SCI)	43.35
St. Raphael Power Generation Corporation (SRPGC)	43.35
Berong Nickel Corporation (BNC)	25.20
Ulugan Resouces Holdings, Inc. (URHI)	70.00
Ulugan Nickel Corporation (UNC)	42.00
Nickeline Resources Holdings, Inc. (NRHI)	42.00
TMM Management, Inc. (TMM)	60.00
Wire Rope Corporation of the Philippines (Wire Rope)	38.30

In 2020, ZMSSI and SRPGC became wholly-owned subsidiaries of the Group. PDI acquired the remaining 49% noncontrolling-interest in ZMSSI. Equity shareholdings of the joint venture partner in SRPGC of 50% was acquired by SMPC upon the termination of the joint venture arrangement between the parties.

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

Interest in Joint Control

DMCI, a wholly-owned subsidiary of the Parent Company, has an interest in joint arrangement, whereby the parties have a contractual arrangement that establishes joint control. DMCI recognizes its share of jointly held assets, liabilities, income and expenses of the joint operation with similar items, line by line, in its consolidated financial statements.

The financial statements of the joint operations 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.

Adoption of New and Amended Accounting Standards and Interpretations
The accounting policies adopted in the preparation of the Group's consolidated financial statements are consistent with those of the previous financial year, except for the adoption of new standards effective in 2021. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

The adoption of these new standards did not have a significant impact on the financial statements of the Group.

- Amendments to PFRS 16, *COVID-19-related Rent Concessions beyond 30 June 2021*
  The amendment provides relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:

  - The rent concession is a direct consequence of COVID-19;
  - The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
  - Any reduction in lease payments affects only payments originally due on or before June 30, 2022; and,
  - There is no substantive change to other terms and conditions of the lease.

A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

The amendment is effective for annual reporting periods beginning on or after April 1, 2021, with earlier application permitted.

This amendment is not applicable to the Company as there are no rent concessions granted to the Company as a lessee.

- Amendments to PFRS 9, PAS 39, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*
  The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):

  - Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform.
  - Relief from discontinuing hedging relationships.
  - Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

Following are the information that are required to be disclosed:

  - Nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and
  - Progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition.

This amendment is not applicable to the Group.

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

Effective beginning on or after January 1, 2022

- Amendments to PFRS 3, *Reference to the Conceptual Framework*
  The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations* to avoid the issue of potential 'day 2'gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine-IFRIC 21, *Levies*, if incurred separately.

  At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and apply prospectively.

- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*
  The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments are not expected to have a material impact on the Group.

- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*
  The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative

costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

- *Annual Improvements to PFRSs 2018-2020 Cycle*

  - Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*

    The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to PFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

    The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the Group.

  - Amendments to PFRS 9, *Financial Instruments, Fees in the '10 per cent' test for derecognition of financial liabilities*

    The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

    The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Group.

  - Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

    The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

    The amendments are not expected to apply to the Group.

Effective beginning on or after January 1, 2023

- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

  The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

  The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense).

  An entity applies the amendments to transactions that occur on or after the beginning of the earliest comparative period presented for annual reporting periods on or after January 1, 2023.

- Amendments to PAS 8, *Definition of Accounting Estimates*

  The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

  An entity applies the amendments to changes in accounting policies and changes in accounting estimates that occur on or after January 1, 2023 with earlier adoption permitted. The amendments are not expected to have a material impact on the Group.

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

  The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

  - Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies, and
  - Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

    The amendments to the Practice Statement provide non-mandatory guidance. Meanwhile, the amendments to PAS 1 are effective for annual periods beginning on or after January 1, 2023. Early application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Group.

Effective beginning on or after January 1, 2024

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*

The amendments clarify paragraphs 69 to 76 of PAS 1, Presentation of Financial Statements, to specify the requirements for classifying liabilities as current or non-current.
The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. However, in November 2021, the International Accounting Standards Board (IASB) tentatively decided to defer the effective date to no earlier than January 1, 2024. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Effective beginning on or after January 1, 2025

- 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 is not expected to apply to the Group.

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 IASB completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

<u>Current versus Noncurrent Classification</u>
The Group presents assets and liabilities in the consolidated statement of financial position based on current and noncurrent classification.

An asset is current when:

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

All other assets are classified as noncurrent.

A liability is current when:

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

The Group classifies all other liabilities as noncurrent.

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

<u>Fair Value Measurement</u>
The Group measures financial assets designated at FVOCI and financial assets at FVPL at fair value at each reporting date.

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

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

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

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

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

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

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

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

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

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

<u>Recognition and Measurement of Financial Instruments</u>

Financial assets

a. Initial recognition
   Financial assets are classified, at initial recognition, as either subsequently measured at amortized cost, at FVOCI, or at FVPL.

   The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. The Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under PFRS 15.

   In order for a financial asset to be classified and measured at amortized cost or at FVOCI, it needs to give rise to cash flows that are 'solely payments of principal and interest' (SPPI) on the principal amount outstanding. This assessment is referred to as the SPPI test' and is performed at an instrument level.

   The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

   Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

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

b. Subsequent measurement – Financial assets at amortized cost
   Financial assets are measured at amortized cost if both of the following conditions are met:

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

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

   The Group classifies cash and cash equivalents, receivables, due from related parties, and refundable deposit as financial assets at amortized cost (see Notes 4, 6, 9 and 13).

c. Subsequent measurement - Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition
   Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under PAS 32, *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

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

   The Group elected to classify irrevocably its quoted and non-listed equity investments under this category (see Note 8).

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

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

   When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities

a. Initial recognition
Financial liabilities are classified, at initial recognition, either as financial liabilities at FVPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

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

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

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the consolidated statement of income.

This category generally applies to short-term and long-term debt.

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

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

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

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

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

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

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

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

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

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

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

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

Inventories
Real Estate Held for Sale and Development
Real estate held for sale and development consists of condominium units and subdivision land for sale and development.

Condominium units and subdivision land for sale are carried at the lower of aggregate cost and net realizable value (NRV). Costs include acquisition costs of the land, plus costs incurred for the construction, development and improvement of residential units. Borrowing costs are capitalized while the development and construction of the real estate projects are in progress, and to the extent that these are expected to be recovered in the future. NRV is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Undeveloped land is carried at lower of cost and NRV.

The costs of inventory recognized in profit or loss on disposal is determined with reference to the specific costs incurred on the property sold and an allocation of any non-specific costs based on the relative size of the property sold.
Valuation allowance is provided for real estate held for sale and development when the NRV of the properties are less than their carrying amounts.

Coal Inventory
The cost of coal inventory is carried at the lower of cost and NRV. NRV is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale for coal inventory. Cost is determined using the weighted average production cost method.

The cost of extracted coal includes all stripping costs and other mine related costs incurred during the period and allocated on per metric ton basis by dividing the total production cost with the total volume of coal produced. Except for shiploading cost, which is a period cost, all other production related costs are charged to production cost.

Nickel Ore Inventory
Nickel ore inventories are valued at the lower of cost and NRV. Cost of beneficiated nickel ore or nickeliferous laterite ore is determined by the moving average production cost and comprise of outside services, production overhead, personnel cost, and depreciation, amortization and depletion that are directly attributable in bringing the beneficiated nickel ore or nickeliferous laterite ore in its saleable condition. NRV for beneficiated nickel ore or nickeliferous laterite ore is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. Stockpile tonnages are verified by periodic surveys.

Materials in Transit
Cost is determined using the specific identification basis.

Equipment Parts, Materials and Supplies
The cost of equipment parts, materials and supplies is determined principally by the average cost method (either by moving average or weighted average production cost).

Equipment parts and supplies are transferred from inventories to property, plant and equipment when the use of such supplies is expected to extend the useful life of the asset and increase its economic benefit. Transfers between inventories to property, plant and equipment do not change the carrying amount of the inventories transferred and they do not change the cost of that inventory for measurement or disclosure purposes.

Equipment parts and supplies used for repairs and maintenance of the equipment are recognized in the consolidated statement of income when consumed.

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

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

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

Value-added Tax (VAT)
Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable. Input VAT pertains to the 12% indirect tax paid by the Group in the course of the Group's trade or business on local purchase of goods or services. Deferred input VAT pertains to input VAT on accumulated purchases of property, plant and equipment for each month amounting to ₱1.00 million or more. This is amortized over five (5) years or the life of the property, plant and equipment, whichever is shorter, in accordance with the Bureau of Internal Revenue (BIR) regulation. Output VAT pertains to the 12% tax due on the local sale of goods and services by the Group.

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.

<u>Investments in Associates and Joint Ventures</u>
An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

Joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The Group's investments in associates and joint ventures are accounted for using the equity method.

Under the equity method, the investments in associate or joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortized and is not tested for impairment individually.

The consolidated statement of income reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the associate or joint venture, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and joint venture is shown on the face of the consolidated statement of income outside operating profit and represents profit or loss after tax and noncontrolling-interests in the subsidiaries of the associate or joint venture. If the Group's share of losses of an associate or a joint venture equals or exceeds its interest in the associate or joint venture, the Group discontinues recognizing its share to the extent of the interest in associate or joint venture.

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

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

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

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties, except land, are stated at cost less accumulated depreciation and amortization and any impairment in value. Land is stated at cost less any impairment in value. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property.

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

Depreciation and amortization of investment properties are computed using the straight-line method over the estimated useful lives (EUL) of assets of 20 to 25 years.

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

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

Exploration and Evaluation Assets and Mining Properties
Exploration and evaluation activity involves the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource.

Exploration and evaluation activity includes:

• Researching and analyzing historical exploration data
• Gathering exploration data through geophysical studies
• Exploratory drilling and sampling
• Determining and examining the volume and grade of the resource
• Surveying transportation and infrastructure requirements
• Conducting market and finance studies

License costs paid in connection with a right to explore in an existing exploration area are capitalized and amortized over the term of the permit. Once the legal right to explore has been acquired, exploration and evaluation expenditure is charged to consolidated statement of income as incurred, unless the Group's management concludes that a future economic benefit is more likely than not to be realized. These costs include materials and fuel used, surveying costs, drilling costs and payments made to contractors.

In evaluating whether the expenditures meet the criteria to be capitalized, several different sources of information are used. The information that is used to determine the probability of future benefits depends on the extent of exploration and evaluation that has been performed.

Expenditure is transferred from 'Exploration and evaluation assets' to 'Mining properties' which is a subcategory of 'Property, plant and equipment' once the work completed to date supports the future development of the property and such development receives appropriate approvals. After transfer of the exploration and evaluation assets, all subsequent expenditure on the construction, installation or completion of infrastructure facilities is capitalized in 'Mining properties and equipment'.

Development expenditure is net of proceeds from the sale of ore extracted during the development phase.

Stripping Costs
As part of its mining operations, the Group incurs stripping (waste removal) costs both during the development phase and production phase of its operations. Stripping costs incurred in the development phase of a mine, before the production phase commences (development stripping), are capitalized as part of the cost of mining properties and subsequently amortized over its useful life using units-of-production method. The capitalization of development stripping costs ceases when the mine/component is commissioned and ready for use as intended by management.

After the commencement of production further development of the mine may require a phase of unusually high stripping that is similar in nature to development phase stripping. The costs of such stripping are accounted for in the same way as development stripping (as discussed above).

Stripping costs incurred during the production phase are generally considered to create two benefits, being either the production of inventory or improved access to the coal body to be mined in the future. Where the benefits are realized in the form of inventory produced in the period, the production stripping costs are accounted for as part of the cost of producing those inventories.

Where the benefits are realized in the form of improved access to ore to be mined in the future, the costs are recognized as a noncurrent asset, referred to as a stripping activity asset, if the following criteria are met:

• Future economic benefits (being improved access to the coal body) are probable;
• The component of the coal body for which access will be improved can be reasonably identified; and,
• The costs associated with the improved access can be reliably measured.

If all of the criteria are not met, the production stripping costs are charged to the consolidated statement of income as operating costs as they are incurred.

In identifying components of the body, the Group works closely with the mining operations department for each mining operation to analyze each of the mine plans. Generally, a component will be a subset of the total body, and a mine may have several components. The mine plans, and therefore the identification of components, can vary between mines for a number of reasons. These include, but are not limited to: the type of commodity, the geological characteristics of the ore/coal body, the geographical location, and/or financial considerations.

The stripping activity asset is initially measured at cost, which is the accumulation of costs directly incurred to perform the stripping activity that improves access to the identified component of ore/coal body, plus an allocation of directly attributable overhead costs. If incidental operations are occurring at the same time as the production stripping activity, but are not necessary for the production stripping activity to continue as planned, these costs are not included in the cost of the stripping activity asset. If the costs of the inventory produced and the stripping activity asset are not separately identifiable, a relevant production measure is used to allocate the production stripping costs between the inventory produced and the stripping activity asset. This production measure is calculated for the identified component of the ore/coal body and is used as a benchmark to identify the extent to which the additional activity of creating a future benefit has taken place.

The stripping activity asset is accounted for as an addition to, or an enhancement of, an existing asset, being the mine asset, and is included as part of 'Mining properties and equipment' under 'Property, plant and equipment' in the consolidated statement of financial position. This forms part of the total investment in the relevant cash generating unit (CGU), which is reviewed for impairment if events or changes of circumstances indicate that the carrying value may not be recoverable.

The stripping activity asset is subsequently depreciated using the units-of-production method over the life of the identified component of the coal body that became more accessible as a result of the stripping activity. Economically recoverable reserves, which comprise proven and probable reserves, are used to determine the expected useful life of the identified component of the ore/coal body. The stripping activity asset is then carried at cost less depreciation and any impairment losses.

Property, Plant and Equipment
Property, plant and equipment, except land, are stated at cost less accumulated depreciation, depletion and amortization, and any impairment in value. Land is stated at cost, less any impairment in value.

The initial cost of property, plant and equipment comprises its purchase price, including import duties, taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Costs also include decommissioning and site rehabilitation costs. Expenditures incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to operations in the period in which the costs are incurred.

In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional cost of property, plant and equipment.

Construction-in-progress included in property, plant and equipment is stated at cost. This includes the cost of the construction of property, plant and equipment and other direct costs. Construction-in- progress is not depreciated until such time that the relevant assets are completed and put into operational use.

Depreciation, depletion and amortization of assets commences once the assets are put into operational use.

Depreciation, depletion and amortization of property, plant and equipment are calculated on a straight-line basis over the following EUL of the respective assets or the remaining contract period, whichever is shorter:

	YEARS
Land improvements	5-25
Power plant, buildings and building improvements	10-25
Equipment and machinery under “coal mining properties and equipment”	2-3
Equipment and machinery under “nickel mining properties and equipment”	2-5
Construction equipment, machinery and tools	5-10
Office furniture, fixtures and equipment	3-5
Transportation equipment	4-5
Leasehold improvements	5-7

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

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

Coal and nickel mining properties are amortized using the units-of-production method. Coal and nickel mining properties consists of mine development costs, capitalized cost of mine rehabilitation and decommissioning (refer to accounting policy on “Provision for mine rehabilitation and decommissioning”), stripping costs (refer to accounting policy on “Stripping Costs”) and mining rights. Mine development costs consist of capitalized costs previously carried under “Exploration and Evaluation Assets”, which were transferred to property, plant and equipment upon start of commercial operations. Mining rights are expenditures for the acquisition of property rights that are capitalized.

The net carrying amount of mining properties is depleted using unit-of-production method based on the estimated economically, legal and environmental saleable reserves of the mine concerned which is based on the current market prices, and are written-off if the property is abandoned.

Mineable Ore Reserves
Mineable ore reserves are estimates of the amount of coal and nickel that can be economically and legally extracted from the Group’s mining properties. The Group estimates its mineable ore reserves based on information compiled by appropriately qualified persons relating to the geological data on the size, depth and shape of the mineable ore body, and require complex geological judgments to interpret the data. The estimation of recoverable reserves is based upon factors such as estimates of foreign exchange rates, commodity prices, future capital requirements, and production costs along with geological assumptions and judgments made in estimating the size and grade of the mineable ore body. Changes in the reserve or resource estimates may impact the amortization of mine properties included as part of ‘Mining properties and equipment’ under ‘Property, plant and equipment’.

Intangible Assets
Intangible assets and software costs acquired separately are capitalized at cost and are shown as part of the “Other noncurrent assets” account in the consolidated statement of financial position. Following initial recognition, intangible assets are measured at cost less accumulated amortization and provisions for impairment losses, if any. The useful lives of intangible assets with finite life are assessed at the individual asset level. Intangible assets with finite life are amortized over their EUL. The periods and method of amortization for intangible assets with finite useful lives are reviewed annually or earlier where an indicator of impairment exists.

Costs incurred to acquire and bring the computer software (not an integral part of its related hardware) to its intended use are capitalized as part of intangible assets. These costs are amortized over their EUL ranging from three (3) to five (5) years. Costs directly associated with the development of identifiable computer software that generate expected future benefits to the Group are recognized as intangible assets. All other costs of developing and maintaining computer software programs are recognized as expense when incurred.

Gains or losses arising from the derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of income when the asset is derecognized.

Research and Development Costs
Research costs are expensed as incurred. Development expenditures on an individual project are recognized as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development
- The ability to use the intangible asset generated

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. Amortization is recorded as part of cost of sales in the consolidated statement of income. During the period of development, the asset is tested for impairment annually.

Impairment of Nonfinancial Assets
This accounting policy applies primarily to the Group's property, plant and equipment, investment properties, investments in associates and joint ventures, right-of-use assets and intangible assets.

Property, Plant and Equipment, Investment Properties, Right-of-Use Assets and Intangible Assets
The Group assesses at each reporting date whether there is an indication that these assets may be impaired. If any such indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less cost to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that largely independent of those from other assets or group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

Exploration and evaluation assets
Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation assets may exceed its recoverable amount. Under PFRS 6 one or more of the following facts and circumstances could indicate that an impairment test is required. The list is not intended to be exhaustive: (a) the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed; (b) substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned; (c) exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; and (d) sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation assets is unlikely to be recovered in full from successful development or by sale.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Asset Acquisitions
To assess whether a transaction is the acquisition of a business, the Group applies first a quantitative concentration test (also known as a screening test). The Group is not required to apply the test but may elect to do so separately for each transaction or other event. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is required. Otherwise, or if the Group elects not to apply the test, the Group will perform the qualitative analysis of whether an acquired set of assets and activities includes at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

If the assets acquired and liabilities assumed in an acquisition transaction do not constitute a business as defined under PFRS 3, the transaction is accounted for as an asset acquisition. The Group identifies and recognizes the individual identifiable assets acquired (including those assets that meet the definition of, and recognition criteria for, intangible assets) and liabilities assumed. The acquisition cost is allocated to the individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such transaction or event does not give rise to goodwill. Where the Group acquires a controlling interest in an entity that is not a business, but obtains less than 100% of the entity, after it has allocated the cost to the individual assets acquired, it notionally grosses up those assets and recognizes the difference as non-controlling interests.

When the Group obtains control over a previously held joint operation, and the joint operation does not constitute a business, the transaction is also accounted for as an asset acquisition which does not give rise to goodwill. The acquisition cost to obtain control of the joint operation is allocated to the individual identifiable assets acquired and liabilities assumed, including the additional share of any assets and liabilities previously held or incurred jointly, on the basis of their relative fair values at the date of purchase. Previously held assets and liabilities of the joint operation should remain at their carrying amounts immediately before the transaction.

Revenue and Cost recognition

Revenue from contract with customers

The Group is primarily engaged in general construction, coal and nickel mining, power generation, real estate development, water concession and manufacturing. Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has concluded that it is acting as principal in all of its significant revenue arrangements since it is the primary obligor in these revenue arrangements. The following specific recognition criteria must also be met before revenue is recognized:

Revenue recognized at a point in time

- *Coal Mining*
  Revenue is recognized when control passes to the customer, which occurs at a point in time when the coal is physically transferred onto a vessel or other delivery mechanism. The revenue is measured at the amount to which the Group expects to be entitled, being the price expected to be received upon final billing, and a corresponding trade receivable is recognized.

  Revenue from local and export coal sales are denominated in Philippine Peso and US Dollar (US$), respectively.

  Cost of coal includes directly related production costs such as materials and supplies, fuel and lubricants, labor costs including outside services, depreciation and amortization, cost of decommissioning and site rehabilitation, and other related production overhead. These costs are recognized when incurred.

- *Nickel Mining*
  Revenue is recognized when control passes to the customer, which occurs at a point in time when the beneficiated nickel ore/nickeliferous laterite ore is physically transferred onto a vessel or onto the buyer's vessel.

  Cost of nickel includes cost of outside services, production overhead, personnel cost and depreciation, amortization and depletion that are directly attributable in bringing the inventory to its saleable condition. These are recognized in the period when the goods are delivered.

- *Sales and services*
  Revenue from room use, food and beverage sales and other services are recognized when the related sales and services are rendered.

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

Revenue recognized over time using output method

- *Real Estate Sales*
  The Group derives its real estate revenue from sale of lots, house and lot and condominium units. Revenue from the sale of these real estate projects under pre-completion stage are recognized over time during the construction period using the percentage of completion or (POC) since based on the terms and conditions of its contract with the buyers, the Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

  In measuring the progress of its performance obligation over time, the Group uses the output method. The Group recognizes revenue on the basis of direct measurements of the value to customers of the goods or services transferred to date, relative to the remaining goods or services promised under the contract. Progress is measured using survey of performance completed to date. This is based on the monthly project accomplishment report prepared by project engineers, and reviewed and approved by area managers under construction department which integrates the surveys of performance to date of the construction activities for both subcontracted and those that are fulfilled by the developer itself.

  Any excess of progress of work over the right to an amount of consideration that is unconditional, recognized as installment contract receivables, under "Receivables", is included in the "Contract asset" account in the asset section of the consolidated statement of financial position.

  Any excess of collections over the total of recognized installment contract receivables is included in the "Contract liabilities" account in the liabilities section of the consolidated statement of financial position. The impact of the significant financing component on the transaction price has not been considered since the Group availed of the relief granted by the SEC under MC Nos. 14-2018 for the implementation issues of PFRS 15 affecting the real estate industry. Under the SEC MC No. 34-2020, the relief has been extended until December 31, 2023.

  The Group recognizes costs relating to satisfied performance obligations as these are incurred taking into consideration the contract fulfillment assets such as land and connection fees. These include costs of land, land development costs, building costs, professional fees, depreciation, permits and licenses and capitalized borrowing costs. These costs are allocated to the saleable area, with the portion allocable to the sold area being recognized as costs of sales while the portion allocable to the unsold area being recognized as part of real estate inventories.

  In addition, the Group recognizes as an asset these costs that give rise to resources that will be used in satisfying performance obligations in the future and that are expected to be recovered.

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

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

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

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

Revenue recognized over time using input method

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

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

  The asset "Costs and estimated earnings in excess of billings on uncompleted contracts", which is presented under "Contract assets", represents total costs incurred and estimated earnings recognized in excess of amounts billed. The liability "Billings in excess of costs and estimated earnings on uncompleted contracts", which is presented under "Contract liabilities", represents billings in excess of total costs incurred and estimated earnings recognized. Contract retention receivables are presented as part of "Trade receivables" under the "Receivables" account in the consolidated statement of financial position.

Contract Balances

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

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

For the Group's real estate segment, contract assets are initially recognized for revenue earned from development of real estate projects as receipt of consideration is conditional on successful completion of development. Upon completion of development and acceptance by the customer, the amounts recognized as contract assets are reclassified to receivables. It is recognized as "contract asset" account in the consolidated statement of financial position. For the Group's construction segment, contract asset arises from the total contract costs incurred and estimated earnings recognized in excess of amounts billed.

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

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

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

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

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

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

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

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

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

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

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

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

Where a contract is anticipated to make a loss, these judgements are also relevant in determining whether or not an onerous contract provision is required and how this is to be measured.

<u>Other Revenue and Income Recognition</u>

Forfeitures and cancellation of real estate contracts
Income from forfeited reservation and collections is recognized when the deposits from potential buyers are deemed nonrefundable due to prescription of the period for entering into a contracted sale. Such income is also recognized, subject to the provisions of Republic Act 6552, *Realty Installment Buyer Act*, upon prescription of the period for the payment of required amortizations from defaulting buyers.

Income from commissioning
Income from commissioning pertains to the excess of proceeds from the sale of electricity produced during the testing and commissioning of the power plant over the actual cost incurred to perform the testing and commissioning.

Dividend income
Dividend income is recognized when the Group's right to receive payment is established, which is generally when shareholders approve the dividend.

Rental income
Rental income arising from operating leases on investment properties and construction equipment is accounted for on a straight-line basis over the lease terms.

Interest income
Interest income is recognized as interest accrues using the effective interest method.

<u>Operating Expenses</u>
Operating expenses are expenses that arise in the ordinary course of operations of the Group. These usually take the form of an outflow or depletion of assets such as cash and cash equivalents, supplies, investment properties and property, plant and equipment. Expenses are recognized in the consolidated statement of income when incurred.

<u>Borrowing Costs</u>
Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest that an entity incurs in connection with the borrowing of funds.

The interest capitalized is calculated using the Group's weighted average cost of borrowings after adjusting for borrowings associated with specific developments. Where borrowings are associated with specific developments, the amounts capitalized is the gross interest incurred on those borrowings less any investment income arising on their temporary investment. Interest is capitalized from the commencement of the development work until the date of practical completion. The capitalization of borrowing costs is suspended if there are prolonged periods when development activity is interrupted. Borrowing costs are also capitalized on the purchased cost of a site property acquired specially for development but only where activities necessary to prepare the asset for development are in progress.

Foreign Currency Translations and Transactions
The consolidated financial statements are presented in Philippine Peso. Each entity in the Group determines its own functional currency and items included in the consolidated financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded in the functional currency rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency closing rate at the reporting date. All differences are taken to consolidated statement of income. Non-monetary items that are measured in terms of historical cost in foreign currency are translated using the exchange rates as at the dates of initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Pension Cost
The Group has a noncontributory defined benefit multi-employer retirement plan.

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

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

Defined benefit costs comprise the following:

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

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

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

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

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

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

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

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

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

Leases effective January 1, 2019
The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as a lessor
Leases where the Group retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same bases as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

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

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

"Right-of-use assets" are presented under noncurrent assets in the consolidated statement of financial position.

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

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

Short-term leases
The Group applies the short-term lease recognition exemption to its leases of office spaces, storage and warehouse spaces that have lease term of 12 months or less from the commencement date and do notcontain a purchase option. Lease payments on these short-term leases are recognized as expense on a straight-line basis over the lease term.

Income Taxes

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

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

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

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

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

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

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

For periods where the income tax holiday (ITH) is in effect, no deferred taxes are recognized in the consolidated financial statements as the ITH status of the subsidiary neither results in a deductible temporary difference or temporary taxable difference. However, for temporary differences that are expected to reverse beyond the ITH, deferred taxes are recognized.

Earnings Per Share (EPS)
Basic EPS is computed by dividing the consolidated net income for the year attributable to equity holders of the Parent Company (net income for the period less dividends on convertible redeemable preferred shares) by the weighted average number of common shares issued and outstanding during the year and adjusted to give retroactive effect to any stock dividends declared during the period. Diluted EPS is computed by dividing the net income for the year attributable to equity holders of the Parent Company by the weighted average number of common shares outstanding during the year adjusted for the effects of dilutive convertible redeemable preferred shares. Diluted EPS assumes the conversion of the outstanding preferred shares.

When the effect of the conversion of such preferred shares is anti-dilutive, no diluted EPS is presented.

Operating Segment
The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The Group generally accounts for intersegment revenues and expenses at agreed transfer prices. Income and expenses from discontinued operations are reported separate from normal income and expenses down to the level of income after taxes. Financial information on operating segments is presented in Note 32 to the consolidated financial statements.

Provisions
Provisions are recognized only when the Group has: (a) a present obligation (legal or constructive) as a result of a past event; (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Provision for decommissioning and site rehabilitation costs
The Group records the present value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred. The nature of these restoration activities includes closure of plants, dismantling and removing of structures, backfilling, reforestation, rehabilitation activities on marine and rainwater conservation and maintenance of rehabilitated area.

The obligation generally arises when the asset is installed, or the ground environment is disturbed at the production location. When the liability is initially recognized, the present value of the estimated cost is capitalized by increasing the carrying amount of the related mining assets. Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognized in the consolidated statement of income as a finance cost. Additional disturbances or changes in rehabilitation costs will be recognized as additions or charges to the corresponding assets and rehabilitation liability when they occur. For closed sites, changes to estimated costs are recognized immediately in the consolidated statement of income.

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

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

3. Significant Accounting Judgments and Estimates

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

Judgments
In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations which have the most significant effect on the amounts recognized in the consolidated financial statements:

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

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

The Group did not include the renewal and termination period of several lease contracts since the renewal and termination options is based on mutual agreement, thus currently not enforceable (see Note 31).

Revenue recognition method and measure of progress

- *Real estate revenue recognition*
  The Group concluded that revenue for real estate sales is to be recognized over time because (a) the Group's performance does not create an asset with an alternative use and; (b) the Group has an enforceable right to payment for performance completed to date. The promised property is specifically identified in the contract and the contractual restriction on the Group's ability to direct the promised property for another use is substantive. This is because the property promised to the customer is not interchangeable with other properties without breaching the contract and without incurring significant costs that otherwise would not have been incurred in relation to that contract. In addition, under the current legal framework, the customer is

contractually obliged to make payments to the developer up to the performance completed to date. The Group also considers the buyer's commitment to continue the sale which may be ascertained through the significance of the buyer's initial payments and the stage of completion of the project.

In evaluating whether collectability of the amount of consideration is probable, the Group considers the significance of the buyer's initial payments (buyer's equity) in relation to the total contract price. Collectability is assessed by considering factors such as history with the buyer, age of real estate receivables and pricing of the property. Also, management evaluates the historical sales cancellations and back-outs, after considering the impact of the coronavirus pandemic, if it would still support its current threshold of buyers' equity before commencing revenue recognition.

In measuring the progress of its performance obligation over time, the Group uses the output method which is based on the physical proportion of work done on the real estate project and requires technical determination by the Group's specialists (project engineers). The Group believes that this method faithfully depicts the Group's performance in transferring control of real estate development to the customers.

- *Construction revenue recognition*

a. Existence of a contract
The Group assessed that various documents or arrangements (whether separately or collectively) will create a contract in accordance with PFRS 15. The Group considered relevant facts and circumstances including customary business practices and assessed that the enforceability of its documents or arrangements depends on the nature and requirements stated in the terms of those documents or arrangements. Certain documents that indicate enforceability of contract include Letter/ Notice of Award, Letter of Intent, Notice to Proceed and Purchase Order.

b. Revenue recognition method and measure of progress
The Group concluded that revenue for construction services is to be recognized over time because (a) the customer controls assets as it is created or enhanced; (b) the Group's performance does not create an asset with an alternative use and; (c) the Group has an enforceable right for performance completed to date. The Group assessed that the first criterion is consistent with the rationale for percentage of completion (POC) revenue recognition approach for construction contract. Moreover, the customer can also specify the design of the asset being constructed and the Group builds the asset on the customer's land or premises and the customer can generally control any work in progress arising from the Group's performance. The last criterion is evident in the actual provisions of the contract. As the Group cannot direct the asset to another customer, it satisfies the criteria of no alternative use.

In measuring the progress of its performance obligation over time, the Group uses the input method which is based on actual costs incurred to date relative to the total estimated cost to complete the construction projects. The Group believes that this method faithfully depicts the Group's performance in transferring control of construction services to the customers.

c. Identifying performance obligation
Construction projects of the Group usually includes individually distinct goods and services. These goods and services are distinct as the customers can benefit from the service on its own and are separately identifiable. However, the Group assessed that goods and services are not separately identifiable from other promises in the contract. The Group provides significant service of integrating the various goods and services (inputs) into a single output for which the customer has contracted. Consequently, the Group accounts for all of the goods and services in the contract as a single performance obligation.

With regard to variation orders, the Group assessed that these do not result in the addition of distinct goods and services and are not identified as separate performance obligations because they are highly interrelated with the services in the original contract, and are part of the contractor's service of integrating services into a single output for which the Group has been contracted.

- *Mining and electricity sales - Revenue recognition method and measure of progress*
The Group concluded that revenue from coal and nickel ore sales is to be recognized at a point in time as the control transfers to customers at the date of shipment.

On the other hand, the Group's revenue from power sales is to be recognized over time because the customer simultaneously receives and consumes the benefits provided by the Group. The fact that another entity would not need to re-perform the delivery of power that the Group has provided to date demonstrates that the customer simultaneously receives and consumes the benefits of the Group's performance obligation

The Group has determined that output method used in measuring the progress of the performance obligation faithfully depicts the Group's performance of its obligation to its customers, since the customer obtains the benefit from the Group's performance based on actual energy delivered each month.

Exploration and evaluation expenditure
The application of the Group's accounting policy for exploration and evaluation assets requires judgment to determine whether future economic benefits are likely, from either future exploitation or sale, or whether activities have not reached a stage that permits a reasonable assessment of the existence of reserves. The criteria used to assess the start date of a mine are determined based on the unique nature of each mine development project. The Group considers various relevant criteria to assess when the mine is substantially complete, ready for its intended use and moves into the production phase.

Some of the criteria include, but are not limited to the following:

- the level of capital expenditure compared to construction cost estimates;
- completion of a reasonable period of testing of the property and equipment;
- ability to produce ore in saleable form; and,
- ability to sustain ongoing production of ore.

When a mine development project moves into the production stage, the capitalization of certain mine construction costs ceases and costs are either regarded as inventory or expensed, except for capitalizable costs related to mining asset additions or improvements, mine development or mineable reserve development. It is also at this point that depreciation or depletion commences.

Determination of components of ore bodies and allocation of measures for stripping cost allocation
The Group has identified that each of its two active mine pits, Narra and Molave, is a whole separate ore component and cannot be further subdivided into smaller components due to the nature of the coal seam orientation and mine plan.

Judgment is also required to identify a suitable production measure to be used to allocate production stripping costs between inventory and any stripping activity asset(s) for each component. The Group considers that the ratio of the expected volume of waste to be stripped for an expected volume of ore to be mined for a specific component of the coal body (i.e., stripping ratio) is the most suitable production measure. The Group recognizes stripping activity asset by comparing the actual stripping ratio during the year for each component and the component's mine life stripping ratio.

Evaluation and reassessment of control
The Group refers to the guidance in PFRS 10, Consolidated Financial Statements, when determining whether the Group controls an investee. Particularly, the Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Group considers the purpose and design of the investee, its relevant activities and how decisions about those activities are made and whether the rights give it the current ability to direct the relevant activities (see Note 9).

The Group controls an investee if and only if it has all the following:
a. power over the investee;
b. exposure, or rights, to variable returns from its involvement with the investee; and,
c. the ability to use its power over the investee to affect the amount of the investor's returns.

Ownership interests in URHI and TMM represent 30% and 40%, respectively. The stockholders of these entities signed the Memorandum of Understanding (MOU) that gives the Group the ability to direct the relevant activities and power to affect its returns considering that critical decision making position in running the operations are occupied by the representatives of the Group (see Note 1).

Evaluation whether acquisitions constitute a business combination
On October 1, 2020, the Group, thru DPDI, acquired 100% ownership in L & I Development Corporation (LIDC), a domestic corporation, for a total consideration of ₱624.35 million. The primary purpose of LIDC is to engage and deal with the real estate, construction and leasing. As of purchase date, the assets of LIDC mainly consists of land and building leased out to tenants. In addition, the Group, through SMPC, acquired the remaining 50% ownership interest in SRPGC through a Deed of Assignment, with a joint venture partner. SRPGC is in the process of developing power plants in Calaca, Batangas. Prior to acquisition, SMPC already owns 50% ownership interest in SRPGC.

In determining whether a transaction or an event is a business combination, the Group assessed whether the assets acquired and liabilities assumed constitute a business. A business is defined as an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or other economic benefits directly to investors or other owners, members or participants. Further, a business consists of inputs and processes applied to those inputs that have the ability to create outputs.

The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organized workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

The Group assessed that the acquisitions of LIDC and SRPGC do not constitute a business. In making the judgment, the Group considered the status/state of LIDC and SRPGC and assessed that there was no substantive process acquired as of acquisition date. As such, the transactions were accounted for as acquisitions of assets.

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

a. Mining
   Estimating mineable ore reserves
   The Group uses the estimated minable ore reserve in the determination of the amount of amortization of mining properties using units-of-production (UOP) method. The Group estimates its mineable ore reserves by using estimates provided by third party, and professionally qualified mining engineers and geologist (specialists). These estimates on the mineable ore reserves are determined based on the information obtained from activities such as drilling, core logging or geophysical logging, coal sampling, sample database encoding, coal seam correlation and geological modelling.

   The carrying value of mining properties and mining rights, included in "Property, plant and equipment" as presented in the consolidated statements of financial position amounted to ₱8,491.82 million and ₱9,501.93 million in 2021 and 2020, respectively (see Note 11).

   Estimating coal stock pile inventory quantities
   The Group estimates the stock pile inventory of clean and unwashed coal by conducting a topographic survey which is performed by in-house and third party surveyors. The survey is conducted by in-house surveyors on a monthly basis with a confirmatory survey by third party surveyors at year end. The process of estimation involves a predefined formula which considers an acceptable margin of error of plus or minus 3% and 5%. Thus, an increase or decrease in the estimation threshold for any period would differ if the Group utilized different estimates and this would either increase or decrease the profit for the year. The coal inventory as of December 31, 2021 and 2020 amounted to ₱1,524.33 million and ₱2,033.84 million, respectively (see Note 7).

Estimating provision for decommissioning and mine site rehabilitation costs
The Group is legally required to fulfill certain obligations under its Department of Energy and National Resources (DENR) issued Environmental Compliance Certificate when its activities have ended in the depleted mine pits. In addition, the Group assesses its mine rehabilitation provision annually. Significant estimates and assumptions are made in determining the provision for decommissioning and mine site rehabilitation costs as there are numerous factors that will affect the ultimate liability. These factors include estimates of the extent and costs of rehabilitation activities given the approved decommissioning and mine site rehabilitation plan, (e.g., costs of backfilling, reforestation, and maintenance of the rehabilitated area), technological changes, regulatory changes, cost increases, and changes in inflation rates and discount rates. Those uncertainties may result in future actual expenditure differing from the amounts currently provided. An increase in decommissioning and site rehabilitation costs would increase the carrying amount of the related assets and increase noncurrent liabilities. The provision at reporting date represents management's best estimate of the present value of the future rehabilitation costs required. Assumptions used to compute the decommissioning and site rehabilitation costs are reviewed and updated annually.

As of December 31, 2021 and 2020, the provision for decommissioning and mine site rehabilitation for coal mining activities amounted to ₱298.76 million and ₱254.53 million, respectively. As of the same dates, the provision for decommissioning and mine site rehabilitation costs for the nickel mining activities amounted to ₱123.49 million and ₱39.63 million, respectively (see Note 18).

b. Construction
Revenue recognition - construction contracts
The Group's construction revenue is based on the POC method measured principally on the basis of total actual cost incurred to date over the estimated total cost of the project. Actual cost incurred to date includes labor, materials and overhead which are billed and unbilled by contractors. The Group also updates the estimated total cost of the project based on latest discussions with customers to include any revisions to the job order sheets and the cost variance analysis against the supporting details. The POC method is applied to the contract price after considering approved change orders.

When it is probable that total contract costs will exceed total contract revenue, the expected loss shall be recognized as an expense immediately. The amount of such a loss is determined irrespective of:

(a) whether work has commenced on the contract;
(b) the stage of completion of contract activity; or
(c) the amount of profits expected to arise on other contracts which are not treated as a single construction contract.

The Group regularly reviews its construction projects and used the above guidance in determining whether there are projects with contract cost exceeding contract revenues. Based on the best estimate of the Group, adjustments were made in the books for those projects with expected losses in 2021 and 2020. There is no assurance that the use of estimates may not result in material adjustments in future periods. Revenue from construction contracts amounted to ₱22,469.65 million, ₱16,563.73 million and ₱18,302.49 million in 2021, 2020 and 2019, respectively (see Note 32).

Determining method to estimate variable consideration for variation orders
It is common for the Group to receive numerous variation orders from the customers during the period of construction. These variation orders could arise due to changes in the design of the asset being constructed and in the type of materials to be used for construction.

The Group estimates the transaction price for the variation orders based on a probability-weighted average approach (expected value method) based on historical experience.

c. Real estate
Revenue recognition – real estate sale
The assessment process for the percentage-of completion and the estimated project development costs requires technical determination by management's specialists (project engineers) and involves significant management judgment. The Group applies POC method in determining real estate revenue. The POC is measured principally on the basis of the estimated completion of a physical proportion of the contract work based on the inputs of the internal project engineers.

Revenue from real estate sales amounted to ₱24,328.51 million, ₱16,078.51 million and ₱18,519.74 million in 2021, 2020 and 2019, respectively (see Note 32).

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

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

As of December 31, 2021 and 2020, the estimated provision for decommissioning and site rehabilitation costs amounted to ₱26.80 million and ₱24.68 million, respectively (see Note 18).

Estimating allowance for expected credit losses (ECLs)

a. *Installment contracts receivable and contract assets*
The Group uses the vintage analysis in calculating the ECLs for real estate ICR. Vintage Analysis calculates the vintage default rate of each period through a ratio of default occurrences of each given point in time in that year to the total number of receivable issuances or occurrences

during that period or year. The rates are also determined based on the default occurrences of customer segments that have similar loss patterns (i.e., by payment scheme).

The vintage analysis is initially based on the Group's historical observed default rates. The Group will adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., bank lending rates and interest rates) are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

b. *Trade receivables*
The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by customer type).

The provision matrix is initially based on the Group's historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information such as inflation and foreign exchange rates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The Group has considered the impact of COVID-19 pandemic and revisited its assumptions in determining the macroeconomic variables and loss rates in the computation of ECL. The changes in the gross carrying amount of receivables during the year and impact of COVID-19 pandemic did not materially affect the allowance for ECLs.

The above assessment resulted to recognition of additional allowance for impairment of ₱33.39 million, ₱44.73 million and ₱12.22 million in 2021, 2020 and 2019, respectively (see Notes 5 and 23).

The Group has considered the impact of COVID-19 pandemic and revisited its assumptions in determining the macroeconomic variables and loss rates in the computation of ECL. The changes in the gross carrying amount of receivables during the year and impact of COVID-19 pandemic did not materially affect the allowance for ECLs.

Evaluation of net realizable value of inventories
Inventories are valued at the lower of cost and NRV. This requires the Group to make an estimate of the inventories' selling price in the ordinary course of business, cost of completion and costs necessary to make a sale to determine the NRV.

For real estate inventories, the Group adjusts the cost of its real estate inventories to NRV based on its assessment of the recoverability of the real estate inventories. NRV for completed real estate inventories is assessed with reference to market conditions and prices existing at the reporting date and is determined by the Group in the light of recent market transactions. NRV in respect of real estate inventories under construction is assessed with reference to market prices at the reporting date for similar completed property, less estimated costs to complete construction and less estimated costs to sell. The amount and timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized. In line with the impact of COVID-19, the Group experienced limited selling activities that resulted to relatively lower sales in 2020. In evaluating NRV, recent market conditions and current market prices have been considered.

For inventories such as equipment parts, materials in transit and supplies, the Group's estimate of the NRV of inventories is based on evidence available at the time the estimates are made of the amount that these inventories are expected to be realized. These estimates consider the fluctuations of price or cost directly relating to events occurring after the end of the reporting period to the extent that such events confirm conditions existing at reporting date. The amount and timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized.

Inventories carried at cost amounted to ₱44,844.06 million and ₱44,860.47 million as of December 31, 2021 and 2020, respectively. Inventories carried at NRV amounted to ₱9,364.82 million and ₱9,034.92 million as of December 31, 2021 and 2020, respectively (see Note 7).

Estimating useful lives of property, plant and equipment (see 'estimation of minable ore reserves" for the discussion of amortization of coal mining properties)
The Group estimated the useful lives of its property, plant and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment are reviewed at least annually and are updated if expectations differ from previous estimates due to physical wear and tear and technical or commercial obsolescence on the use of these assets.

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

In 2017, the BOD approved the rehabilitation of SCPC's Units 1 and 2 coal-fired thermal power plant. The rehabilitation of Units 1 and 2 coal fired power plant resulted to the recording of accelerated depreciation amounting to ₱101.23 million and ₱549.95 million in 2020 and 2019, respectively (nil in 2021). The rehabilitation of the Units 1 and 2 were completed in 2019 and 2020, respectively, and there are no salvage values for the parts replaced.

In estimating the useful life of depreciable assets that are constructed in a leased property, the Group considers the enforceability of and the intent of management to exercise the option to purchase the leased property. For these assets, the depreciation period is over the economic useful life of the asset which may be longer than the remaining lease period.

As of December 31, 2021 and 2020, the carrying value of property, plant and equipment of the Group amounted to ₱59,355.98 million and ₱62,023.80 million, respectively (see Note 11).

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

The Group performed its annual impairment test of goodwill and, in 2019, the Group fully impaired the goodwill as prevalent market conditions and regulatory restrictions no longer support its previous assessment and valuation.

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

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

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

	2021	2020
Investments in associates and joint ventures (Note 9)	₱17,522,876	₱16,590,561
Property, plant and equipment (Note 11)	59,355,978	62,023,797
Right-of-use assets (Note 31)	145,731	183,094
Other current assets (Note 8)*	10,054,702	7,430,728
Other noncurrent assets (Note 12)*	2,476,600	4,209,148

**Excluding current and noncurrent financial assets.*

The Group assessed that an indicator of impairment exists for the ancillary gas turbine plant of SLPGC due to its withdrawal from the ancillary contract with NGCP in 2019. As of December 31, 2021, a supply agreement has yet to be secured for the gas turbine plant. Accordingly, the Group reperformed impairment assessment on its gas turbine plant in 2021 and 2020. Impairment loss amounting to ₱157.20 million was recognized in 2020 to reduce the carrying amount to its recoverable amount (see Note 11). No additional impairment or reversal of previously recognized impairment was made in 2021. The recoverable amount was computed using discounted cash flows approach and considered certain assumptions, such as future electricity demand and supply, historical and future dependable capacity, electricity prices, growth rate, diesel costs, inflation rate and discount rate, taking into consideration the impact of COVID-19 pandemic. Discount rate used to compute the recoverable amount was 9.23%.

As of December 31, 2021 and 2020, the carrying value of ancillary gas turbine, net of related allowance for impairment loss, amounted to ₱1,010.42 million and ₱1,073.94 million, respectively (see Note 11).

SRPGC
The Group also reassessed for impairment the aggregate carrying value representing the development cost of the 2x350 power plants of SRPGC due to termination of the related joint venture agreement in 2020. The carrying value of the pre-construction costs amounted to ₱104.48 million and ₱232.84 million as of December 31, 2021 and 2020, respectively. The recoverable amount was determined using assumptions about future electricity demand and supply, as well as external inputs such as electricity and coal prices, diesel costs, inflation rate and discount rate. No impairment loss was recognized in 2021 and 2020 as a result of the test.

ZCMC
In addition, the Group has nickel mining properties in Zambales which include mining property assessed for impairment given that it has not commenced commercial operations and has an ongoing application for renewal of its Mineral Production Sharing Agreement (MPSA, see Note 35). The recoverable amount was determined using assumptions such as the estimated timing of resumption of commercial operations and mine production, nickel prices, price inflation, commodity prices, foreign exchange rates, and discount rate. No impairment loss was recognized in 2021 and 2020 as a result of the test. As of December 31, 2021 and 2020, related carrying value of this asset (included under "Nickel Mining Properties and Equipment") amounted to ₱1,076.00 million and ₱812.36 million, respectively (see Note 11).

Maynilad Water
In 2019, Maynilad Water Services, Inc. (MWSI), 92.85%-owned subsidiary of Maynilad Water Holdings Company, Inc. (MWHCI), received a letter from Metropolitan Waterworks and Sewerage System (MWSS) informing MWSI that it was directed to perform a review of MWSI's Concession Agreement (CA). On May 18, 2021, the Revised Concession Agreement (RCA) has been executed and signed by the representative parties of MWSI and MWSS. On December 10, 2021, Republic Act 11600 was signed into law (see Note 35). As of December 31, 2021, the RCA is not yet fully implemented to allow the parties more time to fullfill the remaining conditions to the effectivity of RCA.

Following the Regular Board Meeting held on February 10, 2022, MWSS issued Resolution No. 2022-015-CO to further extend the Effective Date of the RCA for thirty (30) days or until March 18, 2022.

The determination of the recoverable amount of the investment in MWHCI was determined using assumptions such as tariff rates, revenue growth, billed water volume, and discount rate. No impairment loss was recognized in 2021, 2020 and 2019, as a result of the test. As of December 31, 2021 and 2020, the carrying value of the investment in MWHCI amounted to ₱16,554.29 million and ₱15,725.13million, respectively (see Note 9).

In addition, management also recognized provision for impairment loss on “Other current assets” amounting to ₱15.39 million and ₱123.53 million in 2020 and 2019, respectively (nil in 2021), since management assessed that the carrying amount of these assets exceeded the recoverable amount (see Notes 8 and 23). Allowance for impairment losses as of December 31, 2021 and 2020 amounted to ₱158.07 million.

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

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

The Group’s lease liabilities amounted to ₱97.41 million and ₱127.99 million as of December 31, 2021 and 2020, respectively (see Notes 18 and 31).

Deferred tax assets
The Group reviews the carrying amounts of deferred taxes at each reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deductible temporary differences and carryforward benefits of unused tax credits from MCIT and NOLCO to be utilized. However, there is no assurance that the Group will generate sufficient future taxable income to allow all or part of the deferred tax assets to be utilized.

The deferred tax assets recognized amounted to ₱1,529.59 million and ₱1,336.41 million as of December 31, 2021 and 2020, respectively. The unrecognized deferred tax assets of the Group amounted to ₱182.01 million and ₱217.17 million as of December 31, 2021 and 2020, respectively (see Note 27).

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

The net pension liabilities as at December 31, 2021 and 2020 amounted to ₱301.26 million and ₱782.88 million, respectively (see Note 21). Net pension assets amounted to ₱814.95 million and ₱708.04 million as of December 31, 2021 and 2020, respectively (see Note 21).

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

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

Contingencies
The Group is currently involved in various legal proceedings and taxation matters. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the defense in these matters and is based upon an analysis of potential results. The Group currently does not believe these proceedings will have a material effect on the Group’s financial position. It is possible, however, that future results of operations could be materially affected by changes in the evaluation of the case, the estimates of potential claims or in the effectiveness of the strategies relating to these proceedings (see Notes 26 and 34).

4. Cash and Cash Equivalents

This account consists of:

	2021	2020
Cash on hand and in banks	₱13,346,715	₱9,622,857
Cash equivalents	4,995,304	9,295,593
	₱18,342,019	**₱18,918,450**

Cash in banks earn interest at the respective bank deposit rates. Cash equivalents are short-term placements made for varying periods of up to three (3) months, depending on the immediate cash requirements of the Group, and earn annual interest ranging from 0.25% to 1.75%, 0.50% to 4.25% and 1.75% to 7.00% in 2021, 2020 and 2019, respectively. Total finance income earned on cash in banks and cash equivalents amounted to ₱72.44 million, ₱190.06 million and ₱538.69 million in 2021, 2020 and 2019, respectively (see Note 24).

5. Receivables

This account consists of:

	2021	2020
Trade:		
Construction contracts	₱8,202,381	₱7,536,115
Electricity sales	4,283,821	3,612,309
Coal mining	4,298,951	1,481,887
Real estate	3,662,800	6,492,700
Nickel mining	260,322	110,570
Merchandising and others	104,042	95,194
	95,194	19,328,775
Receivables from related parties (Note 19)	1,377,041	591,216
Other receivables	3,119,716	2,240,531
	25,309,074	22,160,522
Less allowance for expected credit losses	1,771,655	1,738,267
	₱23,537,419	**₱20,422,255**

<u>Trade Receivables</u>

Construction contracts

Receivables from construction contracts principally consist of receivables arising from third-party construction projects. These also include retention receivables on uncompleted contracts amounting to ₱4,112.39 million and ₱3,769.04 million as of December 31, 2021 and 2020, respectively. Retention receivables pertain to the part of the contract which the contract owner retains as security and shall be released after the period allotted as indicated in the contract for the discovery of defects and other non-compliance from the specifications indicated.

Real estate

Real estate receivables consist of accounts collectible in equal monthly principal installments with various terms up to a maximum of 10 years. These are recognized at amortized cost using the EIR method. The corresponding titles to the residential units sold under this arrangement are transferred to the buyers only upon full payment of the contract price. Installment contracts receivable are collateralized by the related property sold. In 2021, 2020 and 2019, annual interest rates on installment contracts receivable range from 9.00% to 19.00%. nterest on installment contracts receivable amounted to ₱320.43 million, ₱313.00 million and ₱277.66 million in 2021, 2020 and 2019, respectively (see Note 24).

The Group retains the assigned receivables in the "real estate receivables" account and records the proceeds from these sales as long-term debt (see Note 17). The carrying value of installment contracts receivable sold with recourse amounted to ₱2,441.03 million and ₱55.65 million as of December 31, 2021 and 2020, respectively. The installment contracts receivable on a with recourse basis are used as collaterals for the bank loans obtained.

Electricity sales

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

Coal and nickel mining

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

Merchandising and others

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

<u>Other Receivables</u>

Other receivables include the Group's receivables from condominium corporations, advances to brokers and receivable from sale of fly ashes. These receivables are noninterest-bearing and are generally collectible within one (1) year from the reporting date.

Allowance for expected credit losses

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

2021	TRADE RECEIVABLES			
	ELECTRICITY SALES	COAL MINING	OTHER RECEIVABLES	TOTAL
At January 1	₱867,032	₱41,927	₱829,308	₱1,738,267
Provision (Note 23)	–	–	33,388	33,388
At December 31	**₱867,032**	**₱41,927**	**₱862,696**	**₱1,771,655**

2020	TRADE RECEIVABLES			
	ELECTRICITY SALES	COAL MINING	OTHER RECEIVABLES	TOTAL
At January 1	₱867,032	₱41,927	₱785,529	₱1,694,488
Provision (Note 23)	–	–	44,731	44,731
Reversal	–	–	(952)	(952)
At December 31	**₱867,032**	**₱41,927**	**₱829,308**	**₱1,738,267**

6. Contract Assets

The accounts consist of:

	2021	2020
Contract assets	₱23,321,488	₱14,515,874
Costs and estimated earnings in excess of billings on uncompleted contracts	3,198,067	3,472,233
	26,519,555	17,988,107
Less: Contract assets - noncurrent portion	12,455,643	6,706,034
Current portion	**₱14,063,912**	**₱11,282,073**

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

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

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

	2021	2020
Total costs incurred	₱59,809,919	₱53,121,780
Add estimated earnings recognized	4,804,124	5,725,261
	64,614,043	58,847,041
Less total billings (including unliquidated advances from contract owners of ₱5.71 billion in 2021 and ₱5.51 billion in 2020)	68,552,861	61,722,246
	(₱3,938,818)	**(₱2,875,205)**

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

	2021	2020
Contract assets (liabilities)		
Costs and estimated earnings in excess of billings on uncompleted contracts	₱3,198,067	₱3,472,233
Billings in excess of costs and estimated earnings on uncompleted contracts (Note 16)	(7,136,885)	(6,347,438)
	(₱3,938,818)	**(₱2,875,205)**

7. Inventories

This account consists of:

	2021	2020
At cost:		
Real estate held for sale and development	**₱41,361,333**	₱40,901,921
Coal inventory	**1,524,336**	2,033,843
Equipment parts, materials in transit and supplies	**1,717,631**	1,656,358
Nickel ore	**240,757**	268,352
	44,844,057	44,860,474
At NRV:		
Equipment parts, materials in transit and supplies (Note 11)	**9,364,816**	9,034,915
	(₱54,208,873)	**(₱53,895,389)**

Real estate inventories recognized as cost of sales amounted to ₱17,713.79 million, ₱11,582.20 million and ₱11,926.32 million in 2021, 2020 and 2019, respectively (see Note 22). Costs of real estate sales includes acquisition cost of land, amount paid to contractors, development costs, capitalized borrowing costs, and other costs attributable to bringing the real estate inventories to their intended condition. Borrowing costs capitalized in 2021, 2020 and 2019 amounted to ₱1,407.90 million, ₱1,436.51 million and ₱1,186.17 million, respectively. The capitalization rates used to determine the amount of borrowing costs eligible for capitalization in 2021, 2020 and 2019 are 4.60%, 5.01% and 5.59%, respectively.

There are no real estate held for sale and development used as collateral or pledged as security to secure liabilities. Summary of the movement in real estate held for sale and development is set out below:

	2021	2020
Balance at beginning of year	₱40,901,921	₱37,598,020
Construction/development cost incurred	14,745,202	10,907,303
Land acquired during the year	589,788	3,213,209
Borrowing costs capitalized	1,407,899	1,436,506
Cost of undeveloped land sold during the year	(12,977)	(8,947)
Recognized as cost of sales (Note 22)*	(16,130,366)	(11,881,602)
Transfers to property, plant and equipment (Note 11)	(140,134)	(362,568)
Balance at end of year	**₱41,361,333**	**₱40,901,921**

**Includes depreciation expense amounted to ₱321.82 million and ₱299.41 million in 2021 and 2020, respectively.*

Inventories transferred to property, plant and equipment are used as a component of self-constructed property, plant and equipment and are recognized as expense over the useful life of the asset (see Note 11).

The costs of equipment parts, materials in transit and supplies carried at NRV amounted to ₱9,601.19 million and ₱8,973.40 million as of December 31, 2021 and 2020, respectively.

8. Other Current Assets

This account consists of:

	2021	2020
Advances to suppliers and contractors – net of allowance	₱3,617,714	₱3,305,927
Creditable withholding taxes	2,202,051	1,528,989
Cost to obtain a contract - current portion (Notes 3 and 12)	1,168,965	1,183,706
Input VAT	795,786	631,047
Prepaid expenses	677,554	347,398
Refundable deposits (Notes 12 and 33)	730,895	243,036
Deposit in escrow fund (Note 33)	229,207	229,207
Prepaid taxes	82,074	78,785
Advances to officers and employees	63,225	63,298
Others	1,447,333	291,578
	₱11,014,804	**₱7,902,971**

Advances to suppliers and contractors
Advances to suppliers and contractors under current assets are recouped upon rendering of services or delivery of asset within the Group's normal operating cycle. The balance, net of the related allowance, is recoverable in future periods (Note 3).

Creditable withholding taxes
Creditable withholding taxes pertain to the amount withheld by the Group's customers from their income payments. These will be claimed as tax credit and will be used against future income tax payable.

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

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

	2021	2020
Balance at beginning of year	₱3,421,818	₱3,421,818
Additions	203,447	617,382
Amortization	(1,133,398)	(903,879)
Balance at end of year	2,491,867	3,135,321
Noncurrent portion (Note 12)	1,322,902	1,951,615
	₱1,168,965	**₱1,183,706**

The amortization of capitalized commission and advance commissions which are expensed as incurred totaling ₱1,148.03 million , ₱963.49 million and ₱833.41 million in 2021, 2020 and 2019, respectively, are presented under 'Cost of sales and services - real estate sales' account in the consolidated statements of income (see Note 22).

Input VAT
Input VAT represents VAT imposed on the Group by its suppliers and contractors for the acquisition of goods and services required under Philippine taxation laws and regulations. Input VAT is applied against output VAT. The balance, net of the related allowance, is recoverable in future periods.

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

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

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

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

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

Others
Others include prepayments on insurance and various types of advances and other charges which will be recovered within one (1) year.

9. Investments in Associates and Joint Ventures

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

	2021	2020
Acquisition cost		
Balance at beginning of year	₱939,093	₱1,004,391
Additional investments	207,376	56,500
Acquisition of interest of JV partner in SRPGC	–	(115,000)
Balance at end of year	1,146,469	945,891
Accumulated impairment loss	(6,798)	(6,798)
	1,139,671	939,093
Accumulated equity in net earnings		
Balance at beginning of year	15,770,268	14,280,056
Equity in net earnings	1,612,328	1,546,131
Accumulated net losses of SRPGC	–	6,115
Dividends and others	(902,202)	(62,034)
Balance at end of year	16,480,394	15,770,268
Share in other comprehensive loss	(97,189)	(118,800)
	₱17,522,876	**₱16,590,561**

The details of the Group's equity in the net assets of its associates and joint ventures, which are all incorporated in the Philippines, and the corresponding percentages of ownership follow:

	PERCENTAGES OF OWNERSHIP		EQUITY IN NET ASSETS	
	2021	2020	2021	2020
Associates:				
Maynilad Water Holding Company, Inc (MWHCI)	27.19	27.19	₱16,554,291	₱15,725,132
Subic Water and Sewerage Company, Inc. (Subic Water)	30.00	30.00	293,231	309,950
Bachy Soletanche Philippines Corporation (Bachy)	49.00	49.00	43,060	43,060
Celebrity Sports Plaza	4.62	4.62	17,563	17,563
			16,908,145	16,095,705

(continuation)

	PERCENTAGES OF OWNERSHIP		EQUITY IN NET ASSETS	
	2021	2020	2021	2020
Joint Ventures:				
RLC DMCI Property Ventures, Inc. (RDPVI)	50.00	50.00	474,411	479,536
DMCI-First Balfour Joint Venture (DMFB)	51.00	51.00	15,320	15,320
DMC Estate Development Ventures Inc. (DMC-EDVI)	50.00	–	125,000	–
			614,731	494,856
			₱17,522,876	**₱16,590,561**

There have been no outstanding capital commitments in 2021 and 2020.

The following table summarizes the Group's share in the significant financial information of the associates and joint ventures that are material to the Group:

	2021	
	MWHCI	SUBIC WATER
Statement of financial position		
Current assets	**₱14,083,639**	₱462,366
Noncurrent assets	**123,330,882**	1,315,668
Current liabilities	**(21,994,916)**	(208,696)
Noncurrent liabilities	**(47,149,334)**	(204,227)
Noncontrolling interests	**(4,144,494)**	–
Equity attributable to parent company	**64,125,777**	1,365,111
Proportion of the Group's ownership	**27.19%**	30%
Equity in net assets of associates	**17,435,799**	409,533
Less unrealized gains	**(881,508)**	(116,303)
Carrying amount of the investment	**₱16,554,291**	₱293,230
Statement of income		
Revenue and other income	**₱21,950,014**	₱539,074
Costs and expenses	**15,746,240**	444,803
Net income	**6,203,774**	94,271
Net income attributable to NCI	**443,627**	–
Net income attributable to parent company	**₱5,760,147**	**₱94,271**

	2020	
	MWHCI	SUBIC WATER
Statement of financial position		
Current assets	₱18,794,635	₱441,872
Noncurrent assets	118,453,923	1,349,462
Current liabilities	(22,584,882)	(211,898)
Noncurrent liabilities	(49,830,623)	(144,064)
Noncontrolling interests	(3,879,742)	–

(continuation)

	2020	
	MWHCI	SUBIC WATER
Equity attributable to parent company	₱60,953,311	₱1,435,372
Proportion of the Group's ownership	27.19%	30%
Equity in net assets of associates	16,573,205	430,612
Less unrealized gains	(848,073)	(120,662)
Carrying amount of the investment	₱15,725,132	₱309,950
Statement of income		
Revenue and other income	23,329,172	₱736,075
Costs and expenses	17,332,662	614,506
Net income	5,996,510	121,569
Net income attributable to NCI	428,975	–
Net income attributable to parent company	**₱5,567,535**	**₱121,569**

The Group's dividend income from MWHCI amounted to ₱760.10 million and ₱1,260.59 million in 2021 and 2019, respectively (nil in 2020), while dividend income from Subic Water amounted to ₱45.00 million, ₱36.00 million and ₱25.50 million in 2021, 2020 and 2019, respectively.

Equity in net earnings from MWHCI amounted to ₱1,566.18 million, ₱1,513.81 million and ₱1,743.76 million in 2021, 2020 and 2019, respectively, while equity in net earnings from Subic Water amounted to ₱28.28 million, ₱36.47 million and ₱59.30 million in 2021, 2020 and 2019, respectively.

The carrying amount of the investment in MWHCI is reduced by unrealized gains from transaction with a subsidiary of the Parent Company, relating to engineering and construction projects which are bidded out to various contractors and are awarded on an arms-length basis. Equity in net earnings from MWHCI are adjusted for the realization of these unrealized gains and losses.

<u>MWHCI</u>
MWHCI is a company incorporated in the Philippines. The primary contributor in the consolidated net income of MWHCI is its 92.85% owned subsidiary, MWSI. MWSI is involved in the operations of privatized system of waterworks and sewerage services, including the provision of allied and ancillary services. The Group's equity in net earnings of MWHCI represents its share in the consolidated net income attributable to MWHCI.

Rollforward of the carrying value of the investment in MWHCI follows:

	2021	2020
Acquisition cost	**₱390,428**	₱390,428
Accumulated equity in net earnings		
Balance at beginning of year	**15,334,704**	13,888,669
Equity in net earnings	**1,566,184**	1,513,813
Dividends received and other adjustments	**(737,025)**	(67,778)
Balance at end of year	**16,163,863**	15,334,704
	₱16,554,291	₱15,725,132

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

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

SRPGC
On September 10, 2013, SRPGC was incorporated to acquire, construct, erect, assemble, rehabilitate, expand, commission, operate and maintain power-generating plants and related facilities for the generation of electricity. The Group, through SMPC, accounted its then 50% ownership interest in SRPGC as a joint venture.

On September 30, 2020, SRPGC made an equity call and SMPC and the joint venture partner paid additional ₱56.50 million each.

On November 9, 2020, the joint venture agreement between SMPC and its joint venture partner was terminated. Subsequently after termination, SRPGC became a wholly-owned subsidiary of SMPC upon acquisition by the latter of the 50% equity shareholdings from the joint venture partner for ₱115.0 million, which remained unpaid as of December 31, 2021. SRPGC has started the pre-construction work and the related capitalized costs amounting to ₱104.84 million and ₱233.53 million as of December 31, 2021 and 2020 are included as part of "Property, Plant and Equipment" in the consolidated statements of financial position (see Note 11). The acquisition of the 50% interest in SRPGC was accounted for as an asset acquisition (see Note 3).

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

DMC Estate Development Ventures, Inc. (DMC EDVI)
In June 2021, the Group and DMC Urban Property Developers Inc. (UPDI) entered into a joint venture agreement to purchase, acquire and develop parcels of land into condominium project for residential and commercial uses. Each party holds a 50% ownership interest in the joint venture.

The aggregate carrying amount of the Group's individually immaterial investments in associates and joint ventures in 2021 and 2020 amounted to ₱675.35 million and ₱555.48 million, respectively.

The Group's share in the other comprehensive loss of the associates and joint venture (e.g., remeasurement of retirement liability) is presented under equity section in the consolidated statements of financial position.

10. Investment Properties

The movements in this account follow:

	2021		
	BUILDINGS AND BUILDING IMPROVEMENTS	CONDOMINIUM UNITS	TOTAL
COST			
Balances at beginning of year	₱214,998	₱41,616	₱256,614
Disposal	-	(3,805)	(3,805)
Balances at end of year	214,998	37,811	252,809
ACCUMULATED DEPRECIATION AND AMORTIZATION			
Balances at beginning of year	₱105,892	₱18,059	₱123,951
Depreciation and amortization (Note 22)	19,573	15,188	34,761
Disposal	-	(3,690)	(3,690)
Balances at end of year	125,465	29,557	155,022
Net Book Value	**₱89,533**	**₱8,254**	**₱97,787**

(continuation)

	2020		
	BUILDINGS AND BUILDING IMPROVEMENTS	CONDOMINIUM UNITS	TOTAL
COST			
Balances at beginning of year	₱209,498	₱41,616	₱251,114
Additions	5,500	-	5,500
Balances at end of year	214,998	41,616	256,614
ACCUMULATED DEPRECIATION AND AMORTIZATION			
Balances at beginning of year	₱92,986	₱16,201	₱109,187
Depreciation and amortization (Note 22)	12,906	1,858	14,764
Balances at end of year	105,892	18,059	123,951
Net Book Value	**₱109,106**	**₱23,557**	**₱132,663**

The aggregate fair values of the investment properties as of December 31, 2021 and 2020 amounted to ₱198.96 million and ₱196.57 million, respectively.

The fair values of investment properties were determined using either the income approach using discounted cash flow (DCF) method or by the market data approach. These are both categorized within Level 3 of the fair value hierarchy. The fair value of investment properties, which has been determined using DCF method with discount rates ranging from 1.66% to 4.20%, exceeds its carrying cost. The fair values of the investment properties which were arrived at using the market data approach require the establishment of comparable properties by reducing reasonable comparative sales and listings to a common denominator. This is done by adjusting the differences between the subject property and those actual sales and listings regarded as comparables. The properties used as basis of comparison are situated within the immediate vicinity of the subject property.

Management believes that the impact of COVID-19 pandemic on the fair value measurement of investment properties is short-term and temporary.

Rental income from investment properties (included under 'Other income - net') amounted to ₱45.83 million, ₱54.88 million and ₱32.52 million in 2021, 2020 and 2019, respectively (see Note 26). Direct operating expenses (included under 'Operating expenses' in the consolidated statements of income) arising from investment properties amounted to ₱14.87 million, ₱14.76 million and ₱14.79 million in 2021, 2020, and 2019, respectively (see Notes 22 and 23).

There are no investment properties as of December 31, 2021 and 2020 that are pledged as security against liabilities. The Group has no restrictions on the realizability of its investment properties and no contractual obligations to either purchase or construct or develop investment properties or for repairs, maintenance and enhancements.

11. Property, Plant and Equipment

Movements in this account follow:

2021	LAND AND LAND IMPROVEMENTS	POWER PLANT, BUILDINGS AND BUILDING IMPROVEMENTS	COAL MINING PROPERTIES AND EQUIPMENT	NICKEL MINING PROPERTIES AND EQUIPMENT	CONSTRUCTION EQUIPMENT, MACHINERY AND TOOLS	OFFICE FURNITURE, FIXTURES AND EQUIPMENT	TRANSPORTATION EQUIPMENT	LEASEHOLD IMPROVEMENTS	CONSTRUCTION IN PROGRESS	TOTAL
COST										
Balances at beginning of year	₱3,126,64	₱63,308,491	₱35,719,154	₱5,650,349	₱13,537,730	₱840,179	₱701,860	₱361,255	₱1,932,793	₱125,178,459
Additions	181,222	2,648,508	2,688,469	84,040	745,677	59,291	263,729	1,899	1,912,887	8,585,722
Transfers (Note 7)	140,134	1,419,366	-	-	12,060	-	-	-	(2,811,116)	(1,239,556)
Write-down and disposals	(250,000)	-	-	-	(383,619)	(286)	(8,235)	-	-	(642,140)
Adjustments (Note 18)	-	-	(36,913)	(2,925)	-	-	-	-	-	(39,838)
Balances at end of year	3,198,004	67,376,365	38,370,710	5,731,464	13,911,848	899,184	957,354	363,154	1,034,564	131,842,647
ACCUMULATED DEPRECIATION, DEPLETION AND AMORTIZATION										
Balances at beginning of year	1,077,990	20,439,204	29,064,023	1,126,117	9,951,961	746,553	493,408	255,406	-	63,154,662
Depreciation, depletion and amortization (Notes 22 and 23)	88,826	3,795,385	3,330,127	502,908	1,604,215	67,653	129,650	5,856	-	9,524,620
Write-down and disposals	-	(106)	(1,778)	-	(162,630)	(17,134)	(10,965)	-	-	(192,613)
Balances at end of year	1,166,816	24,234,483	32,392,372	1,629,025	11,393,546	797,072	612,093	261,262	-	72,486,669
Net Book Value	**₱2,031,188**	**₱ 43,141,882**	**₱5,978,338**	**₱4,102,439**	**₱2,518,302**	**₱102,112**	**₱345,261**	**₱101,892**	**₱1,034,564**	**₱59,355,978**

2020	LAND AND LAND IMPROVEMENTS	POWER PLANT, BUILDINGS AND BUILDING IMPROVEMENTS	COAL MINING PROPERTIES AND EQUIPMENT	NICKEL MINING PROPERTIES AND EQUIPMENT	CONSTRUCTION EQUIPMENT, MACHINERY AND TOOLS	OFFICE FURNITURE, FIXTURES AND EQUIPMENT	TRANSPORTATION EQUIPMENT	LEASEHOLD IMPROVEMENTS	CONSTRUCTION IN PROGRESS	TOTAL
COST										
Balances at beginning of year	₱2,609,173	₱55,011,776	₱32,848,156	₱5,602,684	₱12,465,908	₱745,449	₱688,851	₱359,399	₱7,917,070	₱118,248,466
Additions	141,313	342,084	3,203,492	39,277	1,059,603	106,928	49,786	712	3,002,749	7,945,944
Transfers (Note 7)	376,162	8,381,973	–	–	13,871	5,017	–	1,144	(8,415,599)	362,568
Write-down and disposals	–	(427,342)	(64,610)	–	(1,652)	(17,215)	(36,777)	–	(571,427)	(1,119,023)
Adjustments (Note 18)	–	–	(267,884)	8,388	–	–	–	–	–	(259,496)
Balances at end of year	3,126,648	63,308,491	35,719,154	5,650,349	13,537,730	840,179	701,860	361,255	1,932,793	125,178,459
ACCUMULATED DEPRECIATION, DEPLETION AND AMORTIZATION										
Balances at beginning of year	989,884	17,138,680	25,827,394	890,334	8,794,933	706,512	438,756	245,521	–	55,032,014
Depreciation, depletion and amortization (Notes 22 and 23)	88,106	3,568,525	3,301,239	235,783	1,158,680	57,175	89,158	9,885	–	8,508,551
Write-down and disposals	–	(268,001)	(64,610)	–	(1,652)	(17,134)	(34,506)	–	–	(385,903)
Balances at end of year	1,077,990	20,439,204	29,064,023	1,126,117	9,951,961	746,553	746,553	255,406	–	63,154,662
Net Book Value	**₱2,048,658**	**₱42,869,287**	**₱6,655,131**	**₱4,524,232**	**₱3,585,769**	**₱93,626**	**₱208,452**	**₱105,849**	**₱1,932,793**	**₱62,023,797**

On June 30, 2021 the Group availed of the option to purchase parcels of land or "Optioned Assets" under Option Existence Notice (OEN) dated February 3, 2020 and in accordance with the provisions of the Land Lease Agreement (LLA) with PSALM. Total acquisition cost of the optioned assets amounted to ₱43.11 million (see Notes 31 and 35). The Group also sold land and various equipment items at a net gain of ₱189.37 million and ₱67.00 million in 2021 and 2020, respectively and net loss of ₱14.85 million in 2019 (see Note 26).

Transfer to property, plant and equipment in 2021 pertains to undeveloped land amounting to ₱140.13 million which will be used for the construction of batching plant (Note 7).

In 2019, the Group incurred a loss on write-down of property, plant and equipment amounting to ₱83.54 million due to the dismantling of the coal washing plant (nil in 2021 and 2020, see Note 23).

'Power Plant, Buildings and Building Improvements' includes the ancillary gas turbine plant covered by the Ancillary Services and Procurement Agreement with the NGCP which was withdrawn in 2019 (see Note 34). As of December 31, 2021, the Group has yet to secure a supply agreement for this plant. The Group revisited the recoverable amount of the plant and recognized impairment loss amounting to ₱157.20 million in 2020 (nill on 2021; see Notes 3 and 26). The carrying value of this plant amounted to ₱1,010.42 million and ₱1,073.94 million as of December 31, 2021 and 2020.

Construction-in-progress

Construction-in-progress includes capitalized pre-construction costs for the thermal power plant of SRPGC amounting to ₱103.48 million as of December 31, 2021 and ₱232.84 million as of December 31, 2020 (see Notes 3 and 34). Reclassifications from "Construction in progress" amounting to ₱1,057.14 million and ₱8,415.60 million pertain to the regular rehabilitation and completion of additional coal-fired thermal power plants and bunker-fired genset and other completed improvements on existing facilities.

Interest expense incurred on long-term debts capitalized as part of 'Construction in Progress' amounted to ₱3.16 million and ₱21.74 million in 2021 and 2020, respectively.

Coal mining properties

Coal mining properties include the expected cost of decommissioning and site rehabilitation of mine sites and future clean-up of its power plants. The impact of annual re-estimation is shown in the rollforward as an adjustment (see Note 18). Coal mining properties also include the stripping activity assets and exploration and evaluation assets for costs of materials and fuel used, cost of operating dump trucks, excavators and other equipment costs amount others.

As of December 31, 2021 and 2020, coal mining properties included in "Coal Mining Properties and Equipment" amounted to ₱4,562.65 million and ₱5,160.28 million, respectively (see Note 3).

Nickel mining properties

Nickel mining properties pertains to the Acoje project located in the Municipalities of Sta. Cruz and Candelaria, Province of Zambales (where the Group has an ongoing application on one of its mining properties, see Note 3) and the Berong project situated in Barangay Berong, Municipality of Quezon, Province of Palawan.

As of December 31, 2021 and 2020, nickel mining properties included in "Nickel Mining Properties and Equipment" amounted to ₱3,929.17 million and ₱4,341.65 million, respectively (see Note 3).

As security for timely payment, discharge, observance and performance of the loan provisions, the Group created, established, and constituted a first ranking real estate and chattel mortgage on present and future real estate assets and chattels owned by SLPGC in favor of the Security Trustee, for the benefit of all secured parties. In 2019, the Group was released on the real estate and chattel mortgage due to the prepayment of the loan (see Note 17).

12. Exploration and Evaluation Assets and Other Noncurrent Assets

Exploration and evaluation assets

Exploration and evaluation assets are capitalized expenditures that are directly related to the exploration and evaluation of the area covered by the Group's mining tenements. Exploration and evaluation assets amounted to ₱235.19 million and ₱229.06 million as of December 31, 2021 and 2020, respectively. These costs pertain to exploration activities on various nickel projects mainly in Zambales and Palawan mining areas that were covered by related exploration permits granted to the nickel mining entities.

Other noncurrent assets

Other noncurrent assets consists of the following:

	2021	2020
Cost to obtain a contract - net of current portion (Notes 3 and 8)	**₱1,322,902**	₱1,951,615
Deferred input VAT	**655,501**	1,135,078
Advances to suppliers and contractors	**216,075**	807,259
Equity investments designated at FVOCI	**154,531**	155,793
Deposits and funds for future investment	**147,673**	136,666
Refundable deposits (Notes 8 and 33)	**127,086**	92,708
Software cost	**29,538**	77,744
Claims for refunds and tax credits - net	**–**	13,475
Others (Note 33)	**98,053**	90,193
	₱2,751,359	**₱4,460,531**

Deferred input VAT

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

Advances to suppliers and contractors

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

Equity investments designated at FVOCI

This account consists of the following:

	2021	2020
Quoted securities		
Cost	₱50,747	₱50,747
Cumulative unrealized gains recognized in OCI	101,607	102,869
	152,354	153,616
Unquoted securities		
Gross amount	110,388	110,388
Less allowance for probable loss	108,211	108,211
	2,177	2,177
	₱154,531	₱155,793

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

	2021	2020
Balance at beginning of year	₱102,869	₱94,953
Changes in fair values of equity investments designated at FVOCI	(1,262)	7,916
Balance at end of year	₱101,607	₱102,869

Unquoted securities
This account consists mainly of investments in various shares of stock in management services and leisure and recreation entities.

The aggregate cost of investments amounting to ₱108.21 million were fully provided with allowance for impairment as management assessed that investments on these shares of stock are not recoverable as of December 31, 2021 and 2020.

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

The acquisition of shares, which are final and effective on date of assignment, imposes a condition that all pending cases faced by the third party, the three HoldCos and three DevCos are resolved in their favor. As of December 31, 2021 and 2020, the conditions set forth under the agreement have not yet been satisfied.

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

Software cost

Movements in software cost account follow:

	2021	2020
Cost		
Balance at beginning of year	₱529,328	₱472,543
Additions	30,531	56,785
Balance at end of year	559,859	529,328
Accumulated Amortization		
Balance at beginning of year	451,584	399,430
Amortization (Notes 22 and 23)	78,737	52,154
Balance at end of year	530,321	451,584
Net Book Value	₱29,538	₱77,744

Claims for refunds and tax credits - net
These pertain to claims for refund and issuance of tax credit certificates from Bureau of Internal Revenue (BIR). The balance as of December 31, 2020 is presented net of previously recognized allowance for impairment losses amounting to ₱15.29 million (nil in 2021).

13. Short-term Debt

This account consists of the following:

	2021	2020
Bank loans	₱958,463	₱5,740,876
Acceptances and trust receipts payable	80,900	59,184
	₱1,039,363	₱5,800,060

Bank loans
The Group's bank loans consist of unsecured Peso-denominated short-term borrowings from local banks which bear annual interest ranging from 3.55% to 6.00% and 4.00% to 6.50% in 2021 and 2020, respectively, and are payable on monthly, quarterly and lump-sum bases on various maturity dates within the next 12 months after the reporting date.

During 2021 and 2020, the Group obtained various short-term loans from local banks primarily for working capital requirements.

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

Finance costs incurred on short-term borrowings and acceptances and trust receipts payable, net of capitalized borrowing cost, amounted to ₱106.50 million, ₱406.56 million and ₱783.03 million in 2021, 2020 and 2019, respectively (see Note 25).

14. Liabilities for Purchased Land

Liabilities for purchase of land represent the balance of the Group's obligations to various real estate property sellers for the acquisition of various parcels of land and residential condominium units. The terms of the deed of absolute sale covering the land acquisitions provided that such obligations are payable only after the following conditions, among others, have been complied with: (a) presentation by the property sellers of the original transfer certificates of title covering the purchased parcels of land; (b) submission of certificates of non-delinquency on real estate taxes ; and (c) physical turnover of the acquired parcels of land to the Group.

The outstanding balance of liabilities for purchased land as of December 31, 2021 and 2020 follow:

	2021	2020
Current	**₱694,654**	₱849,024
Noncurrent	**876,715**	1,170,582
	₱1,571,369	**₱2,019,606**

Liabilities for purchased land were recorded at fair value at initial recognition. These are payable over a period of two (2) to four (4) years. The fair value is derived using discounted cash flow model using the discount rate ranging from 1.67% to 4.43% and 1.71% to 2.66% in 2021 and 2020, respectively, based on applicable rates for similar types of liabilities.

15. Accounts and Other Payables

This account consists of the following:

	2021	2020
Trade and other payables:		
Suppliers and subcontractors	**₱13,888,537**	₱13,152,132
Others	**1,439,010**	1,264,327
Accrued costs and expenses		
Project cost	**1,820,706**	2,328,386
Payable to DOE and local government Units (LGU, Note 29)	**2,059,611**	1,034,079
Interest	**70,000**	407,264

(continuation)

	2021	2020
Salaries	**₱163,225**	₱267,050
Withholding and other taxes	**218,527**	168,392
Various operating expenses	**3,884,320**	1,369,020
Output VAT payable – net	**2,512,047**	2,696,350
Commission payable - current portion (Note 18)	**1,079,559**	1,381,209
Refundable deposits	**466,159**	365,310
Payable to related parties (Note 19)	**440,120**	306,504
Financial benefits payable	**80,410**	73,752
	₱28,122,231	**₱24,813,775**

Trade and other payables

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

Subcontractors
Payable to subcontractors arises when the Group receives progress billing from its subcontractors for the construction cost of a certain project and is recouped against monthly billings. These subcontractors were selected by the contract owners to provide materials, labor and other services necessary for the completion of a project. Payables to subcontractors are noninterest-bearing and are normally settled on 15 to 60-day credit terms.
Other payables
Other payables include retention payable on contract payments and payable to marketing agents and nickel mine right owners. Retention on contract payments is being withheld from the contractors as guaranty for any claims against them. These are settled and paid once the warranty period has expired. Payables to marketing agents and nickel mine right owners are noninterest-bearing and are normally settled within one (1) year.

Accrued costs and expenses

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

Payable to DOE and LGU
Liability to DOE and LGU represents the share of DOE and LGU in the gross revenue from SMPC's coal production (including accrued interest on the outstanding balance), computed in accordance with the Coal Operating Contract (see Note 29).

Accrual of various operating expenses
This include accruals for contracted services, utilities, supplies, advertising, and other administrative expenses.

Commission payable
Commission payable pertains to the amount payable to sales agents for each contract that they obtain for the sale of pre-completed real estate units. These are settled based on the collection from the contract with customers with various terms up to a maximum of 10 years. The noncurrent portion of commission payable is presented under "Other noncurrent liability" account in the consolidated statements of financial position (see Note 18).

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

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

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

16. Contract Liabilities and Other Customers' Advances and Deposits

	2021	2020
Contract liabilities - real estate	**₱4,808,510**	₱6,208,544
Billings in excess of costs and estimated earnings on uncompleted contracts (Note 6)	**7,136,885**	6,347,438
Other customers' advances and deposits	**4,455,545**	4,117,644
	16,400,940	16,673,626
Less noncurrent portion of		
Contract liabilities - real estate	**1,261,595**	1,900,164
Billings in excess of costs and estimated earnings on uncompleted contracts	**1,688,773**	3,411,714
Current portion	**₱13,450,572**	**₱11,361,748**

Contract liabilities – real estate
Contract liabilities represent the payments of buyers which do not qualify yet for revenue recognition as real estate sales and any excess of collections over the recognized revenue on sale of real estate inventories. The movement in contract liabilities is mainly due to reservation sales and advance payment of buyers less real estate sales recognized upon reaching the buyer's equity threshold and from increase in percentage of completion of projects.

The amount of revenue recognized from amounts included in contract liabilities at the beginning of the year amounted to ₱3,293.05 million, ₱3,439.30 million, and ₱2,851.54 million in 2021, 2020 and 2019, respectively.

Billings in excess of costs and estimated earnings on uncompleted contracts
This pertains to billings in excess of total costs incurred and estimated earnings recognized in the construction segment.

Other customers' advances and deposits
Other customers' advances and deposits consist mainly of collections from real estate customers for taxes and fees payable for the transfer of title to customer such as documentary stamp taxes, transfer taxes and notarial fees.

17. Long-term Debt

Long-term debt pertains to the following obligations:

	2021	2020
Bank loans	₱52,009,238	₱46,088,910
Less noncurrent portion	41,613,047	40,663,165
Current portion	**₱10,396,191**	**₱5,425,745**

Details of the bank loans follow:

	OUTSTANDING BALANCES				
	2021	2020	MATURITY	INTEREST RATE	PAYMENT TERMS
Loans from banks and other institutions					
Term loans and corporate notes	₱26,555,319	₱28,215,000	Various maturities from 2020 to 2027	Interest rates based on applicable benchmark plus credit spread ranging from 60 to 75 basis points	Term loans: Payment shall be made on a quarterly basis Corporate notes: Payments shall be based on aggregate percentage of issue amount of each series equally divided over applicable quarters (4th/7th to 27th quarter) and the balance is payable at maturity
Peso-denominated loans	23,247,390	17,847,451	Various maturities from 2020 to 2027	Fixed interest rates ranging from 4.00% to 5.13% and floating interest rates based on applicable benchmark plus credit spread ranging from 25 to 60 basis points	Amortized/bullet

(continuation)

	OUTSTANDING BALANCES				
	2021	2020	MATURITY	INTEREST RATE	PAYMENT TERMS
Liabilities on installment contracts receivable	₱2,441,035	₱55,653	Various maturities 2022 to 2029	Interest rates based on applicable benchmark plus credit spread ranging from 60 to 75 basis points	Payable in equal and continuous monthly payment not exceeding 120 days commencing 1 month from date of execution
HomeSaver Bonds	–	198,793	Various maturities from 2019 to 2023	4.75% to 5.25% p.a.	Tranche A, C, D, and F are payable in 3 years from the initial issue date; Tranche B, E and G is payable 5 years from the initial issue date.
	52,243,744	46,316,897			
Less: Unamortized debt issue cost	234,506	227,987			
	₱52,009,238	**₱46,088,910**			

The movements in unamortized debt issue cost follow:

	2021	2020
Balance at beginning of year	₱227,987	₱182,922
Additions	88,449	112,875
Amortization (Note 25)	(81,930)	(67,810)
Balance at end of year	₱234,506	₱227,987

Interest expense on long-term debt, net of capitalized interest, recognized under 'Finance cost' amounted to ₱775.73 million, ₱681.62 million and ₱637.64 million in 2021, 2020 and 2019, respectively (see Note 25).

The schedule of repayments of loans based on existing terms are provided in Note 33.

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

- The loan agreements on long-term debt of certain subsidiaries provide for certain restrictions and requirements such as, among others, maintenance of financial ratios at certain levels. These restrictions and requirements were complied with by the respective subsidiaries as of December 31, 2021 and 2020.

- As discussed in Note 6, the installment contracts receivable under the receivable purchase agreements are used as collaterals in the loans payable obtained. These amounted to ₱2,441.03 million and ₱55.65 million as of December 31, 2021 and 2020, respectively, and these represent net proceeds from sale of portion of PDI's installment contracts receivable to local banks pursuant to the receivable purchase agreements entered into by PDI on various dates.

- The agreements also provide the submission of condominium certificates of title and their related postdated checks issued by the buyers.

- Long-term debt of Beta Electromechanical are secured by a chattel mortgage on the transportation equipment purchased using the proceeds of these loans.

- Except for the above-mentioned loans, all long-term debt of the Group are clean and unsecured and are compliant with their respective loan covenants.

18. Other Noncurrent Liabilities

The details of this account consist of:

	2021	2020
Commission payable - noncurrent portion (Note 15)	₱1,075,162	₱1,272,517
Provision for decommissioning and site rehabilitation costs (Note 3)	449,047	318,828
Lease liabilities (Notes 3 and 31)	97,407	127,987
Trade and other payables (Note 15)	19,087	14,786
	₱1,640,703	**₱1,734,118**

Provision for decommissioning and site rehabilitation costs
The Group makes full provision for the future cost of rehabilitating the coal mine sites on a discounted basis on the development of the coal mines. These provisions were recognized based on the Group's internal estimates. Assumptions based on the current regulatory requirements and economic environment have been made, which management believes are reasonable bases upon which to estimate the future liability. These estimates are reviewed annually to take into account any material changes to the assumptions.

However, actual rehabilitation costs will ultimately depend upon future market prices for the necessary decommissioning works required which will reflect market conditions at the relevant time. Furthermore, the timing of rehabilitation is likely to depend on when the mines cease to produce at economically viable rates. This, in return, will depend upon future ore and coal prices, which are inherently uncertain.

Provision for decommissioning and site rehabilitation costs also include cost of rehabilitation of the Group's power plants and nickel ore mine sites. Discount rates used by the Group to compute for the present value of liability for decommissioning and mine site rehabilitation costs are from 4.86% to 8.58% in 2021, 1.85% to 4.07% in 2020 and 4.46% to 8.58% in 2019. Segment breakdown of provision for decommissioning and site rehabilitation costs follows:

	2021	2020
Coal	₱298,757	₱254,525
Nickel	123,490	39,625
On-grid power	26,800	24,678
	₱449,047	**₱318,828**

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

	2021	2020
Balance at beginning of year	₱318,828	₱553,149
Effect of change in estimates (Note 11)	(39,838)	(259,496)
Accretion of interest (Note 25)	170,057	25,175
Balance at end of year	**₱449,047**	**₱318,828**

The Group revised its mine work program based on the current conditions of the mining operations. Management revisited certain procedures, practices and assumptions on its existing rehabilitation plan (e.g., timing of mining operations, reforestation requirements, movement of the overburden) which resulted to adjustment in the previously estimated provision for decommissioning and mine site rehabilitation costs.

Resulting changes in estimate pertaining to the Group's minesites amounted to ₱39.83 million and ₱259.50 million (recognized as adjustment to 'Coal mining properties and equipment' and 'Coal mining properties and equipment' under Property, plant and equipment account) in 2021 and 2020, respectively (see Note 11).

Trade and other payables
Noncurrent trade and other payables include noninterest-bearing payable to suppliers and subcontractors and accrued expenses which are expected to be settled within two (2) to three (3) years from the reporting date and retention contract payment that is being withheld from the contractors as guaranty for any claims which are expected to be settled a year after the turn-over of projects.

19. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence which include affiliates. Related parties may be individuals or corporate entities. Transactions entered into by the Group with affiliates are made at normal commercial prices and terms. These are settled in cash, unless otherwise specified.

The significant related party transactions entered into by the Group with its related parties and the amounts included in the accompanying consolidated financial statements with respect to these transactions follow:

(continuation)

		2021	
	REFERENCE	VOLUME	DUE FROM (DUE TO)
Receivable from related parties (Note 15)			
Construction contracts	(a)	₱1,796,108	₱962,221
Sale of marine vessels	(b)	–	13,390
Equipment rentals	(c)	157,223	52,659
Sale of materials and reimbursement of shared and operating expenses	(d)	₱435,303	₱348,771
			₱1,377,041
Payable to related parties (Note 15)			
Shiploading, coal delivery and coal handling	(e)	569,889	(274,298)
Other general and administrative expense	(f)	26,707	(5,056)
Aviation services	(g)	21,210	(48,449)
Office and parking rental	(h)	145,433	(79,988)
Freight charges	(i)	21,424	(13,390)
Nickel delivery	(j)	256,899	(18,939)
			(₱440,120)

		2020	
	REFERENCE	VOLUME	DUE FROM (DUE TO)
Receivable from related parties (Note 5)			
Construction contracts	(a)	547,175	₱293,457
Sale of marine vessels	(b)	349,070	102,390
Equipment rentals	(c)	2,021	–
Sale of materials and reimbursement of shared and operating expenses	(d)	244,992	195,369
			₱591,216
Payable to related parties (Note 15)			
Shiploading, coal delivery and coal handling	(e)	646,661	(₱181,605)
Other general and administrative expense	(f)	51,653	(25,114)
Aviation services	(g)	14,452	(27,239)
Office and parking rental	(h)	62,633	(37,465)
Freight charges	(i)	7,750	(13,326)
Nickel delivery	(j)	152,178	(21,755)
			(₱306,504)

(a) The Group provides services to its other affiliates in relation to its construction projects Outstanding receivables lodged in "Receivables from related parties" amounted to ₱962.22 million and ₱293.46 million as of December 31, 2021 and 2020, respectively. In an addition, billings in excess of costs and estimated earning on uncompleted contracts from its affiliates amounted to ₱344.39 million and ₱952.07 million as of December 31, 2021 and 2020, respectively.

(b) The Group sold a marine vessel to its affiliate with outstanding receivables amounted to ₱13.39 million and ₱102.39 million as of December 31, 2021 and 2020 respectively.

(c) The Group rents out its equipment to its affiliates for their construction projects.

(d) The Group paid for the contracted services, material issuances, diesel, rental expenses and other supplies of its affiliates.

(e) Certain affiliates had transactions with the Group for services rendered such as shiploading, coal delivery and coal handling.

(f) A shareholder of the Group provides maintenance of the Group's accounting system, Navision, which is used by some of the Group's subsidiaries. Related expenses are presented as part of "Miscellaneous" under "Operating expenses" in consolidated statements of income. In addition, the Group has reimbursable expenses for security services, professional fees, among others.

(g) An affiliate of the Group transports visitors and employees from point to point in relation to the Group's ordinary course of business and vice versa and bills the Group for the utilization costs of the aircrafts. The related expenses are included in "Cost of sales and services".

(h) An affiliate had transactions with the Group for office and parking rental of units to which related expenses are presented as part of "Operating expenses" in the consolidated statements of income.

(i) The Group entered into an agreement with its affiliate for the delivery of construction materials purchased by the Group.

(j) An affiliate provides the Group various barges and tugboats for use in the delivery of nickel ore to its various customers.

Terms and conditions of transactions with related parties
Outstanding balances as of December 31, 2021 and 2020, are unsecured and noninterest-bearing, and are all due within one year, normally within 30-60 day credit term.

The Group has approval process and established limits when entering into material related party transactions. The Related Party Transaction Review Committee shall approve all material related party transactions before their commencement. Material related party transactions shall be identified taking into account the related party registry. Transactions amounting to 10% or more of the total consolidated assets of the Group that were entered into with an unrelated party that subsequently becomes a related party may be excluded from the limits and approval process requirement.

As of December 31, 2021and 2020, the Group has not made any allowance for expected credit loss relating to amounts owed by related parties. The Group applies a general approach in calculating the ECL. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the affiliates and the economic environment.

<u>Compensation of Key Management Personnel</u>
Key management personnel of the Group include all directors and senior management.
The aggregate compensation and benefits of key management personnel of the Group follows:

	2021	2020	2019
Short-term employee benefits	₱141,921	₱147,864	₱199,552
Post-employment benefits (Note 21)	7,638	1,709	14,605
	₱149,559	**₱149,573**	**₱214,157**

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

20. Equity

<u>Capital Stock</u>
As of December 31, 2021 and 2020, the Parent Company's capital stock as of December 31, 2021 and 2020 consists of:

	AUTHORIZED CAPITAL STOCK	OUTSTANDING
Common shares, ₱1 par value	19,900,000,000	13,277,470,000
Preferred shares, ₱1 par value	100,000,000	3,780
Less: Treasury shares	-	2,820
		960

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

Below is the summary of the Parent Company's track record of registration of securities with the SEC as of December 31, 2021:

	NUMBER OF SHARES REGISTERED (IN BILLIONS	NUMBER OF HOLDERS OF SECURITIES AS OF YEAR END
December 31, 2019	13.28	718
Add/(Deduct) Movement	-	(11)
December 31, 2020	13.28	707
Add/(Deduct) Movement	-	20
December 31, 2021	13.28	727

Retained Earnings

In accordance with SEC Memorandum Circular No. 11 issued in December 2008, the Parent Company's retained earnings available for dividend declaration as of December 31, 2021 and 2020 amounted to ₱1,031.71 million and ₱2,286.05 million, respectively.

Under the Philippine Tax Code, publicly held corporations are allowed to accumulate retained earnings in excess of capital stock and are exempt from improperly accumulated earnings tax.

Dividend declaration

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

	2021	2020	2019
March 29, 2021, ₱0.13 per share regular cash dividend to shareholders on record as of April 15, 2021, payable on or before April 26, 2021.	₱1,726,071	₱–	₱–
March 29, 2021, ₱0.35 per share special cash dividend to shareholders on record as of April 15, 2021, payable on or before April 26, 2021.	4,647,115	-	-
October 12, 2021, ₱0.48 per share special cash dividend to shareholders on record as of October 26, 2021, payable on or before November 10, 2021.	6,373,185	-	-
March 5, 2020, ₱0.23 per share regular cash dividend to shareholders on record as of March 23, 2020, payable on or before April 3, 2020.	-	3,053,818	-
March 5, 2020, ₱0.25 per share special cash dividend to shareholders on record as of March 23, 2020, payable on or before April 3, 2020.	-	3,319,368	-
––April 10, 2019, ₱0.28 per share regular cash dividend to shareholders on record as of April 29, 2019, payable on or before May 10, 2019.	-	-	₱3,717,692
April 10, 2019, ₱0.20 per share special cash dividend to shareholders on record as of April 29, 2019, payable on or before May 10, 2019.	-	-	2,655,494
	₱12,746,371	₱6,373,186	₱6,373,186

On various dates in 2021, 2020 and 2019, partially-owned subsidiaries of the Group declared dividends amounting to ₱12,750.77 million, ₱6,141.54 million and ₱5,637.89 million, respectively, of which dividends to noncontrolling-interest amounted to ₱5,527.46 million, ₱2,421.81 million, and ₱2,390.25 million, respectively. The unpaid dividends to noncontrolling-interests as of December 31, 2021 and 2020 amounted to ₱15.20 million and ₱114.37 million respectively (see Note 15).

The unappropriated retained earnings include undistributed net earnings amounting to ₱69,000.91 million and ₱62,098.72 million as of December 31, 2021 and 2020, respectively, representing accumulated equity in the net earnings of consolidated subsidiaries, associates and jointly controlled entities accounted for under the equity method. These are not available for dividend declaration until declared by the subsidiaries, associates and the joint ventures representing accumulated equity.

Capital Management

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

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

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

21. Employee Benefits

Retirement Plan

The Group has a funded, noncontributory, defined benefit pension plan covering substantially all of its regular employees. Provisions for pension obligations are established for benefits payable in the form of retirement pensions. Benefits are dependent on years of service and the respective employee's final compensation. The Group updates the actuarial valuation every year by hiring the services of a third party professionally qualified actuary. The latest actuarial valuation report of the retirement plans was made as of December 31, 2021.

Certain entities within the Group are under the Multiemployer Retirement Plan (the Plan). The Group's retirement funds are administered by appointed trustee banks which are under the supervision of the respective Board of Trustees (BOT) of the plans. The responsibilities of the BOT, among others, include the following:

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

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

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

The following table summarizes the components of net pension expense (included in "Salaries, wages and employee benefits" account) and pension income (included in "Other income" account) for the years ended December 31 (see Notes 23 and 26):

Pension Expense

	2021	2020	2019
Current service cost	**₱258,754**	₱188,775	₱101,693
Net interest income on benefit obligation and plan assets	**(11,118)**	(29,670)	1,036
Effect of the asset limit	**5,866**	15,734	6,439
Total pension expense	**₱253,502**	**₱174,839**	**₱109,168**

Pension Income

	2021	2020	2019
Current service cost	-	-	₱36,417
Net interest income on benefit obligation and plan assets	-	-	(126,937)
Effect of the asset limit	-	-	65,869
Total pension expense	-	-	**(₱24,651)**

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

	2021	2020
Current service cost	**₱2,427,842**	₱2,348,323
Interest income	**100,999**	124,256
Remeasurement gain (loss)	**325,198**	(156,378)
Benefits paid from plan assets	**(58,230)**	(50,870)
Contributions	**398,042**	162,511
Balance at end of year	**₱3,193,851**	**₱2,427,842**

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

	2021	2020
Current service cost	**₱2,351,690**	₱1,821,721
Current service cost	**258,754**	188,775
Interest expense	**89,881**	94,586
Benefits paid - from plan assets	**(58,230)**	(50,870)
Benefits paid - direct payments	**(27,859)**	(13,348)
Remeasurement loss (gain) arising from:		
Financial assumptions	**(273,211)**	308,288
Demographic assumptions	**54,767**	45,668
Experience adjustments	**59,729**	(43,130)
Balances at end of year	**₱2,455,521**	**₱2,351,690**

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

	2021	2020
Fair value of plan assets	**₱2,222,485**	₱1,676,956
Present value of funded defined benefit obligations	**(1,667,571)**	(817,920)
	554,914	859,036
Effect on asset ceiling	**260,033**	(150,996)
Net pension asset	**₱814,947**	**₱708,040**

Movements in the net pension asset follow:

	2021	2020
Net pension asset at beginning of year	**₱708,040**	₱726,754
Remeasurements gain (loss) recognized in other comprehensive income	**186,436**	(1,815)
Net pension income (expense)	**(79,529)**	(16,899)
Net pension asset at end of year	**₱814,947**	**₱708,040**

Movements in the effect of asset ceiling follow:

	2021	2020
Effect of asset ceiling at beginning of year	**₱150,996**	₱302,509
Interest on the effect of asset ceiling	**5,866**	15,734
Changes in the effect of asset ceiling	**103,171**	(167,247)
Effect of asset ceiling at end of year	**₱260,033**	**₱150,996**

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

	2021	2020
Present value of funded defined benefit obligations	**(₱1,278,303)**	(₱1,533,770)
Fair value of plan assets	**977,047**	750,886
Net pension liability	**(₱301,256)**	**(₱782,884)**

Movements in the net pension liability follow:

	2021	2020
Net pension liability at beginning of year	(₱782,884)	(₱502,661)
Net pension income (expense)	173,973	(157,940)
Remeasurement gain (loss) recognized in other comprehensive income	698,972	(239,571)
Benefits paid - direct payment	(27,859)	13,348
Contributions	(363,458)	103,940
Net pension liability at end of year	(₱301,256)	(₱782,884)

Breakdown of remeasurements recognized in other comprehensive income in 2021 and 2020 follow:

	2021	2020
Remeasurement gain (loss) on plan assets	₱340,278	(₱156,378)
Remeasurement gain (loss) on defined benefit obligations	153,050	(310,826)
Changes in the effect of asset ceiling	(97,218)	167,247
Net remeasurement losses on pension plans	396,110	(299,957)
Income tax effect	(99,028)	89,987
Net remeasurement gain (loss) on pension plans - net of tax	₱297,082	(₱209,970)

The Group does not expect to contribute to the pension funds in 2022.

The major categories and corresponding fair values of plan assets and liabilities by class of the Group's Plan as at the end of each reporting period are as follows:

	2021	2020
Cash and cash equivalents		
Cash in banks	₱5	₱20,887
Time deposits	342,630	135,965
	342,635	156,852
Investments in stocks		
Common shares of domestic corporations		
Quoted	1,083,091	962,344
Unquoted	373,041	110,093
Preference shares	181,984	4,006
	1,638,116	1,076,443
Investment in government securities		
Fixed rate treasury notes (FXTNs)	835,136	665,248
Retail treasury bonds (RTBs)	130,865	86,873
	966,001	752,121

(continuation)

	2021	2020
Investment in other securities and debt instruments		
AAA rated debt securities	177,132	436,656
Not rated debt securities	-	-
	177,132	436,656
Other receivables	70,743	7,596
Accrued trust fees and other payables	(776)	(633)
Benefits payable	-	(1,193)
Fair value of plan assets	₱3,193,851	₱2,427,842

Trust fees paid in 2021, 2020 and 2019 amounted to ₱2.28 million, ₱2.23 million and ₱1.78 million, respectively.

The composition of the fair value of the Fund includes:

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

- Investment in stocks - includes investment in common and preferred shares both traded and not traded in the PSE.

- Investment in government securities - includes investment in Philippine RTBs and FXTNs

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

- Other receivables - includes interest and dividends receivable generated from investments included in the plan.

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

The overall administration and management of the plan rest upon the Plan's BOT. The voting rights on the above securities rest to the BOT for funds directly held through the Group's officers and indirectly for those entered into through other trust agreements with the trustee bank authorized to administer the investment and reinvestments of the funds.

The cost of defined benefit pension plans and the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. The principal assumptions used in determining pension and post-employment medical benefit obligations for the defined benefit plans are shown below:

	2021	2020	2021
Discount rate	4.79% to 5.21%	3.72% to 4.14%	4.95% to 7.97%
Salary increase rate	3.00% to 10.00%	3.00% to 10.00%	3.00% to 10.00%

The weighted average duration of significant defined benefit obligation per segment are as follows (average number of years):

	2021	2020
Construction and others	11 years	11 years
Coal mining	6 years	6 years
Nickel mining	11 years	11 years
Real estate development	15 years	15 years
Power - On grid	12 years	12 years
Power - Off grid	11 years	13 years

There are no unusual or significant risks to which the Plan exposes the Group. However, in the event a benefit claim arises under the Retirement Plan and the Retirement Fund is not sufficient to pay the benefit, the unfunded portion of the claim shall immediately be due and payable from the Group to the Retirement Fund.

There was no plan amendment, curtailment, or settlement recognized for the years ended December 31, 2021 and 2020.

Sensitivity analysis on the actuarial assumptions
Each sensitivity analysis on the significant actuarial assumptions was prepared by remeasuring the Defined Benefit Obligation (DBO) at the reporting date after first adjusting one of the current assumptions according to the applicable sensitivity increment or decrement (based on changes in the relevant assumption that were reasonably possible at the valuation date) while all other assumptions remained unchanged. The sensitivities were expressed as the corresponding change in the DBO.

It should be noted that the changes assumed to be reasonably possible at the valuation date are open to subjectivity, and do not consider more complex scenarios in which changes other than those assumed may be deemed to be more reasonable.

	INCREASE (DECREASE)	2021	2020
Discount rates	+100 basis points	**(₱250,844)**	(₱256,762)
	-100 basis points	**294,015**	303,369
Salary increases	+1.00%	**287,315**	293,774
	-1.00%	**(249,189)**	(253,159)

22. Costs of Sales and Services

Details of costs of sales and services follow:

	2021	2020	2019
COST OF SALES			
Cost of real estate held for sale and development (Note 7)	**₱17,713,791**	₱11,582,195	₱11,926,324
Fuel and lubricants	**8,306,836**	5,582,492	5,957,048
Depreciation and amortization (Notes 10, 11, 12 and 31)	**3,392,622**	3,854,978	4,242,780
Direct labor	**1,983,360**	1,415,364	1,426,917
Hauling, shiploading and handling costs (Note 19)	**1,436,291**	616,971	390,335
Commission expense (Note 8)	**1,148,030**	963,492	833,405
Materials and supplies	**870,420**	2,117,454	5,407,241
Outside services	**536,426**	960,917	1,266,387
Production overhead	**703,504**	752,461	1,620,517
Others	**1,508,841**	30,320	71,899
	37,600,121	**27,876,644**	**33,142,853**
COST OF SERVICES			
Materials and supplies	**9,845,238**	9,096,464	9,275,096
Depreciation and amortization (Notes 10, 11, 12 and 31)	**4,810,755**	3,696,117	3,668,845
Direct labor	**4,882,082**	3,587,095	3,738,171
Outside services	**4,598,456**	3,548,630	3,278,855
Production overhead	**3,391,888**	2,320,557	2,119,996
Fuel and lubricants	**1,790,454**	1,100,875	1,482,606
Spot purchases of electricity	**2,187,503**	434,638	2,826,761
Hauling, shiploading and handling costs (Note 19)	**440,004**	144,117	288,458
Others	**119,530**	121,262	233,020
	32,065,910	**24,049,755**	**26,911,808**
	₱69,666,031	**₱51,926,399**	**₱60,054,661**

Cost of real estate sales presented in the consolidated statements of income includes cost of running hotel and property management operations amounting to ₱108.68 million, ₱121.33 million and ₱227.04 million for 2021, 2020 and 2019, respectively.

Related revenue from hotel and property management operations amounted to ₱226.54 million, ₱224.24 million and ₱445.80 million in 2021, 2020 and 2019, respectively.

Depreciation, depletion and amortization included in the consolidated statements of income follow:

	2021	2020	2019
Included in:			
Cost of electricity sales	**₱3,056,850**	₱3,531,613	₱2,937,938
Cost of coal mining	**3,664,034**	2,633,644	3,804,839
Cost of construction contracts and others	**844,857**	767,251	730,907
Cost of nickel mining	**314,984**	317,823	247,733
Cost of real estate development	**322,652**	300,764	190,208
Operating expenses (Note 23)	**471,282**	614,929	1,290,458
	₱8,674,659	**₱8,166,024**	**₱9,202,083**
Depreciation, depletion and amortization of:			
Property, plant and equipment (Note 11)	**₱9,524,620**	₱8,508,551	₱9,337,817
Other noncurrent assets (Note 12)	**78,737**	52,154	52,736
Investment properties (Note 10)	**34,761**	14,764	14,794
Right-of-use assets (Note 31)	**50,713**	29,378	68,282
	₱9,688,831	**₱8,604,847**	**₱9,473,629**

Depreciation, depletion and amortization capitalized in ending inventories and mine properties included in ‘Property, Plant and Equipment’ amounted to ₱516.68 million, ₱438.82 million and ₱271.55 million in 2021, 2020 and 2019, respectively.

Salaries, wages and employee benefits included in the consolidated statements of income follow:

	2021	2020	2019
Presented under:			
Costs of sales and services	**₱6,083,355**	₱5,002,459	₱5,165,088
Operating expenses (Note 23)	**2,270,021**	1,981,194	1,966,441
	₱8,353,376	**₱6,983,653**	**₱7,131,529**

23. Operating Expenses

This account consists of:

	2021	2020	2019
Salaries, wages and employee benefits (Notes 21 and 22)	**₱2,270,021**	₱1,981,194	₱1,966,441
Government share (Note 29)	**6,354,771**	1,813,594	3,927,055
Taxes and licenses	**1,491,415**	1,306,650	1,411,869
Outside services	**1,117,058**	827,176	560,858
Depreciation and amortization (Notes 10, 11, 12 and 22)	**₱471,282**	₱614,929	₱1,290,458

(continuation)

	2021	2020	2019
Repairs and maintenance	**602,063**	611,802	726,923
Insurance	**328,223**	271,480	362,608
Rent (Notes 19 and 31)	**170,860**	209,688	179,788
Advertising and marketing	**121,816**	194,499	320,657
Supplies	**167,592**	161,452	108,574
Communication, light and water	**173,006**	132,084	153,876
Entertainment, amusement and recreation	**177,126**	130,440	141,566
Association dues	**90,470**	44,473	56,457
Transportation and travel	**75,171**	118,297	150,442
Provision for ECL and probable losses - net (Notes 5 and 8)	**33,388**	60,121	135,749
Commission	**12,638**	1,761	6,389
Loss on write-down of property, plant and equipment (Notes 3 and 11)	**-**	-	83,536
Miscellaneous (Notes 9 and 19)	**430,796**	434,048	575,023
	₱14,087,696	**₱8,913,688**	**₱12,158,269**

In 2020 and 2019, the Group recorded accelerated depreciation for its power generation units amounting to ₱101.23 milllion and ₱549.95 million, respectively (nil in 2021), due to planned rehabilitation of the Group’s 2x300MW coal-fired power plant in Calaca, Batangas.

24. Finance Income

This account consists of:

	2021	2020	2019
Interest on:			
Installment contracts receivable (Note 5)	**₱320,434**	₱313,001	₱277,659
Short-term placements (Note 4)	**62,091**	162,205	330,972
Bank savings accounts (Note 4)	**10,344**	27,846	207,718
Others	**1,948**	-	180,188
	₱394,817	**₱503,052**	**₱996,537**

Others pertain to interest income related to claims from Power Sector Assets and Liabilities Management (PSALM) and National Power Corporation (NPC) which was collected in 2019.

25. Finance Costs

The finance costs are incurred from the following:

	2021	2020	2019
Long-term debt (Note 17)	**₱775,729**	₱681,615	₱637,639
Short-term debt (Note 13)	**106,500**	406,563	783,027
Amortization of debt issuance cost (Note 17)	**81,930**	67,810	50,040
Accretion on unamortized discount on liabilities for purchased land and provision for decommissioning and site rehabilitation costs (Notes 14 and 18)	**170,057**	25,175	32,708
Lease liabilities (Note 31)	**5,039**	9,909	20,038
	₱1,139,255	**₱1,191,072**	**₱1,523,452**

26. Other Income (Charges) - Net

This account consists of:

	2021	2020	2019
Forfeitures and cancellation of real estate contracts	**₱731,518**	₱524,904	₱1,070,414
Sales of fly ash	**167,590**	180,213	166,197
Foreign exchange gains (losses)	**370,415**	113,290	(40,453)
Rental income (Note 10)	**168,397**	75,040	109,833
Gain (loss) on sale of property, plant and equipment - net (Note 11)	**189,732**	67,003	(14,847)
Reversal of allowance for doubtful accounts (Note 5)	**–**	(952)	5,136
Loss on financial asset at FVPL	**–**	–	(643,476)
Recoveries from insurance claims and claims from third party settlement	**–**	–	668,393
Gain on sale of undeveloped parcel of land	**12,432**	–	24,651
Others - net (Notes 11 and 31)	**329,171**	75,060	72,186
	₱1,969,255	**₱1,034,558**	**₱1,418,034**

Gain (loss) on financial asset at FVPL
This pertains to net gain or loss on financial assets at FVPL related to the fair value gain settle differences with a retail electricity supplier. This includes realized loss of ₱643.48 million in 2019.

Recoveries from insurance claims and claims from third party settlement
Recoveries from insurance claims amounting to ₱698.39 million in 2019, pertain to the amount reimbursed by the insurer on insured equipment of SLPGC that were damaged in 2018.
The amount recognized is net of related cost of repairs incurred.

Others – net
Others include penalty charges, holding fees, fees for change in ownership, transfer fees, restructuring fees, lease facilitation fees, gain on pre-termination of option contract and lease contract modification, and others, net of loss recognized for the impairment of gas turbine power plant.

27. Income Tax

The provision for income tax shown in the consolidated statements of income consists of:

	2021	2020	2019
Current	**₱1,469,188**	₱1,367,877	₱1,962,046
Deferred	**277,435**	(53,940)	(311,189)
Final	**12,540**	30,635	108,052
	₱1,759,163	**₱1,344,572**	**₱1,758,909**

The components of net deferred tax assets as of December 31, 2021 and 2020 follow:

	2021	2020
Deferred tax assets on:		
Allowance for:		
Expected credit losses	**₱451,147**	₱505,562
Inventory obsolescence	**60,597**	21,580
Unrealized gross loss on construction contracts	**199,723**	235,226
NOLCO	**24,922**	192,788
Pension liabilities – net	**97,211**	133,531
Impairment	**2,438**	47,012
Unrealized foreign exchange loss	**11,363**	16,263
Provision for decommissioning and site rehabilitation	**8,165**	10,382
Accruals of expenses	**5,692**	5,590
Pension assets – net	**1,198**	–
Others	**17**	14,828
	862,473	1,182,762
Deferred tax liabilities on:		
Unrealized gross loss on construction contracts	**(212,068)**	(243,011)
Unrealized foreign exchange gain	**(51,457)**	(1,130)
	(263,525)	(244,141)
	₱598,948	**₱938,621**

The components of net deferred tax liabilities as of December 31, 2021 and 2020 follow:

	2021	2020
Deferred tax assets on:		
Pension liabilities - net	₱618,686	₱103,142
Unrealized gross profit on construction contracts	30,042	27,880
Allowance for expected credit losses	17,851	21,421
Others	534	1,200
	667,113	153,643
Deferred tax liabilities on:		
Excess of book over tax income pertaining to real estate sales	(3,134,857)	(2,867,112)
Unamortized fair value on nickel mining rights acquired	(1,009,373)	(1,283,165)
Capitalized interest on real estate for sale and development deducted in advance	(414,101)	(463,841)
Deferred commission expense	(216,042)	(174,471)
Unrealized foreign exchange gain - net	(622,227)	(76,918)
Pension assets - net	(43,751)	(50,820)
Unrealized gross profit on construction contracts	(14,702)	(27,193)
Unamortized transaction cost on loans payable	(37,360)	(46,372)
Mine rehabilitation	(3,902)	(4,682)
Others	(132,763)	(111,125)
	(5,629,078)	(5,105,699)
	(₱4,961,965)	(₱4,952,056)

The Group has the following deductible temporary differences, NOLCO and MCIT that are available for offset against future taxable income or tax payable for which deferred tax assets have not been recognized:

	2021	2020
Allowance for impairment losses	₱595,085	₱437,889
NOLCO	541,042	192,434
Allowance for probable losses	52,957	52,957
MCIT	11,456	12,184

Deferred tax assets are recognized only to the extent that taxable income will be available against which the deferred tax assets can be used.

The Group did not recognize deferred tax assets on NOLCO and MCIT from the following periods:

YEAR INCURRED	NOLCO	MCIT	EXPIRY YEAR
2019	₱19,983	₱221	2022

Rollforward analysis of the Group's NOLCO and MCIT follows:

	NOLCO		MCIT	
	2021	2020	2021	2020
Balances at beginning of year	₱192,434	₱178,377	₱12,184	₱3,498
Additions	506,583	14,476	–	11,235
Expirations and usage	(157,975)	(419)	(728)	(2,549)
Balances at end of year	₱541,042	₱192,434	₱11,456	₱12,184

On September 30, 2020, the BIR issued Revenue Regulations No. 25-2020 implementing Section 4 of Bayanihan to Recover as One Act (Bayanihan 2) which states that the NOLCO incurred for taxable years 2020 and 2021 can be carried over as a deduction from gross income for the next five (5) consecutive years immediately following the year of such loss.

As of December 31, 2021, the Group has available NOLCO that can be claimed as deduction from future taxable income follow:

PERIOD	AMOUNT	APPLIED	EXPIRED	BALANCE	EXPIRY YEAR
2021	₱506,583	–	–	₱506,583	2026
2020	14,476	11,235	–	3,241	2025
MCIT	₱521,059	₱11,235	₱–	₱509,824	

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

	2021	2020
Statutory income tax rate	25.00%	30.00%
Adjustments for:		
Income under income tax holiday	(13.50)	(11.76)
Effect of change in tax rate (CREATE)	(3.00)	–
Nontaxable equity in net earnings of associates and joint ventures	(1.47)	(5.30)
Changes in unrecognized deferred tax assets	(0.59)	(0.05)
Nondeductible expenses	0.26	1.97
Effect of OSD availment	0.05	0.85
NOLCO	–	0.17
Excess costs of construction contracts	(0.05)	(0.09)
Interest income subjected to final tax at a lower rate - net	(0.04)	(0.17)
Others	(0.25)	(0.26)
Effective income tax rate	6.41%	15.36%

Registrations with Department of Energy and BOI

a. *Certain power generation companies - Registration with the BOI*
Certain power generation companies in the Group have been registered with the BOI. Accordingly, they are entitled, among others, to ITH incentives covering 4 to 10 years. To be able

to avail of the incentives, these companies are required to maintain a minimum equity level. As of December 31, 2021 and 2020, the Group have complied with the requirements.

In 2021 and 2020, the Group availed of tax incentive in the form of ITH on its income under registered activities amounting to ₱514.05 million and ₱322.57 million, respectively.

b. *SMPC - Expanding Producer of Coal (Narra and Molave Minesite)*
On August 31, 2012 and February 24, 2016, BOI has granted SMPC Certificate of Registration (COR) as New Producer of Coal in accordance with the provisions of the Omnibus Investments Code of 1987 in relation to the operation in Narra Minesite (formerly Bobog) (COR No. 2012-183) and Molave Minesite (COR No. 2017-042), respectively.

As a registered entity, SMPC is entitled to the following incentives for the two CORs, among others:

(a) ITH incentive for four (4) years from January 2015 and January 2017 for Narra Minesite and Molave Minesite, respectively, or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration.

(b) Income qualified for ITH availment shall not exceed by more than 10%, the projected income represented by SMPC in its application provided the project's actual investments and employment match SMPC's representation in the application.

SMPC availed of tax incentive in the form of ITH on its income under registered activities amounting to ₱3,579.18 million, ₱978.86 million and ₱2,323.04 million in 2021, 2020 and 2019, respectively.

Corporate Recovery and Tax Incentive for Enterprise (CREATE) Act

On March 26, 2021, the President of the Philippines signed into law Republic Act No. 11534, Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act, which took effect on April 11, 2021. The CREATE Act introduces reforms to the corporate income tax and incentive systems by implementing changes to the current tax regulations. Some of these changes, which became effective beginning July 1, 2020, are as follows:

- Reduction in the RCIT rate from 30% to 20% for entities with net taxable income not exceeding ₱5.0 million and with total assets not exceeding ₱100.0 million (excluding the value of land on which the business entity's office, plant and equipment are situated);
- Reduction in the RCIT from 30% to 25% for all other corporations;
- Reduction in the MCIT rate from 2% to 1% of gross income for 3 years or until June 30, 2023; and
- Repeal of the imposition of 10% improperly accumulated earnings tax (IAET).

Applying the provisions of the CREATE act, the Group recognized one-time impact in the consolidated statement of income for the period ended December 31, 2021 amounting to ₱916.96 million for provision for income tax (current and deferred) and ₱12.20 million for deferred tax on comprehensive income directly charged to equity. Deferred tax liabilities - net also decreased by ₱822.23 million.

28. Earnings Per Share

The following table presents information necessary to calculate basic/diluted earnings per share on net income attributable to equity holders of the Parent Company (amounts in thousands, except basic/diluted earnings per share):

	2021	2020	2019
Net income attributable to equity holders of Parent Company	**₱18,394,231**	₱5,858,949	₱10,533,131
Divided by weighted average number of common shares	**13,277,470**	13,277,470	13,277,470
Basic/diluted earnings per share	**₱1.39**	**₱0.44**	**₱0.79**

There were no dilutive potential ordinary shares. Accordingly, no diluted earnings per share is presented in 2021, 2020 and 2019.

29. Coal Operating Contract with DOE

On July 11, 1977, the Government, through its former Energy Development Board, awarded a 35-year COC to a consortium led by Vulcan Industrial & Mineral Exploration Corporation and Sulu Sea Oil Development Corporation that subsequently assigned said COC to then Semirara Coal Corporation, now the Parent Company, on April 7, 1980. On July 27, 1977, Presidential Decree (PD) 972 was amended by PD 1174: (a) increasing coal operators' maximum cost recovery from an amount not exceeding 70% to 90% of the gross proceeds from production, and (b) increasing the amount of a special allowance for Philippine corporations from an amount not exceeding 20% to 30% of the balance of the gross income, after deducting all operating expenses. As a result, the Parent Company's COC was subsequently amended on January 16, 1981 reflecting said changes.

On May 13, 2008, the DOE granted the Group's request for an extension of its COC for another 15-year or until July 14, 2027.

On November 12, 2009, the COC was amended further, expanding its contract area to include Caluya and Sibay Islands, Antique, covering an additional area of 3,000 hectares and 4,200 hectares, respectively.

On August 6, 2018, the COC was amended relinquishing the contract areas in Caluya and Sibay Islands, Antique. The contract areas under the COC was re-configured with an area of 13,000 hectares.

On April 29, 2013, the DOE issued a new COC to the Group granting the Group the exclusive right to conduct exploration, development and coal mining operations in the municipality of Bulalacao, province of Oriental Mindoro, up to a maximum of 36 years from its effective date. The COC covers two coal-bearing parcels of land covering areas of 2,000 and 5,000 hectares, respectively.

On June 7, 2013, the DOE issued a new COC to the Group granting the Parent Company the exclusive right to conduct exploration, development and coal mining operations in the municipalities of Maitum and Kiamba, province of Sarangani, up to a maximum of 36 years from its effective date. The COC covers a coal-bearing parcel of land covering area of 5,000 hectares. On January 18, 2019, the old COC was voluntarily relinquished by the Group.

In return for the mining rights granted to the Group, the Government is entitled to receive annual royalty payments consisting of the balance of the gross income after deducting operating expenses, operator's fee and special allowance. The DOE, through the Energy Resources Development Bureau, approved the exclusion of coal produced and used solely by the Group to feed its power plant used for mining operations in determining the amount due to DOE.

Royalty dues for DOE's share under this contract and to the different LGU in the province of Antique, under the provisions of the Local Government Code of 1991, amounted to ₱6,354.77 million, ₱1,813.59 million and ₱3,927.06 million in 2021, 2020 and 2019, respectively. Payable to DOE and LGU, amounting to ₱2,059.61 million and ₱1,034.08 million as of December 31, 2021 and 2020, respectively, are included under the 'Trade and other payables' account in the consolidated statements of financial position (see Note 15).

30. Material Partly-Owned Subsidiary

The financial information of the Group's subsidiaries with material noncontrolling-interest are provided below. These information are based on amounts in the consolidated financial statements of the subsidiary.

Semirara Mining and Power Corporation (SMPC) and Subsidiaries

	2021	2020
Consolidated statements of financial position		
Current assets	₱26,932,670	₱23,978,257
Noncurrent assets	44,711,720	47,167,468
Total assets	71,644,390	71,145,725
Current liabilities	14,594,144	16,521,155
Noncurrent liabilities	11,440,349	12,439,559
Total liabilities	26,034,493	28,960,714
Equity	₱45,609,897	₱42,185,011
Consolidated statements of comprehensive income		
Revenue	52,424,427	₱28,250,369
Cost of sales	26,239,570	19,699,417
Gross profit	26,184,857	8,550,952
Operating expenses	(9,265,160)	(4,554,062)
Other expenses - net	(374,475)	(577,542)
Income before income tax	16,545,222	3,419,348
Provision for (benefit from) income tax	345,124	132,598
Net income	16,200,098	3,286,750
Other comprehensive loss	(21,661)	(24,454)
Total comprehensive income	₱16,178,437	₱3,262,296

(continuation)

	2021	2020
Total comprehensive income	₱16,178,437	₱3,262,296
Cash flow information		
Operating	21,279,776	₱9,816,715
Investing	(3,737,976)	(4,176,124)
Financing	(17,587,805)	(4,044,738)
Effect of exchange rate changes on cash and cash equivalents	174,463	31,652
Net increase (decrease) in cash and cash equivalents	₱128,458	₱1,627,505

The accumulated balances of material noncontrolling-interest of SMPC and subsidiaries as at December 31, 2021 and 2020 amounted to ₱19,969.41 million and ₱18,656.91 million, respectively. Dividends paid to noncontrolling interests amounted to ₱5,527.46 million in 2020 and 2019.

31. Leases

The Group as a Lessee

The Group has lease contracts for various items of land, office spaces and foreshore leases used in its operations. Leases of land and foreshore lease generally have lease terms between five (5) and 25 years, while office spaces generally have lease terms of two (2) to seven (7) years. The Group also has certain leases of office spaces, warehouse and storage spaces which have lease terms of 12 months or less. The Group applies the 'short-term lease' recognition exemption for these leases.

Movements in the Group's right-of-use assets and lease liabilities follow:

Right of use assets

	YEAR ENDED DECEMBER 31, 2021		
	LAND	OFFICE SPACE	TOTAL
COST			
Balances at beginning of year	₱177,586	₱103,168	₱280,754
Additions	-	13,350	13,350
Balances at end of year	177,586	116,518	294,104
ACCUMULATED AMORTIZATION			
Balances at beginning of year	37,206	60,454	97,660
Amortization (Notes 22 and 23)	5,166	45,547	50,713
Balances at end of year	42,372	106,001	148,373
	₱135,214	₱10,517	₱145,731

	YEAR ENDED DECEMBER 31, 2020		
	LAND	OFFICE SPACE	TOTAL
COST			
Balances at beginning of year	₱169,020	₱165,677	₱334,697
Additions	8,566	1,454	10,020
Balances at end of year	177,586	167,131	344,717
ACCUMULATED AMORTIZATION			
Balances at beginning of year	18,488	49,794	68,282
Amortization (Notes 22 and 23)	18,718	10,660	29,378
Balances at end of year	37,206	60,454	97,660
Contract modification (Note 26)	-	(63,963)	(63,963)
	₱140,380	₱42,714	₱183,094

On June 30, 2021, the Group purchased the parcels of land under PSALM OEN which amounted to ₱43.11 million (see Notes 11 and 35). Unused rentals as of option exercise date amounted to ₱1.13 million which was applied against the total purchase price.

Lease liabilities

	2021	2020
Beginning balance	**₱127,987**	₱218,217
Additions	**12,888**	10,020
Payment	**(46,623)**	(43,872)
Accretion (Note 25)	**3,155**	9,909
Contract modification (Note 26)	**-**	(66,287)
	₱97,407	**₱127,987**

The following are the amounts recognized in consolidated statements of income in 2021 and 2020:

	2021	2020
Depreciation expense of right-of-use assets charged to:		
Cost of sales and services (Note 22)	**₱11,664**	₱7,268
Operating expenses (Note 23)	**39,049**	22,110
Expenses relating to short-term leases charged to		
operating expenses (Note 23)	**170,860**	209,688
Interest expense on lease liabilities (Note 25)	**5,039**	9,909
	₱226,612	**₱248,975**

The Group has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised (see Note 3). In 2020, the Group entered into lease contract modification in its office space to revise the lease term to 12 months. Following PFRS 16, the Group derecognized the outstanding right-of use assets and lease liabilities, and recognized gain on lease contract modification presented under "Other income (charges) - net" in consolidated statements of income amounting to ₱2.32 million (see Note 26).

As of December 31, 2021 and 2020, future undiscounted minimum lease payments under operating lease are as follows:

	2021	2020
Within one year	**₱29,883**	₱57,458
After one year but not more than five years	**57,261**	84,524
More than five years	**37,410**	48,469
	₱124,554	**₱190,451**

Operating Lease - As Lessor

The Group entered into lease agreements with third parties covering its investment property portfolio (see Note 10). The lease agreements provide for a fixed monthly rental with an escalation ranging from 4.50% to 7.00% and 5.00% to 7.00% annually in 2021 and 2020, respectively. These are renewable under the terms and condition agreed with the lessees.

As of December 31, 2021 and 2020, future minimum lease receivables under the aforementioned operating lease are as follows:

	2021	2020
Within one year	**₱54,275**	₱33,066
After one year but not more than five years	**71,791**	69,994
More than five years	**69,409**	16,470
	₱195,475	**₱119,530**

32. Operating Segments

Business Segment Information
For management purposes, the Group is organized into seven (7) major business units that are largely organized and managed separately according to industry. Reporting operating segments are as follows:

- Construction and others - engaged in various construction projects and construction-related businesses such as production and trading of concrete products, handling steel fabrication and electrical and foundation works.

- Coal mining - engaged in the exploration, mining and development of coal resources on Semirara Island in Caluya, Antique.

- Nickel mining - engaged primarily in mining and selling nickel ore from existing stockpile in Acoje mines in Zambales and Berong mines in Palawan.

- Real estate - focused in mid-income residential development carried under the brand name DMCI Homes. It is also engaged in hotel services and property management.

- On-grid Power - engaged in power generation through coal-fired power plants providing electricity to distribution utilities and indirect members of WESM.

- Off-grid Power - engaged in power generation through satellite power plants providing electricity to areas that are not connected to the main transmission grid.

- Water - includes share in net earnings from associates, MWHCI and Subic Water, which are engaged in water services for the west portion of Metro Manila and Olongapo City and Subic Bay Freeport, respectively.

No operating segments have been aggregated to form the above reportable operating segments. Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on revenue, earnings before interest, income taxes and depreciation and amortization (EBITDA) and operating profit or loss, and is measured consistently in the consolidated financial statements. The Group's management reporting and controlling systems use accounting policies that are the same as those described in Note 2 in the summary of significant accounting policies under PFRSs.

EBITDA is the measure of segment profit (loss) used in segment reporting and comprises of revenues, cost of sales and services and selling and general administrative expenses before interest, taxes and depreciation and amortization.

The Group disaggregates its revenue information in the same manner as it reports its segment information. The Group, through its on-grid power segment, has electricity sales to a power distribution utility company that accounts for about 16%, 5% and 7% of the Group's total revenue in 2021, 2020 and 2019, respectively.

Group financing (including finance costs and finance income) and income taxes are also managed per operating segments. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

Business Segments
The following tables present revenue, net income and depreciation and amortization information regarding business segments for the years ended December 31, 2021, 2020 and 2019 and property, plant and equipment additions, total assets and total liabilities for the business segments as of December 31, 2021, 2020 and 2019.

YEAR ENDED DECEMBER 31, 2021	CONSTRUCTION AND OTHERS*	COAL MINING	NICKEL MINING	REAL ESTATE DEVELOPMENT	POWER *ON-GRID*	POWER *OFF-GRID*	WATER	PARENT COMPANY	TOTAL
Revenue	₱22,927,814	₱35,592,979	₱4,022,442	₱24,328,512	₱16,831,449	₱4,639,673	₱–	₱–	₱108,342,869
Equity in net earnings of associates and joint ventures	–	–	–	17,863	–	–	1,594,465	–	1,612,328
Other income (expense)	188,098	405,248	89,241	1,085,665	178,204	19,062	–	3,737	1,969,255
	23,115,912	35,998,227	4,111,683	25,432,040	17,009,653	4,658,735	1,594,465	3,737	111,924,452
Cost of sales and services (before depreciation and amortization)	20,366,379	13,619,257	1,133,315	17,437,072	6,031,451	2,892,659	–	–	61,480,133
Government share (Note 23)	–	6,354,771	–	–	–	–	–	–	6,354,771
General and administrative expense (before depreciation and amortization)	676,490	488,082	767,008	2,306,983	2,247,200	700,675	–	57,726	7,244,164
	21,042,869	20,462,110	1,900,323	19,744,055	8,278,651	3,593,334	–	57,726	75,079,068
EBITDA	2,073,043	15,536,117	2,211,360	5,687,985	8,731,002	1,065,401	1,594,465	(53,989)	36,845,384
Other income (expenses)									
Finance income (cost) (Notes 24 and 25)	(34,939)	(289,913)	(8,491)	271,638	(664,092)	(42,178)	–	23,537	(744,438)
Depreciation and amortization (Notes 22 and 23)	(890,757)	(3,863,096)	(332,097)	(340,181)	(2,899,237)	(347,629)	–	(1,662)	(8,674,659)
Pretax income	1,147,347	11,383,108	1,870,772	5,619,442	5,167,673	675,594	1,594,465	(32,114)	27,426,287
Provision for income tax (Note 27)	192,856	89,751	213,181	891,400	280,371	87,003	–	4,601	1,759,163
Net income	₱954,491	₱11,293,357	₱657,591	₱4,728,042	₱4,887,302	₱588,591	₱1,594,465	(₱36,715)	₱25,667,124
Net income attributable to noncontrolling-interests	25,720	4,950,344	216,309	7,465	2,073,055	–	–	–	7,272,893
Net income attributable to equity holders of the Parent Company	₱928,771	₱6,343,013	₱1,441,282	₱4,720,577	₱2,814,247	₱588,591	₱1,594,465	(₱36,715)	₱18,394,231
Segment Assets									
Cash	₱2,013,179	₱4,610,250	₱799,786	₱4,472,228	₱3,602,873	₱227,343	₱–	₱2,616,359	₱18,342,018
Receivables and contract assets	12,779,930	4,433,532	336,803	28,367,197	2,636,970	1,498,936	–	3,606	50,056,974
Inventories	1,681,636	7,335,508	240,757	41,352,233	3,205,828	392,911	–	–	54,208,873
Investment in associates and joint venture	58,380	–	–	910,204	–	–	–	16,554,292	17,522,876
Fixed assets**	3,224,602	7,194,858	4,810,768	1,846,968	36,625,392	5,979,481	–	6,888	59,688,957
Others	5,407,199	1,049,960	737,009	5,413,720	1,632,192	1,030,514	–	55,196	15,325,790
	₱25,164,926	₱24,624,108	₱6,925,123	₱82,362,550	₱47,703,255	₱9,129,185	–	₱19,236,341	₱215,145,488
Segment Liabilities									
Contract liabilities	₱7,136,885	₱38,664	₱58,968	₱9,166,423	₱–	₱–	₱–	₱–	₱16,400,940
Short-term and long-term debt	1,158,224	3,363,603	350,000	32,634,592	11,703,032	3,839,150	–	–	53,048,601
Others	9,380,653	8,735,558	2,176,221	12,717,497	2,047,039	1,705,154	–	87,213	6,354,771
	₱17,675,762	₱12,137,825	₱2,585,189	₱54,518,512	13,750,071	₱5,544,304	–	₱87,213	₱106,298,876
Other disclosures									
Property, plant and equipment additions (Note 11)	₱770,279	₱3,246,371	₱413,929	₱572,760	₱2,480,842	₱1,100,745	–	₱796	₱8,585,722
Acquisition of land for future development (Note 7)	–	–	–	589,788	–	–	–	–	589,788
Transfer of undeveloped land (Notes 7 and 11)	–	–	–	140,134	–	–	–	–	140,134

**Revenue from construction segment includes sales and service revenue from Wire Rope.*

***Includes property, plant and equipment, investment properties and exploration and evaluation assets*

YEAR ENDED DECEMBER 31, 2020	CONSTRUCTION AND OTHERS*	COAL MINING	NICKEL MINING	REAL ESTATE DEVELOPMENT	POWER *ON-GRID*	POWER *OFF-GRID*	WATER	PARENT COMPANY	TOTAL
Revenue	₱16,930,349	₱16,488,547	₱2,471,999	₱16,078,509	₱11,761,902	₱3,968,793	₱–	₱–	₱67,700,099
Equity in net earnings of associates and joint ventures	–	(307)	–	(3,846)	–	–	1,550,284	–	1,546,131
Other income (expense)	(3,677)	229,762	(30,036)	733,125	102,816	700	–	1,868	1,034,558
	16,926,672	16,718,002	2,441,963	16,807,788	11,864,718	3,969,493	1,550,284	1,868	70,280,788
Cost of sales and services (before depreciation and amortization)	14,935,397	9,646,668	610,882	12,789,063	3,966,053	2,427,241	–	–	44,375,304
Government share (Note 23)	–	1,813,594	–	–	–	–	–	–	1,813,594
General and administrative expense (before depreciation and amortization)	679,698	382,970	658,709	2,052,167	1,941,256	618,448	–	151,917	6,485,165
	15,615,095	11,843,232	1,269,591	14,841,230	5,907,309	3,045,689	–	151,917	52,674,063
EBITDA	1,311,577	4,874,770	1,172,372	1,966,558	5,957,409	923,804	1,550,284	(150,049)	17,606,725
Other income (expenses)									
Finance income (cost) (Notes 24 and 25)	(20,271)	(336,852)	2,143	316,295	(705,016)	(16,124)	–	71,805	(688,020)
Depreciation and amortization (Notes 22 and 23)	(784,436)	(2,680,127)	(347,848)	(445,781)	(3,624,099)	(278,490)	–	(5,243)	(8,166,024)
Pretax income	506,870	1,857,791	826,667	1,837,072	1,628,294	629,190	1,550,284	(83,487)	8,752,681
Provision for income tax (Note 27)	172,827	60,008	245,260	654,276	104,702	92,324	–	15,175	1,344,572
Net income	₱145,665	₱1,797,783	₱581,407	₱1,371,174	₱1,523,592	₱536,866	1,550,284	(₱98,662)	₱7,408,109
Net income attributable to noncontrolling-interests	24,957	779,408	98,584	1,471	644,740	–	–	–	1,549,160
Net income attributable to equity holders of the Parent Company	₱309,086	₱1,018,375	₱482,823	₱1,181,325	₱878,852	₱536,866	₱1,550,284	(₱98,662)	₱5,858,949
Segment Assets									
Cash	₱1,466,101	₱5,662,912	₱1,092,649	₱4,766,267	₱2,421,678	₱159,462	₱–	₱3,349,381	₱18,918,450
Receivables and contract assets	11,504,253	1,562,046	131,152	21,907,872	2,065,604	1,236,647	–	2,788	38,410,362
Inventories	1,690,932	6,856,198	268,322	40,892,821	3,883,945	303,171	–	–	53,895,389
Investment in associates and joint venture	58,380	–	–	807,049	–	–	–	15,725,132	16,590,561
Fixed assets**	3,601,813	8,740,323	4,991,661	2,025,565	37,797,435	5,223,732	–	4,991	62,385,520
Others	4,369,833	939,465	619,978	5,458,362	1,912,838	836,267	–	56,514	14,193,257
	₱22,691,312	₱23,760,944	₱7,103,762	₱75,857,936	₱48,081,500	₱7,759,279	–	₱19,138,806	₱204,393,539
Segment Liabilities									
Contract liabilities	₱6,262,469	₱32,193	₱–	₱10,378,964	₱–	₱–	₱–	₱–	₱16,673,626
Short-term and long-term debt	877,825	5,853,255	–	28,314,873	14,020,817	2,822,200	–	–	51,888,970
Others	8,486,029	6,601,009	2,311,982	13,348,918	2,261,785	1,538,404	–	80,045	34,628,172
	₱15,626,323	₱12,486,457	₱2,311,982	₱52,042,755	₱16,282,602	₱4,360,604	–	₱80,045	₱103,190,768
Other disclosures									
Property, plant and equipment additions (Note 11)	₱739,140	₱3,179,867	₱113,250	₱453,883	₱2,589,369	₱869,332	–	₱1,103	₱7,945,944
Acquisition of land for future development (Note 7)	–	–	–	3,213,209	–	–	–	–	3,213,209
Transfer of undeveloped land (Notes 7 and 11)	–	–	–	362,568	–	–	–	–	362,568

**Revenue from construction segment includes sales and service revenue from Wire Rope.*
***Includes property, plant and equipment, investment properties and exploration and evaluation assets*

YEAR ENDED DECEMBER 31, 2019	CONSTRUCTION AND OTHERS*	COAL MINING	NICKEL MINING	REAL ESTATE DEVELOPMENT	POWER *ON-GRID*	POWER *OFF-GRID*	WATER	PARENT COMPANY	TOTAL
Revenue	₱18,835,203	₱29,085,433	₱1,610,297	₱18,519,744	₱15,169,123	₱4,541,421	₱–	₱–	₱87,761,221
Equity in net earnings of associates and joint ventures	–	691	–	(1,364)	–	–	1,803,058	–	1,802,385
Other income (expense)	33,378	(14,929)	42,153	1,118,345	214,361	21,366	–	3,360	1,418,034
	18,868,581	29,071,195	1,652,450	19,636,725	15,383,484	4,562,787	1,803,058	3,360	90,981,640
Cost of sales and services (before depreciation and amortization)	15,852,434	13,855,809	432,747	13,000,136	5,961,492	2,917,280	–	–	52,019,898
Government share (Note 24)	–	3,927,055	–	–	–	–	–	–	3,927,055
General and administrative expense (before depreciation and amortization)	750,661	648,581	575,095	2,307,468	2,079,807	642,560	–	59,722	7,063,894
	16,603,095	18,431,445	1,007,842	15,307,604	8,041,299	3,559,840	–	59,722	63,010,847
EBITDA	2,265,486	10,639,750	644,608	4,329,121	7,342,185	1,002,947	1,803,058	(56,362)	27,970,793
Other income (expenses)									
Finance income (cost) (Notes 25 and 26)	(36,656)	(511,128)	7,597	331,161	(543,594)	(26,105)	–	251,810	(526,915)
Impairment of goodwill	–	–	(1,637,430)	–	–	–	–	–	(1,637,430)
Depreciation and amortization (Notes 23 and 24)	(795,172)	(3,974,890)	(301,529)	(332,591)	(3,538,027)	(253,381)	–	(6,493)	(9,202,083)
Pretax income	1,433,658	6,153,732	(1,286,754)	4,327,691	3,260,564	723,461	1,803,058	188,955	16,604,365
Provision for income tax (Note 28)	384,914	(30,456)	100,874	1,363,867	(221,882)	112,278	–	49,314	1,758,909
Net income	₱1,048,744	₱6,184,188	(₱1,387,628)	₱2,963,824	₱3,482,446	₱611,183	₱1,803,058	₱139,641	₱14,845,456
Net income attributable to noncontrolling-interests	54,317	2,681,085	67,983	8,343	1,500,597	–	–	–	4,312,325
Net income attributable to equity holders of the Parent Company	₱994,427	₱3,503,103	(₱1,455,611)	₱2,955,481	₱1,981,849	₱611,183	₱1,803,058	₱139,641	₱10,533,131
Segment Assets									
Cash	₱3,392,025	₱3,243,914	₱865,148	₱5,897,157	₱3,213,170	₱46,963	₱–	₱4,939,446	₱21,597,823
Receivables and contract assets	9,710,153	1,281,338	49,645	20,192,449	2,654,612	1,483,069	–	6,551	35,377,817
Inventories	1,222,789	6,384,701	321,080	37,593,332	3,834,869	309,682	–	–	49,666,453
Investment in associates and joint venture	58,380	51,203	–	825,677	–	–	–	14,279,098	15,214,358
Fixed assets**	3,659,060	10,000,076	5,190,450	1,722,497	38,556,292	4,446,604	–	9,719	63,584,698
Others	4,052,613	1,632,117	583,995	5,433,339	2,681,923	908,722	–	53,143	15,345,852
	₱22,095,020	₱22,593,349	₱7,010,318	₱71,664,451	₱50,940,866	₱7,195,040	₱–	₱19,287,957	₱200,787,001
Segment Liabilities									
Contract liabilities	₱6,760,924	₱32,124	₱–	₱9,624,719	₱–	₱–	₱–	₱–	₱16,417,767
Short-term and long-term debt	218,562	4,900,000	–	25,786,129	13,697,035	2,304,000	–	–	46,905,726
Others	8,402,980	6,199,825	2,190,502	12,801,540	3,302,154	1,663,553	–	64,880	34,625,434
	₱15,382,466	₱11,131,949	₱2,190,502	₱48,212,388	₱16,999,189	₱3,967,553	–	₱64,880	₱97,948,927
Other disclosures									
Property, plant and equipment additions (Note 11)	₱1,999,822	₱3,380,166	₱92,428	₱722,283	₱8,413,577	₱999,141	–	₱2,645	₱15,610,062
Acquisition of land for future development (Note 7)	–	–	–	6,649,655	–	–	–	–	6,649,655

**Revenue from construction segment includes sales and service revenue from Wire Rope.*
***Includes property, plant and equipment, investment properties and exploration and evaluation assets*

33. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise interest-bearing loans and borrowings. The main purpose of these financial instruments is to raise financing for its operations and capital expenditures. The Group also has various significant other financial assets and liabilities, such as receivables and payables which arise directly from its operations.

The main risks arising from the use of financial instruments are liquidity risk, market risk and credit risk. The Group's BOD reviews and approves policies for managing each of these risks and they are summarized below.

a. *Liquidity Risk*
Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Group seeks to manage its liquidity profile to be able to service its maturing debts and to finance capital requirements. The Group maintains a level of cash and cash equivalents deemed sufficient to finance operations.

A significant part of the Group's financial assets that are held to meet the cash outflows include cash equivalents and accounts receivables. Although accounts receivables are contractually collectible on a short-term basis, the Group expects continuous cash inflows. In addition, although the Group's short-term deposits are collectible at a short notice, the deposit base is stable over the long term as deposit rollovers and new deposits can offset cash outflows.

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

- It has available lines of credit that it can access to answer anticipated shortfall in sales and collection of receivables resulting from timing differences in programmed inflows and outflows.

- It has very diverse funding sources.

- It has internal control processes and contingency plans for managing liquidity risk. Cash flow reports and forecasts are reviewed on a weekly basis in order to quickly address liquidity concerns. Outstanding trade receivables are closely monitored to avoid past due collectibles.
- The Group regularly evaluates its projected and actual cash flows. It also continuously assesses conditions in the financial markets for opportunities to pursue fund-raising activities. Fund-raising activities may include bank loans and capital market issues both on-shore and off-shore which is included in the Group's corporate planning for liquidity management.

The following table summarizes the maturity profile of the Group's financial assets and financial liabilities as of December 31, 2021 and 2020, based on contractual undiscounted cash flows. The table also analyses the maturity profile of the Group's financial assets in order to provide a complete view of the Group's contractual commitments.

	2021				
	WITHIN 1 YEAR	BEYOND 1 YEAR UP TO 2 YEARS	BEYOND 2 YEARS UP TO 3 YEARS	BEYOND 3 YEARS	TOTAL
FINANCIAL ASSETS AT AMORTIZED COST					
Cash in banks and cash equivalents	₱18,313,995	-	-	-	₱18,313,995
Receivables - net					
Trade:					
General construction	5,717,748	1,592,200	336,865	555,568	8,202,381
Real estate	3,662,800	-	-	-	3,662,800
Electricity sales	4,283,821	-	-	-	4,283,821
Coal mining	₱4,298,951	-	-	-	₱4,298,951
Nickel mining	260,322	-	-	-	260,322
Merchandising and others	104,042	-	-	-	104,042
Receivables from related parties	1,377,041	-	-	-	1,377,041
Other receivables	2,257,020	-	-	-	2,257,020
Other assets					
Refundable deposits	730,895	107,013	2,533	17,540	857,981
Deposit in escrow fund	229,207	-	-	-	229,207
Security deposits	11,007	-	2,481	-	13,488
	41,246,849	1,699,213	341,879	573,108	43,861,049
OTHER FINANCIAL LIABILITIES					
Short-term debt*	1,109,363	-	-	-	1,109,363
Accounts and other payables**	26,143,175	-	-	-	26,143,175
Liabilities for purchased land	601,817	815,476	9,111	144,965	1,571,369
Long-term debt*	10,962,919	9,137,194	9,083,318	25,530,283	54,713,714
Total undiscounted financial liabilities	38,817,274	9,952,670	9,092,429	25,675,248	83,537,621
Liquidity gap	₱2,429,575	(₱8,253,457)	(₱8,750,550)	(₱25,102,140)	(₱39,676,572)

**Including future interest payment.*
***Excluding nonfinancial liabilities.*

	2020				
	WITHIN 1 YEAR	BEYOND 1 YEAR UP TO 2 YEARS	BEYOND 2 YEARS UP TO 3 YEARS	BEYOND 3 YEARS	TOTAL
FINANCIAL ASSETS AT AMORTIZED COST					
Cash in banks and cash equivalents	₱18,896,749	-	-	-	₱18,896,749
Receivables - net					
Trade:					
General construction	7,339,232	196,883	-	-	7,536,115
Real estate	6,492,700	-	-	-	6,492,700
Electricity sales	2,745,277	-	-	-	2,745,277
Coal mining	1,439,960	-	-	-	1,439,960
Nickel mining	110,570	-	-	-	110,570
Merchandising and others	95,194	-	-	-	95,194
Receivables from related parties	591,216	-	-	-	591,216
Other receivables	1,411,223	-	-	-	1,411,223
Other assets					
Refundable deposits	243,036	86,222	6,486	-	335,744
Deposit in escrow fund	229,207	-	-	-	229,207
Security deposits	-	-	2,886	-	2,886
	39,594,364	**283,105**	**9,372**	**-**	**39,886,841**
OTHER FINANCIAL LIABILITIES					
Short-term debt*	5,826,370	-	-	-	5,826,370
Accounts and other payables**	21,608,231	-	-	-	21,608,231
Liabilities for purchased land	1,833,515	19,303	60,985	105,803	2,019,606
Long-term debt*	11,430,839	10,877,318	11,451,269	19,761,308	53,520,734
Total undiscounted financial liabilities	40,698,955	10,896,621	11,512,254	19,867,111	82,974,941
Liquidity gap	(₱1,104,591)	(₱10,613,516)	(₱11,502,882)	(₱19,867,111)	(₱43,088,100)

**Including future interest payment.*
***Excluding nonfinancial liabilities.*

b. *Market Risk*

Market risk is the risk of loss to future earnings, to fair values or to future cash flows that may result from changes in the price of a financial instrument. The value of a financial instrument may change as a result of changes in equity prices, market prices, interest rates and foreign currency exchange rates.

The sensitivity analyses have been prepared on the following bases:

- Equity price risk - movements in equity indices
- Market price risk - movements in one-year historical coal and nickel prices
- WESM price risk - movement in WESM price for energy
- Interest rate risk – movement in market interest rate on unsecured bank loans
- Foreign currency risk - yearly movement in the foreign exchange rates

The assumption used in calculating the sensitivity analyses of the relevant income statement item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at December 31, 2021 and 2020.

c. *Equity Price Risk*

The Group's equity price risk exposure at year-end relates to financial assets whose values will fluctuate as a result of changes in market prices, principally, equity securities classified as Equity investment designated at FVOCI.

Quoted securities are subject to price risk due to changes in market values of instruments arising either from factors specific to individual instruments or their issuers or factors affecting all instruments traded in the market. The Group's market risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments; diversification plan; and limits on investment in each industry or sector.

The analyses below are performed for reasonably possible movements in the Philippine Stock Exchange (PSE) index for quoted shares and other sources for golf and club shares with all other variables held constant, showing the impact on equity:

	CHANGE IN VARIABLE		EFFECT ON EQUITY (OTHER COMPREHENSIVE INCOME)	
	2021	2020	2021	2020
PSE	**+0.99%**	+8.06%	**(₱192)**	(₱596)
	-0.99%	-8.06%	**192**	596
Others	**+15.85%**	+8.46%	**3,056**	626
	-15.85%	-8.46%	**(3,056)**	(626)

The sensitivity analyses shown above are based on the assumption that the movement in PSE composite index and other quoted equity securities will be most likely be limited to an upward or downward fluctuation of 0.99% and 15.85% in 2021 and 8.06% and 8.46% in 2020, respectively.

The Group, used as basis of these assumptions, the annual percentage change in PSE composite index and annual percentage change of quoted prices as obtained from published quotes of golf and club shares.

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

d. *Commodity Price Risk*
Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

Coal
The price that the Group can charge for its coal is directly and indirectly related to the price of coal in the world coal market. In addition, as the Group is not subject to domestic competition in the Philippines, the pricing of all of its coal sales is linked to the price of imported coal. World thermal coal prices are affected by numerous factors outside the Group's control, including the demand from customers which is influenced by their overall performance and demand for electricity. Prices are also affected by changes in the world supply of coal and may be affected by the price of alternative fuel supplies, availability of shipping vessels as well as shipping costs.

As the coal price is reset on a periodic basis under coal supply agreements, this may increase its exposure to short-term coal price volatility. There can be no assurance that world coal prices will be sustained or that domestic and international competitors will not seek to replace the Group in its relationship with its key customers by offering higher quality, better prices or larger guaranteed supply volumes, any of which would have a materially adverse effect on the Group's profits. To mitigate this risk, the Group continues to improve the quality of its coal and diversify its market from power industry, cement industry, other local industries and export market. This will allow flexibility in the distribution of coal to its target customers in such manner that minimum target average price of its coal sales across all its customers will still be achieved. Also, in order to mitigate any negative impact resulting from price changes, it is the Group's policy to set minimum contracted volume for customers with long term supply contracts for each given period (within the duration of the contract) and pricing is negotiated on a monthly basis to even out the impact of any fluctuation in coal prices, thus, protecting its target margin. The excess volumes are allocated to spot sales which may command different price than those contracted already since the latter shall follow pricing formula per contract.

Nevertheless, on certain cases temporary adjustments on coal prices with reference to customers following a certain pricing formula are requested in order to recover at least the cost of coal if the resulting price is abnormally low vis-à-vis cost of production (i.e., abnormal rise in cost of fuel, foreign exchange).

Below are the details of the Group's coal sales to the domestic market and to the export market (as a percentage of total coal sales volume):

	2021	2020
Domestic market	**27.33%**	24.96%
Export market	**72.67%**	75.04%
	100%	100%

The following table shows the effect on income before income tax should the change in the prices of coal occur based on the inventory of the Group as of December 31, 2021 and 2020 with all other variables held constant. The change in coal prices used in the simulation assumes fluctuation from the lowest and highest price based on 1-year historical price movements in 2021 and 2020.

CHANGE IN COAL PRICE	EFFECT ON INCOME BEFORE INCOME TAX	
	2021	2020
Based on ending coal inventory		
Increase by 83% in 2021 and 22% in 2020	**₱916,186,257**	₱501,215,811
Decrease by 83% in 2021 and 22% in 2020	**(916,186,257)**	(501,215,811)
Based on coal sales volume		
Increase by 155% in 2021 and 22% in 2020	**₱12,103,657,136**	₱4,745,718,21
Decrease by 155% in 2021 and 22% in 2020	**(12,103,657,136)**	(4,745,718,21)

e. *Interest Rate Risk*
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to market risk for changes in interest rates relates primarily to the Group's long-term debt obligations. The Group's policy is to manage its interest cost using a mix of fixed and variable rate debt.

The following table demonstrates the sensitivity of the Group's income before income tax and equity to a reasonably possible change in interest rates, with all variables held constant, through the impact on floating rate borrowings:

2021	CHANGE IN BASIS POINTS	EFFECT ON INCOME BEFORE INCOME TAX	EFFECT ON EQUITY
Peso floating rate borrowings	**+100 bps**	**₱185,760**	**₱139,320**
	-100 bps	**(185,760)**	**(139,320)**

2020	CHANGE IN BASIS POINTS	EFFECT ON INCOME BEFORE INCOME TAX	EFFECT ON EQUITY
Peso floating rate borrowings	+100 bps	₱88,797	₱62,158
	-100 bps	(88,797)	(62,158)

The sensitivity analyses shown above are based on the assumption that the interest movements will be more likely be limited to hundred basis points upward or downward fluctuation in both 2021 and 2020. The forecasted movements in percentages of interest rates used were derived based on the Group's historical changes in the market interest rates on unsecured bank loans.

f. *Foreign Currency Risk*
Foreign currency risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's currency risks arise mainly from

cash and cash equivalents, receivables, accounts and other payable, short-term loans and long-term loans of the Group which are denominated in a currency other than the Group's functional currency. The effect on the Group's consolidated statements of income is computed based on the carrying value of the floating rate receivables as at December 31, 2021 and 2020.

The Group does not have any foreign currency hedging arrangements.

The following tables demonstrates the sensitivity to a reasonably possible change in foreign exchange rates, with all variables held constant, of the Group's income before income tax (due to changes in the fair value of monetary assets and liabilities):

	INCREASE (DECREASE) IN FOREIGN CURRENCY RATE		EFFECT ON INCOME BEFORE INCOME TAX (IN PHP)	
	2021	2020	2021	2020
US Dollar[1]	**+2.40%**	+2.70%	**(₱154,011)**	(₱10,925)
	-2.40%	-2.70%	**154,011**	10,925
Japanese Yen[2]	**+0.57%**	+3.90%	**(1,304)**	1,021
	-0.57%	-3.90%	**1,304**	(1,021)
Singaporean Dollar[3]	**+0.78%**	+0.60%	**–**	(1)
	-0.78%	-0.60%	**–**	1
UK Pounds[4]	**+0.12%**	+3.51%	**(1)**	34
	+0.12%	+3.51%	**(1)**	(34)
E.M.U. Euro[5]	**+0.47%**	+0.99%	**(320)**	403
	-0.47%	-0.99%	**320**	(403)
Australian Dollar[6]	**+0.71%**	+2.59%	**–**	31,232
	-0.71%	-2.59%	**–**	(31,232)

1. The exchange rates used were ₱50.77 to $1 and ₱48.02 to $1 for the year ended December 31, 2021 and 2020, respectively.
2. The exchange rates used were ₱0.44 to ¥1 and ₱0.46 to ¥1 for the year ended December 31, 2021 and 2020, respectively.
3. The exchange rates used were ₱37.55 to SGD 1 and ₱36.12 to SGD1 for the year ended December 31, 2021 and 2020, respectively.
4. The exchange rates used were ₱68.53 to £1 and ₱65.99 to £1 for the year ended December 31, 2021 and 2020, respectively.
5. The exchange rates used were ₱57.51 to €1 and ₱56.35 to €1 for the year ended December 31, 2021 and 2020, respectively.
6. The exchange rates used were ₱36.80 to AUD 1 and ₱35.26 to AUD 1 for the year ended December 31, 2021 and 2020, respectively.

Information on the Group's foreign currency-denominated monetary assets and liabilities and their Philippine Peso equivalents as of December 31, 2021 and 2020 follows:

	2021						
	U.S. DOLLAR	JAPANESE YEN	SINGAPOREAN DOLLAR	UK POUNDS	E.M.U EURO	AUSTRALIAN DOLLAR	EQUIVALENT IN PHP
Financial assets							
Cash and cash equivalents	$74,634	¥427,542	$–	£13	€985	$–	₱4,039,621
Receivables	51,525	90,831	–	–	199	–	2,667,512
	126,159	518,373	–	13	1,184	–	6,707,133

(continuation)

	2021						
	U.S. DOLLAR	JAPANESE YEN	SINGAPOREAN DOLLAR	UK POUNDS	E.M.U EURO	AUSTRALIAN DOLLAR	EQUIVALENT IN PHP
Financial liabilities							
Accounts payable and accrued expenses	(70,611)	–	–	–	–	–	(3,584,928)
	(70,611)	–	–	–	–	–	(3,584,928)
	($55,548)	¥518,373	($–)	£13	€1,184	$–	₱3,122,205

	2020						
	U.S. DOLLAR	JAPANESE YEN	SINGAPOREAN DOLLAR	UK POUNDS	E.M.U EURO	AUSTRALIAN DOLLAR	EQUIVALENT IN PHP
Financial assets							
Cash and cash equivalents	$25,951	¥56,829	$–	£15	€202	$–	₱1,285,371
Receivables	13,991	–	–	–	174	33,190	1,890,003
	39,942	56,829	–	15	376	33,190	3,175,374
Financial liabilities							
Accounts payable and accrued expenses	(48,365)	(304)	(4)	–	(4)	–	(2,308,030)
	(48,365)	(304)	(4)	–	(4)	–	(2,308,030)
	($8,423)	¥56,525	($4)	£15	€372	$33,190	₱867,344

The effect on the Group's income before tax is computed on the carrying value of the Group's foreign currency denominated financial assets and liabilities as at December 31, 2021 and 2020.

g. *Credit Risk*

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Group's maximum exposure to credit risk for the components of the consolidated statements of financial position at December 31, 2021 and 2020 is the carrying amounts except for real estate receivables. The Group's exposure to credit risk arises from default of the counterparties which include certain financial institutions, real estate buyers, subcontractors, suppliers and various electric companies. Credit risk management involves dealing only with recognized, creditworthy third parties. It is the Group's policy that all counterparties who wish to trade on credit terms are subject to credit verification procedures. The Treasury Department's policy sets a credit limit for each counterparty.

In addition, receivable balances are monitored on an ongoing basis. The Group's financial assets are not subject to collateral and other credit enhancement except for real estate receivables. As of December 31, 2021 and 2020, the Group's exposure to bad debts is significant for the power on-grid segment and those with doubtful of collection had been provided with allowance as discussed in Note 5.

Real estate contracts
Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables and contract assets are regularly monitored.

The Group uses vintage analysis approach to calculate ECLs for real estate receivables. The vintage analysis accounts for expected losses by calculating the cumulative loss rates of a given loan pool. It derives the probability of default from the historical data of a homogenous portfolio that share the same origination period. The information on the number of defaults during fixed time intervals of the accounts is utilized to create the probability of default model. It allows the evaluation of the loan activity from its origination period until the end of the contract period.

The assessment of the correlation between historical observed default rates, forecast economic conditions (inflation and interest rates) and ECLs is a significant estimate.The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 2. Title of the real estate property is only transferred to the customer if the consideration had been fully paid. In case of default, after enforcement activities, the Group has the right to cancel the sale and enter into another CTS to another customer after certain proceedings (e.g. grace period, referral to legal, cancellation process, reimbursement of previous payments) had been completed. Given this, based on the experience of the Group, the maximum exposure to credit risk at the reporting date is nil considering that fair value less cost to repossess of the real estate projects is higher than the exposure at default (i.e., recovery rate is more than 100%). The Group evaluates the concentration of risk with respect to trade receivables and contract assets as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets.

Electricity sales
The Group earns substantially all of its revenue from bilateral contracts, WESM and from various electric companies. WESM and the various electric companies are committed to pay for the energy generated by the power plant facilities.

Under the current regulatory regime, the generation rate charged by the Group to WESM is determined in accordance with the WESM Price Determination Methodology (PDM) approved by the ERC and are complete pass-through charges to WESM. PDM is intended to provide the specific computational formula that will enable the market participants to verify the correctness of the charges being imposed. Likewise, the generation rate charged by the Group to various electric companies is not subject to regulations and are complete pass-through charges to various electric companies.

Impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Coal mining and nickel mining
The Group evaluates the financial condition of the local customers before deliveries are made to them. On the other hand, export sales are covered by sight letters of credit issued by foreign banks subject to the Group's approval, hence, mitigating the risk on collection.

The Group generally offers 80% of coal delivered payable within thirty (30) days upon receipt of billing and the remaining 20% payable within 15 days after receipt of final billing based on final analysis of coal delivered.

Impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

General construction
The credit risk for construction receivables is mitigated by the fact that the Group can resort to carry out its contractor's lien over the project with varying degrees of effectiveness depending on the jurisprudence applicable on location of the project. A contractor's lien is the legal right of the Group to take over the projects-in-progress and have priority in the settlement of contractor's receivables and claims on the projects-in-progress and have priority in the settlement of contractor's receivables and claims on the projects in progress is usually higher than receivables from and future commitments with the project owners. Trade and retention receivables from project owners are normally high standard because of the creditworthiness of project owners and collection remedy of contractor's lien accorded contractor in certain cases.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information.

Generally, trade receivables are written off when deemed unrecoverable and are not subject to enforcement activity. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets.

With respect to the credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The Group transacts only with institutions or banks that have proven track record in financial soundness.

Given the Group's diverse base of counterparties, it is not exposed to large concentrations of credit risk.

The tables below present the summary of the Group's exposure to credit risk as of December 31 and show the credit quality of the assets by indicating whether the assets are subjected to the 12-month ECL or lifetime ECL.

	2021			
	12-MONTH ECL	LIFETIME ECL NOT CREDIT IMPAIRED	LIFETIME ECL CREDIT IMPAIRED	TOTAL
Cash in banks and cash equivalents	**₱18,313,995**	₱–	₱–	₱18,313,995
Receivables				
Trade				
General construction	**–**	8,202,381	–	8,202,381
Real estate	**–**	3,662,800	–	3,662,800
Electricity sales	**–**	3,416,789	867,032	4,283,821
Coal mining	**–**	4,257,024	41,927	4,298,951
Nickel mining	**–**	260,322	–	260,322
Merchandising	**–**	104,042	–	104,042
Receivables from related parties	**–**	1,377,041	–	1,377,041
Other receivables	**–**	2,257,020	862,696	3,119,716
Security deposits	**13,488**	–	–	13,488
Refundable deposits	**1,157,768**	–	–	1,157,768
Deposit in escrow fund	**229,207**	–	–	229,207
Total	**₱19,714,458**	**₱23,537,419**	**₱1,771,655**	**₱45,023,532**

	2020			
	12-MONTH ECL	LIFETIME ECL NOT CREDIT IMPAIRED	LIFETIME ECL CREDIT IMPAIRED	TOTAL
Cash in banks and cash equivalents	₱18,896,749	₱–	₱–	₱18,896,749
Receivables				
Trade				
General construction	–	7,536,115	–	7,536,115
Real estate	–	6,492,700	–	6,492,700
Electricity sales	–	2,745,277	867,032	3,612,309
Coal mining	–	1,439,960	41,927	1,481,887
Nickel mining	–	110,570	–	110,570
Merchandising	–	95,194	–	95,194
Receivables from related parties	–	591,216	–	591,216
Other receivables	–	1,411,224	829,308	2,240,532
Security deposits	2,886	–	–	2,886
Refundable deposits	335,744	–	–	335,744
Deposit in escrow fund	229,207	–	–	229,207
Total	₱19,464,586	₱20,422,256	₱1,738,267	₱41,625,109

The Group did not accrue any interest income on impaired financial assets.

Fair Value of Financial Instruments

The table below presents a comparison by category of carrying amounts and estimated fair values of all the Group's financial instruments as of December 31, 2021 and 2020:

	2021		2020	
	CARRYING VALUE	FAIR VALUE	CARRYING VALUE	FAIR VALUE
Financial assets at amortized cost				
Cash and cash equivalents				
Cash in banks	**₱13,318,692**	**₱13,318,692**	₱9,601,156	₱9,601,156
Cash equivalents	**4,995,303**	**4,995,303**	9,295,593	9,295,593
Receivables - net				
Trade				
General construction	**8,202,381**	**8,202,381**	7,536,115	7,536,115
Real estate	**3,662,800**	**3,662,800**	6,492,700	6,492,700
Electricity sales	**4,283,821**	**4,283,821**	2,745,277	2,745,277
Coal mining	**4,298,951**	**4,298,951**	1,439,960	1,439,960
Nickel mining	**260,322**	**260,322**	110,570	110,570
Merchandising and others	**104,042**	**104,042**	95,194	95,194
Receivables from related parties	**1,377,041**	**1,377,041**	591,216	591,216
Other receivables	**2,257,020**	**2,257,020**	1,411,223	1,411,223
Refundable deposits	**1,157,767**	**1,157,767**	335,744	335,744
Deposit in escrow fund	**229,207**	**229,207**	229,207	229,207
Security deposits	**13,488**	**13,488**	2,886	2,886
	44,160,835	**44,160,835**	39,886,841	39,886,841
Equity investment designated at FVOCI				
Quoted securities	**152,354**	**152,354**	153,616	153,616
Unquoted securities	**2,177**	**2,177**	2,177	2,177
	154,531	**154,531**	155,793	155,793
	₱43,320,687	**₱43,320,687**	₱40,042,634	₱40,042,634
Other Financial Liabilities				
Accounts and other payables	**₱26,143,175**	**₱26,143,175**	₱24,813,775	₱24,813,775
Liabilities for purchased land	**1,571,370**	**1,514,848**	2,019,605	1,946,962
Short-term and long-term debt	**53,048,601**	**55,823,076**	51,888,970	54,221,693
	₱80,763,146	**₱83,481,099**	₱78,722,350	₱80,982,430

Financial assets

The fair values of cash and cash equivalents and receivables approximate their carrying amounts as of reporting dates due to the short-term nature of the transactions.

Refundable deposits are carried at cost since these are mostly deposits to a utility company as a consequence of its subscription to the electricity services of the said utility company needed for the Group's residential units.

Financial liabilities
The fair values of accounts and other payables and accrued expenses and payables to related parties approximate their carrying amounts as of reporting dates due to the short-term nature of the transactions.

Estimated fair value of long-term fixed rate loans and liabilities for purchased land are based on the discounted value of future cash flows using the applicable rates for similar types of loans with maturities consistent with those remaining for the liability being valued. For floating rate loans, the carrying value approximates the fair value because of recent and regular repricing (quarterly) based on market conditions.

The discount rates used for long-term debt range from 0.20% to 4.57% and 1.71% to 2.66% in 2021 and 2020. The discount rates used for liabilities for purchased land range from 1.67% to 4.43% in 2021 and 1.12% to 2.78% in 2020.

Fair values of receivables, long-term debt, liabilities for purchased land and investment properties are based on Level 3 inputs while that of quoted Equity investment designated at FVOCI and financial assets at FVTPL are from Level 1 inputs.

There has been no reclassification from Level 1 to Level 2 or 3 category as of December 31, 2021 and 2020.

34. Contingencies and Commitments

a. Effectivity of Revenue Regulations (RR) 1-2018

On January 5, 2018, RR 1-2018 took effect pursuant to the effectivity of the Tax Reform for Acceleration and Inclusion (TRAIN) law beginning January 1, 2018. Among others, the new tax law raised the excise tax rates on domestic and imported coal from ₱10.0 per metric ton (MT) to ₱50.0 per MT in the first year of implementation, ₱100.0/MT in the second year, and ₱150.0/MT in the third and succeeding years. Based also on the RR, coal produced under coal operating contracts entered into by the Government pursuant to PD No. 972, as well as those exempted from excise tax on mineral products under other laws, shall now be subject to the applicable rates beginning January 1, 2018.

On February 21, 2018, the Group requested for a clarification on this with the tax bureau and submitted a supplemental letter explaining why the excise tax provisions on coal under the TRAIN law will not apply to the Group under the terms and conditions of its COC with the DOE. In response, on December 17, 2018, Revenue Memorandum Circular (RMC) No. 105-2018 was issued, clarifying the payment of excise tax on domestic coal sales and specifically identifying the Group as merely a collecting agent (the Group collected from customers and remitted to the tax bureau). The RMC did not provide for the excise tax treatment of export coal sales (per RMC, this will be tackled in a separate revenue memorandum issuance), but management believes that the Group is similarly not liable for this under the terms of its existing COC.
Given this, management believes that both the timing and the amount of excise tax on exported coal that will be due from the Group, if any, are uncertain as of December 31, 2021 and 2020 and will only be confirmed when the said issuance will be issued by the tax bureau.

b. *DOE Resolution on Violation of Accreditation of Coal Traders*

On May 23, 2019, the trial shipment of 4,768.737 MT of the Group was shipped and delivered to Gold Anchorage Stevedoring and Arrastre Services, Inc. (GASAI). On June 6, 2019, the Group received an Order dated June 4, 2019 from the DOE directing the SMPC to: (a) File a verified Answer within 30 days from receipt; and (b) cease and desist from doing coal trading activities and operations. Order also states that the coal trader accreditation of SMPC is suspended until further notice.

On July 5, 2019, the Group filed its Verified Answer arguing that: (a) sale and delivery of coal to GASAI was done in good faith; (b) the cease and desist order (CDO) and suspension is disproportionately severe under the circumstances as it should only be directed to trading done with GASAI; and c) imposition of fines is only applicable to those entities who are not accredited.

On July 10, 2019, the Group wrote the DOE requesting deferment of that implementation of the CDO and/or suspension pending resolution of the DOE.

On July 12, 2019, the DOE held in abeyance the imposition of the implementation of the CDO subject to the following conditions:

a. Order of abeyance is effective only for 30 days or until resolution of the Answer, whichever comes earlier;
b. the Group to continue with its existing coal contracts, but shall not enter as party to any new coal supply agreement; and,
c. the Group should faithfully comply with its commitments and obligations as an accredited coal trader.

On November 20, 2019, a motion for reconsideration to the Resolution dated October 15, 2019 was filed with the following prayer:

- The Resolution is null and void as it was issued in violation of the DOE Rules of Procedure; and,
- The CDO and Resolution are onerous and overbroad in scope as it was applied to unrelated transactions (not GASAI's) and inconsistent with the objectives of the Accreditation Guidelines.

On November 25, 2019, an amended motion for reconsideration was filed by the Group.
On January 3, 2020, the Group received letter from the DOE dated December 26, 2019 directing the former to file its position paper relative to the CDO in which the Group filed on January 10, 2020.

On March 16, 2021, DOE resolved to modifying its October 15, 2019 resolution as follows:

- Ordering payment of a fine of P610,000.00 instead
- Removal of the penalty of one-month suspension of the Company coal trader accreditation.

As of March 7, 2022, the case is presently pending for decision with the DOE.

c. *DOE Suspension of Mining Activities*

On October 2, 2019, a mudflow incident in the Molave Pit South Wall transpired. On October 11, 2019, the Group submitted to the DOE its Final Report on said incident.

Thereafter, on November 19, 2019, the DOE issued an Order dated November 14, 2019 suspending all mining activities at the site until compliance with certain conditions (hereafter 'DOE Order').

In a series of submissions on November 25, 29 and December 6, 2019, the Group submitted to the DOE a request to lift the suspension of mining operations and a list of compliances to the conditionalities required by the latter.

On December 26, 2019, the DOE, in a letter dated December 23, 2019, lifted the suspension order as the Group substantially complied with the conditions for the lifting. As of December 31, 2019, all liquefiable materials in the concerned area have been removed and a Safety Consultant has been hired. Consequently, all mining operations at the mine site has resumed.

d. Operating Lease Commitment - as a Lessee

Land Lease Agreement

As discussed in Note 11, the Group entered into an LLA with PSALM for the lease of land where the Power Plant is situated, for the period of 25 years, renewable for another 25 years upon mutual agreement. In 2009, the Group paid US$3.19 million or its Peso equivalent ₱150.57 million as advance rental for the 25-year land lease.

Provisions of the LLA include that the Company has the option to buy the Option Assets upon issuance of an Option Existence Notice (OEN) by the lessor. Option assets are parcels of land that form part of the leased premises which the lessor offers for sale to the lessee.

The Group was also required to deliver and submit to the lessor a performance security amounting to ₱34.83 million in the form of Stand-by Letter of Credits. The Performance Security shall be maintained by the Company in full force and effect continuously without any interruption until the Performance Security expiration date. The Performance Security initially must be effective for the period of one year from the date of issue, to be replaced prior to expiration every year thereafter and shall at all times remain valid.

In the event that the lessor issues an OEN and the Group buy the option assets, the land purchase price should be equivalent to the highest of the following and/or amounts: (i) assessment of the Provincial Assessors of Batangas Province; (ii) the assessment of the Municipal or City Assessor having jurisdiction over the particular portion of the leased premises; (iii) the zonal valuation of Bureau of Internal Revenue or, (iv) 21.00 per square meter (dollar). Valuation basis for (i) to (iii) shall be based on the receipt of PSALM of the option to exercise notice.

The exchange rate to be used should be the Philippine Dealing Exchange rate at the date of receipt of PSALM of the option to exercise notice.

On July 12, 2010, PSALM issued an OEN and granted the Company the "Option" to purchase parcels of land (Optioned Assets) that form part of the leased premises. The Company availed of the "Option" and paid the Option Price amounting to US$0.32 million (₱14.72 million) exercisable within one year from the issuance of the Option Existence Notice.

On April 28, 2011, the Group sent a letter to PSALM requesting for the assignment of the option to purchase a lot with an area of 82,740 square meters in favor of the Group. On May 5, 2011, PSALM approved the assignment. On June 1, 2011, the Group exercised the land lease option at a purchase price of ₱292.62 million and is included as part of "Property, plant and equipment".

On October 12, 2011, the Group reiterated its proposal to purchase the remainder of the Leased Premises not identified as Optioned Assets. One of the salient features of the proposal included the execution of Contract to Sell (CTS) between the Group and PSALM. This included the proposal of the Group to assign its option to purchase and sub-lease in favor of SLPGC.

On February 13, 2012, PSALM held off the approval of the proposal to purchase the portion of Calaca Leased Premises not identified as Optioned Assets, subject to further studies. On the same date, PSALM Board has approved the Company's request to sub-lease a portion of the Calaca Leased Premises to SLPGC for the purpose of constructing and operating a power plant.

On February 14, 2014, the Group reiterated its proposal to purchase the Calaca Leased Premises not identified as Optioned Assets.

On February 1, 2017, the Group again reiterated to PSALM its proposal to purchase the Calaca Leased Premises.

On August 15, 2017, the Group exercised its option to purchase for a lot with an area of 9,548 square meters at a price of ₱10.56 million.

On September 24, 2019, PSALM informed the Group regarding lots ready for OEN issuance. On February 11, 2020, Group wrote PSALM seeking clarifications on the status of lots available for OEN.

On June 30, 2021, the Group exercised its option to purchase lots with a total area of 19,304 square meters for a consideration of ₱43.11 million (see Notes 11 and 31).

Foreshore lease

On April 2009, National Power Corporation (NAPOCOR or "NPC") and the Department of Environment and Natural Resources -CENRO (DENR-CENRO) entered to a 25-year foreshore lease agreement. On July 29, 2009, DMCI HI won the open and competitive bidding of the 600MW Batangas Coal-Fired Thermal Power Plant conducted by PSALM. Subsequently, the rights of DMCI HI on the 600MW Batangas Coal-Fired Thermal Power Plant was assigned to SCPC. PSALM and SCPC executed the Deed of Sale on the power plant. On December 29, 2011, NPC transferred its rights over the foreshore lease with DENR-CENRO thru an execution of Deed of Assignment in which the Company unconditionally agrees to assume all rights and obligations under the Foreshore Lease Contract. Lease payments is subject to reappraisal every 10 years of the contract. On the first 10 years of the lease, the rate is ₱2.65 million. The rate was reappraised in May 3, 2019. Starting April 2019, the rate will be ₱3.88 million until reappraised in 2029. Refer to Note 11 for the information and related disclosures.

e. DMCI Joint ventures and consortium agreements

DMCI entered into the following joint venture and consortium agreements:

2017
- *Cebu Link Joint Venture (CLJV),* unincorporated joint venture between Acciona Construccion S.A, First Balfour, Inc and DMCI and is engaged in Engineering, Procurement and Construction contract related to the concession for the Cebu-Cordova Link Expressway. Corresponding interest of DMCI in CLJV is at 15%.

2018
- *Taisei DMCI Joint Venture (TDJV),* unincorporated joint venture between Taisei Corporation and DMCI and is engaged to construct the elevated structures, stations and depot of the North-South Commuter Railways Project (Malolos-Tutuban; the Project). Corresponding interest of DMCI in TDJV is at 49%.

- *VA Tech Wabag-DMCI Joint Venture*, unincorporated joint venture between VA Tech Wabag Limited and DMCI and is engaged in the rehabilitation, retrofitting and process improvement of La Mesa Water Treatment Plant 2 Project. The scope of work and allocation of contract price is agreed by the partners in the consortium agreement.

2019
- *Marubeni-DMCI Consortium*, consortium between Marubeni Corporation and DMCI and is engaged for the Procurement of Trackwork, Electrical and Mechanical Systems and Integration with Existing System for LRT 2 - East (Masinag) Extension Project. The scope of work and allocation of contract price is agreed by the partners in the consortium agreement. DMCI was allocated 29% of total contract price.

- *PBD Joint Venture (PBDJV)*, unincorpoated joint venture between Prime Metro BMD Corporation and DMCI and is engaged to construct the Solaire Metro North. Corresponding interest of DMCI in PBDJV is at 50%.

2020
- *AA-DMCI Consortium*, consortium between Acciona Agua, S.A and DMCI and is engaged for the design and build of 150 MLD Laguna Lake Water Treatment Plant .The scope of work and allocation of contract price is agreed by the partners in the consortium agreement. DMCI allocated is 60% of total contract price.

f. Others

The Group is a party to certain proceedings and legal cases with other parties in the normal course of business. The ultimate outcome of these proceedings and legal cases cannot be presently determined. Management, in consultation with its legal counsels, believes that it has substantial legal and factual bases for its positions and is currently of the opinion that the final resolution of these claims will not have a material effect on the financial statements.

The Group is also contingently liable with respect to certain taxation matters, lawsuits and other claims which are being contested by management, the outcome of which are not presently determinable. Management believes that the final resolution of these claims will not have a material effect on the Group financial statements. The information usually required by PAS 37, Provisions, Contingent Liabilities and Contingent Assets, is not disclosed on the grounds that it can be expected to prejudice the outcome of pending assessments, lawsuits and claims.

35. Other Matters

a. Electric Power Industry Reform Act (EPIRA)

WESM
With the objective of providing competitive price of electricity, the EPIRA authorized DOE to constitute an independent entity to be represented equitably by electric power industry participants and to administer and operate WESM. WESM will provide a mechanism for identifying and setting the price of actual variations from the quantities transacted under contracts between sellers and purchasers of electricity.

In addition, the DOE was tasked to formulate the detailed rules for WESM which include the determination of electricity price in the market. The price determination methodology will consider accepted economic principles and should provide a level playing field to all electric power industry participants. The price determination methodology was subject to the approval of the ERC.

In this regard, the DOE created PEMC to act as the market operator governing the operation of WESM. On June 26, 2006, WESM became operational in the Luzon grid and adopts the model of a "gross pool, net settlement" electricity market.

In 2017, the Board of PEMC has approved the transition plan for the creation of an independent market operator (IMO), paving the way for the state firm to finally relinquish control of the WESM.

On February 4, 2018, the DOE published Department Circular No. DC2018-01-0002, "Adopting Policies for the Effective and Efficient Transition to the Independent Market Operator for the Wholesale Electricity Spot Market". This Circular shall take effect immediately after its publication in two (2) Newspapers of general circulation and shall remain in effect until otherwise revoked. Pursuant to Section 37 and Section 30 of the EPIRA, jointly with the electric power participants, the DOE shall formulate the detailed rules for the wholesale electricity spot market. Said rules shall provide the mechanism for determining the price of electricity not covered by bilateral contracts between sellers and purchasers of electricity users. The price determination methodology contained in said rules shall be subject to the approval of ERC. Said rules shall also reflect accepted economic principles and provide a level playing field to all electric power industry participants.

b. Clean Air Act

On November 25, 2000, the Implementing Rules and Regulations (IRR) of the Philippine Clean Air Act (PCAA) took effect. The IRR contains provisions that have an impact on the industry as a whole and on the Company in particular, that need to be complied with within 44 months (or until July 2004) from the effectivity date, subject to the approval by Department of Environment and Natural Resources. The power plant of the Group uses thermal coal and uses a facility to test and monitor gas emissions to conform to Ambient and Source Emissions Standards and other provisions of the Clean Air Act and its IRR. Based on the Company's initial assessment of its power plant's existing facilities, it believes that it is in full compliance with the applicable provisions of the IRR of the PCAA as of December 31, 2021 and 2020.

c. Competitive Selection Process (CSP)

On June 11, 2015, DOE Circular No. DC2015-06-0008, "Mandating All Distribution Utilities to Undergo CSP In Securing PSAs", was signed, requiring all Distribution Utilities (DUs) to conduct a CSP in procuring PSAs. The CSP shall be conducted by a qualified third party duly recognized by the DOE and ERC and, in the case of Electric Cooperatives (ECs), shall be recognized by the National Electrification Administration (NEA). The CSP shall conform with aggregation of DU's un-contracted demand requirement, annual conduct of CSP, and a uniform PSA Template on the terms and conditions to be issued by the ERC and DOE. The circular does not apply to PSAs with tariff rates already approved and/or have been applied for approval by the ERC before the effectivity of the circular. The DOE shall enforce and monitor compliance and the penalty provision through ERC.

On October 20, 2015, the DOE and ERC released Joint Resolution No. 1 (2015), "A Resolution Enjoining All Distribution Utilities to Conduct Competitive Selection Process (CSP) in the Procurement of Supply for Their Captive Market". The DOE and ERC recognize that CSP in the procurement of PSAs by the DUs engenders transparency, enhances security of supply, and ensure stability of electricity prices to captive electricity end-users in the long-term.

On the same day, the ERC signed Resolution No. 13, Series of 2015, "A Resolution Enjoining All Distribution Utilities to Conduct Competitive Selection Process (CSP) in the Procurement of Supply for Their Captive Market". The resolution prescribes that all PSAs shall be awarded to the winning Generation Company following a successful transparent CSP, or by Direct Negotiation in the event of two (2) failed CSPs, and that DUs may adopt any accepted form of CSP. This resolution does not apply to PSAs already filed with the ERC as of its effectivity.

On March 15, 2016, the ERC released Resolution No. 1 Series of 2016, "A Resolution Clarifying the Effectivity of ERC Resolution No.13, series of 2015". The resolution postponed the effectivity of ERC Resolution No.13, Series of 2015 to April 30, 2016. All PSAs executed on or after the said date shall be required, without exception, to comply with the provisions of the CSP resolution. There should be at least two qualified bids for the CSP to be considered as successful and lastly, the DU shall adopt the Terms of Reference prescribed in Section 2 of ERC Resolution No. 13, Series of 2015. On PSA's with provisions on automatic renewal or extension of term, it shall apply that PSA's approved by ERC or filed before the effectivity of Resolution No. 1, may have one (1) automatic renewal or extension for a period not exceeding one (1) year from the end of their respective terms. There will be no automatic renewal or extension of PSAs upon effectivity of Resolution No. 1.

On February 9, 2018, the DOE published Department Circular No. DC2018-02-0003, "Adopting and Prescribing the Policy for the Competitive Selection Process in the Procurement by the Distribution Utilities of Power Supply Agreement for the Captive Market". This Circular shall take effect immediately after its publication in two (2) Newspapers of general circulation and shall remain in effect until otherwise revoked. There are five (5) governing principles in the Policy (1) Transparency in the conduct of CSP through wide dissemination of bid opportunities and participation of all generation companies (GenCos); (2) Competitiveness by extending equal opportunity to eligible and qualified GenCos to participate in the CSP; (3) Least cost manner in ensuring that each distribution utility (DU) is able to meet the demand for its captive market at any given time; (4) Simple, streamlined and efficient procurement process applicable to the specific requirements of each Distribution Development Plan; and (5) Accountability involved in the procurement process and implementation of the Power Supply Agreement awarded under CSP.

d. Retail Competition and Open Access (RCOA)

Under Section 31 of the Electric Power Industry Reform Act (EPIRA) of 2001, RCOA shall be implemented. In Retail Competition, the Contestable Market are provided electricity by Retail Suppliers through Open Access, wherein qualified Persons are allowed to use the Transmission, and/or Distribution Systems and their associated facilities. The implementation of RCOA is subject to the following conditions; a. Approval of the unbundled transmission and distribution wheeling charges; b. initial implementation of the cross subsidy removal scheme; c. Establishment of the WESM; d. Privatization of at least 70% of the total capacity of generating assets of NPC in Luzon and Visayas; and e. Transfer of the management and control of at least 70% of the total energy output of power plants under contract with NPC to the IPP Administrators.

Upon satisfying these conditions, the ERC declared 26 December 2012 as the Open Access Date where end-users who have an average monthly peak demand for the preceding twelve (12) months, as indicated by a single utility meter, of at least 1MW (the threshold level) qualifies as Contestable Customers (CCs) making up the Contestable Market (Phase 1). After a six-month Transition Period, on 26 June 2013, Retail Supply Contracts (RSCs) entered into by and between the Ccs and their chosen Suppliers where implemented. Phase 2 implementation was set to begin two (2) years after Phase 1. During Phase 2, the threshold level shall be reduced to 750 kW and Aggregators shall be allowed to supply electricity to End-users whose aggregate monthly average peak demand within a Contiguous Area is at least 750 kW. Subsequently and every year thereafter, the ERC shall evaluate the performance of the market.

On the basis of such evaluation, it shall gradually reduce the threshold level until it reaches the household demand level.

On May 12, 2016, ERC Resolution No. 10 (2016), "A Resolution Adopting the Revised Rules for Contestability", was signed. This revised rules aim to clarify and establish the conditions and eligibility requirements for End-users to be part of the Contestable Market; to set the threshold level for the Contestable Market; to ensure the efficient transition towards full contestability and to ensure consumer protection and enhance the competitive operation of the retail electricity market.

The Resolution states that the Threshold Reduction Date covering End-users with an average monthly peak demand of at least 750 kilowatts (750 kW) for the preceding twelve (12) months, is set to 26 June 2016. Thus, on such date, all End-users with an average monthly peak demand of at least 1 MW (1MW Customers) and 750 kW (750kW Customers), which have been issued Certificates of Contestability by the ERC, shall be allowed to contract with any RES on a voluntary basis. Thereafter, an End-user with an average monthly peak demand of at least 1MW is hereby mandated to enter into RSC with a RES by its mandatory contestability date of 26 December 2016 (This was moved by the ERC to 26 February 2017 through ERC Resolution No. 28 (2016), "Revised Timeframe for Mandatory Contestability, Amending Resolution No. 10, series of 2016, entitled Revised Rules for Contestability" signed on November 15, 2016. Subsequently, an End-user with an average monthly peak demand of at least 750kW is hereby mandated to enter into an RSC with a RES by its mandatory contestability date of 26 June 2017. The lowering of the threshold to cover an end-user with an average monthly peak demand of at least 500kW is set on 26 June 2018, subject to the review of the performance of the retail market by the ERC. Corollary, in its review of the performance of the retail market, the ERC shall establish a set of criteria as basis for the lowering of the contestability threshold. Retail Aggregation shall subsequently be allowed on 26 June 2018. During this phase, suppliers of electricity shall be allowed to contract with end-users whose aggregate demand within a Contiguous Area is at least 750 kW. Retail Competition and Open Access shall be effective only in grids where the WESM is operational.

On February 21, 2017, the Supreme Court issued a Temporary Restraining Order (TRO), G.R. No. 228588, on the implementation of several ERC Resolutions and a DOE Circular concerning the RCOA. ERC Res 10 & 28, Series of 2016 were among them. In a joint advisory on February 24, 2017, the DOE, ERC and PEMC said that they are in a process of drafting a general advisory for the guidance of RCOA Stakeholders. Issues to be considered are: 1) those who have already executed RSCs and were already registered and switched shall continue to honor their respective RSCs; 2) ongoing applications for registration filed before the Central Registration Body (CRB) may proceed voluntarily; 3) applicants who wish to withdraw or defer their registration before the CRB may do so consistent with the Retail Market Rules provided that the CRB shall not be liable for any legal repercussions that may arise out of the contestable customers' contractual obligations; and 4) remaining contestable customers who have not yet secured their RSCs may continue to negotiate and exercise their power to choose.

e. Renewable Portfolio Standards (RPS)

The implementation of the RPS is an important development for the Renewable Energy (RE) Market, and impacts the public as a whole. Republic Act No. 9513 or the Renewable Energy Law gives both fiscal and non-fiscal incentives to investors in order to encourage the promotion and development of renewable energy in the Philippines. Toward this end, the RPS serves as a market-based policy mechanism which makes use of the RE Market to facilitate and commercialize trading in RE Certificates, the latter which are used to satisfy the RPS requirements and increases RE generation in the country.

On December 30, 2017, DOE Circular No. DC2017-12-0015, or the RPS On-Grid Rules, took effect, requiring DUs, electricity suppliers, generating companies supplying directly connected customers, and other mandated energy sector participants to source or produce a certain share of electricity from their Energy Mix from eligible RE resources. These eligible RE facilities include the following technologies: biomass, waste to energy technology, wind, solar, hydro, ocean, geothermal, and other RE technologies later identified by the DOE.

The RPS On-Grid Rules mandates energy sector participants to comply with the minimum annual RPS requirement in order to meet the aspirational target of thirty-five (35%) in the generation mix by 2030.

This minimum RE requirement, however, will not be imposed immediately but in 2020. The 2018 and 2019 years are considered transition years to help the mandated participants comply with the DOE Circular. Additionally, the RPS On-Grid Rules implements a Minimum Annual Incremental RE Percentage to be sold by mandated participants. It is initially set at a minimum of one percent (1%) and applied to net electricity sales or annual energy demand for the next ten (10) years, and used to determine the current year's requirement for RE Certificates (RECs) of the Mandated Participant.

f. *Nickel Sales Agreement*

BNC and ZDMC entered into various sales agreements with different customers to sell and deliver nickel laterite ores. The selling price of the nickel laterite ores depends on its ore grading. The sales agreements are subject to price adjustments depending on the final nickel and moisture content agreed by both parties. BNC exported a total of 1.1 million wet metric tons (WMT), 1.1 million WMT and 1.0 million WMT in 2021, 2020 and 2019, respectively. ZDMC, on the other hand, exported a total of 0.9 million WMT, 0.5 million WMT and 0.2 million WMT in 2021, 2020 and 2019, respectively, upon lifting of suspension order in 2019.

g. *Republic Act (RA) 11600*

On December 10, 2021, RA 11600 CI was signed by President Rodrigo Duterte which grants MWSI a 25-year franchise to "establish, operate and maintain a waterworks system and sewerage and sanitation services in the West Zone Service Area of Metro Manila and Province of Cavite." RA 11600 affirms Maynilad's authority to provide waterworks system and sewerage and sanitation services in the West Zone Service Area of Metro Manila and the Province of Cavite. Aside from the grant of a 25-year franchise to MWSI, the other highlights of RA 11600 include the following:

(i) The grant of authority to the MWSS to amend MWSI Revised Concession Agreement ("RCA") to extend its term (i.e. 2037) to coincide with the term of the franchise. In addition, the RCA shall also act as the Certificate of Public Convenience and Necessity of MWSI for the operation of its waterworks and sewerage system. It also provides that in the event the waterworks and sewerage system assets of MWSS pertaining to the Franchise Area are privatized by law, MWSI shall have the right to match the highest compliant bid after a public bidding;

(ii) Establishment of tariffs and charges which MWSI may charge, as the Regulatory Office may allow, after taking into account, among others, reasonable and prudent capital and recurrent, efficient and prudent costs of providing the service, including a reasonable rate of return on capital, efficiency of the service, incentives for enhancement of efficiency, subject to limitations for public utilities, willingness to pay of consumers, equity considerations, administrative simplicity, the methodology provided under the RCA and requirements under applicable law and jurisprudence;

(iii) The prohibition on the passing on of corporate income tax to customers;

(iv) The requirement to publicly list at least 30% of MWSI's outstanding capital stock within five years from the grant of the franchise; and

(v) The completion of MWSI's water and sewerage projects to attain 100% coverage by 2037, which shall include periodic 5-year completion targets.

RA 11600 shall take effect on 22 January 2022, 15 days after its publication in the Official Gazette on 7 January 2022.

36. Notes to Consolidated Statements of Cash Flows

Supplemental disclosure of noncash investing activities follows:

	2021	2020	2019
Depreciation capitalized in Inventories and Mine properties (Note 22)	₱516,680	₱438,822	₱271,546
Transfer from Inventories to Property, plant and equipment (Notes 7 and 11)	671,721	362,568	83,536
Transfer from Property, plant and equipment to Inventories (Notes 7 and 11)	-	-	182,722

Changes in liabilities arising from financing activities

	2021			
	JANUARY 1, 2021	CASH FLOWS	OTHERS	DECEMBER 31, 2021
Short-term debt	5,800,060	(4,760,697)	-	1,039,363
Long-term debt*	46,088,910	5,920,727	(399)	52,009,238
Dividends	130,234	(18,476,628)	18,379,165	32,771
Interest payable	288,000	(2,972,071)	2,879,427	375,356
Lease liabilities	127,987	(46,625)	16,045	97,407
Other noncurrent liabilities	2,389,015	164,271	-	2,553,286

Includes current portion

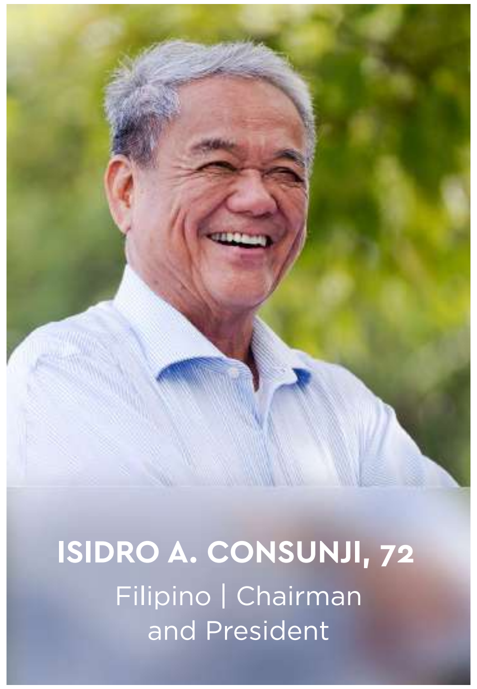
	2020			
	JANUARY 1, 2020	CASH FLOWS	OTHERS	DECEMBER 31, 2020
Short-term debt	₱2,492,122	₱3,307,938	-	₱5,800,060
Long-term debt*	44,413,604	1,607,499	67,807	46,088,910
Dividends	116,661	(8,781,424)	8,794,997	130,234
Interest payable	407,264	(2,405,419)	2,286,155	288,000
Lease liabilities	218,217	(43,872)	(46,358)	127,987
Other noncurrent liabilities	5,875,750	(3,314,421)	(172,314)	2,389,015

Includes current portion

Other changes in liabilities above includes amortization of debt issuance cost, accretion of unamortized discount and effect of change in estimate on provision for decommissioning and site rehabilitation, change in pension liabilities and dividends declared by the Parent Company and its partially-owned subsidiaries to noncontrolling-interests.

ADDITIONAL INFORMATION

BOARD OF DIRECTORS



ISIDRO A. CONSUNJI, 72
Filipino | Chairman and President

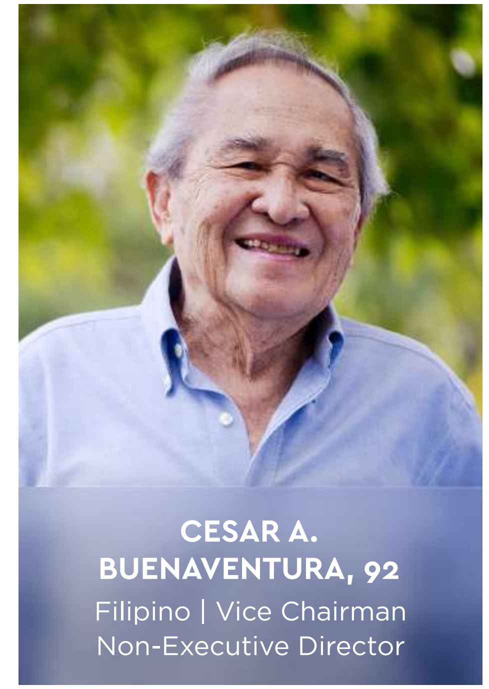
BOARD APPOINTMENT
Date of appointment as Chairman: November 2014
Date of first appointment as a Director: March 1995
Date of last re-election as a Director: 18 May 2021
Length of service as a Director: 27

PRESENT DIRECTORSHIPS IN LISTED COMPANIES
- Semirara Mining and Power Corporation (within Company Group)
- Atlas Consolidated Mining and Development Corporation

OTHER DIRECTORSHIPS WITHIN COMPANY GROUP
- D.M. Consunji, Inc.
- DMCI Masbate Power Corp.
- DMCI Mining Corporation
- DMCI Power Corporation
- DMCI Project Developers, Inc.
- Maynilad Water Holdings Co., Inc.
- Maynilad Water Services, Inc.
- Sem-Cal Industrial Park Developers, Inc.
- Sem-Calaca Power Corporation
- Sem Calaca Res Corporation (formerly DMCI Calaca Corporation)
- Semirara Claystone, Inc.
- Southwest Luzon Power Generation Corporation
- Wire Rope Corporation of the Philippines

EDUCATION
- BS Civil Engineering, University of the Philippines Diliman
- Master of Business Economics, Center for Research and Communication (now University of Asia and the Pacific)
- Master of Business Management, Asian Institute of Management (AIM)
- Advanced Management, IESE School, Barcelona, Spain

CIVIC AFFILIATIONS
- Philippine Overseas Construction Board, Chairman
- Construction Industry Authority of the Philippines, Board Member
- AIM, Trustee
- Philippine Constructors Association, Past President
- Philippine Chamber of Coal Mines, Past President
- AIM Alumni Association, Member
- UP Alumni Engineers, Member
- UP Aces Alumni Association, Member



CESAR A. BUENAVENTURA, 92
Filipino | Vice Chairman Non-Executive Director

BOARD APPOINTMENT
Date of first appointment as a Director: December 1995
Date of last re-election as a Director: 18 May 2021
Length of service: as a Director: 27

PRESENT DIRECTORSHIPS IN LISTED COMPANIES
- Semirara Mining and Power Corporation (within Company Group)
- Concepcion Industrial Corporation
- International Container Terminal Services, Inc. (ICTSI)
- iPeople, Inc.
- Manila Water Company, Inc.
- Petroenergy Resources Corporation
- Pilipinas Shell Petroleum Corporation

OTHER DIRECTORSHIPS WITHIN COMPANY GROUP
- D.M. Consunji, Inc.

EDUCATION
- BS Civil Engineering, University of the Philippines Diliman
- MS Civil Engineering, Major in Structures, Lehigh University, Bethlehem, Pennsylvania, USA (Fulbright Scholar)

CIVIC AFFILIATIONS
- Makati Business Club, Founding Member and Former Trustee
- Pilipinas Shell Foundation, Founding Chairman
- Bloomberry Cultural Foundation, Trustee
- ICTSI Foundation Inc., Trustee
- University of the Philippines, Former Regent
- AIM Former Trustee
- Benigno Aquino Foundation, Past President

SPECIAL RECOGNITION
- Honorary Officer, Order of the British Empire (OBE) by Her Majesty Queen Elizabeth II
- MAP Management Man of the Year 1985
- One of the top 100 graduates of the UP College of Engineering in its 100-year history
- Outstanding Professional in Engineering, Professional Regulatory Commission
- Outstanding Fulbrighter (Business), Philippine Fulbright Association

PRIOR GOVERNMENT POSITION
- Monetary Board of the Central Bank of the Philippines, Member

HERBERT M. CONSUNJI, 69
Filipino | Executive Director

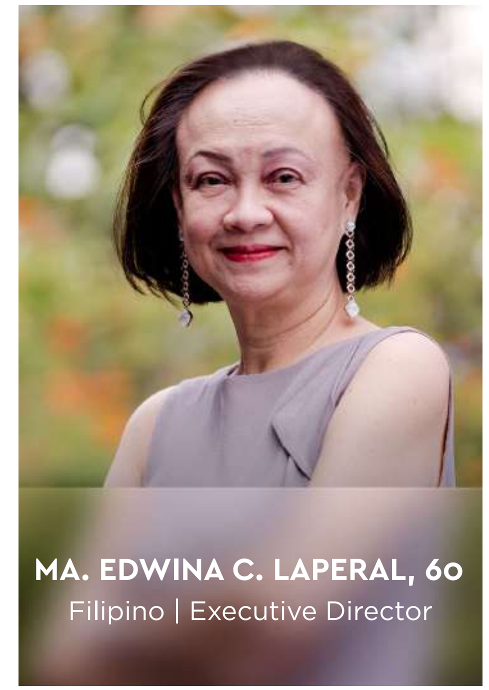
BOARD APPOINTMENT
Date of first appointment as a Director: March 1995
Date of last re-election as a Director: 18 May 2021
Length of service as a Director: 27

PRESENT DIRECTORSHIPS IN LISTED COMPANIES
- Semirara Mining and Power Corporation (within Company Group)

OTHER DIRECTORSHIPS WITHIN COMPANY GROUP
- D.M. Consunji, Inc.
- DMCI Mining Corporation
- DMCI Power Corporation
- DMCI Project Developers, Inc.
- Maynilad Water Holdings Co., Inc.
- Sem-Calaca Power Corporation
- Sem Calaca Res Corporation (formerly DMCI Calaca Corporation)
- Semirara Claystone, Inc.
- Sem-Cal Industrial Park Developers, Inc.
- Southwest Luzon Power Generation Corporation
- Subic Water & Sewerage Co. Inc.

EDUCATION
- BS Commerce Major in Accounting, De La Salle University, Manila
- Top Management Program, Asian Institute of Management

CIVIC AFFILIATIONS
- Philippine Institute of Certified Public Accountants, Member
- Financial Executives Institute of the Philippines, Member
- Shareholders' Association of the Philippines, Member
- Management Association of the Philippines, Member



MA. EDWINA C. LAPERAL, 60
Filipino | Executive Director

BOARD APPOINTMENT
Date of first appointment as a Director: March 1995 (until July 2006)
Date of re-appointment as a Director: July 2008
Date of last re-election as a Director: 18 May 2021
Length of service as a Director: 25

PRESENT DIRECTORSHIPS IN LISTED COMPANIES
- Semirara Mining and Power Corporation (within Company Group)

OTHER DIRECTORSHIPS WITHIN COMPANY GROUP
- D.M. Consunji, Inc.
- DMCI Project Developers, Inc.
- Sem-Calaca Power Corporation
- Southwest Luzon Power Generation Corporation

EDUCATION
- BS Architecture, University of the Philippines Diliman
- Master of Business Administration, University of the Philippines Diliman
- Certificate in Strategic Business Economics, Center for Research and Communication (now University of Asia and the Pacific)

CIVIC AFFILIATIONS
- Institute of Corporate Directors Inc., Fellow
- UP College of Architecture Alumni Foundation Inc., Member
- United Architects of the Philippines, Member
- Guild of Real Estate Entrepreneurs and Professionals (GREENPRO), Member

MARIA CRISTINA C. GOTIANUN, 67
Filipino | Executive Director

BOARD APPOINTMENT
Date of first appointment as a Director: 21 May 2019
Date of last re-election as a Director: 18 May 2021
Length of service as a Director: 3 years

PRESENT DIRECTORSHIPS IN LISTED COMPANIES
- Semirara Mining and Power Corporation (within Company Group)

OTHER DIRECTORSHIPS WITHIN COMPANY GROUP
- D.M. Consunji, Inc.
- DMCI Project Developers, Inc.
- Sem-Calaca Power Corporation
- Southwest Luzon Power Generation Corporation

EDUCATION
- BS Business Economics, University of the Philippines Diliman
- Spanish, Instituto de Cultura Hispanica, Spain
- Certificate in Strategic Business Economics, Center for Research and Communication (now University of Asia and the Pacific)

CIVIC AFFILIATIONS
- Institute of Corporate Directors Inc., Fellow

JORGE A. CONSUNJI, 69
Filipino | Non-Executive Director

BOARD APPOINTMENT
Date of first appointment as a Director: March 1995
Date of last re-election as a Director: 18 May 2021
Length of service as a Director: 27

PRESENT DIRECTORSHIPS IN LISTED COMPANIES
- Semirara Mining and Power Corporation (within Company Group)

OTHER DIRECTORSHIPS WITHIN COMPANY GROUP
- Beta Electric Mechanical Corporation
- Dacon Corporation
- DFC Holdings, Inc.
- D.M. Consunji, Inc.
- DMCI Masbate Power Corp.
- DMCI Mining Corporation
- DMCI Power Corporation
- DMCI Project Developers, Inc.
- Maynilad Water Holdings Co., Inc.
- Maynilad Water Services, Inc.
- Sem-Calaca Power Corporation
- Southwest Luzon Power Generation Corporation
- Wire Rope Corporation of the Philippines

EDUCATION
- BS Industrial Management Engineering, De La Salle University, Manila
- Advanced Management Program Seminar, University of Asia and the Pacific
- Top Management Program, Asian Institute of Management

CIVIC AFFILIATIONS
- Philippine Disaster Resilience Foundation, Advisor
- PLDT-Smart Foundation, Trustee
- Construction Industry Authority of the Philippines, Past Board Member
- ASEAN Constructors Federation, Former Chairman
- Philippine Constructors Association, Past President
- Philippine Contractors Accreditation Board, Former Chairman
- Association of Carriers & Equipment Lessors, Past President

LUZ CONSUELO A. CONSUNJI, 68
Filipino | Non-Executive Director

BOARD APPOINTMENT
Date of first appointment as a Director: July 2015
Date of last re-election as a Director: 18 May 2021
Length of service as a Director: 7

PRESENT DIRECTORSHIPS IN LISTED COMPANIES
- Semirara Mining and Power Corporation (within Company Group)

EDUCATION
- BA Commerce, Major in Management, Assumption College
- Master in Business Economics, University of Asia and the Pacific

CIVIC AFFILIATIONS
- Missionaries of Mary Mother of the Poor, Treasurer

ANTONIO JOSE U. PERIQUET, 60
Filipino | Lead Independent Director

BOARD APPOINTMENT
Date of first appointment as a Director: August 2010
Date of last re-election as a Director: 18 May 2021
Length of service as a Director: 12

PRESENT DIRECTORSHIPS IN LISTED COMPANIES
- Ayala Corporation
- Bank of the Philippine Islands (until 15 December 2021)
- Max's Group, Inc.
- Philippine Seven Corporation
- Semirara Mining and Power Corporation (within Company Group)
- Universal Robina Corporation

EDUCATION
- BA Economics, Ateneo de Manila University
- MS Economics, Oxford University, United Kingdom
- Master in Business Administration, Darden Graduate School of Business, University of Virginia, USA

CIVIC AFFILIATIONS
- Global Advisory Council, Darden Graduate School of Business, University of Virginia, Member
- Philippine Jesuit Provincial Finance Committee, Member
- Lyceum of the Philippines University, Trustee

HONORIO O. REYES-LAO, 77
Filipino | Independent Director

BOARD APPOINTMENT
Date of first appointment as a Director: July 2009
Date of last re-election as a Director: 18 May 2021
Length of service as a Director: 13

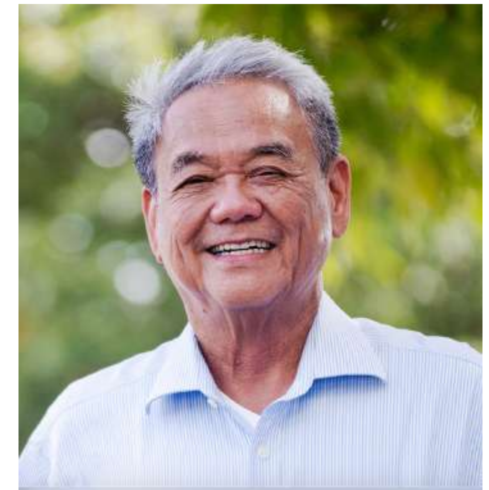
PRESENT DIRECTORSHIPS IN LISTED COMPANIES
- Semirara Mining and Power Corporation (within Company Group)
- Philippine Business Bank

OTHER DIRECTORSHIPS WITHIN COMPANY GROUP
- DMCI Project Developers, Inc.
- Sem-Calaca Power Corporation
- Southwest Luzon Power Generation Corporation

EDUCATION
- BA Major in Economics, De La Salle University
- BS Commerce, Major in Accounting, De La Salle University
- Master in Business Management, Asian Institute of Management

CIVIC AFFILIATIONS
- Institute of Corporate Directors, Fellow
- Rotary Club of Makati West, Past Director
- Makati Chamber of Commerce and Industries, Past President
- Guild of Real Estate Entrepreneurs and Professionals, Inc., Member

KEY OFFICERS



ISIDRO A. CONSUNJI
Chairman and President

Appointed President of the Company in March 1995. He concurrently holds top management positions in various DMCI Holdings subsidiary companies.

A civil engineering graduate from the University of the Philippines in Diliman, he pursued further studies at the Center for Research and Communication (Master of Business Economics), Asian Institute of Management (Master of Business Management) and IESE Business School in Barcelona, Spain (Advanced Management Program).

HERBERT M. CONSUNJI
Executive Vice President & Chief Finance Officer

Also serves as Chief Compliance Officer and Chief Risk Officer of the Company. He concurrently sits on the board of various DMCI Holdings subsidiary companies. A Certified Public Account, he graduated from De La Salle University in Manila with a degree in Commerce Major in Accounting.

MA. EDWINA C. LAPERAL
Treasurer

Concurrently holds Treasury positions in several DMCI Holdings subsidiary companies. After completing a BS Architecture degree from the University of the Philippines in Diliman, she obtained a Master in Business Administration degree from the same university and an Executive Certificate for Strategic Business Economics from the University of Asia and the Pacific.

MARIA CRISTINA C. GOTIANUN
Assistant Treasurer

Also holds executive positions in various DMCI Holdings subsidiary companies. A Business Economics graduate from the University of the Philippines in Diliman, she completed further studies in Spanish from Instituto de Cultura Hispanica in Madrid, Spain and Strategic Business Economics from the University of Asia & the Pacific.

CHERUBIM O. MOJICA
Senior Vice President
Corporate Communications & Investor Relations

A Communication Research (cum laude) and Industrial Relations graduate from the University of the Philippines - Diliman, she served as Corporate Communications Head of Maynilad Water Services, Inc. prior to joining the Company in September 2014. She also worked at First Philippine Holdings Corporation, US Embassy Manila and the Philippine House of Representatives.

HANNAH CECILLE L. CHAN
Investor Relations Officer

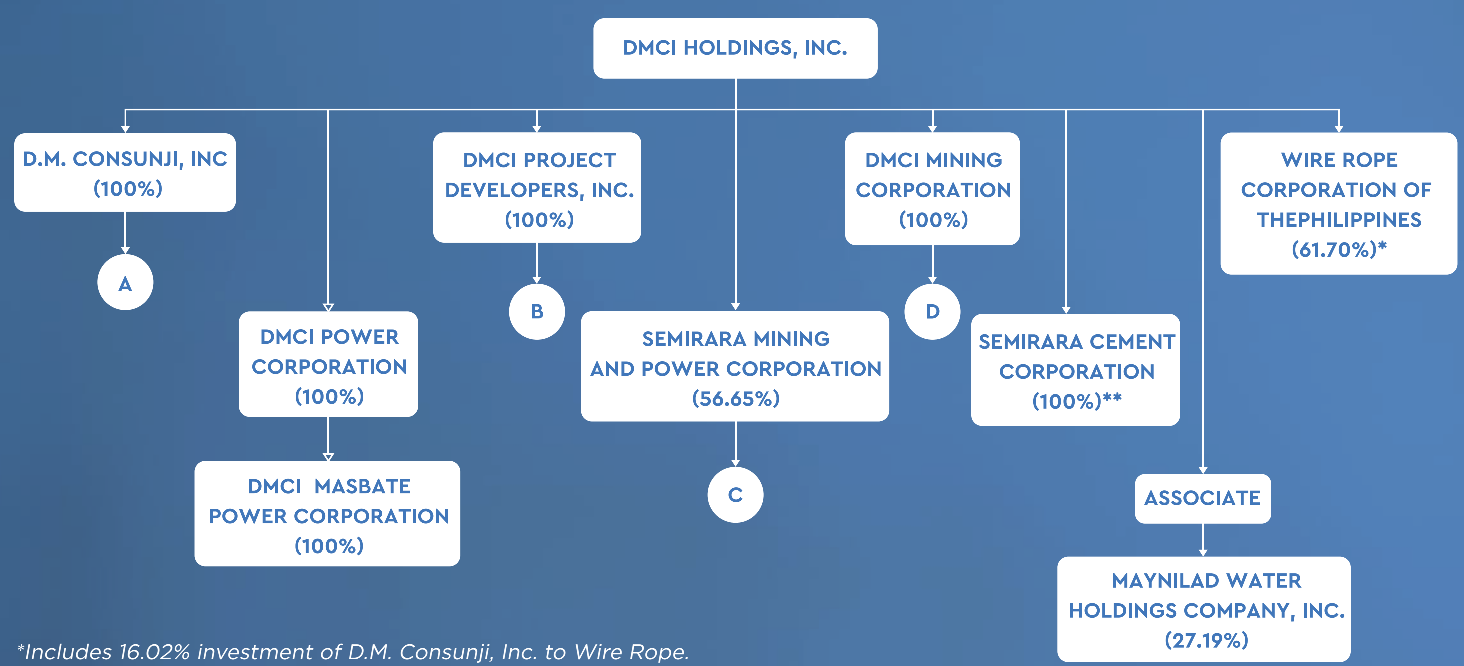
Joined the Company in July 2020 after gaining business development, equities sales and financial analysis experience from Chelsea Logistics and Infrastructure Holdings Corporation, Maybank ATR Kim Eng Securities and Philippine Dealing & Exchange Corporation. A CFA Level 1 and 2 passer, she holds BS Applied Economics and BS Commerce, Management of Financial Institutions degrees (Honorable Mention) from De La Salle University – Manila.

MARY GRACE M. GARCIA
Finance Officer

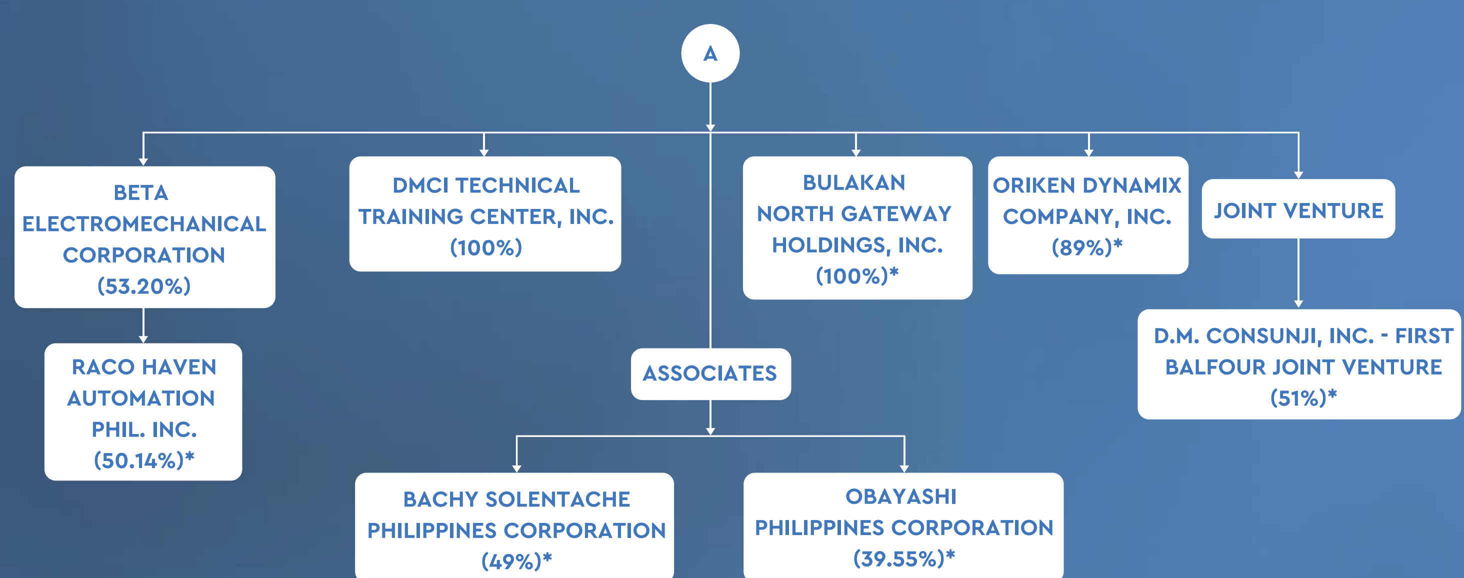
A certified public accountant with over seven years of experience in financial audit, reporting and analysis, she joined the Company in March 2021 after working in Makati Development Corporation and SGV & Co. (EY Philippines). She holds a BS Accountancy degree (cum laude) from the University of Batangas.

MAP OF RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP

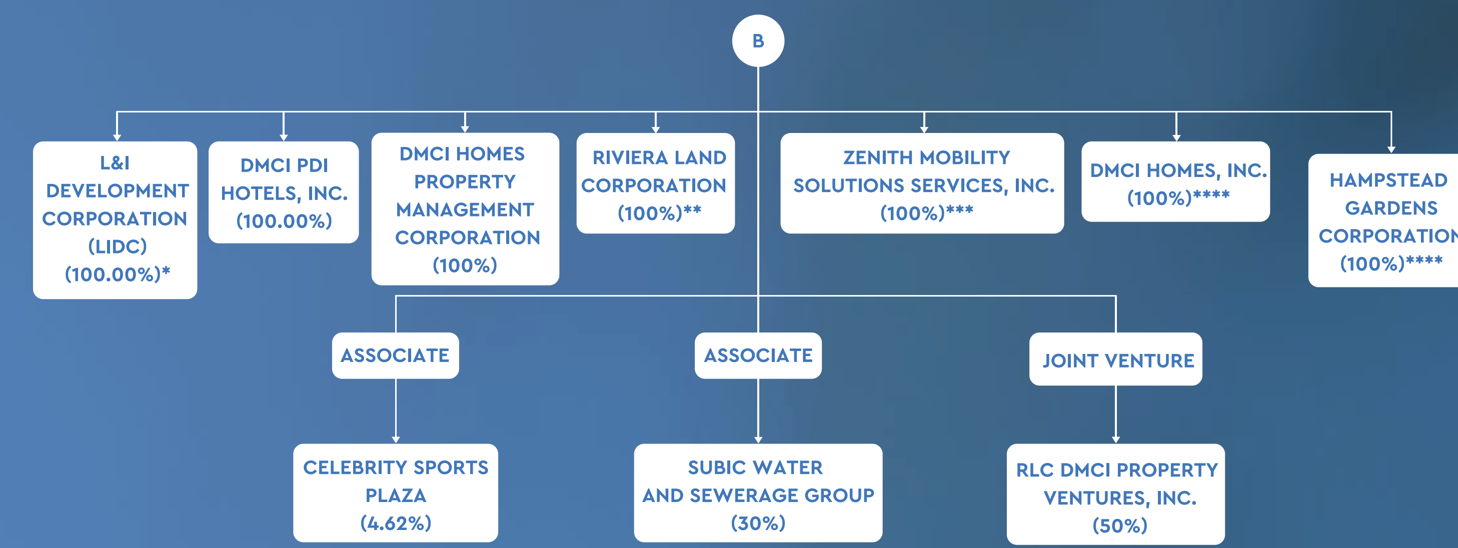
Below is a map showing the relationship between and among the Group as of December 31, 2021:



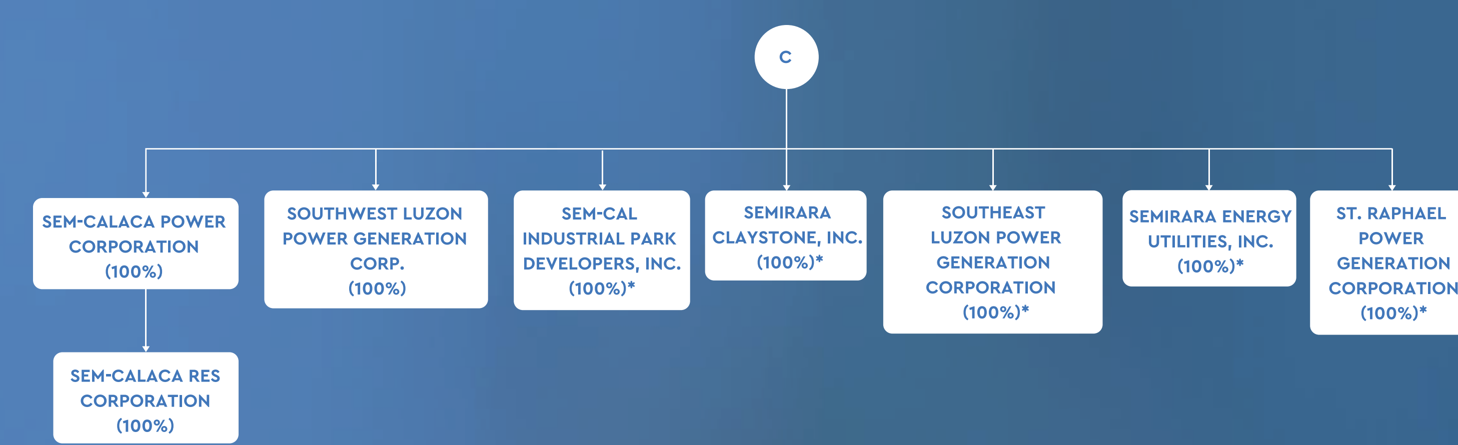
*Includes 16.02% investment of D.M. Consunji, Inc. to Wire Rope.
**Non-operating entity



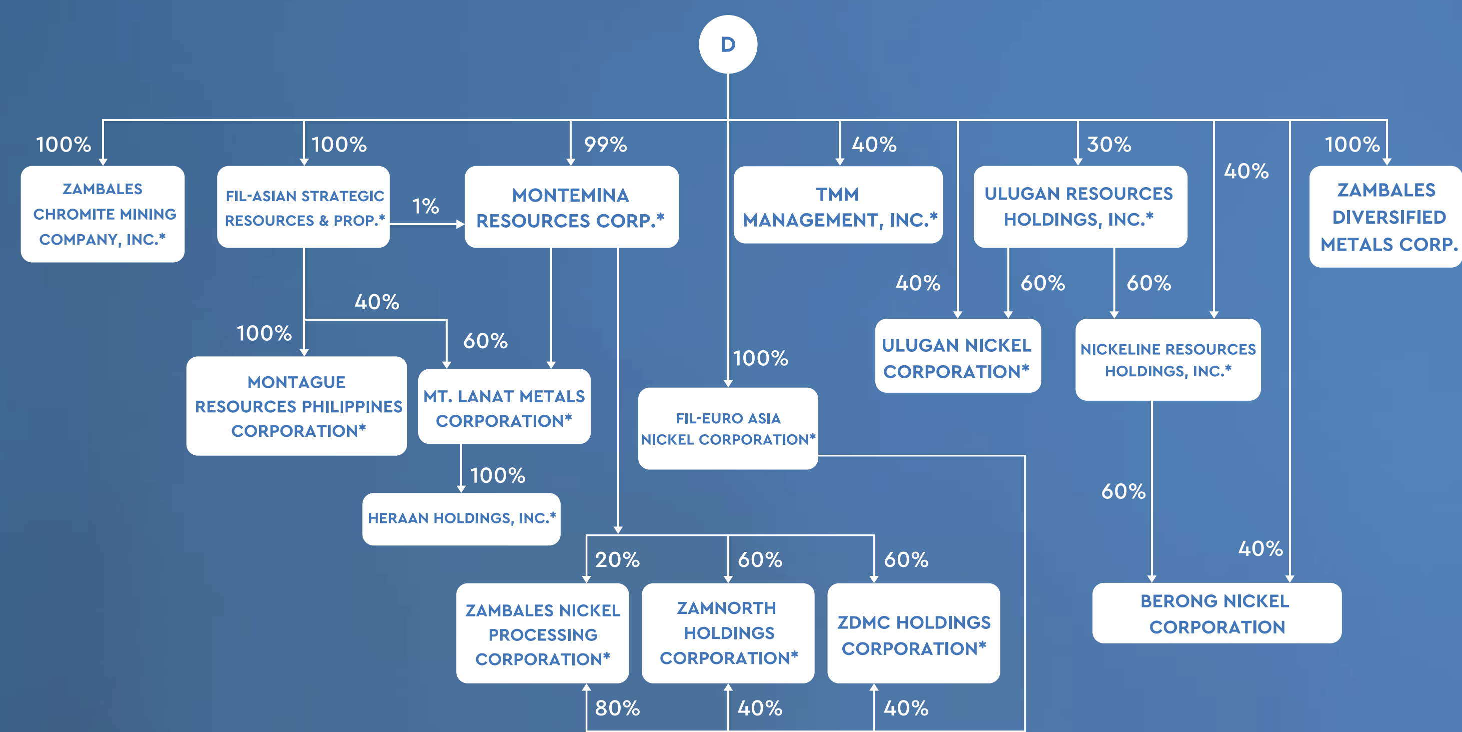
*Non-operating entities



*Established in 2021
**Includes the 34.12% interest of DMCI
***Equity interest increased from 51% to 100% in 2020
***Liquidating as of December 31, 2021



*Non-operating entities



*Non-operating entities

SHAREHOLDING STATISTICS

TOP 20 STOCKHOLDERS AS OF DECEMBER 31, 2021

RANK	NATURE OF BUSINESS	TOTAL SHARES	% OF OUTSTANDING SHARES
1	Dacon Corporation	6,621,561,069	49.87%
2	PCD Nominee Corporation (Filipino)	2,915,429,392	21.96%
3	DFC Holdings, Inc.	2,379,799,910	17.92%
4	PCD Nominee Corporation (Foreign)	897,167,533	6.76%
5	Berit Holdings Corporation	117,573,568	0.89%
6	Augusta Holdings, Inc.	108,297,072	0.82%
7	DMCI Retirement Plan	99,900,000	0.75%
8	Meru Holdings, Inc.	18,689,266	0.14%
9	Great Times Holdings Corporation	15,803,015	0.12%
10	DMCI Retirement Fund	13,000,000	0.10%
11	Daveprime Holdings, Inc.	7,487,377	0.06%
12	Artregard Holdings, Inc.	6,580,776	0.05%
13	F. Yap Securities Inc.	6,500,000	0.05%
14	Josefa Consunji Reyes	5,650,000	0.04%
15	Windermere Holdings, Inc.	2,905,715	0.02%
16	Laperal, Ma. Edwina/Miguel David C.	2,750,000	0.02%
17	Yntalco Realty Devt. Corporation	2,500,000	0.02%
18	Benigno Dela Vega	2,050,000	0.02%
19	Zheng, Ao	1,840,000	0.02%
20	Makati Supermarket Corp.	1,727,500	0.01%
	Total	**13,227,212,193**	**99.62%**

EFFECTIVE PERCENTAGES OF OWNERSHIP

		2021			2020		
	NATURE OF BUSINESS	DIRECT	INDIRECT	EFFECTIVE INTEREST	DIRECT	INDIRECT	EFFECTIVE INTEREST
				(in percentage)			
General Construction:							
D.M. Consunji, Inc. (DMCI)	General Construction	**100.00**	**-**	**100.00**	100.00	-	100.00
Beta Electromechanical Corporation (Beta Electric)[1]	General Construction	-	**53.20**	**53.20**	-	53.20	53.20
Raco Haven Automation Philippines, Inc. (Raco)[1]	Non-operating	-	**50.14**	**50.14**	-	50.14	50.14
Oriken Dynamix Company, Inc. (Oriken)[1]	Non-operating	-	**89.00**	**89.00**	-	89.00	89.00
DMCI Technical Training Center (DMCI Training)[1]	Services	-	**100.00**	**100.00**	-	100.00	100.00
Bulakan North Gateway Holdings Inc (Bulakan North)	Non-operating	-	**100.00**	**100.00**	-	100.00	100.00
Real Estate:							
DMCI Project Developers, Inc. (PDI)	Real Estate Developer	**100.00**	**-**	**100.00**	100.00	-	100.00
DMCI-PDI Hotels, Inc. (PDI Hotels)[2]	Hotel Operator	-	**100.00**	**100.00**	-	100.00	100.00
DMCI Homes Property Management Corporation (DPMC)[2]	Property Management	-	**100.00**	**100.00**	-	100.00	100.00
Zenith Mobility Solutions Services, Inc. (ZMSSI)[2]	Services	-	**100.00**	**100.00**	-	51.00	51.00
Riviera Land Corporation (Riviera)[2]	Real Estate Developer	-	**100.00**	**100.00**	-	100.00	100.00
Hampstead Gardens Corporation (Hampstead)[2*]	Real Estate Developer	-	**100.00**	**100.00**	-	100.00	100.00
DMCI Homes, Inc. (DMCI Homes)[2*]	Marketing Arm	-	**100.00**	**100.00**	-	100.00	100.00
L & I Development Corporation (LIDC)	Real Estate Developer	-	**100.00**	**100.00**	-	-	-
Coal Mining:							
Semirara Mining and Power Corporation (SMPC)	Mining	**56.65**	**-**	**56.65**	56.65	-	56.65
On-Grid Power:							
Sem-Calaca Power Corporation (SCPC)[3]	Power Generation	-	**56.65**	**56.65**	-	56.65	56.65

(continuation)

		2021			2020		
	NATURE OF BUSINESS	DIRECT	INDIRECT	EFFECTIVE INTEREST	DIRECT	INDIRECT	EFFECTIVE INTEREST
				(in percentage)			
Southwest Luzon Power Generation Corporation (SLPGC)[3]	Power Generation	-	**56.65**	**56.65**	-	56.65	56.65
Sem-Calaca RES Corporation (SCRC)[3]	Retail	-	**56.65**	**56.65**	-	56.65	56.65
SEM-Cal Industrial Park Developers, Inc. (SIPDI)[3]	Non-operating	-	**56.65**	**56.65**	-	56.65	56.65
Semirara Energy Utilities, Inc. (SEUI)[3]	Non-operating	-	**56.65**	**56.65**	-	56.65	56.65
Southeast Luzon Power Generation Corporation (SeLPGC)[3]	Services	-	**56.65**	**56.65**	-	56.65	56.65
Semirara Claystone, Inc. (SCI)[3]	Non-operating	-	**56.65**	**56.65**	-	56.65	56.65
St. Raphael Power Generation Corporation (SRPGC)[3]	Non-operating	-	**56.65**	**56.65**	-	56.65	56.65
Off-Grid Power:							
DMCI Power Corporation (DPC)	Power Generation	**100.00**	**-**	**100.00**	100.00	-	100.00
DMCI Masbate Power Corporation (DMCI Masbate)[4]	Power Generation	-	**100.00**	**100.00**	-	100.00	100.00
Nickel Mining:							
DMCI Mining Corporation (DMC)	Holding Company	**100.00**	**-**	**100.00**	100.00	-	100.00
Berong Nickel Corporation (BNC)[5]	Mining	-	**74.80**	**74.80**	-	74.80	74.80
Ulugan Resouces Holdings, Inc. (URHI)[5]	Holding Company	-	**30.00**	**30.00**	-	30.00	30.00
Ulugan Nickel Corporation (UNC)[5]	Holding Company	-	**58.00**	**58.00**	-	58.00	58.00
Nickeline Resources Holdings, Inc. (NRHI)[5]	Holding Company	-	**58.00**	**58.00**	-	58.00	58.00
TMM Management, Inc (TMM)[5]	Services	-	**40.00**	**40.00**	-	40.00	40.00
Zambales Diversified Metals Corporation (ZDMC)[5]	Mining	-	**100.00**	**100.00**	-	100.00	100.00

(continuation)

	NATURE OF BUSINESS	2021 DIRECT	2021 INDIRECT	2021 EFFECTIVE INTEREST	2020 DIRECT	2020 INDIRECT	2020 EFFECTIVE INTEREST
				(in percentage)			
Zambales Chromite Mining Company Inc. (ZCMC)[5]	Non-operational	-	**100.00**	**100.00**	-	100.00	100.00
Fil-Asian Strategic Resources & Properties Corporation (FASRPC)[5]	Non-operational	-	**100.00**	**100.00**	-	100.00	100.00
Montague Resources Philippines Corporation (MRPC)[5]	Non-operational	-	**100.00**	**100.00**	-	100.00	100.00
Montemina Resources Corporation (MRC)[5]	Non-operational	-	**100.00**	**100.00**	-	100.00	100.00
Mt. Lanat Metals Corporation (MLMC)[5]	Non-operational	-	**100.00**	**100.00**	-	100.00	100.00
Fil-Euro Asia Nickel Corporation (FEANC)[5]	Non-operational	-	**100.00**	**100.00**	-	100.00	100.00
Heraan Holdings, Inc. (HHI)[5]	Holding Company	-	**100.00**	**100.00**	-	100.00	100.00
Zambales Nickel Processing Corporation (ZNPC)[5]	Non-operational	-	**100.00**	**100.00**	-	100.00	100.00
Zamnorth Holdings Corporation (ZHC)[5]	Holding Company	-	**100.00**	**100.00**	-	100.00	100.00
ZDMC Holdings Corporation (ZDMCHC)[5]	Holding Company	-	**100.00**	**100.00**	-	100.00	100.00
Manufacturing:							
Semirara Cement Corporation (SemCem)	Non-operational	**100.00**	**-**	**100.00**	100.00	-	100.00
Wire Rope Corporation of the Philippines (Wire Rope)	Manufacturing	**45.68**	**16.02**	**61.70**	45.68	16.02	61.70

*Ongoing liquidation.
[1] DMCI's subsidiaries. In 2021 Bulakan North was sold.
[2] PDI's subsidiaries. In 2020, ZMSSI became a wholly-owned subsidiary thru the acquisition of 49% noncontrolling-interests. In addition, on October 1, 2020, PDI entered into a share purchase agreement to acquire 100% of the total outstanding shares of LIDC. The acquisition of LIDC was accounted for as an asset acquisition (see Note 3).
[3] SMPC's subsidiaries. In 2020, SMPC entered into a deed of assignment for acquisition of remaining 50% ownership interest in SRPGC. The acquisition of SRPGC was accounted for as an asset acquisition (see Note 3).
[4] DPC's subsidiaries.
[5] DMC's subsidiaries.

CORPORATE INFORMATION

DMCI HOLDINGS, INC.
3rd Floor, Dacon Building
2281 Chino Roces Avenue, Makati City
Metro Manila, Philippines
Tel (632) 8888 3000
Website http://www.dmciholdings.com

Investor Relations
3rd Floor, Dacon Building
2281 Chino Roces Avenue, Makati City
Metro Manila, Philippines
Tel (632) 8888 3000 local 1023
Email investors@dmcinet.com

Legal Counsel
Castillo Laman Tan Pantaleon
& San Jose Law Offices
4th Floor, The Valero Tower
122 Valero Street, Salcedo Village
Makati City, Metro Manila, Philippines
Tel (632) 8817 6791 to 95

Stock Transfer Agent
Stock Transfer Service, Inc.
34th Floor, Unit D, Rufino Plaza Ayala Avenue,
Makati City Metro Manila, Philippines
632) 7403 2410 and 7403 2412

SUBSIDIARY & AFFILIATE DIRECTORY

D.M. CONSUNJI, INC.
DMCI Plaza Bldg.
2281 Chino Roces Avenue, Makati City
Metro Manila, Philippines

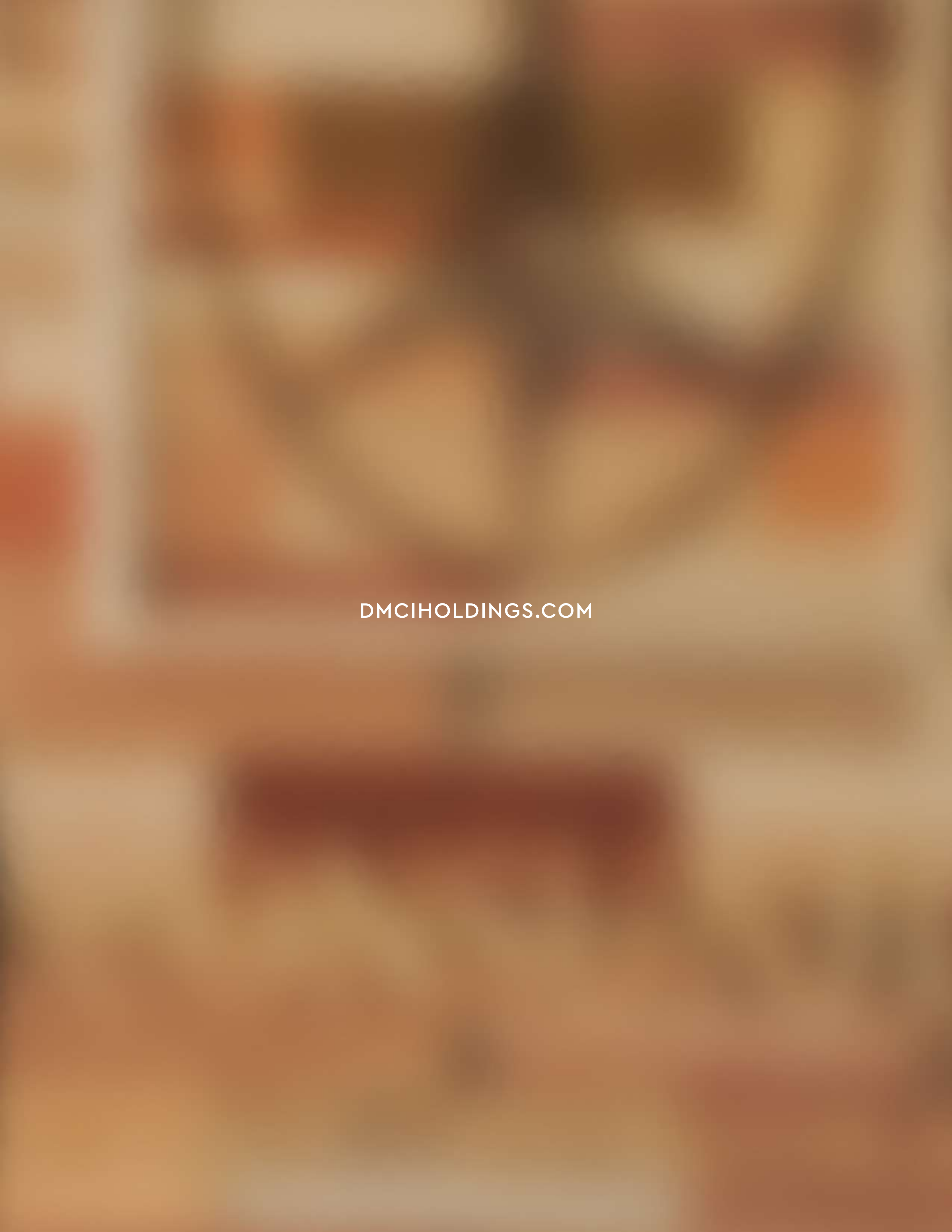
DMCI HOMES, INC.
DMCI Homes Corporate Center
1321 Capt. Apolinario St., Brgy. Bangkal
Makati City, Metro Manila, Philippines

SEMIRARA MINING AND POWER CORPORATION
2F DMCI Plaza
2281 Chino Roces Avenue, Makati City
Metro Manila, Philippines

DMCI POWER CORPORATION
3F DMCI Plaza
2281 Chino Roces Avenue, Makati City
Metro Manila, Philippines

DMCI MINING CORPORATION
3F DMCI Homes Corporate Center
321 Capt. Apolinario St., Brgy. Bangkal,
Makati City, Metro Manila, Philippines

MAYNILAD WATER SERVICES INC.
Maynilad Building
MWSS Compound, Katipunan Avenue, Balara,
Quezon City, Philippines


DMCIHOLDINGS.COM