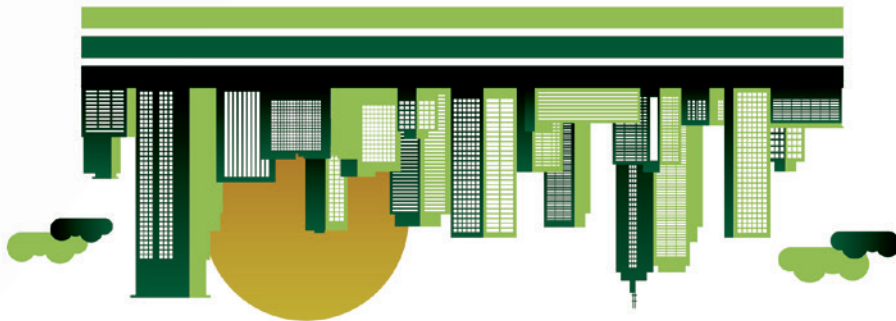




**SURMOUNTING
CHALLENGES,
EMBRACING
THE FUTURE**



**EAGLE CEMENT CORPORATION
2017 ANNUAL REPORT**



SURMOUNTING CHALLENGES, EMBRACING THE FUTURE

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SURMOUNTING CHALLENGES, EMBRACING THE FUTURE

- ▶ Less than six months into the Duterte presidency, the government announced its plans for Build, Build, Build, a program that will prioritize numerous infrastructure projects for the development of industries in the country. An estimated Php 8 trillion is expected to usher in the “golden age of infrastructure”.



This is a massive undertaking that could yield robust economic growth, provide employment, and reduce poverty in the Philippines.

Immediately, this led to an increase in demand for construction materials like steel and cement, with the demand for cement in 2016 reaching 26 million metric tons (MT), while the total production capacity of local cement manufacturers is only 30 million MT. The further robust demand for cement in 2017 brought in more cement importers, who competed with local manufacturers who also began importing just to keep up. As a result of the entry of new competition, prices also became more volatile.

According to the Philippine Statistics Authority, average selling prices dropped 3.4% from about Php 200.10 per bag in January 2017 to about Php 193.20 per bag in January 2018. Local manufacturers suffered since their costs remained high even as prices dropped. Their profits sunk due to the harsh competition in the market affecting sales volumes, combined with rising energy expenses and the declining peso.

All but one leading manufacturer was able to surmount this challenge, Eagle Cement, the only fully-Filipino owned company in

the big four. Eagle remained unfazed by the downturn trend in the industry, sustaining strong financials all throughout 2017 as it kept prices stable and maximized production.

Eagle Cement owes this achievement to its most modern and state-of-the-art manufacturing facility, which keeps operations exceptionally efficient. It achieves the said efficiency through manufacturing components that utilize Waste Heat Recovery System (WHR) to save energy, automated rotopackers for cement bagging, and the use of cheaper coal for clinker production.

Eagle's success is also a result of the efforts of its dedicated sales and marketing team who has built a firm relationship with its customers over the years. Customers see the value in Eagle, not only because of its good reputation, but also the proven quality of its products.

Through these, the company distinguished itself as a formidable peer among its multinational competitors.

2017 was indeed a triumphant year for the company, as it successfully debuted in the Philippine Stock Exchange in May. Eagle was able to raise Php 7 billion in net proceeds from its primary offer, which was used to partially finance the construction of its upcoming plant in Cebu, as well as marine terminals to serve the Visayas and Mindanao markets.

In June, Eagle began tapping markets in Southern Luzon such as Quezon, Mindoro, Marinduque, Romblon, and Palawan.

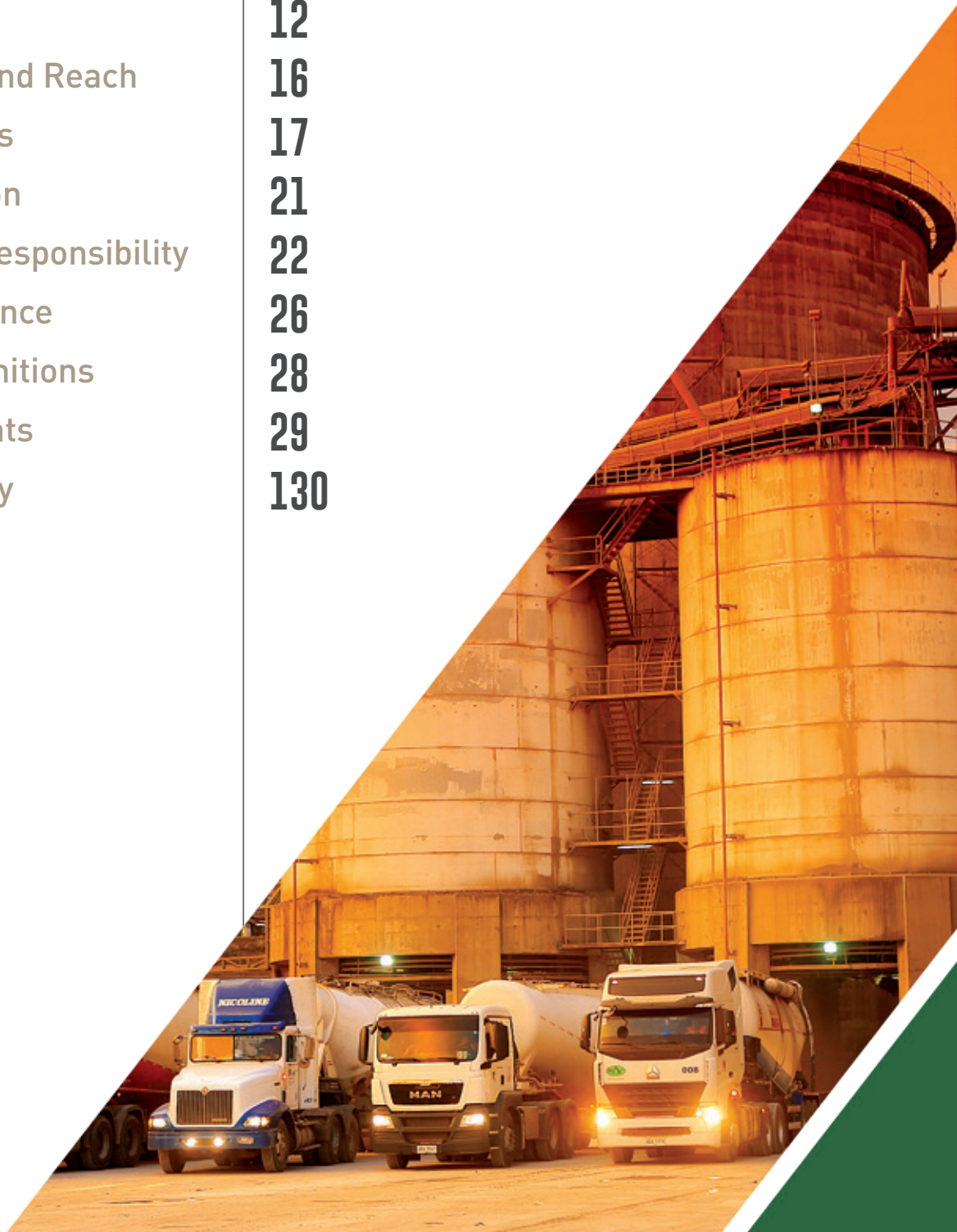
Eagle is preparing to meet the further increasing demand for cement in the country as the current administration fast tracks its numerous projects under Build, Build, Build. It is expecting the completion of its third line in Bulacan by 2018, to further raise the firm's capacity to 7.1 million metric tons or about 180 million cement bags.

In November, Eagle also began construction of its fourth production line in Cebu, aiming to raise its production capacity to 9.1 million metric tons or 230 million cement bags annually by 2020. It plans to usher in more development in the countryside by serving new markets in the Visayas and Mindanao regions.

With its head held high, Eagle has shown its will and might to surmount challenges. Now, as it embraces a new future, Eagle is ready to soar higher with determination, passion, and a proven resilience.

CONTENTS

About Eagle Cement Corporation	05
2017: Year in Review	08
News	09
Message to Shareholders	10
Board of Directors	12
Market Presence and Reach	16
Financial Highlights	17
Results of Operation	21
Corporate Social Responsibility	22
Corporate Governance	26
Awards and Recognitions	28
Financial Statements	29
Corporate Directory	130





VISION

Our vision is to be a global leader in the building materials industry and to improve people's quality of life through our products. We will achieve this by being the most efficient, flexible, and innovative cement company as we create a lasting brand.

MISSION

We have an ongoing commitment to sustainable development and growing company profit in order to maintain these four (4) objectives:

1. Create better value for our customers through frugal innovation to make us the ideal business partner
2. Continue to serve our local communities
3. Meet the highest standards in the responsible use of our natural resources
4. Empower the lives of our employees and their families

OUR CORPORATE IDENTITY



We are Eagle Cement Corporation (“**EAGLE**” or “the Company”)—a fully-integrated, Filipino-owned company committed to providing our customers with high quality cement. We are focused on creating value for our customers, shareholders, and the community through efficiency, innovation, and environmental responsibility.

We are primarily engaged in the business of manufacturing, marketing, sale and distribution of cement under the brands Advance Type 1P, Exceed Type 1P and Strongcem Type 1.



OUR HISTORY

EAGLE was incorporated and registered with the Securities and Exchange Commission (SEC) on June 21, 1995.

Our plant in San Ildefonso, Bulacan was established in 2008 guided by the vision and fueled by the passion of our Chairman, Mr. Ramon S. Ang, to provide high quality cement for the Filipino people. **EAGLE** began its commercial operations in 2010, with its main office in Mandaluyong City, Philippines.

OUR GROWTH

Eagle Cement Corporation has the newest, state-of-the-art, and single largest cement manufacturing plant in the Philippines. The Company is the fourth largest player in the Philippine cement industry based on sales volume, with the fastest growing market share among all competitors in the industry.

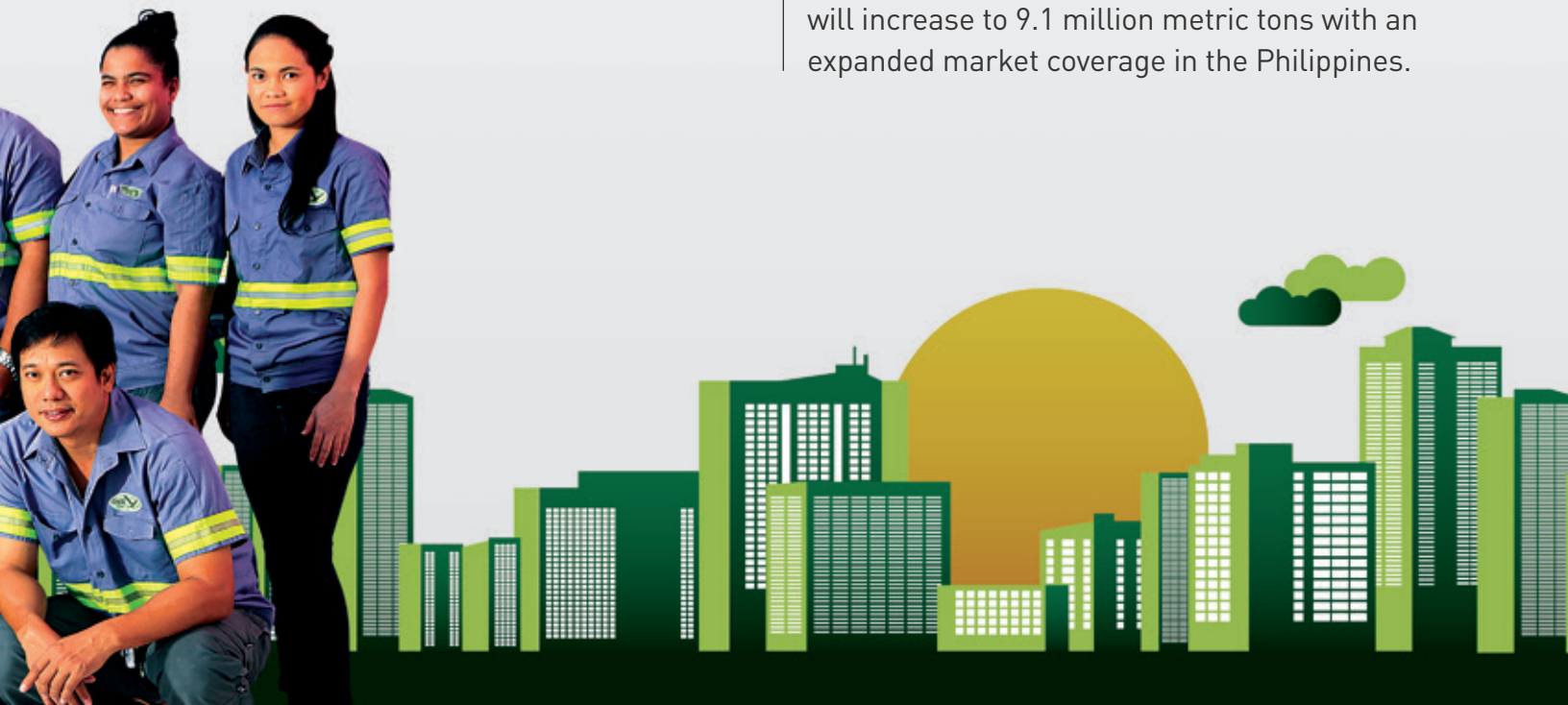
OUR FUTURE

EAGLE strives to meet the strong and ever-growing demand for quality cement through product innovation and continuous plant and facility expansion.

The Company prides itself for having the largest single plant production capacity in the Philippines through its primary cement production facility located in San Ildefonso, Bulacan.

The Company's Bulacan cement plant consists of two production lines. Together with its grinding plant in Bataan, Eagle's cement production capacity stands at approximately 5.1 million metric tons or 130 million bags per annum. By 2018, its third production line in Bulacan will be completed resulting to an annual cement production capacity of approximately 7.1 million metric tons or about 180 million bags per annum.

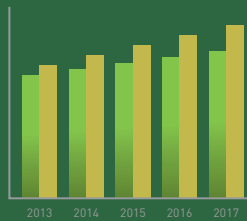
EAGLE will also construct its fourth fully integrated plant in Cebu that is expected to come on stream in 2020. The plant will have an annual cement production capacity of 2.0 million metric tons. Majority of the cement produced will be dispatched from the plant by sea to a network of cement distribution terminals across Visayas and Mindanao. By 2020, **EAGLE's** production capacity will increase to 9.1 million metric tons with an expanded market coverage in the Philippines.



2017 YEAR IN REVIEW

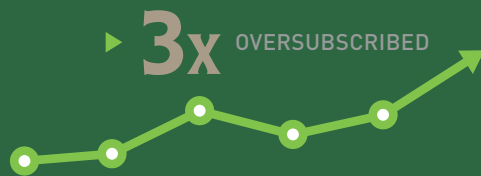


4.26
BILLION
(PHP)
NET PROFIT
FOR 2017



4% **NET PROFIT**
INCREASE YEAR ON YEAR

12% **NET SALES**
INCREASE YEAR ON YEAR

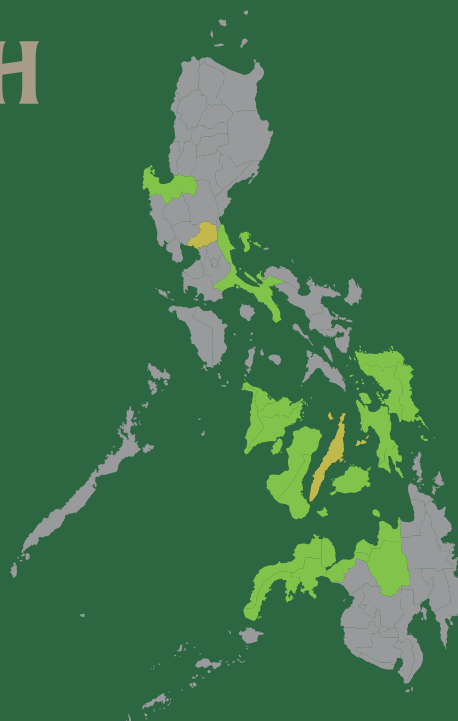
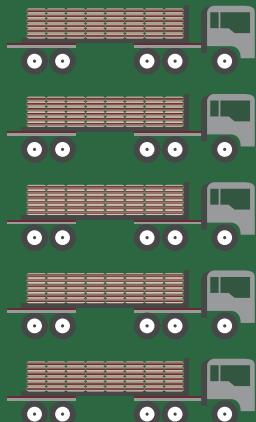


7
BILLION
(PHP)
RAISED IN INITIAL
PUBLIC OFFERING



390
TOTAL
EMPLOYEES
HIRED BY 2017

FOURTH
LARGEST
CEMENT
PLAYER
IN THE PHILIPPINES



INCREASED
MARKET SHARE
IN CURRENT LOCATIONS

2
NEW PLANTS
IN CONSTRUCTION
BULACAN LINE 3 ONGOING,
CEBU LINE 4 BROKE GROUND

2
PROJECTS
APPROVED
BY THE BUREAU OF INVESTMENTS FOR
INCOME TAX HOLIDAY: BULACAN LINE 3
AND CEBU LINE 4



Eagle Cement breaks ground in Malabuyoc, Cebu for its Line 4 Plant. Shown in photo during the groundbreaking ceremony are (L-R): Chief Finance Officer Monica L. Ang-Mercado; Chief Operating Officer and General Manager Manny C. Teng; President and Chief Executive Officer Paul L. Ang; Malabuyoc Mayor Lito Narciso Creus; Malabuyoc Vice Mayor Lito Narciso Creus III; Malabuyoc Councilor Daisy Creus; and Executive Adviser Mike Fitch.

EAGLE CEMENT BREAKS GROUND ON ITS P12.5-B INTEGRATED CEMENT PLANT IN CEBU

Malabuyoc, Cebu — Eagle Cement Corporation (**EAGLE**) has embarked on its plans to raise its production capacity to 9.1 million metric tons with the recent ground breaking of its fourth production line in Malabuyoc, Cebu.

The Cebu plant (Line 4) targets its completion date in 2020 and will include a 2.0 million metric ton integrated cement manufacturing plant, port facilities, and cement terminals to serve the Visayas and Mindanao markets.

“This groundbreaking brings us a step further to achieving our long-term goals as a company, which is to strengthen the brand and increase market share. We hope to continue succeeding by increasing capacity to better serve our consumers nationwide,” President and Chief Executive Officer Paul Ang says.

Currently, the company has two lines producing about 5.1 million metric tons of cement per year, serving the greater Luzon markets. Eagle is also aiming to complete its third production line in Bulacan by 2018, which will raise capacity to 7.1 million metric tons per year. This will expand the company’s coverage to more markets in Southern Luzon.

“We are expanding more to new markets such as Southern Luzon, Visayas, and Mindanao. By next year, our Line 3 in Bulacan will be fully functional to serve those areas with the most efficient and energy saving manufacturing technology,” Ang adds.

MESSAGE TO SHAREHOLDERS

Over two decades have passed since Eagle Cement's journey started, and since then we have risen to become the fourth largest player in the Philippine cement industry, thanks to our dedicated employees, supportive customers and you, our shareholders. Through our recent achievements, we have certainly made our mark in the Philippine cement industry.

We started 2017 with our initial public offering in May, where we were able to raise Php 6.9 billion. The excellent response is evident of the market's trust in **EAGLE** and our expansion plans. Part of the proceeds we raised will fund the construction of our fourth line of production which will be located in Cebu.

We broke ground last November in our Cebu plant and we look forward to its completion in 2020. The plant will also include marine terminals to serve our customers in Visayas and Mindanao. This brings us a step further to achieving our long-term goals as a company to serve Filipino customers nationwide. Since this will bring our production capacity to 9.1 million metric tons, we expect to further boost our market share and strengthen the brand.

The market environment in 2017 was very challenging with the industry facing a downward trend. Thankfully, we were able to overcome this as we registered a net revenue of Php 14.87 billion, a 12% increase from the previous year. Our net income reached Php 4.26 billion, a modest 4% increase from 2016. We hope to continue surpassing our operational targets such as volume growth and



RAMON S. ANG
Chairman



JOHN PAUL L. ANG
Chief Executive Officer

“AS WE FULFILL OUR EXPANSION PLANS, EAGLE IS PREPARED TO CONTRIBUTE TO THE COUNTRY’S ECONOMIC GROWTH BY SUPPLYING THE GROWING DEMAND FOR CEMENT IN THIS GOLDEN AGE OF INFRASTRUCTURE.”

cost efficiencies. We believe our upgrading and debottlenecking efforts in our existing production lines have allowed us to keep our margins at a healthy state.

This year, 2018, we are preparing for the completion of our third line of production in our Bulacan plant. This will further support **EAGLE**’s recent entry to new markets in Southern Luzon and Visayas such as Quezon, Mindoro, Marinduque, Romblon, Palawan, and the Panay island.

We believe that **EAGLE** will benefit from the flourishing construction industry as the government is increasing infrastructure spending from 5.4% of GDP in 2017 to 7.3% of GDP by 2022, which will likely boost demand for cement. In the first quarter of 2018 alone, government spending on infrastructure increased by 33.7% to Php 157.1 billion.

As we fulfill our expansion plans, **EAGLE** is prepared to contribute to the country’s economic growth by supplying the growing demand for cement in this golden age of infrastructure. We hope that you, our shareholders, will continue supporting **EAGLE**, as we support the Philippines in its goal to improve the lives of the Filipino people by creating more job opportunities and strengthening our industries.

BOARD OF DIRECTORS

- ▶ The Board of Eagle Cement is entrusted with the responsibility for the overall management and direction of the Company. The Board meets on a quarterly basis at least, or more frequently as required, to review and monitor the financial position and operations of the Company.



RAMON S. ANG
Chairman



JOHN PAUL L. ANG
President and CEO

Ramon S. Ang, 63, has been the Chairman of the Board of Directors of the Company since October 2007. He holds, among others, the following positions in other publicly listed companies: President and Chief Operating Officer of San Miguel Corporation; President and Chief Executive Officer of Top Frontier Investment Holdings Inc. and Petron Corporation; Chairman of the Board of San Miguel Brewery Inc. and San Miguel Brewery Hong Kong Limited (listed in the Hong Kong Stock Exchange); Vice Chairman of the Board of Ginebra San Miguel, Inc., and San Miguel Pure Foods Company, Inc. He is also the Chairman of the Board and CEO of SMC Global Power Holdings Corp., Chairman and President of San Miguel Holdings Corp. and San Miguel Equity Investments Inc.;

Chairman of the Board of Sea Refinery Corporation, San Miguel Foods, Inc., San Miguel Yamamura Packaging Corporation, San Miguel Properties, Inc., Clariden Holdings, Inc., Anchor Insurance Brokerage Corporation, Philippine Diamond Hotel & Resort, Inc., Philippine Oriental Realty Development, Inc., and Atea Tierra Corporation. He is also the sole director and shareholder of Master Year Limited and the Chairman of Privado Holdings, Corp. He formerly held the following positions: President and Chief Operating Officer of PAL Holdings, Inc., Philippine Airlines, Inc.; Director of Air Philippines Corporation; Chairman of the Board of Cyber Bay Corporation; and Vice Chairman of the Board and Director of Manila Electric Company. Mr. Ang has held directorships in various domestic and international subsidiaries of SMC in the last five years. He has a Bachelor of Science degree in Mechanical Engineering from Far Eastern University.

John Paul L. Ang, 37, is the President and Chief Executive Officer of the Company. He was elected as director of the Company in November 2010. He is also currently a member of the Nomination and Remuneration Committee of the Company. He previously served as the Chief Operating Officer and General Manager of the Company from 2011 to 2016. He served as the Chief Operating Officer and General Manager from 2008 to 2016 and Managing Director from 2003 to 2007 of Sarawak Clinker. He also served as the Purchasing Officer of Basic Cement from 2002 to 2003. He has a Bachelor of Arts Degree in Interdisciplinary Studies, Minor in Economics and Finance from Ateneo De Manila University.



MANNY C. TENG
Chief Operating Officer

Manny C. Teng, 46, is the General Manager and the Chief Operating Officer of the Company. He was elected as director of the Company in June 1995. Mr. Teng has served as President of the Company for seven (7) years from 2009 to 2016. For the past ten (10) years, Mr. Teng has held various positions in the following companies: Technical Services Manager, Beverage Group of Ginebra San Miguel, Inc.; Technical Services Manager, Beverage Group of San Miguel Beverages; Product Development Manager, Non-Alcoholic Beverages International of San Miguel Beverages; Project Group of Centech Consultancy; Purchasing Head of Cement Management Corporation; and Purchasing Officer of Standard Construction and Rebuilding Corporation. He has a Bachelor of Science degree in Chemical Engineering from University of Santo Tomas.



MONICA L. ANG-MERCADO
Chief Finance Officer

Monica L. Ang-Mercado, 29, is the Chief Finance Officer and Treasurer of the Company. She is concurrently the Vice-President for Business Support Group of the Company. She was elected as director of the Company in June 2013. She is currently a member of the Nomination and Remuneration Committee of the Company. She is also a director of the following companies: Buildnet Construction Inc., South Western Cement Corporation, KB Space Holdings, Inc., A5 Wagyu, Inc, Q-tech Alliance Holdings, Inc., and Premier Capital Venture Corporation. She has a Bachelor of Science degree in Management, Minor in Enterprise Development from Ateneo de Manila University.



MARIO K. SURIO
Director

Mario K. Surio, 71, has been a director of the Company since January 2011. He is a member of the Audit Committee of the Company. He currently holds, among others, the following positions in other companies: Technical Consultant for the Office of the President and Chief Operating Officer of San Miguel Corporation; Vice-Chairman and Director for Private Infrastructure Development Corporation – Tarlac-Pangasinan-La Union Expressway (PDIC/TPLEX); Director of South Luzon Tollway Corporation – South Luzon Expressway (SLTC/SLEX), Ginebra San Miguel, Inc.; and San Miguel Yamamura Packaging Corp. In the past ten (10) years, Mr. Surio has served as the President of Philippine Technologies, Inc., Centech International, Inc., Cement Management Corporation and Cema Consultancy Services, Inc. He also became the Assistant Quality Control Head, Quality Control Head, Production Manager and Plant Manager of Northern Cement Corporation and a Laboratory Technician and Physical Tester for Republic Cement Corporation. Mr. Surio is a licensed Chemical Engineer with a Bachelor of Science degree in Chemical Engineering from University of Santo Tomas – College of Engineering.



LUIS A. VERA CRUZ JR.
Director

Luis A. Vera Cruz, 67, was elected as director of the Company in February 2017. He is currently a Counsel at Angara Abello Concepcion Regala & Cruz, a Legal Consultant of San Miguel Corporation, Corporate Secretary of Chemical Industries of the Philippines, Inc., and a Director of Philippine Resources Savings Banking Corporation and Cyber Bay Corporation. He previously served as Co-Managing Partner at Angara Abello Concepcion Regala & Cruz and Director of ACCRA Holdings, Inc. Mr. Vera Cruz holds a Master of Laws from Cornell University, a Bachelor of Laws Degree from the University of the Philippines College of Law, and a BS Business Administration Degree from the University of the Philippines College of Business Administration.



MELINDA GONZALES-MANTO
Independent Director

Melinda Gonzales-Manto, 65, was elected as an independent director of the Company in December 2016. She is also the chairperson of the Audit Committee and a member of the Corporate Governance Committee of the Company. She currently holds the following positions in other companies: Director and Vice-President of Linferd & Company, Inc. (a Global Accounting Solutions Company), Director and Vice President of ACB Corabern Holdings Corporation, and Independent Director of Bank of Commerce. She was a Partner at SGV & Co., Assurance and Advisory Business Services Division, and previously served as Board Member of The Philippine Retailers Association and as an Independent Member of the Board of Directors of the GSIS Family Bank. She is a Certified Public Accountant and holds a Bachelor of Science degree in Business Administration, Major in Accounting from the Philippine School of Business Administration. She is a Certified Public Accountant and holds a Bachelor of Science degree in Business Administration, Major in Accounting from the Philippine School of Business Administration. She also completed the Management Development Program at the Asian Institute of Management.



MANUEL P. DAWAY
Director

Manuel P. Daway, 70, has been the Vice-President for Operations of the Company since January 2010. He was elected as a director of the Company in February 2017. In the past ten (10) years, Mr. Daway has held the following positions in various corporations, namely: Project Director of CEMA Consultancy, an engineering and construction corporation; Vice-President for External Relations of Lafarge Cement Services Philippines Inc.; and Vice-President for Operations of Lafarge / Republic Cement Corporation. Mr. Daway is a licensed Electrical Engineer and holds a Bachelor of Science degree in Electrical Engineering from Mapua Institute of Technology.



RICARDO C. MARQUEZ
Independent Director

Ricardo C. Marquez, 57, was elected as an independent director of the Company in February 2017. He is currently a director of the Public Safety Mutual Benefit Fund, Inc. He previously held various positions in the Philippine National Police, eventually being promoted to Chief of the Philippine National Police. He also served as the Chairman of Public Safety Mutual Benefit Fund Inc. from July 2015 to June 2016. He has undergone various trainings and programs from the Institute of Corporate Directors, Harvard Kennedy School, and the Federal Bureau of Investigation National Academy, among others. He holds a Master's Degree in Management from the Philippine Christian University and a Bachelor of Science Degree from the Philippine Military Academy.



MARTIN S. VILLARAMA JR.
Independent Director

Martin S. Villarama, Jr., 70, was elected as an independent director of the Company in February 2017. He was the 166th member of the Supreme Court and served as a Supreme Court Justice from 2009 to 2016. He started his career in the judiciary in 1986, when he was appointed as Regional Trial Court Judge of Pasig City. He obtained his Bachelor of Laws degree from the Manuel L. Quezon University (MLQU) after completing BS in Business Administration from De La Salle University.



JOSE P. PEREZ
Independent Director

Jose P. Perez, 71, was elected as an independent director of the Company in February 2017. He served as a Justice of the Supreme Court from 2009 to 2016. He started his career in the Supreme Court in 1971 as a legal assistant. He rose from the ranks and became Assistant Court Administrator, Deputy Court Administrator, and Court Administrator. He holds a Bachelor of Laws Degree and Political Science Degree both from the University of the Philippines.

EXECUTIVE OFFICERS

JOHN PAUL L. ANG
President and
Chief Executive Officer

MANNY C. TENG
General Manager and
Chief Operating Officer

MONICA L. ANG-MERCADO
CFO and Treasurer / Vice President
for Business Support Group

MANUEL P. DAWAY
Vice President
for Operations

EDUARDO S. UY
Vice President for
Sales and Marketing

PAUL EUGENE G. SERRANO
Assistant Vice President for
Operations

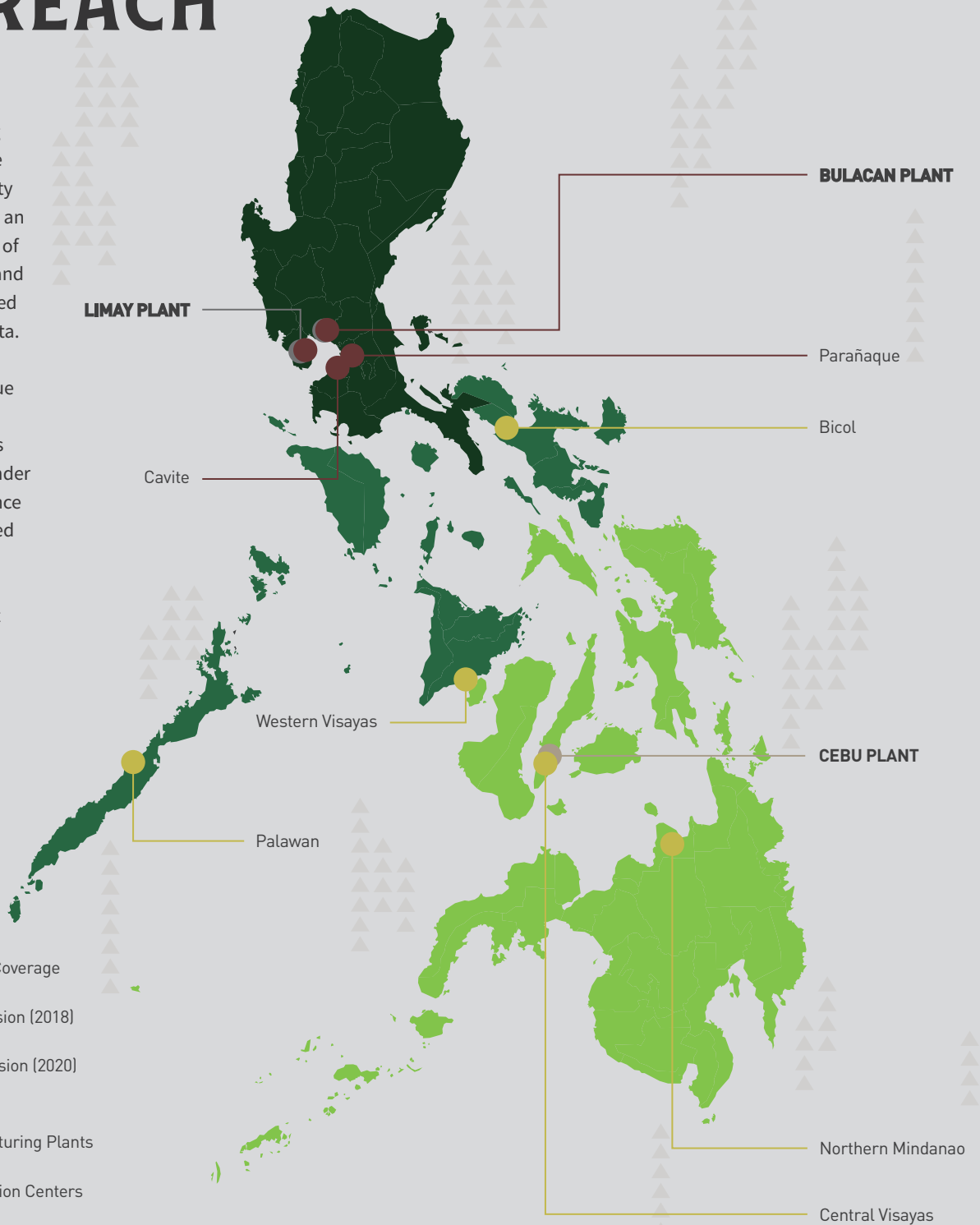
**MARIA FARAH Z.G.
NICOLAS-SUCHIANCO**
Corporate Secretary

MARLON P. JAVARRO
Assistant Corporate
Secretary

MARKET PRESENCE AND REACH

Eagle Cement is considered to be one of the leading players in areas with the highest economic activity in the Philippines. It has an estimated market share of 30% in NCR, Region III, and Region IV-A in 2016, based on internal company data.

EAGLE generates revenue from the sale of cement comprising cement bags for our dealer clients, under the Eagle Cement Advance and Eagle Cement Exceed brands, bulk cement for our institutional clients, under the Eagle Cement Strongcem brand.



- Existing Market Coverage
- 1st Market Expansion (2018)
- 2nd Market Expansion (2020)
- Existing Manufacturing Plants
- Existing Distribution Centers
- Expansion Manufacturing Plants
- Expansion Distribution Centers and Marine Terminals

FINANCIAL HIGHLIGHTS

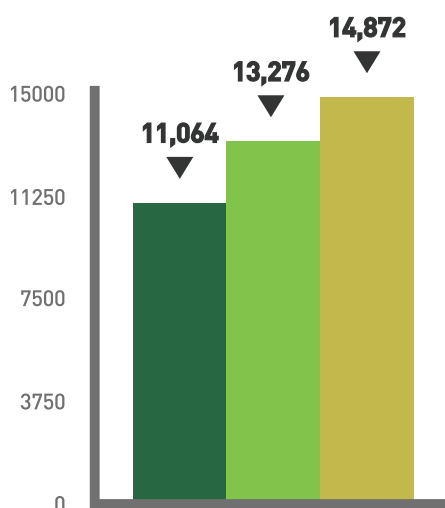
► The Company has always set its **EAGLE**-eye on becoming an industry leader. **EAGLE** has always been keen on growing the company while creating value.

SUSTAINED REVENUE GROWTH & HEALTHY MARGINS

FOR THE YEAR (IN PHP MILLIONS)

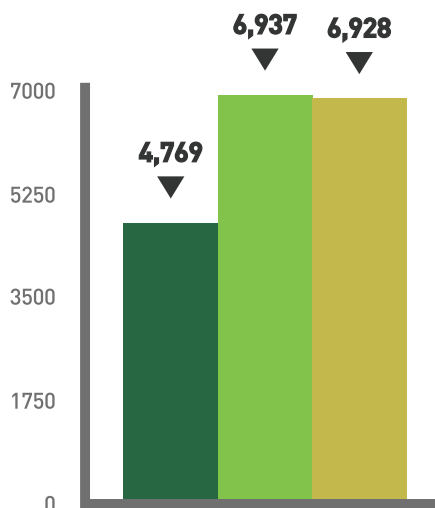
● 2015 ● 2016 ● 2017

NET SALES



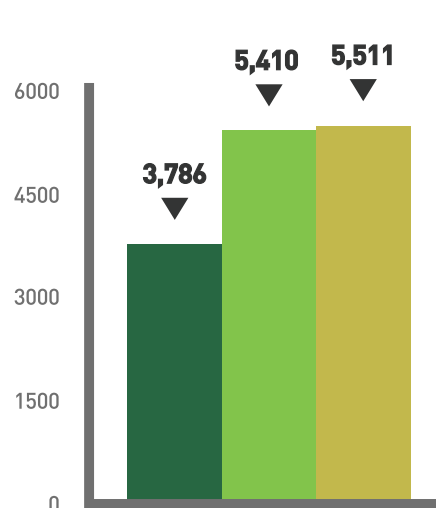
3-YEAR CAGR: 16%

GROSS PROFIT



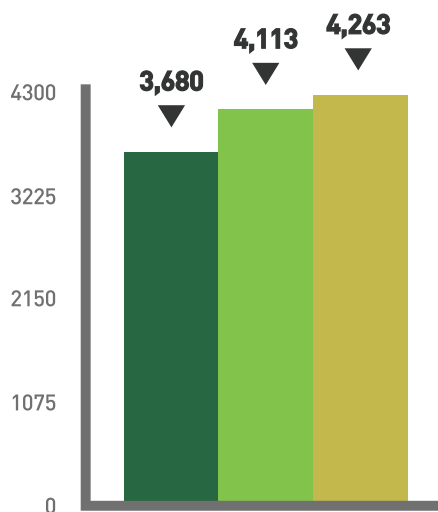
3-YEAR CAGR: 21%

NET INCOME BEFORE TAX



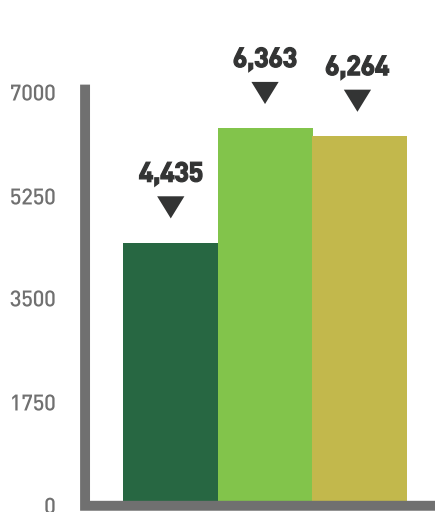
3-YEAR CAGR: 21%

NET INCOME AFTER TAX



3-YEAR CAGR: 8%

EBITDA

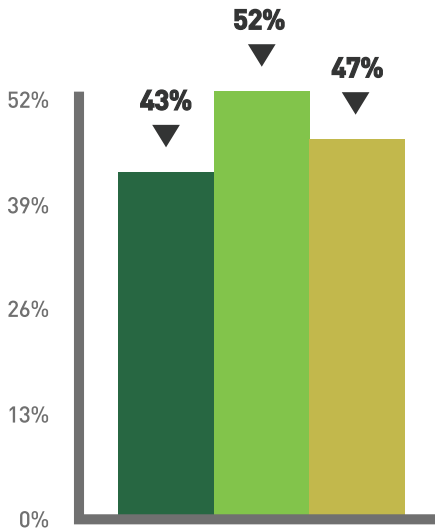


3-YEAR CAGR: 19%

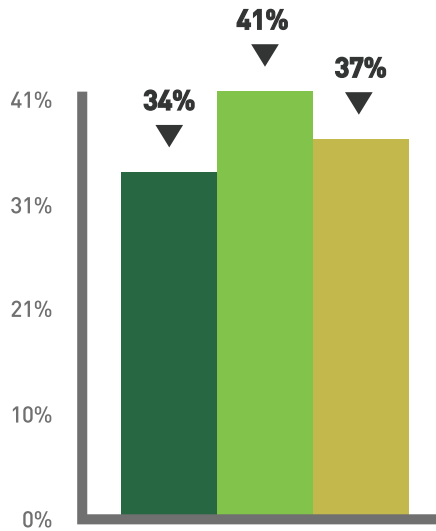
MARGINS

2015 2016 2017

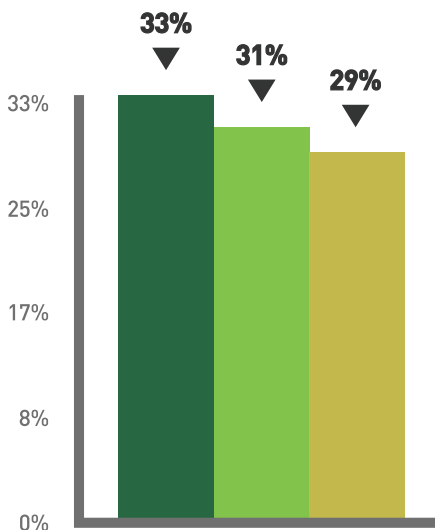
GROSS PROFIT



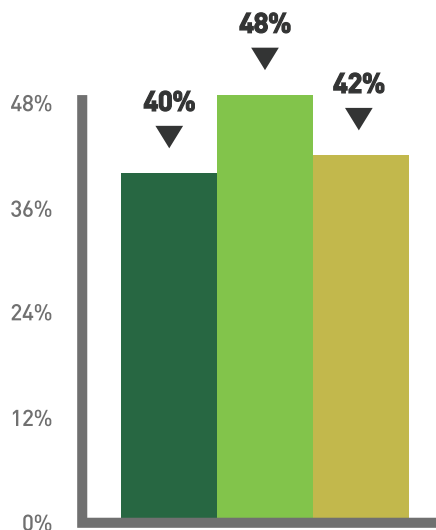
NET INCOME BEFORE TAX



NET INCOME AFTER TAX

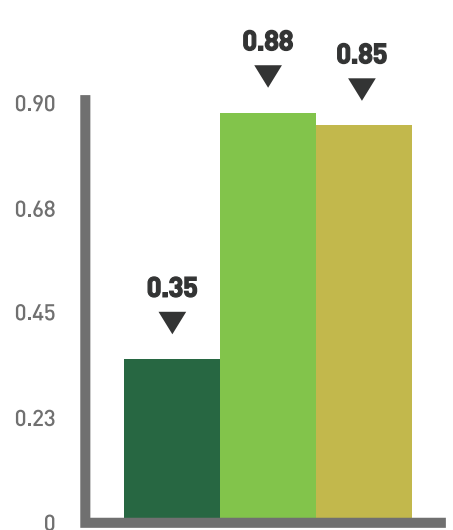


EBITDA



PER SHARE

BASIC EARNINGS



Amid tighter competition, which resulted in the drop of average price of cement, Eagle Cement Corporation was able to sustain its strong performance, as consolidated net income reached a new record high of Php 4.26 billion, 4% higher than the previous income of Php 4.11 billion reported in 2016. The remarkable results were driven primarily by a robust growth in sales volume and cost efficiencies through upgrading and debottlenecking of existing production lines.

Notwithstanding the spike in fuel and electricity cost, the company was able to sustain a healthy margin as gross profit retained at Php 6.93 billion. This was primarily due to the decrease in consumption of imported clinker as a result of efficient operation of the two production lines.

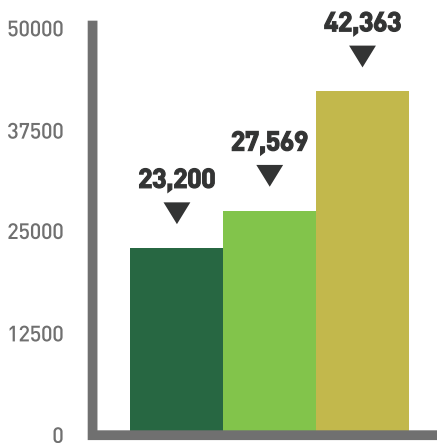
STRONG FINANCIAL POSITION & LIQUIDITY

AT YEAR END

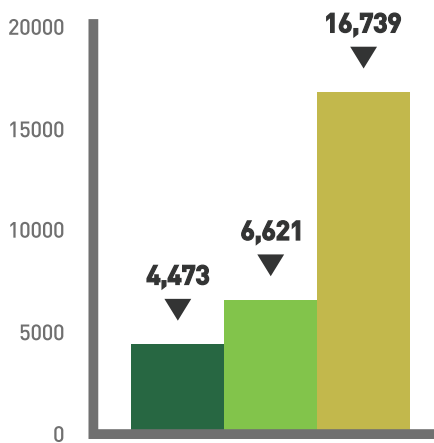
(IN PHP MILLIONS)

2015 2016 2017

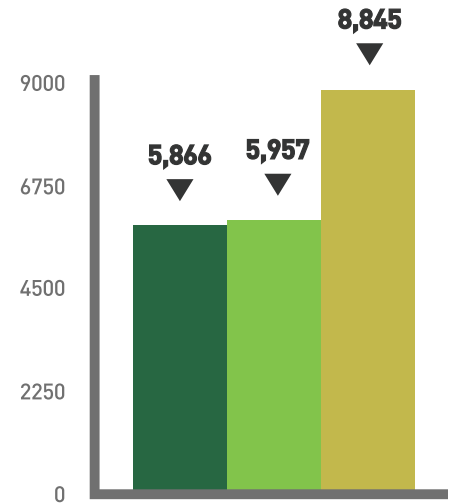
TOTAL ASSETS



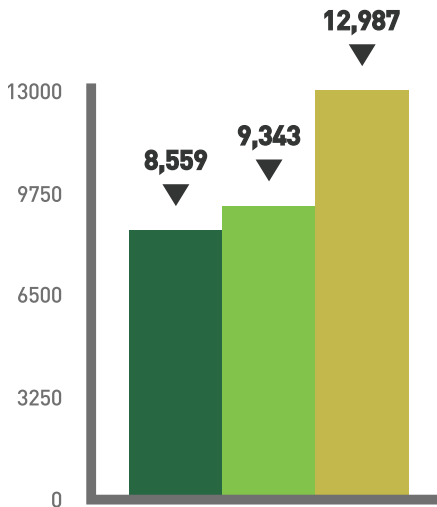
CASH AND CASH EQUIVALENTS



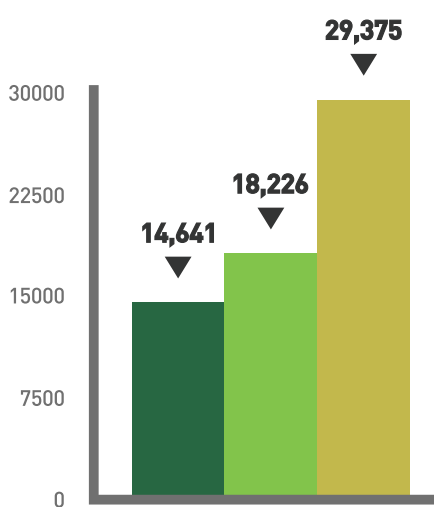
INTEREST BEARING DEBT



TOTAL LIABILITIES



TOTAL EQUITY



As of December 31, 2017, total consolidated assets amounted to Php 42.36 billion, 54% or Php 14.79 billion higher than December 2016 balance of Php 27.57 billion. This is primarily due to the unutilized net proceeds from the IPO of the Company and additions to Property, Plant, and Equipment in relation to the construction of the third production line.

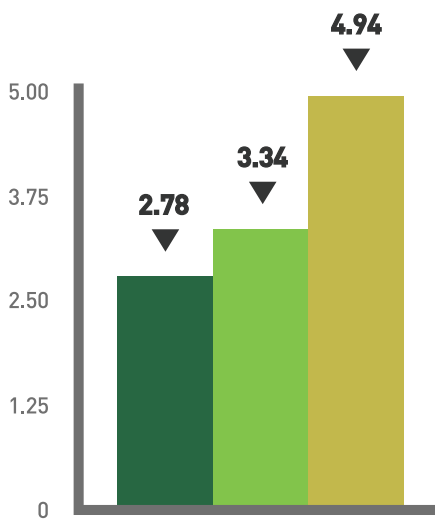
On the other hand, total liabilities increased by 39% or Php 3.64 billion largely due to additional drawdown on Term Loan Security and Facility Agreement.

Total equity surge by 61% to Php 29.38 billion essentially due to the issuance of five hundred million (500,000,000) common stock through initial public offering and net income generated during the year which was partially reduced by cash dividend payment.

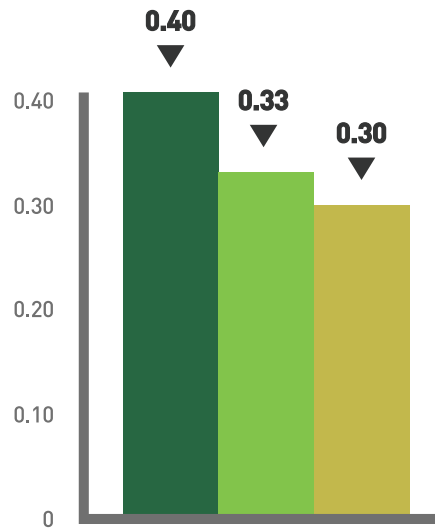
FINANCIAL RATIOS

● 2015 ● 2016 ● 2017

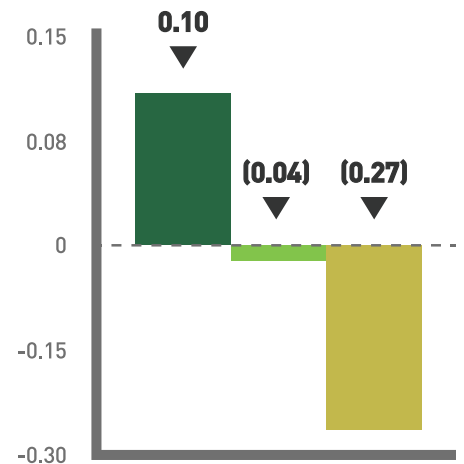
CURRENT RATIO



GEARING RATIO



NET DEBT TO EQUITY RATIO



RESULTS OF OPERATION

260,500

BAGS OF CEMENT
PER DAY, ON AVERAGE

100,000,000

BAGS OF CEMENT
FOR THE YEAR

20,764,173 KWH

ENERGY SAVED

12,524,949 KG

LESS CO₂ EMISSION



► Eagle's ability to produce its own clinker is more efficient for material cost, and allows more control over product quality.

► Installing vertical mills lessen power consumption, which positively impacts Eagle's cost efficiency.



CORPORATE SOCIAL RESPONSIBILITY

► No matter how high **EAGLE** has soared, the Company has always kept its feet on the ground—keeping true to its promise to develop and serve its local communities and maintain the highest of standards in the responsible use and rehabilitation of natural resources.

Corporate social responsibility is part of our Company’s business model. We take sustainable development to heart and we believe in a business approach that benefits

the stakeholders socially, economically, and environmentally. Our facilities are environmentally friendly and we are committed to the progress of the communities we work and live in.

The eagle is the symbol of our willingness and commitment to take our host communities under our wings the same way they have accepted Eagle Cement Corporation into their communities.

F.L.I.G.H.T. PROGRAMS

- ▶ F.L.I.G.H.T. is the integration of all Social Development and Management Programs and corporate responsibility programs run by **EAGLE's** Mining and Sustainability Department.

F.L.I.G.H.T. is **EAGLE's** guide in executing all Community Relations related programs and initiatives.

FAMILY AND COMMUNITY

EAGLE believes that as the most basic unit of society, taking care of the Family is most integral in its efforts to nurture and care for communities under its wings.

- Values Formation Programs
- Community Building Programs
- Sponsorship and Participation in Barangay Activities
- Community Outreach Programs
- Tree Planting
- Clean-Up Drive
- Solid Waste Management

GROWTH AND DEVELOPMENT

At **EAGLE**, we do not only help start progress, we help follow-through. By providing skills training, we help set the road towards personal progress.

- Shielded Metal Arc Welding NC2 Training
- Electrical Installation and Maintenance NC2 Training
- Massage Therapy NC2 Training
- Beauty Care and Hair Dressing
- Motorcycle Repair

LIVELIHOOD AND EMPLOYMENT

At the heart of **EAGLE's** commitment to better lives are its efforts to help people help themselves by teaching and enhancing skills and providing opportunities for better and longer- term employment.

- Seed Capital for Farmers
- Water Farm Reservoir
- Farm Tools and Equipment
- Financial and Technical Support
- Establishment of Barangay Nursery

HEALTH AND EMERGENCY RESPONSE

EAGLE's eyes are set keen on the future. We do not only help build better lives but also help prepare for unforeseen events.

- Weekly Free Clinic
- Medical and Dental Mission
- Flu Vaccination
- Medical Tools and Equipment for Barangay Health Center
- Feeding Programs

INFRASTRUCTURE SUPPORT

EAGLE is in the business of building infrastructure. We believe in expanding horizons by providing better access through better roads and stronger bridges.

- Road Concreting
- Installation of Streetlights
- Construction of School Classrooms
- Construction of Water System
- Cement Provision for Various Community Infrastructure Projects

TECHNOLOGY AND EDUCATION

As a proponent of progress, **EAGLE** is aware of the ever-changing trends in technology and development. We strive to keep in step with the times and commit to help our beneficiaries be prepared to face modern and future challenges.

- Scholarship Programs
- Provision of Books
- School Bus
- Allowance for Day Care Workers
- Cement Donation for Various School Facilities Improvement
- Teacher's Training
- Feeding Program
- Support to Alternative Learning System
- Construction of Classrooms



Ang Eagle Cement Corporation ay malaki ang naitulong sa pag-unlad ng Barangay Akle at mamayanan nito dahil sa kanilang mga programang pang-infrastruktura, edukasyon, agrikultura, kalusugan, at hanapbuhay. Ang Social Development and Management Programs (SDMP) ay siyang naging daan upang maisakatuparan ng mga nanunungkulan ang mga proyektong may kakulangan sa pondo.

Dahil rin sa tulong ng Community Relations Officer at ang kanyang grupo, nagkaroon ng komunikasyon sa pagitan ng barangay at ng **EAGLE**, upang maisakatuparan at mapag-aralan ang bawat proyektong may kapakinabangan.

Noon ang Barangay Akle ay isang simpleng barangay lamang na may katahimikan ang bawat mamamayan. Ngayon, malaki na ang ipinagbago ng barangay sa larangan ng imprastruktura, edukasyon, kalusugan, at agrikultura.”

*“**Eagle Cement Corporation has significantly helped** in the development of Barangay Akle and its residents because of its programs for infrastructure, education, agriculture, health, and entrepreneurship.*

*Through the help of the Community Relations Officer and her group, there is communication between the barangay and **EAGLE**, to study and carry out each beneficial project.*

Before Barangay Akle was just a simple community with people living modest lives. Now, the barangay has improved a lot in terms of infrastructure, education, health, and agriculture.”

VALERIANO DEL ROSARIO

Barangay Captain
Barangay Akle



“Ang Eagle Cement ay nakakatulong sa mga proyekto ng aming barangay sa mga larangan tulad ng edukasyon, agrikultura, at kalusugan. Sila ay nag bibigay ng financial assistance para sa mag-aaral, pagpapagawa ng school at mga daan. Ang **EAGLE** ay nagbibigay rin ng mga binhi sa ating mga magsasaka. Dahil sa kanila, mayroon ring check-up every week at tayo ay nakakapagbigay ng vaccine sa mga senior citizen.

Noong wala pa ang Eagle Cement, ang mga tao sa aming barangay ay mag-uuling at tumataga ng buho. Pero ngayon, halos lahat ng trabahador ng Eagle Cement ay mga mamamayan ng Akle.”

*“**Eagle Cement has helped** in our barangay projects for education, agriculture, and health. They provide students with financial assistance, and build school buildings and roads. **EAGLE** also give our farmers seed capital. Because of them, we have weekly check-ups and we are able to give vaccines to senior citizens.*

Before Eagle Cement came in, our barangay residents made charcoal and cut bamboo for a living. But now, almost every Eagle Cement worker is a resident of Akle.”

JENNIFER SULIT

Barangay Kagawad
Barangay Akle

“Para sa akin, maraming natulungan at nabigyan ng trabaho ang **EAGLE**. Marami rin silang naipagawa na school, at nabigyan ng scholarship at service shuttle ang mga mag-aaral. Ito ay malaking tulong para sa mga magulang. Marami pang proyekto ang **EAGLE** na nakatulong sa amin. Maraming Salamat po sa Eagle Cement!

Guminhawa ang aming pamumuhay. Noon, pangit ang kalsada ngunit ngayon, sementado na. Dati ay walang doctor at libreng gamot, ngayon ay nagkaroon na. Kaya para sa akin, malaki ang pagbabago dito, malaki nag naitulong ng **EAGLE**.”

*“For me, **EAGLE has helped** and given jobs to numerous people. They have also put up many schools, and given scholarships and shuttle services to the students. This is a huge help for the parents. **EAGLE** has many more projects that have helped us. Thank you Eagle Cement!*

*Our lives have progressed. Before, the road was in bad condition but now, it's paved with cement. Before there were no doctors and free medicine, we have that now. For me, a lot has changed here, **EAGLE** has helped a lot.”*

JOEBERT ESGUERRA

President
Akle Farmers Producer's Cooperative



“Malaking tulong po ang **EAGLE** at ang kanilang mga programa katulad ng iskolarship at feeding program sa pag-angat ng antas at pagkakatuto ng mga bata sa Akle High School. Nakatulong din ang pag-iimprove ng pasilidad, gaya nalang ng gym at bakod, sa pagkatuto ng mga bata.

Mula sa isang simpleng pamayanan, masasabi ngayon na ang Akle ay dumaraan sa mabilis na pag-unlad dahil sa pagsigla ng ekonomiya, unlad na mga pasilidad, maayos na farm-to-market road. Higit sa lahat, dahil sa trabaho na likha ng operasyong ng planta, nagbago ng pamumuhay ng mga tao.

Unti-unti ring nagkakaroon ng mga skills ang mga tao sa pamamagitan ng isinasagawang skills training at community education. Ito ay naglalayong maghatid ng kaalamang magagamit ng mga tao sa paghahanapbuhay at pagkakaroon ng trabaho, kagaya na lang ng Shield Metal Arc Welding (SMAW) training, beauty care training, at iba pa.”

*“**EAGLE and its programs such as, scholarships and feeding programs, have helped** significantly with the advancement of grade levels and how the students of Akle High School learn. The improvement of facilities like the gym and fence have also helped with the students' education.*

From a simple community, we can say that Akle is now undergoing rapid development because of the healthy economy, developed facilities, improved farm-to-market road. Most of all, because of the jobs created by the plant operations, the people's lives have improved.

Little by little, people are gaining skills through the skills training and community education being held. This aims to deliver information people can use for their livelihood such as Shield Metal Arc Welding (SMAW) training, beauty care training, among others.”

BIENVENIDO GUEVARRA

Principal
Akle High School



CORPORATE GOVERNANCE

- ▶ In its pursuit of growth and global leadership, **EAGLE** maintains the highest standards in efficiency, flexibility, innovation, and integrity. It is a company with both a heart and a conscience — keen on building a better future for all.

We value transparency and accountability in creating value for our customers, shareholders, and the community. Good governance, sound business practices, and compliance with the laws are our commitment to our stakeholders.

EAGLE CODE OF ETHICS

This code of ethics applies to all Eagle employees, including members of the executive office, management and board committees. It provides an outline of the general expectations and sets standards by which employees are expected to conduct themselves.

Employees are required to disclose annually any business and family - related transactions to ensure that potential conflicts of interest are brought to management's attention. Compliance to the law and appropriate ethical standards of Eagle promote the personal integrity and create a strong corporate culture within the company.

EAGLE GIFTS AND GRATUITY POLICY

All Eagle employees and officers are prohibited from requesting, accepting or offering any form of gifts or gratuities in connection with any corporate expenditure, sale of goods or services from all vendors, suppliers, customers, co-employees, contractors, consultants, potential employees, politicians, potential vendors or suppliers, and any other individual or organization.

Gifts and gratuities include, but are not limited to, cash, tickets to events, sports and entertainment in general, paid vacations, electronic equipment, liquor, food, substantial favors and other items of value given by co-employees and third parties (e.g. vendors, suppliers, customers, contractors, consultants, potential employees, politicians, potential vendors or suppliers, and any other individual or organization to employees or officers with whom they transact, whether directly or indirectly, in relation to Eagle business dealings, and regardless of the place where such gifts are offered to or received by an employee or officer.)

All efforts must be employed in the non-acceptance or the act of returning such gifts or gratuities received; these attempts or actual receipt of such favors must be reported/registered to the management and Ethics Committee.

ANTI-FRAUD POLICY

The term “*fraud*”, used in this Policy, refers generally to any intentional act committed to secure an unfair or unlawful gain including, but not limited to, fraud, corruption, theft, and other similar irregularities that reflect actual or potential:

- Misrepresentation in Eagle’s publicly released financial statements or other public disclosures;
- Misappropriation or theft of Eagle’s asset such as cash, inventories, corporate certificate, plant blueprints, material documents, equipment, tools or supplies;
- Unlawfully obtained revenue, expenses and assets or unlawful avoidance of costs and expenses;
- Claiming reimbursement for fictitious expenses;
- Commercial bribery or bribery of a government official or other violation of anti-corruption laws; or
- Improper payment schemes such as employees or Directors of Eagle seeking or accepting from, paying or offering to, suppliers or business partners, kickbacks or gifts intended to or which may appear to influence business judgment.

EAGLE WORKPLACE ETHICAL RELATIONSHIP POLICY

Employees are prohibited or must refrain from having personal close ties with suppliers, clients/distributors and co-employees in any kind of mutually benefiting relationship (i.e. sponsorship or god-parenting by way of marriage or baptism activities, romantic or sexual ties, etc.). Superiors (i.e. supervisor, manager) should avoid accepting invitations to be a godparent of a subordinate, colleague or any employee within his scope of influence and vice versa. With that, the company also extremely discourages any romantic relationships between:

- Employee and contractor, supplier, customer; and
- Immediate superior and subordinate; Superior with indirect subordinate, but has the power/influence over certain department and/or within the department.

These relationships may bring potential conflict to the business interest of the company.

In addition, this rule is to maintain an ethical standard and fairness during the job evaluation of any respective subordinate and undue treatment in general working conditions. Affected employees must report to Human Resources via updating their FBID forms or whenever a new entrant/applicant to the company is related. Employees with direct or indirect contacts with vendors, distributors, contractors should strictly avoid from accepting or soliciting sponsorships/god-parenting from these third parties. For existing relations like this, granting or acceptance of any excessive gifts is also discouraged and should be reported to the company through FBID’s Declaration of Gifts form. This may influence ethical relationships concerning the company’s interaction with vendors, distributors, and contractors.

EAGLE WHISTLE-BLOWING POLICY

Eagle’s Whistle-blowing Policy is intended to encourage and enable employees and partners in business to raise serious concerns within the company.

The Eagle Whistle-blowing Policy identifies who could be whistleblowers, laying down the matters that are reportable hereunder, the procedures for whistle blowing, as well as their rights and responsibilities under the said policy.

AWARDS AND RECOGNITIONS

- ▶ **EAGLE** has an ongoing commitment to sustainable development. The company grows not only to create a lasting and more profitable brand; it flies high in order to make greater contributions to the community, protect the environment, develop infrastructure, and change lives for the better.

WINNER OF PMIEA

Presidential Mineral Industry Award for three consecutive years 2014- 2016 - TITANIUM AWARD IN QUARRY OPERATION CATEGORY

EAGLE has also been given the accolade in recognition of its environmentally friendly mining practice by the Chamber of Mines of the Philippines (COMP). The prestigious award is annually given to mining companies who have exemplary practices in safety and health, environmental protection and rehabilitation, and community and social development and management.

WINNER, DON EMILIO ABELLO AWARDS, 2016-17

The Department of Energy (DOE) led by Secretary Alfonso G. Cusi honored Eagle Cement Corporation in the prestigious Don Emilio Abello Energy Efficiency Awards (DEAEE) held on December 9, 2016. The said award is given to a company that has shown improvement on its Specific Energy Consumption (SEC) by 3%.

On September 27, 2017, **EAGLE** was again awarded by DOE as it was able to achieve more than the 5% required improvement on the energy efficiency performance with a 30% improvement on its energy efficiency performance.

Aside from the Outstanding Award, Danilo Madariaga, Eagle Cement Corporation, Process Control Manager, will also be



honored with an Outstanding Energy Manager Award being the appointed Energy Conservation (ENERCON) Manager of the company.

EAGLE has not only generated millions of pesos of savings from this Energy Conservation (ENERCON) program, but has also achieved significant carbon offset by decreasing its emission of CO2 by about 19.25 million kilograms. This is in line with **EAGLE**'s aim to actively minimize Greenhouse Gas Emission (GHG) and to actively participate in the worldwide pursuit to fight Climate Change.

IMS CERTIFICATION

Eagle Cement Corporation was recently awarded a certification by TÜV SÜD PSB Philippines for its Integrated Management System (IMS) initiatives.

TÜV SÜD is an international certification organization. It conducts comprehensive testing, inspection, auditing, training and certification of integrated services, and processes for various industries, including manufacturing.



▶ **FINANCIAL STATEMENTS**



INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Eagle Cement Corporation and Subsidiaries
No. 153 EDSA Barangay Wack-Wack
Mandaluyong City

Opinion

We have audited the accompanying consolidated financial statements of Eagle Cement Corporation and Subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2017 and 2016, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended December 31, 2017, 2016 and 2015, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2017, 2016 and 2015 in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

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

Key Audit Matters

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



Accounting for Financial Assets Arising from Public Listing

As discussed in Note 1 to the consolidated financial statements, the Group was listed and traded in the Philippine Stock Exchange (PSE) through an Initial Public Offering (IPO) on May 29, 2017. Proceeds from the IPO amounted to ₱7,500.0 million, of which ₱531.6 million was spent for expenses incurred during the IPO. This is considered as a key audit matter because the amount of proceeds from the IPO is substantial in relation to the consolidated financial statements as a whole and due to the PSE's requirement for the validation of the utilization of proceeds from public listing.

We have performed audit procedures to validate the collection, recording and utilization of proceeds from public listing. We have also assessed the propriety of recognition, classification and measurement of the recognized financial assets from proceeds of the IPO. In addition, we have validated against supporting documents the amount of spending from the IPO proceeds and ascertain appropriate recording in the Group's consolidated financial statements.

Accounting for Property, Plant and Equipment

As discussed in Note 11 to the consolidated financial statements, the Group is currently constructing its third production facility with an estimated construction cost of ₱7,000.0 million, of which ₱3,987.6 million was incurred as at December 31, 2017. This facility is expected to produce additional 2.0 million metric tonnes of cement. This is a key audit matter due to the significance of the amount incurred during construction. We have assessed the completeness of costs incurred during the construction, including capitalization of borrowing costs and any directly attributable costs arising from the construction.

Revenue Recognition

The Group manufactures, markets, sells and distributes cement products and by-products. As discussed in Note 20 to the consolidated financial statements, net sales of the Group amounted to ₱14,872.5 million in 2017 arising from sales to its customers. The Group recognizes sales to customers when goods are delivered, the title to the goods has passed to the buyer and the amount of revenue can be measured reliably.

We determined that the revenue recognition of the Group is a key audit matter due to the inherent risk related to the completeness, existence and accuracy of the revenue arising from the Group's arrangements with its key customers and dealers. We have performed an understanding of the revenue cycle and revenue recognition policy of the Group. Further, we have reviewed the arrangement with these customers and dealers vis-à-vis its transaction during the year to determine proper revenue recognition. We have also ascertained that the Group has effective financial reporting applications in its system to support proper and complete recording of revenues.

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, 2017, but does not include the consolidated financial statements and our auditors' report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2017 are expected to be made available to us after the date of this auditors' 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 audit 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 audit 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 PFRS, 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.

Auditors' 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 auditors' 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 PSA 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 PSA, 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 auditors' 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group 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 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 auditors' 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 auditors' report is Joseph C. Bilangbilin.

REYES TACANDONG & Co.

JOSEPH C. BILANGBILIN

Partner

CPA Certificate No. 102884

Tax Identification No. 210-181-965-000

BOA Accreditation No. 4782; Valid until December 31, 2018

SEC Accreditation No. 1541-A

Valid until May 1, 2019

BIR Accreditation No. 08-005144-011-2017

Valid until March 8, 2020

PTR No. 6607961

Issued January 3, 2018, Makati City

March 15, 2018

Makati City, Metro Manila



EAGLE CEMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		December 31	
	Note	2017	2016
ASSETS			
Current Assets			
Cash and cash equivalents	5	₱16,738,683,868	₱6,620,887,569
Financial assets at fair value through profit or loss (FVPL)	6	215,626,947	–
Trade and other receivables	7	643,845,666	484,877,566
Inventories	8	1,613,291,624	1,373,998,303
Other current assets	9	824,329,394	728,992,144
Total Current Assets		20,035,777,499	9,208,755,582
Noncurrent Assets			
Available-for-sale (AFS) financial assets	10	184,280,325	181,013,250
Property, plant and equipment	11	20,625,848,694	15,773,999,767
Investment properties	12	587,430,000	577,800,000
Intangible assets	13	193,379,822	194,098,938
Other noncurrent assets	14	735,832,279	1,633,099,392
Total Noncurrent Assets		22,326,771,120	18,360,011,347
		₱42,362,548,619	₱27,568,766,929
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	15	₱3,272,206,156	₱2,348,281,309
Current portion of loans payable	16	522,240,494	–
Income tax payable		261,610,493	411,720,888
Total Current Liabilities		4,056,057,143	2,760,002,197
Noncurrent Liabilities			
Loans payable - net of current portion	16	8,322,574,321	5,957,076,062
Net retirement benefits liability	25	28,874,113	29,621,321
Provision for mine rehabilitation and decommissioning	17	27,318,208	26,125,315
Net deferred tax liabilities	27	552,423,148	570,072,756
Total Noncurrent Liabilities		8,931,189,790	6,582,895,454
Total Liabilities		12,987,246,933	9,342,897,651
Equity			
Capital stock	18	8,000,000,005	7,500,000,002
Additional paid-in capital		6,525,506,119	–
Retained earnings:			
Appropriated		3,500,000,100	3,500,000,000
Unappropriated		10,000,182,366	5,961,748,578
Other equity reserves		1,349,613,196	1,264,120,698
Treasury stock		(100)	–
Total Equity		29,375,301,686	18,225,869,278
		₱42,362,548,619	₱27,568,766,929

See accompanying Notes to Consolidated Financial Statements.

EAGLE CEMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	Years Ended December 31		
		2017	2016	2015
NET SALES	20	₱14,872,481,027	₱13,275,952,635	₱11,064,531,576
COST OF GOODS SOLD	21	7,944,609,717	6,339,354,109	6,295,314,045
GROSS PROFIT		6,927,871,310	6,936,598,526	4,769,217,531
OPERATING EXPENSES	22	1,402,663,926	1,293,523,020	826,477,140
INCOME FROM OPERATIONS		5,525,207,384	5,643,075,506	3,942,740,391
FINANCE COSTS	16	(389,737,492)	(375,468,671)	(241,766,548)
INTEREST INCOME	5	222,815,663	89,001,566	61,475,979
OTHER INCOME - Net	23	153,153,930	53,803,426	24,032,820
INCOME BEFORE INCOME TAX		5,511,439,485	5,410,411,827	3,786,482,642
INCOME TAX EXPENSE (BENEFIT)	27			
Current		1,300,894,673	1,277,729,580	75,061,454
Deferred		(52,889,076)	19,922,686	31,749,744
		1,248,005,597	1,297,652,266	106,811,198
NET INCOME		4,263,433,888	4,112,759,561	3,679,671,444
OTHER COMPREHENSIVE INCOME (LOSS)				
<i>To be reclassified to profit or loss in subsequent periods</i>				
Unrealized gain (loss) on AFS financial assets	10	3,267,075	(533,400)	6,534,150
<i>Not to be reclassified to profit or loss in subsequent periods</i>				
Revaluation of land (net of deferred tax expense)	11	71,822,759	43,558,933	42,400,938
Remeasurement gains on net retirement benefits liability (net of deferred tax expense)	25	10,402,664	4,378,028	572,284
		82,225,423	47,936,961	42,973,222
		85,492,498	47,403,561	49,507,372
TOTAL COMPREHENSIVE INCOME		₱4,348,926,386	₱4,160,163,122	₱3,729,178,816
Basic/Diluted Earnings Per Share	31	₱0.85	₱0.88	₱0.35

See accompanying Notes to Consolidated Financial Statements.

EAGLE CEMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Note	Capital Stock - ₱1. par value		Additional Paid-in Capital	Retained Earnings			Other Equity Reserves			Treasury Stock	Total Equity
		Common Stock	Preferred Stock		Appropriated	Unappropriated	Financial Assets Gains on AFS	Revaluation Surplus (Net of Deferred Tax)	Cumulative Remeasurement Gains on Net Retirement Benefits Liability (Net of Deferred Tax)	Deferred Tax		
Balances as at December 31, 2016		₱4,500,000,002	₱3,000,000,000	₱-	₱3,500,000,000	₱5,961,748,578	₱6,000,750	₱1,253,265,241	₱4,854,707	₱-	₱18,225,869,278	
Net income		-	-	-	4,263,433,888	-	-	-	-	-	4,263,433,888	
Other comprehensive income		-	-	-	-	-	3,267,075	71,822,759	10,402,664	-	85,492,498	
Issuance of common stock during the year	18	500,000,003	-	6,525,506,119	-	-	-	-	-	-	7,025,506,122	
Acquisition of common stock	18	-	-	-	-	-	-	-	-	(100)	(100)	
Appropriations during the year		-	-	-	100	(100)	-	-	-	-	-	
Cash dividends declared	18	-	-	-	-	(225,000,000)	-	-	-	-	(225,000,000)	
Balances as at December 31, 2017		₱5,000,000,005	₱3,000,000,000	₱6,525,506,119	₱3,500,000,100	₱10,000,182,366	₱9,267,825	₱1,325,088,000	₱15,257,371	(₱100)	₱29,375,301,686	
Balances as at December 31, 2015		₱500,000,000	₱3,000,000,000	₱-	₱4,000,000,000	₱5,923,989,017	₱6,534,150	₱1,209,706,308	₱476,679	₱-	₱14,640,706,154	
Net income		-	-	-	-	4,112,759,561	-	-	-	-	4,112,759,561	
Other comprehensive income (loss)		-	-	-	-	-	(533,400)	43,558,933	4,378,028	-	47,403,561	
Common stock dividends	18	4,000,000,000	-	-	-	(4,000,000,000)	-	-	-	-	-	
Issuance of common stock to independent directors	18	2	-	-	-	-	-	-	-	-	2	
Stock transaction costs		-	-	-	-	(20,000,000)	-	-	-	-	(20,000,000)	
Reversal of appropriations	18	-	-	-	(4,000,000,000)	4,000,000,000	-	-	-	-	-	
Appropriations during the year	18	-	-	-	3,500,000,000	(3,500,000,000)	-	-	-	-	-	
Cash dividends declared and paid	18	-	-	-	-	(555,000,000)	-	-	-	-	(555,000,000)	
Balances as at December 31, 2016		₱4,500,000,002	₱3,000,000,000	₱-	₱3,500,000,000	₱5,961,748,578	₱6,000,750	₱1,253,265,241	₱4,854,707	₱-	₱18,225,869,278	

	Note	Capital Stock - ₱1 par value		Retained Earnings		Cumulative Unrealized Gains on AFS Financial Assets	Revaluation Surplus (Net of Deferred Tax)	Cumulative Remeasurement Gains (Losses) on Net Retirement Benefits Liability (Net of Deferred Tax)	Total Equity
		Common Stock	Preferred Stock	Appropriated	Unappropriated				
Balances as at December 31, 2014		₱3,500,000,000	₱-	₱4,900,000,000	₱1,434,317,573	₱-	₱1,167,305,370	(₱95,605)	₱11,001,527,338
Net income		-	-	-	3,679,671,444	-	-	-	3,679,671,444
Other comprehensive income		-	-	-	-	6,534,150	42,400,938	572,284	49,507,372
Conversion of common stock to preferred stock	18	(3,000,000,000)	3,000,000,000	-	-	-	-	-	-
Reversal of appropriations		-	-	(4,900,000,000)	4,900,000,000	-	-	-	-
Appropriations during the year	18	-	-	4,000,000,000	(4,000,000,000)	-	-	-	-
Cash dividends declared and paid	18	-	-	-	(90,000,000)	-	-	-	(90,000,000)
Balances as at December 31, 2015		₱500,000,000	₱3,000,000,000	₱4,000,000,000	₱5,923,989,017	₱6,534,150	₱1,209,706,308	₱476,679	₱14,640,706,154

See accompanying Notes to Consolidated Financial Statements.

EAGLE CEMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

		Years Ended December 31		
	Note	2017	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		₱5,511,439,485	₱5,410,411,827	₱3,786,482,642
Adjustments for:				
Depreciation and amortization	11	585,907,433	666,421,928	468,119,997
Finance costs	16	389,737,492	375,468,671	241,766,548
Interest income	5	(222,815,663)	(89,001,566)	(61,475,979)
Recovery of claims from tax credit	23	(39,610,708)	–	–
Retirement benefits costs	25	13,548,386	12,431,506	12,012,367
Fair value changes in investment properties	12	(9,630,000)	(146,485,843)	–
Dividend income	23	(6,799,819)	(6,794,448)	(1,702,013)
Gain on sale of property, plant and equipment	23	(6,382,827)	(19,497,183)	(250,089)
Trading loss (gain) on financial assets FVPL	23	(5,190,446)	–	4,785,679
Unrealized foreign exchange losses (gains) - net		305,461	13,920,906	(22,981,397)
Write-off of investment property	12	–	102,661,000	–
Loss on early debt extinguishment	16	–	100,385,644	–
Operating income before working capital changes		6,210,508,794	6,419,922,442	4,426,757,755
Decrease (increase) in:				
Trade and other receivables		(132,028,285)	(175,113,836)	282,701,147
Inventories		(196,793,963)	(317,637,401)	(318,438,222)
Other current assets		(136,466,282)	428,318,671	752,950,328
Other noncurrent assets		(10,690,452)	49,581,134	(70,515,806)
Increase in trade and other payables		936,504,881	225,938,931	446,073,147
Net cash generated from operations		6,671,034,693	6,631,009,941	5,519,528,349
Income taxes paid		(1,411,394,360)	(509,201,407)	(422,440,178)
Interest received		198,358,434	86,062,463	57,763,501
Contributions to plan asset		–	–	(22,184,611)
Retirement benefits paid		–	–	(1,058,204)
Net cash provided by operating activities		5,457,998,767	6,207,870,997	5,131,608,857
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to:				
Property, plant and equipment		(4,688,709,718)	(2,231,144,174)	(2,591,742,094)
Deposit on asset purchase		(556,262,913)	(95,050,399)	(463,759,582)
Financial assets at FVPL		(239,544,001)	–	–
Acquisition of subsidiaries (net of cash acquired)	4	–	(385,102,332)	(533,975,157)
Advances for future investment		–	(359,775,000)	(320,629,969)
AFS financial assets		–	(56,250,000)	(118,762,500)
Intangible assets		–	(4,000,000)	–
Proceeds from sale of:				
Financial assets at FVPL		29,107,500	–	34,881,395
Property, plant and equipment		7,256,946	144,196	250,089
Refund from cancellation of advances for future investment		680,404,969	–	–
Collection of finance lease receivables	30	12,229,713	4,618,310	–
Dividends received		6,797,075	5,095,179	1,702,013
Net cash used in investing activities		(4,748,720,429)	(3,121,464,220)	(3,992,035,805)

	2017	2016	2015
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from:			
Initial public offering	₱7,500,000,000	₱-	₱-
Loan availment	16 2,900,000,000	6,000,000,000	-
Payments of:			
Initial public offering expenses	18 (474,493,881)	-	-
Interest	(338,446,774)	(332,181,401)	(379,347,980)
Dividends	18 (180,000,000)	(555,000,000)	(90,000,000)
Loans payable	-	(5,967,949,076)	(452,590,821)
Debt issuance costs	-	(49,354,839)	-
Stock transaction costs	-	(20,000,000)	-
Acquisition of treasury stock	18 (100)	-	-
Issuance of common stock to independent directors	18 3	2	-
Net cash provided by (used in) financing activities	9,407,059,248	(924,485,314)	(921,938,801)
NET INCREASE IN CASH AND CASH EQUIVALENTS	10,116,337,586	2,161,921,463	217,634,251
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	1,458,713	(13,920,906)	22,981,397
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	6,620,887,569	4,472,887,012	4,232,271,364
CASH AND CASH EQUIVALENTS AT END OF YEAR	₱16,738,683,868	₱6,620,887,569	₱4,472,887,012

See accompanying Notes to Consolidated Financial Statements.

EAGLE CEMENT CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. General Information

Corporate Information

Eagle Cement Corporation (ECC or the Parent Company) was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on June 21, 1995. The Parent Company and its wholly-owned subsidiaries, South Western Cement Corporation (SWCC) and KB Space Holdings, Inc. (KSHI) are collectively referred to herein as “the Group”. SWCC and KSHI are also incorporated in the Philippines and registered with the SEC.

The Parent Company is a 60.21%-owned subsidiary of Far East Cement Corporation (the Ultimate Parent Company), an entity incorporated and domiciled in the Philippines. The Parent Company and SWCC are primarily engaged in the business of manufacturing, marketing, sale and distribution of cement, cement products and by-products. SWCC is still under the development stage as at March 15, 2018. KSHI will be engaged in property leasing. KSHI has not yet started its commercial operations as at March 15, 2018.

On May 29, 2017, the common stock of the Parent Company were listed and traded in the Philippine Stock Exchange (PSE) through an Initial Public Offering (IPO) under the trading name “EAGLE”.

The registered office address of the Parent Company is No. 153 EDSA Barangay Wack-Wack, Mandaluyong City.

Status of Operations

The Group has the following Mineral Production Sharing Agreements (MPSA) granted by the Philippine Government through the Mines and Geosciences Bureau (MGB) either through direct grant or assignment.

Grantee/Assignee	MPSA No.	Location	Date of Issuance
<u>Luzon sites:</u>			
ECC	245-2007-III	Dona Remedios Trinidad and San Ildefonso, Bulacan	July 25, 2007
ECC	181-2002-III	Akle, San Ildefonso, Bulacan	December 9, 2002
<u>Cebu sites:</u>			
ECC	100-97-VII	Ginatilan, Cebu	December 29, 1997
ECC	101-97-VII	Ginatilan and Malabuyoc, Cebu	December 29, 1997
SWCC	059-96-VII	Lo-oc, Malabuyoc, Cebu	November 18, 1996
SWCC	060-96-VII	Lo-oc, Malabuyoc, Cebu	November 18, 1996

These MPSAs have a term of 25 years from the issuance date and may be renewed thereafter for another term not exceeding 25 years. The Group started the commercial operations of the Luzon sites in 2010, while the Cebu sites are still under exploration and development stage as at March 15, 2018.

The consolidated financial statements of the Group as at December 31, 2017 and 2016 and for the years ended December 31, 2017, 2016 and 2015 were approved and authorized for issuance by the Board of Directors (BOD) on March 15, 2018.

2. Summary of Significant Accounting Policies

Basis of Preparation

The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRS) issued by the Philippine Financial Reporting Standards Council and adopted by the SEC. This financial reporting framework includes PFRS, Philippine Accounting Standards (PAS) and Philippine interpretations from International Financial Reporting Interpretations Committee (IFRIC).

Measurement Bases

The consolidated financial statements are presented in Philippine Peso, the Group's functional currency. All values are stated in absolute amounts, unless otherwise indicated.

The consolidated financial statements of the Group have been prepared on the historical cost basis, except for the following:

	<u>Measurement Bases</u>
Financial assets at fair value through profit or loss (FVPL)	Fair Value
Quoted available-for-sale (AFS) financial assets	Fair Value
Land	Revalued Amount
Investment properties	Fair Value

Historical cost is generally based on the fair value of the consideration given in exchange for an asset and fair value of the consideration received in exchange for incurring a liability. 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 Group uses market observable data to the extent possible when measuring the fair value of an asset or a liability. Fair values are categorized into different levels in a fair value hierarchy based on inputs used in the following valuation techniques:

- Level 1 - Quoted (unadjusted) market prices in active market 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; or
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes to the consolidated financial statements:

- Note 6 - Financial Assets at FVPL
- Note 10 - AFS Financial Assets
- Note 11 - Property, Plant and Equipment
- Note 12 - Investment Properties
- Note 29 - Fair Value Measurement

Adoption of Amended PFRS

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following amended PFRS, which the Group adopted effective January 1, 2017:

- Amendments to PAS 7, *Statement of Cash Flows - Disclosure Initiative* – The amendments require entities to provide information that enable the users of financial statements to evaluate changes in liabilities arising from their financing activities.
- Amendments to PAS 12, *Income Taxes - Recognition of Deferred Tax Assets for Unrealized Losses* – The amendments clarify the accounting for deferred tax assets related to unrealized losses on investment in debt instruments measured at fair value, to address diversity in practice.
- Amendments to PFRS 12, *Disclosures of Interests in Other Entities – Clarification of the Scope of the Standard* – The amendments are part of the Annual Improvements to PFRS 2014-2016 Cycle and clarify that the disclosure requirements in PFRS 12 include interests in entities within the scope of PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations* except for summarized financial information for those interests (i.e. paragraphs B10-B16 of PFRS 12).

The adoption of the foregoing amended PFRS did not have any material effect on the consolidated financial statements. Additional disclosures have been included in the notes to the consolidated financial statements, as applicable.

New and Amended PFRS Issued But Not Yet Effective as at December 31, 2017

Relevant new and amended PFRS which are not yet effective for the year ended December 31, 2017 and have not been applied in preparing the consolidated financial statements are summarized below.

Effective for annual periods beginning on or after January 1, 2018:

- PFRS 9, *Financial Instruments* – This standard will replace PAS 39, *Financial Instruments Recognition and Measurement* (and all the previous versions of PFRS 9). It contains requirements for the classification and measurement of financial assets and financial liabilities, impairment, hedge accounting recognition and derecognition.

PFRS 9 requires all recognized financial assets to be subsequently measured at amortized cost or FVPL or through other comprehensive income (OCI), depending on their classification by reference to the business model within which they are held and their contractual cash flow characteristics.

For financial liabilities, the most significant effect of PFRS 9 relates to cases where the fair value option is taken: the amount of change in fair value of a financial liability designated as at fair value through profit or loss that is attributable to changes in the credit risk of that liability is recognized in OCI (rather than in profit or loss), unless this creates an accounting mismatch.

For the impairment of financial assets, PFRS 9 introduces an “expected credit loss” model based on the concept of providing for expected losses at inception of a contract; it will no longer be necessary to have an objective evidence of impairment before a credit loss is recognized.

For hedge accounting, PFRS 9 introduces a substantial overhaul allowing financial statements to better reflect how risk management activities are undertaken when hedging financial and non-financial risk exposures.

The derecognition provisions are carried over almost unchanged from PAS 39.

The Group has performed a preliminary assessment of the impact of PFRS 9 on the consolidated financial statements. Based on the analysis of the Group’s business model, financial assets and liabilities, and facts and circumstances that exist as at December 31, 2017, the Group has concluded that all financial assets and financial liabilities should continue to be measured on the same bases as currently under PAS 39.

Concerning impairment, the Group expects to apply the simplified approach to recognize lifetime expected credit loss for the Group’s trade and other receivables. Although the Group is currently assessing the extent of this impact, it is anticipated that the application of the expected credit loss model of PFRS 9 will result in earlier recognition of credit losses. However, it is not practicable to provide a reasonable estimate of that effect until the detailed review that is in progress has been completed. In particular, the implementation of the new expected credit loss model proves to be challenging and might involve significant modifications to the Group’s credit management systems.

- PFRS 15, *Revenue from Contract with Customers* – The new standard replaces PAS 11, *Construction Contracts*, PAS 18, *Revenue*, and related interpretations. It establishes a single comprehensive framework for revenue recognition to apply consistently across transactions, industries and capital markets, with a core principle (based on a five-step model to be applied to all contracts with customers), enhanced disclosures, and new or improved guidance (e.g., the point at which revenue is recognized, accounting for variable considerations, costs of fulfilling and obtaining a contract, etc.).
- Amendments to PFRS 15, *Revenue from Contract with Customers - Clarification to PFRS 15* – The amendments provide clarifications on the following topics: (a) identifying performance obligations; (b) principal versus agent considerations; and (c) licensing. The amendments also provide some transition relief for modified contracts and completed contracts.
- Amendments to PAS 28, *Investments in Associates and Joint Ventures - Measuring an Associate or Joint Venture at Fair Value* – The amendments are part of the Annual Improvements to PFRS 2014-2016 Cycle and clarify that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organization, mutual fund, unit trust or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

- Amendments to PAS 40, *Investment Property - Transfers of Investment Property* – The amendments clarify that transfers to, or from, investment property (including assets under construction and development) should be made when, and only when, there is evidence that a change in use of a property has occurred.
- Philippine Interpretation IFRIC 22, *Foreign Currency Transactions and Advance Consideration* – The interpretation provides guidance clarifying that the exchange rate to use in transactions that involve advance consideration paid or received in a foreign currency is the one at the date of initial recognition of the non-monetary prepayment asset or deferred income liability.

Effective for annual periods beginning on or after January 1, 2019 -

- PFRS 16, *Leases* – The standard replaces PAS 17, *Leases* and its related interpretations. The most significant change introduced by the new standard is that almost all leases will be brought onto lessees' statement of financial position under a single model (except leases of less than 12 months and leases of low-value assets), eliminating the distinction between operating and finance leases. Lessor accounting, however, remains largely unchanged and the distinction between operating and finance lease is retained.

For the Group's non-cancellable operating lease commitments as at December 31, 2017, a preliminary assessment indicates that these arrangements will continue to meet the definition of a lease under PFRS 16. Thus, the Group will have to recognize a right-of-use asset and a corresponding liability in respect of all these leases - unless these qualify for low value or short-term leases upon the application of PFRS 16 - which might have a significant impact on the amounts recognised in the Group's financial statements.

It is anticipated that the application of PFRS 16 will not have a significant impact on the amounts recognized in the consolidated financial statements.

Deferred effectivity -

- Amendment to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture* – The amendments address a current conflict between the two standards and clarify that a gain or loss should be recognized fully when the transaction involves a business, and partially if it involves assets that do not constitute a business. The effective date of the amendments, initially set for annual periods beginning on or after January 1, 2016, was deferred indefinitely in December 2015 but earlier application is still permitted.

Under prevailing circumstances, the adoption of the foregoing new and amended PFRS is not expected to have any material effect on the consolidated financial statements of the Group. Additional disclosures will be included in the notes to the consolidated financial statements, as applicable.

Basis of Consolidation

The consolidated financial statements comprise of the financial statements of the Parent Company and its wholly-owned subsidiaries.

A subsidiary is an entity in which the Parent Company has control. The Parent Company controls a subsidiary if it is exposed, or has rights to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. In assessing control, the Parent Company takes into consideration potential voting rights that are currently exercisable. Subsidiaries are consolidated from the date on which control is transferred to the Parent Company and cease to be consolidated from the date on which control is transferred out of the Parent Company.

All intra-group balances, transactions, income and expenses and unrealized gains and losses are eliminated in full. The financial statements of the subsidiaries are prepared for the same reporting year using uniform accounting policies as that of the Parent Company.

A change in ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

If there is a loss of control, the Group derecognizes the assets (including goodwill) and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising from the loss of control is recognized in profit or loss. Any investment retained is recognized at fair value.

Business Combination 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 non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in operating expenses.

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

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss or OCI, as appropriate.

Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of PAS 39 is measured at fair value with changes in fair value recognized either in profit or loss or OCI. If the contingent consideration is not within the scope of PAS 39, it is measured in accordance with the appropriate PFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the gain is recognized in profit or loss.

If the initial accounting for a business combination can be determined only provisionally by the end of the first reporting period, the business combination is accounted for using provisional amounts. Adjustments to provisional amounts and the recognition of newly identified assets and liabilities, must be made within the 'measurement period' where they reflect new information obtained about facts and circumstances that were in existence at the acquisition date. The measurement period cannot exceed one year from the acquisition date and no adjustments are permitted after one year except to correct an error.

After initial recognition, goodwill included under the "Intangible assets" account in the consolidated statements of financial position, is measured at cost 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 (CGU) 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 has been allocated to a CGU and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in this circumstance is measured based on the relative values of the disposed operation and the portion of the CGU retained.

Asset Acquisition. If the acquisition of an asset or a group of assets does not constitute a business, 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 a transaction or event does not give rise to goodwill.

A business is 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. A business consists of inputs and processes applied to those inputs that have the ability to create outputs.

Financial Assets and Liabilities

Financial assets and liabilities are accounted for as follows:

a. Recognition

Financial assets and liabilities are recognized in the consolidated statements of financial position when the Group becomes a party to the contractual provisions of a financial instrument. Financial instruments are initially measured at fair value, which includes transaction costs directly attributable to the acquisition (e.g., fees, commissions, transfer taxes, etc.). However, transaction costs related to the acquisition of financial instruments classified as FVPL are recognized immediately in profit or loss. The Group uses trade date accounting for financial instruments.

“Day 1” Difference. Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and the fair value (a “day 1” difference) in profit or loss, unless it qualifies for recognition as some other type of asset. In cases where the valuation model uses unobservable data, the difference between the transaction price and the fair value is only recognized in profit or loss when the inputs become observable, or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the “day 1” difference.

b. Classification

The Group classifies its financial assets at initial recognition under the following categories: (a) financial assets at FVPL, (b) held-to-maturity (HTM) investments, (c) loans and receivables and (d) AFS financial assets. Financial liabilities, on the other hand, are classified as either financial liabilities at FVPL or other financial liabilities at amortized cost. The classification of a financial instrument largely depends on the Group’s intention at acquisition or issuance date.

As at December 31, 2017 and 2016, the Group does not have financial liabilities at FVPL and HTM investments.

Financial Assets at FVPL. Financial assets at FVPL are either classified as held for trading or designated at FVPL. A financial instrument is classified as held for trading if it meets either of the following conditions:

- it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- on initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

After initial recognition, financial assets at FVPL are subsequently measured at fair value. Unrealized gains or losses arising from the fair valuation of financial assets at FVPL are recognized in profit or loss.

The Group’s trading securities are classified under this category.

Loans and Receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market, other than those held for trading or classified as AFS financial assets. After initial recognition, loans and receivables are subsequently measured at amortized cost using the effective interest method, less allowance for impairment, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized and impaired, as well as through amortization process. Loans and receivables are included under current assets if realizability or collectability is within 12 months after the reporting period. Otherwise, these are classified as noncurrent assets.

The Group's cash and cash equivalents, trade and other receivables (excluding nonfinancial assets), finance lease receivables, Debt Service Reserve Account (DSRA), deposit in escrow, refundable deposits and restricted cash are classified under this category.

Cash includes cash on hand and in banks. Cash in banks are carried at face amount and earn interest at the prevailing bank deposit rates. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three (3) months or less and are subject to an insignificant risk of change in value.

AFS Financial Assets. AFS financial assets are non-derivative financial assets that are designated as such or are not classified as another category of financial assets. AFS financial assets are initially measured at fair value plus transaction costs. After initial recognition, AFS financial assets are measured at fair value with unrealized gains or losses recognized in OCI and are included under "Other equity reserves" account in the equity section of the consolidated statements of financial position. These fair value changes are recognized in equity until the investment is derecognized or until the investment is determined to be impaired, at which time the cumulative gain or loss previously recognized in equity is reclassified to profit or loss. Investment in equity instruments that do not have a quoted market price and whose fair value cannot be reliably measured are carried at cost less allowance for impairment, if any.

The Group's investments in quoted and unquoted equity securities are classified under this category.

Financial Liabilities at Amortized Cost. Financial liabilities are categorized as financial liabilities at amortized cost when the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

These financial liabilities are initially recognized at fair value less any directly attributable transaction costs. After initial recognition, these financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the liabilities are derecognized or through the amortization process.

As at December 31, 2017 and 2016, the Group's trade and other payables (excluding statutory payables and advances from customers) and loans payable are classified under this category.

c. Reclassification

A financial instrument cannot be reclassified into or out of the FVPL category after initial recognition.

For a financial asset reclassified out of the AFS financial assets category to loans and receivables or HTM investments, any gain or loss previously recognized in OCI, and any difference between the new amortized cost and maturity amount, are amortized to profit or loss over the remaining life of the investment using the effective interest method. If the financial asset is subsequently impaired, any gain or loss that has been recognized in OCI is reclassified from equity to profit or loss.

In the case of a financial asset that does not have a fixed maturity, the gain or loss shall be recognized in profit or loss when the financial asset is sold or disposed. If the financial asset is subsequently impaired, any previous gain or loss that has been recognized in OCI is reclassified from equity to profit or loss.

d. Impairment of Financial Assets

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

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for individually assessed financial assets, whether significant or not, it includes the financial assets in a portfolio with similar credit risk characteristics and collectively assesses them for impairment. Financial assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in the collective assessment for impairment.

The impairment loss is measured as the difference between the financial asset’s carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. Impairment losses are recognized in full in profit or loss. Interest income continues to be recognized on the reduced carrying amount using the interest rate used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables, together with the related allowance account, are written off when there is no realistic prospect of future recovery and all collaterals have been realized.

If, in a subsequent year, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in profit or loss, to the extent that the resulting carrying amount will not exceed the amortized cost determined had no impairment loss been recognized in prior years.

AFS Financial Assets. For AFS financial assets, the Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

Objective evidence includes a significant or prolonged decline in the fair value of the AFS financial assets below its cost. When there is evidence of impairment, the cumulative losses are removed from equity and recognized in profit or loss. Impairment losses on equity investments are not reversed through profit or loss and any increases in fair value after impairment are recognized in OCI.

If there is objective evidence that an impairment loss on an unquoted equity instrument measured at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

e. Derecognition

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

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

Where the Group has transferred its right to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset, if any, is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Group could be required to pay.

A financial liability is derecognized when the obligation specified in the contract is discharged or cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of the new liability, and the difference in the carrying amount is recognized in profit or loss.

f. Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Inventories

Inventories are valued at the lower of cost and net realizable value (NRV). The cost of raw materials, goods in process and finished goods are calculated based on standard costing method. Standard cost is adjusted to reflect actual cost which is principally determined using the moving average method. The cost of finished goods and goods in process comprises raw materials, direct labor and other direct costs and related production overheads. The NRV of raw materials, goods in process and finished goods is the estimated selling price in the ordinary course of business, less the estimated costs of completion and of marketing and distribution.

Cost is determined using the moving average method for spare parts and supplies. The NRVs of spare parts and supplies are the current replacement costs. Spare parts are carried as inventory and recognized in profit or loss as consumed. However, major spare parts and stand-by equipment are recorded under "Property, plant and equipment" account in the consolidated statements of financial position when the Group expects to use these for more than one year or if these can be used only in connection with an item of property, plant and equipment.

Other Nonfinancial Current Assets

Other nonfinancial current assets include advances to suppliers and prepayments.

Advances to Suppliers. Advances to suppliers are amounts paid in advance for the purchase of goods and services. These are carried at face amount in the consolidated statements of financial position and are recognized to appropriate asset account or in profit or loss when the services or materials for which the advances were made are received and delivered. Advances to suppliers wherein the related assets to which the advances were made will be used primarily for the purpose of trading are classified as current assets. Otherwise, these are classified as noncurrent assets.

Prepayments. Prepayments are expenses paid in advance and recorded as assets before these are utilized. Prepayments are apportioned over the period covered by the payment and included in profit or loss when incurred. Prepayments that are expected to be realized within 12 months after the financial reporting period are classified as current assets. Otherwise, these are classified as noncurrent assets.

Property, Plant and Equipment

Land is accounted for using the revaluation model.

Under the revaluation model, land is initially recorded at cost and subsequently measured at fair value less impairment losses, if any. Valuations are performed with sufficient frequency to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

A revaluation surplus is recorded initially in OCI and accumulated to the other equity reserves account in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognized in profit or loss, the increase is recognized in profit or loss. A revaluation deficit is recognized in profit or loss, except to the extent that it offsets an existing surplus on the same asset recognized in the revaluation surplus.

The following property, plant and equipment are stated at cost less accumulated depreciation, amortization and any impairment in value:

- Machinery and equipment
- Building and improvements
- Transportation equipment
- Furniture, fixtures and other office equipment

The initial cost of property, plant and equipment comprises its purchase price, after deducting trade discounts and rebates, including import duties, non-refundable purchase taxes, and any directly attributable costs of bringing the asset in its working condition and location for its intended use. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable in bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalized borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalized as part of the equipment.

Expenditures incurred after the property, plant and equipment have been put into operation, such as repairs, maintenance and overhaul costs, are normally recognized in profit or loss in the year 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 costs of property, plant and equipment. The cost of replacing a component of an item of property, plant and equipment is recognized if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognized.

When parts of an item of property, plant and equipment have different useful lives, these are accounted for as separate items (major components) of property, plant and equipment.

Depreciation and amortization are calculated on a straight-line basis over the following estimated useful lives of the property, plant and equipment:

	Number of Years
Machinery and equipment	5 to 30
Building and improvements	10 to 30
Transportation equipment	5
Furniture, fixtures and other office equipment	3 to 5

The estimated useful lives and depreciation and amortization method are reviewed periodically to ensure that these are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation, amortization and any impairment in value are removed from the accounts. Any resulting gain or loss is recognized in profit or loss.

Construction in progress represents properties under construction and is stated at cost. Cost includes costs of construction and other direct costs. Construction in progress is not depreciated until such time that the relevant assets are completed and ready for operational use.

Investment Properties

Investment properties are properties held either to earn rental income or for capital appreciation or both, and property under construction or redevelopment, but not for sale in the ordinary course of business or for administrative purposes.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are recognized in profit or loss in the period in which they arise. 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 properties are permanently withdrawn from use and no future economic benefit is expected from their disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in profit or loss in the period of retirement or disposal.

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

For a transfer from investment property to owner-occupied property or inventories, the cost for subsequent accounting is its carrying amount at the date of change in use. If the property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such in accordance with the policy under property, plant and equipment up to the date of change in use.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets. Such borrowing costs are capitalized net of any investment income earned on the temporary investment of funds that are surplus pending such expenditure. To the extent that the Group borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the Group shall determine the amount of borrowing costs eligible for capitalization by applying a capitalization rate to the expenditures on that asset.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

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 constructing the mine and subsequently amortized over its useful life using a unit-of-production method. The capitalization of development stripping costs ceases when the mine 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 cost of such stripping is accounted for in the same way as development stripping.

Production stripping is generally considered to create two benefits, being either the production of inventory or improved access to the ore 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 the 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:

- a. Future economic benefits (improved access to the ore body) are probable;
- b. The component of the ore body for which access will be improved can be accurately identified;
and
- c. The costs associated with the improved access can be reliably measured.

If all of the criteria are not met, the production stripping costs are recognized in profit or loss as operating costs when incurred.

Intangible Assets

Intangible assets include mining rights and goodwill.

Mining rights are stated at cost, which includes purchase price and other direct costs, less accumulated amortization and any impairment in value. Mining rights are amortized over their useful lives on a straight-line basis and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least annually. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the intangible assets with finite useful lives are recognized in profit or loss.

The useful life of an intangible asset arising from contractual or other legal rights should not exceed the period of those rights, but may be shorter depending on the period over which the intangible asset is expected to be used by the Group. Mining rights are amortized on a straight-line basis over 25 years.

When mining rights are retired or otherwise disposed of, the cost and the related accumulated amortization and any impairment in value are removed from the accounts. Any resulting gain or loss is recognized in profit or loss.

Other Nonfinancial Noncurrent Assets

Other nonfinancial noncurrent assets include deposit on asset purchase, deferred exploration and development costs and advances for future investment.

Deposit on Asset Purchase. Deposit on asset purchase, measured at face amount less any allowance for impairment, represents advance payments for the purchase of property, plant and equipment. These deposits are classified as noncurrent assets since these advances are subsequently applied as payment for the purchase of property, plant and equipment upon receipt of the asset.

Deferred Exploration and Development Costs. Deferred exploration and development costs arising from the Group's exploration and evaluation activities are carried at cost less accumulated impairment losses, if any.

Exploration and evaluation activities involve the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified mineral resource. These include the following:

- Acquisitions of rights to explore;
- Gathering exploration data through geophysical studies;
- Determining and examining the volume and grade of the resource;
- Surveying transportation and infrastructure requirements; and
- Evaluating the technical feasibility and commercial viability of extracting the mineral resource.

Exploration and evaluation expenditures are deferred as asset when future economic benefit is more likely than not to be realized. These costs include directly attributable employee remuneration, materials and fuels used, surveying costs, drilling costs and payments made to contractors. The Group capitalizes any further evaluation costs incurred up to the point when a commercial reserve is established.

Deferred exploration and development costs are assessed for impairment before these are reclassified to "Property, plant and equipment" account in the consolidated statements of financial position. Any impairment loss is recognized in profit or loss. If the mining property is found to contain no commercial reserves, the deferred exploration and development costs are charged to profit or loss.

Advances for Future Investment. Advances for future investment pertain to signing and extension fees paid in connection with future purchase of bonds convertible to shares of stocks of another entity. This is measured at face value less any allowance for impairment.

Impairment of Nonfinancial Assets

The carrying amounts of property, plant and equipment, intangible assets and other nonfinancial assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. If any such indication exists and when the carrying amounts exceed the estimated recoverable amounts, the assets or CGU are written down to their recoverable amounts. The recoverable amount of the asset is the greater of the fair value less cost to sell or value in use. The fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's-length transaction. In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs. Impairment losses are recognized in profit or loss.

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

Advances from Customers

Advances from customers consist of amounts received by the Group from its customers as advance collections for the sale of goods. These are recorded at face amount in the consolidated statements of financial position and recognized as revenue in the consolidated statements of comprehensive income when the goods for which the advances were made are delivered to the customers.

VAT

Revenue, expenses and assets are generally recognized net of the amount of VAT. The net amount of VAT payable to the taxation authority is included as part of "Trade and other payables" account in the consolidated statements of financial position.

Deferred Input Value-Added Tax (VAT)

In accordance with Revenue Regulation (RR) No. 16-2005, input VAT on purchases or imports of capital goods (depreciable assets for income tax purposes) with an aggregate acquisition cost (exclusive of VAT) in each of the calendar month exceeding ₱1.0 million are claimed as credit against output VAT over 60 months or the estimated useful lives of capital goods, whichever is shorter.

Deferred input VAT represents the unamortized amount of input VAT on capital goods and input VAT on the unpaid portion of availed services, including the use or lease of properties.

Deferred input VAT that are expected to be claimed against output VAT within 12 months after the reporting date are classified as current assets. Otherwise, these are classified as noncurrent assets. Where the aggregate acquisition cost (exclusive of VAT) of the existing or finished depreciable capital goods purchased or imported during any calendar month does not exceed ₱1.0 million, the total input VAT will be allowable as credit against output VAT in the month of acquisition.

Equity

Common stock. Common stock is measured at par value for all shares issued. Proceeds and/or fair value of considerations received in excess of par value, if any, are recognized as additional paid-in capital. Incremental costs directly attributable to the issuance of new common stock are recognized as a deduction from equity, net of any tax effects.

Preferred stock. Preferred stock is classified as equity if it is non-redeemable, or redeemable only at the Group's option, and any dividends are discretionary. It is measured at par value for all shares issued. Proceeds and/or fair value of considerations received in excess of par value, if any, are recognized as additional paid-in capital. Incremental costs directly attributable to the issuance of new preferred stock are recognized as a deduction from equity, net of any tax effects. Dividends thereon are recognized as distributions within equity upon approval by the Parent Company's BOD.

Conversion of capital stock to another class of stock is considered as an equity transaction. Excess of par value from the original book value of capital stock, if any, is recognized as additional paid-in capital.

Retained Earnings. Retained earnings represent the cumulative balance of net income or loss, net of any dividend declaration.

Unappropriated retained earnings pertain to the unrestricted portion available for dividend declaration. Appropriated retained earnings pertain to the restricted portion which is intended for expansion projects and other significant business activities of the Group.

The Parent Company recognizes a liability to make cash or noncash distributions to its equity holders when the distribution is authorized and the distribution is no longer at the discretion of the Parent Company. A corresponding amount is recognized directly in equity.

Other Equity Reserves. Other equity reserves comprise of items of income and expense that are not recognized in profit or loss in accordance with PFRS. Other equity reserves of the Group pertain to cumulative unrealized gains on AFS financial assets, revaluation surplus on land and cumulative remeasurement gains on net retirement benefits liability.

Treasury Stock. Treasury stocks represent issued shares repurchased by the Company. The consideration paid, including any directly attributable incremental costs, net of related taxes, is deducted from equity until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related taxes, is included in equity attributable to the equity holders of the Company.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duties.

The Group is acting as a principal in all of its revenue arrangements. The Group recognizes its revenues as follows:

Sales. Sales is recognized when the goods are delivered, the title to the goods has passed to the buyer and the amount of revenue can be measured reliably.

Interest Income. Interest income is recognized as the interest accrues taking into account the effective yield on the asset.

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

Other Income. Income from other sources is recognized when earned during the period.

Cost and Expense Recognition

Costs and expenses are recognized in profit or loss when a decrease in future economic benefit related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably.

Cost of Goods Sold. Cost of goods sold is recognized as expense when the related goods are delivered to and accepted by customers.

Operating Expenses. Operating expenses constitute cost of administering the business and cost incurred to sell and market the goods. These include advertising and freight and handling, among others. These are expensed as incurred.

Employee Benefits

Short-term Benefits. The Group recognizes short-term employee benefits based on contractual arrangements with employees. Unpaid portion of the short-term employee benefits are measured on an undiscounted basis and is included as part of “Trade and other payables” account in the consolidated statements of financial position.

Retirement Benefits. Retirement benefits costs are actuarially determined using the projected unit credit method. This method reflects services rendered by employees up to the date of valuation and incorporates assumptions concerning employees’ projected salaries. The calculation of defined benefit obligations is performed annually by a qualified actuary. When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in the future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

The Group recognizes service costs, comprising of current service costs and net interest costs or income in profit or loss.

The Group determines the net interest costs by applying the discount rate to the net defined benefits liability at the beginning of the annual period, taking into account any changes in the net defined benefits liability during the period as a result of contributions and benefit payments.

Remeasurements of the net retirement benefits liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in OCI and are not reclassified to profit or loss in subsequent periods.

The net retirement benefits liability recognized by the Group is the aggregate of the present value of the defined benefits obligation reduced by the fair value of plan assets out of which the obligations are to be settled directly. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using risk-free interest rates of government bonds that have terms to maturity approximating the terms of the related net retirement benefits liability.

Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

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

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

Group as Lessee. Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Operating lease payments are recognized as an expense in profit or loss on a straight-line basis over the lease term.

Group as Lessor. Finance leases, which transfer to the lessee substantially all the risks and benefits incidental to ownership of the leased item, are recorded at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease receipts are apportioned between the interest income and reduction of the lease receivable so as to achieve a constant rate of interest on the remaining balance of the receivable. Interest income is recognized in profit or loss.

Finance Costs

Finance costs include interest charges and other costs incurred in connection with the borrowing of funds. Finance costs also include any interest expense resulting from adjusting the amortized cost of financial liabilities based on the effective interest method.

All finance costs, other than capitalizable borrowing costs, are recognized in profit or loss in the period they are incurred.

Foreign Currency-Denominated Transactions

Transactions denominated in foreign currencies are recorded using the exchange rate at the date of the transaction. Outstanding monetary assets and liabilities denominated in foreign currencies are translated using the closing exchange rate at reporting date. Differences arising on settlement or translation of monetary assets and liabilities are recognized in profit or loss.

Income Taxes

Current Tax. Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rate and tax laws used to compute the amount are those that have been enacted or substantively enacted at the reporting date.

Deferred Tax. Deferred tax is provided on all temporary differences 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. Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from the excess of minimum corporate income tax over the regular corporate income tax and unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carryforward benefits of unused tax credits and unused tax losses can be utilized. Deferred tax, however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax liabilities are not provided on nontaxable temporary differences associated with investments in domestic subsidiaries and interest 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 profit will be available to allow all or part of the deferred tax asset 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 profit will allow the deferred tax asset to be recovered.

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

Deferred tax is recognized in profit or loss except to the extent that it relates to a business combination, or items directly recognized to equity or in OCI.

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

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. Related parties may be individual or corporate entities. Transactions between related parties are accounted for at arm's-length prices or on terms similar to those offered to nonrelated parties in an economically comparable market.

Segment Reporting

The Group reports separate information about each operating segment identified.

An operating segment is a component of the Group that engages in business activities: from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components; from whose operating results are regularly reviewed to make decisions about resources to be allocated to the segment; and for which discrete information is available.

Provisions and Contingencies

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pretax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Provision for Mine Rehabilitation and Decommissioning. Mine rehabilitation costs will be incurred by the Group either while operating or at the end of the operating life of the Group's facilities and mine properties. The Group assesses its provision for mine rehabilitation and decommissioning at each reporting date. The Group recognizes a provision where: it has a legal and constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate of the amount of obligation can be made. The nature of rehabilitation activities includes dismantling and removing structures, rehabilitating mines and tailings dams, dismantling operating facilities, closing plant and waste sites, and restoring, reclaiming and revegetating affected areas.

The obligation generally arises when the mining asset is installed, or the ground or environment is disturbed at the mining operation's location. When the liability is initially recognized, the present value of the estimated costs is capitalized by increasing the carrying amount of the related mining assets to the extent that it is incurred as a result of the development or construction of the mine.

Changes in the estimated timing of rehabilitation or changes in the estimated future costs are recognized prospectively as an adjustment to the provision for mine rehabilitation and decommissioning and the related mining asset.

Any decrease in the provision for mine rehabilitation and decommissioning and, therefore, any deduction from the asset may not exceed the carrying amount of the related mining asset. Any excess over the carrying amount is recognized in profit or loss.

If the change in estimate results in an increase in the provision for mine rehabilitation and decommissioning and, therefore, an addition to the carrying amount of the mining asset, the Group considers whether there is an indication of impairment of the asset as a whole. If any such indication exists and when the revised estimate for the mining asset (net of rehabilitation provisions) exceeds the recoverable amount, the increase is recognized as expense.

The discounted provision for mine rehabilitation and decommissioning 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 accretion of the discount is recognized in profit or loss as part of finance cost.

Rehabilitation funds committed for use in satisfying environmental obligations are included in "Other noncurrent assets" account in the consolidated statements of financial position.

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 in the consolidated financial statements but are disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable.

Earnings per Share (EPS)

Basic EPS is calculated by dividing the net income (less preferred dividends net of tax, if any) for the year attributable to common stockholders by the weighted average number of common stocks outstanding during the year, with retroactive adjustment for any stock dividends or stock splits declared during the year.

Diluted EPS is computed by dividing net income by the weighted average number of common stocks outstanding during the year, after giving retroactive effect for any stock dividends, stock splits or reverse stock splits during the year, and adjusted for the effect of dilutive options.

Events After the Reporting Date

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

3. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements requires management to exercise judgments and make estimates and assumptions that affect the amounts reported in the consolidated financial statements and related notes. The judgments and estimates used in the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as at the reporting date.

While the Group believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the estimated amounts. Actual results could differ from such estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions in accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the significant accounting judgments, estimates and assumptions made by the Group:

Judgments

Fair Value Measurement of Financial Instruments. The fair values of securities that are actively traded in organized financial markets are determined by reference to quoted market prices at the close of business on the reporting date.

In accordance with the amendments to PFRS 7, disclosures about the level in the fair value hierarchy are required in which the fair value measurements are categorized for assets and liabilities measured in the consolidated statements of financial position.

Assumptions and methods of determining the fair values of financial instruments are presented in Note 29 to the consolidated financial statements.

Determination whether the Acquisition of Subsidiaries Constitutes a Business Combination or Asset Acquisition. The Parent Company acquired SWCC in 2016 and KSHI in 2015. At the time of acquisition, the Group considers whether the acquisition represents an acquisition of a business or a group of assets. The Group accounts for an acquisition as a business combination if it acquires an integrated set of business processes, in addition to the net assets of the acquiree.

The Group accounts for acquired businesses using the acquisition method of accounting which requires that the assets acquired and the liabilities assumed are recognized at the date of acquisition based on their respective fair values. For asset acquisition, the cost of acquisition is allocated to the individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase.

The application of the acquisition method requires certain estimates and assumptions concerning the determination of the fair values of acquired net assets at the acquisition date. Accordingly, for significant acquisitions, the Group obtains assistance from valuation specialists. The valuations are based on information available at the acquisition date.

The Group accounted for the purchase of SWCC as business combination and the purchase of KSHI as an asset acquisition. Goodwill arising from the business combination amounted to ₱3.8 million as at December 31, 2017 and 2016 (see Note 4).

Assessment of Production Start Date. The Group assesses the stage of development of the mine site to determine the start of production phase or the substantial completion of mining site development or production. The criteria used to assess the start date are determined based on the unique nature of each mine construction project, such as the complexity of the project and its location. The Group considers various relevant criteria to assess when the production phase is considered to have commenced. The criteria used to identify the production start date include, but are not limited to:

- Level of capital expenditure incurred compared with construction cost estimate;
- Completion of a reasonable period of testing of the property, plant and equipment; and
- Ability to sustain ongoing production of limestone.

When a mine development project moves into the production phase, the capitalization of certain mine development costs ceases and costs are either capitalized as part of the cost of inventory or expensed, except for costs that qualify for capitalization relating to mining asset additions or improvements, mine development, or mineable reserve development. It is also at this point that depreciation or amortization commences.

The Luzon mining sites started their production and commercial operations in 2010. As at March 15, 2018, the Cebu mining sites have not started commercial operations.

Capitalization of Exploration and Development Expenditures. The Group makes judgments in determining whether there are future economic benefits from either future exploration or sale of mineral reserves to capitalize exploration and evaluation expenditures. The Group further applies estimates and assumptions about future events and circumstances to determine whether an economically viable extraction operation can be established.

Deferred exploration and development costs (presented under “Other noncurrent assets” account in the consolidated statements of financial position) amounted to ₱14.3 million and ₱5.9 million as at December 31, 2017 and 2016, respectively (see Note 14).

Determination of Finance Lease Commitments - Group as a Lessor. The Group has lease agreements with its haulers covering certain transportation equipment. Based on the evaluation of terms and conditions of the arrangements, the Group has determined that the risks and rewards of ownership of the transportation equipment have been transferred to its haulers. Accordingly, the lease agreements are accounted for as finance leases.

Finance lease receivables amounted to ₱63.7 million and ₱76.3 million as at December 31, 2017 and 2016, respectively (see Note 30).

Determination of Operating Lease Commitments - Group as Lessee. The Group has lease agreements for its office space, warehouse and heavy equipment. The Group has determined that the risks and benefits related to the leased properties are retained by the lessors. Accordingly, the lease agreements are accounted for as operating leases.

Rental expense recognized in the consolidated statements of comprehensive income and recognized as component of inventories amounted to ₱193.6 million, ₱140.8 million and ₱214.1 million in 2017, 2016 and 2015, respectively (see Note 30).

Estimates and Assumptions

Assessment for Impairment of Trade and Other Receivables. The Group maintains an allowance for impairment losses of trade and other receivables at a level considered adequate to provide for potential uncollectible receivables. The level of this provision is evaluated by management on the basis of factors that affect the collectability of the accounts. These factors include, but are not limited to, the length of the Group's relationship with the customer, the customer's payment behavior, and other known market factors. The Group reviews the age and status of trade and other receivables, and identifies accounts that are to be provided with provision on a continuous basis. The amount and timing of recorded expenses for any period would differ if the Group made different judgments or utilized different methodologies.

No impairment loss was recognized on trade and other receivables in 2017, 2016 and 2015. The carrying amount of trade and other receivables is ₱643.8 million and ₱484.9 million as at December 31, 2017 and 2016, respectively (see Note 7).

Determination of NRV of Inventories. The Group writes down the cost of inventories whenever the NRV of inventories becomes lower than cost due to damage, physical deterioration, obsolescence, change in price levels or other causes. The Group reviews the lower of cost and NRV of inventories on a periodic basis. NRV represents the estimated future selling price of the product based on prevailing prices at the end of the reporting period, less estimated costs to complete production and bring the product to sale. NRV test for spare parts and supplies is also performed annually. The NRV of spare parts and supplies represents the current replacement cost. An increase in allowance for inventory obsolescence and market decline would increase recorded operating expense and decrease current assets.

As at December 31, 2017 and 2016 the cost of inventories is lower than its NRV. The carrying amount of inventories is ₱1,613.3 million and ₱1,374.0 million as at December 31, 2017 and 2016, respectively (see Note 8).

Estimation of Mineral and Quarry Reserves. Mineral and quarry reserves are estimates of the amount of minerals that can be economically and legally extracted from the Group's mining and quarry properties. The Group estimates its mineral and quarry reserves based on the interpretation of geological data obtained from drill holes and other sampling techniques and feasibility studies which derive estimates of costs based upon anticipated tonnage and grades of minerals to be mined and processed, the configuration of the mineral body, expected recovery rates of minerals, estimated operating costs, estimated climatic conditions and other factors.

Changes in the mineral reserve or resource estimates may impact the carrying amounts of property, plant and equipment, provision for mine rehabilitation and decommissioning, recognition of deferred tax assets, and depreciation and amortization charges.

The Group also makes estimates and assumptions regarding a number of economic and technical factors, such as production rates, grades, production, and delivery costs and prices. These economic and technical estimates and assumptions may change depending on the quality and quantity of mineral extracted. The Group reviews and updates estimates annually, to reflect actual production, new exploration data or developments, and changes in other assumptions or parameters. These estimates will change from time to time to reflect mining and quarrying activities, analyses of new engineering and geological data, changes in reserve and mineral resource holdings, modifications of mining and quarrying plans or methods, changes in mineral prices or production costs, and other factors.

Estimated limestone reserves from the Group's Luzon sites is 373.5 million and 300.0 million metric tons as at December 31, 2017 and 2016, respectively.

Assessment for Impairment of AFS Financial Assets. The Group determines that quoted AFS financial asset is impaired when there has been a significant or prolonged decline in the fair value below their cost. This determination of what is significant or prolonged requires judgment. For unquoted AFS financial asset, the Group determines that it is impaired when there is objective evidence that the carrying amount of the unquoted AFS financial asset is greater than the present value of estimated future cash flows discounted at the current market rate of return for a similar asset. In making these judgments, the Group evaluates other factors such as deterioration in the financial health, industry and sector performance, and operational and financing cash flows of the investee.

In addition, the Group evaluates other factors, including normal volatility in share price for quoted equities and future cash flows and discount factors for unquoted equities in determining the amount to be impaired.

No impairment loss was recognized on AFS financial assets in 2017, 2016 and 2015. AFS financial assets amounted to ₱184.3 million and ₱181.0 million as at December 31, 2017 and 2016, respectively (see Note 10).

Estimation of Useful Lives of Property, Plant and Equipment and Mining Rights. The Group estimates 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 Group reviews annually the estimated useful lives of property, plant and equipment based on factors that include asset utilization, internal technical evaluation, technological changes, environmental changes and anticipated use of the assets. In addition, the estimation of the useful lives of property, plant and equipment is based on internal technical evaluation, and experience with similar assets. The Group also amortizes mining rights based on the total term of the quarry permit which is 25 years pursuant to Republic Act (R.A.) 7942, the Philippine Mining Act of 1995.

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

There was no change in the estimated useful lives of property, plant and equipment and mining right in 2017 and 2016.

The carrying amount of property, plant and equipment (excluding land and construction in progress) is ₱13,099.4 million and ₱12,906.5 million as at December 31, 2017 and 2016, respectively (see Note 11). The carrying amount of mining rights is ₱189.6 million and ₱190.3 million as at December 31, 2017 and 2016, respectively (see Note 13).

Determination of the Revalued Amount of Land. The Group has adopted the revaluation model in determining the carrying amount of land. The Group obtained the services of an independent appraiser in determining the fair values of land, and such fair values were determined based on recent prices of similar properties, with adjustments to reflect any changes in economic conditions since the date of those transactions. The amount and timing of recorded changes in fair value for any period would differ if the Group made different judgments and estimates or utilized a different basis for determining fair value.

The carrying amount of land measured at revalued amount as at December 31, 2017 and 2016 is ₱2,479.8 million and ₱2,378.8 million, respectively (see Note 11).

Determination of Fair Value of Investment Properties. The Group measures its investment properties at fair value. The Group engaged an independent valuation specialist to assess fair value as at December 31, 2017 and 2016. The investment properties were valued by reference to market-based evidence using comparable prices adjusted for specific market factors such as nature, location and condition of the property.

Estimated fair values of investment properties amounted to ₱587.4 million and ₱577.8 million as at December 31, 2017 and 2016, respectively (see Note 12).

Assessment for Impairment of Nonfinancial Assets. The Group assesses impairment on nonfinancial assets whenever events or changes in circumstances indicate that the carrying amount of the assets or group of assets may not be recoverable. The relevant factors that the Group considers in deciding whether to perform an asset impairment review include, among others, the following:

- Significant underperformance of a business in relation to expectations;
- Significant negative industry or economic trends; and
- Significant changes or planned changes in the use of the assets.

Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized. Recoverable amounts are estimated for individual assets or, if it is not possible, for the CGU to which the asset belongs.

Recoverable amount represents the value in use, determined as the present value of estimated future cash flows expected to be generated from the continued use of the assets. The estimated cash flows are projected using growth rates based on historical experience and business plans and are discounted using pretax discount rates that reflect the current assessment of the time value of money and the risks specific to the asset.

No impairment loss on nonfinancial assets was recognized in 2017, 2016 and 2015.

Assessment of Recoverability of Deferred Exploration and Development Costs. Deferred exploration and development costs are capitalized in the period incurred until such time as it has been determined that a property has no sufficient economically recoverable reserves, in which case the costs are written off as impairment losses. The Group reviews the carrying amounts of its mineral property interests whenever events or changes in circumstances indicate that their carrying amounts may exceed their estimated net recoverable amounts. An impairment loss is recognized when the carrying amount of those assets exceeds its recoverable amount.

No impairment loss on deferred exploration and development costs was recognized in 2017, 2016 and 2015.

Recognition of Provision for Mine Rehabilitation and Decommissioning. The ultimate cost of mine rehabilitation and decommissioning is uncertain, and cost estimates can vary in response to many factors including estimates of the extent and costs of rehabilitation activities, changes in the relevant legal requirements, emergence of new restoration techniques or experience, cost increases as compared to the inflation rates, and changes in discount rates. The expected timing of expenditure can also change in response to changes in quarry reserves or production rates. These uncertainties may result in future actual expenditure different from the amounts currently provided. As a result, there could be significant adjustments in provision for mine rehabilitation and decommissioning, which would affect future financial results.

Provision for mine rehabilitation and decommissioning is based on estimated future costs of rehabilitating the mine site using information available at the reporting date.

Provision for mine rehabilitation and decommissioning amounted to ₱27.3 million and ₱26.1 million as at December 31, 2017 and 2016, respectively (see Note 17).

Determination of Retirement Benefits. The determination of the net retirement benefits liability and expense is dependent on the assumptions used by the actuary in calculating such amounts. These assumptions are described in Note 25 to the consolidated financial statements and include, among others, discount rates, salary increase rates and expected rates of return on plan assets. Actual results that differ from the Group's assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded liability in such future periods. While the Group believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the net retirement benefits liability.

Net retirement benefits liability amounted to ₱28.9 million and ₱29.6 million as at December 31, 2017 and 2016, respectively. Cumulative remeasurement gains on net retirement benefits liability (net of deferred tax) amounted to ₱15.3 million, ₱4.9 million and ₱0.5 million as at December 31, 2017, 2016 and 2015, respectively (see Note 25).

Recognition of Deferred Tax Assets. The Group reviews the carrying amounts of deferred tax assets at each reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized.

Deferred tax assets amounting to ₱4.7 million and ₱12.0 million were not recognized as at December 31, 2017 and 2016, respectively. Management believes that the Parent Company will not be able to utilize in the future its deferred tax assets related to the allowable itemized deductions due to the expected continuous application of Optional Standard Deductions (OSD) and KSHI and SWCC will not have sufficient taxable income against which the benefits of the deferred tax assets can be utilized (see Note 27).

Deferred tax assets recognized amounted to ₱20.9 million and ₱17.4 million as at December 31, 2017 and 2016, respectively (see Note 27).

4. Business Combination and Asset Acquisition

SWCC

On December 23, 2016, the Parent Company acquired 100% ownership of SWCC, which is primarily engaged in the business of quarrying and mining, for ₱450.0 million. The Parent Company acquired SWCC to expand its operations in the Visayas region.

The fair values of the identifiable assets and liabilities of SWCC at the date of acquisition are as follows:

Assets	
Cash and cash equivalents	₱64,897,668
Trade and other receivables	716,666
Other current assets	1,719,174
Property, plant and equipment	167,162,059
Mining rights	172,385,835
Deferred exploration and development costs	5,866,082
Other noncurrent assets	74,838,873
	<u>487,586,357</u>
Liability	
Accrued expenses and other current liabilities	41,392,875
	<u>41,392,875</u>
Total identifiable net assets at fair value	446,193,482
Goodwill arising from the acquisition	3,806,518
	<u>3,806,518</u>
Purchase consideration	₱450,000,000
	<u>₱450,000,000</u>

The fair values of land and mining rights were determined as follows:

- *Land.* The fair value of land was estimated based on appraisals performed by an independent, professionally-qualified property appraiser and was determined by reference to the data in the local market consisting of sales and offerings of similar properties for the land.
- *Mining rights.* The fair value of mining rights is estimated as the sum of all the future cash flows, discounted using a risk-free rate as of the transaction date.

Net cash outflow from acquiring SWCC is as follows:

Cash paid	₱450,000,000
Less cash acquired from subsidiary	64,897,668
Net cash outflow	₱385,102,332

Goodwill amounting to ₱3.8 million is attributed to SWCC's ability to grow and expand the business in the Visayas region through its limestone reserves and other resources.

SWCC has no operating activities from December 23, 2016 (acquisition date) to December 31, 2016. If the acquisition of SWCC had been completed on the first day of the financial year, the consolidated statements of comprehensive income would have included a net loss of ₱7.1 million. SWCC is still under development stage as at March 15, 2018.

KSHI

On August 13, 2015, the Parent Company acquired 100% ownership in shares of stock of KSHI for ₱534.0 million. KSHI is engaged in the leasing of real properties. As of the acquisition date, KSHI has no commercial and operational activities. Accordingly, the transaction was accounted for as an asset acquisition.

The excess of the consideration over the net assets of KSHI at the date of acquisition was allocated as part of "Investment properties" account in the consolidated statements of financial position as follows:

Purchase consideration transferred	₱534,013,139
Carrying amount of net assets acquired:	
Cash	₱37,982
Investment properties	152,015,033
Additional cost of investment properties	₱381,960,124

Net cash outflow from acquiring KSHI are as follows:

Cash paid	₱534,013,139
Less cash acquired from subsidiary	37,982
Net cash outflow	₱533,975,157

5. Cash and Cash Equivalents

This account consists of:

	2017	2016
Cash on hand	₱696,287	₱591,407
Cash in banks	1,719,291,961	1,717,402,632
Short-term placements	15,018,695,620	4,902,893,530
	₱16,738,683,868	₱6,620,887,569

Cash on hand pertains to petty cash fund and revolving funds. Cash in banks earn interest at prevailing bank deposit rates and are immediately available for use in the current operations.

Short-term placements are made for varying periods of up to three (3) months depending on the immediate cash requirements of the Group and earn annual interest at rates ranging from 1.40% to 4.00% in 2017 and 2.25% to 3.75% in 2016 and 2015.

Interest income is recognized from the following:

	Note	2017	2016	2015
Cash and cash equivalents		₱216,721,307	₱87,326,788	₱61,475,979
Financial assets at FVPL	6	2,476,477	-	-
Finance lease receivables	30	3,617,879	1,674,778	-
		₱222,815,663	₱89,001,566	₱61,475,979

6. Financial Assets at FVPL

This account consists of:

	2017
Equity securities	₱140,557,960
Debt securities	75,068,987
	₱215,626,947

Financial assets at FVPL are quoted equity and debt securities held by the Group for trading purposes.

Debt securities earn annual interest rate of 5.2% in 2017. Interest income on debt securities amounted to ₱2.5 million in 2017 (see Note 5).

Trading gains (losses) on financial assets at FVPL are as follows:

	2017	2016	2015
Realized gain (loss) on sale of securities	₱2,857,500	₱-	(₱4,785,679)
Unrealized gain on fair value changes	2,332,946	-	-
	₱5,190,446	₱-	(₱4,785,679)

The Group's financial assets at FVPL as at December 31, 2017 are carried at fair values based on sources classified under the Level 1 category. The fair values of financial assets at FVPL are based on quoted market prices or bidding dealer price quotations from active market as at the reporting date (see Note 29).

7. Trade and Other Receivables

This account consists of:

	Note	2017	2016
Trade:			
Third parties		₱274,507,949	₱263,017,773
Related parties	19	217,402,920	–
Advances to related parties	19	33,748,773	164,534,250
Receivable from contractors and service provider		33,626,561	7,476,019
Interest receivable		25,816,153	4,976,803
Current portion of finance lease receivables	30	17,437,329	21,140,404
Advances to officers and employees		8,722,300	9,334,041
Dividends receivable		1,702,013	1,699,269
Others		30,881,668	12,699,007
		₱643,845,666	₱484,877,566

Trade receivables are noninterest-bearing and are generally on a 30-day credit term.

Other receivables are normally settled throughout the year.

8. Inventories

This account consists of:

	2017	2016
Raw materials	₱577,664,940	₱340,890,901
Spare parts	443,892,207	357,559,083
Goods in process	431,443,463	575,342,472
Supplies	149,163,066	94,206,748
Finished goods	11,127,948	5,999,099
	₱1,613,291,624	₱1,373,998,303

Cost of inventories as at December 31, 2017 and 2016 is lower than its NRV. Cost of inventories sold amounted to ₱4,000.1 million, ₱3,077.3 million and ₱3,160.6 million in 2017, 2016 and 2015, respectively (see Note 21).

9. Other Current Assets

This account consists of:

	Note	2017	2016
Advances to suppliers		₱342,248,993	₱241,045,565
Current portion of deferred input VAT		190,736,857	161,899,680
Prepayments for:			
Real property taxes		154,018,449	152,910,780
Insurance		4,151,440	–
Debt issuance costs		–	41,129,032
DSRA	16	129,304,272	126,394,706
Others		3,869,383	5,612,381
		₱824,329,394	₱728,992,144

Advances to suppliers represent advance payments for purchases of inventories that are applied against subsequent deliveries and are outstanding for less than one year from initial recognition.

Prepaid debt issuance costs pertain to the direct costs paid on the undrawn balance of the loan facility.

The DSRA represents an account maintained with a certain bank for annual principal and interest payments of the Group's loans payable in accordance with the provision of the Term Loan Facility and Security Agreement (TLFSA) (see Note 16). As a requirement, the Group ensures that the outstanding balance of the DSRA is at least equal to the interest and the principal due on the immediately succeeding payment date. Withdrawals from the DSRA should only be made if the amount outstanding exceeds the required balance, no default is continuing and a written consent of the Security Agent is obtained.

10. AFS Financial Assets

This account consists of:

	2017	2016
Quoted equity securities	₱109,280,325	₱106,013,250
Unquoted equity securities	75,000,000	75,000,000
	₱184,280,325	₱181,013,250

Dividend income earned from AFS financial assets amounted to ₱6.8 million, ₱6.8 million and ₱1.7 million in 2017, 2016 and 2015, respectively (see Note 23).

Rollforward analysis of cumulative unrealized gains on AFS financial assets is shown below:

	2017	2016	2015
Balance at beginning of year	₱6,000,750	₱6,534,150	₱–
Unrealized gain (loss) for the year	3,267,075	(533,400)	6,534,150
Balance at end of year	₱9,267,825	₱6,000,750	₱6,534,150

The Group's quoted AFS financial assets as at December 31, 2017 and 2016 are carried at fair value based on quoted market prices or bidding dealer price quotations from active markets as at the reporting date. The fair valuation is classified under Level 1 category (see Note 29).

11. Property, Plant and Equipment

The balances and movements in this account as at and for the years ended December 31, 2017 and 2016 are as follows:

	2017						
	At Revalued Amount	At Cost					Total
	Land	Machinery and Equipment	Building and Improvements	Transportation Equipment	Furniture, Fixtures and Other Office Equipment	Construction in Progress	
Cost/Revalued Amount							
Balances at beginning of year	₱2,378,843,567	₱12,177,821,246	₱3,450,976,136	₱134,387,064	₱113,890,660	₱488,633,587	₱18,744,552,260
Additions	-	329,249,129	34,939,438	50,361,680	29,017,015	4,939,494,625	5,383,061,887
Revaluation	102,603,943	-	-	-	-	-	102,603,943
Disposals	-	(24,443,882)	-	(7,969,779)	-	-	(32,413,661)
Reclassifications	(1,600,000)	329,298,406	53,826,243	-	-	(381,524,649)	-
Balances at end of year	2,479,847,510	12,811,924,899	3,539,741,817	176,778,965	142,907,675	5,046,603,563	24,197,804,429
Accumulated Depreciation and Amortization							
Balances at beginning of year	-	1,811,657,302	1,025,048,550	81,163,195	52,683,446	-	2,970,552,493
Depreciation and amortization	-	464,788,042	112,180,093	25,136,389	25,017,797	-	627,122,321
Disposals	-	(22,210,055)	-	(3,509,024)	-	-	(25,719,079)
Balances at end of year	-	2,254,235,289	1,137,228,643	102,790,560	77,701,243	-	3,571,955,735
Carrying Amount	₱2,479,847,510	₱10,557,689,610	₱2,402,513,174	₱73,988,405	₱65,206,432	₱5,046,603,563	₱20,625,848,694

	2016						
	At Revalued Amount	At Cost					Total
	Land	Machinery and Equipment	Building and Improvements	Transportation Equipment	Furniture, Fixtures and Other Office Equipment	Construction in Progress	
Cost/Revalued Amount							
Balances at beginning of year	₱2,053,673,480	₱5,557,333,815	₱3,363,263,326	₱184,052,178	₱84,421,333	₱5,330,503,481	₱16,573,247,613
Acquisitions from business combination	166,943,040	-	-	-	219,019	-	167,162,059
Additions	96,000,000	94,810,716	230,000	29,349,036	29,250,308	1,911,980,151	2,161,620,211
Revaluation	62,227,047	-	-	-	-	-	62,227,047
Disposals	-	(140,690,520)	-	(79,014,150)	-	-	(219,704,670)
Reclassifications	-	6,666,367,235	87,482,810	-	-	(6,753,850,045)	-
Balances at end of year	2,378,843,567	12,177,821,246	3,450,976,136	134,387,064	113,890,660	488,633,587	18,744,552,260
Accumulated Depreciation and Amortization							
Balances at beginning of year	-	1,298,660,281	850,304,238	56,153,627	36,399,201	-	2,241,517,347
Depreciation and amortization	-	513,079,274	174,744,312	38,268,189	16,284,245	-	742,376,020
Disposals	-	(82,253)	-	(13,258,621)	-	-	(13,340,874)
Balances at end of year	-	1,811,657,302	1,025,048,550	81,163,195	52,683,446	-	2,970,552,493
Carrying Amount	₱2,378,843,567	₱10,366,163,944	₱2,425,927,586	₱53,223,869	₱61,207,214	₱488,633,587	₱15,773,999,767

Details of depreciation and amortization are as follows:

	Note	2017	2016	2015
Included in profit or loss:				
Property, plant and equipment		₱585,188,317	₱665,702,812	₱467,400,881
Mining rights	13	719,116	719,116	719,116
		585,907,433	666,421,928	468,119,997
Recognized as component of inventories		41,934,004	76,673,208	24,146,182
		₱627,841,437	₱743,095,136	₱492,266,179

Depreciation and amortization is distributed in the consolidated statements of comprehensive income as follows:

	Note	2017	2016	2015
Cost of goods sold	21	₱534,154,429	₱609,378,705	₱444,523,807
Operating expenses	22	51,753,004	57,043,223	23,596,190
		₱585,907,433	₱666,421,928	₱468,119,997

Revaluation of Land

The Company engaged an independent appraiser to determine the fair value of its land as at December 31, 2017. The latest appraisal valuation reports for ECC and SWCC were dated February 15, 2018 and January 14, 2017, respectively, and were estimated using the “Sales Comparison Approach”. This is a comparative approach to value that considers the sales similar or substitute properties and related market data and establishes a value estimate by processes involving comparison. This fair valuation is classified under the Level 3 (significant unobservable inputs) (see Note 29).

Considering the foregoing and such factors as the property location, desirability, neighbourhood, utility, size, terrain and time element involved, the market value of the appraised land is estimated to range at ₱582 to ₱800 per square meter, or total value of ₱2,479.8 million as at December 31, 2017 for the entire 3,653,785 square meter subject land total area.

If the land was measured using cost model, the carrying amount is ₱588.5 million as at December 31, 2017 and 2016.

Rollforward analysis of revaluation surplus is shown below:

	2017		
	Gross of Tax	Deferred Tax Expense	Net of Tax
Balances at beginning of year	₱1,790,378,915	(₱537,113,674)	₱1,253,265,241
Revaluation during the year	102,603,943	(30,781,184)	71,822,759
Balances at end of year	₱1,892,982,858	(₱567,894,858)	₱1,325,088,000

	2016		
	Deferred Tax		
	Gross of Tax	Expense	Net of Tax
Balances at beginning of year	₱1,728,151,868	(₱518,445,560)	₱1,209,706,308
Revaluation during the year	62,227,047	(18,668,114)	43,558,933
Balances at end of year	₱1,790,378,915	(₱537,113,674)	₱1,253,265,241

	2015		
	Deferred Tax		
	Gross of Tax	Expense	Net of Tax
Balances at beginning of year	₱1,667,579,100	(₱500,273,730)	₱1,167,305,370
Revaluation during the year	60,572,768	(18,171,830)	42,400,938
Balances at end of year	₱1,728,151,868	(₱518,445,560)	₱1,209,706,308

Revaluation surplus on land amounting to ₱102.6 million, ₱62.2 million and ₱60.6 million for the years ended December 31, 2017, 2016 and 2015, respectively, are noncash financial information excluded in the consolidated statements of cash flows.

Capitalization of Borrowing Costs

Construction in progress mainly represents the construction of the third line of the Group's cement manufacturing plant that is expected to increase the production capacity from 5.1 million metric tons to 7.1 million metric tons of cement annually. Construction of the second line of the Group's cement manufacturing plant was completed on January 29, 2016. The construction was partly financed through bank borrowings. Capitalized borrowing costs on the construction amounted to ₱166.3 million, ₱10.5 million and ₱123.1 million for the years ended December 31, 2017, 2016 and 2015, respectively (see Note 16). The rates used to determine the amount of borrowing costs eligible for capitalization range from 5.68% to 6.21% in 2017, 2016 and 2015 which are the effective interest rates of the borrowings.

Disposal of Property, Plant and Equipment

The Group has the following disposal of transportation equipment under a finance lease arrangement:

	2017	2016
Carrying amount of disposed equipment	₱4,460,755	₱65,755,529
Gain on sale	1,359,708	19,497,183

This transaction is considered as a noncash financial information excluded in the consolidated statements of cash flows.

Loan Covenant

Land, building, and machinery and equipment with appraised value of ₱20,397.2 million and carrying amount of ₱14,539.2 million as at December 31, 2017 are held as collateral under the Mortgage Trust Indenture (MTI) of the Group's TLFSA (see Note 16).

Contractual Commitment

The Group has an ongoing construction for the third line of its cement manufacturing plant as at December 31, 2017. The amount of remaining contracted capital expenditure with its contractors for this project is ₱3,496.2 million as at December 31, 2017.

12. Investment Properties

The balances and movements in this account are as follows:

	Note	2017		Total
		Land	Building under Construction	
Balances at beginning of year		₱577,800,000	₱–	₱577,800,000
Fair value changes	23	9,630,000	–	9,630,000
Balances at end of year		₱587,430,000	₱–	₱587,430,000

	Note	2016		Total
		Land	Building under Construction	
Balances at beginning of year		₱431,314,157	₱102,661,000	₱533,975,157
Fair value changes	23	146,485,843	–	146,485,843
Balances at end of year		577,800,000	102,661,000	680,461,000
Less write-off of investment property	22	–	102,661,000	102,661,000
		₱577,800,000	₱–	₱577,800,000

The Group has not earned any rental income from its investment properties in 2017, 2016 and 2015.

Direct operating expenses arising from investment properties that do not generate rental income amounted to ₱376,401 and ₱42,907 in 2017 and 2016, respectively.

The Group engaged an independent appraiser to determine the fair value of the investment properties as at December 31, 2017 and 2016. The latest appraisal valuation report was dated January 20, 2018 and was estimated using the Sales Comparison Approach. This approach compares sales of similar or substitute properties and related market data to establish an estimated value.

Fair value of investment properties is categorized under Level 3 (significant unobservable inputs) (see Note 29).

Considering the foregoing and such factors as the property location, desirability, neighbourhood, utility, size, terrain and time element involved, the market value of the appraised land is estimated at ₱122,000 and ₱120,000 per square meter, or total value of ₱587.4 million and ₱577.8 million as at December 31, 2017 and 2016, respectively, for the entire land area of 4,815 square meter.

In 2016, the Group approved a plan to construct a new building to be held for leasing on its land recognized as investment property. Accordingly, the Group wrote-off the existing building under construction amounting to ₱102.7 million. This is presented under “Operating expenses” account in the consolidated statements of comprehensive income (see Note 22). This is also considered as a noncash item excluded in the consolidated statements of cash flows.

13. Intangible Assets

This account consists of:

	Note	2017	2016
Mining rights		₱189,573,304	₱190,292,420
Goodwill	4	3,806,518	3,806,518
		₱193,379,822	₱194,098,938

Mining rights represent the Group's legal rights to undertake quarrying activities in the municipalities of San Ildefonso and Dona Remedios Trinidad in Bulacan, and municipalities of Ginatilan and Malabuyoc in Cebu. Balances and movements of mining rights are as follows:

	Note	2017	2016
Cost			
Balance at beginning of year		₱194,363,745	₱17,977,910
Additions		–	176,385,835
		194,363,745	194,363,745
Accumulated Amortization			
Balance at beginning of year		4,071,325	3,352,209
Amortization	11	719,116	719,116
		4,790,441	4,071,325
Carrying Amount		₱189,573,304	₱190,292,420

Additions in 2016 includes mining rights acquired from business combination amounting to ₱172.4 million (see Note 4).

Goodwill is recognized from the Parent Company's acquisition of SWCC (see Note 4). As at December 31, 2017 and 2016, the carrying amount of intangible assets is lower than its recoverable amount.

No impairment loss was recognized in 2017, 2016 and 2015.

Assignment of the MPSA. The Group assigns to the lenders under TLFSa its rights and interest under MPSA No. 181-2002-III (see Note 16).

14. Other Noncurrent Assets

This account consists of:

	Note	2017	2016
Deposit on asset purchase		₱415,559,598	₱633,648,854
Deferred input VAT - net of current portion		186,611,564	189,211,313
Finance lease receivables - net of current portion	30	46,240,406	55,129,496
Deposit in escrow		42,851,241	40,923,906
Refundable deposits		19,146,887	18,702,702
Deferred exploration and development costs		14,251,246	5,866,082
Restricted cash		8,757,247	8,866,227
Advances for future investment		–	680,404,969
Others		2,414,090	345,843
		₱735,832,279	₱1,633,099,392

Deposits

Deposit on asset purchase amounting to ₱415.6 million and ₱633.6 million as at December 31, 2017 and 2016, respectively, represents advance payments for the acquisition of machinery and equipment related to the construction of third manufacturing plant.

Deposit in escrow amounting to ₱42.9 million and ₱40.9 million as at December 31, 2017 and 2016, respectively, pertains to cash in escrow account related to a pending legal case.

Refundable deposits represent bill deposits for electric charges at the Group's manufacturing plant in San Ildefonso, Bulacan. This will be refunded upon termination of service. It also includes refundable rental deposits related to long-term rentals of office space.

Deferred Exploration and Development Costs

Deferred exploration and development cost pertain to costs incurred for the exploration and development in the Mining Property of the Group.

The balances and movements in the account are as follows:

	2017	2016
Cost		
Balance at beginning of year	₱5,866,082	₱82,531,319
Additions	8,385,164	4,527,060
Balance at end of year	14,251,246	87,058,379
Accumulated Impairment Losses	–	81,192,297
Carrying Amount	₱14,251,246	₱5,866,082

Additions to deferred exploration and development costs pertain to costs incurred in drilling, hauling and other ongoing exploration activities.

The assets, liabilities, expenses, and operating and investing cash flows from the deferred exploration and development costs are as follows:

	2017	2016
Total assets	₱14,251,246	₱5,866,082
Expenses	3,748,366	3,003,890
Net cash used in operating activities	3,545,654	2,492,558
Net cash used in investing activities	8,385,164	4,527,060

Restricted Cash

Restricted cash pertains to rehabilitation funds established by the Group and deposited with a local bank for compliance with Department of Environment and Natural Resources Administrative Order No. 2005-07 for environmental protection and enhancement.

Advances for Future Investment

This account pertains to the Group's payment of upfront signing fee amounting to US\$7.3 million (₱320.6 million) in 2015 and an extension fee amounting to US\$7.8 million (₱359.8 million) in 2016 pursuant to a Sale and Purchase Agreement with Great Pine Capital Managers Limited (Great Pine) for an option to acquire shares of Great Pine. On April 17, 2017, the Group paid additional extension fees amounting to US\$2.6 million (₱130.4 million). On April 24, 2017, both parties terminated the agreement. On the same date, Great Pine returned the whole amount paid aggregating US\$17.7 million to the Group. The Group recognized a realized foreign exchange gain of ₱68.0 million on the settlement of this transaction.

15. Trade and Other Payables

This account consists of:

	Note	2017	2016
Trade:			
Third parties		₱1,784,367,970	₱988,397,215
Related parties	19	24,457,393	145,934,405
Accruals for:			
Utilities		225,194,460	187,151,087
Sales rebates		223,452,215	189,064,782
Interests		45,726,739	24,496,700
Personnel costs		42,890,845	33,950,990
Rentals		348,381	10,944,154
Advances from customers		464,733,240	250,379,012
Retention payable		267,775,136	167,207,407
Dividends payable	18	45,000,000	-
Withholding taxes payable		29,981,766	24,773,813
Advances from related parties	19	10,542,666	145,085,031
Output VAT		3,546,562	41,269,854
Liability for land acquisition		-	80,000,000
Others		104,188,783	59,626,859
		₱3,272,206,156	₱2,348,281,309

Trade payables are noninterest-bearing and are generally settled in varying periods, within one year, depending on the arrangements with suppliers.

Accrual for sales rebates pertain to accrued monthly incentives granted to customers upon meeting a set quantity of orders.

Advances from customers are collections received for inventory purchases to be delivered by the Group within 30 days after collection date.

Retention payable represents retention fees of contractors and are normally settled within one (1) year.

Other payables are noninterest-bearing and are normally settled within one (1) year.

16. Loans Payable

This account consists of:

	2017	2016
Principal	₱8,900,000,000	₱6,000,000,000
Less unamortized debt issuance costs	55,185,185	42,923,938
	8,844,814,815	5,957,076,062
Less current portion	522,240,494	-
Noncurrent portion	₱8,322,574,321	₱5,957,076,062

Debt issuance costs on loan availments are recognized as discount on loans. Amortization of debt issuance costs charged to "Finance costs" account in the consolidated statements of comprehensive income amounted to ₱11.6 million, ₱7.9 million and ₱11.0 million in 2017, 2016 and 2015, respectively.

TLFSA

On February 3, 2016, the Group entered into a TLFSA amounting to ₱11,000.0 million with various banks as lenders to refinance the aggregate outstanding principal amounts owed by the Group under the Note Facility and Security Agreement (NFSA) and Syndicated Loan and Security Agreement (SLSA), and to finance the construction of a third production line.

Initial drawdown amounting to ₱6,000.0 million on February 29, 2016 was used to fully settle the Group's liabilities under the NFSA and SLSA loans. The pre-termination resulted to a loss on early debt extinguishment of ₱100.4 million in 2016 (see Note 23). Loss on early debt extinguishment presented under "Other income - net" account in the consolidated statements of comprehensive income, includes pre-termination fees to banks not included as creditors in the TLFSA.

The drawdown is payable in 32 quarterly installments commencing on the 9th quarter of availment based on the following schedule:

Quarters from Availment Date	Percentage of Principal Repayment per Quarter
9 th to 12 th	2.00%
13 th to 24 th	3.00%
25 th to 40 th	3.50%

Details of the drawdowns under TLFSA are as follows:

Date	Drawdown	Effective Interest Rates	Nominal Interest Rates
February 3, 2016	₱6,000.0 million	5.81%	5.68%
January 11, 2017	2,150.0 million	6.36%	6.21%
April 5, 2017	750.0 million	5.89%	5.74%

The terms and conditions of TLFSA are as follows:

MTI. Under the MTI, land, building and machinery and equipment with appraised value of ₱20,397.2 million and carrying amount of ₱14,539.2 million as at December 31, 2017 are held as collateral to secure the loans payable (see Note 11).

DSRA. The Group is required to maintain a DSRA equal to the interest and principal due on the immediately succeeding payment date. As at December 31, 2017 and 2016, the DSRA maintained for TLFSA amounted to ₱129.3 million and ₱126.4 million, respectively. The DSRA is presented under “Other current assets” account in the consolidated statements of financial position (see Note 9).

Assignment of the MPSA. The Group assigns to the lenders its rights and interest under MPSA No. 181-2002-III (see Note 13).

On July 28, 2017, the Group notified its lender banks that it will not avail the remaining ₱2,100.0 million undrawn amount from the TLFSA. Accordingly, deferred debt issuance cost for the undrawn portion of the facility amounting to ₱17.3 million was charged to profit or loss.

Finance Costs

Details of finance costs charged to consolidated statements of comprehensive income are as follows:

	Note	2017	2016	2015
Interest expense on loans payable		₱528,997,280	₱364,580,196	₱360,679,843
Bank charges		25,894,551	17,408,779	4,177,195
Accretion of provision for mine rehabilitation and decommissioning	17	1,192,893	1,140,804	–
Others		–	2,814,929	5,388
		556,084,724	385,944,708	364,862,426
Less capitalized borrowing costs	11	166,347,232	10,476,037	123,095,878
		₱389,737,492	₱375,468,671	₱241,766,548

Debt Covenants

The Group's debt instruments contain restrictive covenants which include, among others, use of proceeds, changes in the Group's nature of business and ownership structure, disposition of assets, material advances to stockholders and officers, entering into mergers and consolidations, incurrence of additional debt and maintenance of certain financial ratios.

Further, the Group is required to maintain a debt-to-equity ratio of not greater than 2.50 and a debt service coverage ratio greater than 1.50 with respect to the next reporting period. As at December 31, 2017, the Group is in compliance with all the requirements of its debt covenants.

Reconciliation of Liabilities Arising from Financing Activity

The table below details changes in the Group's liabilities arising from financing activity, including both cash and noncash changes.

	Loans Payable
Balance at beginning of year	₱5,957,076,062
Proceeds from loan availment	2,900,000,000
Additional debt issuance costs	(23,854,839)
Amortization of debt issuance cost	11,593,592
Balance at end of year	<u>₱8,844,814,815</u>

17. Provision for Mine Rehabilitation and Decommissioning

The Group is required under its Environmental Compliance Certificate to perform rehabilitation and decommissioning of its cement manufacturing plant and quarry operation sites. Accordingly, the Group recognized its estimated liability for site rehabilitation and decommissioning. The provision is calculated based on the Group's estimate of expected costs to be incurred to rehabilitate and decommission the sites and is measured at its present value using 4.60% discount rate.

The balance and movement in this account are as follow:

	Note	2017	2016
Balance at beginning of year		₱26,125,315	₱24,984,511
Accretion	16	1,192,893	1,140,804
Balance at end of year		₱27,318,208	₱26,125,315

The present value of the total estimated costs of mine rehabilitation and decommissioning amounting to ₱25.0 million computed upon initial recognition was capitalized as part of "Building and improvements" under "Property, plant and equipment" account in the consolidated statements of financial position.

18. Equity

Capital Stock

The capital stock of the Parent Company as at December 31, 2017 and 2016 are as follows:

	2017	2016
Common stock - ₱1 par value	₱5,000,000,005	₱4,500,000,002
Preferred stock - ₱1 par value	3,000,000,000	3,000,000,000
	₱8,000,000,005	₱7,500,000,002

Details of the Parent Company's common stock at ₱1.00 par value are as follows:

	2017		2016		2015	
	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount
Authorized						
Balance at beginning of year	5,500,000,000	₱5,500,000,000	500,000,000	₱500,000,000	3,500,000,000	₱3,500,000,000
Increase in authorized common stock	-	-	5,000,000,000	5,000,000,000	-	-
Conversion of common stock to preferred stock	-	-	-	-	(3,000,000,000)	(3,000,000,000)
Balance at end of year	5,500,000,000	₱5,500,000,000	5,500,000,000	₱5,500,000,000	500,000,000	₱500,000,000
Issued						
Balance at beginning of year	4,500,000,002	₱4,500,000,002	500,000,000	₱500,000,000	3,500,000,000	₱3,500,000,000
Stock dividends	-	-	4,000,000,000	4,000,000,000	-	-
Issuance of common stock to independent directors	3	3	2	2	-	-
Issuance of common stock	500,000,000	500,000,000	-	-	-	-
Conversion of common stock to preferred stock	-	-	-	-	(3,000,000,000)	(3,000,000,000)
Balance at end of year	5,000,000,005	₱5,000,000,005	4,500,000,002	₱4,500,000,002	500,000,000	₱500,000,000

The Parent Company has authorized, issued and outstanding preferred stock as at December 31, 2017 and 2016 of 3,000,000,000 shares with a par value of ₱1.00 per share amounting to ₱3,000.0 million.

Preferred stock is cumulative, non-participating, non-voting, not convertible to common stock and redeemable at the option of the Parent Company at the end of fifth year from the issue date, at the price of issue value plus all accumulated and unpaid dividends. Subject to the availability of unrestricted retained earnings of the Parent Company, the preferred stockholders shall be paid a cash dividend of 6.00% per annum or such rate as may be fixed by its BOD.

On December 22, 2014, the Parent Company's BOD approved the reduction of authorized common stock from 3,500.0 million shares at ₱1.00 par value amounting to ₱3,500.0 million to 500.0 million shares at ₱1.00 par value amounting to ₱500.0 million and the conversion of ₱3,000.0 million common stock divided into 3,000.0 million shares to ₱3,000.0 million preferred stock divided into 3,000.0 million shares, both at ₱1.00 par value a share. The SEC approved the conversion of the common stock to preferred stock and reduction of the authorized common stock on March 18, 2015.

On December 9, 2015, the BOD approved the increase in the Parent Company's authorized capital stock from ₱3,500.0 million, divided into 500.0 million common stock at ₱1.00 par value a share and 3,000.0 million preferred stock at ₱1.00 par value a share, to ₱8,500.0 million divided into 5,500.0 million common stock at ₱1.00 par value a share and 3,000.0 million preferred stock at ₱1.00 par value a share.

On April 29, 2016, the SEC approved the increase in authorized common stock of the Parent Company from ₱500.0 million, divided into 500.0 million common stock at ₱1.00 par value a share to ₱5,500.0 million divided into 5,500.0 million common stock at ₱1.00 par value a share.

On May 4, 2017, the Parent Company bought back five (5) of its common stock from a stockholder at ₱20.00 per share.

On April 20, 2017, the SEC resolved to render effective the Registration Statement of the Parent Company for the registration of up to five billion capital stock. On May 10, 2017, the PSE approved the Parent Company's application for the initial listing of such shares under the Main Board of the PSE. On May 15, 2017, the SEC issued in favor of the Parent Company a Certificate of Permit to Offer Securities for Sale of the Five Hundred Million (500,000,000) common stock with an Oversubscription Option of up to Seventy-Five Million (75,000,000) common stock at an offer price of fifteen pesos (₱15.00) per share.

The Offer Period was from May 16, 2017 to May 22, 2017. On May 29, 2017, the shares of the Parent Company commenced trading in the PSE.

As at December 31, 2017, there is no dividend in arrears related to the preferred stock.

Additional Paid-in Capital

Additional paid-in capital consists of amount received in excess of the par value of the shares issued net of directly attributable transactions costs on the initial public offering. Details are as follows:

Proceeds in excess of par value	₱7,000,000,000
IPO expenses	474,493,881
Additional paid-in capital	₱6,525,506,119

Dividends Declaration

The Parent Company's BOD authorized the declaration of the following cash dividends in 2017, 2016 and 2015:

2017

Type	Declaration Date	Record Date	Payment Date	Amount
Preferred	January 9, 2017	January 15, 2017	January 23, 2017	₱45,000,000
Preferred	April 5, 2017	March 31, 2017	April 21, 2017	45,000,000
Preferred	June 29, 2017	May 31, 2017	July 21, 2017	45,000,000
Preferred	June 29, 2017	May 31, 2017	October 20, 2017	45,000,000
Preferred	June 29, 2017	May 31, 2017	January 24, 2018	45,000,000
				₱225,000,000

2016

Type	Declaration Date	Record Date	Payment Date	Amount
Preferred	January 6, 2016	January 15, 2016	January 22, 2016	₱45,000,000
Common	April 6, 2016	April 15, 2016	April 20, 2016	375,000,000
Preferred	April 6, 2016	April 15, 2016	April 22, 2016	45,000,000
Preferred	July 4, 2016	July 15, 2016	July 22, 2016	45,000,000
Preferred	October 5, 2016	October 15, 2016	October 21, 2016	45,000,000
				₱555,000,000

2015

Type	Declaration Date	Record Date	Payment Date	Amount
Preferred	July 20, 2015	June 30, 2015	August 6, 2015	₱45,000,000
Preferred	November 5, 2015	September 30, 2015	November 23, 2015	45,000,000
				₱90,000,000

On December 9, 2015, the Parent Company's BOD authorized the declaration of a common stock dividend amounting to ₱4,000.0 million divided into 4,000.0 million common shares out of the unrestricted retained earnings to be issued from the increase in authorized common stock.

The Parent Company issued the common stock dividends on April 29, 2016.

Unpaid cash dividends on the preferred shares amounted to ₱45.0 million as at December 31, 2017 (see Note 15).

Subsequently, on March 15, 2018, the Parent Company's BOD authorized the declaration of cash dividends for preferred stockholders of record on the same date payable as follows:

Type	Declaration Date	Record Date	Payment Date	Amount
Preferred	March 15, 2018	March 15, 2018	April 23, 2018	₱45,000,000
Preferred	March 15, 2018	March 15, 2018	July 23, 2018	45,000,000
Preferred	March 15, 2018	March 15, 2018	October 22, 2018	45,000,000
Preferred	March 15, 2018	March 15, 2018	January 24, 2019	45,000,000
				₱180,000,000

Appropriation of Retained Earnings

On December 31, 2015, the Parent Company's BOD approved the appropriation of ₱4,000.0 million of unrestricted retained earnings to cover the stock dividend declared to be issued from the increase in authorized capital stock. The Parent Company's BOD approved the reversal of this appropriation on December 22, 2016 upon issuance of stock dividends.

On December 22, 2016, the Parent Company's BOD approved the appropriation of ₱3,500.0 million retained earnings for the following programs:

Program	Amount	Project Completion
Expansion for Cebu operations	₱2,500,000,000	To be completed in 2020
Construction and commissioning of third manufacturing line	1,000,000,000	To be completed in 2018
	₱3,500,000,000	

Subsequent Appropriation. On March 15, 2018, the Parent Company's BOD approved the appropriation of ₱5,000.0 million unrestricted retained earnings to supplement the funding of construction of its fourth manufacturing line which is expected to be completed in 2020.

Other Equity Reserves

Details of the Group's other equity reserves are as follows:

	Note	2017	2016
Revaluation surplus (net of deferred tax)	11	₱1,325,088,000	₱1,253,265,241
Cumulative remeasurement gains on net retirement benefits liability (net of deferred tax)	25	15,257,371	4,854,707
Cumulative unrealized gains on AFS financial assets	10	9,267,825	6,000,750
		₱1,349,613,196	₱1,264,120,698

19. Related Party Transactions

The Group has transactions with its related parties in the ordinary course of business. The outstanding balances and amount of transactions with related parties as at and for the years ended December 31, 2017 and 2016 are as follows:

Nature of Relationship	Nature of Transactions	2017		2016	
		Amount of Transactions	Outstanding Balance	Amount of Transactions	Outstanding Balance
Trade receivables -					
Entities under common key management with ECC	Sale of inventories	₱223,226,488	₱217,402,920	₱47,576,654	₱-
Advances to related parties:					
Subsidiaries of Ultimate Parent Company	Sale of equipment and working capital advances	₱-	₱33,748,773	₱160,576,967	₱163,999,850
Entity under common key management with ECC	Working capital advances	-	-	625,728	534,400
			₱33,748,773		₱164,534,250
Advances to suppliers -					
Subsidiary of Ultimate Parent Company	Downpayment on purchase of raw materials	₱92,188,727	₱171,045,870	₱104,000,000	₱92,857,143

Nature of Relationship	Nature of Transactions	2017		2016	
		Amount of Transactions	Outstanding Balance	Amount of Transactions	Outstanding Balance
Trade payables:					
Subsidiaries of Ultimate Parent Company	Hauling, rental and other services	₱449,517,685	₱10,460,023	₱359,373,540	₱105,100,352
Entities under common key management with ECC	Purchase of raw materials and outside services	247,036,467	13,997,370	220,409,450	40,834,053
			₱24,457,393		₱145,934,405
Advances from related parties:					
Ultimate Parent Company	Working capital advances	₱-	₱10,300,998	₱-	₱144,843,363
Other stockholder	Working capital advances	-	241,668	-	241,668
			₱10,542,666		₱145,085,031
Retirement benefit plan	Actual return on plan assets	₱561,161	₱23,531,895	₱786,123	₱22,970,734
Entity under common key management with ECC	Acquisition of a subsidiary	₱-	₱-	₱450,000,000	₱-
Personnel costs					
Key management personnel	Salaries and other employee benefits	₱42,600,000	₱8,200,000	₱37,300,000	₱-
	Net retirement benefits liability	2,288,326	15,527,842	2,131,041	13,239,516
			₱23,727,842		₱13,239,516

Terms and Conditions of Transactions and Balances with Related Parties

Trade receivables, trade payables and advances to and from related parties are unsecured, noninterest-bearing, generally settled in cash and collectible or payable on demand. No allowance for impairment losses was provided for trade and other receivables from related parties.

Advances to suppliers for payments of purchases of inventories, are settled upon delivery of inventories which are expected within one year from the date of the advance payment.

20. Net Sales

This account consists of:

	2017	2016	2015
Sales	₱15,348,078,862	₱13,689,072,258	₱11,488,428,653
Rebates	(465,533,599)	(388,444,790)	(422,445,294)
Returns and allowances	(10,064,236)	(24,674,833)	(1,451,783)
	₱14,872,481,027	₱13,275,952,635	₱11,064,531,576

21. Cost of Goods Sold

This account consists of:

	Note	2017	2016	2015
Cost of inventories	8	₱4,000,076,310	₱3,077,305,220	₱3,160,592,118
Utilities		2,317,265,815	1,887,393,940	1,786,892,653
Depreciation and amortization	11	534,154,429	609,378,705	444,523,807
Repairs and maintenance		373,388,143	282,305,511	344,026,321
Personnel costs	24	251,483,975	184,026,743	190,886,824
Taxes and licenses		176,703,278	115,438,829	105,263,864
Rental	30	166,304,770	120,451,690	197,597,100
Fuel and oil		57,755,130	15,674,426	1,937,419
Insurance		35,319,106	27,349,838	22,824,339
Others		32,158,761	20,029,207	40,769,600
		₱7,944,609,717	₱6,339,354,109	₱6,295,314,045

22. Operating Expenses

This account consists of:

	Note	2017	2016	2015
Freight, trucking and handling		₱771,147,005	₱669,477,244	₱461,024,656
Personnel costs	24	160,801,075	111,271,144	88,704,254
Advertising		77,893,324	60,850,141	48,973,238
IPO expenses		61,813,806	—	—
Depreciation and amortization	11	51,753,004	57,043,223	23,596,190
Outside services		46,768,505	51,758,728	5,279,148
Professional fees		44,896,761	37,268,186	31,578,097
Warehousing fees		38,440,406	28,579,697	22,250,368
Repairs and maintenance		25,500,482	16,004,613	10,529,993
Taxes and licenses		24,615,749	52,295,793	57,891,389
Rental	30	16,633,859	5,432,002	5,719,807
Supplies		10,940,972	10,305,883	7,865,052
Transportation and travel		10,353,490	7,698,607	5,071,843
Utilities		9,084,945	5,067,552	2,171,045
Representation		5,286,384	7,186,822	11,035,186
Communication		5,058,534	3,442,842	2,369,093
Donation		4,964,191	36,204,148	2,334,412
Write-off of investment property	12	—	102,661,000	—
Others		36,711,434	30,975,395	40,083,369
		₱1,402,663,926	₱1,293,523,020	₱826,477,140

23. Other Income - Net

This account consists of:

	Note	2017	2016	2015
Foreign exchange gains (losses) - net		₱73,987,618	(₱18,895,304)	(₱617,739)
Recovery of claims from tax credit		39,610,708	–	–
Fair value changes in investment properties	12	9,630,000	146,485,843	–
Dividend income	10	6,799,819	6,794,448	1,702,013
Sale of by-product		6,443,960	–	–
Gain on sale of property, plant and equipment		6,382,827	19,497,183	250,089
Trading gain (loss) on financial assets at FVPL	6	5,190,446	–	(4,785,679)
Loss on early debt extinguishment	16	–	(100,385,644)	–
Income from rehabilitation services		–	–	27,006,900
Others		5,108,552	306,900	477,236
		₱153,153,930	₱53,803,426	₱24,032,820

24. Personnel Costs

This account consists of:

	Note	2017	2016	2015
Salaries and wages		₱295,800,972	₱232,811,008	₱210,012,154
Retirement benefits costs	25	14,113,740	13,371,422	12,358,106
Other short-term employee benefits		119,633,401	71,883,051	67,606,440
		₱429,548,113	₱318,065,481	₱289,976,700

Personnel costs were distributed as follows:

	Note	2017	2016	2015
Included in profit or loss:				
Cost of goods sold	21	₱251,483,975	₱184,026,743	₱190,886,824
Operating expenses	22	160,801,075	111,271,144	88,704,254
		412,285,050	295,297,887	279,591,078
Recognized as component of inventories		17,263,063	22,767,594	10,385,622
		₱429,548,113	₱318,065,481	₱289,976,700

25. Net Retirement Benefits Liability

The Parent Company has a funded, noncontributory defined benefit retirement plan covering substantially all of its qualified regular employees. The retirement benefit are based on a certain percentage of the final monthly basic salary for every year of credited service of the employees. The benefit obligation under the defined benefit retirement plan is determined using the projected unit credit method. The benefits to be received by the employees under the Parent Company's defined benefits retirement plan meet the minimum mandated benefit under R.A. No. 7641. Net retirement benefits liability is based on the actuarial valuation report as at December 31, 2017 and 2016.

The components of retirement benefit costs included under "Personnel costs" account in the consolidated statements of comprehensive income are as follows:

	2017	2016	2015
Current service cost	₱12,475,681	₱12,123,347	₱10,695,671
Net interest cost	1,638,059	1,248,075	1,662,435
	₱14,113,740	₱13,371,422	₱12,358,106

Retirement benefit costs were distributed as follows:

	2017	2016	2015
Included in profit or loss	₱13,548,386	₱12,431,506	₱12,012,367
Recognized as component of inventories	565,354	939,916	345,739
	₱14,113,740	₱13,371,422	₱12,358,106

Movements in net retirement benefits liability recognized in the consolidated statements of financial position are as follows:

	2017	2016
Balances at beginning of year	₱29,621,321	₱22,504,225
Retirement benefits costs	14,113,740	13,371,422
Remeasurement gains	(14,860,948)	(6,254,326)
Balances at end of year	₱28,874,113	₱29,621,321

The funded status of the retirement plan as at December 31, 2017 and 2016 are as follows:

	2017	2016
Present Value of Defined Benefits Obligation (PVBO)	₱52,406,008	₱52,592,055
Fair Value of Plan Assets (FVPA)	(23,531,895)	(22,970,734)
Net retirement benefits liability	₱28,874,113	₱29,621,321

The following tables present the changes in the PVBO and FVPA:

PVBO

	2017	2016
Balance at beginning of year	P52,592,055	P44,688,836
Current service cost	12,475,681	12,123,347
Interest cost	2,908,341	2,448,948
Remeasurement gains recognized in OCI:		
Experience adjustments	(14,043,283)	(6,209,729)
Change in financial assumptions	(1,526,786)	(459,347)
Balance at end of year	P52,406,008	P52,592,055

FVPA

	2017	2016
Balance at beginning of year	P22,970,734	P22,184,611
Interest income	1,270,282	1,200,873
Remeasurement losses	(709,121)	(414,750)
Balance at end of year	P23,531,895	P22,970,734
Actual return on plan assets	P561,161	P786,123

Plan assets consist of the following:

	2017	2016
Investments in:		
Debt instruments	72.42%	53.40%
Unit investment trust fund	25.21%	38.43%
Cash and cash equivalents	0.65%	6.56%
Others	1.72%	1.61%
	100.00%	100.00%

The principal assumptions used in determining net retirement benefits liability are as follows:

	2017	2016
Discount rate	5.70%	5.53%
Future salary increase	10.00%	10.00%

Sensitivity analyses on net retirement benefits liability as at December 31, 2017 and 2016 are as follows:

	Change in Assumption	Effect on Net Retirement Benefits Liability	
		2017	2016
Discount rate	+1.00%	(₱7,846,214)	(₱8,155,154)
	-1.00%	9,947,552	10,303,790
Salary increase rate	+1.00%	₱8,858,689	₱9,192,487
	-1.00%	(7,223,598)	(7,531,462)

The sensitivity analyses above have been determined based on a method that extrapolates the impact on net defined benefits obligation as a result of reasonable changes in key assumptions occurring as at the end of the reporting period.

The cumulative gains on remeasurement of net retirement benefits liability recognized in the consolidated statements of comprehensive income follow:

	2017		
	Cumulative Remeasurement Gains on Retirement Benefits	Deferred Tax Expense	Net
Balances at beginning of year	₱6,935,296	(₱2,080,589)	₱4,854,707
Remeasurement gains recognized during the year	14,860,948	(4,458,284)	10,402,664
Balances at end of year	₱21,796,244	(₱6,538,873)	₱15,257,371

	2016		
	Cumulative Remeasurement Gains on Retirement Benefits	Deferred Tax Expense	Net
Balances at beginning of year	₱680,970	(₱204,291)	₱476,679
Remeasurement gains recognized during the year	6,254,326	(1,876,298)	4,378,028
Balances at end of year	₱6,935,296	(₱2,080,589)	₱4,854,707

	2015		
	Cumulative Remeasurement Gains (Losses) on Retirement Benefits	Deferred Tax Benefit (Expense)	Net
Balances at beginning of year	(₱136,578)	₱40,973	(₱95,605)
Remeasurement gains recognized during the year	817,548	(245,264)	572,284
Balances at end of year	₱680,970	(₱204,291)	₱476,679

As at December 31, 2017, the maturity analysis of the undiscounted net retirement benefits liability is as follows:

Year	Amount
More than one year to five years	₱20,813,954
More than five years to 10 years	25,823,853
	<u>₱46,637,807</u>

As at December 31, 2017 and 2016, the average duration of the net retirement benefits liability at the end of the reporting period is 17.0 years and 21.5 years, respectively.

26. Registration with the Board of Investments (BOI)

On December 22, 2006, the Parent Company was registered with the BOI as a new producer of cement on a pioneer status with nonpioneer incentives covering its first production line. The registration with BOI entitles the Parent Company with fiscal and nonfiscal incentives for its registered projects including income tax holiday (ITH) for the period December 1, 2010 to December 1, 2014, among others.

On November 4, 2015, the Parent Company was granted a one (1) year extension of its ITH by the BOI for the period December 1, 2014 to November 30, 2015. The Parent Company's Certificate of ITH Entitlement for the taxable years 2015 was issued by the BOI on November 5, 2015.

Effective December 1, 2015, the Parent Company is subjected to regular corporate income tax (RCIT).

On July 31, 2017, the BOI approved the application of the Parent Company as an expanding producer of cement (Line 3) in Bulacan on a nonpioneer status. Further, on August 23, 2017, SWCC was also registered with BOI as a new producer of cement on a nonpioneer status but with pioneer incentives for its facility in Cebu (Cebu facility) under the heading "All Qualified Manufacturing Activities including Agro-Processing" of the 2017 Investment Priorities Plan under Executive Order 226. The Parent Company and SWCC registrations with the BOI entitle them to the following fiscal and nonfiscal incentives:

- Income Tax Holiday (ITH) for income:
 - Directly attributable to Line 3 for three (3) years from May 2018 or actual start of commercial operations, whichever is earlier; and
 - Directly attributable to Cebu Facility for six (6) years from May 2020 or actual start of commercial operations, whichever is earlier than the date of registration.
- Importation of capital equipment, spare parts and accessories at zero duty.
- Additional deduction from taxable income of 50% of the wages corresponding to the increment in number of direct labor for skilled and unskilled workers in the year of availment as against the previous year if the project meets the requirements as stated in the BOI certificate.
- Importation of consigned equipment for a period of 10 years from date of registration, subject to posting of re-export bond.
- Tax credit equivalent to the national internal revenue taxes and duties paid on raw materials and supplies and semi-manufactured products used in producing export product and forming part thereof for a period of 10 years from start of commercial operation.

- Exemption from wharfage dues, and any export tax, duty, impost and fee for a period of 10 years from date of registration.
- Employment of foreign nationals which may be allowed in supervisory, technical or advisory positions for five (5) years from the date of registration.
- Simplification of customs procedures for the importation of equipment, spare parts, raw materials and supplies.

As at March 15, 2018, Line 3 and the Cebu Facility have not started commercial operations.

27. Income Taxes

The current income tax expense pertains to RCIT of the Parent Company. The ITH arising from BOI incentive of the Parent Company expired on November 30, 2015. SWCC and KSHI have no current tax expense because of their taxable loss position. The components of income tax as reported in the consolidated statements of comprehensive income are as follows:

	2017	2016	2015
Reported in Profit or Loss:			
Current	₱1,300,894,673	₱1,277,729,580	₱75,061,454
Deferred	(52,889,076)	19,922,686	31,749,744
	₱1,248,005,597	₱1,297,652,266	₱106,811,198
Reported in OCI:			
Deferred tax expense on:			
Revaluation surplus	₱30,781,184	₱18,668,114	₱18,171,830
Remeasurement gains on net retirement benefits liability	4,458,284	1,876,298	245,264
	₱35,239,468	₱20,544,412	₱18,417,094

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

	2017	2016
Deferred tax assets:		
Net retirement benefits liability	₱8,662,234	₱5,430,688
Provision for mine rehabilitation and decommissioning	8,195,462	7,837,595
Unamortized past service cost	2,575,072	1,798,500
Unearned interest income	1,495,116	2,344,476
	20,927,884	17,411,259
Deferred tax liabilities:		
Excess of revalued amount or fair value over cost of property, plant and equipment and investment properties	567,894,858	581,059,427
Capitalized mine rehabilitation and decommissioning cost	5,353,824	6,424,588
Unrealized foreign exchange gains	80,635	-
Excess of fair value over cost of financial assets at FVPL	21,715	-
	573,351,032	587,484,015
Net deferred tax liabilities	₱552,423,148	₱570,072,756

The Group has an unrecognized deferred tax assets as follows:

	2017	2016
NOLCO	P4,657,736	P3,203,066
Unrealized foreign exchange losses	-	4,176,272
Net retirement benefits liability	-	3,455,708
Unamortized past service cost	-	1,144,440
	P4,657,736	P11,979,486

The reconciliation between the provision for income tax based on statutory income tax rate and effective income tax rate is as follows:

	2017	2016	2015
Income tax at statutory tax rate	P1,653,431,846	P1,623,123,548	P1,135,944,793
Increase (decrease) in income tax resulting from:			
Difference arising from the use of OSD	(333,585,049)	(336,822,474)	-
Interest income subjected to final tax	(65,759,335)	(26,198,036)	(18,442,794)
Nondeductible expenses	63,125,807	30,798,300	39,135,493
Nontaxable income	(58,717,965)	-	-
Change in unrecognized deferred tax assets	(7,321,750)	8,789,262	4,650
Dividend income exempt from income tax	(2,039,946)	(2,038,334)	(510,604)
Trading gain on financial assets at FVPL	(1,535,419)	-	-
Expired NOLCO	407,408	-	-
Income exempt from ITH activities	-	-	(1,049,320,340)
Income tax at effective tax rate	P1,248,005,597	P1,297,652,266	P106,811,198

28. Financial Risk Management Objectives and Policies

The Group's financial instruments consist mainly of cash and cash equivalents, financial assets at FVPL, trade and other receivables (excluding nonfinancial assets), finance lease receivables, DSRA, AFS financial assets, deposit in escrow, refundable deposits, restricted cash, trade and other payables (excluding statutory payables and advances from customers) and loans payable.

The main financial risk arising from the Group's use of financial instruments includes market risk, credit risk and liquidity risk. The Parent Company's BOD regularly reviews and approves the appropriate policies for managing these financial risks, as summarized below.

Market Risks

The Group is exposed to market risks, primarily those related to foreign currency risk, equity price risk and interest rate risk. Management actively monitors these exposures, as follows:

Foreign Currency Risk. Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group's foreign exchange risk results primarily from movements of the Philippine Peso against the US Dollar and Euro with respect to foreign currency-denominated financial asset and liability.

The following table shows the Group's US dollar-denominated monetary financial assets and liability and their Philippine Peso equivalent:

	2017		2016	
	US Dollar	Philippine Peso	US Dollar	Philippine Peso
Financial assets:				
Cash in banks	\$816,268	₱40,756,261	\$1,432,395	₱71,218,679
Deposit in escrow	858,226	42,851,241	823,087	40,923,906
	1,674,494	83,607,502	2,255,482	112,142,585
Financial liability -				
Trade and other payables	713,015	35,600,839	330,187	16,416,898
Net US Dollar-denominated financial assets	\$961,479	₱48,006,663	\$1,925,295	₱95,725,687

The following table shows the Group's Euro-denominated monetary financial asset and liability and their Philippine Peso equivalent:

	2017		2016	
	Euro	Philippine Peso	Euro	Philippine Peso
Financial asset -				
Cash in banks	€10,540	₱628,395	€28,028	₱1,450,169
Financial liability -				
Trade and other payables	695,455	41,463,027	317,815	16,443,748
Net Euro-denominated financial liability	€684,915	₱40,834,632	€289,787	₱14,993,579

For purposes of translating the outstanding balances of the Group's financial assets and liability denominated in a foreign currency, the exchange rates applied were ₱49.93 per US \$1 and ₱59.62 per €1 as at December 31, 2017 and ₱49.72 per US \$1 and ₱51.74 per €1 as at December 31, 2016.

The following table demonstrates the sensitivity to a reasonably possible change in the US Dollar exchange rate, with all other variables held constant, of the Group's income before tax. There is no other impact on the Group's equity other than those already affecting profit or loss.

	Increase/Decrease in Exchange Rate	Effect on Income before Tax
December 31, 2017	+0.61	₱586,502
	-0.61	(586,502)
December 31, 2016	+1.12	2,156,330
	-1.12	(2,156,330)

The following table demonstrates the sensitivity to a reasonably possible change in the Euro exchange rate, with all other variables held constant, of the Group's income before tax. There is no other impact on the Group's equity other than those already affecting profit or loss.

	Increase/Decrease in Exchange Rate	Effect on Income before Tax
December 31, 2017	+1.26	(P862,993)
	-1.26	862,993
December 31, 2016	+0.75	(217,340)
	-0.75	217,340

Equity Price Risk. Equity price risk is the risk that the Group will incur economic losses due to adverse changes in a particular stock or stock index. The Group's equity price risk arises from its financial assets at FVPL and quoted AFS financial assets. The Group's equity price risk is minimal.

Interest Rate Risk. The Group's exposure to the risk for changes in market interest rates relates primarily to the Group's interest-bearing loans payable to local financial institutions with fixed interest rates. Exposure of the Group to changes in the interest rates is not significant.

Credit Risk

The Group's exposure to credit risk arises from the failure on the part of its counterparty in fulfilling its financial commitments to the Group under the prevailing contractual terms. Financial instruments that potentially subject the Group to credit risk consist primarily of cash in banks and trade and other receivables. The Group limits its exposure to credit risk by depositing its cash with highly reputable and pre-approved financial institutions. In addition, the Group trades mainly with recognized, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures.

The tables below show the credit quality per class of financial asset as at December 31, 2017 and 2016.

Credit Quality per Class of Financial Asset

	2017				Total
	Neither Past Due nor Impaired			Past Due but not Impaired	
	High Grade	Standard Grade	Substandard Grade		
Loans and receivables:					
Cash in banks and cash equivalents	P16,737,987,581	P-	P-	P-	P16,737,987,581
Trade and other receivables*	60,356,174	-	-	557,329,863	617,686,037
Finance lease receivables	-	63,677,735	-	-	63,677,735
DSRA	129,304,272	-	-	-	129,304,272
Deposit in escrow	42,851,241	-	-	-	42,851,241
Refundable deposits	-	19,146,887	-	-	19,146,887
Restricted cash	8,757,247	-	-	-	8,757,247
Financial assets at FVPL -					
Debt securities	75,068,987	-	-	-	75,068,987
	P17,054,325,502	P82,824,622	P-	P557,329,863	P17,694,479,987

*Excluding nonfinancial assets and current portion of finance lease receivables amounting to P8.7 million and P17.4 million, respectively as at December 31, 2017.

	2016				
	Neither Past Due nor Impaired			Past Due but not Impaired	Total
	High Grade	Standard Grade	Substandard Grade		
Loans and receivables:					
Cash in banks and cash equivalents	₱6,620,296,162	₱-	₱-	₱-	₱6,620,296,162
Trade and other receivables*	302,377,256	-	-	152,025,865	454,403,121
Finance lease receivables	-	76,269,900	-	-	76,269,900
DSRA	126,394,706	-	-	-	126,394,706
Deposit in escrow	40,923,906	-	-	-	40,923,906
Refundable deposits	-	18,702,702	-	-	18,702,702
Restricted cash	8,866,227	-	-	-	8,866,227
	₱7,098,858,257	₱94,972,602	₱-	₱152,025,865	₱7,345,856,724

*Excluding nonfinancial assets and current portion of finance lease receivables amounting to ₱9.3 million and ₱21.1 million, respectively as at December 31, 2016.

The credit quality of the financial assets is managed by the Group using internal credit quality ratings. High grade accounts consist of financial assets from counterparties with good financial condition and with relatively low defaults. Financial assets with risks of default but are still collectible are considered standard grade accounts. Financial assets that are still collectible but require persistent effort from the Group to collect are considered substandard grade accounts.

Aging Analysis of Financial Assets that are Past Due but not Impaired

Days Past Due	2017	2016
1 to 30 Days	₱116,613,986	₱79,046,896
31 to 60 Days	29,486,771	15,934,584
61 to 90 Days	127,487,755	5,120,103
90 Days or More	283,741,351	51,924,282
Total	₱557,329,863	₱152,025,865

Liquidity Risk

Liquidity risk arises from the possibility that the Group may encounter difficulties in raising adequate funds to meet its financial commitments at a reasonable cost. The Group's objectives in effectively managing its liquidity are: (a) to ensure that adequate funding is available at all times; (b) to meet the commitments as they arise without incurring unnecessary costs; and (c) to be able to access funding when needed at the least possible cost.

The tables below present the maturity profile of the financial liabilities of the Group based on remaining contractual undiscounted obligations or on the estimated timing of net cash flows as at December 31, 2017 and 2016:

	2017					Total
	On Demand	1 to 3 Months	3 to 12 Months	1 to 5 Years	More than 5 Years	
Trade and other payables*	₱55,542,666	₱2,346,438,003	₱371,963,919	₱-	₱-	₱2,773,944,588
Loans payable	-	130,035,414	917,862,158	7,286,661,700	3,010,108,244	11,344,667,516
	₱55,542,666	₱2,476,473,417	₱1,289,826,077	₱7,286,661,700	₱3,010,108,244	₱14,118,612,104

*Excluding nonfinancial and statutory liabilities amounting to ₱498.3 million as at December 31, 2017.

	2016					Total
	On Demand	1 to 3 Months	3 to 12 Months	1 to 5 Years	More than 5 Years	
Trade and other payables*	₱264,039,430	₱1,274,790,625	₱493,028,575	₱-	₱-	₱2,031,858,630
Loans payable	-	85,580,961	257,848,853	3,609,297,021	4,001,495,085	7,954,221,920
	₱264,039,430	₱1,360,371,586	₱750,877,428	₱3,609,297,021	₱4,001,495,085	₱9,986,080,550

*Excluding nonfinancial and statutory liabilities amounting to ₱316.4 million as at December 31, 2016.

Capital Management

The primary objective of the Group's capital management is to secure ongoing financial needs of the Group to continue as a going concern as well as to maintain a strong credit standing and healthy capital ratio in order to support the business and maximize stockholder value.

The Group considers equity contributions from stockholders and retained earnings as its capital totaling ₱28,025.7 million and ₱16,961.7 million as at December 31, 2017 and 2016, respectively. The Group manages the capital structure and makes adjustments to it in light of changes in economic conditions, its business activities, expansion programs, and the risk characteristics of the underlying assets. In order to manage the capital structure, the Group may adjust its borrowings or raise equity.

29. Fair Value Measurement

The following table presents the carrying amounts and fair values of the Group's assets measured at fair value and asset and liability for which fair value is disclosed and the corresponding fair value hierarchy:

2017					
	Note	Carrying Amount	Fair Value		
			Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets measured at fair value:					
Financial assets at FVPL	6	₱215,626,947	₱215,626,947	₱-	₱-
AFS financial assets	10	109,280,325	109,280,325	-	-
Land	11	2,479,847,510	-	-	2,479,847,510
Investment properties	12	587,430,000	-	-	587,430,000
Asset for which fair value is disclosed -					
Finance lease receivables	30	63,677,735	-	65,533,949	-
		₱3,455,862,517	₱324,907,272	₱65,533,949	₱3,067,277,510
Liability for which fair value is disclosed					
Financial liabilities at amortized cost -					
Loans payable	16	₱8,844,814,815	₱-	₱9,054,413,591	₱-
2016					
	Note	Carrying Amount	Fair Value		
			Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets measured at fair value:					
AFS financial assets	10	₱106,013,250	₱106,013,250	₱-	₱-
Land	11	2,378,843,567	-	-	2,378,843,567
Investment properties	12	577,800,000	-	-	577,800,000
Asset for which fair value is disclosed -					
Finance lease receivables	30	76,269,900	-	79,582,027	-
		₱3,138,926,717	₱106,013,250	₱79,582,027	₱2,956,643,567
Liability for which fair value is disclosed					
Financial liabilities at amortized cost -					
Loans payable	16	₱5,957,076,062	₱-	₱5,900,909,980	₱-

The Group used the following techniques to determine fair value measurements:

- *Financial Asset at FVPL and AFS Financial Assets.* The Company's quoted financial assets at FVPL and AFS financial assets as at December 31, 2017 and 2016 are carried at fair values based on quoted market prices from active markets classified under the Level 1 category.
- *Land.* The fair value of land was estimated based on appraisals performed by an independent, professionally-qualified property appraiser and was determined by reference to the latest transacted prices for identical or similar properties. The fair valuation is classified under Level 3 category.

Land was revalued on February 15, 2018 and December 20, 2016. The Group's management has determined that the effect of changes in fair values between the previous revaluation and the reporting date is immaterial.

- *Investment Properties.* The fair value of investment properties was estimated based on appraisals performed by an independent, professionally-qualified property appraiser and was determined by reference to the latest transacted prices for identical or similar properties. The fair valuation is classified under Level 3 category.
- *Finance lease receivable.* The fair value of the finance lease receivables was determined as the sum of all the future cash flows discounted using the prevailing market rates of instruments with similar maturities. The discount rates used range from 4.26% to 5.29% and 5.40% to 6.20% in 2017 and 2016, respectively.
- *Loans payable.* The fair value of loans payable is estimated as the sum of all the future cash flows, discounted using the prevailing market rates of interest for instruments with similar maturities. The discount rates used range from 5.81% to 6.36% and 4.7% as at December 31, 2017 and 2016, respectively. The fair valuation is classified under Level 2 category.

There were no transfers between Level 1, Level 2 and Level 3 fair value measurements in 2017 and 2016.

The table below presents the financial assets and liabilities whose carrying amounts approximate their fair values as at December 31, 2017 and 2016:

	2017	2016
Loans and receivables:		
Cash and cash equivalents	₱16,738,683,868	₱6,620,887,569
Trade and other receivables*	617,686,037	454,403,121
DSRA	129,304,272	126,394,706
Deposit in escrow	42,851,241	40,923,906
Refundable deposits	19,146,887	18,702,702
Restricted cash	8,757,247	8,866,227
AFS financial assets measured at cost -		
Unquoted AFS financial assets	75,000,000	75,000,000
Total financial assets	₱17,631,429,552	₱7,345,178,231
Financial liability at amortized cost -		
Trade and other payables**	₱2,773,944,588	₱2,031,858,630

*Excluding nonfinancial assets and current portion of finance lease receivables aggregating ₱8.7 million and ₱17.4 million as at December 31, 2017 and ₱9.3 million and ₱21.1 as at December 31, 2016.

**Excluding nonfinancial liabilities amounting to ₱498.3 million and ₱316.4 million, as at December 31, 2017 and 2016, respectively.

Current Financial Assets and Liability. The carrying amounts of cash and cash equivalents, trade and other receivables, DSRA and trade and other payables approximate their fair values due to the short-term nature of these financial instruments.

Other Noncurrent Assets. The carrying amount of other noncurrent assets (excluding nonfinancial assets) approximate fair value. Management believes that the effect of discounting the future receipts from these financial instruments using the prevailing market rates is not significant.

AFS Financial Assets. The unquoted AFS financial assets are carried at cost less accumulated impairment losses since their fair value cannot be reliably measured.

30. Commitments and Contingencies

MPSA

The Group has the following key commitments under its MPSA:

- Payment to the Philippine Government of 2% excise tax of the market value of the minerals or mineral products extracted from the area and annual occupation fee based on the rate provided in the existing rules and regulations.

Excise taxes paid to the Philippine Government amounted to ₱4.9 million, ₱5.6 million and ₱4.2 million in 2017, 2016 and 2015, respectively.

- Payment to indigenous cultural communities of royalty fee of not less than 1% of the value of the gross output of minerals sold.
- Allotment of a minimum of 1% of the direct drilling and milling costs necessary to implement the activities for community development.

Pursuant to Administrative Order No. 2010-21: "Revised Implementing Rules and Regulations of RA No. 7942, otherwise known as the Philippine Mining Act of 1995," the allotment for community development activities was revised to 1.5% of the operating costs.

As at December 31, 2017, 2016 and 2015, the Group is compliant with the foregoing commitments and obligations.

Finance Lease Commitments - Group as a Lessor

In 2016, the Group entered into various lease agreements with its haulers covering certain items of transportation equipment. The lease term is five years and the annual effective interest rate ranges from 4.26% to 4.47%. The balance and movements of finance lease receivables as at and for the years ended December 31, 2017 and 2016 are as follows:

	Note	2017	2016
Minimum lease receivables			
Balance at beginning of the year		₱84,084,821	₱94,598,214
Receipts		(12,229,713)	(4,618,310)
Transfer to other receivables		(9,663,144)	(5,895,083)
Additions during the year		6,607,143	–
Balance at end of year		68,799,107	84,084,821
Unearned interest income			
Balance at beginning of the year		7,814,921	9,489,699
Additions		786,678	–
Reclassification adjustments		137,652	–
Accretion	5	(3,617,879)	(1,674,778)
Balance at end of year		5,121,372	7,814,921
		₱63,677,735	₱76,269,900

The accretion of unearned interest income on lease receivable is recorded as part of “Interest income” account in the consolidated statements of comprehensive income.

Finance lease receivables are classified in the consolidated statements of financial position as at December 31, 2017 and 2016 as:

	2017		
	Current	Noncurrent	Total
Gross amount	₱19,910,714	₱48,888,393	₱68,799,107
Less unearned interest income	2,473,385	2,647,987	5,121,372
	₱17,437,329	₱46,240,406	₱63,677,735
	2016		
	Current	Noncurrent	Total
Gross amount	₱24,151,873	₱59,932,948	₱84,084,821
Less unearned interest income	3,011,469	4,803,452	7,814,921
	₱21,140,404	₱55,129,496	₱76,269,900

As at December 31, 2017 and 2016, the gross amount of the future minimum rental receivables under the lease contracts are as follows:

	2017	2016
Within one year	₱19,910,714	₱24,151,873
After one year but not more than five years	48,888,393	59,932,948
	₱68,799,107	₱84,084,821

Operating Lease Commitments - Group as a Lessee

The Group has various operating lease agreements primarily for its office space, warehouse and heavy equipment with periods ranging from one (1) year to 10 years.

Rental expense was distributed as follows:

	Note	2017	2016	2015
Included in profit or loss:				
Cost of goods sold	21	₱166,304,770	₱120,451,690	₱197,597,100
Operating expenses	22	16,633,859	5,432,002	5,719,807
		182,938,629	125,883,692	203,316,907
Recognized as component of inventories		10,671,084	14,902,156	10,750,710
		₱193,609,713	₱140,785,848	₱214,067,617

Future minimum lease commitments under noncancellable operating leases as at December 31, 2017 are as follows:

Within one year	₱5,648,000
After one year but not more than five years	17,380,000
More than five years	4,080,000
	₱27,108,000

Legal Claims

The Group is either a defendant or plaintiff in several civil cases primarily involving claims for damages. The outcomes of the legal proceedings for various cases are not presently determinable. Accordingly, no provision for any liability has been made in the consolidated financial statements.

In the opinion of management and its legal counsel, the eventual liability under these lawsuits or claims, if any, will not have a material or adverse effect on the Group's consolidated financial position and results of operations

31. EPS

Basic and diluted EPS are calculated as follows:

	2017	2016	2015
Net income	₱4,263,433,888	₱4,112,759,561	₱3,679,671,444
Less dividends for cumulative preferred stock required for the year, net of tax	174,342,857	174,342,857	130,757,143
Net income attributable to common stockholders of the Parent Company (a)	₱4,089,091,031	₱3,938,416,704	₱3,548,914,301
Weighted average number of common shares outstanding (b)	4,795,890,412	4,500,000,000	10,195,890,411
Per share amounts: Basic and diluted EPS (a/b)	₱0.85	₱0.88	₱0.35

Diluted earnings per share is equal to the basic earnings per share since the Group does not have potential dilutive shares.

32. Segment Reporting

The Group is organized into one reportable segment which is the quarrying, manufacturing and sale and distribution of cement products. KSHI, the Parent Company's wholly-owned subsidiary that will be engaged in property leasing has not yet started its commercial operations. The Group also has one geographical segment and derives all its revenues from domestic operations. Accordingly, all significant operating decisions are based upon analysis of the Group as one segment. The financial information about the sole business segment is equivalent to the consolidated financial statements of the Group.




**REPORT OF INDEPENDENT AUDITORS
TO ACCOMPANY CONSOLIDATED FINANCIAL STATEMENTS FOR FILING WITH THE
SECURITIES AND EXCHANGE COMMISSION**

The Stockholders and the Board of Directors
Eagle Cement Corporation and Subsidiaries
No. 153 EDSA Barangay Wack-Wack
Mandaluyong City

We have audited the accompanying consolidated financial statements of Eagle Cement Corporation (the Company) and Subsidiaries as at and for the year ended December 31, 2017, on which we have rendered our report dated March 15, 2018.

In compliance with Securities Regulation Code Rule 68, as amended, we are stating that the Company has 22 stockholders owning at least 100 or more shares each.

REYES TACANDONG & Co.


JOSEPH C. BILANGBILIN
Partner

CPA Certificate No. 102884
Tax Identification No. 210-181-965-000
BOA Accreditation No. 4782; Valid until December 31, 2018
SEC Accreditation No. 1541-A
Valid until May 1, 2019
BIR Accreditation No. 08-005144-011-2017
Valid until March 8, 2020
PTR No. 6607961
Issued January 3, 2018, Makati City

March 15, 2018
Makati City, Metro Manila





REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
Eagle Cement Corporation and Subsidiaries
No. 153 EDSA Barangay Wack-Wack
Mandaluyong City

We have audited in accordance with the Philippine Standards on Auditing, the consolidated financial statements of Eagle Cement Corporation and Subsidiaries (the Group) as at and for the year ended December 31, 2017 and have issued our report dated March 15, 2018. Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The accompanying supplementary schedules are the responsibility of the Group's management. These supplementary schedules include the following:

- Financial Assets
- Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders
- Amounts Receivable from Related Parties which are Eliminated during Consolidation of Financial Statements
- Intangible Assets - Other Assets
- Long-term Debt
- Indebtedness to Related Parties
- Guarantees of Securities and Other Issuers
- Capital Stock
- Adoption of Effective Accounting Standards and Interpretations
- Reconciliation of Retained Earnings Available for Dividend Declaration
- Financial Soundness Indicators
- Use of IPO Proceeds
- Map of the Conglomerate





These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, as amended, and are not part of the basic consolidated financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements, including comparing such information directly to the underlying accounting and other records used to prepare the basic consolidated financial statements or to the consolidated financial statements themselves. In our opinion, the information is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

REYES TACANDONG & Co.

JOSEPH C. BILANGBILIN

Partner

CPA Certificate No. 102884

Tax Identification No. 210-181-965-000

BOA Accreditation No. 4782; Valid until December 31, 2018

SEC Accreditation No. 1541-A

Valid until May 1, 2019

BIR Accreditation No. 08-005144-011-2017

Vaid until March 8, 2020

PTR No. 6607961

Issued January 3, 2018, Makati City

March 15, 2018

Makati City, Metro Manila



EAGLE CEMENT CORPORATION AND SUBSIDIARIES

SCHEDULE A FINANCIAL ASSETS DECEMBER 31, 2017

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Income received and accrued
Cash equivalents:			
United Coconut Planters Bank	₱3,988,578,942	₱3,988,578,942	
Bank of Commerce	2,534,665,011	2,534,665,011	
Metrobank Trust Company	2,109,270,606	2,109,270,606	
Sterling Bank of Asia	2,104,722,408	2,104,722,408	
Chinabank	1,500,000,000	1,500,000,000	
East West Banking Corporation	1,073,690,117	1,073,690,117	
Philippine National Bank	1,000,000,000	1,000,000,000	
Philippine Bank of Communication	507,644,007	507,644,007	
Security Bank Corporation	200,124,529	200,124,529	
	<u>15,018,695,620</u>	<u>15,018,695,620</u>	
Cash in banks:			
Bank of Commerce	397,481,317	397,481,317	
United Coconut Planters Bank	305,987,219	305,987,219	
Banco de Oro	239,598,553	239,598,553	
Philippine National Bank	210,820,173	210,820,173	
Security Bank Corporation	207,693,442	207,693,442	
Metropolitan Bank and Trust Company	75,180,741	75,180,741	
Asia United Bank	65,087,917	65,087,917	
Union Bank of the Philippines	63,156,641	63,156,641	
Standard Chartered Bank	63,127,579	63,127,579	
East West Banking Corporation	41,661,177	41,661,177	
Philippine Bank of Communications	24,530,795	24,530,795	
China Banking Corporation	18,089,337	18,089,337	
Sterling Bank of Asia	3,858,636	3,858,636	
Development Bank of the Philippines	3,018,434	3,018,434	
	<u>1,719,291,961</u>	<u>1,719,291,961</u>	
Cash on hand	<u>696,287</u>	<u>696,287</u>	
TOTAL	<u>₱16,738,683,868</u>	<u>₱16,738,683,868</u>	<u>₱216,721,307</u>

EAGLE CEMENT CORPORATION AND SUBSIDIARIES

**SCHEDULE B
AMOUNTS RECEIVABLE FROM
DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES
AND PRINCIPAL STOCKHOLDERS
DECEMBER 31, 2017**

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Non current	Balance at end of period
Eduardo S. Uy, Vice President – Sales and Marketing	P408,911	P–	P121,000	P–	P287,911	P–	P287,911
Girely T. Hernandez, Department Manager – Human Resources	146,749	68,632	79,472	–	135,909	–	135,909
Employee Totals	P555,660	P68,632	P200,472	P–	P423,820	P–	P423,820

EAGLE CEMENT CORPORATION AND SUBSIDIARIES

SCHEDULE C
AMOUNTS RECEIVABLE FROM
RELATED PARTIES WHICH ARE ELIMINATED DURING
CONSOLIDATION OF FINANCIAL STATEMENTS
DECEMBER 31, 2017

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Non current	Balance at end of period
KB Space Holdings, Inc., Subsidiary	₱81,670,632	₱-	₱-	₱-	₱81,670,632	₱-	₱81,670,632
South Western Cement Corporation, Subsidiary	209,249,506	51,736,476	-	-	260,985,982	-	260,985,982

EAGLE CEMENT CORPORATION AND SUBSIDIARIES

**SCHEDULE D
INTANGIBLE ASSETS - OTHER ASSETS
DECEMBER 31, 2017**

Description	Beginning balance	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other changes, additions (deductions)	Ending balance
Mining rights	₱190,292,420	₱-	₱719,116	₱-	₱-	₱189,573,304
Goodwill	3,806,518	-	-	-	-	3,806,518
Total	₱194,098,938	₱-	₱719,116	₱-	₱-	₱193,379,822

EAGLE CEMENT CORPORATION AND SUBSIDIARIES

**SCHEDULE E
LONG-TERM DEBT
DECEMBER 31, 2017**

Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of loans payable" in related balance sheet	Amount shown under caption "Loans Payable - net of current portion" in related balance sheet	Interest rate	Maturity dates
Term Loan Facility and Security Agreement (TLFSA), Face amount	₱6,000,000,000	₱360,000,000	₱5,640,000,000	5.68%	Payable in 32 quarterly installments commencing on the 9 th quarter of availment
Less: Unamortized debt issuance costs	(35,261,753)	(7,514,783)	(27,746,970)	Nominal interest	
Term Loan Facility and Security Agreement (TLFSA), Face amount	2,150,000,000	129,000,000	2,021,000,000	6.21%	Payable in 32 quarterly installments commencing on the 9 th quarter of availment
Less: Unamortized debt issuance costs	(14,608,136)	(3,112,361)	(11,495,775)	Nominal interest	
Term Loan Facility and Security Agreement (TLFSA), Face amount	750,000,000	45,000,000	705,000,000	5.74%	Payable in 32 quarterly installments commencing on the 9 th quarter of availment
Less: Unamortized debt issuance costs	(5,315,296)	(1,132,362)	(4,182,934)	Nominal interest	
	₱8,844,814,815	₱522,240,494	₱8,322,574,321		

EAGLE CEMENT CORPORATION AND SUBSIDIARIES

**SCHEDULE F
INDEBTEDNESS TO RELATED PARTIES
DECEMBER 31, 2017**

Name of related party	Balance at beginning of period	Balance at end of period
Not Applicable	Not Applicable	Not Applicable

*Total indebtedness to related parties does not exceed 5% of Total Assets as shown in the Consolidated Statements of Financial Position as at December 31, 2017 or as at December 31, 2016.

EAGLE CEMENT CORPORATION AND SUBSIDIARIES

SCHEDULE G

GUARANTEES OF SECURITIES AND OTHER ISSUERS

DECEMBER 31, 2017

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is filed	Nature of guarantee
None	None	None	None	None

EAGLE CEMENT CORPORATION AND SUBSIDIARIES

SCHEDULE H CAPITAL STOCK DECEMBER 31, 2017

Title of issue	Number of shares authorized	Number of shares issued and outstanding at shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, officers and employees	Others
Common stock	5,500,000,000	5,000,000,005	–	4,328,571,422	96,428,615	574,999,968
Preferred stock	3,000,000,000	3,000,000,000	–	2,935,714,286	64,285,714	–

EAGLE CEMENT CORPORATION AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF ADOPTION OF
EFFECTIVE ACCOUNTING STANDARDS AND INTERPRETATIONS
DECEMBER 31, 2017

Title	Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements			
Conceptual Framework Phase A: Objectives and Qualitative Characteristics	✓		
PFRS Practice Statement Management Commentary			✓

Philippine Financial Reporting Standards (PFRS)

PFRS	Title	Adopted	Not Adopted	Not Applicable
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations	✓		
	Amendment to PFRS 3: Accounting for Contingent Consideration in a Business Combination			✓
	Amendment to PFRS 3: Scope Exceptions for Joint Ventures			✓
PFRS 4	Insurance Contracts			✓

PFRS	Title	Adopted	Not Adopted	Not Applicable
	Amendments to PFRS 4: Financial Guarantee Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
	Amendment to PFRS 5: Changes in Methods of Disposal			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources	✓		
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendment to PFRS 7: Servicing Contracts	✓		
	Amendment to PFRS 7: Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements			✓
PFRS 8	Operating Segments	✓		
	Amendments to PFRS 8: Aggregation of Operating Segments	✓		
	Amendments to PFRS 8: Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets			✓
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10: Transition Guidance	✓		
	Amendments to PFRS 10: Investment Entities			✓
	Amendments to PFRS 10: Investment Entities: Applying the Consolidation Exception			✓
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 11: Transition Guidance			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓

PFRS	Title	Adopted	Not Adopted	Not Applicable
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 12: Transition Guidance	✓		
	Amendments to PFRS 12: Investment Entities	✓		
	Amendments to PFRS 12: Investment Entities: Applying the Consolidation Exception			✓
	Amendment to PFRS 12: Clarification of the Scope of the Standard			✓
PFRS 13	Fair Value Measurement	✓		
	Amendment to PFRS 13: Short-term receivables and Payables	✓		
	Amendment to PFRS 13: Portfolio Exception	✓		
PFRS 14	Regulatory Deferral Accounts			✓

Philippine Accounting Standards (PAS)

PAS	Title	Adopted	Not Adopted	Not Applicable
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendments to PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendment to PAS 1: Clarification of the Requirements for Comparative Presentation	✓		
	Amendments to PAS 1: Disclosure Initiative	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosure Initiative	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendments to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		

PAS	Title	Adopted	Not Adopted	Not Applicable
	Amendments to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses	✓		
PAS 16	Property, Plant and Equipment	✓		
	Amendment to PAS 16: Classification of Servicing Equipment	✓		
	Amendment to PAS 16: Revaluation Method - Proportionate Restatement of Accumulated Depreciation	✓		
	Amendment to PAS 16: Property, Plant and Equipment - Clarification of Acceptable Methods of Depreciation and Amortization	✓		
	Amendment to PAS 16: Agriculture: Bearer Plants			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Revised)	Employee Benefits	✓		
	Amendment to PAS 19: Defined Benefit Plans: Employee Contributions	✓		
	Amendment to PAS 19: Discount Rate: Regional Market Issue			✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
	Amendment to PAS 24: Key Management Personnel	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements			✓
	Amendments to PAS 27: Investment Entities			✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✓

PAS	Title	Adopted	Not Adopted	Not Applicable
PAS 28 (Amended)	Investments in Associates and Joint Ventures			✓
	Amendments to PAS 28: Investment Entities: Applying the Consolidation Exception			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Financial Instruments: Presentation	✓		
	Amendments to PAS 32: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 32: Tax Effect of Distribution to Holders of Equity Instruments	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓
	Amendment to PAS 34: Interim Financial Reporting and Segment Information for Total Assets and Liabilities			✓
	Amendment to PAS 34: Disclosure of Information 'Elsewhere in the Interim Financial Report'			✓
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Amendment to PAS 38: Revaluation Method - Proportionate Restatement of Accumulated Amortization			✓
	Amendment to PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	✓		

PAS	Title	Adopted	Not Adopted	Not Applicable
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39: Financial Guarantee Contracts			✓
	Amendments to PAS 39: Reclassification of Financial Assets	✓		
	Amendments to PAS 39: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
PAS 40	Investment Property	✓		
	Amendment to PAS 40: Clarifying the Interrelationship between PFRS 3 and PAS 40 when Classifying Property as Investment Property or Owner-occupied Property	✓		
PAS 41	Agriculture			✓
	Amendment to PAS 41: Agriculture: Bearer Plants			✓

Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC)

Interpretations	Title	Adopted	Not Adopted	Not Applicable
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	✓		
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	✓		

Interpretations	Title	Adopted	Not Adopted	Not Applicable
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC-9: Embedded Derivatives			✓
IFRIC 10	Interim Financial Reporting and Impairment			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓		
	Amendments to Philippine Interpretations IFRIC-14, Prepayments of a Minimum Funding Requirement	✓		
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Noncash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	✓		
IFRIC 21	Levies			✓

PHILIPPINE INTERPRETATIONS - SIC

Interpretations	Title	Adopted	Not Adopted	Not Applicable
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-15	Operating Leases - Incentives	✓		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

EAGLE CEMENT CORPORATION AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF RECONCILIATION OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION OF THE PARENT COMPANY
DECEMBER 31, 2017

Unappropriated retained earnings, beginning		₱5,961,927,895
Less deferred tax assets		13,067,260
<hr/>		
Unappropriated retained earnings, as adjusted to available for dividend distribution, beginning		5,948,860,635
Add: Net income actually earned/realized during the year		
Net income based on the face of audited consolidated financial statements	4,217,203,844	
Less: Movement of deferred tax assets	8,943,322	
Fair value adjustment (M2M gains)	2,332,946	
Add: Unrealized foreign exchange losses	1,764,175	4,207,691,751
<hr/>		
Unappropriated retained earnings available for dividend declaration, end		10,156,552,386
Adjustments:		
Declaration of cash dividends		(225,000,000)
Appropriation for treasury stock		(100)
<hr/>		
Unappropriated retained earnings available for dividend declaration, end		₱9,931,552,286
<hr/> <hr/>		

EAGLE CEMENT CORPORATION AND SUBSIDIARIES

**SUPPLEMENTARY SCHEDULE OF FINANCIAL
SOUNDNESS INDICATORS UNDER
SECURITIES AND REGULATIONS CODE RULE 68, AS AMENDED
DECEMBER 31, 2017 AND 2016**

	2017	2016
Current/liquidity ratio	4.94	3.34
Current assets	20,035,777,499	9,208,755,582
Current liabilities	4,056,057,143	2,760,002,197
Solvency ratio	0.37	0.51
Net income before depreciation and amortization	4,849,341,321	4,779,181,489
Total liabilities	12,987,246,933	9,342,897,651
Debt-to-equity ratio	0.44	0.51
Total liabilities	12,987,246,933	9,342,897,651
Total equity	29,375,301,686	18,225,869,278
Asset-to-equity ratio	1.44	1.51
Total assets	42,362,548,619	27,568,766,929
Total equity	29,375,301,686	18,225,869,278
Return on asset ratio	0.13	0.18
Net income before interest expense after-tax	4,653,171,380	4,488,228,232
Average total assets	34,965,657,774	25,384,444,405
Return on equity ratio	0.18	0.25
Net income	4,263,433,888	4,112,759,561
Average total equity	23,800,585,482	16,433,287,716

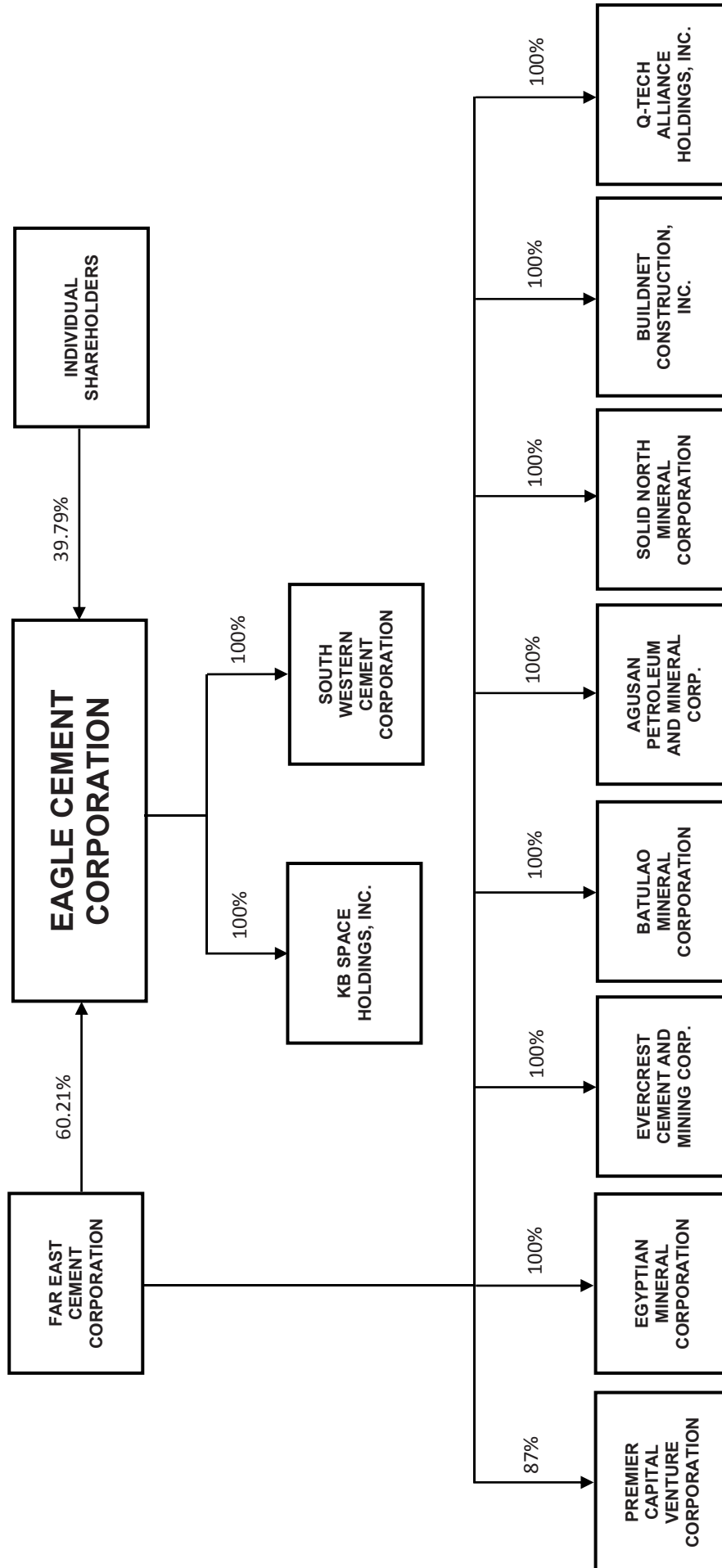
EAGLE CEMENT CORPORATION AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE ON USE OF IPO PROCEEDS UNDER
SECURITIES AND REGULATIONS CODE RULE 68, AS AMENDED
DECEMBER 31, 2017

	Prospectus	Actual
Gross proceeds (₱15 per share)	₱7,500,000,000	₱7,500,000,000
IPO expenses:		
IPO tax	300,000,000	300,000,000
Gross underwriting fees	201,612,903	178,706,671
PSE listing fee	50,400,000	45,052,525
SEC registration	3,968,750	3,968,750
Documentary stamp taxes paid	2,500,000	2,500,000
Legal and other professional fee	8,000,000	1,295,294
Other expenses	11,678,088	92,213
	578,159,741	531,615,453
Net proceeds	₱6,921,840,259	₱6,968,384,547

The Group has no utilization of proceeds from IPO from May 29, 2017 to December 31, 2017 due to the delay of construction of 2 million MT Integrated Cement Manufacturing Plant. Based on the prospectus, the expected utilization ranges from ₱2,250.0 million to ₱2,550.0 million for 2017.

EAGLE CEMENT CORPORATION AND SUBSIDIARIES

**SUPPLEMENTARY SCHEDULE OF
THE MAP OF THE CONGLOMERATE
DECEMBER 31, 2017**



CORPORATE DIRECTORY

COMMON STOCK

listed on the Philippine Stock Exchange, Inc.
Ayala Triangle, Ayala Avenue
Makati City 1226, Philippines

STOCK TRANSFER AND DIVIDEND PAYING AGENT

Rizal Commercial Banking Corporation
Trust and Investment Group
9th Floor, Yuchengco Tower
RCBC Plaza 6819 Ayala Avenue
Makati City, Philippines

CORPORATE HEAD OFFICE

Eagle Cement Corporation
153 EDSA Brgy. Wack-Wack
Mandaluyong City 1550 Philippines
(+632) 301.3453

INDEPENDENT PUBLIC AUDITORS

Reyes Tacandong & Co.
26th Floor Citibank Tower
8741 Paseo de Roxas
Makati City 1226 Philippines



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EAGLE PLANT

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Bulacan, Philippines