Building on a Legacy of Strength and Resilience

2016 ANNUAL REPORT

Contents

01 Mission/Vision
03 CEMEX at a Glance
04 President's Message
08 Performance Review
18 Awards and Recognition
20 Board of Directors
22 Executive Officers
24 Officers of the CEMEX Philippines Group of Companies
26 Statement of Management's Responsibility for Consolidated Financial Statements
27 Independent Auditors' Report
33 Consolidated Statements of Comprehensive Income
34 Consolidated Statements of Financial Position
35 Consolidated Statements of Cash Flows
36 Consolidated Statements of Changes in Equity
37 Notes to Consolidated Financial Statement
84 Corporate Social Responsibility

About the Report

Building on a Legacy of Strength and Resilience

Building on a Legacy of Strength and Resilience marks the first annual report since CEMEX went public in 2016. As we chart our story in 2017, we look back at the many opportunities and challenges that helped build CEMEX into the company that it is today. We stand ready to respond to headwinds that come our way, firm in our resolve to come out and emerge even stronger.

CEMEX is one of the leading cement producers in the Philippines and is a member of the CEMEX global organization headquartered in Monterrey, Mexico. We produce and market cement and cement products, such as ready-mix concrete and clinker, through direct sales using our extensive marine and land distribution network.

As a member of the CEMEX group, we have adopted CEMEX's unified global guiding principle— "OUR VISION," which includes the following core statements:

Purpose

Building a Better Future.

We expect to make the future better for our people, our customers, our shareholders, and the communities we interact with. We address society's growing needs by offering high-quality products and innovative solutions. We expect to drive sustainable development and improve the lives of people and communities around us by developing and delivering what we deem to be the best solutions in cement and concrete.

Mission

We seek to create sustainable value by providing industry-leading products and innovative solutions to satisfy the construction needs of our customers around the world.

Our Values

Ensure Safety.
Focus on Customers.
Pursue Excellence.
Work as One CEMEX.
Act with Integrity.

These make up the essence of our culture: they express who we are, how we behave, and what we believe in.

CEMEX at a Glance

1997

CEMEX first entered the Philippine market in 1997, but its footprint in building the country's infrastructure spans many decades. Through long-established brands like APO and Rizal, CEMEX has built iconic structures around the country.

Among the historical landmarks built with our cement brands are the main building of the University of Santo Tomas, the oldest Catholic university in Asia, and the Cultural Center of the Philippines, a venue for showcasing the best of Filipino art and creativity.

CEMEX initially entered the Philippines by acquiring a 30% stake in Rizal Cement Corporation. At that time, Solid Cement Corporation was a subsidiary of Rizal Cement.

1999

CEMEX together with other investors also purchased an aggregate 99.9% interest in APO Cement.

2002

Rizal Cement was merged into Solid Cement.

Since then, we continued to expand our cement manufacturing and distribution capabilities in the Philippines.

2011

We acquired our terminal facilities in Manila and further strengthened our logistics infrastructure which enables us to distribute cement in bulk in Luzon from our APO Cement Plant in Cebu. A year later, we acquired two marine vessels to bolster our shipping capabilities.

2013

We started producing ready-mix concrete to diversify the product options for our customers as well as to meet the challenges of modern construction. In the same year, we commissioned our first admixtures plant in Parañaque for our ready-mix concrete business.

2014

We added a new cement mill in our APO Cement Plant, expanding our cement grinding installed capacity by 1.5 million tons of cement. The investment also included marine terminals in Davao and Iloilo, as well as expanded our bulk dispatch capabilities at the APO Cement Plant.

2015

We started providing our customers with materials and solutions for cement-intensive pavement and housing projects, including our investment in specialized technology for admixtures and concrete molds for housing construction.

2016

CEMEX Holdings Philippines (CHP) went public. CHP successfully raised P25.13 billion ($536.62 million) in equity. We offered more than two billion shares in one of the biggest initial public offerings (IPO) in the Philippines since 2013.

Last year, CEMEX also celebrated its 110th year as a global company. When it was founded in 1906, it only had one cement plant in Mexico. More than a century later, CEMEX has established its presence in more than 50 countries, including the Philippines, and now it produces approximately 93 million metric tons globally every year.

As we look back on our milestones, we are optimistic that the company will continue building on a legacy of strength and resilience through the years.

Message from the President and CEO

CEMEX has built on a legacy spanning over a century. As we move forward, we rely on the experience of milestones that have brought us to a position of strength, and have built a resilient CEMEX.

Through the Asian Financial Crisis in the 1990s and the steady development of the Philippine economy in the past years, CEMEX has been a proud contributor to the story of Philippine nation-building.

With the synergies harnessed from its products, expertise, and technology, we believe that CEMEX has played a role in promoting a more efficient exchange of goods and an improved quality of life among its many stakeholders in the Philippines. 2016 marked a year of economic achievements that allowed the country to break through certain thresholds of development in terms of sustained Gross Domestic Product (GDP) growth, per capita income, low levels of unemployment, and a commendable government fiscal position.

After two decades of operating in the Philippines, CEMEX went public in July of 2016 after successfully launching its initial public offering to raise P25.13 billion ($536.62 million) in equity.

In 2016, CEMEX sustained its momentum in the Philippines. Net sales of domestic gray cement grew two percent year-on-year to P25.37 billion as both volume and price increased.

Gross profit last year reached P13.48 billion, a 6% up from 12.66 billion in 2015. Operating earnings before other expenses grew 12% to P5.51 billion from P4.94 billion in the previous year.

This year, we plan to ramp up domestic production and lessen our requirements for imported cement, take price positions on many of our energy needs, substantially reduce foreign exchange exposure, lower interest expense through refinancing long-term debt with New Sunward Holding B.V., and continue to seek ways to optimize logistics operations and overhead structure.

Over the medium-to-long term, the Philippine government's plan to increase infrastructure spending should bode well for the company. This year, the government targets to spend P860.7 billion in infrastructure or 5.4% of GDP. By 2022, public spending on infrastructure is planned to reach 7.4% of the economy.

CEMEX is committed to capitalize on the growth potential of the Philippine economy, a potential that could be fully realized once bottlenecks in infrastructure implementation and regional imbalances in development are addressed.

In this cycle of economic expansion, construction growth is imperative to sustain the momentum. CEMEX will be at the forefront of the country's economic story and our company's heritage of innovation and resilience will allow it to thrive across different sectors of the construction market: residential via growing family incomes; industrial and commercial through the creation of new job opportunities; and infrastructure through sustained government and private investment will see many more years of growth, in our view.

In all these, CEMEX will grow as the Philippine economy grows rapidly. Let us all remain confident as we continue charting our story of building a better future.

PEDRO PALOMINO
President and CEO

"In this cycle of economic expansion, construction growth is imperative to sustain the momentum. CEMEX will be at the forefront of the country's economic story and our company's heritage of innovation and resilience will allow it to thrive across different sectors of the construction market."

2016 Performance Review

2016 IS A STORY OF CEMEX'S LEGACY OF STRENGTH AND RESILIENCE.

Our **legacy of strength** intensifies our thrust to achieve our goals and deliver results to our stakeholders.

Our **legacy of resilience** emboldens us to overcome adversities and allows us to continue growing.

These legacies are anchored on pillars that guide us in everything we do: a commitment to health and safety, sustainable operations, customer centricity, innovation, and people empowerment.

We envision building a better future for our people, our customers, our shareholders, and the communities we interact with.

We envision building a better future for our people, our customers, our shareholders, and the communities we interact with.

General Nature and Scope of Business

CEMEX Holdings Philippines operates two cement plants with aggregate installed annual cement grinding capacity of 5.7 million tons of cement. Our APO Cement Plant in Cebu currently has an installed annual cement grinding capacity of 3.8 million tons of cement and serves our customers in the Visayas and Mindanao regions through our marine and land distribution network. Meanwhile, our Solid Cement Plant in Antipolo City currently has an installed annual cement grinding capacity of 1.9 million tons of cement and we intend to install a new integrated cement production line that is expected to provide approximately 1.5 million tons of additional capacity per year by 2019. We also have one ready-mix plant in Manila and an admixtures facility in Parañaque.

CEMEX introduces innovative products to the Philippine market through its other subsidiaries. One of these is EcoCrete, which produces a wide range of ready-mix concrete products providing high strength and resistance against varying environmental conditions. These products offer long-term performance and are proven cost-effective choices for use in all kinds of structural applications. EcoCrete products also amplify the attributes of the building materials alongside them and enhance the sustainability of structures built with them.

We also have Ecocast, which builds roads with the CEMEX roller compacted concrete (RCC), a new solution that combines the durability and strength of concrete with the ease of asphalt paving. The product has superior durability at minimum maintenance and has a significantly lower cost over the full life cycle.

In addition, CEMEX also offers chemical admixtures solutions, such as concrete plasticizers and retarders, liquefiers, air entraining agents, and hardening catalysts at the CEMEX admixtures facility located in Parañaque. Our engineers work in cooperation with the CEMEX Research Group in Switzerland to develop new chemical compounds suited to the cement needs of our customers, as well as produce a wide variety of concrete products that enhance the performance and durability of the concrete structures built with them.

All these innovations are part of our solid commitment to answer to the evolving needs of our customers.

Today, we continue to build on this story of growth on behalf of every Filipino.

Legacy of Health & Safety

Health and safety remains an essential pillar in all aspects of our company's operations and interactions.

Our safety battlecry, Zero4Life, represents our vision and goal for an injury-free workplace.

Health and safety records from 2016 show that the company had zero recordable fatalities, zero employee and contractor lost-time injuries (LTI), and zero employee total recordable injuries (TRI). Also, the reporting of near misses & hazard alerts (NMHAs) increased by 87% last year which means more employees and contractor personnel are being watchful and mindful of potential hazards and risks.

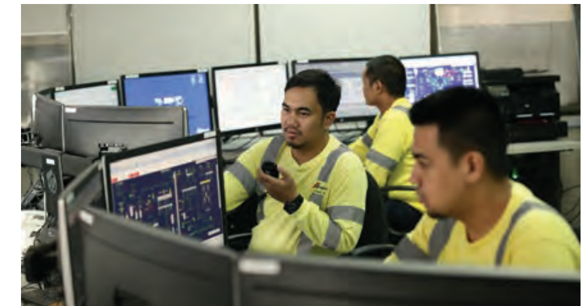
Meanwhile, our Ligtas 24-Oras safety manifesto encourages our people to push the notch higher when it comes to safety in the workplace. Some of the company's notable programs considered as best practices in the global arena are the 360° Truck Inspection and Driver Fatigue Management Program.

Also, our company institutionalized the Listo Tayo! Road Safety Campaign that aims to teach elementary school children the importance of being alert on the street. This program offers students a good grounding on the do's and don'ts when they are commuting or walking to school. Over 10,000 students have been educated by CEMEX since the start of the program in 2013.

Legacy of Sustainable Operations

Sustainable operations is characterized by our proactive initiatives in energy management and excellence in cement manufacturing.

In 2016, CEMEX subsidiaries Solid Cement Corporation and APO Cement Corporation passed the ISO 50001:2011 Energy Management System (EnMS) audits, making them the first cement plants in the country to receive an SGS Philippines certification. The company's EnMS was also recognized by the Department of Energy (DoE) in the yearly Energy Efficiency Country Awards.



As a leading supplier of building materials in the country, CEMEX has been exerting tremendous efforts to meet the needs of our customers in an efficient manner. The international standard seal on energy efficiency is proof that the company is continuously enhancing its products, optimizing its environmental footprint, and contributing to the quality of life of the communities where it operates.

At the Solid Cement Plant, a 6-Megawatt waste-heat-to-energy facility was established to capture the excess heat of the cement production facilities to generate usable electricity. This technology optimizes our operations to contribute positively to the environment and mitigate the impact of climate change and global warming. In fact, we successfully completed the first year of this waste-heat-to-energy operation where it provided 21% of total cement plant consumption, exceeding our electricity generation targets.

Finally, the plant's waste management programs in partnership with the Department of Environment and Natural Resources (DENR) are helping surrounding communities to reduce their waste up to 30%.

In terms of our operations last year, Solid Cement Plant reported the lowest clinker factor for cement Type 1P at 64%.

We also upgraded the cement plant with the replacement of our kiln shell, reduction of false air in the system, improvement of coal mill safety, and provision of HMI upgrades.

On the other hand, the APO Cement Plant achieved its highest clinker production at 2,696 tons. Furthermore, Kiln 1 registered an outstanding efficiency rate of 92.3%.

Our Continuous Improvement (CI) initiatives ensure these world-class facilities operate at the highest standards.

We are the only cement company that has a fully integrated customer service center which operates 24/7.

Legacy of Customer Centricity

Customer centricity is manifested in our reliable and dynamic business relationships with our clients. Customer centricity highlights CEMEX's priority to develop programs based on what is most important to our customers so we can provide products and services that attain growth and profitability for both parties.

Customer experience is key. Client service is about leaving a good impression and extraordinary service to our customers. This is how we, at CEMEX, set ourselves apart from the competition. Our approach to business development is closely linked to building strong relationships with our partners.

True to our customer-centric approach, we delivered record sales volume of 5.1 million metric tons for our commercial operations. At the same time, CEMEX also achieved its highest monthly composite price last year.

Notably, we are the only cement company that has a fully integrated customer service center which operates 24/7.

As of end December 2016, our distribution infrastructure includes four marine distribution terminals and 18 land distribution centers located across the Philippines. We lease more than a thousand trucks for the movement of bag and bulk cement as well as 26 ready-mix concrete mixer trucks. We chartered 63 marine vessels for the waterborne distribution of bagged cement in the Philippines and we contracted seven marine vessels to augment our fleet of two owned marine vessels for the distribution of bulk cement. We continuously develop our distribution network to nurture and enhance customer relationships with a view of preserving and expanding our market share. Last year, our logistics operations had zero lost time injuries and fatalities. In June, we hit the highest volume of cement moved through our massive distribution network.

The trailblazing Experts' Forum we organized last year, gathered over 200 CEMEX customers and partners to showcase and experience the latest innovations and global technologies of CEMEX which revolutionize the latest trends in the building industry. The 2016 Experts' Forum brought global experts from the CEMEX Research Group to present studies and solutions that can be applied locally.

CEMEX likewise conducted Tatak Experto Frontliners Training sessions to develop our partners' customer-handling skills and product knowledge of our retail frontliners. Over 2,000 frontliners have been trained from almost 600 stores nationwide.

The Safety and Health Initiatives for Enablers, Leaders, and Doers (SHIELD) Program extends CEMEX's health and safety values to its partners.

Through SHIELD, our customers receive First Aid essentials in their locations, Health and Safety workshops for those working in high-risk environments, and construction site safety signs. This program has been extended to thousands of beneficiaries in 2016; and while widely appreciated, it is also an opportunity for CEMEX to share its value of Health and Safety to these partners.

Another customer-based program that is aligned with our corporate social responsibility thrust is Experto Ako! Masonry Skills Training Program which beefs up the knowledge of our customers' masons on current cement technology trends and construction skills needed in the market today. The program includes lessons and modules on proper cement application and equipment, values formation, and significance of teamwork. To date, over 200 masons have graduated from the program.

Legacy of Innovation

Our focus on innovation helps create sustainable communities for the Filipino family.

One such product is Promptis, the first concrete solution of its type to be accredited by the Department of Public Works and Highways (DPWH) to be used for concrete pavements, as it allows roads to be opened to heavy loads and traffic within 24 hours after application. CEMEX is expanding the use of Promptis Accelerating Admixture, a pavement technology that allows newly constructed, repaired or rehabilitated roads to be opened for use after only one day of curing instead of the traditional three-day process.

Another technology that presents a sustainable alternative to conventional concrete pavements is the Roller Compacted Concrete (RCC) which is a dry and zero-slump concrete mix ideal for industrial parks and farm-to-market roads.

Last year, we operated in five RCC sites, 11 Promptis sites, and nine three-day concrete sites.

In terms of housing, CEMEX contributed to the building of residential spaces for the housing sector.

Various property developers in the Philippines have tapped the latest and innovative construction technologies of CEMEX. These developers were able to build high-quality houses faster with CEMEX's cast in place technology, a concreting process that utilizes pre-designed panels to mold the preferred shapes of walls and slabs. One of the advantages of tapping into this technology is the simplicity and practicality of the assembly method that allows the contractor to speed up the construction reducing up to 40% of the conventional construction time. DECA Homes, a partner of CEMEX, was cited as finalist in the CEMEX Global Building Awards under the Social Value category for its residential projects in Davao.

CEMEX technology development and application projects are part of the global R&D collaboration network, headed by CEMEX Research Center, based in Switzerland.

Legacy of People Empowerment

Lastly, people empowerment supports our global values to uphold people excellence.

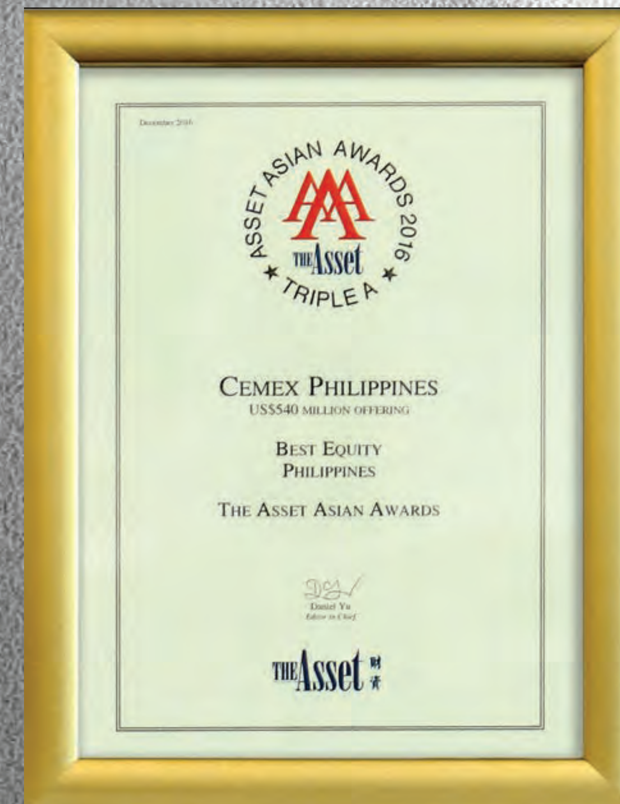
In 2014, APO Cement Corporation was named Employer of the Year, a highly coveted award given by the People Management Association of the Philippines (PMAP) to companies which exhibit exemplary human capital management and development.

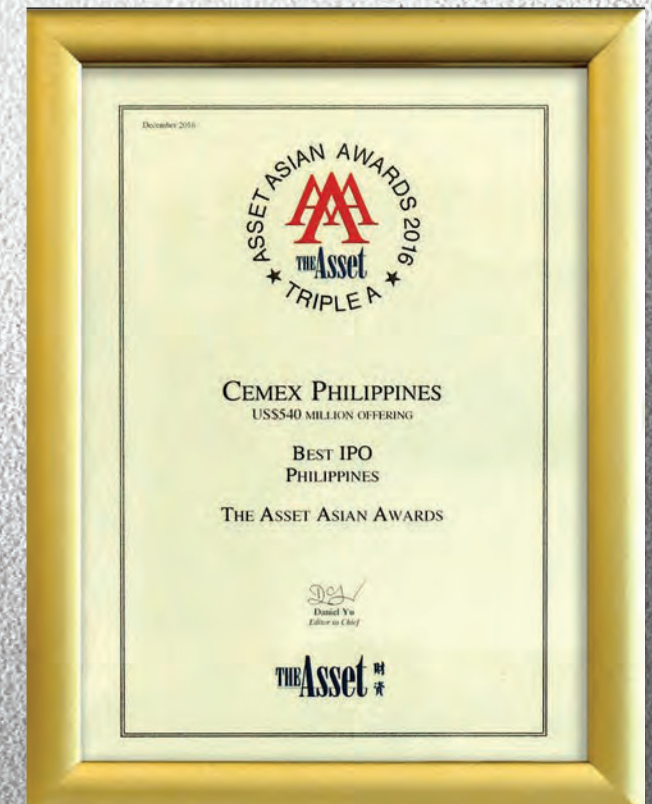
We maximize our employees' potential by providing an environment conducive for skills development and idea generation.

One of the knowledge sharing platform we have is Our Global Networks which help us manage the business more efficiently, improve business models for sustainable and profitable growth, and provide shared knowledge and scale, creating more value for our company and our stakeholders through global collaboration and integration with different CEMEX units around the world.

CEMEX also encourages its employees to develop a healthy lifestyle through the Wellness Wars program. We encourage our people to develop a balanced lifestyle and improve productivity at work by engaging them in a strategic self development plan.

Finally, we successfully completed our five-year collective bargaining agreements with our employee unions last year.





Awards and Recognition

CEMEX Holdings Philippines (CHP) was awarded the Best Equity Deal in the Philippines (2016) and Best Initial Public Offering (IPO) in the Philippines (2016) by The Triple A Country Awards for the company's P25.1 billion offering, the third largest IPO in the local equity market in recent years.

CHP was also awarded the Best Equity Deal of the Year in Southeast Asia during the 10th Annual Best Deal & Solution Awards conferred by Alpha Southeast Asia.

The company was given another citation in the IFR Asia Review of the Year 2016 under the Philippines Capital Markets Deal category.

Meanwhile, CEMEX Philippines' subsidiaries Solid Cement Corporation and APO Cement Corporation became the first cement plants in the country to be certified by SGS Philippines for ISO 50001 Energy Management System (EnMS). The Department of Energy (DOE) through its Philippine Industrial Energy Efficiency Project (PIEEP) recognized the company for implementing EnMS in its cement plants.

Board of Directors

From left to right: **Joaquin Miguel Estrada Suarez** (Chairman), **Pedro Roxas** (Independent Director), **Alfredo Panlilio** (Independent Director), **Pedro Jose Palomino, Jannette Virata Sevilla, Vincent Paul Piedad, Paul Vincent Arcenas**

Executive Officers

Pedro Jose Palomino
President and CEO

Vincent Paul Piedad
Treasurer and Regional Business Services Organization and Procurement Director

Paul Vincent Arcenas
Vice President for Communications, Marketing and Investor Relations; Investor Relations Officer

Ma. Virginia Ongkiko Eala
Vice President for Human Resources

Roberto Martin Javier
Vice President for Commercial

Michael Martin Teotico
Vice President for Logistics

Elvira Oquendo
Legal Director

Adrian V. Bancoro
Tax Director

Rolando S. Valentino
Internal Auditor

Officers of the CEMEX Philippines Group of Companies

Paul Vincent Arcenas
Vice President for Communications, Marketing and Investor Relations

Adrian V. Bancoro
Tax Director

Edwin Hufemia
Vice President for Ready-Mix and Pavements

Roberto Martin Javier
Vice President for Commercial

Hugo Enrique Losada
Vice President for Strategic Planning

Eduardo Bernard Pons
Director for Energy and Sustainability

Arturo Rodriguez
Director for Business Development

Ma. Virginia Ongkiko Eala
Vice President for Human Resources

Ernesto Felix
Vice President for Operations and Technical

Chito Maniago
Director for Corporate Communications and Public Affairs; Executive Director, CEMEX Philippines Foundation

Elvira Oquendo
Legal Director

Vincent Paul Piedad
Treasurer and Regional Business Services Organization and Procurement Director

Michael Martin Teotico
Vice President for Logistics

Pavel Veselov
Director for Enterprise Risk Management

Without photo:* **Rolando Vera Cruz, *Director*

CEMEX Holdings Philippines, Inc.

Statement of Management's Responsibility for Consolidated Financial Statements

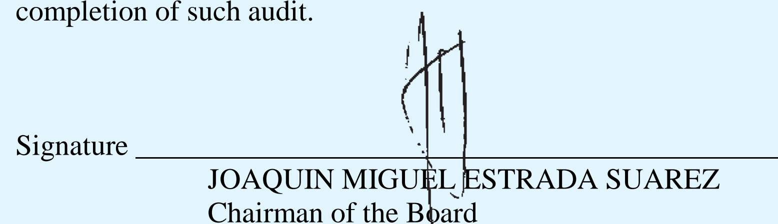
The management of CEMEX Holdings Philippines Inc. and Subsidiaries (the "Company) is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, as at and for the years ended December 31, 2016 and as at December 31, 2015 and for the period from September 17 to December 31, 2015, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of the separate 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 Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

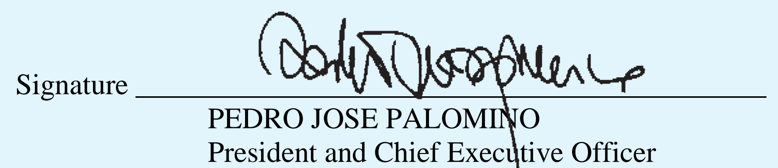
The Board of Directors reviews and approves the consolidated financial statements including the schedules attached therein, and submits the same to the stockholders or members.

R.G. Manabat & Co., the independent auditor appointed by the stockholders, has audited the consolidated financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.



Signature ____________________

JOAQUIN MIGUEL ESTRADA SUAREZ
Chairman of the Board



Signature ____________________

PEDRO JOSE PALOMINO
President and Chief Executive Officer

Signature ____________________

VINCENT PAUL PIEDAD
Treasurer/Chief Financial Officer

CEMEX Holdings Philippines, Inc.

Independent Auditors' Report

The Stockholders and Board of Directors
CEMEX Holdings Philippines, Inc.
34/F Petron Mega Plaza Building
358 Sen. Gil J. Puyat Avenue
Brgy. Bel-Air, Makati City

Opinion

We have audited the consolidated financial statements of CEMEX Holdings Philippines, Inc. and Subsidiaries (the "Group"), which comprise the consolidated statements of financial position as at December 31, 2016 and 2015, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the year ended December 31, 2016 and for the period from September 17 to December 31, 2015, and notes, comprising significant accounting policies and other explanatory information.

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, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for the year ended December 31, 2016 and for the period from September 17 to December 31, 2015, in accordance with Philippine Financial Reporting Standards ("PFRSs").

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing ("PSAs"). Our responsibilities under those standards are further described in the *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.

R.G. Manabat & Co., a Philippine partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

PRC-BOA Accreditation No. 0003, with extended validity until April 30, 2017 pursuant to Board Resolution No. 37 s. of 2017
SEC Accreditation No. 0004-FR-4, Group A, valid until November 10, 2017
IC Accreditation No. F-2014/014-R, valid until August 26, 2017
BSP Accredited, Category A, valid until December 17, 2017

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 Business Combination

  During the year, the Group completed its business acquisitions for a total consideration of P47.83 billion as discussed in Note 19 to the consolidated financial statements. The Group accounted for the business acquisition under the acquisition method in accordance with its policy as discussed in Note 3K. Management determined that the fair value of the net identifiable assets acquired is P19.97 billion, with P27.86 billion relating to goodwill that arose from the business combination.

  The Risk
  The accounting for acquisitions in accordance with PFRSs involves a high level of judgment and inherent uncertainty in the estimation used in allocating the overall purchase price to the different assets and liabilities that make up the acquisition. Due to the inherent judgements involved in allocating the purchase consideration and assigning fair values to the assets acquired and liabilities assumed, this is one of our key areas of audit focus.

  Our Response
  Our procedures included inspection and review of deeds of assignment of shares to understand the key terms and conditions, and confirm our understanding of the transaction with management. We evaluated the Group's basis in identifying an intangible asset against the applicable recognition criteria provided by PFRSs, as well as comparing its transaction to any similar transactions previously undertaken by the Group and comparing to transactions completed by other entities having similar type of business. In relation to the allocation of the purchase price to goodwill, we evaluated the objectivity and competence of the Group's valuation specialist by reference to their qualifications and experience. We involved our Firm's valuation specialists in testing their work by evaluating the applicability of the valuation model used and its integrity by verifying that the formulae operated as intended. Key assumptions, such as discount rate and growth rate, used by the Group were also challenged by understanding the rationale behind such assumptions and comparing them to publicly available information and transactions for similar companies. We also evaluated the adequacy of the Group's disclosures in the consolidated financial statements describing the rationale for the allocation of purchase price.

- Goodwill Impairment Assessment

  Refer to Note 3L to the consolidated financial statements for the Group's policy on impairment of Goodwill.

  The Group has goodwill amounting to P27.86 billion as at December 31, 2016 which arose from the Group's business acquisition transactions during the year. Such goodwill has been allocated to the Group's cash-generating units (CGUs), comprising APO Cement Corporation and Solid Cement Corporation. Management has undertaken an annual impairment review in respect of this goodwill in accordance with the requirements of PFRSs, and concluded that no impairment arises as at December 31, 2016.

  The Risk
  In assessing impairment of goodwill, complex and subjective judgments in determining a number of key assumptions, such as growth rate, discount rate and other economic assumption (i.e. inflation rate), are made to determine its value-in-use. We focused on this area due to both the significance of the carrying amount of the goodwill and because management's assessment of the value-in-use of the Group's CGUs involves significant judgments about the future results of the business and the discount rates applied to future cash flow forecasts.

  Our Response
  Our procedures included assessment of the appropriateness of the CGUs identified. We evaluated management's future cash flow forecast and the process by which they were determined and approved, including checking that the forecasts were consistent with the latest approved budgets and confirming the mathematical accuracy of the underlying calculations. We assessed the methodology used to generate the discounted cash flow model for each CGU. We involved our own valuation specialists to assist us in evaluating the assumptions applied and comparing the assumptions used to historical results and external economic forecasts. We performed sensitivity analysis on the key assumptions used to ascertain the extent of change that individually would be required for the goodwill to be impaired. We also evaluated the adequacy of the disclosures in respect of the impairment assessment in the consolidated financial statements.

- Recognition of Revenue

  Refer to Note 3T to the consolidated financial statements for the Group's policy on revenue recognition.

  The Risk
  PSAs presume that there is a risk of misstatement on the revenue account when there are pressures to achieve planned results. The listing of shares of CEMEX Holdings Philippines, Inc. in the Philippine Stock Exchange during the year might give rise to such pressures. While the Group's transactions and policy on recognition and measurement of revenue from sale of goods are not complex, the risk identified relate primarily to the recording of sale transactions at or near the year-end in the correct accounting period.

  Our Response
  Our procedures included testing of controls which specifically addresses the risk of material misstatement due to fraud on revenue recognition. We performed background checks on samples of new customers through examination of records that are publicly available to ensure existence of such customers and validity of recorded sales. We performed analytical testing procedures over revenue in the year, comparing amounts recognized with our expectations developed from past experiences and, where possible, external market data and corroborated any explanations provided in response to variances noted. We tested samples of delivery receipts to verify that revenue recorded as at year-end were actually delivered. Customer credit memoranda which were recorded after period end were likewise tested to identify any significant reversal of sales recorded during the year. We also utilized computer assisted auditing techniques in order to test a selection of manual journal entries which impact revenue and identify any unexpected increase in sales on a geographical basis through data analyses.

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, 2016, 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, 2016 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 audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated.

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

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

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

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

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 PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 Emerald Anne C. Bagnes.

R.G. MANABAT & CO.

EMERALD ANNE C. BAGNES
Partner
CPA License No. 0083761
SEC Accreditation No. 0312-AR-3, Group A, valid until April 30, 2018
Tax Identification No. 102-082-332
BIR Accreditation No. 08-001987-12-2016
Issued April 12, 2016; valid until April 11, 2019
PTR No. 5904915MD
Issued January 3, 2017 at Makati City

March 8, 2017
Makati City, Metro Manila

CEMEX Holdings Philippines, Inc.

Consolidated Statements of Comprehensive Income

	Note	**For the Year Ended December 31, 2016**	For the Period from September 17 to December 31, 2015
Revenue	*8*	**P24,806,099**	P–
Costs of sales and services	*6*	**(11,885,883)**	–
GROSS PROFIT		**12,920,216**	–
Administrative and selling expenses	*6*	**(4,012,940)**	(4,415)
Distribution expenses	*7*	**(3,961,636)**	–
TOTAL OPERATING EXPENSES		**(7,974,576)**	(4,415)
OPERATING INCOME (LOSS) BEFORE OTHER EXPENSES - Net		**4,945,640**	(4,415)
Other expenses - net	*9*	**(319,783)**	–
OPERATING INCOME (LOSS) AFTER OTHER EXPENSES - Net		**4,625,857**	(4,415)
Financial expenses	*13*	**(1,236,021)**	–
Foreign exchange loss - net		**(1,379,892)**	(31)
Other financial expenses - net	*10*	**(32,734)**	–
EARNINGS (LOSS) BEFORE INCOME TAX		**1,977,210**	(4,446)
Income tax expense	*23*	**(563,744)**	–
PROFIT (LOSS)		**1,413,466**	(4,446)
OTHER COMPREHENSIVE INCOME (LOSS)			–
Item that will not be reclassified subsequently to profit or loss			–
Gain on remeasurements on retirement benefit liability	*22*	**16,046**	–
Tax effect	*23*	**(4,814)**	–
		11,232	–
Items that will be reclassified subsequently to profit or loss			
Currency translation gain (loss) of foreign subsidiaries		**90,898**	(34)
Cash flow hedges - effective portion of changes in fair value		**18,821**	–
Cash flow hedges - reclassified to profit or loss		**(12,016)**	–
		97,703	(34)
		108,935	(34)
TOTAL COMPREHENSIVE INCOME (LOSS)		**1,522,401**	(4,480)
Non-controlling interest comprehensive loss		**24**	–
CONTROLLING INTEREST IN CONSOLIDATED COMPREHENSIVE INCOME (LOSS)		**P1,522,425**	(P4,480)
Basic/Diluted Earnings (Loss) Per Share	*25*	**P0.50**	(P0.12)

The accompanying notes are part of these consolidated financial statements.

CEMEX Holdings Philippines, Inc.

Consolidated Statements of Financial Position

	Note	As at December 31, 2016	As at December 31, 2015
ASSETS			
Current Assets			
Cash and cash equivalents	*11*	**P1,337,155**	P4,922
Trade receivables - net	*12*	**909,667**	–
Due from related parties	*13*	**215,215**	–
Other current accounts receivable	*15*	**127,346**	–
Inventories	*16*	**2,577,577**	–
Prepayments and other current assets	*17*	**1,420,056**	–
Total Current Assets		**6,587,016**	4,922
Noncurrent Assets			
Investment in an associate and other investments	*14*	**15,273**	–
Other assets and noncurrent accounts receivable	*15*	**320,489**	–
Property, machinery and equipment - net	*18*	**15,814,811**	–
Deferred income tax assets - net	*23*	**444,601**	–
Goodwill	*19*	**27,859,694**	–
Total Noncurrent Assets		**44,454,868**	–
		P51,041,884	P4,922
LIABILITIES AND EQUITY			
Current Liabilities			
Trade payables		**P2,170,646**	P–
Due to related parties	*13*	**1,482,096**	190
Unearned revenue, other accounts payable and accrued expenses	*20*	**1,958,973**	–
Income tax payable		**42,490**	–
Total Current Liabilities		**5,654,205**	190
Noncurrent Liabilities			
Long-term payable to related parties	*13*	**15,919,322**	–
Retirement benefit liability	*22*	**769,340**	–
Other noncurrent liabilities		**14,805**	–
Total Noncurrent Liabilities		**16,703,467**	–
Total Liabilities		**22,357,672**	P190
Stockholders' Equity			
Controlling interest:			
Common stock	*24A*	**P5,195,395**	P9,400
Additional paid-in capital		**21,959,159**	–
Other equity reserves	*24B*	**120,556**	(34)
Retained earnings (deficit)	*24E*	**1,408,856**	(4,634)
Total controlling interest		**28,683,966**	4,732
Non-controlling interest	*24C*	**246**	–
Total Equity		**28,684,212**	4,732
		P51,041,884	P4,922

The accompanying notes are part of these consolidated financial statements.

CEMEX Holdings Philippines, Inc.

Consolidated Statements of Cash Flows

	Note	For the Year Ended December 31, 2016	For the Period from September 17 to December 31, 2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit (loss)		**P1,413,466**	(P4,446)
Allocation for non-controlling interest		**270**	–
Adjustments for:			
Financial expenses, other financial expenses and unrealized foreign exchange result		**2,422,547**	–
Depreciation of property, machinery and equipment	*5*	**1,252,344**	–
Income tax expense	*23*	**563,744**	–
Loss on disposal of property, machinery and equipment	*9*	**24,263**	–
Stock-based compensation expense	*24*	**11,655**	–
Net reversal of provisions during the period	*12, 16, 20, 22*	**(165,732)**	–
Operating profit (loss) before working capital changes		**5,522,557**	(4,446)
Net changes in operating assets and liabilities:			
Decrease (increase) in:			
Trade receivables		**(92,357)**	–
Due from related parties		**(144,842)**	190
Other current accounts receivable		**(139,803)**	–
Inventories		**(328,424)**	–
Prepayments and other current assets		**502,805**	–
Increase (decrease) in:			
Trade payables		**(75,313)**	–
Due to related parties		**314,857**	–
Other accounts payable and accrued expenses		**(232,738)**	–
Cash generated from (absorbed by) operations		**5,326,742**	(4,256)
Interest received		**8,570**	–
Income taxes paid		**(1,239,764)**	–
Interest paid		**(311,430)**	–
Benefits paid to employees		**(36,306)**	–
Net cash provided by (used in) operating activities		**3,747,812**	(4,256)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of:			
Investments in shares of stock		**1,476,056**	–
Investment property		**508,165**	–
Property, machinery and equipment		**1,102**	–
Decrease in other noncurrent assets		**23,654**	–
Acquisition of subsidiaries, net of cash acquired	*19*	**(44,137,515)**	–
Additions to property, plant and equipment	*2F, 18*	**(722,210)**	–
Net cash used in investing activities		**(42,850,748)**	–
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from:			
Loan from related parties	*13*	**40,760,694**	–
Issuance of common stock (net of issuance cost)	*24A*	**27,145,155**	9,212
Payment of loan to related parties	*13*	**(27,439,418)**	–
Net cash provided by financing activities		**40,466,431**	9,212
NET INCREASE IN CASH AND CASH EQUIVALENTS		**1,363,495**	4,956
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**(31,262)**	(34)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		**4,922**	–
CASH AND CASH EQUIVALENTS AT END OF PERIOD	*11*	**P1,337,155**	P4,922

The accompanying notes are part of these consolidated financial statements

CEMEX Holdings Philippines, Inc.

Consolidated Statements of Changes in Equity

	Notes	Common Stock	Additional Paid-in Capital	Other Equity Reserves	Retained Earnings(Deficit)	Total Controlling Interest	Non-controlling Interest	Total Stockholders' Equity
As at September 17, 2015		P–	P–	P–	P–	P–	P–	P–
Transactions with owners of the Company								
Issuance of capital stock	24A	9,400	–	–	–	9,400	–	9,400
Share issuance cost		–	–	–	(188)	(188)	–	(188)
Total comprehensive income								
Loss for the period		–	–	–	(4,446)	(4,446)	–	(4,446)
Other comprehensive loss for the period	24B	–	–	(34)	–	(34)	–	(34)
As at December 31, 2015		9,400	–	(34)	(4,634)	4,732	–	4,732
Transactions with owners of the Company								
Issuance of capital stock	24A	5,185,995	22,794,798	–	–	27,980,793	–	27,980,793
Share issuance cost		–	(835,639)	–	–	(835,639)	–	(835,639)
Changes in non-controlling interest due to business combination	24C	–	–	–	–	–	270	270
Share-based compensation	24D	–	–	11,655	–	11,655	–	11,655
Total comprehensive income								
Profit for the period		–	–	–	1,413,490	1,413,490	(24)	1,413,466
Other comprehensive income for the period		–	–	108,935	–	108,935	–	108,935
		5,185,995	21,959,159	120,590	1,413,490	28,679,234	246	28,679,480
As at December 31, 2016		**P5,195,395**	**P21,959,159**	**P120,556**	**P1,408,856**	**P28,683,966**	**P246**	**P28,684,212**

The accompanying notes are part of these consolidated financial statements.

CEMEX Holdings Philippines, Inc.

Notes to Consolidated Financial Statement

As at and for the year ended December 31, 2016 and
As at December 31, 2015 and for period from September 17 to December 31, 2015
(Amounts in Thousands of Philippine Peso, Except Number of Shares and Per Share Data)

NOTE 1 - DESCRIPTION OF BUSINESS

CEMEX Holdings Philippines, Inc. (the "Parent Company"), a subsidiary of CEMEX Asian South East Corporation ("CASEC"), was incorporated as a stock corporation on September 17, 2015 under Philippine laws with a corporate life of fifty (50) years, primarily to invest in or purchase real or personal property; and to acquire and own, hold, use, sell, assign, transfer, mortgage all kinds of properties such as shares of stock, bonds, debentures, notes, or other securities and obligations; provided that the Parent Company shall not engage either in the stock brokerage business or in the dealership of securities, and in the business of an open-end investment company as defined in Republic Act 2629, Investment Company Act.

CASEC was incorporated as a stock corporation on August 25, 2015 under Philippine laws.

On a consolidated group basis, the Parent Company is a subsidiary of CEMEX, S.A.B. de C.V. ("CEMEX"), a company incorporated in Mexico with address of its principal executive office at Avenida Ricardo Margain Zozaya #325, Colonia Valle del Campestre, Garza Garcia, Nuevo León, Mexico.

The term "Parent Company" used in these accompanying notes to the consolidated financial statements refers to CEMEX Holdings Philippines, Inc. without its subsidiaries. The term "Company" refers to CEMEX Holdings Philippines, Inc., together with its consolidated subsidiaries.

On January 1, 2016, the Parent Company became the holding company of the consolidated entities, majority of whom are doing business in the Philippines. The Parent Company's two principal manufacturing subsidiaries, i.e., APO Cement Corporation ("APO") and Solid Cement Corporation ("Solid"), are involved in the production, marketing, distribution and sale of cement and other cement products. APO and Solid are both stock corporations organized under the laws of the Philippines. The Parent Company holds APO directly and indirectly, through Edgewater Ventures Corporation and Triple Dime Holdings, Inc., whereas the Parent Company holds Solid and Solid's subsidiaries directly and indirectly, through Bedrock Holdings, Inc. and Sandstone Strategic Holdings, Inc. (see Note 28).

The Company also includes CEMEX Asia Research AG ("CAR"), a wholly-owned subsidiary incorporated in December 2015 under the laws of Switzerland. Pursuant to license agreements that CAR entered into with CEMEX Research Group AG ("CRG") and CEMEX, respectively, CAR became a licensee for certain trademarks, including the CEMEX trademark, and other intangible assets forming part of the intellectual property portfolio owned and developed by CEMEX. CAR is engaged primarily in the development, maintenance and customization of these intangible assets for the Asia Region and it in turn provides non-exclusive licenses to Solid and APO to use the CEMEX trademark and other trademarks and intangible assets of CEMEX. CRG, an entity under common control of CEMEX, was organized under the laws of Switzerland. CRG develops and manages CEMEX's research and development initiatives.

In May 2016, the Parent Company incorporated a wholly-owned subsidiary named Falcon Re Ltd. ("Falcon") under the Companies Act of Barbados. Falcon is registered to conduct general insurance business, all risk property insurance, political risks insurance and non-damage business interruption insurance, and received its license to operate as an insurance company in July 2016. Falcon acts as a re-insurer to the extent of 10% of the risks associated with the property damage and 100% of the risks associated with political violence and non-damage business interruption programs of the operating subsidiaries of the Parent Company.

On June 30, 2016, the Philippine Securities and Exchange Commission ("SEC") resolved to render effective the Registration Statement of the Parent Company and issued a Certificate of Permit to Offer Securities for Sale in favor of the Parent Company. On July 18, 2016, the Parent Company's initial public offering ("IPO") of 2,337,927,954 common shares at P10.75 per share culminated with the listing and trading of shares of stocks under the Main Board of the Philippine Stock Exchange, resulting in an increase in capital stock of P2,337,927 and additional paid-in capital of P21,959,159, net of P835,639 transaction costs that is accounted for as a reduction in equity.

Based on the list of stockholders registered with the stock transfer agent of the Parent Company, the Parent Company has 14 stockholders as at December 31, 2016, with each of PCD Nominee Corporation (Filipino) and PCD Nominee Corporation (Non-Filipino) recorded as a stockholder.

The Parent Company's principal office is at 34th Floor Petron Mega Plaza Building, 358 Sen. Gil J. Puyat Avenue, Makati City, Philippines.

NOTE 2 - BASIS OF PREPARATION

A) STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards ("PFRSs"). PFRSs are based on International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB"). PFRSs, which are issued by the Philippine Financial Reporting Standards Council ("FRSC"), consist of PFRSs, Philippine Accounting Standards ("PASs"), and Philippine Interpretations.

B) BASIS OF MEASUREMENT

The consolidated financial statements have been prepared on the historical cost basis of accounting, except for retirement benefit liability which is measured at the present value of the defined benefit obligation less the fair value of plan assets and certain derivative financial asset that is measured at fair value.

C) DEFINITION OF TERMS

When reference is made to "P", it means Philippine Peso. Unless otherwise indicated, the Philippine Peso amounts in the consolidated financial statements and the accompanying notes are stated in thousands. When reference is made to "$" or dollar and "€" or euro, it means thousands of dollars of the United States of America (the "United States" or "U.S.") and euro of European Union, respectively.

D) FUNCTIONAL AND PRESENTATION CURRENCY

The Consolidated financial statements of the Company are presented in Philippine Peso, the functional currency of the Parent Company and each of its subsidiaries, except for Falcon and CAR whose functional currency is both in U.S. dollar. All values are rounded to the nearest thousand except when otherwise stated.

E) STATEMENTS OF PROFIT OR LOSS

The line item "Other expenses - net" in the consolidated statements of comprehensive income consists primarily of income and expenses not directly related to the Company's main activity, or which are non-recurring in nature, such as results on disposal of assets, among others.

F) STATEMENTS OF CASH FLOWS

The consolidated statements of cash flows present cash inflows and outflows, excluding unrealized foreign exchange effects and the following that did not represent sources or uses of cash:

a) The increases in other equity reserves associated with Ordinary Participation Certificates ("CPOs") granted by CEMEX, S.A.B. de C.V. in 2016 as part of the executive's long-term share-based compensation programs for P11,655 as described in Note 24D.
b) In line with its production expansion plan, the Company acquired equipment from CEMEX Construction Materials South, LLC by incurring a liability amounting to P573,837 (see Note 13).

The accompanying consolidated financial statements were authorized for issue by the Board of Directors ("BOD") on March 8, 2017.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES

A) CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted have been applied consistently to all years presented in these consolidated financial statements, except for the following relevant amendments to standards, which have been adopted as at January 1, 2016 and have been applied in preparing this consolidated financial statements. Except as otherwise indicated, the adoption of these amendments to standards did not have any significant impact on the Company's consolidated financial statements.

1. Adoption of Amendments to Standards

1.1 Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to PAS 16 and PAS 38)
The amendments to PAS 38, *Intangible Assets*, introduce a rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate. This presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The amendments to PAS 16, *Property, Plant and Equipment*, explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. This is because such methods reflect factors other than the consumption of economic benefits embodied in the asset - e.g. changes in sales volumes and prices.

1.2 Annual Improvements to PFRSs 2012 – 2014 Cycle
This cycle of improvements contains amendments to four standards, of which one is applicable to the Company. The amendment to PAS 19, *Employee Benefits*, pertaining to the discount rate in a regional market sharing the same currency, has no significant effect on the consolidated financial statements of the Company.

Discount rate in a regional market sharing the same currency – e.g. the Eurozone (Amendment to PAS 19). The amendment to PAS 19 clarifies that high-quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid. Consequently, the depth of the market for high-quality corporate bonds should be assessed at the currency level and not at the country level.

1.3 Disclosure Initiative (Amendments to PAS 1) addresses some concerns expressed about existing presentation and disclosure requirements and to ensure that entities are able to use judgment when applying PAS 1, *Presentation of Financial Statements.* The amendments clarify that:

- Information should not be obscured by aggregating or by providing immaterial information;
- Materiality considerations apply to all parts of the financial statements, even when a standard requires a specific disclosure;
- The list of line items to be presented in the statement of financial position and statement of profit or loss and other comprehensive income ("OCI") can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements; and
- An entity's share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss.

2. Standards Issued But Not Yet Adopted

A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2016. However, the Company has not applied the following new or amended standards in preparing these consolidated financial statements. Unless otherwise stated, none of these are expected to have a significant impact on the Company's consolidated financial statements. The Company will adopt the following new and amendments to standards in their respective effective dates.

2.1 Effective January 1, 2017

a) Disclosure initiative (Amendments to PAS 7, Statement of Cash Flows). The amendments address financial statements users' requests for improved disclosures about an entity's net debt relevant to understanding an entity's cash flows. The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes – e.g. by providing a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities.

The amendments are effective for annual periods beginning on or after January 1, 2017. Early adoption is permitted. When an entity first applies the amendments, it is not required to provide comparative information for preceding periods.

b) Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to PAS 12, Income Taxes). The amendments clarify that:

- the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset;

- the calculation of future taxable profit in evaluating whether sufficient taxable profit will be available in future periods excludes tax deductions resulting from the reversal of the deductible temporary differences;

- the estimate of probable future taxable profit may include the recovery of some of an entity's assets for more than their carrying amount if there is sufficient evidence that it is probable that the entity will achieve this; and

- an entity assesses a deductible temporary difference related to unrealized losses in combination with all of its other deductible temporary differences, unless a tax law restricts the utilization of losses to deduction against income of a specific type.

The amendments are to be applied retrospectively for annual periods beginning on or after January 1, 2017. Early adoption is permitted. On initial application, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. If the Company applies the relief, it shall disclose that fact.

2.2 Effective January 1, 2018

a) PFRS 9, *Financial Instruments (2014).* PFRS 9 (2014) replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and supersedes the previously published versions of PFRS 9 that introduced new classifications and measurement requirements (in 2009 and 2010) and a new hedge accounting model (in 2013). PFRS 9 includes revised guidance on the classification and measurement of financial assets, including a new expected credit loss model for calculating impairment, guidance on own credit risk on financial liabilities measured at fair value and supplements the new general hedge accounting requirements published in 2013. PFRS 9 incorporates new hedge accounting requirements that represent a major overhaul of hedge accounting and introduces significant improvements by aligning the accounting more closely with risk management.

The new standard is to be applied retrospectively for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is assessing the potential impact on its consolidated financial statements resulting from the application of PFRS 9.

b) Classification and Measurement of Share-based Payment Transactions (Amendments to PFRS 2, Share-based Payment). The amendments cover the following areas:

- *Measurement of cash-settled awards.* The amendments clarifies that a cash-settled share-based payment is measured using the same approach as for equity-settled share-based payments – i.e. the modified grant date method.

- Classification of awards settled net of tax withholdings. The amendments introduce an exception stating that, for classification purposes, a share-based payment transaction with employees is accounted for as equity-settled if:

    - the terms of the arrangement permit or require a company to settle the transaction net by withholding a specified portion of the equity instruments to meet the statutory tax withholding requirement (the net settlement feature); and

    - the entire share-based payment transaction would otherwise be classified as equity-settled if there were no net settlement feature.

  The exception does not apply to equity instruments that the company withholds in excess of the employee's tax obligation associated with the share-based payment.

- *Modification of awards from cash-settled to equity settled.* The amendments clarify that when a share-based payment is modified from cash-settled to equity-settled, at modification date, the liability for the original cash-settled share-based payment is derecognized and the equity-settled share-based payment is measured at its fair value, recognized to the extent that the goods or services have been received up to that date. The difference between the carrying amount of the liability derecognized, and the amount recognized in equity, is recognized in profit or loss immediately.

The amendments are effective for annual periods beginning on or after January 1, 2018. As a practical simplification, the amendments can be applied prospectively. Retrospective or early application is permitted.

c) PFRS 15, *Revenue from Contracts with Customers*, replaces PAS 11, *Construction Contracts*, PAS 18, *Revenue*, IFRIC 13, *Customer Loyalty Programmes*, IFRIC 18, *Transfer of Assets from Customers*, and SIC-31*, Revenue – Barter Transactions Involving Advertising Services.* The new standard introduces a new revenue recognition model for contracts with customers which specifies that revenue should be recognized when (or as) a company transfers control of goods or services to a customer at the amount to which the company expects to be entitled. Depending on whether certain criteria are met, revenue is recognized over time, in a manner that best reflects the company's performance, or at a point in time, when control of the goods or services is transferred to the customer. The standard does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other PFRSs. It also does not apply if two companies in the same line of business exchange non-monetary assets to facilitate sales to other parties. Furthermore, if a contract with a customer is partly in the scope of another IFRS, then the guidance on separation and measurement contained in the other PFRS takes precedence.

The new standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is assessing the potential impact on its consolidated financial statements resulting from the application of PFRS 15.

d) *Philippine Interpretation IFRIC-22 Foreign Currency Transactions and Advance Consideration.* The amendments clarifies that the transaction date to be used for translation for foreign currency transactions involving an advance payment or receipt is the date on which the entity initially recognizes the prepayment or deferred income arising from the advance consideration. For transactions involving multiple payments or receipts, each payment or receipt gives rise to a separate transaction date. The interpretation applies when an entity pays or receives consideration in a foreign currency and recognizes a non-monetary asset or liability before recognizing the related item.

The interpretation is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

2.3 Effective January 1, 2019

a) PFRS 16, *Leases*, supersedes PAS 17, *Leases*, and the related Philippine Interpretations. The new standard introduces a single lease accounting model for lessees under which all major leases are recognized on-balance sheet, removing the lease classification test. Lease accounting for lessors essentially remains unchanged except for a number of details including the application of the new lease definition, new sale-and-leaseback guidance, new sub-lease guidance and new disclosure requirements. Practical expedients and targeted reliefs were introduced including an optional lessee exemption for short-term leases (leases with a term of 12 months or less) and low-value items, as well as the permission of portfolio-level accounting instead of applying the requirements to individual leases. New estimates and judgmental thresholds that affect the identification, classification and measurement of lease transactions, as well as requirements to reassess certain key estimates and judgments at each reporting date were introduced.

PFRS 16 is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that apply PFRS 15 at or before the date of initial application of PFRS 16. The Company is currently assessing the potential impact of PFRS 16 and plans to adopt this new standard on leases on the required effective date.

b) Deferral of the local implementation of Amendments 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

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to PFRS 10 and PAS 28). The amendments address an inconsistency between the requirements in PFRS 10 and in PAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

Originally, the amendments apply prospectively for annual periods beginning on or after January 1, 2016 with early adoption permitted. However, on January 13, 2016, the FRSC decided to postpone the effective date of these amendments until the IASB has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

c) Deferral of the local implementation of Philippine Interpretation IFRIC 15, Agreements for the Construction of Real Estate

Philippine Interpretation IFRIC 15 applies to the accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. It provides guidance on the recognition of revenue among real estate developers for sales of units, such as apartments or houses, 'off plan'; i.e., before construction is completed. It also provides guidance on how to determine whether an agreement for the construction of real estate is within the scope of PAS 11, *Construction Contracts*, or PAS 18, *Revenue*, and the timing of revenue recognition.

The SEC issued a Notice dated August 5, 2011 to further defer the implementation of Philippine Interpretation IFRIC 15 until the final Revenue standard is issued by the IASB and after an evaluation on the requirements and guidance in the said standard vis-à-vis the practices and regulations in the Philippine real estate industry is completed.

B) PRINCIPLES OF CONSOLIDATION

The consolidated financial statements includes those of the Parent Company and those of the subsidiaries in which the Parent Company exercises control (see Note 28), by means of which the Parent Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. In assessing control, potential voting rights that are presently exercisable or convertible are taken into account. Among other factors, control is evidenced when the Parent Company: a) holds directly or through subsidiaries, more than 50% of an entity's common stock; or b) has the power, directly or indirectly, to govern the administrative, financial and operating policies of an entity.

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

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

The financial statements of the subsidiaries are included in the consolidated financial statements from the date when the Company obtains control and continue to be consolidated until the date that such control ceases.

The consolidated financial statements of the Company are prepared for the same reporting period as the Parent Company, using uniform accounting policies for like transactions and other events in similar circumstances. Non-controlling interest is the equity in a subsidiary not attributable, directly or indirectly, to a parent. It is measured at its proportionate share of the acquiree's identifiable net assets at the acquisition date. Changes in the Parent Company's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the Company.

If the Company loses control over a subsidiary, it:

- derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- derecognizes the carrying amount of any non-controlling interest;
- derecognizes the related OCI recorded in equity and recycles the same to profit or loss or retained earnings;
- recognizes the fair value of the consideration received;
- recognizes the fair value of any investment retained; and
- recognizes any surplus or deficit in profit or loss in the consolidated statements of comprehensive income.

The Company has P246 and nil non-controlling interest as at December 31, 2016 and 2015, respectively (see Note 24C).

All intragroup transactions, balances and income and expenses are eliminated in consolidation. Each subsidiary is a legally responsible separate entity and maintains custody of its own financial resources.

C) USE OF JUDGMENTS, ESTIMATES AND CRITICAL ASSUMPTIONS

The preparation of consolidated financial statements in accordance with PFRSs requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, as well as the reported amounts of revenues and expenses during the period. These assumptions are reviewed on an ongoing basis using available information. Actual results could differ from these estimates.

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

Determining Functional Currency

PAS 21, *The Effects of Changes in Foreign Exchange Rates*, requires the management to use its judgment to determine an entity's functional currency such that it most faithfully represents the economic effects of the underlying transactions, events and conditions that are relevant to the entity. In making this judgment, each of the consolidated entities in the Company considers the following:

a) The currency that mainly influences sales prices for financial instruments and services (this will often be the currency in which sales prices for its financial instruments and services are denominated and settled);
b) The currency in which funds from financing activities are generated; and
c) The currency in which receipts from operating activities are usually retained.

In case of a subsidiary, the principal consideration of management is whether it is an extension of the Parent Company and performing the functions of the Parent Company - i.e., whether its role is simply to hold the investment in, or provide finance to, the foreign operation on behalf of the Parent Company or whether its functions are essentially an extension of a local operation (e.g., performing selling, payroll or similar activities for that operation) or indeed it is undertaking activities on its own account. In the former case, the functional currency of the entity is the same with that of the Parent Company; while in the latter case, the functional currency of the entity would be assessed separately.

Determining whether the Company has Control over its Investee Companies

The Parent Company uses judgment in determining control over its investee companies. The Parent Company controls the entity when it is exposed, or has rights, to variable returns from its involvement with the investee; has the ability to affect those returns through its power over the investee; and there is a link between power and returns. Thus, the principle of control sets out the following three elements of control:

- power over the relevant activities of the investee;
- exposure, or rights, to variable returns from involvement with the investee; and
- the ability to use power over the investee to affect the amount of the investor's returns.

The Parent Company assessed that it has control over its investee companies disclosed in Note 28 and treats these investee companies as its subsidiaries.

Determining whether an Arrangement Contains a Lease

The Company uses its judgment in determining whether an arrangement contains a lease, based on the substance of the arrangement at inception date and makes an assessment of whether it is dependent on the use of a specific asset or assets and conveys a right to use the asset.

Leases

The Company has entered into various lease arrangements as lessee. The Company has determined that the lessor retains all significant risks and rewards of ownership of these properties which are leased out under operating lease agreements.

Determination of whether the Company is Acting as a Principal or an Agent

Determining whether an entity is acting as a principal or as an agent depends on certain facts and circumstances and requires judgment by management. Features that, individually or in combination, indicate that an entity is acting as a principal include:

- the entity has the primary responsibility for providing the goods or rendering services;
- the entity has inventory risk;
- the entity has discretion in establishing prices; and
- the entity bears the customer's credit risk.

An entity is acting as an agent when it does not have exposure to the significant risks and rewards associated with the sale of goods or rendering of services. The Company assessed that it is acting as principal on all of its revenue transactions.

Classifying Financial Instruments

The Company exercises judgment in classifying a financial instrument, or its component parts, on initial recognition as either a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated statements of financial position.

In addition, the Company classifies financial assets by evaluating, among others, whether the asset is quoted or not in an active market. Included in the evaluation on whether a financial asset is quoted in an active market is the determination on whether quoted prices are readily and regularly available, and whether those prices represent 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.

Financial assets are classified as financial assets at fair value through profit or loss ("FVPL"), held-to-maturity ("HTM") investments, loans and receivables and available-for-sale ("AFS") financial assets. Financial liabilities, on the other hand, are classified as either financial liabilities at FVPL or other financial liabilities.

Assessing Whether the Third Party Insurer is Acting as an Agent or Principal

Determining whether the third party insurer authorized to do business in the Philippines that reinsures its risk ultimately to Falcon is acting as a conduit or a principal to its insurance agreements with Solid and APO depends on certain facts and circumstances and requires judgment by management. The third party insurer is assessed as acting as a conduit if it is not exposed to credit risk, such that the third party insurer is not required to pay Solid and APO unless and until it has received payment from Falcon. The Company determined that the third party insurer is acting as principal to its insurance contracts with Solid and APO. Hence, it was assessed that the insurance transaction between the third party insurer and Solid and APO is not interdependent with the reinsurance transaction to Falcon and thus, no offsetting of profit or loss is made.

Assessing Whether the Business Combination Transaction has Commercial Substance

PFRS 3, *Business Combinations*, does not include in its scope transactions among entities under common control. The Company assesses whether a business combination transaction of the Parent Company has commercial substance pursuant to the Company's accounting policy discussed in Note 3K. Since the Parent Company's acquisition of the entities comprising the Philippine operations was undertaken as an integral part of its IPO, the Company assessed such transaction as having commercial substance. Hence, the Company accounted for such business combination transaction using acquisition method of accounting.

Purchase Price Allocation to Account for the Business Combination

Judgment is applied by the Company in allocating the purchase consideration and assigning fair values to the assets, liabilities acquired and eventually to goodwill. The Company has not identified any intangible asset to be recognized separately from goodwill.

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty as at reporting date that have the most significant risk of resulting in a material adjustment to the carrying amounts of assets, liabilities and equity within the next financial year are as follows:

Impairment of Goodwill

The Company performed its annual impartment test on its goodwill as at the reporting date. The recoverable amount of goodwill was determined based on value-in-use calculations using cash flow projections from financial budgets approved by management covering a five-year period. The pre-tax discount rates applied to cash flow projections was 9.5%. The following assumptions were also used in computing value-in-use:

Growth rate estimates - growth rates were based on experiences and strategies developed for the various subsidiaries. The prospect for the industry was also considered in estimating the growth rates.

Discount rates – discount rates were estimated based on the industry weighted average of cost of capital, which includes the cost of equity and debt after considering the gearing ratio.

Value-in-use is the most sensitive to changes in discount rate and growth rate.

Estimating Allowance for Impairment Losses on Receivables

The Company maintains an allowance for impairment losses at a level considered adequate to provide for uncollectible receivables. The Company performs regular review of the age and status of these accounts, designed to identify accounts with objective evidence of impairment and provides these with the appropriate allowance for impairment losses. The review is accomplished using a combination of specific and collective assessment approaches, with the impairment losses being determined for each risk grouping identified by the Company. The amount and timing of recorded expenses for any period would differ if the Company made different judgments or utilized different methodologies. An increase in allowance for impairment losses would increase the recorded operating expenses and decrease current assets.

Impairment losses on receivables recognized amounted to P10,615 and nil in 2016 and 2015, respectively (see Note 6). As at December 31, 2016 and 2015, allowance for impairment losses on receivables amounted to P10,615 and nil, respectively (see Note 12). Trade receivables, net of allowance for impairment losses, amounted to P909,667 and nil as at December 31, 2016 and 2015, respectively (see Note 12). No allowance for impairment losses was recognized on receivables from related parties and other current receivables as at December 31, 2016 and 2015 since these receivables are deemed collectible. Receivables from related parties amounted to P215,215 and nil as at December 31, 2016 and 2015, respectively (see Note 13). Other current accounts receivable amounted to P127,346 and nil as at December 31, 2016 and 2015, respectively (see Note 15A).

Estimating Realizability of Deferred Income Tax Assets

The Company reviews its deferred income tax assets at each reporting date and reduces the deferred income 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 income tax assets to be utilized. The Company also reviews the expected timing and tax rates upon reversal of temporary differences and adjusts the impact of deferred income tax accordingly. The Company's assessment on the recognition of deferred income tax assets is based on the forecasted taxable income of the subsequent reporting periods. This forecast is based on the Company's past results and future expectations on revenues and expenses. As at December 31, 2016 and 2015, net deferred income tax assets amounted to P444,601 and nil, respectively (see Note 23B). The Company has unrecognized deferred income tax assets in respect of net operating loss carryover ("NOLCO") and unrealized foreign exchange losses amounting to P894,850 and P4,633 as at December 31, 2016 and 2015, respectively (see Note 23A).

D) FOREIGN CURRENCY

Foreign Currency Transactions

Transactions in foreign currencies are translated into the respective functional currencies of each of the consolidated entities in the Company at the exchange rates at the dates of the transactions.

Monetary assets and liabilities are denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognized in profit or loss.

However, foreign currency differences arising from the transaction of the following items are recognized in OCI:

- available-for-sale equity investments (except on impairment, in which case foreign currency differences that have been recognized in OCI are reclassified to profit or loss); and
- qualifying cash flow hedges to the extent that the hedges are effective.

Foreign currency gains and losses are reported on a net basis. During the reported period, there was no hyperinflationary economy, generally considered to exist when the cumulative inflation rate over the last three years is approaching, or exceeds 100%. In a hyperinflationary economy, the accounts of the entity's income statements should be restated to constant amounts as at the reporting date.

The most significant closing exchange rates and the approximate average exchange rates of Philippine Peso per U.S. dollar and Euro used in the consolidated financial statements were as follows:

	2016		2015	
Currency	Closing	Average	Closing	Average
U.S. dollar	49.720	47.668	47.060	46.844
Euro	52.298	52.599	51.124	51.711

Foreign Operation

The assets and liabilities of foreign operation with functional currency other than the Philippine Peso are translated into Philippine peso at the exchange rates at the reporting date. The income, expenses and cash flows of foreign operations are translated into Philippine peso at the monthly weighted average exchange rates for the period. Capital transactions of the foreign operations are translated to Philippine Peso at the exchange rates at the dates of the relevant transactions. Foreign currency differences are recognized in OCI and accumulated in "Other equity reserves" account in equity, except to the extent that the translation difference is allocated to the non-controlling interest.

When a foreign operation is disposed of in its entirety or partially such that control is lost, the cumulative amount in the "Other equity reserves" related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Company disposes of part of its interest in a subsidiary but retains control, the relevant proportion of the cumulative amount is reattributed to non-controlling interest.

E) FINANCIAL INSTRUMENTS

Financial instruments within the scope of PAS 39, *Financial Instruments: Recognition and Measurement*, are recognized in the consolidated statements of financial position when the Company becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using trade date accounting.

Financial instruments are recognized initially at fair value. Except for financial instruments classified or designated at FVPL, the initial measurement of financial assets includes directly attributable transaction costs. The Company classifies its financial assets into the following categories: financial assets at FVPL, HTM investments, AFS financial assets and loans and receivables. The Company classifies its financial liabilities into financial liabilities at FVPL and other financial liabilities. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

As at December 31, 2016 and 2015, the Company has no financial assets and financial liabilities at FVPL and HTM investments.

Cash and cash equivalents

Cash and cash equivalents are included in the category "loans and receivables". Cash equivalents are mainly represented by short-term investments of high liquidity, which are easily convertible into cash, and which are not subject to significant risks of changes in their values, including overnight investments, which yield fixed returns and have maturities of less than three months from the investment date. Cash and cash equivalents exclude those which are restricted from Company's use in operations. Cash and cash equivalents are stated at face value which includes accrued interest. Interest income accruing from cash and cash equivalents are recognized as part of "Other financial expenses - net" in the consolidated statements of comprehensive income.

The consolidated entities operate under centralized cash management arrangements whereby excess cash generated by the different companies is swept into a centralized cash pool with a related party financing entity, and the Company´s cash requirements are met through withdrawals or borrowings from that pool. Deposits in such related party are considered highly liquid investments readily convertible to cash and classified as cash equivalents.

Trade receivables and other current accounts receivable

Pursuant to PAS 39, items under this caption are included in the category "loans and receivables". Due to their short-term nature, the Company initially recognizes these receivables at the original invoiced amount and are subsequently measured at amortized cost less an estimate of impairment losses. Impairment losses are recognized under selling expenses. The Company assesses at the end of each reporting date whether there is any objective evidence that a financial asset is impaired.

Objective evidence that financial assets are impaired includes, among others, default or delinquency by a debtor, indications that a debtor or issuer will enter bankruptcy and adverse changes in the payment status of the borrowers or issuers.

The Company 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 there is objective evidence that an impairment loss on loans and receivables carried at amortized 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 financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. The financial assets, together with the associated allowance accounts, are written-off when there is no realistic prospect of future recovery and all collateral, if any, has been realized or has been transferred to the Company.

If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtor's ability to pay all amounts due according to the contractual terms of the assets being evaluated. Financial assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectivity to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss to the extent that the carrying amount of the asset does not exceed its amortized cost at the reversal date.

The Company performs a regular review of the age and status of these accounts, designed to identify accounts with objective evidence of impairment and provide the appropriate allowance for impairment loss.

The review is accomplished using a combination of specific and collective assessment approaches, with the impairment loss being determined for each risk grouping identified by the Company.

Other assets and noncurrent accounts receivable

As part of the category of "loans and receivables" under PAS 39, noncurrent accounts receivable are initially recognized at fair value including directly attributable transaction costs and are subsequently measured at their amortized cost. Subsequent changes in net present value are recognized in the consolidated statements of comprehensive income as part of "Other financial expenses - net".

Derivative Financial Instruments and Hedge Accounting

Derivative financial instruments are initially recognized at fair value on the date in which a derivative transaction is entered into or bifurcated, and are subsequently remeasured and accounted for in the consolidated statements of financial position at fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedge of an identified risk and qualifies for hedge accounting treatment or accounted for as derivative not designated for hedges.

The objective of hedge accounting is to match the impact of the hedged item and the hedging instrument in the consolidated statements of comprehensive income. To qualify for hedge accounting, the hedging relationship must comply with the strict requirements such as the designation of the derivative as a hedge of an identified risk exposure, hedge documentation, probability of occurrence of the forecasted transaction in a cash flow hedge, assessment and measurement of hedge effectiveness, and reliability of the measurement bases of the derivative instruments.

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an on-going basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated. The Company's derivative financial instruments are accounted for as either cash flow hedges or transactions not designated as hedges.

Cash flow Hedges
Cash flow hedges are hedges of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset, liability or a highly probable forecast transaction and could affect profit or loss. Changes in the fair value of a hedging instrument that qualifies as a highly effective cash flow hedge are recognized in OCI and accumulated in the hedging reserve under "Other equity reserves" in the consolidated statements of financial position, whereas any hedge ineffectiveness is immediately recognized in profit or loss.

Amounts taken to equity are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognized or when a forecast sale or purchase occurs. Where the hedged item is the cost of a non-financial asset or liability, the amounts taken to equity are reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the asset acquired or liability assumed affects profit or loss (such as in the periods that depreciation expense or cost of sales is recognized). However, if an entity expects that all or a portion of a loss recognized in OCI will not be recovered in one or more future periods, it shall reclassify from equity to profit or loss as a reclassification adjustment the amount that is not expected to be recovered.

Hedge accounting is discontinued prospectively when the hedge ceases to be highly effective. When the hedge accounting is discontinued, the cumulative gains or losses on the hedging instrument that has been reported to OCI is retained in OCI until the hedged transaction impacts profit or loss. When the forecasted transaction is no longer expected to occur, any net cumulative gains or losses previously reported in OCI is recognized immediately in profit or loss.

Debt and Other Financial Liabilities

Trade payables, due to related parties and other accounts payable and accrued expenses (excluding advances from customers and liabilities covered by other PFRSs, such as statutory liabilities) is recognized initially at fair value, less directly attributable transaction cost and subsequently measured at their amortized cost. Interest accrued on financial instruments is recognized in the consolidated statements of financial position within "Other accounts payable and accrued expenses" or "Long-term payable to related parties" against financial expenses. As at December 31, 2016 and 2015, the Company did not have financial liabilities classified as at FVPL, or associated to fair value hedge strategies with derivative financial instruments. Direct costs incurred in debt issuances or borrowings are deducted from the fair value of the financial liability at initial recognition and amortized as interest expense as part of the effective interest rate of each transaction over its maturity. When a loan is repaid, the related unamortized debt issuance costs at the date of repayment are charged against profit or loss.

'Day 1' Profit

Where the transaction price in a non-active market is different from the fair value of other observable current market transactions of the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a 'Day 1' profit) in profit or loss. In cases where no observable data are used, the difference between the transaction price and model value is only recognized in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the 'Day 1' profit amount.

Offsetting Financial Instruments

Financial assets and liabilities are offset and the net amount presented in the consolidated statements of financial position when, and only when, the Company has an enforceable legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements and the related assets and liabilities are presented gross in the consolidated statements of financial position.

Derecognition of Financial Instruments

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

- the rights to receive cash flows from the financial asset have expired;
- the Company retains the right to receive cash flows from the financial 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 Company has transferred its rights to receive cash flows from the financial asset and either: (a) has transferred substantially all the risks and rewards of the financial asset; or (b) has neither transferred nor retained substantially all the risks and rewards of the financial asset, but has transferred control of the financial asset.

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

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

F) BALANCES AND TRANSACTIONS WITH RELATED PARTIES

The Company discloses balances and transactions with related parties. These balances and transactions resulted primarily from: i) the sale goods and purchase of goods and equipment between related parties; ii) the invoicing of administrative services, rentals, royalties and other services rendered between related parties; and iii) loans and advances between related parties.

The recognition and measurement policies on balances with related parties, which are treated as loans and receivables and other financial liabilities, are in accordance with PAS 39.

G) INVENTORIES

Inventories are valued using the lower of their acquisition cost and net realizable value ("NRV"). The cost of inventories is based on the moving average method and includes expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. NRV of inventories, other than spare parts, is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The NRV of spare parts is the replacement cost. The Company analyzes its inventory balances to determine if, as a result of internal events, such as physical damage, or external events, such as technological changes or market conditions, certain portions of such balances have become obsolete or impaired.

When an impairment situation arises, the inventory balance is adjusted to its NRV, whereas, if an obsolescence situation occurs, the inventory obsolescence reserve is increased. In both cases, these adjustments are recognized against the results for the period. Advances to suppliers of inventory are presented as part of "Prepayments and other current assets" in the consolidated statements of financial position.

When the inventories are sold, the carrying amounts of those inventories are recognized under "Costs of sales and services" account in profit or loss in the period when the related revenue is recognized.

H) PREPAYMENTS AND OTHER CURRENT ASSETS

Prepayments are carried at cost. Prepaid insurance and prepaid rent are subsequently amortized over the terms of the contract to which the payment applies. Advances to suppliers for raw materials and spare parts are subsequently recognized as inventories or expense when the goods are received or services are rendered. Prepaid taxes represent creditable withholding taxes which are deducted from income tax payable.

I) INVESTMENT IN AN ASSOCIATE AND OTHER INVESTMENTS

Investment in an Associate

An associate is an entity in which the Company has significant influence, but not control or joint control, over the financial and operating policies. Interest in an associate is accounted for using the equity method. It is initially recorded at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Company's share in the profit or loss and OCI of the associate, until the date on which the significant influence ceases.

Other Investments

Included in other investments are the AFS financial assets. AFS financial assets are non-derivative financial assets that are designated in this category or are not classified in any of the other categories. They are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. Subsequent to initial recognition, AFS financial assets which are investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost.

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

As at December 31, 2016 and 2015, other investments include mainly investments in shares of stock of Greencrete, Inc. and other entities (see Note 14).

J) PROPERTY, MACHINERY AND EQUIPMENT

An item of property, machinery and equipment is initially recognized at its cost, which consists of its purchase price and any directly attributable cost in bringing the asset to the location and condition of its intended use. Property, machinery and equipment are subsequently measured at cost less accumulated depreciation and accumulated impairment losses.

The acquisition or construction cost includes all expenditures directly attributable to bringing the assets to a working condition for their intended use. Major components of an item of property, machinery and equipment with different useful lives are accounted for as separate items.

Depreciation of property, machinery and equipment is recognized as part of "Costs of sales and services" and "Operating Expenses", and is calculated using the straight-line method over the estimated useful lives of the assets.

As at December 31, 2016, the Company's maximum estimated useful lives by category of fixed assets were as follows:

	Years
Buildings and improvements	50
Machinery and equipment	
Plant Machinery and equipment	10 - 35
Ready-mix trucks and motor vehicles	5
Office equipment and other assets	3

The assets' residual values, useful lives and method of depreciation are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from the items of property, machinery and equipment. Any change in the expected residual values, useful lives and method of depreciation are adjusted prospectively from the time the change was determined necessary.

The Company capitalizes, as part of the historical cost of property, machinery and equipment, interest expense arising from existing debt during the construction or installation period of significant property, machinery and equipment, considering the Company's corporate average interest rate and the average balance of investments in process for the period.

Construction in-progress represents property, machinery and equipment under construction and is recognized at cost. This includes cost of construction and other direct costs. Construction in-progress is not depreciated until such time that the relevant assets are completed and available for operational use but tested for impairment.

Costs incurred in respect of operating property, machinery and equipment that result in future economic benefits, such as an extension in their useful lives, an increase in their production capacity or in safety, as well as those costs incurred to mitigate or prevent environmental damage, are capitalized as part of the carrying amount of the related assets. The capitalized costs are depreciated over the remaining useful lives of such property, machinery and equipment. Other costs, including periodic maintenance on property, machinery and equipment, are expensed as incurred. Advances to suppliers of property, machinery and equipment are presented as part of "Other assets and noncurrent accounts receivable" in the consolidated statements of financial position.

Major spare parts and stand-by equipment items that the Company expects to use over more than one period and can be used only in connection with an item of property, machinery and equipment are accounted for as property, machinery and equipment. Depreciation on these major spare parts and stand-by equipment commence once these have become available for use (i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by the Company).

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

K) BUSINESS COMBINATIONS AND GOODWILL

Business combinations are accounted using the acquisition method of accounting when control is transferred to the Parent Company. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable assets, liabilities and contingent liabilities (that satisfy certain recognition criteria) acquired. The consideration is allocated to all identifiable assets acquired and liabilities assumed, based on their estimated fair values at acquisition date. Intangible assets acquired are identified and recognized at fair value. Any unallocated portion of the consideration transferred represents goodwill, which is not amortized and is subject to periodic impairment tests (see Note 3L). Goodwill can be adjusted for any correction to the preliminary assessment given to the assets acquired and/or liabilities assumed within the twelve-month period after purchase. Costs associated with the acquisition are expensed in profit or loss as incurred.

For business combination transactions among entities under common control, the Company applies the provisions of the Philippine Interpretations Committee Questions and Answers No. 2011-02, *Common Control Business Combinations,* in assessing whether a transaction has commercial substance and qualifies for acquisition method of accounting under PFRS 3.

Goodwill acquired in a business combination from the acquisition date is allocated to each of the Company's cash- generating units ("CGUs"), or groups of CGUs that are expected to benefit from the synergies of the combination, irrespective of whether the assets or liabilities of the Company are assigned to those units or groups of units.

Each unit or group of units to which the goodwill is allocated:

- represents the lowest level within the Company at which the goodwill is monitored for internal management purposes; and
- is not larger than a segment based on the Company's operating segments as determined in accordance with PFRS 8, *Operating Segments.*

Following initial recognition, goodwill is measured at cost, less any accumulated impairment loss. Goodwill is reviewed for impairment annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired (see Note 3L).

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

L) IMPAIRMENT OF NON-FINANCIAL ASSETS

Property, machinery and equipment, goodwill and other investments

Property, machinery and equipment and other investments are tested for impairment upon the occurrence of factors, such as a significant adverse event, changes in the Company's operating environment, changes in projected use or in technology, as well as expectations of lower operating results for each CGU, in order to determine whether their carrying amounts may not be recovered, in which case an impairment loss is recognized in profit or loss for the period when such determination is made within "Other expenses - net".

The impairment loss of an asset results from the excess of the asset's carrying amount over its recoverable amount, corresponding to the higher between the fair value of the asset, less costs of disposal, and its value-in-use, the latter represented by the net present value of estimated cash flows related to the use or disposal of the asset.

Significant judgment by management is required to appropriately assess the fair values and value-in-use of these assets. The main assumptions utilized to develop these estimates are a discount rate that reflects the risk of the cash flows associated with the assets evaluated and the estimations of generation of future income. Those assumptions are evaluated for reasonableness by comparing such discount rates to market information available and by comparing to third-party expectations of industry growth, such as governmental agencies or industry chambers of commerce.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss in the consolidated statements of comprehensive income. After such a reversal, the depreciation expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Goodwill

Goodwill is tested for impairment when needed due to significant adverse changes or at least once a year by determining the recoverable amount of the group of CGUs to which goodwill was allocated, which consists of the higher between the CGU´s fair value, and their value-in-use, represented by the discounted amount of estimated future cash flows to be generated by such CGUs to which those net assets relate. The Company determines discounted cash flows over a 5-year period. If the value-in-use of any CGU is lower than their respective carrying amount, the Company determines the fair value of its CGUs using a methodology widely accepted in the market to determine the value of entities, such as multiples of Operating Earnings Before Income Tax, Depreciation and Amortization ("EBITDA") and by reference to other market transactions, among others. An impairment loss is recognized in profit or loss within "Other expenses - net", if the recoverable amount is lower than the carrying amount of the group of CGUs to which goodwill was allocated. Impairment charges recognized on goodwill are not reversed in subsequent periods.

The Company operates through its major operating subsidiaries, Solid and APO, which represents the Company's groups of CGUs to which goodwill has been allocated for purposes of testing goodwill for impairment and represents the lowest level at which goodwill is monitored for internal management purposes.

Impairment tests are significantly sensitive, among other factors, to the estimation of future prices of the Company's products, the development of operating expenses, economic trends in the relevant construction industry, the long-term growth expectations in the market, as well as to the discount rate and the growth rate in perpetuity applied. For purposes of estimating future prices, the Company uses, to the extent available, historical data plus the expected increase or decrease according to information issued by trusted external sources and/or governmental economic expectations. Operating expenses are normally measured as a constant proportion of revenues, following past experience. However, such operating expenses are also reviewed considering external information sources in respect to inputs that behave according to international prices, such as gas and oil.

The Company uses pre-tax discount rates which are applied to discount pre-tax cash flows. The amounts of estimated undiscounted cash flows are significantly sensitive to the growth rate in perpetuity applied. Likewise, the amounts of discounted estimated future cash flows are significantly sensitive to the weighted average cost of capital (discount rate) applied. The higher the growth rate in perpetuity applied, the higher the amount obtained of undiscounted future cash flows by CGU. Conversely, the higher the discount rate applied, the lower the amount obtained of discounted estimated future cash flows by CGU.

M) PROVISIONS AND CONTINGENCIES

The Company recognizes provisions when it has a legal or constructive obligation resulting from past events, whose resolution would imply probable and reliably measurable cash outflows or delivery of other resources owned by the Company. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to passage of time is recognized as a borrowing cost.

Restructuring

The Company recognizes provisions for restructuring costs only when the restructuring plans have been properly finalized and authorized by management, and have been communicated to the third parties involved and/or affected by the restructuring prior to the reporting date. These provisions may include costs not associated with the Company's ongoing activities.

Asset retirement obligations

Unavoidable obligations, legal or constructive, to restore operating sites upon retirement of long-lived assets at the end of their useful lives are measured at the net present value of estimated future cash flows to be incurred in the restoration process, and are initially recognized against the related assets' carrying amount. The increase in the assets' carrying amount is depreciated during its remaining useful life. The increase in the liability related to the passage of time is charged to profit or loss. Adjustments to the liability for changes in estimations are recognized against property, machinery and equipment and depreciation is modified prospectively. These liabilities relate mainly to the future costs of demolition, cleaning and rehabilitation and vacating from, under certain conditions, production or operating sites, including maritime terminals.

Costs related to remediation of the environment

Provisions associated with environmental damage represent the estimated future cost of remediation, which are recognized at their nominal value when the time schedule for the disbursement is not clear, or when the economic effect for the passage of time is not significant; otherwise, such provisions are recognized at their discounted values. Reimbursements from insurance companies are recognized as assets only when their recovery is virtually certain. In that case, such reimbursement assets are not offset against the provision for remediation costs.

Commitments and contingencies

Obligations or losses related to contingencies are recognized as liabilities in the consolidated statements of financial position when present obligations exist resulting from past events that are expected to result in an outflow of resources and the amount can be measured reliably. Otherwise, a qualitative disclosure is included in the notes to the consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. The effects of long-term commitments established with third parties, such as supply contracts with suppliers or customers, are recognized in the consolidated financial statements on an incurred or accrued basis, after taking into consideration the substance of the agreements. Relevant commitments are disclosed in the notes to the consolidated financial statements. The Company does not recognize contingent revenues, income or assets.

N) FAIR VALUE MEASUREMENTS

The Company applies the guidance of PFRS 13, *Fair value measurement* ("PFRS 13"), for its fair value measurements of financial assets and financial liabilities recognized or disclosed at fair value. Under PFRS 13, fair value represents an "Exit Price," which 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, considering the counterparty's credit risk in the valuation. The concept of exit value is premised on the existence of a market and market participants for the specific asset or liability. When there is no market and/or market participants willing to make a market, PFRS 13 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement), secondly, to inputs other than quoted prices in active markets that are observable for the asset or liability, either directly or indirectly (Level 2 measurement), and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurement). The Company recognizes transfers between levels of fair value hierarchy at the end of the reporting period during which the change has occurred.

O) EMPLOYEE BENEFITS

Defined benefit pension plans

Pursuant to PAS 19, the Company recognizes the costs associated with employees' defined benefit pension plans as services are rendered, based on actuarial estimations of the benefits' present value with the advice of external actuaries. The actuarial assumptions consider the use of nominal rates.

The service cost, corresponding to the increase in the obligation for additional benefits earned by employees during the period, is recognized within operating costs and expenses. The interest cost related to the increase in the liability by the passage of time is recognized in profit or loss within "Other financial expenses - net."

The effects from modifications to the pension plans that affect the cost of past services are recognized within the operating costs and expenses during the period in which such modifications occur or when any related restructuring or termination benefits are recognized, if earlier. Likewise, the effects from curtailments and/or settlements of obligations occurred during the period, associated with events that significantly reduce the cost of future services and/or reduce significantly the population subject to pension benefits, respectively, are recognized within the operating costs and expenses.

Remeasurements such as the return on plan assets, excluding amounts included in net interest on the net defined benefit liability, and actuarial gains and losses, related to differences between the previous actuarial assumptions and actual occurrences, and changes in actuarial assumptions at the end of the period, are recognized in the period in which they are incurred as part of OCI for the period within equity. Termination benefits, not associated with a restructuring event, which mainly represent severance payments by law, are recognized in profit or loss for the period in which they are incurred.

Short-term Employee Benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present, legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Car Cash Bonus

The Company has car cash bonus program pursuant to which "entitled executives" receive cash bonuses intended for acquisition of vehicle. The amount paid to executives in respect of the Company's car cash bonus is recorded as an asset carried at cost (the current portion is part of "Prepayments and other current assets" account, while the noncurrent portion is part of "Other assets and noncurrent accounts receivable" account in the consolidated statements of financial position) and subsequently amortized as an expense over the term of the contract.

Termination Benefits

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

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

P) BORROWING COSTS

Interest and other finance costs incurred on borrowings used to finance property development are capitalized if they are directly attributable to the acquisition or construction of a qualifying asset. The capitalization of borrowing costs: (a) commences when the activities to prepare the assets are in progress and expenditures and borrowing costs are incurred; (b) is suspended during extended periods in which active development, improvement and construction of the assets are interrupted; and (c) ceases when substantially all activities necessary to prepare the assets are completed. These costs are amortized using the straight-line method over the estimated useful life of the related property, machinery and equipment to which it is capitalized. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method. Other borrowing costs are generally expensed in the period in which these are incurred.

Q) TAXES

Income Taxes

Based on PAS 12, the effects reflected in profit or loss for income taxes include the amounts payable or recoverable in respect of taxable profit or loss during the period and the amounts of deferred income taxes pertaining to amounts payable or recoverable in future periods, determined according to the income tax law applicable to each entity. Consolidated deferred income taxes represent the addition of the amounts determined in each legal entity by applying the enacted statutory income tax rate to the total temporary differences resulting from comparing the book and taxable amounts of assets and liabilities, considering tax loss carryforwards as well as other recoverable taxes and tax credits, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred income taxes for the period represent the difference between balances of deferred income taxes at the beginning and the end of the period. Deferred income tax assets and liabilities relating to different tax jurisdictions are not offset. According to PFRSs, all items charged or credited directly in equity or as part of OCI for the period are recognized net of their current and deferred income tax effects. The effect of a change in enacted statutory tax rates is recognized in the period in which the change is officially enacted.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

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

Deferred income tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from unused minimum corporate income tax (“MCIT”) over the regular corporate income tax (“RCIT”) and unused NOLCO, to the extent that it is probable that future taxable income will be available against which the deductible temporary differences, and the carryforward benefits of unused tax credits from excess MCIT and unused NOLCO can be utilized except:

- where the deferred income tax asset relating to the deductible temporary differences 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 future taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax assets are reviewed at each reporting date and reduced to the extent that it is not considered probable that the related tax benefit will be realized. In conducting such assessment, the Company analyzes the aggregate amount of self-determined tax loss carryforwards included in its income tax returns in each country where the Company believes, based on available evidence, that the tax authorities would not reject; and the likelihood of the recoverability of such tax loss carryforwards prior to their expiration through an analysis of estimated future taxable income. If the Company believes that it would not be able to use a tax loss carryforward before its expiration or any other deferred income tax asset, the Company will not recognize such deferred income tax assets.

Both situations would result in additional income tax expense for the period in which such determination is made. In order to determine whether it is probable that deferred income tax assets will ultimately be realized, the Company takes into consideration all available positive and negative evidence, including factors such as market conditions, industry analysis, expansion plans, projected taxable income, carryforward periods, current tax structure, potential changes or adjustments in tax structure, tax planning strategies, future reversals of existing temporary differences, etc. Likewise, every reporting period, the Company analyzes its actual results versus the Company’s estimates, and adjusts its estimations as necessary. If actual results vary from the Company’s estimates, the deferred income tax asset may be affected and necessary adjustments will be made based on relevant information. Any adjustments recorded will affect the Company’s profit or loss in such period.

Excess income tax payments are recognized as “Prepaid taxes” under “Prepayments and other current assets” account in the consolidated statements of financial position and are carried at cost.

The income tax effects from an uncertain tax position are recognized when it is highly probable that the position will be sustained based on its technical merits and assuming that the tax authorities will examine each position and have full knowledge of all relevant information, and they are measured using a cumulative probability model. The amount to be provided for uncertain tax positions is the best estimate of the tax amount expected to be paid. Each position has been considered on its own, regardless of its relation to any other broader tax settlement. The high probability threshold represents a positive assertion by management that the Company is entitled to the economic benefits of a tax position. If a tax position is considered to have low probability to be sustained, no benefits of the position are recognized.

Value-added Tax (VAT)

Revenues, expenses and assets are recognized net of the amount of VAT, except:

- where the sales tax incurred on a purchase of assets or services is not recoverable from the tax authority, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as a part of the expense item as applicable; and
- receivables and payables that are stated with the amount of VAT included.

The net amount of sales tax recoverable from, or payable to, the tax authority is included as part of “Prepayments and other current assets” or “Unearned revenue, other accounts payable and accrued expenses” accounts, respectively, in the consolidated statements of financial position.

R) STOCKHOLDERS’ EQUITY

Common stock and Additional Paid-in Capital

Common stock is classified as equity. Common stock is recognized as issued when the stock is paid for or subscribed under a binding subscription agreement, net of any subscription receivable, and is measured at par value. The transaction costs incurred as a necessary part of completing an equity transaction are accounted for as a part of that transaction and are deducted from equity, net of related tax benefits. Considerations received in excess of the par value of shares issued are recognized in “Additional paid-in capital” account in the consolidated statements of financial position.

Other equity reserves

Represent the horizontal sum of each consolidated entity’s cumulative effects of items and transactions that are, temporarily or permanently, recognized directly to equity, and includes the elements presented in the OCI for the period, which includes certain changes in stockholders’ equity during a period not resulting from investments by owners and distributions to owners. As at December 31, 2016 and 2015, the “Other equity reserves” account in the consolidated statements of financial position represents the share-based compensation, remeasurements on retirement benefit liability, changes in fair value of the derivative instrument on an effective cash flow hedge and cumulative currency translation of foreign subsidiaries.

Retained earnings

Represent the horizontal sum of each consolidated entity's cumulative net results or prior accounting periods, net of dividends declared to stockholders.

S) EXECUTIVE STOCK-BASED COMPENSATION

Certain executives of the Company receive compensation under CEMEX's Long-Term Incentive Program using CEMEX's Ordinary Participation Certificates ("CPOs"). Pursuant to the guidance of PFRS 2, stock awards based on the ultimate parent company's shares granted to the Company's executives are treated as equity instruments, considering that services received from employees are settled by delivering such CEMEX's shares. The cost of equity instruments represents the estimated fair value at the date of grant and is recognized in profit or loss during the period in which the exercise rights of the employees become vested against other equity reserves.

T) REVENUE RECOGNITION

The Company's consolidated revenue represents the value of products sold by consolidated entities, net of VAT on sales, as a result of their ordinary activities, after the elimination of transactions between consolidated entities, and is quantified at the fair value of the consideration received or receivable granted to customers. Revenue from the sale of goods is recognized when goods are delivered to customers, there is no condition or uncertainty implying a reversal thereof, and they have assumed the risk of loss.

Revenue associated with construction contracts is recognized in the period in which the work is performed by using the percentage-of-completion method of accounting and is measured principally on the basis of the estimated completion of a physical proportion of the contract work, considering that the following have been defined: a) each party's enforceable rights regarding the asset to be constructed; b) the consideration to be exchanged; c) the manner and terms of settlement; d) actual costs incurred and contract costs required to complete the asset are effectively controlled; and e) it is probable that the economic benefits associated with the contract will flow to the Company. Interest income is recognized as it accrues, taking into account the effective yield on the asset.

Customer Loyalty Programme

The Company has a customer loyalty programme whereby customers are awarded credits known as "Points" entitling customers to redeem Company's products at a certain accumulated number of Points varying on the date of redemption. The Company grants Points to a customer as part of the sales transaction and subject to condition set-out in the programme. The fair value of the consideration received or receivable in respect of the initial sale is allocated between the Points and the other components of the sale. The amount allocated to the Points, granted through the customer loyalty programme, is measured by reference to the fair value of the Company's products for which they could be redeemed, since the fair value of the Points themselves is not directly observable. The fair value of the right to acquire Company's products for free for which the loyalty credits can be redeemed takes into account the selling price of the Company's products to the customers that have not earned the loyalty credits and the expected forfeiture rate. Such amount is deferred, and is recognized as revenue when the Points are redeemed and the Company has fulfilled its obligations to supply Company's products. The amount of revenue recognized in those circumstances is based on the number of Points that have been redeemed in exchange for Company's products, relative to the total number of Points that is expected to be redeemed. Unearned revenue is also reversed and recognized as revenue when it is no longer considered probable that the Points will be redeemed.

U) INSURANCE CONTRACTS

Insurance contract is an agreement whereby one party, called the insurer, undertakes for a consideration paid by the other party, called the insured, promises to pay money, or its equivalent or to do some act valuable to the latter, upon happening of a loss, liability or disability arising from an unknown or contingent event.

Premiums from insurance contracts are recognized as revenue over the period of the contracts. The portion of the premiums written that relate to the unexpired periods of the policies at each reporting date is accounted for as "Unearned revenue" and is presented under current liabilities section of the consolidated statements of financial position. The net changes in this account between reporting dates are credited to or charged against profit or loss.

Benefits and Claims

Benefits and claims consist of all costs incurred during the year, which are recognized when the Company receives notification from policyholders. Estimates have to be made as at the reporting date both for the expected ultimate cost of claims reported and for the expected ultimate cost of the claims incurred but not yet reported ("IBNR"). The primary technique adopted by management in estimating the cost of notified and IBNR claims is that of using past claim settlement trends to project future claims settlement trends. At each reporting date, prior year claims estimates are reassessed for adequacy and changes made are charged to profit or loss against insurance liability. Claims provisions are not discounted for the time value of money.

V) COSTS OF SALES AND SERVICES, ADMINISTRATIVE AND SELLING EXPENSES AND DISTRIBUTION EXPENSES

Cost of sales represents the production cost of goods sold. Such cost of sales includes power and fuel, raw materials and supplies, personnel expenses, depreciation of property, machinery and equipment involved in production, as well as freight expenses of raw material in plants and delivery expenses of the Company's ready-mix concrete business. Cost of sales excludes expenses related to personnel, equipment and services involved in sale activities and storage of product at points of sales and costs related to warehousing of products at the selling points, which are included as part of administrative and selling expenses, as well as freight expenses of finished products between plants and points of sale and freight expenses between points of sales and the customers' facilities, which are included as part of the distribution expenses line item in the consolidated statements of comprehensive income. Cost of construction contracts are recognized as incurred.

W) 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 extension granted, unless that term of the renewal or extension was initially included in the lease term;
c) There is a change in determination of whether fulfillment is dependent on a specified asset; or
d) There is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c) or (d) above, and at the date of renewal or extension period for scenario (b). Lease which do not transfer to the Company substantially all the risks and rewards of ownership of the asset 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.

X) BASIC AND DILUTED EARNINGS PER SHARE

Pursuant to PAS 33, *Earnings per share* ("PAS 33"), basic earnings (loss) per share is calculated by dividing profit or loss attributable to ordinary equity holders of the parent entity (the numerator) by the weighted average number of shares outstanding (the denominator) during the period. Shares that would be issued depending only on the passage of time should be included in the determination of the basic weighted average number of shares outstanding. Diluted earnings (loss) per share should reflect in both, the numerator and denominator, the assumption that convertible instruments are converted, that options or warrants are exercised, or that ordinary shares are issued upon the satisfaction of specified conditions, to the extent that such assumption would lead to a reduction in basic earnings per share or an increase in basic loss per share, otherwise, the effects of potential shares are not considered because they generate anti-dilution.

Y) EVENTS AFTER THE REPORTING DATE

Post year-end events, up to the approval of the consolidated financial statements by the BOD, that provide additional information about the Company's consolidated financial position at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed on the notes to the consolidated financial statements when material.

NOTE 4 - SEGMENT INFORMATION

The Company applies PFRS 8 for the disclosure of its operating segments, which are defined as the components of an entity that engage in business activities from which they may earn revenues and incur expenses; whose operating results are regularly reviewed by the entity's top management to make decisions about resources to be allocated to the segments and assess their performance; and for which discrete financial information is available. The Company's main activity is oriented to the construction industry through the production, distribution, marketing and sale of cement, ready-mix concrete and other construction materials. For the year ended December 31, 2016, the cement sector represented approximately 85.88% of total net revenues before eliminations resulting from consolidation, and 109.60% of Operating EBITDA.

The Company's operations are managed by a country manager. The country manager, who is one level below the regional president for CEMEX's Asia, Middle East and Africa region in the organizational structure, reports the performance and operating results of its country to the regional president, including all the operating sectors. CEMEX's top management internally evaluates the results and performance of each country for decision-making purposes and allocation of resources on a country basis. Based on PFRS 8, the Company represents a single geographical operating segment.

The main indicator used by the Company's management to evaluate performance is "Operating EBITDA", representing operating earnings before other expenses - net, interest, tax, depreciation and amortization, considering that such amount represents a relevant measure for the Company's management as an indicator of the ability to internally fund capital expenditures, as well as a widely accepted financial indicator to measure the Company's ability to service or incur debt. Operating EBITDA should not be considered as an indicator of the Company's financial performance, as an alternative to cash flow, as a measure of liquidity, or as being comparable to other similarly titled measures of other companies.

NOTE 5 - DEPRECIATION

Depreciation charges for the year ended December 31, 2016 and for the period from September 17 to December 31, 2015 are detailed as follows:

		2016	2015
Depreciation expense related to assets used in the production process....	P	**1,159,320**	–
Depreciation expense related to assets used in administrative and selling activities......		**93,024**	–
	P	**1,252,344**	–

NOTE 6 - COSTS AND EXPENSES

Costs of sales and services, administrative and selling expenses for the year ended December 31, 2016 and for the period from September 17 to December 31, 2015 are detailed as follows:

		Costs of Sales and Services	
		2016	2015
Power, fuels and production supplies	P	**7,244,800**	–
Cement and concrete purchases		**1,524,206**	–
Depreciation and depletion		**1,050,966**	–
Repairs and maintenance		**622,218**	–
Outside services		**457,628**	–
Salaries and wages [1]		**422,228**	–
Rent		**327,658**	–
Others [2]		**236,179**	–
	P	**11,885,883**	–

[1] Includes retirement benefit expense amounting to P41,390 (see Note 22).
[2] Others pertain to insurance expense, taxes and licenses, transportation and communication expenses and other costs that are individually inmaterial.

		Administrative Expenses	
		2016	2015
Insurance..........	P	**1,214,852**	–
Administrative fees..........		**671,490**	4,373
Salaries and wages [1]..........		**212,977**	–
Depreciation		**61,679**	–
Travel expenses		**50,443**	–
Utilities and supplies..........		**37,814**	–
Rental..........		**28,810**	–
Taxes and licenses..........		**12,425**	3
Others..........		**41,921**	39
	P	**2,332,411**	4,415

[1] Includes retirement benefit expense amounting to P33,433 (see Note 22).

		Selling Expenses	
		2016	2015
License fees..........	P	**942,985**	–
Administrative fees		**180,588**	–
Advertising and travel		**157,461**	–
Salaries and wages..........		**150,204**	–
Utilities and supplies		**62,562**	–
Rental		**51,791**	–
Taxes and licenses		**39,553**	–
Depreciation..........		**31,345**	–
Impairment losses on receivables..........		**10,615**	–
Insurance		**2,790**	–
Others		**50,635**	–
	P	**1,680,529**	–

NOTE 7 - DISTRIBUTION EXPENSES

Distribution expenses for the year ended December 31, 2016 and for the period from September 17 to December 31, 2015 are detailed as follows:

		2016	2015
Trucks, barge and charter hire	P	**3,065,909**	–
Handling expenses..........		**428,530**	–
Fuel for vessel		**366,850**	–
Harbor services		**95,465**	–
Others..........		**4,882**	–
	P	**3,961,636**	–

NOTE 8 - REVENUE

Net sales for the year ended December 31, 2016 and for the period from September 17 to December 31, 2015 are detailed as follows:

		2016	2015
Sale of goods			
Cement..........	P	**23,893,481**	–
Ready-mix concrete		**333,041**	–
Admixtures		**13,516**	–
		24,240,038	–
Reinsurance premium income..........		**519,346**	–
Construction services		**46,715**	–
	P	**24,806,099**	–

NOTE 9 - OTHER EXPENSES - Net

Net other expenses for the year ended December 31, 2016 and for the period from September 17 to December 31, 2015 are detailed as follows:

		2016	2015
Costs related to listing of shares[1]	P	**287,930**	–
Loss on disposal of property, machinery and equipment		**24,770**	–
Others		**7,083**	–
	P	**319,783**	–

[1] Costs related to the listing of shares include legal fees, stock exchange listing fees, roadshow presentation, among others.

NOTE 10 - OTHER FINANCIAL EXPENSES - Net

Net other financial expenses for the year ended December 31, 2016 and for the period from September 17 to December 31, 2015 are detailed as follows:

		2016	2015
Bank charges	P	**36,485**	–
Interest expense on retirement benefit plan		**29,964**	–
Interest income		**(33,715)**	–
	P	**32,734**	–

NOTE 11 - CASH AND CASH EQUIVALENTS

Cash and cash equivalents as at December 31 consisted of:

		2016	2015
Cash on hand and in banks	P	**579,622**	4,922
Short-term investments		**757,533**	–
	P	**1,337,155**	4,922

Cash in banks earns interest at the prevailing bank deposit rates. Short-term investments are made for varying periods of up to three months, depending on the immediate cash requirements of the Company, and earn interest ranging from 0.63% to 1% in 2016. In 2016 and 2015, interest income amounted to P28,778 and nil, respectively.

As mentioned in Note 3E, as at December 31, 2016, the following cash equivalents, which include deposits to a related party, are considered highly liquid investments readily convertible to cash:

		Amount
BDO Unibank, Inc	P	680,000
New Sunward Holding B.V. [1]		52,543
Citibank, N.A.		24,990
		757,533

1 The investment are due on demand and bear interest at a rate equivalent to the higher of Western Asset Institutional Liquid Reserves Fund (WAILRF) rate minus 10 basis points and zero interest.

The Company´s exposures to credit risk, foreign currency risk, and interest rate risk related to cash and cash equivalents are disclosed in Note 21 to the consolidated financial statements.

NOTE 12 - TRADE RECEIVABLES - Net

Trade accounts receivable as at December 31 consisted of:

		2016	2015
Trade accounts receivable - gross	P	**920,282**	–
Allowance for impairment losses		**(10,615)**	–
	P	**909,667**	–

Allowances for impairment losses are established according to the credit history and risk profile of each customer. Changes in the allowance for doubtful accounts for the year ended December 31, 2016 and for the period from September 17 to December 31, 2015 are as follows:

		2016	2015
Allowances for impairment losses at beginning of period	P	–	–
Charged to selling expenses (see Note 6)		**10,615**	–
Allowances for impairment losses at end of period	P	**10,615**	–

The company's exposure to credit risk related to trade receivables is disclosed in Note 21 to the consolidated financial statements.

NOTE 13 - BALANCES AND TRANSACTIONS WITH RELATED PARTIES

Related party relationship exists when the other party (i) has control or joint control of the reporting entity; (ii) has significant influence over the reporting entity; or (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity. A related party relationship is deemed to exist when one party has the ability to control, directly or indirectly, through one or more intermediaries, the other party or exercise significant influence over the other party in making the financial and/or operating decisions. Another criteria recognizes a related party relationship, whether or not the ability to control exists, if any of the following conditions applies to an entity: (i) the entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others, (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member), (iii) both entities are joint ventures of the same third party, (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity, or (v) the entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity (If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity).

As at December 31, 2016 and 2015, balances of related party receivables and payables which are generally expected to be settled in cash, are detailed as follows:

Receivables - current		2016	2015
Ultimate Parent			
CEMEX S.A.B de C.V. [2]	P	**10,326**	–
Other related parties			
Island Quarry and Aggregates Corporation [1]		**197,904**	–
APO Land & Quarry Corporation [3]		**3,513**	–
CEMEX Research Group, AG [12]		**2,306**	–
CEMEX Concrete (Malaysia) Sdn Bhd [4]		**1,084**	–
Others [5]		**82**	–
	P	**215,215**	–

Payables - current		2016	2015
Other related parties			
CEMEX Construction Materials South, LLC [6]	P	**573,836**	–
Transenergy, Inc. [7]		**533,517**	–
Island Quarry and Aggregates Corporation [8]		**221,396**	–
CEMEX Asia Pte. Ltd. [9]		**105,381**	–
APO Land & Quarry Corporation [10]		**28,723**	–
CEMEX Strategic Philippines, Inc. [11]		**10,950**	–
CEMEX Research Group, AG [12]		**6,940**	–
Others [13]		**1,353**	–
	P	**1,482,096**	–

Payables - non-current

Other related parties

		2016	2015
New Sunward Holding B.V. [14]	P	**14,557,460**	–
CEMEX Asia B.V. [15]		**1,361,862**	–
	P	**15,919,322**	–

[1] The balance includes a) advances related to purchase of raw materials amounting to P180,723, which is unsecured, with no impairment, noninterest-bearing and due on demand; b) receivables arising from the sale of goods with a 30-day term and without interest amounting to P9,821; c) receivables from service agreements amounting to P4,174 and project income of P1,989, where both has 30-60 days' term, noninterest-bearing, unsecured and with no impairment; and d) others amounting to P1,197, which is due on demand, noninterest-bearing, unsecured and with no impairment. In 2016, Solid entered into an agreement with Island Quarry and Aggregates Corporation wherein the former shall provide back-office and other support services to the latter. Fees are calculated at cost incurred plus mark-up;
[2] The balance, which is unsecured, with no impairment, noninterest-bearing and due on demand, pertains to diesel hedge;
[3] In 2016, Solid and APO entered into separate agreements with APO Land & Quarry Corporation, wherein Solid and APO shall provide back-office and other support services to the latter. The balance includes a) receivables from service agreement amounting to P3,492, which has 30-60 days' term, noninterest-bearing, unsecured and with no impairment; and b) others amounting to P21 which is unsecured, with no impairment, noninterest-bearing and due on demand;
[4] The balance, which is unsecured, with no impairment, noninterest-bearing and due on demand, pertains to receivables arising from billed expenses;
[5] The balance which is unsecured, with no impairment, noninterest-bearing and due on demand, pertains to receivables arising from non-trade transactions;
[6] The balance, which is unsecured, noninterest-bearing and due on demand, is generated for the purchase of equipment for the expansion of Solid plant;
[7] The balance pertains to purchase of coal with a term of 30 days, noninterest-bearing and unsecured;
[8] The balance includes a) fees related to purchases of raw materials amounting to P218,350, which is unsecured, noninterest-bearing and due on demand; b) unsecured payable arising from purchase of raw materials with a 30-day term and noninterest-bearing amounting to P3,023; c) unsecured payable arising from land rental with a 30-day term and noninterest-bearing amounting to P4; and d) other non-trade payables amounting to P19, which are unsecured, noninterest-bearing and due on demand;
[9] The balance includes fees for corporate services and administrative services received by the Company which has a term of 30 days, noninterest-bearing and is unsecured;
[10] The balance includes a) purchase of raw materials with a 30-day term amounting to P27,716; and b) advances amounting P1,007. These balances are unsecured and are noninterest-bearing;
[11] The balance pertains to corporate services and administrative services rendered to the Company which has a term of 30 days, noninterest-bearing and is unsecured;
[12] The balance pertains to royalties/license fees of the Company, which is unsecured, noninterest-bearing and due on demand;
[13] The balance includes a) current portion of long-term loan from CEMEX Asia B.V. amounting to P426 which bears interest at 5.9% - 6.38%, unsecured and due for payment in 2017; b) purchases of raw materials from Beijing CXP Import & Export Co. amounting to P662 and CEMEX Admixtures GmbH amounting to P265, which are both unsecured, noninterest-bearing and are due on demand;
[14] The balance pertains to interest-bearing long-term loan payable. The loan bears interest of 7.535% per annum and payable in four annual installments starting March 2020 until March 2023. The Company refinanced the loan in 2017 (see Note 29).
[15] The balance pertains to the Company's loan from CEMEX Asia B.V. The loan bears interest at an annual rate equal to 6-month LIBOR plus 450 basis points. The loan is unsecured and is due to be paid in 2018 and 2019 for Solid and APO, respectively.

The main transactions entered by the Company with related parties for the year ended December 31, 2016 and for the period from September 17 to December 31, 2015 are shown below:

Transaction with ultimate parent

		2016	2015
Hedging transaction			
CEMEX S.A.B de C.V. [2]	P	**12,016**	–

Transactions with other related parties

		2016	2015
Purchases of raw materials			
Transenergy, Inc.[1]	P	**1,853,913**	–
Island Quarry and Aggregates Corporation [1]		**303,383**	–
APO Land & Quarry Corporation [1]		**312,103**	–
Beijing CXP Import and Export Co. [1]		**2,517**	–
CEMEX Admixtures GmbH [1]		**265**	–
	P	**2,472,181**	–
Interest expense			
New Sunward Holding B.V.			
Long-term [1]	P	**861,318**	–
Short-term [8]		**271,044**	–
CEMEX Asia B.V. [1]		**32,976**	–
	P	**1,165,338**	–
Royalties and trademarks			
CEMEX Research Group, AG [1]	P	**942,985**	

		2016	2015
Purchase of equipment			
CEMEX Construction Materials South, LLC [1]	P	**573,836**	–
Corporate services and administrative services			
CEMEX Asia Pte. Ltd. - Philippine Headquarters [1]	P	**469,121**	–
CEMEX Strategic Philippines, Inc. [1]		**85,906**	–
Island Quarry and Aggregates Corporation [1]		**3,179**	–
APO Land & Quarry Corporation [1]		**3,032**	–
	P	**561,238**	–
Sales of goods			
Island Quarry and Aggregates Corporation [1]	P	**108,197**	–
CEMEX Cement Bangladesh Ltd. [4]		**4,411**	–
APO Land & Quarry Corporation [4]		**184**	–
	P	**112,792**	–

		2016	2015
Land Rental			
APO Land & Quarry Corporation [3]	P	**58,210**	–
Island Quarry and Aggregates Corporation [3]		**32,929**	–
	P	**91,139**	–
Reimbursements			
CEMEX Concrete (Malaysia) Sdn Bhd. [1]	P	**1,084**	–
Others [7]		–	190
	P	**1,084**	190
Interest income			
APO Land & Quarry Corporation [5]	P	**435**	–
Others [6]		**68**	–
	P	**503**	–
Transactions with Key Management Personnel			
Short-term employee benefits	P	**215,818**	–
Post-employment and other long-term employee benefits		**47,892**	–
	P	**263,710**	–

[1] Please refer to the footnotes provided on the outstanding balances of related party receivables and payables.
[2] Please refer to Note 21 under Fair values of financial assets and financial liabilities for the details of this transaction.
[3] These land rentals have a 30-day term, and are both noninterest-bearing and unsecured.
[4] These sale transactions have a 30-day term, and are both noninterest-bearing and unsecured.
[5] This amount pertain to the interest from loan drawdowns that bear interest at 4.625% annually. The total outstanding balance, from which this interest income relates, including interest accrued was paid in 2016.
[6] This amount pertain to the interest from loans drawdowns that bear interest at fixed rates annually. The total outstanding balances, from which this interest income relates, including interest accrued, were paid in 2016.
[7] The transaction is noninterest-bearing and due on demand.
[8] The amount pertains to the interest on short-term loan from New Sunward Holding B.V. which has been fully paid in 2016.

Transactions with the Retirement Fund

The Company established a retirement plan for its qualified employees. The control and administration of the retirement plan is vested in its Board of Trustees ("BOT"). The retirement plan's accounting and administrative functions are undertaken by the Bank of the Philippine Islands Asset Management Trust Group ("BPI AMTG"), the Company's duly appointed trust fund manager.

The Company's funding policy is to contribute to the Plan's fund as required under actuarial principles to maintain the fund in sound condition. In addition, the Company reserves the right to discontinue, suspend or change the rate and amount of its contribution to the fund at any time due to business necessity or economic conditions. The Company has no contributions to the retirement fund in 2016 and 2015 (see Note 22). There are also no other transactions entered into by the Company with the plan for the year. As at December 31, 2016 and 2015, the fund's unfunded status amounted to P769,340 and nil, respectively. The retirement plan consists of unit investment trust fund, mutual funds, debt instruments and others (cash, money market instruments and government securities), which accounted for 58%, 21%, 12% and 9% of plan assets, respectively, in 2016 (see Note 22).

Balances and transactions between consolidated entities eliminated during consolidation

The following are the transactions and balances among related parties which are eliminated in the consolidated financial statements:

Amounts owed by	Amounts owed to		2016
CEMEX Holdings Philippines, Inc. [10]	CAR	P	1,669,265
APO [5]	CAR		16,980
CEMEX Holdings Philippines, Inc. [10]	Falcon		1,467,596
Sandstone Strategic Holdings, Inc. [6]	Bedrock Holdings, Inc.		109,617
Solid [1]	APO		189,445
Ecocrete, Inc. [3]	Solid		50,244
Ecocast Builders, Inc. [4]	Solid		49,143
CEMEX Asia Research AG [5]	Solid		25,555
APO [2]	Solid		19,942
Sandstone Strategic Holdings, Inc. [6]	Solid		1,068
Ecocast Builders, Inc. [7]	Ecopavements, Inc.		40,287
Solid [8]	Ecocast Builders, Inc.		14,583
APO [8]	Ecocast Builders, Inc.		6,802
Ecopavements, Inc. [6]	Ecocast Builders, Inc.		288
Solid [9]	Ecocrete, Inc.		7,114
		P	**3,667,929**

[1] Amount includes a) P75,007 from sale of goods, which has a 30-day term, noninterest-bearing and unsecured; b) P110,171 loan and interest, which is due on demand, with interest at 2.4% per annum and unsecured; and c) P4,037 from sale of production supplies and P230 reimbursable expenses, which are both due on demand, noninterest-bearing and unsecured.
[2] Amount includes a) P5,513 from sale of goods, which has a 30-day term, noninterest-bearing and unsecured; and b) P14,429 reimbursable expenses, which is due on demand, noninterest-bearing and unsecured.
[3] Amount includes a) P1,628 from sale of goods, which has a 30-day term, noninterest-bearing and unsecured; and b) P48,616 loan and interest, which is due in one year, with interest at 3.63% per annum and unsecured.
[4] Amount includes a) P42,569 arising from sale of equipment, which has a 30-day term, noninterest-bearing and unsecured; b) P5,859 from sale of goods and P507 from construction service, which has a 30-day term, noninterest-bearing and unsecured; and c) P208 from reimbursable expenses, which is due on demand, noninterest-bearing and unsecured.
[5] Amounts have 30-day term, noninterest-bearing and unsecured.
[6] Amounts are from cash advances or reimbursable expenses, which are due on demand, noninterest-bearing and unsecured.
[7] Amount includes a) P40,000 loan, which is due in one year, with interest at 2.6% per annum and unsecured; and b) P287 from cash advances, which is due on demand, noninterest-bearing and unsecured.
[8] Amounts pertain to construction services which have 30-day term, noninterest-bearing and unsecured.
[9] Amount includes P6,616 from sale of raw materials and P498 from service fees, where both have 30-day term, noninterest-bearing and unsecured
[10] Amounts pertain to long-term unsecured loans which are due to be paid in 2021, with interest at 2.5% per annum for CAR and at WAILRF minus 10 basis points annually for Falcon.

Sales	Purchases		2016
APO [1]	Solid	P	853,036
Solid [1]	APO		110,914
Ecocrete, Inc. [1]	Solid		36,173
Solid [1]	Ecocast Builders, Inc.		26,344
Ecocast Builders, Inc. [1]	Solid		13,182
Solid [1]	Ecopavements, Inc.		4,998
Ecocast Builders, Inc. [1]	APO		6,128
		P	**1,050,775**

[1] Please refer to the footnotes provided on the outstanding balances of related party receivables and payables eliminated during consolidation.

Royalties and technical assistance	Selling and Administrative Expense		2016
CAR [1]	APO	P	2,002,129
CAR [1]	Solid		1,052,348
		P	**3,054,477**

[1] Please refer to the footnotes provided on the outstanding balances of related party receivables and payables eliminated during consolidation.

Dividend declared by	Dividend received by		2016
APO	Triple Dime Holdings, Inc.	P	2,451,632
Triple Dime Holdings, Inc.	CEMEX Holdings Philippines, Inc.		2,421,949
APO	CEMEX Holdings Philippines, Inc.		1,634,421
Solid	Sandstone Strategic Holdings, Inc.		1,297,390
Sandstone Strategic Holdings, Inc.	CEMEX Holdings Philippines, Inc.		1,219,546
Solid	CEMEX Holdings Philippines, Inc.		864,926
Edgewater Ventures Corporation	CEMEX Holdings Philippines, Inc.		263,364
Sandstone Strategic Holdings, Inc.	Bedrock Holdings, Inc.		77,843
Bedrock Holdings, Inc.	CEMEX Holdings Philippines, Inc.		73,008
Triple Dime Holdings, Inc.	Edgewater Ventures Corporation		6,840
		P	**10,310,919**

Interest income	Interest expense		2016
CAR [1]	CEMEX Holdings Philippines, Inc.	P	10,745
Falcon [1]	CEMEX Holdings Philippines, Inc.		1,888
Solid [1]	Ecocrete, Inc.		800
APO [1]	Solid		175
		P	**13,608**

[1] Please refer to the footnotes provided on the outstanding balances of related party receivables and payables eliminated during consolidation.

NOTE 14 - INVESTMENT IN AN ASSOCIATE AND OTHER INVESTMENTS

Investment in an associate and other investments as at December 31 are detailed as follows:

	Activity	Country	%		2016	2015
Calabar Aggregates Corporation	Aggregates	Philippines	40.0	P	**11,816**	–
Greencrete, Inc.	–	Philippines	5.0		**3,437**	–
Others	–	–	–		**20**	–
				P	**15,273**	–

The investments above are investments of Solid and APO which were acquired by the Company upon business combination.

NOTE 15 - OTHER ACCOUNTS RECEIVABLE

15A) OTHER CURRENT ACCOUNTS RECEIVABLE

Other current accounts receivable as at December 31 consisted of:

		2016	2015
Insurance claims	P	**51,022**	
Loan receivable [1]		**32,548**	–
Short-term deposits..		**14,873**	–
Receivable from employees...		**14,409**	–
Receivable from contractors		**12,790**	–
Others		**1,704**	–
	P	**127,346**	–

1 Loan receivable pertains to the amount provided by the Company to CEMEX Philippines Foundation, Inc., with fixed interest at 2.96% per annum and is due on demand.

15B) OTHER ASSETS AND NONCURRENT ACCOUNTS RECEIVABLE

Other assets and noncurrent accounts receivable as at December 31 consisted of:

		2016	2015
Rental guaranty deposits	P	**112,209**	–
Long-term time deposits [1]		**92,254**	–
Long-term prepayments [2]		**47,558**	–
Right of way		**30,952**	–
Others[3]		**37,516**	–
	P	**320,489**	–

[1] Long-term time deposits pertain to the Company's restricted time deposits.

[2] Long-term prepayments primarily pertain to prepaid mining and quarry royalty fees related to the purchase of raw materials amounting to P24,127.

[3] Others primarily pertain to car cash bonus amounting to P36,906.

NOTE 16 - INVENTORIES

Inventories as at December 31 consisted of:

		2016	2015
At NRV:			
Materials and spare parts	P	**1,211,947**	–
At Cost:			
Work-in-process inventory		**728,945**	–
Finished goods		**363,494**	–
Raw materials		**269,520**	–
Inventory in transit		**3,671**	–
	P	**2,577,577**	–

In 2016, the Company recognized in the consolidated statements of comprehensive income the cost of inventories sold amounting to P11,885,883 (see Note 6). As at December 31, 2016 and 2015, inventory write-down to NRV amounted to P17,604 and nil, respectively. Write-down of inventories to NRV included under "Costs of Sales and Services" account in the consolidated statements of comprehensive income amounted to P17,604 and nil in 2016 and 2015, respectively.

NOTE 17 - PREPAYMENTS AND OTHER CURRENT ASSETS

Other current assets as at December 31 consisted of:

		2016	2015
Prepaid insurance [1]	P	**900,531**	–
Prepaid taxes		**310,714**	–
Advances to suppliers		**96,417**	–
Prepaid freight cost		**89,559**	–
Advances to employees		**13,989**	–
Prepaid rent		**3,660**	–
Others		**5,186**	–
	P	**1,420,056**	–

[1] Prepaid insurance pertains to unamortized portion of payments on property, non-damage business interruption and political risks insurance.

NOTE 18 - PROPERTY, MACHINERY AND EQUIPMENT - Net

The movements for each class of property, machinery and equipment are as follows:

	Buildings and Improvements	Machinery and Equipment	Constructions in-Progress	Total
Gross Carrying Amount				
September 17, 2015/December 31, 2015	P–	P–	P–	P–
Acquisition through business combination	3,848,465	11,600,051	347,958	15,796,474
Additions	85,417	316,081	928,711	1,330,209
Disposals	(8,244)	(170,975)	(24,621)	(203,840)
Reclassifications	56,927	169,914	(226,841)	–
December 31, 2016	**3,982,565**	**11,915,071**	**1,025,207**	**16,922,843**
Accumulated Depreciation				
September 17, 2015/December 31, 2015	–	–	–	–
Depreciation for the period	(161,688)	(1,090,656)	–	(1,252,344)
Disposals	8,195	136,117	–	144,312
December 31, 2016	**(153,493)**	**(954,539)**	–	**(1,108,032)**
Carrying Amounts				
December 31, 2015	P–	P–	P–	P–
December 31, 2016	**P3,829,072**	**P10,960,532**	**P1,025,207**	**P15,814,811**

In 2016, there were no interest expense arising from borrowings that have been capitalized as part of property, machinery and equipment.

NOTE 19 - ACQUISITION OF SUBSIDIARIES AND GOODWILL - Net

As part of CEMEX's overall current priorities, CEMEX has been focusing in strengthening its capital structure. One way of doing so is through the optimization of CEMEX's global corporate structure which should lead to less administration costs and facilitate the implementation of CEMEX's business strategy. Considering this premises and in line with the Parent Company's IPO, the Parent Company was created and on January 1, 2016, the Parent Company acquired interest in the economic benefit of the entities listed in Note 28 (except for CAR, which was incorporated by the Parent Company in 2015 and Falcon, which was incorporated by the Parent Company in 2016). The acquisition price of P47,825,147 was initially financed through accounts payable to a related party, which was eventually paid from proceeds on short-term and long-term loans from a local bank and a related party.

The Company incurred acquisition-related costs amounting to P9,569 on documentary stamp taxes and other costs, which were recognized as part of "Administrative and selling expenses" account in the consolidated statements of comprehensive income.

The following table summarizes the recognized amounts and assets acquired and liabilities assumed at the date of the acquisition:

Assets (liabilities)		Amounts
Cash and cash equivalents	P	3,687,632
Trade receivables		813,392
Due from related parties		999,896
Other current accounts receivable		1,459,014
Inventories		2,250,415
Prepayments and other current assets		1,205,663
Investments in associates and other investments		15,273
Other assets and noncurrent accounts receivable		344,134
Property, machinery and equipment - net		15,796,474
Trade payables		(2,258,403)
Due to related parties		(619,705)
Income tax payable		(249,284)
Other accounts payable and accrued expenses		(1,608,339)
Long-term payable to related party		(987,027)
Retirement benefit liability		(716,903)
Deferred income taxes		(138,473)
Other noncurrent liabilities		(28,306)
Total identifiable net assets acquired	P	19,965,453

The valuation techniques used for measuring the fair value of assets acquired were as follows:

Assets acquired	Valuation technique
Property, machinery and equipment	Market comparison technique and cost technique: The valuation model considers quoted market prices for similar items when they are available, and depreciated replacement cost when appropriate. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence.

The trade receivables comprise gross contractual amounts due of P883,990, of which P70,598 was expected to be uncollectible at the date of the acquisition. The carrying amount of the acquired property, machinery and equipment acquired in the books of the acquirees at the date of acquisition amounted to P14,026,454.

Goodwill arising from the acquisition has been recognized as follows:

		Amount
Amount of the consideration	P	47,825,147
Fair value of the identifiable net assets		19,965,453
Goodwill	P	27,859,694

The goodwill is attributable mainly to the assembled work force and dealer network. None of the goodwill recognized is expected to be deductible for tax purposes.

As mentioned in Note 3L, the consolidated entities test their goodwill balances for impairment at the level of the CGUs to which goodwill has been allocated, which are commonly comprised by the vertically-integrated operations of the Company in the country. The Company's cash flow projections for five years to determine the value-in-use of its CGU consider the use of long-term economic assumptions. The Company believes that its discounted cash flow projections and the discount rates used reasonably reflect current economic conditions at the time of the calculations, considering, among other factors that: a) the cost of capital reflects current risks and volatility in the markets; and b) the cost of debt represents the actual interest rates recognized by the CGUs in their outstanding interest-bearing debt. The Company performed its annual goodwill impairment test, and based on the analysis, the Company does not need to recognize impairment loss on goodwill. For purposes of impairment testing, goodwill has been allocated to the Company's CGUs (significant operating divisions) as follows:

		Amount
APO Cement Corporation	P	17,648,162
Solid Cement Corporation		10,211,532
	P	27,859,694

In 2016, the Company's pre-tax discount rates and expected growth rates in perpetuity used in the Company's impairment tests, to determine the discounted cash flows in both the CGUs with the main goodwill balances, were as follows:

	Rates used
Discount rate	**9.5%**
Growth rate	**7.0%**

In connection with the Company's assumptions as at December 31, 2016 included in the table above, the Company made sensitivity analysis to changes in assumptions, affecting the value-in-use of all CGUs with an independent reasonable possible increase of 1% in the pre-tax discount rate and an independent decrease of 1% in the perpetual growth rate. In any of the sensitivity analyses, the carrying amount of the CGUs exceeded their recoverable amount.

NOTE 20 - UNEARNED REVENUE, OTHER ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Unearned revenue, other current accounts payable and accrued expenses as at December 31 consisted of:

		2016	2015
Unearned revenue from reinsurance premiums [1]	P	**793,320**	–
Unearned revenue from customer loyalty program		**40,482**	–
Total Unearned revenue		**833,802**	–
Accrued expenses [2]		**519,400**	–
Taxes payable		**241,687**	–
Advances from customers		**301,014**	–
Others		**63,070**	–
Total Other accounts payable and accrued expenses		**1,125,171**	–
	P	**1,958,973**	–

1 Unearned revenue from reinsurance premiums pertain to the portion of reinsurance premiums written by Falcon that relate to unexpired period of the policies.

2 As at December 31, 2016, accrued expenses includes a) utilities and supplies amounting to P271,329; b) salaries and employee benefits amounting to P88,232; c) freight cost amounting to P127,627; d) outside services amounting to P25,833; and e) royalty fees amounting to P6,379.

For the year ended December 31, 2016 and for the period from September 17 to December 31, 2015, the roll-forward analyses of unearned revenue from reinsurance premiums are as follows:

		2016	2015
Balance at beginning of period	P	**–**	–
Policies written during the period		**1,286,843**	–
Premiums earned during the period		**(519,346)**	–
Effect of translation Philippine peso		**25,823**	–
Balance of end of period	P	**793,320**	–

For the year ended December 31, 2016 and for the period from September 17 to December 31, 2015, the roll-forward analyses of provisions (under "Taxes payable" account) are as follows:

		2016	2015
Balance at beginning of period	P	**–**	–
Assumed in a business combination		**284,453**	–
Net reversals made during the period		**(255,141)**	–
Balance of end of period	P	**29,312**	–

NOTE 21 - FINANCIAL RISK AND INSURANCE RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial Risk management framework

This note presents information on the financial risk exposure of the Company relating to credit risk, foreign currency risk and liquidity risk; goals, policies and procedures of the Company to measure and manage such risks and the administration of the Company's resources.

The Company's management has overall responsibility for the development, implementation and monitoring of the conceptual framework and policies for an effective risk management.

The Company's risk management policies are intended to: a) identify and analyze the risks faced by the Company; b) implement appropriate risk limits and controls; and c) monitor the risks and the compliance with the limits. Policies and risk management systems are regularly reviewed to reflect changes in market conditions and in the Company's activities. By means of its policies and procedures for risk management, the Company aims to develop a disciplined and constructive control environment where all employees understand their roles and obligations.

Credit risk

Credit risk is the risk of financial loss faced by the Company if a customer or counterparty of a financial instrument does not meet its contractual obligations and originates mainly from trade receivables. As at December 31, 2016 and 2015, the maximum exposure to credit risk is represented by the balance of financial assets. Management has developed policies for the authorization of credit to customers. The exposure to credit risk is monitored constantly according to the behavior of payment of the debtors. Credit is assigned on a customer-by-customer basis and is subject to assessments which consider the customers' payment capacity, as well as past behavior regarding due dates, balances past due and delinquent accounts. In cases deemed necessary, the Company's management requires guarantee deposits from its customers and financial counterparties with regard to financial assets.

The Company's management has established a policy which analyzes the creditworthiness of each new client individually before offering the general conditions of payment terms and delivery, and the review includes external ratings, when references are available, and in some cases bank references. Threshold of credit limits are established for each client, which represent the maximum credit amount that requires different levels of approval. Customers who do not meet the levels of solvency requirements imposed by the Company can only carry out transactions with the Company by paying cash in advance.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk as at December 31 is as follows:

		2016	2015
Cash and cash equivalents (excluding cash on hand)	P	**1,337,023**	4,922
Trade receivables		**909,667**	–
Due from related parties		**215,215**	–
Other current accounts receivable		**127,346**	–
Long-term and guarantee deposits (under other assets and noncurrent accounts receivable)		**204,463**	–
	P	**2,793,714**	4,922

As at December 31, 2016, the aging analysis per class of financial assets are as follows:

	Neither past due nor impaired	Past due but not impaired			Impaired	Total
		1 to 30 days	31 to 60 days	More than 60 days		
Cash and cash equivalents (excluding cash on hand)	P 1,337,023	–	–	–	–	1,337,023
Trade receivables	774,265	66,386	13,994	55,022	10,615	920,282
Due from related parties	215,215	–	–	–	–	215,215
Other current accounts receivable	127,346	–	–	–	–	127,346
Long-term and guarantee deposits	204,463	–	–	–	–	204,463
	2,658,312	66,386	13,994	55,022	10,615	2,804,329
Less allowance for impairment losses	–	–	–	–	10,615	10,615
	P **2,658,312**	**66,386**	**13,994**	**55,022**	**–**	**2,793,714**

Considering the Company's best estimates of potential losses based on an analysis of aging and considering management's recovery efforts, the allowance for impairment losses amounted to P10,615 as at December 31, 2016.

Cash in banks, short-term investments and long-term and guarantee deposits are of high grade quality as these are deposited in reputable financial entities. Of the total trade receivables, due from related parties and other current accounts receivable, 88% are neither past due nor impaired, and are considered of high grade quality. Other financial assets that are not considered of high grade quality are considered standard grade quality financial assets. High grade quality financial assets are those assessed as having minimal credit risk, otherwise they are of standard quality. Standard grade quality financial assets are those assessed as having minimal to regular instances of payment default due to ordinary/common collection issues. These accounts are typically not impaired as the counterparties generally respond to credit actions and update their payments accordingly.

The credit qualities of financial assets that were neither past due nor impaired are determined as follows:

- Cash in banks, cash equivalents and long-term and guarantee deposits are based on the credit standing or rating of the counterparty.
- Trade receivables, due from related parties and other current accounts receivable are based on a combination of credit standing or rating of the counterparty, historical experience and specific and collective credit risk assessment.

The Company sells its products primarily to retailers in the construction industry, with no specific geographic concentration of credit within the country in which the Company operates. As at December 31, 2016 and 2015, no single customer individually accounted for a significant amount of the reported amounts of sales or the balances of trade receivables.

Foreign currency risk

Foreign currency risk is the risk that the fair value of the future cash flows of a financial instrument will fluctuate in relation to changes in exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates to its operational and financing activities. The objective of foreign currency risk management is to manage and control exposures within acceptable parameters while optimizing the return. The Company's revenue and costs are generated and settled mainly in Philippine Peso. For the year ended December 31, 2016, approximately less than 5% of the Company's net sales, before eliminations, were generated in U.S. dollars.

The Company had an exposure arising from the dollar-denominated financial obligations as compared to the currency in which the majority of the Company's revenues are generated. The Company's only revenue denominated in U.S. dollars to cover such dollar-denominated obligations are those generated by exports. As at December 31, 2016, the Company has not implemented any derivative financing hedging strategy to address this foreign currency risk.

Foreign exchange fluctuations occur when any member of the Company incur monetary assets and liabilities in a currency different from its functional currency. These translation gains and losses are recognized in the consolidated statements of comprehensive income.

As at December 31, 2016, a summary of the quantitative information of the exposure of the Company due to foreign currencies is provided to the top management on the basis of its risk management policy as follows:

Amounts in thousands of dollars	in U.S. dollar	in Euro
Cash and cash equivalents	$2,307	€–
Due from related parties	254	–
Trade payables	(19,022)	(8,477)
Due to related parties	(342,591)	–
Net liabilities denominated in foreign currency	**($359,052)**	**(€8,477)**

As at December 31, 2015, there are no foreign currency denominated financial instruments.

Sensitivity analysis on Foreign Currency Risk

For the management of foreign currency risks, the Company intends to reduce the impact of short-term fluctuations in its consolidated profits. As at December 31, 2016, a hypothetical 5% appreciation of the Philippine Peso against the U.S. dollar and Euro, with all other variables held constant, the Company's profit for the year ended December, 31, 2016 would have increased by approximately P640,339, net of tax, due to higher dollar-denominated net monetary liabilities held by consolidated entities with other functional currencies. Conversely, a hypothetical 5% instant depreciation of the dollar against the Philippine peso would have the opposite effect.

Interest rate risk

As at December 31, 2016, the Company is exposed to interest rate risk primarily on its short-term investments in New Sunward Holding B.V. and long-term loan payable to CEMEX Asia B.V. The short-term investments in New Sunward Holding B.V. bear interest at a rate equivalent to the higher of WAILRF rate minus 10 basis points and zero interest (see Note 11). The long-term loan from CEMEX Asia B.V. bears interest at an annual rate equal to 6-month LIBOR plus 450 basis points (see Note 13).

Sensitivity analysis on Interest Rate Risk

As at December 31, 2016, a hypothetical 1% increase in interest rate, with all other variables held constant, the Company's profit for the year ended December, 31, 2016 would have decreased by approximately P9,165. Conversely, a hypothetical 1% decrease in interest rate would have the opposite effect.

Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient funds available to meet its obligations. The Company has fulfilled its operational liquidity needs primarily through its own operations and expects to continue to do so for both the short and long-term liabilities. Although cash flow from the Company's operations has historically covered its overall liquidity needs for operations, servicing debt and funding capital expenditures and acquisitions. In order to meet its liquidity needs, the Company also relies on cost-control and operating improvements to optimize capacity utilization and maximize profitability. The Company's consolidated net cash flows provided by (used in) operating activities, as presented in its consolidated statements of cash flows, was P3,747,812 and (P4,256) as at December 31, 2016 and 2015, respectively. In 2016, the Company incurred interest expense amounting to P20,546 from a short-term bank loan, which has been fully paid in 2016. The Company's trade payables, due to related parties, taxes payable and other accounts payable and accrued expenses are expected to be settled within one year. Trade payables are noninterest-bearing and are normally settled on a 30-days' term. The maturities of the Company's long-term contractual obligations are included in Note 26 to the consolidated financial statements. In addition, there is no significant concentration of a specific supplier relating to the purchase of raw materials.

Insurance Risk management

As mentioned in Note 1, the Parent Company incorporated Falcon to create its own reserves and reinsure in respect of the Company's property, non-damage business interruption and political risks insurance. Falcon is expected to retain 10% of the risk in connection with property insurance and 100% of the risk in connection with earthquake and wind stop loss, non-damage business interruption and political risks insurance of the Parent Company's operating subsidiaries. As a result of these arrangements, the Company will effectively self-insure these risks to the extent of Falcon's retained liability. There can be no assurance that the reserves established by Falcon will exceed any losses in connection with the Company's self-insured risks.

In addition, the Company's insurance coverage is subject to periodic renewal. If the availability of insurance coverage is reduced significantly for any reason, the Company may become exposed to certain risks for which it is not and, in some cases could not be, insured. Moreover, if the Company's losses exceed its insurance coverage, or if the Company's losses are not covered by the insurance policies it has taken up, or if Falcon is required to pay claims to its insurer pursuant to the reinsurance arrangements, the Company may be liable to cover any shortfall or losses. The Company's insurance premiums may also increase substantially because of such claim from the Company's insurers.

The foregoing risk exposure is mitigated, through making reasonable approximation after an evaluation of reported claims in the past of the Parent Company's operating subsidiaries, by retaining only insurance risk from insurance policies in which the operating subsidiaries have low probability of incurring losses.

Fair values of financial assets and financial liabilities

The Company entered into a commodity swap transaction to hedge its risk exposure on fuel price volatility. The hedge qualifies for hedge accounting. The commodity swap is a contractual agreement to buy fuel at a fixed price and sell fuel at market rate with notional quantity of 10,371 liters. As at December 31, 2016 and 2015, the fair value of the Company's derivative asset is P6,805 and nil, respectively. The recurring fair value measurement is categorized as level 2 of the fair value hierarchy. The fair value is determined using quoted commodity price at the reporting date, adjusted by the fixed price under the commodity swap agreement.

The fair values of cash and cash equivalents, trade receivables, amounts due from and due to related parties, other current accounts receivable, accounts payable and accrued expenses reasonably approximate their carrying amounts considering the short-term maturities of these financial instruments. The fair value of the long-term payable to CEMEX Asia B.V., which is based on the present value of future cash flows discounted at market rate of interest at the reporting date (discounted cash flows under level 2 of the fair value hierarchy), approximates its carrying amount as at December 31, 2016 as the said financial instruments bear interest at LIBOR rates, which is approximately similar to the market interest rate. The fair values of long-term time deposits and long-term payable to New Sunward Holding B.V., which are also based on the present value of future cash flows discounted at market rate of interest at the reporting date (discounted cash flows under level 2 of the fair value hierarchy), approximate their carrying amounts as at December 31, 2016 as these financial instruments bear interest at rates which are approximately similar to market interest rates. The fair value of the rental guarantee deposits approximate its carrying amount since the Company does not anticipate its carrying amount to be significantly different from the actual amount that the rental guarantee deposits would eventually be collected.

NOTE 22 - RETIREMENT BENEFIT LIABILITY

The Company has a funded, noncontributory, defined benefit retirement plan covering substantially all of its regular and permanent employees. Contributions and costs are determined in accordance with the actuarial studies made for the plan. Annual cost is determined using the projected unit credit method. The Company's latest actuarial valuation date was made on December 31, 2016. Valuations are obtained on an annual basis.

The retirement plan of the Company entitled a regular and permanent employee to avail of the "Normal Retirement, Early Retirement, and Late Retirement" and "Resignation Benefit". In addition, the retirement plan also provides "Total and Permanent Disability and Death Benefit" for the qualified employees and beneficiaries.

Normal Retirement, Early Retirement and Late Retirement

The total benefit that will be received by a retired employee is based on his final plan salary and years of service (YOS), which is summarized on the retirement benefit formula table below:

YOS	Retirement Benefit*
20 & Below	100% of the plan salary for every year of credited service
Above 20 to 25	119% of the plan salary for every year of credited service
Above 25	139% of the plan salary for every year of credited service

**covering Normal, Early and Late Retirement*

An employee may be entitled only to an early retirement benefit provided that he reached the age of fifty-five (55) and has completed at least ten (10) years of credited service unless approved by the Company. The late retirement may be availed only beyond age 60 but not beyond 65, on a case-to-case and yearly extension basis and subject to the consent of the Company.

Resignation

The total benefit that will be received by a retired employee is based on his final salary and YOS, which is summarized on the retirement benefit formula table below:

YOS	Retirement Benefit*
10 to 15	79% of the plan salary for every year of credited service
16 to 20	99% of the plan salary for every year of credited service
21 to 25	119% of the plan salary for every year of credited service
Above 25	139% of the plan salary for every year of credited service

Total and Permanent Disability Benefit and Death Benefit

In the event that a qualified employee dies or is required by the Company to retire due to total and permanent disability, his benefit should be equal to an amount based on the retirement benefit formula. In the case of disability, the employee should have completed at least five (5) years and three (3) years of credited service for Solid and APO, respectively.

The plan is registered with the Bureau of Internal Revenue ("BIR") as tax-qualified plan under Republic Act No. 4917, as Amended. The control and administration of the retirement plan is vested in its BOT. The retirement plan's accounting and administrative functions are undertaken by BPI AMTG, and its duly appointed trust fund manager.

a) Movement in Retirement Benefit Liability

The following table shows reconciliation from the opening balances to the closing balances for retirement benefit liability and its components:

	Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Retirement Benefit Liability
Balance at September 17, 2015 and January 1, 2016	P –	P –	P –
Net retirement benefit liability assumed during business combination	796,064	(79,160)	716,904
Included in profit or loss			
Service costs:			
Current service cost	57,652	–	57,652
Past service cost [1]	17,171	–	17,171
Interest cost, net	37,841	(7,877)	29,964
	112,664	**(7,877)**	**104,787**
Included in OCI			
Actuarial loss (gain) from:			
Change in financial assumptions	(77,471)	–	(77,471)
Change in demographic assumptions	(5,658)	–	(5,658)
Experience adjustments	59,761	–	59,761
Return on plan assets excluding interest income	–	7,322	7,322
	(23,368)	**7,322**	**(16,046)**
Others			
Benefits paid	(36,305)	-	(36,305)
Balance at December 31, 2016	**P849,055**	**(P79,715)**	**P769,340**

1 The past service cost is the result of the amendment during the period on the retirement benefit plan of APO to align with the retirement benefit plan of Solid.

b) Plan Assets

Plan assets as at December 31, 2016 consisted of the following:

		Amount
Unit investment trust fund (UITF)		
Equities - local currency	P	24,777
Fixed income - local currency		21,806
Mutual funds		16,342
Debt instruments		9,368
Money market		3,497
Exchange traded funds		2,915
Government securities		539
Foreign currency		152
Cash in Bank		44
Others		275
	P	**79,715**

Equity UITF investments are placed in a concentrated portfolio of stocks listed in the Philippine Stock Exchange which are generally invested in holding firms, industrial companies, financial institutions, mining and real estate corporations. Fixed income UITF investments are placed mainly in portfolio of bonds and other similar fixed-income securities such as special deposit accounts from the Bangko Sentral ng Pilipinas and treasury notes with weighted average term to maturity of up to five (5) years.

Mutual funds are invested in listed equity instruments which are actively traded in globally developed markets. Other mutual funds are invested in debt instruments with terms generally ranging from five (5) to more than ten (10) years which were issued by low and middle income developing countries and are rated mostly at "BBB," "BB" and "B" by Standard and Poor's Financial Services. Investments in bonds have quoted prices in active market and are rated "Aaa," based on ratings made by Philippine Rating Services Corporation.

The BOT reviews the level of funding required for the retirement fund with inputs from the Company's accredited actuary. Such a review includes the asset-liability matching ("ALM") strategy and investment risk management policy. The objective of BPI AMTG is to manage the portfolio in accordance with the objectives set forth by both the Company and BPI AMTG, and to be able to provide and fund benefits as they fall due.

c) Defined Benefit Obligation

(i) Assumptions

The principal actuarial assumptions, at the reporting date, used to determine the retirement benefits are as follows (expressed as weighted averages):

	Solid	APO	Ecocrete, Inc.	Ecocast Builders, Inc.
Discount rate	5.34%	5.30%	5.67%	5.58%
Future salary growth	6.00%	6.00%	6.00%	6.00%

The following are the turnover rate assumption as at December 31, 2016:

Age	Turnover Rates (%)
18 – 30	5 to <7
31 – 34	4 to <5
35 – 37	3 to <4
38 – 42	2 to <3
42 – 50	1 to <2
51 – 59	0 to <1

Mortality rate is based on the "1994 Group Annuity Mortality Table" from the Society of Actuaries while Disability rate is based on "1952 Disability Study," Period 2, Benefit 5.

ii) Sensitivity Analysis

Reasonable possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation as at December 31, 2016 by the amounts shown below:

	2016	
	Increase	**Decrease**
Discount rate (0.5% movement)	(P43,400)	P46,902
Future Salary Increase rate (0.5% movement)	48,827	(45,564)

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumption shown.

These defined benefit plans expose the Company to actuarial risks, such as longevity risk, interest rate risk, and market (investment) risk.

d) Maturity Analysis

Maturity analysis of the benefit payments:

	2016				
	Carrying Amount	**Contractual Cash Flows**	**Within >1 Year**	**Within 1 - 5 Years**	**More than 5 Years**
Defined benefit obligation	P849,055	P1,784,188	P 31,130	P235,199	P1,517,859

As at December 31, 2016 the weighted average duration of the defined benefit obligation as follows:

	In Years
Solid	18.97
APO	17.39
Ecocrete, Inc.	26.38
Ecocast Builders, Inc.	24.80

No contributions to the retirement benefit plan were made in 2016. The Company plans to contribute the following to the retirement benefit plan in 2017:

		Amount
Solid	P	88,581
APO		58,141
Ecocast Builders, Inc.		435
	P	**147,157**

e) Retirement Benefit Expense

Retirement benefit expense in 2016 is recognized in the following line items in the consolidated statements of comprehensive income:

		Amount
Costs of sales and services	P	41,390
Administrative and selling expenses		33,433
Other financial expenses - net		29,964
	P	**104,787**

NOTE 23 - INCOME TAXES

23A) INCOME TAXES FOR THE PERIOD

The amounts of income taxes recognized in profit or loss for the year ended December 31, 2016 are as follows:

	2016	2015
Current tax expense	**P1,151,631**	P–
Deferred tax benefit arising from origination and reversal of temporary differences	**(587,887)**	–
	P563,744	P–

As at December 31, 2016 and 2015, the Company has NOLCO that can be claimed as deductions from future taxable income as follows:

Year Incurred	Valid until	**Amount**	**Addition During the Period**	**Expired/Utilized During the Period**	**Ending Balance**
2016	2019	P–	P1,780,808	P–	P1,780,808
2015	2018	28,040	–	–	28,040
2014	2017	12,871	–	–	12,871
2013	2016	13,017	–	(13,017)	–
		P53,928	**P1,780,808**	**(P13,017)**	**P1,821,719**

As at December 31, 2016 and 2015, the Company has MCIT that can be claimed as deductions from future taxable income as follows:

Year Incurred	Valid until	**Amount**	**Addition During the Period**	**Expired/Utilized During the Period**	**Ending Balance**
2016	2019	**P–**	**P178**	**P–**	**P178**

Deferred income tax assets have not been recognized in respect of the following items because it is not probable that future taxable income will be available against which the Company can utilize the benefits therefrom:

	2016		2015	
	Gross amount	**Tax effect**	Gross amount	Tax effect
NOLCO	**P894,850**	**P268,455**	P4,603	P1,381
Unrealized foreign exchange losses	**–**	**–**	30	9
	P894,850	**P268,455**	P4,633	P1,390

23B) DEFERRED INCOME TAXES

For the year ended December 31, 2016, the income tax effects of the temporary differences that resulted in deferred income tax assets and liabilities are presented below:

	Balance at January 1	**Additions from business combination**	**Recognized in Profit or Loss**	**Recognized in OCI**	**Balance at December 31**
Deferred tax assets (liabilities):					
Unrealized foreign exchange loss (gain)	P –	(P36,825)	P340,519	P –	**P303,694**
NOLCO	–	14,140	263,921	–	**278,061**
Accrued retirement benefit liability and past service cost	–	215,813	18,380	(4,814)	**229,379**
Allowance for impairment losses on receivables	–	21,181	3,184	–	**24,365**
Write-down of:					
Inventories to NRV	–	57,627	(34,176)	–	**23,451**
Property, machinery and equipment to recoverable amount	–	9,232	–	–	**9,232**
Unearned revenue	–	11,998	147	–	**12,145**
Provisions	–	85,258	(79,918)	–	**5,340**
Accrued employee severance pay	–	1,321	(1,318)	–	**3**
Fair value adjustment on property, machinery and equipment	–	(531,006)	83,946	–	**(447,060)**
Other items	–	12,789	(6,798)	–	**5,991**
	P –	(P138,472)	P587,887	(P4,814)	**P444,601**

The breakdown of deferred income taxes as at December 31, 2016 and 2015 are as follows:

		2016	2015
Deferred income tax credited to income statement	P	**587,887**	–
Deferred income tax credited to stockholders' equity		**(4,814)**	–
Change in deferred income tax during the period	P	**583,073**	–

As at December 31, 2016, based on the forecasts of future cash flows and operating results, the Company believes that sufficient taxable income will be generated so that it is probable that it will realize the tax benefits associated with the recognized deferred income tax assets related to tax loss carry forwards prior to their expiration. In addition, the Company concluded that the deferred income tax liabilities that were considered in the analysis of recoverability of its deferred income tax assets will reverse in the same period and tax jurisdiction of the related recognized deferred income tax assets. In the event that present conditions change, and it is determined that future operations would not generate sufficient taxable income, currently recognized deferred income tax assets would be evaluated and derecognized if necessary against the results of the period.

23C) EFFECTIVE TAX RATE

Differences between the financial basis and the corresponding tax basis of assets and liabilities and the different income tax rates and laws applicable to the Company, among other factors, give rise to permanent differences between the average statutory tax rate of the entities included in the consolidated financial statements, and the effective tax rate presented in the consolidated statements of comprehensive income, which as at December 31, 2016 and 2015 were as follows:

	2016	2015
Statutory income tax rate	**30.00%**	(30.00%)
Movement in NOLCO	**13.63**	31.27
Non-deductible expense	**0.61**	–
Non-taxable income	**(7.94)**	–
CAR tax rate difference	**(6.17)**	–
Others	**(1.62)**	(1.27)
Consolidated effective income tax rate	**28.51%**	0.00%

23D) SIGNIFICANT TAX PROCEEDINGS

As at December 31, 2016, APO and Solid are the subject of the on-going regular tax investigations conducted by the Philippine tax authorities covering the taxable years 2012 and 2013. As at March 8, 2017, no preliminary tax audit findings or issues have been raised arising from these investigations.

NOTE 24 - STOCKHOLDERS' EQUITY

24A) COMMON STOCK

As at December 31, 2016 and 2015, information on the Parent Company's common stock is summarized as follows:

	Authorized			Issued and Outstanding		
	Number of Shares	Par Value	Amount	Number of Shares	Par Value	Amount
Balance at September 17, 2015/ December 31, 2015	1,504,000	P100	P150,400	94,000	P100	P9,400
Full payment of previously subscribed common stock				282,000	100	28,200
Effect of decrease in par value on previously authorized and subscribed shares	148,896,000	-	-	37,224,000	-	-
Effect of increase in authorized capital stock	5,044,995,454	1	5,044,995	2,819,867,500	1	2,819,867
Shares issued during IPO				2,337,927,954	1	2,337,928
Balance at December 31, 2016	**5,195,395,454**	**P1**	**P5,195,395**	**5,195,395,454**	**P1**	**P5,195,395**

On September 17, 2015, CASEC subscribed to 376,000 shares of stock of the Parent Company at P100 par value. Of the agreed subscription price of P37,600, only P9,400 was paid in 2015, while the remainder of P28,200 was paid in 2016. In 2016, the Parent Company's BOD approved the amendment of and increase in the authorized capital stock of the Parent Company from P150,400, divided into 1,504,000 common shares with par value of P100 per share, to P5,195,395, divided into 5,195,395,454 common shares with par value of P1 per share.

On May 20, 2016, the SEC approved the Parent Company's application for the amendment of and increase in its authorized capital stock. Accordingly, the original subscription of CASEC changed from 376,000 common shares with par value of P100 per share to 37,600,000 common shares with par value of P1 per share. Furthermore, in connection with the increase in authorized capital stock, CASEC subscribed to an additional 2,819,867,500 shares at P1 par value per share or a total par value of P2,819,868 which was fully paid. During the IPO which culminated in the listing of all of the outstanding shares of stock of the Parent Company on July 18, 2016, the Parent Company issued additional 2,337,927,954 shares at P1 par value per share or a total par value of P2,337,928 at the offer price of P10.75 per share (see Note 1).

24B) OTHER EQUITY RESERVES

As at December 31, 2016 and 2015, the movements and balance of other equity reserves is detailed as follows:

	2016	2015
Balance at beginning of period	P **(34)**	–
Cumulative translation of a foreign subsidiaries	**90,898**	(34)
Share-based payments	**11,655**	
Remeasurements on retirement benefit liability (Note 22)	**11,232**	–
Hedge reserve	**6,805**	–
Balance at end of period	P **120,556**	(34)

24C) NON-CONTROLLING INTERESTS

Non-controlling interest represents the 30% share of non-controlling stockholders in the results and equity of Newcrete Management, Inc. As at December 31, 2016 and 2015, non-controlling interest in equity amounted to approximately P246 and nil, respectively.

24D) SHARE BASED PAYMENTS

As part of CEMEX's share-based payments programs, a group of the Company's executives participates in the long-term share-based compensation program providing for the grant of CEMEX, S.A.B. de C.V.'s CPOs, pursuant to which new CPOs are issued by the ultimate parent company under each annual program over a 4 year period. By agreement with the executives, the CPOs of the annual grant, which is equivalent to 25% of the CPOs related to each plan, are placed in a trust established for the benefit of the executives to comply with a 1 year restriction on sale.

Under these programs, CEMEX, S.A.B. de C.V. issued new shares to certain executives of the Company for approximately 765,586 CPOs as at December 31, 2016, that were subscribed and pending for payment in the ultimate parent company's treasury. As at December 31, 2016, there are approximately 1,200,262 CPOs associated with these annual programs that are expected to be issued in the future as the Company's executives render services.

The compensation expense related to these programs for the year ended December 31, 2016, for approximately P11,655 corresponding to the fair value of the number of CEMEX's CPOs at the date of grant, was recognized in the Company's profit or loss against other equity reserves. The weighted average fair value, which pertains to the market price of the CEMEX's CPOs granted in 2016 is 13.79 Mexican Pesos. As at December 31, 2016 and 2015, the Company did not have outstanding commitments or options to make cash payments to executives on the exercise date of awards based on changes in CEMEX's own stock (intrinsic value).

24E) RETAINED EARNINGS

As at December 31, 2016, the Company's retained earnings include unappropriated retained earnings of its significant operating subsidiaries, Solid and APO, amounting to P1,534,978 which pertains to the result of the operations of both Solid and APO from the date the Parent Company obtained control over these subsidiaries. Such amount was offset by the net results of the Parent Company and its remaining subsidiaries. The retained earnings of both Solid and APO are not available for declaration as dividends by the Parent Company until declared by the respective investees.

24F) CAPITAL MANAGEMENT

The Company's objectives when managing capital are to increase the value of shareholders' investment and maintain high growth by applying free cash flow to selective investments. The Company sets strategies for the Company with the objective of establishing a versatile and resourceful financial management and capital structure.

The BOD has overall responsibility for the monitoring of capital in proportion to risk. Profiles for capital ratios are set in the light of changes in the Company's external environment and the risks underlying the Company's business operations and industry. The Company's capital is defined as "Stockholders' Equity" as shown in the consolidated statements of financial position.

The Company is not subject to externally imposed capital requirements. The Company's net debt to equity ratio at the reporting dates is as follows:

	2016	2015
Total liabilities	P22,357,672	P190
Less cash and cash equivalents	(1,337,155)	(4,922)
Net debt (excess cash)	P21,020,517	(P4,732)
Total equity	P28,684,212	P4,732
Net debt to equity ratio	P0.73:1	- P1:1

NOTE 25 - BASIC AND DILUTED EARNINGS PER SHARE

The earnings per share ("EPS") calculation reflects the effect of the stock split resulting from the decrease in par value of the common stock from P100 to P1 per share, which was approved by the SEC on May 20, 2016 (see Note 24A). The change resulted in an increase in the weighted average number of shares outstanding used in the 2015 computation from 109,195 shares to 10,919,452 shares. The amounts considered for the calculation of earnings per share ("EPS") for the year ended December 31, 2016 and for the period from September 17 to December 31, 2015 are as follows:

		2016	2015
Profit (loss) (a)	P	1,413,466	(4,446)
Add: non-controlling interest net loss		24	–
Controlling interest in net income		1,413,490	(4,446)
Weighted average number of shares outstanding - Basic/Diluted (b)		2,845,589,135	37,600,000
Basic/Diluted earnings (loss) per share (a/b)	P	P0.50	(P0.12)

As at December 31, 2016 and 2015, the Company has no dilutive equity instruments.

NOTE 26 - COMMITMENTS AND CONTRACTUAL OBLIGATIONS

As at December 31, 2016 and 2015, the Company had the following contractual obligations. It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

		December 31, 2016				2015
Obligations		Less than 1 year	1-5 Years	More than 5 Years	Total	Total
Long-term payable to related parties [1]	P	1,219,843	17,995,563	4,744,420	23,959,826	–
Operating leases [2]						–
Vessel lease		141,952	125,541	–	267,493	–
Land lease		91,139	455,695	1,640,502	2,187,336	–
Warehouse lease		27,594	173,024	–	200,618	–
Office lease		16,711	88,683	64,182	169,576	–
Retirement plans and other benefits [3]		31,130	235,199	1,517,859	1,784,188	–
Total contractual obligations	P	1,528,369	19,073,705	7,966,963	28,569,037	–

1 The payables pertain to the Company's loan from New Sunward Holding B.V. and CEMEX Asia B.V. Loan with New Sunward Holding B.V. bears interest at 7.535% per annum and payable in four annual installments starting March 2020 until March 2023. Loan with CEMEX Asia B.V. bears interest at an annual rate equal to 6-month LIBOR plus 450 basis points. The loan is unsecured and is due to be paid in 2018 and 2019 for Solid and APO, respectively.

2 The Company leases its vessels, land, warehouses and office premises under operating leases with periods ranging from 1 - 25 years. Total rental expenses recognized in profit or loss by the Company from these operating leases amounted to P355,213 and nil for the year ended December 31, 2016 and for the period from September 17 to December 31, 2015, respectively. The amounts of payments under operating leases have been determined on the basis of nominal cash flows.

3 Represents the estimated payments for retirement benefits over the expected maturity of the retirement and other benefit liabilities (see Note 22). Future payments include an estimation of new pensioned personnel over those years.

NOTE 27 - CONTINGENCIES FROM LEGAL PROCEEDINGS

As at December 31, 2016, the Company is involved in various legal proceedings of minor impact that have arisen in the ordinary course of business. These proceedings involve: 1) claims for environmental damages; 2) claims to revoke permits and/or licenses; 3) national and local tax assessments; 4) labor claims; and 5) other diverse civil actions. The Company considers that in those instances in which obligations have been incurred, the Company has accrued adequate provisions to cover the related risks. The Company believes these matters will be resolved without any significant effect on its business, consolidated financial position or consolidated financial performance. In addition, in relation to ongoing legal proceedings, the Company is able to make a reasonable estimate of the expected loss or range of possible loss, as well as disclose any provision accrued for such loss, but for a limited number of ongoing proceedings. The Company may not be able to make a reasonable estimate of the expected loss or range of possible loss or may be able to do so but believes that disclosure of such information on a case-by-case basis would seriously prejudice Company's position in the ongoing legal proceedings or in any related settlement discussions. Accordingly, in these cases, the Company has disclosed qualitative information with respect to the nature and characteristics of the contingency, but has not disclosed the estimate of the range of potential loss.

NOTE 28 - MAIN SUBSIDIARIES

The Parent Company's direct and indirect subsidiaries as at December 31, 2016 are as follows:

Entities	Country of Incorporation	Main activity	% of interest
CAR	Switzerland	Services	100.0
Falcon	Barbados	Insurance	100.0
Edgewater Ventures Corporation	Philippines	Holdings	100.0
Triple Dime Holdings, Inc.	Philippines	Holdings	100.0
APO	Philippines	Cement	100.0
Bedrock Holdings, Inc.	Philippines	Holdings	100.0
Sandstone Strategic Holdings, Inc.	Philippines	Holdings	100.0
Solid	Philippines	Cement / Concrete	100.0
Ecocast Builders, Inc.	Philippines	Construction	100.0
Ecocrete, Inc.	Philippines	Services	100.0
Ecopavements, Inc.	Philippines	Construction	100.0
Enerhiya Central, Inc.	Philippines	Energy	100.0
Newcrete Management, Inc.	Philippines	Services	70.0

NOTE 29 - SUBSEQUENT EVENTS

On February 1, 2017, the Parent Company signed a Senior Unsecured Peso Term Loan Facility Agreement with BDO Unibank, Inc. ("BDO") for an amount of up to the Philippine Peso equivalent of U.S. dollar 280 million, to refinance a majority of the Parent Company's outstanding long-term loan with New Sunward Holding B.V. The term loan provided by BDO will have a tenor of seven (7) years from the date of the initial drawdown on the facility and will consist of a fixed rate and a floating rate tranche.

Building the Nation through Corporate Social Responsibility

"CEMEX prioritizes the conservation of earth's resources. Under Build the Environment cluster, we strive to maintain our strong multi-sectoral resolve to keep a cleaner land, ocean, and air."

Build the Nation Together is CEMEX Philippines' umbrella Corporate Social Responsibility (CSR) program. Its advocacies, implemented by **CEMEX Philippines Foundation, Inc. (CPFI)**, are dedicated to empower communities and uplift the lives of its beneficiaries through sustainable programs for the society and the environment. These programs are awarded and recognized as best in class by several organizations including the Federation of Philippine Industries and the World CSR Committee. CEMEX is likewise an active member of the League of Corporate Foundations (LCF), Philippine Business for the Environment (PBE), Philippine Business for Social Progress (PBSP), and other advocacy groups in the country.

CPFI's Build the Nation Together program has eight pillars, namely: Build the Environment, Build Communities, Build Education, Build Skills and Livelihood,

Build Communities

Build a Safe and Healthy Citizenry, Build Volunteerism, Build Sustainable Partnerships, and Build Arts and Culture. These focus areas allow us to reach out and help thousands of beneficiaries in the country.

CEMEX prioritizes the conservation of our earth's resources. Under Build the Environment cluster, we strive to maintain our strong multi-sectoral resolve to keep a cleaner land, ocean, and air.

Build the Environment

Our Adopt-a-Species program is a science-based and community-focused framework for long-term conservation of the ecology. Our adopted species in the last decade were the Butanding (whale shark), Philippine tarsier, Negros bleeding heart pigeon, and Philippine eagle. This program is considered as a landmark initiative which reinforces the Department of Environment and Natural Resources' (DENR) call for the private sector to support the conservation of endangered species in the Philippines.

Moreover, CEMEX actively participates in the National Greening Program (NGP) of the government.

Meanwhile, our Build Communities cluster aims to support communities to become self-sustaining. Our efforts to help our community members in San Jose, Antipolo and Naga, Cebu have empowered them through our sustainable skills and livelihood programs, under the Lingap San Jose and Amoma Naga community development initiatives.

Other significant programs of the Foundation include, Experto Ako! Skills Training Program in cooperation with Technical Education and Skills Development Authority (TESDA), Images of Progress in Action (IMPACT) Students' Festival, and Help. Engage. Reach. Out. (H.E.R.O.) Employee volunteerism program, among others.

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