COVER SHEET

A S O 9 5 0 0 2 2 8 3

SEC Registration Number

D M C I H O L D I N G S , I N C .

(Company's Full Name)

3 R D F L R . D A C O N B L D G . 2 2 8 1

P A S O N G T A M O E X T . M A K A T I C I T Y

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

HERBERT M. CONSUNJI

Contact Person

888-3000

Company Telephone Number

(Last Wednesday of July)

1 2 / 3 1

Month Day

Fiscal Year

SEC Form 17-A

FORM TYPE

0 7 / 2 6

Month Day

Annual Meeting

N.A.

Secondary License Type, If Applicable

C F D

Dept Requiring this Doc

Amended Articles Number / Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A, AS AMENDED

ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended **December 31, 2005.**

2. SEC Identification Number AS095-002283 3. BIR Tax Identification No. 004-703-376

4. Exact name of issuer as specified in its charter DMCI Holdings, Inc.

5. Philippines
Province, Country or other jurisdiction of incorporation or organization

6. (SEC Use Only)
Industry Classification Code:

7. 3rd Floor, Dacon Building, 2281 Pasong Tamo Ext., Makati City — 1231
Address of principal office — Postal Code

8. Tel. (632) 888-3000 Fax (632) 816-7362
Issuer's telephone number, including area code

9. Not applicable
Former name, former address, and former fiscal year, if changed since last report.

10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Shares, Php 1.00 Par	1,127,747,000
Preferred Shares, Php 1.00 Par	7,530
Common Shares, Php 1.00 Par	150,000,000

11. Are any or all of these securities listed on a Stock Exchange.

Yes [X] No [ ]

If yes, state the name of such stock exchange and the classes of securities listed therein:

Philippine Stock Exchange — Class "A" Shares & Preferred Shares

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation

Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);

Yes [X]   No [ ]

(b) has been subject to such filing requirements for the past ninety (90) days.

Yes [X]   No [ ]

13. **Php 1,979,159,044.68**
The aggregate market value of the voting stock held by non-affiliates of the registrant

APPLICABLE ONLY TO ISSUERS INVOLVED IN INSOLVENCY/SUSPENSION OF PAYMENTS PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

14. Not applicable
Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the Commission.

DOCUMENTS INCORPORATED BY REFERENCE

15. If any of the following documents are incorporated by reference, briefly describe them and identify the part of SEC Form 17-A into which the document is incorporated:

(b) Audited Financial Statements as of December 31, 2005

PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business
(Part I, par. (a) of Annex C)

DMCI Holdings, Inc. (the "*Company*") was incorporated on March 8, 1995 as a holding company to consolidate all construction business, construction component companies and related interests of the Consunji Family. It was listed on the Philippine Stock Exchange on December 18, 1995.

In only a few years after incorporation, the Company has expanded its business organization to include four major subsidiaries, namely: D.M. Consunji, Inc. (DMCI), DMCI Project Developers, Inc. (PDI), Atlantic Gulf and Pacific Company of Manila, Inc. (AG&P) and Semirara Mining Corporation [(SMC) (formerly Semirara Coal Corporation)].

DMCI, a wholly owned subsidiary, is engaged in general construction services– the Group's core business. It is also engaged in various construction component businesses such as the production and trading of concrete products and electrical and foundation works. Incorporated and founded in 1954, DMCI is currently one of the leaders in the Philippine construction industry, noted for quality projects delivered on time and its pioneering application of advanced engineering methodology. In addition, DMCI, together with its affiliate PDI, is actively engaged in real estate sales and development, launching its housing component - ***DMCI Homes***, in early 2002.

PDI, another wholly owned subsidiary incorporated in 1995, is engaged in construction business-generating investments primarily through its equity participation in various project and infrastructure development activities. These ventures generate not only investment income but also construction business for DMCI. Currently, PDI, hand in hand with affiliate DMCI, is actively engaged in real estate sales and development.

AG&P, a 46%-owned subsidiary, is engaged in heavy fabrication, industrial construction and engineering services. Established in 1900, it is the oldest and largest in the local industry, and caters largely to major oil and gas companies worldwide. Currently, adverse business conditions prompted the company to undergo a corporate rehabilitation.

SMC, a 60%-owned publicly listed company established in 1980 is engaged in the exploration, mining, development and sales of coal resources on Semirara Island in Caluya, Antique. It is currently the Philippines' largest coal-producing company with a guaranteed long-term market by virtue of its supply contract with state-run National Power Corporation (NPC).

(1)(c) Any material reclassification, merger, consolidation, or purchase or sale of a significant amount of assets not in the ordinary course of business. – ***None***

(2) Business of Issuer

(a) Description of Registrant

(v) **Competition**. – *Among the publicly listed companies, DMCI Holdings, Inc. is the only holding company which has construction for its primary investment, Its construction business is primarily conducted by wholly owned D.M. Consunji, Inc. (DMCI), which has, for its competitors, numerous construction contracting companies, both local and foreign, currently operating in the country. It has been an acknowledged trend that the state of construction industry depends mainly on prevailing economic conditions. Thus, the currently weak economic growth explains the continued slump in the construction industry. Given this trend, DMCI has been focusing on selected markets where construction demand has remained relatively strong, particularly, in housing and civil works. This is where the company believes it can compete effectively given its strong construction capabilities, equipment and manpower complement, and track record.*

(vi) **Sources and availability of raw materials and the names of principal suppliers**; If the registrant is or is expected to be dependent upon one or a limited number of suppliers for essential raw materials, energy or other items, describe. Describe any major existing supply contracts. – ***Not applicable to DMCI Holdings, Inc. For DMCI, it has its own pool of equipment and construction materials supply. For Semirara, it has an existing long term supply contract with National Power Corporation (NPC) for its power plant in Calaca, and with Toledo Power Plant.***

(vii) Disclose how dependent the business is upon a single customer or a few customers, the loss of any or more of which would have a material adverse effect on the registrant and its subsidiaries taken as a whole. Identify any customers that account for, or based upon existing orders will account for, twenty percent (20%) or more of the registrant's sales; Describe any major existing sales contracts – ***Not applicable to DMCI Holdings, Inc. For SMC, it has an existing long term supply contract with National Power Corporation (NPC) which accounts for approximately 98% of its revenues.***

(viii) Transactions with and/or dependence on related parties – ***Aside from inter-company transactions within the group of companies, and SMC's long term supply contract with NPC, the Company has no known transactions with and/or dependence on related parties.***

(ix) Summarize the principal terms and expiration dates of all patents, trademarks, copyrights, licenses, franchises, concessions, and royalty agreements held; Indicate the extent to which the registrant's operations depend, or are expected to depend, on the foregoing and what steps are undertaken to secure these rights – ***Not applicable to DMCI Holdings, Inc. For DMCI, it is and remains a triple-A ("AAA") licensed contractor, given by the Philippine Construction Accreditation Board (PCAB), in consideration of certain minimum requirements such as: (1) financial capacity; (2) equipment capacity; (3) experience of firm; and (4) experience of***

technical personnel. For SMC, royalty agreements are: (1) Royalty Agreement with the Department of Energy (DOE) – 3% royalty based on FOB Sales; (2) Royalty Agreement with land claimants – P0.50/MT for untitled land and P1.00/MT for titled land.

(x) Need for any government approval of principal products or services. If government approval is necessary and the registrant has not yet received that approval, discuss the status of the approval within the government approval process – ***None at the moment***.

(xi) Effect of existing or probable governmental regulations on the business – ***Not applicable to DMCI Holdings, Inc. For DMCI, it is required under Philippine laws to secure construction permits and environmental clearances from appropriate government agencies prior to actually undertaking each project. For SMC, it is required under Philippine laws to secure mining and exploration permits, as well as environmental clearances from appropriate government agencies for its continuing operations.***

(xii) Costs and effects of compliance with environmental laws – ***Costs vary depending on the size and nature of a construction project. Failure to comply with the terms of the ECC (environmental compliance certificate) can lead to imposition of fines and temporary cessation of operations.***

Item 2. Properties
(Part I, par. (b) of Annex C)

(B) Give the location and describe the condition of the principal properties (such as real estate, plant and equipment, mines, patents, etc.) that the registrant and its subsidiaries own. If the registrant does not have complete ownership of the property, for example, others also own the property or there is a mortgage or lien on the property, describe the limitations on ownership. Indicate also what properties it leases, the amount of lease payments, expiration dates and the terms of renewal options. Indicate what properties the registrant intends to acquire in the next twelve (12) months, the cost of such acquisitions, the mode of acquisition (i.e. by purchase, lease or otherwise) and the sources of financing it expects to use. - ***All properties are owned by the Company unless otherwise indicated as follows***:

Classification	Property	Location
Condo Office	Wynsum Tower – 4 units	Pasig City
Condo Residential	Renaissance Tower 2000 – 1 unit	Pasig City
House & Lot	Baguio South Drive (AG&P property)	Baguio City
Residential Lot	Plantation Estates (Montecito) – 7 lots	Canlubang, Laguna
	Filinvest – 7 lots	Paranaque City
Commercial / Industrial Lot	Mayapa Property	Calamba, Laguna
	Taguig I Bambang & Wawa	Taguig
	Taguig I Hagonoy	Taguig
	Taguig I Ususan	Taguig
Commercial Lot	Carmona Property	Carmona, Cavite
	Carmona-Restrivera	Carmona, Cavite
Industrial Lot	Kasibulan Property	Cainta, Rizal
	Wella Property	Paranaque City
	Cabuyao Property	Cabuyao, Laguna

	Bancal Property	Carmona, Cavite

The Company and its subsidiaries have no immediate intentions to acquire new properties. In fact, it is in the process of improving and liquifying idle and non-operating properties through outright sale and/or development of its properties.

Item 3. Legal Proceedings

Except for the following, none of the directors, executive officers and nominees for election is subject to any pending material legal proceedings.

(1) Mr. Isidro A. Consunji

People v. Consunji, et al.
Criminal Case No. Q-02-114052
Regional Trial Court, Quezon City, Branch 78

This involves a complaint for violation of Article 315 (2) (a) of the Revised Penal Code ("RPC"), as qualified by Presidential Decree ("PD") No. 1689. Private complainants claim to have been induced to buy shares of stock of Universal Leisure Corporation ("ULC"), on the representation that the latter shall develop a project known as "network of 5 world clubs." ULC, however, failed to develop the project. Mr. Isidro A. Consunji's involvement in this case was pursuant to his being the current Chairman of the Board of Directors of ULC and of Universal Rightfield Property Holdings, Inc. ("URPHI"), the mother corporation of ULC.

On June 6, 2005, the trial court granted the public prosecutor's motion to withdraw information. Private complainants' motion for reconsideration was denied on November 29, 2005. Subsequently, private complainants filed a notice of appeal, which was given due course by the trial court on January 19, 2006. Mr. Consunji moved to strike the notice of appeal for being improper. The motion to strike is pending resolution.

(2) Mr. Isidro A. Consunji and Ms. Ma. Edwina C. Laperal

Reyes, et al. v. Consunji, et al.
IS No. 02-50443-F
City Prosecution Office, Mandaluyong City

This involves a complaint for violation of Article 315 (2) (a), (1) (b), and 316 (2) of the RPC, as qualified by PD 1689, based on substantially the same set of facts mentioned in the case quoted above. Mr. Isidro A. Consunji was implicated as signatory to certain material contracts of ULC while Ms. Edwina C. Laperal was implicated as a director and treasurer of Universal Leisure Club, Inc. ("ULCI"). In a Resolution dated November 27, 2002, the complaint was dismissed. Hence, the complainants filed a motion for reconsideration dated January 15, 2003, which respondents opposed on February 7, 2003. To date, complainant's motion for reconsideration is still pending resolution.

Rodriguez v. Consunji, et al.
IS No. 02-50918
City Prosecution Office, Mandaluyong City

This involves a complaint for violation of Article 315 (1) (b) of the RPC, as qualified by PD 1686, based on substantially the same set of facts discussed above. Mr. Consunji and Ms. Laperal were sued in their capacity as directors and officers of ULC and ULCI. In a Resolution dated November 20, 2002, the complaint was dismissed. Hence, complainant filed a motion for reconsideration dated January 14, 2003, which motion still pends resolution.

Gonzales v. Consunji, et al.
IS No. 03-6480
City Prosecution Office, Quezon City

This involves a complaint for violation of Article 315 (2) of the RPC, based on substantially the same set of facts set forth above. On June 16, 2003, respondents filed their counter-affidavits before the public prosecutor. Since complainants opted not to file a reply, the case is now submitted for resolution.

Item 4. Submission of Matters to a Vote of Security Holders

There were no matters submitted to vote of the security holders during the fourth quarter of the fiscal year covered by this report.

PART II - OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Issuer's Common Equity and Related Stockholder Matters

(A) Market Price of and Dividends on Registrant's Common Equity and Related Stockholder Matters

(1) Market Information

(a) Identify the principal market or markets where the registrant's common equity is traded. If there is no public trading market, so state - ***Both common and preferred shares of DMCI Holdings, Inc. are traded on the Philippine Stock Exchange*.**

(i) If the principal market for the registrant's common equity is a Stock Exchange in the Philippines or a foreign Exchange, state the name of that Exchange and give the high and low sales prices for each quarter within the last two fiscal years and any subsequent interim period for which financial statements are required by SRC Rule 68. – ***See table below***

Common Share Prices		High	Low
2003	First Quarter	0.16	0.16
	Second Quarter	0.23	0.23
	Third Quarter	0.30	0.29
	Fourth Quarter	0.24	0.24
2004	First Quarter	0.21	0.21
	Second Quarter	0.42	0.41
	Third Quarter	2.26	2.08
	Fourth Quarter	3.85	3.70
2005	First Quarter	3.50	3.35
	Second Quarter	2.44	2.38
	Third Quarter	3.30	3.20
	Fourth Quarter	3.15	2.95

Preferred Share Prices		High	Low
2003	First Quarter	775	775
	Second Quarter	775	775
	Third Quarter	775	775
	Fourth Quarter	775	775
2004	First Quarter	775	775
	Second Quarter	775	775
	Third Quarter	775	775
	Fourth Quarter	775	775
2005	First Quarter	775	775
	Second Quarter	775	775
	Third Quarter	775	775
	Fourth Quarter	775	775

(b) If the information called for by paragraph (A) of this Part is being presented in a registration statement filed pursuant to Section 12 or in an annual report filed pursuant to Section 17 or in an information statement filed pursuant to Section 17.1(b) or in a proxy statement filed pursuant to Section 20 of the Code, respectively, the document shall also include price information as of the latest practicable trading date, and, in the case of securities to be issued in connection with an acquisition, business combination or other reorganization, as of the trading date immediately prior to the public announcement of such transaction. – **Price information as of the latest practicable trading date: As of May 30, 2006: HIGH 3.95, LOW 3.90, CLOSE 3.90, VOLUME 695,000.**

(c) If the information called for by paragraph (A) of this Part is being presented in a registration statement relating to a class of common equity for which at the time of filing there is no established public trading market in the Philippines, indicate the amounts of common equity – ***Not applicable***

(2) Holders

(a) Set forth the approximate number of holders of each class of common equity of the registrant as of the latest practicable date but in no event more than ninety (90) days prior to filing the registration statement. Include the names of the top twenty (20) shareholders of each class and the number of shares held and the percentage of total shares outstanding held by each. - ***Number of Shareholders:*** **As of April 30, 2006 the Company had a total of 1,052 shareholders of which 1,029 were holders of common shares and 23 were holders of preferred shares.**

Top 20 Common Shareholders: The list of the Top 20 common shareholders as of ***April 30, 2006*** *as contained in Exhibit (2) is herein incorporated by reference.*

(3) Dividends

(a) Discuss any cash dividends declared on each class of its common equity by the registrant for the two most recent fiscal years and any subsequent interim period for which financial statements are required to be presented by SRC Rule 68. – ***See below***:

1. On April 7, 1999, the Company paid the semi-annual dividend of 2.5 % for last semester of the second year to the holders of the preferred shares.
2. On October 7, 1999, the Company paid the semi-annual dividend of 3.6 % for the first semester of the third year to the holders of the preferred shares.
3. On April 7, 2000, the Company paid the semi-annual dividend of 3.6% for last semester of the third year to the holders of the preferred shares.

4. On October 7, 2000, the Company paid the semi-annual dividend of 3.6% for the first semester of the fourth year to the holders of the preferred shares.

(b) Describe any restrictions that limit the ability to pay dividends on common equity or that are likely to do so in the future. – ***There are no contractual or other restrictions on the Company's ability to pay dividends. However, the ability of the Company to pay dividends will depend upon the amount of distributions, if any, received from the Company's operating subsidiaries and joint venture investments and the availability of unrestricted retained earnings. The Company's operating subsidiaries however are restricted on the declaration and payment of dividends, as limited by negative covenants entered into by the operating subsidiaries with outside parties.***

(4) Recent Sales of Unregistered Securities - ***NONE***

Item 6. Management's Discussion and Analysis of Plan of Operation.

MANAGEMENT DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION FOR THE PERIOD ENDED DECEMBER 31, 2005

DMCI Holdings, Inc. (the "Company") is a holding company which derives its income from its investments. Its major investments are in: Semirara Mining Corp. (SMC), which operates the coal mining operations; DMCI Project Developers, Inc. (PDI), which reports on the real estate segment; and D.M. Consunjji, Inc. (DMCI), which manages the construction business and also shares in the real estate business.

I. RESULTS OF OPERATIONS

The Company and its subsidiaries reported a consolidated income of P4.1 billion and P1.5 million for 2005 and 2004 respectively. The 173% increase was due mainly to: gains in the investments business; continuous significant contributions from the coal mining business; the exceptional performance of the real estate segment; and the business provided by the construction industry.

INVESTMENTS

The year proved to be a record year for the investment business of the Company after the public offer of SMC early in 2005. We recall that in 1997, the Company initially invested a net cost of P562 million for 40% ownership in SMC and over time was increased to 94.5%. The acquisition of SMC was more as a backward integration to supply coal as a raw material for cement to be used in DMCI and the construction industry. But due to the economic slowdown from the Asian Crisis that adversely affected the construction business, the Company decided to discontinue its expansion for cement production and to just continue to operate SMC as a basic coal mining company. With the recent boom in the coal industry experienced in 2004, the Company decided to grab the opportunity to re-offer SMC to the public. In this regard, SMC was able to issue new shares and the Company was able to sell its shares in SMC. This gave the Company net gains totaling P2.38 billion, a far cry from its initial investment of P562 million. Moreover the percentage of ownership was maintained at 60%, with SMC repurchasing shares into treasury which again increased the net ownership to 63% by the end of 2005.

Moreover, the current outlook in the real estate sector (see Real Estate discussion below) has prompted the Company to intently look into the prospect of expanding the business.

Armed with the experience, liquidity and the new found reputation and confidence from the SMC sale, the Company is currently on the look out for other opportunities in its investments business.

COAL MINING

2005 was again a record-breaking year for the Company's coal mining business, reported under 63%-owned and publicly listed Semirara Mining Corp. (SMC), as coal revenues and bottom line reached the same peaks from last year with even a very adequate 10% growth. The sale of shares in SMC reduced net contributions from P1.3 billion to P1 billion as the Company's percentage of ownership went down from 94% to 63% in 2004 and 2005 respectively. This however provided for a higher share for the minority interest.

Below is SMC's Management Discussion and Analysis as discussed in its own financial report for 2005:

SEMIRARA MINING CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(YEARS 2003-2005)

<u>Full Years 2004-2005</u>

I. PRODUCTION

Anticipating the increased requirements for Semirara coal reflective of growing global demand, Semirara Mining Corp. (SMC) geared up its modernization and expansion program commencing on the second half of 2004. Additional importation of production equipment like trucks and shovels and support equipment in terms of bulldozers and graders for 2005 established the company's targeted 3.5 million metric tons (MT's) coal production capacity for the year.

Despite the increased capacity however, coal production was constrained by the failure of certain projected sales to materialize primarily due to the prolonged maintenance shutdown of the company's largest consumer, National Power Corp.'s (NPC) Calaca plant number 2. What was supposedly a regular 60-day annual maintenance shutdown extended for almost 9 months as a series of technical problems were encountered by NPC whenever they attempted to put the plant back on line. Consequently, coal production had to be restrained to market absorption capacity, while advance stripping of waste materials to the point of coal exposure was pursued to use available capacity particularly, during the first 3 quarters of the year. Advance stripping combined with restrained coal production however, resulted into a higher waste material to coal ratio (or strip ratio) of 8.02:1 as against last year's 6.02:1.

In 2005, an unprecedented 3.2 million MT's of Run-of-Mine coal (ROM) was produced out of a likewise historic total material movement of 27.9 million bank cubic meters (bcm). This is a marked improvement over last year's performance of 2.8 million ROM and 19 million bcm or a growth performance of 14% and 47% respectively. This level of production translated to Total Product Coal of 2.9 million MT's, 16% more than 2004 performance of 2.5 million MTs.

It is worth mentioning that during the year, the company has completed the installation of a single pass cyclone centrifugal washing system which effectively brings down washing cost. On the other hand, the completion of the Feeder-crusher and Conveying System marked the company's continuing program for quality improvement.

The system aims to improve coal quality in terms of standardizing coal sizes to meet customer specifications. The crusher is connected to a conveyor system which could bring down fuel costs as it tends to reduce hauling of materials by trucks thus, contributing to the cost-cutting program set by management. It has a rated capacity of 6.7 million bcm equivalent to 18% of total material handling capacity of 37.2 million bcm.

II. MARKET

At the onset of 2005, National Power Corporation's (NPC) Calaca Plant #2, the single biggest user of Semirara coal that historically accounts for more than 50% of the of the total sales volume, was shut down for a regular maintenance check scheduled for 60 days. However, various technical problems were encountered in the course of the repairs whereby the plant was not fully restored until the last quarter of the year. This unforeseen prolonged shutdown has resulted into a substantial shortfall against sales targets. Whereas sales target for Calaca was 1.8 million MT's corresponding to their indicated requirements, actual volume sold instead fell by 228 thousand MTs, from 2004 sales level of 1.45 million MTs to 1.23 million MTs in 2005. This development translated into a decline in Calaca's market share from 58% of annual sales volume in the previous year to 49% in 2005.

On a positive note, purchases from other NPC – Independent Power Producers (IPP) power plants, namely Sual and Pagbilao plants, have posted higher volumes of 147 thousand MT's and 61 thousand MT's respectively, an increase of 75 thousand MTs and 26 thousand MTs, over last year's volume. Deliveries to Sual were 72 thousand MT's while Pagbilao coal liftings was only 35 thousand in 2004. This partially offset the decrease in NPC's market share from 62% in 2004 to 58% in the current period.

The thrust towards market diversification that is, non-NPC markets, likewise, have posted an aggregate increase in sales volume by 95 thousand MT's making up for Calaca's shortfall. Despite a slow start, saddled with high inventory at the beginning of the year, cement plants purchases increased by 109 thousand MTs over 2004 volume. A marked increase of 148 thousand MT's was accounted for by APO Cement after certain plant recalibration and adjustments enabled it to use 100% Semirara coal. Deliveries to Solid Cement were also initiated during the year amounting to 18,000 MT's. On the other hand, PNOC purchases declined by 58 thousand MT's from 488 thousand MT's in 2004 to 430 thousand MT's this year tempering the otherwise robust growth from the cement sector. Market diversification is further realized with deliveries of 22 thousand MT's to PICOP Resources, a paper mill located in Surigao del Norte. These are significant developments in that they reflect the growing market acceptance of Semirara coal not only in the Power industry but other industries like Cement and Paper Milling. The poor quality image of Semirara coal is now a thing of the past.

Combined, total sales volume for 2005 amounted to 2,479,461 MT's, slightly lower by 33,422 MT's compared with last year's performance of 2,512,833 MT's or 1.3%. Composite FOB selling price posted at P2,205/MT in 2005, a 12% increase over the 2004 figure of P1,974/MT. The improvement is mainly a consequence of the full year effect of high coal prices in the current year which started to rise dramatically only by the second half of 2004. NPC sales averaged P2,490/MT FOB, higher by P177/MT compared to last year's prices of P2,313/MT or 7.7%. On the other hand prices for non-NPC deliveries averaged P1,815/MT FOB, improving by P397/MT from 2004 level of P1,418/MT equivalent to 28% , largely due to increased volumes from the cement industry as Semirara coal continues to gain wider market acceptance.

III. FINANCE

<u>Sales and Profitability</u>

Despite the slight dip in sales volume, improved prices lifted Revenues to P5.6 billion, P500 million more than last year's performance of P5.1 billion or 9.8 %. Coal sales accounted for P5.466 billion while the balance of P87 million was generated from coal handling services at the Calaca plants. Coal revenues grew by P506 million or 10% from last year's level of P4.960 billion. On the other hand, the prolonged shutdown of Calaca plant number 2 caused coal handling revenue to drop from P106 million in 2004 to P87 million in 2005 equivalent to 18% as less coal was delivered.

Cost of sales in 2005 amounted to P3.3B (inclusive of cost of coal handling of P113.4 million). Cost of coal sold per MT is 17.5% higher at P1,287 compared to last year's cost of P1,095 (as restated according to new IFRS/IAS reporting standards). The higher cost per MT of coal sold may be attributed to several factors: One, the substantial increase in the price of fuel during the year that resulted into higher fuel cost of P299/MT versus last year's P191 /MT or 57%; Two, the adoption of the change in depreciation policy shortening depreciable life of mining equipment from 5 years to 3 years likewise increased depreciation cost per MT to P 500 from last year's P334/MT equivalent to 50%. This was offset by lower cost per MT of Materials and Parts from P320 in 2004 to P240 in 2005 or a drop of 25%. The higher strip ratio of 8.02:1 in 2005 versus 6.02:1 in 2004, pulled up production cost further, contributing to the higher cost of coal sold per MT. With higher Cost of Sales, gross profit margin ratio dipped slightly to 40% from last year's profitability ratio of 44%. In absolute amounts however, Gross Profit earned of P2.25 billion in 2005 still posted a slight 1% improvement over 2004 Gross Profit of P2.22 billion.

Operating Expenses were reduced by P14 million in spite of increases in Department Of Energy Royalty due to higher coal revenues by P10.2 million (from P148.6 million in 2004 to P 158.8 million in 2005), Transportation and Travel by P20.2 million (from P6.6 million in 2004 to P26.8 million in 2005) largely due to the International shares offering undertaken during the year and Personnel Costs by 21.6 million. On the other hand, no new real property tax, Provision for Inventory Obsolescence and Provision for Doubtful Accounts were recognized during the year whereas , these expenses accounted for P63.4 million of Total Operating Costs in 2004. Operating Income earned amounted to P1.98 billion in 2005 slightly better than 2004 earnings of P1.94 billion equivalent to a 2% growth. As a percentage of Revenues however, it registered lower at 36% vis-à-vis 38% in 2004.

Interest and Other Financing Charges for the year dropped dramatically from P438.9 million in 2004 to P118.5 million in the current year. The prepayment of most restructured loans and new loans requiring corporate guarantees of DMC Holdings, Inc. and DM Consunji Inc. and secured by real estate assets of affiliated companies cancelled the guarantee fees and collateral fees being charged to Semirara. Repayment of these loans early in the year likewise contributed to bringing down interest cost. Lower borrowing rates were also experienced due to the general downward trend in rates for foreign and local loans as well as the improved credit rating of the company. In addition, Foreign Exchange Gains of P98.1 million was recognized in 2005 compared to the Losses in 2004 of P15 million when the year ended with an exchange rate of P53.09 to US$1 from the P56.28 to US$1 at the beginning of the year. Excess cash during the year earned interest income to the tune of P55.1 million largely comprising the Other Income of P59.5 million earned, much higher than the P2.8 million in 2004.

Income Before Tax resulting from the foregoing jumped from P1.49 billion in 2004 to P2.02 billion in 2005 or 36% of Revenue, 7% higher than last year's 29%. However, much higher Provisions for Income Tax had to be made vis-à-vis last year (for which only the Minimum Corporate Income Tax was provided) as remaining Net Operating Loss Carry-Over (NOLCO) benefits were limited. From last year's provision of P41.97 million, 2005 provision for income taxes (current) amounted to P435.94 million or 10.4x higher. This finally translates to Net Income After Taxes of P1.592 billion posting a respectable 10.6% growth from last year's level of P1.439 billion. As a percentage of revenue however, 2005 performance is equivalent to 29% or 1% better than last year's 28%.

Financial Condition, Solvency and Liquidity

A new milestone was etched in the Company's history when it successfully went on an international public offering in 4 February 2005 - an event that reactivated the trading of Semirara stocks at the Philippine Stock Exchange. The exercise had brought P1.6 billion into the coffers of the Company, providing sufficient liquidity to fully pay its restructured local and foreign debts and update trade accounts. In addition, it enabled the Company to pay the required down payments for new mining equipments programmed for its modernization and expansion to augment production capacity.

Another first in the Company's history is the declaration of cash dividends of P1.20 per share for stockholders of record as of March 27, 2006. This was approved by the Board of Directors in its special meeting last 6 March 2006, in fulfillment of management's commitment to company's shareholders to pay a minimum of 20% of Audited Net Profit After Taxes starting Year-ending 2005. Total payment will amount to approximately P333 million, representing around 20.9% of the year's Net Profit After Taxes of P1,592,342,821. However, this is not yet reflected in the 2005 Financial Statements since actual declaration and payment of dividends were done after the 31 December 2005 audit cut-off.

Despite the improved profitability, Net Cash Provided by Operating Activities reflected a 13.3% decline from P1.5 billion in 2004 to P1.3 billion in the current period which was primarily caused by increase in Inventories by P811.3 million, Receivables by P367 million and payment of Accounts and Other Payables of P581.4 million.

Consistent with the capacity expansion program of the Company, net cash used in investing activities surged to P1.2 billion, largely comprised of investments in additional production equipments, marking a 43% increase over the previous year's figure of P824.3 million.

Meanwhile, debt service of long-term debt continuously improved to the tune of P1.253 billion in 2005 as the Company becomes more liquid with the inflow of fresh and cheaper loans to finance its Capital Expenditures Program and the proceeds of the public offering.

The public offering, coupled with better coal prices have boosted the Company's cash generation, recording a hefty increase of 3,753% from P35 million in 2004 to P1.33 billion in the current year.

The combined effects of the foregoing are a more robust Balance Sheet for the year 2005. Current ratio is impressive at 3.39:1, compared to last year's ratio of 1.02:1.

Total Assets of the Company has dramatically surged to P6.9 billion from the previous year's level of P3.9 billion. The increase mainly came from higher levels of Current Assets from P1.47 billion in 2004 to P3.95 billion in the current year. The 46%

increase in Receivables is mainly trade related reflecting the increase in Revenues. Also, Due From Related Parties amounting to P68.48 million was lodged. These are operating advances chargeable against subsequent billings on coal freight charges and equipment rentals. On the other hand, the increase in inventories reflected higher coal production towards the end of the year and increase in Materials and Supplies. Materials inventory included P76 million worth of conveyor belts which will be subsequently installed to the company's material handling facilities and reclassified to Property, Plant and Equipment and P97 million worth of fuel, oil and lubricants which was delivered towards the end of the year. Meanwhile the growth in Other Current Assets is due to additional Creditable Withholding Taxes on coal sales withheld by customers.

Additional investments in Property, Plant and Equipment (PPE) amounting to P1.78 billion, offset by increased Accumulated Depreciation based on the change in depreciation policy (wherein Estimated Useful Life of Conventional equipment have been reduced from 5 years to 3 years), translated into a 23% increase over last year's PPE of P2.38 billion. Meanwhile, marginal deposits on importation of new equipment amounting to P42.82 million mainly caused the 40% increase in Other Non-Current Assets. The combined effect of these two accounts is a 24% increase of Non-Current Assets from P2.39 billion in 2004 to P2.97 billion in 2005.

Despite substantial long-term borrowings to finance acquisition of mining equipment, Total Liabilities marked a slight increase of 9% from P2.50 billion in 2004 to P2.74 billion in 2005. While Current Liabilities shrunk by P281.6 million or 19% largely due to payment of Accounts and Other Payables offset by increases in Income Tax Payable and Current Portion of Long-Term Debt , Non-Current Liabilities rose by P516 million or 49% mainly as a consequence of new Long-Term Borrowings for the importation of equipment.

The payment of Accounts and Other Payables include debt service of Department of Energy (DOE) past due and current accounts amounting to P193.3 million and P163.5 million, respectively. Likewise, Trade Payables dropped from P282.9 Million in 2004 to P86.4 Million in the current year, while Due to Related Parties amounting to P152.7 million in the previous year was totally paid off. The movements of these two items mainly caused the decrease of the account to P388.74 million in 2005 from P985.0 million in the previous year.

The procurement of additional mining equipment which forms part of the Company's capacity expansion program prompted the drawdown of new loans to finance the same. Bank loan balances increased from P428.41 million in 2004 to P1.13 billion in the current year, however, only P176.6 million represents current portion, while Acceptances and Trust Receipts Payable amounting to P262.96 million, with a current portion of P176.48 million were availed. Meanwhile, Payable to Foreign Suppliers significantly dropped to P467.78 million in 2005 from previous year's level of P922.26 million.

With the Net Operating Loss Carry Over incentive (NOLCO) exhausted, the Company started to provide for regular tax liability. At the end of the period, an Income Tax Payable of P324.11 million was recognized in its books.

The decrease in Customers Deposits represents coal deliveries against deposits during the year. Aside from deliveries made to fulfill current deposits from new customers, the Company continued to deliver coal against NPC deposits covered by the Memorandum of Agreement entered into between the two parties in 28 September 1990. From P61.09 million in 2004, the amount was reduced to P35.60 million in the current period.

In accordance with the Philippine Accounting Standards (PAS) 19, the Company has acknowledged its liability to fund the retirement benefits of its employees. The Pension liability has increased to P42.3 million in 2005 from P34.50 million in the previous year.

Due to the adoption of the New IFRS/IAS, changes in accounting standards caused restatement of the company's prior years financial statements and the recognition of certain deferred tax liabilities. From the P7.73 million deferred tax liability recognized in 2004, it increased to P61.83 million in 2005.

The capital restructuring program undertaken by the Company the previous year aimed to strengthen its Balance Sheet had paved the way to the public offering of additional shares to both international and local investors at the early part of the year. On 4 February 2005, the Company successfully sold 46.875 million shares with a par value of P1, increasing its capital stock to P296.875 million from 250 million at the start of the year. At an offering price of P36/share, an Additional Paid-In Capital of P1.58 billion (net of expenses) was recognized. Improved profit levels resulted to the increase in Retained Earnings from P1.11 billion in 2004 to P2.7 billion in 2005, P1 billion of which was authorized by the Board of Directors (BOD) on 4 April 2005 for Appropriation to Capital Expenditures. Meanwhile, the BOD subsequently approved a shares buy-back program towards the latter part of the year. As of the end of 2005, total shares held in Treasury amounted to 13.8 million, costing P383.63 million. Total Equity has improved by 208% to P4.2 billion from P1.4 billion in 2004. As a result Debt-to-Equity ratio likewise posted a huge improvement from 1.84 in 2004 to 0.65 in the current year.

<u>Performance Indicators</u>

***1. Production & Sales Volume** – The level of production is an indicator of the Company's capacity to produce which implies its responsiveness to growth in market demand. However, during the period coal production was restrained to the market's absorption capacity as certain sales targets failed to materialize. The prolonged maintenance shutdown of the company's single biggest consumer, NAPOCOR's Calaca Plant No. 2 primarily caused the decline in the company's sales volume for the period. This adverse market development hindered the Company in achieving its sales target of 3.5 million for 2005. Instead, volume sold dropped by 1% from 2.513 million MTs in 2004 to 2.479 million MTs in the current year. However, on the positive side, it should be noted that the Company's thrust for market diversification has continued to progress as sales to other non-traditional markets have further increased.*

***2. Average Selling Price** – This performance indicator demonstrates the effect of movement in global coal prices on the pricing of Semirara coal. When coal price soared during the early part of 2004, it took two quarters before the company felt the benefits. This delayed effect is attributed to the pricing mechanism of the Company's Coal Supply Agreement with NAPOCOR'S Calaca Power Plants. Being at import parity pricing, prices will only change when actual importation of coal is done during the quarter otherwise, the old price based on the last importation stays. Such that, in 2005, the Company enjoyed stable prices as NAPOCOR-Calaca did not import coal until September 2005. The P2,205 composite average prices per MT is the highest price ever for Semirara coal.*

***3. Capital Expenditures** - The lead time for acquiring mining equipment ranges from six months to one year. Hence, management has taken steps to assure that sufficient equipment complement is kept at all times with some provision for critical redundancy. The timing of Capital Expenditures is crucial to minimize opportunity cost. Although the period's actual production is only 3.2 million MTs ROM coal, its capacity stands at 3.5 million MTs per annum. During the year, new large-capacity mining* *equipment, such as shovels, dump trucks, dozers, and other support equipment were brought in to the mine site in line with its capacity expansion program.*

4. Debt to Equity (D/E) Ratio *– As a measure of the strength of the Company's financial condition, the current period's DE Ratio (Total Liabilities to Equity Ratio) is remarkable at 0.65:1, a huge improvement compared to the previous period's ratio of 1.84:1. The continued improvement of this performance indicator is a big factor in attracting better financing packages for the Company.*

5. Improved Capitalization *- Over the last two years, the Company has fortified its balance sheet through intensive capital restructuring. From posting negative Stockholders' Equity of (P98.6) million in 2003, the succeeding year posted a huge improvement of its Equity to P1.36 billion as earnings soared. Consequently, the capital restructuring program has enabled the Company to successfully offer additional shares to the market, earning Additional Paid-In Capital of P1.57 billion in the process. Unprecedented profits was realized in 2005 further increasing Stockholder's Equity to P4.19 billion in 2005.*

The Company believes that the revenues and profits in its coal mining business is sustainable given the country's total coal consumption is around 10 million metric tons for which SMC supplies 30% of the requirement. With SMC potentials, the Company is poised to open up-stream opportunities for a power generation business.

REAL ESTATE

The Company's real estate business, operated under the name DMCI Homes and financially reported under wholly-owned subsidiary, DMCI Project Developers Inc. (PDI), continued to show outstanding results. Persistent and seemingly sustainable market demand was evident as real estate sales have been steadily growing over the past years with 2005 sales doubling from 2004. Moreover, net income from the real estate segment jumped 4 times, from P35 million last year to P140 million this year. The evident jump in real estate activities were due to extensive sales efforts, continuous product development, and offering suitable financial schemes.

East Ortigas Mansions (EOM), the Company's fastest selling project, continued to provide the much needed revenues as it reported a significant rise of 75% in revenues this year. Though the project reached its full completion and inventory was almost fully sold, the Company decided to construct another phase to take advantage of the positive market response. EOM Phase 2 is composed of an additional 2 building for a total of 128 condominium units.

Vista De Lago (VDL), another project located in Taguig, is emerging to be another success story for the Company. VDL's sales doubled due to the continuing government road construction which allowed easy access to C-5 Road. VDL is budding to be another self sustaining DMCI Homes community as the project reached full completion during the year with most of the units already occupied.

Mayfield Park Residences (MPR), a project located in Cainta Rizal launched late 2004, hit its stride as it pitched in exceptional numbers providing 17% of total real estate sales. Mayfield's innovating Japanese themed design confirmed an ace formula that the Company wishes to replicate in another project. MPR's Zen-inspired and peaceful charm coupled by its easy accessible location proved effective in enticing buyers.

The Company finalized in 2005 its joint venture with the Armed Forces of the Philippines (AFP) and the Housing & Urban Development Coordinating Council (HUDCC) to develop a 7 hectare medium-rise building residential community in the Fort Bonifacio. The project was named Bonifacio Heights Condominiums (BHC) exclusively available to AFP personnel. The project is envisioned to uplift the living conditions of AFP personnel to that of a typical "DMCI Homes" community. The project is composed of 17 buildings, providing more than 1,000 units of inventory. BHC was well received by AFP personnel as it accounted for about P111 million in realized sales for the year. The Company believes that even if margins are not that high, the exposure and experience, the eventual success of this project would help thrust the more housing projects from other government agencies.

A new project was also opened in August 2005 that is promising to be another triumph for the Company. Mahogany Park Residences (MPR), a townhouse subdivision located in Taguig that boasts of a Southern California rustic villa appeal. Its spacious townhouses are well designed and priced reasonably which allowed for an immediate market acceptance. MPR accounted for more than P100 million in sales in just its first year of release. With the indicated market turnout, the Company believes that the horizontal subdivision type, along with its pioneering design and concept projects, can be another niche in where we can embody our drive for excellence.

The overseas Filipino market continues to be another source of opportunity for the Company's growing real estate business with the International Housing Division posting significant sales for the year. The Company sees that a remarkable portion of the buyers lies in the financially capable Overseas Filipino Workers. We will continue opening new international sales offices in Europe, Middle East and North America. We shall also tap new overseas market through E-Commerce. As the Company moves towards expansion, it envisions its international housing operations to be a major contributor.

Operating expenses for the housing segment significantly increased due to the boost in selling and marketing activities done to address the ever growing market for the Company's products. Moreover, non-recurring costs, worth P77 million composed of provision for bad debts and investment losses, relegated real estate net income. If such costs were not booked, 2005 real estate bottom figure would sharply increase to P217 million from the current amount of P140 million. On the other hand, interest expense diminished due to full payment of loans incurred for the redemption of the Company's preferred shares, the payment of which was funded by the real estate segment.

The very hopeful outcome in the housing development sector has prompted the Company to be committed in hurling its real estate business to new summits with the prospects of offering its real estate business to the public. With the competency as quality builders, the Company's is eyeing itself as major player in the Real Estate sector.

CONSTRUCTION

The Company's construction business, operated by wholly owned flagship construction company D.M. Consunji, Inc., experienced relatively better operations for the year compared to last year.

Revenues for the year went up 43% from P1.95 billion in 2004 to P2.79 billion in 2005. Completion of existing projects, continuous work on on-going projects and recently awarded projects supplied the notable increase in construction revenues.

The Shang Grand Tower, of the Kuok Group, was significantly completed in 2005 apportioning P528 million in revenues for the year, more than doubling what was realized in 2004. Other projects: LRT-2 Package 4, Dingle Diesel Power Plant and the SM Supercenter Sucat-Annex, were also completed in the year providing a total of P457 million in construction revenues, reporting a 37% jump from the P334 million revenues recognized last year.

Newly awarded projects: Chiquita-Unifrutti Wharf, and One Adriatico Place also delivered big for DMCI, as it contributed for P574 million in construction revenues for 2005, while existing works with on-going big ticket project KAMANAVA Flood Control provided same levels of revenues from 2004.

Construction margins were up to 9% in 2005 from 6% in 2004 resulting from change order revenues being approved by contract owners, the costs of which were already recognized in prior years.

Financing charges booked in the construction business specifically from the obligations incurred for the redemption of the Company's preferred shares, significantly fell during the period as these obligations were fully paid at the start of 2005.

Moving forward, the Company sees that the stiff competition and the retail feature prevalent in the local construction industry today may not be the most favorable environment where DMCI will be able to optimize its reputable services as engineers and contractors. Hence, the Company is on the look out for other opportunities that will provide recurring construction income for DMCI. In this light, DMCI is supplying manpower services to a joint-venture project with the principals San Juan Construction and John Laing International located at a US Naval base in Diego Garcia Island of the British Indian Ocean Territory.

As the construction business becomes more challenging, the Company, thru DMCI, is still committed to impart its expertise and heritage as proud Filipino contractors to the local and global community.

II. FINANCIAL CONDITION

The Company's financial condition for the period improved as total assets increased by 38% from last year.

Cash increase was mainly due to the re-launch of its publicly listed coal mining subsidiary, SMC, to the public (thru new issuance and secondary sale) providing cash proceeds worth P3.6 billion. Moreover, operations from all segments proved hefty as it also provided additional sources of cash.

Receivables were evidently up resulting from escalation in coal take-up and real estate sales among others.

The current slowdown in coal deliveries coupled by increased mining operations allowed for an inventory build up explaining significantly the increase in the Company's inventory. Although sales were up in the real estate business, the Company has decided to build up inventory and increase work in its existing projects, accounting for additions to the real estate inventory. Some long term investment properties were also reclassified to real estate inventory, as these properties were determined to be used for housing development in the near future.

SMC's continuing capital expenditures for mining equipment accounted for the increase in property plant and equipment.

Long-term debt (including current portion) and payables to affiliates decreased due to payments made by the Company and its subsidiaries, most significantly with prepayment of loans obtained for the redemption of the Company's preferred shares. However, additional obligations were incurred on the coal mining business with orders of new equipment that were purchased through supplier's credit accounting for the increase in Long-Term Debt.

An update on the Company's redemption of its preferred shares indicates that only 7,530 shares out of 2.4 million shares remains to be retired and/or redeemed as of 2005.

The Company's offer to the public of SMC furnished significant cash. This plus the increase in inventories helped improve the Company's liquidity with its current ratio going up from 1.06 in 2004 to 2.47 in 2005 indicating better current debt repayment capability that is very competitive with competitors. Debt to equity ratio slightly decreased from 1.45 to 1.40 indicating a better position for the Company's stockholders vs. its creditors. The debt to equity ratio was also within industry averages as the Company strives to maintain its financial leverage less risky (current ratio average: Mining-1.78, Construction-1.29; Real Estate-1.84; debt to equity ratio average: Construction-2.05; Mining/Quarrying-2.08; Real Estate-0.32 based on Business World Top 1000 Corporations in the Philippines. 2005, Volume19).

TOP FIVE (5) KEY INDICATORS

The Company and its Subsidiaries (also known as the "Group") has the following as its top five (5) key performance indicators:

a) Change in Net Income
b) Change in Coal Sales
c) Change in Construction Revenues & Real Estate Sales
d) Change in Current Ratio
e) Change in Debt to Equity Ratio

CHANGE IN NET INCOME

The results of consolidated operations of the Company can be seen with the increment in net income for the period compared to the same period of the previous year/s. Bottom line analysis takes into consideration all business that the Company is engaged in. The Company calculates any decrease and increase in net income and studies the results of its operational business segments and provides discussions as a general on the main reasons why the change in net income (*see Part I. Results of Operations-1st paragraph for a detailed discussion on current interim period*).

CHANGE IN COAL SALES

With the emergence of coal mining as a significant business of the Company, it is imperative that the Company discuss thoroughly its coal business through its 60% owned coal mining subsidiary, SMC. A clear indicator of performance in the coal mining business is any change in Coal Sales. This will show how this period's coal mining business fared with respect to the same period in the previous year/s (*see Part I. Results of Operations-Coal Mining for a detailed discussion on current interim period*).

CHANGE IN CONSTRUCTION REVENUES & REAL ESTATE SALES

The Company, for the past years of its existence, has always been known as the listed vessel for its construction business. In this regard, it is prudent that the Company note operational performance in its construction business. In addition, the Company's real estate business is seen to be growing parallel to the construction business. The initial performance indicator of the Company's construction and real estate businesses is any increment in its Construction Revenues & Real Estate Sales. Any change will indicate an improvement or deterioration in the Company's construction and real estate businesses for the period (*see Part I. Results of Operations-Construction for a detailed discussion on current interim period*).

CURRENT RATIO

Liquidity is an essential character of any organization, and the Company, including the Group as a whole, should indicate acceptable levels of liquidity. The initial test of liquidity is the current ratio, which will display a company's ability to satisfy current obligations with current resources. The Company uses this test and compares it with industry balances to determine its ability to satisfy current obligations with respect to its competitors (*see Part II. Financial Condition for a detailed discussion on current interim period*).

DEBT TO EQUITY RATIO

As a stockholder/investor, financial position and stability would be an important aspect. The Company tests its financial position through the debt to equity ratio. This test indicates the Company's ownership of creditors vs. owners/investors. In addition, debt to equity ratio maintenance is a requirement set by creditors as a standard for extending credit (*see Part II. Financial Condition for a detailed discussion on current interim period*).

Item 7. Financial Statements

The Financial Statements incorporated herein by reference to the attached audited financial statements.

Item 8. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

There has been no change or disagreements with certifying accountants.

PART III - CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

(1) Identify Directors, Including Independent Directors, and Executive Officers

Name	Position	Age
DAVID M. CONSUNJI	Chairman of the Board of Directors	84
CESAR A. BUENAVENTURA	Vice-Chairman of the Board	76
ISIDRO A. CONSUNJI	President	57
EDWINA C. LAPERAL	Director/Treasurer	45
CRISTINA C. GOTIANUN	Asst. Treasurer	52
HERBERT M. CONSUNJI	Director/Vice President & CFO	53
JORGE A. CONSUNJI	Director	53
VICTOR A. CONSUNJI	Director	55
OSCAR S. REYES	Director (Independent)	60
EVARISTO T. FRANCISCO	Director (Independent)	78
NOEL A. LAMAN	Corporate Secretary	65

David M. Consunji is the Founder and Chairman of the Board of Directors of D.M. Consunji, Inc. Mr. Consunji is also Chairman of the Board of Directors of Dacon Corporation, Freyssinet Philippines, Inc., Asia Industries, Inc. and Semirara Mining Corporation. Mr. Consunji served as the Secretary of the Department of Public Works, Transportation and Communications from August 1971 to 1975. Awards and recognition received by Mr. Consunji include (i) named Meralco Awardee in Engineering and Applied Sciences, 1994; (ii) recipient of the Civil Engineer Diamond Jubilee Award presented by the University of the Philippines Alumni Engineers in 1988; (iii) One of the Ten Outstanding Civil Engineers in 1982 by the Philippine Institute of Civil Engineers; (iv) recipient of Doctor of Laws, honoris causa, University of the Philippines in 1993; (v) named Outstanding Citizen of the City of Manila for Engineering in 1979; and (vi) named Management Association of the Philippines Awardee in 1996.

Cesar A. Buenaventura, O.B.E., is the Managing Partner of Buenaventura, Echauz and Partners (BEP) Financial Services, a financial advisory firm. He is currently Vice Chairman of DMCI Holdings, Inc.; and of Montecito Properties, Inc.; Chairman of Atlantic Gulf & Pacific Company of Manila (AG&P); and Director of Pilipinas Shell Petroleum Corporation, Philippine American Life Insurance Company, AG&P Company of Manila, Inc., Montecito Properties, Inc., iPeople, Inc., D.M. Consunji, Inc., and Semirara Mining Corporation, Nextstage, Inc., PetroEnergy Resources Corp., Paysetter Holdings, Inc., and Paysetter International, Inc. He is the Founding Chairman of Pilipinas Shell Foundation, Inc.; President of the Benigno S. Aquino Foundation; Member of the Board of Trustees of Asian Institute of Management and Founding Member, Board of Trustees, Makati Business Club. Mr. Buenaventura served as Chief Executive Officer of the Shell Group of Companies in 1975 until his retirement in 1990. He was appointed Member of the Monetary Board of the Central Bank of the Philippines (representing the Private Sector) and Member of the Board of Directors of the Philippine International Convention Center in 1981, a position he held up to 1987. He was a Member of the Board of Regents of the University of the Philippines from 1987 to 1994. He is a past Director of Philippine National Bank, Ayala Corporation, First Philippine Holdings Corporation, Philippine Airlines, Inc.; and a former Senior Adviser of Jardine Davies, Inc. He was chosen Management Man of the Year in 1985 by MAP and in January 1991, he was personally granted the award of Honorary Officer of the Order of the British Empire by her Majesty Queen Elizabeth II.

Isidro A. Consunji is a Director of D.M. Consunji, Inc.. His other positions include: Chairman of the Board of Directors of Universal Rightfield Property Holdings, Inc., Vulcan Materials Corporation, and Beta Electric Corporation; President of Dacon Corporation, DMCI Project Developers, Inc., and DMCI Holdings, Inc.

Herbert M. Consunji is a Partner in H.F. Consunji & Associates. Mr. Consunji's other positions include: Chairman of Subic Water and Sewerage Company, Inc., Director of DMCI Project Developers, Inc., Semirara Mining Corporation; Director and President of Village Parks, Inc.; and Treasurer of Semirara Mining Corporation;

Jorge A. Consunji is the President of D.M. Consunji, Inc. His other positions include: President of DMC Construction Equipment Resources, Inc., and Royal Star Aviation, Inc.; Chairman of the Board of Directors of Acotec Panel Manufacturing, Inc. and Wire Rope Corp. of the Phils.; Director of DMCI Holdings, Inc. Dacon Corp., Cotabato Timberland Co., Inc., South Davao Development Co., Inc., Semirara Mining Corp., Property Developers, Inc., Freyssinet Phils., Inc. Freyssi-Marketing, Inc., Atlantic Gulf & Pacific Co. – Manila Inc., Vulcan Materials Corp., and Beta Electirc Corp.

Evaristo T. Francisco served as a Member of the Board of Director of D.M. Consunji, Inc. from 1988-2001 and held various positions in Pilipinas Shell as Board of Director, Vice President for Marketing, Personnel and Public Affairs, Sales and other overseas work for Shell International Petroleum Co. **Mr. Francisco has served the Company as Independent Director for five years (since 2001).**

Oscar S. Reyes is the former Country Chairman of the Shell companies in the Philippines. He is currently a member of the Board of Directors of Pilipinas Shell Petroleum Corporation, Philippine Long Distance Telephone Co., Bank of the Philippine Islands, BPI Capital Corporation, BPI Leasing Corporation, BPI Rental Coporation, Manila Water Co., Universal Robina Coporation, Sunlife of Canada (Philippines), Inc., Sunlife Prosperity Dollar Advantage Fund, Inc., CEO's Inc., Global Resources for Outsourced Workers (GROW), Inc. CBV Asset Management, Level Up Inc., The Mutual Fund Co. of the Phils., Inc., Mindoro Resources Ltd., MRL Gold Phils., Inc., Philippine Electric Corporation. He is currently the Chairman of Link Edge, Inc., Actron Industries, and Unicapital Securities Corporation.
Mr. Reyes has served the Company as Independent Director for five years (since 2001).

Edwina C. Laperal is the Treasurer of DMCI Holdings, Inc., Dacon Corporation and DMCI Urban Property Developers, Inc.; Director of Universal Rightfield Property Holdings, Inc., DMCI Holdings, Inc., DMCI Project Developers, Inc., and D.M. Consunji, Inc..

Victor A. Consunji is the Chairman of the Board of Directors and President of Sirawai Plywood and Lumber Corporation, Prominent Fruits, Inc., and Rubber Industries Corporation of the Philippines. His other positions include: Director of Conbros Shipping Corporation; President of South Davao Development Company, Inc., Eagle Cattle Ranch, Inc., Sirawan Food Corporation, and Semirara Coal

Corporation; Director of D.M. Consunji, Inc., Ecoland Properties Development Corporation, and DMC Construction Equipment Resources, Inc., and Vice President of Dacon Corporation.

Cristina C. Gotianun is a Director of Dacon Corporation, D.M. Consunji, Inc. and Kalinan Timber Corporation. Her other positions include: VP for Finance Administrative/Chief Finance Officer of D.M. Consunji, Inc. and General Manager of Sirawan Food Corporation.

Noel A. Laman is the Chairman of the Executive Committee and the Senior Partner of Castillo Laman Tan Pantaleon & San Jose. His other positions include: Chairman of the Board of Directors of Trans-Orient Overseas Contractors, Inc., Manpower Resources of Asia, Inc., and Sealanes Marine Services (each being a part of the DCL group of Companies); Director and Corporate Secretary of Glaxo Wellcome Philippines, Inc, Boehringer Ingelheim (Phils.), Inc., Solvay Pharma Philippines Corporation, and Merck, Inc. He is an active member of the Intellectual Property Association of the Philippines, the Intellectual Property Foundation, the Philippine Bar Association, and as resource person of various foreign chambers of commerce.

Currently, there are no director or executive officer share options relating to the capital of the Company.

(2) Identify Significant Employees –

(a) The following are the significant employees of the Registrant who are not executive officers but who are expected by Registrant to make a significant contribution to the business:

Significant Employees	Position held in Registrant	Age
Ma. Luisa C. Austria	Administrative / Accounting Officer	53
Aldric G. Borlaza	Finance Officer	28

Ms. Ma. Luisa C. Austria will continue to hold the position of Administrative and Accounting Officer of the Registrant, and Mr. Aldric G. Borlaza will continue to serve as the Finance Officer of the Registrant for the year 2006.

(b) Brief descriptions of the business experience of the above significant employees of the Registrant:

Ma. Luisa C. Austria is a former Accounting Supervisor of D. M. Consunji, Inc. (1989 to 1996). She is now the Administrative/Accounting Officer of Registrant and has been holding said position for ten (10) years

Aldric G. Borlaza worked for three (3) months in SGV, Assurance or External Audit group, involving basic audit of accounting controls, documents and paper trail as well as basic preparation of Audited Financial Statements (January 2002 to March 2002).

Term of office. The term of office of Ms. Austria is approximately ten (10) years. Mr. Borlaza has been serving the company for four (4) years since April of 2002.

(3) Family Relationships - Describe any family relationships up to the fourth civil degree either by consanguinity or affinity among directors, executive officers, or persons nominated or chosen by the registrant to become directors or executive officers. – **See below:**

Name	Relationship
David M. Consunji	Father of Isidro A. Consunji, Jorge A. Consunji, Victor A. Consunji, Cristina C. Gotianun and Ma. Edwina C. Laperal
Isidro A. Consunji, Jorge A. Consunji, Victor A. Consunji, Cristina Gotianun, and Ma. Edwina C. Laperal	Children of David M. Consunji
Herbert M. Consunji	Nephew of David M. Consunji and cousin of Isidro A. Consunji, Jorge A. Consunji, Victor A. Consunji, Cristina C. Gotinanun, and Ma. Edwina C. Laperal

(4) Involvement in Certain Legal Proceedings - *None of the directors, executive officers and nominees for election is subject to any pending material legal proceedings*

(a) Any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time - **NONE**

(b) Any conviction by final judgment, including the nature of the offense, in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses - **NONE**

(c) Being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities - **NONE**

(d) Being found by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign Exchange or other organized trading market or self regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended, or vacated – **NONE**

Item 10. Executive Compensation

ANNUAL COMPENSATION

Name	Principal Position	Salary	Bonus	Other annual compensation
David M. Consunji	Chairman of the Board of Directors			
Cesar A. Buenaventura	Vice – Chairman of the Board of Directors			
Isidro A. Consunji	President/Chief Executive Officer			
Cristina C. Gotianun	Asst. Treasurer			

Edwina C.Laperal	Treasurer			
Herbert M. Consunji	Vice President & Chief Financial Officer			
	YEARS			
	2004	P 9,794,330.00		P 200,000.00
	2005	P 9,794,330.00		P 222,000.00
	2006*	P 9,794,330.00		P 222,000.00
	TOTAL:	P 29,382,990.00	P --	P 644,000.00
	YEARS			
All other directors and executive officers as a group unnamed	2004 2005 2006*	P 3,898,440.00 P 3,898,440.00 P 3,898,440.00	P -- P --	P 112,000.00 P 162,000.00 P 162,000.00
	TOTAL:	P 11,695,320.00	P --	P 436,000.00

**Approximate figures*

Item 11. Security Ownership of Certain Beneficial Owners and Management

Beneficial Ownership of Directors of the Corporation as of **April 30, 2006**.

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
Common	David M. Consunji	8,142,254.00	0.3609%
Common	Cesar A. Buenaventura	200,000.00	0.00886%
Common	Isidro A. Consunji	132,545,310.00	5.8765%
Common	Ma. Edwina C. Laperal	136,117,710.00	6.03494%
Common	Victor A. Consunji	130,182,100.00	5.77177%
Common	Jorge A. Consunji	130,182,310.00	5.7718%
Common	Herbert M. Consunji	1,600.00	0.0001%
Common	Oscar S. Reyes	100.00	0.00000004%
Common	Evaristo T. Francisco	100.00	0.00000004%

AGGREGATE OWNERSHIP OF ALL DIRECTORS AND OFFICERS AS A GROUP **537,371,484.00** **23.8250%**

Owners owning 5% or more of the voting stocks of the Corporation as of **April 30, 2006.**

Title of Class	Name and Address of Beneficial Owner	Amount/Nature of Beneficial Ownership	Percent of Class
Common	PCD Nominee Corp. (Fil) G/F Makati Stock Exchange Bldg., 6767 Ayala Ave., Makati City	693,078,584.00	30.728461%
Common	Dacon Corporation (Fil) c/o Isidro A. Consunji 2281 Pasong Tamo Ext.	620,359,329.00	27.504366%

	Makati City		
Common	PCD Nominee Corp. (For) G/F Makati Stock Exchange Bldg., 6767 Ayala Ave., Makati City	216,551,381.00	9.601062%
Common	Ma. Edwina C. Laperal c/o DMCI Holdings, Inc. 2281 Pasong Tamo Ext. Makati City	136,117,710.00	6.034940%
Common	Cristina C. Gotianun c/o DMCI Holdings, Inc. 2281 Pasong Tamo Ext. Makati City	133,841,010.00	5.934000%
Common	Isidro A. Consunji c/o DMCI Holdings, Inc. 2281 Pasong Tamo Ext. Makati City	132,545,310.00	5.876553%
Common	Jorge A. Consunji c/o DMCI Holdings, Inc. 2281 Pasong Tamo Ext. Makati City	130,182,310.00	5.771787%
Common	Victor A. Consunji c/o DMCI Holdings, Inc. 2281 Pasong Tamo Ext. Makati City	132,182,100.00	5.771778%

Below is the list of the individual beneficial owners under PCD account who holds more than 5% of the voting securities of Registrant.

Name	***No. of shares held***	***Percentage in class***
PCIB Securities, Inc.	417,099,815	18.492614%

Item 12. Certain Relationships and Related Transactions

The details of the relationship and related party transactions are contained in notes as contained in the Financial Statements and is incorporated herein by reference to said Financial Statements.

PART IV – CORPORATE GOVERNANCE

Item 13. Corporate Governance

(a) The Corporate Governance of Self-Rating Form has been adopted to measure or determine the compliance of the Board of Directors and top-level management with its

Manual of Corporate Governance. The Special Committee on Violation of the Manual on Corporate Governance has also been established.

(b) The Board of Directors continues to undergo training by attending numerous Corporate Governance seminars during the year.

(c) On December 7, 2005, the Board of Directors has resolved to hold a regular quarterly meeting every Thursday of the month, following the end of a quarter, to monitor, measure, and assess the Company's business processes and practices in accordance with the principles of Corporate Governance. It also aims to monitor the individual board members of their performance as well as the Corporate Governance committees' duties and responsibilities.

(d) To date, there has been no deviation from the Corporation's Manual on Corporate Governance.

(e) The Corporation has set up all committees set forth under the Manual of Corporate Governance to strictly adhere with the rules governing the Manual.

PART V - EXHIBITS AND SCHEDULES

Item 14. Exhibits and Reports on SEC Form 17-C

(a) Exhibits - See accompanying index to exhibits

(b) Reports on SEC Form 17-C - The list of the reports from the preceding period December 31, 2005 is herein incorporated by reference.

(9) Material Contracts – ***NONE***

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Makati on May 18, 2006.

By:

Isidro A. Consunji
President and CEO

Herbert M. Consunji
Director and Chief Finance Officer

Ma. Edwina C. Laperal
Director and Treasurer

Aldric G. Borlaza
Finance Officer

Ma. Luisa C. Austria
Accounting Officer

Atty. Noel A. Laman
Corporate Secretary

SUBSCRIBED AND SWORN to before me this MAY 18 2006 day of ________ 2006 affiants exhibiting to me his/their Residence Certificates, as follows:

NAMES	RES. CERT. NO.	DATE OF ISSUE	PLACE OF ISSUE
Isidro A. Consunji	24805709	1-11-06	Makati
Herbert M. Consunji	22012202	01-19-06	Paranaque
Ma. Edwina C. Laperal	24805711	01-11-06	Makati
Aldric G. Borlaza	27247904	04-20-06	Makati
Ma. Luisa C. Austria	02128136	01-11-06	Manila
Atty. Noel A. Laman	20532101	01-31-06	Makati

ATTY. LOPE M. VELASCO
NOTARY PUBLIC
Notary Public
UNTIL DEC. 31, 2007
PTR 4547109-MLA. 1/2/06
IBP 660381-MLA. 11/30/05
TIN 212-965-989
ATTY'S ROLL NO. 28757

Doc. No. 261
Page No. 01
Book No. 63
Series of 2006

INDEX TO EXHIBITS
FORM 17-A

Number	Particulars
1	List of the Top 20 shareholders of the Company
2	List of reports filed under SEC Form 17-C

DMCI HOLDINGS, INC.
List of Top 20 Stockholders
April 30, 2006

Rank	N a m e/A d d r e s s	Citizenship	Class	Number of Shares	Percentage
1	PCD NOMINEE CORPORATION G/F MAKATI STOCK EXCHANGE BLDG., 6767 AYALA AVE., MAKATI CITY	FILIPINO	A	692,078,584.00	30.728461
2	DACON CORPORATION C/O DMCI HOLDINGS, 3RD/F DACON BLDG., 2281 PASONG TAMO, MAKATI CITY	FILIPINO	A	620,359,329.00	27.504366
3	PCD NOMINEE CORPORATION G/F MAKATI STOCK EXCHANGE BLDG., 6767 AYALA AVE., MAKATI CITY	FOREIGNER	A	216,551,381.00	9.601062
4	MA. EDWINA C. LAPERAL DMCI HOLDINGS, INC. 3F DACON BLDG., 2281 PASONG TAMO EXT., MAKATI CITY	FILIPINO	A	136,117,710.00	6.03494
5	CRISTINA C. GOTIANUN DMCI HOLDINGS, INC. 3F DACON BLDG., 2281 PASONG TAMO EXT., MAKATI CITY	FILIPINO	A	133,841,010.00	5.934
6	ISIDRO A. CONSUNJI DMCI HOLDINGS, INC. 3/F DACON BLDG., 2281 PASONG TAMO EXT., MAKATI CITY	FILIPINO	A	132,545,310.00	5.876553
7	JORGE A. CONSUNJI DMCI HOLDINGS, INC. 3F DAON BLDG., 2281 PASONG TAMO EXT., MAKATI CITY	FILIPINO	A	130,182,310.00	5.771787
8	VICTOR A. CONSUNJI DMCI HOLDINGS, INC. 3/F DACON BLDG., 2281 PASONG TAMO EXT., MAKATI CITY	FILIPINO	A	130,182,100.00	5.771778
9	DMCI RETIREMENT PLAN C/O DMCI HOLDINGS, 3F DACON BLDG., 2281 PASONG TAMO, MAKATI CITY	FILIPINO	A	19,980,000.00	0.885837
10	DAVID M. CONSUNJI 4688 PASAY ROAD DASMARINAS VILLAGE MAKATI METRO MANILA	FILIPINO	A	8,142,254.00	0.360996
11	DMCI RETIREMENT FUND 2281 PASONG TAMO EXTENSION MAKATI CITY	FILIPINO	A	2,600,000.00	0.115274
12	ANTONIO C. JOSUE #58 BERBENIA ST., TAHANAN VILLAGE, PARANAQUE, METRO MANILA	FILIPINO	A	2,150,000.00	0.095323
13	JAIME B. GARCIA 1845 2 E PACO PANDANA EXEC. TOWNHOUSE, PAZ MENDOZA GUANZON ST., PACO, MANILA	FILIPINO	A	1,250,000.00	0.05542
14	PACITA N. LEE #69 GORORDO AVE., CEBU CITY 6000	FILIPINO	A	1,100,000.00	0.04877
15	HOPKINS HOLDINGS, INC. 107 VALDERAMA BLDG., 5/F ESTEBAN ST., LEGASPI VILLAGE, MAKATI CITY	FILIPINO	A	1,074,000.00	0.047617
16	RESTITUTO G. PEREZ, JR. #1211 CITYLAND 10 TOWER 1 DELA COSTA ST., SALCEDO VILLAGE, MAKATI CITY	FILIPINO	A	1,047,000.00	0.04642
17	LUIS DEL ROSARIO &/OR WENIA DEL ROSARIO C/O SENO CMPD., #325 A. DEL ROSARIO AVE., MANDAUE, CEBU CITY	FILIPINO	A	800,000.00	0.035469
18	LOURDES BUENAVENTURA 58 MCKINLEY RD., UNIT 27 FORBES PARK, MAKATI CITY	FILIPINO	A	700,000.00	0.031035
19	ALLIED BANKING CORPORATION MERCHANT BANKING DIVISION, ALLIED BANKING CORP (ABC) MEZANINE FLR ALLIED BANK CTR. 6754 AYALA AVE., MAKATI CITY	FILIPINO	A	695,000.00	0.030814
20	MA. EDWINA/MIGUEL DAVID C. LAPERAL DMCI HOLDINGS, INC. 3F DACON BLDG., 2281 PASONG TAMO EXT., MAKATI CITY	FILIPINO	A	550,000.00	0.024385
	TOTAL TOP 20 ===>			2,232,945.988.00	99.000307
	OTHER STOCKHOLDERS ===>			22,548,012.00	0.999693
	TOTAL OUTSTANDING ===>			2,255,494,000.00	100

DMCI HOLDINGS, INC.
List of Top 20 Stockholders
April 30, 2006

Rank	N a m e/A d d r e s s	Citizenship	Class	Number of Shares	Percentage
1	JACKSON C. CO P.O. BOX 393 GREENHILLS, SAN JUAN 1502	FILIPINO	P	2,000.00	28.449502
2	PCD NOMINEE CORPORATION G/F MAKATI STOCK EXCHANGE BLDG., 6767 AYALA AVE., MAKATI CITY	FILIPINO	P	1,100.00	15.647226
3	EFREN M. GANCAYCO BETA ELECTRONIC CORP. 18 BAGONG CALZADA BO. USUSAN TAGUIG MM	FILIPINO	P	1,000.00	14.224751
4	EDGAR VERON CRUZ C/O DMCI PASONG TAMO EXT MAKATI CITY	FILIPINO	P	700	9.957326
5	PEDRO R. SEN 1345 PAZ ST., PACO,MANILA	FILIPINO	P	500	7.112376
6	EDGARDO VERON CRUZ C/O EDGAR VERON - DMCI, #2281 PASONG TAMO EXT., MAKATI CITY	FILIPINO	P	450	6.401138
7	AACTC FAO TA#94-004 105 PASEO DE ROXAS, MAKATI M.M.	FILIPINO	P	260	3.698435
8	AACTC TID FAO TA # 97-029 C/O ALL ASIA CAPITAL CENTER 105 PASEO DE ROXAS, MAKATI CITY	FILIPINO	P	200	2.84495
9	AFP RSBS EMPLOYEES RETIREMENT BENEFITS PLAN AFP RSBS, CAMP AGUINALDO QUEZON CITY	FILIPINO	P	200	2.84495
10	CONSUELO T. MENDOZA #27 ROCHA ST., SAN LORENZO VILLAGE, MAKATI CITY	FILIPINO	P	100	1.422475
11	VICTOR Q. GARCIA AND/OR ANNA MARIA S. GARCIA 6 6TH STREET, NEW MANILA, QUEZON CITY	FILIPINO	P	100	1.422475
12	RAMON O. TORRES, JR. PCI CAPITAL CORP. 20/F PCIB TOWER 1 MAKATI AVE.	FILIPINO	P	70	0.995733
13	UBP T/A # 1A1-052-85 UNIONBANK OF THE PHILS. 3/F SSS BLDG., AYALA AVE., COR. HERRERA ST., MAKATI CITY	FILIPINO	P	50	0.711238
14	LILIA B. YANG 4/F SYCIPLAW-ALL ASIA CENTER GIL PUYAT AVE., MAKATI CITY	FILIPINO	P	50	0.7111238
15	HELEN SY TAN 2206 OROQUIETA ST. STA. CRUZ, MANILA	FILIPINO	P	50	0.711238
16	CYNTHIA RUTH GRACE OROFEO C/O ASIANBANK CEBU-AYALA BRANCH	FILIPINO	P	50	0.711238
17	GEORGE W. CHUA RM. 307 WELLINGTON BLDG., ORIENTE ST., BINONDO, MANILA	FILIPINO	P	40	0.56899
18	CONSTANTINO W. CHUA RM. 307 WELLINGTON BLDG. ORIENTE ST., BINONDO MANILA	FILIPINO	P	40	0.56899
19	ROCO BUNAG KAPUNA & MIGALLOS LAW OFFICES ITF CLIENT 16F STRATA 200, EMERALD AVE., PASIG CITY	FILIPINO	P	20	0.284495
20	ROMEO C. CRUZ, JR. $5 CONCEPCION ST. MANDALUYONG CITY	FILIPINO	P	20	0.284495
	TOTAL TOP 20 ===>			7,000.00	99.573257
	OTHER STOCKHOLDERS ===>			30	0.426743
	TOTAL OUTSTANDING ===>			7,030.00	100

DMCI Holdings, Inc.
Summary of Submittals of SEC Form 17-C
For the Year 2005

Nature of Report	**Dates**
Secretary's Sworn Certification on the attendance in Board meetings of each director for the year 2004	January 3, 2005
Monthly report of Preferred Shares as of December 31, 2004	January 4, 2005
Notice of Briefing on January 17, 2005 regarding Proposed secondary Offer of a minimum 15,180,000 common shares of Semirara Mining Corporation with par value of Php1.00 per share	January 12, 2005
Certification on Corporate Governance	January 28, 2005
Monthly report of Preferred Shares as of January 31, 2005	February 2, 2005
Monthly report of Preferred Shares as of February 29, 2005	March 2, 2005
Monthly report of Preferred Shares as of March 31, 2005	April 1, 2005
Monthly report of Preferred Shares as of April 30, 2005	May 4, 2005
Fixed the date of Annual Stockholders' Meeting on July 27, 2004	May 24, 2005
Monthly report of Preferred Shares as of May 31, 2005	June 1, 2005
Monthly report of Preferred Shares as of June 30, 2005	July 1, 2005
Elected Directors and Officers for 2005-2006	July 27, 2005
Monthly report of Preferred Shares as of July 31, 2005	August 3, 2005
Amended monthly report of Preferred Shares as of July 31, 2005	November 30, 2005

DMCI HOLDINGS
INCORPORATED

3rd floor
DACON Building
2281 Don Chino Roces Ave.
(formerly Pasong Tamo Ext.)
Makati City 1231, Philippines

(632) 888 • 3000
Facsimile
(632) 816 • 7362
E-Mail
dmcihi@dmcinet.com

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of DMCI HOLDINGS, INC. is responsible for all information and representations contained in the financial statements for the years ended December 31, 2005 and 2004. The financial statements have been prepared in conformity with generally accepted accounting principles in the Philippines and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

In this regard, management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are recognized.

The management likewise discloses to the company's audit committee and to its external auditor:

(i) All significant deficiencies in the design or operation of internal controls that could adversely affect its ability to record, process, and report financial data;

(ii) Material weaknesses in the internal controls; and

(iii)Any fraud that involves management or other employees who exercise significant roles in internal controls.

The Board of Directors reviews the financial statements before such statements are approved and submitted to the stockholders of the company.

SYCIP GORRES VELAYO & CO., the independent auditors appointed by the stockholders, has examined the financial statements of the company in accordance with generally accepted auditing standards in the Philippines and has expressed its opinion on the fairness of presentation upon completion of such examination, in its report to the Board of Directors and stockholders.

Signed under oath by:

DAVID M. CONSUNJI
Chairman of the Board

ISIDRO A. CONSUNJI
President & Chief Executive Officer

HERBERT M. CONSUNJI
Vice President & Chief Finance Officer

Subsidiaries
D.M. Consunji, Inc.
DMCI Project
Developers, Inc.
Atlantic, Gulf &
Pacific Company
of Manila, Inc.
Semirara Mining
Corporation

SUBSCRIBED AND SWORN to before me this MAY 18 2006 day of ____ 2006 in Makati City, affiant exhibiting to me their Community Tax Certificates which are as follows:

DAVID M. CONSUNJI	20530653	February 2, 2006	Makati City
ISIDRO A. CONSUNJI	24805709	January 11, 2006	Makati City
HERBERT M. CONSUNJI	22012202	January 19, 2006	Parañaque

Doc. No. 262
Page No. 54
Book No. 63
Series of 2006

ATTY. LOPE M. VELASCO
NOTARY PUBLIC
UNTIL DEC. 31, 2007
PTR 4547109-MLA. 1/2/06
IBP 660381-MLA. 11/30/05
TIN 212-965-989
ATTY'S ROLL NO. 28757 /6

COVER SHEET

AS095-002283
SEC Registration Number

DMCI HOLDINGS, INC. AND SUBSIDIARIES
(Company's Full Name)

3rd Floor, Dacon Building, 2281 Don Chino Roces Avenue, Makati City
(Business Address: No. Street City/Town/Province)

Herbert M. Consunji
(Contact Person)

888-3000
(Company Telephone Number)

12 31
Month *Day*
(Fiscal Year)

AAFS
(Form Type)

Month *Day*
(Annual Meeting)

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes.

SGVMC107627

DMCI HOLDINGS, INC. AND SUBSIDIARIES

Consolidated Financial Statements
December 31, 2005 and 2004

and

Report of Independent Auditors

SGVMC107627

SGV & Co

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

■ Phone: (632) 891-0307
Fax: (632) 819-0872
www.sgv.com.ph

BOA/PRC Reg. No. 0001
SEC Accreditation No. 0012-F

Report of Independent Auditors

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

We have audited the accompanying consolidated balance sheets of DMCI Holdings, Inc. and Subsidiaries as of December 31, 2005 and 2004, and the related consolidated statements of income, changes in equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the Philippines. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of DMCI Holdings, Inc. and Subsidiaries as of December 31, 2005 and 2004, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the Philippines.

SYCIP GORRES VELAYO & CO.

Arnel F. de Jesus

Arnel F. de Jesus
Partner
CPA Certificate No. 43285
SEC Accreditation No. 0075-A
Tax Identification No. 152-884-385
PTR No. 4180829, January 2, 2006, Makati City

May 15, 2006

SGV & Co

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

Phone: (632) 891-0307
Fax: (632) 819-0872
www.sgv.com.ph

BOA/PRC Reg. No. 0001
SEC Accreditation No. 0012-F

Report of Independent Auditors
On Supplementary Schedules

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

We have audited in accordance with auditing standards generally accepted in the Philippines, the consolidated financial statements of DMCI Holdings, Inc. and Subsidiaries included in this Form 17-A and have issued our report thereon dated May 15, 2006. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to Financial Statements and Supplementary Schedules are the responsibility of the Company's management and are presented for purposes of complying with the Securities Regulation Code Rule 68.1 and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state in all material respects the financial data required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Arnel F. de Jesus
Partner
CPA Certificate No. 43285
SEC Accreditation No. 0075-A
Tax Identification No. 152-884-385
PTR No. 4180829, January 2, 2006, Makati City

May 15, 2006

DMCI HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	December 31	
	2005	2004 (As restated)
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	**₱1,949,710,991**	₱217,124,563
Available-for-sale investments (Note 5)	**529,179,141**	–
Receivables - net (Notes 6 and 16)	**3,944,804,733**	2,556,171,445
Costs and estimated earnings in excess of billings on uncompleted contracts (Note 7)	**24,978,834**	112,260,407
Inventories - net (Note 8)	**3,393,810,904**	2,319,212,553
Other current assets (Note 9)	**146,097,160**	129,643,761
Total Current Assets	**9,988,581,763**	5,334,412,729
Noncurrent Assets		
Noncurrent receivables - net (Note 6)	**905,137,365**	1,095,275,329
Investments in associates, jointly controlled entities and others - net (Note 10)	**447,511,773**	414,255,220
Investment properties - net (Note 11)	**2,668,005,309**	2,864,078,347
Property, plant and equipment - net (Notes 3 and 12)	**3,097,362,927**	2,563,480,585
Deferred tax assets (Note 24)	**20,936,356**	15,386,960
Pension assets (Note 20)	**33,011,297**	43,939,656
Other noncurrent assets - net (Note 13)	**445,214,855**	434,247,139
Total Noncurrent Assets	**7,617,179,882**	7,430,663,236
	₱17,605,761,645	₱12,765,075,965

LIABILITIES AND EQUITY		
Current Liabilities		
Bank loans (Note 14)	**₱114,658,600**	₱403,884,707
Accounts and other payables (Note 15)	**2,692,334,294**	3,423,357,703
Current portion of long-term debt (Note 16)	**604,055,741**	1,048,212,512
Estimated liability for property development	**276,708,069**	38,005,374
Billings in excess of costs and estimated earnings on uncompleted contracts (Note 7)	**18,887,729**	144,500,642
Income tax payable	**332,279,952**	2,338,783
Total Current Liabilities	**4,038,924,385**	5,060,299,721
Noncurrent Liabilities		
Long-term debt - net of current portion (Note 16)	**2,254,343,639**	1,272,665,087
Payable to related parties (Note 19)	**177,608,696**	851,922,968
Deferred tax liability (Note 24)	**159,652,693**	28,370,661
Pension liabilities (Note 20)	**49,055,701**	38,765,387
Other noncurrent liabilities (Note 17)	**666,745,169**	305,289,320
Total Noncurrent Liabilities	**3,307,405,898**	2,497,013,423
Total Liabilities	**7,346,330,283**	7,557,313,144

(Forward)

	December 31	
	2005	2004 (As restated)
Equity (Note 18)		
Equity attributable to equity holders of the parent:		
Paid-up capital	**₱4,628,946,403**	₱4,628,946,403
Retained earnings	**4,193,977,659**	643,926,308
Cumulative translation adjustment	**2,402,067**	–
Preferred shares held in treasury	**(187,210,650)**	(239,096,300)
	8,638,115,479	5,033,776,411
Minority interest	**1,621,315,883**	173,986,410
Total Equity	**10,259,431,362**	5,207,762,821
	₱17,605,761,645	₱12,765,075,965

See accompanying Notes to Consolidated Financial Statements.

DMCI HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31	
	2005	2004 (As restated)
INCOME		
Sales and services (Note 21)	**₱12,786,824,068**	₱7,761,079,671
Interest income	**206,378,552**	3,168,461
Equity in net earnings of associates	**31,549,565**	–
Others	**178,942,950**	113,895,921
	13,203,695,135	7,878,144,053
COSTS AND EXPENSES		
Costs of sales and services (Note 22)	**7,207,382,249**	5,122,120,780
Operating expenses (Note 23)	**944,779,655**	776,012,651
Loss on sale of investments	**83,993,098**	–
Equity in net losses of associates	**–**	7,333,838
Interest expense	**220,019,630**	368,317,069
	8,456,174,632	6,273,784,338
INCOME BEFORE INCOME TAX	**4,747,520,503**	1,604,359,715
PROVISION FOR INCOME TAX (Note 24)	**566,875,731**	62,893,121
NET INCOME (Note 3)	**₱4,180,644,772**	₱1,541,466,594
ATTRIBUTABLE TO		
Equity holders of the parent	**₱3,591,510,502**	₱1,466,980,059
Minority interest	**589,134,270**	74,486,535
	₱4,180,644,772	₱1,541,466,594
Basic Earnings Per Share (Notes 2 and 25)	**₱1.59**	₱0.64

See accompanying Notes to Consolidated Financial Statements.

DMCI HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT								
	Paid-up Capital								
	Capital Stock	Additional Paid-in Capital	Total Paid-up Capital	Retained Earnings (As restated)	Unrealized Gain on Available-for-sale Investments	Preferred Shares Held in Treasury	Total	ATTRIBUTABLE TO MINORITY INTEREST	TOTAL EQUITY
				For the Year Ended December 31, 2005					
As of December 31, 2004, as previously reported	₱2,255,836,240	₱2,827,839,006	₱5,083,675,246	₱602,685,131	₱–	(₱239,096,300)	₱5,447,264,077	₱173,087,816	₱5,620,351,893
Retirement of preferred shares	–	–	–	–	–	51,885,650	51,885,650	–	51,885,650
Reclassification of preferred shares to liability	(342,240)	(454,386,603)	(454,728,843)	–	–	–	(454,728,843)	–	(454,728,843)
Effect of changes in accounting policies (Note 2)	–	–	–	41,241,177	–	–	41,241,177	898,594	42,139,771
As of December 31, 2004, as restated	2,255,494,000	2,373,452,403	4,628,946,403	643,926,308	–	(187,210,650)	5,085,662,061	173,986,410	5,259,648,471
Decrease in ownership	–	–	–	(7,469,345)	–	–	(7,469,345)	–	(7,469,345)
Change in fair value of assets	–	–	–	(33,989,806)	2,402,067	–	(31,587,739)	–	(31,587,739)
As of December 31, 2004, as restated	2,255,494,000	2,373,452,403	4,628,946,403	602,467,157	2,402,067	(187,210,650)	5,046,604,977	173,986,410	5,220,591,387
Net income for the year	–	–	–	3,591,510,502	–	–	3,591,510,502	589,134,270	4,180,644,772
Increase in minority interest	–	–	–	–	–	–	–	858,195,203	858,195,203
Balances at December 31, 2005	**₱2,255,494,000**	**₱2,373,452,403**	**₱4,628,946,403**	**₱4,193,977,659**	**₱2,402,067**	**(₱187,210,650)**	**₱8,638,115,479**	**₱1,621,315,883**	**₱10,259,431,362**
As of December 31, 2003, as previously reported	₱2,255,945,690	₱2,929,845,102	₱5,185,790,792	(₱750,810,720)	₱–	(₱237,287,967)	₱4,197,692,105	₱219,225,595	₱4,416,917,700
Retirement of preferred shares	(109,450)	(102,006,096)	(102,115,546)	–	–	102,115,546	–	–	–
Redemption of preferred shares	–	–	–	–	–	(103,923,879)	(103,923,879)	–	(103,923,879)
Reclassification of preferred shares to liability	(342,240)	(454,386,603)	(454,728,843)	–	–	–	(454,728,843)	–	(454,728,843)
Effect of changes in accounting policies (Note 2)	–	–	–	(77,189,360)	–	–	(77,189,360)	6,290,414	(70,898,946)
Increase in ownership	–	–	–	4,946,329	–	–	4,946,329	–	4,946,329
As of December 31, 2003, as restated	2,255,494,000	2,373,452,403	4,628,946,403	(823,053,751)	–	(239,096,300)	3,566,796,352	225,516,009	3,792,312,361
Net income for the year, as restated	–	–	–	1,466,980,059	–	–	1,466,980,059	74,486,535	1,541,466,594
Decrease in minority interest	–	–	–	–	–	–	–	(126,016,134)	(126,016,134)
Balances at December 31, 2004	**₱2,255,494,000**	**₱2,373,452,403**	**₱4,628,946,403**	**₱643,926,308**	**₱–**	**(₱239,096,300)**	**₱5,033,776,411**	**₱173,986,410**	**₱5,207,762,821**

See accompanying Notes to Consolidated Financial Statements.

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DMCI HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2005	2004 (As restated)
Income before income tax	**₱4,747,520,503**	₱1,604,359,715
Adjustments for:		
Depreciation, depletion and amortization (Notes 11, 12, 13 and 20)	**1,335,586,689**	635,131,423
Interest expense (Note 23)	**220,019,630**	368,317,069
Write-off of:		
Property, plant and equipment	**–**	223,998,632
Other noncurrent assets	**–**	159,497,726
Recovery of provision for doubtful accounts	**(3,432,945)**	–
Provisions for:		
Inventory obsolescence	**–**	17,070,283
Probable losses on noncurrent assets (Note 21)	**42,721,515**	12,214,617
Probable losses on investments (Note 21)	**–**	2,000,000
Foreign exchange losses - net (Note 23)	**(74,911,051)**	7,844,204
Equity in net losses of associates and jointly controlled entities (Note 11)	**(31,549,565)**	7,333,838
Gain on disposals of:		
Property and equipment and investments	**(2,629,800,240)**	(33,748,510)
Interest income (Note 23)	**(206,378,552)**	(11,012,665)
Dividend income	**(5,706,997)**	–
Retirement expense (Note 20)	**18,764,789**	10,894,758
Operating income before changes in working capital	**3,412,833,776**	3,003,901,090
Decrease (increase) in:		
Costs and estimated earnings in excess of billings	**94,361,673**	–
Receivables	**79,603,396**	(522,905,774)
Inventories	**(826,156,002)**	(17,195,344)
Real estate for sale and development	**(187,635,193)**	(6,385,313)
Other current assets	**(78,620,610)**	3,652,046
Increase (decrease) in:		
Accounts and other payables	**(243,333,486)**	715,287,560
Estimated liability for property development	**238,702,695**	11,463,382
Deferred income	**376,752,577**	12,446,400
Customer’s deposits	**(59,663,472)**	24,825,957
Billings in excess of costs and estimated earnings on uncompleted contracts – net	**(129,589,246)**	(304,552,830)
Cash generated from operations	**2,677,256,108**	2,920,537,174
Interest received	**226,214,603**	8,904,753
Interest paid	**(248,329,962)**	(882,213,119)
Income taxes paid	**(60,779,082)**	(97,962,415)
Net cash provided by operating activities	**2,594,361,667**	1,949,266,393

(Forward)

	Years Ended December 31	
	2005	2004 (As restated)
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) in:		
Noncurrent receivables	**₱287,561,694**	₱106,713,588
Other noncurrent assets	**(62,350,359)**	(48,322,695)
Investment properties	**(69,189,461)**	–
Available-for-sale asset (Note 5)	**(529,179,141)**	–
Investments in subsidiaries, joint ventures and others	**(710,232,498)**	–
Proceeds from disposals of:		
Property and equipment	**15,914,131**	144,894,771
Investment properties	**–**	20,360,233
Dividends received	**5,706,997**	–
Additions to property, plant and equipment (Note 12)	**(1,271,881,508)**	(898,314,205)
Net cash used in investing activities	**(2,333,650,145)**	(674,668,308)
CASH FLOWS FROM FINANCING ACTIVITIES		
Availments (payments) of long-term debt and notes payable	**(156,395,823)**	(924,530,796)
Increase (decrease) in payable to related parties	**595,428,053**	(333,977,795)
Redemption of preferred shares	**(190,354,750)**	(28,673,759)
Dividends paid	**(22,301,149)**	–
Proceeds from additional subscription to capital stock	**1,623,018,435**	–
Proceeds from sale of treasury shares	**6,113,600**	–
Payment on acquisition of shares held in treasury	**(383,633,460)**	–
Decrease in other noncurrent liabilities	**–**	(17,881,618)
Net cash used in financing activities	**1,471,874,906**	(1,305,063,968)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**1,732,586,428**	(30,465,883)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**217,124,563**	247,590,446
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱1,949,710,991**	₱217,124,563

See accompanying Notes to Consolidated Financial Statements.

1. Corporate Information

DMCI Holdings, Inc. (the Company/DMCI-HI) is incorporated in the Philippines. The Company's registered office address is 3rd Floor, Dacon Building, 2281 Don Chino Roces Avenue, Makati City.

The Company is the holding company of the DMCI Group (collectively referred to herein as the Group) which is primarily engaged in general construction, coal mining, infrastructure and real estate development and manufacturing.

The accompanying consolidated financial statements were authorized for issue by the Board of Directors (BOD) and Audit Committee on May 15, 2006.

2. Summary of Significant Accounting Policies

Basis of Financial Statement Preparation
The accompanying consolidated financial statements of the Group have been prepared in compliance with accounting principles generally accepted in the Philippines (Philippine GAAP), as set forth in Philippine Financial Reporting Standards (PFRS). This is the Group's first annual consolidated financial statements prepared in compliance with PFRS.

The consolidated financial statements of the Group until December 31, 2004 had been prepared in compliance with Statements of Financial Accounting Standards (SFAS) and Statements of Financial Accounting Standards/International Accounting Standards (SFAS/IAS).

The Group applied PFRS 1, *First-time Adoption of PFRS*, in preparing the consolidated financial statements, with January 1, 2004 as the date of transition. The Group has consistently applied the accounting policies set forth below to all the years presented, except those relating to the classification and measurement of financial instruments. An explanation of how the adoption of PFRS has affected the reported financial position, financial performance and cash flows of the Group is provided in the succeeding paragraphs.

The consolidated financial statements of the Group are presented in Philippine Pesos and have been prepared under the historical cost convention method, except for available-for-sale (AFS) financial investments that have been measured at fair value.

The preparation of the consolidated financial statements in conformity with PFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a high degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries as of December 31, 2005 and 2004. Under Philippine GAAP, it is acceptable to use, for consolidation purposes, the financial statements of subsidiaries for fiscal periods differing from that of the Company if the difference is not more than three months.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

The consolidated financial statements include the financial statements of the Company and the following subsidiaries (which were all incorporated in the Philippines):

	Effective Percentages of Ownership	
	2005	2004
General Construction:		
D.M. Consunji, Inc. (DMCI) [1]	**100.00**	100.00
DMCI International, Inc. (DMCII) [2]	**100.00**	100.00
OHKI-DMCI Corporation (OHKI) [2]	**100.00**	100.00
DMCI-Laing Construction, Inc. (DMCI-Laing) [2]	**60.00**	60.00
Beta Electric Corporation (Beta Electric) [2]	**50.77**	56.57
Raco Haven Automation Philippines, Inc. (Raco) [2]	**50.14**	24.95
Coal Mining:		
Semirara Mining Corporation (Semirara)	**62.92**	94.53
Infrastructure and Real Estate Development:		
DMCI Project Developers, Inc. (PDI)	**100.00**	100.00
Contech Products Corporation (Contech) [3]	**100.00**	100.00
Constress Philippines, Inc. (Constress) [3]	**100.00**	100.00
Hampstead Gardens Corporation (Hampstead) [3]	**100.00**	60.00
Riviera Land Corporation (Riviera)	**96.38**	51.00
Manufacturing:		
Semirara Cement Corporation (SemCem) *	**100.00**	100.00
Oriken Dynamix Company, Inc. (Oriken) [2]	**89.00**	–
Wire Rope Corporation of the Philippines (Wire Rope)	**61.70**	61.70
Contech Products South Corporation (Contech South)	**–**	52.00
Marketing Arm:		
DMCI Homes, Inc. (DMCI Homes) [3]	**100.00**	–

* Organized on January 29, 1998 and has not yet started commercial operations.

[1] Also engaged in real estate development

[2] DMCI's subsidiaries

[3] PDI's subsidiaries

Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. All significant intercompany balances and transactions, including intercompany profits and unrealized profits and losses are eliminated.

Minority interest represents interest in a subsidiary, which is not owned, directly or indirectly through subsidiaries, by the Company, and are presented separately in the statements of income and changes in equity and within equity in the consolidated balance sheets. The losses applicable to the minority in a consolidated subsidiary may exceed the minority interest's equity in the subsidiary. The excess and any further losses applicable to the minority are charged against the majority interest except to the extent that the minority has a binding obligation to, and is able to, make good the losses. If the subsidiary subsequently reports profits, the majority interest is allocated all such profit until the minority's share of losses previously absorbed by the majority has been recovered.

Explanation of Transition to PFRS
As stated above, these are the Group's first annual consolidated financial statements in compliance with PFRS. The transition to PFRS resulted in certain changes to the Group's previous accounting policies (previous GAAP). The comparative figures for 2004 were restated to reflect the changes in accounting policies discussed below resulting from transition to PFRS, except those relating to financial instruments.

The Group has made use of the exemption available under PFRS 1, and as allowed by the Philippine Securities and Exchange Commission (SEC), to apply Philippine Accounting Standards (PAS) 39, *Financial Instruments: Recognition and Measurement*, to financial instruments outstanding as of January 1, 2005. The cumulative effect of adopting PAS 39 was charged to retained earnings as of January 1, 2005. The policies applied to financial instruments beginning January 1, 2005 and prior to January 1, 2005 are disclosed separately.

The effects of the transition to PFRS are discussed below:

- PFRS 1, *First-time Adoption of PFRS*, requires an entity to comply with each PFRS effective at the reporting date for its first PFRS financial statements. The Group has adopted PFRS for these financial statements as of December 31, 2005, and has also restated the comparative amounts for the year ended December 31, 2004, except for the following courses of action that have been taken as allowed under PFRS 1:

  Financial Instruments
  The Group has made use of the exemption available under PFRS 1, and as allowed by the Philippine SEC, to apply PAS 39, *Financial Instruments: Recognition and Measurement*, to financial instruments outstanding as of January 1, 2005. The cumulative effect of adopting PAS 39 was charged against the January 1, 2005 retained earnings.

  Property, Plant and Equipment - Fair Value as Deemed Cost
  A subsidiary has made use of the optional exemption available under PFRS 1 to measure at cost items of property, plant and equipment previously stated at fair values, and used those fair values as their deemed cost at the date of transition to PFRS.

- PFRS 3, *Business Combination*, prohibits the amortization of goodwill and requires goodwill to be tested for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired. Any resulting excess of an acquirer's interest in the net fair value of an acquiree's identifiable assets, liabilities and contingent liabilities over cost after performing a reassessment is credited to income (also known as negative goodwill). Moreover, pooling of interests in accounting for business combination is no longer permitted. The adoption of this standard did not have any affect on the consolidated financial statements as of December 31, 2005 and 2004.

- PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*, specifies the accounting for assets held for sale and the presentation and disclosure requirements for discontinued operations. Under this standard, qualifying noncurrent assets or disposal groups held for sale shall be carried at fair value less cost to sell if this amount is lower than its carrying amount less accumulated impairment losses. As of December 31, 2005 and 2004, the Company has no qualifying noncurrent assets held for sale.

- PAS 19, *Employee Benefits*, prescribes the accounting and disclosures by employers for employee benefits (including short-term employee benefits, post-employment benefits, other long-term employee benefits and termination benefits). For post-employment benefits classified as defined benefit plans, the standard requires: (a) the use of the projected unit credit method to measure an entity's obligations and costs; (b) an entity to determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity; and (c) the recognition of a specific portion of net cumulative actuarial gains and losses when the net cumulative amount exceeds 10% of the greater of the present value of the defined benefit obligation or 10% of the fair value of the plan assets, but also permits the immediate recognition of these actuarial gains and losses.

  The adoption of PAS 19 decreased consolidated net income by ₱15.7 million in 2004. Retained earnings as of January 1, 2005 and 2004 increased by ₱41.2 million and ₱56.5 million, respectively. Post employment benefits amounted to ₱2.9 million for the year ended December 31, 2005.

- PAS 32, *Financial Instruments: Disclosure and Presentation*, covers the disclosure and presentation of all financial instruments. The standard requires more comprehensive disclosures about an entity's financial instruments, whether recognized or unrecognized in the consolidated financial statements. New disclosure requirements include terms and conditions of financial instruments used by the entity, types of risks associated with financial instruments (market risk, foreign exchange risk, price risk, credit risk, liquidity risk and cash flow risk), fair value information of both recognized and unrecognized financial assets and financial liabilities, and the entity's financial risk management policies and objectives. The standard also requires financial instruments to be classified as liabilities or equity in accordance with its substance and not its legal form. The standard also requires presentation of financial assets and financial liabilities on a net basis when, and only when, an entity: (a) currently has a legally enforceable right to set off the recognized amounts; and (b) intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

PFRS requires financial instruments to be classified as either liabilities or equity in accordance with its substance and not its legal form. The adoption of this standard resulted to new disclosures in the consolidated financial statements (Note 29).

- PAS 38, *Intangible Assets*, requires the assessment of the useful life of intangible assets at the individual asset level as having either a finite or indefinite life. Where an intangible asset has a finite life, it has been amortized over its useful life. Amortization years and methods for intangible assets with finite useful lives are reviewed at the earlier of annually or where an indicator of impairment exists. Intangibles assessed as having indefinite useful lives are not amortized, as there is no foreseeable limit to the year over which the asset is expected to generate net cash inflows for the Group. However, intangibles with indefinite useful lives are reviewed annually to ensure the carrying value does not exceed the recoverable amount regardless of whether an indicator of impairment is present. The adoption of this standard did not affect the consolidated financial statements as of December 31, 2005 and 2004.

- PAS 39, *Financial Instruments: Recognition and Measurement*, establishes the accounting and reporting standards for the recognition and measurement of the entity's financial assets and financial liabilities. PAS 39 requires a financial asset or a financial liability to be recognized initially at cost, including related debt issuance costs. Subsequent to initial recognition, an entity should measure financial assets at their fair values, except for loans and receivables and held-to-maturity investments which are measured at amortized cost using the effective interest rate method. Financial liabilities are subsequently measured at amortized cost, except for liabilities designated as fair value through profit and loss. PAS 39 also requires an entity to assess at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial asset is impaired.

  PAS 39 also establishes the accounting and reporting standards requiring that every derivative instrument (including certain derivatives embedded in other contracts) be recorded in the consolidated balance sheets as either an asset or liability measured at its fair value. PAS 39 requires that changes in the derivative's fair value be recognized currently in the consolidated statements of income unless specific hedges allow a derivative's gains and losses to offset related results on the hedged item in the consolidated statements of income, or deferred in the equity as cumulative translation adjustment. PAS 39 requires that an entity must formally document, designate and assess the effectiveness of transactions that receive hedge accounting treatment.

  The adoption of PAS 39 did not result in the restatement of prior year's financial statements. The adoption of this accounting standard did not impact the January 1, 2005 retained earnings since investments were acquired in 2005.

- PAS 40, *Investment Property*, establishes the accounting and reporting standards for investment property. Investment property is property (land or a building or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both, rather than for: (a) use in the production or supply of goods or supply of goods or services or for administrative purposes; or (b) sale in the ordinary course of business. Under this standard, an entity is permitted to choose either the fair value model or cost model in the subsequent measurement of a qualifying investment property. Fair value model requires an investment property to be measured at fair value with fair value changes recognized directly in the consolidated statements of income. Cost model requires an investment property to be measured at cost less any accumulated depreciation and impairment losses. The Group adopted the cost model for investment property. The adoption of this standard did not affect the consolidated financial statements as of December 31, 2005 and 2004.

Reconciliation of the Group's financial position as of January 1, 2005 and January 1, 2004 following the adoption of PFRS follows:

Retained Earnings

	January 1, 2005	January 1, 2004
As previously reported	**₱602,685,131**	(₱750,810,720)
Adjustments:		
PAS 19 - Employee Benefits	**62,507,103**	73,379,239
Accounting for production-related stripping costs	**–**	(128,756,944)
Tax effect of adjustments	**(21,265,926)**	(16,865,326)
As restated	**₱643,926,308**	(₱823,053,751)

2004 Net Income

As previously reported	₱1,428,427,876
Adjustments:	
PAS 19 - Employee Benefits	(10,894,758)
Accounting for production-related stripping costs	128,756,944
Tax effect of adjustments	(4,823,468)
As restated	₱1,541,466,594

The effects of transition to PFRS as they apply to the Group's 2004 basic earnings per share (EPS) are set forth below:

As previously reported	₱0.590
Adjustments:	
PAS 19 - Employee Benefits	(0.005)
Accounting for production-related stripping costs	0.057
Tax effect of adjustments	(0.002)
As restated	₱0.640

The adoption of the following revised accounting standards did not have a material effect on the Group's consolidated financial statements. Additional disclosures required by the revised accounting standards were included in the accompanying consolidated financial statements, where applicable.

- PAS 1, *Presentation of Financial Statements*, (a) provides a framework within which an entity assesses how to present fairly the effects of transactions and other events; (b) provides the base criteria for classifying liabilities as current or noncurrent; (c) prohibits the presentation of income from operating activities and extraordinary items as separate line items in the consolidated statements of income; and (d) specifies the disclosures about key sources of estimation, uncertainty and judgments that management has made in the process of applying the entity's accounting policies (Note 3).

- PAS 2, *Inventories*, reduces the alternatives for measurement of inventories by disallowing the use of the last in, first out formula. Moreover, the revised accounting standard does not permit foreign exchange differences arising directly on the recent acquisition of inventories invoiced in a foreign currency to be included in the cost of inventories.

- PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, (a) removes the concept of fundamental error and the allowed alternative to retrospective application of voluntary changes in accounting policies and retrospective restatement to correct prior period errors; (b) updates the previous hierarchy of guidance to which management refers and whose applicability it considers when selecting accounting policies in the absence of standards and interpretations that specifically apply; (c) defines material omissions or misstatements; and (d) describes how to apply the concept of materiality when applying accounting policies and correcting errors.

- PAS 10, *Events After the Balance Sheet Date*, provides a limited clarification of the accounting for dividends declared after the balance sheet date.

- PAS 16, *Property, Plant and Equipment*, provides additional guidance and clarification on the recognition and measurement of items of property, plant and equipment. It also provides that each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately. The adoption of this standard resulted in Semirara's (subsidiary) use of the cost method in accounting for its property and equipment. Previously, Semirara's condominium units, which form part of property and equipment, were stated at appraised values and the net appraisal increment is credited to equity.

  PAS 16 also provides additional guidance and clarity on recognition and measurement of items of property, plant and equipment. It also provides that each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately.

- PAS 24, *Related Party Disclosures*, provides additional guidance and clarity in the scope of the standard, the definitions and disclosures for related parties. It also requires disclosure of the total compensation of key management personnel and by benefit types.

- PAS 27, *Consolidated and Separate Financial Statements*, reduces alternatives in accounting for subsidiaries in consolidated financial statements and in accounting for investments in the separate financial statements of a parent, venturer or investor. Investments in subsidiaries will be accounted for either at cost or in compliance with PAS 39 in the separate financial statements. Equity method of accounting will no longer be allowed in the separate financial statements. This standard also requires strict compliance with adoption of uniform accounting policies and requires the parent to make appropriate adjustments to the subsidiary's financial statements to conform them to the parent's accounting policies for reporting like transactions and other events in similar circumstances.

- PAS 28, *Investments in Associates*, reduces alternatives in accounting for associates in consolidated financial statements and in accounting for investments in the separate financial statements of an investor. Investments in associates will be accounted for either at cost or in compliance with PAS 39 in the separate financial statements. Equity method of accounting will no longer be allowed in the separate financial statements. This standard also requires strict compliance with adoption of uniform accounting policies and requires the investor to make appropriate adjustments to the associate's financial statements to conform them to the investor's accounting policies for reporting like transactions and other events in similar circumstances.

- PAS 31, *Interests in Joint Ventures*, reduces the alternatives in accounting for interests in joint ventures in consolidated financial statements. Interests in joint ventures will be accounted for either at cost or in compliance with PAS 39. The standard allows the equity method of accounting as an alternative to proportionate consolidation.

- PAS 33, *Earnings Per Share*, prescribes principles for the determination and presentation of earnings per share for entities with publicly traded shares, entities in the process of issuing ordinary shares to the public, and any entities that calculate and disclose earnings per share. The standard also provides additional guidance in computing earnings per share including the effects of mandatorily convertible instruments and contingently issuable shares, among others.

- PAS 36, *Impairment of Assets*, requires annual impairment test of intangible asset with an indefinite useful life which includes goodwill acquired in a business combination, whether or not there is an indication of impairment.

<u>PFRS Effective in 2006 and 2007</u>
The Group will adopt the following standards and amendments that have been approved in 2005 on their effectivity dates:

- Amendments to PAS 19, *Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosures*. The revised disclosures from the amendments will be included in the Group's financial statements when the amendments are adopted in 2006.

- PFRS 6, *Exploration for and Evaluation of Mineral Resources*. This standard requires the Group to develop its own accounting policy for the recognition and measurement of exploration and evaluation assets without specifically considering the requirements of paragraphs 11 and 12 of PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*. Thus, the Group adopting PFRS 6 may continue to use the accounting policies applied immediately before adopting the PFRS. This includes continuing to use recognition and measurement practices that are part of those accounting policies. The standard also specifies the circumstances in which companies recognized exploration and evaluation assets should test such assets for impairment in accordance with PAS 36, *Impairment of Assets*. The standard also requires companies engaged in the exploration for and evaluation of mineral resources to disclose information about exploration and evaluation assets, the level at which such assets are assessed for impairment and any impairment losses recognized. The Group will adopt PFRS 6 on January 1, 2006. The adoption of this standard will not have a material impact on the Group's financial statements as the Group is not presently engaged in any exploration for and evaluation of mineral resources.

- PFRS 7, *Financial Instruments - Disclosures.* The revised disclosures on financial instruments provided by this standard will be included in the Group's financial statements when the standard is adopted starting January 1, 2007.

<u>Effect on the 2004 Statements of Cash Flows</u>
There are no material differences between the consolidated statements of cash flows prepared under PFRS and consolidated statements of cash flows presented under the previous GAAP.

<u>Change in Accounting for Production-related Stripping Costs</u>
In 2005, Semirara changed its accounting for production-related stripping costs incurred in the removal of overburden and other mine waste materials to access mineral deposits following the consensus of the Emerging Issues Task Force (EITF) of the Financial Accounting Standards Board (FASB) set forth in EITF Issue No. 04-6, Accounting for Stripping Costs Incurred during Production in the Mining Industry. The EITF reached a consensus that stripping costs incurred during the production phase of a mine are variable production costs that should be included in the costs of the inventory produced during the period that the production-related stripping costs are incurred. Accordingly, inventories consisting of extracted minerals and stock pile are allocated a portion of the production-related stripping costs. Minerals exposed by stripping activities but not extracted from the mine pit do not constitute inventories and therefore are not allocated any production-related stripping costs. All other production-related stripping costs incurred are recognized as a component of the cost of sales in the same period. Previously, the production-related stripping costs are deferred based on the difference between the actual stripping ratio (ratio of waste moved to coal mined) and the estimated stripping ratio established in accordance with the survey conducted on the mine.

The effect of EITF Issue No. 04-6 was determined restrospectively and prior years financial statements have been restated in accordance with PAS 8, *Accounting Policies, Changes in Accounting Policies*, *Changes in Accounting Estimates and Errors*. The effect of EITF Issue No. 04-6 has increased net income by ₱128.76 million for the year ended December 31, 2004. The retained earnings account decreased by ₱128.76 million as of January 1, 2004. EITF Issue No. 04-6 did not affect the January 1, 2005 retained earnings as there are no related stripping costs deferred in 2004.

Accounting policies effective January 1, 2005

Financial Assets
As appropriate, the Group classifies its financial assets in the following categories: (1) fair value through profit or loss (FVPL); (2) available-for-sale (AFS); (3) held-to-maturity (HTM) investments; and (4) loans and receivables. The classification of the financial assets depends on the purpose for which the financial assets were acquired. The Group classifies financial liabilities in the following categories: (1) FVPL; and (2) other liabilities at amortized cost. The Group determines the classification of its financial instruments at initial recognition and re-evaluates this designation at every reporting date.

When financial assets are recognized initially, they are measured at fair value. The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

All regular way purchases and sales of financial assets are recognized on the trade date, (i.e. the date that the Group commits to purchase the asset). Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace.

Financial assets at FVPL
Financial assets classified as held for trading are included in the category financial assets at FVPL. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognized in the consolidated statements of income.

AFS investments
AFS investments are financial assets that are designated as AFS or are not classified in any of the preceding categories. AFS investments include financial assets not quoted in an active market and are classified as AFS when purchased and held indefinitely, but which the Group anticipates to sell in response to liquidity requirements or in anticipation of changes in interest rates or other factors. Financial assets may be designated under this category provided such are not held for trading. AFS investments are carried at fair market value. Changes in the fair value of AFS investments are recognized in equity, except for the foreign exchange fluctuations on AFS debt securities and the related effective interest which are taken directly to the consolidated statements of income. These changes in fair values are recognized in equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the consolidated statements of income.

AFS investments including investments in unquoted equity investments where the Group does not exercise significant influence or where control is likely to be temporary are initially recorded at cost, being the fair value of the investment at the time of acquisition inclusive of direct acquisition charges associated with the investment. In subsequent measurement, the Group carries such investments at cost due to the unpredictable nature of future cash flows and the lack of other suitable methods for arriving at a reliable fair value.

The fair value of investments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument, which is substantially the same; discounted cash flow analysis and option pricing models.

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

Loans and receivables
Loans and receivables are nonderivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortized cost using the effective interest method. Gains and losses are recognized in consolidated statements of income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

The Group's loans and receivables include trade and other receivables.

Trade receivables are recognized initially at original invoice amount and subsequently measured at amortized cost using the effective interest method, less an allowance for impairment losses.

A provision for impairment losses on trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Said provision is recognized in the consolidated statements of income.

The Group has no derivatives that are accounted for as hedges. For derivatives that are not designated or accounted for as hedges, including derivatives that are embedded in the host financial and nonfinancial contracts, the changes in the fair values are recorded immediately in the consolidated statements of income.

Policies prior to January 1, 2005
Temporary investments are comprised of long-term debt securities and marketable equity securities.

Investments in marketable securities classified as current are stated at the lower of the aggregate cost or market value, determined at the balance sheet date. The amount by which aggregate cost exceeds market value is accounted for as a valuation allowance and changes in the valuation allowance are included in the consolidated statements of income. Realized gains and losses from the sale of current marketable securities are included in the consolidated statements of income.

The cost of marketable securities used for determining the gain or loss on the sale of such securities is computed using the average method.

Investments in long-term debt securities are carried at amortized cost less any provision for permanent impairment in value.

Investments in shares of stock of companies in which the Group does not exercise significant influence are initially carried at cost, being the fair value of the consideration given and including acquisition charges associated with the investment. Any substantial and presumably permanent decline in the value of investments in shares of stock was set up as an allowance with the corresponding loss taken to the consolidated statements of income.

Derecognition of Financial Assets and Liabilities
A financial asset (or where applicable, a part of a group of financial assets) is derecognized when: (a) the rights to receive cash flows from the assets have expired; (b) the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third-party under a "pass-through" arrangement; or (c) the Group has transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset.

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

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

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

Receivables
Receivables are recognized and carried at the original contract price or invoice amount, less allowance for any uncollectible amount. A provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The amount of provision is the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate. The provision is recognized in the consolidated statements of income.

Inventories
Inventories are valued at the lower of cost or net realizable value (NRV). NRV is the estimated replacement cost or the selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. Costs incurred in bringing each product to its present location and condition are accounted for as follows:

Coal inventory
The cost of coal inventory is determined by the weighted average production cost method.

Materials in-transit
Cost is determined using the specific identification basis.

Spare parts and other supplies
The cost of equipment parts, materials and supplies is determined principally by the average cost methods (either by moving average or weighted average production cost).

Real estate inventories
Real estate inventories - consists of housing and condominium units for sale and development and land for sale and development are carried at the lower of cost or NRV. Real estate costs include those costs that relate to the acquisition, development, improvement and construction of the real estate projects. Borrowing costs in 2004 are capitalized while the development and construction of the real estate projects are in progress, and to the extent that these are expected to be recovered in the future. NRV is the selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale such as commissions.

Investments in Associates, Jointly Controlled Entities and Others
Investments in associates and jointly controlled entities are accounted for under the equity method. Under this method, such investments are carried in the consolidated balance sheets at cost plus post-acquisition changes in the Group's share in the net assets of the investees, less any impairment in value. The consolidated statements of income reflect the Group's share of the results of operations of these investees. Unrealized gains arising from intercompany transactions are eliminated to the extent of the Group's interest thereon. Unrealized losses are eliminated similarly but only to the extent that there is no evidence of impairment of the asset transferred. Dividends received are treated as a reduction in the carrying values of the investments.

If the Group's share in the losses of an investee equals or exceeds the carrying amount of its investment, the Group ordinarily discontinues recognizing its share of further losses and the investment is reported at nil value. Additional losses are provided for to the extent that the Group has incurred obligations or made payments on behalf of the investee to satisfy obligations of the investee that the Group has guaranteed or otherwise committed. If the investee subsequently reports profits, the Group resumes recognizing its share of those profits only after its share of the profits equals the share of net losses not recognized.

Investment in shares of stock of companies in which the Group does not exercise significant influence are carried at cost less any significant and apparently permanent decline in aggregate carrying values of these investments.

The accounting policies of these investee companies conform to those used by the Group for like transactions and events in similar circumstances.

Investment Properties

Investment properties consist of land, condominium units and buildings and improvements in excess of the Group's requirements and that are leased to others and for investment purposes. These are carried at cost less any accumulated depreciation and any impairment in value, except for land which are carried at cost less any impairment in value.

Depreciation is calculated on a straight-line basis over the estimated useful life of the condominium units and buildings and improvements ranging from 5 to 10 years.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the consolidated statements of income in the year of retirement or disposal.

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

Transfers between investment property, owner-occupied property and inventories do no change the carrying amount of the property transferred and they do not change the cost of that property for measurement or disclosure purposes.

Property, Plant and Equipment

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

The initial cost of property, plant and equipment comprises its purchase price, including import duties, taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to operations in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional cost of property, plant and equipment.

As discussed in Note 2, the Group availed of the optional exemption available under PFRS 1, and has chosen to measure at cost items of property, plant and equipment of Semirara, which were previously stated at fair values, and used those fair values as their deemed cost at the date of transition to PFRS.

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

Depreciation and amortization of property, plant and equipment, except for mining rights, are calculated on the straight-line basis over the following estimated useful lives of the respective assets:

Land improvements	5 to 17 years
Buildings and building improvements	5 to 25 years
Construction equipment, machinery and tools	5 to 10 years
Office furniture, fixtures and equipment	3 to 5 years
Transportation equipment	4 to 5 years
Conventional and continuous mining equipment	2 to 13 years
Leasehold improvements	5 to 7 years or remaining lease term, whichever is shorter

Depletion of mining rights is calculated based on the units-of-production method.

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

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

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

Asset Retirement Obligation (ARO)
The Group is legally required to fulfill certain obligations as required under its Environmental Compliance Certificate (ECC) issued by Department of Environment and Natural Resources (DENR). When appropriate, the Group recognizes the liability for these obligations and this is included as part of the cost of property, plant and equipment.

Mine Exploration and Development Costs
Expenditures for mine exploration and development activities on mining properties are deferred as incurred. These deferred costs are charged to expense when the results of the exploration activities are determined to be negative or not commercially viable. When exploration results are positive or commercially viable, the exploration expenses and subsequent development expenses are capitalized and presented under the *"Other noncurrent assets"* account in the consolidated balance sheets. Upon the start of commercial production, such capitalized costs are accordingly transferred to the *"Property, plant and equipment"* account in the consolidated balance sheets and amortized using the unit-of-production method.

Stripping Costs
As discussed in Note 2, the Group changed its accounting for production-related stripping costs in the removal of overburden and other mine waste materials to access mineral deposits. Inventories consisting of extracted minerals and stock pile are allocated a portion of the production-related stripping costs. All other production-related stripping costs incurred are recognized as a component of the costs of sales in the same period.

Intangible Assets
Intangible assets acquired separately are capitalized at cost and these are shown as part of the other noncurrent assets account in the consolidated balance sheets. Subsequently, intangible assets are measured at cost less accumulated amortization and provisions for impairment losses, if any. The useful lives of intangible assets with finite life are assessed at the individual asset level. Intangible assets with finite life are amortized over their useful life. Periods and method of amortization for intangible assets with finite useful lives are reviewed annually or earlier where an indicator of impairment exists.

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

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

Impairment of Assets
An assessment is made at each balance sheet date whether there is objective evidence that a specific financial or nonfinancial asset may be impaired. If such evidence exists, any impairment loss is recognized in the consolidated statements of income.

Impairment of financial assets
Impairment of financial assets is determined as follows:

- Assets carried at amortized cost

  If there is objective evidence that an impairment loss on financial assets 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 asset's original effective interest rate. The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the loss is recognized in consolidated statements of income.

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

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

- Assets carried at cost

  If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset.

- AFS financial assets

  If an AFS financial asset is impaired, an amount comprising the difference between its cost and its current fair value, less any impairment loss previously recognized in consolidated statements of income, is transferred from equity to consolidated statements of income. Reversals in respect of equity instruments classified as AFS are not recognized as profit. Reversals of impairment losses on debt instruments are reversed through profit or loss, if the increase in the fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in the consolidated statements of income.

Impairment of nonfinancial assets
Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. An asset's recoverable amount is calculated as the higher of an asset's value in use or its net selling price

An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation) had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is credited to current operations.

Short-term and Long-term Debts
All loans and borrowings are initially recognized at cost, being the fair value of the consideration received less directly attributable debt issuance costs. After initial recognition, short-term and long-term debts are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Gains and losses are recognized in net profit or loss when the liabilities are derecognized or impaired, as well as through the amortization process.

Treasury Shares
Treasury shares are recorded at cost and are presented as a deduction from equity. When the shares are retired, the capital stock account is reduced by its par value. The excess of cost over par value upon retirement is debited to the following accounts in the order given: (a) additional paid-in capital to the extent of the specific or average additional paid-in capital when the shares were issued, and (b) retained earnings.

Provisions
A provision is recognized only when the Company has: (a) a present obligation (legal or constructive) as a result of a past event; (b) it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

Revenue and Cost Recognition

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

Construction contracts

Revenue from construction contracts is recognized under 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. Contracts to manage, supervise, or coordinate the construction activity of others and those contracts wherein the materials and services are supplied by contract owners are recognized only to the extent of the contracted fee revenue. Revenue from cost plus contracts is recognized by reference to the recoverable costs incurred during the period plus the fee earned, measured by the proportion that costs incurred to date bear to the estimated total costs of the contract.

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

The asset, *"Costs and estimated earnings in excess of billings on uncompleted contracts"*, represents total costs incurred and estimated earnings recognized in excess of amounts billed. The liability, *"Billings in excess of costs and estimated earnings on uncompleted contracts"*, represents billings in excess of total costs incurred and estimated earnings recognized. Contract retentions are included as part of *"Trade receivables - construction"* under the *"Receivables"* account in the consolidated balance sheets.

Real estate sales

Income from sales of substantially completed projects where collectibility of sales price is reasonably assured is accounted for using the full accrual method while income from sales of projects where collectibility of sales price is not reasonably assured is recognized using the instalment method. Realized income on instalment sale is computed based on collections multiplied by the gross profit rates of individual sales contracts. If any of the criteria under the full accrual and installement method is not met, the deposit method is applied until such criterion is met. Under the deposit method, revenue recognition is deferred until the conditions for recording a sale are met. Pending recognition of sale, cash received from buyers are presented as *"Customers' deposits"*, included in the *"Accounts and other payables"* account in the liabilities section of the consolidated balance sheets. Cancellations of prior year sales and related deferred gross profit are deducted from current year revenue and costs.

The costs of related housing and condominium units sold before completion of the projects are determined based on the actual costs incurred and project cost estimates as determined by the contractors and technical staff of the Group. The estimated future expenditures for the completion of sold residential and condominium units are presented as “Estimated liability for property development” account in the consolidated balance sheets.

Coal sales
Revenue from coal sales is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably.

Merchandise sales
Revenue from merchandise sales is recognized upon delivery of the goods to and acceptance by the buyer and when the risks and rewards are passed on to the buyers.

Rental income
Rental income from investment properties is accounted for on a straight-line basis over the lease term.

Interest income
Interest income is recognized as it accrues (using the effective interest rate method that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

Pension Cost
The Group’s pension costs are actuarially determined using the projected unit credit method. This method reflects services rendered by employees up to the date of valuation and incorporates assumptions concerning employees’ projected salaries. Actuarial valuations are conducted with sufficient regularity, with option to accelerate when significant changes to underlying assumptions occur. Pension cost includes current service cost, interest cost, expected return on any plan assets, actuarial gains and losses and the effect of any curtailments or settlements.

The net pension liability recognized by the Company in respect of the defined benefit pension plan is the lower of: (a) the present value of the defined benefit obligation at the balance sheet date less the fair value of the plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs that shall be recognized in later periods; or (b) the total of any cumulative unrecognized net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using risk-free interest rates of government bonds that have terms to maturity approximating the terms of the related pension liability.

In accordance with PFRS 1, the effect of change in accounting policy includes all cumulative actuarial gains and losses at the date of transition to PFRS. In subsequent periods after the transition to PFRS, portion of actuarial gains and losses is recognized as income or expense if the cumulative unrecognized actuarial gains and losses at the end of the previous reporting period exceeded the greater of the 10% of the present value of defined benefit obligation or 10% of the fair value of the plan assets. These gains and losses are recognized over the expected average remaining working lives of the employees participating in the plans.

Borrowing Costs
Borrowing costs that are directly attributable to the acquisition, development, improvement and construction of housing and condominium units are capitalized as part of "Inventories" account in the consolidated balance sheets under the "Real estate for sale and development" account. Other borrowing costs are recognized as expense in the year in which these costs are incurred.

The capitalization of borrowing costs as part of the cost of housing and condominium units: (a) commences when the expenditures and borrowing costs for the housing and condominium units are being incurred and activities that are necessary to prepare the housing and condominium units for its intended use or sale are in progress; (b) is suspended during extended periods in which active development, improvement and construction of the housing and condominium units are interrupted; and (c) ceases when substantially all the activities necessary to prepare the housing and condominium units for its intended use or sale are complete. If the carrying amount of the assets exceeds its recoverable amount, an impairment loss is recorded.

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

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

Deferred tax liabilities are not provided on non-taxable temporary differences associated with investments in domestic subsidiaries, associates and interests in joint ventures. With respect to investments in other subsidiaries, associates and interests in joint ventures, deferred tax liabilities are recognized except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized.

Deferred tax assets and liabilities are measured at the rates that are expected to apply in the year when the asset is realized or the liability is settled, based on the tax rates and tax laws that have been enacted or substantially enacted at the balance sheet date.

Income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statements of income.

Under the provisions of Republic Act No. 7227, DMCII, being a Subic Bay Free Port Zone enterprise, is subject to a tax of 5% on gross income in lieu of all other taxes.

Leases
Leases where the Group retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same bases as the lease income. Operating lease payments are recognized as an expense in the consolidated statements of income on a straight-line basis over the lease term.

Foreign Currency Transactions
The functional and presentation currency of the Group is the Philippine Peso. Transactions denominated in foreign currency are recorded using the exchange rate prevailing at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are restated using the closing exchange rates prevailing at balance sheet dates. Exchange gains or losses resulting from rate fluctuations upon actual settlement and from restatement at year-end are credited to or charged against current operations.

Earnings Per Share
Basic earnings per share (EPS) is computed by dividing the net income for the year attributable to common shareholders (net income for the period less dividends on convertible redeemable preferred shares) by the weighted average number of common shares issued and outstanding during the year and adjusted to give retroactive effect to any stock dividends declared during the period.

Diluted EPS is computed by dividing the net income for the year attributable to common shareholders by the weighted average number of common shares outstanding during the year adjusted for the effects of dilutive convertible redeemable preferred shares. Diluted earnings per share assumes the conversion of the outstanding preferred shares. When the effect of the conversion of such preferred shares is anti-dilutive, no diluted earnings per share is presented.

Segment Reporting
The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products. Financial information on business segments is presented in Note 28 to the consolidated financial statements.

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

Subsequent Events
Post year-end events up to the date of the auditors' report that provide additional information about the Group's position at balance sheet date (adjusting events) are reflected in the consolidated financial statements. Any post year-end events that are not adjusting events are disclosed in the notes to consolidated financial statements when material.

3. Critical Accounting Estimates and Judgments

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

PAS 1, *Presentation of Financial Statements*, which was adopted by the Group effective January 1, 2005, requires disclosures about key sources of estimation, uncertainty and judgments management has made in the process of applying accounting policies. The following presents a summary of these significant estimates and judgments:

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

Revenue recognition
The Group's revenue recognition policies require use of estimates and assumptions that may affect the reported amounts of revenue and receivables.

a.) Coal

The Company's sales arrangement with its customers includes reductions of invoice price to take into consideration charges for penalties and bonuses. These estimates are based on actual final coal quality analysis on delivered coal using ASTM standards.

There is no assurance that the use of estimates may not result in material adjustments in future periods. Revenue from coal sales amounted to ₱5.55 billion and ₱5.07 billion for the years ended December 31, 2005 and 2004, respectively (see Note 21).

b.) Real estate

Selecting an appropriate revenue recognition method for a particular sale transaction requires certain judgments based on the sufficiency of the investment of the buyer and the real estate's stage of completion. Revenue from real estate sales amounted to ₱1.51 billion and ₱0.72 billion for the years ended December 31, 2005 and 2004, respectively (see Note 21). Unrealized gross profit on real estate sales amounted to ₱376.8 million and ₱57.6 million as of December 31, 2005 and 2004 (see Note 17).

c.) Construction

The Company's revenue from construction contracts are recognized based on the percentage-of-completion, measured principally on the basis of the estimated completion of a physical proportion of the contract work.

There is no assurance that the use of estimates may not result in material adjustments in future periods. Revenue from construction contracts amounted to ₱2.79 billion and ₱1.95 billion for the years ended December 31, 2005 and 2004, respectively (see Note 21).

Distinction between investment properties and owner-occupied properties
The Group determines whether a property qualifies as investment property. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to property but also to the other assets used in the production or supply process.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgment.

Operating lease commitments
The Group has entered into a contract of lease for the office space it occupies. The Group has determined that all significant risks and rewards of ownership on these properties will be retained by the lessor. In determining significant risk and rewards of ownership, the Group considered, among others, the significance of the lease term as compared with the estimated life of the related asset.

Contingencies
The Group is currently involved in various legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the defense in these matters and is based upon an analysis of potential results. The Group currently does not believe these proceedings will have a material effect on the Group's financial position. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings (Note 31).

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

Estimating allowance for doubtful accounts
The Group maintains an allowance for doubtful accounts at a level considered adequate to provide for potential uncollectible receivables. The level of this allowance is evaluated by the management on the basis of factors that affect the collectibility of the accounts. These factors include, but are not limited to, the length of relationship with the customer, the customer's payment behavior and known market factors. The Group reviews the age and status of receivables, and identifies accounts that are to be provided with allowances on a continuous basis. The Group provides full allowance for receivables that it deems uncollectible.

The amount and timing of recorded expenses for any period would differ if the Group made different judgments or utilized different estimates. An increase in the allowance for impairment losses on receivables would increase recorded operating expenses and decrease current assets (Note 6).

Provision for doubtful accounts amounted to ₱92.3 million and ₱48.5 million for the years ended December 31, 2005 and 2004, respectively (Note 23).

Estimating allowance for write down in spare parts and supplies
The Group estimates its allowance for inventory write down in spare parts and supplies based on periodic specific identification. The Group provides 100% allowance for write down on items that are specifically identified as obsolete.

The amount and timing of recorded inventory write down for any period would differ if the Company made different judgments or utilized different estimates. An increase in the allowance for inventory write down would increase the Company's recorded operating expenses and decrease its current assets. Total equipment parts, materials and supplies at NRV as of December 31, 2005 and 2004 amounted to ₱899.1 million and ₱477.9 million, respectively (see Note 8).

Provision for inventory write down amounted to ₱17.1 for the year ended December 31, 2004. There were no provisions made in 2005.

Estimating ARO
The Group is legally required to fulfill certain obligations under its DENR issued ECC when it abandons depleted mine pits. These costs are accrued based on in-house estimate, which incorporates estimates of the amount of obligations and interest rates, if appropriate. The Group recognizes the fair value of the liability for these obligations and these are shown as part of the related "Accounts and other payables" account in the consolidated balance sheets. Assumptions used to compute the ARO are reviewed and updated annually.

The amount and timing of recorded obligations for any period would differ if different judgments were made or different estimates were utilized. An increase in ARO would increase recorded operating expenses and increase noncurrent liabilities.

As of December 31, 2005 and 2004, the Group's ARO has a carrying value of ₱10 million.

Estimating useful lives of property, plant and equipment and investment properties
The Group estimated the useful lives of its property, plant and equipment and investment properties based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment and investment properties are reviewed at least annually and are updated if expectations differ from previous estimates due to physical wear and tear and technical or commercial obsolescence on the use of these assets. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in factors mentioned above. A reduction in the estimated useful lives of property, plant and equipment and investment properties would increase depreciation expense and decrease noncurrent assets. The Group has an aggregate value of property, plant and equipment and investment properties amounting to ₱5.8 billion and ₱5.4 billion as of December 31, 2005 and 2004.

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

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

An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

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

As of December 31, 2005 and 2004, the balances of the Group's nonfinancial assets, net of accumulated depreciation and amortization and accumulated provisions for impairment losses follow:

	2005	2004 (As restated)
Property, plant and equipment - net	**₱3,097,362,927**	₱2,563,480,585
Investments in associates, jointly controlled entities and others - net	**447,511,773**	414,255,220
Investment properties - net	**2,668,005,309**	2,864,078,347

Deferred income tax
The Group reviews the carrying amounts of deferred income taxes at each balance sheet date and reduces deferred income tax assets to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred income tax assets to be utilized. However, there is no assurance that the Group will generate sufficient taxable income to allow all or part of deferred income tax assets to be utilized (see Note 24).

Estimated liability for land and property development
Obligations to complete development of real estate projects are recognized in the consolidated balance sheets and are based on cost estimates made by the Group's contractors and technical personnel. These estimated costs are calculated based on current prices of labor and materials plus provisions for price escalation due to inflation and other factors. Furthermore, these estimated costs are reviewed at least annually and are updated, if expectations differ from previous estimates mainly due to changes in development plan and prices of materials and labor.

Estimated liability for land and property development amounted to ₱277 million and ₱38 million as of December 31, 2005 and 2004, respectively.

Pension and other retirement benefits
The determination of the obligation and cost of retirement and other employee benefits is dependent on the selection of certain assumptions used in calculating such amounts. Those assumptions include, among others, discount rates, expected returns on plan assets and salary increase rates and price for the retirement of pension (Note 20). Actual results that differ from the Group's assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligation in such future periods. While the Group believes that the assumptions are reasonable and appropriate, significant differences between actual experiences and assumptions may materially affect the cost of employee benefits and related obligations.

The Group also estimates other employee benefits obligation and expense, including the cost of paid leaves based on historical leave availments of employees, subject to the Group's policy. These estimates may vary depending on the future changes in salaries and actual experiences during the year.

As of December 31, 2005 and 2004, the balances of the Group's net pension liability, unrecognized actuarial gain or loss and other employee benefits follow:

	2005	2004 (As restated)
Pension assets	**₱33,011,297**	₱43,939,656
Pension liability	**49,055,701**	38,765,387
Unrecognized actuarial loss	**(25,276,300)**	(14,696,777)

Financial assets and liabilities

The Group carries certain financial assets and liabilities at fair value, which requires extensive use of accounting estimates and judgment. While significant components of fair value measurement were determined using verifiable objective evidence (i.e., foreign exchange rates and interest rates), the amount of changes in fair value would differ if the Group utilized different valuation methodologies and assumptions. Any changes in fair value of these financial assets and liabilities would affect profit and loss and equity.

The fair value of financial assets and liabilities as of December 31, 2005 amounted to ₱7.3 billion and ₱6.0 billion, respectively (Note 29).

4. Cash and Cash Equivalents

This account consists of:

	2005	2004
Cash on hand and in banks	**₱473,086,680**	₱163,811,072
Cash equivalents	**1,476,624,311**	53,313,491
	₱1,949,710,991	₱217,124,563

Cash in banks earns interest at the respective bank deposit rates. Cash equivalents are made for varying periods of up to three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term investment rates.

5. Available-for-Sale Investments

As of December 31, 2005, this account consists of:

Private bonds	₱410,483,707
Government securities	84,029,953
Equity securities	18,786,906
Mutual fund	15,878,575
	₱529,179,141

Equity securities are carried at cost due to the unpredictable nature of future cash flows and the lack of suitable methods of arriving at a reliable fair value.

6. Receivables

This account consists of:

	2005	2004
Construction (including retention receivables on uncompleted contracts of ₱383 million in 2005 and ₱389 million in 2004)	**₱1,209,313,799**	₱1,087,451,755
Coal (Note 26)	**1,093,097,146**	872,530,970
Real estate	**1,050,741,262**	528,710,378
Other trade receivables	**126,244,383**	247,290,525
	3,479,396,590	2,735,983,628
Receivable from related parties (Note 19)	**1,502,868,413**	1,095,275,329
Other receivables	**29,374,027**	75,815,511
	5,011,639,030	3,907,074,468
Less allowance for doubtful accounts	**161,696,932**	255,627,694
	4,849,942,098	3,651,446,774
Less noncurrent receivables - net	**905,137,365**	1,095,275,329
	₱3,944,804,733	₱2,556,171,445

Real estate receivables principally consist of amounts arising from sale of real estate subdivision units which are collectible within 1 to 10 years with interest at prevailing market rates. The corresponding titles to the subdivision units sold under this arrangement are transferred to the buyers only upon full payment of the contract price.

The following presents the breakdown of real estate receivables by maturity dates:

Due in:	
2006	**₱118,190,948**
2007	**91,039,326**
2008	**59,811,911**
2009	**38,039,608**
2010 and thereafter	**743,659,469**
	₱1,050,741,262

Certain subsidiaries are liable to local commercial banks relative to the discounting of real estate receivables (Note 16).

As of December 31, 2005 and 2004, total trade receivables - real estate amounting to ₱282 million was used to secure the Group's bank loans (Note 16).

Receivables from Atlantic, Gulf and Pacific Company of Manila, Incorporated (AG&P)
The Group has an outstanding receivable from AG&P amounting to ₱791 million and ₱775 million as of December 31, 2005 and 2004. On January 31, 2002, AG&P filed a petition for rehabilitation (after approval of AG&P's stockholders and BOD on January 29, 2002) with the Regional Trial Court (RTC) of Batangas City. On February 21, 2002, the RTC issued a stay order prohibiting AG&P from selling, encumbering, transferring or disposing any of its properties in any manner except in the ordinary course of business.

AG&P's updated rehabilitation plan included, among others, the settlement of the Group's claims from AG&P.

Receivables from Universal Rightfield Property Holdings, Inc. (URPHI)
The Group's receivables from URPHI, a related party, amounted to ₱244 million and ₱319 million as of December 31, 2005 and 2004. The receivables from URPHI arose from the construction agreements with the Group for the development of Pioneer Highlands and Dansalan projects.

On January 28, 2004, DMCI, as a creditor of URPHI, initiated a petition for rehabilitation of URPHI with the RTC of Mandaluyong City. On February 17, 2004, the RTC issued a stay order prohibiting URPHI from selling, encumbering, transferring or disposing any of its properties in any manner except in the ordinary course of business. The rehabilitation plan, subject to the approval of the court included among others, the settlement of DMCI's claims from URPHI.

The recoverability of the Group's receivables from AG&P and URPHI depends on the successful implementation of their respective rehabilitation plan. The consolidated financial statements do not include any adjustments relating to these uncertainties.

7. Costs, Estimated Earnings and Billings on Uncompleted Contracts

The details of the costs, estimated earnings and billings on uncompleted contracts follow:

	2005	2004
Total costs incurred	**₱208,164,822**	₱1,066,757,257
Add estimated earnings recognized	**39,012,468**	125,960,819
	247,177,290	1,192,718,076
Less total billings (including unliquidated advances from contract owners of ₱33 million in 2005 and ₱218 million in 2004)	**241,086,185**	1,224,958,311
	₱6,091,105	(₱32,240,235)

The foregoing balances are reflected in the consolidated balance sheets under the following accounts:

	2005	2004
Costs and estimated earnings in excess of billings on uncompleted contracts	**₱24,978,834**	₱112,260,407
Billings in excess of costs and estimated earnings on uncompleted contracts	**(18,887,729)**	(144,500,642)
	₱6,091,105	(₱32,240,235)

8. Inventories

This account consists of:

	2005	2004
Real estate held for sale and development - net of accumulated depreciation of ₱16.2 million in 2005 and ₱13.4 million in 2004, at cost	**₱1,929,643,250**	₱1,688,378,317
Equipment parts, materials and supplies, at NRV	**899,102,276**	477,942,394
Coal inventory, at cost	**552,615,554**	138,757,876
Equipment parts, materials and supplies in transit, at cost	**12,449,824**	14,133,966
	₱3,393,810,904	₱2,319,212,553

The cost of equipment parts, materials and supplies amounted to ₱959 million and ₱540 million as of December 31, 2005 and 2004, respectively.

Real estate held for sale and development consisting of housing and condominium units with an aggregate carrying value of ₱118 million as of December 31, 2004, were mortgaged by the Group to secure its various bank loans and notes payable to certain preferred shareholders of the Company (Notes 14 and 16). These loans were paid in 2005.

Total interest capitalized by PDI and Hampstead, as part of *"Housing and condominium units for sale and development"* amounted to ₱24 million in 2004. The capitalization rates used in 2004 ranged from 8% to 14%. No interest was capitalized in 2005.

9. Other Current Assets

This account consists of:

	2005	2004
Creditable taxes withheld	**₱104,740,448**	₱93,227,613
Value added input tax	**36,370,928**	18,594,854
Prepaid expenses	**4,138,554**	7,003,379
Others	**847,230**	10,817,915
	₱146,097,160	₱129,643,761

10. Investments in Associates, Jointly Controlled Entities and Others

The details of the Group's investments in associates, jointly controlled entities and others follow:

	2005	2004
Investments - At Equity:		
Associates	**₱492,101,021**	₱494,852,468
Jointly controlled entities	**57,547,028**	32,125,000
	549,648,049	526,977,468
Accumulated equity in net losses	**(300,177,191)**	(344,494,725)
Allowance for probable losses	**(90,774,860)**	(56,800,468)
	(390,952,051)	(401,295,193)
	158,695,998	125,682,275
Investments - At Cost	**288,815,775**	288,572,945
	₱447,511,773	₱414,255,220

The details of the Group's equity in the net assets of its associates and jointly controlled entities and the corresponding percentages of ownership follow:

	Percentages of Ownership		Equity in Net Assets	
	2005	2004	**2005**	2004
Associates:				
Bachy Soletanche Philippines Corporation (Bachy)	**49.00**	49.00	**₱43,332,817**	₱43,622,926
Vulcan Materials Corporation (Vulcan)	**49.00**	49.00	**–**	20,686,808
Obayashi Philippines Corporation (OPC)	**39.55**	39.55	**1,135,558**	5,329,141
Raco-Haven Automation Philippines, Inc.	**50.14**	24.95	**–**	131,056
Systems Powermark Corporation	**6.00**	6.00	**–**	–
AG&P	**46.00**	46.00	**–**	–
Subic Water and Sewerage Company, Inc. (Subic Water)	**40.00**	40.00	**37,702,465**	–
			82,170,840	69,769,931
Jointly Controlled Entities:				
DMCI/WPC Joint Venture	**50.00**	50.00	**39,181,239**	39,181,239
Obayashi-DMCI Joint Venture	**40.00**	40.00	**1,730,226**	1,730,226
Eco Process & Equipment Philippines, Inc.	**50.00**	50.00	**752,836**	1,116,193
Others	**Various**	Various	**34,860,857**	13,884,686
			76,525,158	55,912,344
			₱158,695,998	₱125,682,275

<u>Investments in Associates - At Equity</u>

Subic Water

On January 22, 1997, PDI subscribed to 3,262,320 shares at the par value of ₱10 per share for an aggregate value of ₱33 million in Subic Water, a joint venture company with Subic Bay Metropolitan Authority (a government-owned corporation), Olongapo City Water District, and Cascal Services Limited (a company organized under the laws of England). The agreement executed by the parties on November 24, 1996 stipulated, among others, that PDI shall have an equity participation equivalent to 40% in Subic Water amounting to ₱75 million (based on the initial subscribed and paid-in capital of ₱187 million). The balance of PDI's committed subscription to Subic Water of ₱38 million (net of additional subscription payment of ₱4 million in 1998) is expected to be paid on or before the second anniversary of the said effective date. As of May 15, 2006, such committed subscription has not yet been paid.

As of December 31, 2004, PDI's accumulated equity in the net losses of Subic Water exceeded the carrying amount of its related investment. Thus, no further share in the net losses of Subic Water is recorded. Unrecognized losses amounted to ₱1 million as of December 31, 2004. Subic Water reported favourable results of operations in 2005, accordingly, PDI recognized equity in net earnings amounting to ₱37.7 million after the share in unrecorded losses.

AG&P
As of December 31, 2001, the Group's accumulated equity in net losses of AG&P equals the carrying amount of its investment. The Group discontinued the recognition of its share of further losses in AG&P as it is not committed to provide financial support to the latter. Unrecognized share in losses of AG&P amounted to ₱214 million and ₱209 million as of December 31, 2005 and 2004, respectively.

On January 31, 2002, AG&P filed a petition for rehabilitation (after the approval of AG&P's stockholders and BOD on January 29, 2002) with the RTC of Batangas City. On February 21, 2002, the RTC issued a stay order prohibiting AG&P from selling, encumbering, transferring or disposing any of its properties in any manner except in the ordinary course of business.

On March 11, 2003, the RTC approved AG&P's updated rehabilitation plan that included, among others, the settlement of the Group's claims from AG&P.

On March 31, 2003, Philippine National Bank (PNB), AG&P's creditor, filed a Motion for Reconsideration with the court for the modification of the updated rehabilitation plan due to, among others, the non-viability of the proposed transfer of the 20 hectares at Batangas Fabrication Yard (BFY) to PNB via a dacion en pago payment scheme with option to repurchase and to lease it back for 5 years with exclusivity provision. In addition, PNB suggested to the court the following modifications to the updated rehabilitation plan:

(a) AG&P should remit to PNB a part of the advance rentals AG&P received as payment in the lease transaction entered into between AG&P and Babcock Hitachi Philippines, Inc. in July 2001 totaling ₱18 million with interest;

(b) AG&P should proportionately pay all creditors, depending on their respective credit exposure, whatever cash inflows it will receive from all the transactions it will enter into, except those that will come from sale or lease of properties covered by the Mortgage Trust Indenture (MTI) which should be paid to MTI banks, especially the ₱70 million earmarked for its employees, from the time the Petition was filed and up to the time the approved rehabilitation plan subsists; and

(c) PNB will accede to the proposal of AG&P to restructure the latter's loan on the condition that the loan obligation of AG&P with PNB shall consistently earn interest depending on the prevailing rates in the market, otherwise, the approved "suspension of interest charges on all interest-bearing obligations from February 2002 up to December 2002 pending review and approval of AG&P's rehabilitation plan by the court" and "restructuring of outstanding PNB loans for a ten-year period with 2 years grace period in the payment of principal, interest rate for the first 5 years is proposed at 6% and 12% for the next 5 years" should be disapproved and deleted.

On May 2, 2003, the Receiver filed a Manifestation and Compliance with the court on the Receiver's meeting with the officers of PNB and representatives of AG&P on the issues raised by PNB in its Motion for Reconsideration. The Receiver manifests, among others, that:

(a) PNB agreed to withdraw its objections to the payment of the advance lease proceeds from Amstel-Phil Shipbreaking Corporation, (Amstel, AG&P's potential lessee) the amount of ₱70 million to the labor union;

(b) AG&P and PNB agree to subject the issue of interest during the restructuring period to further discussions; and

(c) PNB is withdrawing its objection since AG&P had withdrawn its proposal to transfer the BFY property by way of dacion en pago arrangement to the former.

On January 30, 2006, AG&P submitted to the court a proposed Amended Rehabilitation Plan (Amended Plan). The salient provisions of the Amended Plan include, among others, the following:

a. Acceptance by the rank and file of the revised payment package in full settlement of separation benefits, labor cases, commutation of sick and vacation leaves and reimbursement of tax withheld.

b. Conversion to equity of PNB’s loans and DMCI’s advances amounting to ₱223 million and ₱591 million, respectively. The present authorized capital stock of the Company of ₱36 million will be increased to ₱1.5 billion before conversion of debt to equity.

c. Partial settlement of DMCI loan thru transfer of 20% equity shares in associate owned by AG&P in Bauan International Port, Inc. to DMCI.

d. Restructuring of residual loans from PNB and advances from DMCI.

e. Settlement by DMCI of loans from a local commercial bank with the underlying collaterals to be assumed by DMCI via "dacion en pago".

f. Quasi-reorganization through application of additional paid-in capital of and revaluation increment in property against deficit.

<u>Investments - At Cost</u>
Montecito
On October 9, 2003, the RTC of Calamba City issued a stay order prohibiting Montecito from selling, encumbering, transferring or disposing any of its properties in any manner except in the ordinary course of business. In connection with this, a Rehabilitation Plan was prepared which includes, among others, the following:

(a) Restructuring of loans due to various banks subject to the following: (i) repayment of principal and capitalized interest over a term of 7 years, with a 2-year grace period; and (ii) fixed interest rate of 9.5% for 7 years and possibility of settling outstanding debt through dacion en pago or friendly foreclosure;

(b) Reconfiguration of unsold regular lots to smaller lot sizes; and

(c) Change in Montecito’s existing payment terms for contracts receivables from 4 years to 3 years.

As of April 25, 2005, the terms of the Rehabilitation Plan has been approved by the RTC and Montecito’s major creditors.

11. **Investment Properties**

The movement of this account follow:

	2005	2004
Land	**₱2,647,437,079**	₱2,826,798,766
Condominium units - net of accumulated depreciation of ₱0.68 million in 2005 and ₱0.34 million in 2004	**1,020,000**	16,277,204
Buildings and improvements - net of accumulated depreciation of ₱8.6 million in 2005 and ₱6.3 million in 2004	**19,548,230**	21,002,377
	₱2,668,005,309	₱2,864,078,347

Consolidated depreciation on investment properties amounted to ₱2.63 million and ₱2.62 million in 2005 and 2004, respectively (Note 22).

The Group's investment properties - land with a carrying value of ₱268 million as of December 31, 2004 were used as collateral under real estate mortgages to secure the indebtedness of the Group to local banks and a foreign supplier and notes payable to certain preferred shares of the Company (Notes 14 and 16). These loans were paid in 2005.

The aggregate fair value of the Group's investment properties amounted to ₱2.7 billion as of December 31, 2005. The fair value represents the amount at which the assets could be exchanged between a knowledgeable, willing buyer and knowledgeable, willing seller in an arm's length transaction at the date of valuation.

Consolidated rental income from investment properties amounted to ₱5.2 million and ₱2.8 million for the years ended December 31, 2005 and 2004.

Land with an aggregate carrying value of ₱773 million as of December 31, 2004, were mortgaged by the Group to guarantee various credit facilities and secure the Group's bank loans, indebtedness of Semirara to a foreign supplier and notes payable to certain preferred shareholders of the Company. These loans were also paid in 2005.

12. **Property, Plant and Equipment**

The movements in this account follow:

December 31, 2005

	Land and Land Improvements	Buildings and Building Improvements	Construction Equipment, Machinery and Tools	Office Furniture, Fixtures and Equipment	Transportation Equipment	Conventional and Continuous Mining Equipment
Cost						
At January 1	**₱419,971,441**	**₱1,162,843,253**	**₱2,107,970,623**	**₱167,484,010**	**₱136,944,596**	**₱5,683,165,951**
Additions	**–**	**18,377,241**	**82,215,457**	**13,953,859**	**15,436,706**	**1,610,516,014**
Transfers and retirements/ disposals	**–**	**(24,795,365)**	**(1,968,584,098)**	**(141,506,856)**	**(89,351,180)**	**–**
At December 31	**419,971,441**	**1,156,425,129**	**221,601,982**	**39,931,013**	**63,030,122**	**7,293,681,965**
Accumulated Depreciation Depletion and Amortization						
At January 1	**321,413,165**	**783,228,619**	**2,029,287,989**	**161,734,382**	**102,775,784**	**3,922,411,628**
Depreciation, depletion and amortization	**14,466,016**	**43,301,674**	**72,232,502**	**5,450,469**	**14,698,081**	**1,151,934,880**
Transfers and retirements/ disposals	**–**	**(24,795,365)**	**(1,967,216,763)**	**(141,504,777)**	**(89,351,080)**	**–**
At December 31	**335,879,181**	**801,734,928**	**134,303,728**	**25,680,074**	**28,122,785**	**5,074,346,508**
Net Book Value	**₱84,092,260**	**₱354,690,201**	**₱87,298,254**	**₱14,250,939**	**₱34,907,337**	**₱2,219,335,457**

	Mining Properties, Mine Exploration and Development Costs	Leasehold Improvements	Construction in Progress	Total
Cost				
At January 1	**₱181,451,611**	**₱59,025,858**	**₱77,350,401**	**₱9,996,207,744**
Additions	**102**	**818**	**145,242,811**	**1,885,743,008**
Transfers and retirements/ disposals	**–**	**(57,812,251)**	**(14,904,463)**	**(2,296,954,213)**
At December 31	**181,451,713**	**1,214,425**	**207,688,749**	**9,584,996,539**
Accumulated Depreciation Depletion and Amortization				
At January 1	**53,546,779**	**58,328,813**	**–**	**7,432,727,159**
Depreciation, depletion and amortization	**32,824,254**	**678,813**	**–**	**1,335,586,689**
Transfers and retirements/ disposals	**–**	**(57,812,251)**	**–**	**(2,280,680,236)**
At December 31	**86,371,033**	**1,195,375**	**–**	**6,487,633,612**
Net Book Value	**₱95,080,680**	**₱19,050**	**₱207,688,749**	**₱3,097,362,927**

December 31, 2004

	Land and Land Improvements	Buildings and Building Improvements	Construction Equipment, Machinery and Tools	Office Furniture, Fixtures and Equipment	Transportation Equipment	Conventional and Continuous Mining Equipment
Cost						
At January 1	**₱417,147,932**	**₱1,143,731,450**	**₱2,318,823,396**	**₱166,953,403**	**₱119,467,393**	**₱4,661,608,917**
Additions	**2,823,509**	**19,111,803**	**11,577,398**	**1,252,996**	**23,132,656**	**1,165,992,680**
Transfers and retirements/ disposals	**–**	**–**	**(222,430,171)**	**(722,389)**	**(5,655,453)**	**(144,435,646)**
At December 31	**419,971,441**	**1,162,843,253**	**2,107,970,623**	**167,484,010**	**136,944,596**	**5,683,165,951**
Accumulated Depreciation Depletion and Amortization						
At January 1	**313,658,330**	**746,974,197**	**2,114,759,761**	**161,985,442**	**105,375,383**	**3,352,420,119**
Depreciation, depletion and amortization	**7,754,835**	**36,254,422**	**8,583,918**	**471,329**	**3,055,854**	**658,320,303**
Transfers and retirements/ disposals	**–**	**–**	**(94,055,690)**	**(722,389)**	**(5,655,453)**	**(88,328,794)**
At December 31	**321,413,165**	**783,228,619**	**2,029,287,989**	**161,734,382**	**102,775,784**	**3,922,411,628**
Net Book Value	**₱98,558,276**	**₱379,614,634**	**₱78,682,634**	**₱5,749,628**	**₱34,168,812**	**₱1,760,754,323**

	Mining Properties, Mine Exploration and Development Costs	Leasehold Improvements	Construction in Progress	Total
Cost				
At January 1	**₱503,388,113**	**₱59,120,394**	**₱43,981,404**	**₱9,434,222,402**
Additions	**–**	**–**	**111,165,115**	**1,335,056,157**
Transfers and retirements/ disposals	**(321,936,502)**	**(94,536)**	**(77,796,118)**	**(773,070,815)**
At December 31	**181,451,611**	**59,025,858**	**77,350,401**	**9,996,207,744**
Accumulated Depreciation Depletion and Amortization				
At January 1	**207,691,735**	**51,543,890**	**–**	**7,054,408,857**
Depreciation, depletion and amortization	**29,402,753**	**6,784,923**	**–**	**750,628,337**
Transfers and retirements/ disposals	**(183,547,709)**	**–**	**–**	**(372,310,035)**
At December 31	**53,546,779**	**58,328,813**	**–**	**7,432,727,159**
Net Book Value	**₱127,904,832**	**₱697,045**	**₱77,350,401**	**₱2,563,480,585**

The assets of Semirara (included in the above movement analysis) as of December 31, 2005, which are carried at deemed cost follow (Note 2):

	Land and Land Improvments	Buildings and Building Improvements	Conventional and Continuous Mining Equipment	Total
At Deemed Cost	₱146,388,235	₱486,594,149	₱581,857,987	₱1,214,840,371
Accumulated Depreciation Depletion and Amortization on Adjusted Cost				
At January 1	117,254,786	304,679,148	386,984,295	808,918,229
Depreciation, depletion and amortization	–	–	–	–
At December 31	117,254,786	304,679,148	386,984,295	808,918,229
Net Book Value at Deemed Cost	**₱29,133,449**	**₱181,915,001**	**₱194,873,692**	**₱405,922,142**

Certain conventional and continuous mining equipment items with an aggregate book value of ₱143.3 million and ₱238.8 million as of December 31, 2005 and 2004, respectively, have been pledged as collaterals to secure the indebtedness of Semirara to local banks and foreign suppliers (Note 16).

Certain machinery and equipment with a carrying value of about ₱122 million in 2004 was used as collateral to secure the indebtedness of Contech (Note 16). These loans were paid in 2005.

Consolidated depreciation, depletion and amortization on property, plant and equipment (including depreciation on the adjusted cost of ₱62 million in 2004) amounted to ₱1,336 million ₱751 million in 2005 and 2004, respectively (Note 22).

In 2005, as a result of periodic review of the estimated useful lives (EUL) and depreciation and amortization method of items of property and equipment, Semirara came to the conclusion that there has been a significant change in the expected pattern of economic benefits and that these items would be useful for a shorter period than the previous EUL. Accordingly, Semirara revised the EUL of certain conventional machineries and equipment and continuous mining system from 5 to 3 years. These changes have been accounted for as changes in accounting estimates. The changes increased depreciation, depletion and amortization expense by about ₱488 million for the year ended December 31, 2005.

Losses on Property and Equipment
In 2004, Semirara has written-off property and equipment with net book value of ₱224 million consisting mainly of development costs and certain continuous mining equipment. This has resulted from the Semirara's annual review of the EUL and impairment of assets where management determined that there has been a significant change in the use and expected economic benefits from the said assets.

13. Other Noncurrent Assets

The details of other noncurrent assets follow:

	2005	2004
Deposits in North Luzon Railways Corporation (Northrail)	**₱300,000,000**	₱300,000,000
Development costs - net of accumulated depreciation amounting to ₱3 million	**47,051,433**	34,279,279
Refundable deposits	**49,424,051**	80,648,491
Others	**48,739,371**	19,319,369
	₱445,214,855	₱434,247,139

Deposits in Northrail of ₱300 million represents contributions made by the Group relative to a joint venture with the Bases Conversion Development Authority (BCDA) (a government-owned corporation), Philippine National Railways and a consortium of foreign investors and local partners which would undertake the construction of a multi-phase double-track railway system. The covering joint venture agreement provided, among others, the increase in capitalization of Northrail, the primary purpose of which is to construct, operate and manage such railway system. The deposits on subscriptions made by the joint venture partners are committed to be converted into equity upon the approval of increase in capital stock of Northrail.

In 2001, due to the uncertainty surrounding the Northrail project, the Subsidiary decided to pull out of the joint venture. As of May 15, 2006, a claim has been filed and is still pending with the court for the recovery of its contribution to the Northrail Project, which the Group's management believes, is fully recoverable.

14. Bank Loans

The Group's bank loans in 2005 and 2004 consist of peso-denominated short-term borrowings from local banks which bear interest at prevailing market rates and are payable on monthly, quarterly and lump sum bases on various maturity dates within the next 12 months after the balance sheet dates. The bank loans are generally unsecured, except for ₱278 million in 2004, which are secured by a real estate mortgage over the Group's housing and condominium units (Note 8); a deed of assignment on certain real estate receivables of PDI, DMCI and Hampstead (Note 6); corporate guarantee and suretyship agreement issued by the Company and DMCI; and PDI, DMCI and Hampstead's customers' post-dated checks.

The Group's agreements with local banks contain some or all of the following restrictions relating to, among others: purchase of issued and outstanding capital stock; disposal of encumbered properties; change in the ownership or management and nature of its business; dividend declaration and distribution; guarantees; incurrence of additional liabilities; and merger and consolidation.

As of December 31, 2005 and 2004, the Group was in compliance with the loan covenants required by the banks.

15. **Accounts and Other Payables**

This account consists of the following:

	2005	2004
Accrued costs and expenses	**₱1,213,224,381**	₱1,429,797,117
Payables to suppliers	**603,122,781**	756,684,912
Payables to subcontractors	**229,403,102**	406,136,983
Redeemable preferred shares	**220,166,403**	454,728,843
Customers’ deposits	**73,868,458**	149,303,041
Acceptances and trust receipts payable	**117,828,868**	82,662,996
Other payables	**234,720,301**	144,043,811
	₱2,692,334,294	₱3,423,357,703

Accrued costs and expenses consist mainly of accrual of expenses, costs of construction contracts and Semirara’s liabilities to Department of Energy (DOE) and local government units.

Semirara’s liabilities to DOE represents the share of DOE in the gross revenue from Semirara’s coal production (including accrued interest on the outstanding balance) computed in accordance with the coal operating contract between Semirara and DOE dated July 11, 1997 as amended on January 16, 1981. The contract is for a maximum period of 35 years (inclusive of the developmental stage and renewals) up to July 2012.

Customers’ Deposits
On September 28, 1990, Semirara entered into a Memorandum of Agreement (MOA) with National Power Corporation (NPC) to provide NPC Selectively Mined Coal (Select) or its Run of Mine coal equivalent, free of shipping cost to NPC, over a certain period. Total committed volume of coal was 150,000 Metric Ton (MT) of Select coal with a total price of ₱179 million which formed part of the minimum contracted quantity that NPC agreed to purchase for the year 1990 under the Coal Supply Agreement (CSA) between Semirara and NPC. The accumulated coal lifted and delivered under such MOA totaled 114,141 MT and 92,733MT of Select coal or its peso equivalent of ₱143 million and ₱117 million as of December 31, 2005 and 2004, respectively.

On August 26, 2004, Semirara entered into a MOA with TransEnergy Grinding Inc., a related party and the marketing arm of Apo Cement Corporation (APO), a customer. The MOA provided for the delivery of coal to APO of 60,000 MT or an equivalent of 10,000 MT per month. In connection with the MOA, APO made an advance payment amounting to US$2.0 million or its peso equivalent of ₱111.0 million. As of December 31, 2005 and 2004, Semirara made coal deliveries to APO of 304,064 MT and 33,682 MT or its peso equivalent of ₱541 million and ₱58 million, respectively.

The deposits are due to the following:

	2005	2004
NPC	**₱35,597,050**	₱61,087,471
APO	**14,455,417**	52,839,943
Real estate	**23,815,991**	35,375,627
	₱73,868,458	₱149,303,041

The deposits to NPC and APO are applied against subsequent sales.

16. **Long-term Debt**

Long-term debt pertains to the following obligations:

	2005	2004
Long-term:		
Bank loans	**₱2,127,665,960**	₱1,154,179,120
Payable to foreign suppliers	**467,775,516**	922,256,061
Notes payable to preferred shareholders	**–**	244,442,418
Acceptances and trust receipts payable	**262,957,904**	–
	2,858,399,380	2,320,877,599
Less current portion of:		
Bank loans	**377,918,158**	648,390,375
Payable to foreign suppliers	**49,660,025**	274,870,602
Notes payable to preferred shareholders	**–**	124,951,535
Acceptances and trust receipts payable	**176,477,558**	–
	604,055,741	1,048,212,512
	₱2,254,343,639	₱1,272,665,087

The maturities of long-term debt as of December 31, 2005 follow:

Due in:	
2006	**₱604,055,741**
2007	**514,802,497**
2008	**487,752,540**
2009	**432,853,156**
2010 and thereafter	**818,935,446**
	₱2,858,399,380

Bank Loans
The Group's bank loans consist of peso-denominated long-term borrowings from local banks which are mostly secured, as shown below:

(a) Semirara

New Availment
On February 23, 2005, Semirara entered into term loan agreements with a foreign bank amounting to US$3.6 million (₱185.4 million) to finance the importation of certain conventional mining equipment. The loan is payable in 10 equal semi-annual installments to commence six months after the drawdown date. The interest shall be based on the applicable 6-month USD LIBOR plus 3.5% per annum, repriceable and payable semi-annually. This loan is covered by unconditional and irrevocable guarantee issued by DMCI. This loan amounted to US$3.6 million (₱185.4 million) as of December 31, 2005.

On December 14, 2005, the Semirara entered into a term loan agreement with a foreign bank amounting to US$2.2 million (₱117.5 million) to finance the importation of certain conventional mining equipment. The loan is payable in 16 equal quarterly installments to commence two months after the draw down date. The interest shall be based on the applicable SIBOR plus 1.95% per annum, repriceable and payable quarterly. This loan amounted to US$2.2 million (₱117.5 million) as of December 31, 2005.

Restructured Loan
This loan was used to refinance certain short-term loans and liabilities under letters of credit issued by the bank and bears interest at prevailing market rates, as defined in the pertinent loan agreement dated December 4, 1998. This loan was secured by a deed of suretyship of DMCI-HI, a major stockholder and a deed of undertaking executed by DMCI-HI on December 4, 1998, whereby DMCI-HI undertook and obligated itself in favor of the local bank not to sell, reduce, assign, pledge or transfer its shares in the Semirara for as long as the Semirara's loan with the local bank is outstanding. This loan was originally payable in 11 equal quarterly installments starting June 2000 up to December 2002.

On June 15, 2001, Semirara and the local bank agreed to restructure this peso-denominated loan. This loan is now secured by: (a) real estate mortgage (REM) constituted over the properties of related parties located at Taguig, Metro Manila and Laguna registered under the name of DMCI and DMCI-Project Developers, Inc. (PDI); and (b) suretyship executed by DMCI. This loan, with interest at 91-day T-bill rate plus 3.25%, is now payable in 19 equal quarterly amortizations or six years from date of availment, including the 18 months grace period. The agreement also provided for the maintenance of certain financial ratios. As of December 31, 2004, this loan amounted to ₱22.7 million. This loan was paid in full on January 7, 2005.

Others
On September 30, 2005, Semirara entered into a term loan agreement with a local bank amounting to ₱234.6 million for additional working capital. The loan is payable in 48 equal monthly installments to commence on November 3, 2005. The interest shall be 13% per annum. The loan is secured by collaterals on the Company's seven (7) units dump trucks with net book value of ₱143.3 million as of December 31, 2005.

In 2004, Semirara entered into a loan agreement with a foreign bank amounting to US$5.1 million (₱284.5 million). The loan was used to finance the importation of certain conventional mining equipment to the extent of 85% of the contract value and other financing costs as defined under such agreement. This loan was payable in 10 equal consecutive semi-annual installments, the first of which shall become due and payable six months after December 31, 2004. The interest is computed at six (6) months-LIBOR plus 1.5% per annum and is secured by an unconditional and irrevocable guarantee issued by the Company. This loan amounted to US$4.3 million (₱230.4 million) as of December 31, 2005.

In December 2004, Semirara entered into a term loan agreement with a local bank amounting to ₱86.9 million to finance the importation of certain conventional mining equipment. The loan is payable in 16 equal quarterly installment to commence at the end of the 5th quarter from initial draw down date. The interest shall be based on the applicable MART1 (base rate) plus spread of 3.5%, repriceable and payable quarterly. This loan is covered by an existing company guarantee issued by DMCI. This loan was fully paid in March 2005.

(b) Sale of receivables

Certain subsidiaries entered into various purchase agreements with financial institutions whereby the subsidiaries sold its installment contracts receivables. The purchase agreements provide that the subsidiaries should substitute defaulted contracts to sell with other contracts to sell of equivalent value.

The subsidiaries still retains the sold receivables in the receivables account and records the proceeds from these sales as loans payable amounting to ₱555 million as of December 31, 2005. These loans bear fixed interest rates ranging from 10% to 13% and are payable on equal monthly installments over a period ranging from 5 to 15 years depending on the terms of the related installment contracts receivable.

The current portion of these loans amounted to ₱114.2 million as of December 31, 2005.

Payable to Foreign Suppliers
This account represents liabilities to foreign suppliers arising from purchases of various mining equipment made by Semirara.

On June 18, 2004, Semirara purchased seven (7) units of mining equipment from a foreign supplier for US$4.3 million (₱242.7 million). This loan is payable in: (a) 12 quarterly payments of principal each in an amount equal to 6.5% of the original loan amount commencing on the date falling 12 months from the drawdown date; and (b) balloon payment in the amount equal to 22% of the original loan amount. This loan bears interest at prevailing market rates and payable over 16 quarterly payments. This is secured by a chattel mortgage on the mining equipment purchased and a corporate guarantee issued by DMCI-HI. This was fully paid on October 5, 2005.

The payable to foreign suppliers also includes a foreign currency-denominated long-term obligations amounting to US$0.5 million (₱23.8 million) and US$4.91 million (₱276.37 million) as of December 31, 2005 and 2004, respectively. This loan arose from the acquisition of twelve (12) units of conventional mining equipment. This loan is payable for 5 years in 10 equal semi-annual installments after the 12 months grace period, with interest at 8.25% plus establishment fee of 2.75% and commitment fee of 1%. Title to the mining equipment amounting to ₱489.4 million will pass to Semirara only upon full settlement of its obligation. Also, the amount due is secured by a corporate guarantee issued by DMCI-HI and the visibility of the CSA evidencing a ten-year contract for a supply of up to 2.4 million MT of coal per year. In 2003, Semirara acquired from the same foreign supplier on account six (6) units of conventional mining equipment totaling US$1.5 million (₱79.3 million). This foreign currency-denominated obligation amounting to US$1.1 million in 2003 is payable in 18 months after 3 months grace period with interest at 5.75% per annum. The balance of the old portion of this equipment loan from same supplier, which was contracted in 2001, was fully paid on March 7, 2005.

The account “payable to foreign suppliers” also includes a foreign currency-denominated long-term obligation amounting to about US$8.6 million (₱456.4 million) and US$3.7 million (₱208.2 million) for the years ended December 31, 2005 and 2004, respectively. This loan arose from acquisitions of certain mining equipment, parts and supplies. This loan originally bears interest at prevailing market rates; was collateralized by an unconditional and irrevocable letter of guarantee issued by DMCI-HI, and an assignment agreement whereby Semirara assigned to the supplier its right to receive payment from NPC in case there is default in any of its payments; and was payable in various installments up to May 2003. On December 19, 2001, Semirara and this foreign supplier finalized the Debt Restructuring Agreement for the restructuring of such obligation. This loan is now payable in 18 consecutive quarterly installments until December 15, 2006 and bears interest based on SIBOR plus 3.75%. The loan is now secured by: (a) REM constituted over the properties located at Montecito Plantation, Ayala Canlubang Estate registered under the name of DMCI; (b) chattel mortgage on the Semirara’s twenty-nine (29) conventional mining equipment which is fully depreciated as of December 31, 2004 (Note 12), and eleven (11) heavy equipment owned by DMCI, and; (c) letter of guarantee issued by DMCI-HI. The agreement also provides for the maintenance of certain financial ratios.

On October 18, 2004, Semirara entered into an agreement to purchase eighteen (18) units of conventional mining equipment from the same foreign supplier for US$11.0 million. The interest is based on SIBOR plus 4.25% per annum and is payable over nineteen agreed interest payment dates. The principal amount is payable in sixteen (16) consecutive, equal, quarterly installments; the first installment with respect to each shipment shall be due and payable on the fourth (4th) interest payment date with respect to such shipment. Title to the equipment will pass to Semirara only upon full settlement of its obligation. As of December 31, 2004 six (6) units of conventional mining equipment amounting to about US$3.5 million were delivered to Semirara. This is secured by an unconditional and irrevocable guarantee issued by DMCI-HI.

The aggregate unpaid balance of these loans from foreign suppliers amounted to ₱467.8 million (US$8.7) and ₱922.3 million (US$16.4) as of December 31, 2005 and 2004, respectively.

Notes Payable to Preferred Shareholders
The Group's long-term notes payable as of December 31, 2004 include outstanding peso-denominated obligations of DMCI-HI, DMCI and PDI to certain preferred shareholders of DMCI-HI amounting to ₱45 million, ₱146 million and ₱53 million, respectively, which are payable in various maturity dates starting February 2007 until April 2009, pursuant to loan agreements evidenced by Promissory Notes (PNs) dated April 7, 2002 entered into by DMCI-HI, DMCI and PDI in connection with the redemption of 513,055 preferred shares (Note 18). The obligations of DMCI and PDI are secured by real estate mortgages over DMCI's and PDI's real estate for sale and development, and certain real estate properties of other related parties while the obligations of the DMCI-HI are unsecured.

As of December 31, 2004, the details of the foregoing PNs to preferred shareholders are presented below:

Prevailing interest rate of the 91-day T-Bill plus a spread of up to 2%, payable in quarterly payments in arrears	₱138,722,813
Fixed interest at 13%, payable in quarterly payments in arrears	102,028,705
Fixed interest at 13% for the first 5 years; prevailing interest rate of the 91-day T-Bill plus a spread of up to 3% for the last 2 years, payable in quarterly payments in arrears	3,690,900
	₱244,442,418

The loan agreements on the long-term notes payable of the Group with such preferred shareholders also provide for restrictions relating to, among others: encumbrances on the properties; change in the nature of business; change in the ownership or management; merger or consolidation; loans, investments and advances; articles of incorporation and by-laws; and maintenance of financial ratios at certain levels.

Acceptances and Trust Receipts Payable
On September 15, 2005, Semirara entered into an agreement to purchase twelve (12) units of conventional mining equipment for US$7.4 million (₱391.8 million). The interest is based on SIBOR plus 1.95% per annum and is payable over nineteen agreed interest payment dates. The principal amount is payable in sixteen (16) consecutive, equal, quarterly installments; the first installment with respect to each shipment shall be due and payable on the fourth (4th) interest payment date with respect to such shipment. Title to the equipment will pass to Semirara only upon full settlement of its obligation. As of December 31, 2005 four (4) units of conventional mining equipment amounting to about US$2.5 million (₱130.5 million) were delivered to Semirara. This is secured by an unconditional and irrevocable guarantee issued by DMCI-HI. The balance of the old portion of equipment loan, which was contracted in 1998 and 1999 was fully paid on February 15, 2005.

The aggregate unpaid balance of theses acceptances and trust receipts payables amounted to ₱263 million as of December 31, 2005.

The loan agreements with lenders contain some or all of the following restrictions: material changes in nature of business; payment of dividends; merger or consolidation; guarantee, investments or advances; encumbrance for borrowed money; sale of substantially all of assets and additional loans maturing beyond one year, except under certain conditions. As of December 31, 2005 and 2004, these restrictions were complied with by the Group.

17. Other Noncurrent Liabilities

The details of this account consist of:

	2005	2004
Deferred revenue on real estate sales	**₱376,752,577**	₱57,610,128
Payable to property sellers	**286,242,592**	243,929,192
Subscriptions payable	**3,750,000**	3,750,000
	₱666,745,169	₱305,289,320

Payable to Property Sellers
Payable to property sellers represents the balance of the Group's obligations to various real estate property sellers for the acquisition of certain parcels of land. The terms of the deeds of absolute sale covering the land acquisitions provided that such obligations are payable only after the following conditions, among others, have been complied with: (a) presentation by the property sellers of the original transfer certificates of title covering the purchased parcels of land; (b) submission of certificates of non-delinquency on real estate taxes; and (c) physical turnover of the acquired parcels of land to the Group.

18. Preferred and Common Stock

The changes in the number of shares follow:

	2005	2004
Preferred stock - ₱1 par value cumulative and convertible to common stock		
Authorized	**100,000,000**	100,000,000
Issued		
Balance at beginning of year	**342,240**	451,690
Retirement of preferred shares	**(197,760)**	(109,450)
Balance at end of year	**144,480**	342,240
Common stock - ₱1 par value		
Authorized	**5,900,000,000**	5,900,000,000
Issued	**2,255,494,000**	2,255,494,000
Preferred shares held in treasury		
Balance at beginning of year	**(185,500)**	(183,700)
Redemption of preferred shares	**(149,210)**	(111,250)
Retirement of preferred shares	**197,760**	109,450
Balance at end of year	**(136,950)**	(185,500)

Preferred shares were previously included in equity. In compliance with PAS 32, all of the Company's outstanding preferred shares amounting to ₱342,240 were reclassified from equity to liabilities as of January 1, 2005 and 2004, respectively.

The preferred shareholders' right of converting the preferred shares to common shares expired in March 2002. The remaining outstanding preferred shares totalling 144,480 shares were fully redeemed in 2006.

In 2005, the Group retired 197,760 preferred shares. The difference between the par value and the redemption price amounting to ₱234.4 million was charged against the additional paid in capital account.

As of December 31, 2004, the outstanding obligations of the Group relative to the issuance of PNs to certain preferred shareholders of the Company amounted to ₱244 million (see Note 16). These obligations were paid in 2005.

Retained earnings is restricted to the extent of the acquisition cost of the treasury shares amounting to ₱187 million and ₱239 million as of December 31, 2005 and 2004, respectively.

19. **Related Party Transactions**

In the regular course of business, the Group's significant transactions with related parties, which are accounted for at market prices normally charged to unaffiliated customers for similar goods and services, consisted primarily of the following:

(a) Comprehensive surety, corporate and letters of guarantee issued by the Company and DMCI for various credit facilities granted to and for full performance of certain obligations by certain related parties (see Notes 14, 16 and 31). Such outstanding surety and/or guarantees amounted to ₱354 million as of December 31, 2004. These obligations were paid in 2005;

(b) Interest and noninterest-bearing cash and operating advances made by the Group to and from various associates and other related parties (Note 5);

The consolidated balance sheets include the following amounts resulting from transactions with associates and other related parties:

	2005	2004
Receivable from related parties (Note 6)	**₱1,502,967,413**	₱1,095,275,329
Payable to related parties	**177,608,696**	851,922,968

Compensation of key management personnel of the Group by benefit type follows:

	2005	2004
Short-term employee benefits	**₱27,125,584**	₱26,973,661
Post employment benefits (Note 20)	**2,871,130**	2,773,657
	₱29,996,714	₱29,747,318

There are no agreements between the Company and any of its directors and key officers providing for benefits upon termination of employment, except for such benefits to which they may be entitled under the Company's pension plan.

20. **Employee Benefits**

As discussed in Note 2 to the consolidated financial statements, the Group adopted PAS 19 effective January 1, 2005. The information below includes the disclosure requirements under these new standards:

Retirement Plans

Except for DMCI-HI and PDI, the Group has a funded, noncontributory, defined benefit pension plans covering substantially all of their regular employees. The latest actuarial valuation reports of the retirement plans were made on December 31, 2005.

Total pensions assets and liabilities recognized in the consolidated balance sheets follow:

	2005	2004 (As restated)
Pension assets	**₱33,011,297**	₱43,939,656
Pension liabilities	**(49,055,701)**	(38,765,387)

Pension assets of the Group follow:

	2005	2004
Present value of unfunded obligation	**₱215,648,282**	₱182,565,943
Fair value of plan assets	**171,856,371**	159,126,269
Excess of present value of unfunded obligation over fair value of plan assets	**43,791,911**	23,439,674
Unrecognized actuarial loss - net	**(25,276,300)**	(14,696,777)
Unrecognized asset	**(2,471,207)**	(3,568,628)
Assets (liabilities) to be recognized in the consolidated balance sheets	**(₱16,044,404)**	₱5,174,269

Movements in the fair value of plan asset of DMCI follow:

	2005	2004
Balance at beginning of year	**₱159,126,269**	₱181,546,485
Expected return on plan assets	**12,730,102**	14,523,719
Actual contributions	**–**	–
Benefits paid	**–**	(6,398,821)
Actuarial gain (loss) - net	**–**	(30,545,114)
Balance at end of year	**₱171,856,371**	₱159,126,269

Changes in the present value of the defined benefit obligation follow:

	2005			2004		
	DMCI	**Others**	**Total**	DMCI	Others	Total
Balance at beginning of year	**₱140,695,952**	**₱49,706,421**	**₱190,402,373**	₱128,842,341	₱33,273,754	₱162,116,095
Current service cost	**6,338,733**	**1,138,775**	**7,477,508**	5,250,279	3,581,463	8,831,742
Interest cost	**16,883,514**	**884,887**	**17,768,401**	18,037,928	3,509,449	21,547,377
Benefits paid	**–**	**–**	**–**	(6,398,821)	–	(6,398,821)
Actuarial loss (gain) - net	**–**	**–**	**–**	(5,035,775)	1,505,325	(3,530,450)
Balance at end of year	**₱163,918,199**	**₱51,730,083**	**₱215,648,282**	₱140,695,952	₱41,869,991	₱182,565,943

* *Others include DMCI-HI and certain consolidated subsidiaries with unfunded, noncontributory, defined benefit pension plans.*

Components of retirement expense in the consolidated statements of income follow:

	2005			2004 (As Restated)		
	DMCI	**Others***	**Total**	DMCI	Others*	Total
Current service cost	**₱6,338,733**	**₱1,138,775**	**₱7,477,508**	₱5,250,279	₱3,581,461	₱8,831,740
Interest cost	**16,883,514**	**884,887**	**17,768,401**	18,037,928	3,509,449	21,547,377
Expected return on plan assets	**(12,730,102)**	**–**	**(12,730,102)**	(14,523,719)	–	(14,523,719)
Net actuarial loss (gain) recognized during the year	**462,109**	**4,507**	**466,616**	–	–	–
Net transition obligation (asset) recognized during the year	**259,447**	**140,373**	**399,820**	259,447	140,373	399,820
	₱11,213,701	**₱2,168,542**	**₱13,382,243**	₱9,023,935	₱7,231,283	₱16,255,218

* *Others include DMCI-HI and certain consolidated subsidiaries with unfunded, noncontributory, defined benefit pension plans.*

The assumptions used to determine pension benefits of the Group follow:

	2005	2004
Discount rate	**12%**	14%
Salary increase rate	**10%**	10%
Expected rate of return on plan assets	**8%**	8%

21. Sales and Services

This account consists of:

	2005	2004
Coal sales (Note 26)	**₱5,552,892,725**	₱5,065,864,642
Construction contracts	**2,790,475,944**	1,952,555,721
Real estate sales	**1,508,478,092**	718,360,031
Investment income	**2,757,342,878**	–
Merchandise sales and others	**177,634,429**	24,299,277
	₱12,786,824,068	₱7,761,079,671

22. Costs of Sales and Services

This account consists of:

	2005	2004
Coal sales (Note 27)	**₱3,305,420,022**	₱2,790,699,483
Construction contracts (Note 19)	**2,547,425,062**	1,833,959,651
Real estate sales	**1,021,634,826**	483,637,012
Investment, merchandise sales and others	**332,902,339**	13,824,634
	₱7,207,382,249	₱5,122,120,780

Depreciation, depletion and amortization included in the consolidated statements of income follow:

	2005	2004
Included in:		
Coal sales	**₱1,238,929,678**	₱685,147,488
Construction contracts	**70,088,798**	52,791,573
Operating expenses (Note 23)	**29,391,009**	25,949,306
	₱1,338,409,485	₱763,888,367

	2005	2004
Depreciation, depletion and amortization of:		
Property, plant and equipment (Note 12)	**₱1,335,586,689**	₱750,628,337
Real estate for sale and development (Note 8)	**2,822,796**	2,822,796
Deferred stripping and development costs (Note 13)	**–**	7,819,580
Investment properties (Note 11)	**2,633,377**	2,617,654
	₱1,341,042,862	₱763,888,367

Salaries, wages and employee benefits included in the consolidated statements of income follow:

	2005	2004 (As restated)
Included in:		
Costs of construction contracts	**₱367,542,131**	₱361,408,793
Operating expenses (Note 23)	**198,701,631**	173,762,266
Costs of coal sales	**116,282,956**	156,171,333
	₱682,526,718	₱691,342,392

23. Operating Expenses

This account consists of:

	2005	2004 (As restated)
Salaries, wages and employee benefits (Notes 22)	**₱198,701,631**	₱173,762,266
Government share	**158,784,821**	148,623,317
Outside services	**102,631,929**	79,498,019
Provision for doubtful accounts	**92,323,339**	48,537,678
Taxes and licenses	**54,018,437**	100,344,339
Commission	**45,723,198**	40,187,940
Transportation and travel	**41,979,873**	12,831,281
Entertainment, amusement and recreation	**39,553,521**	18,590,054
Advertising	**35,220,167**	33,180,094
Communication, light and water	**31,256,387**	19,959,588
Depreciation and amortization (Note 22)	**29,391,009**	25,949,306
Rent (Note 31)	**23,334,957**	17,533,933
Supplies	**16,133,371**	8,306,427
Repairs and maintenance	**10,272,100**	5,879,737
Insurance	**3,211,300**	3,865,648
Miscellaneous	**62,243,615**	38,963,024
	₱944,779,655	₱776,012,651

24. **Income Taxes**

The significant components of deferred tax assets and liabilities represented the deferred tax effects of the following:

	2005	2004 (As restated)
Deferred tax assets on:		
Allowance for:		
Doubtful accounts	**₱39,433,967**	₱63,595,083
Inventory obsolescence	**18,650,424**	19,955,656
Probable loss	**7,239,876**	
Accrued expenses	**35,520,070**	33,696,860
Pension cost	**14,816,323**	
NOLCO	**12,485,454**	–
Accrued retirement costs	**2,268,279**	22,574,528
Excess of cost over net realizable value	**1,661,427**	–
MCIT	**994,531**	–
Unrealized foreign exchange loss	**33,245**	2,879,450
Others	**–**	7,773,197
	133,103,596	150,474,774
Deferred tax liabilities on:		
Incremental cost of property, plant and equipment	**(121,219,904)**	(129,895,085)
Excess of book over tax income pertaining to construction contracts and real estate sales	**(103,238,407)**	(10,216,878)
Retirement benefit	**(11,553,954)**	(14,060,690)
Capitalized interest on real estate for sale and development deducted in advance	**(9,583,535)**	(8,327,481)
Others - net unrealized gain	**(26,224,133)**	(958,341)
	(271,819,933)	(163,458,475)
	(₱138,716,337)	(₱12,983,701)

The Group has the following deductible temporary differences that are available for offset against future taxable income or tax payable for which deferred tax assets have not been recognized:

	2005	2004 (As restated)
Allowance for doubtful accounts	**₱69,207,588**	₱56,893,059
Allowance for losses on assets	**52,620,071**	–
NOLCO	**27,045,558**	469,681,763
Retirement costs	**15,136,846**	5,948,907
MCIT	**12,425,777**	75,926,721
Accrued expenses	**3,117**	68,419,016

The deferred income tax effects of the above deductible temporary differences for which no deferred tax assets are recognized amounted to ₱70 million as of December 31, 2005. Deferred tax assets are recognized only to extent that taxable income will be available against which the deferred tax assets can be used. The Group assesses the unrecognized deferred tax assets and will recognize a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable income will allow the deferred tax asset to be recovered. Accordingly, in 2005, the Company recognized the deferred income tax effects of the deductible temporary differences not recognized in prior years amounting to ₱243 million (inclusive of the tax adjustment arising from the change in tax rate).

As of December 31, 2005, the Group's available NOLCO amounting to ₱460 million was applied against the current provision for income tax and income tax payables.

The provision for (benefit from) income tax shown in the consolidated statements of income consists of:

	2005	2004 (As restated)
Final	**₱10,470,800**	–
Current	**497,908,228**	₱90,458,793
Deferred	**58,496,703**	(27,565,672)
	₱566,875,731	₱62,893,121

The reconciliation of the statutory income tax rate to the effective income tax rate follows:

	2005	2004 (As restated)
Statutory income tax rate	**32.50%**	32.00%
Adjustments for:		
Nondeductible depreciation expense on adjusted cost	**–**	1.32
Changes in unrecognized deferred tax assets	**0.50**	(29.67)
Nondeductible interest expense	**0.22**	0.01
Nondeductible expenses	**0.02**	0.11
Nontaxable equity in net earnings of associates and jointly controlled entities	**(0.17)**	(0.15)
Interest income subjected to final tax at a lower rate - net	**(0.78)**	(0.03)
Nnontaxable gain on sale of investments in shares of stock	**(12.98)**	(0.02)
Non taxable dividend income	**(0.04)**	–
Gain on sale of dilusion	**(5.47)**	–
Change in tax rate	**(1.83)**	–
Others - net	**(0.03)**	0.35
Effective income tax rate	**11.94%**	3.92%

Republic Act (RA) No. 9337

RA No. 9337 was enacted into law amending various provisions in the existing 1997 National Internal Revenue Code. On October 18, 2005, the SC has rendered its final decision declaring the validity of RA No. 9337. Among the reforms introduced by the said RA, which became effective on November 1, 2005, are as follows:

- Increase in the corporate income tax rate from 32% to 35% with a reduction thereof to 30% beginning January 1, 2009;
- Grant of authority to the Philippine President to increase the value-added tax (VAT) rate from 10% to 12% effective February 1, 2006;
- Revised invoicing and reporting requirements for VAT;
- Expanded scope of transactions subject to VAT; and
- Provide thresholds and limitations on the amounts of VAT credits that can be claimed.

25. **Basic Earnings Per Share**

The following table presents information necessary to calculate basic earnings per share (in thousands except basic earnings per share):

	2005	2004
Net income	**₱3,591,511**	₱1,466,980
Less dividends on preferred shares	**542**	24,641
	3,590,969	1,442,339
Divided by weighted average number of common shares	**2,255,494**	2,255,494
Basic earnings per share	**₱1.59**	₱0.64

The assumed conversion of the Group’s preferred shares has no dilutive effect. The preferred shareholders’ right of conversion expired in March 2002. Accordingly, no diluted earnings per share is presented in the accompanying consolidated statements of income in 2005 and 2004.

26. **Coal Supply Agreement with NPC**

Semirara has a Coal Supply Agreement (CSA) with NPC, a major customer, dated May 19, 1995, whereby Semirara agreed to sell and NPC agreed to buy from Semirara the local coal requirements of its 2 x 300 megawatt coal-fired power plants at Calaca, Batangas (Calaca I & II). As provided for in the CSA, the annual contracted quantities follow: (a) 600,000 MT to a maximum of 900,000 MT commencing on July 1, 1995 until March 31, 1996; (b) 1,050,000 MT to a maximum of 1,500,000 MT, after March 31, 1996 until March 31, 1997 or until Unong mine is declared depleted by Semirara. Since the Unong mine was not declared depleted by Semirara on March 31, 1997, the annual minimum contracted quantity of 1,050,000 MT was reduced to 900,000 MT starting April 1, 1997. However, upon its declaration that the Unong mine is depleted, the Company shall supply NPC and NPC shall buy from Semirara an annual minimum quantity of 700,000 MT up to a maximum quantity of 1,200,000 MT of coal.

The CSA also provided for, among others, the pricing determination where the base price per MT of coal is computed based on a formula stipulated in the CSA. This base price is subject to adjustment for penalty or bonus which is determined on a per delivery basis, based on a set of coal quality standards also as stipulated in the CSA. The CSA is effective for 15 years up to May 2010. In 2001, the first amendment was made to the CSA and on January 1, 2002, the second amendment to the CSA has been finalized. The amendments included the following:

a) supply of a revised annual minimum quantity of 1,200,000 MT up to a maximum quantity of 2,400,000 MT of coal, which was stipulated in the first amendment to the CSA dated January 15, 2001;

b) NPC to be entitled to an additional 3% discount in the event that its aggregate lifting in any given year exceeds 1,100,000 MT up to 2,400,000 MT of coal. Discount computation shall start on the month its aggregate lifting exceeds 1,100,000 MT of coal;

c) conversion of the mode of delivery from FOB-Semirara to C&F-Calaca to simplify the payment and rescheduling of coal deliveries to Calaca I and Calaca II;

d) maintenance by Semirara, at its own expense, of a minimum coal running inventory of at least 100,000 MT that meets the applicable coal specifications set forth in the second amendment of the CSA and ready in all aspects for loading and delivery to Calaca I and Calaca II;

e) limitation in the coal's sulfur content to 1.0% in compliance with the Clean Air Act and reduction in its ash specification to 20% to minimize coal handling problems;

f) inclusion of certain bases of NPC's exercise of its rights to reject and/or stop coal deliveries by the Company to NPC, consequences of coal rejection in terms of title and risk of loss to coal delivered, relief from payment by NPC, and removal of delivered coal from NPC premises; and remedies for the Company in the event NPC exercises such rights;

g) changes in (i) the pricing periods to a 3-month period which shall commence respectively at the beginning of a calendar quarter namely: January 1, April 1, July 1, and October 1; and (ii) the computation of the base price of Semirara's coal delivery including the determination of the initial and final base prices, to consider the volatile foreign exchange situation and the price of all NPC imported coal for Calaca plant during the pricing period;

h) changes in the computation of the adjustment for penalty or bonus from the base price per MT;

i) requirement for Semirara and NPC to reconcile payments made for coal deliveries for the immediate preceding pricing period within 30 calendar days from determination of the final base price by issuing a debit memo to the other;

j) deletion of the CSA provision requiring NPC to make an equity investment in Semirara in the event that the aggregate deliveries of coal meeting the coal specifications taken by NPC within any calendar year is less than 900,000 MT; and

k) inclusion of the provision allowing Semirara and the new owner or operator of Calaca I and Calaca II in the event that Calaca I and Calaca II are privatized or its operation and maintenance is turned over to the private sector in conformity with the provisions of the Build-Operate-Transfer Law, as amended, or such other enabling statute that NPC shall ensure that the provision of the CSA shall be honored by the new owner or operator, subject to the prevailing policy on the development of the country's indigenous energy resources as set forth in the DOE Act of 1992 including changes thereto shall be observed.

In 2003, the supplemental agreement (Agreement) to the coal supply agreement has been finalized. The Agreement provided for, among others, the services to be undertaken by the Semirara for the coal handling operations at Calaca, Batangas as a result of the extension of coal delivery from C&F Discharge Port to C&F Silo with the cost of ₱66 per MT plus value added tax.

The services to be undertaken by Semirara in order to extend its delivery service from discharge port to silos includes coal unloading and handling; repairs and maintenance of coal handling facilities; stevedoring services; support activities and coal yard management; and tree planting, marine life protection program and environmental programs to enhance image of NPC power plants. Semirara recognized a net (loss) income of (₱26.87) million and ₱17.71 million from this handling operation for the years ended December 31, 2005 and 2004, respectively.

Semirara's receivables from NPC amounted to ₱809.33 million and ₱753.82 million as of December 31, 2005 and 2004, respectively.

27. Coal Operating Contract with DOE

Semirara has a Coal Operating Contract with DOE dated July 11, 1977, as amended on January 16, 1981, for the exploration, development, mining and utilization of coal over Semirara Island, Antique under the terms and conditions provided therein and pursuant to the provisions of Presidential Decree No. 972, otherwise known as the Coal Development Act of 1976. The contract also provides for the manner and basis of sharing the gross proceeds from coal production between Semirara and DOE. Semirara's liabilities to DOE (including accrued interest computed at 14% per annum on outstanding balance) under this contract and to the different local government units in the province of Antique, under the provisions of the Local Government Code of 1991, amounted to ₱46.14 million and ₱326.94 million as of December 31, 2005 and 2004, respectively. These liabilities are included under the *"Accounts and other payables"* account in the balance sheets (Note 15). The contract is for a maximum period of 35 years (inclusive of the developmental stage and renewals) up to July 2012.

In 2002, the DOE, through the Energy Resources Development Bureau, approved the exclusion of coal produced and used solely by Semirara to feed its power plant in determining the amount due to DOE.

28. Segment Reporting

Business Segment Information
Financial information by segment is reported on the basis used internally for evaluating segment performance and allocating resources among operating segments.

The industry segments where the Group operates are: general construction, coal mining, infrastructure and real estate development and manufacturing.

Business Segments
The following tables present revenue, net income (loss) and depreciation, depletion and amortization information regarding business segments for the years ended December 31, 2005, and 2004 and property, plant and equipment additions, total assets and total liabilities for the business segments as of December 31, 2005 and 2004 (amounts in millions):

	Revenue		**Net Income (Loss)**		**Depreciation, Depletion and Amortization**	
	2005	2004	**2005**	2004 (As restated)	**2005**	2004
General Construction	**₱2,790**	₱1,953	**₱74**	₱118	**₱92**	₱75
Coal Mining	**5,553**	5,066	**1,592**	1,439	**1,239**	685
Infrastructure and Real Estate Development	**1,508**	718	**140**	35	**4**	2
Manufacturing and Parent Company	**3,353**	141	**2,375**	(51)	**3**	2
	₱13,204	₱7,878	**₱4,181**	₱1,541	**₱1,338**	₱764

	Property, Plant and Equipment Additions		**Segment Assets**		**Segment Liabilities**	
	2005	2004	**2005**	2004 (As restated)	**2005**	2004
General Construction	**₱84**	₱22	**₱3,936**	₱2,437	**₱1,105**	₱1,632
Coal Mining	**1,798**	1,299	**6,928**	3,862	**2,736**	2,502
Infrastructure and Real Estate Development	**4**	14	**6,395**	6,196	**2,977**	1,886
Manufacturing and Parent Company	**–**	–	**326**	255	**368**	1,509
	1,886	1,335	**17,585**	12,750	**7,186**	7,529
Deferred Tax Assets/Liabilities	**–**	–	**21**	15	**160**	28
Total Assets/Liabilities	**₱1,886**	₱1,335	**₱17,606**	₱12,765	**₱7,346**	₱7,557

The Group generally accounts for inter-segment sales and transfers as if the sales or transfers were to third parties at current market prices.

29. Financial Instruments

Financial Risk Management Objectives and Policies

The Group's principal financial instruments, other than derivatives, comprise cash and cash equivalents and interest-bearing loans and borrowings. The main purpose of these financial instruments is to raise financing for its operations and capital expenditures. The Group has various other financial assets and liabilities, such as receivables and payables which arise directly from its operations.

The main risks arising from the use of financial instruments are foreign currency risk, credit risk, liquidity risk, interest rate risk and commodity price risk. The Group's BOD reviews and approves policies for managing each of these risks and they are summarized below.

Foreign exchange risk

The Group's foreign exchange risk results primarily from movements of the Philippine Peso against the United States Dollar. All revenue are generated in Pesos and some of the capital expenditures are in US$. As of December 31, 2005, 65% of debt of the Group was denominated in US$.

Credit risk

The Group's exposure to credit risk arises from default of the counterparties which include certain financial institutions, real estate buyers, subcontractors and suppliers. Credit risk management involves dealing only with institutions or individuals for which credit limits have been established, and with subcontractors and suppliers whose paying and performance capabilities are rigorously screened. The Treasury policy sets a credit limit for each counterparty.

Liquidity risk

The Group seeks to manage its liquidity profile to be able to service its maturing debts and to finance capital requirements. The Group maintains a level of cash and cash equivalents deemed sufficient to finance operations. As part of its liquidity risk management, the Group regularly evaluates its projected and actual cash flows. It also continuously assesses conditions in the financial markets for opportunities to pursue fund-raising activities. Fund-raising activities may include bank loans and capital market issues both on-shore and off-shore.

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's long-term debt obligations. The Group's policy is to manage its interest cost using a mix of fixed and variable rate debt.

The following table shows the information about the Group's significant financial instruments that are exposed to cash flow and fair value interest rate risks and presented by maturity profile.

	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	More than 5 years	Total - Gross (in PHP)	Total - Gross (In USD)
Liabilities:								
Floating Rate (exposed to fair value risk)								
$13.38 million loan (USD) 6 month USD LIBOR plus 1.5% per annum	₱33,861,892	₱122,575,464	₱165,092,940	₱159,633,382	₱159,633,381	₱69,523,310	₱710,320,369	$13,385,410
$8.59 million loan (USD) 3 month BOTM SIBOR plus 4.25% per annum	–	29,372,585	29,372,585	29,372,584	29,372,584	–	117,490,338	2,214,000
₱999.23 million loans payable monthly payments at 10% to 13% per annum	201,313,279	156,861,074	115,559,533	84,168,124	47,477,969	393,845,716	999,225,695	–
Fixed Rate (exposed to cash flow risk)								
$2.21 million loan (USD) 6.48% per annum	–	101,031,613	119,082,486	119,082,486	119,082,486	–	458,279,071	8,596,570
₱234.58 million promissory note 13.50% per annum	66,919,261	58,644,996	58,644,996	40,596,580	–	–	224,805,833	–
Various letters of credits and suppliers debt various interest rates	301,961,309	46,316,765	–	–	–	–	348,278,074	173,249
	₱604,055,741	₱514,802,497	₱487,752,540	₱432,853,156	₱355,566,420	₱463,369,026	₱2,858,399,380	$24,369,229

Financial Assets and Liabilities
Financial assets and liabilities are recognized initially at cost which is the fair value of the consideration given (in the case of the asset) or received (in the case of liability). Debt issuance costs are included in the initial measurement of all financial assets and liabilities except those that are designated as fair value through profit and loss. Subsequent to initial recognition, assets and liabilities are either valued at amortized cost using effective interest rate method or at fair value depending on their classification.

The table below presents a comparison by category of carrying amounts and estimated fair values of all the Group's financial instruments as of December 31, 2005.

	Carrying Value	Fair Value
Financial Assets		
Cash and cash equivalents	₱1,949,710,991	₱1,949,710,991
AFS investments	528,466,091	529,179,141
Receivables – net	2,441,837,320	2,441,837,320
Receivable from related parties (included under Receivables - net account)	1,502,967,413	1,502,967,413
Noncurrent receivables	905,137,365	905,137,365
	₱7,328,119,180	₱7,328,832,230
Financial Liabilities		
Accounts payable and accrued expenses	₱2,692,334,294	₱2,692,334,294
Short-term debt	604,055,741	604,055,741
Payable to related parties	177,608,696	177,608,696
Estimated liability for property development	276,708,069	276,708,069
Long-term debt - net of current portion	2,254,343,639	2,237,650,756
	₱6,005,050,439	₱5,988,357,556

Fair Value of Financial Instruments
The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

Nonderivative financial instruments
Cash and cash equivalents, receivables and accounts payable and accrued expenses approximate their carrying amounts in view of the relatively short-term maturity of these instruments.

The carrying amounts of amounts due from/to related parties which are due on demand within one year approximate their fair values.

The fair value of non interest-bearing refundable deposits is determined as the present value of estimated future cash flows using prevailing market rates.

The fair value of floating rate loan is determined by discounting the future cash flows (interests and principal) using prevailing market rates. The frequency of repricing per year affects the fair value. In general, a loan that is repriced every three months will have a carrying value closer to the fair value than a six month repriceable loan with similar maturity and interest basis. For loans repricing every six months (in USD), the discount curve was in the range of 3.86% to 4.47%.

30. **Capital Restructuring of Semirara**

On March 17, 2004, the stockholders of Semirara ratified the BOD resolution on Semirara's Capital Restructuring. The Capital Restructuring of Semirara was approved by the SEC on July 2, 2004.

The Capital Restructuring of Semirara includes the following:

(a) Reduction of the authorized capital stock from ₱1,812,200,000, divided into 1,662,200,000 common shares at ₱1 par value per share and 15,000 preferred shares at ₱10,000 par value per share to ₱21,370,448 divided into 21,370,448 common shares at ₱1 par value per share;

(b) Retirement and cancellation of the ₱150,000,000 authorized preferred shares;

(c) Issued and outstanding common shares will be used to eliminate deficit as of December 31, 2003 of ₱1,625,852,920, thus reducing issued and outstanding common shares to ₱5,342,612; and

(d) Increase in authorized capital stock from ₱21,370,448 divided into 21,370,448 common shares to ₱100,000,000 divided into 100,000,000 shares with a par value of ₱1 per share.

On July 30, 2004, Semirara's BOD approved the application for additional listing on the Philippine Stock Exchange (PSE) of 19,657,388 common shares. These shares were subscribed by the Company out of the increase in the authorized capital stock approved by the SEC on July 2, 2004 as part of Semirara's Capital Restructuring at a price of ₱1.05 per share thereby increasing the Company's shareholdings in Semirara from 74.40% to 94.53%.

On September 14, 2004, Semirara's BOD approved the increase in Semirara's authorized capital stock from ₱100 million divided into 100 million common shares with ₱1 par value per share to ₱1,000 million divided into 1 billion common shares with ₱1 par value per share. Semirara's BOD also approved the declaration of stock dividends in the amount of ₱225 million consisting of 225 million common shares at a par value of ₱1 per share in favor of all Semirara's stockholders as of the record date to be determined by the SEC in proportion to their respective shareholdings as of said record date. On October 8, 2004, Semirara's stockholders approved the said increase in the authorized capital stock and the declaration of stock dividends. Semirara's stockholders also approved the offer for subscription to qualified institutional buyers of common shares out of the authorized capital stock provided it does not exceed 20% of the issued and outstanding capital stock after the offered shares have been subscribed.

On February 4, 2005, Semirara successfully completed its international offer of 89,866,000 shares. The offered shares comprised 42,991,000 existing shares held by DMCI-HI and 46,875,000 new shares. Concurrently, DMCI-HI offered 15,180,000 existing shares to all of the trading participants of the Philippine Stock Exchange. As a result of these offers, DMCI-HI recognized gains aggregating ₱2.4 billion in 2005.

31. Contingencies and Commitments

Contingencies

The Group is contingently liable for lawsuits or claims filed by third parties which are either pending decision by the courts or are under negotiation, the outcomes of which are not presently determinable. In the opinion of management and its legal counsel, the eventual liability under these lawsuits or claims, if any, will not have a material effect on the consolidated financial statements. The information usually required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, is not disclosed on the grounds that it can be expected to prejudice the outcome of these lawsuits, claims and assessments.

DMCI has a contingent claim from URPHI representing interest on contract receivables, the recoverability of which is dependent on the successful implementation of URPHI's rehabilitation plan.

Lease Commitments

As Lessee

The Group leases a portion of its office premises that are renewed under the terms and condition agreed with the lessors.

As of December 31, 2005, future minimum lease payments under the aforementioned finance lease and the present value of the net minimum lease payments (in millions) are as follows:

Within one year	₱10
After one year but not more than five years	51
Total minimum lease payments	₱61

As Lessor

The Group entered into commercial property leases on its investment portfolio. All leases include a clause to enable upward revision of the rental charge on an annual basis based on prevailing market conditions.

Future minimum rentals receivable under operating leases follow (in millions):

	2005	2004
Within one year	**₱3**	₱3
After one year but not more than five years	**11**	14
	₱14	₱17

32. Events After Balance Sheet Date

In 2006, the SEC approved the merger of Constress and PDI.

33. Note to Consolidated Statements of Cash Flows

The Group's significant noncash operating, investing and financing activities follows:

	2005	2004
	(In Thousands)	
Acquisitions of conventional and continuous mining equipment through availments of long-term debt	**₱642**	₱434
Redemption of preferred shares by related parties charged against advances	**–**	62
Redemption of preferred shares by the Group in exchange for PNs	**–**	14
Retirement of redeemed treasury shares	**242,240**	–
Gain on sale of investments	**292,272**	–

DMCI HOLDINGS
INCORPORATED

CERTIFICATION

3rd floor
DACON Building
2281 Don Chino Roces Ave.
(formerly Pasong Tamo Ext.)
Makati City 1231, Philippines

(632) 888 • 3000
Facsimile
(632) 816 • 7362
E-Mail
dmcihi@dmcinet.com

I, Ms. **MA. EDWINA C. LAPERAL**, of legal age, Filipino and with office address at 3rd Floor, Dacon Bldg., 2281 Don Chino Roces Avenue, Makati City, after being sworn to in accordance with law, do hereby certify that:

1. I am the Treasurer of DMCI Holdings, Inc., a corporation duly created and existing under and by virtue of the laws of the Republic of the Philippines, under SEC Certificate of Registration No. AS095-002283 with principal office address at 3rd Floor Dacon Bldg., 2281 Don Chino Roces Avenue, Makati.

2. The General Form for Financial Statements (GFFS) diskette submitted herein has the basic and material data in the audited and financial statements.

3. I am executing this certification to attest to the truth of the foregoing and in compliance with the reportorial requirements of the Securities and Exchange Commission.

Done this 18th day of May, 2006 in Makati City.

MA. EDWINA C. LAPERAL

MAY 18 2006

Subscribed and sworn to before me this ______ day of __________, 2006 affiant exhibiting to me his/her Community Tax No. 24805711 on January 11, 2006, Makati City.

ATTY. LOPE M. VELASCO
Notay Public
NOTARY PUBLIC
UNTIL DEC. 31, 2007
PTR 4547109 - MLA. 1/2/06
IBP 660381 - MLA. 11/30/05
TIN 212 - 965 - 989
ATTY'S ROLL NO. 28757

Doc. No. 263
Page No. 54
Book No. 63
Series of 2006

Subsidiaries
D.M. Consunji, Inc.
DMCI Project Developers, Inc.
Atlantic, Gulf & Pacific Company of Manila, Inc.
Semirara Mining Corporation

Control No.:
Form Type: GFFS (rev 2006)

GENERAL FORM FOR FINANCIAL STATEMENTS

NAME OF CORPORATION: DMCI HOLDINGS, INC. AND SUBSIDIARIES
CURRENT ADDRESS: 3rd Floor, Dacon Building, 2281 Don Chino Roces Avenue, Makati City
TEL. NO.: 888-3000 FAX NO.:
COMPANY TYPE : CONSTRUCTION PSIC:

If these are based on consolidated financial statements, please so indicate in the caption.

Table 4. Statement of Changes in Equity

	(Amount in P'000)					
F I N A N C I A L D A T A	Capital Stock	Additional Paid-in Capital	Preferred Shares held in Treasury	Attributable to Minority Interest	Retained Earnings	2004
A. Balance, *2003*	2,255,946.00	2,929,845.00	(237,288.00)	219,226.00	(750,811.00)	4,416,918.00
A.1 Reclassification/Retirement of Preferred Shares	(452.00)	(556,393.00)	(1,808.00)			(558,653.00)
A.2 Changes in Accounting Policy/Increase in Ownership				6,290.00	(72,243.00)	(65,953.00)
B. Restated Balance	2,255,494.00	2,373,452.00	(239,096.00)	225,516.00	(823,054.00)	3,792,312.00
C. Surplus						
C.1 Surplus (Deficit) on Revaluation of Properties						
C.2 Surplus (Deficit) on Revaluation of Investments						
C.3 Currency Translation Differences						
C.4 Other Surplus (specify)						
C.4.1						
C.4.2						
C.4.3						
C.4.4						
C.4.5						
D. Net Income (Loss) for the Period				74,487.00	1,466,980.00	1,541,467.00
E. Decrease in minority interest (negative entry)				(126,016.00)		(126,016.00)
F. Appropriation for (specify)						
F.1						
F.2						
F.3						
F.4						
F.5						
G. Issuance of Capital Stock						
G.1 Common Stock						
G.2 Preferred Stock						
G.3 Others						
H. Balance, *2004*	2,255,494.00	2,373,452.00	(239,096.00)	173,987.00	643,926.00	5,207,763.00
H.1 Retirement of Preferred Shares			51,886.00			
H.2 Change in Accounting Policy						
I. Restated Balance	2,255,494.00	2,373,452.00	(187,210.00)	173,987.00	643,926.00	5,259,649.00
J. Surplus						
J.1 Surplus (Deficit) on Revaluation of Properties					(33,990.00)	(33,990.00)
J.2 Surplus (Deficit) on Revaluation of Investments						
J.3 Currency Translation Differences					2,402.00	2,402.00
J.4 Other Surplus (specify)						
J.4.1 Increase in Minority Interest				858,195.00		858,195.00
J.4.2						
J.4.3						
J.4.4						
J.4.5						
K. Net Income (Loss) for the Period				589,134.00	3,591,510.00	4,180,644.00
L. Decrease in Ownership (negative entry)					(7,469.00)	(7,469.00)
M. Appropriation for (specify)						
M.1						
M.2						
M.3						
M.4						
M.5						
N. Issuance of Capital Stock						
N.1 Common Stock						
N.2 Preferred Stock						
N.3 Others						
O. Balance, *2005*	2,255,494.00	2,373,452.00	(187,210.00)	1,621,316.00	4,196,379.00	10,259,431.00

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TEL. NO.: 888-3000 FAX NO.:
COMPANY TYPE : CONSTRUCTION PSIC:

If these are based on consolidated financial statements, please so indicate in the caption.

Table 3. Cash Flow Statements

FINANCIAL DATA	2005 (in P'000)	2004 2004
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income (Loss) Before Tax and Extraordinary Items	4,747,521.00	1,604,359.00
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities		
Depreciation	1,335,586.00	635,131.00
Amortization		
Others, specify: Interest Expense	220,020.00	368,317.00
Foreign exchange losses - net	(74,911.00)	7,844.00
Equity in net losses of associates and jointly controlled entities	(31,550.00)	7,334.00
Interest Income	(206,379.00)	(11,013.00)
Dividend Income	(5,707.00)	0.00
Retirement Expense	18,765.00	10,895.00
Gain on disposal of property and equipment and investments	(2,629,800.00)	(33,749.00)
Write-down of Property, Plant, and Equipment	0.00	223,999.00
Write-off of Other noncurrent assets	0.00	159,498.00
Recovery of provision for doubtful accounts	(3,433.00)	
Provisions for:		
Inventory obsolescence	0.00	17,070.00
Probable losses on noncurrent assets	42,721.00	12,215.00
Probable losses on investments	0.00	2,000.00
Changes in Assets and Liabilities:		
Decrease (Increase) in:		
Receivables	79,603.00	(522,906.00)
Inventories	(826,156.00)	(17,195.00)
Other Current Assets	(78,621.00)	3,652.00
Others, specify:		
Costs and estimated earnings in excess of billings	94,362.00	
Real estate for sale and development	(187,635.00)	(6,385.00)
Increase (Decrease) in:		
Trade and Other Payables	(243,333.00)	715,288.00
Others, specify: Estimated liability for property development	238,703.00	11,463.00
Deferred income	376,752.00	12,446.00
Customer's deposits	(59,663.00)	24,826.00
Billings in excess of costs and estimated earnings	(129,589.00)	(304,553.00)
Interest received	226,214.00	8,905.00
Interest paid	(248,330.00)	(882,213.00)
Income taxes paid	(60,779.00)	(97,962.00)
A. Net Cash Provided by (Used in) Operating Activities (sum of above rows)	2,594,361.00	1,949,266.00
CASH FLOWS FROM INVESTING ACTIVITIES		
(Increase) Decrease in Long-Term Receivables	287,561.00	106,713.00
(Increase) Decrease in Investment	(710,232.00)	0.00
(Increase) Decrease in Other noncurrent assets	(62,350.00)	(48,322.00)
(Increase) Decrease in investment properties	(69,189.00)	0.00
(Increase) Decrease in available for sale assets	(529,179.00)	0.00
Reductions/(Additions) to Property, Plant, and Equipment	(1,271,882.00)	(898,314.00)
Others, specify: Proceeds from disposal of property and equipment	15,914.00	144,895.00
Proceeds from disposal of investment properties	0.00	20,360.00
Proceeds from disposal of investments	0.00	
Dividends received	5,707.00	0.00
B. Net Cash Provided by (Used in) Investing Activities (sum of above rows)	(2,333,650.00)	(674,668.00)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from:		
Additional subscription to capital stock	1,623,018.00	0.00
Sale of treasury shares	6,114.00	0.00
Payment on acquisition of shares held in treasury	(383,633.00)	0.00
Availments (Payments) of:		
Long-term Debt and Notes Payable	(156,396.00)	(924,531.00)
Others, specify (negative entry):		
Increase (decrease) in payable to related parties	595,428.00	(333,978.00)
Redemption of preferred shares	(190,355.00)	(28,674.00)
Dividends paid	(22,301.00)	0.00
Decrease in noncurrent liabilities	0.00	(17,881.00)
C. Net Cash Provided by (Used in) Financing Activities (sum of above rows)	1,471,875.00	(1,305,064.00)
NET INCREASE IN CASH AND CASH EQUIVALENTS (A + B + C)	1,732,586.00	(30,466.00)
Cash and Cash Equivalents		
Beginning of year	217,125.00	247,591.00
End of year	1,949,711.00	217,125.00

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TEL. NO.: 888-3000 FAX NO.:

COMPANY TYPE : CONSTRUCTION PSIC:

If these are based on consolidated financial statements, please so indicate in the caption.

Table 2. Income Statement

FINANCIAL DATA	2005 (in P'000)	2004 (in P'000)
E. OTHER DIRECT COSTS, SPECIFY (E.1 + E.2 + E.3 + E.4 + E.5 + E.6)		
E.1		
E.2		
E.3		
E.4		
E.5		
E.6		
F. GROSS PROFIT (A - B - C - D - E)	5,996,314.00	2,756,023.00
G. OPERATING EXPENSES (G.1 + G.2 + G.3 + G.4)	1,028,773.00	783,346.00
G.1 Selling or Marketing Expenses	80,944.00	73,368.00
G.2 Administrative Expenses	639,490.00	548,660.00
G.3 General Expenses	224,346.00	153,984.00
G.4 Other Expenses, specify (G.4.1 + G.4.2 + G.4.3 + G.4.4 + G.4.5 + G.4.6)	83,993.00	7,334.00
G.4.1 Loss on sale of investment	83,993.00	0.00
G.4.2 Equity in net losses of investment	0.00	7,334.00
G.4.3		
G.4.4		
G.4.5		
G.4.6		
H. FINANCE COSTS	220,020.00	368,317.00
I. NET INCOME (Loss) BEFORE TAX (F - G - H)	4,747,521.00	1,604,360.00
J. INCOME TAX EXPENSE (negative entry)	(566,876.00)	(62,893.00)
K. INCOME AFTER TAX	4,180,645.00	1,541,467.00
L. Amount of (i) Post-Tax Profit or Loss of Discontinued Operations; and (ii) Post-Tax Gain or Loss Recognized on theMeasurement of Fair Value less Cost to Sell or on the Disposal of the Assets or Disposal Group(s) constituting the Discontinued Operation (i		
L.1		
L.2		
M. Profit or Loss Attributable to Minority Interest	589,134.00	74,487.00
N. Profit or Loss Attributable to Equity Holders of the Parent	3,591,511.00	1,466,980.00

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TEL. NO.: 888-3000 FAX NO.:

COMPANY TYPE : CONSTRUCTION PSIC:

If these are based on consolidated financial statements, please so indicate in the caption.

Table 2. Income Statement

F I N A N C I A L D A T A	2005 (in P'000)	2004 (in P'000)
A. REVENUE / INCOME (A.1 + A.2 + A.3)	13,203,696.00	7,878,144.00
A.1 Net Sales or Revenue / Receipts from Operations (manufacturing, mining,utilities, trade, services, etc.) (from Primary Activity)	12,786,824.00	7,761,080.00
A.2 Share in the Profit or Loss of Associates and Joint Ventures accounted for using the		
A.3 Other Revenue (A.3.1 + A.3.2 + A.3.3 + A.3.4 + A.3.5)		
A.3.1 Rental Income from Land and Buildings		
A.3.2 Receipts from Sale of Merchandise (trading) (from Secondary Activity)		
A.3.3 Sale of Real Estate or other Property and Equipment		
A.3.4 Royalties, Franchise Fees, Copyrights (books, films, records, etc.)		
A.3.5 Others, specify (A.3.5.1 + A.3.5.2 + A.3.5.3 + A.3.5.4 + A.3.5.5 + A.3.5.6 + A.3.5.7)	178,943.00	113,896.00
A.3.5.1 Others	178,943.00	113,896.00
A.3.5.2		
A.3.5.3		
A.3.5.4		
A.3.5.5		
A.3.5.6		
A.3.5.7		
A.4 Other Income (non-operating) (A.4.1 + A.4.2 + A.4.3 + A.4.4)	237,929.00	3,168.00
A.4.1 Interest Income	206,379.00	3,168.00
A.4.2 Equity in net income of associates	31,550.00	
A.4.3 Gain / (Loss) from selling of Assets, specify (A.4.3.1 + A.4.3.2 + A.4.3.3 + A.4.3.4 + A.4.3.5 + A.4.3.6 + A.4.3.7)		
A.4.3.1		
A.4.3.2		
A.4.3.3		
A.4.3.4		
A.4.4 Gain / (Loss) on Foreign Exchange (A.4.4.1 + A.4.4.2 + A.4.4.3 + A.4.4.4)		
A.4.4.1		
A.4.4.2		
A.4.4.3		
A.4.4.4		
B. COST OF GOODS SOLD (B.1 + B.2 + B.3)	7,207,382.00	5,122,121.00
B.1 Cost of Goods Sold (B.1.1 + B.1.2 + B.1.3 + B.1.4 + B.1.5)	7,207,382.00	5,122,121.00
B.1.1 Coal Sales	3,305,420.00	2,790,699.00
B.1.2 Construction contracts	2,547,425.00	1,833,960.00
B.1.3 Real estate sales	1,021,635.00	483,637.00
B.1.4 Investment, merchandise sales and others	332,902.00	13,825.00
B.1.5		
B.2		
B.3		
C. COST OF SALES (C.1 + C.2 + C.3)		
C.1 Purchases		
C.2 Merchandise Inventory, Beginning		
C.3 Merchandise Inventory, End (negative entry)		
D. COST OF SERVICES, SPECIFY (D.1 + D.2 + D.3 + D.4 + D.5 + D.6)		
D.1		
D.2		
D.3		
D.4		
D.5		
D.6		

Control No.:
Form Type: GFFS (rev 2006)

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NAME OF CORPORATION: DMCI HOLDINGS, INC. AND SUBSIDIARIES
CURRENT ADDRESS: 3rd Floor, Dacon Building, 2281 Don Chino Roces Avenue, Makati City
TEL. NO.: 888-3000 FAX NO.:
COMPANY TYPE : Construction PSIC:

If these are based on consolidated financial statements, please so indicate in the caption.

Table 1. Balance Sheet

FINANCIAL DATA	2005 (in P'000)	2004 2004
B.2 Long-term Debt - Net of cur5rent portion (B.2.1 + B.2.2 + B.2.3 + B.2.4 + B.2.5)	2,254,344.00	1,272,666.00
B.2.1 Bank loans	1,749,748.00	505,789.00
B.2.2 Payable to foreign suppliers	418,116.00	647,385.00
B.2.3 Notes payable to preferred shareholders	0.00	119,492.00
B.2.4 Acceptances and trust receipts payable	86,480.00	
B.2.5 Foreign Financial Institutions		
B.3 Indebtedness to Affiliates and Related Parties (Non-Current)	177,609.00	851,923.00
B.4 Liabilities Included in the Disposal Groups Classified as Held for Sale		
B.5 Other Liabilities (B.5.1 + B.5.2)	875,454.00	372,424.00
B.5.1 Deferred Income Tax	159,653.00	28,370.00
B.5.2 Others, specify (B.5.2.1 + B.5.2.2 + B.5.2.3 + B.5.2.4)	715,801.00	344,054.00
B.5.2.1 Pension liability	49,056.00	38,765.00
B.5.2.2 Deferred revenue on real estate sales	376,752.00	57,610.00
B.5.2.3 Payable to property sellers	286,243.00	243,929.00
B.5.2.4 Subscriptions payable	3,750.00	3,750.00
C. EQUITY (C.3 + C.4 + C.5 + C.6 + C.7 + C.8 + C.9+C.10)	10,259,431.00	5,207,763.00
C.1 Authorized Capital Stock (no. of shares, par value and total value; show details) (C.1.1+C.1.2+C.1.3)		
C.1.1 Common shares		
C.1.2 Preferred Shares		
C.1.3 Others		
C.2 Subscribed Capital Stock (no. of shares, par value and total value) (C.2.1 + C.2.2 + C.2.3)		
C.2.1 Common shares		
C.2.2 Preferred Shares		
C.2.3 Others		
C.3 Paid-up Capital Stock (C.3.1 + C.3.2)	4,628,946.00	4,628,946.00
C.3.1 Common shares		
C.3.2 Preferred Shares	4,628,946.00	4,628,946.00
C.4 Additional Paid-in Capital / Capital in excess of par value / Paid-in Surplus		
C.5 Minority Interest	1,621,316.00	173,986.00
C.6 Others, specify (C.6.1 + C.6.2 + C.6.3 + C.6.4 + C.6.5)	2,402.00	0.00
C.6.1 Cumulative translation adjustment	2,402.00	
C.6.2		
C.6.3		
C.6.4		
C.6.5		
C.7 Appraisal Surplus/Revaluation Increment in Property/Revaluation Surplus		
C.8 Retained Earnings (C.8.1 + C.8.2)	4,193,978.00	643,927.00
C.8.1 Appropriated		
C.8.2 Unappropriated	4,193,978.00	643,927.00
C.9 Head / Home Office Account (for Foreign Branches only)		
C.10 Cost of Stocks Held in Treasury (negative entry)	(187,211.00)	(239,096.00)
D. TOTAL LIABILITIES AND EQUITY (B + C)	17,605,762.00	12,765,076.00

Control No.:
Form Type: GFFS (rev 2006)

GENERAL FORM FOR FINANCIAL STATEMENTS
NAME OF CORPORATION: DMCI HOLDINGS, INC. AND SUBSIDIARIES
CURRENT ADDRESS: 3rd Floor, Dacon Building, 2281 Don Chino Roces Avenue, Makati City
TEL. NO.: 888-3000 FAX NO.:
COMPANY TYPE : Construction PSIC:

If these are based on consolidated financial statements, please so indicate in the caption.

Table 1. Balance Sheet

FINANCIAL DATA	2005 (in P'000)	2004 2004
A.9 Long-term receivables (net of current portion) (A.9.1 + A.9.2 + A.9.3)	905,138.00	1,095,275.00
A.9.1. From domestic entities, specify (A.9.1.1 + A.9.1.2 + A.9.1.3 + A.9.1.4)	905,138.00	1,095,275.00
A.9.1.1 Advances to stockholders	20,513.00	0.00
A.9.1.2 Receivable from consolidated subsidiaries	669,230.00	1,095,275.00
A.9.1.3 Due from customers (trade)	215,395.00	0.00
A.9.1.4		
A.9.2 From foreign entities, specify (A.9.2.1 + A.9.2.2 + A.9.2.3 + A.9.2.4)	0.00	0.00
A.9.2.1		
A.9.2.2		
A.9.2.3		
A.9.2.4		
A.9.3 Allowance for doubtful accounts, net of current portion (negative entry)		
A.10 Other Assets (A.10.1 + A.10.2 + A.10.3 + A.10.4+A.10.5)	499,163.00	493,575.00
A.10.1 Deferred charges - net of amortization		
A.10.2 Deferred Tax Assets	20,936.00	15,387.00
A.10.3 Pension Assets	33,011.00	43,940.00
A.10.4 Others, specify (A.10.4.1 + A.10.4.2 + A.10.4.3 + A.10.4.4)	445,216.00	434,248.00
A.10.4.1 Deposits in Northrail	300,000.00	300,000.00
A.10.4.2 Development costs-net	47,051.00	34,279.00
A.10.4.3 Refundable deposits	49,424.00	80,648.00
A.10.4.4 Others	48,741.00	19,321.00
A.10.5 Allowance for write-down of deferred charges/bad accounts (negative entry)		
B. LIABILITIES (B.1 + B.2 + B.3 + B.4 + B.5)	7,346,331.00	7,557,313.00
B.1 Current Liabilities (B.1.1 + B.1.2 + B.1.3 + B.1.4 + B.1.5 + B.1.6 + B.1.7)	4,038,924.00	5,060,300.00
B.1.1 Trade and Other Payables to Domestic Entities	2,806,992.00	3,827,243.00
B.1.1.1 Loans/Notes Payables	114,659.00	403,885.00
B.1.1.2 Trade Payables	603,123.00	756,685.00
B.1.1.3 Payables to Related Parties, specify (B.1.1.3.1 + B.1.1.3.2 + B.1.1.3.3)	0.00	0.00
B.1.1.3.1		
B.1.1.3.2		
B.1.1.3.3		
B.1.1.4 Others, specify (B.1.1.4.1 + B.1.1.4.2 + B.1.1.4.3)	2,089,210.00	2,666,673.00
B.1.1.4.1 Accrued costs and expenses	1,213,224.00	1,429,797.00
B.1.1.4.2 Payable to subcontractors	229,403.00	406,137.00
B.1.1.4.3 Preferred shares	220,166.00	454,729.00
B.1.1.4.4 Other payables	426,417.00	376,010.00
B.1.2 Trade and Other Payables to Foreign Entities (specify) (B.1.2.1+B.1.2.2+B.1.2.3+B.1.2.4)		
B.1.2.1		
B.1.2.2		
B.1.2.3		
B.1.2.4		
B.1.3 Provisions		
B.1.4 Financial Liabilities (excluding Trade and Other Payables and Provisions) (B.1.4.1 + B.1.4.2 + B.1.4.3)		
B.1.4.1		
B.1.4.2		
B.1.4.3		
B.1.4.4		
B.1.5 Liabilities for Current Tax		
B.1.6 Deferred Tax Liabilities		
B.1.7 Others, specify (If material, state separately; indicate if the item is payable to public/private or financial/non-financial institutions)	1,231,932.00	1,233,057.00
B.1.7.1 Estimated liability for property development	276,708.00	38,005.00
B.1.7.2 Billings in excess of costs and estimated earnings on uncompleted contracts	18,888.00	144,501.00
B.1.7.3 Current portion of long-term debt	604,056.00	1,048,212.00
B.1.7.4 Income tax payable	332,280.00	2,339.00
B.1.7.5		
B.1.7.6 Any other current liability in excess of 5% of Total Current Liabiilities, specify: (B.1.7.6.1 + B.1.7.6.2 + B.1.7.6.3 + B.1.7.6.4)	0.00	0.00
B.1.7.6.1		
B.1.7.6.2		
B.1.7.6.3		
B.1.7.6.4		

Control No.:
Form Type: GFFS (rev 2006)

GENERAL FORM FOR FINANCIAL STATEMENTS

NAME OF CORPORATION: DMCI HOLDINGS, INC. AND SUBSIDIARIES

CURRENT ADDRESS: 3rd Floor, Dacon Building, 2281 Don Chino Roces Avenue, Makati City

TEL. NO.: 888-3000 FAX NO.:

COMPANY TYPE : Construction PSIC:

If these are based on consolidated financial statements, please so indicate in the caption.

Table 1. Balance Sheet

F I N A N C I A L D A T A	2005 (in P'000)	2004 2004
A.1.4.3 Loans and Receivables - issued by domestic entities: (A.1.4.3.1 + A.1.4.3.2 + A.1.4.3.3 + A.1.4.3.4 + A.1.4.3.5)		
A.1.4.3.1 National Government		
A.1.4.3.2 Public Financial Institutions		
A.1.4.3.3 Public Non-Financial Institutions		
A.1.4.3.4 Private Financial Institutions		
A.1.4.3.5 Private Non-Financial Institutions		
A.1.4.4 Available-for-sale financial assets - issued by domestic entities: (A.1.4.4.1 + A.1.4.4.2 + A.1.4.4.3 + A.1.4.4.4 + A.1.4.4.5)	529,179.00	0.00
A.1.4.4.1 National Government		
A.1.4.4.2 Public Financial Institutions	529,179.00	0.00
A.1.4.4.3 Public Non-Financial Institutions		
A.1.4.4.4 Private Financial Institutions		
A.1.4.4.5 Private Non-Financial Institutions		
A.1.4.5 Financial Assets issued by foreign entities: (A.1.4.5.1+A.1.4.5.2+A.1.4.5.3+A.1.4.5.4		
A.1.4.5.1 Financial Assets at fair value through profit or loss		
A.1.4.5.2 Held-to-maturity investments		
A.1.4.5.3 Loans and Receivables		
A.1.4.5.4 Available-for-sale financial assets		
A.1.4.6 Allowance for decline in market value (negative entry)		
A.1.5 Other Current Assets (state separately material items) (A.1.5.1+A.1.5.2+A.1.5.3	146,097.00	129,644.00
A.1.5.1 Creditable taxes withheld	104,740.00	93,228.00
A.1.5.2 Value added input tax	36,371.00	18,595.00
A.1.5.3 Prepaid expenses and others	4,986.00	17,821.00
A.2 Property, plant, and equipment (A.2.1 + A.2.2 + A.2.3 + A.2.4 + A.2.5 + A.2.6 + A.2.7+A.2.8	3,097,362.00	2,563,481.00
A.2.1 Land and land improvement	419,971.00	419,971.00
A.2.2 Building and improvements including leasehold improvement	1,157,639.00	1,221,869.00
A.2.3 Machinery and equipment (on hand and in transit)	221,602.00	2,107,971.00
A.2.4 Transportation/motor vehicles, automotive equipment, autos and trucks, and delivery equipmen	63,030.00	136,945.00
A.2.5 Others, specify (A.2.5.1 + A.2.5.2 + A.2.5.3 + A.2.5.4 + A.2.5.5)	7,722,754.00	6,109,452.00
A.2.5.1 Office furniture, fixtures and equipment	39,931.00	167,484.00
A.2.5.2 Conventional and continuous mining equipment	7,293,682.00	5,683,166.00
A.2.5.3 Mining properties, Mine exploration and development costs	181,452.00	181,452.00
A.2.5.4 Construction in progress	207,689.00	77,350.00
A.2.5.5		
A.2.6 Appraisal increase, specify (A.2.6.1 + A.2.6.2 + A.2.6.3 + A.2.6.4)	0.00	0.00
A.2.6.1		
A.2.6.2		
A.2.6.3		
A.2.6.4		
A.2.7 Accumulated Depreciation (negative entry)	(6,487,634.00)	(7,432,727.00)
A.2.8 Impairment Loss or Reversal (if loss, negative entry)	0.00	0.00
A.3 Investments accounted for using the equity method (A.3.1 + A.3.2 + A.3.3)	447,512.00	414,255.00
A.3.1 Equity in domestic subsidiaries/affiliates	158,696.00	125,682.00
A.3.2 Equity in foreign branches/subsidiaries/affiliates		
A.3.3 Others, specify (A.3.1.1 + A.3.2.1 + A.3.3.1 + A.3.3.4)	288,816.00	288,573.00
A.3.3.1 Investments at cost	288,816.00	288,573.00
A.3.3.2		
A.3.3.3		
A.3.3.4		
A.4 Investment Property	2,668,005.00	2,864,078.00
A.5 Biological Assets	0.00	0.00
A.6 Intangible Assets (A.6.1 + A.6.2)	0.00	0.00
A.6.1 Major item/s, specify (A.6.1.1 + A.6.1.2 + A.6.1.3 + A.6.1.4)	0.00	0.00
A.6.1.1		
A.6.1.2		
A.6.1.3		
A.6.1.4		
A.6.2 Others, specify (A.6.2.1 + A.6.2.2 + A.6.2.3 + A.6.2.4)	0.00	0.00
A.6.2.1		
A.6.2.2		
A.6.2.3		
A.6.2.4		
A.7 Assets Classified as Held for Sale	0.00	0.00
A.8 Assets included in Disposal Groups Classified as Held for Sale	0.00	0.00

Control No.:
Form Type: GFFS (rev 2006)

GENERAL FORM FOR FINANCIAL STATEMENTS

NAME OF CORPORATION: DMCI HOLDINGS, INC. AND SUBSIDIARIES
CURRENT ADDRESS: 3rd Floor, Dacon Building, 2281 Don Chino Roces Avenue, Makati City
TEL. NO.: 888-3000 FAX NO.:
COMPANY TYPE : Construction PSIC:

If these are based on consolidated financial statements, please so indicate in the caption.

Table 1. Balance Sheet

FINANCIAL DATA	2005 (in P'000)	2004 (in P'000)
A. ASSETS (A.1 + A.2 + A.3 + A.4 + A.5 + A.6+A.7+A.8+A.10)	17,605,762.00	12,765,076.00
A.1 Current Assets (A.1.1 + A.1.2 + A.1.3 + A.1.4 + A.1.5)	9,988,582.00	5,334,412.00
A.1.1 Cash and cash equivalents (A.1.1.1 + A.1.1.2 + A.1.1.3)	1,949,711.00	217,125.00
A.1.1.1 On hand	20,549.00	
A.1.1.2 In domestic banks/entities	1,929,162.00	163,811.00
A.1.1.3 In foreign banks/entities	0.00	53,314.00
A.1.2 Trade and Other Receivables (A.1.2.1 + A.1.2.2)	3,944,805.00	2,556,171.00
A.1.2.1 Due from domestic entities (A.1.2.1.1 + A.1.2.1.2 + A.1.2.1.3 + A.1.2.1.4)	3,944,805.00	2,556,171.00
A.1.2.1.1 Due from customers (trade)	3,264,002.00	2,735,984.00
A.1.2.1.2 Due from related parties	813,126.00	0.00
A.1.2.1.3 Others, specify (A.1.2.1.3.1+A.1.2.1.3.2)	29,374.00	75,815.00
A.1.2.1.3.1		
A.1.2.1.3.2		
A.1.2.1.4 Allowance for doubtful accounts (negative entry)	(161,697.00)	(255,628.00)
A.1.2.2 Due from foreign entities, specify (A.1.3.2.1 + A.1.3.2.2 + A.1.3.2.3 + A.1.3.2.4)		
A.1.2.2.1		
A.1.2.2.2		
A.1.2.2.3		
A.1.2.2.4 Allowance for doubtful accounts (negative entry)		
A.1.3 Inventories (A.1.3.1 + A.1.3.2 + A.1.3.3 + A.1.3.4 + A.1.3.5 + A.1.3.6)	3,418,790.00	2,431,472.00
A.1.3.1 Raw materials and supplies	899,102.00	477,942.00
A.1.3.2 Goods in process (including unfinished goods, growing crops, unfinished seeds)		
A.1.3.3 Coal inventory	552,616.00	138,758.00
A.1.3.4 Merchandise/Goods in transit	12,450.00	14,134.00
A.1.3.5 Unbilled Services (in case of service providers)		
A.1.3.6 Others, specify (A.1.3.6.1+A.1.3.6.2)	1,954,622.00	1,800,638.00
A.1.3.6.1 Real estate for sale and development	1,929,643.00	1,688,378.00
A.1.3.6.2 Cost and estimated earnings in excess of billings on uncompleted contracts	24,979.00	112,260.00
A.1.4 Financial Assets other than Cash/Receivables/Equity investments (A.1.4.1 + A.1.4.2 + A.1.4.3 + A.1.4.4+A.1.4.5+A.1.4.6)	529,179.00	0.00
A.1.4.1 Financial Assets at Fair Value through Profit or Loss - issued by domestic entities (A.1.4.1.1 + A.1.4.1.2 + A.1.4.1.3 + A.1.4.1.4 + A.1.4.1.5)		
A.1.4.1.1 National Government		
A.1.4.1.2 Public Financial Institutions		
A.1.4.1.3 Public Non-Financial Institutions		
A.1.4.1.4 Private Financial Institutions		
A.1.4.1.5 Private Non-Financial Institutions		
A.1.4.2 Held to Maturity Investments - issued by domestic entities (A.1.4.2.1 + A.1.4.2.2 + A.1.4.2.3 + A.1.4.2.4 + A.1.4.2.5)		
A.1.4.2.1 National Government		
A.1.4.2.2 Public Financial Institutions		
A.1.4.2.3 Public Non-Financial Institutions		
A.1.4.2.4 Private Financial Institutions		
A.1.4.2.5 Private Non-Financial Institutions		

NOTE:

This general form is applicable to companies engaged in Agriculture, Fishery, Forestry, Mining, and Quarrying, Manufacturing, Electricity, Gas and Water, Construction, Wholesale and Retail Trade, Transportation, Storage and Communications, Hotels and Restaurants, Real Estate, Community, Social and Personal Services, other forms of production, and general business operations. This form is also applicable to other companies that do not have industry-specific Special Forms. Special forms shall be used by publicly-held companies and those engaged in non-bank financial intermediation activities, credit granting, and activities auxiliary to financial intermediation, which require secondary license from SEC.

Domestic corporations are those which are incorporated under Philippine laws or branches/subsidiaries of foreign corporations that are licensed to do business in the Philippines where the center of economic interest or activity is within the Philippines. On the other hand, foreign corporations are those that are incorporated abroad, including branches of Philippine corporations operating abroad.

Financial Institutions are corporations principally engaged in financial intermediation, facilitating financial intermediation, or auxiliary financial services. Non-Financial institutions refer to corporations that are primarily engaged in the production of market goods and non-financial services.

Control No.: ____________
Form Type: GFFS (rev. 2006)

GENERAL FORM FOR FINANCIAL STATEMENTS

NAME OF CORPORATION: ____________
CURRENT ADDRESS: ____________
TEL. NO.: ____________ FAX NO.: ____________
COMPANY TYPE : ____________ PSIC: ____________

If these are based on consolidated financial statements, please so indicate in the caption.

Table 5. Details of Income and Expenses, by source

(applicable to corporations transacting with foreign corporations/entities)

FINANCIAL DATA	2005 (in P'000)	2004 (in P'000)
A. REVENUE / INCOME (A.1 + A.2)		
A.1 Net Sales or Revenue / Receipts from Operations (manufacturing, mining,utilities, trade, services, etc.) (from Primary Activity) (A.1.1 +A.1.2)		
A.1.1 Domestic		
A.1.2 Foreign		
A.2 Other Revenue (A.2.1 +A.2.2)		
A.2.1 Domestic		
A.2.2 Foreign, specify (A.2.2.1+A.2.2.2+ A.2.2.3+ A.2.2.4+ A.2.2.5+ A.2.2.6+A.2.2.7+ A.2.2.8+A.2.2.9+A.2.2.10)		
A.2.2.1		
A.2.2.2		
A.2.2.3		
A.2.2.4		
A.2.2.5		
A.2.2.6		
A.2.2.7		
A.2.2.8		
A.2.2.9		
A.2.2.10		
B. EXPENSES (B.1 + B.2)		
B.1 Domestic		
B.2 Foreign, specify (B.2.1+B.2.2+B.2.3+B.2.4+B.2.5+B.2.6+B.2.7+B.2.8+B.2.9+B.2.10)		
B.2.1		
B.2.2		
B.2.3		
B.2.4		
B.2.5		
B.2.6		
B.2.7		
B.2.8		
B.2.9		
B.2.10		

DMCI HOLDINGS, INC. AND SUBSIDIARIES
SCHEDULE H - GUARANTEES OF SECURITIES OF OTHER ISSUERS
As of December 31, 2005

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is filed	Nature of guaranty
		NO GUARANTEES AS OF DECEMBER 31, 2005		

DMCI HOLDINGS, INC. AND SUBSIDIARIES
SCHEDULE F - LONG TERM DEBT
As of December 31, 2005

TITLE OF ISSUE & TYPE OF OBLIGATION	CURRENT PORTION OF LONG-TERM DEBT	LONG-TERM DEBT	LONG-TERM DEBT NET OF CURRENT PORTION
BANK LOANS			
- WITH INTEREST AT PREVAILING MARKET RATES DUE ON VARIOUS DATES UP TO 2015	377,918,158	2,127,665,960	1,749,747,802
PAYABLE TO FOREIGN SUPPLIERS			
- FLOATING RATE - (EXPOSED TO FAIR VALUE RISK) 6 MONTH USD LIBOR PLUS 1.5% PER ANNUM	12,686,097	119,497,442	106,811,345
- VARIOUS LETTERS OF CREDITS AND SUPPLIERS DEBT VARIOUS INTEREST RATES	36,973,928.00	348,278,074	311,304,146
			-
ACCEPTANCES AND TRUST RECEIPTS PAYABLE			
- VARIOUS LETTERS OF CREDITS AND SUPPLIERS DEBT VARIOUS INTEREST RATES	176,477,558	262,957,904	86,480,346
TOTAL	**604,055,741**	**2,858,399,380**	**2,254,343,639**

DMCI HOLDINGS, INC. AND SUBSIDIARIES
SCHEDULE E - INTANGIBLE ASSETS - OTHER ASSETS
As of December 31, 2005

DESCRIPTION	BEGINNING BALANCE	ADDITIONS AT COST	CHARGED TO COSTS AND EXPENSES	CHARGED TO OTHER ACCOUNTS	OTHER CHANGES ADD/(DED)	ENDING BALANCE
NOT APPLICABLE - NO INTANGIBLE ASSETS CAPTION IN THE BALANCE SHEETS						

DMCI HOLDINGS, INC. AND SUBSIDIARIES
SCHEDULE D - INDEBTEDNESS OF UNCONSOLIDATED SUBSIDIARIES & RELATED PART
As of December 31, 2005

Name of Related Parties	Balance at Begining of Period	Balance at End of Period
ATLANTIC, GULF AND PACIFIC COMPANY OF MANILA, INC.	736,710,137	783,180,350
UPDI REALTY, INC.	4,954,086	189,869,005
UNIVERSAL RIGHFIELD PROPERTY HOLDINGS, INC.	66,337,335	142,398,700
CONSTRESS PHILIPPINES, INC.	-	101,193,011
DACON CORPORATION	645,020	56,149,441
SODACO AGRICULTURAL CORP.	-	34,708,893
M & S COMPANY	-	29,138,635
CELEBRITY SPORTS PLAZA, INC.	142,509,549	27,508,575
MARUBENI CORPORATION	-	20,512,760
ASIA INDUSTRIES, INC.	10,078,351	17,680,310
JOHN LAING INTERNATIONAL, INC.	12,000,000	15,500,000
RACO-HAVEN AUTOMATION PHILIPPINES, INC.	17,096,765	11,061,566
BAGTICAN PRYCE CENTER	-	7,591,957
SIRAWAI FOOD CORPORATION	-	5,739,068
FREYSSINET PHILIPPINES, INC.	-	4,380,269
SOUTH DAVAO DEVELOPMENT CO., INC.	-	3,498,901
HAMPSTEAD CONDO CORP.	-	2,250,477
DMC URBAN DEVELOPMENT	-	2,158,014
ROYAL STAR AVIATION	-	2,071,153
URBANCORP REALTY DEVELOPERS, INC.	-	1,936,586
NATIONAL COLLEGE OF BUSINESS AND ARTS	-	708,390
MONTECITO PROPERTIES, INC.	49,535	646,304
DMC CONSTRUCTION EQUIPMENT RESOURCES, INC.	-	368,132
WESTERN PHILIPPINES CORPORATION	-	106,143
MONARCA GREENWORLD CORPORATION	54,405	63,945
METRO TAGAYTAY LAND CO.	53,904	53,904
DMCI HOMES, INC.	24,358,379	-
DMC URBAN PROPERTIES DEVELOPERS, INC.	11,328,267	-
SYSTEMS POWERMARK CORPORATION	637,425	-
BETA EQUIPMENT SALES CORPORATION	394,279	-
BACHY SOLETANCHE PHILIPPINES CORPORATION	124,355	-
SUBIC WATER AND SEWERAGE COMPANY, INC.	67,093	-
CSN PROPERTIES	32,098	-
	8,638,591	
OTHERS	59,205,755	42,393,926
Total	**1,095,275,329**	**1,502,868,413**

DMCI HOLDINGS, INC. AND SUBSIDIARIES
SCHEDULE C - NON-CURRENT MARKETABLE EQUITY SECURITIES,
OTHER LONG-TERM INVESTMENT IN STOCKS AND OTHER INVESTMENTS
As of December 31, 2005

NAME OF COMPANY	BEGINNING BALANCE		ADDITIONS		DEDUCTIONS		ENDING BALANCE		Dividends received/accrued fr investments not accounted for by the equity method
	Number of Shares	Amount in Pesos	Equity in Earnings (Losses) of Investees for the period	Others (Cost & Equity Adj)	Distribution of Earnings by Investees	Others (Cost & Equity adj)	Number of Shares	Amount in Pesos	
AT EQUITY:									
BACHY SOLETANCHE PHILIPPINES CORPORATION		43,622,926	(290,109)					43,332,817	
VULCAN MATERIALS CORPORATION		20,686,808				(20,686,808)		-	
SYSTEMS POWERMARK CORPORATION		-						-	
OBAYASHI PHILIPPINES CORPORATION		5,329,141	(4,193,583)					1,135,558	
RACO-HAVEN AUTOMATION PHILIPPINES INC.		131,056		2,618,944		(2,750,000)		-	
		-						-	
FREYSINNET DAVAO, INC.		-		1,033,125		(1,033,125)			
FREYSINNET PHILIPPINES, INC.		-		7,678,330		(7,678,330)		-	
CSN PROPERTIES, INC.		-						-	
SUBIC WATER AND SEWERAGE COMPANY		-	37,702,465					**37,702,465**	
MONARCA GREENWORLD		-						-	
ATLANTIC, GULF AND PACIFIC COMPANY OF MANILA, INC.		-						-	
		69,769,931	**33,218,773**	**11,330,399**	**-**	**(32,148,263)**	**-**	**82,170,840**	
AT COST:									
MONTECITO PROPERTIES, INC.		230,183,561						230,183,561	
PROJECT QUEST CORPORATION		12,500,000						12,500,000	
MANILA ELECTRIC COMPANY		9,943,720		385,530				10,329,250	
SYSTEMS POWER MARK		6,885,970						6,885,970	
CELEBRITY SPORTS PLAZA		5,952,657						5,952,657	
UNIVERSAL RIGHTFIELD PROPERTY HOLDING, INC.		6,095,350						6,095,350	
MANILA SOUTHWODS GOLF-ACADEMY		4,894,768						4,894,768	
SUBIC BAY YATCH CLUB		4,800,000						4,800,000	
AMAPOLA		-						-	
UNICORN FIRST PROPERTIES, INC.		1,742,400						1,742,400	
PHILIPPINE LONG DISTANCE TELEPHONE COMPANY		1,287,208						1,287,208	
UNIVERSAL LEISURE CORPORATION		1,000,000						1,000,000	
MANILA SOUTHWOODS		850,000						850,000	
DMC CONEX FREIGHT SERVICES, INC.		661,014						661,014	
NORTHWOODS DEVELOPMENT CORPORATION		650,000						650,000	
BAYANTEL		400,000						400,000	
MANILA GOLF AND COUNTRY CLUB		259,000						259,000	
PALICPICAN SPORTS AND COUNTRY CLUB		127,200				(127,200)		-	
CAPITOL HILLS GOLF AND COUNTRY CLUB		63,250						63,250	
CANLUBANG GOLF AND COUNTRY CLUB		60,000						60,000	
CAPITOL HILLS SPORTS AND COUNTRY CLUB		45,000						45,000	
MAKATI SPORTS CLUB		40,000						40,000	
VALLE VERDE COUNTRY CLUB		35,000						35,000	
MABUHAY VINYL CORPORATION		21,451						21,451	
VALLEY GOLF CLUB		17,000						17,000	
PHILIPPINES COLUMBIAN ASSOCIATION		16,896						16,896	
GALLERY 1 (FIELD OF DREAMS)		15,000						15,000	
CONFEDERATION OF PHILIPPINE EXPORTERS		5,000						5,000	
CLUB SOVIENTO		3,000						3,000	
EXECUTIVE SUITES		3,000						3,000	
VARIOUS		15,500				(15,500)		-	
		288,572,945	**-**	**385,530**	**-**	**(142,700)**	**-**	**288,815,775**	
JOINT VENTURE:									
DMCI/WPC CONSTRUCTION JOINT VENTURE		39,181,239						39,181,239	
DMCI-HI - MAHOGANY PLACE		-		25,422,028				25,422,028	
DMCI/OBAYASHI JOINT VENTURE		1,730,226						1,730,226	
SUBIC WATER CONSTRUCTION JOINT VENTURE		9,438,829						9,438,829	
ECO PROCESS AND EQUIPMENT PHILIPPINES		1,116,193	(238,357)					877,836	
DIAMOND BAY TOWER		4,445,857	6,719.00			(4,577,576)		(125,000)	
		55,912,344	**(231,638)**	**25,422,028**	**-**	**(4,577,576)**		**76,525,158**	
LAND HELD FOR FUTURE DEVELOPMENT		**1,879,768,870**				**(151,753,441)**		**1,728,015,429**	
INVESTMENT IN REAL ESTATE - LAND		**947,029,896**	**-**		**-**	**(27,608,247)**		**919,421,649**	
INVESTMENT PROPERTIES - CONDOMINIUMS		**16,277,204**	**-**	**3,163,508**	**-**	**(18,420,712)**		**1,020,000**	
INVESTMENT PROPERTIES - BUILDINGS AND IMPROVEMENTS		**21,002,377**	**-**	**839,231**	**-**	**(2,293,377)**		**19,548,231**	
TOTAL		**3,278,333,567**	**32,987,135**	**41,140,696**	**-**	**(236,944,316)**	**-**	**3,115,517,082**	

DMCI HOLDINGS, INC. AND SUBSIDIARIES
SCHEDULE A - MARKETABLE SECURITIES (CURRENT MARKETABLE EQUITY SECURITIES AND OTHER SHORT-TERM CASH INVESTMENTS)
As of December 31, 2005

	Name of Issuing entity & association of each issue	Number of shares or principal amount of bonds & interest	Amount shown in the balance sheet	Valued based on market quotation at balance	Income received & accrued
	Available-for-sale investments		₱ 529,179,141		₱ 47,056,226
			₱ 529,179,141		₱ 47,056,226

DMCI HOLDINGS, INC. AND SUBSIDIARIES
SCHEDULE I - CAPITAL STOCK
As of December 31, 2005

TITLE OF ISSUE	NUMBER OF SHARES AUTHORIZED	# OF SHARES ISSUED/ SUBSCRIBED	# OF SHARES RESERVED FOR OPTIONS, WARRANTS, CONVERSION & RIGHTS	# OF SHARES HELD BY AFFILIATES	DIRECTORS, OFFICERS & EMPLOYEES	OTHERS
COMMON STOCK	5,900,000,000	2,255,494,000	-	-	-	-