



30 April 2009

PHILIPPINE STOCK EXCHANGE

Disclosure Department
4/F PSE Center
Exchange Road
Ortigas Center, Pasig City

Attention: **JANET A. ENCARNACION**
Head, Disclosure Department


The Corporation hereby submit the Amended Consolidated Financial Statements (SEC Form 17-A) for the year ended December 31, 2008.

We are including the Parent Company's Financial Statements for the year December 31, 2008. The same was submitted to the Securities and Exchange Commission today.

We hope you find the attached documents in order.

Thank you very much.

Very truly yours,



ALDRIC G. BORLAZA
Finance Officer



30 April 2009

MS. JUSTINA F. CALLANGAN

Director
Corporation Finance Department
Securities and Exchange Commission
SEC Bldg., EDSA, Greenhills
Mandaluyong City

Gentlemen:

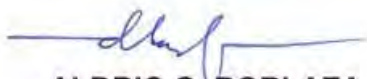
The Corporation hereby submit the Amended Consolidated Financial Statements (SEC Form 17-A) for the year ended December 31, 2008.

We are including the Parent Company's Financial Statements for the year December 31, 2008 and the correction on the printed version of Item No. 6 of non-financial report filed with your office.

We hope you find the attached documents in order.

Thank you very much.

Very truly yours,



ALDRIC G. BORLAZA
Finance Officer

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

Month

3 1

Day

Fiscal Year

SEC Form 17-A
"Amended"

FORM TYPE

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Annual Meeting

2 9

Day

N.A.

Secondary License Type, If Applicable

C F D

Dept Requiring this Doc

Amended Articles Number / Section

Total No. of Stockholders

Total Amount of Borrowings

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, 2008.
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

<u>Title of Each Class</u>	<u>No. of Shares Outstanding</u>	<u>Amount</u>
Common Shares	2,655,494,000	Php2,423,494,000.00
Preferred Shares	4,380	4,380.00
TOTAL	2,655,498,380	Php2,423,498,380.00

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]

No]

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

Yes]

No]

13. **Php 6,930,839,340.00**

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, 2008.

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 98%-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.

SCC, a 56%-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).

DMCI Power Corporation (DMCI PC), a wholly-owned subsidiary of the Company, is engaged in the business of power generation which designs, constructs, invest in, and operate power plants. On January 15, 2007, the National Power Corporation (NPC) awarded to DPC the Masbate Power Generation, one of the small utilities group (SPUG) of NPC. DPC shall take over of the power supply obligation in Masbate with a 15-year Power Supply Agreement with Masbate Electric Cooperative (MASELCO). Masbate Power Generation has a total contract of 13,000 KW of Guaranteed Dependable Capacity (GDC).

DMCI Mining Corporation (DMCI MC) is another wholly owned subsidiary engaged in ore and mineral mining and exploration. It was incorporated on May 29, 2007. It has entered into joint venture with Rusina Mining Ltd., a listed company in Australia, in which the Corporation agreed to be the independent contractor to directly undertake the mining operations in the municipalities of Sta. Cruz and Candelaria in Zambales. The mining operation is an open pit extraction of nickel, chromite, and iron laterite for direct shipping.

DMCI-MPIC Water Company, Inc. (DMWCI), is a consortium with Metro Pacific Investments Corporation (44.59% DMCI; 55.41 MPIC) which owns 83.97% equity at Maynilad Water Services, Inc. (MWSI). MWSI bid was issued by the Metropolitan Waterworks and Sewerage System and it was awarded to DMWCI last December 5, 2006.

(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 SCC, 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 SCC'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
<i>Commercial / Industrial Lot</i>	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
<i>Industrial Lot</i>	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 85

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, which was granted in an Order dated February 22, 2007.

(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. Complainants filed a petition for review with the Department of Justice, which petition was dismissed in a Resolution dated May 26, 2004.

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 was 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
2006	First Quarter	3.55	3.40
	Second Quarter	3.80	3.60
	Third Quarter	3.80	3.75
	Fourth Quarter	6.10	6.00
2007	First Quarter	7.40	7.20
	Second Quarter	9.60	9.10
	Third Quarter	9.20	8.90
	Fourth Quarter	9.80	9.60
2008	First Quarter	8.00	7.90
	Second Quarter	6.00	6.00
	Third Quarter	3.75	3.50
	Fourth Quarter	2.65	2.60

Preferred Share Prices		High	Low
2006	First Quarter	1,400	1,400
	Second Quarter	1,400	1,400
	Third Quarter	1,400	1,400
	Fourth Quarter	1,400	1,400
2007	First Quarter	0	0
	Second Quarter	0	0
	Third Quarter	0	0
	Fourth Quarter	0	0
2008	First Quarter	0	0
	Second Quarter	0	0
	Third Quarter	0	0
	Fourth Quarter	0	0

(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 April 23, 2009: HIGH 4.50, LOW 4.45, CLOSE 4.45, VOLUME 303,000.**

(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 March 31, 2009 the Company had a total of 834 shareholders of which 817 were holders of common shares and 17 were holders of preferred shares.**

Top 20 Common Shareholders: The list of the Top 20 common shareholders as of March 31, 2009 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.
5. On July 20, 2006, the Company paid cash dividends at the amount of PhP 0.10 per outstanding common share to the shareholders of record of June 30, 2006.
6. On May 28, 2007, the Company paid cash dividends at the amount of Php 0.10 per outstanding common share to the shareholders of record of April 30, 2007
7. On May 30, 2008, the Company paid cash dividends at the amount of Pho 0.10 per outstanding common share to the shareholders of record of May 12, 2008.

(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.

I. RESULTS OF OPERATIONS

2007 - 2008

DMCI Holdings, Inc. (the "Company") reported better operating results from all its business segments in 2008. The record performance of the real estate unit and the water investment plus the significant progress in the coal mining business provided much of the consolidated growth in operations. The consolidated net operating income greatly increased by 60% from P1.56 billion in 2007 to P2.5 billion in 2008 but the extraordinary and non operating items recognized in the water segment for both 2007 and 2008 misrepresented the consolidated bottom figure to P2.27 billion and P1.69 billion in 2007 and 2008 respectively.

WATER

The Company's investments in the water sector are allocated between the Manila-west water concession and the Subic-Olongapo water distribution, the latter of which accounts for only a minority of the Company's total water investments. Total water contributions for 2008 abnormally declined, from P1.2 billion in 2007 to P81 million in 2008, due to the extraordinary and non-operating items at the Manila-west water concession.

Manila-West

The Company's investments in the water systems for the west side of Metro Manila, was acquired through a consortium with Metro Pacific Investments Corp. (MPIC) and operates under Maynilad Water Services, Inc. (Maynilad). The water business (at consortium level) reported an impressive growth in operating level contributions of P1 billion in 2007 to P1.68 billion in 2008, of which P527 million and P837 million is the Company's share. Despite this, final net contributions from the water segment fell significantly from P1.2 billion in 2007 to just P30 million in 2008, due to extraordinary and non-operating items reported at the consortium level.

Water operating efficiencies were at record levels as Maynilad reported a 67% increase in net income from P1.19 billion in 2007 to P1.994 billion in 2008. Billed volume was up 10%, water supply was higher by 3.5% yet average non-revenue water (NRW) slid by 3.3% from last year. Consequently, 2008 operating revenues were up by P888 million, or a 12% climb over 2007. Non-cash opex showed a 15% increase due mainly from higher amortization of concession fees in preparation for volume growth and the significant increase in depreciation. Cash opex, posted a marginal 6% growth despite improved services. As all performance indicators showed great improvement, all systems are moving forward towards Maynilad's growth.

As water operations at the Maynilad level indicated the start of a turn around, extraordinary and non-operating items recognized at the consortium level greatly influenced the operating results. The schedule below shows a breakdown of the extraordinary and non-operating items with respect to operating results and the share of the Company:

(in Php millions)

	2008		2007	
	Consortium	DMCI share	Consortium	DMCI share
Operating Net Income (Maynilad)	1,994		1,255	
Less: Minority	310		201	
Operating Net Income after Minority	1,684	837	1,054	527

Less: Non operating & Extraordinary Costs (Income)-net of tax (Consortium)				
Goodwill	1,293	646	(4,245)	(2,122)
Forex Losses	858	429	403	202
Maynilad Bid Costs	-	-	682	341
Reversal of contingent liabilities	(882)	(441)	-	-
Net Interest Expense (Income)	375	188	408	204
Loss on redemption of Preferred Shares	351	176	-	-
Prior Period & IFRIC 12 adjustments	(149)	(75)	1,132	566
Adjustments & Others	(163)	(56)	187	94
Adjustments for Minority	(119)	(60)	4	2
Subtotal	1,564	807	(1,428)	(714)
Net Income	120	30	2,482	1,241

Net interest expense is from obligations acquired during the Maynilad bidding at the consortium level which are foreign currency denominated. The same obligations caused the forex losses. These obligations were fully settled in November 2008, the settlement of which will eliminate prospective interest expense and the accompanying forex risk. Negative goodwill (income) of P4.2 billion from the Maynilad fair value excess over acquisition cost bloated net income in 2007 which is a major item compared to the goodwill amortization (cost) of P1.2 billion booked in 2008. Other significant adjustments in 2008 were reversal of contingent liabilities, a loss on the redemption/conversion of Maynilad preferred shares, and prior period and IFRIC 12 adjustments which was at relatively low compared to the 9-month balance due to the approved capitalization of the forex losses from accreted concession fee payables (a feature of IFRIC 12) to be amortized over the concession period and offset with the regular foreign currency adjustment in the water tariffs.

The Company's ownership in the water consortium with MPIC was 50% in 2007 and 50% for the first 11 months of 2008 but went down to 44.59% for the month of December 2008 due to additional investments by both the Company and MPIC finalized at the end of November 2008. The abnormal sharing in the 2008 water consortium bottom figure (25% to the Company) was due to an adjustment caused by the conversion of Maynilad preferreds done almost simultaneously with the additional investment at the consortium level. The conversion caused an increase in the water consortium's ownership in Maynilad from 84% to 94% resulting to a dilution gain worth P757 million attributable only to the month of December 2008. Such sharing of the adjustment for the month of December 2008, using the new water consortium ownership ratio of 44.59:55.41 between the Company and MPIC, resulted in a misaligned net income sharing at year end as the losses were recorded in the first 11 months of 2008.

Despite the complicated effect of these extraordinary and non-operating items in financials of the water business, the Company and its partner are confident that a working formula has now been installed towards the real business growth of the operating company, Maynilad. Initiatives toward accelerated capital expenditures, technical development and a dynamic corporate culture are now paving the way to success.

Subic-Olongapo

The Subic-Olongapo portion of the Company's water investments are reported under Subicwater Inc. (Subicwater) which supplies water to the Subic Freeport Area and the City of Olongapo. 2008 was a significant year for Subicwater as it signals its direction towards growth and recurring profits with a respectable net contribution of P50 million compared to none last year, a notable feat for Subicwater.

REAL ESTATE

The Company's real estate business is led by its wholly owned real estate developer company, DMCI Project Developers, Inc. (PDI) using the brand name DMCI Homes. The real estate segment recognized record growth for the year as revenues of P4.7 billion went up by 71% and net income of P757 million was higher by 16%. Realized sales from housing developments provided much of escalation in the real estate and subsequently to the consolidated business of the Company for 2008.

The Company would like to reiterate that its housing segment recognizes sales when the unit is fully complete and 20% of the contract price has been collected. This method is in sync with full accrual or completed contract method for recognizing real estate revenues and is in accordance with International Accounting Standards. This recognition is different from the percentage of completion method adopted by most if not all of its counterparts in the Philippine real estate industry, the difference of which causes an effective delay in realizing revenues. With this in mind, it is worthwhile to mention that though it is not reflected in the financial statements, actual sales and reservations (or marketing sales) for 2008 reached a record high of P9.8 billion for 5,732 units (residential & parking), a big jump compared to the P7.4 billion for 3,548 units in 2007 (and P4.3 billion for 2,366 units in 2006). The 2008 marketing sales will be recognized by 2010 as a result of the maximum 2-year project completion schedule (if mid-rise within 12 months full completion).

Recognized revenues were up by 71% from P2.45 billion in 2007 to P4.7 billion in 2008. New projects that were launched more than a year ago, namely Cypress Condominiums in Taguig, Riverfront Residences and Dansalan Gardens located in Mandaluyong, contributed a total of P1.3 billion or 27% of total revenues. These new projects are expected to contribute to realized sales in subsequent years. Existing projects like Mahogany Place Subdivision, Raya Gardens Condominiums, Manors at Celebrity Place, Bonifacio Heights all posted a notable increase in revenues with Bonifacio Heights being the top project in terms of revenues accounting for 17% of total sales. Old projects such East Ortigas Mansions, Morning Sun, Rainbow Ridge, Lakeview, and Villa Alegre all of which are now reputable communities, are essentially sold out and only contributed marginal tail end revenues for the year. Moving forward, the Company continues to plan and develop new projects that are expected to provide the continuous revenue contributions for the Company's real estate business.

Selling prices for the new and existing projects are marginally higher than the old projects as this year's recognition included high rise developments which cost more than the previous mid rise developments. The increase in price was lower relative to the increase in costs as the Company decided to adopt acceptable price levels to remain competitive and maintain sales velocity. Although gross margins for the real estate business went down, the Company's real estate prices are approximately still 10-15% below direct competitors, an edge it enjoys as a triple-A construction company and a market driven real estate developer.

Operating expenses in the real estate segment were significantly higher due to the increased marketing, selling and organizational development activities. This was one of the main contributors to the jump in consolidated general and administrative expenses on a quarter to quarter basis. Rest assured that the Company is currently installing measures to manage and stream line real estate overhead costs, more so with the current global economic crisis.

Despite the continuing up-trend in real estate business, the Company has experienced a slowdown in its marketing sales for the latter part of 2008. It is aware of the global adversities prevalent in the international real estate sector, most predominantly in the US, but is yet to conclude that the slowdown was caused by such global economic crisis. The Company sees that an effective shortage in completed inventory can be much the same reason for the real estate slowdown. With the completion and release of new developments and the continuing completion of existing projects, the Company can assess better if any further slowdown is truly the effect of the global economic crisis.

CONSTRUCTION

The Company's construction revenues were up by 44% as construction contributions showed a 22% advancement from P324 million in 2007 to P394 million in 2008. Both the general construction and steel fabrication business units experienced superior results.

General Construction

The general construction business unit, reported under wholly-owned and flagship construction company, D.M. Consunji, Inc. (DMCI), registered net contributions of P201 million for 2008, accounting for a respectable 15% growth compared to the P175 million in 2007.

DMCI construction revenues for 2008 improved by 49% as a result mainly of the realized construction works for major projects: the Shangrila Boracay resort project for the Kuok Group contributing P1.1 billion and pipelaying works for Maynilad amounting to P885 million. Other projects such as One Adriatico Place, Sun Plaza Bldg. completion, LRT Line 1 extension, and the Grand Tower for Moldex contributed substantial revenues as well.

It is also notable to mention that DMCI has been awarded P16 billion worth of new projects: (a) the Raffles Residences and Fairmont Hotel awarded by the Kingdom Group from UAE in December 2008 with a contract amount of P5 billion and a construction period of 2 and a half years; (b) the 168 Residences awarded by the Yeloofa Group from China in 2009 with a contract amount of P3 billion over a period of 3 years; and (c) the Skyway Extension from Bicutan to Alabang awarded by the Citra Group in 2009 with a contract amount of P8 billion over a construction period of 2 years. These newly awarded projects are expected to provide considerable construction business to the Company starting 2009.

Contributions from the other construction units such as equipment sales and rental, ready-mix concrete external sales, and manpower supply were also helpful in providing contributions for the construction business.

General and administrative expenses for DMCI were lower but will most likely go up due to the requirements from the newly awarded major contracts. Despite this, however, the Company is confident that the cost reduction guidance that was installed in DMCI will prevail and help reduce costs of additional requirements from the newly awarded projects.

Steel Fabrication and Assembly

The Company's steel fabrication business is reported thru its 98% owned construction and steel fabrication company, Atlantic Gulf and Pacific Company of Manila, Inc. (AG&P). AG&P is the oldest construction company in the country with countless projects spanning over 100 years.

AG&P reported a 21% decline in net income from P230 million in 2007 to P181 million in 2008 inspite of an 18% growth in contract revenues. This is due mainly to higher cost of steel which is the main raw material for AG&P's steel fabrication projects. The major contributors to revenues were the New Caledonia modularization and assembly project which contributed 56% and the Overseas Manpower which accounted for 24%. The Goro Nickel project registered revenues of P177 million, a huge decline from the P1.3 billion recognized last year, as this project reached full completion in 2008. New contracts are now being negotiated with a teaser contract with Foster Wheeler the successful execution could net additional considerable contracts for AG&P to maybe replace the Goro Nickel project.

Early in 2008, the Company was looking to sell AG&P but due to the current economic environment, the sale did not materialize. As a result, the Company has decided to fully support AG&P operationally and financially with the hopes to renew and improve its business to become a viable independent business unit. Aside from its exposure to foreign prospects, AG&P's globally reknowned competence in steel fabrication can be a strategic advantage in the country's current drive toward infrastructure and economic stimulus.

MINING

Majority of the Company's mining business is lodged in the coal segment. Although it has interests in nickel mining, coal operations for 2008 contributed to the significant expansion in mining contributions (before minority) to P810 million from P632 million.

Coal Mining

The Company's coal mining business, operated by 56%-owned, publicly listed Semirara Mining Corp (SMC), reported an improvement in operating results for 2008 vs. 2007. Despite a slight 7% slowdown in coal sales volume, a 30% increase in composite prices proved beneficial as SMC revenues went up by 32% and net income grew by 24%.

Below is SMC's management discussion and analysis of financial condition and results of operations for the period ending and as of December 31, 2008 and 2007 as lifted from its annual financial report with the PSE and SEC:

SEMIRARA MINING CORP.
MANAGEMENT DISCUSSION & ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
FOR YEAR ENDING DECEMBER 31, 2008 AND 2007

Full Years 2007-2008

I. PRODUCTION AND OPERATIONS

To cater to increasing demand for coal, both from the domestic and export markets, the Company launched into another capacity expansion and modernization program in 2008 to increase capacities. A total of 24 units 100-tonner dump trucks, 6 units excavators with bucket capacities ranging from 7-cubic meter to 15-cubic meter, and various complementing support mining equipment arrived in the mine site during the year.

Although weather conditions were not favorable, the upgraded capacity generated high Total Material movement of 38,318,623 bank cubic meters (bcm), posting a 20% increase over 2007 material movement of 32,054,236 bcm. Waste material to coal ratio or strip ratio also inched up at 9.55:1 from 7.82:1 since the augmented excavating capacities were used for pit stabilization activities to reinforce the slopes after the occurrence of minor slide in June 2008, caused by continuous heavy rains in the second quarter. As a result, more focus was directed on movement of waste materials over coal release. Correspondingly Run-of-Mine (ROM) coal production dropped slightly by 1% from 3,754,774 metric tons (MTs) in 2007 to 3,733,001 MTs this year. After washing, Net Total Product Coal also recorded a drop by 1% from 3,462,534 MTs last year to 3,436,879 MTs in the current year.

In-house exploration drilling at the eastern side of Panian Mine resulted to the discovery of coal deposit extension beyond the pit limit of the mine. The new discovery is designated as East Panian deposit, which stretches to about 1.5 km x .07 km, with 44 holes drilled. With the guidance of a Japanese consultant, data gathered from the drilled holes were analyzed to come up with an estimated resource. Coal resource based on current estimates from this site is 48 million MTs. Additional activities are programmed to determine mineable reserves in the area.

Rainy season at the island is unusually long this year. Moreover, the downpours were likewise extraordinarily heavy and started as early as second quarter of 2008, recording an average rainfall of 279 millimeters compared to same period last year's rainfall of 145 millimeters. Rainy season extended up to November in the current year. For the 8-month period starting April, the highest recorded rainfall was at 697 millimeters and lowest at 156 millimeters. Incessant heavy rains resulted to a partial caving in of a portion of the pit and disrupted coal production in the

second half of the year. This event prompted the Company to declare a force majeure on 2 July 2008 which lasted until almost the end of the year. The force majeure was only lifted on 2 December 2008 when the rainy season finally ended.

The commissioning of the 4 MW bunker-fired generator set at the start of the year intended to power dewatering pumps proved to be a prudent and timely decision as these pumps became very handy when rain started to pour early this year.

With the improvement in weather conditions, operations pushed capacity to the limit to record a year-end closing coal inventory of 463,802 MTs.

On 13 May 2008, the granting of the Company's request filed before the Department of Energy for a fifteen (15)-year term extension of its Coal Operating Contract turned out as one of the highlights of operations this year. The Company's right to mine in the island is extended up to 14 July 2027.

The end of 2008 marked another milestone for the Company. Continuing efforts to uplift quality of operations earned the Company three certificates of recognition for conforming to international quality standards covered by ISO 9001:2000 for Quality Management System, ISO 14001:2004 for Environmental Management System, and OSHAS 18001:2007 for Occupational Health and Safety Management System.

II. MARKET

Growing demand from the local and export markets provided impetus for the Company to beef up capacity to seize the opportunity to further diversify and expand its market base. This is primarily driven by the sharp inflation of oil prices which motivated some industrial power plants to shift from bunker or diesel to coal for fuel. The arrival of new mining equipment at first allowed the Company to match demand. However, when rainy season kicked in earlier in the second quarter of the year, which consequently triggered the declaration of force majeure, the Company lost the opportunity to sell and ship out about 600,000 tons of contracted export volume. Notwithstanding, export sales grew by 24% at 992,749 MTs in 2008 from 798,806 MTs in 2007. Total exports claimed a 30% market share, posting an improvement over 2007 share in the pie of 22%.

Meanwhile, local sales dropped by 16% from 2,775,771 MTs in 2007 to 2,320,287 MTs this year. The slump mainly came from the 41% decline in sales to the National Power Corporation (NPC) at 799,190 MTs in the current year from 1,365,168 MTs last year as the Calaca plants in Batangas continued to experience technical problems. On the other hand, sales to other power plants recorded an 18% improvement at 590,254 MTs from 501,990 MTs in 2007. The increased off-take by Non-NPC power plants tempered the decline in total sales to the power industry at 26% from 1,867,158 MTs in 2007 to 1,389,444 MTs this year. Remarkably, this industry still accounted for the biggest market share at 42%.

Moreover, sales to other industries posted a slight 2% increase at 931,043 MTs from 908,613 MTs in 2007. The 53% surge in sales to other industries at 235,847 MTs in the current year from 153,732 MTs in 2007 offset the 8% drop in sales to cement plants which posted sales of 695,196 MTs in 2008 from 754,881 MTs in 2007.

Total sales volume in 2008 dipped by 7% from 3,574,577 MTs in 2007 to 3,313,236 MTs this year.

On a positive note, rising demand for coal amidst high oil prices drove FOB selling price at record high in the latter part of the year. Despite weaker first half prices, Composite Average Selling Price for the year marked a 43% growth at P2,549/MT from P1,784/MT in 2007.

III. FINANCE

A. Sales and Profitability

High coal prices compensated for the slight decrease in sales volume, such that Coal Revenues posted a healthy increase of 32% from 2007 level of P6.38 billion to P8.45 billion this year. On the other hand, the slow down in the Calaca operations translated to a 51% drop in Coal Handling Revenues from P90.7 million in 2007 to P43.99 million in the current period. The resulting Total Revenues showed an improvement of 31% at P8.49 billion from P6.47 billion last year.

Spike in oil prices, coupled with depreciation of the peso from 2007 level, resulted to cost push inflation in 2008. As a consequence, per metric ton fuel and lube, materials and supplies, and ship loading costs registered a 74%, 89%, and 62% increase, respectively. Maintenance costs incurred for industrial facilities and campsite facilities also contributed to the increase in cost per metric ton since these are charged to production cost. These greatly contributed to the 44% increase in Cost of Coal Sold/MT at P2,095.71 this period from P1,453.04 last year. Applied to the volumes sold, Cost of Sales reflected a 34% increase at P6.94 billion from P5.19 billion in 2007. Non-Cash component dropped to 17% since most of the new equipment purchased were covered by operating leases, and are therefore not carried in the books of the Company as depreciable assets.

Gross profit is 22% higher at P1.55 billion this year compared to P1.27 billion last year. Higher Cost of Sales/MT explains the decrease in Gross Profit margin from 20% in 2007 to 18% this period.

Government share, which is a function of Net Coal Revenues, after operating costs, recorded a corresponding increase by 32% at P253.38 million from P191.29 million in 2007. Government share is maintained at the minimum of 3% of Coal Revenues. Meanwhile, increase in General and Administrative Expenses by 54% at P205.54 million from P133.09 million in 2007 signified expanded operations. This amount, however, included the recognition of P34.04 million wharfage fees billed by the Philippine Ports Authority (PPA) for deliveries made to the NPC Calaca Plants. The payment of 50% of the amount billed was made under protest, citing its exemption under Section 16 (a) of Presidential Decree 972 which provides that the Company is exempt from all taxes except income tax.

With decreased interest bearing loans, Finance Costs fell by 28% from P140.25 million in 2007 to P101.24 million this year. Meanwhile, higher placements in 2008 earned higher Finance Revenues amounting to P77.23 million this year from P40.20 million in 2007. Fluctuations of the US Dollar against the Peso proved to be unfavorable for the Company as it incurred Foreign Exchange Losses amounting to P82.78 million this year. In contrast the company recognized Foreign Exchange Gains of P102.96 million in 2007. Finally, Other Income increased by 478% at P54.44 million from P9.42 million last year, mainly from sale of a number of retired dump trucks and recoveries from insurance claims.

Net Income Before Tax increased by 8% at P1.03 billion from P960.77 million in 2007. On the other hand, Provision for Current Income Tax fell by 13% at P290.50 million from P333.67 million. After provision for Net Deferred Tax liability of P53.48 million, Net Current Tax provision is at P237.02 million. In September 2008, the Company successfully registered with the Board of Investments as expanding producer of coal, as included in the Investments Priorities Plan of 2007, and in accordance with the provisions of the Omnibus Investments Code of 1997. One of the incentives of a BOI-registered enterprise is an Income Tax Holiday (ITH) for the registered activity. In the case of the Company, registered activity is the expanded capacity with base figure of 2.71 million MTs. Sales volume beyond this base figure is entitled to an ITH for six years from date of registration.

The resulting Net Income After Tax reflected a 26% growth at P796.40 million from P633.28 million in 2007. Earnings per Share correspondingly increased by 24% from P2.28 in 2007 to P2.87 this year.

B. Financial Condition, Solvency and Liquidity

In 2008, the Company launched a capacity expansion program to meet the demands from the newly developed export markets. Mining equipment amounting to P1.68 billion were ordered and paid using internally-generated cash. Most of the new arrivals were later subjected to sale and leaseback transactions, covered by operating leases. Due to timing difference, not all purchased assets during the year were covered by sale and leaseback arrangements as at the end of the year. Moreover, cash dividends declared and paid during the year amounted to P1.11 billion, 233% higher than dividends of P333.09 million paid last year. These translated to a 39% drop in Cash and Cash Equivalents which closed at P1.01 billion from P1.65 billion beginning balance.

Meanwhile, Net Receivables went up by 50% from P1.25 billion in 2007 to P1.88 billion this year. The increase was due to the 66% surge in Trade Receivables, which accounted for the bulk of the item at P1.77 billion in the current period from P1.07 billion in 2007. Coal shipments in the later part of the year comprised the bulk of trade receivables. Meanwhile, Non-Trade Related Receivables, which included the due from related parties and advances to suppliers dropped by 37%, closing at P124.97 million from P196.76 million beginning balance. This is mainly attributed to the decrease in receivables from related parties.

The improvement in weather conditions in December signaled the end of the force majeure situation. Operations took advantage of the good weather to ramp up production. As a result, Coal Inventory, which ran at low levels throughout the year, closed at a more normal level at 463,802 MTs as at the end of the year. This is 12% higher than beginning inventory of 413,747 MTs. The increase in volume, compounded by higher Cost of Coal Inventory, brought Ending Coal Inventory at P896.73 million, 57% higher than beginning balance of P570.81 million. On the other hand, Materials and Parts Inventory dropped by 45% from P881.86 million beginning balance to P486.49 million as at the end of the year due to higher utilization of materials and parts for operation and for the rehabilitation and maintenance program of industrial and campsite facilities which the company started to implement. As a result, Total Inventories maintained at almost the same level at P1.38 billion, from beginning balance of P1.45 billion because the decrease in parts and materials inventory was offset by the increase in coal inventory cost.

Other Current Assets recorded a 10% increase from beginning balance of P205.99 million to P226.11 billion. The increase is mainly due to the accounting of prepaid rent and insurance of equipment.

The resulting Net Current Assets slightly dropped, but stayed at almost the same level at P4.50 billion as at the end of the period from P4.56 billion beginning balance.

Non-Current Assets decreased by a more significant percentage at 20% from P2.00 billion as at the start of the year to P1.61 billion ending balance. This is mainly caused by the 42% slump in Property, Plant and Equipment which closed at P1.11 billion from P1.90 billion beginning level after booking depreciation cost of old mining equipment and other facilities. Although more mining equipment were purchased in 2008, most of these equipment were not carried in the books of the Company since these are covered by sale and leaseback arrangements with a local leasing company. On the other hand, Investments and Advances rose by 176% from P80.87 million spent in 2007 to P223.23 million ending balance. Additional investments were made to DMCI Mining Corporation (DMCI-MC) and DMCI Power Corporation (DMCI-PC) during the year. Total investments to these companies amounted to P225 million, P100 million to DMCI-MC representing 100 million common shares par value of P1.00, and P125 million to DMCI-PC representing 125 million common shares at par value of

P1.00. As at the end of the period, the Company accounted for 50% share in equity losses of these start-up companies amounting to P1.77 million.

Total Assets recorded a 7% decline at P6.11 billion from P6.56 billion beginning balance.

Likewise, Total Liabilities recorded a slump of 7%, closing at P1.81 billion from P1.94 billion beginning balance. The 15% increase in Current Liabilities which closed at P1.64 billion from P1.46 billion was offset by the huge 64% drop in Non-Current Liabilities from P482.05 million beginning balance to P173.89 million as at the end of the period.

The 74% jump in Trade and Other Payables from P682.43 million to P1.19 billion, which included non-interest bearing liabilities to foreign suppliers for open account purchases of equipment and equipment parts and supplies that are normally settled on 30 to 60-day credit terms, largely explains the increase in Current Liabilities.

Meanwhile, Income Tax Payable increased by 45% at P58.06 million from P40.17 million as at the start of the period. Higher income generation translated to higher Taxable Income.

Customer's Deposits represent customer advances for coal deliveries. Delivery commitments to three customers accounted for the P8.87 million beginning balance. This amount was totally wiped off when deliveries were made during the year. Meanwhile, the closing balance of P1.21 million represented balance of new advances from another local customer.

Debt repayments during the year amounting to P2.13 billion brought down both Current and Long-Term portions to P389.23 million and P137.07 million, respectively, or a total of P526.30 million. This effectively decreased Total Long-Term debts by 53% from total beginning balance of P1.13 billion.

Other Non-current Liabilities accounts also showed significant movements. Deferred Tax Liability dropped by 80% from P67.60 beginning balance to P14.13 as at the end of the year. On the other hand, Provision for Decommissioning and Site Rehabilitation grew by 8% from P12.21 million to P13.20 million. Meanwhile, Pension Liability closed at P9.50 million, registering a 104% increase from P4.66 million at the start of the year.

Current Ratio remained healthy at 2.75:1 at the close of the current year, although this dropped by 12% compared to 2007 level at 3.12:1.

Meanwhile, despite the 233% increase in total Cash Dividends paid out in 2008 amounting to P1.11 billion as against 2007 Cash Dividends of P333.09 million, Stockholders' Equity only registered a minimal drop of 7%, closing at P4.30 billion from beginning balance of P4.61 billion after accounting for Net Income generation of P796.4 million. Debt-to-Equity ratio continued to demonstrate the stability of the Company at a low level of 0.43:1, a minimal slide from 0.42:1 in 2007.

C. Performance Indicators

1. **Average Selling Price** – Now that the Company has a diverse market base, pricing for its coal is not anymore dictated by its dependence on a few customers. Since it started exporting, pricing mechanism became more dynamic and updated with the international prices for the commodity. This is an important milestone as the Company further seeks to develop its export capabilities. FOB price of Semirara coal for the year moved with the rising world prices towards the end of the period.
2. **Debt to Equity Ratio** – The aggressive expansion and investment strategies of the Company is carefully hinged on its financial capabilities as reflected in the strength of its balance sheet. The DE Ratio is maintained at a low level for a few years now, such that

when a good opportunity presents itself, the Company can afford to further leverage. This clearly underscores its growth potential.

- 3. Capital Expenditures** – *The Company's high Capex in 2008 indicates an optimistic view of its future. The expansion and modernization program is in response to the growing demand for Semirara Coal, especially from the export markets. It is important that the Company can prove supply dependability to the newly penetrated markets to ensure long-term success in marketing the product. To achieve this, investments in new mining equipment were made during the year.*
- 4. Expanded Market** – *In its second year of venturing to the global markets, the Company is still looking for opportunities to further strengthen its brand in the industry. In 2008, market share of export sales increased to 30% from 22% in 2007. Of the 922,749 MTs exported, 58% went to China, 36% to India, and 6% to Hong Kong.*
- 5. Improved Coal Quality** – *The success of the Company's diligent efforts at quality improvement is clearly indicated in its successful attempt at market diversification. Taking an extra mile, the Company further endeavors to enhance the holistic development of its business, such that in 2007, works on having the Company ISO certified were started. Finally, in 2008, the Company obtained ISO certifications on Integrated Management System covering three (3) standards as follows: Quality Management System (ISO 9001:2000), Environmental Management System (ISO 14001:2004), and Occupational Health and Safety Management System (OSHAS 18001:2007). Compliance to international standards as attested by these ISO certifications will advance the Company's goal of lifting product standard and will consequently enable it to secure a niche in and gain respect from both the domestic and international coal markets.*

Nickel

The Company's venture into nickel mining proved to be a good move until the sharp drop in the base metal commodity prices in mid 2008. DMCI Mining Corp., the Company's nickel mining subsidiary, posted a modest net income of P45 million for the first half of 2008 but due to the dive of nickel prices, DMCI Mining reported a marginal P13 million in full year net income from nickel ore shipments worth P450 million. The 2nd half 2008 saw DMCI Mining suspending mining operations and selling its existing stockpile at low prices with some shipments priced below costs to at least liquidate its non moving stock pile.

Although the current situation for the nickel business looks bleak, the Company believes that when opportunities return to the nickel commodity business, DMCI Mining is well positioned with its already existing partnerships and nickel mining experience.

2006 - 2007

DMCI Holdings, Inc. (the "Company") reported a big jump in its consolidated operations as net income increased from P1.383 billion in 2006 to P2.56 billion in 2007. This year's earnings included the following extraordinary items from the water investment and parent company investments greatly affecting operating results. The resulting ordinary income from recurring operations was significantly higher from P1 billion in 2006 to P1.769 billion in 2007. First time equity results from the water investment, progress in the construction business, and the sustained phenomenal growth in the real estate segment were the drivers for the upsurge in the figures.

WATER

2007 is the first year the Company will report results from its investments in the water business. DMCI-MPIC Water Co., Inc., the consortium company with partner Metro Pacific Investments Corp. (MPIC) won the right to acquire 84% share in Maynilad Water Services, Inc. (Maynilad). The Company accounts for this investment under the equity method as it equally owns 50% of DMWC with MPIC and control is jointly shared between the Company and MPIC.

For 2007, the Company registered a net equity in earnings from its investments in the water business amounting to P1.2 billion which includes a P2.12 billion share in the negative goodwill from the acquisition of Maynilad and a P799 million net share in losses due to the financing, acquisition and other costs reported at DMWC. Without these non operational items, income from DMWC's (Maynilad's) recurring operations for 2007 would have amounted to P1.254 billion, a respectable increase of 25% from P1 billion in 2006. The Company's effective share in the recurring income for 2007 and 2006 were P489 and P390 million respectively. Initial effects from capital expenditures and water system improvement measures being installed by the new owners of Maynilad helped increase billed volume and improve to some extent non-revenue water (NRW).

Aside from the normal recurring operations from water investment, the Company also enjoys substantial construction business from Maynilad's capital expansion requirements, a key item in the decision to enter into the water sector (see discussion in Construction above). With this, the Company believes that the acquisition of the water business was a sound and strategic move and will be an integral part of its expansion into more stable businesses while staying true to its reputable skills and core competence as engineers and contractors.

REAL ESTATE

The Company's real estate business, headed by 100% owned real estate company DMCI Project Developers, Inc. (PDI) and operated under the brand DMCI Homes, continued to recognize exceptional growth in its operations for the year. 2007 real estate sales and income rose 29% to P2.455 billion and 134% to P671 million from 2006 respectively. Increased sales and an effective higher selling price provided much of the rise in both top line and bottom line figures despite the drop in line revenues from the old projects and the intensified operating expenses.

Sales from new projects: Alta Vista Boracay, Manors at Celebrity Place, Raya Gardens and Rosewood Pointe, accounted for 60% or P1.468 billion of total real estate revenues. Alta Vista Boracay, the Company's only leisure residential project located in world renowned beach getaway Boracay Island, Aklan, Philippines, accounted for 14 units worth P43 million, demonstrating a respectable entry into the leisure housing sector. Typical DMCI Homes projects: the Manors at Celebrity Place, Raya Gardens, and Rosewood Pointe posted 38 housing units and 25 parking slots amounting to P149 million, 171 housing units and 123 parking slots amounting to P414 million, and 374 housing units and 205 parking slots amounting to P862 million respectively, all contributing to the record sales for the year. This was despite a slow down in the sales of existing projects that were more or less sold out (East Ortigas Mansions, Vista De Lago and Bonifacio Heights).

Selling prices for the new projects are marginally higher than the old projects as this year's residential unit mix include high rise units which cost a more than the previous all mid rise unit developments. Also, the Company have taken the opportunity to increase its prices as demand is increasing, which in turn provided better margins and allowed for a realigning of more resources to organizational development and increased marketing/selling activities. The Company still sees it's prices as approximately 20% below current market prices for the same quality residential development, an edge it enjoys as a triple A construction company and developer in one.

Consolidated operating expenses were significantly higher in 2007 from 2006 mainly due to the increased marketing and selling activities adopted by the real estate business for the year. It is expected that the operating costs for the real estate division will continue to escalate as expansion and strengthening of its real estate operations will be espoused but should be justified with the appropriate increase in revenues.

Though the residential sector continues to experience an up-trend in business, the Company is aware of the global adversities prevalent in the international real estate sector with the US sub-prime issue causing a seeming recession in the US markets. These adversities may have a harmful effect on the Company's real estate operations through direct US sales. The Company would like to note that its direct US sales only account for approximately 2% of its total sales and the Company has resolved to strengthen its domestic and international sales in the European and Middle Eastern OFW markets. In this regard, the Company is confident that its real estate operations will not be significantly affected by the impeding US market slow down.

Furthermore, the Company has decided to postpone its short to mid term plans to list its real estate business as it moves to maintain its focus on residential development specifically catered to the middle income housing market. Ventures into other real estate opportunities such as office space rentals (eg. for the BPO businesses) and mixed-use community developments have been shelved as of the moment. With the current market situation, the Company believes it is best to stick to its core competence.

CONSTRUCTION

General Construction

The general construction business, reported under wholly-owned construction company, D.M. Consunji, Inc. (DMCI), reported improved operations for 2007 compared to 2006. Construction revenues and income for the year reached P2.955 billion and P175 million, up by 69% and 27% respectively. This was caused by increased construction activity from outside contracts and jobs provided by the water business but margins were affected by write-offs done on construction receivables.

Final works on finished key projects: Subic-Tarlac Express-Deck Fabrication (99% complete), KAMANAVA Floodway civil works (97% complete), and One Adriatico Place residential high-rise development (98% complete) provided a total P846 million in construction revenues for 2007. Work on 2007 new projects, Shangrila Boracay and Robinson Cybergate Tower, with a total contract amount of P1.5 billion, added P866 million in revenues for the year. In addition, DMCI have been able to get almost P518 million worth of construction projects from Maynilad, which already contributed P339 million of recognized construction revenues. Back-log work from third party construction contracts showed an amount of P1.95 billion at the end of 2007.

Revenues from the other non-traditional construction operations, specifically from the special business units, namely the equipment rental and sales, the ready-mix concrete business, and the formworks management unit were also helpful in providing gross contributions for the construction business.

Collections from previously unresolved change orders, the costs of which were already recorded, were finalized and this amount went directly to net income but was counteracted by write-offs of significant construction receivables.

General and administrative expenses slightly went up as required by the increased construction demand for the period. Construction overhead is expected to be at low levels consistent with the Company's cost reduction guidance, more so with the construction industry becoming more diversified and competitive.

Even with the current prospects in the construction sector due to the increased economic activity, the Company is still cautious in allocating significant resources into the construction business. The Company now sees its construction business as a source of competence in its ventures into other industries such as nickel mining and power generation. It is confident however that it can maintain its

foothold as one of the leading providers of construction services in the Philippines with the heritage as pioneers in construction technology.

Steel Fabrication and Assembly

The Company's construction business from steel fabrication is done thru Atlantic Gulf & Pacific Company of Manila, Inc. and is the oldest construction company in the Philippines specializing in steel works. It currently has major projects for Goro Nickel composed of modular steel works and fabrication being done here and the hook-up and commissioning of these modular steel structures in New Caledonia. The contract amount of this Goro Nickel project is around US\$100 million, accounting for the significant operations in 2007. In November 2007, the Company converted its receivables worth P957 million in AG&P into equity increasing its share from 45% to 98% causing its consolidation. AG&P had net contributions of P150 million to consolidated income coming in 2007 compared to equity in net earnings of P20 million in 2006 due to billed contracts from the Goro Nickel and New Caledonia projects.

MINING (COAL)

The Company's coal mining business, operated by previously 58% now 52% owned, publicly listed Semirara Mining Corp (SMC), reported almost the same operational results for 2007 compared to 2006. Contributions from the coal segment before minority were at P633 million and P601million for 2007 and 2006 respectively.

Below is SMC's management discussion and analysis of financial condition and results of operations lifted from its 2007 Year-End Financial Report:

SEMIRARA MINING CORP.
Management Discussion & Analysis of
Results of Operation and Financial Condition for the
Period ended December 31, 2007

Full Years 2006-2007

I. PRODUCTION

Market conditions shaped the pace of operations in 2007. Increased demand from domestic buyers and the breakthrough in the export market drove operations in the current year to maximize coal production. As a result, waste material to coal ratio or strip ratio has gone down to the standard level of 7.82:1 in 2007 from 14.13:1 in 2006.

The high strip ratio in 2006 resulted to advance overburden stripping exposing a million metric tons of coal thereby allowing increased coal production despite lower strip ratio in 2007. Consequently, Total Materials moved in 2007 is 17% lower at 32,054,237 bank cubic meters (bcm) than Total Materials movement in 2006 of 38,423,124 bcm. On the other hand, Run-of-mine (ROM) coal posted a 45% increase from 2,587,569 metric tons (MTs) in 2006 to a historical high of 3,754,774 MTs this year. Net of waste after washing, the resulting Total Product Coal (TPC) likewise recorded a historical high of 3,462,534 MTs in 2007, posting a growth of 53% from 2,269,959 MTs in the previous year.

Meanwhile, increased coal production necessitated a corresponding improvement in logistic support to maintain efficiency in product handling. The successful diversification to export markets required the upgrading of pier facilities to accommodate 50,000-tonne vessels. Currently, dredging activities at the pier are ongoing to enable these huge vessels to dock for safe berthing and to load coal faster using the conveyor and ship loader line. As a result, export vessels and smaller barges for local deliveries can now be loaded simultaneously, as the new

barge loading facility with a rated capacity of 750 MTs/hr which was set up last year is now fully operational to load the smaller vessels.

To complement waste material movement, a second line of in-pit crusher and conveyor system was set up and became fully operational during the first quarter of the year. The increased in capacity is effective in offsetting the negative impact of the continuous increase in oil price, as use of trucks for hauling materials was minimized.

As a consequence of a healthier market demand, current year ended with coal inventory lower by 30% at 423,934 MTs as compared to 2006 end inventory of 606,030.

The increasing coal demand also incited management to plan another expansion program to be able to serve its expanding markets. Towards the end of the current year, the Company negotiated to purchase two units 16 cubic meter excavators, 16 units 100-tonner dumptrucks, and other support mining equipment for delivery in 2008.

Meanwhile, to complement the expanding operations of the Company, management is taking serious efforts to improve the quality in delivering services to customers and other stakeholders. To achieve this, it is currently applying and processing ISO certifications 9001 and 14001 for Quality Management System and Environmental Management System, respectively. Likewise, it also seeks to get Occupational Health and Safety Management System (OSHAS) 18001 certification.

II. MARKET

Learning from the costly experience of dependence in local markets, management intensified its efforts to break through the barriers and penetrate the export markets. Demand for Semirara coal dramatically plummeted in 2006 when natural gas-fired plants were given dispatch priorities. This event made management realize that to sustain growth targets, the Company needed to diversify overseas. Due to quality limitations of Semirara coal vis-à-vis the requirements of existing Philippine coal plants, which were mostly designed to burn higher-quality coal, the onshore demand growth potential for the product is unfavorably limited. Hence, the regional shortage of thermal coal provided the Company a timely window to introduce its coal to the vast export market. After months of marketing and negotiating with potential end-users and traders, the Company made its maiden shipment containing 28,836 MTs of coal to South China in February. The initial shipment was found acceptable in terms of quality. The ensuing months further strengthened the Semirara brand when deliveries to more plants in China, India and Hong Kong were likewise successful. As a result, the Company was overwhelmed with export orders in its maiden year in the international market, that toward the end of the year, some export contract proposals had to be politely declined. With the increasing demand for Semirara coal, the Company was able to successfully negotiate for better prices for subsequent shipments.

On the local front, the shortage of coal in the region also augured well for the Company as more plants decided to try using Semirara coal. As a result, total local sales posted a 34% increase from 2006 sales volume of 2.076 million MTs to 2.776 million in the current year. With export sales amounting to 798.8 thousand MTs, total sales volume in 2007 registered at 3.575 million MTs, or 72% higher than 2006 volume.

Notably, despite recording a 5% growth over the previous year's volume of 1.3 million MTs, 2007 sales to the National Power Corporation (NPC) of 1.365 million MTs reflected a decrease in market share from 63% in 2006 to 38% this year. Added to improving volumes from other power plants, augmented by two new markets, namely Asia Pacific Energy Corp. and Steag State Power Energy, Inc., total sales to power plants reached a record high of 1.867 million MTs in 2007, which posted a 25% growth from the sales to this industry in 2006 of 1.496 million MTs.

Demand from the cement industry also recovered in 2007, with sales volume showing a 42% improvement at 754.9 thousand MTs from the previous year's sales of 531.3 thousand MTs.

Similarly, sales to industrial users also skyrocketed by 214% from last year's volume of 48.9 thousand MTs to 153.7 thousand MTs, as more small industrial plants were converting from bunker or diesel – fired to coal plants.

Meanwhile, exports accounted for 22% of sales in 2007. Of the 798.8 thousand MTs exported, 46% went to China, 44% to India, and the remaining 10% to Hong Kong.

On the downside, the steep devaluation of the dollar, which is the currency used to trade coal in the international market, impacted negatively to the Composite Selling Price of Semirara coal. FOB price averaged at P1,784/MT in 2007, which is 19% less than 2006 selling price of 2,212/MT.

Looking forward, however, the continuous upsurge in global demand for coal spells well for Semirara coal, in terms of sales volume and prices. Currently, demand and coal prices are continuously inching upward.

III. FINANCE

A. Sales and Profitability

Robust market demand translated to higher Coal Revenues in the current year registering a historic level of P6.38 billion, and recording a 39% growth from 2006 Coal Revenues of P4.59 billion. Meanwhile, another P90.7 million was generated from coal handling activities at the Calaca coal yard this year, posting a slight 6% decrease from 2006 Coal Handling Revenues of P96.34 million. Reduced dependence on the NPC - Calaca plants also translated to decreased Coal Handling Revenues, which is a function of Coal deliveries to Calaca, to 1% from 2% share in the Revenue pie last year.

Economies of scale from increased production resulted to lower Cost of Coal Sold/MT to P1,453.04 which showed a 17% decrease from 2006 unit cost of P1,754.82. However, with more volumes sold this year, total Cost of Sales escalated by 40% from P3.71 billion in 2006 to P5.19 billion in the current period. Non-Cash component of Cost of Sales remained at 32%, as a result of the accelerated depreciation policy of the Company.

The resulting Gross Profit showed a 31% improvement at P1.27 billion from P974.53 million in 2006. However, as a consequence of lower Composite Average Selling Price/MT, Gross Profit margin dipped slightly to 20% from 21% in the previous period.

Operating Expenses showed a significant growth of 144% from P133.12 million in 2006 to P324.38 million in the current year. Although government share was maintained to the minimum of 3% of Coal Sales, because of higher Revenues, the absolute amount posted a 38% growth to P191.29 million from P138.27 million in 2006. Meanwhile, General and Administrative Expenses in 2006 recorded a negative figure as a result of the reversal of the Provision of Real Property Taxes amounting to P71.53 million, in accordance with Presidential Decree (PD) 972 exempting the Company from all taxes except income tax. Hence, this mainly contributed to the substantial difference in Operating Expenses between the two comparative periods. General and Administrative Expenses amounting to P133.09 million in the current period consisted of Salaries and Wages of Makati personnel (with noted increase due to formalization of top executive positions which are now properly charged to this account), Office Expenses, Professional Fees, Transportation and Travel Expenses, Representation Costs, and Taxes and Licenses. The cost of transportation and travel as well as representation and other expenses likewise posted an increase in relation to marketing and selling transactions.

On the other hand, Finance Cost recorded a 34% reduction due to lower interest rates applied to decreasing balance on interest-bearing loans which totaled to P1.69 billion as at the end of 2006 to P1.13 billion at yearend 2007. Finance Cost registered at P140.25 million this year compared to the P213.04 million incurred last year.

Meanwhile, Finance Revenue is 26% lower during the current year at P40.30 million from P54.53 million in 2006. This is explained by the lower beginning Cash balance this year used for investments. Cash only started to build up during the second half of the year when export sales stepped up and excess cash were placed in short-term investments

The continued depreciation of the US Dollar against the Peso afforded the Company to continue to book Foreign Exchange Gains amounting to P102.96 million in 2007 from P49.03: USD1 at beginning of the year to P41.28: USD1 at end of the year. This amount is 14% lower than Foreign Exchange Gains of P119.96 million earned in 2006 as dollar-denominated liabilities declined with the regular principal amortization.

Other Income also recorded a significant drop by 91% from P107.61 million in 2006 to P9.42 in the current year as recoveries from insurance claims were lower in 2007 at P4.25 million as compared to 2006 level of P70.21 million. Moreover, more equipment were disposed last year enabling the Company to record more Gains from Sale of Property and Equipment in the previous period.

The resulting Net Income Before Tax showed a modest growth of 6% from P910.47 million in 2006 to P960.77 million in the current period. Provision for Income Tax in the current year correspondingly increased by 6% at P327.97 million from P309.23 in 2006. Net Income After Tax also posted a slight increase of 5% from P601.24 million in 2006 to P633 million this year.

Earnings per Share is 6% higher at P2.28 in 2007 from P2.161 in the previous year.

B. Financial Condition, Solvency and Liquidity

The shipment of more export sales towards the end of the year significantly boosted yearend cash. Export deliveries were covered by sight Letters of Credits. Hence payment collections were done right after the shipment of coal, unlike for local deliveries wherein collection period ranges between 45 to 60 days. Moreover, the Company recouped its Temporary Investments made in 2006 amounting to P300 million in the current period. The resulting 2007 Cash end of P1.65 billion reflected a 223% increase from end 2006 Cash level of P510.44 million.

Meanwhile, net Receivables almost doubled to P1.12 billion from P566.88 million mainly as a consequence of the corresponding surge in Trade Receivables with the increased sales in 2007. Of the amount, 96% were Trade Receivables for both local and export sales. Sales Volume in December reached a historic high of 465,392 MTs, thus explaining the huge accounting of Receivables.

The increase in demand also resulted to decrease in Inventories in 2007. Cost of Coal Inventory went down by 44% from P1.02 billion as at yearend 2006 to P570.81 million at the close of the fiscal year 2007. On the other hand, Cost of Materials and Parts Inventory slightly rose by 7% from P823.38 in 2006 to P881.86 in the current year, apart from increase requirements for rehabilitation activities, importation in transit intended for projects as of end of the year recorded at P104 million. The reduced coal ending inventory contributed to the Total Inventories declined by 21% from P1.84 billion in 2006 to P1.45 billion this year.

Other Current Assets account is mainly comprised of the 5% Input Value Added Tax (VAT) withheld by NPC which amounted to P199.76 million as of end of the current year and P175.34 million last year. However, the Company is reclaiming the amount in accordance with its VAT-exempt status. On 7 March 2007, the Company obtained a ruling from the Bureau of Internal Revenue which reiterated that the sale of coal remains exempt from VAT. While the refund is being processed, this account temporarily boosted Other Current Assets to P187.98 million and P215.24 million in 2006 and 2007, respectively.

Total Current Assets aggregated to P4.43 billion as at the end of 2007, reflecting a 30% growth from 2006 yearend level of P3.41 billion.

On the other hand, Non-Current Assets dropped by 36% from P3.11 billion in 2006 to P1.99 billion in the current period. This is mainly caused by the decrease in net book value of Property, Plant and Equipment by 37% due to depreciation, with very minimal capital expenditures incurred during the year. As mentioned earlier, the Company employs an accelerated depreciation policy. Conversely, towards the end of 2007, the Company made P80.87 million advances for equity interest in power and nickel mining businesses. Meanwhile, Marginal Deposits on equipment and parts purchases amounting to P5.64 million booked in 2006 were wiped out with the arrival of these materials and subsequent reclassification to proper accounts.

The huge decline in Non-Current Assets offset the growth in Current Assets resulting to a slight 1% drop in Total Assets from P6.51 billion in 2006 to P6.42 billion as at the end of the current year.

Similarly, Total Liabilities plunged by a more significant percentage of 18% from P2.20 billion in the previous year to P1.81 billion in 2007. Current Liabilities recorded a minor dip of 1% when increase in Trade and Other Payables from P320.46 million in 2006 to P546.60 million this period due to booking of more Trade Payables on parts under consignment, booked payables to various project contractors and high provision for the last quarter government share offset the reduction of Current Portion of Long-Term Debt.

Non-Current Liabilities on the other hand, recorded a more hefty slump by 43% from P850.66 million last year to P482.05 in the current year. This is mainly attributed to the continuous amortization of loans, which consequently resulted to a decrease in Non-Current portion of Long-Term debt by 44% from P713.06 million to P397.58 million as at the end of 2007. The funding of Pension Liability which caused the reduction of the account from P52.67 million in 2006 to P4.66 million in the current year likewise contributed to the decrease in Non-Current Liabilities.

The improvement in Current Assets, augmented by the decrease in Current Liabilities, resulted to a remarkable increase in Current Ratio by 32% from 2.53:1 in 2006 to 3.34:1 in the current year.

Meanwhile, despite the declaration of Cash Dividends amounting to P333.09 million, similar to the amount of dividends declared in 2006, Stockholders' Equity further strengthened with the recognition of Net Income of P633 million in the current year. The positive bottom line boosted Retained Earnings by 10% from P2.97 billion in 2006 to P3.27 billion as at the end of 2007. Furthermore, Total Stockholders' Equity also posted an increase at P4.61 billion from P4.31 billion at yearend 2006, or a growth by 7%. As a consequence, the Company's Debt-to-Equity ratio further strengthened from 0.51:1 to 0.39:1, showing a 23% improvement.

C. Performance Indicators

1. **Average Selling Price** – This performance indicator demonstrates the effect of movement in global coal prices on the pricing of Semirara coal. However, this year, the Company set out to penetrate the export market. With the inherent quality limitations of its coal, there was no guarantee that the venture will be fruitful. Hence, in order to provide motivation to new export markets to at least try burning Semirara coal, the Company sold trial shipments at almost break even price. With the success of the diversification strategy however, the Company was able to parallel the upward movement of global coal prices toward the end of the year. On the local front however, the depreciation of the Peso against the US dollar put a dent on the Composite Average Selling Price per MT.
2. **Debt to Equity Ratio** – As an effective gauge of the Company's financial strength, the continuous improvement of this figure boosts the confidence of financial institutions to offer more aggressive financing packages and investors to put more money into the Company. A healthy solvency condition also afforded the Company to consider investment opportunities to further add to its value. Considering its core competencies, the Company is investing in a nickel mine. Also, as a forward integration strategy, it is putting in money to the power industry to augment and guarantee market for Semirara coal.
3. **Capital Expenditures** – After the completion of the capacity expansion program in 2006, Capital Expenditures in 2007 were minimal. However, with the increasing demand from the local markets and new export demands, the Company is planning another capacity expansion activity. Towards the end of the year, orders for one 16-cubic meter excavator and 12 units 100-tonner dump trucks were placed for delivery during the first half of 2008.
4. **Expanded Market** - 2007 is an exciting year for the Company. From a slow market in 2006, the scenario has completely turned around in the current year. Regional demand for coal has suddenly skyrocketed, thus giving Semirara an opportunity to penetrate the international market. This is a huge milestone for the Company since the event finally ended its over-dependence on local markets. Breaching the export market opens a vast and totally new avenue for growth for the Company. The Company has finally elevated its business to a new and higher platform, and it is gearing up for new challenges.
5. **Improved Coal Quality** – The new market opportunities of the Company brings forth more challenges to improve the quality of its products to achieve sustainable growth. More importantly, the Company must manage the stability of the quality parameters of its deliveries in order to successfully establish a brand. It is then imperative for management to invest in more quality-enhancing processes to achieve this. Currently, it is finalizing the specifications of a new washing plant to address the ash issue of the product.

As the coal business turns the corner into sustainability with the emergence of its coal exports and improving local demand in 2007, the Company is poised to include the coal business as a strategic partner in entering the power and nickel mining industries. SMC is expected to invest 50 percent into DMCI Power and DMCI Mining, the Company's power and nickel mining arm. With this, the Company and SMC hopes to provide coal business shareholders value engineering thru stability in coal take-up and equipment usage aside from the business prospects in the power and nickel mining industries.

II. FINANCIAL CONDITION

2007 - 2008

The Company's financial condition for the period improved as net assets increased by 11%.

Cash went down by 13% as cash provided by operations and new borrowings were counteracted by purchases of coal mining equipment and real estate investment properties. Cash account was also affected by the consolidation of AG&P cash balances this year.

Total receivables (current and non-current) doubled as a result of the consolidation of AG&P in 2008 and the improved sales in the real estate and coal businesses. Real estate receivables are termed up to a maximum of 10 years and coal sales are normally collected in 60-90 days.

Coal inventory build up and continuous work in progress and completed units in the real estate segment accounted for the 39% increase in consolidated inventory for the Company.

Investments were up as a result of the Company's share in net operations of unconsolidated equity investments and additional investments into the power generation and nickel mining businesses.

Acquisitions of new coal mining equipment caused the substantial 35% increase in the Company's consolidated property, plant & equipment.

Accounts & other payables increased as a result of trade operations, deferred revenues and accruals. Customers' deposits relate to real estate clients that have purchased units but have yet to reach revenue recognition status. Customers' deposits decreased as sales from these customers have reached full recognition status (20% collected and unit fully complete) and as such, the appropriate revenue and receivables have been recorded.

Long term liabilities (including current portion) increased mainly due to liabilities recognized due to the real estate receivables discounting on a w/ recourse basis. These liabilities from discounted receivables are parallel with the terms of the receivables which normally run up to 10 years. Moreover, these liabilities have a seasoning feature in where accounts which have normal payments for a period of 2 years can be fully discounted on a w/o recourse basis.

Non-current assets and liabilities associated with assets held for sale are from AG&P which was consolidated in 2008.

Current ratio decreased from 2.21 to 1.97 but still indicates a very good liquidity position. Debt repayment capability remains healthy as debt to equity ratio went up from 0.69 to 0.93. The Company notes that the debt to equity ratio is still below 1, indicating a strong owner base with an acceptable gearing position. The debt to equity ratio is also well within industry averages as the Company strives to maintain its financial risk position relative to the interest of its stockholders.

2006 - 2007 (not restated)

The Company's financial condition for the period improved as total assets as of year end 2007 increased by P8.5 billion or 41% from year end 2006 balances.

Cash more than doubled from 2006 mainly coming from net cash provided by operations and equity issuances and net cash usage for debt payments and additional equipment purchases. The Company's fund raising activities was completed in the second quarter of 2007 and was done as a follow-up capital issuance envisioned to strengthen its investments in the water business.

Total receivables (current and non-current) went up 7% as a result of heightened sales in the real estate and coal businesses.

Requirements in the real estate business accounted for the increase in consolidated inventories for the group. The Company has started to build new projects and accelerate work on its existing ones, providing a significant rise in its real estate inventory. Some long term investment properties were also reclassified to real estate inventory, as these properties were determined to be for development in the near future, further adding to the increase in inventories (and causing the reduction in investment properties). Coal take-up from improved local demand and coal exports reduced coal inventory in 2007. Construction materials also increased from 2006 balances.

Investments were up as a result of the Company's investment in the water sector which included a negative goodwill in 2007.

Depreciation mostly from coal equipment accounts for much of the decrease in property, plant and equipment. This decrease was counteracted by the recent purchase of a property to be used as new headquarters for the expanding office requirements of the real estate business coupled by some equipment purchases required by the construction business.

Accounts & other payables increased marginally as a result of trade operations and accruals. Customers' deposits increased significantly due mainly to payments made by real estate buyers for uncompleted units prevalent in high rise condominium units, the full completion of which takes around 24 months compared to the 6-9 months it takes to complete the mid rise units. These customers' deposits represent deferred revenues to be recognized as receivable payments upon full completion.

Long term liabilities (including current portion) decreased due to current repayments and prepayments mostly done in the coal mining segment. SMC's expansion was financed mainly by long term loans but has prepaid most of its loans within the year from internally generated cash. In addition, the Company's long-term debt incurred to fund half of its P3 billion initial investment in the acquisition of Maynilad was subsequently paid within the first quarter of 2007.

The Company's paid-up capital increased due to new equity issuances in 2007. The proceeds of the equity issuance were used to strengthen its investment in the water business thru debt payments and additional investments. The Company issued an additional 400 million shares at an average price of P7/share.

Current ratio was same levels from 2.20 as of end 2006 to 2.21 as of end 2007 showing the Company's current debt repayment capability remains healthy and well within industry averages. Debt to equity ratio was improved from 0.68 to 0.78 indicating a slight uptrend in gearing towards debt. This is a result mainly of new debt availments in the coal sector despite significant payments made. The Company notes that the debt to equity ratio is still below 1, indicating a strong owner base gearing. The debt to equity ratio was also well within industry averages of its different businesses.

III. KEY PERFORMANCE INDICATORS

The Company and its Subsidiaries (the "Group") has the following as its key performance indicators:

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

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 now 58% 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*).

CHANGE IN REAL ESTATE SALES

The real estate business is currently becoming another significant contributor for the Company operations. Any change will indicate an improvement or deterioration in the Company's real estate business for the period. Currently the Company is intently looking at the changes in its real estate operations as an indication of performance (see *Part I. Results of Operations-Real Estate for a detailed discussion*).

CHANGE IN CONSTRUCTION REVENUE

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. The initial performance indicator of the Company's construction business is any increment in its Construction Revenues. Any change will indicate an improvement or deterioration in the Company's construction business for the period (see *Part I. Results of Operations-Construction for a detailed discussion*).

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*).

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. Current ratio is arrived by dividing the current assets over the current liabilities. 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*).

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. Debt to equity ratio is computed by dividing the total liabilities over total stockholders equity (see *Part II. Financial Condition for a detailed discussion*).

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

<u>Name</u>	<u>Position</u>	<u>Age</u>
DAVID M. CONSUNJI	Chairman of the Board of Directors	87
CESAR A. BUENAVENTURA	Vice-Chairman of the Board	79
ISIDRO A. CONSUNJI	President	60
CRISTINA C. GOTIANUN	Asst. Treasurer	54
HERBERT M. CONSUNJI	Director/Vice President & CFO	56
JORGE A. CONSUNJI	Director	57
VICTOR A. CONSUNJI	Director	58
MA. EDWINA C. LAPERAL	Director	48
EVARISTO T. FRANCISCO	Director (Independent)	81
VICTOR S. LIMLINGAN	Director (Independent)	65
NOEL A. LAMAN	Corporate Secretary	70
MYRA C. REINOSO	Vice President for Finance	52

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, 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 1985; (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., and Beta Electric Corporation; Director of DMCI Holdings, Inc., DMCI Project Developers, Inc., and Maynilad Water Services, Inc., DMCI Mining Corporation, and DMCI Power Corporation; Vice Chairman and CEO of Semirara Mining 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, Maynilad Water Services, Inc., DMCI Mining Corporation, DMCI Power Corporation; Director and President of Village Parks, Inc.

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 Wire Rope Corp. of the Phils.; Director of DMCI Holdings, Inc., Maynilad Water Services, Inc., Dacon Corp., South Davao Development Co., Inc., Semirara Mining Corp., and Beta Electric Corp.

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

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 eight years (since 2001).

Victor S. Limlingan. Mr. Limlingan is currently a Director of Sika Philippines, Landco Pacific Corporation, R. Jorge Group of Companies and a government corporation funded by the New Zealand government, Bukidnon Forest Incorporated. He is currently with the Center for Development Management where he is undertaking research on strategies for development and development finance. He also owns and manages Regina Capital Development Corporation, a member of the Philippine Stock Exchange. In 2000, he became Chairman and majority owner of Cristina Travel Corporation. Dr. Limlingan has served the Company as Independent Director for two years (July 2006-December 2008) and recently joined the Company as Managing Director in 2009.

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

Cristina C. Gotianun is a Director of Dacon Corporation, D.M. Consunji, Inc. and Kalinan Timber Corporation. Her other positions include: Director for Finance of DMCI Project Developers, Inc., and General Manager of Sirawai Food Corporation.

Myra C. Reinoso is the Vice President for Finance of DMCI Holdings, Inc. She joined the Company last October 15, 2007. She held various positions in the Development Bank of the Philippines (DBP) from 1979 to 2007, in which her last post was the First Vice President and Head of the Area Management

Office for North Luzon. She also worked with the National Economic Development Authority from 1977-1979.

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 Manpower Resources of Asia, Inc., and Sealanes Marine Services (each being a part of the DCL Group of Companies); He is a Director and Corporate Secretary of various companies in the pharmaceutical and food industry, some of whom are GlaxoSmithKline Philippines, Inc, Boehringer Ingelheim (Phils.), Inc., Solvay Pharma Inc., Philippines, 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 serves as resource person of various foreign chambers of commerce on corporate law and intellectual property law.

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	56
Aldric G. Borlaza	Finance Officer	31

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 2009-2010.

- (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 the Registrant and has been holding said position for thirteen (13) 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). He is the Finance Officer of the Company for seven years (2002-current).

Term of office. The term of office of Ms. Austria is approximately thirteen (13) years. Mr. Borlaza has been serving the company for seven (7) 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:**

<u>Name</u>	<u>Relationship</u>
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. Gotianun, 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	<u>Other annual compensation</u>
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			
	2007	P 19,116,320.60		P 2,761,958.23
	2008	P 19,776,760.46		P 2,581,413.00
	2009*	P 19,776,760.46		P 2,581,413.00
	TOTAL:	P 58,669,841.52	P --	P 7,924,784.23
	YEARS			
All other directors and executive officers as a group unnamed	2007	P 4,665,293.75		P 1,125,078.21
	2008	P 5,283,600.83		P 1,260,000.00
	2009*	P 5,283,600.83		P 1,260,000.00
	TOTAL:	P 15,232,495.41	P --	P 3,645,078.21

**Approximate figures*

Item 11. Security Ownership of Certain Beneficial Owners and Management

Beneficial Ownership of Directors of the Corporation as of **March 31, 2009.**

<u>Title of Class</u>	<u>Name of Beneficial Owner</u>	<u>Amount and Nature of Beneficial Ownership</u>	<u>Percent of Class</u>
Common	David M. Consunji	8,503,254.00	0.320213%
Common	Cesar A. Buenaventura	200,000.00	0.007531%
Common	Isidro A. Consunji	1,401,000.00	0.052758%
Common	Victor A. Consunji	87,592,558.00	3.298541%
Common	Jorge A. Consunji	86,682,770.00	3.264280%
Common	Herbert M. Consunji	1,600.00	0.000038%
Common	Ma. Edwina C. Laperal	6,306,388.00	0.237484%
Common	Evaristo T. Francisco	100.00	0.000003%
Common	Victor S. Limlingan	1,000.00	0.000037%

**AGGREGATE OWNERSHIP OF ALL
DIRECTORS AS A GROUP**

190,688,670.00

7.1809113%

Owners owning 5% or more of the voting stocks of the Corporation as of **March 31, 2009.**

<u>Title of Class</u>	<u>Name and Address of Beneficial Owner</u>	<u>Amount/Nature of Beneficial Ownership</u>	<u>Percent of Class</u>
Common	Dacon Corporation (Fil) c/o Isidro A. Consunji 2281 Pasong Tamo Ext. Makati City	1,367,756,488.00	51.506668%
Common	PCD Nominee Corp. (For) G/F Makati Stock Exchange Bldg., 6767 Ayala Ave., Makati City	717,834,707.00	27.032059%
Common	PCD Nominee Corp. (Fil) G/F Makati Stock Exchange Bldg., 6767 Ayala Ave., Makati City	229,350,563.00	8.636832%

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
Hongkong & Shanghai Bank Corp. Ltd	492,322,000	18.53975%
PCIB Securities, Inc.	154,290,924	5.81025%

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

1. The Company has adopted the Manual on Corporate Governance and complied therewith the leading practices and principles on good corporate governance.
2. The Company has adopted and complied with the guidelines and leading practices and principles of the Manual on Corporate Governance;

3. The Company has participated in the recent Corporate Governance Survey directed by the Securities and Exchange Commission on its Memorandum Circular No. 2 Series 2007.
4. The Independent Directors of the Company have submitted their Certificate of Qualifications as required by Securities and Exchange Commission in the promotion of meaningful compliance with Section 38 of the Securities Regulation Code (SRC);
5. There are no major deviations from the adopted Manual on Corporate Governance;
6. 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

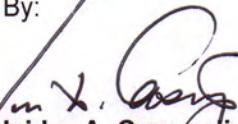
(b) Reports on SEC Form 17-C - The list of the reports from the preceding period December 31, 2007 is herein incorporated by reference.

(9) Material Contracts – ***NONE***

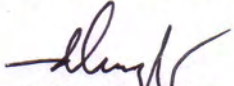
SIGNATURES


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 April 24, 2009.

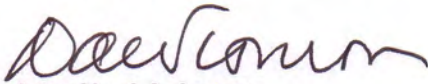
By:


Isidro A. Consunji
 President and CEO


Herbert M. Consunji
 Vice President & Chief Finance Officer


Aldric G. Borlaza
 Finance Officer


Ma. Luisa C. Austria
 Accounting Officer

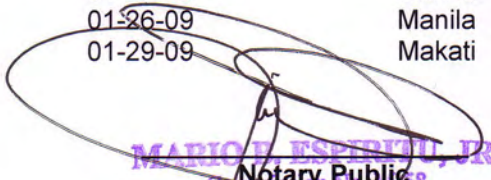

Atty. Noel A. Laman
 Corporate Secretary

APR 24 2009

SUBSCRIBED AND SWORN to before me this _____ day of _____ 2009 affiants exhibiting to me his/their Residence Certificates, as follows:

NAMES	RES. CERT. NO.	DATE OF ISSUE	PLACE OF ISSUE
Isidro A. Consunji	12367619	01-16-09	Makati
Herbert M. Consunji	21667168	01-23-09	Paranaque
Aldric G. Borlaza	19164582	01-26-09	Manila
Ma. Luisa C. Austria	19164580	01-26-09	Manila
Atty. Noel A. Laman	27202601	01-29-09	Makati

Doc. No. 467
 Page No. 74
 Book No. XXXV
 Series of 2009


MARICEL ESPERILLU, JR.
 Notary Public
 Notary Public for City of Makati
 Until December 31, 2009
 4th Floor MMP Bldg.
 2283 Pasong Tamo Ext, Makati City
 PTR No. 8542864 01-05-09 Trece Martires City
 IBP No. 740717 01-05-09 Cavite Chapter
 Roll No. 39509

**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
March 31, 2009

Rank	Name/Address	Citizenship	Class	Number of Shares	Percentage
1	DACON CORPORATION C/O DMCI HOLDINGS, 3RD/F DACON BLDG., 2281 PASONG TAMO, MAKATI CITY	FILIPINO	A	1,367,756,488.00	51.506668
2	PCD NOMINEE CORPORATION G/F MAKATI STOCK EXCHANGE BLDG., 6767 AYALA AVE., MAKATI CITY	FOREIGNER	A	717,834,707.00	27.032059
3	PCD NOMINEE CORPORATION G/F MAKATI STOCK EXCHANGE BLDG., 6767 AYALA AVE., MAKATI CITY	FILIPINO	A	229,350,563.00	8.636832
4	CRISTINA C. GOTIANUN DMCI HOLDINGS, INC. 3F DACON BLDG., 2281 PASONG TAMO EXT., MAKATI CITY	FILIPINO	A	105,615,712.00	3.977253
5	JORGE A. CONSUNJI DMCI HOLDINGS, INC. 3F DAON BLDG., 2281 PASONG TAMO EXT., MAKATI CITY	FILIPINO	A	86,682,770.00	3.26428
6	VICTOR A. CONSUNJI DMCI HOLDINGS, INC. 3/F DACON BLDG., 2281 PASONG TAMO EXT., MAKATI CITY	FILIPINO	A	86,682,558.00	3.264272
7	DMCI RETIREMENT PLAN C/O DMCI HOLDINGS, 3F DACON BLDG., 2281 PASONG TAMO, MAKATI CITY	FILIPINO	A	19,980,000.00	0.752402
8	DFC HOLDINGS, INC. #2281 PASONG TAMO EXTENSION, MAKATI CITY	FILIPINO	A	15,497,000.00	0.583583
9	MA. EDWINA C. LAPERAL DMCI HOLDINGS, INC. 3F DACON BLDG., 2281 PASONG TAMO EXT., MAKATI CITY	FILIPINO	A	5,412,400.00	0.203819
10	DMCI RETIREMENT FUND 2281 PASONG TAMO EXTENSION MAKATI CITY	FILIPINO	A	2,600,000.00	0.09791
11	PACITA N. LEE #69 GORORDO AVE., CEBU CITY 6000	FILIPINO	A	1,100,000.00	0.041424
12	LOURDES BUENAVENTURA UNIT 27, 58 MCKINLEY FORBES PARK, MAKATI CITY	FILIPINO	A	700,000.00	0.02636
13	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	0.026172
14	MA. EDWINA/MIGUEL DAVID C. LAPERAL DMCI HOLDINGS, INC. 3F DACON BLDG., 2281 PASONG TAMO EXT., MAKATI CITY	FILIPINO	A	550,000.00	0.020712
15	EDGARDO MARCOS DE VERA 11F PACIFIC STAR BLDG., SEN. GIL PUYAT, COR. MAKATI AVE., MAKATI CITY	FILIPINO	A	520,000.00	0.019582
16	YNTALCO REALTY DEVT. CORPORATION C/O PCI CAPITAL CORPORATION	FILIPINO	A	500,000.00	0.018829

17	BENIGNO DELA VEGA #56 TINIO ST., MANDALUYONG CITY	FILIPINO	A	410,000.00	0.01544
18	LOURDES BUENAVENTURA UNIT 27, 58 MCKINLEY FORBES PARK, MAKATI CITY	FILIPINO	A	400,000.00	0.015063
19	MAKATI SUPERMARKET CORP. 2/F ODC INTERNAT'L PLAZA CONDO 219 SALCEDO ST., LEGASPI VILLAGE, MAKATI CITY	FILIPINO	A	345,500.00	0.013011
20	ENRIQUE G. FILAMOR 5813 AMORSOLO ST, DASMARINAS VILLAGE, MAKATI CITY	FILIPINO	A	314,000.00	0.011825
TOTAL TOP 20 ==>				=====	=====
				2,642,946,698.00	99.527497
				=====	=====
OTHER STOCKHOLDERS ==>				=====	=====
				12,547,302.00	0.472503
				=====	=====
TOTAL OUTSTANDING ==>				=====	=====
				2,655,494,000.00	100
				=====	=====

DMCI Holdings, Inc.
Summary of Submittals of SEC Form 17-C
For the Year 2008

Nature of Report	Dates
Monthly report on Preferred Shares as of December 31, 2007	January 4, 2008
Attendance of the Board of Directors	January 11, 2008
Certification on Corporate Governance	January 11, 2008
Amended Attendance of the Board of Directors	January 17, 2008
Change in shareholdings of Director	January 21, 2008
Change in shareholdings of Director	January 23, 2008
Change in shareholdings of Director	January 28, 2008
Change in shareholdings of Director	January 29, 2008
Report on Public Ownership as of December 31, 2007	January 29, 2008
Change in shareholdings of Director	January 30, 2008
Monthly report on Preferred Shares as of January 31, 2008	February 5, 2008
Maynilad rehabilitation exit	February 7, 2008
Change in Beneficial Ownership of Director	February 7, 2008
Change in shareholdings of Director	February 13, 2008
Change in shareholdings of Director	February 27, 2008
Results of Board of Directors' Meeting	February 28, 2008
Monthly report on Preferred Shares as of February 29, 2008	March 3, 2008
Change in shareholdings of Director	March 4, 2008
Change in shareholdings of Director	March 5, 2008
Change in Beneficial Ownership of Director	March 5, 2008
DMC share transactions of DFC Holdings, Inc.	March 19, 2008

Additional Information on DFC Holdings, Inc.	March 25, 2008
DMC shares transactions of DFC Holdings, Inc.	March 25, 2008
DMC shares transactions of DFC Holdings, Inc.	March 26, 2008
Monthly report on Preferred Shares as of March 31, 2008	April 1, 2008
Change in shareholdings of Director	April 1, 2008
DMC shares transactions of DFC Holdings, Inc.	April 3, 2008
Change in shareholdings of Director	April 3, 2008
DMC shares transactions of DFC Holdings, Inc.	April 4, 2008
DMC shares transactions of DFC Holdings, Inc.	April 8, 2008
Change in shareholdings of Director	April 8, 2008
DMC shares transactions of DFC Holdings, Inc.	April 9, 2008
DMC shares transactions of DFC Holdings, Inc.	April 10, 2008
DMC shares transactions of DFC Holdings, Inc.	April 14, 2008
DMC shares transactions of DFC Holdings, Inc.	April 17, 2008
DMC shares transactions of DFC Holdings, Inc. as Amended	April 17, 2008
Change in shareholdings of Director	April 18, 2008
DMC shares transactions of DFC Holdings, Inc.	April 22, 2008
Board Meeting Results	April 24, 2008
DMC shares transactions of DFC Holdings, Inc.	April 25, 2008
DMC shares transactions of DFC Holdings, Inc.	April 29, 2008
Preferred Shares redemption for the month of April	May 2, 2008
Change in shareholdings of Director/Chairman	May 14, 2008
Change in shareholdings of Director	May 14, 2008
SEC approval on 10 million shares of DFC	May 7, 2008
Change in shareholdings of Director	May 8, 2008
Approval of listing the additional 400 million DMC shares	May 8, 2008
Change in shareholdings of Director/Chairman	May 14, 2008
Change in shareholdings of Director	May 14, 2008

Change in shareholdings of Director/Chairman	May 15, 2008
Change in shareholdings of Director	May 15, 2008
Change in shareholdings of Director/Chairman	May 16, 2008
Change in shareholdings of Director	May 16, 2008
DMC shares transactions of DFC Holdings, Inc.	May 21, 2008
Change in shareholdings of Director/Chairman	May 21, 2008
Change in shareholdings of Director	May 21, 2008
DMC shares transactions of DFC Holdings, Inc.	May 23, 2008
Change in shareholdings of Director	May 27, 2008
Change in shareholdings of Director	May 29, 2008
Preferred shares redemption for the month of May	June 2, 2008
Notice of Annual Meeting	June 2, 2008
Change in shareholdings of Director	June 2, 2008
Change in shareholdings of Director	June 3, 2008
Preferred shares redemption for the month of June	July 1, 2008
DFC Petition for Substitute Payment	July 18, 2008
Public ownership report ending June 30 2008	July 21, 2008
Annual Stockholders' Meeting Results	July 30, 2008
Preferred shares redemption for the month of July	August 6, 2008
DMC shares transactions of DFC Holdings, Inc.	August 6, 2008
DMC shares transactions of DFC Holdings, Inc.	August 8, 2008
DMC shares transactions of DFC Holdings, Inc.	August 11, 2008
DMC shares transactions of DFC Holdings, Inc.	August 14, 2008
DMC shares transactions of DFC Holdings, Inc.	August 19, 2008
Change in shareholdings of Director	August 19, 2008
DMC shares transactions of DFC Holdings, Inc.	August 22, 2008
Change in shareholdings of Director	August 22, 2008

DMC shares transactions of DFC Holdings, Inc.	August 26, 2008
Change in shareholdings of Director	August 28, 2008
DMC shares transactions of DFC Holdings, Inc.	August 28, 2008
Certification of Independent Directors	August 28, 2008
Preferred Shares redemption for the month of August	September 1, 2008
Change in shareholdings of Director	September 1, 2008
DMC shares transactions of DFC Holdings, Inc.	September 1, 2008
Change in shareholdings of Director	September 2, 2008
DMC shares transactions of DFC Holdings, Inc.	September 2, 2008
DMC shares transactions of DFC Holdings, Inc.	September 3, 2008
Change in shareholdings of Director	September 8, 2008
DMC shares transactions of DFC Holdings, Inc.	September 8, 2008
Change in shareholdings of Director	September 11, 2008
DMC shares transactions of DFC Holdings, Inc.	September 11, 2008
Change in shareholdings of Director	September 15, 2008
Corporate email address	September 11, 2008
DMC shares transactions of DFC Holdings, Inc.	September 22, 2008
Change in shareholdings of Director	September 26, 2008
DMC shares transactions of DFC Holdings, Inc.	September 29, 2008
Preferred Shares redemption for the month of September	October 2, 2008
Change in shareholdings of Director	October 8, 2009
Change in shareholdings of Director	October 9, 2008
Change in shareholdings of Director	October 15, 2008
Change in shareholdings of Director	October 20, 2009
DMC shares transactions of DFC Holdings, Inc.	October 20, 2008
Change in shareholdings of Director	October 22, 2009
DMC shares transactions of DFC Holdings, Inc.	October 23, 2008

DMC shares transactions of DFC Holdings, Inc.	October 24, 2008
Change in shareholdings of Director	October 27, 2009
Change in shareholdings of Director	October 29, 2008
DMC shares transactions of DFC Holdings, Inc.	October 29, 2008
Change in shareholdings of Director	October 31, 2008
DMC shares transactions of DFC Holdings, Inc.	October 31, 2008
Preferred Shares Redemption for the month of October	November 3, 2008
Change in shareholdings of Director	November 4, 2008
DMC shares transactions of DFC Holdings, Inc.	November 4, 2008
Change in shareholdings of Director as Amended	November 6, 2008
DMC shares transactions of DFC Holdings, Inc.	November 7, 2008
Change in shareholdings of Director	November 12, 2008
DMC shares transactions of DFC Holdings, Inc.	November 12, 2008
Board Meeting Results	November 13, 2008
Change in shareholdings of Director	November 14, 2008
Change in shareholdings of Director	November 18, 2008
DMC shares transactions of DFC Holdings, Inc.	November 18, 2008
Change in shareholdings of Director	November 19, 2008
DMC shares transactions of DFC Holdings, Inc.	November 21, 2008
Change in shareholdings of Director	November 24, 2008
DMC shares transactions of DFC Holdings, Inc.	November 25, 2008
Change in shareholdings of Director	November 25, 2008
DMC shares transactions of DFC Holdings, Inc.	November 27, 2008
Change in shareholdings of Director	November 28, 2008
Preferred Shares Redemption for the month of November	December 2, 2008
DMC shares transactions of DFC Holdings, Inc.	December 2, 2008
Change in shareholdings of Director	December 5, 2008

DMC shares transactions of DFC Holdings, Inc.	December 5, 2008
Change in shareholdings of Director	December 9, 2008
DMC shares transactions of DFC Holdings, Inc.	December 9, 2008
DMC shares transactions of DFC Holdings, Inc. as Amended	December 9, 2008
Change in shareholdings of Director	December 10, 2008
DMC shares transactions of DFC Holdings, Inc.	December 11, 2008
Change in shareholdings of Director	December 16, 2008
DMC shares transactions of DFC Holdings, Inc.	December 16, 2008
DMC shares transactions of DFC Holdings, Inc.	December 17, 2008
Change in shareholdings of Director	December 19, 2008
DMC shares transactions of DFC Holdings, Inc.	December 19, 2008
Change in shareholdings of Director	December 22, 2008
DMC shares transactions of DFC Holdings, Inc.	December 22, 2008



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

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
dmchi@dmcinet.com

The management of **DMCI HOLDINGS, INC.** is responsible for all information and representations contained in the financial statements for the years ended December 31, 2008 and 2007. 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.

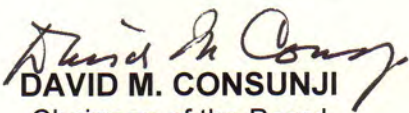
The management likewise discloses to the company's audit committee and to its external auditor:

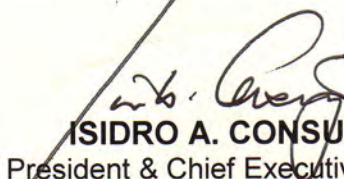
- (i) All significant deficiencies in the design or operation of internal controls that could adversely affect its ability to record, process, and report financial data;
- (ii) Material weaknesses in the internal controls; and
- (iii) Any fraud that involves management or other employees who exercise 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 24 APR 2009 day of _____ 2009 in Makati City, affiant exhibiting to me their Community Tax Certificates which are as follows:

DAVID M. CONSUNJI	1237151	January 19, 2009	Makati City
ISIDRO A. CONSUNJI	12367619	January 16, 2009	Makati City
HERBERT M. CONSUNJI	21667168	January 23, 2009	Parañaque

Doc. No. 498
Page No. 101
Book No. 148
Series of 2009

[Signature]
ATTY. LOPE M. VELASCO
NOTARY PUBLIC
Until Dec. 31, 2009
PTR O.R. No. 729240 Mia. 01/05/09
IBP O.R. No. 740913 Mia. 1 2/24/08
TIN 212-965-989
Roll No. 28757

INDEPENDENT AUDITORS' REPORT

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 financial statements of DMCI Holdings, Inc. and Subsidiaries, which comprise the consolidated balance sheets as at December 31, 2008 and 2007, and the consolidated statements of income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2008, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Philippine Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

*** SGVMC111690 ***

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of DMCi Holdings, Inc. and Subsidiaries as of December 31, 2008 and 2007, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2008 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

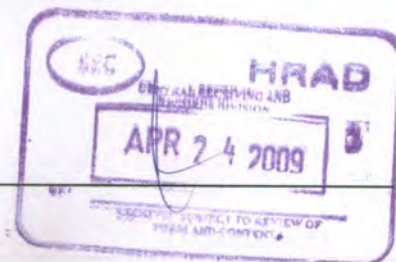
Jessie D. Cabaluna

Jessie D. Cabaluna
Partner
CPA Certificate No. 36317
SEC Accreditation No. 0069-AR-1
Tax Identification No. 102-082-365
PTR No. 1566411, January 5, 2009, Makati City

April 23, 2009



DMCI HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS



	December 31	
	2008	2007
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 4 and 34)	P3,068,623,137	P3,539,647,599
Available-for-sale financial assets - net (Notes 5 and 34)	202,933,071	202,673,060
Receivables - net (Notes 6, 22 and 34)	7,358,987,612	2,860,779,922
Costs and estimated earnings in excess of billings on uncompleted contracts (Note 7)	369,922,764	140,681,468
Inventories - net (Note 8)	8,869,737,344	6,375,959,003
Other current assets (Note 9)	1,265,127,100	568,933,917
Total Current Assets	21,135,331,028	13,688,674,969
Noncurrent assets held for sale (Note 20)	-	2,976,608,671
	21,135,331,028	16,665,283,640
Noncurrent Assets		
Noncurrent receivables - net (Notes 6, 22 and 34)	2,440,384,238	1,983,314,250
Investments in associates and jointly controlled entities - net (Note 10)	4,713,046,320	4,489,038,912
Investment properties - net (Note 11)	2,337,534,961	2,057,446,353
Property, plant and equipment - net (Note 12)	4,548,855,362	2,933,158,199
Deferred tax assets (Note 29)	34,899,053	17,146,597
Other noncurrent assets - net (Note 13)	522,458,695	161,118,901
Total Noncurrent Assets	14,597,178,629	11,641,223,212
	P35,732,509,657	P28,306,506,852
LIABILITIES AND EQUITY		
Current Liabilities		
Bank loans (Notes 14 and 34)	P1,274,109,721	P40,310,953
Current portion of liabilities for purchased land (Note 15)	572,955,359	169,088,537
Accounts and other payables (Notes 16 and 34)	6,484,123,139	2,766,998,825
Current portion of long-term debt (Notes 18 and 34)	791,844,366	1,843,238,927
Billings in excess of costs and estimated earnings on uncompleted contracts (Note 7)	197,037,834	30,887,799
Customers' advances and deposits (Note 17)	1,295,265,665	1,271,183,687
Income tax payable (Note 29)	102,216,157	58,968,314
Total Current Liabilities	10,717,552,241	6,180,677,042
Liabilities directly associated with noncurrent assets held for sale (Note 20)	-	2,327,975,504
	10,717,552,241	8,508,652,546

(Forward)



	December 31	
	2008	2007
Noncurrent Liabilities		
Long-term debt - net of current portion (Notes 18 and 34)	₱4,763,807,557	₱2,022,066,905
Liabilities for purchased land - net of current portion (Note 15)	353,776,981	433,851,564
Payable to related parties (Notes 22 and 34)	841,838,563	450,685,775
Deferred tax liability (Note 29)	462,267,897	83,079,808
Pension liabilities (Note 23)	109,245,994	127,411,427
Other noncurrent liabilities (Notes 19 and 34)	17,954,316	16,955,199
Total Noncurrent Liabilities	6,548,891,308	3,134,050,678
Total Liabilities	17,266,443,549	11,642,703,224
Equity		
Equity attributable to equity holders of the DMCI Holdings, Inc.		
Paid-up capital	7,421,414,451	7,421,640,006
Retained earnings	8,995,322,935	7,135,134,695
Revaluation increment	78,717,078	-
Cumulative translation adjustment	3,760,259	-
Net unrealized loss on available-for-sale financial assets (Note 5)	-	(35,880,000)
	16,499,214,723	14,520,894,701
Minority interests		
Minority interests - net of interest attributable to noncurrent assets held for sale	1,966,851,385	2,121,837,524
Minority interests attributable to noncurrent assets held for sale	-	21,071,403
Total Equity	18,466,066,108	16,663,803,628
	₱35,732,509,657	₱28,306,506,852

See accompanying Notes to Consolidated Financial Statements.

DMCI HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the year ended December 31, 2008

	ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT								ATTRIBUTABLE TO MINORITY INTEREST	TOTAL EQUITY
	Capital Stock (Note 21)	Additional Paid-in Capital (Note 21)	Total Paid-up Capital (Note 21)	Retained Earnings (Note 21)	Net Unrealized Gain (Loss) on Available-for-Sale Investments (Note 5)	Revaluation Increment	Cumulative Translation Adjustment	Total		
As of January 1, 2008	P2,655,498,480	P4,766,141,526	P7,421,640,006	P7,701,472,463	(P35,880,000)	P-	P-	P15,087,232,469	P2,142,908,927	P16,663,803,628
Impact of IFRIC 12	-	-	-	(566,337,768)	-	-	-	(566,337,768)	-	-
As of January 1, 2008, as restated	-	-	-	7,135,134,695	-	-	-	14,520,894,701	2,142,908,927	16,663,803,628
Net income for the year	-	-	-	1,687,900,428	-	-	-	1,687,900,428	348,563,766	2,036,464,194
Transferred from revaluation increment	-	-	-	321,832,044	-	-	-	321,832,044	5,266,283	327,098,327
Transferred from APIC	-	-	-	115,985,397	-	-	-	115,985,397	1,897,921	117,883,318
Transferred to profit or loss	-	-	-	-	35,880,000	-	-	35,880,000	-	35,880,000
Revaluation increment	-	-	-	-	-	78,717,078	-	78,717,078	-	78,717,078
Cumulative translation adjustment	-	-	-	-	-	-	3,760,259	3,760,259	-	3,760,259
Redemption of preferred shares	(100)	(225,455)	(255,555)	-	-	-	-	(225,555)	-	(225,555)
Dividends	-	-	-	(265,529,629)	-	-	-	(265,529,629)	(483,420,788)	(748,950,417)
Decrease in minority interest	-	-	-	-	-	-	-	-	(48,364,724)	(48,364,724)
Balances at December 31, 2008	P2,655,498,380	P4,765,916,071	P7,421,414,451	P8,995,322,935	P-	P78,717,078	P3,760,259	P16,499,214,723	P1,966,851,385	P18,466,066,108

For the year ended December 31, 2007

	ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT								ATTRIBUTABLE TO MINORITY INTEREST	TOTAL EQUITY
	Capital Stock (Note 21)	Additional Paid-in Capital (Note 21)	Total Paid-up Capital (Note 21)	Retained Earnings (Note 21)	Net Unrealized Gain (Loss) on Available-for-Sale Investments (Note 5)	Preferred Shares Held in Treasury (Note 21)	Total	Total		
As of January 1, 2007	P2,255,499,480	P2,403,783,826	P4,659,283,306	P5,103,727,748	P39,872,880	(P1,100,000)	P9,801,783,934	P1,858,406,442	P11,660,190,376	
Cancellation/retirement of issued preferred shares (Note 22)	(1,000)	(1,099,000)	(1,100,000)	-	-	1,100,000	-	-	-	
Issuance of additional common shares)	400,000,000	2,363,456,700	2,763,456,700	-	-	-	2,763,456,700	-	2,763,456,700	
Net income for the year	-	-	-	2,273,756,347	-	-	2,273,756,347	286,832,064	2,560,588,411	
Change in fair value of assets	-	-	-	-	(35,880,000)	-	(35,880,000)	-	(35,880,000)	
Transferred to profit and loss	-	-	-	-	(39,872,880)	-	(39,872,880)	-	(39,872,880)	
Dividends	-	-	-	(242,349,400)	-	-	(242,349,400)	(138,859,093)	(381,208,493)	
Increase in minority interests	-	-	-	-	-	-	-	136,529,514	136,529,514	
Balances at December 31, 2007	P2,655,498,480	P4,766,141,526	P7,421,640,006	P7,135,134,695	(P35,880,000)	P-	P14,520,894,701	P2,142,908,927	P16,663,803,628	

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For the year ended December 31, 2007									
ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT									
	Capital Stock (Note 21)	Additional Paid-in Capital (Note 21)	Total Paid-up Capital (Note 21)	Retained Earnings (Note 21)	Net Unrealized Gain on Available-for- Sale Investments (Note 5)	Preferred Shares Held in Treasury (Note 21)	Total	ATTRIBUTABLE TO MINORITY INTEREST	TOTAL EQUITY
As of January 1, 2006	P2,255,638,480	P2,593,474,326	P4,849,112,806	P4,193,977,659	P2,402,067	(P187,210,650)	P8,858,281,882	P1,621,315,883	P10,479,597,765
Cancellation/retirement of issued preferred shares (Note 22)	(139,000)	(189,690,500)	(189,829,500)	-	-	189,829,500	-	-	-
Redemption of preferred shares (Note 22)	-	-	-	-	-	(3,718,850)	(3,718,850)	-	(3,718,850)
Net income for the year	-	-	-	1,135,299,489	-	-	1,135,299,489	247,271,762	1,382,571,251
Change in fair value of assets (Note 7)	-	-	-	-	37,470,813	-	37,470,813	-	37,470,813
Dividends	-	-	-	(225,549,400)	-	-	(225,549,400)	-	(225,549,400)
Decrease in minority interests	-	-	-	-	-	-	-	(10,181,203)	(10,181,203)
Balances at December 31, 2006	P2,255,499,480	P2,403,783,826	P4,659,283,306	P5,103,727,748	P39,872,880	(P1,100,000)	P9,801,783,934	P1,858,406,442	P11,660,190,376

See accompanying Notes to Consolidated Financial Statements.

DMCI HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31		
	2008	2007	2006
REVENUE			
Coal sales	P8,490,045,381	P6,466,700,620	P4,687,694,870
Real estate sales	4,736,635,397	2,455,167,228	1,905,080,720
Construction contracts	6,727,609,838	4,685,196,331	2,932,982,072
Merchandise sales and others	1,203,785,994	568,564,114	362,079,443
	21,158,076,610	14,175,628,293	9,887,837,105
COSTS OF SALES AND SERVICES (Note 24)			
Coal sales	6,943,585,844	5,193,989,609	3,713,161,109
Real estate sales	2,984,328,644	1,258,497,532	1,130,883,288
Construction contracts	6,024,191,346	3,462,058,449	2,199,461,403
Merchandise sales and others	553,734,466	441,883,273	335,404,802
	16,505,840,300	10,356,428,863	7,378,910,602
GROSS PROFIT	4,652,236,310	3,819,199,430	2,508,926,503
OPERATING EXPENSES (Note 25)	2,397,261,102	1,871,325,453	1,337,805,962
	2,254,975,208	1,947,873,977	1,171,120,541
OTHER INCOME (LOSSES)			
Equity in net earnings of associates, jointly controlled entities and others (Note 10)	84,072,533	1,259,900,180	(27,608,828)
Finance income (Note 26)	572,552,020	371,535,619	358,314,865
Gain on sale of investments	44,999,214	178,975,915	356,049,626
Finance costs (Note 27)	(552,067,273)	(515,366,848)	(428,701,300)
Other income (charges) - net (Note 28)	327,082,863	(137,278,679)	416,125,403
INCOME BEFORE INCOME TAX	2,731,614,565	3,105,640,164	1,845,300,307
PROVISION FOR INCOME TAX (Note 29)	695,150,371	545,051,753	482,729,056
NET INCOME (Note 33)	P2,036,464,194	P2,560,588,411	P1,382,571,251
NET INCOME ATTRIBUTABLE TO			
Equity holders of DMCI Holdings, Inc.	P1,687,900,427	P2,273,756,347	P1,135,299,489
Minority interests	348,563,767	286,832,064	247,271,762
	P2,036,464,194	P2,560,588,411	P1,382,571,251
Basic/Diluted Earnings Per Share (Note 30)	P0.64	P0.94	P0.50

See accompanying Notes to Consolidated Financial Statements.

* SGVMC111690 *

DMCI HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2008	2007	2006
CASH FLOWS FROM OPERATING			
ACTIVITIES			
Income before income tax	₱2,731,614,564	₱3,603,826,174	₱1,845,199,054
Adjustments for:			
Depreciation, depletion and amortization (Notes 11, 12 and 25)	1,532,811,564	1,679,972,724	1,419,254,315
Finance costs (Note 27)	552,067,273	444,742,891	351,688,635
Write-off of other noncurrent assets	-	300,000,000	-
Provisions for:			
Inventory obsolescence (Note 8)	-	-	39,787,613
Doubtful accounts (Note 25)	54,123,351	4,434,241	105,840,759
Probable losses on investments	-	(39,872,880)	103,388,649
Equity in net losses (earnings) of associates and jointly controlled entities (Note 10)	(84,072,533)	(1,826,237,948)	(27,839,119)
Gain on disposals of:			
Property and equipment	-	-	(379,301,077)
Investments	(44,999,214)	-	-
Interest income (Note 27)	(572,552,020)	(366,996,843)	(357,997,191)
Pension expense (Note 23)	52,953,859	166,018,128	31,126,773
Operating income before changes in working capital	4,221,946,844	3,961,949,121	3,045,535,454
Decrease (increase) in:			
Receivables	(4,306,367,898)	493,966,461	(433,729,309)
Inventories	(2,519,937,351)	(148,585,962)	(1,895,490,549)
Costs and estimated earnings in excess of billings	(229,241,296)	(123,665,274)	7,962,640
Other current assets	(663,670,785)	(189,877,080)	(235,879,358)
Increase (decrease) in:			
Accounts and other payables	2,963,236,481	868,041,135	(123,202,098)
Customer's advances and deposits	24,081,978	538,239,570	659,075,659
Billings in excess of costs and estimated earnings on uncompleted contracts	150,851,858	10,322,060	1,678,010
Contribution to pension liability	(60,795,994)	(85,777,878)	-
Cash generated from operations	(419,896,163)	4,024,612,153	1,025,950,449
Interest received	572,552,020	366,996,843	421,148,736
Interest paid	(552,067,273)	(444,742,891)	(321,433,930)
Income taxes paid	(578,272,372)	(439,790,243)	(812,154,035)
Net cash provided by operating activities	(977,683,788)	3,507,075,862	313,511,220

(Forward)

* SGVMC111690 *

	Years Ended December 31		
	2008	2007	2006
CASH FLOWS FROM INVESTING			
ACTIVITIES			
Decrease (increase) in:			
Investments in associates, jointly controlled entities and others	(P75,189,378)	P13,531,843	(P2,734,369,225)
Noncurrent receivables	(457,069,988)	(1,295,673,555)	324,907,718
Investment properties	(18,326,547)	218,128,932	674,115,305
Other noncurrent assets	(361,339,794)	(56,103,874)	13,080,898
Proceeds from disposals of:			
Available-for-sale financial assets (Note 5)	46,635,389	21,038,450	510,088,533
Property and equipment	1,587,281,205	-	23,425,061
Additions to:			
Available-for-sale financial assets (Note 5)	-	-	(17,602,963)
Property, plant and equipment (Note 12)	(2,626,810,396)	(1,232,883,828)	(818,017,618)
Dividends received	-	3,937,366	-
Net cash used in investing activities	(1,904,819,509)	(2,328,024,666)	(2,024,372,291)
CASH FLOWS FROM FINANCING			
ACTIVITIES			
Availments of long-term debt	3,817,805,248	1,248,442,770	2,919,140,201
Payments of long-term debt	(2,127,459,157)	(2,012,503,054)	(1,965,530,632)
Payments of bank loans	-	(763,357,235)	(132,039,359)
Redemption of preferred shares	(225,555)	-	(2,618,850)
Dividends paid	(265,529,629)	(381,208,493)	(243,007,220)
Proceeds from:			
Bank loans	229,500,658	749,857,219	71,191,728
Additional subscriptions to capital stock	-	2,763,456,700	-
Increase (decrease) in:			
Payable to related parties	756,388,152	(497,069,277)	294,453,909
Other noncurrent liabilities	999,118	1,066,588	71,471,488
Net cash provided by financing activities	2,411,478,835	1,108,685,218	1,013,061,265
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(471,024,462)	2,287,736,414	(697,799,806)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	3,539,647,599	1,251,911,185	1,949,710,991
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	P3,068,623,137	P3,539,647,599	P1,251,911,185

See accompanying Notes to Consolidated Financial Statements.

DMCI HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

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

The Parent 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, power generation, infrastructure and real estate development and manufacturing.

The consolidated financial statements of DMCI Holdings, Inc. and Subsidiaries as of December 31, 2008 and 2007 and for each of the three years in the period ended December 31, 2008 were endorsed for approval by the Audit Committee on April 20, 2009 and authorized for issue by the Board of Directors (BOD) on April 23, 2009 .

2. Summary of Significant Accounting Policies

Basis of Preparation

The consolidated financial statements of the Group have been prepared using the historical cost basis, except for available-for-sale (AFS) financial assets that have been measured at fair value. The Group's functional and presentation currency is the Philippine Peso (₱).

Statement of Compliance

The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Group as of December 31, 2008 and 2007 and for each of the three years in the period ended December 31, 2008. Under PFRS, it is acceptable to use, for consolidation purposes, the financial statements of subsidiaries for fiscal periods differing from that of the Parent Company if the difference is not more than three months.

All intra-company balances and transactions, including income, expenses and dividends, are eliminated in full. Profits and losses resulting from intra-company transactions that are recognized in assets are eliminated in full.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Minority interests represent the portion of profit or loss and net assets in subsidiaries not wholly owned by the Group and are presented separately in the consolidated statement of income and consolidated statement of changes in equity and within equity in the consolidated balance sheet, separately from equity holders' of the Parent Company.

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

	Effective Percentages of Ownership	
	2008	2007
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
Atlantic, Gulf and Pacific Company of Manila, Inc. (AG&P)	98.39	46.00
DMCI-Laing Construction, Inc. (DMCI-Laing) ²	60.00	60.00
Beta Electric Corporation (Beta Electric) ²	50.77	50.77
Raco Haven Automation Philippines, Inc. (Raco) ²	50.14	50.14
Coal Mining:		
Semirara Mining Corporation (Semirara)	56.46	56.46
DMCI Mining Corporation (DMC)	78.23	100.00
Real Estate Development:		
DMCI Project Developers, Inc. (PDI)	100.00	100.00
Hampstead Gardens Corporation (Hampstead) ³	100.00	100.00
Riviera Land Corporation (Riviera) ³	100.00	100.00
Manufacturing:		
Semirara Cement Corporation (SemCem) *	100.00	100.00
Oriken Dynamix Company, Inc. (Oriken) ²	89.00	89.00
Wire Rope Corporation of the Philippines (Wire Rope)	61.70	61.70
Marketing Arm:		
DMCI Homes, Inc. (DMCI Homes) ³	100.00	100.00
Power:		
DMCI Power Corporation (DPC) (formerly DMCI Energy Resources Unlimited Inc.) *	78.23	100.00
DMCI Masbate Power Corporation (DMCI Masbate)	100.00	100.00

* Organized on January 29, 1998 and October 16, 2006, respectively, and has not yet started commercial operations.

¹ Also engaged in real estate development

² DMCI's subsidiaries

³ PDI's subsidiaries

PDI

In 2008, DMCI and PDI entered into a debt-to-equity conversion agreement for the equivalent 32.19% interest in PDI.

DPC and DMC

On February 28, 2008, the BOD approved the increase in the authorized capital stock of DPC from ₱80.00 million divided into 80 million shares, par value of ₱1.00 per share, to ₱1,000.00 million divided into 1,000 million shares, par value of ₱1.00 per share.

The BOD also approved the increase in the authorized capital stock of DMC from ₱80.00 million divided into 80 million shares, par value of ₱1.00 per share, to ₱500.00 million divided into 500 million shares, par value of ₱1.00 per share.

In 2007, the Parent Company holds the entire ₱20 million outstanding capital stock of DPC and DMC. In relation to the increase in the capital stocks of DPC and DMC, the BOD of the Parent Company, in its meeting on February 28, 2008, approved subscriptions to an additional 105 million shares and 80 million shares at par value of ₱1.00 per share in DPC and DMC, respectively.

Semirara subscribed to the increase in the authorized capital stocks of DPC and DMC and infused a total of ₱125 million and ₱100 million in DPC and DMC, respectively. Such investments resulted in a 50:50 equity sharing of the Parent Company with Semirara.

Changes in Accounting Policies

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those of the previous financial year except for the adoption of the following Philippine Interpretations of International Financial Reporting Interpretations Committee (IFRIC) which became effective on January 1, 2008, and amendments to existing standards that became effective on July 1, 2008.

- Philippine Interpretation IFRIC 11, *PFRS 2 - Group and Treasury Share Transactions*
- Philippine Interpretation IFRIC 12, *Service Concession Arrangement*
- Philippine Interpretation IFRIC 14, *PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*
- Amendments to Philippine Accounting Standards (PAS) 39, *Financial Instruments: Recognition and Measurement*, and PFRS 7, *Financial Instruments: Disclosures - Reclassification of Financial Assets*

Adoption of these changes in PFRS did not have any significant effect to the Group, except for Philippine Interpretation IFRIC 12 which covers contractual arrangements arising from public-to-private service concession arrangements if control of the assets remains in public hands but the private sector operator is responsible for construction activities as well as for operating and maintaining the public sector infrastructure.

The adoption of IFRIC 12 resulted in the restatement of the January 1, 2008 retained earnings amounting to ₱278.26 million in the consolidated financial statements.

Future Changes in Accounting Policies

The Group will adopt the following standards and interpretations enumerated below when these become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended PFRS and Philippine Interpretations to have significant impact on the consolidated financial statements.

Effective in 2009

- PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
The amended PFRS 1 allows an entity, in its separate financial statements, to determine the cost of investments in subsidiaries, jointly controlled entities or associates (in its opening PFRS financial statements) as one of the following amounts: a) cost determined in accordance with PAS 27, *Consolidated and Separate Financial Statements*; b) at the fair value of the investment at the date of transition to PFRS, determined in accordance with PAS 39; or

c) previous carrying amount (as determined under generally accepted accounting principles) of the investment at the date of transition to PFRS.

- *Amendment to PFRS 2, Share-based Payment - Vesting Condition and Cancellations*
The Standard has been revised to clarify the definition of a vesting condition and prescribes the treatment for an award that is effectively cancelled. It defines a vesting condition as a condition that includes an explicit or implicit requirement to provide services. It further requires nonvesting conditions to be treated in a similar fashion to market conditions. Failure to satisfy a nonvesting condition that is within the control of either the entity or the counterparty is accounted for as a cancellation. However, failure to satisfy a nonvesting condition that is beyond the control of either party does not give rise to a cancellation.
- *PFRS 8, Operating Segments*
PFRS 8 will replace PAS 14, *Segment Reporting*, and adopts a full management approach to identifying, measuring and disclosing the results of an entity's operating segments. The information reported would be that which management uses internally for evaluating the performance of operating segments and allocating resources to those segments. Such information may be different from that reported in the consolidated balance sheet and consolidated statement of income and the Group will provide explanations and reconciliations of the differences. This Standard is only applicable to an entity that has debt or equity instruments that are traded in a public market or that files (or is in the process of filing) its consolidated financial statements with a securities commission or similar party. The Group is in the process of assessing the impact of the Standard on its current manner of reporting segment information.
- *Amendment to PAS 1, Presentation of Financial Statements*
It introduces a new statement of comprehensive income that combines all items of income and expenses recognized in the profit or loss together with 'other comprehensive income'. Entities may choose to present all items in one statement, or to present two linked statements, a separate statement of income and a statement of comprehensive income. This Amendment also requires additional requirements in the presentation of the balance sheet and equity as well as additional disclosures to be included in the consolidated financial statements. Adoption of this Amendment will not have significant impact on the Group except for the presentation of a statement of comprehensive income.
- *PAS 23 (Revised), Borrowing Costs*
The Standard has been revised to require capitalization of borrowing costs when such costs relate to a qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. In accordance with the transitional requirements in the Standard, the Group will adopt this as a prospective change. Accordingly, borrowing costs will be capitalized on qualifying assets with a commencement date after January 1, 2009. No changes will be made for borrowing costs incurred to this date that have been expensed.

- *Amendments to PAS 27, Consolidated and Separate Financial Statements - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
These Amendments introduce changes in respect of the holding companies' separate financial statements, including (a) the deletion of 'cost method', making the distinction between pre- and post-acquisition profits no longer required; and (b) in cases of reorganizations where a new parent is inserted above an existing parent of the group (subject to meeting specific requirements), the cost of the subsidiary is the previous carrying amount of its share of equity items in the subsidiary rather than its fair value. All dividends will be recognized in the statement of income. However, the payment of such dividends requires the entity to consider whether there is an indicator of impairment.
- *Amendment to PAS 32, Financial Instruments: Presentation and PAS 1, Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation*
These Amendments specify, among others, that puttable financial instruments will be classified as equity if they have all of the following specified features: (a) the instrument entitles the holder to require the entity to repurchase or redeem the instrument (either on an ongoing basis or on liquidation) for a pro rata share of the entity's net assets; (b) the instrument is in the most subordinate class of instruments, with no priority over other claims to the assets of the entity on liquidation; (c) all instruments in the subordinate class have identical features; (d) the instrument does not include any contractual obligation to pay cash or financial assets other than the holder's right to a pro rata share of the entity's net assets; and (e) the total expected cash flows attributable to the instrument over its life are based substantially on the profit or loss, a change in recognized net assets, or a change in the fair value of the recognized and unrecognized net assets of the entity over the life of the instrument.
- *Philippine Interpretation IFRIC 13, Customer Loyalty Programmes*
This Interpretation requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted and therefore part of the fair value of the consideration received is allocated to the award credits and realized in income over the period that the award credits are redeemed or expire.
- *Philippine Interpretation IFRIC 16, Hedges of a Net Investment in a Foreign Operation*
This interpretation provides guidance on identifying foreign currency risks that qualify for hedge accounting in the hedge of net investment; where within the group the hedging instrument can be held in the hedge of a net investment; and how an entity should determine the amount of foreign currency gains or losses, relating to both the net investment and the hedging instrument, to be recycled on disposal of the net investment.

Improvements to PFRS

In May 2008, the International Accounting Standards Board issued its first omnibus of amendments to certain standards, primarily with a view to removing inconsistencies and clarifying wordings. These are the separate transitional provisions for each standard, which became effective January 1, 2009:

- *PFRS 5, Noncurrent Assets Held for Sale and Discontinued Operations*
When a subsidiary is held for sale, all of its assets and liabilities will be classified as held for sale under PFRS 5, even when the entity retains a noncontrolling interest in the subsidiary after the sale.

- *PAS 1, Presentation of Financial Statements*
Assets and liabilities classified as held for trading are not automatically classified as current in the consolidated balance sheet.
- *PAS 16, Property, Plant and Equipment*
This Amendment replaces the term ‘net selling price’ with ‘fair value less costs to sell’, to be consistent with PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations* and PAS 36, *Impairment of Assets*. Items of property, plant and equipment held for rental that are routinely sold in the ordinary course of business after rental, are transferred to inventory when rental ceases and they are held for sale. Proceeds of such sales are subsequently shown as revenue. Cash payments on initial recognition of such items, the cash receipts from rents, and subsequent sales are all shown as cash flows from operating activities.
- *PAS 19, Employee Benefits*
This revises the definition of ‘past service cost’ to include reduction in benefits related to past services (‘negative past service cost’) and to exclude reduction in benefits related to future services that arise from plan amendments. Amendments to plans that result in a reduction in benefits related to future services are accounted for as a curtailment.

It revises the definition of ‘return on plan assets’ to exclude plan administration costs if they have already been included in the actuarial assumptions used to measure the defined benefit obligation.

It also revises the definition of ‘short-term’ and ‘other long-term’ employee benefits to focus on the point in time at which the liability is due to be settled and it deletes the reference to the recognition of contingent liabilities to ensure consistency with PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*.

- *PAS 23, Borrowing Costs*
This revises the definition of borrowing costs to consolidate the types of items that are considered components of ‘borrowing costs’, i.e., components of the interest expense calculated using the effective interest rate method.
- *PAS 20, Accounting for Government Grants and Disclosures of Government Assistance*
Loans granted with no or low interest rates will not be exempt from the requirement to impute interest. The difference between the amount received and the discounted amount is accounted for as a government grant.
- *PAS 28, Investments in Associates*
If an associate is accounted for at fair value in accordance with PAS 39, only the requirement of PAS 28 to disclose the nature and extent of any significant restrictions on the ability of the associate to transfer funds to the entity in the form of cash or repayment of loans applies.

An investment in an associate is a single asset for the purpose of conducting the impairment test. Therefore, any impairment test is not separately allocated to the goodwill included in the investment balance.

- PAS 29, *Financial Reporting in Hyperinflationary Economies*
The reference to the exception that assets and liabilities should be measured at historical cost, such that it notes property, plant and equipment as being an example, rather than implying that it is a definitive list is revised.
- PAS 31, *Interests in Joint Ventures*
If a joint venture is accounted for at fair value, in accordance with PAS 39, only the requirements of PAS 31 to disclose the commitments of the venturer and the joint venture, as well as summary financial information about the assets, liabilities, income and expense will apply.
- PAS 36, *Impairment of Assets*
When discounted cash flows are used to estimate 'fair value less costs to sell', additional disclosure is required about the discount rate, consistent with disclosures required when the discounted cash flows are used to estimate 'value in use'.
- PAS 38, *Intangible Assets*
Expenditure on advertising and promotional activities is recognized as an expense when the Company either has the right to access the goods or has received the services. Advertising and promotional activities now specifically include mail order catalogues.

It deletes references to there being rarely, if ever, persuasive evidence to support an amortization method for intangible assets with finite lives that results in a lower amount of accumulated amortization than under the straight-line method, thereby effectively allowing the use of the unit-of-production method.

- PAS 39, *Financial Instruments: Recognition and Measurement*
Changes in circumstances relating to derivatives, specifically derivatives designated or de-designated as hedging instruments after initial recognition, are not reclassifications.

When financial assets are reclassified as a result of an insurance company changing its accounting policy in accordance with paragraph 45 of PFRS 4, *Insurance Contracts*, this is a change in circumstance, not a reclassification.

It removes the reference to a 'segment' when determining whether an instrument qualifies as a hedge.

It requires use of the revised effective interest rate (rather than the original effective interest rate) when re-measuring a debt instrument on the cessation of fair value hedge accounting.

- PAS 40, *Investment Properties*
It revises the scope (and the scope of PAS 16) to include property that is being constructed or developed for future use as an investment property.

Where an entity is unable to determine the fair value of an investment property under construction, but expects to be able to determine its fair value on completion, the investment under construction will be measured at cost until such time as fair value can be determined or construction is complete.

- *PAS 41, Agriculture*
This improvement removes the reference to the use of a pre-tax discount rate to determine fair value, thereby allowing use of either a pre-tax or post-tax discount rate depending on the valuation methodology used. It also removes the prohibition to take into account cash flows resulting from any additional transformations when estimating fair value. Instead, cash flows that are expected to be generated in the 'most relevant market' are taken into account.

Effective in 2010

- *Revised PFRS 3, Business Combinations and PAS 27, Consolidated and Separate Financial Statements*
Revised PFRS 3 introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs, and future reported results. Revised PAS 27 requires, among others, that: (a) change in ownership interests of a subsidiary (that do not result in loss of control) will be accounted for as an equity transaction and will have no impact on goodwill nor will it give rise to a gain or loss; (b) losses incurred by the subsidiary will be allocated between the controlling and noncontrolling interests (previously referred to as 'minority interests'); even if the losses exceed the noncontrolling equity investment in the subsidiary; and (c) on loss of control of a subsidiary, any retained interest will be remeasured to fair value and this will impact the gain or loss recognized on disposal. The changes introduced by revised PFRS 3 and PAS 27 must be applied prospectively and will affect future acquisitions and transactions with noncontrolling interests.
- *Amendment to PAS 39, Financial Instruments: Recognition and Measurement - Eligible Hedged Items*
Amendment to PAS 39 will be effective on July 1, 2009, which addresses only the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. The Amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item.
- *Philippine Interpretation IFRIC 17, Distribution of Non-cash Assets to Owners*
This Interpretation covers accounting for two types of non-reciprocal distributions of assets by an entity to its owners acting in their capacity as owners. The two types of distribution are:
 - a) distributions of non-cash assets (e.g., items of property, plant and equipment, businesses as defined in PFRS 3, ownership interests in another entity or disposal groups as defined in PFRS 5); and
 - b) distributions that give owners a choice of receiving either non-cash assets or a cash alternative.

This Interpretation addresses only the accounting by an entity that makes a non-cash asset distribution. It does not address the accounting by shareholders who receive such a distribution.

- Philippine Interpretation IFRIC 18, *Transfers of Assets from Customers*
This Interpretation covers accounting for transfers of items of property, plant and equipment by entities that receive such transfers from their customers. Agreements within the scope of this Interpretation are agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services, or to do both. This Interpretation also applies to agreements in which an entity receives cash from a customer when that amount of cash must be used only to construct or acquire an item of property, plant and equipment and the entity must then use the item of property, plant and equipment either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services, or to do both.

Effective in 2012

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*
This Interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. This Interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, *Construction Contracts*, or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials, and where the risks and rewards of ownership are transferred to the buyer on a continuous basis, will also be accounted for based on the stage of completion. This Interpretation will not have a significant impact on the consolidated financial statements since the Group's already accounts for its revenue and associated expenses using the completed contract method.

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.

Financial Instruments

Date of recognition

The Group recognizes a financial asset or a financial liability in the consolidated balance sheet when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

Initial recognition of financial instruments

All financial assets are initially recognized at fair value. Except for financial assets at fair value through profit or loss (FVPL), the initial measurement of financial assets includes transaction costs. The Group classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, AFS financial assets, and loans and receivables. The Group classifies its financial liabilities as financial liabilities at FVPL and other financial liabilities at amortized cost. The classification depends on the purpose for which the investments were acquired and whether these are quoted in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

As of December 31, 2008 and 2007, the Group's financial instruments are classified as AFS financial assets, loans and receivables and other financial liabilities.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity net of any related income tax benefits.

Determination of fair value

The fair value for financial instruments traded in active markets at the consolidated balance sheet date is based on its quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid and asking prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation methodologies. Valuation methodologies include net present value techniques, comparison to similar instruments for which market observable prices exist, option pricing models, and other relevant valuation models.

Day 1 profit

Where the transaction price in a non-active market is different to the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a Day 1 profit) in the consolidated statement of income unless it qualifies for recognition as some other type of asset. In cases where the valuation technique used is made of data which is not observable, the difference between the transaction price and model value is only recognized in the consolidated statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the 'Day 1' profit amount.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. These are not entered into with the intention of immediate or short-term resale and are not designated as FA at FVPL AFS financial assets. These are included in current assets if maturity is within 12 months from the consolidated balance sheet date; otherwise, these are classified as noncurrent assets. This accounting policy relates to the consolidated balance sheet captions "Receivables", "Noncurrent receivables" and Refundable deposits included under "Other noncurrent assets".

After initial measurement, the loans and receivables are subsequently measured at amortized cost using the effective interest rate method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate and transaction costs. The amortization is included in "Interest income" in the consolidated statement of income.

AFS financial assets

AFS financial assets are those non-derivative financial assets that are designated as AFS FA or are not classified in any of the three preceding categories. After initial measurement, AFS FA are measured at fair value with unrealized gains or losses being recognized directly in equity under net unrealized gain on AFS financial assets. account When the investment is disposed of, the cumulative gain or loss previously recorded in equity is recognized in the consolidated statement of income. Interest earned or paid on the investments is reported as interest income or expense using the effective interest rate. Dividends earned on investments are recognized in the consolidated statement of income when the right to receive has been established. The Group's AFS financial assets pertain to quoted and unquoted securities (see Note 5).

Other financial liabilities

Other financial liabilities include interest bearing loans and borrowings. All loans and borrowings are initially recognized at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, short-term and long-term debts are subsequently measured at amortized cost using the effective interest method.

Other financial liabilities relate to the consolidated balance sheet captions, "Accounts and other payables", "Liabilities for purchased land", "Payable to related parties", "Bank loans", "Long-term debt - including current portion" and "Other noncurrent liabilities".

Gains and losses are recognized under the "Other income" and "Other expense" accounts in the consolidated statement of income when the liabilities are derecognized or impaired, as well as through the amortization process.

Impairment of Financial Assets

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and receivables

For loans and receivables carried at amortized cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. 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 for impairment.

If there is objective evidence that an impairment loss 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 (excluding future credit losses that have not been incurred) discounted at the financial assets' original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account and the amount of loss is charged to the consolidated statement of income during the period in which it arises. Interest income continues to be recognized based on the original effective interest rate of the asset. Receivables, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized.

If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics as industry, customer type, customer location, past-due status and term. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

Assets carried at cost

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

AFS financial assets

In case of AFS financial assets classified as equity investments, impairment would include a significant or prolonged decline in the fair value of the investments below its cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the consolidated statement of income - is removed from equity and recognized in the consolidated statement of income under "Other charges" account. Impairment losses on equity investments are not reversed through the consolidated statement of income. Increases in fair value after impairment are recognized directly in consolidated changes in equity.

In the case of AFS financial assets classified as debt instruments, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Interest continues to be accrued at the original effective interest rate on the reduced carrying amount of the asset and is recorded as part of “Interest income” in the consolidated statement of income. If, in subsequent year, the fair value of a debt instrument increased and the increase can be objectively related to an event occurring after the impairment loss was recognized, the impairment loss is reversed through the consolidated statement of income.

Offsetting

Financial assets and financial liabilities are only offset and the net amount reported in the consolidated balance sheet when there is a legally enforceable right to set off the recognized amounts and the Group intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously.

Derecognition of Financial Assets and Liabilities

Financial assets

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

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

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risk and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group’s continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or canceled 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 statement of income.

Inventories

Inventories are valued at the lower of aggregate 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 conditions are accounted for as follows:

Coal inventory

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

Nickel ore inventory

The cost of extracted nickel ore includes all direct materials, labor, fuel, outside services and other mine-related costs incurred during the period and allocated on per metric ton basis by dividing the total production cost with total volume of nickel ore produced. Except for shiploading cost, which is a component of total minesite cost, all other costs are charged to production cost.

Materials-in-transit

Cost is determined using the specific identification basis.

Equipment parts and supplies

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

Real estate held for sale and development

Real estate held for sale and development consists of residential units for sale and development, subdivision land for sale and development, and undeveloped land carried at the lower of aggregate cost or NRV. Costs include those costs of acquisition, development, improvement and construction of the real estate projects. Borrowing costs are capitalized while the development and construction of the real estate projects are in progress, and to the extent that these are expected to be recovered in the future. NRV is the 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.

Noncurrent Assets Held for Sale

The Group classifies assets as held for sale (disposal group) when their carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets and its sale must be highly probable.

For the sale to be highly probable, the appropriate level of management must be committed to a plan to sell the asset and an active programme to locate a buyer and complete the plan must have been initiated. Further, the asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value. In addition, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification.

The related results of operations and cash flows of the disposal group that qualified as discontinued operation are separated from the results of those that would be recovered principally through continuing use, and prior years' consolidated statement of income and cash flows are re-presented. Results of operations and cashflows of the disposal group that qualified as discontinued operation are presented in the consolidated statements of income and cashflows as items associated with noncurrent assets held for sale.

Investments in Associates, Jointly Controlled Entities and Others

Investments in associates and jointly controlled entities (investee companies) are accounted for under the equity method of accounting.

An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venturer has an interest.

Under the equity method, the investments in the investee companies are carried in the consolidated balance sheet at cost plus post-acquisition changes in the Group's share in the net assets of the investee companies, less any impairment in value. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortized. The consolidated statement of income reflects the share of the results of the operations of the investee companies. Profit and losses resulting from transactions between the Group and the investee companies are eliminated to the extent of the interest in the investee companies.

The Group discontinues applying the equity method when their investments in investee companies are reduced to zero. Accordingly, additional losses are not recognized unless the Group has guaranteed certain obligations of the investee companies. When the investee companies subsequently report net income, the Group will resume applying the equity method but only after its share of that net income equals the share of net losses not recognized during the period the equity method was suspended.

The reporting dates of the investee companies and the Group are identical and the investee companies' accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

Investment Properties

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

Investment properties are derecognized when they have either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognized in the consolidated statement of income in the year in which it arises.

Expenditures incurred after the investment properties have been put into operations, such as repairs and maintenance costs, are normally charged to consolidated statements of income in the period in which the costs are incurred.

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

For a transfer from investment property to owner occupied property, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. If the property occupied by the Group as an owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use. When the Group completes the construction or development of a self constructed investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognized in the consolidated statement of income.

Depreciation is calculated on a straight-line basis using the following estimated useful lives from the time of acquisition of the investment properties. The estimated useful lives of the investment properties follow:

	Years
Buildings and building improvements	5-25
Condominium units	5

Property, Plant and Equipment

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

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

Construction in progress included in property, plant and equipment is stated at cost. This includes the cost of the construction of property, plant and equipment and other direct costs.

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

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

	Years
Land improvements	5-17
Power plant, buildings and building improvements	5-25
Construction equipment, machinery and tools	5-10
Office furniture, fixtures and equipment	3-5
Transportation equipment	4-5
Conventional and continuous mining properties and equipment	2-13
Leasehold improvements	5-7

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

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

Provision for decommissioning and site rehabilitation costs

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). The Group recognizes the present value of the liability for these obligations and capitalizes the present value of these costs as part of the balance of the related property, plant and equipment accounts which are depreciated on a straight-line basis over the EUL of the related property, plant and equipment or the contract period, whichever is shorter. The decommissioning and site rehabilitation costs is determined based on PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*. The Group recognizes the liability for these obligations as “Provision for decommissioning and site rehabilitation” under “Other noncurrent liabilities” in the consolidated balance sheet.

Mine Exploration and Development Costs

Cost incurred for exploration and development of 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, these deferred costs are capitalized under “Conventional and continuous mining properties and equipment”.

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

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 sheet. Following initial recognition, intangible assets are measured at cost less accumulated amortization and provisions for impairment losses, if any. The useful lives of intangible assets with finite life are assessed at the individual asset level. Intangible assets with finite life are amortized over their 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 and bring the computer software (not an integral part of its related hardware) to its intended use are capitalized as part of intangible assets. These costs are amortized over their 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.

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

Impairment of Nonfinancial Assets

This accounting policy applies primarily to the Group's property, plant and equipment and investments in associates and jointly controlled entities.

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

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

Such reversal is recognized in the consolidated statement of income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

Intangible assets with indefinite useful lives are tested for impairment annually as of December 31 either individually or at the cash generating unit level, as appropriate.

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: (1) additional paid-in capital to the extent of the specific or average additional paid-in capital when the shares were issued; and, (2) retained earnings.

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:

Coal sales

Revenue from coal sales is recognized upon delivery 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. Revenue from local and export coal sales are denominated in Philippine Pesos and US Dollars, respectively.

Real estate sales

Real estate sales are generally accounted for under the full accrual method. Under this method, the gain on sale is recognized when: (a) the collectibility of the sales price is reasonably assured; (b) the earnings process is virtually complete; and (c) the seller does not have a substantial continuing involvement with the subject properties. The collectibility of the sales price is considered reasonably assured when: (a) the buyers have actually confirmed their acceptance of the related loan applications after the same have been delivered to and approved by either the banks or other financing institutions for externally-financed accounts; or (b) the full down payment comprising a substantial portion of the contract price is received and the capacity to pay and credit worthiness of buyers have been reasonably established for sales under the deferred cash payment arrangement.

If the above criteria is not met, the deposit method is applied until all the conditions for recording a sale are met. Pending recognition of sale, cash received from buyers are presented under the "Customers' deposits" account in the liabilities section of the consolidated balance sheet.

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 that may result in revisions to estimated costs and gross margins are recognized in the year in which the changes are determined. Profit incentives are recognized as revenue when their realization is reasonably assured.

The asset "Costs and estimated earnings in excess of billings on uncompleted contracts" 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 presented as part of "Trade receivables" under the "Receivables" account in the consolidated balance sheet.

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.

Dividend income

Revenue is recognized when the Group's right to receive payment is established.

Rental income

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

Interest income

Revenue is recognized as interest accrues using the effective interest 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.

Borrowing Costs

Borrowing costs are generally expensed as incurred.

Foreign Currency Transactions

The Group's financial statements are presented in Philippine pesos, which is the Parent Company's functional currency. Each entity in the Group determines its own functional currency and items included in the consolidated financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the consolidated balance sheet date. All differences are taken to consolidated statement of income during the period of retranslation.

Pension Expense

The Group has a noncontributory defined benefit retirement plan.

The retirement cost of the Group is determined using the projected unit credit method. Under this method, the current service cost is the present value of retirement benefits payable in the future with respect to services rendered in the current period. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the date less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs.

The defined benefit obligation is calculated annually by an independent actuary using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using prevailing interest rate on government bonds that have terms to maturity approximating the terms of the related retirement liability. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are credited to or charged against income when the net cumulative unrecognized actuarial gains and losses at the end of the previous period exceeded 10% of the higher of the present value of the defined benefit obligation and the fair value of plan assets at that date. These gains or losses are recognized over the expected average remaining working lives of the employees participating in the plan.

Past-service costs, if any, are recognized immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortized on a straight-line basis over the vesting period.

The retirement benefits of officers and employees are determined and provided for by the Group and are charged against current operations.

The defined benefit asset or liability comprises the present value of the defined benefit obligation less past service costs not yet recognized, if any, and less the fair value of the plan assets out of which the obligations are to be settled directly. The value of any asset is restricted to the sum of any past service costs not yet recognized, if any, and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Group as a lessee

Operating lease payments are recognized as an expense in the consolidated statement of income on a straight basis over the lease term.

Group as a lessor

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

Income Tax

Current tax

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

Deferred tax

Deferred income tax is provided, using the balance sheet liability method, on all temporary differences at the consolidated 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, except:

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

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits from excess minimum corporate income tax (MCIT) and unused net operating loss carry over (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused NOLCO can be utilized except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

Deferred tax assets and liabilities are measured at the tax rate that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rate (and tax laws) that have been enacted or substantively enacted at the consolidated balance sheet date.

Income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statement 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.

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

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 34 to the consolidated financial statements.

Provisions

A provision is recognized only when the Group 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.

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 the consolidated financial statements when material.

3. Significant Accounting Estimates, Judgments and Assumptions

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.

c.) Coal sales

The Group'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 American Society for Testing and Materials (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 ₱8.49 billion, ₱6.47 billion and ₱4.69 billion for the years ended December 31, 2008, 2007 and 2006, respectively.

b.) Real estate sales

Selecting an appropriate revenue recognition method for a particular sale transaction requires certain judgments based on the sufficiency of the investment of the buyer among others. Revenue from real estate sales amounted to ₱4.74 billion, ₱2.46 billion and ₱1.91 billion for the years ended December 31, 2008, 2007 and 2006, respectively.

c.) Construction contracts

The Group'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 ₱6.73 billion, ₱4.69 billion and ₱2.93 billion for the years ended December 31, 2008, 2007 and 2006, respectively.

Distinction between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied 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 an 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 commercial property leases on its investment property portfolio. The Group has determined that it retains all the significant risks and rewards of ownership of these properties and accounts for them as operating leases.

Estimates and Assumptions

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.

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 debtors' ability to pay all amounts due according to the contractual terms of the receivables being evaluated, 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 total assets. Provision for doubtful accounts of the Group amounted to ₱4.43 million and ₱105.84 million in 2008 and 2007, respectively (see Note 26). There was no additional provision in 2008. Receivables of the Group, net of allowance for doubtful account of ₱443.66 million and ₱80.76 million as of December 31, 2008 and 2007, respectively, amounted to ₱9.56 billion and ₱4.84 billion as of December 31, 2008 and 2007, respectively (see Note 6).

Stock pile inventory quantities

The Group estimates the stock pile inventory of coal by conducting a topographic survey which is performed by in-house surveyors. The survey is conducted on a monthly basis with a reconfirmatory survey at year end. The process of estimation involves a predefined formula which considers an acceptable margin of error of plus or minus 3%. Thus, an increase or decrease in the estimation threshold for any period would differ if the Group utilized different estimates and this would either increase or decrease the profit for the year. The coal inventory as of December 31, 2008 and 2007 amounted to ₱896.73 million and ₱570.81 million, respectively (see Note 8).

NRV of Materials, Parts and Supplies

The Group reviews its inventory to assess NRV at least on a semi-annual basis. The amount and timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized. An increase in reserves for inventory write-down would increase recorded operating expenses and decrease current assets.

Provision for inventory obsolescence amounted to ₱39.79 million in 2007 (see Notes 8 and 26). amounted to ₱8,846.85 million and ₱6,375.96 million as of December 31, 2008 and 2007, respectively (see Note 8).

Estimating decommissioning and site rehabilitation costs

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 present value of the liability for these obligations and capitalizes the present value of these costs as part of the balance of the related property and equipment accounts, which are being depreciated and amortized on a straight line basis over the useful life of the related asset or the lease term. Assumptions used to compute the decommissioning and site rehabilitation costs are reviewed and updated annually.

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

As of December 31, 2008 and 2007, the Provision for decommissioning and site rehabilitation has a carrying values of ₱13.20 million and ₱12.21 million, respectively (see Note 19).

Fair value of financial instruments

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, interest rates), the amount of changes in fair value would differ if the Group utilized different valuation methodology. Any changes in fair value of these financial assets and liabilities would affect directly the consolidated statements of income and changes in equity.

The fair value of financial assets as of December 31, 2008 and 2007 amounted to ₱12.62 billion and ₱9.46 billion, while the fair value of financial liabilities amounted to ₱14.16 billion and ₱8.07 billion, respectively (see Note 34).

Estimating useful lives of property, plant and equipment, investment properties and mining rights acquisition cost

The Group estimated the useful lives of its property, plant and equipment, investment properties and mining rights acquisition cost based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment, investment properties and mining rights acquisition cost 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 and change in the estimated production units. 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, investment properties and mining rights acquisition cost would increase depreciation, depletion and amortization expense and decrease noncurrent assets.

The carrying value of property, plant and equipment of the Group amounted to ₱4.55 billion and ₱2.93 billion as of December 31, 2008 and 2007, respectively (see Note 12). The net book value of investment properties of the Group amounted to ₱2.34 billion and ₱2.06 billion as of December 31, 2008 and 2007, respectively (see Note 11).

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, 2008 and 2007, the balances of the Group's nonfinancial assets, net of accumulated depreciation, depletion and amortization and accumulated provisions for impairment losses follow:

	2008	2007
Property, plant and equipment (see Note 12)	₱4,548,855,362	₱2,933,158,199
Investments in associates, jointly controlled entities and others (see Note 10)	4,713,046,320	4,983,579,845
Investment properties (see Note 11)	2,337,534,961	2,057,446,353
Intangible assets (see Note 13)	22,373,686	-

Deferred tax assets

The Group reviews the carrying amounts of deferred taxes at each consolidated balance sheet date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred 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 tax assets to be utilized.

The deferred tax assets amounted to ₱34.90 million and ₱207.51 million as of December 31, 2008 and 2007, respectively. The unrecognized deferred tax assets of the Group amounted to ₱130.40 million and ₱10.04 million as of December 31, 2008 and 2007, respectively (see Note 29).

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 (see Note 23). 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, 2008 and 2007, the balances of the Group's net pension liabilities and unrecognized actuarial gain or loss follow (see Note 23):

	2008	2007
Pension liabilities	₱109,245,994	₱127,411,427
Unrecognized actuarial gains	167,586,010	268,860,502

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 (see Note 35).

4. Cash and Cash Equivalents

This account consists of:

	2008	2007
Cash on hand and in banks	₱1,387,248,507	₱823,987,335
Cash equivalents	1,681,374,630	2,715,660,264
	₱3,068,623,137	₱3,539,647,599

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 Financial Assets

This account consists of:

	2008	2007
Quoted securities		
Balance at beginning of year	₱29,602,368	₱56,084,471
Additions/reclassification	-	39,000,000
Disposal	(3,875,131)	(29,602,103)
Balance at end of year	25,727,237	65,482,368
Net unrealized loss	-	(35,880,000)
	25,727,237	29,602,368
Unquoted securities		
Balance at beginning of year	278,459,341	280,482,460
Reclassification from noncurrent assets held for sale (see Note 20)	4,135,142	-
Disposals	-	(2,023,119)
Balance at end of year	282,594,483	278,459,341
Less allowance for probable loss	(105,388,649)	(105,388,649)
	177,205,834	173,070,692
	₱202,933,071	₱202,673,060

The quoted equity investments include investments in golf and sports club shares.

Movements in the net unrealized gain (loss) on AFS financial assets are as follows:

	2008	2007
Balance at beginning of year	(P35,880,000)	P39,872,880
Loss recognized in equity during the year	-	(35,880,000)
Loss (gain) removed from equity and recognized in profit and loss	35,880,000	(39,872,880)
Balance at end of year	P-	(P35,880,000)

Montecito

On October 9, 2003, the Regional Trial Court (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.

On April 25, 2005, the RTC approved the revised rehabilitation plan with as follows:

- (a) Reduction of debt in full or in part, via dacion en pago for creditor banks;
- (b) The North-South Spine Road shall be completed on or before July 31, 2005;
- (c) Atlantic Gulf & Pacific shall improve the site facilities to attract foreign interests/investors;
- (d) The two year grace period on principal on the restructured bank loans shall start on July 1, 2005; and
- (e) Interest expense on the restructured loans shall be made current starting July 1, 2005.

On May 26, 2006, Montecito and a certain creditor bank entered into a Memorandum of Agreement (MOA) for the settlement of the outstanding obligation of Montecito with the creditor bank. Under the MOA, the creditor bank will foreclose certain parcels of land mortgaged with the creditor bank with a carrying value of P329.50 million as of December 31, 2004. After the foreclosure, the obligation and related interests of the creditor bank as of May 22, 2006 shall be fully extinguished. Any interest due on the obligation during the period of May 22, 2006 to May 31, 2006 computed at the rate of 5% per annum and interest, if any, which may be due thereafter, at a rate which may agreed upon by Montecito and the creditor bank but not to exceed 9.5% per annum shall be settled by Montecito before the date of public auction.

On March 28, 2008, Montecito entered into a marketing management agreement with Ayala Land, Inc. for the purpose of constructing, developing and completing the redevelopment of the residential subdivision known as Montecito Estate or the Project.

The agreement provided for an allocation of 55% of the saleable lots to Montecito and remaining 45% to Ayala Land, Inc. and payment of project management fee and marketing fees.

6. Receivables

This account consists of:

	2008	2007
Trade:		
Real estate	₱4,390,349,600	₱2,753,686,371
General construction (including retention receivables on uncompleted contracts of ₱307.68 million in 2008 and ₱283.07 million in 2007)	1,657,594,648	534,090,850
Coal mining	1,773,418,539	1,066,938,992
	7,821,362,787	4,354,716,213
Receivables from related parties (see Note 22)	1,220,009,755	303,614,528
Advances to suppliers, brokers and contractors	651,307,682	9,071,244
Advances to officers and employees	60,570,452	11,848,505
Other receivables	489,783,733	245,601,436
	10,243,034,409	4,924,851,926
Less allowance for doubtful accounts	443,662,559	80,757,754
	9,799,371,850	4,844,094,172
Less noncurrent receivables - net	2,440,384,238	1,983,314,250
	₱7,358,987,612	₱2,860,779,922

Trade receivables amounting to ₱443.66 million and ₱80.76 million as of December 31, 2008 and 2007, respectively, were impaired and fully provided for. Movements in the allowance for doubtful accounts are as follows:

2008

	Trade Receivables				
	Real Estate	General Construction	Coal Mining	Others	Total
At January 1	₱8,010,691	₱44,949,581	₱26,902,851	₱ 894,632	₱80,757,755
Reclassification from noncurrent assets held for sale (Note 20)	-	308,781,453	-	-	308,781,453
Provision during the year	54,123,351	-	-	-	54,123,351
At December 31	₱62,134,042	₱411,209,081	₱26,902,851	₱894,632	₱443,662,559
Individually impaired	₱4,655,995	₱353,731,034	₱14,975,103	₱894,632	₱374,256,764
Collectively impaired	57,478,047	-	11,927,747	-	69,405,794
Total	₱62,134,042	₱353,731,034	₱26,902,851	₱894,632	₱443,662,559
Gross amounts of loans, individually determined to be impaired, before deducting any individual assessed impairment allowance.	₱4,655,995	₱411,209,081	₱26,902,851	₱894,632	₱443,662,559

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2007

	Trade Receivables				
	Real estate	General construction	Coal mining	Others	Total
At January 1	₱3,649,878	₱98,919,638	₱26,902,850	₱ 697,255	₱130,169,621
Charge for the year	7,585,777	–	–	197,377	7,783,154
Write-offs	(3,224,964)	(53,970,057)	–	–	(57,195,021)
At December 31	₱8,010,691	₱44,949,581	₱26,902,850	₱894,632	₱80,757,754
Individually impaired	₱8,010,691	₱38,463,527	₱14,975,103	₱7,380,686	₱80,757,754
Collectively impaired	–	–	11,927,747	–	–
Total	₱8,010,691	₱38,463,527	₱26,902,850	₱7,380,686	₱80,757,754
Gross amounts of loans, individually determined to be impaired, before deducting any impairment allowance.	₱8,010,691	₱38,463,527	₱26,902,850	₱7,380,686	₱80,757,754

As of December 31, 2008 and 2007, real estate receivables with a nominal amount of ₱1,350.38 million, respectively, were initially recorded at the fair value. The unamortized discount amounted to ₱123.76 million and ₱197.17 million as of December 31, 2008 and 2007, respectively.

Movement in the unamortized discount on real estate receivables is as follows:

	2008	2007
Balance at beginning of year	₱197,168,437	₱127,623,298
Additions	–	151,321,632
Accretion for the year	(73,403,938)	(81,776,493)
Balance at end of year	₱123,764,499	₱197,168,437

Trade Receivable

Real estate

Real estate receivables principally consist of amounts arising from sale of real estate subdivision units which are collectible within 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.

Certain subsidiaries are liable to local commercial banks relative to the discounting of real estate receivables (see Note 14). The purchase agreements provide that the Group should substitute defaulted contracts to sell with other contracts to sell of equivalent value. The carrying value of real estate receivables discounted amounted to ₱980.84 million in 2008 and ₱743.78 million in 2007.

General construction

General construction receivables principally consist of receivables from third-party construction projects.

Coal Mining

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

Receivables from Related Parties

Receivables from related parties are due and demandable.

Receivables from AG&P

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 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 November 14, 2007, the BOD approved the conversion of the Parent Company's advances to AG&P in the amount of ₱957.82 million into equity consisting of 957,821,328 common shares, with a par value of P1.00 per share which shall come from the present unissued authorized capital stock of and increase in capital stock of AG&P.

Receivables from Universal Rightfield Property Holdings, Inc. (URPHI)

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 in URPHI.

In 2006, the Group provided a valuation allowance on its outstanding receivable from URPHI which amounted to ₱213.62 million. In 2007, the Group has written off its outstanding claims from URPHI.

Advances to Suppliers, Brokers and Contractors

Advances to suppliers, brokers and contractors are recouped upon every progress billing payment depending on the percentage of accomplishment.

7. **Costs, Estimated Earnings and Billings on Uncompleted Contracts**

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

	2008	2007
Total costs incurred	₱2,493,010,929	₱773,218,949
Add estimated earnings recognized	689,724,466	43,813,560
	3,182,735,395	817,032,509
Less total billings (including unliquidated advances from contract owners of ₱27.07 million in 2008 and ₱22.56 million in 2007)	3,009,850,465	707,238,840
	₱172,884,930	₱109,793,669

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

	2008	2007
Costs and estimated earnings in excess of billings on uncompleted contracts	₱369,922,764	₱140,681,468
Billings in excess of costs and estimated earnings on uncompleted contracts	(197,037,834)	(30,887,799)
	₱172,884,930	₱109,793,669

8. Inventories

This account consists of:

	2008	2007
At Cost:		
Real estate held for sale and development	₱7,141,539,258	₱4,701,981,393
Coal inventory	896,734,233	570,806,557
Equipment parts, materials in transit and supplies	132,334,645	107,316,068
Chromites	2,217,818	-
At NRV:		
Nickel ore	100,493,977	90,838,320
Equipment parts, materials in transit and supplies	596,417,413	905,016,665
	₱8,869,737,344	₱6,375,959,003

Equipment parts, materials and supplies at NRV amounted to ₱791.43 million and ₱968.04 million as of December 31, 2008 and 2007, respectively.

The Group did not capitalize any borrowing costs related to its real estate held for sale and development since the funds used to develop these properties were internally generated.

9. Other Current Assets

This account consists of:

	2008	2007
Value added tax (VAT)	₱783,020,001	₱170,913,900
Creditable taxes withheld	296,011,688	256,909,900
Prepaid expenses	117,361,944	61,691,117
Others	68,733,467	79,419,000
	₱1,265,127,100	₱568,933,917

VAT is fully recoverable. This can be applied against output VAT.

10. Investments in Associates, Jointly Controlled Entities and Others

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

	2008	2007
Investments - At Equity		
Investments in associates		
Acquisition cost:		
Balance at beginning of year	P471,415,660	P471,415,660
Additions	200,001,492	-
Balance at end of year	671,417,152	471,415,660
Accumulated equity in net losses:		
Balance at beginning of year	(295,992,343)	(316,600,771)
Equity in net income during the year	55,418,130	20,608,428
Balance at end of year	(240,574,213)	(295,992,343)
	430,842,939	175,423,317
Allowance for probable losses	(106,806,827)	(44,621,969)
	324,036,112	130,801,348
Jointly controlled entities:		
Acquisition cost:	3,032,125,000	2,465,787,232
Additions during the year	(566,337,768)	-
Balance at end of year	2,465,787,232	2,465,787,232
Accumulated equity in net earnings:		
Balance at beginning of year	1,849,767,862	44,023,350
Equity in net income (losses) during the year	30,422,644	1,805,744,512
Balance at end of year	1,880,190,506	1,849,767,862
	4,345,977,738	4,315,555,094
Allowance for probable losses	(25,467,530)	(25,467,530)
	4,320,510,208	4,290,087,564
Investment - At Cost		
Balance at beginning of year	68,150,000	10,000,000
Additions during the year	350,000	58,150,000
Balance at end of year	68,500,000	68,150,000
	P4,713,046,320	P4,489,038,912

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	
	2008	2007	2008	2007
Associates:				
Bachy Soletanche Philippines Corporation (Bachy)	49.00%	49.00%	P43,106,317	P43,106,317
Obayashi Philippines Corporation (OPC)	39.55	39.55	-	-
Bauan International Port, Inc. (BIPI)	20.00	-	142,950,896	-
Subic Water and Sewerage Company, Inc. (Subic Water)	40.00	40.00	137,978,899	87,695,031
			324,036,112	130,801,348

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	Percentages of Ownership		Equity in Net Assets	
	2008	2007	2008	2007
Jointly Controlled Entities:				
DMCI-MPIC Water Co. Inc. (see Note 11)	44.59	50.00	₱4,269,751,376	₱4,239,328,732
DMCI/WPC Joint Venture		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	408,538	408,538
Subic Water Construction Joint Venture	50.00	50.00	9,438,829	9,438,829
			4,320,510,208	4,290,087,564
At Cost				
Balance at beginning of year			68,150,000	10,000,000
Additions			350,000	58,150,000
			68,500,000	68,150,000
Total			₱4,713,046,320	₱4,489,038,912

Investments in Associates - At Equity

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 ₱32.62 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 ₱74.80 million (based on the initial subscribed and paid-in capital of ₱187.00 million). The balance of PDI's committed subscription to Subic Water of ₱38.00 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 December 31, 2008 and 2007, such committed subscription has not yet been paid.

Vulcan

On January 3, 2007, the BOD approved the sale of DMCI's 49% shareholdings in Vulcan in favor of Vulcan Industrial & Mining Corporation (Vulcan). On January 15, 2007, DMCI executed a Deed of Assignment with Vulcan, whereby the DMCI transferred and conveyed to Vulcan 700,700 shares in Vulcan with a total par value of ₱70.07 million for and in consideration of ₱70.07 million.

Tarlac-Pangasinan-La Union Toll Expressway Project (TPLEX)

On September 26, 2007, DMCI entered into a Shareholders' Agreement along with other members of the Philippine Contractors Association, to which the Shareholders agree to establish a corporation to generally engage in and to undertake construction, operation and maintenance of the Tarlac-Pangasinan-La Union-Toll Expressway Project of the DPWH and to perform such other activities related to the construction, operation and maintenance, or a combination of undertakings which are within the capabilities of the Consortium members.

On October 3, 2007, Private Infra Dev Corporation (PIDC) was incorporated and registered with the SEC.

On February 19, 2008, PIDC was awarded the contract for the financing, design, construction, operation and maintenance of the TPLEX, Phase 1, from La Paz, Tarlac to Rosario, La Union

DMCI-MPIC Water Company, Inc. (DMCI-MPIC)

In November 2006, the Parent Company, together with Metro Pacific Investment Corporation (MPIC) formed a 50:50 joint-venture company called DMCI-MPIC Water Company, Inc. (DMCI-MPIC).

On December 5, 2006, through a public bidding, DMCI-MPIC won the right to acquire Metropolitan Waterworks Sewerage Systems (MWSS) 84% interest in Maynilad Water Services Inc. (MWSI). MWSI holds an exclusive concession, granted by MWSS on behalf of the Philippine Government, to provide water and sewerage services in the west zone of Metro Manila.

The transaction was completed on January 10, 2007 with the delivery by MWSS and DMCI-MPIC of all closing requirements as required in the bid.

In addition, DMCI-MPIC: (i) provided financial assistance to MWSI in the amount of ₱1,510.0 million (US\$31.0 million); (ii) will contribute additional equity to MWSI for funding its requirement for its capital expenditure, repayment to its existing creditors, and /or concession fees to MWSS which amounts to ₱21,803.6 million (US\$444.7 million) over a period of three years; and, (iii) established a performance bond in an amount of ₱588.3 million (US\$12.0 million) in respect of MWSI's obligations under the concession.

The Group adopted equity method of accounting for the financial results of DMCI-MPIC since the Group does not exercise control over DMCI-MPIC.

The final allocation of the investment cost to the identifiable assets, liabilities, contingent liabilities and negative goodwill was completed in 2008 and is shown below:

Consideration/investment cost	₱1,116,394
Net assets of Maynilad	
Cash and cash equivalents	821,184
Short-term investments, trade and other receivables and other current assets	1,300,097
Other noncurrent assets	309,326
Concession assets	9,913,065
Property, plant and equipment	4,592,151
Trade and other payables	(1,553,834)
Interest-bearing loans	(3,641,095)
Deferred credits	(690,276)
Payable to MWSS	(2,717,478)
Pension liability and other noncurrent liabilities	(476,993)
Concession fees payable	(3,382,769)
Contingent liabilities	(891,491)
Deferred tax liabilities	(631,192)
Total net assets acquired at fair values*	2,950,696
Negative goodwill	₱1,834,303

**Amounts in thousands and are based on computed fair values of Maynilad net assets at 42%.*

In 2007, the provisional purchase price allocation amounted to ₱2.1 billion.

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The amount of the excess of the net identifiable assets and liabilities over the fair value of the business combination (negative goodwill) of ₱3.6 billion was recognized in the consolidated statement of income of DMCI-MPIC.

Pursuant to the Subscription Agreement by and among DMCI-MPIC and its two existing shareholders - the Parent Company and MPIC on November 27, 2008, the Parent Company and MPIC subscribed to additional 961.6 million common shares and 1,932.20 million common shares, respectively, of DMWC (the “DMCI and MPIC Subscription Shares”).

Simultaneous with the execution of the Subscription Agreement, DMCI-MPIC, the Parent Company, MPIC and Maynilad entered into a Shareholders’ Agreement outlining the relationship of the Parent Company and MPIC as shareholders of DMWC. In the same Shareholders’ Agreement, which was immediately executory, the parties confirmed that each of the Parent Company and MPIC holds, on the date of said Shareholders’ Agreement, equity interests in the form of shares and share entitlements in DMCI-MPIC equal to 44.59% and 55.41%, respectively.

Also on the same date and immediately upon execution of the Subscription Agreement and the Shareholders’ Agreement, the stockholders and the Board of Directors (BOD) of DMCI-MPIC convened and approved the increase in authorized capital stock of the Company from ₱6,000.0 million divided into 6,000,000,000 common shares with par value of ₱1.00 per share to ₱8,884.8 million divided into 8,884,800,000 common shares with par value of ₱1.00 per share.

The Parent Company and MPIC Subscription Shares will be issued in due course upon approval by the SEC of the application for increase in authorized capital stock of DMCI-MPIC.

As of March 17, 2009, the application for increase in capital stock is still pending with the SEC.

As of December 31, 2008, deposit for future stock subscription representing the paid up portion of the DMCI and MPIC Subscription Shares amounted to ₱2,125.4 million.

Equity in net earnings in DMCI-MPIC amounted to ₱30.42 million in 2008 and ₱1,239.33 million in 2007 (including share in negative goodwill of ₱1,834.30 million and IFRIC adjustment of ₱278.26 million).

On January 19, 2007, SEC approved all corporate actions of Maynilad required by Clause 2 of the Debt Capital and Restructuring Agreement (DCRA), as more specifically described in the succeeding paragraphs, for the full implementation thereof. These corporate actions approved by the SEC in relation to the Capital Restructuring are as follows:

- a. decrease in the authorized capital stock of Maynilad through a reduction in the par value of its shares from ₱100 to ₱1 per share and the surrender of the shares of Benpres Holdings Corporation (BHC) and Suez Environnement (Suez Env);
- b. increase in the authorized capital stock of Maynilad to ₱1.48 billion comprising of 1,475,000,000 shares with a par value of ₱1.00 per share, with DMCI-MPIC subscribing to 1,238,476,000 Class A common shares [inclusive of 88,500,000 Employees’ Stock Option Plan (ESOP) shares representing 6% of the outstanding capital stock of Maynilad upon the

effective date of the increase in capital of the Company], and Lyonnaise Asia Water (Holdings) Pte Ltd (LAWL) subscribing to an additional 225,520,000 Class B common shares (plus an additional paid-in capital of ₱56.0 million), paid for by way of conversion of debt to equity, in compliance with paragraphs a, b, c, d, e and f of Clause 2.6 of the DCRA;

- c. confirmation of valuation under Section 62 of the Corporation Code for the issuance by Maynilad of 7,600,000 shares out of the unsubscribed portion of its authorized capital stock, paid for by way of conversion of debt to equity in relation to the subscriptions of DMCI-MPIC and LAWL;
- d. creation of additional paid-in capital (APIC) aggregating ₱2.0 billion resulting from the write-off of BHC of its advances amounting to ₱658.0 million (or equivalent to approximately US\$12 million) and from the write-off by the Suez Group [Suez Env and LAWL, excluding Ondeo Services Philippines, Inc. (OSPI)] of its loans and advances amounting to ₱1.4 billion (or equivalent to approximately US\$25.0 million), which write-offs have been confirmed in writing by BHC and the Suez Group on December 22, 2006 and January 4, 2007, respectively, in compliance with paragraphs a, b and c of Clause 2.4 of the DCRA;
- e. equity restructuring to wipe out the previously reported deficit of Maynilad as of December 31, 2005 amounting to ₱7.0 billion (such amount was retroactively adjusted to ₱6.5 billion in 2006 as discussed below) against the APIC amounting to ₱2.1 billion and reduction surplus amounting to ₱5.2 billion resulting from the decrease in capital, in compliance with Clause 2.5 of the DCRA, subject to the condition that the remaining APIC of ₱342.0 million shall not be used to wipe out losses that may be incurred in the future without prior SEC approval; and
- f. corresponding amendments to the Articles of Incorporation of Maynilad to reflect the decrease and increase in capital stock of the Company, in compliance with paragraphs a and b of Clause 19.2 of the DCRA.

In full implementation and completion of the Capital Restructuring in accordance with the directive of the Rehabilitation Court, the corresponding certificates of stock evidencing the subscription of DMCI-MPIC and the additional subscription of LAWL have been duly issued by Maynilad and recorded in its stock and transfer book on January 19, 2007. Upon the completion of the Capital Restructuring on January 19, 2007, all the nominees of MWSS (pursuant to the Proxy) as well as two (2) directors of Suez Env have also effectively resigned.

As of December 31, 2007, the capital structure of Maynilad after the completion of the Capital Restructuring is as follows:

Shareholder	Class	Total Subscription (No. of Shares)	%
DMCI-MPIC*	Class A Common	1,149,976,000	77.97
DMCI-MPIC	ESOP	88,500,000	6.00
Metrobank	Class A Common	524,000	.03
LAWL*	Class B Common	236,000,000	16.00
	All classes	1,475,000,000	100.00

*including directors' qualifying shares

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Instead of exercising its right under the DCRA to subscribe to 83.97% of the shares of the Maynilad in consideration for the conversion of its receivables to equity as part of the Capital Restructuring, MWSS opted to assign such subscription right to a private investor. After a process of competitive public bidding conducted by MWSS from June 2006 to January 2007, DMCI-MPIC was designated by MWSS as its assignee. Such assignment was effected by MWSS

(MWSS Assignment) through an Assignment & Assumption Agreement executed by MWSS and DMCI-MPIC on December 27, 2006, which was acknowledged by Maynilad on the same date. Also on the same date, Maynilad, DMCI-MPIC and LAWL executed the Debt Conversion & Subscription Agreement which governed the agreement of the parties on the conversion of debt to equity required in connection with the Capital Restructuring. The MWSS Assignment became effective on January 10, 2007 (Closing Date).

Rehabilitation Exit Plan

On August 9, 2007, Maynilad entered into the Prepayment and Settlement Agreement (PSA) with the Sponsor, the Lenders under the DCRA, Suez, Suez Env and the MWSS. The PSA prescribed the procedure for the full prepayment of the USD Tranche, SBLC Tranche, Peso Tranche (collectively referred to as the Facility), Suez Loan and MWSS (with respect to Tranche A2 Concession Fees and Recognized Tranche B Concession Fees), to be funded from cash contribution to be provided by the Sponsor to Maynilad (see Note 14), for the purpose of enabling Maynilad to successfully effect an early exit from corporate rehabilitation. The PSA further sets out the procedure for the settlement of approved claims of contractors and suppliers and the resolution of the disputed claims of MWSS and Suez Env.

As mentioned, the PSA was executed to enable Maynilad to effect an early exit from corporate rehabilitation. As this rehabilitation exit will result in the termination of the 2005 Rehabilitation Plan and the DCRA, certain transitional arrangements, including those relating to the second Rate Rebasings, the Service Obligations of Maynilad as well as the recovery or compensation of foreign exchange losses or gains relating to the full prepayment of Maynilad's USD Concessionaire Loans, the Tranche A2 Concession Fees and the Recognized Tranche B Concession Fees (as defined below) were deemed necessary. Thus, contemporaneously with the signing of the PSA, Maynilad entered into the TCA with MWSS for the purpose of providing for these transitional arrangements which will apply from and after the termination of the DCRA and the 2005 Rehabilitation Plan.

The TCA also prescribes the procedure for the resolution of the dispute between MWSS and Maynilad on MWSS' pending claims for additional Tranche B Concession Fees and for the 364-day Treasury Bill rate penalty interest under Section 6.9 of the Concession Agreement.

The terms and conditions of the TCA were thereafter acknowledged by the Republic of the Philippines, acting through Finance Secretary Margarito B. Teves in an acknowledgment letter dated January 7, 2008.

On August 16, 2007, Maynilad, together with the Lenders, Suez, Suez Env, OSPI and MWSS filed the Joint Omnibus Motion dated August 14, 2007 (Joint Omnibus Motion) praying for the Rehabilitation Court's approval of the PSA and seeking further the termination of the rehabilitation proceedings on account of the successful implementation of the 2005 Rehabilitation Plan following the implementation of the requirements of the PSA, citing that upon such

implementation, Maynilad shall have already completed both the Capital Restructuring and the Debt Restructuring which are the key elements mandated by the 2005 Rehabilitation Plan for the rehabilitation of Maynilad and the restoration of its financial viability.

On December 19, 2007, the Rehabilitation Court issued an Order approving the PSA and declaring that Maynilad has successfully implemented the 2005 Rehabilitation Plan on the date it has implemented the "Full Prepayment" and the "Settlement" as set forth in the PSA and has satisfied all other payment requirements under Clause 5 of the PSA, all in accordance with the terms of the PSA, and that accordingly, the rehabilitation proceedings are terminated, effective on such date, pursuant to the last sentence of Section 27 of Rule 4 of the Interim Rules of Procedure on Corporate Rehabilitation upon issuance by the Rehabilitation Court of a subsequent Order confirming the termination of the rehabilitation proceedings after submission by Maynilad and the Receiver of separate sworn certifications on the said implementation of the PSA and submission of proof of payment of the proper filing/docket fees. The Rehabilitation Court further resolved the disputed claims of the Suez Group and MWSS in favor of Maynilad, ruling that no amount is due to the said claimants for their respective disputed claims, upholding the recommendations of the Receiver.

After receiving the Monetary Board approval of the proposed prepayment under the PSA, Maynilad implemented the full prepayment of the Facility, Suez Loan, Tranche A2 Concession Fees and the Recognized Tranche B Concession Fees pursuant to the PSA on January 16, 2008. Further, on January 17, 2008, Maynilad implemented the full settlement of the discounted amount of approved claims of contractors/suppliers who have granted Maynilad a 10% discount prior to the effective date of the PSA and satisfied all other payment requirements under Clause 5 of the PSA. Through a Manifestation with Motion (for Issuance of Order Confirming Termination of Corporate Rehabilitation Proceedings) dated January 18, 2008, Maynilad submitted to the Rehabilitation Court the required sworn certification on the implementation of the PSA. The Receiver also submitted on such date to the Rehabilitation Court the required sworn certification on Maynilad's implementation of the PSA.

On February 6, 2008, the Rehabilitation Court finally issued the Order confirming the termination of Maynilad's corporate rehabilitation proceedings on account of its successful implementation of the 2005 Rehabilitation Plan, in accordance with Section 27 of Rule 4 of the Interim Rules of Procedure on Corporate Rehabilitation. In view of the immediately executory nature of orders issued by the Rehabilitation Court, Maynilad is considered officially out of corporate rehabilitation on the date of such confirmation order, which is February 6, 2008.

Pending Case on Maynilad's Corporate Rehabilitation Proceedings

A case involving two consolidated petitions previously filed by certain so called public interest groups and other persons claiming to be interested parties questioning the Rehabilitation Court's approval of Maynilad's 2005 Rehabilitation Plan and issuance of order barring such petitioners from participating in the rehabilitation proceedings, remains pending before the Second Division of the Supreme Court. However, Maynilad believes that the termination of its rehabilitation proceedings has now rendered this case moot and academic and is set to formally apprise the Supreme Court of such matter.

Pending Case Assailing the Approval and Implementation of the ₱30.19 Rebased Tariff of Maynilad

A complaint with prayer for the issuance of a cease and desist order against Maynilad, MWSS and the MWSS-RO was filed by certain civil society groups before the National Water Resources Board (NWRB) contesting the approval by the MWSS Board of Trustees of the MWSS-RO resolution approving the rebased tariff of ₱30.19 per cubic meter (all-in average tariff) effective January 1, 2005 for Maynilad. The complaint alleges, among others, that the increase in the water tariff rate was without adequate public consultation and sufficient basis and that the application filed by Maynilad for the said rate increase had no imprimatur from the Receiver. Claiming that the NWRB had no jurisdiction to hear and decide the aforesaid complaint, Maynilad and MWSS filed separate motions to dismiss, which were both denied. The NWRB has yet to rule on the said complaint. Following the denial of its motion to dismiss, Maynilad filed a petition for certiorari with the Court of Appeals. Alleging grave abuse of discretion on the part of the NWRB, Maynilad claims that there is no law conferring any power upon the NWRB to assume jurisdiction over disputes relating to water tariff rates for MWSS' concessionaires and that the powers of the Public Service Commission were not transferred to the NWRB. In a decision dated May 28, 2007, the Court of Appeals dismissed Maynilad's petition for certiorari and declared that the NWRB is empowered to review the subject all-in average tariff rate of ₱30.19 per cubic meter. Maynilad has sought a reconsideration of the said decision. In a subsequent development, MWSS filed a motion seeking to intervene in the certiorari proceedings. On February 20, 2008, the Court of Appeals denied Maynilad's motion for reconsideration and MWSS' motion for intervention. MWSS filed a motion for reconsideration of the denial of its motion for intervention, which is currently pending. Maynilad is set to file with the Supreme Court its petition for review to assail the rulings of the Court of Appeals in this case.

11. Investment Properties

The movements in this account follow:

2008

	Land	Buildings and Building Improvements	Condominium units	Total
Cost				
At January 1	₱1,981,054,403	₱28,176,763	₱62,925,187	₱2,072,156,353
Reclassification from noncurrent assets held for sale (Note 20)	186,741,902	-	-	186,741,902
Additions	798,723,946	46,398,424	-	845,122,370
Transfers to real estate held for sale and development	(707,399,920)	-	(40,405,825)	(747,805,745)
At December 31	2,259,120,331	74,575,187	22,519,362	2,356,214,880
Accumulated Depreciation and Amortization				
At January 1	-	13,350,000	1,360,000	14,710,000
Depreciation and amortization	-	3,061,259	908,660	3,969,919
At December 31	-	16,411,259	2,268,660	18,679,919
Net Book Value	₱2,259,120,331	₱58,163,928	₱20,250,702	₱2,337,534,961

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2007

	Land	Buildings and Building Improvements	Condominium Units	Total
Cost				
At January 1	₱2,242,788,671	₱47,640,300	₱1,700,000	₱2,292,128,971
Additions	640,023,040	–	61,225,187	701,248,227
Transfers to real estate held for sale and development	(901,757,308)	(19,463,537)	–	(921,220,845)
At December 31	1,981,054,403	28,176,763	62,925,187	2,072,156,353
Accumulated Depreciation and Amortization				
At January 1	–	12,050,120	1,024,635	13,074,755
Depreciation and amortization	–	3,143,566	335,365	3,478,931
Transfers to real estate held for sale and development	–	(1,843,686)	–	(1,843,686)
At December 31	–	13,350,000	1,360,000	14,710,000
Net Book Value	₱1,981,054,403	₱14,826,763	₱61,565,187	₱2,057,446,353

Depreciation expense on investment properties amounted to ₱3.97 million, ₱3.48 million, and ₱2.63 million in 2008, 2007 and 2006, respectively (see Note 24).

The aggregate fair value of the Group's investment properties amounted to ₱2.34 billion and ₱2.06 billion as of December 31, 2008 and 2007, respectively. 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 ₱99.47 million, ₱19.91 million and ₱12.17 million for the years ended December 31, 2008, 2007 and 2006, respectively (Note 28).

12. Property, Plant and Equipment

The movements in this account follow:

2008

	Land and Land Improvements	Power Plant, Buildings and Building Improvements	Construction Equipment, Machinery and Tools	Office Furniture, Fixtures and Equipment	Transportation Equipment	Conventional and Continuous Mining Properties and Equipment	Leasehold Improvements	Construction in Progress	Total
Cost									
At January 1	P688,213,379	P1,440,726,794	P2,566,658,782	P242,516,703	P195,448,985	P8,932,390,288	P59,559,320	P228,261,724	P14,353,775,975
Reclassification from noncurrent assets held for sale (Note 20)	1,509,932,992	511,877,126	865,532,980	97,262,488	-	-	-	63,941,376	3,048,546,962
Additions	223,609,602	163,330,163	389,874,194	40,194,114	25,599,806	1,550,115,501	10,380,735	223,706,281	2,626,810,396
Transfers and retirements/disposals	(5,861,185)	-	(449,245,895)	(14,496,568)	(1,224,872)	(1,555,146,503)	-	(147,649,992)	(2,173,625,015)
At December 31	2,415,894,789	2,115,934,083	3,372,820,061	365,476,737	219,823,919	8,927,359,286	69,940,056	368,259,389	17,855,508,318
Accumulated Depreciation									
Depletion and Amortization									
At January 1	396,046,974	913,591,263	1,935,459,162	212,465,014	132,950,442	7,770,916,496	59,188,425	-	11,420,617,776
Reclassification from noncurrent assets held for sale (Note 20)	94,768,142	257,104,269	580,412,403	55,978,746	-	-	-	-	988,263,559
Depreciation, depletion and amortization	73,304,315	167,455,453	282,152,667	39,844,087	22,809,397	943,370,909	177,817	-	1,529,114,645
Transfers and retirements/disposals	(14,244,732)	-	(347,434,920)	(11,183,061)	(3,098,200)	(255,382,110)	-	-	(631,343,024)
At December 31	549,874,699	1,338,150,985	2,450,589,312	297,104,786	152,661,639	8,458,905,295	59,366,242	-	13,306,652,956
Net Book Value	P1,866,020,090	P777,783,098	P922,230,749	P68,371,951	P67,162,280	P468,453,991	P10,573,814	P368,259,389	P4,548,855,362

2007

	Land and Land Improvements	Buildings and Building Improvements	Construction Equipment, Machinery and Tools	Office Furniture, Fixtures and Equipment	Transportation Equipment	Conventional and Continuous Mining Properties and Equipment	Leasehold Improvements	Construction in Progress	Total
Cost									
At January 1	P418,315,199	P1,272,801,474	P2,103,503,026	P222,312,987	P166,323,809	P8,622,629,442	P59,025,858	P396,180,421	P13,261,092,216
Additions	269,168,181	5,409,657	547,933,592	20,250,488	39,748,627	184,058,221	533,462	184,247,985	1,251,350,213
Transfers and retirements/disposals	729,999	162,515,663	(84,777,836)	(46,772)	(10,623,451)	125,702,625	-	(352,166,682)	(158,666,454)
At December 31	688,213,379	1,440,726,794	2,566,658,782	242,516,703	195,448,985	8,932,390,288	59,559,320	228,261,724	14,353,775,975
Accumulated Depreciation									
Depletion and Amortization									
At January 1	371,550,279	850,087,487	1,913,341,735	197,774,394	125,416,294	6,368,004,721	59,006,808	-	9,885,181,718
Depreciation, depletion and amortization	24,496,695	65,835,975	106,894,297	14,719,905	18,080,810	1,445,426,828	181,617	-	1,675,636,127
Transfers and retirements/disposals	-	(2,332,199)	(84,776,870)	(29,285)	(10,546,662)	(42,515,053)	-	-	(140,200,069)
At December 31	396,046,974	913,591,263	1,935,459,162	212,465,014	132,950,442	7,770,916,496	59,188,425	-	11,420,617,776
Net Book Value	P292,166,405	P527,135,531	P631,199,620	P30,051,689	P62,498,543	P1,161,473,792	P370,895	P228,261,724	P2,933,158,199

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The assets of Semirara (included in the above analysis) as of December 31, 2007, which are carried at deemed cost follow:

	Land and Land Improvements	Power Plant, Buildings and Building Improvements	Conventional and Continuous Mining Properties and 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	15,003,445	61,754,990	44,104,106	120,862,541
At December 31	132,258,231	366,434,138	431,088,401	929,780,770
Net Book Value at Deemed Cost	₱14,130,004	₱120,160,011	₱150,769,586	₱285,059,601

Certain conventional and continuous mining equipment items have been pledged as collaterals to secure the indebtedness of Semirara to local banks.

Depreciation, depletion and amortization expense on property, plant and equipment amounted to ₱1.53 billion, ₱1.68 billion and ₱1.41 billion in 2008, 2007 and 2006, respectively (see Note 24).

13. Other Noncurrent Assets

The details of other noncurrent assets follow:

	2008	2007
Refundable deposits (see Note 34)	₱430,068,490	₱142,846,122
Others	92,390,205	18,272,779
	₱522,458,695	₱161,118,901

Deposits in Northrail of ₱300.00 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. In 2006, a claim has been filed and is still pending with the court for the recovery of its contribution to the Northrail Project as of December 31, 2007.

In 2007, the subsidiary decided to write-off the deposits in the Northrail project.

Others include bid item cost and environmental expenses which are directly attributable to the operation of the power plant in Masbate amounting to ₱7.76 million and ₱3.39 million, respectively.

14. **Bank Loans**

The Group's bank loans in 2008 and 2007 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 which are secured by a real estate mortgage over the Group's housing and condominium units; a deed of assignment on certain real estate receivables of PDI, DMCI and Hampstead (see Note 6); corporate guarantee and suretyship agreement issued by the Parent 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, 2008 and 2007, the Group was in compliance with the loan covenants required by the banks.

15. **Liabilities for Purchased Land**

Liabilities for purchased land account represent 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.

In 2007, the Group acquired certain land properties which are payable over a period of 3 to 4 years. Such liabilities for purchased land with a nominal amount of ₱514.00 million were initially recorded at fair value resulting to a discount of ₱78.16 million. The fair value is derived using discounted cash flow model using the discount rate ranging from 5.00% to 5.21% with effective interest rates ranging from 7.21% to 8.37%. The unamortized discount amounted to ₱83.12 million and ₱68.49 million as of December 31, 2008 and 2007, respectively.

Accretion of ₱35.88 million and ₱9.68 million is recorded as interest expense in 2008 and 2007, respectively.

16. Accounts and Other Payables

This account consists of the following:

	2008	2007
Trade and other payables		
Suppliers	₱2,807,981,110	₱942,711,573
Subcontractors	421,701,382	249,023,378
Others	1,722,405,379	284,011,042
Accrued costs and expenses	1,532,035,268	1,291,252,832
	₱6,484,123,139	₱2,766,998,825

Suppliers

Payable to suppliers include liabilities to various foreign and local suppliers for open account purchases of equipment and equipment parts and supplies. These are noninterest bearing and are normally settled on a 30 to 60-day credit terms.

Subcontractor

Subcontractor payable arises when the Group receives progress billing from its subcontractors for the construction cost of a certain project. These subcontractors were selected by the contract owners to provide materials, labor and other services necessary for the completion of a project.

Accrued cost and expenses

Accrued costs and expenses consist mainly of accrual of expenses, costs of construction contracts and Semirara's liability to Department of Energy (DOE).

Semirara's liability to DOE and local government units represents the share of DOE and local government units 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 and local government units 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. Total payable to DOE and local government units amounted to ₱52.73 million and ₱53.56 million in 2008 and 2007, respectively.

17. Customers' Advances and Deposits

The customers' advances and deposits are due to the following:

	2008	2007
Real estate customers	₱1,027,757,179	₱1,262,248,616
Coal supply contract	1,206,858	8,867,023
Others	266,301,628	68,048
	₱1,295,265,665	₱1,271,183,687

Real Estate Customers

Customers' advances and deposits from real estate customers represent reservation fees and initial collections received from customers before the two parties enter into a sale transaction. These were payments from buyers which has not reached the minimum required percentage. When the level of required percentage is reached by the buyer, sales is recognized and these deposits and downpayments will be recognized as revenue and will be applied against the receivable balance.

Coal Supply Contracts

These deposits represent advances from customers of Semirara, mainly, NPC. These deposits are applied against future coal deliveries which occur within one year from the dates the deposits were made. The deliveries are in accordance with the existing coal supply agreements (CSA) and/or memorandum of agreements (MOA) (see Note 32).

18. Long-term Debt

Long-term debt pertains to the following obligations:

	2008	2007
Bank loans	₱5,480,935,187	₱3,522,254,632
Acceptances and trust receipts payable	74,716,736	343,051,200
	5,555,651,923	3,865,305,832
Less current portion of:		
Acceptances and trust receipts payable	11,281,248	343,051,200
Bank loans	780,563,118	1,500,187,727
	791,844,366	1,843,238,927
	₱4,763,807,557	₱2,022,066,905

Details of the long-term debt follow:

Semirara

Loan Type	Date of Availment	Outstanding Balance		Maturity	Interest Rate	Payment Terms	Covenants/Collaterals
		2008	2007				
(In Million)							
Local bank loans							
Loan 1	September 30, 2005	₱57.32	₱120.67	October 5, 2009	9% fixed p.a.	Payable in 48 equal monthly installments commencing on November 5, 2005	Secured by collaterals on mining equipment (Note 8)
Other loans	Various in 2008	102.50	258.35	Various in 2008 and 2009	8% fixed p.a.	Various	None

(Forward)

Loan Type	Date of Availment	Outstanding Balance		Maturity	Interest Rate	Payment Terms	Covenants/Collaterals
		2008	2007				
(In Million)							
Foreign bank loans							
Loan 1	December 14, 2005	₱148.53	₱193.54	November 30, 2010	Based on SIBOR plus 1.95% p.a.	Repriceable and payable in 16 equal quarterly installments to commence 2 months after the draw down dates	Unconditional and irrevocable guarantee issued by Komatsu Asia and Pacific Pte Ltd. and other covenants
Other loans	Various availments in 2004 and 2005	206.67	304.52	Various maturities in 2009 and 2010	Based on 6-month USD LIBOR plus 1.5% p.a.	Payable in 10 equal consecutive semi-annual installments, the first of which was due and payable 6 months after the starting point	Unconditional and irrevocable guarantee issued by DMCI-HI (Note 17)
		515.02	877.08				
Various Letters of Credits	Various dates of Availments	11.28	291.51	Various maturities in 2008 and 2009	Interest ranging from 8% to 11% p.a.	Payable within 1 year	None
		₱526.30	₱1,168.59				
Other Subsidiaries							
Other borrowings							
Various	Various	₱5,029.35	₱2,696.72	Various	10% to 13% p.a.	Payable in equal monthly installments over a period ranging from 5 to 15 years	Real estate receivables
TOTAL		₱5,555.65	₱3,865.31				

(a) Semirara

The other covenants in loan 1 under the foreign bank loans require the Semirara to seek prior written notice to the lender in respect of any financial indebtedness for loans or credit extended by Semirara to an affiliate and directors and officers in excess of US\$3 million and US\$1 million, respectively, or their equivalent in other currencies.

(b) The Parent Company

During the year, the Parent Company borrowed ₱1,500 million from BDO (Lender) to partially finance its share of the total purchase price in its joint bid to acquire Maynilad Water Services, Inc. (MWSI). As security for the prompt and full payment by the Parent Company, real estate receivables amounting to ₱750 million were pledged as collateral. Further, the Parent Company investments in Semirara shares were also mortgaged to secure the ₱1,500 million loan.

The Parent Company and the Lender agreed that the real estate receivables pledged shall be at 110% cover, based on outstanding balance while the cover on the Semirara shares shall be at 200%, based on latest market price or 100.00 million shares, whichever is higher. As of March 8, 2007, the Parent Company paid ₱1,148.17 million to the Lender.

The BOD, in its special meeting on June 25, 2008, made the following resolutions:

- (1) The Parent Company entered into the Omnibus Notes Facility and Security Agreement by and among Maynilad as Issuer, MPIC, DMCI-MPIC and DMCI HI as Third-Party Mortgagors, BDO and DBP as Noteholders, BDO Capital and Investment Corporation and DBP as Joint Lead Arrangers, BDO Unibank, Inc.-Trust and Investments Group as Facility Agent, Registrar and Paying Agent, Collateral Agent and DSRA Agent.
- (2) In order to secure the performance of the Secured Obligations under the Omnibus Agreement, DMCI HI was authorized to constitute: (a) a first-ranking chattel mortgage over 1,470.00 million common shares of DMCI-MPIC held and owned by the Parent Company; and (b) a voting trust over 1,530.00 million common shares of DMCI-MPIC held by the Parent Company, for the benefit of the secured parties.
- (3) As required under the Omnibus Agreement, DMCI HI is authorized to enter into a Sponsors' Agreement with the Noteholders, whereby, the Parent Company agreed that so long as any Note is outstanding under the Omnibus Agreement and until payment in full of all amounts payable by the Issuer under the Omnibus Agreement and other related documents, it shall not directly or indirectly incur or suffer to exist any Lien upon any of the Sponsor Shares, or enter into any loan agreement secured by or to be secured by a Lien upon any of the Sponsor Shares, except for Permitted Liens.

(c) Sale of real estate receivables by other subsidiaries

Certain subsidiaries entered into various purchase agreements with financial institutions whereby the subsidiaries sold its 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 retain the sold receivables in the receivables account and record the proceeds from these sales as loans payable which amounted to ₱615.62 million and ₱555.00 million as of December 31, 2008 and 2007, respectively. 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.

19. Other Noncurrent Liabilities

The details of this account consist of:

	2008	2007
Provision for decommissioning and site rehabilitation	₱13,204,316	₱12,205,199
Subscriptions payable	4,750,000	4,750,000
	₱17,954,316	₱16,955,199

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20. Noncurrent Assets Held for Sale

AG&P

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 ₱70.0 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 ₱70.00 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 AG&P of ₱36 million will be increased to ₱1,500 million 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.

On May 21, 2008, advances of DMCI HI to AG&P amounting to ₱957.82 million was converted to equity through the issuance of 957,821,328 common shares. As a result of the conversion, DMCI HI became the ultimate parent of AG&P.

In its meeting on April 24, 2008, the BOD approved additional investments in AG&P amounting to ₱113.04 million, bringing DMCI HI's shareholdings in AG&P to 98.39% of its outstanding capital stock.

The BOD in 2007 approved to offer AG&P shares for sale.

The major classes of assets and liabilities of AG&P classified as held for sale as of December 31, 2007 follow:

ASSETS	
Current Assets	
Cash and cash equivalents	₱189,453,932
Receivables - net	248,282,344
Inventories	101,049,305
Other current assets - net	32,522,398
Total Current Assets	571,307,979
Noncurrent Assets	
Available-for-sale	₱7,255,141
Investments in subsidiary and associate	143,462,575
Investment properties	186,741,902
Property, plant and equipment	2,059,836,977
Pension assets	8,004,097
Total Noncurrent Assets	2,405,300,692
Assets held for sale	₱2,976,608,671
LIABILITIES	
Current Liabilities	
Loans payable	₱891,260,530
Notes payable	113,037,580
Accounts and other payables	753,887,833
Due to a stockholder	201,102,403
Billings in excess of costs and estimated earnings on uncompleted contracts	15,298,177
Total Current Liabilities	1,974,586,523
Noncurrent Liabilities	
Deferred tax liabilities	353,388,981
Liabilities directly attributable to assets held for sale	₱2,327,975,504

On May 21, 2008, the AG&P's application for amendment in the Articles of Incorporation was approved. The amendment includes the increase of the authorized capital stock from ₱36.0 million to ₱3.5 billion, extension of AG&P's term and reduction of its par value.

On the same date, the SEC approved as well the application of AG&P to undergo a quasi-reorganization to wipe out the deficit as of August 31, 2007 amounting to ₱458.6 million against APIC amounting to ₱117.9 million and the appraisal increment amounting to ₱340.7 million, subject to certain conditions pursuant to the approval.

The proposed sale of AG&P did not materialize in 2008, thus, the need for consolidation.

In 2008, the assets and liabilities directly associated with AG&P as of December 31, 2007 are still presented as noncurrent assets held for sale.

The income in 2007 and 2006 associated with noncurrent assets held for sale are reclassified and included in income from continuing operations for all period presented.

* SGVMC111690 *

In January 2009, the Parent Company and AG&P paid the existing obligations of AG&P with creditor banks amounting to ₱650 million.

In February 17, 2009, AG&P filed a motion to the court for issuance of an order granting exit from rehabilitation on the financial and operating results, payment of rehabilitation liabilities, employment generation, and compliance with the requirements of the rehabilitation plan.

21. Equity

The Parent Company's capital stock consists of:

	2008		2007	
	Shares	Amount	Shares	Amount
Preferred stock - ₱1 par value cumulative and convertible Authorized	100,000,000	₱100,000,000	100,000,000	₱100,000,000
Issued				
Balance at beginning of year	4,480	₱4,480	5,480	₱5,480
Cancellation/retirement of shares	(100)	(100)	(1,000)	(1,000)
Balance at end of year	4,380	4,380	4,480	4,480
Common stock - ₱1 par value Authorized	5,900,000,000	5,900,000,000	5,900,000,000	5,900,000,000
Issued				
Balance at beginning of year	2,255,494,000	2,255,494,000	2,255,494,000	2,255,494,000
Issuance of shares	400,000,000	400,000,000	400,000,000	400,000,000
Balance at end of year	2,655,494,000	2,655,494,000	2,655,494,000	2,655,494,000
Preferred shares held in treasury				
Balance at beginning of year	-	-	(1,000)	(1,000)
Cancellation/retirement of shares	-	-	1,000	1,000
Balance at end of year	-	-	-	-

The preferred stock is redeemable, convertible, non-voting, non-participating and cumulative with par value of ₱1.00 per share. The preferred shares were fully redeemed, cancelled and paid as of December 31, 2008 and 2007.

The Group cancelled/retired 100 and 139,000 issued preferred shares in 2008 and 2007, respectively. The difference between the par value and the redemption price amounting to ₱189.83 million as of 2007, respectively, were charged against the additional paid in capital account.

The BOD, at various dates, approved the issuance of additional 400,000,000 common shares out of the Parent Company's existing unissued authorized capital stock in favor of Dacon Corporation at prices ranging from ₱6.70 per share to ₱7.52 per share or a total price of ₱1.90 billion. As required by the PSE Listing Rules, the stockholders approved the issuance of new 400 million voting common shares in favor of Dacon. Likewise, the waiver of the rights/public offering of the new 400 million voting common shares to be issued to Dacon was approved by the majority of the minority stockholders.

Retained Earnings

Retained earnings is restricted to the extent of the acquisition cost of the treasury shares amounting to ₱1.10 million and ₱187.21 million as of December 31, 2006 and 2005, respectively.

* SGVMC111690 *

Dividends declared

On April 24, 2008 and April 3, 2007, the Parent Company's BOD approved and declared cash dividend of ₱0.10 per share or ₱265.53 million and ₱225.55 million to stockholders of record as of May 12, 2008 and April 30, 2007, respectively. The 2008 and 2007 cash dividends were paid on May 30, 2008 and May 28, 2007, respectively.

Capital Management

The primary objective of the Group's capital management strategy is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares. The Group considers total stockholders' equity as capital

22. 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 Parent Company and DMCI for various credit facilities granted to and for full performance of certain obligations by certain related parties. 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.

Related parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making the financing and operating activities. Parties are also considered to be related if they are subject to common control of common significant influence.

Related parties may be individual or corporate entities.

Outstanding balances as of December 31, 2008, which are unsecured and interest free, are all due within one year. The Group has provided allowance for doubtful accounts for amounts owned by related parties that are deemed uncollectible (see Note 6). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

Key management personnel of the Group include all directors and senior management. The aggregate compensation and benefits of key management personnel of the Group follows:

	2008	2007
Short-term employee benefits	₱58,559,443	₱37,665,856
Post employment benefits (Note 23)	9,754,919	24,902,972
	₱68,314,362	₱62,568,828

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

23. Employee Benefits

Retirement Plans

The Group has both unfunded (DMCI-HI and PDI) and funded (other subsidiaries), 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, 2008.

The following table summarizes the components of net pension expense (included in "Salaries, wages and employee benefits" account) in the consolidated statement of income:

	2008	2007	2006
Current service cost	₱31,276,556	₱25,115,481	₱28,500,069
Interest cost on benefit obligation	36,039,420	20,580,162	20,338,178
Expected return on plan assets	(31,513,522)	(32,586,949)	(12,730,102)
Net actuarial loss (gain) recognized during the year	14,720,774	106,114,093	(5,522,355)
Past service cost - non vested benefit	2,030,814	1,995,482	141,163
Past service cost - vested benefit	-	44,400,037	-
Amortization of transition obligation recognized during the year	399,817	399,820	399,820
Total pension expense	₱52,953,859	₱166,018,126	₱31,126,773
Actual return on plan assets	₱140,742,799	₱101,044,585	₱104,026,975

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

	2008	2007	2006
Balance at beginning of year	₱461,983,333	₱277,391,997	₱171,856,371
Reclassification from noncurrent assets held for sale	53,000,000	-	-
Expected return on plan assets	31,513,522	32,586,949	12,730,102
Actual contributions	60,795,994	84,280,361	19,650,846
Benefits paid	(25,676,414)	(715,889)	(5,412,093)
Transfer of assets	(145,191)	(17,721)	-
Actuarial gain - net	(209,494,556)	68,457,636	78,566,771
Balance at end of year	₱371,976,688	₱461,983,333	₱277,391,997

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

	2008	2007	2006
Balance at beginning of year	₱337,317,474	₱250,164,117	₱194,656,679
Reclassification from noncurrent assets held for sale	44,995,903	-	-
Interest cost	36,039,420	20,580,162	20,338,178
Current service cost	31,276,556	25,115,481	28,500,069
Past service cost - non vested benefit	-	17,052,039	-
Past service cost - vested benefit	-	44,400,037	1,468,002
Benefits paid	(25,676,414)	(2,213,404)	(5,412,093)
Transfer of obligations	(145,191)	(17,721)	-
Actuarial (gain) loss - net	(95,394,512)	(17,763,237)	10,613,282
Balance at end of year	₱328,413,236	₱337,317,474	₱250,164,117

Liability to be recognized in the consolidated balance sheet:

	2008	2007	2006
Present value of unfunded obligation	₱328,413,236	₱337,317,474	₱250,164,117
Fair value of plan assets	371,976,688	461,983,333	277,391,997
Excess of fair value of plan assets over present value of unfunded obligation	(43,563,452)	(124,665,859)	(27,227,880)
Unrecognized actuarial gain (loss) - net	167,586,010	268,860,502	76,525,534
Unrecognized past service cost - non vested	(14,776,564)	(16,383,396)	(1,326,839)
Unrecognized net transition obligation	-	(140,373)	(799,639)
Unrecognized net assets	-	(259,447)	-
Liabilities to be recognized in the consolidated balance sheets	₱109,245,994	₱127,411,427	₱47,171,176

The amounts for the current and the previous period follow:

	2008	2007
Excess of fair value of plant asset over present value of define benefit obligation	(₱43,563,452)	(₱124,665,859)
Experience adjustments on plan obligation	(85,485,722)	1,663,542
Experience adjustments on plan assets	(209,130,346)	68,457,636

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

	2008	2007	2006
Discount rate	8.00% to 12.93%	7.97% to 10.43%	12%
Salary increase rate	10%	10%	10%
Expected rate of return on plan assets	7%	7%	12%

The Company expects to contribute about ₱70 million into the pension fund for the annual period ending December 31, 2009.

24. Costs of Sales and Services

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

	2008	2007	2006
Included in:			
Coal sales	₱1,574,811,504	₱1,537,383,602	₱1,335,762,599
Construction contracts	185,935,507	103,559,125	32,270,888
Operating expenses (Note 25)	231,253,905	148,641,163	138,044,319
	₱1,992,000,916	₱1,789,583,890	₱1,506,077,806
Depreciation, depletion and amortization of:			
Property, plant and equipment (Note 12)	₱1,529,114,644	₱1,675,636,127	₱1,412,572,417
Other noncurrent assets (Note 13)	1,049,361	853,031	412,738
Investment properties (Note 11)	3,969,919	3,483,566	3,762,215
	₱1,534,133,924	₱1,679,972,724	₱1,416,747,370

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

	2008	2007	2006
Included in:			
Costs of construction contracts	₱782,637,765	₱698,880,167	₱330,959,847
Operating expenses (Note 25)	450,937,506	414,599,107	242,863,378
Costs of coal sales	264,843,502	244,503,934	140,330,673
	₱1,498,418,773	₱1,357,983,208	₱714,153,898

25. Operating Expenses

This account consists of:

	2008	2007	2006
Salaries, wages and employee benefits (Note 24)	₱450,937,506	₱414,599,107	₱242,863,378
Government share	253,381,663	191,290,056	138,272,655
Advertising and marketing	243,342,972	347,920,517	46,340,977
Depreciation and amortization (Note 24)	231,253,905	148,641,163	138,044,319
Taxes and licenses	220,016,070	135,975,995	68,132,462
Commission	218,228,133	140,299,511	94,521,259
Outside services	108,186,991	156,757,220	101,680,473
Transportation and travel	97,919,249	35,833,955	52,198,784
Repairs and maintenance	96,892,805	51,355,764	24,655,285
Rent (Note 34)	64,517,633	44,093,211	38,632,568
Supplies	63,405,222	38,376,252	36,988,586
Communication, light and water	59,890,435	37,146,692	31,714,434
Provision for doubtful accounts	54,123,351	4,434,241	105,840,759
Entertainment, amusement and recreation	33,413,272	28,267,273	37,169,852

(Forward)

	2008	2007	2006
Insurance	₱12,519,454	₱9,455,113	₱4,887,833
Probable losses on noncurrent assets	–	20,187,583	–
Probable losses on investments	–	–	103,388,649
Provision for inventory obsolescence	–	–	39,787,613
Miscellaneous	189,232,441	66,691,800	32,686,076
	₱2,397,261,102	₱1,871,325,453	₱1,337,805,962

26. Finance Income

Finance income is derived from the following sources:

	2008	2007	2006
Interest on:			
Real estate receivable	₱413,524,398	₱258,558,285	₱215,878,662
Short-term placements	125,149,723	88,600,371	109,820,228
Bank savings account	33,877,899	24,376,963	32,615,975
	₱572,552,020	₱371,535,619	₱358,314,865

27. Finance Costs

The finance costs are incurred from the following:

	2008	2007	2006
Interest on:			
Bank loans and short-term borrowings	₱452,857,492	200,032,276	164,685,703
Long-term borrowings	97,625,472	₱251,133,948	₱236,063,229
Loans to affiliated entities	971,821	63,496,109	3,978,082
Purchase contracts	612,488	704,515	23,974,286
	₱552,067,273	₱515,366,848	₱428,701,300

28. Other Income (Charges)

This account consists of:

	2008	2007	2006
Rental income	₱96,406,883	₱61,067,342	₱60,161,360
Dividend income	47,978,565	3,937,366	6,972
Foreign exchange gain - net	12,749,249	21,841,413	104,494,141
Commission income	1,974,157	–	–
Gain on sale of property and equipment - net	43,304	11,396,121	162,529,260
Write off of deposits	–	(300,000,000)	–
Others	167,930,705	64,479,079	88,933,670
	₱327,082,863	(₱137,278,679)	₱416,125,403

29. Income Taxes

The components of net deferred tax assets as of December 31, 2008 and 2007 follow:

	2008	2007
Deferred tax assets on:		
Allowance for:		
Doubtful accounts	₱1,786,205	₱15,894,338
Inventory obsolescence	1,926,083	3,409,439
Probable loss	-	7,500,000
Pension liabilities	5,154,915	23,420,271
Accrued expenses and other expense	481,219	-
Unrealized forex loss	1,309,877	-
Unamortized discount on receivables	-	25,762,434
NOLCO	25,599,696	-
MCIT	480,851	-
	36,738,846	75,986,482
Deferred tax liabilities on:		
Excess of book over tax income pertaining to construction contracts and real estate sales	-	(58,239,527)
Unamortized discount on payable to landowners	(572,933)	-
Others - net unrealized gain	(1,266,860)	(600,358)
	(1,839,793)	(58,839,885)
	₱34,899,053	₱17,146,597

The components of net deferred tax liabilities as of December 31, 2008 and 2007 follow:

	2008	2007
Deferred tax assets on:		
Allowance for:		
Doubtful accounts	₱88,132,846	₱9,415,997
Inventory obsolescence	15,986,077	18,650,424
Probable loss	14,412,747	28,176,508
Unamortized discount on receivables	34,173,401	43,246,519
Pension liabilities	51,653,963	21,173,729
Accrued expenses and other expense	5,645,154	6,586,014
Provision for decommissioning and site rehabilitation	3,961,295	4,271,819
Unamortized discount on security deposits	9,383,914	-
Unearned rental income	6,456,115	-
MCIT	40,884,737	-
	270,690,249	131,521,010

(Forward)

	2008	2007
Deferred tax liabilities on:		
Incremental cost of property, plant and equipment	(46,951,572)	(80,363,926)
Excess of book over tax income pertaining to construction contracts and real estate sales	(187,963,352)	(67,794,941)
Unamortized discount on payable to landowners	(25,734,355)	(21,915,999)
Unamortized prepaid rent	(9,329,535)	-
Excess of pension contributions over pension cost	(4,597,243)	-
Asset revaluation - appraisal increase on Investment properties and property and equipment	(438,592,688)	-
Capitalized interest on real estate for sale and development deducted in advance	(2,262,297)	-
Others - net unrealized gain	(17,527,104)	(44,525,952)
	(732,958,146)	(214,600,818)
	(P462,267,897)	(P83,079,808)

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

	2008	2007
Allowance for losses on assets	P115,326,489	P25,740,844
Allowance for doubtful accounts	143,932,389	2,954,879
NOLCO	82,945,795	-
Accrued expenses	79,480,249	-
MCIT	3,890,797	-
	P425,575,719	P28,695,723

The deferred income tax effects of the above deductible temporary differences for which no deferred tax assets are recognized amounted to P130.4 million and P10.04 million as of December 1, 2008 and December 31, 2007, respectively. 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 2007, the Group recognized portion of deferred income tax effects of the deductible temporary differences not recognized in prior years and this amounted to P14.58 million.

As of December 31, 2007, the Group's available NOLCO amounting to P14.36 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 statement of income consists of:

	2008	2007	2006
Final	₱5,995,727	₱13,825,954	₱9,396,980
Current	615,524,488	484,153,681	514,368,812
Deferred	73,630,156	(21,079,640)	(61,137,989)
	₱695,150,371	₱476,899,995	₱462,627,803

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

	2008	2007	2006
Statutory income tax rate	35.00%	35.00%	35.00%
Adjustments for:			
Changes in unrecognized deferred tax assets	4.41	0.79	(1.24)
Nondeductible interest expense	0.47	0.11	1.17
Nondeductible expenses	0.26	0.20	0.02
Nondeductible (nontaxable) equity in net losses (earnings) of associates and jointly controlled entities	3.08	(18.50)	(0.53)
Interest income subjected to final tax at a lower rate - net	(0.91)	(1.21)	(2.58)
Additional deductible expenses	(0.09)	(0.10)	
Gain on sale of investments in shares of stock subjected to final tax	-	(2.01)	(6.75)
Non taxable dividend income	(0.02)	(1.21)	-
Tax-exempt income	(10.64)		
Gain on sale of dilution	-	(1.81)	-
Change in tax rate	(6.11)	6.29	-
Others - net	-	-	1.07
Effective income tax rate	25.45%	17.55%	26.16%

Republic Act (RA) No. 9337, that was enacted into law in 2005, amended various provisions in the existing 1997 National Internal Revenue Code. Among the reforms introduced by the said RA was the reduction of the income tax rate from 35% to 30% beginning January 1, 2009. It further provides that nondeductible interest expense shall be reduced from 42% to 33% of interest income subjected to final tax beginning January 1, 2009.

Board of Investments (BOI) Incentives

In 2008 and 2007, the BOI issued in favor of PDI a Certificate of Registration as a New Developer of Mass Housing Project for its 4 real estate projects in accordance with the Omnibus Investment Code of 1987. Pursuant thereto, the projects has been granted an Income Tax Holiday for a period of four (4) years commencing from 2007 until 2011.

On September 26, 2008, the BOI issued in favor of Semirara a Certificate of Registration as an Expanding Producer of Coal in accordance with the provisions of the Omnibus Investments Code of 1987. Pursuant thereto, the Semirara shall be entitled to Income Tax Holiday for six (6) years. Semirara shall initially be granted a four (4) year ITH. The additional two (2) year ITH shall be granted upon submission of completed or on-going projects in compliance with its Corporate Social Responsibility (CSR), which shall be submitted before the lapse of its initial four (4) year ITH.

30. Basic / Diluted Earnings Per Share

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

	2008	2007	2006
Net income	₱1,687,900	₱2,273,756	₱1,135,299
Divided by weighted average number of common shares	2,655,494	2,409,577	2,255,494
Basic earnings per share	₱0.64	₱0.94	₱0.50

The assumed conversion of the Group's preferred shares has no dilutive effect. Accordingly, no diluted earnings per share is presented in the accompanying consolidated statement of income in 2008, 2007 and 2006.

31. Coal Supply Agreements with NPC, Solid Cement Corporation and APO

NPC

Semirara has a CSA with NPC, a major customer, dated May 19, 1995, whereby the Company agreed to sell and NPC agreed to buy from the Company the local coal requirements of its 2 x 300 megawatt coal-fired power plants at Calaca, Batangas (Calaca I & II).

The CSA is effective for 15 years up to May 2010. Subsequent amendments have been made to the CSA in 2001 and 2002 and the most relevant among those amendments included the following:

- a) 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;
- b) maintenance by the Company, 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;
- c) 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;
- d) 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;

- e) 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 the Company'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; and
- f) changes in the computation of the adjustment for penalty or bonus from the base price per MT.

In 2003, the supplemental agreement (The Agreement) to the CSA has been finalized. The Agreement provided for, among others, the services to be undertaken by the Company 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 the Company 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. The Company recognized a loss of ₱11.09 million in 2008 and an income of ₱23.40 million and ₱25.98 million in 2007 and 2006, respectively, from this handling operation.

The Company's receivables from NPC amounted to ₱1,210.71 million and ₱471.65 million as of December 31, 2008 and 2007, respectively.

Solid and SSP

The Company has existing MOAs with Solid and SSP. These MOAs cover coal deliveries aggregating to 20,000 MT in 2007 and 36,000 MT in 2006 with an estimated base price of ₱2,900.00 per MT for SSP and ₱1,800.00 per MT for Solid.

As provided for in the MOA, the Company received advance payments that are subsequently applied against coal delivery sales. The unapplied portion of these advance payments are presented as "Customers' advances and deposits" account in the balance sheet (Note 17).

32. 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 is for a maximum period of 35 years (inclusive of the developmental stage and renewals) up to July 2012. The contract also provides for the manner and basis of sharing the gross proceeds from coal production between the Company and DOE. The Company's provision for DOE's share (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 ₱253.38 million and ₱191.29 million as of December 31, 2008 and 2007, respectively. The liabilities, amounting to ₱52.73 million and ₱53.56 million are included under the "Accounts and other payables" account in the balance sheet (see Note 16).

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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.

33. 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, real estate development, water and Parent Company and others.

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, 2008, 2007 and 2006 and property, plant and equipment additions, total assets and total liabilities for the business segments as of December 31, 2008, 2007 and 2006 (amounts in millions):

2008

	General Construction	Mining	Real Estate Development	Water	Parent Company and Others	Total
Revenue	P6,728	P8,941	P4,737	P-	P752	P21,158
Net income	394	810	757	81	(6)	2,036
Depreciation, Depletion and Amortization	404	1,084	38	-	4	1,530
Net finance income (expense)	(73)	(25)	82	-	36	20
Income taxes	219	244	218	-	14	695
Property, plant and equipment additions	577	1,721	189	-	137	2,624
Segment Assets	8,536	6,484	16,441	3,037	1,235	35,733
Segment Liabilities	6,153	1,963	8,821	-	337	17,274

2007

	General Construction	Mining	Real Estate Development	Water	Parent Company and Others	Total
Revenue	P4,685	P6,467	P2,455	P-	P569	P14,176
Net income	324	632	671	1,239	240	3,106
Depreciation, Depletion and Amortization	104	1,335	10	-	231	1,680
Net finance income (expense)	(17)	(100)	79	-	(106)	(144)
Income taxes	(18)	327	180	-	56	545
Property, plant and equipment additions	550	353	263	-	85	1,251
Segment Assets	7,073	6,612	7,756	3,037	3,829	28,307
Segment Liabilities	3,282	1,979	5,126	-	1,256	11,643

2006

	General Construction	Mining	Real Estate Development	Water	Parent Company and Others	Total
Revenue	₱2,933	₱4,688	₱1,905	₱-	₱362	₱9,888
Net income	137	601	287	(28)	386	1,383
Depreciation, Depletion and Amortization	32	1,336	12	-	33	1,413
Net finance income (expense)	(6)	(159)	112	-	59	6
Income taxes	86	309	59	-	9	463
Property, plant and equipment additions	139	1,504	35	-	13	1,691
Segment Assets	5,405	6,265	3,351	37	12,433	20,625
Segment Liabilities	1,092	2,254	3,947	-	1,648	8,939

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

34. Financial Instruments

Fair Value of Financial Instruments

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, 2008 and 2007.

	2008		2007	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Loans and Receivables				
Cash and cash equivalents				
Cash on hand and in banks	₱1,387,248,507	₱1,387,248,507	₱823,987,335	₱823,987,335
Cash equivalents	1,681,374,630	1,681,374,630	2,715,660,264	2,715,660,264
Receivables - net				
Trade				
Real estate	4,328,215,558	5,535,888,432	2,753,686,371	3,408,218,524
General construction	1,303,863,614	1,303,863,614	534,090,850	534,090,850
Coal mining	1,746,515,688	1,746,515,688	1,066,938,992	1,066,938,992
Receivable from related parties	1,220,009,755	1,220,009,755	303,614,528	303,614,528
Advances to officers and employees	60,570,452	60,570,452	11,848,505	11,848,505
Other receivables	488,889,101	488,889,101	245,601,436	245,601,436
Refundable deposits	430,068,490	430,068,490	142,846,122	142,846,122
	12,646,755,795	13,854,428,669	8,598,274,403	9,252,806,556
AFS investments				
Quoted securities	25,727,237	25,727,237	29,602,368	29,602,368
Unquoted securities	177,205,834	177,205,834	173,070,692	173,070,692
	202,933,071	202,933,071	202,673,060	202,673,060
	₱12,849,688,866	₱14,057,361,740	₱8,800,947,463	₱9,455,479,616
Financial Liabilities				
Accounts and other payables	₱6,484,123,139	₱6,484,123,139	₱2,766,998,825	₱2,766,998,825
Liabilities for purchased land	926,732,340	758,563,511	602,940,101	593,528,002
Payable to related parties	891,838,563	891,838,563	378,888,940	378,888,940
Loans payable and long-term debt - including current portion	6,829,761,644	6,865,443,356	3,905,616,785	4,440,900,617
Other noncurrent liabilities	17,954,316	17,954,316	16,955,199	16,955,199
	₱15,150,410,002	₱15,017,922,885	₱7,671,399,850	₱8,197,271,583

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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:

Financial Assets

The fair values of cash and short-term receivables approximate their carrying amounts as of balance sheet dates due to the short-term nature of the transactions.

The fair values of real estate receivable are calculated by discounting expected future cash flows at applicable rates for similar instruments using the remaining terms of maturity. The discount rate used in 2008 and 2007 ranged from 10.00% to 13.00%.

For AFS investment in unquoted equity securities, these are carried and presented at cost since fair value is not reasonably determine due to the unpredictable nature of future cash flows and without any other suitable methods of arriving at a reliable fair value approximate its fair value.

Refundable deposits are carried at cost since these are mostly deposits to a utility company as a consequence of its subscription to the electricity services of the said utility company needed for the Group's residential units.

Financial Liabilities

The fair values of accounts and other payables and accrued expenses and payables to affiliated companies approximate their carrying amounts as of balance sheet dates due to the short-term nature of the transactions.

Estimated fair value of long-term fixed rate loans is based on the discounted value of future cash flows using the applicable rates for similar types of loans. For floating rate loans, the carrying value approximates the fair value because of recent and regular repricing (quarterly) based on market conditions.

Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise interest-bearing loans and borrowings. The main purpose of these financial instruments is to raise financing for its operations and capital expenditures. The Group 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. Majority of revenues are generated in Pesos and some of the capital expenditures are in US\$. Approximately 6.39% and 46% of debts as of December 31, 2008 and 2007, respectively, were denominated in US\$.

Information on the Group's foreign currency-denominated monetary assets and liabilities and their Philippine peso equivalents as of December 31, 2008 and 2007 follows:

	2008			
	U.S. Dollar	Japanese Yen	UK Pounds	Php Equivalent
Assets				
Cash and cash equivalents	\$4,909,645	¥789,397	£35,050	₱237,288,591
Trade receivables				
Coal mining	154,547	—	—	154,547
General Construction	5,147,064	—	—	5,147,064
	10,211,256	789,397	35,050	242,590,202
Liabilities				
Accounts and other payables	4,402,469	—	—	4,402,469
Long-term debt (including current portion)	7,475,029	—	—	7,475,029
	11,877,498	—	—	11,877,498
Net foreign currency denominated assets	(\$1,666,242)	¥789,397	£35,050	₱230,712,704

	2007			
	U.S. Dollar	Japanese Yen	UK Pounds	Php Equivalent
Assets				
Cash and cash equivalents	\$32,907,409	¥40,000,000	£233,367	₱1,469,029,399
Trade receivables				
Coal mining	7,129,269	—	—	294,296,224
Investment in Stocks	1,000,000	—	—	46,650,000
	41,036,678	40,000,000	233,367	1,809,975,623
Liabilities				
Accounts and other payables	1,669,348	—	—	68,910,685
Long-term debt (including current portion)	12,065,361	—	—	498,058,102
	13,734,709	—	—	566,968,787
Net foreign currency denominated assets	\$27,301,969	¥40,000,000	£233,367	₱1,243,006,836

The exchange rates used to restate the Group's foreign currency-denominated assets and liabilities as of December 31, 2008 and 2007 follow:

	2008	2007
US Dollar - Philippine Peso	₱47.52 to US\$1.00	₱41.28 to US\$1.00
Japanese Yen - Philippine Peso	0.52 to ¥1.00	0.36 to ¥1.00
UK Pounds - Philippine Peso	₱70.09 to UK1.00	₱82.64 to UK1.00

The following table demonstrates the sensitivity to a reasonably possible change in foreign exchange rates, with all variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities) and equity on December 31, 2008.

Increase/(decrease) in Peso per U.S. Dollar rates	₱1	(₱1)
Effect on profit before tax	(35,064)	35,064
Effect on equity	(35,064)	35,064
Increase/(decrease) in Peso per Japanese Yen	₱0.05	(₱0.05)
Effect on profit before tax	75,904	(75,904)
Effect on equity	75,904	(75,904)

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Increase/(decrease) in Peso per UK Pounds	₱8	(₱8)
Effect on profit before tax	4,001	(4,001)
Effect on equity	4,001	(4,001)

The Group recognized ₱9.70 million and ₱266.67 million foreign exchange gain for the years ended December 31, 2008 and 2007, respectively, arising from the translation of the Group's cash and cash equivalents, trade receivables and long-term debt.

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. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

With respect to the credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The Group transacts only with institutions or banks that have proven track record in financial soundness.

Given the Group's diverse base of counterparties, it is not exposed to large concentrations of credit risk.

The table below shows the gross maximum exposure to credit risk for the components of the balance sheet.

	2008	2007
Balance sheet items		
Cash and cash equivalents		
Cash on hand and in banks	₱1,387,248,507	₱823,987,335
Cash equivalents	1,681,374,630	2,715,660,264
Available-for-sale financial assets		
Quoted securities	25,727,237	29,602,368
Unquoted securities	177,205,834	173,070,692
Receivables		
Trade		
Real estate	3,749,128,979	2,753,686,371
General construction	1,657,594,648	534,090,850
Coal Mining	1,773,418,539	1,066,938,992
Receivable from related parties	1,220,009,755	303,614,528
Advances to officers and employees	60,570,452	11,848,505
Other receivables	489,783,733	245,601,436
Refundable deposits	430,068,490	142,846,122
Total credit risk exposure	₱12,652,130,804	₱8,800,947,463

As of December 31, 2008 and 2007, the credit quality per class of financial assets that were neither past due nor impaired is as follows:

2008

	Neither past due nor impaired			Past due or Individually impaired	Total
	Grade A	Grade B	Grade C		
Cash and cash equivalents	P3,068,623,137	P-	P-	P-	P3,068,623,137
Available-for-sale financial assets	202,933,071	-	-	-	202,933,071
Trade:					
Real estate	2,888,630,277	506,082,419	-	995,636,904	4,390,349,600
General construction	1,301,190,504	-	-	356,404,144	1,657,594,648
Coal Mining	767,844,423	72,668,132	-	932,905,984	1,773,418,539
Receivable from related parties	1,220,009,755	-	-	-	1,220,009,755
Advances to officers and employees	60,145,537	-	-	424,915	60,570,452
Other receivables	307,580,755	126,894,652	-	55,308,326	489,783,733
Refundable deposits	430,068,490	-	-	-	430,068,490
Total	P10,247,025,949	P705,645,203	P-	P2,340,680,273	P13,293,351,425

2007

	Neither past due nor impaired			Past due or Individually Impaired	Total
	Grade A	Grade B	Grade C		
Cash and cash equivalents	P3,539,647,599	P-	P-	P-	P3,539,647,599
Available-for-sale financial assets	202,673,060	-	-	-	202,673,060
Trade:					
Real estate	1,032,693,661	753,875,283	-	967,117,427	2,753,686,371
General construction	283,341,804	212,285,519	-	38,463,527	534,090,850
Coal Mining	663,816,967	90,726,026	-	312,395,999	1,066,938,992
Receivable from related parties	303,614,528	-	-	-	303,614,528
Advances to officers and employees	11,848,505	-	-	-	11,848,505
Other receivables	223,374,401	-	-	7,380,686	230,755,087
Refundable deposits	142,846,122	-	-	-	142,846,122
Total	P6,403,856,647	P1,056,886,828	P-	P1,325,357,639	P8,786,101,114

As of December 31, 2008 and 2007, the aging analysis of the Group's receivables presented per class follows:

2008

	Neither Due nor Impaired	Past due but not impaired					Impaired Assets	Total
		<30 days	30-60 days	60-90 days	90-120 days	>120 days		
Receivables								
Trade								
Real estate	P3,084,547,724	P362,080,764	P 155,110,395	P99,758,387	P292,167,034	P86,520,324	P310,164,972	
General construction	1,301,190,504	-	-	-	-	-	356,404,144	
Coal Mining	840,512,555	880,447,054	44,770,426	-	-	-	7,688,504	
Due from related parties	1,220,009,755	-	-	-	-	-	-	
Advances to officers and employees	60,145,537	-	-	-	-	-	424,915	
Other receivables	434,475,407	-	-	-	-	-	55,308,326	
Refundable deposits	430,068,490	-	-	-	-	-	-	
Total	P7,370,949,972	P1,242,527,818	P199,880,821	P99,758,387	P292,167,034	P86,520,324	P729,990,861	
							P10,021,795,217	

2007

	Neither Due nor Impaired	Past due but not impaired					Impaired Assets	Total
		<30 days	30-60 days	60-90 days	90-120 days	>120 days		
(In thousands)								
Receivables								
Trade								
Real estate	₱1,845,462,692	₱79,542,610	₱206,401,675	₱164,550,168	₱262,099,970	₱187,618,565	₱8,010,691	₱2,753,686,371
General construction	495,627,323						38,463,527	534,090,850
Coal Mining	754,542,993	120,135,794	90,101,849	60,067,899	15,187,607		26,902,850	1,066,938,992
Due from related parties	303,614,528							303,614,528
Advances to officers and employees	11,848,505							11,848,505
Other receivables	223,374,401						7,380,686	230,755,087
Refundable deposits	142,846,122							142,846,122
Total	₱3,777,316,564	₱199,678,404	₱296,503,524	₱224,618,067	₱277,287,577	₱187,618,565	₱80,757,754	₱5,043,780,455

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.

2008

	Within 1 year	1-2 years	2-3 years	3-4 years	Total - Gross (In US\$)	Total - Gross (in PHP)
Liabilities:						
Floating Rate						
US\$15.14 million loan						
6 month USD LIBOR plus 1.5% per annum	\$3,027,672	\$1,321,546	\$-	\$-	\$4,349,218	₱206,674,854
US\$6.64 million loan						
3 month SIBOR plus 1.95% per annum	\$1,562,824	\$1,562,824	\$-	\$-	\$3,125,648	148,530,748
Fixed Rate						
Various letters of credits and suppliers debt with various interest rates	₱725,363	-	-	-	-	725,363
Various local bank loans						
7.88% to 14.4%	₱769,115,928	₱659,091,280	₱507,319,702	-	-	1,935,526,910
Long-term debt (contracts receivables discounting)						
7.5% to 10%	₱921,419,320	₱928,482,365	₱737,364,114	₱626,855,823	-	3,214,121,622
					\$7,474,866	₱5,505,579,497

2007

	Within 1 year	1-2 years	2-3 years	3-4 years	Total - Gross (In US\$)	Total - Gross (in PHP)
Liabilities:						
Floating Rate						
US\$15.14 million loan						
6 month USD LIBOR plus 1.5% per annum	\$3,027,672	\$3,027,672	\$1,321,546	–	\$7,376,890	₱304,518,019
US\$6.64 million loan						
3 month SIBOR plus 1.95% per annum	\$1,562,824	\$1,562,824	\$1,562,824	–	\$4,688,472	193,540,124
Fixed Rate						
Various letters of credits and suppliers debt with various interest rates	₱302,211,822	–	–	–	–	302,211,822
Various local bank loans 7.88% to 14.4%	₱662,943,987	₱232,117,894	–	–	–	895,061,881
Long-term debt (contracts receivables discounting) 7.5% to 10%	₱647,748,066	₱405,858,732	₱286,149,892	₱789,377,919	–	2,129,134,609
					\$12,065,362	₱3,824,466,454

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.

2008

	Within 1 year	1-2 years	2-3 years	3-4 years	More than 4 years	Fair Value
	(In Thousands)					
Cash equivalents						
Interest Rates 5.25% to 6.5%	₱2,354,284	₱–	₱–	₱–	₱–	₱2,354,284
Contracts receivable						
Effective Interest Rates 10% to 21.50%	619,298	582,583	507,718	506,973	1,613,270	3,829,842
	₱2,973,582	₱582,583	₱507,718	₱506,973	₱1,613,270	₱6,184,126
Long-term debts						
Fixed Rate						
Local bank loan (contracts receivables discounting) 7.5% to 10% interest rate	₱932,826	₱584,480	₱412,087	₱304,603	₱693,488	₱2,927,484
Various local bank loans 7.88% to 14.4% interest rate	875,151	306,419	–	–	–	1,181,570
Various letters of credit 8-11% interest rate	725,363	–	–	–	–	725,363
Floating Rate						
\$15.14 million loan (USD) 6 month USD LIBOR Plus 1.5% per annum	143,875	62,800	–	–	–	206,675
\$6.64 million loan (USD) 3 month SIBOR Plus 1.95% per annum	74,265	74,265	–	–	–	148,530
	₱2,751,480	₱1,027,964	₱412,087	₱304,603	₱693,488	₱5,189,622

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2007

	Within 1 year	1-2 years	2-3 years	3-4 years	More than 4 years	Fair Value
(In Thousands)						
Cash equivalents						
Interest Rates						
5.25% to 6.5%	₱2,715,660	₱-	₱-	₱-	₱-	₱2,715,660
Contracts receivable						
Effective Interest Rates						
10% to 21.50%	454,866	427,511	372,912	372,365	1,184,926	2,812,580
	₱3,170,526	₱427,511	₱372,912	₱372,365	₱1,184,926	₱5,528,240
Long-term debts						
Fixed Rate						
Local bank loan (contracts receivables discounting)	₱647,748	₱405,859	₱286,150	₱211,514	₱577,864	₱2,129,135
7.5% to 10% interest rate						
Various local bank loans	662,944	232,118	-	-	-	895,062
7.88% to 14.4% interest rate						
Various letters of credit	302,212	-	-	-	-	302,212
8-11% interest rate						
Floating Rate						
\$15.14 million loan (USD)	124,982	124,982	54,554	-	-	304,518
6 month USD LIBOR						
Plus 1.5% per annum						
\$6.64 million loan (USD)	64,513	64,513	64,513	-	-	193,539
3 month SIBOR						
Plus 1.95% per annum						
	₱1,802,399	₱827,472	₱405,218	₱211,514	₱577,864	₱3,824,466

The following table demonstrates the sensitivity of the Group's profit before tax and equity to a reasonably possible change in interest rates on December 31, 2007, with all variables held constant, through the impact on floating rate borrowings.

	Change in basis points	
	+100 basis points	
	Effect on income before income tax	
	2008	2007
	(In thousands)	
Company - floating rate borrowings	₱3,555	(₱4,981)

35. 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.

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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, 2008, 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	₱701,518,163
After one year but not more than five years	374,431,457
<u>Total minimum lease payments</u>	<u>₱1,075,949,620</u>

36. Note to Consolidated Statements of Cash Flows

The Group's significant noncash investing and financing activities follow:

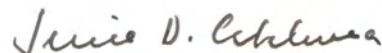
	2008	2007
	(In Thousands)	
Acquisition of conventional and continuous mining equipment on account	₱60,678,076	₱-
Conversion of advances for additional shares in AG&P		478,152

**INDEPENDENT AUDITORS' REPORT
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 Philippine Standards on Auditing, the consolidated financial statements of DMCI Holdings, Inc. and subsidiaries included in this Form 17-A and have issued our report thereon dated April 23, 2009. Our audits were made for the purpose of forming an opinion on the basic 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. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68.1 and SEC Memorandum Circular No. 11, Series of 2008 and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state in all material respect the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Jessie D. Cabaluna

Partner

CPA Certificate No. 36317

SEC Accreditation No. 0069-AR-1

Tax Identification No. 102-082-365

PTR No. 1566411, January 5, 2009, Makati City

April 23, 2009



DMCI HOLDINGS, INC.

**SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 2008**

Unappropriated Retained Earnings, as adjusted to available for dividend distribution, beginning		₱2,836,543,264
Add: Net income actually earned/realized during the year		
Net income during the year closed to Retained Earnings	653,557,491	
Add: Non-actual losses		
Discount on payable to landowners	2,954,236	
Accretion of discount on payable to landowners	1,501,865	
Net income actually earned during the period		658,013,592
Add (less):		
Dividend declarations during the period		(265,529,629)
Unappropriated Retained Earnings, available for dividend distribution, ending		₱3,229,027,227

* SGVMC111690 *



DMCI HOLDINGS, INC. AND SUBSIDIARIES
SCHEDULE A - MARKETABLE SECURITIES (CURRENT MARKETABLE EQUITY SECURITIES AND
OTHER SHORT-TERM CASH INVESTMENTS)
As of December 31, 2008

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		P 202,933,071		P 0
Cash equivalents		<u>1,681,374,630</u>		
		<u>P 1,884,307,701</u>		<u>P -</u>



DMCI HOLDINGS, INC. AND SUBSIDIARIES
SCHEDULE B - AMOUNTS RECEIVABLE FROM DIRECTORS,
OFFICERS AND EMPLOYEES

As of December 31, 2008

Emp. No.	Name	AMOUNT
----------	------	--------

Advances to Officers and Employees

60,570,452



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, 2008

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	
ASSOCIATES									
BACHY SOLETANCHE PHILIPPINES CORPORATION		43,106,317	-						43,106,317
SUBIC WATER AND SEWERAGE COMPANY		87,695,031	50,283,868						137,978,899
BAUAN INTERNATIONAL PORT, INC		-	142,950,896						142,950,896
ATLANTIC, GULF AND PACIFIC COMPANY OF MANILA, INC.		-							-
ATLANTIC, GULF AND PACIFIC COMPANY OF MANILA, INC.		-							-
		130,801,348	193,234,764	-	-	-	-		324,036,112
AT COST:		68,150,000		350,000					68,500,000
JOINTLY CONTROLLED ENTITIES:									
DMCI/WPC CONSTRUCTION JOINT VENTURE		39,181,239							39,181,239
DMCI-MPIC Water Co. Inc.		4,239,328,732	30,422,644						4,269,751,376
Obayashi-DMCI Joint Venture		1,730,226							1,730,226
SUBIC WATER CONSTRUCTION JOINT VENTURE		9,438,829							9,438,829
ECO PROCESS AND EQUIPMENT PHILIPPINES		408,538							408,538
		4,290,087,564	30,422,644	-	-	-	-		4,320,510,208
INVESTMENT PROPERTIES - LAND		1,981,054,403	798,723,946	186,741,902		(707,399,920)			2,259,120,331
INVESTMENT PROPERTIES - CONDOMINIUMS		61,565,187				(41,314,485)			20,250,702
INVESTMENT PROPERTIES - BUILDINGS AND IMPROVEMENTS		14,826,763	46,398,424			(3,061,259)			58,163,928
TOTAL		6,546,485,265	1,068,779,778	187,091,902	-	(751,775,664)	-		7,050,581,281

**DMCI HOLDINGS, INC. AND SUBSIDIARIES****SCHEDULE D - INDEBTEDNESS OF UNCONSOLIDATED SUBSIDIARIES & RELATED PARTIES****As of December 31, 2008**

303,614,528

1,220,009,755

303,614,528

1,220,009,755

Name of Related Parties	Balance at Beginning of Period	Balance at End of Period
CELEBRITY SPORTS PLAZA, INC.	69,972,660	69,961,117
Crown Equities		30,402,302
DMCI GLOBAL LTD. DUBAI BRANCH		9,826,943
DMCI-MPIC Water Co., Inc.		601,227,944
HOMES PROPERTY MANAGEMENT CORP.		5,247,503
JOHN LAING INTERNATIONAL, INC.		15,500,000
ONE ASIA DEVELOPMENT CORP	62,316,305.00	
Private Infra & Development		80,268,093
UNIVERSAL RIGHFIELD PROPERTY HOLDINGS, INC.	66,382,253	45,240,785
UPDI REALTY, INC.		39,547,901
OTHERS	104,943,310	322,787,168
Total	303,614,528	1,220,009,755



DMCI HOLDINGS, INC. AND SUBSIDIARIES
SCHEDULE E - INTANGIBLE ASSETS - OTHER ASSETS
As of December 31, 2008

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 F - LONG TERM DEBT
As of December 31, 2008

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	780,563,118	5,480,935,187	4,700,372,069
PAYABLE TO FOREIGN SUPPLIERS			
- FLOATING RATE - (EXPOSED TO FAIR VALUE RISK) 6 MONTH USD LIBOR PLUS 1.5% PER ANNUM - VARIOUS LETTERS OF CREDITS AND SUPPLIERS DEBT VARIOUS INTEREST RATES	-	-	-
ACCEPTANCES AND TRUST RECEIPTS PAYABLE			
- VARIOUS LETTERS OF CREDITS AND SUPPLIERS DEBT VARIOUS INTEREST RATES	11,281,248	74,716,736	63,435,488
TOTAL	791,844,366	5,555,651,923	4,763,807,557



DMCI HOLDINGS, INC. AND SUBSIDIARIES
SCHEDULE G - INDEBTEDNESS TO RELATED PARTIES
As of December 31, 2008

Name of Related Parties	Balance at Beginning of Period	Balance at End of Period
ACCOUNTS AND OTHER PAYABLES		
DUE TO RELATED PARTIES		
DACON CORPORATION	92,196,633	86,460,879
DMC-CONST. EQPT. RESOURCES INC		26,002,606
DMCI-WPC JOINT VENTURE		45,769,012
VULCAN MATERIALS CORP.		5,381,394
VARIOUS CONSO CORP		122,865,479
DMC URBAN PROPERTY DEVELOPERS, INC.	29,461,262	
UNIVERSAL RIGHTFIELD PROPERTY HOLDINGS, INC.	17,441,468	
ONE ASIA DEV'T. CORP.	75,074,468	
CELEBRITY SPORTS PLAZA	5,910,480	
UPDI REALTY, INC.	4,064,995	
ASIA INDUSTRIES, INC.	56,000	
NORTHEAST DEV'T AND ACQUISITIONS CORP.	2,890,784	
ANSCOR LAND, INC.	1,946,801	
ROYAL STAR AVIATION	340,708	
SIRAWAN FOOD CORPORATION	5,093	
M & S COMPANY	84,476,761	
SODACO AGRICULTURAL CORP.	8,492	
WESTERN PHILIPPINES CORPORATION	3,220	
OTHERS	136,808,610	555,359,194
TOTAL	450,685,775	841,838,563



DMCI HOLDINGS, INC. AND SUBSIDIARIES
SCHEDULE H - GUARANTEES OF SECURITIES OF OTHER ISSUERS
As of December 31, 2008

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, 2008				



DMCI HOLDINGS, INC. AND SUBSIDIARIES
SCHEDULE I - CAPITAL STOCK
As of December 31, 2008

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	2,655,494,000	-	-	-	-



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
dmcih@dmcinet.com

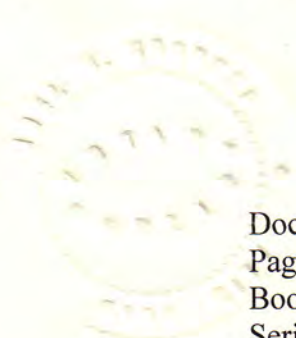
I, Ms. **MA. EDWINA C. LAPERAL**, of legal age, Filipino and with office address at 3rd Floor, Dacon Bldg., 2281 Don Chino Roces Avenue, Makati City, after being sworn to in accordance with law, do hereby certify that:

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) in compact disc (CD) 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 **APR 13 2009** day of _____, 2009 in ~~Makati City~~

Edwina C. Laperal
MA. EDWINA C. LAPERAL

Subscribed and sworn to before me this **APR 13 2009** day of _____, 2009 affiant exhibiting to me his/her Community Tax No. 12367612 on January 16, 2009, Makati City.



Doc. No. 445
Page No. 8
Book No. 5
Series of 2009

JOEL G. GORDOLA
NOTARY PUBLIC
Until December 31, 2009
RoH No. 25103
PTR No. 0806362 1/05/09 Q.C.
IBP No. 760562 3/12/09 Q.C.

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

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. Consolidated Statements of Assets and Liabilities

FINANCIAL DATA	2008 (in P'000)	2007 (in P'000)
A. ASSETS (A.1 + A.2 + A.3 + A.4 + A.5 + A.6 + A.7 + A.8 + A.9 + A.10)	35,732,510	28,306,507
A.1 Current Assets (A.1.1 + A.1.2 + A.1.3 + A.1.4 + A.1.5)	20,765,408	13,547,994
A.1.1 Cash and cash equivalents (A.1.1.1 + A.1.1.2 + A.1.1.3)	3,068,623	3,539,648
A.1.1.1 On hand and in banks	1,387,249	823,987
A.1.1.2 Cash equivalents	1,681,375	2,715,660
A.1.1.3 In foreign banks/entities		
A.1.2 Trade and Other Receivables (A.1.2.1 + A.1.2.2)	7,358,988	2,860,780
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)	7,358,988	2,860,780
A.1.2.1.1 Due from customers (trade)	7,821,363	4,354,716
A.1.2.1.2 Due from related parties	1,220,010	303,615
A.1.2.1.3 Others, specify (A.1.2.1.3.1+A.1.2.1.3.2)	(1,238,722)	(1,716,793)
A.1.2.1.3.1 Advances to suppliers, brokers, contractors and officers	1,201,662	266,521
A.1.2.1.3.2 Noncurrent receivables	(2,440,384)	(1,983,314)
A.1.2.1.4 Allowance for doubtful accounts (negative entry)	(443,663)	(80,758)
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 Due from customers (trade)		
A.1.2.2.2 Due from related parties		
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)	8,869,737	6,375,959
A.1.3.1 Real estate held for sale and development	7,141,539	4,701,981
A.1.3.2 Coal inventory	896,734	570,807
A.1.3.3 Equipment parts, materials in transit and supplies	132,335	107,316
A.1.3.4 Chromites	2,218	
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)		
A.1.3.6.1 Nickel ore	100,494	90,838
A.1.3.6.2 Equipment parts, materials in transit and supplies at NRV	596,417	905,017
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)		
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.

GENERAL FORM FOR FINANCIAL STATEMENTS

NAME OF CORPORATION: DMCI HOLDINGS, INC. AND SUBSIDIARIESCURRENT ADDRESS: 3rd Floor, Dacon Building, 2281 Don Chino Roces Avenue, Makati CityTEL. 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. Consolidated Statements of Assets and Liabilities

FINANCIAL DATA	2008 (in P'000)	2007 (in P'000)
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)	202,933	202,673
A.1.4.4.1 National Government	202,933	202,673
A.1.4.4.2 Public Financial Institutions		
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)	1,265,127	568,934
A.1.5.1 Value added tax (VAT)	783,020	170,914
A.1.5.2 Creditable taxes withheld	296,012	256,910
A.1.5.3 Prepaid expenses and other current assets	186,095	141,110
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)	4,548,855	2,933,158
A.2.1 Land and Land Improvements	2,415,895	688,213
A.2.2 Power Plant, Buildings and Building Improvements	2,115,934	1,440,727
A.2.3 Construction Equipment, Machinery and Tools	3,372,820	2,566,659
A.2.4 Office Furniture, Fixtures and Equipment	365,477	242,517
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)	9,585,383	9,415,660
A.2.5.1 Transportation Equipment	219,824	195,449
A.2.5.2 Conventional and continuous mining equipment	8,927,359	8,932,390
A.2.5.3 Leasehold	69,940	59,559
A.2.5.4 Construction in Progress	368,259	228,262
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)		
A.2.6.1		
A.2.6.2		
A.2.6.3		
A.2.6.4		
A.2.7 Accumulated Depreciation (negative entry)	(13,306,653)	(11,420,618)
A.2.8 Impairment Loss or Reversal (if loss, negative entry)		
A.3 Investments accounted for using the cost method (A.3.1 + A.3.2 + A.3.3)	4,713,046	4,489,039
A.3.1 Equity in domestic subsidiaries/affiliates	68,500	68,150
A.3.2 Equity in foreign branches/subsidiaries/affiliates		
A.3.3 Others, specify (A.3.3.1 + A.3.3.2 + A.3.3.3 + A.3.3.4)	4,644,546	4,420,889
A.3.3.1 Associates	324,036	130,801
A.3.3.2 Jointly-controlled entities	4,320,510	4,290,088
A.3.3.3		
A.3.3.4		
A.4 Investment Property	2,337,535	2,057,446
A.5 Biological Assets		
A.6 Intangible Assets (A.6.1 + A.6.2)		
A.6.1 Major item/s, specify (A.6.1.1 + A.6.1.2 + A.6.1.3 + A.6.1.4)		
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)		
A.6.2.1		
A.6.2.2		
A.6.2.3		
A.6.2.4		
A.7 Assets Classified as Held for Sale		2,976,609
A.8 Assets included in Disposal Groups Classified as Held for Sale		

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. Consolidated Statements of Assets and Liabilities

FINANCIAL DATA	2008 (in P'000)	2007 (in P'000)
A.9 Long-term receivables (net of current portion) (A.9.1 + A.9.2 + A.9.3)	2,440,384	1,983,314
A.9.1 From domestic entities, specify (A.9.1.1 + A.9.1.2 + A.9.1.3 + A.9.1.4)		
A.9.1.1 Noncurrent receivables - net	2,440,384	1,983,314
A.9.1.2		
A.9.1.3		
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)		
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 <i>negative entry</i>		
A.10 Other Assets (A.10.1 + A.10.2 + A.10.3 + A.10.4 + A.10.5)	927,281	318,947
A.10.1 Deferred Income Tax Assets	34,899	17,147
A.10.2 Refundable deposits	430,068	142,846
A.10.3		
A.10.4 Others, specify (A.10.4.1 + A.10.4.2 + A.10.4.3 + A.10.4.4)	462,313	158,954
A.10.4.1 Others	92,390	18,273
A.10.4.2 Costs and estimated earnings in excess of billings on uncompleted contracts	369,923	140,681
A.10.4.3		
A.10.4.4		
A.10.5 Allowance for write-down of deferred charges/bad accounts <i>negative entry</i>		
B. LIABILITIES (B.1 + B.2 + B.3 + B.4 + B.5)	17,266,444	11,642,703
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)	10,279,485	4,771,290
B.1.1 Trade and Other Payables to Domestic Entities	7,758,233	2,807,310
B.1.1.1 Loans/Notes Payables	1,274,110	40,311
B.1.1.2 Trade Payables	4,952,088	1,475,746
B.1.1.3 Accrued costs and expenses	1,532,035	1,291,253
B.1.1.4 Payables to Related Parties, specify (B.1.1.3.1 + B.1.1.3.2 + B.1.1.3.3)		
B.1.1.3.1 Payable to related parties		
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)	0	0
B.1.1.4.1 Other payables		
B.1.1.4.2 Redeemable preferred shares		
B.1.1.4.3		
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)	0	0
B.1.2.1 Trade Payables		
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)	926,732	602,940
B.1.4.1 Liabilities for purchased land	926,732	602,940
B.1.4.2		
B.1.4.3		
B.1.4.4		
B.1.5 Liabilities for Current Tax	102,216	58,968
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)	1,492,303	1,302,071
B.1.7.1 Billings in excess of costs and estimated earnings on uncompleted contracts	197,038	30,888
B.1.7.2 Customers' advances and deposits	1,295,266	1,271,184
B.1.7.3		
B.1.7.4		
B.1.7.5		
B.1.7.6 Any other current liability in excess of 5% of Total Current Liabilities, specify: (B.1.7.6.1 + B.1.7.6.2 + B.1.7.6.3 + B.1.7.6.4)	0	0
B.1.7.6.1		
B.1.7.6.2		
B.1.7.6.3		
B.1.7.6.4		

GENERAL FORM FOR FINANCIAL STATEMENTSNAME OF CORPORATION: DMCI HOLDINGS, INC. AND SUBSIDIARIESCURRENT ADDRESS: 3rd Floor, Dacon Building, 2281 Don Chino Roces Avenue, Makati CityTEL. 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. Consolidated Statements of Assets and Liabilities

FINANCIAL DATA	2006 (in P'000)	2005 (in P'000)
B.2 Long-term Debt - Non-current Interest-bearing Liabilities (B.2.1 + B.2.2 + B.2.3 + B.2.4 + B.2.5)	5,555,652	3,865,306
B.2.1 Domestic Public Financial Institutions	5,555,652	3,865,306
B.2.2 Domestic Public Non-Financial Institutions		
B.2.3 Domestic Private Financial Institutions		
B.2.4 Domestic Private Non-Financial Institutions		
B.2.5 Foreign Financial Institutions		
B.3 Indebtedness to Affiliates and Related Parties (Non-Current)	841,839	450,686
B.4 Liabilities Included in the Disposal Groups Classified as Held for Sale		2,327,976
B.5 Other Liabilities (B.5.1 + B.5.2)	589,468	227,446
B.5.1 Deferred Income Tax	462,268	83,080
B.5.2 Others, specify (B.5.2.1 + B.5.2.2 + B.5.2.3 + B.5.2.4)	127,200	144,367
B.5.2.1 Pension liabilities	109,246	127,411
B.5.2.2 Other noncurrent liabilities	17,954	16,955
B.5.2.3		
B.5.2.4		
C. EQUITY (C.3 + C.4 + C.5 + C.6 + C.7 + C.8 + C.9+C.10)	18,466,066	16,663,804
C.1 Authorized Capital Stock (no. of shares, par value and total value; show details) (C.1.1+C.1.2+C.1.3)	0	0
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)	2,655,498	2,655,498
C.3.1 Common shares	2,655,498	2,655,498
C.3.2 Preferred Shares		
C.4 Additional Paid-in Capital / Capital in excess of par value / Paid-in Surplus	4,765,916	4,766,142
C.5 Minority Interest	1,966,851	2,142,909
C.6 Others, specify (C.6.1 + C.6.2 + C.6.3 + C.6.4 + C.6.5)	82,477	(35,880)
C.6.1 Revaluation increment	78,717	
C.6.2 Cumulative translation adjustment	3,760	
C.6.3 Net unrealized loss (gain) on AFS investment		(35,880)
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)	8,995,323	7,135,135
C.8.1 Appropriated		
C.8.2 Unappropriated	8,995,323	7,135,135
C.9 Head / Home Office Account (for Foreign Branches only)		
C.10 Cost of Stocks Held in Treasury (negative entry)		
D. TOTAL LIABILITIES AND EQUITY (B + C)	35,732,510	28,306,507

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 2. Consolidated Statements of Operations

FINANCIAL DATA	2008 (in P'000)	2007 (in P'000)
A. REVENUE / INCOME (A.1 + A.2 + A.3)	22,186,783	15,848,761
A.1 Net Sales or Revenue / Receipts from Operations (manufacturing, mining, utilities, trade, services, etc.) (from Primary Activity)	21,158,077	14,175,628
A.2 Share in the Profit or Loss of Associates and Joint Ventures accounted for using the	84,073	1,259,900
A.3 Other Revenue (A.3.1 + A.3.2 + A.3.3 + A.3.4 + A.3.5)	266,312	125,546
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)	266,312	125,546
A.3.5.1 Rental Income	96,407	61,067
A.3.5.2 Commission Income	1,974	
A.3.5.3 Miscellaneous	167,931	64,479
A.3.5.4		
A.3.5.5		
A.4 Other Income (non-operating) (A.4.1 + A.4.2 + A.4.3 + A.4.4)	678,322	287,686
A.4.1 Interest Income	572,552	371,536
A.4.2 Dividend Income	47,979	3,937
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)	45,043	190,372
A.4.3.1 Gain on sale of property and equipment	43	11,396
A.4.3.2 Gain on sale of investments	44,999	178,976
A.4.3.3 Others		
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)	12,749	21,841
A.4.4.1 Foreign exchange gain / (loss) - net	12,749	21,841
A.4.4.2		
A.4.4.4		
A.4.5 Write-off of Deposits		(300,000)
B. COST OF GOODS SOLD (B.1 + B.2 + B.3)	16,505,840	7,207,382
B.1 Cost of Goods Manufactured (B.1.1 + B.1.2 + B.1.3 + B.1.4 + B.1.5)	16,505,840	7,207,382
B.1.1 Coal sales	6,943,586	3,305,420
B.1.2 Construction contracts	2,984,329	2,547,425
B.1.3 Real estate sales	6,024,191	1,021,635
B.1.4 Investmentment, merchandise sales and others	553,734	332,902
B.1.5 Goods in Process, End (negative entry)		
B.2 Finished Goods, Beginning		
B.3 Finished Goods, End (negative entry)		
C. COST OF SALES (C.1 + C.2 + C.3)	0	0
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)	0	0
D.1 Construction contracts		
D.2		
D.3		
D.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 2. Consolidated Statements of Operations

FINANCIAL DATA	2008 (in P'000)	2007 (in P'000)
E. OTHER DIRECT COSTS, SPECIFY (E.1 + E.2 + E.3 + E.4 + E.5 + E.6)	0	0
E.1 Coal sales		
E.2 Real estate sales		
E.3 Investment,merchandise sales and others		
E.4		
F. GROSS PROFIT (A - B - C - D - E)	(6,684,227)	2,763,273
G. OPERATING EXPENSES (G.1 + G.2 + G.3 + G.4)	2,397,261	1,871,325
G.1 Selling or Marketing Expenses	243,343	347,921
G.2 Administrative Expenses	284,706	170,972
G.3 General Expenses	1,679,980	1,285,741
G.4 Other Expenses, specify (G.4.1 + G.4.2 + G.4.3 + G.4.4 + G.4.5 + G.4.6)	189,232	66,692
G.4.1 Miscellaneous	189,232	66,692
G.4.2		
G.4.3		
G.4.4		
H. FINANCE COSTS	552,067	515,367
I. NET INCOME (LOSS) BEFORE TAX (F - G - H)	(9,633,556)	376,581
J. INCOME TAX EXPENSE (negative entry)	(695,150)	545,052
K. INCOME AFTER TAX	(10,328,706)	921,633
L. Amount of (i) Post-Tax Profit or Loss of Discontinued Operations; and (ii) Post-Tax Gain or Loss Recognized on the Measurement 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		
N. Profit or Loss Attributable to Equity Holders of the Parent		

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 3. Consolidated Statements of Cash Flows

FINANCIAL DATA	2008 (in P'000)	2007 (in P'000)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income (Loss) Before Tax and Extraordinary Items	2,731,615	3,603,826
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities		
Depreciation	1,532,812	1,679,973
Amortization, specify:		
Others, specify: Provisions - net		
Finance expense	552,067	444,743
Interest income	(572,552)	(366,997)
Doubtful accounts	54,123	4,434
Probable losses on investments	0	(39,873)
Equity in net earnings of associates and jointly controlled entities	(84,073)	(1,826,238)
Gain on disposals of investments	(44,999)	0
Pension expense	52,954	166,018
Others		(1,003,937)
Write-down of Property, Plant, and Equipment		
Changes in Assets and Liabilities:		
Decrease (Increase) in:		
Receivables	(4,306,368)	493,966
Prepaid expenses		
Other Current Assets	(663,671)	(189,877)
Others, specify: Inventories	(2,519,937)	(148,586)
Cost and estimated earnings in excess of billings	(229,241)	(123,665)
Increase (Decrease) in:		
Accounts payable and accrued expenses	2,963,236	868,041
Customers' deposit	24,082	538,240
Others, specify: Billings in excess of costs and estimated earnings on uncor	150,852	10,322
Interest received	572,552	366,997
Interest paid	(552,067)	(444,743)
Income taxes paid	(578,272)	(439,790)
Contributions paid to retirement	(60,796)	(85,778)
A. Net Cash Provided by (Used in) Operating Activities (sum of above rows)	(977,684)	3,507,076
CASH FLOWS FROM INVESTING ACTIVITIES		
(Increase) Decrease in Long-Term Receivables	(457,070)	(1,295,674)
(Increase) Decrease in Investment Properties	(18,327)	218,129
(Increase) Decrease in Investment	(75,189)	13,532
(Increase) Decrease in Other noncurrent assets	(361,340)	(56,104)
Reductions/(Additions) to Property, Plant, and Equipment	(2,626,810)	(1,232,884)
Others, specify: Proceeds from sale of property and equipment	1,587,281	0
Proceeds from sale of available for sale investments	46,635	21,038
Dividends received		3,937
B. Net Cash Provided by (Used in) Investing Activities (sum of above rows)	(1,904,820)	(2,328,025)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from:		
Loans	229,501	749,857
Long-term Debt	3,817,805	1,248,443
Additional subscriptions to capital stock		2,763,457
Others, specify: Other noncurrent liabilities	999	1,067
Payable to related parties	756,388	(497,069)
Payments of:		
(Loans)		(763,357)
(Long-term Debt)	(2,127,459)	(2,012,503)
(Stock Subscriptions)		
Others, specify (negative entry):		
Redemption of preferred shares	(226)	
Payments of cash dividends	(265,530)	(381,208)
Acquisition of treasury stock		
C. Net Cash Provided by (Used in) Financing Activities (sum of above rows)	2,411,479	1,108,685
NET INCREASE IN CASH AND CASH EQUIVALENTS (A + B + C)	(471,024)	2,287,736
Cash and Cash Equivalents		
Beginning of year	3,539,648	1,251,911
End of year	3,068,623	3,539,648

NAME OF CORPORATION:

DMCI HOLDINGS, INC. AND SUBSIDIARIES

CURRENT ADDRESS:

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

TEL. NO.:

0

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 Head Office Account

FINANCIAL DATA	(Amount in P'000)					
	Capital Stock	Additional Paid-in Capital	Preferred Shares Held in Treasury	Attributable to Minority Interest	Retained Earnings	TOTAL
A. Balance, 2007	2,255,499	2,403,784	(1,100)	1,858,406	5,143,601	11,660,190
A.1 Reclassification/Retirement of Preferred Shares						
A.2 Changes in Accounting Policy/Increase in Ownership						
B. Restated Balance	2,255,499	2,403,784	(1,100)	1,858,406	5,143,601	11,660,190
C. Surplus	399,999	2,362,358	1,100	136,530	(75,753)	2,824,233
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)	399,999	2,362,358	1,100	136,530	(75,753)	
C.4.1 Redemption of preferred shares	(1)	(1,099)	1,100			
C.4.2 Transferred from revaluation increment	400,000	2,363,457				
C.4.3 Transferred from APIC				136,530		
C.4.4 Transferred to profit and loss					(35,880)	
C.4.5 Others					(39,873)	
D. Net Income (Loss) for the Period				286,832	2,273,756	2,560,588
E. Dividends (negative entry)				(138,859)	(242,349)	(381,208)
F. Appropriation for (specify)		0			0	
F.1						
F.2						
F.3						
F.4						
F.5						
G. Issuance of Capital Stock	0	0	0	0	0	0
G.1 Common Stock						
G.2 Preferred Stock						
G.3 Others						
H. Balance, 2007	2,655,498	4,766,142	0	2,142,909	7,099,255	16,663,804
H.1						0
H.2						
I. Restated Balance	2,655,498	4,766,142	0	2,142,909	7,099,255	16,663,804
J. Surplus	(0)	(225)	0	(41,201)	556,174	514,748
J.1 Surplus (Deficit) on Revaluation of Properties						
J.2 Surplus (Deficit) on Revaluation of Investments						
J.3 Currency Translation Differences						
J.4 Other Surplus (specify)	(0)	(225)	0	(41,201)	556,174	
J.4.1 Redemption of preferred shares	(0)	(225)				
J.4.2 Transferred from revaluation increment				5,266	321,832	
J.4.3 Transferred from APIC				1,898	115,985	
J.4.4 Transferred to profit and loss				(48,365)		
J.4.5 Others					118,357	
K. Net Income (Loss) for the Period				348,564	1,687,900	2,036,464
L. Dividends (negative entry)				(483,421)	(265,530)	(748,950)
M. Appropriation for (specify)		0				
M.1						
M.2						
M.3						
M.4						
N. Issuance of Capital Stock	0	0	0	0	0	0
N.1 Common Stock						
N.2 Preferred Stock						
N.3 Others						
O. Balance, 2008	2,655,498	4,765,916	0	1,966,851	9,077,800	18,466,066

GENERAL FORM FOR FINANCIAL STATEMENTS

NAME OF CORPORATION: #REF!
 CURRENT ADDRESS: #REF!
 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 5. Details of Income and Expenses, by source
(applicable to corporations transacting with foreign corporations/entities)

FINANCIAL DATA	2006 (in P'000)	2005 (in P'000)
A. REVENUE / INCOME (A.1 + A.2)	0	0
A.1 Net Sales or Revenue / Receipts from Operations (manufacturing, mining, utilities, trade, services, etc.) (from Primary Activity) (A.1.1 +A.1.2)	0	0
A.1.1 Domestic		
A.1.2 Foreign		
A.2 Other Revenue (A.2.1 +A.2.2)	0	0
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)	0	0
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		

INDEPENDENT AUDITORS' REPORT

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 parent company financial statements of DMCI Holdings, Inc., which comprise the parent company balance sheets as at December 31, 2008 and 2007, and the parent company statements of income, parent company statements of changes in equity and parent company statements of cash flows for the years then ended and a summary of significant accounting policies and other explanatory notes.

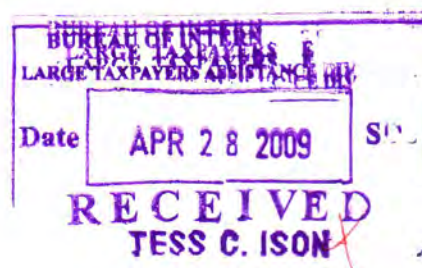
Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the parent company financial statements present fairly, in all material respects, the financial position of DMCI Holdings, Inc. as of December 31, 2008 and 2007, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Jessie D. Cabaluna

Jessie D. Cabaluna
 Partner
 CPA Certificate No. 36317
 SEC Accreditation No. 0069-AR-1
 Tax Identification No. 102-082-365
 PTR No. 1566411, January 5, 2009, Makati City

April 23, 2009

BUREAU OF INTERNAL REVENUE
 LARGE TAXPAYERS SERVICE
 RANGE TAXPAYER ASSISTANCE DIVISION

Date **APR 28 2009** SDs

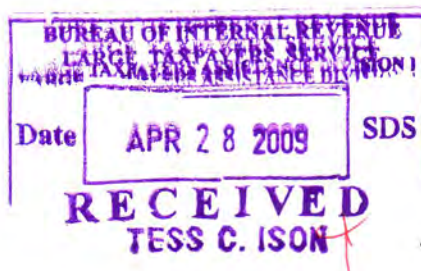
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DMCI HOLDINGS, INC.
PARENT COMPANY BALANCE SHEETS

	December 31	
	2008	2007
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 4 and 19)	₱556,173,406	₱1,251,067,079
Receivables (Notes 5 and 19)	8,276,581	14,659,820
Real estate held-for-sale and development	-	25,422,028
Other current assets	2,955,627	2,476,337
Total Current Assets	567,405,614	1,293,625,264
Noncurrent Assets		
Due from related parties (Notes 12 and 19)	774,286,830	55,540,068
Investments in subsidiaries, associates and jointly controlled entities (Note 6)	9,559,748,345	8,534,612,736
Investment properties (Note 7)	79,653,580	79,653,580
Property and equipment (Note 8)	3,498,330	5,028,132
Deferred tax asset - net (Note 18)	27,475,132	32,012,263
Other noncurrent assets	2,480,431	2,480,431
Noncurrent asset held for sale (Note 9)	-	829,485,609
Total Noncurrent Assets	10,447,142,648	9,538,812,819
	₱11,014,548,262	₱10,832,438,083
LIABILITIES AND EQUITY		
Current Liability		
Accounts and other payables (Notes 10 and 19)	₱34,455,064	₱33,883,885
Noncurrent Liabilities		
Due to related parties (Notes 12 and 19)	326,390,372	530,034,511
Subscriptions payable (Note 19)	1,000,000	1,000,000
Pension liability (Note 13)	6,717,249	9,336,417
Total Noncurrent Liabilities	334,107,621	540,370,928
Total Liabilities	368,562,685	574,254,813
Equity (Note 11)		
Capital stock	2,655,498,380	2,655,498,480
Additional paid-in capital	4,765,916,071	4,766,141,526
Retained earnings	3,224,571,126	2,836,543,264
Total Equity	10,645,985,577	10,258,183,270
	₱11,014,548,262	₱10,832,438,083

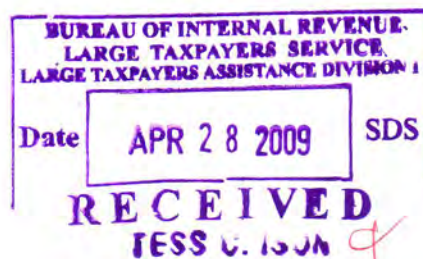
See accompanying Notes to Parent Company Financial Statements.



DMCI HOLDINGS, INC.**PARENT COMPANY STATEMENTS OF INCOME**

	Years Ended December 31	
	2008	2007
REVENUE		
Dividend income (Note 12)	₱626,827,890	₱194,228,267
Finance income (Note 16)	38,044,110	47,679,865
Management fee (Note 12)	31,465,314	21,889,705
Foreign exchange gain (Note 19)	4,423,767	–
Investment income (Note 14)	–	224,002,487
Others	1,519,956	1,240,752
	702,281,037	489,041,076
COSTS AND EXPENSES		
General and administrative expenses (Note 15)	39,089,351	46,061,716
Finance cost (Note 17)	381,041	80,891,127
Cost of investment (Note 14)	–	45,026,572
Foreign exchange loss (Note 19)	–	8,622,135
	39,470,392	180,601,550
INCOME BEFORE INCOME TAX	662,810,645	308,439,526
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 18)	9,253,154	(21,045,212)
NET INCOME	₱653,557,491	₱329,484,738

See accompanying Notes to Parent Company Financial Statements.



DMCI HOLDINGS, INC.

PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY

	Year Ended December 31, 2008				
	Capital Stock (Note 11)	Additional Paid-in Capital (Note 11)	Retained Earnings (Note 11)	Preferred Shares Held in Treasury (Note 11)	Total Equity
Balance at January 1, 2008	₱2,655,498,480	₱4,766,141,526	₱2,836,543,264	₱-	₱10,258,183,270
Net income for the year	-	-	653,557,491	-	653,557,491
Dividends paid (Note 11)	-	-	(265,529,629)	-	(265,529,629)
Redemption of preferred shares (Note 11)	(100)	(225,455)	-	-	(225,555)
Balance at December 31, 2008	₱2,655,498,380	₱4,765,916,071	₱3,224,571,126	₱-	₱10,645,985,577

	Year Ended December 31, 2007				
	Capital Stock (Note 11)	Additional Paid-in Capital (Note 11)	Retained Earnings (Note 11)	Preferred Shares Held in Treasury (Note 11)	Total Equity
Balance at January 1, 2007	₱2,255,499,480	₱2,403,783,826	₱2,749,407,926	(₱1,100,000)	₱7,407,591,232
Net income for the year	-	-	329,484,738	-	329,484,738
Issuance of shares (Note 11)	400,000,000	2,363,456,700	-	-	2,763,456,700
Dividends paid (Note 11)	-	-	(242,349,400)	-	(242,349,400)
Cancellation/retirement of issued treasury shares (Note 11)	(1,000)	(1,099,000)	-	1,100,000	-
Balance at December 31, 2007	₱2,655,498,480	₱4,766,141,526	₱2,836,543,264	₱-	₱10,258,183,270

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION I

Date APR 28 2009 SDS

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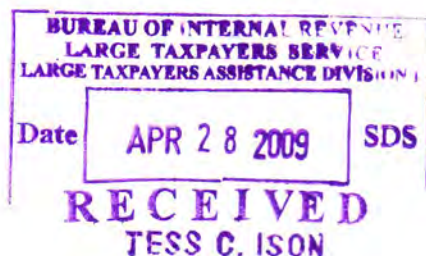


DMCI HOLDINGS, INC.

PARENT COMPANY STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	P662,810,645	P308,439,526
Adjustments for:		
Dividend income (Note 12)	(626,827,890)	(194,228,267)
Gain on sale of investments (Note 14)	-	(178,973,415)
Finance income (Note 16)	(38,044,110)	(47,679,865)
Depreciation (Notes 8 and 15)	1,844,400	1,790,012
Finance cost (Note 17)	381,041	80,891,127
Gain on sale of property and equipment	(43,304)	-
Gain on sale of AFS financial assets	-	(3,922,356)
Operating income (loss) before working capital changes	120,782	(33,683,238)
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Receivables	31,626,588	10,209,457
Other current assets	(745,910)	(1,952,582)
Increase (decrease) in:		
Accounts and other payable	571,179	(17,090,262)
Pension liability	(2,619,168)	7,687,099
Net cash provided by (used in) operations	28,953,471	(34,829,526)
Interest received	38,222,789	50,348,644
Income tax paid	(4,449,403)	(10,175,559)
Interest paid	(381,041)	(99,104,005)
Net cash provided by (used in) operating activities	62,345,816	(93,760,446)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Investments in subsidiaries, associates and jointly controlled entities (Note 6)	(195,650,000)	(89,421,863)
Property and equipment (Note 8)	(314,598)	(750,357)
Available-for-sale financial assets	-	-
Proceeds from sale of:		
Available-for-sale financial assets	-	33,828,161
Investments in subsidiaries, associates and jointly controlled entities	-	223,999,987
Property and equipment	43,304	-
Decrease (increase) in due from related parties	(718,746,762)	248,619,225
Dividends received	626,827,890	194,228,267
Decrease in other noncurrent assets	-	-
Net cash provided by (used in) investing activities	(287,840,166)	610,503,420

(Forward)



	Years Ended December 31	
	2008	2007
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of shares (Note 11)	₱-	₱2,763,456,700
Increase (decrease) in due to related parties	(203,644,139)	(248,539,424)
Redemption of preferred shares (Note 11)	(225,555)	-
Availment (payment) of notes payable	-	(1,800,000,000)
Dividends paid (Note 11)	(265,529,629)	(241,531,803)
Net cash provided by (used in) financing activities	(469,399,323)	473,385,473
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(694,893,673)	990,128,447
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,251,067,079	260,938,632
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	₱556,173,406	₱1,251,067,079

See accompanying Notes to Parent Company Financial Statements.

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
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DMCI HOLDINGS, INC.

NOTES TO PARENT COMPANY FINANCIAL STATEMENTS

1. Corporate Information

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

The Parent Company is an investment holding company. It has investments in D.M. Consunji, Inc. (DMCI), DMCI Project Developers, Inc. (PDI), Semirara Cement Corporation (SemCem), Semirara Mining Corporation (Semirara), Wire Rope Corporation of the Philippines (Wire Rope), Atlantic, Gulf and Pacific Parent Company of Manila, Incorporated (AG&P), DMCI Power Corporation, and DMC MPIC Water Co.

The accompanying parent company financial statements were endorsed for approval by the Audit Committee and authorized for issue by the Board of Directors (BOD) on April 23, 2009.

2. Summary of Significant Accounting Policies

Basis of Preparation

The parent company financial statements have been prepared using the historical cost basis and are presented in Philippine Peso (₱), which is also the Parent Company's functional currency.

Statement of Compliance

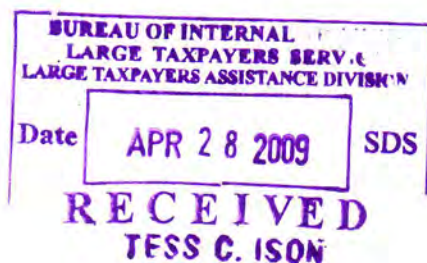
The financial statements of the Parent Company have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

Changes in Accounting Policies

The accounting policies adopted in the preparation of the parent company financial statements are consistent with those of the previous financial year except for the adoption of the following Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC) which became effective on January 1, 2008, and amendments to existing standards that became effective on July 1, 2008:

- Philippine Interpretation IFRIC 11, PFRS 2 - *Group and Treasury Share Transactions*, requires arrangements whereby an employee is granted rights to an entity's equity instruments to be accounted for as an equity-settled scheme by the entity even if: (a) the entity chooses or is required to buy those equity instruments (e.g., treasury shares) from another party; or (b) the shareholder(s) of the entity provide the equity instruments needed.

It also provides guidance on how subsidiaries, in their separate financial statements, account for such schemes when their employees receive rights to the equity instruments of the parent. Adoption of this Philippine Interpretation did not have a significant impact on the parent company financial statements. The Parent Company has no group and treasury shares transactions covered by the Philippine Interpretation.



- Philippine Interpretation IFRIC 12, *Service Concession Arrangements*, covers contractual arrangements arising from public-to-private service concession arrangements if control of the assets remains in public hands but the private sector operator is responsible for construction activities as well as for operating and maintaining the public sector infrastructure. Adoption of this Philippine Interpretation did not have any impact on the parent company financial statements as it is not applicable to its operations.
- Philippine Interpretation IFRIC 14, Philippine Accounting Standard (PAS) 19 - *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*, provides guidance on how to assess the limit on the amount of surplus in a defined benefit plan that can be recognized as an asset under PAS 19, *Employee Benefits*. Adoption of this Interpretation did not have a significant impact on the parent company financial statements.
- Amendments to PAS 39, *Financial Instruments: Recognition and Measurement*, and PFRS 7, *Financial Instruments: Disclosures - Reclassification of Financial Assets*, are effective beginning July 1, 2008. The Amendments to PAS 39 introduce the possibility of reclassification of securities out of the trading category in rare circumstances and reclassification to the loans and receivable category if there is intent and ability to hold the securities for the foreseeable future or to held-to-maturity (HTM) if there is intent and ability to hold the securities until maturity. The Amendments to PFRS 7 introduce the disclosures relating to these reclassifications. Adoption of these Amendments did not have any impact on the parent company financial statements since it did not avail of the reclassification allowed under these amendments.

Future Changes in Accounting Policies

The Parent Company will adopt the following standards and interpretations enumerated below when these become effective. Except as otherwise indicated, the Parent Company does not expect the adoption of these new and amended PFRS and Philippine Interpretations to have significant impact on its financial statements.

Effective in 2009

- PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
The amended PFRS 1 allows an entity, in its separate parent company financial statements, to determine the cost of investments in subsidiaries, jointly controlled entities or associates (in its opening PFRS financial statements) as one of the following amounts: (a) cost determined in accordance with PAS 27, *Consolidated and Separate Financial Statements*; (b) at the fair value of the investment at the date of transition to PFRS, determined in accordance with PAS 39; or c) previous carrying amount (as determined under generally accepted accounting principles) of the investment at the date of transition to PFRS.



- *Amendment to PFRS 2, Share-based Payment - Vesting Condition and Cancellations*
The Standard has been revised to clarify the definition of a vesting condition and prescribes the treatment for an award that is effectively cancelled. It defines a vesting condition as a condition that includes an explicit or implicit requirement to provide services. It further requires nonvesting conditions to be treated in a similar fashion to market conditions. Failure to satisfy a nonvesting condition that is within the control of either the entity or the counterparty is accounted for as a cancellation. However, failure to satisfy a nonvesting condition that is beyond the control of either party does not give rise to a cancellation.
- *PFRS 8, Operating Segments*
PFRS 8 will replace PAS 14, *Segment Reporting*, and adopts a full management approach to identifying, measuring and disclosing the results of an entity's operating segments. The information reported would be that which management uses internally for evaluating the performance of operating segments and allocating resources to those segments. Such information may be different from that reported in the parent company balance sheet and parent company statement of income and the Parent Company will provide explanations and reconciliations of the differences. This Standard is only applicable to an entity that has debt or equity instruments that are traded in a public market or that files (or is in the process of filing) its parent company financial statements with a securities commission or similar party. The Parent Company is in the process of assessing the impact of the Standard on its current manner of reporting segment information.
- *Amendment to PAS 1, Presentation of Financial Statements*
It introduces a new statement of comprehensive income that combines all items of income and expenses recognized in the profit or loss together with 'other comprehensive income'. Entities may choose to present all items in one statement, or to present two linked statements, a separate parent company statement of income and a parent company statement of comprehensive income. This Amendment also requires additional requirements in the presentation of the parent company balance sheet and equity as well as additional disclosures to be included in the parent company financial statements. Adoption of this Amendment will not have significant impact on the Parent Company except for the presentation of a parent company statement of comprehensive income and additional disclosures to be included in the parent company financial statements.
- *Revised PAS 23, Borrowing Costs*
The Standard has been revised to require capitalization of borrowing costs when such costs relate to a qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. In accordance with the transitional requirements in the Standard, the Parent Company will adopt this as a prospective change. Accordingly, borrowing costs will be capitalized on qualifying assets with a commencement date after January 1, 2009.
- *Amendments to PAS 27, Consolidated and Separate Financial Statements - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
These Amendments introduce changes in respect of the holding companies' separate financial statements, including (a) the deletion of 'cost method', making the distinction between pre- and post-acquisition profits no longer required; and (b) in cases of reorganizations where a



new parent is inserted above an existing parent of the group (subject to meeting specific requirements), the cost of the subsidiary is the previous carrying amount of its share of equity items in the subsidiary rather than its fair value. All dividends will be recognized in the parent company statement of income. However, the payment of such dividends requires the entity to consider whether there is an indicator of impairment.

- Amendment to PAS 32, *Financial Instruments: Presentation*, and PAS 1, *Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation*
These Amendments specify, among others, that puttable financial instruments will be classified as equity if they have all of the following specified features: (a) the instrument entitles the holder to require the entity to repurchase or redeem the instrument (either on an ongoing basis or on liquidation) for a pro rata share of the entity's net assets; (b) the instrument is in the most subordinate class of instruments, with no priority over other claims to the assets of the entity on liquidation; (c) all instruments in the subordinate class have identical features; (d) the instrument does not include any contractual obligation to pay cash or financial assets other than the holder's right to a pro rata share of the entity's net assets; and (e) the total expected cash flows attributable to the instrument over its life are based substantially on the profit or loss, a change in recognized net assets, or a change in the fair value of the recognized and unrecognized net assets of the entity over the life of the instrument.
- Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes*
This Philippine Interpretation requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted and therefore part of the fair value of the consideration received is allocated to the award credits and realized in income over the period that the award credits are redeemed or expire.
- Philippine Interpretation IFRIC 16, *Hedges of a Net Investment in a Foreign Operation*
It provides guidance on identifying foreign currency risks that qualify for hedge accounting in the hedge of a net investment; where within the group, the hedging instrument can be held in the hedge of a net investment; and how an entity should determine the amount of foreign currency gains or losses, relating to both the net investment and the hedging instrument, to be recycled on disposal of the net investment.

Improvements to PFRS

In May 2008, the International Accounting Standards Board issued its first omnibus of amendments to certain standards, primarily with a view to removing inconsistencies and clarifying wordings. There are separate transitional provisions for each standard, which became effective January 1, 2009:

- PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*
When a subsidiary is held for sale, all of its assets and liabilities will be classified as held for sale under PFRS 5, even when the entity retains a noncontrolling interest in the subsidiary after the sale.
- PAS 1, *Presentation of Financial Statements*
Assets and liabilities classified as held for trading are not automatically classified as current in the parent company balance sheet.



- **PAS 16, *Property, Plant and Equipment***

This Amendment replaces the term ‘net selling price’ with ‘fair value less costs to sell’, to be consistent with PFRS 5 and PAS 36, *Impairment of Assets*.

Items of property, plant and equipment held for rental that are routinely sold in the ordinary course of business after rental, are transferred to inventory when rental ceases and they are held for sale. Proceeds of such sales are subsequently shown as revenue. Cash payments on initial recognition of such items, the cash receipts from rents, and subsequent sales are all shown as cash flows from operating activities.

PAS 19, *Employee Benefits*

- This revises the definition of: (a) ‘past service cost’ to include reduction in benefits related to past services (‘negative past service cost’) and to exclude reduction in benefits related to future services that arise from plan amendments. Amendments to plans that result in a reduction in benefits related to future services are accounted for as a curtailment; (b) ‘return on plan assets’ to exclude plan administration costs if they have already been included in the actuarial assumptions used to measure the defined benefit obligation; and (c) ‘short-term’ and ‘other long-term’ employee benefits to focus on the point in time at which the liability is due to be settled. It also deletes the reference to the recognition of contingent liabilities to ensure consistency with PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*.

PAS 23, *Borrowing Costs*

- This revises the definition of borrowing costs to consolidate the types of items that are considered components of ‘borrowing costs’, i.e., components of the interest expense calculated using the effective interest rate method.

PAS 28, *Investment in Associates*

- If an associate is accounted for at fair value in accordance with PAS 39, only the requirement of PAS 28 to disclose the nature and extent of any significant restrictions on the ability of the associate to transfer funds to the entity in the form of cash or repayment of loans applies.

An investment in an associate is a single asset for the purpose of conducting the impairment test. Therefore, there is no separate allocation to the goodwill included in the investment balance.

PAS 31, *Interest in Joint Ventures*

- If a joint venture is accounted for at fair value, in accordance with PAS 39, only the requirements of PAS 31 to disclose the commitments of the venturer and the joint venture, as well as summary financial information about the assets, liabilities, income and expense will apply.

PAS 36, *Impairment of Assets*

- When discounted cash flows are used to estimate ‘fair value less costs to sell’, additional disclosure is required about the discount rate, consistent with disclosures required when the discounted cash flows are used to estimate ‘value in use’.



PAS 38, *Intangible Assets*

- Expenditure on advertising and promotional activities is recognized as an expense when the Company either has the right to access the goods or has received the services. Advertising and promotional activities now specifically include mail order catalogues.

It deletes references to there being rarely, if ever, persuasive evidence to support an amortization method for intangible assets with finite lives that results in a lower amount of accumulated amortization than under the straight-line method, thereby effectively allowing the use of the unit-of-production method.

PAS 39, *Financial Instruments: Recognition and Measurement*

- Changes in circumstances relating to derivatives, specifically derivatives designated or re-designated as hedging instruments after initial recognition, are not reclassifications.

When financial assets are reclassified as a result of an insurance company changing its accounting policy in accordance with paragraph 45 of PFRS 4, *Insurance Contracts*, this is a change in circumstance, not a reclassification.

It removes the reference to a 'segment' when determining whether an instrument qualifies as a hedge.

It requires use of the revised effective interest rate (rather than the original effective interest rate) when re-measuring a debt instrument on the cessation of fair value hedge accounting.

PAS 40, *Investment Property*

- It revises the scope (and the scope of PAS 16) to include property that is being constructed or developed for future use as an investment property.

Where an entity is unable to determine the fair value of an investment property under construction, but expects to be able to determine its fair value on completion, the investment under construction will be measured at cost until such time as fair value can be determined or construction is complete.

Effective in 2010

- Revised PFRS 3, *Business Combinations*, and PAS 27, *Consolidated and Separate Financial Statements*

Revised PFRS 3 introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs, and future reported results. Revised PAS 27 requires, among others, that: (a) change in ownership interests of a subsidiary (that do not result in loss of control) will be accounted for as an equity transaction and will have no impact on goodwill nor will it give rise to a gain or loss; (b) losses incurred by the subsidiary will be allocated between the controlling and noncontrolling interests (previously referred to as 'minority interests'), even if the losses exceed the noncontrolling equity investment in the subsidiary; and (c) on loss of control of a subsidiary, any retained interest will be remeasured to fair value and this will impact the gain



or loss recognized on disposal. The changes introduced by revised PFRS 3 must be applied prospectively, while the changes introduced by the revised PAS 27 must be applied retrospectively with a few exceptions. The changes affect future acquisitions and transactions with noncontrolling interests.

- *Amendment to PAS 39, Financial Instruments: Recognition and Measurement - Eligible Hedged Items*

Amendment to PAS 39 will be effective on January 1, 2009, which addresses only the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. The Amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item.

- *Philippine Interpretation IFRIC 17, Distribution of Non-cash Assets to Owners*

This Philippine Interpretation covers accounting for two types of non-reciprocal distributions of assets by an entity to its owners acting in their capacity as owners. The two types of distribution are:

- a) distributions of non-cash assets (e.g., items of property, plant and equipment, businesses as defined in PFRS 3, ownership interests in another entity or disposal groups as defined in PFRS 5); and
- b) distributions that give owners a choice of receiving either non-cash assets or a cash alternative.

This Philippine Interpretation addresses only the accounting by an entity that makes a non-cash asset distribution. It does not address the accounting by shareholders who receive such a distribution.

- *Philippine Interpretation IFRIC 18, Transfers of Assets from Customers*

This Interpretation covers accounting for transfers of items of property, plant and equipment by entities that receive such transfers from their customers. Agreements within the scope of this Philippine Interpretation are agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services, or to do both. This Philippine Interpretation also applies to agreements in which an entity receives cash from a customer when that amount of cash must be used only to construct or acquire an item of property, plant and equipment and the entity must then use the item of property, plant and equipment either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services, or to do both.

Effective in 2012

- *Philippine Interpretation IFRIC 15, Agreements for the Construction of Real Estate*

This Philippine Interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. This Philippine Interpretation requires that revenue on construction of real estate be recognized



only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, *Construction Contracts*, or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials, and where the risks and rewards of ownership are transferred to the buyer on a continuous basis, will also be accounted for based on the stage of completion.

Cash and Cash Equivalents

Cash consists of 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 (3) months or less from dates of placement and that are subject to an insignificant risk of changes in value.

Financial Instruments

Date of recognition

The Parent Company recognizes a financial asset or a financial liability on the parent company balance sheet when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

Initial recognition of financial instruments

All financial instruments are initially recognized at fair value of the consideration given (in the case of an asset) or received (in the case of a liability). Except for financial assets and liabilities at fair value through profit or loss (FVPL), the initial measurement of financial assets and liabilities include transaction costs. The Parent Company classifies its financial assets in the following categories: financial assets at FVPL, HTM investments, available-for-sale (AFS) financial assets and loans and receivables. The Parent Company classifies its financial liabilities as financial liabilities at FVPL or other financial liabilities. The classification depends on the purpose for which the investments were acquired and whether these are quoted in an active market. The financial assets of the Parent Company are of the nature of loans and receivable, while its financial liabilities are of the nature of other financial liabilities.

The Parent Company determines the classification at initial recognition and re-evaluates such designation, where allowed and appropriate, at every reporting date.

Determination of fair value

The fair value for financial instruments traded in active markets at the balance sheet date is based on its quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid and ask prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, option pricing models, and other relevant valuation models.



Day 1 profit

Where the transaction price in a non-active market is different than the fair value from other observable current market transactions of the same instrument or based on a valuation technique whose variables include only data from observable market, the Parent Company recognizes the difference between the transaction price and fair value (a day 1 profit) in the parent company statement of income. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in the parent company statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Parent Company determines the appropriate method of recognizing the 'Day 1' profit amount.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables are recognized initially at fair value, which normally pertains to the billable amount. After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest rate method, less allowance for impairment losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortization, if any, is included in the parent company statement of income. The losses arising from impairment of receivables are recognized in the parent company statement of income.

Other financial liabilities

Other financial liabilities are initially recognized at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. This category includes notes payable, accounts and other payables, due to related parties and subscription payable.

Gains and losses are recognized in the parent company statement of income when the liabilities are derecognized, as well as through the amortization process.

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the parent company balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Determination of fair value

The fair value for financial instruments traded in active markets at the balance sheet date is based on its quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid and ask prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.



For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, option pricing models, and other relevant valuation models.

Impairment of Financial Assets

The Parent Company assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and receivables

For loans and receivables carried at amortized cost, the Parent Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Parent Company determines that no objective evidence of impairment exists for individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. 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 for impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred). The carrying amount of the asset is reduced through use of an allowance account and the amount of loss is charged to the parent company statement of income. Interest income continues to be recognized based on the original effective interest rate of the asset. Receivables, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in a subsequent year, the amount of the estimated impairment loss decreases because of 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 parent company statement of income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the Parent Company. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on



which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Parent Company to reduce any differences between loss estimates and actual loss experience.

AFS financial assets carried at cost

If there is an 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, the amount of the loss is measured as the difference between the carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Derecognition of Financial Assets and Financial Liabilities

Financial asset

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

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

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

Financial liability

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

Real Estate Held for Sale and Development

Real estate held for sale and development consists of residential units for sale and development, subdivision land for sale and development, and undeveloped land carried at the lower of aggregate costs or net realizable value (NRV). Costs include those costs of acquisition, development, improvement and construction of the real estate projects. 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 Subsidiaries, Associates and Jointly Controlled Entities

The Parent Company's investments in its subsidiaries, associates and jointly controlled entities are accounted for under the cost method less accumulated provisions for impairment losses, if any. A subsidiary is an entity in which the Parent Company, directly or indirectly, holds more than half of the voting power, or exercises control over the operation and management of the subsidiary. An associate is an entity in which the Parent Company has significant influence and which is neither a subsidiary nor a joint venture. A jointly controlled entity is an entity, not being a subsidiary nor an associate, in which the Parent Company and its subsidiaries exercise joint control together with one or more partners.

The investments in subsidiaries, associates and jointly controlled entities are carried in the parent company balance sheet at cost less any impairment in value. The Parent Company recognizes income from the investment only to the extent that the Parent Company receives distributions from accumulated profits of the investee arising after the date of the acquisition. Distributions received in excess of such profits are regarded as recovery of the investment and are recognized as a reduction of the cost of the investment.

Investment Properties

Initially, investment properties are measured at cost including transaction costs. Subsequent to initial recognition investment properties are stated at cost less impairment in value, if any.

Investment properties are derecognized when they have either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal. Any gain or loss on the depreciation of an investment property is recognized in the parent company statement of income in the year in which it arises.

Expenditures incurred after the investment properties have been put into operations, such as repairs and maintenance costs, are normally charged to income in the period in which the costs are incurred.

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

For a transfer from investment property to owner-occupied property, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. If the property occupied by the Parent Company as an owner occupied property becomes an investment property, the Parent Company accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.



Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment in value.

The initial cost of property and equipment comprises its purchase price, including non-refundable 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 fixed assets have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to income 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 and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment. All other repair and maintenance expenses are charged to current operations as incurred.

Depreciation of property and equipment commences once the assets are put into operational use.

Depreciation is calculated on a straight-line method over the following estimated useful lives (EUL) of the respective assets:

	<u>Years</u>
Transportation Equipment	5
Office furniture, fixtures and equipment	3

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

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

Noncurrent Assets Held for Sale

The Parent Company classifies assets as held for sale (disposal group) when their carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets and its sale must be highly probable.

For the sale to be highly probable, the appropriate level of management must be committed to a plan to sell the asset and an active programme to locate a buyer and complete the plan must have been initiated. Further, the asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value. In addition, the sale should be expected to qualify for recognition as a completed sale within one (1) year from the date of classification.



The related results of operations and cash flows of the disposal group that qualified as discontinued operation are separated from the results of those that would be recovered principally through continuing use, and prior years' parent company statement of income and cash flows are re-presented. Results of operations and cashflows of the disposal group that qualified as discontinued operation are presented in the parent company statement of income and cash flows as items associated with noncurrent assets held for sale.

Impairment of Nonfinancial Assets

This accounting policy applies to the Parent Company's investment in subsidiaries, associates and joint venture, investment property and property, plant and equipment. The Parent Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment testing for an asset is required, the Parent Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less cost to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that largely independent of those from other assets or group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Parent Company makes an estimate of recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the parent company statement of income. After such reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Revenue and Cost Recognition

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

Management fees

Revenue from management fees is recognized when the related services are rendered.

Finance income

Revenue is recognized as interest 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).



Dividend income

Dividend income is recognized when the parent company's right to receive payment is established.

Pension Costs

The pension cost of the parent company is determined using the PUC method. Under this method, the current service cost is the present value of retirement benefits payable in the future with respect to services rendered in the current period. The liability recognized in the parent company balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the date less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs.

The defined benefit obligation is calculated annually by an independent actuary using the PUC method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rate on government bonds that have terms to maturity approximating the terms of the related retirement liability or applying a single weighted average discount rate that reflects the estimated timing and amount of benefit payment. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are credited to or charged against income when the net cumulative unrecognized actuarial gains and losses at the end of the previous period exceeded 10% of the higher of the defined benefit obligation and the fair value of plan assets at that date. These excess gains or losses are recognized over the expected average remaining working lives of the employees participating in the plan.

Past service costs, if any, are recognized immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortized on a straight-line basis over the vesting period.

The retirement benefits of officers and employees are determined and provided for by the Parent Company and are charged against current operations.

The defined benefit asset or liability comprises the present value of the defined benefit obligation less past service costs not yet recognized, if any, and less the fair value of the plan assets out of which the obligations are to be settled directly. The value of any asset is restricted to the sum of any past service costs not yet recognized, if any, and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

Income Tax

Current tax

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

Deferred tax

Deferred tax is provided, using the balance sheet liability method, on all temporary differences 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, except:

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

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits from excess minimum corporate income tax (MCIT) and unused net operating loss carry over (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused NOLCO can be utilized except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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 profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

Income tax relating to items recognized directly in equity is recognized in equity and not in the parent company statement of income.

Provisions

Provisions are recognized when the Parent Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Parent Company expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually



certain. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

Foreign Currency Translation

The parent company financial statements are presented in Philippine Peso, which is the Parent Company's functional and presentation currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. However, monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to profit or loss during the period of retranslation.

Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Parent Company as a Lessee

Leases where the lessor does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. Operating lease payments are recognized as an expense in the parent company statement of income on a straight basis over the lease term.

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.

Contingencies

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

Events after the Balance Sheet Date

Post year-end events that provide additional information about the Parent Company's position at balance sheet date (adjusting events) are reflected in the parent company financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the parent company financial statements when material.



3. Significant Accounting Judgments, Estimates and Assumptions

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

Judgment

In the process of applying the Parent Company'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 parent company financial statements:

Revenue recognition

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

Distinction between investment properties and owner-occupied properties

The Parent Company determines whether a property qualifies as investment property. In making its judgment, the Parent Company 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 ordinary course of business.

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 an 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 Parent Company considers each property separately in making its judgment.

Operating lease commitments - Parent Company as lessee

The Parent Company has entered into contract of lease for the office space it occupies. The Parent Company has determined that all significant risks and benefits of ownership on these properties will be retained by the lessor. In determining significant risks and benefits of ownership, the Parent Company considered, among others, the significance of the lease term as compared with the EUL of the related asset.



Estimates and Assumptions

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.

Allowance for impairment losses on receivables

The Parent Company maintains an allowance for impairment losses at a level considered adequate to provide for potential uncollectible receivables. The level of this allowance is evaluated by 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 Parent Company reviews the age and status of receivables, and identifies accounts that are to be provided with allowances on a continuous basis. The Parent Company provides full allowance for receivables that it deems uncollectible.

The amount and timing of recorded expenses for any period would differ if the Parent Company 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. There were no provisions for impairment losses on receivables recognized by the Parent Company in 2008 and 2007. Receivables of the Parent Company amounted to ₪8.28 million and ₪14.66 million as of December 31, 2008 and 2007, respectively (see Note 5).

EUL of property and equipment

The Parent Company estimated the useful lives of its property and equipment based on the period over which the assets are expected to be available for use. The EUL of property and equipment are reviewed at least annually and are updated if expectations differ from previous estimates due to physical wear and tear and technical or commercial obsolescence on the use of these property and equipment. 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. The net book value of property and equipment of the Parent Company amounted to ₪3.50 million and ₪5.03 million as of December 31, 2008 and 2007, respectively (see Note 8).

Deferred tax assets

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



Deferred income tax assets amounted to ₱29.25 million and ₱32.81 million as of December 31, 2008 and December 31, 2007, respectively (see Note 18).

Estimating pension obligation and other retirement benefits

The determination of the Parent Company's pension liabilities is dependent on selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 13 and include among others, discount rates, expected rate of returns on plan assets and rates of salary increase. While the Parent Company believes that the assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions may materially affect retirement obligations. The present value of the defined benefit obligation amounted to ₱6.71 million and ₱33.35 million as of December 31, 2008 and 2007, respectively (see Note 13).

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded in the parent company balance sheet cannot be derived from active markets, they are determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimates are used in establishing fair values. These estimates may include considerations of liquidity, volatility and correlation. Certain financial assets and liabilities were initially recorded at its fair value by using the discounted cash flow methodology. The fair values of the financial assets amounted to ₱1,338.74 million and ₱1,321.77 million as of December 31, 2008 and 2007, respectively. The fair values of the financial liabilities amounted to ₱361.85 million and ₱564.92 million as of December 31, 2008 and 2007, respectively (see Note 19).

4. Cash and Cash Equivalents

This account consists of:

	2008	2007
Cash on hand and in banks	₱213,676,983	₱95,231,343
Short-term investments	342,496,423	1,155,835,736
	₱556,173,406	₱1,251,067,079

Cash in banks earns interests at the respective bank deposit rates. Short-term investments are made for varying periods of up to three (3) months depending on the immediate cash requirements of the Parent Company, and earn interests at the respective short-term investment rates.



5. Receivables

This account consists of:

	2008	2007
Management fee receivable (Note 13)	₱7,109,015	₱4,264,881
Accrued interest receivable	809,900	631,221
Advances to officers and employees	295,615	9,710,668
Other receivables	62,051	53,050
	₱8,276,581	₱14,659,820

6. Investments in Subsidiaries, Associates and Jointly Controlled Entities

The details of the Parent Company's investments in subsidiaries, associates and jointly controlled entities follow:

	2008	2007
Acquisition cost:		
Balance at beginning of year	₱8,580,230,638	₱8,939,715,653
Additions	195,650,000	66,275,000
Disposals/reclassification	-	(45,026,572)
Reclassification	829,485,609	(380,733,443)
	9,605,366,247	8,580,230,638
Less allowance for probable losses	45,617,902	45,617,902
Balance at end of year	₱9,559,748,345	₱8,534,612,736

The details of the Parent Company's investments in subsidiaries, associates and jointly controlled entities accounted for under the cost method and the corresponding percentages of ownership follow:

	Percentage of Ownership		2008	2007
	2008	2007		
Subsidiaries:				
DMCI	100.00	100.00	₱2,113,493,074	₱2,113,493,074
PDI	100.00	100.00	2,000,000,000	2,000,000,000
Semirara	56.46	56.46	1,366,452,389	1,366,452,389
SemCem*	100.00	100.00	1,999,400	1,999,400
DMCI Power	50.00	100.00	125,000,000	10,000,000
DMCI Masbate	100.00	100.00	1,275,000	625,000
DMCI Mining	50.00	100.00	100,000,000	20,000,000
AG&P	98.39	-	829,485,609	-

(Forward)



	Percentage of Ownership		2008	2007
	2008	2007		
Associates:				
Wire Rope	45.68	45.68	₱22,010,775	₱22,010,775
Jointly-controlled entity:				
DMCI- MPIC Water Company		50.00	3,000,000,000	3,000,000,000
At Cost				
Rusina Mining	60.00	60.00	45,650,000	45,650,000
			₱9,605,366,247	₱8,580,230,638

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

Acquisition of Maynilad Water Services Inc. (Maynilad)

In November 2006, DMCI HI, together with Metro Pacific Investment Corporation (MPIC) formed a 50:50 joint venture Parent Company called DMCI-MPIC Water Parent Company, Inc. (DMCI-MPIC).

On December 5, 2006, through a public bidding, DMCI-MPIC won the right to acquire Metropolitan Waterworks Sewerage Systems (MWSS) 84% interest in Maynilad Water Services Inc. (MWSI). MWSI holds an exclusive concession, granted by MWSS on behalf of the Philippine Government, to provide water and sewerage services in the west zone of Metro Manila. The transaction was completed on January 10, 2007 with the delivery by MWSS and DMCI-MPIC of all closing requirements as required in the bid.

In addition, DMCI-MPIC: (i) provided financial assistance to MWSI in the amount of ₱1,510.00 million (US\$31.00 million); (ii) will contribute additional equity to Maynilad Water for funding its requirement for its capital expenditure, repayment to its existing creditors, and /or concession fees to MWSS which amounts to ₱21,803.60 million (US\$444.70 million) over a period of three years; and (iii) established a performance bond in an amount of ₱588.3 million (US\$12.00 million) in respect of MWSI's obligations under the concession.

Power Supply Agreement

On October 16, 2006, the DMCI-HI incorporated a new Parent Company, DMCI Power Corporation (DPC) (formerly DMCI Energy Resources Unlimited, Inc.) that will handle its power business in line with plans to increase the group's exposure in this sector. DPC will put up coal-fired power plants and participate in the privatization of the power supply of off-grid islands and remote villages. DPC is a new wholly owned subsidiary of DMCI-HI.

The privatization of Small Power Utilities Group (SPUG) Areas was mandated by Department of Energy (DOE) Circular No. 2004-01-001 issued on January 26, 2004. The circular called for the periodic assessment of the requirements and prospects of bringing power generation and associated power delivery systems to commercial viability on an area-by-area basis, including a program to encourage private sector participation in the SPUG areas. In line with this, DMCI-HI participated in the bid of Masbate SPUG. On January 15, 2007, the Bids and Awards Committee of National Power Corporation has awarded the Masbate's SPUG rights to DMCI HI which will be transferred to DPC.



The financial information of the associates follows:

	2008		2007	
	Wire Rope	Wire Rope	AG&P	
Total assets	₱143,229,115	₱107,720,774	₱3,170,011,880	
Total liabilities	93,258,074	69,780,172	2,737,041,957	
Total net assets	₱49,971,041	₱37,940,602	₱432,969,923	

7. Investment Properties

The movements in this account follow:

	2008	2007
Balance at beginning of year	₱79,653,580	₱56,506,717
Acquisition	-	23,146,863
Balance at end of year	₱79,653,580	₱79,653,580

The Parent Company's investment properties represent various land situated in Taguig City and Zambales. The fair value of investment properties as of December 31, 2008 and 2007 amounted to ₱82.84 million.

8. Property and Equipment

The movements in this account follow:

	2008		
	Office Furniture, Fixtures and Equipment	Transportation Equipment	Total
Cost			
At January 1	₱14,873,908	₱9,873,828	₱24,747,736
Additions	314,598	-	314,598
Disposals	(279,847)	-	(279,847)
At December 31	14,908,659	9,873,828	24,782,487
Accumulated Depreciation			
At January 1	14,538,624	5,180,980	19,719,604
Depreciation (Note 15)	342,850	1,501,550	1,844,400
Disposals	(279,847)	-	(279,847)
At December 31	14,601,627	6,682,530	21,284,157
Net Book Value	₱307,032	₱3,191,298	₱3,498,330



	2007		
	Office Furniture Fixtures and Equipment	Transportation Equipment	Total
Cost			
At January 1	₱14,807,479	₱9,189,900	₱23,997,379
Additions	66,429	683,928	750,357
At December 31	14,873,908	9,873,828	24,747,736
Accumulated Depreciation			
At January 1	14,153,612	3,775,980	17,929,592
Depreciation (Note 15)	385,012	1,405,000	1,790,012
At December 31	14,538,624	5,180,980	19,719,604
Net Book Value	₱335,284	₱4,692,848	₱5,028,132

Depreciation charged to operations amounted to ₱1.84 million and ₱1.79 million for 2008 and 2007, respectively (see Note 15).

9. Noncurrent Assets Held-for-Sale

AG&P

As of December 31, 2001, the Group's accumulated equity in net losses of AG&P equalled 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.

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 five (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 ₱18.00 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 ₱70.0 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 based 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 two (2) years grace period in the payment of principal, interest rate for the first five (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 ₱70.00 million to the labor union;
- (b) AG&P and PNB agreed 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 employees 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 ₱223.00 million and ₱591.00 million, respectively. The present authorized capital stock of AG&P of ₱36.00 million will be increased to ₱1,500.00 million before conversion of debt to equity.
- c. Partial settlement of DMCI loan through 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.

On May 21, 2008, advances of the Parent Company to AG&P amounting to ₱957.82 million was converted to equity through the issuance of 957,821,328 common shares. As a result of the conversion, the Parent Company became the ultimate parent of AG&P.

In its meeting on April 24, 2008, the BOD approved additional investments in AG&P amounting to ₱113.04 million, bringing the Parent Company's shareholdings in AG&P to 98.39% of its outstanding capital stock.

On May 21, 2008, AG&P's application for amendment in the Articles of Incorporation was approved. The amendment includes the increase of the authorized capital stock from ₱36.00 million to ₱3.50 billion, extension of AG&P's term and reduction of its par value.

On the same date, the SEC approved as well the application of AG&P to undergo a quasi-reorganization to wipe out the deficit as of August 31, 2007 amounting to ₱458.60 million against APIC amounting to ₱117.90 million and the appraisal increment amounting to ₱340.70 million, subject to certain conditions pursuant to the approval.

The BOD in 2007 approved to offer AG&P shares for sale, but the proposed sale did not materialize in 2008.

In the parent company financial statements as of December 31, 2008, the investment in AG&P as of December 31, 2007 is still presented as noncurrent asset-held-for sale.

In January 2009, the Parent Company paid the existing obligations of AG&P with the creditor banks amounting to ₱650.00 million.

In February 17, 2009, AG&P filed a motion to the court for issuance of an order granting exit from rehabilitation on the financial and operating results, payment of rehabilitation liabilities, employment generation, and compliance with the requirements of the rehabilitation plan.



10. Accounts and Other Payables

This account consists of:

	2008	2007
Liability for purchased land	₱13,359,515	₱17,666,690
Trade	6,453,039	859,240
Value-added output tax	2,967,429	3,560,055
Dividends payable	817,599	817,599
Accrued expenses	134,067	693,211
Others	10,723,415	10,287,090
	₱34,455,064	₱33,883,885

11. Equity

The Parent Company's capital stock consists of:

	2008		2007	
	Shares	Amount	Shares	Amount
Preferred stock - ₱1 par value cumulative and convertible				
Authorized	100,000,000	₱100,000,000	100,000,000	100,000,000
Issued				
Balance at beginning of year	4,480	4,480	5,480	₱5,480
Cancellation/retirement of shares	(100)	(100)	(1,000)	(1,000)
Balance at end of year	4,380	₱4,380	4,480	₱4,480
Common stock - ₱1 par value				
Authorized	5,900,000,000	₱5,900,000,000	5,900,000,000	₱5,900,000,000
Issued				
Balance at beginning of year	2,655,494,000	2,655,494,000	2,255,494,000	2,255,494,000
Issuance of shares	-	-	400,000,000	400,000,000
Balance at end of year	2,655,494,000	₱2,655,494,000	2,655,494,000	₱2,655,494,000
Preferred shares held in treasury				
Balance at beginning of year	-	₱-	(1,000)	(₱1,000)
Redemption of shares	-	-		
Cancellation/retirement of shares	-	-	1,000	1,000
Balance at end of year	-	₱-	-	₱-

The preferred stock is redeemable, convertible, non-voting, non-participating and cumulative with par value of ₱1.00 per share. The preferred shareholders' right of converting the preferred shares to common shares expired in March 2002.

The Parent Company retired 1,000 preferred shares in 2007. The difference between the par value and the redemption price amounting to ₱1.10 million in 2007 were charged against the additional paid-in capital account.



In 2008, the Parent Company retired 100 preferred shares. The difference between the redemption price amounting ₱0.23 million was charged against the additional paid-in capital account.

The BOD, at various dates in 2007, approved the issuance of additional 400 million common shares out of the Company's existing unissued authorized capital stock in favor of Dacon Corporation at prices ranging from ₱6.70 per share to ₱7.52 per share or a total price of ₱2,763.46 million. As required by the Philippine Stocks Exchange (PSE) Listing Rules, the stockholders approved the issuance of new 400 million voting common shares in favor of Dacon. Likewise, the waiver of the rights/public offering of the new 400 million voting common shares to be issued to Dacon was approved by the majority of the minority stockholders.

Retained earnings

There was no restriction on the retained earnings as of December 31, 2008 and 2007.

Dividends declared

On April 3, 2007, the Parent Company's BOD approved and declared cash dividends of ₱0.10 per share or ₱265.53 million to stockholders of record as of April 30, 2007 and June 30, 2006, respectively. The 2008 and 2007 cash dividends were paid on May 28, 2007 and July 20, 2006, respectively.

On April 24, 2008, the BOD approved the declaration of cash dividends of ₱0.10 per share to stockholders of record as of May 12, 2008, out of the unrestricted retained earnings as of December 31, 2007. The 2008 cash dividend was paid on May 30, 2008.

12. Related Party Transactions

In the regular course of business, the Parent Company's significant transactions with subsidiaries, associates, jointly controlled entities and other related parties consisted primarily of the following:

- (a) General and special management services rendered by the Parent Company to DMCI and PDI for a fee which aggregated to ₱31.47 million, ₱21.89 million and ₱17.91 million in 2008, 2007 and 2006, respectively;
- (b) Dividend income from Semirara recognized in the parent company statements of income amounted to ₱626.83 million in 2008 and ₱194.23 million in 2007, and dividend income of ₱213.75 million in 2006 came from Semirara and Wire Rope;
- (c) Interest and noninterest-bearing cash and operating advances made by the Parent Company to and from various associates and other related parties;
- (d) In January 2009, the Parent Company paid the existing obligations of AG&P with the creditor banks amounting to ₱650.00 million.



The parent company balance sheets include the following amounts resulting from transactions with subsidiaries, associates and other related parties:

	2008	2007
Management fee receivable (Note 6)		
DMCI	P6,325,015	P3,879,881
PDI	784,000	385,000
	7,109,015	4,264,881
Due from related parties		
DMCI-MPIC Water Co., Inc.	P601,227,944	P19,870,311
PDI	109,674,211	-
Semirara Mining Corporation	38,970,109	-
AG&P	24,353,492	-
SemCem	2,983,278	2,983,278
DMCI Mining Corporation	-	33,185,829
DMCI Power Corporation	-	832,244
Others	61,074	1,651,684
	777,270,108	58,523,346
Less allowance for impairment losses	2,983,278	2,983,278
	P774,286,830	P55,540,068
Due to related parties		
DMCI	P261,253,426	P491,278,654
Dacon	65,000,000	-
DMCI International	76,946	76,946
DMCI Mining Corporation	60,000	-
Semirara Mining Corporation	-	21,100,000
DMCI PDI	-	17,578,911
	P326,390,372	P530,034,511

The key management personnel of the Parent Company include all directors, executive and non-executive, and senior management personnel. The details of the compensation and benefits of key management personnel for 2008, 2007 and 2006 follows:

	2008	2007
Short-term employee benefits	P4,435,232	P4,245,232
Post-employment benefits	1,941,413	7,032,978
Total	P6,376,645	P11,278,210



13. Employee Benefits

The Parent Company has an unfunded, noncontributory, defined benefit pension plan covering substantially all of its regular employees. The latest actuarial valuation report of the retirement plan was made as of December 31, 2008.

Total pension liabilities recognized in the parent company balance sheets amounted to ₱6.72 million and ₱9.34 million as of December 31, 2008 and 2007, respectively.

Pension liabilities for the retirement plan follow:

	2008	2007
Present value of defined benefit obligation	₱6,709,632	₱33,354,452
Fair value of plan assets	16,564,335	19,907,457
Deficit (surplus)	(9,854,703)	13,446,995
Unrecognized actuarial gains (losses)	17,490,317	(2,764,562)
Unrecognized past service cost - non vested benefits	(918,364)	(1,205,644)
Unrecognized net transition assets	-	(140,372)
Liability recognized in the parent company balance sheets	₱6,717,249	₱9,336,417

Movements in the fair value of plan assets follow:

	2008	2007
Balance at beginning of year	₱19,907,457	₱1,213,557
Expected return on plan assets	1,608,653	-
Contributions	6,146,608	212,674
Actuarial gains (losses) - net	(11,098,383)	-
Transfer of assets	-	18,481,226
Balance at end of year	₱16,564,335	₱19,907,457

As of December 31, 2008 and 2007, the Parent Company's plan assets consist primarily of the following:

Cash and cash equivalents	12%
Investments in stocks	48%
Debt instruments	39%
Other assets	1%

Movements in pension liability follow:

	2008	2007
Balance at beginning of year	₱9,336,417	₱1,649,318
Expense recognized	3,527,440	7,899,773
Contributions	(6,146,608)	(212,674)
Balance at end of year	₱6,717,249	₱9,336,417



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

	2008	2007
Balance at beginning of year	₱33,354,452	₱4,274,686
Current service cost	1,883,320	1,736,259
Interest cost on benefit obligation	2,825,122	333,425
Past service cost - non vested benefit	-	1,295,071
Past service cost - vested benefit	-	5,375,817
Actuarial losses (gains)	(31,353,262)	1,857,968
Transfer of obligation	-	18,481,226
Balance at the end of year	₱6,709,632	₱33,354,452

Components of retirement expense in the statements of income follow:

	2008	2007
Current service cost	₱1,883,320	₱1,736,259
Interest cost	2,825,122	333,425
Expected return on plan assets	(1,608,653)	-
Net actuarial loss recognized during the year	-	26,618
Past service cost -non vested benefit	287,279	287,279
Past service cost - vested benefit	-	5,375,818
Net transition liability recognized in the plan year	140,372	140,374
Expense recognized during plan year	₱3,527,440	₱7,899,773

The assumptions used to determine pension benefits of the Parent Company follow:

	2008	2007
Discount rate	9.63%	8.47%
Salary rate increase	10.00%	15.00%
Expected rate of return on plan assets	7.00%	7.00%

The overall expected rate of return on plan assets is determined based on the market expectations prevailing on that date, applicable to the period over which the obligation is to be settled. The actual return on plan assets amounted to ₱9.49 million and ₱0.71 million in 2008 and 2006, respectively.

Amounts for the current and previous two periods are as follows:

	2008	2007
Present value of defined benefit obligation	₱6,709,632	₱33,354,452
Fair value of plan assets	16,564,335	19,907,457
Overfunded (unfunded) obligation	(9,854,703)	13,446,995
Experience adjustments on plan liabilities	(25,984,094)	(9,674)
Experience adjustments on plan assets	(11,098,383)	-

The Parent Company does not expect to contribute into the pension fund for the annual period ending December 31, 2009.



14. Investment Income

On May 13, 2006, the Parent Company has fully sold 16.50 million Semirara shares resulting in ₱356.05 million gain. Out of the 161.88 million outstanding shares held by Parent Company in Semirara as of December 31, 2006, 5.15 million shares were sold on December 5, 2007. The cost of Semirara shares sold amounted to ₱45.03 million resulting in a gain of ₱178.97 million.

15. General and Administrative Expenses

This account consists of:

	2008	2007
Salaries, wages and employee benefits	₱15,091,389	₱17,564,542
Taxes and licenses	6,405,716	11,847,862
Professional fees	4,191,359	486,122
Entertainment, amusement and recreation	3,245,561	1,680,736
Rent (Note 20)	2,025,671	2,025,671
Depreciation (Note 8)	1,844,400	1,790,012
Communication, light and water	992,518	878,920
Repairs and maintenance	943,549	716,043
Supplies	491,143	706,374
Miscellaneous	3,858,045	8,365,434
	₱39,089,351	₱46,061,716

16. Finance Income

Finance income is derived from the following sources:

	2008	2007
Short term placements	₱37,412,607	₱43,287,573
Bank savings account	631,503	4,392,292
	₱38,044,110	₱47,679,865

17. Finance Cost

The finance costs are incurred from the following:

	2008	2007
Investment in real estate	₱380,011	₱62,514,219
Long-term borrowings	-	18,376,908
Bank loans and short term borrowings	1,030	-
	₱381,041	₱80,891,127



18. Income Tax

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

	2008	2007
Final	₱4,449,403	₱10,175,559
Current	266,620	214,231
Deferred	4,537,131	(31,435,002)
	₱9,253,154	(₱21,045,212)

As of December 31, 2007, the details of the NOLCO and unused tax credits from the excess of the MCIT over regular corporate income tax (RCIT), which are available for offset against future income tax payable and taxable income, respectively, over a period of three years from the year of inception, follow:

NOLCO

Inception Year	Amount	Used/ Expired	Balance	Expiry Year
2006	₱10,363,738	₱-	₱10,363,738	2009
2007	79,503,820	-	79,503,820	2010
2008	5,828,501	-	5,828,501	2011
	₱95,696,059	₱-	₱95,696,059	

MCIT

Year Incurred	Amount	Expired	Balance	Expiry Date
2005	₱246,605	₱246,605	₱-	2008
2006	174,363	-	174,363	2009
2007	214,231	-	214,231	2010
2008	266,620	-	266,620	2011
	₱901,819	₱246,605	₱655,214	

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

	2008	2007
Statutory income tax rate	35.00%	35%
Tax effects of:		
Dividend income	(33.10)	(22.04)
Gain on sale of investment	-	(20.31)
Interest income subjected to final tax at a lower rate	(1.34)	(1.84)
Nondeductible expenses	0.16	2.17
Effect of change in tax rate	0.68	0.20
Effective income tax rate	1.40%	(6.82%)



The Company has deductible temporary differences that are available for offset against future taxable income for which deferred tax assets have not been recognized. These deductible temporary differences with no deferred tax assets recognized in the parent company balance sheets as of December 31, 2008 and 2007 follow:

	2008	2007
NOLCO	₱10,363,738	₱10,363,738
MCIT	174,363	420,968
	₱10,538,101	₱10,784,706

The components of the net deferred tax assets as of December 31, 2008 and 2007 follow:

	2008	2007
Deferred tax asset on:		
NOLCO	₱25,599,696	₱27,826,336
Accrued retirement costs	3,166,263	3,267,746
MCIT	480,851	214,231
Unrealized forex loss	-	1,505,375
	29,246,810	32,813,688
Deferred tax liability on:		
Unamortized discount on investment in real estate	(572,933)	(801,425)
Unrealized forex gain	(1,198,745)	-
	(1,771,678)	(801,425)
Net deferred tax asset	₱27,475,132	₱32,012,263

Republic Act (RA) No. 9337

RA No. 9337, that was enacted into law in 2005, amended various provisions in the existing 1997 National Internal Revenue Code. Among the reforms introduced by the said RA was the reduction of the income tax rate from 35% to 30% beginning January 1, 2009. It further provides that nondeductible interest expense shall be reduced from 42% to 33% of interest income subject to final tax beginning January 1, 2009.

19. Financial Instruments

Financial Risk and Capital Management Objectives and Policies

Capital management

The primary objective of the Parent Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Parent Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Parent Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.



The following table shows the component of the Company's capital as of December 31, 2008 and 2007.

	2008	2007
Total paid-up capital	₱7,421,414,451	₱7,421,640,006
Retained earnings	3,224,571,126	2,836,543,264
	₱10,645,985,577	₱10,258,183,270

Financial risk

The Parent Company's principal financial liabilities comprise accounts and other payables, due to related parties and subscription payable in 2008 and 2007. The main purpose of the Parent Company's financial liabilities is to raise finance for the Parent Company's operations. The Company has various financial assets such as cash and cash equivalents, receivables and due from related parties, which arise directly from its operations. The main risks arising from the use of financial instruments are foreign currency risk, credit risk, liquidity risk and interest rate risk.

The BOD reviews and agrees with policies for managing each of these risks. The Parent Company monitors market price risk arising from all financial instruments and regularly report financial management activities and the results of these activities to the BOD.

The Parent Company's risk management policies are summarized below. The exposure to risk and how they arise, as well as the Parent Company's objectives, policies and processes for managing the risk and the methods used to measure the risk did not change from prior years.

Foreign currency risk

The Parent Company's foreign exchange risk results primarily from movements of the Philippine Peso against the United States Dollar (USD) for its cash and cash equivalents and investment in stocks. Approximately 5.17% and 83.25% of cash and cash equivalents as of December 31, 2008 and 2007, respectively, were denominated in USD.

Information on the Parent Company's foreign currency-denominated monetary assets and their Philippine Peso equivalents as of December 31, 2008 and 2007 follows:

2008

	USD	Peso Equivalent @47.52
Cash and cash equivalents	\$605,203	₱28,759,247

2007

	USD	Peso Equivalent @41.28
Cash and cash equivalents	\$21,899,409	₱904,007,604
Investment in stocks	1,000,000	41,280,000
	\$22,899,409	₱945,287,604



The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, of the Parent Company's income before income tax (due to changes in the fair value of monetary assets). There is no impact on the Parent Company's equity other than those already affecting the income.

2008

	Increase (decrease) in foreign exchange rate	Effect on income before income tax
Cash and cash equivalents	+5%	₱1,437,962
	-5%	(1,437,962)

2007

	Increase (decrease) in foreign exchange rate	Effect on income before income tax
Cash and cash equivalents	+5%	₱45,200,380
	-5%	(45,200,380)
Investment in stocks	+5%	2,064,000
	-5%	(2,064,000)

The Parent Company recognized ₱4.42 million foreign exchange gain for the year ended December 31, 2008 and ₱8.62 million foreign exchange loss for the year ended December 31, 2007, arising from the translation of the Parent Company's cash and cash equivalents and investment in stocks.

Credit risk

The Parent Company's exposure to credit risk arises from default of the counterparties which mostly are related parties. Nevertheless, receivable balances are monitored on an ongoing basis with the result that the Parent Company's exposure to bad debts is not significant.

With respect to the credit risk arising from the other financial assets of the Parent Company, which comprise cash and cash equivalents, the Parent Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The Parent Company transacts only with institutions or banks that have proven track record in financial soundness.

The table below shows the gross maximum exposure to credit risk for the components of the parent company balance sheets.

	2008	2007
Cash and cash equivalents	₱556,173,406	₱1,251,067,079
Receivables	8,276,581	14,659,820
Due from related parties	774,286,830	55,540,068
Total credit risk exposure	₱1,338,736,817	₱1,321,266,967



As of December 31, 2008 and 2007, the credit quality per class of financial assets is as follows:

2008

	Neither past due nor impaired			Past due or individually impaired	Total
	Grade A	Grade B	Sub-standard		
Cash and cash equivalents	P556,173,406	P-	P-	P-	P556,173,406
Receivables	8,276,581	-	-	-	8,276,581
Due from related parties	774,286,830	-	-	2,983,278	777,270,108
Total	P1,338,736,817	P-	P-	P2,983,278	P1,341,720,095

2007

	Neither past due nor impaired			Past due or individually impaired	Total
	Grade A	Grade B	Sub-standard		
Cash and cash equivalents	P1,251,067,079	P-	P-	P-	P1,251,067,079
Receivables	14,659,820	-	-	-	14,659,820
Due from related parties	52,556,790	-	-	2,983,278	55,540,068
Total	P1,318,283,689	P-	P-	P2,983,278	P1,321,266,967

As of December 31, 2008 and 2007, the aging analysis of the Company's receivables presented per class is as follows:

2008

	Neither past due nor impaired	Past due but not impaired					Impaired financial assets	Total
		<30 days	30-60 days	60-90 days	90-120 days	>120 days		
(In Thousands)								
Receivables	7							
Management fee receivable	P7,109,015	P-	P-	P-	P-	P-	P7,109,015	
Accrued interest receivable	809,900	-	-	-	-	-	809,900	
Advances to officers and employees	295,615	-	-	-	-	-	295,615	
Other receivable	62,051	-	-	-	-	-	62,051	
Due from related parties	774,286,830	-	-	-	-	2,983,278	777,270,108	
Total	P782,563,411	P-	P-	P-	P-	P2,983,278	P785,546,689	

2007

	Neither Past Due nor Impaired	Past due but not impaired					Impaired Financial Assets	Total
		<30 days	30-60 days	60-90 days	90-120 days	>120 days		
(In Thousands)								
Receivables								
Management fee receivable	P4,264,881	P-	P-	P-	P-	P-	P4,264,881	
Accrued interest receivable	631,221	-	-	-	-	-	631,221	
Advances to officers and employees	9,710,668	-	-	-	-	-	9,710,668	
Other receivable	53,050	-	-	-	-	-	53,050	
Due from related parties	55,540,068	-	-	-	-	2,983,278	58,523,346	
Total	P70,199,888	P-	P-	P-	P-	P2,983,278	P73,183,166	



Liquidity risk

The Parent Company seeks to manage its liquidity profile to be able to service its maturing debts and to finance capital requirements. The Parent Company maintains a level of cash and cash equivalents deemed sufficient to finance operations. As part of its liquidity risk management, the Parent Company 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.

The table summarizes the maturity profile of the Parent Company's financial liabilities at December 31, 2008 and 2007 based on contractual undiscounted payments:

2008

	< 1 year	1 to < 2 years	2 to < 3 years	3 to < 4 years	> 5 years	Total
Accounts and other payables	₱21,095,550	₱3,817,004	₱3,817,004	₱3,817,004	₱1,908,502	₱34,455,064
Payable to related parties	326,390,372	-	-	-	-	326,390,372
Subscription payable	-	1,000,000	-	-	-	1,000,000
	₱347,485,922	₱4,817,004	₱3,817,004	₱3,817,004	₱1,908,502	₱361,845,436

2007

	< 1 year	1 to < 2 years	2 to < 3 years	3 to < 4 years	> 5 years	Total
Accounts and other payables	₱16,707,367	₱3,817,004	₱3,817,004	₱3,817,004	₱5,725,506	₱33,883,885
Due to related parties	530,034,511	-	-	-	-	530,034,511
Subscriptions payable	-	-	1,000,000	-	-	1,000,000
	₱546,741,878	₱3,817,004	₱4,817,004	₱3,817,004	₱5,725,506	₱564,918,396

Interest rate risk

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

The Parent Company's has fully paid its long-term debt during the year, thus it is no longer expose to market risk for changes in interest rates.

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 FVPL. 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.



Set out below is a comparison by category of carrying amounts and estimated fair values of all of the Parent Company's financial instruments:

	2008		2007	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
Cash and cash equivalents	₱556,173,406	₱556,173,406	₱1,251,067,079	₱1,251,067,079
Receivables - net			-	4,246,881
Management fee receivable	7,109,015	7,109,015	4,246,881	631,221
Accrued interest receivable	809,900	809,900	631,221	
Advances to officers and employees	295,615	295,615	9,710,668	9,710,668
Other receivables	62,051	62,051	53,050	53,050
Due from related parties	774,286,830	774,286,830	55,540,068	55,540,068
	₱1,338,736,817	₱1,338,736,817	₱1,321,248,967	₱1,321,248,967
Financial Liabilities				
Accounts and other payables				
Liability for purchased land	₱13,359,515	₱13,359,515	₱17,666,690	₱17,666,690
Trade	6,453,039	6,453,039	859,240	859,240
Value-added output tax	2,967,429	2,967,429	3,560,055	3,560,055
Dividends payable	817,599	817,599	817,599	817,599
Accrued expenses	134,067	134,067	693,211	693,211
Others	10,723,415	10,723,415	10,287,090	10,287,090
Due to related parties	326,390,372	326,390,372	530,034,511	530,034,511
Subscriptions payable	1,000,000	1,000,000	1,000,000	1,000,000
	₱361,845,436	₱361,845,436	₱564,918,396	₱564,918,396

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:

The carrying amounts of cash and cash equivalents, receivables and accounts and other payables approximate their fair values due to the relative short-term nature of the transactions.

The carrying amounts (cost less allowance for impairment losses) of AFS unquoted shares approximate their fair values due to the unpredictable nature of future cash flows and the lack of suitable methods of arriving at a reliable fair value.

The carrying amounts of noncurrent assets and liabilities, which consist of due from related parties, due to related parties and subscriptions payable approximate their fair values due to the lack of suitable methods of arriving at a reliable fair value.

Estimated fair value of long-term notes payable is based on the discounted value of future cash flows using the applicable rates for similar type of loans.



20. Commitments and Contingencies

Operating Lease Commitment

The Parent Company has entered into a lease agreement with Asia Industries, Inc., covering its office space for a period of five (5) years from May 31, 2005 and ending on May 30, 2010. The lease is automatically renewable, unless termination is agreed upon by both parties. The total rental fee charged against operations amounted to P2.03 million for the years ended December 31, 2008, 2007 and 2006, which are included under "General and administrative expenses" in the parent company statements of income (see Note 15).

As of December 31, 2008 and 2007, future minimum lease payments under the aforementioned operating lease and the present value of the net minimum lease payments follow:

	2008	2007
Within one year	P2,913,358	P2,913,358
After one year but not more than five years	1,913,217	4,826,575
Total future minimum lease payments	P4,826,575	P7,739,933

Contingency

The Parent Company 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 financial statements.

The information usually required by PAS 37, is not disclosed on the grounds that it can be expected to prejudice the outcome of these lawsuits, claims and assessments. No provisions were made during the year.

21. Notes to Parent Company Statements of Cash Flows

Noncash investing and financing activities follow:

	2008	2007
Retirement of redeemed treasury shares	P-	P1,100,000

