

COVER SHEET

ASO95002283
SEC Registration Number

DMCI HOLDINGS, INC.

(Company's Full Name)

3RD FLR. DA CON BLDG. 2281

PASONG TAMO EXT. MAKATI CITY

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

HERBERT M. CONSUNJI
Contact Person

888-3000
Company Telephone Number

(Last Wednesday of July)

1 2 3 1
Month Day
Fiscal Year

SEC Form 17-A
FORM TYPE

0 7 2 5
Month Day
Annual Meeting

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

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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, 2011.
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

<u>Title of Each Class</u>	<u>No. of Shares Outstanding</u>	<u>Amount</u>
Common Shares	2,655,494,000	Php2,655,494,000.00
Preferred Shares	3,780	3,780.00
TOTAL	2,655,497,780	Php2,655,497,780.00

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 [X] No []

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

Yes [X] No []

13. **Php 40,038,837,138.00**

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, 2010.

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.

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 (45% DMCI; 55% MPIC) which owns 94% 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 and its subsidiaries unless otherwise indicated as follows:**

SEMIRARA MININIG CORPORATION

Property. - The mine site in Semirara Island, Caluya, Antique, is a leased property from the government. The infrastructures and road network, office administration buildings, and power plants, are some of the improvements made by the Company on the leased area, as well as the following:

Classification	Property	No. of Untis
Building Offices	Administration Building	1
	Site Office	1
	Auxiliary Building	1
	Laboratory Building	1
	Washing Plant Office	1
	Power Plant Shed	1
	Product Field Office	1
	Service Base/Pit Shop Building	1
	Briquetting Building	1
	Ice Plant	1
	Genset Shed at Power Plant	1
	Magazine Building	3
	Pottery Building	1
	Water Refilling Station	1
	Classrooms for Divine Word College	6
	STCI Lecture & Admin Building	6
	STCI Workshops Building	4
	STCI Tool Rooms Building	4
	STCI Faculty Office	2
	Classrooms for Semirara Training Center	2
	Classrooms for Semirara Elementary	4
	Classrooms for Villaresis	4
	Classrooms for Sabang	4
	Humic Acid Plant Building	1
	Kiln Building Lime Plant	1
	Oxy/Acetylene Building	1
	MS4 Building	1
	Dynamite Magazine Building	1
	Mirrless Black Stone	1
	Staff House at Tabunan	4
	Marine Laboratory at Tabunan	1
	Messhall/ Kitchen at Tabunan	1
	Hatchery at Tabunan	1
	Messhall at waffle crete	1
	Covered tennis court	1
	Mine pit shop	1
	Workshop	1
	Shipping office	1
	Semirara High School	12
	Bunlao Elem School	6
Combine Technical Office	1	
Resident Manager's Office	1	
Mobile maintenance repair shop	1	
Motorpool extension	1	
Warehouse extension	1	
HRD Office & library	1	
Core shed	1	
Housing	Bachelor's Quarters	6
	Ladies Quarters	2
	Quadruplex	24
	Group Staff house	5
	Individual Staff house	3

	Laborer's Clusters	36
	Food House	3
	Molave Heights (Laborer's Unit)	710
	Pinatubo	51
	Kalamansig	78
	Lebak	145
Others	Commissary Building	1
	Wet Market	1
	Hospital	1
	Guardhouse	2
	Site Hangar	3
	Site Chapel with Convent	1
	School Building	1
	Smart Cell site	1
	Multi-purpose Gym	4
	Slaughter House	1
	Coast Guard Building	1
	MS2 Office	1
	Chapel Bell Tower	1
	Boys Quarter (for altar boys)	1
	Waffle Crete Building	1
	Wet Market	2
	Dry Market	3
	ATM Machine Building	1
	MS1 near Hospital	1
	Multi-purpose Center at Bunlao	1

D.M. CONSUNJI INC.

CLASSIFICATION	PROPERTY	LOCATION
CONSTRUCTION EQUIPT & TOOLS	EARTHMOVING EQUIPMENT	VARIOUS
	COMPACTION EQUIPMENT	VARIOUS
	LIFTING EQUIPMENT	VARIOUS
	EXCAVATION EQUIPMENT	VARIOUS
	PILE DRIVING EQUIPMENT	VARIOUS
	CONCRETING EQUIPMENT	VARIOUS
	HAULING EQUIPMENT	VARIOUS
	AIR EQUIPMENT	VARIOUS
	PUMPING EQUIPMENT	VARIOUS
	POWER GENERATING EQUIPMENT	VARIOUS
	SHOP EQUIPMENT	VARIOUS
	SPECIAL SUPPORT EQUIPMENT	VARIOUS
	TOOLS & OTHER INSTRUMENTS	VARIOUS
	METAL FORMWORKS	VARIOUS
TRANSPO. EQUIPT.	SERVICE CAR	VARIOUS

	SERVICE PICK-UP OTHER VEHICLES	VARIOUS VARIOUS
OFFICE FURN., FIXTURES & EQUIPT.	OFFICE FURNITURE & FIXTURES OFFICE EQUIPMENT COMPUTER EQUIPMENT COMMUNICATION EQUIPMENT KITCHEN EQUIPMENT	VARIOUS VARIOUS VARIOUS VARIOUS VARIOUS
OTHERS	LAND BUILDING BUILDING IMPROVEMENTS PLANTS	VARIOUS VARIOUS VARIOUS VARIOUS

DMCI POWER CORP.

Classification	Property	Location
Plant	2 x 6.2 MW Bunker Fired Thermal Power Plant	Mobo, Masbate
	2 x 2 MW & 2 x 1 MW Diesel Gen. Sets	Mobo, Masbate
	1 x 2.0 MW & 1 x 1MW Diesel Gen. Sets	Cataingan, Masbate
	1 x 2.0 MW & 1 x 1 MW Diesel Gen. Sets	Arroroy, Masbate

DMCI PROJECT DEVELOPERS, INC.

Classification	Property Description	Location
EQUIPMENT	Office equipment Communication equipment Furnitures and fixtures Transportation equipment Machinery & other construction equipment Software Mock-up assets	Various
LAND	Residential	Bambang, Taguig Bambang 1, Taguig Bambang 2, Taguig Carmona, Cavite Bacoor, Cavite Hagonoy, Taguig Pamplona, Las Piñas Mandaluyong

		Taft Avenue, Manila Muntinlupa Pasay City Parañaque Quezon City Ususan Wawa
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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.

Consolidated Criminal Complaints of
Rodolfo V. Cruz, et al. v. Isidro A. Consunji,
Edwina C. Laperal, Cesar A. Buenaventura, et al.
IS Nos. 03-57411-I, 03-57412-I, 03-57413-I,
03-57414-I, 03-57415-I, 03-57446-I and 03-57447-I
Department of Justice, National Prosecution Service

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
2010	First Quarter	15.00	14.50
	Second Quarter	18.00	17.50
	Third Quarter	28.10	27.00
	Fourth Quarter	36.85	35.40
2011	First Quarter	37.65	37.20
	Second Quarter	42.60	42.40
	Third Quarter	35.40	34.50
	Fourth Quarter	41.90	41.30
2012	First Quarter	54.50	53.10

Preferred Share Prices		High	Low
2010	First Quarter	0	0
	Second Quarter	0	0
	Third Quarter	0	0
	Fourth Quarter	0	0
2011	First Quarter	0	0
	Second Quarter	0	0
	Third Quarter	0	0
	Fourth Quarter	0	0
2012	First 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 25, 2012: HIGH 63.60, LOW 58.90, CLOSE 63.00, VOLUME 5,675,350.**

(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 look at the schools in a busy to change in foreign aid out that some station the admin tool is acting as an informal place and the sound and the Papin is the fourth Reinoso officers home the same site of the animal and because the schools and they are not the end of the idea that an option of placing Arby Siu stir up to a new state and 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 December 31, 2011 the Company had a total of 753 shareholders of which 737 were holders of common shares 16 were holders of preferred shares.**

Top 20 Common Shareholders: The list of the Top 20 common shareholders as of December 31, 2011 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.
8. On June 30, 2009, the Company paid cash dividends at the amount of Php 0.20 per outstanding common share to the shareholders of record of June 5, 2009.
9. On July 15, 2010, the Company paid cash dividends at the amount of Php 0.50 per outstanding common share to the shareholders of record of June 22, 2010.
10. On July 7, 2011, the Company paid cash dividends at the amount of Php 1.00 per outstanding common share to the shareholders of record of June 15, 2011.

(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.

FULL YEAR 2010–2011

I. RESULTS OF OPERATIONS

DMCI Holdings, Inc. (the "Company") reported an improvement of 22% in its net income (after minority) from P7.9 billion in 2010 to P9.6 billion in 2011. Despite a slide in general construction and the non-inclusion of operating results from the steel fabrication business, significant growth in the coal, nickel and power segments along with the sustained improvement in the real estate and water businesses caused the growth in consolidated bottom line.

Below is a table on the net income contributions of the Company's businesses for 2011 and 2010:

NET INCOME

<i>(in Php Millions)</i>	Audited		Variance	
	2011	2010	Amount	%
COAL SALES	2,379	1,462	917	63%
NICKEL ORE SALES	917	564	353	63%
CONSTRUCTION	1,117	1,242	(125)	-10%
REAL ESTATE	1,795	1,286	509	40%
ELECTRICITY	1,177	847	330	39%
WATER	2,195	1,887	308	16%
PARENT & OTHERS	15	(98)	113	-115%
STEEL		677	(677)	-100%
TOTAL	9,595	7,867	1,728	22%

For the year, mining was the main driver of the P1.7 billion increase in the Company's income due to higher coal prices and the improved operations in the nickel business. The real estate and power generation segments also posted significant growth due to healthier housing sales and increased generation capacity coming from the rehabilitated Calaca unit 2. Investments in the water business, accounting for 23% of total net income, registered modest improvements, testament of the sustained and consistent operations evident in the utilities sector.

This year also marks the non-inclusion of Atlantic Gulf & Pacific Company of Manila, Inc., the Company's previously owned steel fabrication business which was sold in December 2010 and contributed almost 9% of last year's net income.

WATER

The Company's investment in the water sector is recognized mainly through its equity investment in the consortium company with Metro Pacific Investments Corp. (MPIC) which owns Maynilad Water Services, Inc. (Maynilad). Maynilad handles the water distribution and sewer services for the western portion of Metro Manila and some areas of Cavite. For 2011, water investment contributions reached P2.2 billion, up by a respective 16% from the previous year.

Maynilad operations reported better efficiencies for 2011 vs. 2010. Billed volume increased by 8.3% or 30.91 million cubic meters (MCM) despite a 3.5%, or 27.8 MCM, reduction in supply causing non-revenue water (NRW) improvement to 47.83% from 53.48%. Average effective tariff also increased by 5.7% coming from inflationary and rebasing adjustments but was lower than the approved 7.6% should be increase in tariff for 2011. As a result Maynilad's water service revenues grew by 12.6% from P9.9 billion to P11.2 billion. Billed services further grew by 11% to a record 1,005,350 accounts, breaching the 1 million mark. This, however, didn't contribute proportionally to the increase in revenues as the growth in accounts was mainly from the domestic or residential customers whose rates are subsidized. Meanwhile, cash Opex showed a 10.4% jump due mainly to the following: (a) higher personnel costs from a redundancy program and manpower build up, (b) utilities, and (c) real estate and business taxes. As a result, Maynilad bottom figure reached P5.9 billion in 2011, growing by 22% from the P4.8 billion in 2010.

The Company's net share in the equitized earning from its water investment in Maynilad for the year reported only P2.2 billion due to the adjustments at the consortium company level. The consortium's ownership in Maynilad was also reduced from 94% in 2010 to 92% in 2011 as Maynilad employees exercised their 2% ESOP late in 2010 which were carved out of the consortium's shareholdings.

CONSTRUCTION

The construction business experienced a marginal decrease from its unprecedented growth last year due to the following: (a) completion of big infrastructure projects with no new infra projects awarded, and (b) last year's income includes recognition of change orders from the Shangrila Boracay project where the costs were conservatively booked in the previous years.

Construction revenues from the Skyway Extension project were reduced in 2011 compared to 2010 as the project reached full completion early in the year. The continuing activity from the 168 Residences, the delayed but now fully resumed Raffles Hotel works provided much of the revenues for the period, and the activity from the recently awarded Entertainment City Complex of Surestre Properties in JV with Bloomberry Resorts and Hotels contributed significantly to 2011 construction revenues. This however was not too good for the construction bottom line as building contracts have relatively less margins than the specialized and complicated big infrastructure projects such as the Skyway Extension project. With the activity for the year coming mainly from the building contracts, construction gross margin and net income slightly declined.

Although delayed, we believe the infrastructure development programs of the current Philippine government thru the Public-Private Partnership (PPP) projects will inevitably materialize. As such, the Company, thru DMCI, is very much interested in the construction and engineering of these initiatives. The Company believes it is well positioned to be both a driver and a beneficiary of the country's infrastructure progress.

In addition, DMCI was recently awarded the construction of the 135 MW Coal Fired Plant of South Luzon Thermal Energy Corp., a JV between Trans Asia Oil and the Ayala Group and the civil works for the expansion of the Group's Calaca power units. Hopefully, these additional power-infrastructure contracts along with others being eyed by DMCI will generate the much needed lift in construction revenues with better margins.

REAL ESTATE

The Company's real estate business is focused purely on residential development. It is led by the Company's wholly owned real estate development subsidiary, DMCI Project Developers, Inc. (PDI). Under the brand name DMCI Homes, PDI currently develops and sells middle income housing units that define best in quality & value for money dwellings in its market segment.

The Company recognizes real estate revenues using the full accrual method where sales are booked when the unit is fully complete and the down payment of 20% is already collected. This method is already in accordance with International Accounting Standards. There was a plan to adopt this in the country in 2008 but was subsequently suspended by the SEC after majority of the real estate companies lobbied against it due to the retroactive adjustments that will be incurred upon adoption. Despite this, the full accrual method has been and is still used by the Company as we believe the adoption is inevitable if the country wants to be at par with global real estate accounting practices.

The housing segment recognized an impressive 40% increase in net contributions from P1.3 billion last year to P1.8 billion this year. Realized housing sales for the year grew by 25% to P8.2 billion with the completion of existing projects: East Raya, Magnolia Place, Mahogany Place 3, Ohana Residences and Rosewood Pointe, the previous sales of which all contributed to improvement in recognized revenues. Also margins improved as prices inched up due to improvements in quality (eg. better and bigger amenities and facilities) as well as costs were at lower than expected levels. During the year, actual project costs from some completed projects accounted for less than estimated costs booked in the previous years causing cost reversals recognized in 2011.

A better representative of current demand would be sales and reservations for the period which experienced an increase of 17% from P14.7 billion in 2010 to P17.2 billion in 2011. Increasing demand for DMCI housing units coming mainly from the new projects: La Verti Residences in Taft, Pasay City; the Redwoods in Fairview, Novaliches; Siena Park in Bicutan Paranaque and Stellar Place in Quezon City pushed marketing sales to new heights. Moreover, increased take up from added phases in existing projects East Raya and Magnolia Place also added to the growth in sales and reservations.

Operating expenses in the real estate segment were higher by 28% due to:

- Increase in selling and marketing activities such as advertising, sales incentives, marketing tools, ads, project launches, etc.
- Increase in employee salaries & wages
- Increase in utilities and real estate taxes

Note that most of the Company's housing units have a selling price below P3.2 million per unit and as such has been registered with the Board of Investments (BOI) as part of their affordable housing investments that provide vat and income tax incentives.

MINING & POWER

Coal Mining & Power (Calaca-Coal)

The Company's coal mining business which owns the major power asset, Calaca are both lodged under the 56%-owned and publicly listed Semirara Mining Corp (SMC). SMC reported an improvement in operations with a net income of around P4.1 billion for coal mining and P1.9 billion for power generation in 2011 compared to P2.6 billion and P1.3 billion respectively in 2010. This was mainly due to higher coal prices and the improved power generating capacity from the completed phase 1 rehabilitation of Calaca unit 2.

Below is SMC's management discussion and analysis of results of operations and financial condition for the year 2011 as lifted from its consolidated financial report with the PSE and SEC:

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (YEARS 2009-2011)

I. PRODUCTION AND OPERATIONS

COAL

The acquisition and operation of the 2 x 300 MW power plants in Calaca Batangas gave market security to the coal business segment and the Company, as a group, to hold position in the power sector. The imbalance in the power demand and supply of energy in our country drove the Company to expand its power plant capacities in the next three years. The thrust of the mine operations in 2011 was anchored on this business decision.

There were more drilling programs implemented, particularly focusing on the eastern part of the island, which indicated positive results. These extensive drilling activities are being done to ensure that the expansion of power plant capacities will be accordingly supported by sufficient mineable coal reserves. The data gathered from the exploration and confirmatory drilling are going to be submitted to a local competent person for verification for certification by a competent person according to Philippine Mineral Resource Code (PMRC) standards and will ultimately be subjected to certification process in accordance with Joint Ore Reserve Code (JORC) standards.

With almost the same equipment complement, operations achieved a new record high of total material movement of 85.06million bank cubic meters (bcm), registering an 8% growth from 2010 material movement of 78.68 million bcm. At a higher strip ratio this year of 10:13:1 from 9:73:1 in 2010, run-of-mine (ROM) coal posted a more modest growth of 4% at 7.84million metric tons (MTs) from 7.54million MTs last year. Despite a higher percentage of washable coal this year, net total product coal recorded a 2% increase at 7.12 million MTs from 6.95 million MTs in 2010.

The fourth (4th) loading facility was made operational towards the end of the year. The strategic location of the new loading facility cuts coal transfer time. This improved logistic support necessary for the expanded activities in the island and make coal loading rate faster.

Despite the increased production, marketing efforts were restrained by the impact of the economic woes in Europe and US to the Asia Pacific Region. Exports declined due to high coal inventory in China from Europe which were diverted to Asian market and lower coal demand in Thailand due to flooding. Thus, local orders were given priority and export sales slowed down towards the end of the year. As a result, ending inventory stood at 1.0 million MTs more than double the beginning inventory of only 0.49million MTs.

POWER

UNIT 1

In 2011 Unit 1 was limited to 157 MW average load due to thinned boiler tubes and only one Circulating Water Pump (CWP) in service starting 14 April 2011. Also, the unit was under rehabilitation starting 29 August 2011, hence gross generation reduced by 20% from 2010 level of 915 GWh at 727 GWh this year. Capacity factor, availability, and forced outage rates during th year stood at 28%, 54%, and 4%, respectively. The unit was running for a total of 4,704 hours during the year, and it consumed 477,272 MTs Semcoal.

Unit 1 has been operating for 25 years and issues related to safety, reliability, efficiency, upgrade, obsolescence and environmental consequently arose. The rehabilitation of Unit 1 was undertaken to address these issues that caused the inefficient operations of the plant. It was officially shutdown for rehabilitation last August 29, 2011.

UNIT 2

In 2011 Unit 2 was running at 254MW average load due to extended commissioning and high pressure heater leak. Gross generation for 2011 was 1,132 GWh with 43% capacity factor, 60% availability, and 36% forced outage rates. After the rehabilitation works, generation this year is 57% higher than in 2010 as operating hours improved from 4,230 hours in 2010 to 5,234 hours this year.

The unit experienced 2,976 hours forced outage which is 19% higher than 2010 level due to the increase in load which exposed the plant's weak points leading to de-rating and shutdowns. Fine tuning of boiler was done progressively to correct overheating. Meanwhile, the remaining overheated boiler tubes will be replaced by end 2012, to coincide with the scheduled preventive maintenance shutdown of the plant.

The Distributed Control System (DCS) and the dry bottom ash system will also be installed during the aforementioned scheduled preventive maintenance shutdown. Moreover, all other improvements, correction of deficiencies and modifications will be undertaken during this time. The full rehabilitation program of the plant is expected to be completed and by start of 2013.

II. MARKET COAL

Demand for Semirara coal, both from the local and export markets, remained strong in 2011. However, with its new objective of resource maximization for its investments in the power, the Company strategically cut export sales during the year, such that sales of 6.52million MTs was 9% lower than 2010 sales volume of 7.15million MTs.

The cut in sales volume came from export deliveries which dropped by 41% at 2.43million MTs from 4.10million MTs in 2010. Conversely, local sales increased by 34% at 4.09million MTs from 3.05million MTs in 2010.

With increasing local demand, marketing efforts shifted back to prioritizing the domestic market to fully benefit from its competitive advantages over imported coal. Thus, from a 43% : 57% market share in favor of export sales in 2010, the scale has tipped to 63%: 37% in 2011.

Bulk of the local sales were delivered to the power plants, totaling to 3.27million MTs, increasing by 92% from power plant sales of 1.70million MTs in 2010. SCPC's total deliveries increased by 47% at 1.41million MTs this year from 0.96million MTs in 2010 as first phase of Unit 2 rehabilitation was completed this year, thus increasing the plant's effective capacity and utilization rate. Meanwhile, deliveries to other power plants tripled from 0.74million MTs in 2010 to 1.86million MTs this year. The huge increase mainly came from the increase in off-take of a customer with power plants in the Visayas with a long-term supply agreement with the Company. Sales to the power sector accounted for 50% of total sales in 2011.

Sales to local cement plants remained flat at 0.66million MTs in 2011 from 0.66 MTs in 2010. This year, the Company has more direct sales to end-users, unlike in the previous years, wherein most of its sales to cement plants were made via local trader Cement plant's market share inched up slightly at 10% this year from 9% in 2010.

Meanwhile, sales to other industrial plants recorded a significant 77% drop from 0.68 million MTs in 2010 to 0.16million MTs this year. This was caused by lower purchases by a local broker who delivers to small industrial plants. As a result, this industry's market share dropped to 2% from 10% in 2010.

High global coal prices translated to a remarkable 31% increase in composite average price from PHP2,343 in 2010 to PHP3,078 this year. The Company already adopted a coal pricing mechanism which is indexed to global coal prices.

POWER

SCPC's recorded sales for bilateral contracts for 2011 increased by 14% to 1,553 GWh from its recorded sales in 2010 of 1,368 GWh. This is attributed to the renewal of contract with one of its previous customers, the Batangas I Electric Cooperative, Inc. (BATELEC I); a new power supply contract with Trans-Asia Oil and Energy Development Corporation, which took effect in April and March 2011, respectively; and an arrangement with the National Power Corporation (NPC) for a non-firm power supply to MERALCO on top of the existing firm power supply to MERALCO under the existing Contract for the Supply of Electric Energy inherited by SCPC from NPC.

MERALCO remained to be the biggest customer of SCPC accounting for 33% share of the total energy sales for SCPC's bilateral contracts.

SCPC's sales from the spot market, however, dropped by 1%, from 476 GWh in 2010 to 472 GWh in 2011. The decrease in sales to spot market was mainly due to the approval of non-firm nominations of Meralco.

Overall, a total energy of 2,025GWh was sold in 2011, 77% directly to the customers through bilateral contracts, and 23% to the spot market. The total energy sales increased by 10% from 1,845 GWh recorded in 2010.

Of the total energy sold, 85% was sourced from the generation of the power plants, while 15% was purchased from the spot market. SCPC secured replacement power from the spot market to meet its supply obligation to MERALCO.

In December 2011, SCPC inked a new power supply contract with Meralco effective December 26, 2011 for a term of seven (7) years with an option to extend for another three (3) years upon mutual agreement. The initial contracted capacity is 210 MW and will be increased to 420MW upon commercial operation of the other unit after rehabilitation or 210MW for each unit.

III. FINANCE

A. Sales and Profitability

High coal prices and increase in energy sales resulted to a 13% growth in consolidated Revenues in 2011 at PHP25.81 billion from PHP22.90 billion in the previous year. Net of eliminating entries, coal and energy Revenues stood at PHP16.20 billion and PHP9.61 billion, respectively.

Consolidated Cost of Sales increased by 5% at PHP9.15 billion from PHP6.99 billion in 2010.

After eliminating entries, the coal and power segments accounted for Cost of Sales of PHP10.26 billion and PHP6.40 billion, respectively. Cost of Coal Sold/MT increased by 21% from PHP1,770 in 2010 to PHP2,148 this year due to significant increases in rate of fuel consumption per cycle time and fuel, materials and spare parts prices, along with the increase in stripping ratio. On the other hand, the power segment's Cost of Sales/KWhr registered a slight 1% growth from PHP3.13 in 2010 to PHP3.16 in the current period.

The increase in per unit Cost of Sales was sufficiently covered by the increase in selling prices for both the coal and power segments. Thus, Gross Profit Margin increased from 31% in 2010 to 35% in the current period. As a result, consolidated Gross Profit registered a healthier growth of 31% from PHP6.99 billion in 2010 to PHP9.15 billion this year.

Meanwhile, consolidated Operating Expenses increased by 6% from PHP2.72 billion in 2010 to PHP2.88 billion this year. The coal segment's Operating Expenses of PHP1.86 billion is mainly composed of Government Share of PHP1.48 billion. On the other hand, the power segment incurred PHP999.00 million

in Operating Expenses, which comprised mainly of the O&M fee of the plant. In addition, the Company invested in two new companies during the year. One is the Southwest Luzon Power Generating Corp. (SLPGC) which will undertake the expansion of the power capacities with the construction of 2 x 150 MW plants adjacent to the existing power plants of SCPC. Pre-operating expenses of PHP20.23 million were incurred during the year. Another Company was incorporated, the Sem-Cal Industrial Park Developers, Inc. (SIPDI) which aims to develop the Calaca property into an economic zone. In 2011, it incurred Pre-operating Expenses of PHP50 thousand.

Consolidated Financing Cost dropped by 28% from PHP668.44 million in 2010 to PHP483.29 million this year. The decrease was due to the decline in the balance of the SCPC loan, which partly financed the acquisition of the asset, from PHP9.6 billion in 2010 to PHP8.6 as at the end of 2011. Augmented by the drop in interest rates, Financing Cost of the power sector decreased by 19% from PHP490.63 in 2010 to PHP396.78 million this year. Meanwhile, although total loans of the coal segment increased in 2011, due to the decrease in interest rates, its Financing Costs in 2011 of PHP86.51 million decreased by 56% from 2010 level of PHP177.81 million, mainly from dollar denominated loans.

On the contrary, consolidated Finance Income rose by 134% from PHP57.67 million to PHP134.88 million. Short-term placement rates improved in 2011 compared to 2010. Moreover, all business units had healthier cash positions during the year. The coal segment's Finance Income increased by 165% at PHP79.45 million from PHP30.02 in 2010; while the power segment generated PHP55.43 million this year, posting a 100% increase from last year's level of PHP27.65 million. Meanwhile, SLPGC recognized Finance Income of PHP10.54 from its partially paid-up capital placed in short-term time deposit accounts.

Meanwhile, foreign exchange fluctuations resulted to consolidated Forex Losses of PHP38.32 million, the coal and power segments incurred Forex Losses of PHP26.01 million and PHP12.31 million, respectively. In 2010, the fluctuations moved in favor of the Company, thus enabling it to recognize consolidated Forex Gains of PHP 199.49 million.

Consolidated Other Income of PHP99.91 was generated by the coal segment mainly from sale of retired mining equipment and proceeds from insurance claims of PHP53.55 million and 35.12 million respectively. This posted a 53% growth from 2010 level of PHP65.43 million.

Consolidated Net Income Before Tax showed an impressive growth of 53% at PHP6.01 billion from PHP3.95 billion last year. Minimal losses from the two pre-operating companies were sufficiently covered by the healthy income generation of the coal and power segments, which stood at PHP4.14 billion and PHP1.87 billion, respectively, net of eliminating entries. Meanwhile, both business segments have Income Tax Holidays as Board of Investments registered companies (as expanding coal producer and as power generator). As a result, consolidated Tax Provision amounted to negative provision of PHP22.17 million consisting of final income taxes amounting to PHP22.76, net of deferred income taxes of PHP44.93 million.

The resulting consolidated Net Income After Tax closed at PHP6.03 billion, the coal and power segments respectively contributed PHP4.17 billion and PHP1.87 billion. Net earnings this year posted a remarkable 51% growth from consolidated Net Income After Tax in 2010 of PHP3.95 billion. Earnings per Share increased by 40% from PHP12.10 last year to PHP16.93 this year, after the number of outstanding shares increased mid-2010 due to a stock rights offering exercise.

B. Financial Condition, Solvency and Liquidity

Strong revenues resulted to healthy cash generation for the Company. This allowed the Company to increase its investments, particularly property, plant and equipment (PPE) which totalled to a consolidated amount of PHP35.63 billion.

The Company was also able to afford to pay dividends, which is double of last year's figure amounting to PHP3.56 billion. Although still under rehabilitation, the power segment contributed PHP1.2 billion in dividends.

Total consolidated debt repayment was also sizeable at PHP2.80 billion.

Despite the considerable cash out, consolidated Cash End stood at PHP5.01 billion, posting a 31% growth over beginning balance of PHP3.81 billion.

Consolidated Net Receivables increased slightly by 1% from beginning balance of PHP3.18 billion, closing at PHP3.22 billion. After hitting its target for the year, the coal segment slowed down its coal deliveries toward the end of the year, thus decreasing its receivable level from PHP1.47 billion as at the start of the year to PHP1.07 billion as at year-end. Meanwhile, the power segment's Receivables slightly increased to PHP2.15 billion from PHP1.71 billion from the start of the year, while SLPGC recorded net Receivables of PHP384 thousand.

On the other hand, consolidated Net Inventories increased by 93% from beginning balance of PHP2.35 billion to PHP4.59 billion as at yearend. This is mainly due to increased coal inventory. Coal production was at record high in 2011, but sales volume was controlled in congruence to the Company's strategy of maximizing reserves for its own power plants. The coal and power segments' inventories closed at PHP3 billion and PHP1.6 billion, respectively.

Meanwhile, consolidated Other Current Assets increased by 44%, closing at PHP1.31 billion, from a beginning balance of PHP912.76 million. This is mainly comprised of Creditable withholding taxes and Advances to suppliers and other prepayments amounting to PHP418.92 million and PHP891.51 million respectively.

The resulting consolidated Total Current Assets increased by 38% from beginning balance of PHP10.26 billion, closing at PHP14.12 billion. The coal and power segments contributed PHP8.77 billion and PHP5.4 billion, respectively; power segment is inclusive of the pre-operating power Company, SLPGC, which accounts for PHP758.44 million current assets. SIPDI contributed PHP2.5 million.

Consolidated Non-Current Assets recorded a more modest 6% growth at PHP21.50 billion as at year end from beginning balance of PHP20.23 billion.

Net of depreciation, consolidated PPE closed at PHP20.74 billion, increasing by 6% from beginning balance of PHP19.58 billion. More mining equipment were purchased during the year, thus increasing the coal segment's PPE from PHP3.70 billion beginning balance to PHP3.72 billion ending balance; while rehabilitation works at the Calaca power plants increased the value of its PPE from PHP15.88 billion beginning balance to PHP17.07 billion as at yearend.

Investment and Advances increased by 6% from PHP310.23 million beginning balance to PHP490.79 million as at yearend. This accounts for the power segment only.

Meanwhile, consolidated Other Non-Current Assets dropped by 19% from beginning balance of PHP317.59 million to PHP257.38 million. The coal and power segments accounted for PHP158.45 million and PHP98.93 million, respectively. The decrease is due to the recovery of the related assets.

The resulting consolidated Total Assets posted a 17% growth, closing at PHP35.63 billion from PHP30.50 billion in 2010. The coal and power segments respectively accounted for PHP12.61 billion and PHP23 billion inclusive of the assets relating to the pre-operating power companies - SLPGC amounting to PHP765 million. SIPDI contributed PHP2.50 million.

Consolidated Total Liabilities also increased by 15% from beginning balance of PHP18.16 billion, closing at PHP20.82 billion. The coal segment accounted for Total Liabilities of PHP9.38 billion, comprised of

PHP6.7 billion and PHP2.68 billion Current and Non-Current portions, respectively. Meanwhile, the power segment's Current and Non-current portions closed at PHP4.60 billion and PHP6.84 billion, respectively, resulting to Total Liabilities of PHP20.82 billion.

Consolidated Current Liabilities increased by 63% from beginning balance of PHP6.93 billion to PHP11.31 billion as at year-end. This is primarily due to the substantial Accounts and Other Payables recognized by the coal and power segments amounting to PHP4.61 billion and PHP2.69 billion, respectively. These liabilities principally arose from purchase of materials, spare parts fuel and services. Consolidated Short-Term Loans likewise increased by 125% from PHP449.85 million as at the start of the year to PHP1.01 billion as both business segments' working capital requirements for the period increased. Finally, Current Portion of Long Term Loans also posted a significant increase of 164% from beginning balance of PHP1.13 billion, closing at PHP2.99 billion. The coal segment has maturing medium term loans, in relation to the financing of its CAPEX, within the next twelve months. On the other hand, the power segment is already amortizing its term loan which partially financed the acquisition of the power plants.

Conversely, consolidated Non-Current Liabilities decreased by 15% from beginning balance of PHP11.22 billion to PHP9.52 billion as at yearend. This is primarily due to the reclassification of the maturing portion of both segments' long-term debts to short-term.

The 20% increase in consolidated Total Stockholders' Equity, from beginning balance of PHP 12.30 billion to close at PHP14.81 billion, came from the growth in Retained Earnings. Despite paying out record high cash dividends during the year, both business segments' robust income generation during the period resulted to a stronger equity level.

Consolidated Current Ratio dropped by 16% from 1.48:1 in 2010 to 1.24:1 as at yearend. This is primarily caused by the increase in Current Liabilities. On the other hand, Debt-to-Equity ratio improved by 4% from 1.47:1 in 2010 to 1.41:1 as at yearend due to reclassification of maturing long-term loans to short-term.

C. Performance Indicators

1. Earnings per Share – Despite a bigger capital base in 2011, the Company's EPS increased by 40%, a testament to its strong absolute earnings during the year. This performance indicator is crucial in determining the Company's ability to declare cash dividends.

2. Debt-to-Equity Ratio – Aside from portraying its robust financial health, improving Debt-to-Equity Ratio boosts the Company capability to expand its business for capital growth. With a healthy DE ratio, the Company's financing options are likewise broadened, enabling it to enjoy low interests.

3. Business Expansion – Its investment in the power sector opened several doors of opportunity for the Company. A deeper knowledge in the industry guided the Company's plans of expanding its power plant capacities. The shift in the Company's strategy from expansion in the coal segment to development in the power sector provides a multiplier effect in the value of its finite coal reserves.

4. Expanded Market – The increased acceptance by the local customers for Semirara coal allowed the Company to refocus its marketing efforts back to the domestic market, thus maximizing its intrinsic competitive advantages over imported coal. Meanwhile, the power segment's supply contract with MERALCO secures its operating efficiency as base-load power generator.

5. Improved coal quality – Ensuring that its coal quality improvement measures are strictly complied with is essential in maintaining the Company's marketing success. The Company now takes a step further by creating a market for its lowest quality coal which no existing customer could take. Its expansion in the power sector aims to employ the latest technology that could burn its waste coal.

IV. OTHER INFORMATION

- 1. There were no known trends, events or uncertainties that have material impact on liquidity.*
- 2. The Company provides interim corporate suretyship in favor of the lenders of SCPC for its PHP9.6 billion 7-year loan availed on 26 May 2010. The security may however be suspended within the term of the loan when the conditions set forth in the loan contract are met. SCPC started to amortize the loan in 2011; as at end of the year outstanding balance decreased to PHP8.75 billion.*
- 3. There are no material off-balance sheet transactions, arrangements, obligations, and other relationships of the Company with unconsolidated entities or other persons created during the reporting period.*
- 4. The Company has issued purchase orders to suppliers for mining equipment amounting to P180 million for delivery Q1 2012. Additional mining equipment worth USD7.65 million will be purchased in 2012 with various delivery dates falling on the second half 2012. Moreover a 1 x 15 MW CFB Power Plant will be constructed in Semirara Island for its mine operation, a replacement of the old unit with estimated cost of P1.2 billion. The equipment purchases will be financed with medium-term loans that match the life of the assets while the power plant will be financed via long term loan, all to be sourced from local banks.*
- 5. For 2012, we expect an increase in the demand for Semirara Coal in the domestic market with the commissioning of new power plants and small boilers that can utilize 100% Semirara coal. This trend is expected to continue in the next two years as a result of the competitiveness of Semirara Coal over imported coal.*
- 6. There are no significant elements of income or loss from continuing operations.*
- 7. There were no subsequent events that came to our knowledge, which are material enough to warrant an adjustment in the consolidated financial statements.*
- 8. The Group's operation is not cyclical or seasonal in nature. Mining activities is continuous throughout the year as coal production output from period to period can be adjusted through efficient mine planning on both short-term and long-term, mitigating negative impact of the rainy season to mine operations. The power generation business is also operational throughout the year as maintenance shutdown is just part of normal operation of the plant and programmed ahead of time.*

Nickel

DMCI Mining, Corp., the Company's nickel and metals (non-coal) mining company, continued to mine and sell high concentration nickel ore (1.8%-2% nickel content) from the Benguet mine in Zambales. DMCI Mining has also started operating at the old Acoje mine via a contract with Zambales Diversified Mining Corp., an affiliate of European Nickel (a London and Australia listed mining company that merged and acquired Rusina Mining). First shipment from this mine has been subsequently made in the 2nd half of 2011. The reinstated operations in Acoje was envisioned to supplement and maybe replace production from Benguet since the current contract with Benguet is expected to be finished by 2012.

DMCI Mining reported continuous growth in 2011 as net contributions after eliminations reached P917 million compared to P564 million in 2010. Nickel ore shipments for the year, came mainly from the Benguet mine (minimal from Acoje), which achieved a record 1.7 million wet metric tons (WMT) this year compared to 1.2 million WMT last year. Despite a drop in average selling price, revenues still grew by 25% due to the growth in sales volume. Moreover, improved mining operations resulted to better gross margins, testament to the DMCI engineering pedigree.

With the current direction of Benguet to operate on its own and the Acoje mining operations with European Nickel looking to follow suit, the Company is now exploring acquiring its own nickel and other metal resource assets. As the Philippine Government is also looking to revamp and improve revenue generation and policy implementation in the mining industry, the Company sees a few opportunities to possibly acquire mining assets for the group. If these initiatives are successful the Company hopes that the nickel mining business will grow significantly to be a major contributor to consolidated operations.

2009 – 2010

DMCI Holdings, Inc. (the “Company”) reported a jump of 67% in its consolidated net income (after minority interest) from P4.7 billion in 2009 to P7.9 billion in 2010. The full year operations of the new power business boosted the already significant growth in all the other segments, namely construction, real estate, mining and water.

Below is a table on the bottom line contributions of the Company’s businesses for 2010 and 2009:

<i>(amount in Php millions)</i>	2010		2009 (restated)		Variance	
Construction	1,241	16%	497	11%	744	150%
Mining	2,026	26%	1,164	25%	862	74%
Real Estate	1,286	16%	1,020	22%	266	26%
Water	1,887	24%	1,675	36%	212	13%
Power	847	11%	68	1%	779	1,146%
Parent & Others	580	7%	280	6%	300	107%
Total	7,867	100%	4,704	100%	3,163	67%

The full year operations of Calaca power plant (vs. 1 month in 2009), the realization of works from the big ticket construction projects, the growth in recognized real estate sales, and the improvement in the coal and nickel mining caused the steep growth in consolidated net income. Note that the Parent Company includes an after tax income from AG&P as a discontinued (sold) business worth P677 million and P297 million in 2010 and 2009 respectively.

WATER

The Company’s investment in the water sector is recognized mainly through the partnership with Metro Pacific Investments Corp. (MPIC) with operations under Maynilad Water Services, Inc. (Maynilad). Maynilad handles the water distribution and sewer services for the western side of Metro Manila. Additional contributions came from an equity investment in Subic Water & Sewerage Co., Inc. (Subicwater), the water utility located in Subic, north of Metro Manila, serving the Subic Bay Freeport Zone and the municipality of Olongapo.

Marginal improvement in net income from P1.7 billion to P1.9 billion was greatly affected by severe water supply shortage in the months of January till July. Billed volumes at Maynilad for the period grew only by 6.8%, despite a 7.4% dip in water supply recovered water from leaking pipes substantially supported the billed volumes. Year to date non-revenue water (NRW) improved from 59.7% last year to 53.5% this year. Billed services also grew 10.9% to 903,682 accounts. Improvement in water service obligations coupled by the average 6.9% tariff increase helped boost revenues for Maynilad. Non-cash Opex showed a 24% reduction coming mainly from the reduced amortization of concession assets due to the extension of Maynilad’s concession period. Cash Opex, on the other hand, reported an 18% growth due to the following: (a) higher electricity rates and consumption, (b) increase in cost of outsourced activities, (c) growth in real estate tax along with repairs & maintenance costs from increase in assets acquired in line with higher asset levels from capex programs. Resulting core net income growing by 39% from P3.5 billion to P4.8 billion.

Maynilad’s operating results was not significantly affected by consortium items. This year’s consortium adjustments was negative P337 million as compared to last year of positive P1 billion. Below is a table on the Maynilad results and the consortium adjustments:

<i>(in Php millions)</i>	2010		2009	
	Consortium	DMCI share	Consortium	DMCI share
Maynilad Core Net Income	4,835		3,467	
Non-core Items	(55)		(642)	
Maynilad Net Income	4,780		2,825	
Minority	387		166	
Attributable Operating Net Income	4,393	1,959	2,659	1,185
Consortium Items				
Fair Value & Goodwill Adjustments	(526)	(235)	(1,140)	(508)
Prior Period Adjustments		-		-
Forex Losses	92	41		-
Depreciation Adjustment	(29)	(13)	(31)	(14)
Deferred Tax Adjustments		-	1,838	820
Net Interest Expense		-		-
Loss on redemption of Preferred Shares		-		-
Concession Fee Adjustments	(42)	(19)	418	186
Actuarial Gains (Losses)	(94)	(42)	170	76
Minority Adjustments		-	(74)	(33)
ESOP Adjustments	70	31		-
Others	191	85	(113)	(50)
Subtotal	(337)	(150)	1,068	476
Net Income	4,056	1,809	3,727	1,662

The continuous improvement in Maynilad operations paved way for cash dividends to be paid out to shareholders in the amount of P600 million in 2010. This shows that the efforts of the Company and its partner MPIC in developing Maynilad are now bearing fruit. Aside from expanding and improving water services to its customers, Maynilad is now able to generate cash flow for its shareholders.

CONSTRUCTION

The Company's construction segment is now only under wholly-owned and our flagship construction company, D.M. Consunji, Inc. (DMCI). Our steel fabrication unit Atlantic Gulf & Pacific Company of Manila, Inc. (AG&P) was sold in December of 2010.

DMCI registered more than double growth in net contributions from the P497 million last year to P1.2 billion this year as construction works from the major infrastructure and building contracts reached full activity.

Work realized from the Skyway Elevated Expressway, 168 Residences and Raffles Condominiums & Hotel projects caused much of the 33% increase in contract revenues from P8 billion to P10.7 billion. Contributions from the other independent construction units such as external electrical works, equipment sales and rentals, external ready-mix concrete sales, and manpower supply were also provided additional construction revenues.

General and administrative expenses for DMCI were relatively higher, due to increased construction activity. Never the less, the Company is still consistent with its cost savings guidance despite expectations that overhead is expected shoot up due to volume of work and higher inflation.

With the current Private Public Partnership (PPP) program of the country, the Company, thru DMCI, is well positioned to be a driver and a beneficiary of such infrastructure progress.

Sale of Steel Fabrication and Assembly Business – AG&P

Early in 2008, the Company was aggressively been looking in selling AG&P. But due to financial crisis in USA and global credit decline, prospective sale did not materialize. The Company was only able to divest its stake in AG&P in December 23, 2010. The sale provided an one time gain of P677 million in 2010 compared to only P297 million in 2009. The recognition of AG&P's operations for most of the year along with the gain on the sale of investment accounted for the growth in investment income of the Parent Company.

The Company believes that the sale of AG&P is in line with its consolidation of resources and limit its interests in the cyclical nature of a contracting business. With this however, the Company is still committed to continue to provide and maintain its heritage business of EPC services but this time only thru DMCI.

REAL ESTATE

The Company's real estate business is led by the Company's wholly owned real estate development subsidiary, DMCI Project Developers, Inc. (PDI). Under the brand name DMCI Homes. PDI develops and sells middle income residential housing units that define best in quality and value for money units.

As a background, the Company recognizes real estate revenues using the full accrual method, where sales are booked when the unit is fully complete and the down payment of 20% is already paid. This method is in accordance with International Accounting Standards but is not the same with most real estate developers in the Philippines. There was a move to adopt the said recognition method in the country in 2008 but was subsequently suspended by the SEC after majority of the real estate companies lobbied against it. Despite this, the full accrual method has been and is still being used by the Company in preparation for the inevitable adoption towards International Accounting Standards.

The housing segment net contributions grew by 26% from P1 billion last year to P1.28 billion this year despite only an 11% increase in realized revenues. Realized housing revenues for 2010 reached P7.7 billion as sales from the newly completed projects reached full recognition status.

A better representative of current operations would be the sales and reservations for the year, which expanded to P14.7 billion in 2010, up by 69% from the P8.7 billion in 2009. The Company believes that this is due to a combination of currently a growing demand for near-city dwelling units and the value the DMCI housing unit brings. The unfortunate global credit crunch in 2008 and 2009 also helped depress the 2009 results.

Operating expenses in the real estate segment were higher by 15% due to:

- Increase in selling and marketing activities such as commissions, sales incentives, marketing tools, ads, etc.
- Increase in local taxes, an offshoot of 2008 increased revenues
- Real estate taxes on unsold and not yet turned over inventory
- Increase in utilities

Note that majority of the Company's housing units are being sold between P1.5-3.0 million per unit and as such have been registered with the Board of Investments (BOI) as part of their affordable housing investments that allow for an income tax holiday.

MINING & POWER

Coal Mining & Power (Calaca)

The Company's coal mining business and its major power-generating asset (Calaca) are both lodged under 56%-owned and publicly listed Semirara Mining Corp (SMC). SMC reported extensive growth in operating results from a net income of P1.9 billion in 2009 to P3.9 billion in 2010. This was mainly due to the full year recognition of power plant operations and growth in coal sales mainly due to coal exports.

Below is SMC's management discussion and analysis of results of operations and financial condition for the year as lifted from its annual financial report with the PSE and SEC:

Full Years 2009-2010

I. PRODUCTION AND OPERATIONS

Coal:

Over the years, global consumption for thermal coal has steadily increased. To meet rising demand, the Company further expanded capacity in 2010 by commissioning additional mining equipment worth USD32.25 million. With additional three units 16-cubic meter excavators, 25 units 100-tonner dump trucks, and corresponding support equipment, operations registered a new record high of total material movement of 78,681,611 bank cubic meters (bcm). This is 31% higher than 2009 material movement of 60,286,812 bcm. Strip ratio likewise improved by 17% at 9.73:1 from 10.91:1 in 2009. As a result, run-of-mine (ROM) coal produced posted a higher increase of 47% at 7,536,094 metric tons (MTs) from 5,144,143 MTs in 2009. Net total product coal correspondingly grew by 45% at 6,950,333 MTs from 4,798,398 MTs in 2009. Notably, good weather conditions during the year positively impacted mining operations.

The Company supports the expansion in production capacity with exploratory and confirmatory drilling activities. Initial results of the drilling program showed that coal seams extend throughout the eastern part of the 5,500-hectare island.

Moreover, in order to provide logistic support to match increased level of operations, a USD16 million investment was made to purchase additional barges and tugboats for domestic deliveries and to support mid-stream loading for vessels with capacity greater than 30,000MT.

Strong demand from both local and export markets is manifested by a 36% drop in inventory, despite increased production, from a beginning balance of 763,575 MTs to 490,7135 MTs as at the end of the year.

Power:

Meanwhile, the two power generating units of SEM-Calaca Power Corporation (SCPC), which is 100% owned by the Company, attained their expected capabilities based on their pre-rehabilitation conditions. In terms of availability, Unit 1 was running for 238 days, representing an availability of 65%, while Unit 2 was running for 174 days, representing an availability of 48%. The lower availability for Unit 2 was due to the scheduled rehabilitation during the second semester of 2010, from August 8 up to year end.

In terms of capacity utilization, the two generating units churned out their expected output when it was bid out by Power Sector Asset & Liability Management (PSALM). Unit 1 was utilizing an average of 53% of its rated capacity, while Unit 2 was utilizing an average of 57% of its rated capacity. Both units have a rated capacity of 300 MW each.

Coal consumption for the generating units totaled 1,059,538 MTs for the year, inclusive of imported coal, at an average coal price of PHP2,817 per MT.

Total energy generated reached 937 million Kwh for Unit 1 and 720 million Kwh for Unit 2, or an aggregate generation of 1,657 million Kwh for the year 2010.

II. MARKET

Coal:

Increasing number of coal-fired plants and supply disruption in key coal exporting countries fueled global demand for thermal coal in 2010. The latest round of capacity expansion enabled the Company to meet more orders, thus recording another marketing milestone with an impressive 60% growth in sales from 4,464,029 MTs in 2009 to 7,146,286 MTs in 2010.

Local sales comprised 43% of total volume at 3,047,405 MTs, while 57% were export sales totaling to 4,098,781 MTs. In 2009, market shares of local and the export sales were 49% and 51%, respectively.

Of the total volume sold to local markets, more than half were delivered to power plants. Deliveries to SCPC aggregated to 957,908 MTs, and other power plants sales totaled to 746,911 MTs, thus registering total sales to local power plants at 1,704,819 MTs. Two newly commissioned plants in the Visayas area started to buy Semirara coal this year. Despite recording a 31% increase over 2009 power plants' sales of 1,301,776 MTs, current market share of the local power industry dropped to 24% from 29% last year.

Sales to local cement plants posted a modest growth of 8% from 615,164 MTs in 2009 to 661,392 MTs in 2010. A major player in the cement industry started to use Semirara coal this year. Due to a more significant increase in total sales, its market share likewise dropped from 14% in 2009 to 9% in 2010.

Conversely, other industrial plants increased its market share from 6% in 2009 to 10% in 2010 with a more significant increase of 139% in sales volume. A total of 681,242 MTs were delivered in 2010 to different industrial users, usually through local traders who have the logistic support to supply to inland customers. This market only accounted for 285,392 MTs in 2009.

Export sales continued to be the Company's main growth driver with a remarkable 81% increase from 2009 sales volume of 2,261,695 MTs. Around 75% of export deliveries in 2010 went to China. The rest were delivered to India, Thailand, Hong Kong, and South Korea.

Composite average FOB price per MT dropped by 10% at PHP2,343 this year from PHP2,600 in 2009. When the Company acquired the power business in December 2009, the pricing mechanism was amended to reflect current market prices, instead of the import parity pricing scheme as provided for in the Coal Supply Agreement with National Power Corporation.

Power:

SCPC sold a total of 1,370 million Kwh to its customers by virtue of its Transition Supply Contracts (TSCs), which form part of the Asset Purchase Agreement (APA) when SCPC acquired the Calaca Coal-fired Power Plants from PSALM in December 2009. The major customers under the TSCs include Meralco, which comprised 51% of total TSC volume sold, the Cavite Export Processing Zone (CEPZ) for 29%, Batangas Electric Cooperative 1 (Batelec 1) for 18%, and other small customers for the remaining 2%.

In excess of SCPC's TSC commitments, additional power sales were generated by selling to the Wholesale Electricity Spot Market (WESM) during off-peak hours. Total spot sales reached a volume of 480 million Kwh for the year.

In some instances, SCPC purchased power from the WESM to be able to meet its commitment under the TSCs. Power purchased from the spot market totaled to 340 million Kwh for the year. It is worthy to note that replacement power contracts with other power generators were put in place before the scheduled rehabilitation of Unit 2, which resulted in putting a cap on SCPC's exposure from the WESM by generating savings of over PHP200 million for the year.

Of total sales volume for the year, SCPC's sales mix ratio was at 77% for TSCs and 23% for spot sales. This sales mix ratio is deemed to be within the ideal mix to limit SCPC's exposure to the volatility of the spot market, and to minimize exposure to the contracted capacities in case of unavailability.

III. FINANCE

A. Sales and Profitability

The Company's investment in SCPC boosted profitability in 2010. Consolidated Revenue of PHP22.90 billion is almost double 2009's Revenues of PHP11.94 billion. Net of eliminating entries, PHP14.24 billion and PHP8.66 billion represented coal and energy revenues, respectively. The 24% increase in coal revenues versus PHP8.92 billion generated in 2009 is mainly driven by the significant increase in sales volume. Before elimination, total coal revenue amounted to P16.75 billion. On the other hand, the surge in energy sales from PHP443.49 million in 2009 is due to the full year contribution of SCPC in the current period under review against barely a month operation in 2009

Net of eliminating entries, the coal and power segments recorded Cost of Sales amounting to PHP10.14 billion and PHP5.77 billion, respectively. Although consolidated Cost of Sales increased by 70% from PHP9.34 billion in 2009 to PHP15.90 billion this year due to higher number of units sold for both coal and power, the results reflected a lower cost for each unit sold. For the coal segment, Cost of Coal Sold/MT dropped to PHP1,698 from PHP1,919 in 2009, manifesting the positive impact of economies of scale. Non-Cash Cost slightly rose from 12% in 2009 to 14% this year reflecting increased accounting for depreciation of new mining equipment. On the other hand, cost of energy sales registered at PHP3.12 per Kwh sold.

The resulting consolidated Gross profit recorded an increase of 169% from PHP2.60 billion in 2009 to PHP6.99 billion this year. Gross profit margin likewise registered an improvement at 31% in the current year as against 22% last year.

Operating Expenses of the coal segment amounting to PHP1.81 billion in 2010 is mainly composed of Government Share at PHP1.31 billion. SCPC incurred PHP982.09 million, thus resulting to a consolidated Operating Expenses of PHP2.79 billion. The 272% increase from 2009 consolidated Operating Expenses of PHP749.58 million is due to expanded operations for the coal segment and full year accounting for the power business, inclusive of P383.29 million provision for billing disputes with PSALM.

A substantial portion of consolidated Finance Costs of PHP685.91 million this year was incurred by SCPC mainly in relation to its PHP9.6 billion loan which refinanced the PSALM debt. SCPC booked total financing charges of PHP490.63 million, while the coal segment incurred a total of PHP195.27 million for new loans availed to finance purchase of equipment and other capital expenditures. Finance Cost in 2009 is significantly lower at PHP112.19 million.

Meanwhile, Finance Income rose by 9% from 2009 level of PHP52.75 million to PHP57.67 million this year. It is however important to note that ending cash balance is healthier this year. Two factors will explain the minimal growth in finance income vis-à-vis higher increase in cash: interest rates are lower this year and the Company only accumulated cash towards the end of the year after it has paid dividends.

Meanwhile, fluctuations in foreign exchange rates benefited the coal segment as shown by recording Forex Gains of PHP235.80 million this year, of which P67.31 million represented net unrealized Forex

gain due to restatement of foreign currency denominated loans outstanding as of end of the year. Conversely, the power business incurred Forex Losses of PHP36.31 million due to peso depreciation at the time of full settlement of PSALM loan in USD. As a result, the Company reported a consolidated Net Forex Gains of PHP199.49 million. This figure is 318% higher than 2009 Forex Gains of PHP47.70 million.

In July 2010, the Company divested its investments in DMCI Power Corp. and DMCI Mining Corp. As presented at consolidated level, it booked Equity in Net Income of Associates amounting to PHP76.83 million, prior to divestment. At beginning of the year, the accumulated share in equity losses amounted to PHP39.35 million, thus recognized Income from Divestments during the year is PHP41.38 million using equity method. At the parent level, recognized gain on sale of investment is P77.09 million using the cost method.

In addition, the coal segment recorded Other Income amounting to PHP24.05 million from gain on sale of retired equipment, recoveries from insurance claims and other miscellaneous income. In 2009, Other Income was remarkably higher at 107.94 million also consisting of similar nature.

Consolidated Net Income Before Tax showed a sizeable jump of 105% from PHP1.91 billion in 2009 (as restated) to PHP3.92 billion this year. The coal and power segments posted net Income Before Tax of PHP2.48 billion and PHP1.41 billion, respectively, before eliminating entries. As both business segments enjoy Income Tax Holidays, consolidated Tax Provision was (PHP 35.16) million, due to reversal of deferred income tax provision on the power segment net of current tax provision representing final taxes on interest income for both segments. The resulting consolidated Net Income After Tax is PHP3.95 billion, the coal and power segments each contributing PHP2.52 billion and PHP1.44 billion, respectively. This year's Net Income is 114% higher than PHP1.85 million in 2009. Increased number of shares outstanding slightly tempered growth in consolidated Earnings per Share to 82% from PHP6.65 in 2009 to PHP12.10 this year.

B. Financial Condition, Solvency and Liquidity

The Company recorded consolidated Ending Cash balance of PHP3.81 billion, almost 7x the beginning Cash balance of PHP481.92 million. The remarkable increase in the coal segment's sales this year was sufficient to fund its own working capital requirements, pay cash dividends of PHP1.78 billion and service debts totaling to PHP5.89 billion. Net Ending Cash contribution of the coal segment was at PHP2.81 billion. Meanwhile, SCPC posted ending cash balance of PHP1.00 billion this year despite spending for rehabilitation of Unit 2.

Consolidated Net Receivables reflected an increase of 154% from PHP1.25 billion in 2009, closing at PHP3.18 billion as at the end of 2010. The substantial Receivables of the coal segment were due to increased sales towards the end of the year when it took advantage of rising coal prices. SCPC's Receivables are mostly composed of Energy Sales.

On the other hand, consolidated Net Inventories dropped by 20% from PHP2.98 billion in 2009 to PHP2.38 billion this year. Orders for semcoal exceeded production, such that ending coal inventory dropped by 43% in terms of value at PHP833.47 million from beginning level of PHP1.47 billion. This offset the 70% increase in value of spare parts and supplies, which correspond to increased equipment complement, from PHP527.64 million in 2009 to PHP894.80 million as at the end of the year. SCPC booked an ending inventory of PHP658.81 million in 2010, recording a 34% drop from beginning balance of PHP998.50 million, which consisted mostly of spare parts and supplies.

Meanwhile, consolidated Other Current Assets increased by 50% from PHP608.94 million 2009 (as restated) closing balance to PHP912.76 million as at the end of 2010. Bulk of this is comprised of security deposits from operating leases and, advances to suppliers. SCPC accounted for PHP138.02 million of Other Current Assets, representing prepaid rent.

As a result of the movements of the foregoing accounts, consolidated Total Current Assets registered a growth of 93% at PHP10.29 billion as at the end of the period from PHP5.33 billion (as restated) in 2009. Before consolidation, the coal and power segments' Total Current Assets level registered at PHP6.94 billion and PHP4.00 billion, respectively.

Consolidated Non-Current Assets registered a more modest growth of 7% at PHP20.21 billion as at the end of the period from 2009 ending balance of PHP18.93 billion (as restated).

Consolidated Net Property, Plant and Equipment (PPE) registered a 7% growth from PHP18.36 billion in 2009 to PHP19.58 billion as at the end of the review period. This is mainly due to accounting of additional mining equipment that arrived during the year. The coal and power segments recorded PHP3.70 billion and PHP15.88 billion ending balances, respectively.

Investment and Advances increased by 27% from PHP244.43 million in 2009 to PHP310.23 million as at end 2010, consisting solely of the sinking fund of SCPC.

Consolidated Other Non-Current Assets reflected a 5% decline to PHP317.59 million from PHP334.95 million (as restated) as at end 2009 due mainly to reclassification to current portion of some accounts. The coal and power segments each contributed PHP139.92 million and PHP138.02 million, at each respective level.

The resulting consolidated Total Assets grew by 26% from PHP24.26 billion in 2009 to PHP30.49 billion this year. Of this amount, PHP10.74 billion is attributed to the coal segment, while PHP19.75 billion reflected SCPC's Total Assets. Before consolidation, each segment reported Total Assets of P18.79 billion and P20.33 billion, respectively.

Consolidated Total Liabilities likewise increased by 26% at PHP18.15 billion from PHP14.38 billion in 2009. Current and Non-current portions of the coal segment stood at PHP4.43 billion and PHP2.86 billion, respectively, adding up to Total Liabilities of PHP7.29 billion. On the other hand, SCPC's Current and Non-current portions closed at PHP2.50 billion and PHP8.36 billion, respectively, resulting to Total Liabilities of PHP10.87 billion.

Consolidated Current Liabilities of PHP6.93 billion recorded a 17% growth from PHP5.91 billion in 2009. The 64% increase in consolidated Accounts and Other Payables which closed at PHP5.35 billion this year from PHP3.25 billion as at end 2009 is mainly due to significant provision for government share close to P1.0 billion, consignment payables and accrued payable for materials, supplies and contracted services. This increase is offset by decrease in Current-portion of Long Term loans which closed at PHP1.13 billion from PHP1.81 billion in 2009. The account reflected the current portion of SCPC's PHP9.6 billion loan availed to take out PSALM liabilities. Last year's loan balance was already serviced during the year.

Consolidated Non-Current Liabilities posted a 33% increase from 2009 closing balance of PHP8.47 billion to PHP11.22 billion. This is mainly due to the coal segment's loan availments in 2010 to finance its capacity expansion. This is specifically reflected in the 33% increase in consolidated Long-Term Debt from PHP8.36 billion in 2009 to PHP11.16 billion as at the end of 2010. The acquisition of the power plant assets was refinanced by a 7-year project loan of PHP9.6 billion syndicated by three local banks in May 2010. This was already reflected in the books as at the end of 2009 as debt to PSALM.

On 19 July 2010, the Company listed additional 59,375,000 shares to finance its investment in SCPC. This generated PHP4.39 billion for the Company. In addition, in the second quarter of the year, the Company reissued its 19,302,200 Treasury Shares, generating a total of PHP 765 million. These activities, further augmented the cash generated by the company and beefed up Total Stockholders' Equity by 25% from PHP9.88 billion in 2009 to PHP12.34 billion as at the end of 2010. The company recognized additional paid in capital of P5.10 billion resulting from the issuance of new shares via a stock rights offering and reissuance of the treasury shares.

Consolidated Current Ratio significantly improved at 1.48:1 compared to 0.90:1 in 2009 (based on restated amounts). However, Debt-to-Equity ratio dipped slightly from 1.45:1 to 1.47:1 as at the end of 2010. This is due to the availing of additional debts during the year.

D. Performance Indicators

1. Earnings per Share – To finance its investment in SCPC, the Company went into a 1:5 stock rights offering in 2010, increasing issued shares to 356,250,000 from 296,875,000 in 2009. Moreover, all the issued shares are outstanding this year with the sale of 19,302,200 shares previously held in treasury. Despite this development, EPS managed to reflect a healthy growth of 82%. This does not only signify that the coal business is performing well, but the power business as well. The investment in SCPC undoubtedly created more value for the Company.

2. Debt-to-Equity Ratio–The Company's robust financial health is indicated by consistently recording low DE ratio in the past few years. As a result, when the opportunity to own its single biggest customer arose, its balance sheet was ripe and ready to take on the challenge. While the Company's current DE ratio of 1.47:1 shows its leveraged condition, it is positive that it can afford to be in this position given the remarkable performance of both coal and power segments.

3. Business Expansion– Motivated by good prospects in the power industry, the Company aggressively expands its operations for both business segments. The coal business launched into another expansion activity in 2010, thus enabling it to benefit from strong demand during the year. Meanwhile, Unit 2 of SCPC underwent rehabilitation works to ramp up productivity and improve efficiency. These activities are geared to create more value for the Company.

4. Expanded Market – The improved performance of the Company is mainly attributed to its ability to serve growing global demand for coal. Over the years, more customers are steadily buying its coal. On the other hand, the rehabilitation of SCPC's Unit 2 promises to further increase yield since being a cheap producer of power, SCPC is confident that it can successfully dispatch its additional production either through supply contracts or through the open market.

5. Improved coal quality – Enhancing coal quality is a going concern for the Company. This challenge is highlighted by the inherent low quality of its product. This is an important aspect of operations as this dictates its marketing success.

IV. OTHER INFORMATION

1. There were no known trends, events or uncertainties that have material impact on liquidity.
2. The Company provides interim corporate suretyship in favor of the lenders of SCPC for its PHP9.6 billion 7-year loan availed on 26 May 2010. The security may however be suspended within the term of the loan when the conditions set forth in the loan contract are met.
3. There are no material off-balance sheet transactions, arrangements, obligations, and other relationships of the company with unconsolidated entities or other persons created during the reporting period.
4. The Company has issued purchase orders to suppliers for mining equipment amounting to PHP40M. Delivery period starts on June 2011. These purchases will be financed with medium-term loans that match the life of the assets.
5. The recent calamity in Japan may have a positive impact on the demand and price of Semirara coal. Since Japan is an exporting country, any shortfall in their production may have positive impact to China. If China will increase production, demand of Semirara coal may escalate as most of our exports go to China.
6. There are no significant elements of income or loss from continuing operations.
7. There were no subsequent events that came to our knowledge, which are material enough to warrant an adjustment in the consolidated financial statements.

8. *The Group's operation is not cyclical or seasonal in nature. Mining activities is continuous throughout the year as coal production output from period to period can be adjusted through efficient mine planning on both short-term and long-term, mitigating negative impact of the rainy season to mine operations. The power generation business is also operational throughout the year as maintenance shutdown is just part of normal operation of the plant and programmed ahead of time.*

MINING : Nickel

The Company's venture into nickel mining was revived in 2010 when a contract mining agreement with Benguet Mining was finalized early in the year. DMCI Mining, Corp., the Company's wholly owned mining company, set out to mine and sell high concentration nickel ore (1.8%-2% nickel content), called saprolite from Benguet's nickel mine in Santa Cruz, Zambales. This has proved a good venture as operations led to a P564 million net income compared to a negative contribution of P50 million last year. DMCI Mining was able to produce 1.2 million tons of nickel ore and generate P1.96 billion in sales for 2010 from the operations at Benguet's nickel mine, a major development from suspended operations at the Acoje mine in 2009.

Evident of the Company's engineering competence in opportunistic times, DMCI Mining has swiftly shifted its nickel mining business into a very profitable venture.

II. FINANCIAL CONDITION

December 31, 2010 (Audited) – December 31, 2011 (Audited)

The Company's financial condition for the period improved as total assets and net assets increased by 18% and 25% respectively.

Cash increased by a significant 51% to P15 billion due mainly from operations of the different business and the syndicated loan raised by the real estate business. Major generator of cash is from operations while the major use of cash is for PPE.

Total receivables (current and non-current) went up due mainly to new sales in all sectors and the reinstatement of owner/supplier receivables covered with owner/supplier advances at the construction business.

Consolidated inventories grew by 28% increase as ending inventories grew in the real estate, power and coal mining businesses. Real estate inventories grew due to the growth in completed and in progress units including new land acquired for development. Inventories for power equipment and ending coal inventories prompted the increase in Semirara's consolidated inventory.

Investments were slightly up as a result of the Company's share in net operations of the water business and other equity investments of the group.

Property plant & equipment inched up coming mainly from the rehabilitation of Calaca unit 2.

Accounts & other payables increased mostly as a result of using operating credits, deferred revenues and accruals.

Long term debt increased due to the P5 billion corporate notes issued at the real estate segment.

Current ratio improved from 1.78 to 2.04 due mainly from cash generation of the different businesses.

Debt to equity ratio remained at the same levels despite additional debt issued at the real estate business as operations generated the much needed net asset growth.

III. KEY PERFORMANCE INDICATORS

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

- a) Segment Revenues
- b) Segment Net Income (after Minority)
- c) Earnings Per Share
- d) Current Ratio
- e) Debt to Equity Ratio

SEGMENT REVENUES

REVENUES				
<i>(in Php Millions)</i>	Audited		Variance	
	2011	2010	Amount	%
COAL SALES	16,231	14,071	2,160	48%
NICKEL ORE SALES	2,452	1,959	493	79%
CONSTRUCTION	10,277	10,729	-452	-10%
REAL ESTATE	8,251	7,705	546	25%
ELECTRICITY	10,421	8,948	1,473	6%
PARENT & OTHERS	171	72	99	12%
TOTAL	47,803	43,484	4,319	20%

REVENUES				
<i>(in Php Millions)</i>	Audited		Variance	
	2010	2009	Amount	%
COAL SALES	14,071	11,500	2,571	48%
NICKEL ORE SALES	1,959	102	1,857	79%
CONSTRUCTION	10,729	8,000	2,729	-10%
REAL ESTATE	7,705	6,963	742	25%
ELECTRICITY	8,948	443	8,505	6%
PARENT & OTHERS	72	260	-188	12%
TOTAL	43,484	27,268	16,216	20%

The initial indicator of the Company's gross business results are seen in the movements in the different business segment revenues. As illustrated above the significant main drivers for revenue growth are the mining and real estate sectors (see *Part I. Results of Operations – different segments for a detailed discussion per business*).

SEGMENT NET INCOME

NET INCOME				
(in Php Millions)	Audited		Variance	
	2011	2010	Amount	%
COAL SALES	2,379	1,462	917	63%
NICKEL ORE SALES	917	564	353	63%
CONSTRUCTION	1,117	1,242	(125)	-10%
REAL ESTATE	1,795	1,286	509	40%
ELECTRICITY	1,177	847	330	39%
WATER	2,195	1,887	308	16%
PARENT & OTHERS	15	(98)	113	-115%
STEEL		677	(677)	-100%
TOTAL	9,595	7,867	1,728	22%

NET INCOME				
(in Php Millions)	Audited		Variance	
	2010	2009	Amount	%
COAL SALES	1,462	1,214	248	20%
NICKEL ORE SALES	564	(49)	613	-1251%
CONSTRUCTION	1,242	497	745	150%
REAL ESTATE	1,286	1,020	266	26%
ELECTRICITY	847	68	779	1146%
WATER	1,887	1,675	212	13%
PARENT & OTHERS	(98)	(18)	(80)	444%
STEEL	677	297	380	128%
TOTAL	7,867	4,704	3,163	67%

The net income (after minority) or bottom line results from 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 for the different business segments. Except for construction, the current period posted strong growth in earnings from the coal and nickel mining businesses, while other segments provided modest improvement (see *Part I. Results of Operations – different segments for a detailed discussion per business*).

EARNINGS PER SHARE

The Company's consolidated earnings per share (EPS) for the year was P3.61/share accounting for a 22% increase from the P2.96/share EPS last year. Same as segment net income, all the businesses

except construction all contributed to the improvement in earnings (see *Part I. Results of Operations – different segments for a detailed discussion per business*).

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 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 Officer.

<u>Name</u>	<u>Position</u>	<u>Age</u>
DAVID M. CONSUNJI	Chairman of the Board of Directors	90
CESAR A. BUENAVENTURA	Vice-Chairman of the Board	82
ISIDRO A. CONSUNJI	President	63
CRISTINA C. GOTIANUN	Asst. Treasurer	57
HERBERT M. CONSUNJI	Director/Vice President & CFO	59
JORGE A. CONSUNJI	Director	60
VICTOR A. CONSUNJI	Director	61
MA. EDWINA C. LAPERAL	Director	50
HONORIO O. REYES-LAO	Director (Independent)	66
ANTONIO JOSE U. PERIQUET	Director (Independent)	50
NOEL A. LAMAN	Corporate Secretary	72
VICTOR S. LIMLINGAN	Managing Director	67

David M. Consunji is the Founder and Chairman of the Board of Directors of D.M. Consunji, Inc. Mr. Consunji is also Chairman 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, Outstanding Alumni Engineer of the University of Phils. Alumni Engineers in 2010, and Icon of the Philippine Construction Industry 2010 by the Phil. Constructors Association. Mr. David Consunji has served the Corporation as Chairman of the Board for seventeen (17) years.

Cesar A. Buenaventura, is Managing Partner of Buenaventura Echaz and Partners Financial Services. He is currently a Director of the following: DMCI Holdings, Inc., Semirara Mining Corporation, iPeople Inc., D.M. Consunji, Inc., Petroenergy Resources Corp., AG&P Company of Manila, Inc., Maibarara Geothermal, Inc. (Chairman), Montecito Properties, Inc. (Vice Chairman), Pilipinas Shell Petroleum Corp., Philippine American Life Insurance Company and Manila International Airport Authority. 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. Mr. Buenaventura has served the Company as Vice Chairman for seventeen (17) years.

Isidro A. Consunji is a regular Director of the following: DMCI Project Developers, Inc., Semirara Mining Corporation, Dacon Corporation, DMCI-MPIC Water Company, Inc. Crown Equities, Inc. and Beta Electric Corporation. His other positions include: Chairman of the Board of Directors of DMCI Homes, Beta Electric Corporation; President of Dacon Corporation, and DMCI Project Developers, Inc., Mr. Isidro Consunji has served the Corporation as a regular director for seventeen (17) years.

Herbert M. Consunji is a Partner in H.F. Consunji & Associates. He is also the Chairman of Subic Water and Sewerage Company, Inc., a regular Director of DMCI Project Developers, Inc., Semirara Mining Corporation, DMCI-MPIC Water Company, Inc., Maynilad Water Services, Inc., DMCI Mining Corp., DMCI Power Corporation and the Chief Operating Officer of Maynilad Water Services, Inc. Mr. Herbert Consunji has served the Corporation as a regular director for seventeen (17) years.

Jorge A. Consunji is the President and Chief Operating Officer of D.M. Consunji, Inc. His other positions include: Director of Semirara Mining Corporation, Beta Electric Corp., Atlantic, Gulf & Pacific Company of Manila, Inc., Chairman of Wire Rope Corporation, and Treasurer of Dacon Corporation. Mr. Jorge Consunji has served the Corporation as a regular director for seventeen (17) years.

Victor A. Consunji is a Director of the following: DMCI Holdings, Inc., Dacon Corporation (Vice-President), Semirara Mining Corporation (President), One Network Bank (Chairman), M&S Company, Inc., Sodaco Agricultural Corporation, Sirawai Plywood & Lumber Corp. (Chairman), DMC Urban Property Developers, Inc., DM Consunji, Inc., and Ecoland Properties Development Corporation. Mr. Victor Consunji has served as a regular director of the Corporation for seventeen (17) years.

Ma. Edwina C. Laperal is the Treasurer of DMCI Holdings, Inc., Dacon Corporation, DMCI Project Developers, Inc., and DMCI Urban Property Developers, Inc.; Regular Director of DMCI Holdings, Inc., DMCI Project Developers, Inc., Semirara Mining Corporation and D.M. Consunji, Inc. Ms. Laperal has served the Corporation as Treasurer for seventeen (17) years.

Honorio O. Reyes-Lao is the Director of Philippine Business Bank from 2010 up to present. He was the President and Director of Gold Venture Lease and Management Services, Inc, 2008-2009; Senior

Business Consultant of the Antel Group of Companies, 2007-2009; Senior Management Consultant of East West Banking Corporation, 2005-2006. Prior to 2005, Mr. Reyes-Lao was the Senior Vice-President of China Banking Corporation in charge of the lending operation under the Account Management Group. He was a Director of the First Sovereign Asset Management Corporation, 2004-'06; Director and Treasurer of CBC Insurance Brokers, Inc, 1998- 2003 : Director of CBC Forex Corporation, 1997-2002; and CBC Properties and Computer Center, Inc, 1993-2006. His civic affiliations are the Makati Chamber of Commerce and Industries - past President; Rotary Club of Makati West – Treasurer; and a Fellow in the Institute of Corporate Directors, a professional organization which espouses good corporate governance in both private and public organizations. Mr. Reyes-Lao has served the Company as Independent Director for three (3) years (since 2009).

Antonio Jose U. Periquet is currently the Chairman of Pacific Main Holdings and a director of the Development Bank of the Philippines, DBP Insurance Brokers, Inc., DBP Leasing Corporation, the Metro Rail Transit Corporation, Lyceum of the Philippines University, and The Straits Wine Company, Inc. He is also an independent director of Ayala Corporation, BPI Capital Corporation, Bank of the Philippine Islands, and Philippine Seven Corporation. He was previously chairman of Deutsche Regis Partners, Inc. and executive director of various financial institutions in London and Hong Kong. Mr. Periquet holds an MBA from the University of Virginia, a MSc in Development Economics from Oxford University and a Bachelor of Arts degree in Economics from the Ateneo de Manila University. He is a member of the Dean's Global Advisory Council, Darden School of Business, University of Virginia. Mr. Periquet has served the company as an Independent Director for two (2) years since 2010.

Victor S. Limlingan is Managing Director of DMCI Holdings, Incorporated as well as a director of D. M. Consunji, Incorporated and Dmci Project Developers Inc. (DMCI Homes). He is presently an independent director of Sika Philippines, a subsidiary of Sika International of Switzerland and Monarch Insurance, a joint venture company owned by Malaysian and Sri Lankan groups. An educator, he holds a Doctorate in Business Administration from the Harvard Business School. He was a Full Professor at the Asian Institute of Management as well as a member of the Presidential Task Force on Education. Presently, he is the Chairman of the Guagua National Colleges. He and his wife Marita own and manage Regina Capital Development Corporation, a member of the Philippine Stock Exchange as well as Cristina Travel Corporation. Dr. Limlingan has served the Company as Independent Director for three years (from 2006-2009). On February 1, 2009, he was appointed as the Managing Director of the Corporation.

Cristina C. Gotianun is a Director of Dacon Corporation, D.M. Consunji, Inc, Asia Industries, Inc., DMCI Power Corporation, DMC Construction Equipment Resources, Inc., DMC Urban Property Developers, Inc., M&S Company, Inc., Prime Ortigas Development Corporation and South Davao Development Co., Inc.. Her other positions include: Vice-President for Administration of Semirara Mining Corp., Treasurer of DMCI Power Corp., Vice President for Finance Administrative/Chief Finance Officer of D.M. Consunji, Inc., and Corporate Secretary of Dacon Corporation and DMC Urban Property Developers, Inc.. Ms. Gotianun has served the Corporation as Asst. Treasurer for seventeen (17) years.

Noel A. Laman is a founder and Senior Partner of Castillo Laman Tan Pantaleon & San Jose. His other positions include: Treasurer of the DCL Group of Companies (Manpower Resources of Asia/Sealanes Marine Services/Center for Multicultural Studies/CRAFT Technologies, Inc.); Director and Corporate Secretary of GlaxoSmithkline Philippines Inc, Boehringer Ingelheim (Phils.), Inc., and Merck, Inc. He is an active member of the Intellectual Property Association of the Philippines, the Philippine Bar Association, and have been a speaker in local and foreign legal seminars and a resource person of various foreign chambers of commerce in the Philippines. Mr. Laman's practice of law includes corporate law, intellectual property and mergers and acquisition. He is the firm's representative to the State Capital Group, a US based group of international law firms. Atty. Laman has served the Corporation as Corporate Secretary for seventeen (17) years.

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	60
Aldric G. Borlaza	Finance Officer	34

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 2012-2013.

- (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 sixteen (16) 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 ten (10) years (2002-current).

Term of office. The term of office of Ms. Austria is approximately sixteen (16) years. Mr. Borlaza has been serving the company for ten (10) 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			
Ma. Edwina C. Laperal	Treasurer			
Herbert M. Consunji	Vice President & Chief Financial Officer			
	YEARS			
	2009	P 34,817,379.00		P 5,342,802.21
	2010	P 23,540,309.00		P 4,317,355.00
	2011	P 93,701,111.00		P 8,772,185.00
	2012*	P 93,701,111.00		P 8,772,185.00
	TOTAL:	P 245,759,910.00	P --	P 27,204,527.21
	YEARS			

All other directors and executive officers as a group unnamed	2009	P 1,294,766.59		P 1,294,766.59
	2010	P 2,724,413.00		P 3,719,329.58
	2011	P 60,278,449.08		P 2,738,299.00
	2012*	P 60,278,449.08		P 2,738,299.00
	TOTAL:	P 124,576,077.75	P --	P 10,490,694.17

**Approximate figures*

Item 11. Security Ownership of Certain Beneficial Owners and Management

Beneficial Ownership of Directors of the Corporation as of **December 31, 2011**.

<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	1,000.00	0.00004%
Common	Cesar A. Buenaventura	1,000.00	0.00004%
Common	Isidro A. Consunji	13,000.00	0.00048%
Common	Victor A. Consunji	1,000.00	0.00004%
Common	Jorge A. Consunji	1,000.00	0.00004%
Common	Herbert M. Consunji	18,600.00	0.00070%
Common	Ma. Edwina C. Laperal	107,000.00	0.00402%
Common	Honorio O. Reyes-Lao	35,000.00	0.00132%
Common	Antonio Jose U. Periquet	25,000.00	0.00094%

AGGREGATE OWNERSHIP OF ALL DIRECTORS AS A GROUP

202,600.00

0.00762%

Owners owning 5% or more of the voting stocks of the Corporation as of **December 31, 2011**.

<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	1,367,761,488.00	51.507%
Common	DFC Holdings, Inc. (Fil) c/o Cristina C. Gotianun 2281 Pasong Tamo Ext. Makati City	461,185,838.00	17.367%
Common	PCD Nominee Corp. (For) G/F Makati Stock Exchange Bldg., 6767 Ayala Ave., Makati City	389,006,283.00	14.649%
Common	PCD Nominee Corp. (Fil) G/F Makati Stock Exchange Bldg., 6767 Ayala Ave., Makati City	362,900,154.00	13.666%

Below is the list of the individual beneficial owners under PCD account who holds more than 5% of the voting securities of Registrant.- **NONE**

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 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);
4. The Corporation has revised its Manual on Corporate Governance in compliance with the SEC's Revised Code of Corporate Governance. It was submitted on March 31, 2011.
5. 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

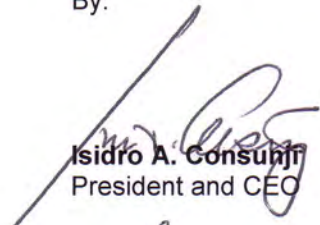
(b) Reports on SEC Form 17-C - The list of the reports from the preceding period December 31, 2010 is herein incorporated by reference.

(9) Material Contracts – **NONE**

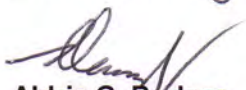
SIGNATURES


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 _____.


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

SUBSCRIBED AND SWORN to before me this 27 day of APR 2012 affiants exhibiting to me his/their Residence Certificates, as follows:

NAMES	RES. CERT. NO.	DATE OF ISSUE	PLACE OF ISSUE
Isidro A. Consunji	07014700	01-20-12	Makati
Herbert M. Consunji	06978579	01-09-12	Makati
Aldric G. Borlaza	07039424	02-09-12	Makati
Ma. Luisa C. Austria	06982383	01-04-12	Manila
Atty. Noel A. Laman	07020751	01-27-12	Makati

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 Book No. XVII
 Series of 2012

 Notary Public

CESAR G. VIOLA
 Notary Public
 Unit Occ. 112/12
 PTR No. 039487 01-02-12 M.L.
 IBP No. 839487 12-06-10 M.L.
 Roll No. 15654
 MCLC Compliance No. III
 0019431 12-2-10

**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.Summary of Submittals of SEC Form 17-C
For the Year 2011

Nature of Report	Date
Preferred Shares redemption for the year 2010	January 3, 2011
Certificate of Compliance of Manual on Corporate Governance	January 13, 2011
DMC share transaction of Chairman	January 13, 2011
Certification on Board Attendance for the year 2010	January 14, 2011
DMC share transaction of Chairman	January 19, 2011
DMC share transaction of Chairman	January 24, 2011
DMC share transaction – DFC Corp.	January 24, 2011
DMC share transaction – DFC Corp.	January 25, 2011
DMC share transaction – President	January 25, 2011
DMC share transaction – DFC Corp.	January 28, 2011
Maynilad adjustment in tariff rates	January 31, 2011
Preferred share redemption for the month of January	February 1, 2011
Preferred share redemption for the month of January	February 1, 2011
DMC share transaction – DFC Corp.	February 11, 2011
DMC share transaction – Chairman of the Board	February 11, 2011
DMC share transaction – DFC Corp.	February 16, 2011
Disclosure on Unaudited Financial Statements	February 21, 2011
DMC share transaction – DFC Corp.	February 22, 2011
Projects awarded to DMCI	February 22, 2011
Preferred share redemption for the month of February	March 2, 2011
DMC share transaction – Asst. Treasurer	March 10, 2011
DMC share transaction – Asst. Treasurer	March 15, 2011
DMC share transaction – Asst. Treasurer	March 22, 2011
DMC share transaction – Asst. Treasurer	March 24, 2011
Preferred share redemption for the month of March	April 5, 2011
DMC share transaction – Vice President & CFO	April 6, 2011
EPC contract with TransAsia	April 6, 2011
DMC share transaction – President	April 27, 2011
Preferred share redemption for the month of April	May 2, 2011
Announcement of Annual Stockholders' Meeting and Declaration of Cash Dividends	May 31, 2011
Preferred share redemption for the month of May	June 1, 2011
Resignation of Vice President for Finance	June 2, 2011
DMC share transaction – DFC Corp.	June 13, 2011
Cash Dividends Guidelines	June 15, 2011
DMC share transaction – DFC Corp.	June 21, 2011
Preferred share redemption for the month June	July 1, 2011

Results of Annual Stockholders' Meeting	July 27, 2011
Preferred share redemption for the month July	August 1, 2011
Analyst/Media Briefing Schedule	August 9, 2011
DMC share transaction – Asst. Treasurer	August 16, 2011
DMC share transaction – DFC Corp.	August 16, 2011
DMC share transaction – Director	August 16, 2011
DMC share transaction – President	August 19, 2011
DMC share transaction – Director	August 19, 2011
DMC share transaction – DFC Corp.	August 25, 2011
DMC share transaction – Vice President & CFO	August 25, 2011
Corporate Governance Committee 2011	August 26, 2011
Preferred share redemption for the month August	September 1, 2011
DMC share transaction – DFC Corp.	September 13, 2011
DMC share transaction – Dacon Corp.	September 28, 2011
DMC share transaction – DFC Corp.	September 28, 2011
DMC share transaction – DFC Corp.	September 30, 2011
Preferred share redemption for the month September	October 5, 2011
DMC share transaction – Dacon Corp.	October 10, 2011
DMC share transaction – Dacon Corp.	October 12, 2011
DMC share transaction – Independent Director	October 12, 2011
DMC share transaction – Dacon Corp.	October 13, 2011
DMC share transaction – Dacon Corp.	October 14, 2011
DMC share transaction – Dacon Corp.	October 17, 2011
DMC share transaction – Dacon Corp.	October 19, 2011
Preferred share redemption for the month October	November 2, 2011
DMC share transaction – Vice President & CFO.	November 3, 2011
DMC share transaction – DFC Corp.	November 28, 2011
DMC share transaction – DFC Corp.	November 29, 2011
Preferred share redemption for the month November	December 1, 2011
DMC share transaction – Asst. Treasurer	December 22, 2011
PSA Signing between SCPC and Meralco	December 23, 2011

**LIST OF TOP 20 STOCKHOLDERS
AS OF DECEMBER 31, 2011**

	NAME	No. Of Shares	PERCENTAGE
1.	DACON CORPORATION	1,367,761,488	51.07%
2.	DFC HOLDINGS, INC.	461,185,838	17.367%
3.	PCD NOMINEE CORPORATION (FOREIGN)	389,006,283	14.649%
4.	PCD NOMINEE CORPORATION (FILIPINO)	362,900,154	13.666%
5.	DMCI RETIREMENT PLAN	19,980,000	0.752%
6.	FERNWOOD INVESTMENT, INC.	14,234,444	0.536%
7.	BERIT HOLDINGS CORPORATION	12,220,000	0.460%
8.	GUADALUPE HOLDINGS CORPORATION	4,058,000	0.153%
9.	AUGUSTA HOLDINGS, INC.	3,800,000	0.143%
10.	DOUBLE SPRING INVESTMENTS CORPORATION	3,547,749	0.134%
11.	DMCI RETIREMENT FUND	2,600,000	0.098%
12.	PACITA N. LEE	1,100,00	0.041%
13.	MA. EDWINA/MIGUEL DAVID C. LAPERAL	550,000	0.021%
14.	EDGARDO MARCOS DE VERA	520,000	0.020%
15.	YNTALCO REALTY DEVT. CORPORATION	500,000	0.019%
16.	BENIGNO DELA VEGA	410,000	0.015%
17.	AO ZHENG	368,000	0.014%
18.	XIUFEN LI	366,000	0.014%
19.	MAKATI SUPERMARKET CORP.	345,500	0.013%
20.	ENRIQUE G. FILAMORE	314,000	0.012%



DMCI HOLDINGS

I N C O R P O R A T E D

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

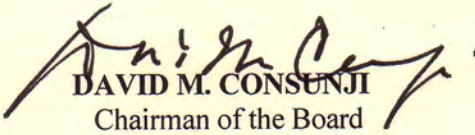
(632) 888 • DMCI
(632) 888 • 3000
Facsimile
(632) 816 • 7362
E-Mail
dmchi@dmcinet.com

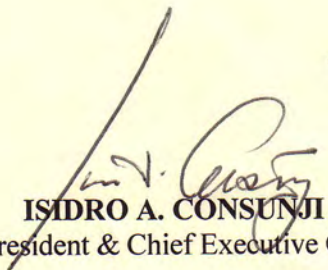
STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

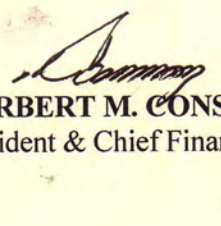
The management of DMCI HOLDINGS, INC. is responsible for the preparation and fair presentation of the consolidated financial statements for the years ended December 31, 2011 and 2010 including the additional components attached therein, in accordance with Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of the 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.

The Board of Directors reviews and approves the consolidated financial statements and submits the same to the stockholders.

SyCip Gorres Velayo & Co., the independent auditors appointed by the stockholders for the period December 31, 2011 and 2010, respectively, have examined the consolidated financial statements of the company in accordance with Philippine Standards on Auditing, and in their reports to the stockholders, have expressed their opinion on the fairness of presentation upon completion of such examination.


DAVID M. CONSUNJI
Chairman of the Board


ISIDRO A. CONSUNJI
President & Chief Executive Officer

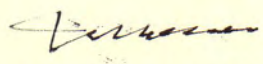

HERBERT M. CONSUNJI
Vice President & Chief Finance Officer

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 25th day of April 2012 in Makati City, affiant exhibiting to me their Community Tax Certificates which are as follows:

DAVID M. CONSUNJI	06985160	January 10, 2012	Makati City
ISIDRO A. CONSUNJI	07014700	January 20, 2012	Makati City
HERBERT M. CONSUNJI	06978579	January 09, 2012	Makati City

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Book No. 298
Series of 2012


ATTY. LOPE M. VELASCO
NOTARY PUBLIC
Until December 31, 2013
Appt. No. M-136, Makati City
IBP # 864149-Pasig City-12/21/11
PTR # 0334743-MAKATI-01/02/12
TIN # 212-965-989
S.C. Roll No. 28757
G/F JAKA Center 2111 Chino Roces Ave.
Makati City



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

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

BOA/PRC Reg. No. 0001,
January 25, 2010, valid until December 31, 2012
SEC Accreditation No. 0012-FR-2 (Group A),
February 4, 2010, valid until February 3, 2013

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 its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2011 and 2010, and the consolidated statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2010, and a summary of significant accounting policies and other explanatory information.

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, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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 about 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.

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 its subsidiaries as at December 31, 2011 and 2010, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2011 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-2 (Group A),

February 11, 2010, valid until February 10, 2013

Tax Identification No. 102-082-365

BIR Accreditation No. 08-001998-10-2009,

June 1, 2009, valid until May 31, 2012

PTR No. 3174583, January 2, 2012, Makati City

April 23, 2012



DMCI HOLDINGS, INC. AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

(Amounts in Thousands)

	December 31	
	2011	2010
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 4 and 35)	₱15,065,748	₱9,946,666
Financial assets at fair value through profit or loss (Notes 5 and 35)	71,400	–
Available-for-sale financial assets (Notes 6 and 35)	59,910	215,771
Receivables (Notes 7, 21 and 35)	8,407,880	9,178,533
Costs and estimated earnings in excess of billings on uncompleted contracts (Note 8)	452,084	449,196
Inventories (Note 9)	17,484,675	12,704,544
Other current assets (Note 10)	4,567,316	3,868,993
Total Current Assets	46,109,013	36,363,703
Noncurrent Assets		
Noncurrent receivables (Notes 7 and 35)	2,438,697	2,782,287
Available-for-sale financial assets (Notes 6 and 35)	164,507	–
Investments in associates, jointly controlled entity and others (Note 11)	10,849,383	9,387,673
Investment properties (Note 12)	142,159	116,334
Property, plant and equipment (Note 13)	23,419,344	21,781,135
Deferred tax assets - net (Note 29)	16,140	10,191
Pension asset (Note 23)	4,355	–
Other noncurrent assets (Note 14)	1,040,091	824,820
Total Noncurrent Assets	38,074,676	34,902,440
	₱84,183,689	₱71,266,143
LIABILITIES AND EQUITY		
Current Liabilities		
Short-term debt (Notes 15 and 35)	₱1,490,648	₱760,274
Current portion of liabilities for purchased land (Notes 16 and 35)	471,886	660,622
Accounts and other payables (Notes 17 and 35)	11,925,949	10,101,780
Billings in excess of costs and estimated earnings on uncompleted contracts (Note 8)	750,744	586,880
Customers' advances and deposits (Note 18)	3,638,509	4,437,999
Current portion of long-term debt (Notes 19 and 35)	3,813,948	3,158,362
Income tax payable	138,199	146,079
Payable to related parties (Notes 21 and 35)	326,997	517,384
Total Current Liabilities	22,556,880	20,369,380

(Forward)



	December 31	
	2011	2010
Noncurrent Liabilities		
Long-term debt - net of current portion (Notes 19 and 35)	₱17,775,617	₱15,858,722
Liabilities for purchased land - net of current portion (Notes 16 and 35)	460,047	731,262
Deferred tax liabilities - net (Note 29)	1,008,459	496,766
Pension liabilities (Note 23)	180,305	216,784
Other noncurrent liabilities (Notes 20 and 35)	1,732,378	1,170,027
Total Noncurrent Liabilities	21,156,806	18,473,561
Total Liabilities	43,713,686	38,842,941
Equity (Note 22)		
Equity attributable to equity holders of the DMCI Holdings, Inc.:		
Paid-in capital	7,420,815	7,421,415
Retained earnings	26,633,072	19,693,115
Premium on acquisition of non-controlling interests	(161,033)	(161,033)
Other comprehensive loss (Note 36)	(1,090)	(2,781)
	33,891,764	26,950,716
Non-controlling interests	6,578,239	5,472,486
Total Equity	40,470,003	32,423,202
	₱84,183,689	₱71,266,143

See accompanying Notes to Consolidated Financial Statements.



DMCI HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(Amounts in Thousands, except for Earnings Per Share figures)

	Years Ended December 31		
	2011	2010	2009
REVENUE			
Mining	₱18,682,228	₱16,029,885	₱11,602,130
Electricity sales	10,420,559	8,948,308	443,493
Construction contracts	10,277,235	10,729,337	7,999,066
Real estate sales	8,251,128	7,704,893	6,963,108
Merchandise sales and others	171,435	71,386	260,054
	47,802,585	43,483,809	27,267,851
COSTS OF SALES AND SERVICES (Note 24)			
Mining	11,566,728	11,025,348	8,873,190
Electricity sales	7,019,858	5,974,593	419,709
Construction contracts	8,629,612	8,798,377	6,847,905
Real estate sales	4,080,030	4,758,532	4,756,934
Merchandise sales and others	132,752	47,033	197,957
	31,428,980	30,603,883	21,095,695
GROSS PROFIT	16,373,605	12,879,926	6,172,156
OPERATING EXPENSES (Note 25)	5,205,907	4,755,130	2,430,043
	11,167,698	8,124,796	3,742,113
OTHER INCOME (LOSSES)			
Equity in net earnings of associates (Note 11)	2,185,199	1,893,197	1,674,826
Finance income (Note 26)	1,098,176	1,058,041	834,473
Gain on sale of investments	–	–	40,412
Finance costs (Note 27)	(1,261,885)	(1,577,130)	(545,335)
Other income - net (Note 28)	432,873	487,947	23,346
INCOME BEFORE INCOME TAX	13,622,061	9,986,851	5,769,835
PROVISION FOR INCOME TAX (Note 29)	1,345,155	1,029,135	601,120
INCOME BEFORE CONTINUING OPERATIONS	12,276,906	8,957,716	5,168,715
INCOME AFTER TAX FROM DISCONTINUED OPERATIONS (Note 40)	–	677,345	297,347
NET INCOME (Note 34)	₱12,276,906	₱9,635,061	₱5,466,062
ATTRIBUTABLE TO			
Equity holders of DMCI Holdings, Inc.			
Income from continuing operations	₱9,595,451	₱7,201,534	₱4,411,712
Income from discontinued operations	–	665,749	292,256
Income for the year	9,595,451	7,867,283	4,703,968
Non-controlling interests			
Income from continuing operations	2,681,455	1,756,182	757,003
Income from discontinued operations	–	11,596	5,091
Income for the year	2,681,455	1,767,778	762,094
	₱12,276,906	₱9,635,061	₱5,466,062
EARNINGS PER SHARE (Note 30)			
Basic/Diluted, income for the year	₱3.61	₱2.96	₱1.77
Basic/Diluted, income from continuing operations	3.61	2.71	1.66
Basic/Diluted, income from discontinued operations	–	0.25	0.11

See accompanying Notes to Consolidated Financial Statements.



DMCI HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in Thousands)

	Years Ended December 31		
	2011	2010	2009
NET INCOME	₱12,276,906	₱9,635,061	₱5,466,062
OTHER COMPREHENSIVE INCOME			
Changes in fair value on AFS financial assets (Note 6)	1,691	3,868	(6,649)
Exchange differences on translating foreign operations	–	(25)	(3,797)
Recognized revaluation increment (Note 36)	–	(80,005)	–
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE YEAR, NET OF TAX	1,691	(76,162)	(10,446)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	₱12,278,597	₱9,558,899	₱5,455,616
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO			
Equity holders of DMCI Holdings, Inc.	₱9,597,142	₱7,792,409	₱4,694,959
Non-controlling interests	2,681,455	1,766,490	760,657
	₱12,278,597	₱9,558,899	₱5,455,616

See accompanying Notes to Consolidated Financial Statements.



DMCI HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Amounts in Thousands)

	Attributable to Equity Holders of the Parent							Total	Attributable to Non-controlling Interests	Total Equity
	Capital Stock (Note 22)	Additional Paid-in Capital (Note 22)	Total Paid-in Capital (Note 22)	Unappropriated Retained Earnings (Note 22)	Appropriated Retained Earnings (Note 22)	Premium on Acquisition of Non-controlling Interest	Other Comprehensive Income (Loss) (Note 36)			
As of January 1, 2011	₱2,655,498	₱4,765,917	₱7,421,415	₱19,291,456	₱401,659	(₱161,033)	(₱2,781)	₱26,950,716	₱5,472,486	₱32,423,202
Net income for the year	-	-	-	9,595,451	-	-	-	9,595,451	2,681,455	12,276,906
Other comprehensive income	-	-	-	-	-	-	1,691	1,691	-	1,691
Total comprehensive income	-	-	-	9,595,451	-	-	1,691	9,597,142	2,681,455	12,278,597
Appropriation	-	-	-	(3,000,000)	3,000,000	-	-	-	-	-
Dividends declared	-	-	-	(2,655,494)	-	-	-	(2,655,494)	(1,575,702)	(4,231,196)
Redemption of preferred shares	(1)	(599)	(600)	-	-	-	-	(600)	-	(600)
Balances at December 31, 2011	₱2,655,497	₱4,765,318	₱7,420,815	₱23,231,413	₱3,401,659	(₱161,033)	(₱1,090)	₱33,891,764	₱6,578,239	₱40,470,003
As of January 1, 2010	₱2,655,498	₱4,765,917	₱7,421,415	₱12,755,533	₱401,659	(₱161,033)	₱72,093	₱20,489,667	₱2,940,601	₱23,430,268
Net income for the year	-	-	-	7,867,283	-	-	-	7,867,283	1,767,778	9,635,061
Other comprehensive income	-	-	-	-	-	-	(74,874)	(74,874)	(1,288)	(76,162)
Total comprehensive income	-	-	-	7,867,283	-	-	(74,874)	7,792,409	1,766,490	9,558,899
Dividends declared	-	-	-	(1,327,747)	-	-	-	(1,327,747)	(779,955)	(2,107,702)
Discontinued operations	-	-	-	-	-	-	-	-	(44,758)	(44,758)
Appropriation	-	-	-	-	401,659	-	-	-	-	-
Release of appropriations	-	-	-	-	(401,659)	-	-	-	-	-
Acquisition of NCI	-	-	-	12,015	-	-	-	12,015	(12,015)	-
Effect of dilution of interest	-	-	-	(15,628)	-	-	-	(15,628)	15,628	-
Net movement in non-controlling interests	-	-	-	-	-	-	-	-	1,586,495	1,586,495
Balances at December 31, 2010	₱2,655,498	₱4,765,917	₱7,421,415	₱19,291,456	₱401,659	(₱161,033)	(₱2,781)	₱26,950,716	₱5,472,486	₱32,423,202
As of January 1, 2009	₱2,655,498	₱4,765,917	₱7,421,415	₱8,593,663	₱401,659	₱-	₱81,102	₱16,497,839	₱1,953,246	₱18,451,085
Net income for the year	-	-	-	4,703,968	-	-	-	4,703,968	762,094	5,466,062
Other comprehensive income	-	-	-	-	-	-	(9,009)	(9,009)	(1,437)	(10,446)
Total comprehensive income	-	-	-	4,703,968	-	-	(9,009)	4,694,959	760,657	5,455,616
Dividends declared	-	-	-	(542,098)	-	-	-	(542,098)	(738,896)	(1,280,994)
Appropriations	-	-	-	-	401,659	-	-	-	-	-
Release of appropriations	-	-	-	-	(401,659)	-	-	-	-	-
Net movement in non-controlling interests	-	-	-	-	-	(161,033)	-	(161,033)	965,594	804,561
Balances at December 31, 2009	₱2,655,498	₱4,765,917	₱7,421,415	₱12,755,533	₱401,659	(₱161,033)	₱72,093	₱20,489,667	₱2,940,601	₱23,430,268

See accompanying Notes to Consolidated Financial Statements.



DMCI HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in Thousands)

	Years Ended December 31		
	2011	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax from continuing operations	₱13,622,061	₱9,986,851	₱5,769,835
Profit before tax from discontinued operations	–	711,558	310,575
Profit before tax	13,622,061	10,698,409	6,080,410
Adjustments for:			
Depreciation, depletion and amortization (Notes 12, 13, 14, 24 and 25)	3,093,843	3,227,322	1,423,278
Equity in net earnings of associates and jointly controlled entity (Note 11)	(2,185,199)	(1,893,197)	(1,674,826)
Finance costs (Note 27)	1,261,885	1,577,130	545,335
Finance income (Note 26)	(1,098,176)	(1,058,041)	(834,473)
Gain on sale of:			
Property, plant and equipment (Note 28)	(57,565)	(28,958)	(12,853)
Investment in associates, jointly controlled entity and others (Note 11)	–	–	(40,412)
Investment in a subsidiary (Note 40)	–	(36,659)	–
Provisions for: (Note 25)			
Doubtful accounts	15,178	58,905	76,948
Probable losses on current assets	–	88,778	–
Property, plant and equipment	–	6,670	–
Noncurrent assets	–	–	40,374
Unrealized foreign exchange gains	18,974	(69,722)	(197,080)
Gain on reversal of impairment on PPE (Note 28)	(6,670)	–	–
Dividend income (Notes 11 and 28)	(4,547)	(5,785)	(799)
Unrealized market gain on financial assets at FVPL (Note 5)	(1,400)	–	–
Negative goodwill (Notes 28 and 33)	–	–	(15,667)
Operating income before changes in working capital	14,658,384	12,564,852	5,390,235
Decrease (increase) in:			
Receivables	1,116,709	(5,061,392)	2,314,453
Costs and estimated earnings in excess of billings on uncompleted contracts	(2,888)	82,264	(235,831)
Inventories	(5,856,905)	1,182,676	(180,317)
Other current assets	(698,297)	(789,901)	(1,928,559)
Pension asset	(4,355)	–	–
Increase (decrease) in:			
Liabilities for purchased land	(498,574)	499,176	(88,629)
Accounts and other payables	1,753,504	4,618,981	1,449,060
Customers' advances and deposits	(799,490)	342,093	2,045,541
Billings in excess of costs and estimated earnings on uncompleted contracts	163,864	228,890	160,952
Pension liabilities	(36,479)	89,898	(1,389)
Cash generated from operations	9,795,473	13,757,537	8,925,516
Interest paid	(1,251,191)	(1,739,053)	(493,611)
Interest received	1,080,363	1,049,028	905,256
Income taxes paid	(849,894)	(728,499)	(525,181)
Net cash provided by operating activities	8,774,751	12,339,013	8,811,980

(Forward)



	Years Ended December 31		
	2011	2010	2009
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Property, plant and equipment (Notes 13 and 38)	(₱3,539,342)	(₱4,410,830)	(₱3,898,493)
Investment in financial asset at FVPL (Note 5)	(70,000)	-	-
Investment properties (Note 12)	(32,138)	(1,350,730)	(443,536)
Available-for-sale financial assets (Note 6)	(7,105)	(12,090)	(36,099)
Investments in associates, jointly controlled entity and others (Note 11)	(1,300)	(244,670)	(1,439,318)
Net increase in non-controlling interest	-	1,585,207	785,784
Proceeds from disposals of:			
Property and equipment	76,077	90,791	899,663
Available-for-sale financial assets (Note 6)	150	674	65,053
Investment in subsidiary (Note 40)	-	957,526	-
Investments in associates, jointly controlled entity and others (Note 11)	-	68,608	-
Dividends received	703,198	295,102	1,399
Acquisition of a business (Notes 33 and 38)	-	(9,967,288)	(7,158,718)
Net increase in investment in associates	26,138	-	-
Increase in other noncurrent assets	(233,279)	(115,335)	(105,221)
Net cash used in investing activities	(3,077,601)	(13,103,035)	(11,329,486)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from:			
Long-term debt	10,627,665	15,865,769	10,809,583
Short-term debt	2,455,720	4,854,515	902,697
Payments of:			
Long-term debt	(8,114,551)	(5,212,831)	(8,141,448)
Short-term debt	(1,720,312)	(5,308,098)	(133,988)
Dividends paid to equity holders of DMCI Holdings, Inc.	(2,627,009)	(1,327,927)	(542,098)
Dividends paid to non-controlling interest (Note 22)	(1,575,702)	(779,955)	(738,896)
Increase (decrease) in:			
Other noncurrent liabilities	562,351	(214,937)	384,314
Payable to related parties (Note 21)	(190,387)	(430,553)	173,175
Redemption of preferred shares	(600)	-	-
Net cash provided by (used in) financing activities	(582,825)	7,445,983	2,713,339
NET INCREASE IN CASH AND CASH EQUIVALENTS	5,114,325	6,681,961	195,833
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	4,757	2,415	(2,166)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	9,946,666	3,262,290	3,068,623
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	₱15,065,748	₱9,946,666	₱3,262,290

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) was incorporated on March 8, 1995 and is domiciled in the Philippines. The Parent Company's registered office address and principal place of business is at 3rd Floor, Dacon Building, 2281 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, mining, power generation, infrastructure, real estate development and manufacturing.

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 and financial assets at fair value through profit or loss (FVPL) that have been measured at fair value. The Group's functional and presentation currency is the Philippine Peso (₱). All amounts are rounded to the nearest thousand (₱000), unless otherwise indicated.

Statement of Compliance

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

Basis of Consolidation

Basis of consolidation from January 1, 2010

The consolidated financial statements comprise the financial statements of the Group as of December 31, 2011 and 2010 and for each of the three years in the period ended December 31, 2011. 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.

The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. All significant intercompany balances and transactions, including income, expenses and dividends, are eliminated in full. Profits and losses resulting from intercompany 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.

Non-controlling interests (NCI) represent the portion of profit or loss and net assets in subsidiaries not wholly owned by the Group and are presented separately in consolidated statement of income, consolidated statement of comprehensive income and consolidated statement of changes in equity and within equity in the consolidated statement of financial position, separately from equity holders' of the Parent Company.

Losses within a subsidiary are attributed to the NCI even if that results in a deficit balance.



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

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary, the carrying amount of any NCI and the cumulative translation differences, recorded in equity.
- Recognizes the fair value of the consideration received, the fair value of any investment retained and any surplus or deficit in profit or loss.
- Reclassifies the Parent Company's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

Basis of consolidation prior to January 1, 2010

Certain of the above-mentioned requirements were applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- Acquisitions of NCI, prior to January 1, 2010, were accounted for using the parent entity extension method, whereby, the difference between the consideration and the share in the book value of the net assets acquired were recognized in goodwill.
- Losses incurred by the Group were attributed to NCI until the balance was reduced to nil. Any further excess losses were attributed to the parent, unless non-controlling interest had a binding obligation to cover these. Losses prior to January 1, 2010 were not reallocated between NCI and the parent shareholders.
- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying value of such investments at January 1, 2010 has not been restated.

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

	2011			2010		
	Direct	Indirect	Effective Interest	Direct	Indirect	Effective Interest
<u>General Construction:</u>						
D.M. Consunji, Inc. (DMCI) ¹	100.00%	–%	100.00%	100.00%	–%	100.00%
DMCI International, Inc. (DMCI) ²	–	100.00	100.00	–	100.00	100.00
OHKI-DMCI Corporation (OHKI) ²	–	100.00	100.00	–	100.00	100.00
DMCI-Laing Construction, Inc. (DMCI-Laing) ²	–	60.00	60.00	–	60.00	60.00
Beta Electric Corporation (Beta Electric) ²	–	51.77	51.77	–	51.77	51.77
Raco Haven Automation Philippines, Inc. (Raco) ²	–	50.14	50.14	–	50.14	50.14
<u>Mining:</u>						
Semirara Mining Corporation (Semirara)	56.32	–	56.32	56.32	–	56.32
DMCI Mining Corporation (DMC)	100.00	–	100.00	100.00	–	100.00
<u>Real Estate Development:</u>						
DMCI Project Developers, Inc. (PDI)	84.47	15.53	100.00	57.36	42.64	100.00
Hampstead Gardens Corporation (Hampstead) ³	–	100.00	100.00	–	100.00	100.00
Riviera Land Corporation (Riviera) ³	–	100.00	100.00	–	100.00	100.00
DMCI-PDI Hotels, Inc. (PDI Hotels) ³	–	100.00	100.00	–	100.00	100.00
DMCI Homes Property Management Corporation (DHPMC) ³	–	100.00	100.00	–	100.00	100.00

(Forward)



	2011			2010		Effective Interest
	Direct	Indirect	Effective Interest	Direct	Indirect	
Manufacturing:						
Semirara Cement Corporation (SemCem) *	100.00	–	100.00	100.00		100.00
Oriken Dynamix Company, Inc. (Oriken) ²	–	89.00	89.00	–	89.00	89.00
Wire Rope Corporation of the Philippines (Wire Rope)	45.68	16.02	61.70	45.68	16.02	61.70
Marketing Arm:						
DMCI Homes, Inc. (DMCI Homes) ³	–	100.00	100.00	–	100.00	100.00
Power:						
DMCI Power Corporation (DPC) (formerly DMCI Energy Resources Unlimited Inc.) *	100.00	–	100.00	100.00	–	100.00
DMCI Masbate Power Corporation (DMCI Masbate)	–	100.00	100.00	51.00	49.00	100.00
DMCI Calaca Power Corporation	100.00	–	100.00	100.00	–	100.00
Sem-Calaca Power Corporation (SCPC) ⁴	–	56.32	56.32	–	56.32	56.32
Southwest Luzon Power Generation Corporation (SLPGC) ^{4**}	–	56.32	56.32	–	–	–
SEM-Cal Industrial Park Developers, Inc. (SIPDI) ^{4**}	–	56.32	56.32	–	–	–

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

** Organized on August 31, 2011 and April 24, 2011 and has not yet started commercial operations.

¹ Also engaged in real estate development

² DMCI's subsidiaries

³ PDI's subsidiaries

⁴ Semirara's subsidiaries

DMCI

On December 5, 2011, the Securities and Exchange Commission (SEC) approved DMCI's application to declare property dividend to the Parent Company in the amount of ₱949.59 million payable in 949,594,750 shares of stocks in PDI with a total par value of ₱949.59 million.

AG&P

On December 22, 2010, the Parent Company (the "Seller") and AGP Philippines Holdings, Inc. (AGPPI or "Buyer") entered into a Stock Purchase Agreement (the "SPA"), wherein the Seller agreed to sell and the Buyer agreed to purchase nine hundred seventy-three million eighty-nine thousand forty-two (973,089,042) shares of stock (the "Shares") representing 98.19% of AG&P's total issued and outstanding capital stock (see Note 39).

DPC

On February 3, 2011, the Parent Company and DPC executed a Deed of Assignment, whereby the Parent Company assigned, transferred, and conveyed all its rights and interest over its subscribed 5,099,995 shares of DMCI Masbate with ₱1.00 par value each. The assigned shares were transferred for a consideration amounting to ₱1.27 million which is also equal to the amount paid-up by the Parent Company.

Sale of Shares in DMCI Concepcion and land in Concepcion, Iloilo

On August 16, 2010, DPC entered into a Sale and Purchase Agreement (the Agreement) with Palm Thermal Consolidated Holdings Corporation and Panay Consolidated Land Holdings Corporation (collectively "the Buyers") for the sale of its 2.50 million shares in DMCI Concepcion, representing its entire investment in the said company, and its 300,000 sq/m land located in Concepcion, Iloilo with aggregate book value of ₱58.95 million for a total consideration of ₱80.00 million to be paid in accordance with the following schedule:

- a. ₱1.00 million as earnest money payable on the date of the Agreement; and,
- b. ₱79.00 million upon full compliance of the conditions set forth in the Agreement.



On November 11, 2010, DPC received ₱79.00 million from the Buyers representing the remaining balance of the agreed consideration. Net gain from said transaction amounted to ₱19.05 million after deducting commissions paid to brokers amounting to ₱2.00 million.

DMCI Masbate

Power Supply Agreement with Masbate Electric Cooperative, Inc. (Maselco)

On May 4, 2007, Maselco and the DMCI Masbate entered into a Power Supply Agreement (PSA) wherein DMCI Masbate shall deliver a guaranteed dependable capacity of 13,000 kW, which Maselco may dispatch for its load and ancillary services requirements.

The PSA has a term commencing on the date on its execution and expiring on the last day of the fifteenth (15th) year of the commercial operations period as provided therein, unless extended or earlier terminated. The commercial operations period shall commence not later than eighteen (18) months from effectivity date. Maselco shall only pay for actual energy delivered, not on a take or pay basis, except in extraordinary circumstances as provided in the PSA. In exceptional circumstances, payments shall be based on a pre-defined net expected energy rate.

Transitory Agreement with Maselco

On March 3, 2010, DMCI Masbate entered into a Transitory Agreement, which shall have a term of five (5) years commencing from the date of the agreement, wherein Maselco shall avail of the generating capacity of DMCI Masbate and shall pay for such energy output according to the approved Subsidized/Approved Generation Rate of ₱3.65 for Masbate.

Also, under this agreement, DMCI Masbate shall deliver the coal-fired power plant barring any political and social situation preventing the construction and development thereof pursuant to the PSA not later than the 5th year anniversary of this agreement. If it is determined anytime during the term that the construction and commissioning of a coal-fired power plant in Masbate cannot be completed prior to the lapse of the term, the parties may extend the term of this agreement, amend the existing PSA or terminate this agreement and negotiate for a new PSA.

DMC

On October 7, 2009, Benguet Corp. (BC) has signed a mining contractorship and off-take agreement with DMC covering a portion of Benguet's 1,406-hectare Sta. Cruz nickel project located in Sta. Cruz, Zambales. The agreement allows DMC to explore, develop, mine and sell up to 200,000 metric tons of two percent high grade nickel ore for a period of three (3) years. All cost and related expenses for the exploration, development and mining of the above mentioned areas shall be for the sole account of DMC. All profits accruing from this Agreement, after deducting the costs and expenses connected with the production of the product, and over and above payment of all taxes and royalty, shall be divided equally between them.

In March 2010, the Company and Benguet Corp Nickel Mines, Inc., an affiliate of BC, agreed to establish and maintain a Mine Rehabilitation Fund as a reasonable environmental deposit to ensure the availability of funds for its satisfactory compliance with the commitments and performance of activities stipulated in its Environment Protection and Management Program/Annual Environmental Protection and Enhancement Program during a specific project phase.

Semirara

Semirara and the Parent Company have 50%-50% shareholdings in both DPC and DMC. On December 8, 2010, a Deed of Assignment was made and executed between Semirara and the Parent Company, the former being the "Assignor" and the latter being the "Assignee". Semirara offered to assign, transfer and convey all of its rights, ownership and interest over its shares in DPC and DMC.



SLPGC

On August 31, 2011, SLPGC, a wholly-owned subsidiary of Semirara, was incorporated to operate electric power plants and to engage in business of a Generation Company.

SIPDI

On April 24, 2011, SIPDI, a wholly-owned subsidiary of Semirara, was incorporated to acquire, develop, construct, invest in, operate and maintain an economic zone in Calaca, Batangas.

As of December 31, 2011, SLPGC and SIPDI have not yet started commercial operation.

Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those of the previous financial year except for the following new and amended Philippine Accounting Standards (PAS), PFRS and Philippine Interpretations of IFRIC which were adopted as of January 1, 2011. The following new and amended standards and interpretations did not have any impact on the accounting policies, financial position and performance of the group:

- PAS 24 (Amended), *Related Party Disclosures*
The amendment clarified the definition of a related party. The new definitions emphasize a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationships of an entity. In addition, the amendment introduces an exemption from the general related party disclosure requirements for transactions with government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity.
- PAS 32, *Financial Instruments: Presentation* (Amendment) - *Classification of Rights Issues*
The amendment altered the definition of a financial liability in order to classify rights issues and certain options or warrants as equity instruments in cases where such rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency.
- Philippine Interpretation IFRIC 14 (Amendment), *Prepayments of a Minimum Funding Requirement*
The amendment removes an unintended consequence when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover such requirements. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset.
- Philippine Interpretation IFRIC 19, *Extinguishing Financial Liabilities with Equity Instruments*
The interpretation clarified that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. In case that this cannot be reliably measured, the instruments are measured at the fair value of the liability extinguished. Any gain or loss is recognized immediately in profit or loss.



Improvements to PFRSs 2010

- PFRS 3, *Business Combinations*

This amendment clarifies that the Amendments to PFRS 7, *Financial Instruments: Disclosures*, PAS 32, *Financial Instruments: Presentation* and PAS 39, *Financial Instruments: Recognition and Measurement*, that eliminate the exemption for contingent consideration, do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of PFRS 3 (as revised in 2008).

It also limits the scope of the measurement choices that only the components of non-controlling interest that are present ownership interests that entitle their holders to a proportionate share of the entity's net assets, in the event of liquidation, shall be measured either at fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. Other components of non-controlling interest are measured at their acquisition date fair value, unless another measurement basis is required by another PFRS.

The amendment also requires an entity (in a business combination) to account for the replacement of the acquiree's share-based payment transactions (whether obliged or voluntarily), i.e., split between consideration and post-combination expenses. However, if the entity replaces the acquiree's awards that expire as a consequence of the business combination, these are recognized as post-combination expenses. It further specifies the accounting for share-based payment transactions that the acquirer does not exchange for its own awards: if vested - they are part of non-controlling interest and measured at their market-based measure; if unvested - they are measured at market-based value as if granted at acquisition date, and allocated between non-controlling interest and post-combination expense.

- PFRS 7, *Financial Instruments: Disclosures*

This amendment emphasizes the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instruments. The amendments to quantitative and credit risk disclosures are as follows:

- a. Clarify that only financial asset whose carrying amounts do not reflect the maximum exposure to credit risk need to provide further disclosure of the amount that represents the maximum exposure to such risk.
- b. Requires, for all financial assets, to disclose the financial effect of collateral held as security and other credit enhancements regarding the amount that best represents the maximum exposure to credit risk (e.g., a description of the extent to which collateral mitigates credit risk).
- c. Remove the disclosure of the collateral held as security, other credit enhancements and an estimate of their fair value for financial assets that are past due but not impaired, and financial assets that are individually determined to be impaired.
- d. Remove the requirement to specifically disclose financial assets renegotiated to avoid becoming past due or impaired.
- e. Clarify that the additional disclosure required for financial assets obtained by taking possession of collateral or other credit enhancements are only applicable to assets still held at the reporting date.

- PAS 1, *Presentation of Financial Statements*

This Amendment clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the consolidated financial statements.



- *PAS 27, Consolidated and Separate Financial Statements*
This Amendment clarifies that the consequential amendments from PAS 27 made to PAS 21, *The Effect of Changes in Foreign Exchange Rates*, PAS 28, *Investments in Associates* and PAS 31, *Interests in Joint Ventures* apply prospectively for annual periods beginning on or after July 1, 2009 or earlier when PAS 27 is applied earlier.
- *Philippine Interpretation IFRIC 13, Customer Loyalty Programmes*
This Amendment clarifies that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme, is to be taken into account.

New Standards Issued but not yet Effective

The Group has not adopted the following PFRS and Philippine Interpretations which are not yet effective as of December 31, 2011. The Group will adopt these standards when they become effective. The Group does not expect the adoption of these standards to have a significant impact in the consolidated financial statements, unless otherwise stated.

- *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. The 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 reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The SEC and the Financial Reporting Standards Council (FRSC) have deferred the effectivity of this interpretation until the final Revenue standard is issued by International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed.

Effective 2012

- *PAS 12, Income Taxes - Recovery of Underlying Assets (Amendment)*
The amendment clarified the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in PAS 40, *Investment Property*, should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in PAS 16, *Property, Plant and Equipment*, always be measured on a sale basis of the asset. The amendment becomes effective for annual periods beginning on or after January 1, 2012.
- *PFRS 7, Financial Instruments: Disclosures - Enhanced Derecognition Disclosure Requirements (Amendment)*
The amendment requires additional disclosure about financial assets that have been transferred but not derecognized to enable the user of the Group's financial statements to understand the relationship with those assets that have not been derecognized and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognized assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognized assets. The amendment becomes effective for annual periods beginning on or after July 1, 2011.



Effective 2013

- PAS 1, *Financial Statement Presentation - Presentation of Items of Other Comprehensive Income*
The amendments change the grouping of items presented in other comprehensive income. Items that could be reclassified to profit or loss at a future point in time would be presented separately from items that will never be reclassified. The amendment becomes effective for annual periods beginning on or after July 1, 2012.
- PAS 19, *Employee Benefits (Amendment)*
Amendments to PAS 19 range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and rewording. The amendment becomes effective for annual periods beginning on or after January 1, 2013. The Group is currently assessing the full impact of the amendments in reporting actuarial gains or losses.
- PAS 27, *Separate Financial Statements (as revised in 2011)*
As a consequence of the new PFRS 10, *Consolidated Financial Statements*, and PFRS 12, *Disclosure of Interests in Other Entities*, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The amendment becomes effective for annual periods beginning on or after January 1, 2013.
- PAS 28, *Investment in Associates and Joint Ventures (as revised in 2011)*
As a consequence of the new PFRS 11, *Joint Agreements* and PFRS 12, PAS 28 has been renamed PAS 28, *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment becomes effective for annual periods beginning on or after January 1, 2013.
- PFRS 7, *Financial Instruments: Disclosures - Offsetting of Financial Assets and Financial Liabilities*
These amendments require an entity to disclose information about rights of set-off and related arrangements such as collateral agreements. The new disclosures are required for all recognized financial instruments that are set off in accordance with PAS 32. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set-off in accordance with PAS 32. The amendments require entities to disclose, in a tabular format unless another format is more appropriate, the following minimum quantitative information. This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:
 - a) The gross amounts of those recognized financial assets and recognized financial liabilities;
 - b) The amounts that are set off in accordance with the criteria in PAS 32 when determining the net amounts presented in the statements of financial position;
 - c) The net amounts presented in the statements of financial position;
 - d) The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:
 - i. Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and
 - ii. Amounts related to financial collateral (including cash collateral); and
 - e) The net amount after deducting the amounts in (d) from the amounts in (c) above.



The amendments to PFRS 7 are to be retrospectively applied for annual periods beginning on or after January 1, 2013.

- PFRS 10, *Consolidated Financial Statements*
PFRS 10 replaces the portion of PAS 27, *Consolidated and Separate Financial Statements*, which addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12, *Consolidation - Special Purpose Entities*. PFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by PFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27. This standard becomes effective for annual periods beginning on or after January 1, 2013. The Group is currently assessing the possible impact of this standard in the consolidated financial statements.
- PFRS 11, *Joint Agreements*
PFRS 11 replaces PAS 31, *Interests in Joint Ventures* and SIC-13, *Jointly-controlled Entities - Non-monetary Contributions by Venturers*. PFRS 11 removes the option to account for Jointly Controlled Entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. This standard becomes effective for annual periods beginning on or after January 1, 2013.
- PFRS 12, *Disclosure of Interests in Other Entities*
PFRS 12 includes all of the disclosures that were previously in PAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in PAS 31 and PAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. This standard becomes effective for annual periods beginning on or after January 1, 2013.
- PFRS 13, *Fair Value Measurement*
PFRS 13 establishes a single source of guidance under PFRS for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS when fair value is required or permitted. This standard becomes effective for annual periods beginning on or after January 1, 2013.
- Philippine Interpretation IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine*
This interpretation applies to waste removal costs that are incurred in surface mining activity during the production phase of the mine ("production stripping costs") and provides guidance on the recognition of the production stripping costs as an asset and measurement of the stripping activity asset. This interpretation becomes effective for annual periods beginning on or after January 1, 2013. This interpretation may have an impact on both financial position and performance of the Group.

Effective 2014

- PAS 32, *Financial Instruments: Presentation - Offsetting of Financial Assets and Financial Liabilities*
These amendments to PAS 32 clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems such as central clearing house systems which apply gross settlement mechanisms that are not simultaneous. The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014.



Effective 2015

• *PFRS 9, Financial Instruments: Classification and Measurement*

PFRS 9 as issued reflects the first phase on the replacement of PAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in PAS 39. In subsequent phases, hedge accounting and impairment of financial assets will be addressed with the completion of this project expected on the first half of 2012. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on classification and measurement of financial liabilities. The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

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 statement of financial position 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 and financial liabilities 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. 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.

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.

The Group's financial instruments are classified as AFS financial assets, financial assets at FVPL, loans and receivables and other financial liabilities.

Determination of fair value

The fair value for financial instruments traded in active markets at the reporting 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 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 difference

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” difference) in the consolidated statement of income under “Finance income” and “Finance costs” unless it qualifies for recognition as some other type of asset or liability. 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’ difference amount.

Financial assets

Financial Assets and Financial Liabilities at FVPL

Financial assets and financial liabilities at FVPL include financial assets and financial liabilities held for trading and financial assets and financial liabilities designated upon initial recognition as at FVPL.

Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets or financial liabilities held for trading are recorded in the consolidated statement of financial position at fair value. Changes in fair value relating to the held for trading positions are recognized in “Other income - net” account in the consolidated statements of income. Interest earned or incurred is recorded in interest income or expense, respectively, while dividend income is recorded when the right to receive payment has been established.

Financial assets may be designated at initial recognition as at FVPL if any of the following criteria are met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis; or
- The assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- The financial instrument contains an embedded derivative that would need to be separately recorded.

The Group’s financial asset at FVPL pertains to investment in quoted equity securities (see Note 5). The Group does not have any financial liability at FVPL.

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 financial assets at FVPL or AFS financial assets. These are included in current assets if maturity is within 12 months from the reporting date; otherwise, these are classified as noncurrent assets. This accounting policy relates to the consolidated statement of financial position captions “Cash and cash equivalents”, “Receivables”,



“Noncurrent receivables” and Refundable and Security deposits included under “Other noncurrent assets”.

After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest rate (EIR) 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 EIR and transaction costs. The amortization is included in “Finance income” in the consolidated statement of income. The losses arising from impairment of such loans and receivables are recognized under “Other expenses” in the consolidated statement of income.

AFS Financial Assets

AFS financial assets are those which are designated as such or do not qualify to be classified or designated as at FVPL, HTM, or loans and receivables. After initial measurement, AFS financial assets are measured at fair value with unrealized gains or losses being recognized in the consolidated statement of comprehensive income and are reported as “Net unrealized gain on AFS financial assets” in equity. 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 EIR. Dividends earned on investments are recognized in the consolidated statement of income when the right to receive payment has been established. The losses arising from impairment of such investments are recognized under “Other expenses” in the consolidated statement of income.

AFS financial assets are classified as current asset if verified to be realized within 12 months from reporting date.

When the fair value of AFS financial assets cannot be measured reliably because of lack of reliable estimates of future cash flows and discount rates necessary to calculate the fair values of unquoted equity instruments, then instruments are carried at cost less any allowance for impairment losses.

The Group’s AFS financial assets pertain to quoted and unquoted securities (see Note 6).

Financial liabilities

Other Financial Liabilities

Issued financial instruments or their components, which are not designated as at FVPL are classified as other financial liabilities where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are integral parts of the EIR. Any effects of restatement of foreign currency-denominated liabilities are recognized in the consolidated statement of income.

Other financial liabilities relate to the consolidated statement of financial position captions, “Accounts and other payables”, “Liabilities for purchased land”, “Payable to related parties”, “Short-term and Long-term debt” 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.

Deferred Financing Costs

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

Impairment of Financial Assets

The Group assesses at each reporting 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 EIR (i.e., the EIR computed at initial recognition). The carrying amount of the asset is reduced through the 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 EIR 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 the consolidated statement of income, 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 annually by the Group to reduce any differences between loss estimates and actual loss experience.

Financial 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 and financial assets at FVPL

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

In case of equity investments classified as AFS financial assets and financial assets at FVPL, 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 expenses" 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 statement of comprehensive income.

Offsetting Financial Instruments

Financial assets and financial liabilities are only offset and the net amount reported in the consolidated statement of financial position 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 asset

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 have 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 liability

A financial liability is derecognized when the obligation under the liability is discharged or canceled 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 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 and chromites inventory

The cost of extracted nickel ore and chromites 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 cost of sales, all other production related 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).

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

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



Real estate held for sale and development

Property acquired or being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, is held as Real estate held for sale and development. Real estate held for sale and development consists of residential units and subdivision land for sale and development. 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.

Investments in Associates, Jointly Controlled Entity and Others

Investments in associates and jointly controlled entity (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 statement of financial position 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 Group's share in the investee's post acquisition profit or loss is recognized in the consolidated statement of income. 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. Dividends received are treated as a reduction of the carrying value of the investment.

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.

After application of the equity method, the Group determines whether it is necessary to recognize an additional impairment loss on the Group's investment in its associate. The Group determines at each reporting period whether there is any objective evidence that the investment in the associate is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount under "Other expenses" in the consolidated statement of income.

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



Interest in a Joint Venture

The Group has an interest in a joint venture, whereby the venturers have a contractual arrangement that establishes joint control over the economic activities of the entity. The agreement requires unanimous agreement for financial and operating decisions among the venturers. The Group recognizes its interest in the joint venture using the proportionate consolidation method. The Group combines its proportionate share of each of the assets, liabilities, income and expenses of the joint venture with similar items, line by line, in its consolidated financial statements. The financial statements of the joint venture are prepared for the same reporting period as the Group. Adjustments are made where necessary to bring the accounting policies in line with those of the Group.

Adjustments are made in the Group's consolidated financial statements to eliminate the Group's share of intragroup balances, transactions and unrealised gains and losses on such transactions between the Group and the joint venture. Losses on transactions are recognized immediately if the loss provides evidence of a reduction in the net realisable value of current assets or an impairment loss. The joint venture is proportionately consolidated until the date on which the Group ceases to have joint control over the joint venture.

Investment Properties

Investment properties comprise completed property and property under construction or redevelopment that are held to earn rentals or capital appreciation or both and that are not occupied by the companies in the Group. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties, except land, are stated at cost less accumulated depreciation and amortization and any impairment in value. Land is stated at cost less any impairment in value. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property.

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

Depreciation and amortization is calculated on a straight-line basis using the following estimated useful lives (EUL) from the time of acquisition of the investment properties:

	Years
Buildings and building improvements	5-25
Condominium units	25

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



Mining Reserves

Mining reserves are estimates of the amount of coal that can be economically and legally extracted from Semirara’s mining properties. Semirara estimates its mining reserves based on information compiled by appropriately qualified persons relating to the geological data on the size, depth and shape of the coal body, and requires complex geological judgments to interpret the data. The estimation of recoverable reserves is based upon factors such as estimates of foreign exchange rates, commodity prices, future capital requirements, and production costs along with geological assumptions and judgments made in estimating the size and grade of the coal body. Changes in the reserve estimates may impact upon the carrying value of property, plant and equipment, provision for decommissioning and site rehabilitation, recognition of deferred tax assets, and depreciation charges.

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

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

	<u>Years</u>
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.

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 statement of financial position. Following initial recognition, intangible assets are measured at cost less accumulated amortization and provisions for impairment losses, if any. The useful lives of intangible assets with finite life are assessed at the individual asset level. Intangible assets with finite life are amortized over their EUL. The periods and method of amortization for intangible assets with finite useful lives are reviewed annually or earlier where an indicator of impairment exists.

Costs incurred to acquire and bring the computer software (not an integral part of its related hardware) to its intended use are capitalized as part of intangible assets. These costs are amortized over their EUL ranging from 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.

Input Value Added Tax (VAT)

Input VAT represents VAT imposed on the Group by its suppliers and contractors for the acquisition of goods and services required under Philippine taxation laws and regulations.

The input VAT that will be used to offset the Group's current VAT liabilities is recognized as a current asset. Input VAT representing claims for refund from the taxation authorities is recognized as a noncurrent asset. Input taxes are stated at their recoverable amount.

Impairment of Nonfinancial Assets

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

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, depletion and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

Investments in associates and jointly controlled entities

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

Equity

The Group records common stocks at par value and additional paid-in capital in excess of the total contributions received over the aggregate par values of the equity share. Incremental costs incurred directly attributable to the issuance of new shares are deducted from the proceeds.

Retained earnings represent accumulated earnings of the Group less dividends declared.

Redeemed shares represent own equity instruments which are reacquired and are subsequently retired by the Group. No gain or loss is recognized in the profit or loss upon retirement of the own equity instruments. When the assets are retired, the capital stock account is reduced by its par value and the excess of cost over par value is debited to additional paid-in capital recognized when the shares were issued and to retained earnings for the remaining balance.

Business Combinations and Goodwill

Business combinations from 1 January 2010

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses. When the Company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss. Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognized in accordance with PAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.



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

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

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

Business combinations prior to January 1, 2010

In comparison to the abovementioned requirements, the following differences applied:

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Any additional acquired share of interest did not affect previously recognized goodwill.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

Contingent consideration was recognized if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognized as part of goodwill.

Discontinued Operation

A discontinued operation is a component of an entity that has been disposed of and represents a separate major line of business. In the consolidated statement of income of the reporting period, and of the comparable period of the previous years, income and expenses from discontinued operations are reported separately from income and expenses from continuing operations, down to the level of profit after taxes. The resulting income or loss (after taxes) is presented separately in the consolidated statements of income.

Related Party Relationships and Transactions

Related party relationships exist when one party has the ability to control, directly, or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities, which are under common control with the reporting enterprises and its key management personnel, directors, or its shareholders. In considering each related party



relationship, attention is directed to the substance of the relationship, and not merely the legal form.

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:

Mining

Revenue from mining is recognized upon acceptance of the goods delivered upon which 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 Peso and US Dollar, respectively.

Cost of coal includes expenses, which include directly related to the production and sale of coal such as cost of fuel and lubricants, materials and supplies, depreciation and depletion and other related costs, are recognized when incurred.

Electricity sales

Revenue from sale of electricity is derived from its primary function of providing and selling electricity to customers of its generated and purchased electricity. Revenue derived from the generation and/or supply of electricity is recognized based on the actual delivery of electricity as agreed upon between parties.

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

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' advances and deposits" account in the liabilities section of the consolidated statement of financial position.



Cost of real estate sales is recognized consistent with the revenue recognition method applied. Cost of subdivision land and condominium units sold before the completion of the development is determined on the basis of the acquisition cost of the land plus its full development costs, which include estimated costs for future development works, as determined by the Company's in-house technical staff.

Construction contracts

Revenue from construction contracts is recognized using the percentage-of-completion method of accounting and is measured principally on the basis of the estimated completion of a physical proportion of the contract work. 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 statement of financial position.

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.

Operating Expenses

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



Borrowing Costs

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

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

Foreign Currency Translations and Transactions

The functional and presentation currency of the Parent and its Philippine subsidiaries (except for AG&P Nouvelle Calédonie), is the Philippine Peso. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. All differences are taken to the consolidated statement of income.

The functional currency of the foreign operations, AG&P-Nouvelle Calédonie, is the Pacific Franc (XPF). As at the reporting date, the assets and liabilities of this subsidiary are translated into the presentation currency of the Group at the rate of exchange ruling at the reporting date and its statement of income accounts are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are recognized in the consolidated statement of comprehensive income and reported as a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognized in the consolidated statement of comprehensive income relating to that particular foreign operation shall be recognized in the consolidated statement of income.

The Group's share in the associate's translation adjustments, if there are any, are likewise included under the cumulative translation adjustments account in the consolidated statement of financial position.

Commission Expense

The Group recognizes commission expense when services are rendered by the broker. The commission expense is recognized upon receipt of down payment from the buyer comprising a substantial portion of the contract price and the capacity to pay and credit worthiness of buyers have been reasonably established for sales under the deferred cash payment arrangement.

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 defined benefit asset or liability comprises the present value of the defined benefit obligation less past service costs not yet recognized, if any, less the fair value of the plan assets out of which the obligations are to be settled directly and less any actuarial gains or losses not recognized. 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.

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.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value is based on market price information and in the case of quoted securities it is the published bid price. The value of any defined benefit asset recognized is restricted to the sum of any past service costs and actuarial gains and losses not yet recognized 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.

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

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

Deferred tax

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

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

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

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

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

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

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.



Operating Segment

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The Group generally accounts for intersegment revenues and expenses at agreed transfer prices. Income and expenses from discontinued operations are reported separate from normal income and expenses down to the level of income after taxes. Financial information on operating segments is presented in Note 34 to the consolidated financial statements.

Provisions

General

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 reporting date and adjusted to reflect the current best estimate.

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, depleted and amortized 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 are determined based on the provisions of 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 statement of financial position (see Note 20).

Contingencies

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

Events After the Reporting Period

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



3. Significant Accounting Judgments and Estimates

The preparation of the consolidated financial statements in conformity with PFRS requires the Group to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the consolidated financial statements, as they become reasonably determinable.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ for such estimates.

Judgments

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

Real estate revenue recognition

Selecting an appropriate revenue recognition method for a real estate sale transaction requires certain judgments based on buyer's commitment on sale which may be ascertained through the significance of the buyer's initial payments and completion of development. The buyers' commitment is evaluated based on collections, credit standing on buyers and location of property. Completion of project development is determined on engineer's judgment and estimates on the physical portion of contract work done and that development is beyond the preliminary stage.

Collectibility of the sales price

In determining whether the sales prices are collectible, the Group considers that initial and continuing investments by the buyer of about 20% would demonstrate the buyer's commitment to pay.

Impairment of AFS financial assets

The Group follows the guidance of PAS 39 in determining when an asset is impaired. This determination requires significant judgment. In making this judgment, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; the financial health of and near-term business outlook of the investee, including factors such as normal volatility in share price for quoted equity securities and industry and sector performance, changes in technology and operational and financing cash flow for unquoted equity securities.

Financial assets not quoted in an active market

The Group classifies financial assets by evaluating, among others, whether the asset is quoted or not in an active market. Included in the evaluation on whether a financial asset is quoted in an active market is the determination on whether quoted prices are readily and regularly available, and whether those prices represent actual and regularly occurring market transactions on an arm's length basis.



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 - Group as Lessee

The Group has entered into various leases for its occupied offices and mining and transportation equipment. The Group has determined that all significant risks and rewards of ownership are retained by the respective lessors on the offices and equipment it leases under operating leases.

Operating lease commitments - Group as Lessor

The Group has entered into property lease agreements on its investment property portfolio. The Group has determined that it retains all the significant risks and rewards of ownership of these properties as the Group considered, among others, the length of the lease term compared with the estimated life of the assets.

In determining whether a lease contract is cancellable or not, the Group considered, among others, the significance of the penalty including the economic consequence to the lessee.

Finance lease commitments - Group as Lessee

The Group has entered into finance leases on some of its construction equipment and service vehicle. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that the lessor transfers substantially all the risks and benefits incidental to ownership of the leased equipment to the Group thus, it recognized these leases as finance leases.

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 that 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.

Management's Use of Estimates

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

Revenue recognition

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



a.) Mining

The Group's sales arrangement with its customers includes reductions of invoice price to take into consideration charges for penalties and bonuses. These price adjustments depend on the estimated quality of the delivered coal. These estimates are based on final coal quality analysis on delivered coal using American Standards for Testing Materials (ASTM).

There is no assurance that the use of estimates may not result in material adjustments in future periods. Revenue from mining amounted to ₱18.68 billion, ₱16.03 billion and ₱11.60 billion in 2011, 2010 and 2009, respectively.

b.) 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 and by reference to the actual cost incurred to date over the estimated total cost of the project.

There is no assurance that the use of estimates may not result in material adjustments in future periods. Revenue from construction contracts amounted to ₱10.28 billion, ₱10.73 billion, ₱8.00 billion in 2011, 2010 and 2009, respectively.

Allowance for doubtful accounts

The Group maintains an allowance for doubtful accounts at a level considered adequate to provide for potential uncollectible receivables. The level of this allowance is evaluated by the management on the basis of factors that affect the collectibility of the accounts. These factors include, but are not limited to, the 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 doubtful accounts on receivables would increase recorded operating expenses and decrease total assets.

Provision for doubtful accounts of the Group amounted to ₱15.18 million, ₱58.91 million and ₱76.95 million in 2011, 2010 and 2009, respectively (see Notes 7 and 25). Receivables of the Group are net of allowance for doubtful accounts of ₱171.73 million and ₱164.45 million as of December 31, 2011 and 2010, respectively (see Note 7).

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, 2011 and 2010 amounted to ₱2.51 billion and ₱0.93 billion, respectively (see Note 9).



NRV of inventories

The Group reviews its inventory to assess NRV at least on a semi-annual basis. This requires the Group to make an estimate of the inventories' estimated selling price in the ordinary course of business and costs necessary to make a sale to determine the NRV. 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.

Inventories of the Group at NRV, net of allowance for inventory obsolescence amounting to ₱63.09 million and ₱62.89 million as of December 31, 2011 and 2010, respectively, amounted to ₱967.30 million and ₱944.89 million as of December 31, 2011 and 2010, respectively (see Note 9).

Estimating decommissioning and site rehabilitation costs

The Group is legally required to fulfill certain obligations under its ECC issued by DENR 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, plant and equipment accounts, which are being depreciated, depleted and amortized on a straight line basis over the EUL 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, 2011 and 2010, the provision for decommissioning and site rehabilitation amounted to ₱47.58 million and ₱14.73 million, respectively (see Note 20).

Estimating useful lives of investment properties, property, plant and equipment and intangible asset

The Group estimated the useful lives of its property, plant and equipment, investment properties and intangible asset 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 intangible assets are reviewed at least annually and are updated if expectations differ from previous estimates due to physical wear and tear and technical or commercial obsolescence on the use of these assets.

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

The carrying value of property, plant and equipment of the Group amounted to ₱23.42 billion and ₱21.78 billion as of December 31, 2011 and 2010, respectively (see Note 13). The carrying value of investment properties of the Group amounted to ₱0.14 billion and ₱0.12 billion as of December 31, 2011 and 2010, respectively (see Note 12). The carrying value of software cost of the Group amounted to ₱59.31 million and ₱6.35 million, respectively (see Note 14).



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, 2011 and 2010, the balances of the Group's nonfinancial assets, net of accumulated depreciation, depletion and amortization and accumulated provisions for impairment losses follow:

	2011	2010
	(Amounts in Thousands)	
Property, plant and equipment (Note 13)	₱23,419,344	₱21,781,135
Investments in associates, jointly controlled entities and others (Note 11)	10,849,383	9,387,673
Investment properties (Note 12)	142,159	116,334
Software cost - net (Note 14)	59,312	6,345

Deferred tax assets

The Group reviews the carrying amounts of deferred taxes at each reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the 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 net deferred tax assets amounted to ₱16.14 million and ₱10.19 million as of December 31, 2011 and 2010, respectively. The unrecognized deferred tax assets of the Group amounted to ₱541.18 million and ₱503.06 million as of December 31, 2011 and 2010, 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. 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, 2011 and 2010, the balances of the Group's net pension assets and liabilities and unrecognized actuarial gains follow (see Note 23):

	2011	2010
	(Amounts in Thousands)	
Net pension assets	₱4,335	₱-
Net pension liabilities	180,305	216,784
Unrecognized actuarial gains	942,553	871,361

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 37).

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.

Financial assets carried at fair value as of December 31, 2011 and 2010 amounted to ₱129.58 million and ₱49.54 million, respectively (see Note 35).

4. Cash and Cash Equivalents

This account consists of:

	2011	2010
	(Amounts in Thousands)	
Cash on hand and in banks	₱6,095,360	₱4,796,531
Cash equivalents	8,970,388	5,150,135
	₱15,065,748	₱9,946,666



Cash in banks earns interest at the respective bank deposit rates. Cash equivalents are short-term placements made for varying periods of up to three (3) months depending on the immediate cash requirements of the Group, and earn interest ranging from 1.00% to 4.69% and 1.00% to 4.63% in 2011 and 2010, respectively.

Total finance income earned on cash in banks and cash equivalents amounted to ₱417.38 million and ₱193.15 million and ₱91.86 million in 2011, 2010 and 2009, respectively (see Note 26).

The amount of cash in bank collateralized for the mortgage payable of SCPC amounted to ₱112.27 million and ₱168.81 million as of December 31, 2011 and 2010, respectively (see Note 19).

5. Financial Asset at FVPL

This account consist of peso-denominated investments in quoted equity securities acquired during the year amounting to ₱71.40 million as of December 31, 2011 and with yield of 1.93 in 2011.

Financial assets through FVPL include unrealized marked-to-market gain amounting to ₱1.40 million and dividend income amounting to ₱4.20 million, which are included under “Other income- net” account in the consolidated statements of income (see Note 28).

6. Available-for-Sale Financial Assets

This account consists of:

	201	2010
	(Amounts in Thousands)	
Quoted securities		
Acquisition costs	₱59,271	₱52,316
Unrealized loss recognized in equity (Note 36)	(1,090)	(2,781)
	58,181	49,535
Unquoted securities		
Acquisition costs	239,446	248,196
Less allowance for probable loss	73,210	81,960
	166,236	166,236
Less noncurrent AFS - net	164,507	-
	1,729	166,236
	₱59,910	₱215,771

Quoted securities

The quoted equity investments include investments in golf and sports club shares. The Group recognized unrealized gain in other comprehensive income amounting to ₱1.69 million, and ₱3.87 million in 2011 and 2010, respectively, and unrealized loss of ₱6.65 million in 2009, (see Note 36).

Unquoted securities

The unquoted shares include investment in Montecito Properties, Inc. (Montecito) a 30% owned company carried at cost less provision for impairment losses. The Group does not have significant influence nor participate during Board meeting. As of December 31, 2011 and 2010, the carrying



amount of the investment in Montecito amounted to ₱164.51 million out of the total amount of unquoted securities of ₱166.24 million as of December 31, 2011 and 2010.

As of December 31, 2011, the Group has a change of intention and is planning to hold the investment in Montecito for more than a year, thus, reclassified as noncurrent.

Unquoted securities include investment in Project Quest Corporation amounting to ₱12.50 million which was fully provided with allowance. In 2011, ₱8.75 million of the Group's investment was returned. Allowance for probable loss amounting to ₱8.75 million has been reversed resulting to an income of the same amount recognized under "Other income" (see Note 28).

7. Receivables

This account consists of:

	2011	2010
	(Amounts in Thousands)	
Trade:		
Real estate	₱4,822,712	₱5,652,968
General construction (including retention receivables on uncompleted contracts of ₱1,339.54 million in 2011 and ₱1,135.37 million in 2010)	1,979,285	2,310,783
Electricity sales	2,229,572	1,825,826
Mining	1,077,440	1,474,989
Merchandising and others	57,740	51,601
	10,166,749	11,316,167
Receivables from related parties (Note 21)	452,115	491,700
Advances to officers and employees	42,886	49,549
Other receivables	356,560	267,851
	11,018,310	12,125,267
Less allowance for doubtful accounts	171,733	164,447
	10,846,577	11,960,820
Less noncurrent receivables - net	2,438,697	2,782,287
	₱8,407,880	₱9,178,533

Receivables amounting to ₱15.18 million and ₱58.91 million as of December 31, 2011 and 2010, respectively, were impaired and fully provided with allowance (see Note 25). Movements in the allowance for impairment losses are as follows (amounts in thousands):

2011

	Trade Receivables					Total
	Real Estate	General Construction	Mining	Electricity Sales	Others	
At January 1	₱-	₱4,414	₱7,892	₱53,524	₱98,617	₱164,447
Provision during the year	-	2,374	-	-	12,804	15,178
Reversal	-	-	(7,892)	-	-	(7,892)
At December 31	₱-	₱6,788	₱-	₱53,524	₱111,421	₱171,733



2010

	Trade Receivables					Total
	Real Estate	General Construction	Mining	Electricity Sales	Others	
At January 1	₱62,133	₱277,991	₱13,569	₱-	₱84,888	₱438,581
Provision during the year	-	-	-	53,524	5,381	58,905
Reversal	-	-	(5,677)	-	-	(5,677)
Write-off	(2,446)	-	-	-	-	(2,446)
Reclassification	(59,687)	-	-	-	59,687	-
Effect of deconsolidation of a subsidiary	-	(273,577)	-	-	(51,339)	(324,916)
At December 31	₱-	₱4,414	₱7,892	₱53,524	₱98,617	₱164,447

In 2007 and 2006, real estate receivables with a nominal amount of ₱1,016.30 million and ₱603.59 million, respectively, were initially recorded at fair value. The unamortized discount amounted to ₱1.44 million and ₱8.60 million as of December 31, 2011 and 2010, respectively.

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

	2011	2010
	(Amounts in Thousands)	
Balance at beginning of year	₱8,604	₱60,708
Accretion for the year (Note 26)	(7,160)	(52,104)
Balance at end of year	₱1,444	₱8,604

Trade Receivables

Real estate

Real estate receivables principally consist of amounts arising from sale of residential units and subdivision land for sale and development which are collectible within ten (10) years with interest rates ranging from 14.00% to 19.00%. 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 19). 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 ₱1.67 billion and ₱3.15 billion as of December 31, 2011 and 2010, respectively (see Note 19).

In 2011 and 2010, the Group entered into an agreement with Banco de Oro (BDO) to convert the receivables under purchased agreements into a without recourse basis. Total carrying value of trade receivables from real estate sales converted into a without recourse basis amounted to ₱0.94 billion and ₱2.89 billion as of December 31, 2011 and 2010, respectively (see Note 19).

General construction

General construction receivables principally consist of receivables from third-party construction projects. These are normally on a 30 to 60 day term.

Electricity sales

Receivables from electricity sales are claims from power distribution companies for supply and distribution of contracted energy and are generally carried at original invoice amounts less discounts and rebates. These generally have 30-day credit terms.



As of December 31, 2011, electricity sales receivables amounting to ₱1,993.37 million are held as collateral for the mortgage payable of SCPC (see Note 19).

Mining

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

Merchandising and others

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

Advances to Officers and Employees

Receivables from employees pertain to salary and other loans granted to the Group's employees that are collectible through salary deduction. These are non-interest bearing and are due within one year.

Other Receivables

Other receivables include the Group's receivables from JV partners and condominium corporations. These receivables are noninterest-bearing and are generally collectible within one year from the reporting date.

8. **Costs and Estimated Earnings in Excess of Billings on Uncompleted Contracts**

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

	2011	2010
	(Amounts in Thousands)	
Total costs incurred	₱9,525,564	₱20,379,360
Add estimated earnings recognized	2,032,217	5,603,142
	11,557,781	25,982,502
Less total billings (including unliquidated advances from contract owners of ₱1,679.54 million in 2011 and ₱1,617.48 million in 2010)	11,856,441	26,120,186
	(₱298,660)	(₱137,684)

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

	2011	2010
	(Amounts in Thousands)	
Costs and estimated earnings in excess of billings on uncompleted contracts	₱452,084	₱449,196
Billings in excess of costs and estimated earnings on uncompleted contracts	(750,744)	(586,880)
	(₱298,660)	(₱137,684)



9. Inventories

This account consists of:

	2011	2010
	(Amounts in Thousands)	
At Cost:		
Real estate held for sale and development	P12,508,114	P10,051,696
Coal inventory	2,510,754	931,245
Equipment parts, materials in transit and supplies	1,368,068	673,971
Nickel ore	130,435	102,740
	16,517,371	11,759,652
At NRV:		
Equipment parts, materials in transit and supplies	967,304	944,892
	P17,484,675	P12,704,544

Costs of equipment parts, materials and supplies carried at NRV amounted to P1,030.39 million and P1,007.78 million as of December 31, 2011 and 2010, respectively.

In 2011 and 2010, the Group capitalized borrowing costs amounting to P207.98 million and P66.83 million, respectively, on all real estate projects that commenced development starting January 1, 2009. The rate used to determine the amount of borrowing costs eligible for capitalization was 7.49% to 8.17% for specific borrowings in 2011 and 9.99% for Group's general borrowing in 2010.

The cost of inventories recognized as expense in the consolidated statement of income amounted to P22.67 billion, P21.76 billion and P14.05 billion for the years ended December 31, 2011, 2010 and 2009, respectively.

As of December 31, 2011 and 2010, equipment parts, materials and supplies amounting to P1,001.28 million and P549.82 million, respectively, are held as collateral for the mortgage payable of SCPC (see Note 19).

10. Other Current Assets

This account consists of:

	2011	2010
	(Amounts in Thousands)	
Advances to suppliers, broker, contractors and mine rights owners	P2,361,400	P1,654,050
Creditable taxes withheld	1,213,174	818,163
Input VAT	563,014	700,066
Refundable deposits	226,962	244,049
Prepaid expenses	213,300	227,317
Security deposits - current portion (Note 14)	-	304,401
Others	24,413	9,725
	4,602,263	3,957,771
Less allowance for probable losses (Notes 25 and 28)	34,947	88,778
	P4,567,316	P3,868,993



Advances to Suppliers, Brokers, Contractors and Mine Rights Owners

Advances to suppliers, brokers and contractors are recouped upon every progress billing payment depending on the percentage of accomplishment. Advances to mine rights owner are noninterest-bearing and are due and demandable.

Advances to Rusina Mining NL (Rusina) by DMC

As of January 29, 2010, DMC received a total of US\$1.00 million as partial payment for the US\$2.41 million advances to Rusina. Such advances was intended for the acquisition of interest in Zambales Chromite Mining Co., Inc. and Zambales Diversified Metals Corporation, companies related to DMC's operations. In 2009, DMC withdrew its investment and recognized the payment as a receivable from Rusina. Also in 2009, in line with the agreement of DMC and Rusina for the latter to set a recovery mechanism for DMC's investment, Montemina Resources Corporation (MRC) was established to hold the advances of DMC.

On September 9 and 13, 2010, DMC issued two letters to MRC informing the latter of its breach of the above agreement due to its failure to pay the third tranche of US\$1.41 million. Accordingly, DMC recognized a provision for probable losses amounting to ₱61.81 million in 2010. In addition to the aforementioned US\$ advances, DMC also provided full allowance on its Peso advances to Rusina which amounted to ₱26.96 million. Total provision for the probable losses on Rusina amounted to ₱88.77 million (see Note 25).

In 2011, DMC wrote-off the advances to Rusina amounting to ₱26.96 million, which was fully provided in 2010. Also, DMC recognized a recovery of previously impaired receivable amounting to ₱26.87 million, resulting to the reversal of the allowance provided in 2010 of the same amount.

Creditable Taxes Withheld

Creditable taxes withheld are attributable to taxes withheld by third parties arising from sales and services that will be applied to future taxes payable.

Input VAT

Input VAT is fully recoverable and can be applied against output VAT.

Refundable Deposits

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

Prepaid Expenses

Prepaid expenses consist mainly of prepayments for taxes, commissions and insurance. This also includes current portion of prepaid rent.

Security Deposits

Security deposits represent payments to and held by the lessor as security for the faithful and timely performance by the Group of all its obligations and compliance with all provisions of the equipment rental agreement (see Note 37). These deposits shall be returned by the lessor to the Group after deducting any unpaid rental, and/or any other amounts due to the lessor for any damage and expense incurred to put the vehicle in good working condition.

As of December 31, 2011, security deposits amounting to ₱304.40 million was refunded to the Group. There were no additional security deposits made during the year.



As of December 31, 2009, security deposits with a nominal amount of ₱22.20 million were initially recorded at fair value. Movement in the unamortized discount on security deposits follows:

	2011	2010
	(Amounts in Thousands)	
At January 1	₱169	₱12,956
Accretion (Note 26)	(169)	(12,787)
At December 31	₱-	₱169

11. Investments in Associates, Jointly Controlled Entity and Others

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

	2011	2010
	(Amounts in Thousands)	
Investments - At Equity		
Investments in associates		
Acquisition cost	₱4,745,001	₱4,745,001
Accumulated equity in net earnings	6,063,115	4,602,705
	10,808,116	9,347,706
Allowance for probable losses	(6,798)	(6,798)
	10,801,318	9,340,908
Jointly controlled entity:		
Acquisition cost	125	125
Accumulated equity in net earnings	283	283
	408	408
	10,801,726	9,341,316
Investment - At Cost	47,657	46,357
	₱10,849,383	₱9,387,673

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

	Percentages of Ownership		Equity in Net Assets	
	2011	2010	2011	2010
Associates:			(Amounts in Thousands)	
DMCI-MPIC Water Co. Inc. (DMWC)	44.59%	44.59%	₱9,951,297	₱8,457,486
Private Infra Dev Corporation (PIDC)	33.00	33.00	699,611	735,611
Subic Water and Sewerage Company, Inc. (Subic Water)	40.00	40.00	107,349	104,750
Bachy Soletanche Philippines Corporation (Bachy)	49.00	49.00	43,061	43,061
			10,801,318	9,340,908
Jointly Controlled Entity:				
Eco Process & Equipment Philippines, Inc.	50.00	50.00	408	408
			10,801,726	9,341,316
At Cost				
Balance at beginning of year			46,357	56,000
Additions			1,300	-
Disposal			-	(9,643)
			47,657	46,357
Total			₱10,849,383	₱9,387,673



The following table summarizes the significant financial information of the Group's associates and jointly controlled entity:

2011

	Assets	Liabilities	Revenue	Net income (loss)
	(Amounts in Thousands)			
Associates:				
DMCI-MPIC Water Co. Inc.	₱69,020,680	₱46,127,875	₱13,897,035	₱4,765,268
Private Infra Dev Corporation	6,566,969	2,827,758	-	(29,615)
Subic Water and Sewerage Company, Inc	1,022,627	348,608	409,653	192,726
Bachy Soletanche Philippines Corporation	85,455	5,199	-	-
Jointly Controlled Entity:				
Eco Process & Equipment Philippines, Inc.	1,548	236	-	-

2010

	Assets	Liabilities	Revenue	Net income
	(Amounts in Thousands)			
Associates:				
DMCI-MPIC Water Co. Inc.	₱59,067,964	₱39,861,616	₱12,049,524	₱4,400,399
Private Infra Dev Corporation	2,363,254	112,459	-	18,158
Subic Water and Sewerage Company, Inc	970,745	318,796	521,030	196,092
Bachy Soletanche Philippines Corporation	85,455	5,199	-	-
Jointly Controlled Entity:				
Eco Process & Equipment Philippines, Inc.	1,548	236	-	-

DMWC

DMWC is a joint venture owned by the Parent Company and Metro Pacific Investments Corporation (MPIC). The Parent Company and MPIC has an equity interest in the form of shares and share entitlements equal to 44.59% and 55.41% , respectively.

On September 13, 2010, the stockholders and the BOD of DMWC concurred and approved the decrease in authorized capital stock to 5,854,800,000 common shares with par value of ₱1.00 per share resulting to an additional paid-in capital of ₱3,030.0 million. On October 19, 2010, the SEC approved the Amended Articles of Incorporation effecting the reduction in authorized capital stock.

On September 6, 2010, the SEC approved Maynilad's equity restructuring to wipe out the deficit as of December 31, 2009 amounting to ₱674.0 million against the Additional Paid-in Capital amounting to ₱775.8 million.

On August 24, 2011, DMWC's BOD approved the appropriation of its retained earnings amounting to ₱2.00 billion for its capital expenditures.

Equity in net earnings in DMWC amounted to ₱2.14 billion in 2011, ₱1.81 billion in 2010 and ₱1.66 billion in 2009.

Concession Agreement of Maynilad

On February 21, 1997, Maynilad entered into a Concession Agreement with the MWSS, a government-owned and controlled corporation organized and existing pursuant to Republic Act (RA) No. 6234 (the Charter), as clarified and amended, with respect to the MWSS West Service Area. The Concession Agreement sets forth the rights and obligations of Maynilad throughout the concession period. The MWSS Regulatory Office acts as the regulatory body of the Concessionaires [Maynilad and the East Concessionaire - Manila Water Company, Inc. (Manila Water)].



Under the Concession Agreement, MWSS grants Maynilad (as contractor to perform certain functions and as agent for the exercise of certain rights and powers under the Charter), the sole right to manage, operate, repair, decommission and refurbish all fixed and movable assets required (except certain retained assets of MWSS) to provide water and sewerage services in the West Service Area for 25 years commencing on August 1, 1997 (the Commencement Date) to May 6, 2022 (the Expiration Date) or the early termination date as the case may be.

Maynilad is also tasked to manage, operate, repair, decommission and refurbish certain specified MWSS facilities in the West Service Area. Legal title to these assets remains with MWSS. The legal title to all property, plant and equipment contributed to the existing MWSS system by Maynilad during the concession period remains with Maynilad until the Expiration Date (or on early termination date) at which time, all rights, titles and interest in such assets will automatically vest to MWSS.

Under the Concession Agreement, Maynilad is entitled to the following rate adjustments:

- a. annual standard rate adjustment to compensate for increases in the Consumer Price Index (CPI) subject to rate adjustment limit;
- b. Extraordinary Price Adjustment (EPA) to account for the financial consequences of the occurrence of certain unforeseen events subject to grounds stipulated in the Concession Agreement; and
- c. rate rebasing (Rate Rebasing) mechanism to allow rates to be adjusted every five (5) years to enable Maynilad to recover expenditures efficiently and prudently incurred, Philippine business taxes and payments corresponding to debt service on concession fees, and Maynilad loans incurred to finance such expenditures.

Extension of Maynilad's Concession Agreement

On September 10, 2009, the MWSS Board of Trustees (BoT) approved the extension of the expiry of its Concession Agreement with Maynilad by an additional fifteen (15) years or from May 7, 2022 to May 6, 2037. Subsequently, on September 16, 2009, the MWSS Administrator wrote the Department of Finance (DoF) to inform them of the MWSS BoT's decision and seek the DoF's written consent to the extension, as well its extension of the Letter of Undertaking covering the government's obligation under the Concession Agreement. On April 22, 2010, the DoF (by authority from the Office of the President of the Republic of the Philippines) approved the extension of the expiry of its Concession Agreement.

The significant commitments under the extension follow:

- a. to mitigate tariff increases;
- b. to increase the share in the current operating budget support to MWSS by 100% as part of the concession fees starting 2010; and
- c. to increase total investments.

The DoF further clarified that the extension of the government's Undertaking shall be effective only upon an increase in Maynilad's Performance Bond from US\$30 Million to US\$90 Million for the third rate Rebasing Period. Subsequently, Maynilad submitted a Performance Bond in the increased amount of US\$90 Million to MWSS on May 31, 2010.



7.00 Billion Corporate Notes

On March 23, 2011, Maynilad entered into a ₱7.00 billion Omnibus Notes Facility and Security Agreement from various financing institutions for the purpose of capital expenditure financing. The loan was made available in two equal drawdowns, March 30, 2011 and September 30, 2011. The loan shall be payable in semi-annual installments within ten years to commence at the end of the 36th month after the initial issue date and bears an interest rate per annum equal to the higher of (i) the applicable benchmark rate plus 0.75% per annum, or (ii) 6.5% per annum. The benchmark rate shall be determined by reference to the PDST-F rate.

The abovementioned corporate note contains provisions regarding the maintenance of certain financial ratios such as debt-to-equity ratio and debt service coverage ratio, and maintenance of debt service reserve account. As of December 31, 2011 and 2010, Maynilad has complied with these ratios.

PIDC

PIDC is a consortium of different contractors, primarily engaged in the business of construction, development of various infrastructure projects such as roads, highways, toll roads, freeways, skyways, flyovers, viaducts and interchanges. On February 19, 2008, PIDC was awarded the contract for the financing, design, construction, operation and maintenance of the Tarlac-Pangasinan-La Union Expressway (TPLEX).

As at December 31, 2011, PIDC is planning to increase its authorized capital stock from ₱4.5 billion divided into 4,500,000 shares with par value of ₱1,000.00 to ₱6.50 billion divided into 6,500 common shares with par value of ₱1,000.00 per share. As of December 31, 2011, the Group have no plans of subscribing in PIDC's increase in authorized capital stock.

On June 2, 2011, PIDC entered into Omnibus Loan Security Agreement (the "Omnibus Agreement") with Banco de Oro Unibank, Inc., Development Bank of the Philippines and Land Bank of the Philippines as Lenders, the Shareholders as the Third Party Mortgagors and Sponsors, BDO Capital and Investment Corporation and Development Bank of the Philippines as Lead Arrangers, BDO Unibank, Inc., Trust and Investments Group as Facility Agent, DSRA & Paying Agent and Collateral Agent.

Breakdown of the syndicated loan is as follows:

	Amount
Banco de Oro Unibank, Inc.	₱7,125,000,000
Development Bank of the Philippines	2,375,000,000
Land Bank of the Philippines	2,000,000,000
	<u>₱11,500,000,000</u>

The Omnibus Agreement was entered into to finance the Project which is to design, construct, operate, and maintain Phase 1 of the Tarlac-Pangasinan-La Union Toll Expressway under the Toll Concession Agreement dated August 28, 2008, between PIDC as Grantee and, the Republic of the Philippines, acting and by through the Department of Public Works and Highways and the Toll Regulatory Board, as Grantor.



Details of the loan follow:

- a. Interest: At a floating rate per annum equivalent to the five (5) - year Philippine Dealing System Treasury-Fixing (PDST-F) benchmark yield for treasury securities as published on the PDEX page of Bloomberg (or such successor electronic service provider) at approximately 11:30a.m. (Manila Time) on the banking day prior to each day of Borrowing and with respect to the fifth (5th) year from the date of initial Borrowing and each succeeding interest period thereafter, plus 3% per annum.
- b. Repayment: The principal amount shall be payable in twenty-eight (28) quarterly installments commencing on the thirty ninth (39th) month from the initial borrowing date, inclusive of a not more than a three (3) years grace period. Final repayment date is ten (10) years after initial borrowing. The loan may be prepaid voluntarily provided the conditions in the Omnibus Agreement are satisfied.

On September 3, 2009, the BOD approved the Parent Company's additional subscription of 1,449,684 common shares out of PIDC's increase in authorized capital stock of ₱3.50 billion. The Parent Company paid nil in 2011 and ₱244.67 million in 2010 for the said subscription.

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 venture company with Subic Bay Metropolitan Authority (SBMA), a government-owned corporation, Olongapo City Water District, and Cascal Services Limited (a company organized under the laws of England). 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 ₱38.18 million (net of additional subscriptions payment of ₱4.00 million in 1998) is expected to be paid on or before the second anniversary of the effectivity date. As of December 31, 2011 and 2010, such committed subscription has not yet been paid.

The investment in Subic Water is accounted for as an investment in an associate since there's no joint control among the investors.

Dividends received from the Group's investments in DMWC and Subic Water amounted to ₱624.26 million and ₱74.39 million, respectively, in 2011 and ₱244.59 million and ₱44.73 million, respectively, in 2010. In 2009, dividends received from Subic Water amounted to ₱1.40 million (see Note 21).



12. Investment Properties

The movements in this account follow (amounts in thousands):

2011

	Land	Buildings and Building Improvements	Condominium Units	Total
Cost				
At January 1	₱38,857	₱96,500	₱12,210	₱147,567
Additions	–	–	32,138	32,138
At December 31	38,857	96,500	44,348	179,705
Accumulated Depreciation and Amortization				
At January 1	–	30,748	485	31,233
Depreciation and amortization (Note 24)	–	5,777	536	6,313
At December 31	–	36,525	1,021	37,546
Net Book Value	₱38,857	₱59,975	₱43,327	₱142,159

2010

	Land	Buildings and Building Improvements	Condominium Units	Total
Cost				
At January 1	₱2,390,046	₱96,500	₱12,210	₱2,498,756
Additions	1,350,730	–	–	1,350,730
Transfers to real estate held for sale and development	(3,515,176)	–	–	(3,515,176)
Effect of deconsolidation of a subsidiary	(186,743)	–	–	(186,743)
At December 31	38,857	96,500	12,210	147,567
Accumulated Depreciation and Amortization				
At January 1	–	24,971	–	24,971
Depreciation and amortization (Note 24)	–	5,777	485	6,262
At December 31	–	30,748	485	31,233
Net Book Value	₱38,857	₱65,752	₱11,725	₱116,334

The fair value of investment properties, which has been determined based on valuations performed by independent professional qualified appraisers in 2011 and 2010, exceeds its carrying cost. The fair value represents the amount at which the assets could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction at the date of valuation. The aggregate fair value as of the date of appraisal amounted to ₱135.64 million and ₱129.56 million as of December 31, 2011 and 2010, respectively.

The value of the investment properties was arrived at using the Market Data Approach. In this approach, the value of the investment properties is based on sales and listings of comparable property registered in the vicinity. The technique of this approach requires the establishment of comparable property by reducing reasonable comparative sales and listings to a common denominator. This is done by adjusting the differences between the subject property and those actual sales and listings regarded as comparable. The properties used as basis of comparison are situated within the immediate vicinity of the subject property.



Rental income from investment properties (included under 'Other income') amounted to ₱53.81 million, ₱66.96 million and ₱23.77 million in 2011, 2010 and 2009, respectively (see Note 28). Direct operating expenses (included under 'Operating expenses' in the consolidated statements of income) arising from investment properties amounted to ₱4.01 million, ₱3.90 million and ₱5.75 million in 2011, 2010 and 2009, respectively (see Note 25).



13. Property, Plant and Equipment

The movements in this account follow (amounts in thousands):

2011

	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	₱998,968	₱18,294,236	₱4,103,495	₱260,940	₱266,057	₱13,387,180	₱98,811	₱1,268,997	₱38,678,684
Additions	422,771	129,001	622,595	73,572	52,493	1,431,444	38,907	768,559	3,539,342
Transfers from inventory (Note 9)	–	–	–	–	–	–	–	1,607,456	1,607,456
Transfers and retirements/disposals	85,984	660,340	(75,184)	633	(10,764)	113,484	–	(1,563,554)	(789,061)
At December 31	1,507,723	19,083,577	4,650,906	335,145	307,786	14,932,108	137,718	2,081,458	43,036,421
Accumulated Depreciation, Depletion and Amortization									
At January 1	437,763	2,173,659	3,182,528	248,814	185,992	10,608,295	60,498	–	16,897,549
Depreciation, depletion and amortization (Notes 24 and 25)	21,500	941,989	474,702	25,035	31,222	2,001,653	646	–	3,496,747
Transfers and retirements/disposals	(8)	(982)	(59,061)	(1,257)	(9,106)	(700,135)	–	–	(770,549)
Reversal of allowance for impairment (Note 28)	–	(6,670)	–	–	–	–	–	–	(6,670)
At December 31	459,255	3,107,996	3,598,169	272,592	208,108	11,909,813	61,144	–	19,617,077
Net Book Value	₱1,048,468	₱15,975,581	₱1,052,737	₱62,553	₱99,678	₱3,022,295	₱76,574	₱2,081,458	₱23,419,344



2010

	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	₱2,433,360	₱18,387,511	₱4,349,791	₱389,046	₱229,923	₱10,275,461	₱98,479	₱1,085,138	₱37,248,709
Additions	286,529	66,151	911,025	55,292	80,047	2,648,097	332	663,736	4,711,209
Transfers from inventory (Note 9)	–	–	–	20,859	–	–	–	525,355	546,214
Transfers and retirements/disposals	(96,217)	519,981	(22,151)	–	(10,266)	463,622	–	(983,603)	(128,634)
Deconsolidation of a subsidiary (Note 40)	(1,624,704)	(679,407)	(1,135,170)	(204,257)	(33,647)	–	–	(21,629)	(3,698,814)
At December 31	998,968	18,294,236	4,103,495	260,940	266,057	13,387,180	98,811	1,268,997	38,678,684
Accumulated Depreciation, Depletion and Amortization									
At January 1	570,346	1,653,355	2,880,391	319,245	159,035	8,988,247	59,900	–	14,630,519
Depreciation, depletion and amortization (Notes 24 and 25)	15,999	874,431	1,012,152	71,491	63,339	1,629,171	598	–	3,667,181
Transfers and retirements/disposals	(31,883)	(1)	(16,425)	–	(9,369)	(9,123)	–	–	(66,801)
Allowance for impairment	–	6,670	–	–	–	–	–	–	6,670
Deconsolidation of a subsidiary (Note 40)	(116,699)	(360,796)	(693,590)	(141,922)	(27,013)	–	–	–	(1,340,020)
At December 31	437,763	2,173,659	3,182,528	248,814	185,992	10,608,295	60,498	–	16,897,549
Net Book Value	₱561,205	₱16,120,577	₱920,967	₱12,126	₱80,065	₱2,778,885	₱38,313	₱1,268,997	₱21,781,135



Depreciation, depletion and amortization expense on property, plant and equipment amounted to ₱3.50 billion, ₱3.67 billion and ₱1.66 billion in 2011, 2010 and 2009, respectively (see Notes 24 and 25).

The construction in progress accounts mostly contains purchased mining equipments that are in transit and various buildings and structures that are under construction as of December 31, 2011 and 2010. Construction in progress also includes capitalized rehabilitation costs for the Unit I of Calaca power plant incurred in 2011, the rehabilitation of which is expected to be completed by early 2012. These are not qualifying assets, as such, no borrowing cost was capitalized in 2011 and 2010.

In January 2011, rehabilitation of Unit II of the Calaca power plant was completed. Related rehabilitation costs that are capitalized as part of the “Power plant and building” amounted to ₱620.29 million.

On July 12, 2010, PSALM issued an Option Existence Notice and granted SCPC the “Option” to purchase parcels of land (Optioned Assets) that form part of the leased premises. SCPC availed the “Option” and paid the Option Price amounting to US\$0.32 million or a peso equivalent of ₱14.72 million exercisable within one year from the issuance of the Option Existence Notice.

On May 5, 2011, PSALM granted SCPC’s request to assign portion of its Option to Semirara, for the latter to purchase the 82,740 square meter lot covered by TCT No. 115804.

On June 1, 2011, Semirara and SCPC exercised their option to purchase the Option Asset and subsequently entered into Deed of Absolute Sales with PSALM for the total consideration of ₱376.61 million. Consequently, the option price amounting to ₱14.72 million was expensed out under “Operating expenses”.

In 2011, 2010 and 2009, the Group sold various equipments at a gain amounting to ₱57.57 million, ₱28.96 million and ₱12.85 million, respectively (see Note 28).

As of December 31, 2011 and 2010, the carrying amount of transportation and construction equipment under finance lease amounted to ₱12.35 million and ₱124.77 million, respectively (see Note 37). Power plant, buildings and building improvements amounting to ₱16.77 billion and ₱15.28 billion are held as collateral to secure the mortgage payable of SCPC as of December 31, 2011 and 2010, respectively (see Note 19).



14. Other Noncurrent Assets

The details of other noncurrent assets follow:

	2011	2010
	(Amounts in Thousands)	
Investment in sinking fund (Note 19)	₱490,789	₱310,230
5% input VAT withheld - net	150,127	150,127
Security deposits (Note 35)	132,681	339,022
Prepaid rent (Note 37)	105,354	144,204
Deferred input VAT	92,391	175,263
Software cost - net	59,312	6,345
Others	15,859	10,213
	1,046,513	1,135,404
Less current portion of		
Prepaid rent (Note 10)	6,422	6,183
Security deposits (Note 10)	-	304,401
	6,422	310,584
	₱1,040,091	₱824,820

Investment in sinking fund

In a special meeting of the BOD of SCPC held on March 9, 2010, the BOD of SCPC authorized SCPC to establish, maintain, and operate trust and investment management accounts with Banco de Oro Unibank, Inc., - Trust and Investment Group (BDO). The Omnibus Agreement provided that the Security Trustee shall invest and reinvest the monies on deposit in Collateral Accounts (see Note 19). All investments made shall be in the name of the Security Trustee and for the benefit of the Collateral Accounts. In May 2010, BDO made an initial investment in the Sinking Fund amounting ₱304.81 million. As of December 31, 2011 and 2010, the investment in sinking fund amounted to ₱490.79 million and ₱310.23 million, respectively.

Interest earned from the sinking fund amounted to ₱7.21 million and ₱5.42 million in 2011 and 2010, respectively (see Note 26).

5% input VAT withheld

As a result of the enactment of Republic Act (RA) No. 9337 effective November 1, 2005, National Power Corporation (NPC) started withholding the required 5% input VAT on the VAT exempt coal sales of the Group. On March 7, 2007, the Group obtained a ruling from the Bureau of Internal Revenue (BIR) which stated that the sale of coal remains exempt from VAT. In 2007, the Group filed a total claim for refund of ₱190.50 million from the BIR representing VAT erroneously withheld by NPC from December 2005 to March 2007, which eventually was elevated to the Court of Tax Appeals (CTA). On October 13, 2009, the CTA granted the Group's petition for refund on erroneously withheld VAT initially on December 2005 sales amounting to ₱11.85 million. The Commissioner of BIR moved for reconsideration of the CTA's Decision. On November 21, 2009, the Group filed its comment thereon. Consequently, in 2009, the claim for tax refund was provided with provision for probable loss amounting to ₱40.37 million (see Note 25).



In 2011, the CTA rendered a Decision granting the Group's petition for refund or issuance of tax credit certificate (TCC) in the total amount of ₱178.65 million. The BIR filed a motion for reconsideration which was denied in a Resolution executed by the CTA. Its motion for reconsideration having been denied, the BIR filed for a Petition for Review with the CTA En Banc on the following grounds:

- that the Group failed to substantiate its claim for refund;
- that the sale or importation of coal is no longer exempted from VAT under the Tax Code, as amended by R.A. No. 9337; and
- that the BIR Ruling No. 006-2007 dated March 7, 2007 does not prevent the Government from collecting VAT on the sale of coal by the Group.

The Petition for review remains pending to date. Management has estimated that the refund will be recovered after three (3) to five (5) years.

Prepaid rent

The Group entered into a Land Lease Agreement (LLA) with PSALM for the lease of land in which the plant is situated for a period of twenty-five (25) years. The Group paid US\$3.19 million or its peso equivalent of ₱150.57 million as payment for the 25 years of rental (see Notes 33 and 37).

Upon exercise of Semirara's and SCPC's option to purchase the option assets, prepaid rent for the portion of the purchased land amounting to ₱35.49 million was offset against the total purchase price.

Deferred input VAT

This pertains to VAT incurred from acquisition of capital assets.

Software Cost

Movements in software cost account follow:

	2011	2010
	(Amounts in Thousands)	
At Cost		
At January 1	₱41,457	₱37,315
Additions	70,976	4,142
At December 31	112,433	41,457
Accumulated Amortization		
At January 1	35,112	16,873
Amortization (Notes 24 and 25)	18,009	18,239
At December 31	53,121	35,112
Net Book Value	₱59,312	₱6,345

15. Short-term Debt

This account consists of the following:

	2011	2010
	(Amounts in Thousands)	
Acceptances and trust receipts payable	₱1,037,365	₱6,740
Bank loans	453,283	753,534
	₱1,490,648	₱760,274



Acceptances and trust receipts payable

Acceptances and trust receipts are used by the Group to facilitate payment for importations of materials, fixed assets and other assets. These are noninterest-bearing and with maturity of less than one (1) year.

Bank loans

The Group's bank loans consist of peso-denominated short-term borrowings from local banks which bear interest ranging from 4.00% to 8.00% and 2.00% to 5.25% in 2011 and 2010, respectively, and are payable on monthly, quarterly and lump sum bases on various maturity dates within the next twelve (12) months after the reporting date.

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, 2011 and 2010, the Group was in compliance with the loan covenants required by the banks.

16. Liabilities for Purchased Land

Liabilities for purchased land 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 2010, the Group acquired certain land properties which are payable over a period of three (3) to four (4) years. Such liabilities for purchased land with a nominal amount of ₱530.71 million were recorded at fair value amounting to ₱492.40 million. The fair value is derived using discounted cash flow model using the discount rate ranging from 6.94% to 9.62%, which already includes the 2.00% spread provided by the bank. The unamortized discount amounted to ₱23.40 million and ₱62.02 million as of December 31, 2011 and 2010, respectively. Movements in the unamortized discount follow:

	2011	2010
	(Amounts in Thousands)	
Balance at beginning of year	₱62,020	₱89,806
Addition	-	38,307
Accretion for the year (see Note 27)	(38,623)	(66,093)
	₱23,397	₱62,020

Accretion of ₱38.62 million and ₱66.09 million is recorded as finance cost in 2011 and 2010, respectively (see Note 27).



17. Accounts and Other Payables

This account consists of the following:

	2011	2010
	(Amounts in Thousands)	
Trade and other payables		
Suppliers	₱9,368,741	₱6,245,915
Subcontractors	320,399	679,080
Others	535,476	396,538
Output VAT payable	1,475,956	1,795,072
Accrued costs and expenses	1,512,375	1,742,863
	13,212,947	10,859,468
Less noncurrent portion of trade and other payables (Note 20)	1,286,998	757,688
	₱11,925,949	₱10,101,780

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.

Subcontractors

Subcontractors payable arise 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. These are non-interest bearing and are normally settled on 15-to-60 day terms.

Other Payables

Other payables include payable to nickel mine rights owner and marketing agents. These are noninterest-bearing and are normally settled within one (1) year.

Accrued Costs and Expenses

Accrued costs and expenses consist mainly of accrual of expenses, costs of construction contracts and Semirara's liability to the Department of Energy (DOE). Further analysis is provided below:

	2011	2010
	(Amounts in Thousands)	
Payable to DOE (Note 31)	₱905,009	₱1,013,040
Accrued salaries	171,513	120,796
Accrued interest	120,687	77,663
Withholding and others taxes	124,187	172,242
Retention fee	54,525	21,445
Accrued rental	25,790	239,116
Dividends	19,422	2,995
Accrued professional fees	8,962	6,635
Others	82,280	88,931
	₱1,512,375	₱1,742,863

Others include accruals for contracted services, utilities, supplies advertising, commission and other administrative expenses.



Semirara's liability to the 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, DOE and the local government units dated July 11, 1977 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 ₱905.01 million and ₱1,031.04 million as of December 31, 2011 and 2010, respectively (see Note 31).

18. Customers' Advances and Deposits

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

	2011	2010
	(Amounts in Thousands)	
Real estate customers	₱1,921,812	₱2,812,545
Contract owners	1,604,383	1,391,098
Coal supply contracts	112,314	234,356
	₱3,638,509	₱4,437,999

Contract Owners

Advances from contract-owners pertain to unliquidated down payments which are being recouped upon every progress billing depending on the percentage of accomplishment.

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, sale 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. These deposits are applied against future coal deliveries which occur within one year from the dates the deposits were made.

19. Long-term Debt

Long-term debt pertains to the following obligations:

	2011	2010
	(Amounts in Thousands)	
Bank loans	₱21,577,213	₱18,117,573
Finance lease	12,352	124,767
Deferred purchase payment	-	774,744
	21,589,565	19,017,084
Less current portion of:		
Bank loans	3,806,197	3,102,606
Finance lease	7,751	55,756
	3,813,948	3,158,362
	₱17,775,617	₱15,858,722



Details of the bank loans follow (amounts in millions):

Loan Type	Date of Availment	Outstanding Balances		Maturity	Interest Rate	Payment Terms	Covenants/Collaterals
		2011	2010				
Local bank loans							
Loan 1	Various availments in 2011 and 2010	₱1,313.18	₱639.06	Various maturities in 2012 and 2013	1.14 - 1.18% p.a. payable semi-annually in arrears, to be repriced every 6 months	Interest payable semi-annually in arrears, with interest rates inclusive of 10% withholding tax. Payment of interest shall commence on the 6th month and every six months thereafter until fully paid at the prevailing rate.	Unsecured loans
Loan 2	Various availments in 2011 and 2010	1,028.25	240.24	Various maturities in 2012 and 2013	0.01%- 1.82% to be repriced over the 90 to 180 days	Interest payable in 90 days; not deducted from proceeds of loans and principal repayable in maturity.	Unsecured loans
Loan 3	August 2011	925.66	–	August 2013	1.03% - 1.10% p.a. for the first 90 days. Thereafter, interest will be re-priced on a monthly/quarterly/ semi-annual or annual basis	Interest payable in 90-180 days and principal repayable in maturity.	Proceeds of the loan were restricted for equipment fund and working capital; Financial Covenants: Current Ratio not less than 1:1, Debt-Equity Ratio not exceeding 2:1, Debt-EBITDA Ratio not exceeding 3:1. The Group is in compliance with the above covenants as of December 31, 2011
Loan 4	Various availments in 2011 and 2010	688.42	442.08	October 2012	0.80-1.09% p.a. for 92 days, to be repriced every 30 to 180 days	Interest shall be payable on the last day of the current interest period or the 90th day of said period whichever occurs earlier and full payment of principal at maturity.	Unsecured loans
Loan 5	October 2010	140.29	701.44	Various maturities in 2012 and 2013	1.16% payable in arrears, to be repriced every 90 days	Interest payable in 90 days; not deducted from proceeds of loans and principal repayable in maturity.	Any monies standing to the credit of the borrower's other account with the bank and any securities, deeds, boxes and parcels and their contents and property of any description held in borrower's name

(Forward)



Loan Type	Date of Availment	Outstanding Balances		Maturity	Interest Rate	Payment Terms	Covenants/Collaterals
		2011	2010				
Local bank loans							
Loan 6	January 2011	₱140.29	₱-	January 2013	Interest rate subject to review and resetting based on the prevailing market rate	Balloon payment of the principal at maturity	Unsecured loans
Mortgage payable	May 20, 2010	8,365.57	9,495.16	May 20 2017	PDST-F benchmark yield for 3-month treasury securities + 1.75%	Payable in twenty-five (25) equal consecutive quarterly installments commencing on May 20, 2011	Monies in the Collateral Accounts, supply receivables, proceeds of asset and business continuity insurance obtained by SCPC, project agreements, first-ranking mortgage on present and future real assets and first-ranking chattel mortgage
Corporate notes	Various dates in 2011	4,951.69	-	Various maturities from 2012 to 2016	7.22%-7.89%	1% of principal payable for the first four (4) years and 96% on the 5th year	Financial Covenants: Debt-Equity Ratio not exceeding 2:1, Current ratio not exceeding 1.75:1. The Group is in compliance with the above covenants as of December 31, 2011.
Agreement to purchase receivables (with recourse)	Various	4,018.71	5,978.33	Various	10%-13% p.a.	Payable in equal monthly installments over a period ranging from 5 to 15 years	Real estate receivables with carrying value of ₱1.67 billion and ₱355.95 million in 2011 and 2010, respectively.
Working capital loan	Various	1.60	617.10	Various	7.5%-10% p.a.	Payable in equal monthly installments over a period more than one year	None
Various car loans	Various	3.55	4.16	Various	15.56%-27.14% p.a.	Payable in equal monthly installments	Various Cars with carrying value of ₱5.39 million and ₱7.29 million in 2011 and 2010, respectively.
		₱21,577.21	₱18,117.57				



Mortgage payable

On May 20, 2010, SCPC entered into a ₱9.60 billion Omnibus Loan Security Agreement (“Agreement”) with Banco de Oro Unibank, Inc. (BDO Unibank), Bank of Philippine Islands (BPI) and Philippine National Bank (PNB) as Lenders, the Parent Company as Guarantor, BDO Capital and Investment Corporation as Lead Arranger and Sole Bookrunner, BPI Capital Corporation and PNB Capital and Investment Corp. as Arrangers, and BDO Unibank, Inc., Trust and Investments Group as Security Trustee, Facility Agent and Paying Agent.

Breakdown is as follows:

BDO Unibank	₱6,000,000,000
BPI	2,000,000,000
PNB	1,600,000,000
	<hr/>
	₱9,600,000,000

The Agreement was entered into to finance the payments made to PSALM pursuant to the APA and LLA, and ongoing plant rehabilitation and capital expenditures.

Details of the loan follow:

- a. Interest: At a floating rate per annum equivalent to the three (3) months Philippine Dealing System Treasury-Fixing (PDST-F) benchmark yield for treasury securities as published on the PDEX page of Bloomberg (or such successor electronic service provider at approximately 11:30 a.m. (Manila Time) on the banking day immediately preceding the date of initial borrowing or start of each interest period, as applicable, plus 175 basis points.
- b. Repayment: The principal amount shall be payable in twenty-five (25) equal consecutive quarterly installments commencing on the twelfth month from the initial borrowing date. Final repayment date is seven (7) years after initial borrowing.

The loan was drawn in full on May 20, 2010. Capitalized debt issuance cost amounted to ₱110.04 million and is amortized using the EIR method over the loan’s term. Amortization of debt issuance cost recognized as part of “Finance cost” account in the consolidated statement of income amounted to ₱22.42 million and ₱5.2 million in 2011 and 2010, respectively (see Note 27).

As security for the prompt and full payment by SCPC, this loan was collateralized by all monies in the Collateral Accounts, supply receivables, proceeds of any asset and business continuity insurance, project agreements and first-ranking mortgage on present and future real assets and first-ranking chattel mortgage on present and future chattels (see Notes 4, 7, 9 and 13).

Corporate notes

In January 2011, PDI signed a fixed corporate notes facility agreement relating to the issuance of 5-year peso denominated notes in the aggregate amount of ₱5.00 billion with local banks. Proceeds of the said notes facility will be used to fund land acquisition, general operations and project development and construction. The notes have been issued in two tranches, redeemable in whole at the end of third year following the issue date of the second tranche note. Payments shall be made in each tranche equal to 1% every year from the issue date and the balance payable at maturity.



Capitalized debt issuance cost amounted to ₱56.08 million and is amortized using the EIR method over the loan's term. Amortization of debt issuance cost recognized as part of "Finance cost" account in the consolidated statement of income amounted to ₱8.19 million (see Note 27).

The ₱5.00 billion corporate notes facility agreement requires PDI to ensure that debt-to-equity ratio will not exceed 2.0 times and current ratio is at least 1.75 times. As of December 31, 2011, PDI is fully compliant with these requirements.

Rollforward of the capitalized debt issuance cost follows:

	2011	2010
	(Amounts in Thousands)	
Beginning at January 1	₱104,842	₱-
Additions	56,079	110,042
Amortizations (Note 27)	(30,603)	(5,200)
Ending at December 31	₱130,318	₱104,842

Agreement to purchase receivables

Certain subsidiaries entered into various purchase agreements with financial institutions whereby the subsidiaries assigned 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 assigned receivables in the receivables account and record the proceeds from these sales as loans payable which amounted to ₱4.02 million and ₱5.98 billion as of December 31, 2011 and 2010, respectively (see Note 7).

In 2010, the subsidiaries under the real estate segment entered into a Memorandum of Agreement (MOA) with BDO Unibank, Inc. (the Bank) to purchase from time to time, on a without recourse basis, certain Contract to Sell accounts up to an aggregate amount of ₱3.00 billion. Total amount of receivables sold on a without recourse arrangement amounted to ₱0.94 billion and ₱2.89 billion in 2011 and 2010, respectively.

Working capital loan

The Group availed of various working capital loans including car financing and leasing.

Unused credit lines

The Group has unused credit lines with local banks amounting to ₱5.53 billion and ₱8.10 billion as of December 31, 2011 and 2010, respectively.

Deferred purchase payment

On November 16, 2009, Semirara entered into a Deferred Payment Sale and Purchase Agreement with Marubeni Corporation (MC) for the purchase of various equipment intended for enhancing its mining activities.

The amounts corresponding to the units or pieces of equipment that are shipped to Semirara shall be paid to MC within seven hundred twenty (720) days after the date of the bill of lading for the relevant shipment of such units or pieces of equipment.

The interest rate applicable to each interest period shall be four percent (4.00%) per annum over the rate 180 days BBA LIBOR on two (2) business days prior to the first day of such interest period.



Notwithstanding the provisions for payment of the contract amount as stipulated, Semirara may, with not less than fourteen (14) business days written notice to MC, prior to the next interest payment date, prepay the whole or any part of the respective contract amount on that interest payment date.

During the first quarter of 2011, the deferred purchase payment with MC was fully settled.

During the year, interest expense incurred and capitalized interest related to long-term debt amounted to ₱366.03 million and ₱218.19 million. The average capitalization rates are 7.49% and 8.17% in 2011 and 2010, respectively.

20. Other Noncurrent Liabilities

The details of this account consist of:

	2011	2010
	(Amounts in Thousands)	
Accounts payable trade - supplier (Note 17)	₱1,286,998	₱757,688
Subscriptions payable	384,646	384,646
Provision for decommissioning and site rehabilitation - net	47,582	14,732
Others	13,152	12,961
	₱1,732,378	₱1,170,027

The rollforward analysis of the provision for decommissioning and site rehabilitation account follows:

	2011	2010
	(Amounts in Thousands)	
At January 1	₱14,732	₱17,622
Addition	31,092	-
Accretion of interest (Note 27)	1,758	774
Adjustment	-	(3,664)
At December 31	₱47,582	₱14,732

On May 13, 2008, the DOE granted Semirara's request for an extension of its Coal Operating Contract (COC) for another 15-year or until July 14, 2027. Due to the term extension, Semirara has changed the discount rates used in the calculation of the net present value of the provision from 4.11% to 5.35% in 2009 to 1.31% to 8.15% in 2010.

Also, on November 12, 2009, the COC was amended further, expanding its contract area to include portions of Caluya and Sibay islands, covering an additional area of 5,500 hectares and 300 hectares, respectively. Due to these change, Semirara has provided additional provision for decommissioning and site rehabilitation amounting to ₱80.00 million, with a discounted value of ₱31.09 million as of December 31, 2011.

In accordance with the provisions of Philippine Interpretation IFRIC 1, the additions and adjustments were included in the consolidated statements of financial position for the years 2011 and 2010.



21. Related Party Transactions

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 financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

Transactions entered into by the Group with related parties are at arm's length and have terms similar to the transactions entered into with third parties. In the regular course of business, the Group's significant transactions with related parties include the following:

- (a) DMC-Construction Equipment Resources, Inc. (DMC-CERI), an affiliate, under common stockholder, has transactions with Semirara for services rendered relating to the Semirara's coal operations. These services are for the confirmatory drilling for coal reserve evaluation of identified potential areas, exploratory drilling of other minerals within Semirara Island, dewatering well drilling along cut-off wall of Panian mine and fresh water well drilling for industrial and domestic supply under an agreement. Expenses incurred for said services amounted to ₱52.90 million, ₱59.17 million and ₱166.22 million in 2011, 2010, and 2009, respectively. These are included in Cost of sales under "Cost of coal sales - Outside services" (see Note 24);

DMC-CERI also provides to Semirara marine vessels for use in the delivery of coal to its various customers. The coal freight billing is on a per metric ton basis plus demurrage charges when delay will be incurred in the loading and unloading of coal cargoes. Expenses (at gross amount) incurred for these services amounted to ₱498.42 million, ₱507.86 million and ₱500.75 million in 2011, 2010 and 2009, respectively, and are included in Cost of sales under "Cost of coal sales - Hauling and shiploading costs" (see Note 24). The reported expense of the Group is net of freight payment by NPC (billing is cost and freight).

Land lease rental with DMC-CERI amounting to ₱1.70 million and ₱13.74 million were accrued during the periods ended December 31, 2011 and 2010, respectively (see Note 17);

- (b) M&S Company, Inc. (M&S), an affiliate under common control, supplies various supplies and materials to Semirara on cash on delivery basis. Semirara's total purchases from M&S amounted to ₱52.83 million, ₱48.07 million and ₱39.01 million in 2011, 2010 and 2009, respectively. M&S also rents out various equipment used in Semirara's operations which amounted to nil, ₱110.70 million and ₱91.49 million in 2011, 2010 and 2009, respectively. This is included in Cost of sales under "Cost of coal sales under Outside services" in the consolidated statements of comprehensive income (see Note 24);
- (c) DMC Urban Property Developers, Inc. (UPDI), an affiliate under common stockholder, had transactions with Semirara representing long-term lease on office space and other transactions rendered to Semirara necessary for the coal operations. Office rental expense amounted to ₱6.49 million, ₱6.97 million and ₱7.78 million in 2011, 2010 and 2009, respectively.
- (d) DMCI has various construction contracts with Maynilad for the rehabilitation and refurbishment of its water transmission and supply lines. Total construction revenue earned amounted to ₱1,283.62 million, ₱1,197.48 million and ₱1,109.56 million in 2011, 2010 and 2009, respectively.



- (e) DMCI Homes, Inc. has a management contract with UPDI to provide general and overall sales and marketing services for the latter's various projects. Total revenue earned from this contract amounted to nil, ₱0.02 million and ₱0.05 million in 2011, 2010 and 2009, respectively.
- (f) Dividends received from the Group's investments in DMWC and Subic Water amounted to ₱624.26 million and ₱74.39 million, respectively, in 2011 and ₱244.59 million and ₱44.73 million, respectively, in 2010. In 2009, dividends received from Subic Water amounted to ₱1.40 million (see Note 11). Outstanding payable of the Group to DMWC amounted to ₱234.58 million and ₱233.05 million in 2011 and 2010, respectively.

The consolidated statements of financial position as of December 31, 2011 and 2010 include the following amounts relating to transactions with related parties:

	2011	2010
	(Amounts in Thousands)	
Receivables from related parties (Note 7)		
Entities significantly influenced by certain individuals	₱451,528	₱490,949
Joint venture	587	751
	₱452,115	₱491,700
Payable to related parties		
Entities significantly influenced by certain individuals	₱326,997	₱508,778
Joint venture	-	8,606
	₱326,997	₱517,384

Outstanding balances as of December 31, 2011 and 2010, which are unsecured and interest free, are all due within one year. As of December 31, 2011 and 2010, the Parent Company has not made any provision for impairment loss relating to amounts owed by related parties. 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:

	2011	2010	2009
	(Amounts in Thousands)		
Short-term employee benefits	₱144,418	₱282,861	₱93,012
Post employment benefits (Note 23)	17,274	39,819	8,700
	₱161,692	₱322,680	₱101,712

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.



22. Equity

The Parent Company's capital stock consists of:

	2011		2010	
	Shares	Amount	Shares	Amount
(Amounts in Thousands)				
Preferred stock - ₱1 par value cumulative and convertible				
Authorized - 180,000				
Issued	3	₱3	4	₱4
Common stock - ₱1 par value				
Authorized - 5,900,000				
Issued	2,655,494	₱2,655,494	2,655,494	₱2,655,494

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.

In 2011, the Parent Company retired 600 preferred shares. The difference between the redemption price amounting to ₱0.60 million was charged against the additional paid-in capital account.

On December 18, 1995, the Parent Company launched its Initial Public Offering where a total of 1.13 billion common shares were offered at an offering price of ₱9.12 per share. As of December 31, 2011, the Parent Company has 737 existing certified shareholders of the 2.66 billion outstanding shares.

Retained Earnings

On December 29, 2011, the BOD authorized the appropriation of ₱3.00 billion from its retained earnings for future capital expenditure, investments and dividend declaration.

On May 31, 2011, the Parent Company declared cash dividends of ₱1.00 per share or ₱2.66 billion to stockholders of record as of June 15, 2011. The said cash dividends were paid on July 7, 2011.

On June 4, 2010, the Parent Company declared cash dividends of ₱0.50 per share or ₱1,327.75 million to stockholders of record as of June 22, 2010. The said cash dividends were paid on July 15, 2010.

On May 21, 2009, the Parent Company declared and distribute cash dividends of ₱0.20 per share or ₱542.10 million to stockholders of record as of June 5, 2009. The said cash dividends were paid on June 30, 2009.

As of December 31, 2011 and 2010, ₱401.66 million of the retained earnings of the subsidiaries are appropriated for future capital investments.

On various dates in 2011, 2010 and 2009, Semirara, Beta and Wirerope declared dividends amounting to ₱3,607.40 million, ₱1,786.22 million and ₱1,681.41 million, respectively, of which dividends to non-controlling interest amounted to ₱1,575.71 million, ₱779.96 million and ₱738.90 million, respectively.

In accordance with SEC Memorandum Circular No. 11 issued in December 2008, the Parent Company's retained earnings available for dividend declaration as of December 31, 2011 and 2010 amounted to ₱6.30 billion and ₱5.83 billion, respectively.



The unappropriated retained earnings include accumulated equity in undistributed net earnings of consolidated subsidiaries, associates and jointly controlled entities accounted for under equity method of ₱16.92 billion and ₱13.45 billion as of December 31, 2011 and 2010, respectively. These are not available for dividend declaration until declared by the subsidiaries, associates and the jointly controlled entities.

Capital Management

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares. There were no changes made in the Group’s capital management objectives, policies or processes. The Group considers total stockholders’ equity as capital. Equity, which the Group considers as capital, pertains to the equity attributable to equity holders of the Group less unrealized gain or loss on AFS financial assets.

The Group is not subject to any externally imposed capital requirements.

23. Employee Benefits

Retirement Plans

The Group has both unfunded and funded, noncontributory, defined benefit pension plans covering substantially all of their regular employees. The latest actuarial valuation reports of the retirement plans were made on December 31, 2011.

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

Pension expense

	2011	2010	2009
	(Amounts in Thousands)		
Current service cost	₱71,510	₱94,025	₱29,474
Interest cost on benefit obligation	15,793	39,801	34,096
Expected return on plan assets	(10,528)	(35,473)	(24,171)
Net actuarial loss (gain) recognized during the year	(1,643)	(11,308)	16,455
Effect of the asset limit - loss	98	-	-
Past service cost - non vested benefit	615	2,031	2,031
Amortization of transition obligation recognized during the year	18	18	-
Total pension expense	₱75,863	₱89,094	₱57,885
Actual return on plan assets	₱31,400	₱737,586	₱219,810



Pension income

	2011	2010	2009
	(Amounts in Thousands)		
Current service cost	₱30,965	₱-	₱-
Interest cost on benefit obligation	30,047	-	-
Expected return on plan assets	(65,393)	-	-
Net actuarial gain recognized during the year	(34,742)	-	-
Past service cost - non vested benefit	1,416	-	-
Total pension income	(₱37,707)	₱-	₱-
Actual return on plan assets	₱178,502	₱-	₱-

The pension expense amounting to ₱32.50 million in 2009, which pertains to AG&P, are presented under the line item "Income after tax from discontinued operations" in the consolidated statement of income.

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

	2011	2010	2009
	(Amounts in Thousands)		
Balance at beginning of year	₱1,246,622	₱571,315	₱340,067
Expected return on plan assets	75,921	35,473	24,171
Actual contributions	88,781	-	61,964
Benefits paid	(3,107)	(3,198)	(50,559)
Transfer of assets	(55)	-	34
Actuarial gain – net	133,981	702,111	195,638
Obligations on discontinued operations - sale of subsidiary	-	(59,079)	-
Balance at end of year	₱1,542,143	₱1,246,622	₱571,315

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

	2011	2010	2009
	(Amounts in Thousands)		
Balance at beginning of year	₱607,842	₱415,110	₱343,723
Interest cost	45,839	39,801	34,096
Current service cost	102,475	91,400	29,474
Benefits paid	(3,162)	(3,198)	(50,559)
Transfer of obligations	-	(471)	34
Actuarial (gain) loss – net	41,528	105,012	58,342
Adjustment pertaining to the disposal of a subsidiary	-	(39,812)	-
Balance at end of year	₱794,522	₱607,842	₱415,110



Net pension liability to be recognized in the consolidated statements of financial position:

	2011	2010	2009
	(Amounts in Thousands)		
Fair value of plan assets	₱1472,560	₱1,246,622	₱571,313
Present value of unfunded obligation	719,771	607,842	415,110
Excess of fair value of plan assets over present value of unfunded obligation	752,789	638,780	156,203
Unrecognized actuarial gain - net	(942,553)	(871,361)	(292,118)
Unrecognized past service cost - non vested	8,684	10,715	12,746
Unrecognized net transition obligation	775	71	-
Liabilities to be recognized in the consolidated statements of financial position	(₱180,305)	(₱221,795)	(₱123,169)

Net pension asset to be recognized in the consolidated statements of financial position:

	2011	2010	2009
	(Amounts in Thousands)		
Fair value of plan assets	₱69,583	₱-	₱-
Present value of unfunded obligation	74,751	-	-
Excess of fair value of plan assets over present value of unfunded obligation	(5,168)	-	-
Unrecognized actuarial gain - net	9,523	-	-
Asset to be recognized in the consolidated statements of financial position	₱4,355	₱-	₱-

The Group does not expects to contribute into the pension fund in 2012.

The amounts for the current and the previous four periods follow:

	2011	2010	2009	2008	2007
	(Amounts in Thousands)				
Present value of defined benefit obligation	₱794,522	₱607,842	₱399,801	₱328,414	₱337,317
Fair value of plan assets	1,542,143	1,246,622	571,315	340,067	430,073
Excess of fair value of plan assets over present value of unfunded obligation	747,621	638,780	171,514	11,653	92,756
Experience adjustments on plan obligation	71,434	(29,410)	6,254	(85,486)	1,664
Experience adjustments on plan assets	133,908	704,694	164,737	(209,130)	68,458

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

	2011	2010	2009
Discount rate	6.08% to 6.75%	5.82% to 10.82%	8.60% to 11.26%
Salary increase rate	3.00% to 10.00%	3.00% to 12.00%	3.00% to 10.75%
Expected rate of return on plan assets	6.00% to 6.50%	6.00% to 12.00%	6.00% to 7.00%

The overall expected rate of return on plan assets is determined based on the market prices prevailing on that date applicable to the period over which the obligation is to be settled.



As of December 31, 2011 and 2010, the Group's plan assets consist primarily of the following:

	2011	2010
Cash and cash equivalents	3.00%	0.61%
Debt instruments	2.00	17.08
Investments in stocks	75.00	82.08
Other assets	20.00	0.23
	100.00%	100.00%

24. Costs of Sales and Services

Details of cost of sales and services follow:

	2011	2010	2009
	(Amounts in Thousands)		
Cost of Sales			
Fuel and lubricants	₱4,242,030	₱2,144,741	₱1,737,553
Cost of real estate inventory	4,004,240	4,720,585	4,332,143
Materials and supplies	1,821,355	2,948,473	2,424,436
Depreciation and amortization (Notes 12, 13 and 14)	1,797,211	1,337,876	849,003
Outside services (Note 21)	1,410,563	2,913,780	2,138,272
Hauling, shiploading and handling costs (Note 21)	1,198,572	652,237	492,715
Direct labor	622,215	405,183	336,837
Production overhead	456,211	596,642	311,936
Others	151,324	67,740	102,124
	15,703,721	15,787,257	12,725,019
Cost of Services			
Materials and supplies	6,515,312	6,479,986	3,334,848
Outside services (Note 21)	2,751,187	2,007,267	2,072,238
Direct labor	1,638,495	1,093,714	1,736,942
Spot purchases	1,500,978	1,771,760	141,150
Production overhead	1,171,005	1,095,915	403,099
Depreciation and amortization (Notes 12, 13 and 14)	1,097,976	1,783,664	492,591
Fuel and lubricants	997,184	415,376	11,084
Hauling, shiploading and handling costs (Note 21)	6,955	13,584	3,114
Others	46,167	155,360	175,610
	15,725,259	14,816,626	8,370,676
	₱31,428,980	₱30,603,883	₱21,095,695

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

	2011	2010	2009
	(Amounts in Thousands)		
Included in:			
Mining	₱1,797,211	₱1,337,876	₱849,319
Energy sales	776,589	793,300	168,633
Construction contracts	321,387	990,364	323,680
Operating expenses (Note 25)	198,656	105,782	81,646
	₱3,093,843	₱3,227,322	₱1,423,278



	2011	2010	2009
	(Amounts in Thousands)		
Depreciation, depletion and amortization of:			
Property, plant and equipment (Note 13)	₱3,496,747	₱3,667,181	₱1,664,037
Investment properties (Note 12)	6,313	6,262	5,747
Other noncurrent assets (Note 14)	18,009	18,239	14,672
	₱3,521,069	₱3,691,682	₱1,684,456

Depreciation, depletion and amortization adjusted in ending inventories amounted to ₱0.43 million, ₱0.46 million and ₱0.26 million in 2011, 2010 and 2009, respectively.

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

	2011	2010	2009
	(Amounts in Thousands)		
Presented under:			
Costs of construction contracts	₱1,170,311	₱1,008,525	₱1,907,831
Operating expenses (Note 25)	973,829	755,513	456,863
Costs of mining	608,734	398,932	366,772
	₱2,752,874	₱2,162,970	₱2,731,466

25. Operating Expenses

This account consists of:

	2011	2010	2009
	(Amounts in Thousands)		
Government share (Note 31)	₱1,497,356	₱1,325,106	₱450,152
Salaries, wages and employee benefits (Notes 23 and 24)	973,829	755,513	456,863
Taxes and licensess	677,460	307,613	287,434
Commission	503,946	480,694	316,456
Advertising and marketing	337,092	338,133	248,718
Outside services	211,478	301,546	152,021
Depreciation and amortization (Notes 12, 13, 14 and 24)	198,656	105,782	81,646
Rent (Note 37)	104,834	73,452	35,729
Repairs and maintenance	94,728	67,047	28,790
Communication, light and water	75,686	62,891	37,718
Insurance	68,172	66,199	13,807
Entertainment, amusement and recreation	62,395	66,021	35,500
Association dues	50,276	33,356	15,665
Transportation and travel	47,292	72,974	21,991
Supplies	46,954	52,346	46,780
Organizational cost	20,221	-	-
Provision for doubtful accounts (Note 7)	15,178	58,905	76,948
Provision for over-nomination (Note 37)	-	383,294	-
Probable losses on:			
Other current assets (Note 10)	-	88,778	-
Property, plant and equipment (Note 13)	-	6,670	-
Other noncurrent assets (Note 14)	-	-	40,374
Miscellaneous	220,354	108,810	83,451
	₱5,205,907	₱4,755,130	₱2,430,043



26. Finance Income

Finance income is derived from the following sources:

	2011	2010	2009
	(Amounts in Thousands)		
Interest on:			
Real estate installment receivables	₱666,258	₱794,576	₱658,932
Short-term placements (Note 4)	328,309	93,473	80,727
Bank savings account (Note 4)	89,070	99,680	11,134
Investment from sinking fund (Note 14)	7,210	5,421	-
Accretion on unamortized discount on real estate receivables (Note 7)	7,160	52,104	63,056
Accretion on unamortized discount on security deposits (Note 10)	169	12,787	20,624
	₱1,098,176	₱1,058,041	₱834,473

27. Finance Costs

The finance costs are incurred from the following:

	2011	2010	2009
	(Amounts in Thousands)		
Long-term borrowings	₱1,103,810	₱1,438,076	₱509,333
Bank loans and short-term borrowings	87,091	66,987	856
Accretion on unamortized discount on liabilities on purchased land and provision for decommissioning and site rehabilitation (Notes 16 and 20)	40,381	66,867	33,998
Amortization of debt issuance costs (Note 19)	30,603	5,200	1,148
	₱1,261,885	₱1,577,130	₱545,335

28. Other Income (Expenses)

This account consists of:

	2011	2010	2009
	(Amounts in Thousands)		
Forfeitures and cancellation of contracts	₱160,145	₱108,672	₱16,830
Gain on sale of property, plant and equipment - net (Note 13)	57,565	28,958	12,853
Management fee	55,308	5,605	-
Rental income (Note 12)	53,807	66,962	23,767
Foreign exchange gain (loss) - net	(46,567)	177,715	52,570
Recoveries from insurance claims	35,180	5,069	-
Dividend income	4,547	5,785	799
Commission income	-	35	205
Negative goodwill (Note 33)	-	-	15,667
Others	112,888	89,146	(99,345)
	₱432,873	₱487,947	₱23,346



Others account include insurance claims, unrealized marked-to-market gains and others.

29. Income Tax

The provision for income tax shown in the consolidated statements of income consists of:

	2011	2010	2009
	(Amounts in Thousands)		
Final	₱78,879	₱38,612	₱11,635
Current	763,135	660,474	506,132
Deferred	503,141	330,049	83,353
	₱1,345,155	₱1,029,135	₱601,120

The components of net deferred tax assets as of December 31, 2011 and 2010 follow:

	2011	2010
	(Amounts in Thousands)	
Deferred tax assets on:		
Deferred organizational cost	₱6,060	₱-
Allowance for:		
Doubtful accounts	3,969	951
Inventory obsolescence	1,727	1,727
Probable losses	159	159
Pension liabilities	2,799	5,619
Unrealized foreign exchange loss	908	930
Excess of tax over book income pertaining to construction contracts and real estate sales	706	225
NOLCO	11	3,524
MCIT	-	3,599
	16,339	16,734
Deferred tax liabilities on:		
Unamortized discount on payable to landowners	(15)	(115)
Others - net unrealized gain	(184)	(6,428)
	(199)	(6,543)
	₱16,140	₱10,191

The components of net deferred tax liabilities as of December 31, 2011 and 2010 follow:

	2011	2010
	(Amounts in Thousands)	
Deferred tax assets on:		
Pension liabilities	₱28,189	₱18,407
Allowance for:		
Doubtful accounts	21,421	21,421
Probable losses	7,648	7,648
Unamortized discount on receivables	434	2,582
	57,692	50,058

(Forward)



	2011	2010
	(Amounts in Thousands)	
Deferred tax liabilities on:		
Excess of book over tax income pertaining to construction contracts and real estate sales	(₱973,488)	(₱479,232)
Capitalized interest on real estate for sale and development deducted in advance	(76,320)	(26,984)
Unamortized transaction cost on loans payable	(14,367)	-
Unamortized discount on payable to landowners	(766)	(12,252)
Incremental cost of property, plant and equipment	(565)	(7,847)
Unrealized marked to market gain	(420)	-
Unamortized prepaid rent	(225)	(157)
Others - net unrealized gain	-	(20,352)
	(1,066,151)	(546,824)
	(₱1,008,459)	(₱496,766)

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

	2011	2010
	(Amounts in Thousands)	
Allowance for probable losses on noncurrent assets	₱129,132	₱135,802
Pension liabilities	103,329	57,901
NOLCO	77,910	73,300
Provision for decommissioning and site rehabilitation	74,736	14,732
Allowance for doubtful accounts	72,426	75,202
Allowance for probable losses on current assets	57,131	145,908
Unrealized forex loss	26,475	-
MCIT	24	46
Organizational costs	20	-
Unamortized discount on security deposits	-	169
	₱541,183	₱503,060

The deferred income tax effects of the above deductible temporary differences for which no deferred tax assets are recognized amounted to ₱162.35 million and ₱150.92 million as of December 31, 2011 and December 31, 2010, respectively. Deferred tax assets are recognized only to the extent that taxable income will be available against which the deferred tax assets can be used.

The Group 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.



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

	2011	2010	2009
Statutory income tax rate	30.00%	30.00%	30.00%
Adjustments for:			
Tax-exempt income	(15.62)	(14.95)	(12.10)
Nondeductible (nontaxable) equity in net losses (earnings) of associates and jointly controlled entities	(4.81)	(5.69)	(8.71)
Nondeductible expenses	0.50	1.25	0.20
Interest income subjected to final tax at a lower rate - net	(0.34)	(0.21)	(0.11)
Nondeductible interest expense	0.12	0.05	0.10
Changes in unrecognized deferred tax assets	0.03	(0.07)	1.26
Non taxable dividend income	(0.01)	(0.02)	(0.01)
Gain on sale of investments in shares of stock subjected to final tax	-	(0.06)	(0.21)
Effective income tax rate	9.87%	10.30%	10.42%

Board of Investments (BOI) Incentives

New Developer of Mass Housing Project

In 2011 and 2010, the BOI issued in favor of PDI a Certificate of Registration as a New Developer of Mass Housing Project for several of its real estate projects in accordance with the Omnibus Investment Code of 1987. Pursuant thereto, the projects has been granted an Income Tax Holiday (ITH) for a period of four (4) years.

Expanding Producer of Coal

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, Semirara shall be entitled to 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.

New Operator of the 600-MW Calaca Coal-Fired Power Plant

On April 19, 2010, SCPC was registered with the BOI as New Operator of the 600-MW Calaca Coal-Fired Power Plant on a Non-Pioneer Status in accordance with the provisions of the Omnibus Investments Code of 1987. Pursuant thereto, SCPC shall enjoy income tax holiday for four (4) years from April 2011 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration. The ITH incentives shall be limited to the revenue generated from the sales of electricity of the 600 MW Batangas Coal-Fired Thermal Power Plant. On January 7, 2011, the BOI approved SCPC's request for an earlier application of the ITH to be effective January 1, 2010.



30. Basic/Diluted Earnings Per Share

The following table presents information necessary to calculate basic earnings per share on net income attributable to equity holders of the Parent Company (in thousands except basic earnings per share):

Basic/Diluted, Income for the Year

	2011	2010	2009
	(Amounts in Thousands)		
Net income	₱9,595,451	₱7,867,283	₱4,703,968
Divided by weighted average number of common shares	2,655,494	2,655,494	2,655,494
Basic earnings per share	₱3.61	₱2.96	₱1.77

Basic/Diluted, Income from Continuing Operations

	2011	2010	2009
	(Amounts in Thousands)		
Net income	₱9,595,451	₱7,201,534	₱4,411,712
Divided by weighted average number of common shares	2,655,494	2,655,494	2,655,494
Basic earnings per share	₱3.61	₱2.71	₱1.66

Basic/Diluted, Income from Discontinued Operations

EPS on post-tax income from discontinued operations attributable to equity holders of the Parent Company as of December 31:

	2010	2009
Income from discontinued operations	₱677,345	₱297,347
Less income from discontinued operations attributable to minority interests	11,596	5,091
	665,749	292,256
Weighted average number of common shares for basic EPS	2,655,494	2,655,494
Basic EPS	₱0.25	₱0.11

The assumed conversion of the Group's preferred shares has no dilutive effect. Accordingly, no diluted earnings per share is presented in 2011, 2010 and 2009.

31. 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 Semirara and DOE.



On May 13, 2008, the DOE granted Semirara's request for an extension of its COC for another 15-years or until July 14, 2027. On November 12, 2009, the COC was amended further, expanding its contract area to include portions of Caluya and Sibay islands, Antique, covering an additional area of 5,500 hectares and 300 hectares, respectively.

In return for the mining rights granted to Semirara, the Government is entitled to receive annual royalty payments consisting of the balance of the gross income after deducting operating expenses, operator's fee and special allowance. Semirara'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 ₱1,479.97 million and ₱1,325.11 million as of December 31, 2011 and 2010, respectively. The liabilities amounting to ₱905.01 million and ₱1,013.04 million, as of December 31, 2011 and 2010, respectively, are included under the "Accounts and other payables" account in the consolidated statement of financial position (see Note 17).

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.

32. Investment in DMFB Joint Venture

DMFB Joint Venture (the Joint Venture) is a joint venture agreement between DMCI and First Balfour Inc. (FBI). The Joint Venture was formed on January 18, 2008 for the purpose of entering into a construction contract with Light Rail Transit Authority (LRTA). The Joint Venture is unincorporated and is not registered with the Philippine SEC. However, the Joint Venture was registered with the Bureau of Internal Revenue on May 27, 2008 as builder of constructions or parts, civil engineering. The Joint Venture's principal place of business is at 3rd Floor, NIA Bldg. A, EDSA corner NIA Road 1, Barangay Pinyahan, Quezon City.

On May 16, 2008, the Joint Venture was declared as the winning bidder for the construction and completion of the LRT Line 1 North Extension Project (the Project).

The respective financial interest of the Parties in the Joint Venture shall be 51% to DMCI and 49% to FBI. It shall be adjusted from time to time based on the ratio of the Parties' respective aggregate capital contribution. Irrespective of the financial contribution, management should be of unanimous decision.

The Group's share of the Joint Venture's assets and liabilities are as follows:

	2011	2010
	(Amounts in Thousands)	
Current assets	₱96,390	₱376,814
Current liabilities	75,971	267,107
	₱20,419	₱109,707



The Group's share of the Joint Venture's profits are as follows:

	2011	2010
	(Amounts in Thousands)	
Revenue	₱591	₱209,446
Construction cost	–	66,942
Operating expenses	–	22,555
	–	89,497
	₱591	₱119,949

Exemption to Corporate Income Tax

Persuant to Section 22 (Paragraph B) of the Tax Code of 1997, the term “corporation” shall include partnerships, no matter how created or organized, joint stock companies, joint accounts, associations or insurance companies; but does not include general professional partnerships and a joint venture or consortium formed for the purpose of undertaking construction project. Such being the case, the Joint Venture formed as a result of joint venture agreement between DMCI and First Balfour, Inc. (the Parties) for the construction of LRT Line 1 North Extension Project, is not subject to the corporate income tax.

33. Acquisition of Calaca Power Plant

On July 8, 2009, PSALM selected the Parent Company as the winning bidder for the sale of the 600-megawatt Batangas Coal-Fired Thermal Power Plant (the Power Plant) located in San Rafael Calaca, Batangas.

Pursuant to the provision of the Asset Purchase Agreement (APA), PSALM, agreed to sell and transfer to the Parent Company the Power Plant on an “as is where is” basis. The agreed Purchase Price amounting to US \$368.87 million was for the acquisition of 2 x 300-megawatt (MW) Batangas Coal-Fired Thermal Power Plant from PSALM as of December 2, 2009.

In an Amendment, Accession and Assumption Agreement dated December 2, 2009, DMCI-HI assigned all of its rights and obligations under the APA and the LLA to SCPC. PSALM consented to the said assignment. Closing under the APA was achieved on December 2, 2009, upon which control, possession, risk of loss or damage of and the obligation to operate the Purchased Assets, and the rights to its revenues were turned over to SCPC. However, legal title to the Purchased Assets will transfer to SCPC only upon full payment of the purchase price. As the assignee in the APA and LLA, the SCPC acquired the rights and obligations enumerated in the APA and LLA for a consideration amounting to ₱54.34 million.

On December 2, 2009, the total cash payments made to PSALM are broken down as follow:

- ₱6.62 billion in peso equivalent using the exchange rate of ₱47.12 representing 40% down payment for US\$351.0 million purchase price of the Power Plant; and
- ₱0.49 billion in peso equivalent using the exchange rate of ₱47.20 representing payment for US\$10.39 million advance rental payment for the 25-year lease of the premises underlying the Power Plant and for purchase orders for parts and services for the Power Plant.



Below are the significant provisions of the APA:

- a. All liabilities, obligations, taxes, fees, fines or penalties pertaining to the Power Plant and operating contracts accruing or incurred prior to closing date, regardless of the date when the demand for payment or assessment is made, shall be for the account of PSALM.
- b. SCPC must hire as contractual employees all of the separated NPC employees for a period of five (5) months.
- c. During the deferred payment period, SCPC shall at the end of each fiscal year, maintain a debt service ratio of at least 1.1:1.0 and debt-equity ratio not exceeding 2.5:1.0.
- d. Should there be (i) Semirara coal; (ii) diesel fuel and (iii) bunker fuel on site on closing date, SCPC shall pay PSALM the value of those based on the price paid by NPC for the same.

As embedded in the APA, the Parent Company will also enter into a LLA with PSALM for the lease of land in which the Power Plant is situated, for the period of 25 years, renewable for another period of 25 years, upon mutual agreement of both Parties. Refer to Note 14.

Other provision of the Agreement includes:

- a. The Parent Company undertakes that it shall own at least 57% of the voting capital of Semirara; and
- b. SCPC shall be a wholly owned subsidiary of Semirara.

A breach of any of the above shall constitute a breach by the Parent Company of the APA.

Relative to the assignment of the APA and LLA by the Parent Company to SCPC, total consideration recognized by SCPC as due to Parent Company amounted to ₱54.34 million.

In a letter dated December 18, 2009, PSALM claims an additional amount of ₱9.55 million representing the difference between the US\$ to Peso exchange rate used for the 40% down-payment of the purchase price, ₱47.13, versus the ₱47.20 US\$ to Peso exchange rate PSALM alleges to be in accordance with the APA. The assessed amount was accrued in 2009 as additional acquisition cost allocated to "Property, plant and equipment". Subsequently, the amount was paid by the Group on February 8, 2010.

The principal amount of the Deferred Payment is equivalent to 60% of the purchase price for the Power Plant. The Deferred Payment will be paid to PSALM via 14 equal semi-annual payments beginning June 2, 2010 with an interest rate of 11% per annum, compounded semi-annually. Under the APA, upon prior written notice to PSALM, and on the condition that SCPC is not in breach of any of its substantial obligations to PSALM under the APA and LLA, SCPC may prepay any portion of the Deferred Balance in Philippine Pesos (see Note 13).

Under a Memorandum of Agreement dated December 2, 2009 between PSALM and SCPC, the amounts of ₱288.39 million representing parts identified as required to achieve 350 MW capability of the Power Plant and ₱247.55 million as unawarded purchase orders will be deducted from the principal amount of the Deferred Balance.



The fair value of the identifiable assets and liabilities as at the date of acquisition were (amounts in thousands):

	Fair value recognized on acquisition
Property, plant and equipment (Note 13)	₱16,211,370
Materials and supplies (Note 9)	618,340
Coal (Note 9)	273,936
Prepaid rent (Note 10)	150,568
Fuel and diesel (Note 9)	86,705
Net assets acquired	17,340,919
Negative goodwill arising on acquisition	(15,667)
Total cost	₱17,325,252

Total consideration transferred relating to the acquisition follows (amounts in thousands):

Cash consideration	₱7,104,375
Payable to PSALM	9,770,448
Transaction cost	450,429
Total cost	₱17,325,252

The valuation of the property, plant and equipment and materials and supplies was completed in April 2010 and showed that the fair value at the date of acquisition was ₱16.21 billion, an increase of ₱514.34 million compared with the provisional value as of December 31, 2009.

The 2009 comparative information has been restated to reflect this adjustment. There was recognition of negative goodwill arising on the acquisition of ₱15.67 million. The decreased depreciation charge on the buildings from the acquisition date to December 31, 2009 was ₱20.76 million.

34. Operating Segments

Business Segment Information

For management purposes, the Group is organized into six (6) major business units that are largely organized and managed separately according to industry.

Construction - engaged in various construction component businesses such as production and trading of concrete products, handling steel fabrication and electrical and foundation works.

Coal mining - engaged in the exploration, mining and development of coal resources on Semirara Island in Caluya, Antique and nickel extraction in Zambales.

Real estate - focused in mid-income residential development carried under the brand name DMCI Homes.

Power - engaged in the business of a generation company which designs, constructs, invest in, and operate power plants.



Water - recognized through a consortium with MPIC (the “Consortium”) and operated through Maynilad, the water utility for the west portion of Metro Manila.

Others - includes the Parent Company and other industry (i.e., manufacturing).

No operating segments have been aggregated to form the above reportable operating segments. Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on revenue, earnings before interest, income taxes and depreciation and amortization (EBITDA) and operating profit or loss, and is measured consistently in the consolidated financial statements.

Group financing (including finance costs and finance income) and income taxes are also managed per operating segments. Transfer prices between operating segments are on an arm’s length basis in a manner similar to transactions with third parties.

Business Segments

The following tables present revenue, net income (loss) and depreciation, depletion and amortization information regarding business segments for the years ended December 31, 2011, 2010 and 2009 and property, plant and equipment additions, total assets and total liabilities for the business segments as of December 31, 2011, 2010 and 2009:



Year ended December 31, 2011 (Amounts in Thousands)

	Construction	Coal Mining	Nickel Mining	Real Estate Development	Power	Water	Parent Company and Others	Total
Revenue	₱10,277,235	₱16,230,531	₱2,451,697	₱8,251,128	₱10,420,559	₱-	₱171,435	₱47,802,585
Other income (expense) – net	42,609	73,894	23,030	264,402	22,488	2,195,061	(3,412)	2,618,072
	10,319,844	16,304,425	2,474,727	8,515,530	10,443,047	2,195,061	168,023	50,420,657
Cost of sales and services	8,282,533	8,563,516	1,206,001	4,080,030	6,243,269	-	132,753	28,508,102
General and administrative expense (before depreciation and amortization)	200,803	1,848,654	89,682	1,734,535	1,018,544	-	115,032	5,007,250
	8,483,336	10,412,170	1,295,683	5,814,565	7,261,813	-	247,785	33,515,352
EBITDA	1,836,508	5,892,255	1,179,044	2,700,965	3,181,234	2,195,061	(79,762)	16,905,305
Other income (expenses)								
Finance income (cost) (Notes 26 and 27)	65,653	10,634	(1,852)	(73,801)	(318,222)	-	153,879	(163,709)
Depreciation and amortization (Notes 24 and 25)	(385,054)	(1,720,687)	(99,232)	(71,369)	(841,118)	-	(2,075)	(3,119,535)
Pretax income	1,517,107	4,182,202	1,077,960	2,555,795	2,021,894	2,195,061	72,042	13,622,061
Provision for income tax (Note 29)	355,816	(16,428)	160,826	761,062	34,438	-	49,441	1,345,155
Net income	₱1,161,291	₱4,198,630	₱917,134	₱1,794,733	₱1,987,456	₱2,195,061	₱22,601	₱12,276,906
Net income attributable to non-controlling interest	₱44,384	₱1,819,305	₱-	₱-	₱810,527	₱-	₱7,239	₱2,681,455
Net income attributable to equity holders	₱1,116,907	₱2,379,325	₱917,134	₱1,794,733	₱1,176,929	₱2,195,061	₱15,362	₱9,595,451
Segment Assets								
Cash	₱3,869,815	₱3,752,017	₱891,150	₱2,874,883	₱1,474,432	₱-	₱2,203,450	₱15,065,747
Receivables	2,405,930	1,059,972	80,921	5,012,655	2,225,904	-	61,195	10,846,577
Inventories	149,424	2,997,851	128,624	12,503,426	1,668,518	-	36,832	17,484,675
Investment in associates and joint venture	50,682	-	-	39,222	-	-	10,759,479	10,849,383
Property, plant and equipment	1,226,695	3,706,971	262,057	657,338	17,562,225	-	4,058	23,419,344
Others	1,826,366	1,041,187	217,650	2,252,971	1,107,437	-	51,858	6,497,469
	₱9,528,912	₱12,557,998	₱1,580,402	₱23,340,495	₱24,038,516	₱-	₱13,116,872	₱84,163,195
Segment Liabilities								
Customers' advances and deposits	₱1,483,233	₱18,481	₱93,833	₱2,042,961	₱-	₱-	₱-	₱3,638,508
Loans payable	56,812	4,719,695	140,288	8,970,373	9,152,807	-	27,471	23,067,446
Finance lease payable	12,351	-	-	-	-	-	-	12,351
Others	5,099,292	4,600,538	354,023	2,254,396	2,647,482	-	712,271	15,668,002
	₱6,651,688	₱9,338,714	₱588,144	₱13,267,730	₱11,800,289	₱-	₱739,742	₱42,386,307
Other disclosures								
Acquisition of land for future development	₱-	₱-	₱-	₱1,438,978	₱376,605	₱-	₱-	₱1,815,583
Property, plant and equipment additions (Note 13)	₱635,117	₱2,065,988	₱188,037	₱300,356	₱347,790	₱-	₱2,053	₱3,539,341



Year ended December 31, 2010 (Amounts in Thousands)

	Construction	Coal Mining	Nickel Mining	Real Estate Development	Power	Water	Parent Company and Others	Total
Revenue	₱10,729,337	₱14,070,569	₱1,959,316	₱7,704,893	₱8,948,308	₱-	₱71,386	₱43,483,809
Other income (expense) - net	14,228	295,558	(20,188)	177,748	(3,661)	1,887,153	30,306	2,381,144
	10,743,565	14,366,127	1,939,128	7,882,641	8,944,647	1,887,153	101,692	45,864,953
Cost of sales and services	7,815,370	8,563,782	1,099,523	4,776,281	5,188,491	-	48,050	27,491,497
General and administrative expense (before depreciation and amortization)	292,912	1,704,476	106,765	1,355,238	1,044,417	-	136,386	4,640,194
	8,108,282	10,268,258	1,206,288	6,131,519	6,232,908	-	184,436	32,131,691
EBITDA	2,635,283	4,097,869	732,840	1,751,122	2,711,739	1,887,153	(82,744)	13,733,262
Other income (expenses)								
Finance income (cost) (Notes 26 and 27)	(11,321)	(164,953)	776	76,981	(463,480)	-	42,908	(519,089)
Depreciation and amortization (Notes 24 and 25)	(1,001,224)	(1,360,752)	(26,878)	(33,037)	(803,929)	-	(1,502)	(3,227,322)
Pretax income	1,622,738	2,572,164	706,738	1,795,066	1,444,330	1,887,153	(41,338)	9,986,851
Provision for income tax (Note 29)	357,122	(4,691)	142,390	509,067	(30,097)	-	55,344	1,029,135
Income before income from discontinued operations	1,265,616	2,576,855	564,348	1,285,999	1,474,427	1,887,153	(96,682)	8,957,716
Post-tax income from discontinued operations	-	-	-	-	-	-	677,345	677,345
Net income	₱1,265,616	₱2,576,855	₱564,348	₱1,285,999	₱1,474,427	₱1,887,153	₱580,663	₱9,635,061
Net income attributable to non-controlling interest	₱24,028	₱1,115,157	₱-	₱-	₱627,811	₱-	₱782	₱1,767,778
Net income attributable to equity holders	₱1,241,588	₱1,461,698	₱564,348	₱1,285,999	₱846,616	₱1,887,153	₱579,881	₱7,867,283
Segment Assets								
Cash	₱775,793	₱2,809,336	₱728,269	₱1,865,692	₱1,223,755	₱-	₱2,543,821	₱9,946,666
Receivables	2,361,454	1,347,863	136,477	6,275,379	1,785,535	-	665	11,907,373
Inventories	125,632	1,738,922	89,864	10,047,008	683,627	-	19,491	12,704,544
Investment in associates and joint venture	116,993	-	-	-	-	8,562,236	708,444	9,387,673
Property, plant and equipment	752,589	3,702,161	163,058	428,445	16,488,501	-	5,970	21,540,724
Others	1,568,934	1,750,486	334,552	1,984,712	774,814	-	100,367	6,513,865
	₱5,701,395	₱11,348,768	₱1,452,220	₱20,601,236	₱20,956,232	₱8,562,236	₱3,378,758	₱72,000,845
Segment Liabilities								
Customers' advances and deposits	₱1,391,098	₱211,423	22,933	₱2,812,545	₱-	₱-	₱-	₱4,437,999
Loans payable	139,138	3,247,406	-	6,253,335	10,000,157	-	12,555	19,652,591
Finance lease payable	124,767	-	-	-	-	-	-	124,767
Others	4,015,657	3,549,673	724,160	4,304,758	1,440,178	-	622,524	14,656,950
	₱5,670,660	₱7,008,502	₱747,093	₱13,370,638	₱11,440,335	₱-	₱635,079	₱38,872,307
Other disclosures								
Acquisition of land for future development (Note 13)	₱-	₱-	₱-	₱1,350,730	₱-	₱-	₱-	₱1,350,730
Property, plant and equipment additions (Note 13)	₱991,847	₱3,324,920	₱163,058	₱134,754	₱93,886	₱-	₱2,744	4,711,209



Year ended December 31, 2009 (Amounts in Thousands)

	Construction	Coal Mining	Nickel Mining	Real Estate Development	Power	Water	Parent Company and Others	Total
Revenue	₱7,999,066	₱11,500,193	₱101,937	₱6,963,108	₱443,493	₱-	₱260,054	₱27,267,851
Other income (expense) - net	(178,056)	(60,485)	4,184	83,018	216,134	1,674,873	(1,084)	1,738,584
	7,821,010	11,439,708	106,121	7,046,126	659,627	1,674,873	258,970	29,006,435
Cost of sales and services	6,538,775	7,722,659	113,458	4,756,934	419,709	-	197,957	19,749,492
General and administrative expense (before depreciation and amortization)	254,905	715,136	42,949	1,172,899	44,422	-	118,086	2,348,397
	6,793,680	8,437,795	156,407	5,929,833	464,131	-	316,043	22,097,889
EBITDA	1,027,330	3,001,913	(50,286)	1,116,293	195,496	1,674,873	(57,073)	6,908,546
Other income (expenses)								
Finance income (cost) (Notes 26 and 27)	(18,752)	19,299	478	307,619	(77,920)	-	58,414	289,138
Depreciation and amortization (Notes 24 and 25)	(325,420)	(1,046,621)	758	(51,111)	(2,330)	-	(3,125)	(1,427,849)
Pretax income	683,158	1,974,591	(49,050)	1,372,801	115,246	1,674,873	(1,784)	5,769,835
Provision for income tax (Note 29)	174,802	27,145	198	352,943	36,159	-	9,873	601,120
Income before income from discontinued operations	₱508,356	₱1,947,446	(₱49,248)	₱1,019,858	₱79,087	₱1,674,873	(₱11,657)	₱5,168,715
Post-tax income from discontinued operations	-	-	-	-	-	-	297,347	297,347
Net income	₱508,356	₱1,947,446	(₱49,248)	₱1,019,858	₱79,087	₱1,674,873	₱285,690	₱5,466,062
Net income attributable to non-controlling interest	₱11,601	₱733,808	₱-	₱-	₱10,811	₱-	₱5,874	₱762,094
Net income attributable to equity holders	₱496,755	₱1,213,638	(₱49,248)	₱1,019,858	₱68,276	₱1,674,873	₱279,816	₱4,703,968
Segment Assets								
Cash	₱474,109	₱481,921	₱64,618	₱1,210,587	₱10,728	₱-	₱613,818	₱2,855,781
Receivables	1,631,613	752,738	112,941	4,245,375	491,197	-	37,046	7,270,910
Inventories	503,754	1,983,780	51,643	6,979,981	999,387	-	38,993	10,557,538
Investment in associates and joint venture	721,899	45,650	-	-	-	6,979,839	-	7,747,388
Property, plant and equipment	3,127,493	2,270,454	18,505	393,889	16,553,276	-	5,928	22,369,545
Others	3,242,461	830,695	3,641	3,545,684	219,538	-	125,517	7,967,536
	₱9,701,329	₱6,365,238	₱251,348	₱16,375,516	₱18,274,126	₱6,979,839	₱821,302	₱58,768,698
Segment Liabilities								
Customers' advances and deposits	₱2,399,423	₱1,207	₱-	₱1,695,276	₱-	₱-	₱-	₱4,095,906
Loans payable	972,561	1,267,555	-	4,202,965	9,571,203	-	3,218,115	19,232,399
Finance lease payable	99,000	-	-	-	-	-	-	99,000
Others	3,740,085	2,480,958	87,636	4,042,809	804,375	-	690,270	11,846,133
	₱7,211,069	₱3,749,720	₱87,636	₱9,941,050	₱10,375,578	₱-	₱3,908,385	₱35,273,438
Other disclosures								
Acquisition of land for future development (Note 12)	₱-	₱-	₱-	₱433,431	₱-	₱-	₱-	₱433,431



The Group's management reporting and controlling systems use accounting policies that are the same as those described in Note 2 in the summary of significant accounting policies under PFRS.

The Group measures the performance of its operating segments through a measure of segment profit or loss which is referred to as "EBITDA" in the management and reporting system.

EBITDA is the measure of segment profit (loss) used in segment reporting and comprises gross profit, selling and general administrative expenses, research and non-capitalized development costs, other operating income (expense), net, as well as other financial income (expense), net.

Intersegment revenue is generally recorded at values that approximate third-party selling prices.

Segment assets principally comprise all assets. The industrial business segments' assets exclude income tax assets, assets from defined benefit plans and certain financial assets.

Segment liabilities principally comprise all liabilities. The industrial business segments' liabilities exclude income tax liabilities, liabilities from defined benefit plans and certain financial liabilities.

Geographic Information

Analysis of sales and revenue by geographical location

The financial information about the operations of the coal mining as of December 31, 2011, 2010 and 2009 reviewed by the management follows:

Customer Location	2011	2010	2009
	(Amounts in Thousands)		
Revenue			
Local	₱9,041,168	₱7,816,713	₱7,252,952
Export	7,160,713	8,926,588	4,247,241
	₱16,201,881	₱16,743,301	₱11,500,193

Substantially all revenue from external customers are from open cut mining and sales of thermal coal. Local and export classification above is based on the geographic location of the customer. All non-current assets other than financial instruments are located in the Philippines.

Sales to power company amounted to ₱7.01 billion, ₱2.37 billion and ₱4.30 billion for the years ended December 31, 2011, 2010 and 2009, respectively. All these revenue were from the Coal mining segment.



35. Financial Instruments

Fair Value of Financial Instruments

The table below presents a comparison by category of carrying amounts and estimated fair values of all the Group's financial instruments as of December 31, 2011 and 2010 (amounts in thousands):

	2011		2010	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Loans and Receivables				
Cash and cash equivalents				
Cash on hand and in banks	₱6,095,360	₱6,095,360	₱4,796,531	₱4,796,531
Cash equivalents	8,970,388	8,970,388	5,150,135	5,150,135
Receivables - net				
Trade				
Real estate	4,822,712	6,679,789	5,652,968	7,267,264
General construction	1,972,497	1,972,497	2,306,369	2,306,369
Coal mining	1,077,440	1,077,440	1,467,097	1,467,097
Electricity sales	2,176,048	2,176,048	1,772,302	1,772,302
Merchandising and others	57,740	57,740	51,601	51,601
Receivable from related parties	452,115	452,115	491,700	491,700
Advances to officers and employees	42,886	42,886	49,549	49,549
Other receivables	245,139	245,139	169,234	169,234
Security deposits	132,681	132,681	339,022	339,022
Refundable deposits	226,962	226,962	244,049	244,049
	26,271,968	28,129,045	22,490,557	24,104,853
AFS investments				
Quoted securities	58,181	58,181	49,535	49,535
Unquoted securities	166,236	166,236	166,236	166,236
	224,417	224,417	215,771	215,771
Financial asset at FVPL	71,400	71,400	-	-
	₱26,567,785	₱28,424,862	₱22,706,328	₱24,320,624
Other Financial Liabilities				
Accounts and other payables	₱11,925,949	₱11,925,949	₱10,101,780	₱10,101,781
Liabilities for purchased land	931,933	881,087	1,391,884	1,288,909
Payable to related parties	326,997	326,997	517,384	517,384
Short-term and long-term debt - including current portion	23,080,213	24,683,985	19,777,358	21,908,553
Other noncurrent liabilities	1,732,378	1,732,378	1,170,027	1,170,027
	₱37,997,470	₱39,550,396	₱32,958,433	₱34,986,654

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 reporting 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 2011 and 2010 ranged from 15.12% to 16.50% and 13.16% to 16.00%, respectively.

Security deposits (related to Semirara's Operating Leases) - As of December 31, 2010, the fair values of the security deposits approximate their carrying amounts since these are already receivable within the year. As of December 31, 2011, security deposits has been fully collected.



AFS quoted equity securities and financial assets at FVPL - Fair values are based on quoted prices published in markets.

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.

Security deposits other than those pertaining to operating leases and unquoted AFS financial assets - In the absence of a reliable basis of determining fair values due to the unpredictable nature of future cash flows and the lack of suitable methods in arriving at a reliable fair value, these security deposits are carried at cost less impairment allowance, if any.

Financial liabilities

The fair values of accounts and other payables and accrued expenses and payables to related parties approximate their carrying amounts as of reporting dates due to the short-term nature of the transactions.

Estimated fair value of long-term fixed rate loans and liabilities for purchased land are based on the discounted value of future cash flows using the applicable rates for similar types of loans with maturities consistent with those remaining for the liability being valued. For floating rate loans, the carrying value approximates the fair value because of recent and regular repricing (quarterly) based on market conditions.

Fair Value Hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As at December 31, 2011 and 2010, the Group's AFS financial assets amounting to ₱58.18 million and ₱49.54 million, respectively (see Note 6), and financial assets at FVPL amounting to ₱71.40 million in 2011 are carried at fair value based on Level 1 (see Note 5). There were no transfers among levels 1, 2 and 3 in 2011 and 2010.

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 equity price risk, market price risk, foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group's BOD reviews and approves policies for managing each of these risks and they are summarized below.



The sensitivity analyses have been prepared on the following bases:

- Equity price risk - movements in equity indices
- Market Price risk - movements in one-year historical coal prices
- Interest rate risk - market interest rate on unsecured bank loans
- Foreign currency risk - yearly movement in the foreign exchange rates

The assumption used in calculating the sensitivity analyses of the relevant income statement item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at December 31, 2011 and 2010.

Equity price risk

Equity price risk is the risk that the fair values of equities decrease as a result of changes in the levels of equity indices and the value of individual stocks. The Group manages the equity price risk through diversification and placing limits on individual and total equity instruments.

The effect on equity as a result of a change in fair value of quoted equity instruments held as financial asset at FVPL as of December 31, 2011 due to a reasonably possible change in equity indices, with all other variables held constant, will have an increase on equity by ₱0.50 million if equity indices will increase by 1%. An equal change in the opposite direction would have decreased equity by the same amount.

The effect on equity (as a result of a change in fair value of quoted equity instruments held as AFS investments as of December 31, 2011 due to a reasonably possible change in equity indices, with all other variables held constant, will have an increase on equity by ₱24.01 million if equity indices will increase by 15%. An equal change in the opposite direction would have decreased equity by the same amount.

The effect on equity (as a result of a change in fair value of quoted equity instruments held as AFS investments as of December 31, 2010 due to a reasonably possible change in equity indices, with all other variables held constant, will have an increase on equity by ₱18.02 million if equity indices will increase by 15%. An equal change in the opposite direction would have decreased equity by the same amount.

Market price risk

Market price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The price that the Group can charge for its coal is directly and indirectly related to the price of coal in the world coal market. In addition, as the Group is not subject to domestic competition in the Philippines, the pricing of all of its coal sales is linked to the price of imported coal. World thermal coal prices are affected by numerous factors outside the Group's control, including the demand from customers which is influenced by their overall performance and demand for electricity. Prices are also affected by changes in the world supply of coal and may be affected by the price of alternative fuel supplies, availability of shipping vessels as well as shipping costs. As the coal price is reset on a periodic basis under coal supply agreements, this may increase its exposure to short-term coal price volatility.



There can be no assurance that world coal prices will be sustained or that domestic and international competitors will not seek to replace the Group in its relationship with its key customers by offering higher quality, better prices or larger guaranteed supply volumes, any of which would have a materially adverse effect on the Group's profits.

To mitigate this risk, the Group continues to improve the quality of its coal and diversify its market from power industry, cement industry, other local industries and export market. This will allow flexibility in the distribution of coal to its target customers in such manner that minimum target average price of its coal sales across all its customers will still be achieved (i.e., domestic vs local). Also, in order to mitigate any negative impact resulting from price changes, it is the Group's policy to set minimum contracted volume for customers with long term supply contracts for each given period (within the duration of the contract) and pricing is negotiated on a monthly basis to even out the impact of any fluctuation in coal prices, thus, protecting its target margin. The excess volumes are allocated to spot sales which may command different price than those contracted already since the latter shall follow pricing formula per contract. Nevertheless, on certain cases temporary adjustments on coal prices with reference to customers following a certain pricing formula are requested in order to recover at least the cost of coal if the resulting price is abnormally low vis-à-vis cost of production (i.e., abnormal rise in cost of fuel, forex).

Below are the details of the Group's coal sales to the domestic market (excluding those to the power-generating companies) and to the export market:

	2011	2010
Domestic market	41.14%	29.24%
Export market	37.27	57.36
<i>as a percentage of total coal sales volume</i>		

The following table shows the effect on income before income tax should the change in the prices of coal occur based on the inventory of the Group as of December 31, 2011 and 2010, with all other variables held constant. The change in coal prices is based on 1-year historical price movements.

<i>Based on ending coal inventory</i>	Effect on income before income tax	
	2011	2010
Change in coal prices	(Amounts in Thousands)	
Increase by 30%	₱915,762	₱344,913
Decrease by 30%	(915,762)	(344,913)
	Effect on income before income tax	
<i>Based on coal sales volume</i>	2011	2010
Change in coal prices	(Amounts in Thousands)	
Increase by 30%	₱6,019,117	₱5,022,990
Decrease by 30%	(6,019,117)	(5,022,990)

Foreign currency risk

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

The Group does not have any foreign currency hedging arrangements.



Information on the Group's foreign currency-denominated monetary assets and liabilities and their Philippine peso equivalents as of December 31, 2011 and 2010 follows (amounts in thousands):

	2011				
	U.S. Dollar	Japanese Yen	UK Pounds	Euro	Php Equivalent
Assets					
Cash and cash equivalents	\$46,740	¥2,739	£117	€43	₱2,060,982
Trade receivables					
Coal mining	2,897	–	–	–	127,004
	\$49,637	2,739	117	43	2,187,986
Liabilities					
Accounts and other payables	3,352	–	–	–	146,952
Long-term debt (including current portion)	119,690	–	–	–	5,247,210
	123,042	–	–	–	5,394,162
Net foreign currency denominated assets (liabilities)	(\$73,405)	¥2,739	£117	€43	(₱3,206,176)
	2010				
	U.S. Dollar	Japanese Yen	UK Pounds	Euro	Php Equivalent
Assets					
Cash and cash equivalents	\$60,714	¥2,886	£–	€–	₱2,663,260
Trade receivables					
Coal mining	15,951	–	–	–	699,292
	76,665	2,886	–	–	3,362,552
Liabilities					
Accounts and other payables	15,768	–	–	–	691,269
Long-term debt (including current portion)	68,143	–	–	–	2,987,389
	83,911	–	–	–	3,678,658
Net foreign currency denominated assets (liabilities)	(\$7,246)	¥2,886	£–	€–	(₱316,106)

The exchange rates used to restate the Group's foreign currency-denominated assets and liabilities as of December 31, 2011 and 2010 follow:

	2011	2010
US Dollar - Philippine Peso	₱43.84 to US\$1.00	₱43.84 to US\$1.00
Japanese Yen - Philippine Peso	₱0.56 to ¥1.00	₱0.54 to ¥1.00
UK Pounds - Philippine Peso	₱67.75 to £1.00	₱68.03 to £1.00
Euro - Philippine Peso	₱56.73 to €1.00	–

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, 2011 and 2010 (amounts in thousands).

2011

	Basis Pts	Effect on Profit	Effect on Equity
In Peso per U.S. Dollar			
Increase	2	(₱146,810)	(₱102,767)
Decrease	(2)	146,810	102,767
In Peso per Japanese Yen			
Increase	2	5,478	3,835
Decrease	(2)	(5,478)	(3,835)

(Forward)



	Basis Pts	Effect on Profit	Effect on Equity
In Peso per UK Pounds			
Increase	8	₱234	₱164
Decrease	(8)	(234)	(164)
In Peso per Euro			
Increase	8	86	60
Decrease	(8)	(86)	(60)

2010

	Basis pts	Effect on Profit	Effect on Equity
In Peso per U.S. Dollar			
Increase	2	(₱14,492)	(₱10,144)
Decrease	(2)	14,492	10,144
In Peso per Japanese Yen			
Increase	2	5,772	4,040
Decrease	(2)	(5,772)	(4,040)

The movement in sensitivity analysis is derived from current observations on fluctuations in foreign currency exchange rates.

The Group recognized foreign exchange loss of ₱46.57 million and ₱177.72 million foreign exchange gain for the years ended December 31, 2011 and 2010, respectively, arising from the translation of the Group's cash and cash equivalents, trade receivables and long-term debt.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Group's maximum exposure to credit risk for the components of the statement of financial position at December 31, 2011 and 2010 is the carrying amounts except for real estate receivables. The Group's exposure to credit risk arises from default of the counterparties which include certain financial institutions, real estate buyers, subcontractors, suppliers and various electric companies. Credit risk management involves dealing only with recognized, creditworthy third parties. It is the Group's policy that all counterparties who wish to trade on credit terms are subject to credit verification procedures. The Treasury Department's policy sets a credit limit for each counterparty. In addition, receivable balances are monitored on an ongoing basis. The Group's financial assets are not subject to collateral and other credit enhancement except for real estate receivables and mining receivables from export sales. As of December 31, 2011 and 2010, the Group's exposure to bad debts is not significant.

Real estate contracts

Credit risk is managed primarily through credit reviews and an analysis of receivables on a continuous basis. The Group also undertakes supplemental credit review procedures for certain installment payment structures. The Group's stringent customer requirements and policies in place contributes to lower customer default. Customer payments are facilitated through various collection modes including the use of postdated checks. The credit risk for real estate receivable is also mitigated as the Group has the right to cancel the sales contract and takes possession of the subject house without need for any court action in case of default in payments by the buyer. This risk is further mitigated because the corresponding title to the subdivision units sold under this arrangement is transferred to the buyers only upon full payment of the contract price. Real estate receivables with carrying value of ₱4.82 billion and ₱5.65 billion as of December 31, 2011 and 2010, respectively, are guaranteed by collaterals with fair value of ₱7.59 billion and ₱12.95 billion, respectively. This resulted to a net exposure of ₱0.85 billion and ₱1.54 billion for



2011 and 2010, respectively. Financial effect of collaterals for the said real estate receivables amounted to ₱3.97 billion and ₱4.11 billion in 2011 and 2010, respectively.

Electricity sales

The Group earns substantially all of its revenue from the Wholesale Electricity Spot Market (WESM) and from various electric companies. WESM and the various electric companies are committed to pay for the energy generated by the power plant facilities.

Under the current regulatory regime, the generation rate charged by the Group to WESM is not regulated but is determined in accordance with the WESM Price Determination Methodology (PDM) approved by the Energy Regulatory Commission (ERC) and are complete pass-through charges to WESM. PDM is intended to provide the specific computational formula that will enable the market participants to verify the correctness of the charges being imposed. Likewise, the generation rate charged by the Group to various electric companies is not subject to regulations and are complete pass-through charges to various electric companies.

Mining

The Group evaluates the financial condition of the local customers before deliveries are made to them. On the other hand, export sales are covered by sight letters of credit issued by foreign banks subject to the Group's approval, hence, mitigating the risk on collection.

The Group generally offers 80% of coal delivered payable within thirty (30) days upon receipt of billing and the remaining 20% payable within 15 days after receipt of final billing based on final analysis of coal delivered.

Construction contracts

The credit risk for construction receivables is mitigated by the fact that the Group can resort to carry out its contractor's lien over the project with varying degrees of effectiveness depending on the jurisprudence applicable on location of the project. A contractor's lien is the legal right of the Group to takeover the projects-in-progress and have priority in the settlement of contractor's receivables and claims on the projects-in-progress and have priority in the settlement of contractor's receivables and claims on the projects in progress is usually higher than receivables from and future commitments with the project owners. Trade and retention receivables from project owners are normally high standard because of the creditworthiness of project owners and collection remedy of contractor's lien accorded contractor in certain cases.

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 statement of financial position.

	2011	2010
	(Amounts in Thousands)	
Cash and cash equivalents		
Cash in banks	₱5,995,566	₱4,782,977
Cash equivalents	8,970,388	5,150,135
Available-for-sale financial assets		
Quoted securities	58,181	49,535
Unquoted securities	166,236	166,236
Receivables		
Trade		
Real estate	4,822,712	5,652,968
General construction	1,972,497	2,306,369
Mining	969,026	884,966
Electricity sales	2,176,048	1,772,302
Merchandising and others	57,740	51,601
Receivable from related parties	452,115	491,700
Advances to officers and employees	42,886	49,549
Other receivables	245,139	169,234
Security deposits	132,681	339,022
Refundable deposits	226,962	244,049
Total credit risk exposure	₱26,288,177	₱22,110,643

As of December 31, 2011 and 2010, the credit quality per class of financial assets that were neither past due nor impaired is as follows (amounts in thousands):

2011

	Neither past due nor impaired			Past due or Individually	Total
	Grade A	Grade B	Grade C	Impaired	
Cash in bank and cash equivalents	₱14,965,954	₱-	₱-	₱-	₱14,965,954
Available-for-sale financial assets					
Quoted	58,181	-	-	-	58,181
Unquoted	-	166,236	-	-	166,236
Receivables					
Trade					
Real estate	2,437,083	760,075	616,671	1,008,883	4,822,712
General construction	1,457,503	-	-	521,782	1,979,285
Mining	943,590	114,945	-	18,905	1,077,440
Electricity sales	2,176,048	-	-	53,524	2,229,572
Merchandising	57,740	-	-	-	57,740
Receivable from related parties	452,115	-	-	-	452,115
Advances to officers and employees	10,802	31,659	-	425	42,886
Other receivables	235,530	4,915	-	116,115	356,560
Security deposits	132,681	-	-	-	132,681
Refundable deposits	226,962	-	-	-	226,962
Total	23,154,189	1,077,830	616,671	1,719,634	26,568,324
Allowance for:					
General construction	-	-	-	6,788	6,788
Electricity sales	-	-	-	53,524	53,524
Others	-	-	-	111,421	111,421
Total allowance	-	-	-	171,733	171,733
Net amount	₱23,154,189	₱1,077,830	₱616,671	₱1,547,901	₱26,396,591



2010

	Neither past due nor impaired			Past due or Individually	Total
	Grade A	Grade B	Grade C	Impaired	
Cash in bank and cash equivalents	₱9,933,112	₱-	₱-	₱-	₱9,933,112
Available-for-sale financial assets					
Quoted	49,535	-	-	-	49,535
Unquoted	-	166,236	-	-	166,236
Receivables					
Trade:					
Real estate	1,589,169	1,227,004	1,001,593	1,835,202	5,652,968
General construction	1,092,909	-	-	1,217,874	2,310,783
Mining	1,013,930	347,713	-	113,346	1,474,989
Electricity sales	1,772,302	-	-	53,524	1,825,826
Merchandising	51,601	-	-	-	51,601
Receivable from related parties	491,700	-	-	-	491,700
Advances to officers and employees	33,901	15,223	-	425	49,549
Other receivables	133,744	34,828	-	99,279	267,851
Security deposits	339,022	-	-	-	339,022
Refundable deposits	244,049	-	-	-	244,049
Total	16,744,974	1,791,004	1,001,593	3,319,650	22,857,221
Allowance for:					
General construction	-	-	-	4,414	4,414
Mining	-	-	-	7,892	7,892
Electricity sales	-	-	-	53,524	53,524
Others	-	-	-	98,617	98,617
Total allowance	-	-	-	164,447	164,447
Net amount	₱16,744,974	₱1,791,004	₱1,001,593	₱3,155,203	₱22,692,774

Cash and Cash Equivalents

Cash and cash equivalents are short-term placements and working cash fund placed, invested or deposited in foreign and local banks belonging to top ten (10) banks in the Philippines in terms of resources and profitability. These financial assets are classified as Grade A due to the counterparties' low probability of insolvency.

AFS Financial Assets

The Group's AFS financial assets are classified as Grade B because these assets are susceptible to untoward consequences due to the current financial positions of counterparties.

Receivables

Included under Grade A are accounts considered to be of high value and are covered with coal supply, power supply, and construction contracts. The counterparties have a very remote likelihood of default and have consistently exhibited good paying habits. Grade B accounts are active accounts with minimal to regular instances of payment default, due to collection issues. These accounts are typically not impaired as the counterparties generally respond to credit actions and update their payments accordingly. The Group determines financial assets as impaired when probability of recoverability is remote and in consideration of lapse in period which the asset is expected to be recovered.

For real estate receivables, advances to officers and employees and other receivables, Grade A are classified as financial assets with high credit worthiness and probability of default is minimal. While receivables under Grade B and C have favorable and acceptable risk attributes, respectively, with average credit worthiness.



Receivable from related parties are considered Grade A due to the Group's positive collection experience.

Receivables are aged and analyzed on a continuous basis to minimize credit risk associated with these receivables. Receivable balances are monitored on an ongoing basis to ensure timely execution of necessary intervention efforts, such as raising the case to the Group's legal department. Regular monitoring of receivables resulted to manageable exposure to bad debts.

Security and Refundable Deposits

Security and refundable deposits are classified as Grade A since these are to be refunded by the lessor and utility companies at the end of lease term and holding period, respectively, as stipulated in the agreements.

As of December 31, 2011 and 2010, the aging analysis of the Group's financial assets presented per class follows (amounts in thousands):

2011

	Past due but not impaired					Impaired Assets	Total
	<30 days	30-60 days	61-90 days	91-120 days	>120 days		
Receivables							
Trade							
Real estate	₱133,231	₱79,859	₱34,621	₱754,237	₱6,934	₱-	₱1,008,882
General construction	-	280,700	87,300	146,994	-	6,788	521,782
Mining	-	10,647	8,258	-	-	-	18,905
Electricity sales	-	-	-	-	-	53,524	53,524
Advances to officers and employees	-	425	-	-	-	-	425
Other receivables	-	-	-	4,694	-	111,421	116,115
Total	₱133,231	₱371,631	₱130,179	₱905,925	₱6,934	₱171,733	₱1,719,633

2010

	Past due but not impaired					Impaired Assets	Total
	<30 days	30-60 days	61-90 days	91-120 days	>120 days		
Receivables							
Trade							
Real estate	₱234,228	₱136,374	₱108,226	₱1,049,508	₱306,866	₱-	₱1,835,202
General construction	350,748	160,697	272,061	429,954	-	4,414	1,217,874
Mining	-	91,602	-	13,852	-	7,892	113,346
Electricity sales	-	-	-	-	-	53,524	53,524
Advances to officers and employees	425	-	-	-	-	-	425
Other receivables	-	6,607	-	8,729	-	83,943	99,279
Total	₱585,401	₱395,280	₱380,287	₱1,502,043	₱306,866	₱149,773	₱3,319,650

The repossessed lots and residential houses are transferred back to inventory under the account Real estate for sale and held for development and are held for sale in the ordinary course of business. The total of these inventories is ₱593.61 million and ₱154.75 million in 2011 and 2010, respectively. The Group performs certain repair activities on the said repossessed assets in order to put their condition at a marketable state. Costs incurred in bringing the repossessed assets to its marketable state are included in their carrying amounts.

The Group did not accrue any interest income on impaired financial assets.



Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Group seeks to manage its liquidity profile to be able to service its maturing debts and to finance capital requirements. The Group maintains a level of cash and cash equivalents deemed sufficient to finance operations.

A significant part of the Group's financial assets that are held to meet the cash outflows include cash equivalents and accounts receivables. Although accounts receivables are contractually collectible on a short-term basis, the Group expects continuous cash inflows through continuous production and sale of coal and power generation. In addition, although the Group's short-term deposits are collectible at a short notice, the deposit base is stable over the long term as deposit rollovers and new deposits can offset cash outflows.

Moreover, the Group considers the following as mitigating factors for liquidity risk:

- It has available lines of credit that it can access to answer anticipated shortfall in sales and collection of receivables resulting from timing differences in programmed inflows and outflows.
- It has very diverse funding sources.
- It has internal control processes and contingency plans for managing liquidity risk. Cash flow reports and forecasts are reviewed on a weekly basis in order to quickly address liquidity concerns. Outstanding trade receivables are closely monitored to avoid past due collectibles.
- The Group regularly evaluates its projected and actual cash flows. It also continuously assesses conditions in the financial markets for opportunities to pursue fund-raising activities. Fund-raising activities may include bank loans and capital market issues both on-shore and off-shore which is included in the Group's corporate planning for liquidity management.

The following table summarizes the maturity profile of the Group's financial assets and liabilities as of December 31, 2011 and 2010, based on contractual undiscounted cash flows. The table also analyses the maturity profile of the Group's financial assets in order to provide a complete view of the Group's contractual commitments (amounts in thousands).

2011

	On Demand	Within 1 year	1-2 years	2-3 years	3-4 years	Total
Loans and Receivable						
Cash and cash equivalents	₱13,858,426	₱1,107,528	₱-	₱-	₱-	₱14,965,954
Receivables						
Trade:						
Real estate	1,565,323	687,009	459,866	1,467,655	1,181,615	5,361,468
General construction	1,396,034	583,251	-	-	-	1,979,285
Coal mining	1,050,611	26,829	-	-	-	1,077,440
Electricity sales	887,566	1,342,006	-	-	-	2,229,572
Merchandising	57,740	-	-	-	-	57,740
Receivable from related parties	449,925	2,190	-	-	-	452,115
Advances to officers and employees	38,398	4,488	-	-	-	42,886
Other receivables	617,766	-	-	-	-	617,766
Security deposits	-	-	-	-	-	-
Refundable deposits	356,560	-	-	-	-	356,560
	20,278,349	3,753,301	459,866	1,467,655	1,181,615	27,140,786
AFS financial assets						
Quoted securities	-	58,181	-	-	-	58,181
Unquoted securities	-	166,236	-	-	-	166,236
	-	224,417	-	-	-	224,417
Financial assets at FVPL	71,400	-	-	-	-	71,400
Total undiscounted financial assets	₱20,349,749	₱3,977,718	₱459,866	₱1,467,655	₱1,181,615	₱27,436,603

(Forward)



	On Demand	Within 1 year	1-2 years	2-3 years	3-4 years	Total
Other Financial Liabilities						
Short-term debt	₱1,490,647	₱-	₱-	₱-	₱-	₱1,490,647
Accounts payable and other payables	10,587,003	-	1,338,946	-	-	11,925,949
Liabilities for purchased land	473,821	208,777	151,828	66,507	31,000	931,933
Payable to related parties	52,120	274,877	-	-	-	326,997
Long-term Debt						
Term loan facility						
US\$32.00 million loan with interest payable in arrears, to be repriced every 90 days	810	140,778	-	-	-	141,588
US\$29.26 million loan with interest payable semi-annually in arrears, to be repriced every 6 months	7,628	649,524	675,016	-	-	1,332,168
US\$15.70 million loan with interest payable in arrears, to be repriced every 30 to 180 days	3,461	447,369	246,064	-	-	696,894
US\$23.45 million loan with interest payable in arrears, to be repriced every 3 months	5,533	246,646	791,123	-	-	1,043,302
\$21.11 million deferred purchase payment at 4% interest p.a. over the rate 180 days	4,985	4,985	932,310	-	-	942,280
₱9.60 billion at PDST-F benchmark yield for 3-month treasury securities +1.75%	25,446	1,477,733	1,568,361	-	-	3,071,540
Various local bank loans						
7.5% to 10%	-	804	-	-	-	804
Various car loans						
15.56% to 27.14%	-	3,313	-	-	-	3,313
Agreement to purchase - 7.0% to 13.75%	-	1,759	2,722	-	-	4,481
Finance lease 6.00% to 6.57%	-	7,782	4,570	-	-	12,352
Other noncurrent liabilities	-	-	-	-	-	-
Total undiscounted financial liabilities	12,651,454	3,464,347	5,710,940	66,507	31,000	21,924,248
Liquidity gap	₱7,698,295	₱513,371	(₱5,251,074)	₱1,401,148	₱1,150,615	₱5,512,355

2010

	On Demand	Within 1 year	1-2 years	2-3 years	3-4 years	Total
Loans and Receivable						
Cash and cash equivalents	₱8,782,977	₱1,163,689	₱-	₱-	₱-	₱9,946,666
Receivables						
Trade:						
Real estate	-	2,860,740	631,079	522,077	1,639,072	5,652,968
General construction	-	2,310,783	-	-	-	2,310,783
Coal mining	-	1,474,989	-	-	-	1,474,989
Electricity sales	-	1,825,826	-	-	-	1,825,826
Merchandising	-	51,601	-	-	-	51,601
Receivable from related parties	-	491,700	-	-	-	491,700
Advances to officers and employees	-	49,549	-	-	-	49,549
Other receivables	-	253,177	-	-	-	253,177
Security deposits	-	304,401	-	-	-	304,401
Refundable deposits	-	244,049	-	-	-	244,049
	8,782,977	11,030,504	631,079	522,077	1,639,072	22,605,709
AFS financial assets						
Quoted securities	-	49,535	-	-	-	49,535
Unquoted securities	-	172,668	-	-	-	172,668
	-	222,203	-	-	-	222,203
Total undiscounted financial assets	₱8,782,977	₱11,252,707	₱631,079	₱522,077	₱1,639,072	₱22,827,912



	On Demand	Within 1 year	1-2 years	2-3 years	3-4 years	Total
Other Financial Liabilities						
Short-term debt	₱-	₱753,534	₱-	₱-	₱-	₱753,534
Accounts payable and other payables	-	9,064,396	-	-	-	9,064,396
Liabilities for purchased land	-	703,651	268,952	195,393	286,290	1,454,286
Payable to related parties	-	517,384	-	-	-	517,384
Long -term Debt						
Term loan facility						
US\$16.00 million loan with interest payable in arrears, to be repriced every 90 days	-	-	714,934	-	-	714,934
US\$14.58 million loan with interest payable semi-annually in arrears, to be repriced every 6 months	-	-	651,305	-	-	651,305
US\$10.08 million loan with interest payable in arrears, to be repriced every 30 to 180 days	-	-	490,538	-	-	490,538
US\$5.48 million loan with interest payable in arrears, to be repriced every 3 months	-	-	244,280	-	-	244,280
\$17.62 million deferred purchase payment at 4% interest p.a. over the rate 180 days	-	-	775,377	-	-	775,377
₱9.60 billion at PDST-F benchmark yield for 3-month treasury securities +1.75%	-	1,382,622	1,752,278	1,709,599	5,653,301	10,497,800
Various local bank loans 7.5% to 10%	9,995	541,784	18,891	13,883	39,290	623,843
Various car loans 15.56% to 27.14%	2,192	1,871	1,210	675	228	6,176
Agreement to purchase - 7.0% to 13.75%	2,049,924	948,196	586,387	652,358	2,993,030	7,229,895
Finance lease 6.00% to 6.57%	-	55,756	46,007	23,004	-	124,767
Other noncurrent liabilities	-	-	757,688	-	-	757,688
Total undiscounted financial liabilities	2,062,111	13,969,194	6,307,847	2,594,912	8,972,139	33,906,203
Liquidity gap	₱6,720,866	(₱2,716,487)	(₱5,676,768)	(₱2,072,835)	(₱7,333,067)	(₱11,078,291)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to market risk for changes in interest rates relates primarily to the Group's long-term debt obligations. The Group's policy is to manage its interest cost using a mix of fixed and variable rate debt.

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

	Change in basis points	Effect on income before income tax	Effect on equity
(Amounts in Thousands)			
2011			
Dollar floating rate borrowings	+100	(₱934)	(₱654)
	-100	934	654
Peso floating rate borrowings	+100	(₱85,075)	(₱59,552)
	-100	85,075	59,552
2010			
Dollar floating rate borrowings	+100	(₱461)	(₱323)
	-100	461	323
Peso floating rate borrowings	+100	(₱97,357)	(₱68,150)
	-100	97,357	68,150



The assumed movement in basis points for interest rate sensitivity analysis is based on the Group's historical changes in market interest rates on unsecured bank loans.

36. Other Comprehensive Income

The Group does not recognize income tax on the components of other comprehensive income as presented in the following table (amounts in thousands):

	Other Comprehensive Income					
	Net Unrealized Gain (Loss) on Available-for-Sale Financial Assets (Note 6)	Cumulative Translation Adjustment	Revaluation increment in nonfinancial assets	Total	Attributable to Parent Company	Attributable to minority interests
As of January 1, 2011	(₱2,781)	₱-	₱-	(₱2,781)	(₱2,781)	₱-
Other comprehensive income:						
Unrealized gain on AFS financial assets (Note 6)	1,691			1,691	1,691	-
Balances at December 31, 2011	(₱1,090)	₱-	₱-	(₱1,090)	(₱1,090)	₱-

	Other Comprehensive Income					
	Net Unrealized Gain (Loss) on Available-for-Sale Financial Assets (Note 6)	Cumulative Translation Adjustment	Revaluation increment in nonfinancial assets	Total	Attributable to Parent Company	Attributable to minority interests
As of January 1, 2010	(₱6,649)	₱25	₱80,005	₱73,381	₱72,093	₱1,288
Other comprehensive income:						
Transfer to statement of income due to disposal of a subsidiary	-	(25)	(80,005)	(80,030)	(78,742)	(1,288)
Unrealized gain on AFS financial assets (Note 6)	3,868	-	-	3,868	3,868	-
Balances at December 31, 2010	(₱2,781)	₱-	₱-	(₱2,781)	(₱2,781)	₱-

	Other Comprehensive Income					
	Net Unrealized Gain (Loss) on Available-for-Sale Financial Assets (Note 6)	Cumulative Translation Adjustment	Revaluation increment in nonfinancial assets	Total	Attributable to Parent Company	Attributable to minority interests
As of January 1, 2009	₱-	₱3,822	₱80,005	₱83,827	₱82,477	₱1,350
Other comprehensive income:						
Exchange differences on translating foreign operations	-	(3,797)	-	(3,797)	(3,735)	(62)
Unrealized loss on AFS financial assets (Note 6)	(6,649)	-	-	(6,649)	(6,649)	-
Balances at December 31, 2009	(₱6,649)	₱25	₱80,005	₱73,381	₱72,093	₱1,288



37. Contingencies and Commitments

Contingencies

Provision for probable legal claims

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.

Provision for billing disputes

On October 20, 2010, SCPC filed a Petition for dispute resolution ("Petition") before the ERC against NPC and PSALM involving over-nominations made by NPC during the billing period January to June 2010 beyond the 169,000 kW MERALCO allocation of SCPC, as provided under the Schedule W of the APA.

In its Petition, SCPC sought to recover the cost of energy (a) sourced by SCPC from WESM in order to meet NPC's nominations beyond the 169,000 kW MERALCO contracted demand, or (b) procured by NPC from the WESM representing energy nominated by NPC in excess of the 169,000 kW limit set in Schedule W, cost of which was charged by PSALM against SCPC. In relation to this, NPC withheld the payments of MERALCO and remitted to SCPC the collections net of the cost of the outsourced energy.

SCPC has likewise sought to recover interest on the withheld MERALCO payments collected by PSALM that is unpaid to SCPC as of due date, to be charged at the rate of 11% computed from the date of the SCPC's extrajudicial demand until full payment by PSALM.

During the preliminary conference scheduled on November 25, 2010, the ERC's hearing officer directed the parties to explore the possibility of settling the dispute amicably. As the parties failed to arrive at a compromise during the prescribed period, hearings resumed with the conduct of preliminary conference last February 23, 2011, without prejudice to the result of any further discussions between the parties for amicable settlement. A series of hearing was conducted on March 22, 2011 and April 4, 2011, where witnesses were presented to testify on the dispute resolution. Within a period of thirty (30) days from April 4, 2011, the parties were directed to submit, simultaneously, their respective offers of evidence and memorandum. After the submission of said documents, the case will be deemed submitted for ERC's deliberation and decision.

SCPC made a provision for the total amount withheld by NPC, which amounted to ₱383.29 million (see Note 25). Though a provision has already been made, SCPC has not waived its right to collect the said amount in case the outcome of the dispute resolution would be a favorable settlement for SCPC. The provision will be reversed and an income would be recognized in the "Other income" account upon collection of the said receivable.

As of April 23, 2011, ERC has not yet issued a resolution for the abovementioned dispute.



Lease Commitments

Operating Lease - As Lessor

The Group entered into lease agreements with third parties covering its investment property portfolio (see Note 12). The lease agreements provide for a fixed monthly rental and is renewable under the terms and condition agreed with the lessees.

As of December 31, 2011 and 2010, future minimum lease receivables under the aforementioned operating lease (in thousands) are as follows:

	2011	2010
Within one year	₱5,816	₱15,026
After one year but not more than five years	5,971	9,301
More than five years	823	1,555
	₱12,610	₱25,882

Operating Lease - As Lessee

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

As of December 31, 2011 and 2010, future minimum lease payments under the above mentioned operating lease (in thousands) are as follows:

	2011	2010
Within one year	₱3,073	₱69,742
After one year but not more than five years	9,218	12,290
	₱12,291	₱82,032

Also as discussed in Note 14, the Group entered into a Land Lease Agreement with PSALM for the lease of land in which the plant is situated, for a period of 25 years, renewable for another 25 years with the mutual agreement of both parties. The Group paid US\$3.19 million or its peso equivalent ₱150.57 million as payment for the 25 years of rental.

Part of the agreement, the Group has the option to buy the Optioned Assets. Optioned assets are parcels of land that form part of the leased premises which the lessor offers for the sale to the lease for which the lessor issues an Option Existence Notice (OEN).

In the event that the lessor issues an OEN and SCPC buys the option assets in consideration for the grant of the option, the land purchase price should be equivalent to the highest of the following and / or amounts: (i) assessment of the Provincial Assessors of Batangas Province; (ii) the assessment of the Municipal or City Assessor having jurisdiction over the particular portion of the leased premises; (iii) the zonal valuation of Bureau of Internal Revenue or, (iv) 21.00 per square meter (dollar). Valuation basis for 1 to 3 shall be based on the receipt of PSALM of the option to exercise notice. The exchange rate to be used should be the Philippine Dealing Exchange rate at the date of receipt of PSALM of the OEN.

On July 12, 2010, PSALM issued an OEN and granted SCPC the "Option" to purchase the Optioned Assets that form part of the leased premises. SCPC availed of the "Option" and paid the Option Price amounting to US\$0.32 million or a peso equivalent of ₱14.72 million exercisable within one year from the issuance of the OEN.



The Group was also required to deliver and submit to the lessor a performance security amounting to ₱34.83 million in the form of Stand by Letter of Credits (SBLC). The performance security shall be maintained by the Group in full force and effect continuously without any interruption until the Performance Security expiration date. The Performance Security initially must be effective for the period of one year from the date of issue, to be replaced prior to expiration every year thereafter and shall at all times remain valid.

On May 5, 2011, PSALM granted SCPC's request to assign portion of its option to the Semirara for the latter to buy the 82,740 square meters lot covered by TCT No. 115804.

On June 1, 2011, Semirara and SCPC exercised its option to purchase the Option Asset and subsequently entered into Deed of Absolute Sales with PSALM for the total consideration of ₱376.61 million.

Finance Lease - As Lessee

During 2011 and 2010, the Group has entered into finance lease agreements for some of its service vehicles and equipment used in its construction activities. The said leased assets are capitalized and depreciated over their estimated useful lives of four (4) years and five (5) years, respectively (see Note 13). Finance lease facilities amounting to ₱12.35 million and ₱124.77 million in 2011 and 2010, respectively, were approved at 6.50% and 6.28% interest.

As of December 31, 2011 and 2010, the future minimum lease payments under finance lease and the present value of the net minimum lease payments follows:

	2011	2010
Within one year	₱8,366	₱60,810
After one (1) year but not more than five (5) years	4,663	71,302
Total minimum lease payments	13,029	132,112
Less finance charges	678	7,345
Present value of minimum lease payment	₱12,351	₱124,767

Commitment on Electricity Sales Contracts

The APA included a number of Transition Supply Contracts (TSC) to distribution utilities and large load customers located in close proximity to the Purchased Assets. The volume of energy demand for each of the customers is reflected in their respective TSC. The electricity pricing in the said TSC is tied to the NPC's Luzon Time of Use (TOU) rate approved by the ERC which is adjustable by changes in foreign exchange and fuel cost. The said tariff, even if adjustable, is subject to ERC's approval before the same could be implemented. Assignment of Sun Power Corporation's TSC was not accepted by SCPC at the closing date due to anticipated loss once accepted. Assigned TSC were renewed on various dates in 2010, except for High Street Corporation.

Capital Commitments

For the year 2011, the Group has capital commitments on acquisition of mining equipment amounting to ₱841.07 million in relation to its income tax holiday registration with the BOI.



38. Note to Consolidated Statements of Cash Flows

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

	2011	2010
	(Amounts in Thousands)	
Transfers from inventory	₱1,607,456	₱529,048
Transfers from investment properties	250,000	-
Acquisition of conventional and other mining equipment on account (Note 13)	-	300,380

Discontinued operations affected the Group cash flow statements as follows (amounts in thousands):

Net cash used in operating activities	(₱1,205,765)
Net cash provided by investing activities	2,613,699
Net cash used in financing activities	(450,408)
<u>Change in cash and cash equivalents</u>	<u>₱957,526</u>

39. Other Matters

a. Electric Power Industry Reform Act (EPIRA)

In June 2001, the Congress of the Philippines approved and passed into law R.A. No. 9136, otherwise known as the EPIRA, providing the mandate and the framework to introduce competition in the electricity market. EPIRA also provides for the privatization of the assets of NPC, including its generation and transmission assets, as well as its contract with Independent Power Producers (IPPs). EPIRA provides that competition in the retail supply of electricity and open access to the transmission and distribution systems would occur within three years from EPIRA's effective date. Prior to June 2002, concerned government agencies were to establish WESM, ensure the unbundling of transmission and distribution wheeling rates and remove existing cross subsidies provided by industrial and commercial users to residential customers. The WESM was officially launched on June 23, 2006 and began commercial operations for Luzon. The ERC has already implemented a cross subsidy removal scheme. The inter-regional grid cross subsidy was fully phased-out in June 2002. ERC has already approved unbundled rates for Transmission Company (TRANSCO) and majority of the distribution utilities.

Under EPIRA, NPC's generation assets are to be sold through transparent, competitive public bidding, while all transmission assets are to be transferred to TRANSCO, initially a government-owned entity that was eventually being privatized. The privatization of these NPC assets has been delayed and is considerably behind the schedule set by the DOE. EPIRA also created PSALM, which is to accept transfers of all assets and assume all outstanding obligations of NPC, including its obligations to IPPs. One of PSALM's responsibilities is to manage these contracts with IPPs after NPC's privatization. PSALM is also responsible for privatizing at least 70% of the transferred generating assets and IPP contracts within three years from the effective date of EPIRA.



In August 2005, the ERC issued a resolution reiterating the statutory mandate under the EPIRA law for the generation and distribution companies, which are not publicly listed, to make an initial public offering (IPO) of at least 15% of their common shares. Provided, however, that generation companies, distribution utilities or their respective holding companies that are already listed in the Philippine Stock Exchange (PSE) are deemed in compliance. SCPC was already compliant with this requirement given that the Parent Company is a publicly listed company.

WESM

With the objective of providing competitive price of electricity, the EPIRA authorized DOE to constitute an independent entity to be represented equitably by electric power industry participants and to administer and operate WESM. WESM will provide a mechanism for identifying and setting the price of actual variations from the quantities transacted under contracts between sellers and purchasers of electricity.

In addition, the DOE was tasked to formulate the detailed rules for WESM which include the determination of electricity price in the market. The price determination methodology will consider accepted economic principles and should provide a level playing field to all electric power industry participants. The price determination methodology was subject to the approval of the ERC.

In this regard, the DOE created Philippine Electricity Market Corporation (PEMC) to act as the market operator governing the operation of WESM. On June 26, 2006, WESM became operational in the Luzon grid and adopts the model of a “gross pool, net settlement” electricity market.

b. Clean Air Act

On November 25, 2000, the Implementing Rules and Regulations (IRR) of the Philippine Clean Air Act (PCAA) took effect. The IRR contains provisions that have an impact on the industry as a whole and on SCPC in particular, that need to be complied with within 44 months (or until July 2004) from the effectivity date, subject to the approval by DENR. The power plant of SCPC uses thermal coal and uses a facility to test and monitor gas emissions to conform with Ambient and Source Emissions Standards and other provisions of the Clean Air Act and its IRR. Based on SCPC’s initial assessment of its power plant’s existing facilities, SCPC believes that it is in full compliance with the applicable provisions of the IRR of the PCAA as of December 31, 2011.

c. Contract for the Fly Ash of the Power Plant

On October 20, 1987, NPC and Pozzolanic Australia Pty, Ltd. (“Pozzolanic”) executed the Contract for the Purchase of Fly Ash of the Power Plant (the “Pozzolanic Contract”). Under the Pozzolanic Contract, Pozzolanic was given the right to sell, store, process, remove or otherwise dispose of all fly ash produced at the first unit of the Power Plant. It was also granted the first option to purchase fly ash, under similar terms and conditions, from the second unit of the Power Plant that NPC may construct. It may also exercise the exclusive right of first refusal to purchase fly ash from any new coal-fired power plants which will be put up by NPC.



The Pozzolan Contract is effective for a period of five consecutive five-year terms from its signing, or a period of 25 years from October 20, 1987 or until 2012, subject to cancellation by NPC upon default or any breach of contract by Pozzolan. At the end of each five-year term, the parties will agree to assess and evaluate the Pozzolan Contract, and if necessary, revise, alter, modify the same upon their mutual consent.

The Government has determined the provision of the Pozzolan Contract which grants Pozzolan the exclusive right of first refusal to purchase fly ash from the second unit of the Power Plant and from any coal-fired power plant put up by NPC after the execution of the Pozzolan Contract as invalid. This is the subject of a case filed by Pozzolan and pending before the regional trial court of Quezon City as of December 31, 2011.

d. Power Supply Agreement with Manila Electric Company (MERALCO)

On December 20, 2011, SCPC entered into a new power supply agreement with MERALCO, a distributor of electric power, which took effect on December 26, 2011 and shall have a term of seven (7) years, which may be extended by the parties for another three (3) years.

SCPC will be providing MERALCO with an initial contracted capacity of 210 MW and will be increased to 420 MW upon the commercial operation of the plant's Unit 1.

e. Transitory Agreement with Masbate Electric Cooperative Inc. (Maselco) and DMCI Masbate

Pending the construction of the coal-fired thermal power plant, the implementation of the terms under PSA was held in abeyance between the parties. In lieu of the PSA, on March 3, 2010, Maselco and DMCI Masbate entered into a Transitory Agreement, which shall have a term of five (5) years commencing on July 26, 2010, wherein Maselco shall avail of the generating capacity of DMCI Masbate using the bunker-fired power plant and diesel generation sets and shall pay for such energy output according to the approved Socially Acceptable Generation Rate (SAGR) of ₱5.1167/kWh.

Also, under the agreement, DMCI Masbate shall deliver the coal-fired power plant, barring any political and social situation preventing the construction and development thereof pursuant to the PSA, not later than the 5th year anniversary of the agreement. If it is determined anytime during the term that the construction and commissioning of a coal-fired power plant cannot be completed prior to the lapse of the term, the parties may extend the term of the agreement, amend the existing PSA or terminate the agreement and negotiate for a new PSA.

On July 22, 2010, the Energy Regulatory Commission issued an Order provisionally approving the Transitory Agreement and the Company's availment of ME Subsidy from the UC-ME. The provisional authority triggered the commercial operation of the Company.

f. Reinstated and Amended Subsidy Agreement between National Power Corporation, Masbate Electric Cooperative Inc. and DMCI Masbate Power Corporation

On October 27, 2010, in line with the Transitory Agreement with Maselco, the Company, NPC and Maselco signed the Reinstated and Amended Subsidy Agreement. This agreement will entitle the Company to avail of the ME Subsidy while the Transitory Agreement is effective. Moreover, this agreement includes an additional provision pertaining to Financing of Power Station and an amendment of a provision pertaining to Payment of Subsidy Fee and True-Up Adjustments.



g. **MOA with Benguet Corp Nickel Mines, Inc. (BNMI)**

In March 2010, the DMCI Mining Corporation and BNMI, an affiliate of BC, agreed to establish and maintain a Mine Rehabilitation Fund as a reasonable environmental deposit to ensure the availability of funds for its satisfactory compliance with the commitments and performance of activities stipulated in its EPEP/AEPEP during a specific project phase.

40. Sale of AG&P

On December 22, 2010 (closing date), the Parent Company sold AG&P to AGPPHI representing 98.19% of the AG&P's total issued and outstanding capital stock. The total consideration of ₱1.75 billion was received and a net gain of ₱36.66 million was recognized as a result of the consummation of the sale.

The operating results of AG&P from January 1, 2010 until closing date and December 31, 2009 are presented below (in thousands):

	2010	2009
Revenue from construction contracts	₱3,058,807	₱2,442,977
Finance, equity in net earnings and other income	90,204	226,810
	<u>3,149,011</u>	<u>2,669,787</u>
Cost of construction contracts	2,059,962	1,861,904
General administrative expenses	373,764	452,108
Interest and other financing charges	40,386	45,200
Benefit from income tax	34,213	13,228
	<u>2,508,325</u>	<u>2,372,440</u>
Income from discontinued operations	₱640,686	₱297,347

Income after tax from discontinued operations consists of the following:

	2010	2009
Gain from sale of discontinued operations	₱36,659	₱-
Net income from discontinued operations	640,686	297,347
After tax income from discontinued operations	₱677,345	₱297,347

The following are the net assets of AG&P as of December 22, 2010 (in thousands):

Current assets:	
Cash and cash equivalents	₱792,474
Available-for-sale financial assets	7,255
Costs and estimated earnings in excess of billings on uncompleted contracts	74,294
Receivables	308,803
Inventories	171,432
Other current assets	32,341
Noncurrent assets:	
Investments in associates and jointly controlled entities	139,107
Investment properties	186,742
Property, plant and equipment	2,358,794
Pension asset	19,029

(Forward)



Current liabilities:	
Accounts and other payables	(₱1,478,860)
Income tax payable	(981)
Current portion of long-term debt	(100,408)
Noncurrent liabilities:	
Long-term debt - net of current portion	(350,000)
Deferred tax liabilities	(323,731)
Share in:	
Revaluation increment	(78,717)
Minority interest	(44,750)
Cumulative translation adjustment	517
Net assets	₱1,713,341

41. Event After the Reporting Period

a. Execution of deed of assignment for the land owned by the Semirara in exchange of the SLPGC's common shares

On February 22, 2012, Semirara and SLPGC executed a deed of assignment for the land owned by Semirara in exchange of common shares of SLPGC. The land, with an area of 82,740 square meters, more or less, was purchased by Semirara from PSALM on July 25, 2011. The current zonal value of the land is ₱1,025.00 per square meter or a total of ₱84.81 million based on the zonal values of properties in Batangas where the land is located. SLPGC has issued 84.81 million common shares at a par value of ₱1.00 per share or a total of ₱84.81 million in exchange of the said land subject to terms and conditions as follow:

- that the SEC filing fee and documentary stamp tax due on the issuance of shares of stocks and other related expenses shall be for the account of Semirara;
- that any and all expenses which may be incurred in connection with the transfer of Transfer Certificate of Title (TCT) covering the land shall be for the sole account of Semirara;
- that any and all expenses, taxes and costs which may be incurred in the filing with the BIR confirming the transfer of land in favor of the SLPGC in exchange of shares of stocks shall be for the account of Semirara; and
- that upon execution of the deed of assignment, SLPGC shall have the right to create any security interest on the land in order to secure any loan which the SLPGC may obtain from certain banks or other financing institutions.

b. Execution of Omnibus Loan and Security Agreement (the "Omnibus Agreement") between SLPGC and BDO Unibank., BPI, and China Banking Corporation (CBC)

On February 24, 2012, SLPGC entered into a ₱11.50 billion Omnibus Agreement with BDO, BPI and CBC as Lenders, Semirara as the Pledgor, BDO Capital and Investment Corporation as the Lead Arranger and Sole Bookrunner, BPI Capital Corporation and CBC as Co-Lead Arrangers and BDO Unibank, Inc. - Trust and Investments Group as the Facility Agent, Security Trustee, Registrar and Paying Agent.



Breakdown of the syndicated loan follows:

	Amount
BDO Unibank	₱6,000,000,000
BPI	3,000,000,000
CBC	2,500,000,000
	₱11,500,000,000

The Omnibus Agreement was entered into to finance the engineering, procurement, and construction of a two 150 mega-watt coal-fired thermal power plant located in Calaca, Batangas.

Details of the loan follow:

- a. Interest: At a floating rate equivalent to the Philippine Dealing System Treasury-Fixing (PDST-F) plus a spread of 100 basis points (bps) or the Bangko Sentral ng Pilipinas (BSP) overnight rate, provided that, if the BSP Special Deposit Accounts (SDA) rate is 50 bps or more below BSP overnight rate, applicable interest will be 90% of BSP overnight rate, provided however that, if 90% of the BSP overnight rate is lower than the equivalent of PDST-F plus a spread of 100 bps, then the applicable interest rate shall be equivalent to PDST-F plus a spread of 100bps. SLPGC shall have one-time option to shift the floating interest rate to the fixed interest rate provided that the conditions in the Omnibus Agreement are satisfied.
- b. Repayment: The principal amount shall be paid in twenty-seven (27) equal consecutive quarterly installments, each such installment to be paid on a principal repayment date, with the last installment to be paid on the final principal repayment date. The loan may be prepaid voluntarily provided that the conditions in the Omnibus Agreement are satisfied.

The advances of each lender shall be evidenced by a promissory note. Each note shall be dated as of the drawdown date and payable to the order of such lender in the amount of the advance evidenced thereby. The first drawdown is expected to be on or before March 25, 2012 in an amount of not less than ₱500.00 million.

As security for the timely payment of the loan and prompt observance and performance of all the provisions of the Omnibus Agreement, the loan was collateralized by first-ranking real estate mortgage on future real assets and first-ranking chattel mortgage on the future chattels. Further, 67% of issued and outstanding shares of SLPGC owned by Semirara were also pledged in this loan.

42. Approval of Consolidated Financial Statements

The consolidated financial statements of DMCI Holdings, Inc. and Subsidiaries as of December 31, 2011 and 2010 and for each of the three years in the period ended December 31, 2011 were endorsed for approval by the Audit Committee and authorized for issue by the BOD on April 23, 2012.





SyCip Gorres Velayo & Co.

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BOA/PRC Reg. No. 0001,
January 25, 2010, valid until December 31, 2012
SEC Accreditation No. 0012-FR-2 (Group A),
February 4, 2010, valid until February 3, 2013

**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 its subsidiaries (the Group) as at December 31, 2011 and 2010 and for each of the three years in the period ended December 31, 2011, included in this Form 17-A, and have issued our report thereon dated April 23, 2012. Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with the Securities Regulation Code Rule No. 68, As Amended (2011) and are not part of the consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, fairly state in all material respects, the information required to be set forth therein in relation to the consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Jessie D. Cabaluna
Partner
CPA Certificate No. 36317
SEC Accreditation No. 0069-AR-2 (Group A),
February 11, 2010, valid until February 10, 2013
Tax Identification No. 102-082-365
BIR Accreditation No. 08-001998-10-2009,
June 1, 2009, valid until May 31, 2012
PTR No. 3174583, January 2, 2012, Makati City

April 23, 2012



DMCI HOLDINGS, INC.

**SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS AVAILABLE
FOR DIVIDENDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

Unappropriated Retained Earnings, as adjusted to available for dividend distribution at beginning of year		₱5,834,393,362
Add: Net income actually earned/realized during the year		
Net income	₱6,123,763,829	
Add: Amortization of discount on payable to landowners	<u>334,356</u>	
Net income actually earned during the year		6,124,098,185
Less:		
Dividends declared during the year		(2,655,494,000)
Appropriation for future capital expenditures, investments and dividend declaration		<u>(3,000,000,000)</u>
Unappropriated Retained Earnings, available for dividend distribution, ending		₱6,302,997,547





CERTIFICATION

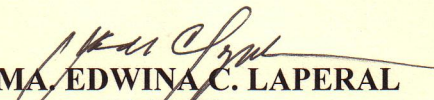
3rd floor
DACON Building
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(formerly Pasong Tamo Ext.)
Makati City 1231, Philippines

(632) 888 • DMCI
(632) 888 • 3000
Facsimile
(632) 816 • 7362
E-Mail
dmchi@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:

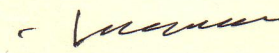
1. I am the Treasurer of DMCI Holdings, Inc., a corporation duly created and existing under and by virtue of the laws of the Republic of the Philippines, under SEC Certificate of Registration No. AS095-002283 with principal office address at 3rd Floor Dacon Bldg., 2281 Don Chino Roces Avenue, Makati.
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 23 day of APR, 2012 in Makati City.


MA. EDWINA C. LAPERAL
23 APR 2012

Subscribed and sworn to before me this _____ day of _____, 2012 affiant exhibiting to me his/her Community Tax No. 07032281 on February 3, 2012 in Makati City.

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Series of 2012


ATTY. LOPE M. VELASCO
NOTARY PUBLIC
Until December 31, 2013
Appt. No. M-136, Makati City
IBP # 864149-Pasig City-12/21/11
PTR # 0334743-MAKATI-01/02/12
TIN # 212-965-989
S.C. Roll No. 28757
G/F JAKA Center 2111 Chino Roces Ave.
Makati City

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 (Consolidated)
 CURRENT ADDRESS: 2281 Don Chino Roces Avenue, Makati City
 TEL. NO.: 888-3000 FAX NO.: _____
 COMPANY TYPE: HOLDING COMPANY PSIC: _____

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

Table 1. Balance Sheet

FINANCIAL DATA	2011 (in P'000)	2010 (in P'000)
A. ASSETS (A.1 + A.2 + A.3 + A.4 + A.5 + A.6+A.7+A.8+A.10)	84,183,689	71,266,143
A.1 Current Assets (A.1.1 + A.1.2 + A.1.3 + A.1.4 + A.1.5)	46,109,013	36,363,703
A.1.1 Cash and cash equivalents (A.1.1.1 + A.1.1.2 + A.1.1.3)	15,065,748	9,946,666
A.1.1.1 On hand	99,794	-
A.1.1.2 In domestic banks/entities	5,995,566	4,796,531
A.1.1.3 Short-term investments	8,970,388	5,150,135
A.1.2 Trade and Other Receivables (A.1.2.1 + A.1.2.2)	8,407,880	9,178,533
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)	8,407,880	9,178,533
A.1.2.1.1 Due from customers (trade)	7,728,052	8,533,880
A.1.2.1.2 Due from related parties	452,115	491,700
A.1.2.1.3 Others, specify (A.1.2.1.3.1+A.1.2.1.3.2)	399,446	317,400
A.1.2.1.3.1 Others	356,560	267,851
A.1.2.1.3.2 Advances to officers and employees	42,886	49,549
A.1.2.1.4 Allowance for doubtful accounts (negative entry)	(171,733)	(164,447)
A.1.2.2 Due from foreign entities, specify (A.1.2.2.1 + A.1.2.2.2 + A.1.2.2.3 + A.1.2.2.4)	-	-
A.1.2.2.1		
A.1.2.2.2		
A.1.2.2.3		
A.1.2.2.4 Allowance for doubtful accounts (negative entry)	-	-
A.1.3 Inventories (A.1.3.1 + A.1.3.2 + A.1.3.3 + A.1.3.4 + A.1.3.5 + A.1.3.6)	17,484,675	12,704,544
A.1.3.1 Real estate held for sale and development	12,508,114	10,051,696
A.1.3.2 Coal inventory	2,510,754	1,886,277
A.1.3.3 Equipment parts, materials & supplies in transit	2,335,372	102,740
A.1.3.4 Nickle Ore	130,435	-
A.1.3.5 Chromites	-	663,831
A.1.3.6 Others, specify (A.1.3.6.1+A.1.3.6.2)	-	-
A.1.3.6.1		
A.1.3.6.2		
A.1.3.6.3		
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)	131,310	215,771
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)	71,400	-
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	71,400	
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 SUBSIDIARIES (Consolidated)
 CURRENT ADDRESS: 2281 Don Chino Roces Avenue, Makati City
 TEL. NO.: 888-3000 FAX NO.: _____
 COMPANY TYPE: HOLDING COMPANY PSIC: _____

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

Table 1. Balance Sheet

FINANCIAL DATA		2011 (in P'000)	2010 (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)	59,910	215,771
A.1.4.4.1	National Government		
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	59,910	215,771
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 <i>(negative entry)</i>		
1.5 A.4	Other Current Assets (state separately material items) (A.1.5.1 to A1.5.9)	5,019,400	4,318,189
A.1.5.1	Advances to suppliers, subcon, brokers	2,361,400	1,654,050
A.1.5.2	Creditable taxes withheld	1,213,174	818,163
A.1.5.3	Input value added tax	563,014	700,066
A.1.5.4	Others	24,413	9,725
A.1.5.5	Security Deposits	-	304,401
A.1.5.6	Refundable deposits	226,962	244,049
A.1.5.7	Prepaid expenses	213,300	227,317
A.1.5.8	Cost and estimated earnings in excess of billings on uncompleted contracts	452,084	449,196
A.1.5.9	Allowance for probable losses <i>(negative entry)</i>	(34,947)	(88,778)
A.2 A.4	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)	23,419,344	21,781,135
A.2.1	Land and Land Improvements	1,507,723	998,968
A.2.2	Power Plant, Buildings and Building Improvement	19,083,577	18,294,236
A.2.3	Construction Equipment, Machinery and Tools	4,650,906	4,103,495
A.2.4	Office Furniture, Fixtures and Equipment	335,145	260,940
A.2.5	Others	17,459,070	15,021,045
A.2.5.1	Convention and Continuous Mining Properties and Equipment	14,932,108	13,387,180
A.2.5.2	Leashold Improvements	137,718	98,811
A.2.5.3	Construction-in-Progress	2,081,458	1,268,997
A.2.5.4	Transporation Equipment	307,786	266,057
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 <i>(negative entry)</i>	(19,617,077)	(16,897,549)
A.2.8	Impairment Loss or Reversal <i>(if loss, negative entry)</i>		
A.3	Investments accounted for using the equity method (A.3.1 + A.3.2 + A.3.3)	10,849,383	9,387,673
A.3.1	Equity in domestic subsidiaries/affiliates		
A.3.2	Equity in foreain branches/subsidiaries/affiliates		
A.3.3	Others, specifv (A.3.1.1 + A.3.2.1 + A.3.3.1 + A.3.3.4)	10,849,383	9,387,673
A.3.3.1	Investment in Associates	4,745,001	4,745,001
A.3.3.2	Accumulated Equity in net losses	6,063,115	4,602,705
A.3.3.3	Investment in Joint Ventures	408	408
A.3.3.4	Other	47,657	46,357
A.3.3.5	Allowance for probable losses <i>(negative entry)</i>	(6,798)	(6,798)
A.4	Investment Property	142,159	116,334
A.5	Biological Assets		
A.6	Intangible Assets (A.6.1 + A.6.2)	59,312	6,345
A.6.1	Maior item/s, specifv (A.6.1.1 + A.6.1.2 + A.6.1.3 + A.6.1.4)	59,312	6,345
A.6.1.1	Software costs	59,312	6,345
A.6.1.2			
A.6.1.3			
A.6.1.4			
A.6.2	Others, specifv (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		
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 (Consolidated)
 CURRENT ADDRESS: 2281 Don Chino Roces Avenue, Makati City
 TEL. NO.: 888-3000 FAX NO.: _____
 COMPANY TYPE : HOLDING COMPANY PSIC: _____

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

Table 1. Balance Sheet

FINANCIAL DATA	2011 (in P'000)	2010 (in P'000)
A.9 Long-term receivables (net of current portion) (A.9.1 + A.9.2 + A.9.3)	2,438,697	2,782,287
A.9.1 From domestic entities, specify (A.9.1.1 + A.9.1.2 + A.9.1.3 + A.9.1.4)	2,438,697	2,782,287
A.9.1.1 Due from customers (trade)	2,438,697	2,782,287
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 (negative entry)		
A.10 Other Assets (A.10.1 + A.10.2 + A.10.3 + A.10.4+A.10.5)	1,165,781	828,666
A.10.1 Input VAT withheld	150,127	150,127
A.10.2 Prepaid rent	98,932	138,021
A.10.3 Investment in sinking fund	490,789	310,230
A.10.4 Others, specify (A.10.4.1 + A.10.4.2 + A.10.4.3 + A.10.4.4)	499,143	230,288
A.10.4.1 Deferred input-VAT	92,391	175,263
A.10.4.2 Security Deposit	132,681	34,621
A.10.4.3 Others	15,879	10,213
A.10.4.4 Pension asset	4,335	-
A.10.4.5 Deferred tax assets- net	16,140	10,191
A.10.4.6 Available for sale - non current portion	237,717	-
A.10.5 Allowance for write-down of deferred charges/bad accounts (negative entry)	(73,210)	
B. LIABILITIES (B.1 + B.2 + B.3 + B.4 + B.5)	43,713,686	38,842,941
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)	23,238,342	20,348,762
B.1.1 Trade and Other Payables to Domestic Entities	11,925,949	10,101,780
B.1.1.1 Trade	8,937,618	6,563,845
B.1.1.2 Output VAT payable	1,475,956	1,795,072
B.1.1.3 Accrued cost and expenses	1,512,375	1,742,863
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		
B.1.1.3.2		
B.1.1.3.3		
B.1.1.5 Others, specify (B.1.1.4.1 + B.1.1.4.2 + B.1.1.4.3)	-	-
B.1.1.4.1		
B.1.1.4.2		
B.1.1.4.3		
B.1.1.4.4		
B.1.2 Trade and Other Payables to Foreign Entities (specify) (B.1.2.1+B.1.2.2+B.1.2.3+B.1.2.4)		
B.1.2.1		
B.1.2.2		
B.1.2.3		
B.1.2.4		
B.1.3 Provisions		
B.1.4 Financial Liabilities (excluding Trade and Other Payables and Provisions)	4,091,792	5,191,533
(B.1.4.1 + B.1.4.2 + B.1.4.3)		
B.1.4.1 Real estate customers	1,921,812	2,812,545
B.1.4.2 Contract Owners	1,604,383	1,391,098
B.1.4.3 Coal Supply Contracts	112,314	234,356
B.1.4.4 Bank loans	453,283	753,534
B.1.5 Liabilities for Current Tax	138,199	146,079
B.1.6 Deferred Tax Liabilities	1,008,459	496,766
B.1.7 Others, specify (If material, state separately; indicate if the item is payable to public/private or financial/non-financial institutions)	6,073,943	4,412,604
B.1.7.1 Current portion of Long term - bank loans (private financial institutions)	3,806,197	3,102,606
B.1.7.2 Current Portion of finance lease (private financial institutions)	7,751	55,756
B.1.7.3 Current Portion of liabilities for purchased land	471,886	660,622
B.1.7.4 Billings in excess of costs and estimated earnings on uncompleted contracts	750,744	586,880
B.1.7.5 Acceptances and trust receipts payable	1,037,365	6,740
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)		
B.1.7.6.1		
B.1.7.6.2		
B.1.7.6.3		
B.1.7.6.4		

GENERAL FORM FOR FINANCIAL STATEMENTS

NAME OF CORPORATION: DMCI HOLDINGS, INC. AND SUBSIDIARIES (Consolidated)

CURRENT ADDRESS: 2281 Don Chino Roces Avenue, Makati City

TEL. NO.: 888-3000

FAX NO.: _____

COMPANY TYPE: HOLDING COMPANY

PSIC: _____

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

Table 1. Balance Sheet

FINANCIAL DATA	2011 (in P'000)	2010 (in P'000)
B.2 Long-term Debt - Net of current portion (B.2.1 + B.2.2 + B.2.3 + B.2.4 + B.2.5)	17,775,617	15,858,722
B.2.1 Domestic Public Financial Institutions		
B.2.2 Domestic Public Non-Financial Institutions		
B.2.3 Domestic Private Financial Institutions	17,775,617	15,858,722
B.2.4 Domestic Private Non-Financial Institutions		
B.2.5 Foreign Financial Institutions		
B.3 Indebtedness to Affiliates and Related Parties (Non-Current)	326,997	517,384
B.4 Liabilities Included in the Disposal Groups Classified as Held for Sale		
B.5 Other Liabilities (B.5.1 + B.5.2)	2,372,730	2,118,073
B.5.1 Non-current portion liability for purchased land	460,047	731,262
B.5.2 Others, specify (B.5.2.1 + B.5.2.2 + B.5.2.3 + B.5.2.4)	1,912,683	1,386,811
B.5.2.1 Noncurrent Accounts Payable -trade	1,286,998	757,688
B.5.2.2 Subscription payable	384,646	384,646
B.5.2.3 Provision for decommissioning	47,582	14,732
B.5.2.4 Pension liabilities	180,305	216,784
B.5.2.5 Others	13,152	12,961
C. EQUITY (C.3 + C.4 + C.5 + C.6 + C.7 + C.8 + C.9+C.10)	40,470,003	32,423,202
C.1 Authorized Capital Stock (no. of shares, par value and total value; show details) (C.1.1+C.1.2+C.1.3)	6,000,000	6,000,000
C.1.1 Common shares, Php1 par value, 5,900,000,000 authorized capital shares	5,900,000	5,900,000
C.1.2 Preferred Shares, Php 1 par value, 100,000,000 authorized capital shares	100,000	100,000
C.1.3		
C.2 Subscribed Capital Stock (no. of shares, par value and total value) (C.2.1 + C.2.2 + C.2.3)	2,655,498	2,655,498
C.2.1 Common shares, Php1 par value, 2,655,494,000 subscribed shares	2,655,494	2,655,494
C.2.2 Preferred Shares, f	4	4
C.2.3 Others		
C.3 Paid-up Capital Stock (C.3.1 + C.3.2)	2,655,497	2,655,498
C.3.1 Common shares	2,655,494	2,655,494
C.3.2 Preferred Shares	3	4
C.4 Additional Paid-in Capital / Capital in excess of par value / Paid-in Surplus	4,765,318	4,765,917
C.5 Minority Interest		
C.6 Others, specify (C.6.1 + C.6.2 + C.6.3 + C.6.4 + C.6.5)	6,416,116	5,308,672
C.6.1 Premium on Acquisition of Non-controlling interest	(161,033)	(161,033)
C.6.2 Other comprehensive loss	(1,090)	(2,781)
C.6.3 Attributable to non controlling interest	6,578,239	5,472,486
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)	26,633,072	19,693,115
C.8.1 Appropriated	3,401,659	401,659
C.8.2 Unappropriated	23,231,413	19,291,456
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)	40,396,793	71,266,143

GENERAL FORM FOR FINANCIAL STATEMENTS

NAME OF CORPORATION: DMCI HOLDINGS, INC. AND SUBSIDIARIES (Consolidated)
 CURRENT ADDRESS: 2281 Don Chino Roces Avenue, Makati City
 TEL. NO.: 888-3000 FAX NO.: _____
 COMPANY TYPE: HOLDING COMPANY PSIC: _____

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

Table 2. Income Statement

FINANCIAL DATA	2011 (in P'000)	2010 (in P'000)
A. REVENUE / INCOME (A.1 + A.2 + A.3)	51,518,833	46,922,994
A.1 Net Sales or Revenue / Receipts from Operations (manufacturing, mining, utilities, trade, services, etc.) (from Primary Activity)	47,802,585	43,483,809
A.2 Share in the Profit or Loss of Associates and Joint Ventures accounted for using the	2,185,199	1,893,197
A.3 Other Revenue (A.3.1 + A.3.2 + A.3.3 + A.3.4 + A.3.5)	273,807	187,059
A.3.1 Forfeitures and cancellation of contracts	160,145	108,672
A.3.2 Management fee	55,308	5,605
A.3.3 Rental income	53,807	66,962
A.3.4 Dividend income	4,547	5,785
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)	-	35
A.3.5.1 Commission income	-	35
A.3.5.2		
A.3.5.3		
A.3.5.4		
A.3.5.5		
A.3.5.6		
A.3.5.7		
A.4 Other Income (non-operating) (A.4.1 + A.4.2 + A.4.3 + A.4.4)	1,257,242	1,358,929
A.4.1 Interest Income	1,098,176	1,058,041
A.4.2 Recoveries from insurance claims	35,180	5,069
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)	57,565	28,958
A.4.3.1 Gain on sale of property, plant and equipment	57,565	28,958
A.4.3.2	-	
A.4.3.3		
A.4.3.4		
A.4.4 Gain / (Loss) on Foreign Exchange (A.4.4.1 + A.4.4.2 + A.4.4.3 + A.4.4.4)	(46,567)	177,715
A.4.4.1 Foreign Exchange gain or loss	(46,567)	177,715
A.4.4.2		
A.4.4.3		
A.4.4.4		
A.4.5 Others, specify (A.3.5.1 + A.3.5.2 + A.3.5.3 + A.3.5.4)	112,888	89,146
A.4.5.1 Others	112,888	89,146
A.4.5.2		
A.4.5.3		
A.4.5.4		
B. COST OF GOODS SOLD (B.1 + B.2 + B.3)	-	-
B.1 Cost of Goods Manufactured (B.1.1 + B.1.2 + B.1.3 + B.1.4 + B.1.5)	-	-
B.1.1		
B.1.2		
B.1.3		
B.1.4		
B.1.5		
B.2 Finished Goods, Beginning		
B.3 Finished Goods, End (negative entry)		
C. COST OF SALES (C.1 + C.2 + C.3)	15,703,721	15,787,257
C.1 Fuel and lubricants	4,242,030	2,144,741
C.2 Cost of real estate inventory	4,004,240	4,720,585
C.3 Materials and supplies	1,821,355	2,948,473
C.4 Depreciation and amortization	1,797,211	1,337,876
C.5 Outside services	1,410,563	2,913,780
C.6 Hauling, shiploading and handling costs	1,198,572	652,237
C.7 Direct labor	622,215	405,183
C.8 Production overhead	456,211	596,642
C.9 Others	151,324	67,740
D. COST OF SERVICES, SPECIFY (D.1 + D.2 + D.3 + D.4 + D.5 + D.6)	15,725,259	14,816,626
D.1 Materials and supplies	6,515,312	6,479,986
D.2 Outside services	2,751,187	2,007,267
D.3 Direct labor	1,638,495	1,093,714
D.4 Spot purchases	1,500,978	1,771,760
D.5 Production overhead	1,171,005	1,095,915
D.6 Depreciation and amortization	1,097,976	1,783,664
D.7 Fuel and lubricants	997,184	415,376
D.8 Hauling, shiploading and handling costs	6,955	13,584
D.9 Others	46,167	155,360

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

GENERAL FORM FOR FINANCIAL STATEMENTS

NAME OF CORPORATION: DMCI HOLDINGS, INC. AND SUBSIDIARIES (Consolidated)
 CURRENT ADDRESS: 2281 Don Chino Roces Avenue, Makati City
 TEL. NO.: 888-3000 FAX NO.: _____
 COMPANY TYPE : HOLDING COMPANY PSIC: _____

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

Table 2. Income Statement

FINANCIAL DATA	2011 (in P'000)	2010 (in P'000)
E. OTHER DIRECT COSTS, SPECIFY (E.1 + E.2 + E.3 + E.4 + E.5 + E.6)	-	-
E.1		
E.2		
E.3		
E.4		
E.5		
E.6		
F. GROSS PROFIT (A - B - C - D - E)	20,089,853	16,319,111
G. OPERATING EXPENSES (G.1 + G.2 + G.3 + G.4)	5,205,907	4,755,130
G.1 Government share	1,497,356	1,325,106
G.2 Salaries, wages and employee benefits	973,829	755,513
G.3 Taxes and licenses	677,460	307,613
G.4 Other Expenses, specify (G.4.1 + G.4.2 + G.4.3 + G.4.4 + G.4.5 + G.4.6)	2,057,262	2,366,898
G.4.1 Commission	503,946	480,694
G.4.2 Advertising and marketing	337,092	338,133
G.4.3 Outside services	211,478	301,546
G.4.4 Depreciation and amortization	198,656	105,782
G.4.5 Rent	104,834	73,452
G.4.6 Repairs and maintenance	94,728	67,047
G.4.7 Communication, light and water	75,686	62,891
G.4.8 Insurance	68,172	66,199
G.4.9 Entertainment, amusement and recreation	62,395	66,021
G.4.10 Association dues	50,276	33,356
G.4.11 Transportation and travel	47,292	72,974
G.4.12 Supplies	46,954	52,346
G.4.13 Organizational cost	20,221	-
G.4.14 Provision for doubtful accounts	15,178	58,905
G.4.15 Provision for over nomination	-	383,294
G.4.16 Probable losses on other current assets	-	88,778
G.4.17 Probable losses on property plant and equipment	-	6,670
G.4.18 Probable losses on other noncurrent assets	-	-
G.4.19 Miscellaneous	220,354	108,810
H. FINANCE COSTS	1,261,885	1,577,130
I. NET INCOME (Loss) BEFORE TAX (F - G - H)	13,622,061	9,986,851
J. INCOME TAX EXPENSE (negative entry)	(1,345,155)	(1,029,135)
K. INCOME AFTER TAX	12,276,906	8,957,716
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)	-	677,345
L.1 Gain from sale of discontinued operation	-	36,659
L.2 Net income from discontinued operation	-	640,686
M. Profit or Loss Attributable to Minority Interest	2,681,455	1,767,778
N. Profit or Loss Attributable to Equity Holders of the Parent	9,595,451	7,867,283

GENERAL FORM FOR FINANCIAL STATEMENTSNAME OF CORPORATION: DMCI HOLDINGS, INC. AND SUBSIDIARIES (Consolidated)CURRENT ADDRESS: 2281 Don Chino Roces Avenue, Makati CityTEL. NO.: 888-3000

FAX NO.: _____

COMPANY TYPE: HOLDING COMPANY

PSIC: _____

*If these are based on consolidated financial statements, please so indicate in the caption.***Table 3. Cash Flow Statements**

FINANCIAL DATA	2011 (in P'000)	2010 (in P'000)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income (Loss) from Continuing Operations Before Tax and Extraordinary Items	13,622,061	9,986,851
Net Income (Loss) from Discontinued Operations Before Tax and Extraordinary Items	-	711,558
Net Income (Loss) Before Tax and Extraordinary Items	13,622,061	10,698,409
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities		
Depreciation & Amortization	3,093,843	3,227,322
Others, specify:		
Equity in Net Losses of Associates	(2,185,199)	(1,893,197)
Net Unrealized Foreign Exchange Losses/ (Gains)	18,974	(69,722)
Unrealized market gain on financial assets at FVPL	(1,400)	-
Dividend income	(4,547)	(5,785)
Gain on reversal on impairment on PPE	(6,670)	-
Gain on disposal of property and equipment and investments	(57,565)	(28,958)
Gain on sale of investments	-	(36,659)
Finance cost	1,261,885	1,577,130
Finance income	(1,098,176)	(1,058,041)
Provisions for:		
Property, plant and equipment	-	6,670
Probable loss on current assets	-	88,778
Doubtful accounts and impairment losses	15,178	58,905
Changes in Assets and Liabilities:		
Decrease (Increase) in:		
Receivables	1,116,709	(5,061,392)
Costs and estimated earnings in excess of billings on uncompleted contracts	(2,888)	82,264
Inventories	(5,856,905)	1,182,676
Other Current Assets and prepayments	(698,297)	(789,901)
Others, specify:		
Pension asset	(4,355)	-
Increase (Decrease) in:		
Trade and Other Payables	1,753,504	4,618,981
Others, specify:		
Liabilities for purchased land	(498,574)	499,176
Customers' advances and deposits	(799,490)	342,093
Billings in excess of costs and estimated earnings on uncompleted con	163,864	228,890
Pension liabilities	(36,479)	89,898
Interest received	1,080,363	1,049,028
Interest paid	(1,251,191)	(1,739,053)
Income taxes paid	(849,894)	(728,499)
A. Net Cash Provided by (Used in) Operating Activities (sum of above rows)	8,774,751	12,339,013
CASH FLOWS FROM INVESTING ACTIVITIES		
(Increase) Decrease in Investments in associates	26,138	-
(Increase) Decrease in Other noncurrent assets	(233,279)	(115,335)
(Increase) Decrease in Non-controlling interest	-	1,585,207
Reductions/(Additions) to Property, Plant, and Equipment	(3,539,342)	(4,410,830)
Reductions/(Additions) to available for sale assets	(7,105)	(12,090)
Reductions/(Additions) to investment in financial asset at FVPL	(70,000)	-
Reductions/(Additions) to investment properties	(32,138)	(1,350,730)
Reductions/(Additions) to investment in associates, jointly controlled entity and others	(1,300)	(244,670)
Others, specify:		
Proceeds from disposal of property and equipment	76,077	90,791
Proceeds from sale of available for sale assets	150	674
Proceeds from sale of investment in subsidiary	-	957,526
Proceeds from sale of investment in associates, jointly controlled	-	68,608
Dividend received	703,198	295,102
Acquisition of a business	-	(9,967,288)
B. Net Cash Provided by (Used in) Investing Activities (sum of above rows)	(3,077,601)	(13,103,035)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from:		
Short-term debt	2,455,720	4,854,515
Long-term debt	10,627,665	15,865,769
Availments (Payments) of:		
Short-term debt	(1,720,312)	(5,308,098)
Long-term debt	(8,114,551)	(5,212,831)
Dividends paid to equity holders of DMCI Holdings, Inc	(2,627,009)	(1,327,927)
Dividends paid to non-controlling interest	(1,575,702)	(779,955)
Increase (decrease) in:		
Other noncurrent liabilities	562,351	(214,937)
Payable to related parties	(190,387)	(430,553)
Others, specify (negative entry):		
Redemption of Preferred Shares	(600)	-
C. Net Cash Provided by (Used in) Financing Activities (sum of above rows)	(582,825)	7,445,983
D. Effect of exchange rate changes on cash & cash equivalents	4,757	2,415
NET INCREASE IN CASH AND CASH EQUIVALENTS (A + B + C + D)	5,119,082	6,684,376
Cash and Cash Equivalents		
Beginning of year	9,946,666	3,262,290
End of the year	15,065,748	9,946,666

GENERAL FORM FOR FINANCIAL STATEMENTS

NAME OF CORPORATION: **DMCI HOLDINGS, INC. AND SUBSIDIARIES (Consolidated)**CURRENT ADDRESS: **2281 Don Chino Roces Avenue, Makati City**TEL. NO.: **888-3000**

FAX NO.:

COMPANY TYPE: **HOLDING COMPANY**

PSIC:

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

Table 4. Statement of Changes in Equity

FINANCIAL DATA	(Amount in P'000)								TOTAL	Attributable to Non-controlling Interests	TOTAL
	Capital Stock	Additional Paid-in Capital	Unappropriated Retained Earnings	Appropriated Retained Earnings	Premium on Acquisition of Non-controlling Interest	Other Comprehensive Income (Loss)	TOTAL				
A. Balance, 2009	2,655,498	4,765,917	12,755,533	401,659	(161,033)	72,093	20,489,667	2,940,601	23,430,268		
A.1							-		-		
A.2							-		-		
B. Restated Balance	2,655,498	4,765,917	12,755,533	401,659	(161,033)	72,093	20,489,667	2,940,601	23,430,268		
C. Surplus											
C.1 Surplus (Deficit) on Revaluation of Properties							-		-		
C.2 Surplus (Deficit) on Revaluation of Investments							-		-		
C.3 Currency Translation Differences							-		-		
C.4 Other Surplus (specify)							-		-		
C.4.1							-		-		
D. Net Income (Loss) for the Period			7,867,283				7,867,283	1,767,778	9,635,061		
E. Dividends (negative entry)			(1,327,747)				(1,327,747)	(779,955)	(2,107,702)		
F. Appropriation for (specify)											
F.1 Capacity expansion and additional investment				401,659			401,659		401,659		
F.2 Release of appropriation				(401,659)			(401,659)		(401,659)		
G. Issuance of Capital Stock											
G.1 Common Stock							-		-		
G.2 Preferred Stock							-		-		
G.3 Others							-		-		
I. Others											
I.1 Other Comprehensive income							(74,874)	(74,874)	(1,288)	(76,162)	
I.2 Discontinued Operations								(44,758)	(44,758)		
I.3 Acquisition of NCI			12,015				12,015	(12,015)	-		
I.4 Effect of dilution of interest			(15,628)				(15,628)	15,628	-		
I.5 Net movement in non-controlling interest								1,586,495	1,586,495		
H. Balance, 2010	2,655,498	4,765,917	19,291,456	401,659	(161,033)	(2,781)	26,950,716	5,472,486	32,423,202		
H.1 Reclassification/Retirement of Preferred Shares							-		-		
H.2 Changes in Accounting Policy/Increase in Ownership							-		-		
I. Restated Balance	2,655,498	4,765,917	19,291,456	401,659	(161,033)	(2,781)	26,950,716	5,472,486	32,423,202		
J. Surplus											
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)							-		-		
J.4.1							-		-		
K. Net Income (Loss) for the Period			9,595,451				9,595,451	2,681,455	12,276,906		
L. Dividends (negative entry)			(2,655,494)				(2,655,494)	(1,575,702)	(4,231,196)		
M. Appropriation for (specify)											
M.1 Capacity expansion and additional investment			(3,000,000)	3,000,000			-		-		
N. Issuance of Capital Stock											
N.1 Common Stock							-		-		
N.2 Preferred Stock							-		-		
N.3 Others							-		-		
O. Others											
O.1 Other Comprehensive income							1,691	1,691	1,691		
O.2 Redemption of preferred shares	(1)	(599)					(600)	(600)	(600)		
P. Balance, 2011	2,655,497	4,765,318	23,231,413	3,401,659	(161,033)	(1,090)	33,891,764	6,578,239	40,470,003		

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

GENERAL FORM FOR FINANCIAL STATEMENTS

NAME OF CORPORATION: _____ #REF!
 CURRENT ADDRESS: 2281 Don Chino Roces Avenue, Makati City
 TEL. NO.: 888-3000 FAX NO.: _____
 COMPANY TYPE : HOLDING COMPANY 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	2011 (in P'000)	2010 (in P'000)
A. REVENUE / INCOME (A.1 + A.2)	51,565,400	46,922,994
A.1 Net Sales or Revenue / Receipts from Operations (manufacturing, mining, utilities, trade, services, etc.) (from Primary Activity) (A.1.1 +A.1.2)	47,802,585	43,483,809
A.1.1 Domestic	40,641,872	34,557,221
A.1.2 Foreign	7,160,713	8,926,588
A.2 Other Revenue (A.2.1 +A.2.2)	3,762,815	3,439,185
A.2.1 Domestic	3,762,815	3,439,185
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)	37,943,339	36,936,143
B.1 Domestic	37,943,339	36,936,143
B.2 Foreign, specify (B.2.1+B.2.2+B.2.3+B.2.4+B.2.5+B.2.6+B.2.7+B.2.8+B.2.9+B.2.10)	-	-
B.2.1		
B.2.2		
B.2.3		
B.2.4		
B.2.5		
B.2.6		
B.2.7		
B.2.8		
B.2.9		
B.2.10		



DMCI HOLDINGS, INC. AND SUBSIDIARIES
SCHEDULE A - MARKETABLE SECURITIES (CURRENT MARKETABLE EQUITY SECURITIES AND
OTHER SHORT-TERM CASH INVESTMENTS)
As of December 31, 2011

	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 sheet date	Income received & accrued
	Available-for-sale investments		₱ 224,416,617		₱ -
	Cash equivalents		8,970,388,032		304,543,260
			₱ 9,194,804,649		₱ 304,543,260



DMCI HOLDINGS, INC. AND SUBSIDIARIES
SCHEDULE B - AMOUNTS RECEIVABLE FROM DIRECTORS,
OFFICERS AND EMPLOYEES
As of December 31, 2011

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

Advances to Officers and Employees

₱ 42,885,690



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, 2011

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		₱ 43,059,647	₱ -	₱ -	₱ -	₱ -		₱ 43,059,647	
DMCI-MPIC Water Co. Inc.		8,457,486,423	2,141,748,218	-	(624,260,000.00)	(23,676,503)		9,951,298,138	
SUBIC WATER AND SEWERAGE COMPANY		104,750,476	76,989,582	-	(74,391,103)	-		107,348,954	
PRIVATE INFRA DEV CORP.		735,612,069	(9,861,945)	-	-	(26,138,753)		699,611,371	
		-	-	-	-	-		-	
		9,340,908,614	2,208,875,854	-	(698,651,103)	(49,815,256)	-	10,801,318,110	
AT COST:		46,356,258	2,673,923			(1,373,922)		47,656,258	
JOINTLY CONTROLLED ENTITIES:									
ECO PROCESS AND EQUIPMENT PHILIPPINES		408,538	-	-	-	-	-	408,538	
		408,538	-	-	-	-	-	408,538	
INVESTMENT PROPERTIES - LAND		38,857,580						38,857,580	
INVESTMENT PROPERTIES - CONDOMINIUMS		11,724,787		32,247,026		(645,692)		43,326,122	
INVESTMENT PROPERTIES - BUILDINGS AND IMPROVEMENTS		65,752,079				(5,777,354)		59,974,725	
TOTAL		₱ 9,504,007,856	₱ 2,211,549,777	₱ 32,247,026	(₱ 698,651,103)	(₱ 57,612,223)	-	₱ 10,991,541,333	

**DMCI HOLDINGS, INC. AND SUBSIDIARIES****SCHEDULE D - INDEBTEDNESS OF UNCONSOLIDATED SUBSIDIARIES & RELATED PARTIES**

As of December 31, 2011

Name of Related Parties	Balance at Beginning of Period	Balance at End of Period
DMC URBAN PROP. DEVELOPERS INC,	₱ 179,805,607	₱ 198,718,653
ONE ASIA DEVELOPMENT CORP	86,333,294	-
UNIVERSAL RIGHFIELD PROPERTY HOLDINGS, INC.	66,382,253	66,382,253
Celebrity Sports Plaza	42,750,000	-
DACON CORPORATION	20,138,697	20,115,001
SIRAWAI PLYWOOD & LUMBER	13,419,609	13,280,771
AG&P International	5,020,081	-
NORTHEAST DEVT & ACQUI CORP	-	-
OTHERS	76,004,436	153,618,249
<hr/> Total	<hr/> ₱ 489,853,977 <hr/>	<hr/> ₱ 452,114,927 <hr/>



DMCI HOLDINGS, INC. AND SUBSIDIARIES
SCHEDULE E - INTANGIBLE ASSETS - OTHER ASSETS
As of December 31, 2011

DESCRIPTION	BEGINNING BALANCE	ADDITIONS AT COST	CHARGED TO COSTS AND EXPENSES	CHARGED TO OTHER ACCOUNTS	OTHER CHANGES ADD/(DED)	ENDING BALANCE
Software Costs	₱ 8,084,854	₱ 69,235,416	₱ 18,008,247			₱ 59,312,023



DMCI HOLDINGS, INC. AND SUBSIDIARIES
SCHEDULE F - LONG TERM DEBT
As of December 31, 2011

TITLE OF ISSUE & TYPE OF OBLIGATION	CURRENT PORTION OF LONG-TERM DEBT	LONG-TERM DEBT	LONG-TERM DEBT NET OF CURRENT PORTION
BANK LOANS	₱ 3,806,197,114	₱ 21,577,213,289	₱ 17,771,016,175
FINANCE LEASE	7,750,586	12,351,339	4,600,753
TOTAL	₱ 3,813,947,700	₱ 21,589,564,628	₱ 17,775,616,928



DMCI HOLDINGS, INC. AND SUBSIDIARIES
SCHEDULE G - INDEBTEDNESS TO RELATED PARTIES
As of December 31, 2011

Name of Related Parties	Balance at Beginning of Period	Balance at End of Period
ANSCOR LAND, INC.	₱ 1,812,218	₱ -
BACHY SOLETANCHE PHILS. CORP.	46,064,527	-
DACON CORPORATION	21,387,444	1,236,286
DANSALAN JOINT VENTURE	-	-
DMC URBAN PROPERTY DEVELOPERS, INC.	49,406,016	21,122,501
DMC-CONST. EQPT. RESOURCES INC	62,104,355	59,594,139
DMCI-MPIC WATER CO., INC.	233,053,403	234,579,072
DMCI-WPC JOINT VENTURE	-	-
DMFB JOINT VENTURE	8,605,668	-
M & S COMPANY	31,590,746	5,575,981
ONE ASIA DEV'T. CORP.	-	-
OTHERS	10,910,648	1,188,785
PRIVATE INFRA DEV CORPORATION	28,214,803	-
UNIVERSAL RIGHTFIELD PROPERTY HOLDINGS, INC.	20,169,208	3,700,000
UPDI REALTY, INC.	4,065,182	-
TOTAL	₱ 517,384,218	₱ 326,996,764



DMCI HOLDINGS, INC. AND SUBSIDIARIES
SCHEDULE H - GUARANTEES OF SECURITIES OF OTHER ISSUERS
As of December 31, 2011

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, 2011				



DMCI HOLDINGS, INC. AND SUBSIDIARIES
SCHEDULE I - CAPITAL STOCK
As of December 31, 2011

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	-	-	-	-
PREFERRED STOCK	100,000,000	3,780				

DMCI HOLDINGS INC. AND SUBSIDIARIES
INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULES
DECEMBER 31, 2011

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DMCI HOLDINGS INC. AND SUBSIDIARIES
SCHEDULE A: FINANCIAL ASSETS
DECEMBER 31, 2011

Name of issuing entity and association of each issue (i)	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet (ii)	Value based on market quotation at end of reporting period (iii)	Income received and accrued
--	---	--	--	-----------------------------

NOT APPLICABLE

DMCI HOLDINGS INC. AND SUBSIDIARIES
SCHEDULE B: AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES
AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)
DECEMBER 31, 2011

Name and designation of debtor (i)	Balance at beginning of period	Additions	Amounts Collected (ii)	Amounts written off (iii)	Current	Not Current	Balance at end of period
GANCAYCO, EFREN	₱1,193,974	₱1,955,392	(₱2,970,632)	₱ -	₱ 178,734	₱ 486,966	₱ 665,700
GLORIOSO, ALVIN S.	114,507	48,670	(33,073)	-	130,104	-	130,104
	₱1,308,481	₱2,004,062	(₱3,003,705)	₱ -	₱ 308,838	₱ 486,966	₱ 795,803

DMCI HOLDINGS INC. AND SUBSIDIARIES
SCHEDULE C: AMOUNTS RECEIVABLES/PAYABLES FROM/TO RELATED PARTIES
WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
DECEMBER 31, 2011

Name of Entity with Receivable Balance	Name of Entity with Payable Balance	Receivable Balance	Payable Balance	Current	Not current	Balance at end of period
₱						
Semirara Mining Corporation	Sem-Calaca Power Corporation	₱ 771,671,157	₱ 771,671,157	₱ 771,671,157	-	-
Semirara Mining Corporation	SEM-Cal Industrial Park Developers Inc.	20,220	20,220	20,220	-	-
Semirara Mining Corporation	DMCI Mining Corporation	8,739,796	8,739,796	8,739,796	-	-
Semirara Mining Corporation	DMCI Power Corporation	57,300,464	57,300,464	57,300,464	-	-
Sem-Calaca Power Corporation	DMCI Power Corporation	130,263,596	130,263,596	130,263,596	-	-
DMCI Holdings Inc.	DMCI Mining Corporation	47,319,993	47,319,993	47,319,993	-	-
DMCI Holdings Inc.	DMCI Power Corporation	21,275,000	21,275,000	21,275,000	-	-
DMCI Holdings, Inc.	DMCI Project Developers, Inc.	20,219,388	20,219,388	20,219,388	-	-
D. M. Consunji Inc.	DMCI Holdings Inc.	1,126,696	1,126,696	1,126,696	-	-
D. M. Consunji Inc.	DMCI Mining Corporation	6,811,124	6,811,124	6,811,124	-	-
D. M. Consunji Inc.	DMCI Power Corporation	6,665,393	6,665,393	6,665,393	-	-
D. M. Consunji Inc.	DMCI Project Developers, Inc.	180,799,630	180,799,630	180,799,630	-	-
D. M. Consunji Inc.	Sem-Calaca Power Corporation	127,378,835	127,378,835	127,378,835	-	-
D. M. Consunji Inc.	Semirara Mining Corporation	50,743,272	50,743,272	50,743,272	-	-
Hampstead Gardens Corporation	D. M. Consunji Inc.	25,584,631	25,584,631	25,584,631	-	-
Beta Electric Corporation	D. M. Consunji Inc.	173,629,982	173,629,982	173,629,982	-	-
Beta Electric Corporation	Raco Haven Automation Philippines, Inc.	1,962,820	1,962,820	1,962,820	-	-
DMCI Project Developers, Inc.	DMCI Homes Property Management Corp.	35,165,228	35,165,228	35,165,228	-	-
DMCI Project Developers, Inc.	DMCI Homes, Inc.	466,173,633	466,173,633	466,173,633	-	-
Hampstead Gardens Corporation	DMCI Project Developers, Inc.	58,212,770	58,212,770	58,212,770	-	-
Riviera Land Corporation	DMCI Project Developers, Inc.	63,579,815	63,579,815	63,579,815	-	-
DMCI Homes, Inc.	Riviera Land Corporation	3,348,983	3,348,983	3,348,983	-	-
Hampstead Gardens Corporation	DMCI Homes, Inc.	4,013,321	4,013,321	4,013,321	-	-
DMCI Homes, Inc.	D. M. Consunji Inc.	4,777,564	4,777,564	4,777,564	-	-
DMCI Power Corporation	DMCI Masbate Power Corporation	56,368,198	56,368,198	56,368,198	-	-
₱ 2,323,151,507				₱ 2,323,151,507		₱ 2,323,151,507
				-	-	-

DMCI HOLDINGS INC. AND SUBSIDIARIES
SCHEDULE D: INTANGIBLE ASSETS
DECEMBER 31, 2011

Description	Beginning balance (At Carrying Value)	Additions at Cost	Charged to Costs and Expenses	Charged to Other Accounts	Other Changes	Ending Balance
Software costs	₱ 8,086,197	₱ 70,975,514	₱ 18,009,346	-	-	₱ 61,052,366

See Note 10 of the Consolidated Financial Statements.

DMCI HOLDINGS INC. AND SUBSIDIARIES
SCHEDULE E: LONG TERM DEBT
DECEMBER 31, 2011

Title of issue and type of obligation	Amount authorized by indenture	Interest rates	Maturity date	Number of periodic installments	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-term debt" in related balance sheet
Mortgage payable	₱ 9,600,000,000.00	PDST-F benchmark yield for 3-month treasury securities + 1.75%	5/20/2017	Payable in twenty-five (25) equal consecutive quarterly installments commencing on May 20, 2011.	₱ 1,530,694,871.00	₱ 6,834,877,906.00
Bank loans	140,288,000.00	1.59%, to be repriced every 90 days	10/19/2012	Principal to be paid at maturity date	140,288,000.00	-
Bank loans	297,467,859.00	1.95%, to be repriced every six months	12/14/2012	Principal to be paid at maturity date	297,467,859.00	-
Bank loans	152,469,426.00	1.95%, to be repriced every six months	12/20/2012	Principal to be paid at maturity date	152,469,426.00	-
Bank loans	189,119,710.00	1.95%, to be repriced every six months	11/22/2012	Principal to be paid at maturity date	189,119,710.00	-
Bank loans	359,953,274.00	1.95%, to be repriced every six months	1/18/2013	Principal to be paid at maturity date	-	359,953,274.00
Bank loans	314,578,129.00	1.95%, to be repriced every six months	1/31/2013	Principal to be paid at maturity date	-	314,578,129.00
Bank loans	240,239,167.00	1.80%, to be repriced every 90 days	10/19/2012	Principal to be paid at maturity date	240,239,167.00	-
Bank loans	142,500,944.00	1.80%, to be repriced every 90 days	10/19/2012	Principal to be paid at maturity date	142,500,944.00	-
Bank loans	59,641,651.00	1.80%, to be repriced every 90 days	10/8/2012	Principal to be paid at maturity date	59,641,651.00	-
Bank loans	244,827,085.00	1.80%, to be repriced every 90 days	1/31/2013	Principal to be paid at maturity date	-	244,827,085.00
Bank loans	1,236,970.00	1.80%, to be repriced every 90 days	1/31/2013	Principal to be paid at maturity date	-	1,236,970.00
Bank loans	240,239,167.00	1.82%, to be repriced quarterly	10/8/2012	Principal to be paid at maturity date	240,239,167.00	-
Bank loans	23,454,400.00	1.60%, to be repriced quarterly	1/31/2013	Principal to be paid at maturity date	-	23,454,400.00
Bank loans	79,695,465.00	1.61%, to be repriced quarterly	2/14/2013	Principal to be paid at maturity date	-	79,695,465.00
Bank loans	188,512,000.00	1.61%, to be repriced quarterly	3/11/2013	Principal to be paid at maturity date	-	188,512,000.00
Bank loans	320,592,056.00	1.61%, to be repriced quarterly	3/11/2013	Principal to be paid at maturity date	-	320,592,056.00
Bank loans	175,760,040.00	1.28%, to be repriced quarterly	12/5/2013	Principal to be paid at maturity date	-	175,760,040.00
Bank loans	14,817,920.00	1.11%, to be repriced quarterly	8/19/2013	Principal to be paid at maturity date	-	14,817,920.00
Bank loans	353,857,654.00	1.04%, to be repriced quarterly	8/16/2013	Principal to be paid at maturity date	-	353,857,654.00
Bank loans	70,363,200.00	1.03%, to be repriced quarterly	8/9/2013	Principal to be paid at maturity date	-	70,363,200.00
Bank loans	486,624,000.00	1.03%, to be repriced quarterly	8/9/2013	Principal to be paid at maturity date	-	486,624,000.00
Bank loans	797,407.36	7.50% fixed interest rate	8/8/2012	Principal to be paid at maturity date	797,407.36	-
Bank loans	140,288,000.00	5.50%, floating interest rates	January 2013	Principal to be paid at maturity date	-	140,288,000.00
Car Financing Loan	682,400.00	9.50%, to be repriced quarterly	7/8/2012	Payable in equal monthly installments for three (3) years	148,624.08	-
Car Financing Loan	1,303,200.00	9.50%, to be repriced quarterly	11/16/2012	Payable in equal monthly installments for three (3) years	439,420.27	-
Car Financing Loan	640,000.00	9.50%, to be repriced quarterly	11/12/2012	Payable in equal monthly installments for three (3) years	215,803.15	-
Finance Lease	1,330,000.00	6.66% fixed interest rate	2/23/2013	Advance, P39,188 for 36 months	444,495.56	143,471.17
Finance Lease	995,200.00	6.66% fixed interest rate	3/26/2013	Advance, P30,576 for 36 months	348,178.64	90,690.67
Finance Lease	1,479,000.00	6.46% fixed interest rate	3/26/2013	Advance, P43,439 for 36 months	490,877.98	201,668.38
Finance Lease	1,151,000.00	6.46% fixed interest rate	3/30/2013	Advance, P33,805 for 36 months	382,008.76	156,960.98

Title of issue and type of obligation	Amount authorized by indenture	Interest rates	Maturity date	Number of periodic installments	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-term debt" in related balance sheet
Finance Lease	942,000.00	6.54% fixed interest rate	4/19/2013	Advance, P27,701 for 36 months	311,120.05	155,382.47
Finance Lease	1,430,000.00	6.63% fixed interest rate	5/25/2013	Advance, P42,110 for 36 months	469,946.29	276,665.60
Finance Lease	1,170,000.00	6.63% fixed interest rate	5/25/2013	Advance, P34,454 for 36 months	384,506.50	226,350.50
Finance Lease	3,240,000.00	6.6% fixed interest rate	5/30/2013	Advance, P95,369 for 36 months	1,064,623.70	626,686.49
Finance Lease	630,000.00	6.63% fixed interest rate	6/2/2013	Advance, P18,552 for 36 months	205,902.77	139,666.93
Finance Lease	3,300,000.00	6.63% fixed interest rate	6/2/2013	Advance, P97,177 for 36 months	1,047,467.97	762,661.70
Finance Lease	1,748,000.00	6.63% fixed interest rate	6/23/2013	Advance, P51,476 for 36 months	571,306.15	387,502.02
Finance Lease	1,788,000.00	6.61% fixed interest rate	6/29/2013	Advance, P52,640 for 36 months	584,340.73	396,308.00
Finance Lease	745,000.00	6.61% fixed interest rate	6/29/2013	Advance, P21,933 for 36 months	243,470.75	165,139.18
Finance Lease	1,788,000.00	6.70% fixed interest rate	6/29/2013	Advance, P52,713 for 36 months	584,563.34	396,642.02
Finance Lease	1,900,000.00	6.72% fixed interest rate	6/25/2013	Advance, P66,034 for 36 months	617,776.89	474,956.68
Notes payable - Financing	878,400.00	23.05% fixed interest rate	10/4/2012	48 months	183,000.00	-
Notes payable - Financing	796,000.00	23.05% fixed interest rate	7/11/2013	48 months	198,999.96	99,500.14
Notes payable - Financing	654,400.00	21.94% fixed interest rate	9/30/2013	48 months	163,599.96	122,700.19
Notes payable - Financing	654,400.00	21.94% fixed interest rate	9/30/2013	48 months	163,599.96	122,700.13
Notes payable - Financing	1,248,000.00	27.14% fixed interest rate	3/23/2015	60 months	249,600.00	561,600.00
Notes payable - Financing	1,200,000.00	26.43% fixed interest rate	7/27/2015	60 months	296,500.00	563,500.00
Corporate Notes	2,000,000,000.00	7.22%, to be repriced annually	Y2016	Payable in annual installments	20,000,000.00	1,964,604,508.62
Corporate Notes	3,000,000,000.00	7.89%, to be repriced annually	Y2016	Payable in annual installments	30,000,000.00	2,954,604,508.62
Receivable Discounting	3,000,000,000.00	5.0% - 5.50%, to be repriced annually	2 - 10 years	Payable in monthly installments	28,357,059.36	157,552,267.18
Receivable Discounting	700,000,000.00	6.33% - 7.00%, to be repriced annually	2 - 10 years	Payable in monthly installments	45,213,599.86	140,804,560.05
Receivable Discounting	300,000,000.00	7.75% - 8.00%, to be repriced annually	2 - 10 years	Payable in monthly installments	51,994,609.92	177,026,425.81
Receivable Discounting	1,000,000,000.00	5.50%, to be repriced annually	2 - 10 years	Payable in monthly installments	114,765,179.04	376,522,395.19
Receivable Discounting	1,500,000,000.00	5.00% - 5.30%, to be repriced annually	2 - 10 years	Payable in monthly installments	187,375,324.74	849,324,255.34
Receivable Discounting	500,000,000.00	6.00%, to be repriced annually	2 - 10 years	Payable in monthly installments	72,671,508.06	155,664,908.81
Receivable Discounting	1,680,000,000.00	5.75% - 6.00%, to be repriced annually	2 - 10 years	Payable in monthly installments	76,918,327.37	603,580,105.66
Receivable Discounting	2,400,000,000.00	5.50%, to be repriced annually	2 - 12 years	Payable in monthly installments	144,178,699.08	380,934,853.38
Receivable Discounting	2,400,000,000.00	5.50% - 5.75%, to be repriced annually	2 - 10 years	Payable in monthly installments	38,398,120.29	106,331,300.35
Receivable Discounting	1,097,485.62	7.50%, to be repriced annually	2/15/2012	Payable in monthly installments	222,686.09	-
Receivable Discounting	1,721,506.50	7.50%, to be repriced annually	3/7/2012	Payable in monthly installments	584,650.55	-
Receivable Discounting	97,818,844.00	10.00% - 13.00%, to be repriced annually	Y2015	Payable in monthly installments	-	97,818,844.00
Receivable Discounting	190,861,808.00	16.50% - 19.50%, to be repriced annually	Y2015	Payable in monthly installments	-	190,861,808.00
Receivable Discounting	4,477,334.00	10.00% - 13.00%, to be repriced annually	Y2015	Payable in monthly installments	-	4,477,334.00
₱ 32,644,993,502					₱ 3,813,947,700	₱ 17,775,616,927

See Note 12 of the Consolidated Financial Statements

DMCI HOLDINGS INC. AND SUBSIDIARIES
SCHEDULE F: INDEBTEDNESS TO RELATED PARTIES
(LONG-TERM LOANS FROM RELATED COMPANIES)
DECEMBER 31, 2011

Name of Related Party	Balance at beginning of the period	Balance at end of the period
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NOT APPLICABLE

DMCI HOLDINGS INC. AND SUBSIDIARIES
SCHEDULE G: GUARANTEES OF SECURITIES OF OTHER ISSUERS
DECEMBER 31, 2011

Name of issuing entity of securities guaranteed by the Company for which this statement is filed	Title of issue of each class of securities granted	Total amount guaranteed and outstanding (i)	Amount owned by person for which statement is filed	Nature of guarantee (ii)
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NOT APPLICABLE

DMCI HOLDINGS INC. AND SUBSIDIARIES
SCHEDULE H: CAPITAL STOCK
DECEMBER 31, 2011

Title of issue	Number of shares authorized	Number of shares issued and outstanding at shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by		
				Related parties	Directors, officers and employees	Others
Preferred stock - P1 par value cumulative and convertible	100,000,000	3,780	-	-	-	3,780
Common stock - P1 par value	5,900,000,000	2,655,494,000	-	1,829,073,615	84,751,362	741,669,023

See Note 22 of the Consolidated Financial Statements

DMCI HOLDINGS INC. AND SUBSIDIARIES
FINANCIAL SOUNDNESS INDICATORS
DECEMBER 31, 2011

Financial Soundness Indicator	2011	2010
i. Liquidity ratios:		
Current ratio	185.96%	178.52%
Quick ratio	126.90%	116.15%
ii. Leverage ratios:		
Debt-to-equity ratio	53.35%	58.65%
Interest coverage ratio	1234.09%	694.46%
iii. Management ratios:		
Inventory turnover ratio	239.60%	304.99%
Accounts receivable turnover ratio	445.03%	476.88%
Return on assets ratio	14.58%	13.52%
Return on equity ratio	30.34%	29.72%
iv. Asset-to-equity ratio	208.02%	219.80%
v. Profitability ratios:		
Gross margin ratio	34.25%	29.62%
Net profit margin ratio	25.68%	22.16%

See attached supporting computation.

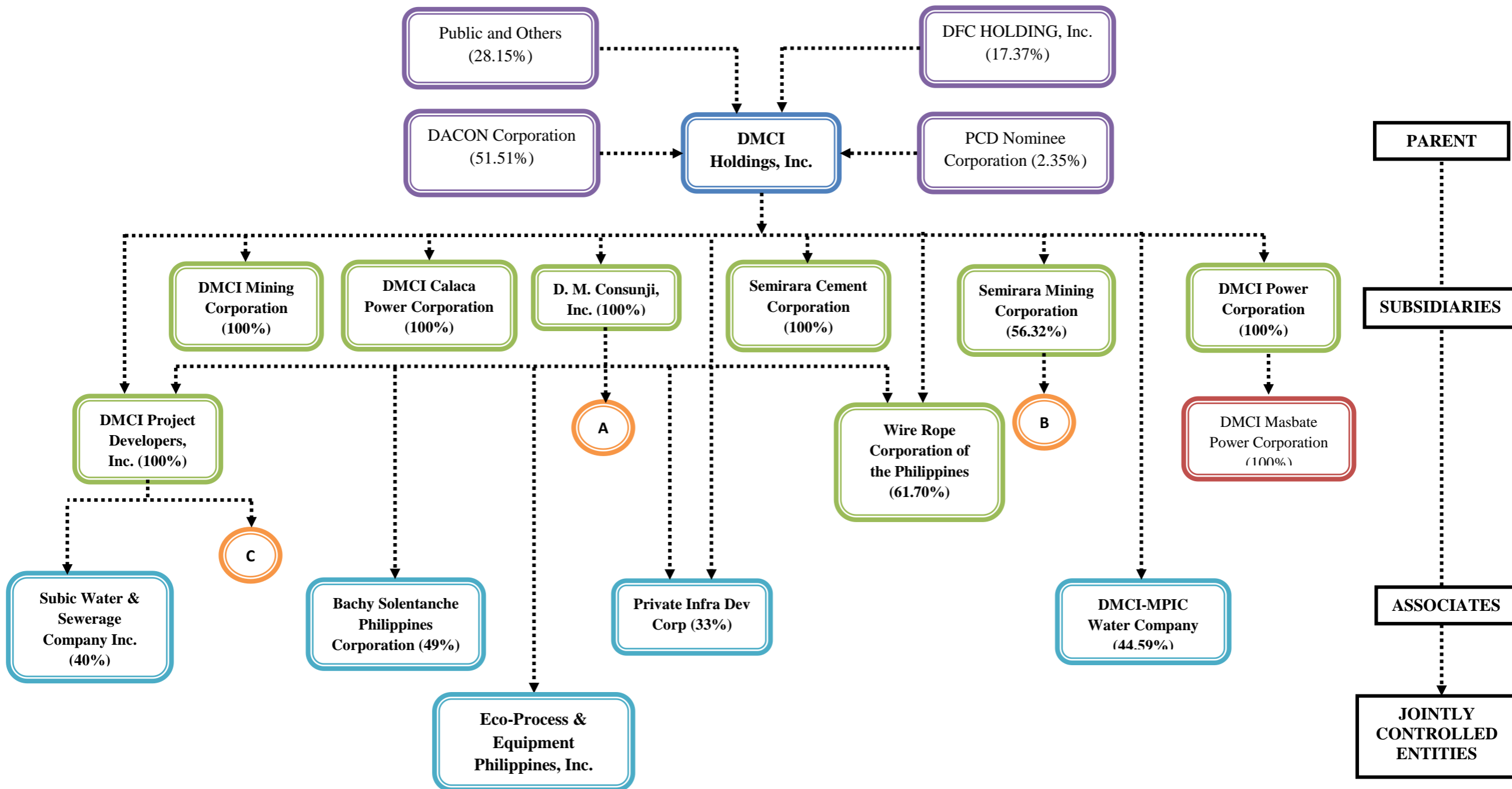
DMCI HOLDINGS INC. AND SUBSIDIARIES
FINANCIAL SOUNDNESS INDICATORS
DECEMBER 31, 2011

	2011	2010
	(Amounts in thousand)	
Current assets	₱ 46,109,013	₱ 36,363,703
Current liabilities	24,795,036	20,369,380
Current ratio	185.96%	178.52%
Current assets	₱ 46,109,013	₱ 36,363,703
Inventories	17,484,675	12,704,544
Quick assets	28,624,338	23,659,159
Current liabilities	22,556,880	20,369,380
Quick ratio	126.90%	116.15%
Interest-bearing loans	₱ 21,589,565	₱ 19,017,084
Equity	40,470,003	32,423,202
Debt-to-equity ratio	53.35%	58.65%
Earnings before income tax	₱ 13,622,061	₱ 9,986,851
Interest expense	1,103,810	1,438,076
Interest coverage ratio	1234.09%	694.46%
Cost of goods sold	₱ 31,428,980	₱ 30,603,883
Average inventory	13,117,492	10,034,272
Inventory turnover ratio	239.60%	304.99%
Net credit sales	₱ 47,802,585	₱ 43,483,809
Average accounts receivable	10,741,458	9,118,301
Accounts receivable turnover ratio	445.03%	476.88%
Net income	₱ 12,276,906	₱ 9,635,061
Total assets	84,183,689	71,266,143
Return on assets ratio	14.58%	13.52%
Net income	₱ 12,276,906	₱ 9,635,061
Total equity	40,470,003	32,423,202
Return on equity ratio	30.34%	29.72%
Total assets	₱ 84,183,689	₱ 71,266,143
Total equity	40,470,003	32,423,202
Asset-to-equity ratio	208.02%	219.80%
Gross profit	₱ 16,373,605	₱ 12,879,926
Sales	47,802,585	43,483,809
Gross profit margin	34.25%	29.62%
Net income	₱ 12,276,906	₱ 9,635,061
Sales	47,802,585	43,483,809
Net profit margin	25.68%	22.16%

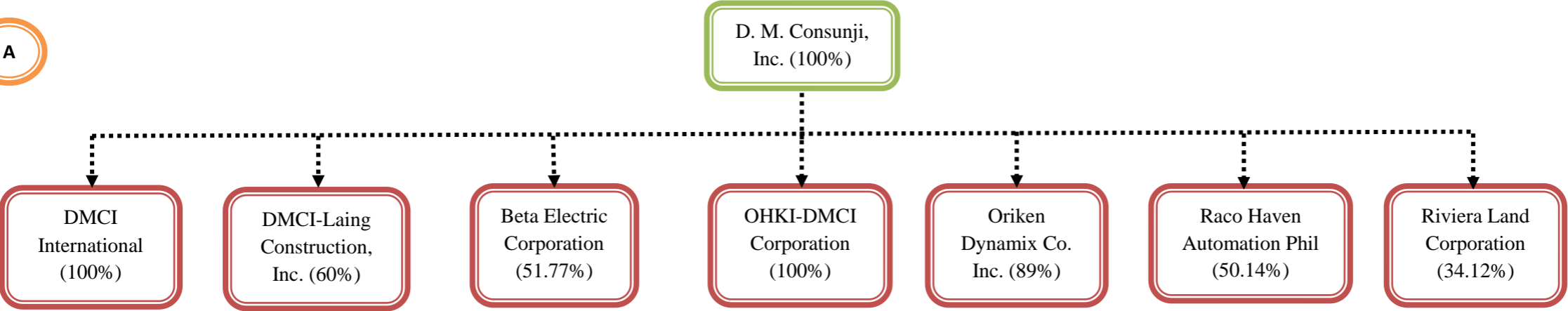
DMCI HOLDINGS INC. AND SUBSIDIARIES

MAP OF THE RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP

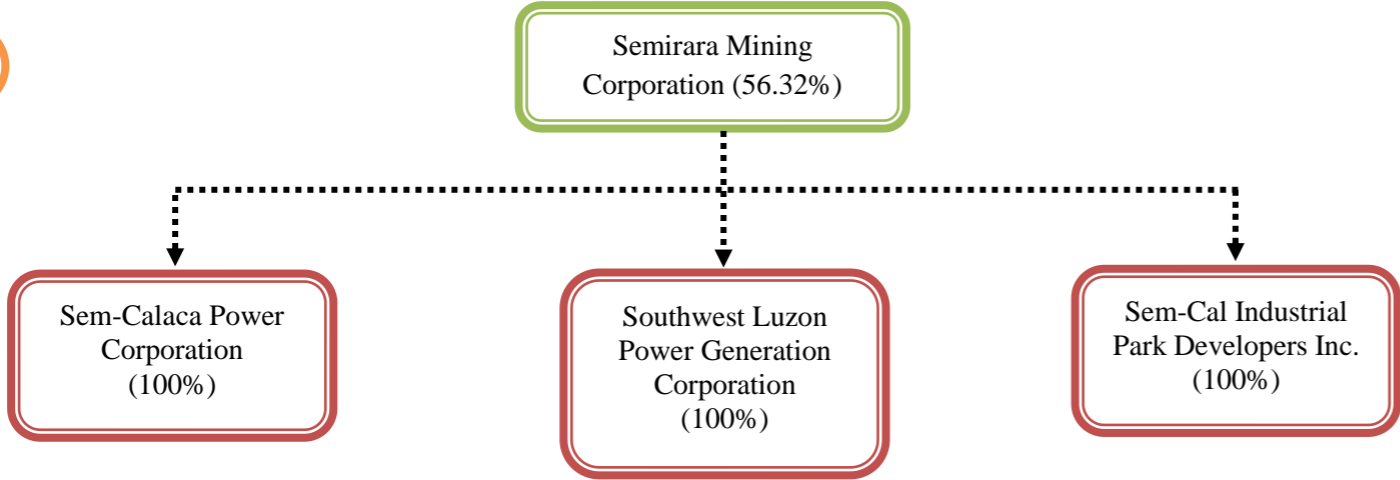
December 31, 2011



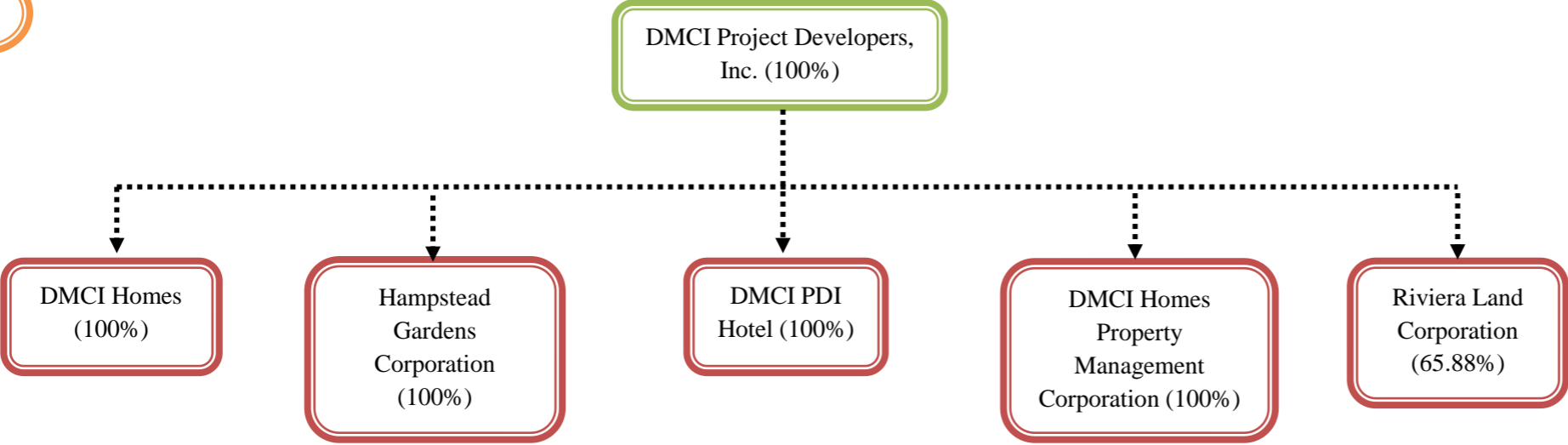
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DMCI HOLDINGS INC. AND SUBSIDIARIES**SCHEDULE OF ALL THE EFFECTIVE STANDARDS AND INTERPRETATIONS****December 31, 2011**

PFRSs and PIC Q&As	Adopted/Not adopted/ Not applicable
PFRS 1, <i>First-time Adoption of Philippine Financial Reporting Standards</i>	Not applicable*
PFRS 2, <i>Share-based Payment</i>	Not applicable*
PFRS 3, <i>Business Combinations</i>	Not applicable*
PFRS 4, <i>Insurance Contracts</i>	Not applicable*
PFRS 5, <i>Non-current Assets Held for Sale and Discontinued Operations</i>	Not applicable*
PFRS 6, <i>Exploration for and Evaluation of Mineral Resources</i>	Adopted
PFRS 7, <i>Financial Instruments: Disclosures</i>	Adopted
PFRS 8, <i>Operating Segments</i>	Adopted
PAS 1, <i>Presentation of Financial Statements</i>	Adopted
PAS 2, <i>Inventories</i>	Adopted
PAS 7, <i>Statement of Cash Flows</i>	Adopted
PAS 8, <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>	Adopted
PAS 10, <i>Events after the Reporting Period</i>	Adopted
PAS 11, <i>Construction Contracts</i>	Adopted
PAS 12, <i>Income Taxes</i>	Adopted
PAS 16, <i>Property, Plant and Equipment</i>	Adopted
PAS 17, <i>Leases</i>	Adopted
PAS 18, <i>Revenue</i>	Adopted
PAS 19, <i>Employee Benefits</i>	Adopted
PAS 20, <i>Accounting for Government Grants and Disclosure of Government Assistance</i>	Adopted
PAS 21, <i>The Effects of Changes in Foreign Exchange Rates</i>	Adopted
PAS 23, <i>Borrowing Costs</i>	Adopted
PAS 24, <i>Related Party Disclosures</i>	Adopted
PAS 26, <i>Accounting and Reporting by Retirement Benefit Plans</i>	Adopted
PAS 27, <i>Consolidated and Separate Financial Statements</i>	Adopted
PAS 28, <i>Investments in Associates</i>	Adopted
PAS 29, <i>Financial Reporting in Hyperinflationary Economies</i>	Not applicable*
PAS 31, <i>Interests in Joint Ventures</i>	Adopted
PAS 32, <i>Financial Instruments: Presentation</i>	Adopted
PAS 33, <i>Earnings per Share</i>	Adopted
PAS 34, <i>Interim Financial Reporting</i>	Not applicable*
PAS 36, <i>Impairment of Assets</i>	Adopted
PAS 37, <i>Provisions, Contingent Liabilities and Contingent Assets</i>	Adopted
PAS 38, <i>Intangible Assets</i>	Adopted
PAS 39, <i>Financial Instruments: Recognition and Measurement</i>	Adopted
PAS 40, <i>Investment Property</i>	Adopted
PAS 41, <i>Agriculture</i>	Not applicable*
Philippine Interpretation IFRIC-1, <i>Changes in Existing Decommissioning, Restoration and Similar Liabilities</i>	Adopted

PFRSs and PIC Q&As	Adopted/Not adopted/ Not applicable
Philippine Interpretation IFRIC–2, <i>Members' Shares in Co-operative Entities and Similar Instruments</i>	Not applicable*
Philippine Interpretation IFRIC–4, <i>Determining whether an Arrangement contains a Lease</i>	Adopted
Philippine Interpretation IFRIC–5, <i>Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds</i>	Adopted
Philippine Interpretation IFRIC–6, <i>Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment</i>	Not applicable*
Philippine Interpretation IFRIC–7, <i>Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies</i>	Not applicable*
Philippine Interpretation IFRIC–9, <i>Reassessment of Embedded Derivatives</i>	Adopted
Philippine Interpretation IFRIC–10, <i>Interim Financial Reporting and Impairment</i>	Not applicable*
Philippine Interpretation IFRIC–12, <i>Service Concession Arrangements</i>	Not applicable*
Philippine Interpretation IFRIC–13, <i>Customer Loyalty Programmes</i>	Not applicable*
Philippine Interpretation IFRIC–14, <i>PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction</i>	Adopted
Philippine Interpretation IFRIC–16, <i>Hedges of a Net Investment in a Foreign Operation</i>	Not applicable*
Philippine Interpretation IFRIC–17, <i>Distributions of Non-cash Assets to Owners</i>	Not applicable*
Philippine Interpretation IFRIC–18, <i>Transfers of Assets from Customers</i>	Not applicable*
Philippine Interpretation IFRIC–19, <i>Extinguishing Financial Liabilities with Equity Instruments</i>	Not applicable*
Philippine Interpretation SIC–7, <i>Introduction of the Euro</i>	Not applicable*
Philippine Interpretation SIC–10, <i>Government Assistance - No Specific Relation to Operating Activities</i>	Adopted
Philippine Interpretation SIC–12, <i>Consolidation - Special Purpose Entities</i>	Not applicable*
Philippine Interpretation SIC–13, <i>Jointly Controlled Entities - Non-Monetary Contributions by Venturers</i>	Not applicable*
Philippine Interpretation SIC–15, <i>Operating Leases – Incentives</i>	Not applicable*
Philippine Interpretation SIC–21, <i>Income Taxes - Recovery of Revalued Non-Depreciable Assets</i>	Not applicable*
Philippine Interpretation SIC–25, <i>Income Taxes - Changes in the Tax Status of an Entity or its Shareholders</i>	Not applicable*
Philippine Interpretation SIC–27, <i>Evaluating the Substance of Transactions Involving the Legal Form of a Lease</i>	Adopted
Philippine Interpretation SIC–29, <i>Service Concession Arrangements: Disclosures</i>	Not applicable*
Philippine Interpretation SIC–31, <i>Revenue - Barter Transactions Involving Advertising Services</i>	Not applicable*
Philippine Interpretation SIC–32, <i>Intangible Assets - Web Site Costs</i>	Not applicable*
PIC Q&A No. 2006-01: PAS 18, Appendix, paragraph 9 – Revenue	

PFRSs and PIC Q&As	Adopted/Not adopted/ Not applicable
recognition for sales of property units under pre-completion contracts	Adopted
PIC Q&A No. 2006-02: PAS 27.10(d) – Clarification of criteria for exemption from presenting consolidated financial statements	Adopted
PIC Q&A No. 2007-03: PAS 40.27 – Valuation of bank real and other properties acquired (ROPA)	Not applicable*
PIC Q&A No. 2008-01 (Revised): PAS 19.78 – Rate used in discounting post-employment benefit obligations	Adopted
PIC Q&A No. 2008-02: PAS 20.43 – Accounting for government loans with low interest rates under the amendments to PAS 20	Not applicable*
PIC Q&A No. 2009-01: Framework.23 and PAS 1.23 – Financial statements prepared on a basis other than going concern	Not applicable*
PIC Q&A No. 2010-01: PAS 39.AG71-72 – Rate used in determining the fair value of government securities in the Philippines	Not applicable*
PIC Q&A No. 2010-02: PAS 1R.16 – Basis of preparation of financial statements	Adopted
PIC Q&A No. 2011-01: PAS 1.10(f) – Requirements for a Third Statement of Financial Position	Not applicable*

**These standards have been adopted but the entity has no significant covered transactions as of and for the year then ended December 31, 2011 and 2010.*



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BOA/PRC Reg. No. 0001,
January 25, 2010, valid until December 31, 2012
SEC Accreditation No. 0012-FR-2 (Group A),
February 4, 2010, valid until February 3, 2013

INDEPENDENT AUDITORS' REPORT

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

Report on the Parent Company Financial Statements

We have audited the accompanying parent company financial statements of DMCI Holdings, Inc., which comprise the parent company statements of financial position as at December 31, 2011 and 2010, and the parent company statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Parent Company Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these parent company 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 about whether the parent company financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the parent company financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the parent company 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 parent company 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 parent company 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 at December 31, 2011 and 2010, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

Report on the Supplementary Information Required Under Revenue Regulations 19-2011 and 15-2010

The supplementary information required under Revenue Regulations 19-2011 and 15-2010 for purposes of filing with the Bureau of Internal Revenue is presented by the management of DMCI Holdings, Inc. in a separate schedule. Revenue Regulations 19-2011 and 15-2010 require the information to be presented in the notes to the parent company financial statements. Such information is not a required part of the basic financial statements. The information is also not required by Securities Regulation Code Rule 68. Our opinion on the basic financial statements is not affected by the presentation of the information in a separate schedule.

SYCIP GORRES VELAYO & CO.

Jessie D. Cabaluna

Jessie D. Cabaluna

Partner

CPA Certificate No. 36317

SEC Accreditation No. 0069-AR-2 (Group A),

February 11, 2010, valid until February 10, 2013

Tax Identification No. 102-082-365

BIR Accreditation No. 08-001998-10-2009,

June 1, 2009, valid until May 31, 2012

PTR No. 3174583, January 2, 2012, Makati City

April 23, 2012



DMCI HOLDINGS, INC.**PARENT COMPANY STATEMENTS OF FINANCIAL POSITION**

	December 31	
	2011	2010
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 4 and 17)	₱2,192,423,907	₱2,527,318,227
Receivables (Notes 5, 12 and 17)	383,556,215	195,194,142
Other current assets	10,507,410	2,580,604
Total Current Assets	2,586,487,532	2,725,092,973
Noncurrent Assets		
Investments in subsidiaries and associates (Note 6)	14,727,562,211	13,779,242,461
Investment properties (Note 7)	70,180,877	70,180,877
Property and equipment (Note 8)	3,355,456	3,310,016
Deferred tax asset - net (Note 16)	935,039	3,214,136
Other noncurrent assets	3,012,318	2,576,702
Total Noncurrent Assets	14,805,045,901	13,858,524,192
	₱17,391,533,433	₱16,583,617,165
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts and other payables (Notes 9 and 17)	₱24,684,420	₱83,826,763
Due to related parties (Notes 12 and 17)	250,583,932	2,843,893,263
Total Current Liabilities	275,268,352	2,927,720,026
Noncurrent Liabilities		
Pension liabilities (Note 13)	986,807	6,428,845
Other noncurrent liabilities (Notes 10 and 17)	380,708,165	382,568,014
Total Noncurrent Liabilities	381,694,972	388,996,859
Total Liabilities	656,963,324	3,316,716,885
Equity (Note 11)		
Capital stock	2,655,497,780	2,655,498,380
Additional paid-in capital	4,765,316,671	4,765,916,071
Retained earnings	9,313,755,658	5,845,485,829
Total Equity	16,734,570,109	13,266,900,280
	₱17,391,533,433	₱16,583,617,165

See accompanying Notes to Parent Company Financial Statements.



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

	Years Ended December 31	
	2011	2010
INCOME		
Investment income (Notes 6 and 12)	₱5,979,419,369	₱3,484,686,300
Finance income (Notes 4 and 15)	155,728,442	22,913,298
Rental income (Notes 7, 12 and 18)	126,018,765	77,299,547
Management fee (Note 12)	4,200,000	55,516,455
Foreign exchange gain	751,668	17,983,702
Guarantee fee (Note 12)	–	6,214,019
Others (Note 12)	5,690,116	16,628,666
	6,271,808,360	3,681,241,987
COSTS AND EXPENSES		
General and administrative expenses (Note 14)	106,438,950	118,354,354
Finance cost (Note 10)	334,356	628,665
	106,773,306	118,983,019
INCOME BEFORE INCOME TAX	6,165,035,054	3,562,258,968
PROVISION FOR INCOME TAX (Note 16)	41,271,225	34,205,742
NET INCOME	6,123,763,829	3,528,053,226
OTHER COMPREHENSIVE INCOME	–	–
TOTAL COMPREHENSIVE INCOME	₱6,123,763,829	₱3,528,053,226

See accompanying Notes to Parent Company Financial Statements.



DMCI HOLDINGS, INC.**PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY**

	Capital Stock (Note 11)	Additional Paid-in Capital	Unappropriated Retained Earnings (Note 11)	Appropriated Retained Earnings (Note 11)	Total Equity
Balance at January 1, 2011	₱2,655,498,380	₱4,765,916,071	₱5,845,485,829	₱-	₱13,266,900,280
Redemption of preferred shares (Note 11)	(600)	(599,400)	-	-	(600,000)
Appropriation for capital expenditure, investments and future dividend declaration (Note 11)	-	-	(3,000,000,000)	3,000,000,000	-
Total comprehensive income	-	-	6,123,763,829	-	6,123,763,829
Dividends declared (Note 11)	-	-	(2,655,494,000)	-	(2,655,494,000)
Balance at December 31, 2011	₱2,655,497,780	₱4,765,316,671	₱6,313,755,658	₱3,000,000,000	₱16,734,570,109
Balance at January 1, 2010	₱2,655,498,380	₱4,765,916,071	₱3,645,179,603	₱-	₱11,066,594,054
Total comprehensive income	-	-	3,528,053,226	-	3,528,053,226
Dividends declared (Note 11)	-	-	(1,327,747,000)	-	(1,327,747,000)
Balance at December 31, 2010	₱2,655,498,380	₱4,765,916,071	₱5,845,485,829	₱-	₱13,266,900,280

See accompanying Notes to Parent Company Financial Statements.



DMCI HOLDINGS, INC.**PARENT COMPANY STATEMENTS OF CASH FLOWS**

	Years Ended December 31	
	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱6,165,035,054	₱3,562,258,968
Adjustments for:		
Depreciation (Notes 8 and 14)	1,818,335	2,123,365
Finance cost (Note 10)	334,356	628,665
Finance income (Note 15)	(155,728,442)	(22,913,298)
Investment income (Notes 6 and 12)	(5,979,419,369)	(3,484,686,300)
Gain on sale of property and equipment (Note 8)	(233,221)	–
Operating income (loss) before changes in working capital	31,806,713	57,411,400
Changes in operating assets and liabilities:		
Increase in:		
Receivables	(8,053,327)	(16,550,085)
Other current assets	(7,926,806)	(113,130)
Other noncurrent assets	(435,616)	(272)
Increase (decrease) in:		
Accounts and other payable (Note 9)	(62,711,797)	56,801,759
Pension liabilities (Note 13)	(5,442,038)	(498,906)
Net cash generated from (used in) operations	(52,762,871)	97,050,766
Interest received	145,171,644	23,004,713
Income tax paid	(38,992,127)	(6,575,972)
Interest paid	–	(19,555,770)
Net cash provided by operating activities	53,416,646	93,923,737
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividends received	4,729,824,619	2,530,013,660
Additional (payments of) advances to related parties	130,248,052	(234,657,437)
Acquisitions of:		
Property and equipment (Note 8)	(2,051,671)	(1,044,357)
Investments in subsidiaries and associates (Note 6)	–	(571,756,921)
Assignment of investment (Note 6)	1,275,000	1,746,079,048
Proceeds from sale of:		
Property and equipment (Note 8)	421,117	–
Investments in subsidiaries and associates (Note 6)	–	1,750,000,000
Net cash provided by investing activities	4,859,717,117	5,218,633,993

(Forward)



	Years Ended December 31	
	2011	2010
CASH FLOWS FROM FINANCING ACTIVITIES		
Additional (payments of) advances from related parties	(₱2,593,309,331)	₱897,377,772
Payment of:		
Long-term debt	–	(2,970,057,704)
Redemption of preferred shares (Note 11)	(600,000)	–
Liability for purchased land	(3,817,005)	(2,853,984)
Dividends (Note 11)	(2,650,301,747)	(1,323,523,320)
Net cash used in financing activities	(5,248,028,082)	(3,399,057,236)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(334,894,320)	1,913,500,494
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	2,527,318,227	613,817,733
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	₱2,192,423,907	₱2,527,318,227

See accompanying Notes to Parent Company Financial Statements.



DMCI HOLDINGS, INC.

**SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS AVAILABLE
FOR DIVIDENDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

Unappropriated Retained Earnings, as adjusted to available for dividend distribution at beginning of year		₱5,834,393,362
Add: Net income actually earned/realized during the year		
Net income	₱6,123,763,829	
Add amortization of discount on payable to landowners	334,356	
Net income actually earned during the year		6,124,098,185
Less:		
Dividends declared during the year		(2,655,494,000)
Appropriation for capital expenditures, investments and future dividend declaration		(3,000,000,000)
Unappropriated Retained Earnings, available for dividend distribution, ending		₱6,302,997,547



DMCI HOLDINGS, INC.

NOTES TO PARENT COMPANY FINANCIAL STATEMENTS

1. Corporate Information

DMCI Holdings, Inc. (the Parent Company) is incorporated on March 8, 2005 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's ultimate parent company is Dacon Corporation (Dacon) with direct ownership of 49% and indirect ownership of 2%. The remaining 49% is held by the public and other shareholders of the Parent Company.

The Parent Company is an investment holding company. It has investments in Semirara Mining Corporation (Semirara), D.M. Consunji, Inc. (DMCI), DMCI Project Developers, Inc. (PDI), DMCI Power Corporation (DMCI Power), DMCI Mining Corporation (DMCI Mining), Semirara Cement Corporation (SemCem), Wire Rope Corporation of the Philippines (Wire Rope), and DMC MPIC Water Co. (DMWC), among others.

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, 2012.

2. Summary of Significant Accounting Policies

Basis of Preparation

The accompanying 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. All values are rounded to the nearest peso, unless otherwise indicated.

Statement of Compliance

The accompanying Parent Company financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS).

The Parent Company also prepares and issues consolidated financial statements presented in compliance with PFRS which are available at the registered office address of the Parent Company.

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 following new and amended Philippine Accounting Standards (PAS), PFRS and Philippine Interpretations of IFRIC which were adopted as of January 1, 2011. The following new and amended standards and interpretations did not have any impact on the accounting policies, financial position and performance of the Parent Company:

- PAS 24 (Amended), *Related Party Disclosures*
The amendment clarified the definition of a related party. The new definitions emphasize a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationships of an entity. In addition, the amendment introduces an exemption from the general related party disclosure requirements for transactions with government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity.



- PAS 32, *Financial Instruments: Presentation (Amendment) - Classification of Rights Issues*
The amendment altered the definition of a financial liability in order to classify rights issues and certain options or warrants as equity instruments in cases where such rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency.
- Philippine Interpretation IFRIC 14 (Amendment), *Prepayments of a Minimum Funding Requirement*
The amendment removes an unintended consequence when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover such requirements. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset.
- Philippine Interpretation IFRIC 19, *Extinguishing Financial Liabilities with Equity Instruments*
The interpretation clarified that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. In case that this cannot be reliably measured, the instruments are measured at the fair value of the liability extinguished. Any gain or loss is recognized immediately in profit or loss.

Improvements to PFRSs 2010

- PFRS 3, *Business Combinations*
This amendment clarifies that the Amendments to PFRS 7, *Financial Instruments: Disclosures*, PAS 32, *Financial Instruments: Presentation* and PAS 39, *Financial Instruments: Recognition and Measurement*, that eliminate the exemption for contingent consideration, do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of PFRS 3 (as revised in 2008).

It also limits the scope of the measurement choices that only the components of non-controlling interest that are present ownership interests that entitle their holders to a proportionate share of the entity's net assets, in the event of liquidation, shall be measured either at fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. Other components of non-controlling interest are measured at their acquisition date fair value, unless another measurement basis is required by another PFRS.

The amendment also requires an entity (in a business combination) to account for the replacement of the acquiree's share-based payment transactions (whether obliged or voluntarily), i.e., split between consideration and post-combination expenses. However, if the entity replaces the acquiree's awards that expire as a consequence of the business combination, these are recognized as post-combination expenses. It further specifies the accounting for share-based payment transactions that the acquirer does not exchange for its own awards: if vested - they are part of non-controlling interest and measured at their market-based measure; if unvested - they are measured at market-based value as if granted at acquisition date, and allocated between non-controlling interest and post-combination expense.



- *PFRS 7, Financial Instruments: Disclosures*
This amendment emphasizes the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instruments. The amendments to quantitative and credit risk disclosures are as follows:
 - a. Clarify that only financial asset whose carrying amounts do not reflect the maximum exposure to credit risk need to provide further disclosure of the amount that represents the maximum exposure to such risk.
 - b. Requires, for all financial assets, to disclose the financial effect of collateral held as security and other credit enhancements regarding the amount that best represents the maximum exposure to credit risk (e.g., a description of the extent to which collateral mitigates credit risk).
 - c. Remove the disclosure of the collateral held as security, other credit enhancements and an estimate of their fair value for financial assets that are past due but not impaired, and financial assets that are individually determined to be impaired.
 - d. Remove the requirement to specifically disclose financial assets renegotiated to avoid becoming past due or impaired.
 - e. Clarify that the additional disclosure required for financial assets obtained by taking possession of collateral or other credit enhancements are only applicable to assets still held at the reporting date.

- *PAS 1, Presentation of Financial Statements*
This Amendment clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the consolidated financial statements.

- *PAS 27, Consolidated and Separate Financial Statements*
This Amendment clarifies that the consequential amendments from PAS 27 made to PAS 21, *The Effect of Changes in Foreign Exchange Rates*, PAS 28, *Investments in Associates* and PAS 31, *Interests in Joint Ventures* apply prospectively for annual periods beginning on or after July 1, 2009 or earlier when PAS 27 is applied earlier.

- *Philippine Interpretation IFRIC 13, Customer Loyalty Programmes*
This Amendment clarifies that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme, is to be taken into account.

New Standards Issued but not yet Effective

The Parent Company has not adopted the following PFRS and Philippine Interpretations which are not yet effective as of December 31, 2011. The Parent Company intends to adopt those standards when they become effective. The Parent Company does not expect the adoption of these standards to have a significant impact in the parent company financial statements, unless otherwise stated.

- *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. The 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 reward of ownership are transferred to the



buyer on a continuous basis will also be accounted for based on stage of completion. The SEC and the Financial Reporting Standards Council (FRSC) have deferred the effectivity of this interpretation until the final Revenue standard is issued by International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed.

Effective 2012

- PAS 12, *Income Taxes - Recovery of Underlying Assets (Amendment)*
The amendment clarified the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in PAS 40, *Investment Property*, should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in PAS 16, *Property, Plant and Equipment*, always be measured on a sale basis of the asset. The amendment becomes effective for annual periods beginning on or after January 1, 2012.
- PFRS 7, *Financial Instruments: Disclosures - Enhanced Derecognition Disclosure Requirements (Amendment)*
The amendment requires additional disclosure about financial assets that have been transferred but not derecognized to enable the user of the Parent Company's financial statements to understand the relationship with those assets that have not been derecognized and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognized assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognized assets. The amendment becomes effective for annual periods beginning on or after July 1, 2011.

Effective 2013

- PAS 1, *Financial Statement Presentation - Presentation of Items of Other Comprehensive Income*
The amendments change the grouping of items presented in other comprehensive income. Items that could be reclassified to profit or loss at a future point in time would be presented separately from items that will never be reclassified. The amendment becomes effective for annual periods beginning on or after July 1, 2012.
- PAS 19, *Employee Benefits (Amendment)*
Amendments to PAS 19 range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and rewording. The amendment becomes effective for annual periods beginning on or after January 1, 2013. The Parent Company is currently assessing the full impact of the amendments in reporting actuarial gains or losses.
- PAS 27, *Separate Financial Statements (as revised in 2011)*
As a consequence of the new PFRS 10, *Consolidated Financial Statements*, and PFRS 12, *Disclosure of Interests in Other Entities*, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The amendment becomes effective for annual periods beginning on or after January 1, 2013.



- PAS 28, *Investment in Associates and Joint Ventures (as revised in 2011)*
As a consequence of the new PFRS 11, *Joint Agreements* and PFRS 12, PAS 28 has been renamed PAS 28, *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment becomes effective for annual periods beginning on or after January 1, 2013.
- PFRS 7, *Financial Instruments: Disclosures - Offsetting of Financial Assets and Financial Liabilities*
These amendments require an entity to disclose information about rights of set-off and related arrangements such as collateral agreements. The new disclosures are required for all recognized financial instruments that are set off in accordance with PAS 32. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set-off in accordance with PAS 32. The amendments require entities to disclose, in a tabular format unless another format is more appropriate, the following minimum quantitative information. This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:
 - a) The gross amounts of those recognized financial assets and recognized financial liabilities;
 - b) The amounts that are set off in accordance with the criteria in PAS 32 when determining the net amounts presented in the statements of financial position;
 - c) The net amounts presented in the statements of financial position;
 - d) The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:
 - i. Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and
 - ii. Amounts related to financial collateral (including cash collateral); and
 - e) The net amount after deducting the amounts in (d) from the amounts in (c) above.

The amendments to PFRS 7 are to be retrospectively applied for annual periods beginning on or after January 1, 2013.

- PFRS 10, *Consolidated Financial Statements*
PFRS 10 replaces the portion of PAS 27, *Consolidated and Separate Financial Statements*, which addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12, *Consolidation - Special Purpose Entities*. PFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by PFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27. This standard becomes effective for annual periods beginning on or after January 1, 2013. The Parent Company is currently assessing the possible impact of this standard in the consolidated financial statements.
- PFRS 11, *Joint Agreements*
PFRS 11 replaces PAS 31, *Interests in Joint Ventures* and SIC-13, *Jointly-controlled Entities - Non-monetary Contributions by Venturers*. PFRS 11 removes the option to account for Jointly Controlled Entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. This standard becomes effective for annual periods beginning on or after January 1, 2013.



- *PFRS 12, Disclosure of Interests in Other Entities*
PFRS 12 includes all of the disclosures that were previously in PAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in PAS 31 and PAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. This standard becomes effective for annual periods beginning on or after January 1, 2013.
- *PFRS 13, Fair Value Measurement*
PFRS 13 establishes a single source of guidance under PFRS for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS when fair value is required or permitted. This standard becomes effective for annual periods beginning on or after January 1, 2013.
- *Philippine Interpretation IFRIC 20, Stripping Costs in the Production Phase of a Surface Mine*
This interpretation applies to waste removal costs that are incurred in surface mining activity during the production phase of the mine ("production stripping costs") and provides guidance on the recognition of the production stripping costs as an asset and measurement of the stripping activity asset. This interpretation becomes effective for annual periods beginning on or after January 1, 2013. This interpretation may have an impact on both financial position and performance of the Parent Company.

Effective 2014

- *PAS 32, Financial Instruments: Presentation - Offsetting of Financial Assets and Financial Liabilities*
These amendments to PAS 32 clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems such as central clearing house systems which apply gross settlement mechanisms that are not simultaneous. The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014.

Effective 2015

- *PFRS 9, Financial Instruments: Classification and Measurement*
PFRS 9 as issued reflects the first phase on the replacement of PAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in PAS 39. In subsequent phases, hedge accounting and impairment of financial assets will be addressed with the completion of this project expected on the first half of 2012. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Parent Company's financial assets, but will potentially have no impact on classification and measurement of financial liabilities. The Parent Company will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

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 Parent Company recognizes a financial asset or a financial liability in the parent company statement of financial position 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 Parent Company classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity investments, available-for-sale (AFS) financial assets, and loans and receivables. The Parent Company 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.

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.

As of December 31, 2011 and 2010, the Parent Company's financial instruments are classified as loans and receivables and other financial liabilities.

Determination of fair value

The fair value for financial instruments traded in active markets at the reporting 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 difference

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 Parent Company recognizes the difference between the transaction price and fair value (a Day 1 difference) in the profit or loss 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 profit or loss 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' difference 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 financial asset at FVPL or AFS financial assets. These are included in current assets if maturity is within 12 months from the reporting date; otherwise, these are classified as noncurrent assets. This accounting policy relates to the statement of financial position captions “Cash and cash equivalents”, “Receivables” and “Due from related parties”.

After initial measurement, the loans and receivables are subsequently measured at amortized cost using the effective interest rate (EIR) 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 EIR and transaction costs. The amortization is included in “Finance income” in profit or loss.

Other financial liabilities

Issued financial instruments or their components, which are not designated at FVPL are categorized as other financial liabilities, where the substance of the contractual arrangement results in the Parent Company having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue. After initial measurement, other financial liabilities are subsequently measured at amortized cost using the EIR method.

Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the EIR. The amortization is included in “Finance cost” in profit or loss. Any effects of restatement of foreign currency-denominated liabilities are recognized under the “Foreign exchange gains or losses” in profit or loss.

Other financial liabilities relate to the parent company statement of financial position captions, “Accounts and other payables”, “Due to related parties”, “Other noncurrent liabilities” and “Long-term debt” (except value added output tax and other tax related payables).

Impairment of Financial Assets

The Parent Company assesses at reporting 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 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.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Parent Company will not be able to collect all of the amounts due under the original terms of the invoice.

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 statement of comprehensive 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 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 the statement of comprehensive income, 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 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 Parent Company to reduce any differences between loss estimates and actual loss experience.

The Parent Company assesses, at each reporting date, whether there is any objective evidence that a financial asset is impaired. A financial asset 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 has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.



Offsetting

Financial assets and financial liabilities are only offset and the net amount reported in the parent company statement of financial position when there is a legally enforceable right to set off the recognized amounts and the Parent Company intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously.

Derecognition of Financial Instruments

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 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
- the Parent Company 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 Parent Company 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 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 carrying amount of the asset and the maximum amount of consideration that the Parent Company could be required to repay.

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or canceled 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 profit or loss.

Investments in Subsidiaries and Associates

The Parent Company's investments in its subsidiaries and associates 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.

The investments in subsidiaries and associates are carried in the parent company statement of financial position 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

Investment properties are stated at cost less any impairment in value. The initial cost of investment property 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.

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 profit or loss 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 profit or loss in the period in which the costs are incurred.

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>
Office furniture, fixtures and equipment	1-3
Transportation equipment	5

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 profit or loss in the year the asset is derecognized.

Fully depreciated property and equipment are retained in the accounts until they are no longer in use and no further depreciation is charged against current operations.



Impairment of Nonfinancial Assets

This accounting policy applies to the Parent Company's investment in subsidiaries and associates, investment properties and property 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 are 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 profit or loss. 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.

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.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Company has concluded that it is acting as a principal in all of its revenue arrangements. 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 EIR 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.

Rental income

Rental income is derived from the Parent Company's investment property located in Zambales on which the pier used by the lessee is situated. Rental income recognized in profit or loss is based on the metric tons per shipments made by the lessee.

Gain on sale of a subsidiary

Gain or loss is recognized if the Parent Company disposes some of its investment in subsidiaries or associates. Gain or loss is computed as the difference between the proceeds of the disposal and its carrying amount, including the carrying amount of goodwill, if any.

Guarantee fee

Relative to the guarantee made by the Parent Company on the loans of its subsidiary, guarantee income is earned based on a percentage of the loan availed.

Other income

Other income which is derived from the Parent Company's management fee from Semirara's stock right offering, is recognized as earned. This account also includes pension income.

General and Administrative Expenses

Operating expenses are expenses that arise in the course of the ordinary operations of the Parent Company. These usually take the form of an outflow or depletion of assets such as supplies, office furniture and equipment and others. Expenses are recognized in profit or loss.

Pension Costs

The retirement cost of the Parent Company is determined using the projected unit credit (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 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 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 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 profit or loss, 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.



Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Parent Company nor can they be paid directly to the Parent Company. Fair value is based on market price information and in the case of quoted securities it is the published bid price. The value of any pension asset recognized is restricted to the sum of any past service costs and actuarial gains and losses not yet recognized 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.

Current tax

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

Deferred tax

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

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

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

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

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

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

Provisions

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



Foreign Currency Transactions and Translations

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 financial reporting 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 at inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Operating Lease - Company as a Lessee

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Fixed lease payments are recognized as an expense in the profit or loss on a straight-line basis while the variable rent is recognized as an expense based on terms of the lease contract.

Operating Lease - Company as a Lessor

Leases where the Company 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.

Equity

The Parent Company records capital stocks at par value and additional paid-in capital in excess of the total contributions received over the aggregate par values of the equity share. Incremental costs incurred directly attributable to the issuance of new shares are deducted from proceeds.

Retained earnings represent accumulated earnings of the Parent Company less dividends declared.

Redeemed shares represent own equity instruments which are reacquired and are subsequently retired by the Parent Company. No gain or loss is recognized in the profit or loss upon retirement of the own equity instruments. When the assets are retired, the capital stock account is reduced by its par value and the excess of cost over par value is debited to additional paid-in capital recognized when the shares were issued and to retained earnings for the remaining balance.

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 Reporting Date

Post year-end events up to the date of the auditors' report that provide additional information about the Parent Company's position at financial reporting 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 parent company 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:

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.

Operating lease commitments - Parent Company as lessor

The Parent Company has entered into contract of lease for its investment property. The Parent Company has determined that all significant risks and benefits of ownership on these properties will be retained by the Parent Company. 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 financial reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

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 counterparties' current operation, financial condition 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.

As of December 31, 2011 and 2010, carrying values of the Parent Company's financial assets, net of allowance for impairment loss amounted to ₱383.56 million and ₱195.19 million, respectively.



There were no provisions for impairment losses on receivables recognized in 2011 and 2010. Allowance for impairment losses amounted to ₱2.98 million as of December 31, 2011 and 2010.

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 carrying value of property and equipment of the Parent Company amounted to ₱3.36 million and ₱3.31 million as of December 31, 2011 and 2010, respectively (see Note 8).

Impairment of nonfinancial assets

The Parent Company assesses the impairment of nonfinancial assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Parent Company considers important which could trigger an impairment review of nonfinancial assets except investments in subsidiaries and associates 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.

In addition, the Parent Company considers the following factors which could trigger an impairment review of investments in subsidiaries and associates:

- deteriorating or poor financial condition;
- recurring net losses; and
- significant charges with an adverse effect on the subsidiaries or associates.

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 fair value less cost to sell and value in use. The fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's length transaction 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 Parent Company is required to make estimates and assumptions that can materially affect the parent company financial statements.

As of December 31, 2011 and 2010, carrying values of the Parent Company's nonfinancial assets, net of accumulated depreciation and accumulated provisions for impairment losses, if any, follow:

	2011	2010
Investments in subsidiaries and associates (Note 6)	₱14,727,562,211	₱13,779,242,461
Investment properties (Note 7)	70,180,877	70,180,877
Property and equipment (Note 8)	3,355,456	3,310,016



Allowance for impairment losses on investments in subsidiaries and associates amounted to ₱11.46 million as of December 31, 2011 and 2010 (see Note 6).

Deferred tax assets

The Parent Company reviews the carrying amounts of deferred taxes at each financial reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the 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.

Significant judgment is required to determine the amount of deferred tax assets that can be recognized based upon likely timing and level of future taxable income together with future planning strategies.

Deferred tax assets amounted to ₱1.06 million and ₱8.87 million as of December 31, 2011 and 2010, respectively (see Note 16).

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 ₱35.74 million and ₱23.68 million as of December 31, 2011 and 2010, respectively (see Note 13).

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded in the parent company statement of financial position 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. Refer to Note 17 for related balances.

4. Cash and Cash Equivalents

This account consists of:

	2011	2010
Cash on hand and in banks	₱72,536,656	₱56,790,751
Cash equivalents	2,119,887,251	2,470,527,476
	₱2,192,423,907	₱2,527,318,227

Cash in banks earn interests at the respective bank deposit rates. Cash equivalents are short-term placements made for varying periods of up to three (3) months depending on the immediate cash requirements of the Parent Company and earn interests ranging from 1.60% to 4.69% and 1.75% to 4.06% in 2011 and 2010, respectively.



Interest income earned from cash and cash equivalents amounted to ₱155.73 million and ₱22.91 million in 2011 and 2010, respectively (see Note 15).

5. Receivables

This account consists of:

	2011	2010
Dividend receivable	₱300,000,000	₱-
Rental receivables (Note 12)	49,454,225	-
Due from related parties (Note 12)	21,445,485	151,693,537
Accrued interest receivable	11,482,219	925,421
Management fee receivable (Note 12)	784,000	42,103,196
Advances to officers and employees	324,914	418,938
Other receivables	65,372	53,050
	₱383,556,215	₱195,194,142

Dividend receivable pertains to the unpaid portion of the dividends declared by PDI. These are expected to be collected within one year from the date of declaration.

Rental receivable pertains to the unpaid portion of the amount charged to DMCI Mining for the use of the Parent Company's property in Zambales.

Accrued interest receivable pertains to the accrual of interest from cash equivalents. These are expected to be collected upon maturity of the short-term placements.

Management fee receivable pertains to receivable arising from sale of services to its related parties.

The Parent Company's receivables are all due within one year.

6. Investments and Advances

The details of the Parent Company's investments in subsidiaries and associates follow:

	2011	2010
Acquisition cost:		
Balance at beginning of year	₱13,790,702,114	₱15,785,037,147
Additions	949,594,750	581,229,624
Disposals	(1,275,000)	(829,485,609)
Return of advances	-	(1,746,079,048)
	14,739,021,864	13,790,702,114
Less allowance for impairment losses	11,459,653	11,459,653
Balance at end of year	₱14,727,562,211	₱13,779,242,461



The details of the Parent Company's investments in subsidiaries and associates accounted for under the cost method and the corresponding percentages of ownership follow:

	Percentage of Ownership		2011	2010
	2011	2010		
Investments in Subsidiaries:				
Semirara	56.32%	56.32%	₱4,375,297,241	₱4,375,297,241
DMCI	100.00	100.00	2,113,493,074	2,113,493,074
PDI	100.00	100.00	2,959,067,453	2,009,472,703
DMCI Power	100.00	100.00	300,000,000	300,000,000
DMCI Mining	100.00	100.00	277,086,632	277,086,632
SemCem*	100.00	100.00	1,999,400	1,999,400
DMCI Calaca Power Corp. (DMCI Calaca)	100.00	100.00	1,250,000	1,250,000
DMCI Masbate Power Corp. (DMCI Masbate)	–	51.00	–	1,275,000
Wire Rope	61.70	61.70	22,010,775	22,010,775
Associates:				
DMWC	44.59	44.59	3,961,600,000	3,961,600,000
Private Infra Dev Corporation (PIDC)	32.22	32.22	681,567,289	681,567,289
At Cost				
Rusina Mining			45,650,000	45,650,000
			₱14,739,021,864	₱13,790,702,114

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

PDI

On December 5, 2011, the Securities and Exchange Commission (SEC) approved DMCI's application to declare property dividend to the Parent Company in the amount of ₱949.59 million payable in 949,594,750 shares of stocks in PDI with a total par value of ₱949.59 million.

In 2010, various parcels of land amounting to ₱9.47 million were transferred at cost by the Parent Company to PDI as consideration for the additional 9,472,703 shares of the latter with a par value of ₱1.00 per share (see Note 7).

DMCI Power and DMCI Mining

A Deed of Assignment was made and executed by the Parent Company and Semirara on December 8, 2010 for the 124,990,000 million common shares with a par value of ₱1.00 per share in DMCI Power and 100,000,000 million common shares with a par value of ₱1.00 per share in DMCI Mining. The Parent Company paid ₱150.00 million and ₱177.09 million for the DMCI Power and DMCI Mining shares, respectively.

DMCI Masbate

On February 3, 2011, the Parent Company and DMCI Power executed a Deed of Assignment, whereby the Parent Company assigned, transferred, and conveyed all its rights and interest over its subscribed 5,099,995 shares of DMCI Masbate with ₱1.00 par value each, of which ₱1.28 million has been paid. As at December 31, 2011, DMCI Masbate is now wholly owned by DMCI Power.



PIDC

PIDC is a consortium of different contractors, primarily engaged in the business of construction, development of various infrastructure projects such as roads, highways, toll roads, freeways, skyways, flyovers, viaducts and interchanges. On February 19, 2008, PIDC was awarded the contract for the financing, design, construction, operation and maintenance of the Tarlac-Pangasinan-La Union Expressway (TPLEX).

The Parent Company paid ₱344.67 million in 2011 and nil in 2010, respectively, for its outstanding subscription.

On February 26, 2010, PIDC started the construction of the first section of the TPLEX project from Tarlac to Carmen, Pangasinan.

As at December 31, 2011, PIDC is planning to increase its authorized capital stock from ₱4.50 billion divided into 4,500,000 shares with par value of ₱1,000.00 to ₱6.50 billion divided into 6,500 common shares with par value of ₱1,000.00 per share. As of December 31, 2011, the Parent Company have no plans of subscribing in PIDC's increase in authorized capital stock.

AG&P

On December 22, 2010, the Parent Company entered into a Deed of Absolute Sale with AGP Philippines Holdings I, wherein the Parent Company agreed to sell to the latter the Parent Company's equity share in AG&P for a sum of ₱1,750.00 million. Consequently, the allowance for impairment losses on the said investment amounting to ₱34.26 million was reversed and a gain on sale of investment amounting to ₱458.85 million was recognized.

Dividend income from the Parent Company's subsidiaries and associates recognized in the profit or loss amounted to ₱5,355.16 million and ₱624.26 million, respectively, in 2011 and ₱2,285.42 million and ₱244.59 million respectively, in 2010 (Note 12).

7. Investment Properties

The Parent Company's investment properties represent various land situated in Taguig City and Zambales.

In 2010, the Parent Company transferred various parcels of land situated in Taguig City with a total carrying value of ₱9.47 million to PDI as consideration for the Parent Company's additional stocks subscriptions (see Note 6).

The fair value of investment properties, which has been determined based on valuations performed by independent professional qualified appraisers as of May 2010, exceeds its carrying cost. The fair value represents the amount at which the assets could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction at the date of valuation. Investment properties with total carrying value amounting to ₱70.18 million as of December 31, 2011 and 2010, was appraised to have an aggregate fair value of ₱83.51 million in 2010. No appraisal has been made in 2011.



The value of the investment properties was arrived at using the Market Data Approach. In this approach, the value of the investment properties is based on sales and listings of comparable property registered in the vicinity. The technique of this approach requires the establishment of comparable property by reducing reasonable comparative sales and listings to a common denominator. This is done by adjusting the differences between the subject property and those actual sales and listings regarded as comparable. The properties used as basis of comparison are situated within the immediate vicinity of the subject property.

In 2010, DMCI Mining started renting the property in Zambales for its pier use. Rental income earned from DMCI Mining amounted to ₱126.02 million and ₱77.30 million in 2011 and 2010, respectively (see Note 12).

8. Property and Equipment

The movements in this account follow:

	2011		
	Office Furniture, Fixtures and Equipment	Transportation Equipment	Total
Cost			
At January 1	₱15,045,136	₱12,826,415	₱27,871,551
Additions	310,600	1,741,071	2,051,671
Disposals	(148,175)	(1,760,746)	(1,908,921)
At December 31	15,207,561	12,806,740	28,014,301
Accumulated Depreciation			
At January 1	14,600,423	9,961,112	24,561,535
Depreciation (Note 14)	236,815	1,581,520	1,818,335
Disposals	(148,175)	(1,572,850)	(1,721,025)
At December 31	14,689,063	9,969,782	24,658,845
Net Book Value	₱518,498	₱2,836,958	₱3,355,456
	2010		
	Office Furniture, Fixtures and Equipment	Transportation Equipment	Total
Cost			
At January 1	₱14,622,988	₱12,204,207	₱26,827,195
Additions	422,148	622,208	1,044,356
At December 31	15,045,136	12,826,415	27,871,551
Accumulated Depreciation			
At January 1	14,385,308	8,052,862	22,438,170
Depreciation (Note 14)	215,115	1,908,250	2,123,365
At December 31	14,600,423	9,961,112	24,561,535
Net Book Value	₱444,713	₱2,865,303	₱3,310,016



9. Accounts and Other Payables

This account consists of:

	2011	2010
Value-added output tax	₱7,511,409	₱17,000,964
Dividends payable	7,214,303	2,022,050
Accrued expenses	3,514,792	843,750
Current portion of liability for purchased land (Note 11)	1,859,849	3,482,649
Trade payable	496,904	1,186,230
Others	4,087,163	59,291,120
	₱24,684,420	₱83,826,763

Dividends payable pertains to the amount declared for dividend distributions that are still unpaid as of December 31, 2011 and 2010. This are expected to be settled within one year from the date of declaration.

Accrued expenses pertain to accrued interests and other accruals.

The accrued expenses, trade and other payables are noninterest bearing and are payable within one (1) year.

Others include accrual for capital gains tax amounting to ₱45.88 million as of December 31, 2010 for the gain on sale of AG&P shares. Related expense is recorded in the "Taxes and licenses" under General and administrative expenses (see Note 14). On January 7, 2011, capital gains tax was fully paid by the Parent Company. This account also includes payable to preferred shareholders.

10. Other Noncurrent Liabilities

This account consists of:

	2011	2010
Liability for purchased land	₱1,859,849	₱5,342,498
Less current portion (Note 9)	1,859,849	3,482,649
	-	1,859,849
Subscription payable (Note 6)	380,708,165	380,708,165
	₱380,708,165	₱382,568,014

Liability for purchased land represents the balance of the Parent Company's obligation to a property seller for the acquisition of land located in Zambales in 2007. This liability, with a nominal amount of ₱27.27 million, was recorded at amortized cost amounting to ₱24.63 million. This liability for purchased land is payable over a period of five (5) years. The fair value is derived using discounted cash flow model using the discount rate of 8.74%. The unamortized discount amounted to ₱0.05 million and ₱0.38 million as of December 31, 2011 and 2010, respectively.



Movements in the unamortized discount are as follows:

	2011	2010
Balance at beginning of the year	₱383,007	₱1,011,672
Accretion for the year (Note 17)	(334,356)	(628,665)
Balance at end of the year	₱48,651	₱383,007

Subscription payable includes the Parent Company's unpaid subscription on its investment in DMWC amounting to ₱379.71 million as of December 31, 2011 and 2010 (see Note 6).

11. Equity

As of December 31, 2011 and 2010, the Parent Company's capital stock consists of:

	2011	2010
Preferred stock - ₱1 par value cumulative and convertible		
Authorized – 100,000,000 shares		
Issued – 3,780 shares and 4,380 shares in 2011 and 2010, respectively	₱3,780	₱4,380
Common stock - ₱1 par value		
Authorized - 5,900,000,000 shares		
Issued - 2,655,494,000 shares	2,655,494,000	2,655,494,000
	₱2,655,497,780	₱2,655,498,380

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.

In 2011, the Parent Company retired 600 preferred shares. The difference between the redemption price amounting to ₱0.60 million was charged against the additional paid-in capital account. Movements in the amount of preferred shares issued are as follows:

	2011	2010
Preferred stock - ₱1 par value cumulative and convertible		
Balance at beginning of the year	₱4,380	₱4,380
Less: Shares redeemed	600	-
Balance at end of year	₱3,780	₱4,380

Retained earnings

On December 29, 2011, the BOD authorized the Parent Company to appropriate ₱3.00 billion of its retained earnings for capital expenditures, investments and future dividend declaration.

Dividend declaration

On May 31, 2011, the BOD approved the declaration of cash dividends of ₱1.00 per share or a total of ₱2,655.49 million to stockholders of records as of June 15, 2011, out of the unrestricted retained earnings as of December 31, 2011. The 2011 cash dividend was paid on July 7, 2011.



On June 4, 2010, the BOD approved the declaration of cash dividends of ₱0.50 per share or a total of ₱1,327.75 million to stockholders of record as of June 22, 2010, out of the unrestricted retained earnings as of December 31, 2009. The 2010 cash dividend was paid on July 15, 2010.

12. Related Party Transactions

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 financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

Transactions entered into by the Parent Company with related parties are at arm's length and have terms similar to the transactions entered into with third parties. In the regular course of business, the Parent Company's significant transactions with related parties include the following:

- (a) The Parent Company rendered general and special management services to PDI amounting to ₱4.20 million in 2011 and 2010 and DMCI amounting to ₱51.32 million in 2010. Management contract with DMCI was terminated in 2011.
- (b) Dividend income from the Parent Company's subsidiaries and associates recognized in the profit or loss amounted to ₱5,355.16 million and ₱624.26 million, respectively, in 2011 and ₱2,285.42 million and ₱244.59 million respectively, in 2010 (Note 6);
- (c) The Parent Company obtained noninterest bearing cash and operating advances from DMWC which are due and demandable. Outstanding balance as of December 31, 2011 and 2010 amounted to ₱234.58 million and ₱233.05 million, respectively;
- (d) The Parent Company earned rental income from its investment property in Zambales on which the pier used by DMCI Mining is situated. Rental income earned from this property amounted to ₱126.02 million and ₱77.30 million in 2011 and 2010, respectively (Note 7);
- (e) In January 2010, the Parent Company paid the existing obligations of AG&P with the creditor banks amounting to ₱650.00 million;
- (f) Relative to the guarantee made by the Parent Company on the loans contracted by Semirara and AG&P, guarantee fee income is earned amounting to ₱6.21 million for the year ended December 31, 2010 and nil for 2011; and
- (g) In 2010, the Parent Company earned management fee from Semirara in relation to the latter's stock rights offering. Total income earned, which is included under "Others" in the profit or loss amounted to ₱16.13 million



The parent company statements of financial position include the following amounts resulting from transactions with subsidiaries, associates and other related parties:

	2011	2010
Trade receivable (Note 5)		
DMCI Mining	₱49,454,225	₱-
PDI	784,000	784,000
DMCI	-	41,319,196
	₱50,238,225	₱42,103,196
Due from related parties (Note 5)		
<i>Subsidiaries</i>		
DMCI Power	₱21,275,000	₱20,000,000
SemCem	2,983,278	2,983,278
DMCI Mining	73,546	131,323,421
DMCI	25,254	-
DMCI Calaca	10,610	10,610
Semirara	-	298,431
<i>Others</i>	61,075	61,075
	24,428,763	154,676,815
Less allowance for impairment losses	2,983,278	2,983,278
	₱21,445,485	₱151,693,537
Due to related parties		
<i>Subsidiaries</i>		
PDI	₱14,852,909	₱114,887,909
DMCI	1,151,951	2,495,951,951
<i>Associate</i>		
DMWC	234,579,072	233,053,403
	₱250,583,932	₱2,843,893,263

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 2011 and 2010 follows:

	2011	2010
Short-term employee benefits	₱4,825,232	₱5,106,703
Post-employment benefits	2,246,234	1,966,718
Total	₱7,071,466	₱7,073,421

13. Employee Benefits

The Parent Company has a funded, 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, 2011.

Total pension liabilities recognized in the parent company statements of financial position amounted to ₱0.99 million and ₱6.43 million as of December 31, 2011 and 2010, respectively.



Pension liabilities for the retirement plan follow:

	2011	2010
Present value of defined benefit obligation	₱35,743,321	₱23,684,508
Fair value of plan assets	85,057,770	74,860,892
Surplus	(49,314,449)	(51,176,384)
Unrecognized actuarial gains	50,357,784	57,949,036
Unrecognized past service cost - non vested benefits	(56,528)	(343,807)
Liability recognized in the parent company statements of financial position	₱986,807	₱6,428,845

Movements in the fair value of plan assets follow:

	2011	2010
Balance at beginning of year	₱74,860,892	₱29,706,686
Expected return on plan assets	4,438,190	2,079,468
Benefits paid - from plan assets	(1,782,113)	-
Actuarial gains	7,540,801	43,074,738
Balance at end of year	₱85,057,770	₱74,860,892

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

	2011	2010
Balance at beginning of year	₱23,684,508	₱8,680,745
Current service cost	2,376,730	2,319,025
Interest cost on benefit obligation	1,378,438	803,837
Benefits paid - from plan assets	(1,782,113)	-
Actuarial losses	10,085,758	11,880,901
Balance at the end of year	₱35,743,321	₱23,684,508

Components of retirement income in the parent company statements of comprehensive income follow:

	2011	2010
Current service cost	₱2,376,730	₱2,319,025
Interest cost on benefit obligation	1,378,438	803,837
Expected return on plan assets	(4,438,190)	(2,079,468)
Net actuarial gain recognized	(5,046,295)	(1,829,579)
Past service cost - non vested benefit	287,279	287,279
Pension income recognized	(₱5,442,038)	(₱498,906)

As of December 31, 2011 and 2010, the Parent Company's plan assets consist primarily of the following:

	2011	2010
Cash and cash equivalents	3%	1%
Investments in stocks	75%	82%
Debt instruments	2%	17%
Other assets	20%	-



Movements in pension liabilities follow:

	2011	2010
Balance at beginning of year	₱6,428,845	₱6,927,751
Income recognized	(5,442,038)	(498,906)
Balance at end of year	₱ 986,807	₱6,428,845

The assumptions used to determine pension benefits of the Parent Company follow:

	2011	2010	2009
Discount rate	6.08%	5.82%	9.26%
Salary rate increase	6.50%	6.00%	10.00%
Expected rate of return on plan assets	10.00%	12.00%	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 ₱11.98 million and ₱45.15 million in 2011 and 2010, respectively.

Amounts for the current and previous four periods are as follows:

	2011	2010	2009	2008	2007
Present value of defined benefit obligation	₱35,743,321	₱23,684,508	₱8,680,745	₱6,709,632	₱33,354,452
Fair value of plan assets	85,057,770	74,860,892	29,706,686	16,564,335	19,907,457
Deficit (surplus)	(₱49,314,449)	(₱51,176,384)	(₱21,025,941)	(₱9,854,703)	₱13,446,995
Experience adjustments on plan liabilities	₱12,390,854	₱7,840,952	(₱329,273)	(₱25,984,094)	(₱9,674)
Experience adjustments on plan assets	7,540,801	43,074,738	11,982,848	(11,098,383)	-

The Parent Company does not expect to contribute into the pension fund for the annual period ending December 31, 2012.

14. General and Administrative Expenses

This account consists of:

	2011	2010
Salaries, wages and employee benefits	₱47,735,465	₱16,438,480
Professional fees	18,838,356	29,355,435
Contribution and donation	7,243,500	703,000
Taxes and licenses (Note 9)	4,990,444	53,089,321
Transportation and travel	4,860,561	2,862,992
Entertainment, amusement and recreation (EAR)	4,079,915	3,765,226
Rent (Note 18)	2,793,265	2,498,434
Repairs and maintenance	2,283,037	1,705,274
Depreciation (Note 8)	1,818,335	2,123,365
Advertising and promotions	1,454,438	1,370,500
Communication, light and water	1,193,822	1,064,280
Supplies	764,405	484,056
Miscellaneous	8,383,407	2,893,991
	₱106,438,950	₱118,354,354



15. Finance Income

Finance income is derived from the following sources:

	2011	2010
Short-term placements	₱155,194,363	₱22,151,699
Bank savings account	534,079	761,599
	₱155,728,442	₱22,913,298

16. Income Tax

The provision for income tax shown in the parent company statements of comprehensive income consists of:

	2011	2010
Final	₱31,093,678	₱4,492,513
Current	7,898,449	2,083,459
Deferred	2,279,098	27,629,770
	₱41,271,225	₱34,205,742

The components of the net deferred tax assets as of December 31, 2011 and 2010 follow:

	2011	2010
Deferred tax asset on:		
Accrued retirement costs	₱1,063,434	₱2,823,944
NOLCO	-	2,460,519
MCIT	-	3,588,133
	1,063,434	8,872,596
Deferred tax liability on:		
Unrealized forex gain	113,799	5,543,558
Unamortized discount on liability for purchased land	14,596	114,902
	128,395	5,658,460
Net deferred tax asset	₱935,039	₱3,214,136

As of December 31, 2011, the details of the NOLCO and MCIT, which are available for offset against future income tax payable and taxable income, respectively, over a period of three (3) years from the year of inception, follow:

NOLCO

Inception Year	Amount	Applied	Balance	Expiry Year
2008	₱5,828,501	₱5,828,501	₱-	2011
2009	2,373,228	2,373,228	-	2012
	₱8,201,729	₱8,201,729	₱-	



MCIT

Year Incurred	Amount	Applied	Balance	Expiry Date
2008	₱266,620	₱266,620	₱-	2011
2009	1,238,055	1,238,055	-	2012
2010	2,083,459	2,083,459	-	2013
	₱3,588,134	₱3,588,134	₱-	

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

	2011	2010
Statutory income tax rate	30.00%	30.00%
Tax effects of:		
Nontaxable income	(29.10)	(29.35)
Interest income subjected to final tax	(0.25)	(0.07)
Nondeductible expenses	0.02	0.09
Expired NOLCO	-	0.28
Expired MCIT	-	0.01
Effective income tax rate	0.67%	0.96%

17. 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 Parent Company's capital as of December 31, 2011 and 2010.

	2011	2010
Total paid-in capital	₱7,420,814,451	₱7,421,414,451
Retained earnings	9,313,755,658	5,845,485,829
	₱16,734,570,109	₱13,266,900,280

Financial risk

The Parent Company's principal financial liabilities comprise accounts and other payables, due to related parties and subscription payable in 2010. Aside from the abovementioned, financial liabilities include long-term debt in 2009. The main purpose of the Parent Company's financial liabilities is to raise finance for the Parent Company's operations. The Parent 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 US Dollar (\$) for its cash and cash equivalents and advances to a related party. Approximately 2.00% and 8.00% of cash and cash equivalents as of December 31, 2011 and 2010, respectively, were denominated in US Dollar.

Information on the Parent Company's foreign currency denominated monetary assets and their Philippine Peso equivalents as of December 31, 2011 and 2010 follow:

2011

	USD	Peso Equivalent
Cash and cash equivalents	\$1,222,899	₱53,611,894
Due to related parties	(5,350,800)	(234,579,072)

2010

	USD	Peso Equivalent
Cash and cash equivalents	\$1,360,711	₱59,653,570
Due to related parties	(5,350,800)	(234,579,072)

In translating the foreign currency-denominated monetary assets and liabilities into peso amounts, the exchange rates used were ₱43.84 as at December 31, 2011 and 2010.

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.

US\$ appreciates (depreciates)	Increase (decrease) in income before tax	
	2011	2010
+5%	(₱9,048,359)	(₱8,746,276)
-5%	9,048,359	8,746,276

The Parent Company recognized ₱0.75 million and ₱17.98 million foreign exchange gain for the year ended December 31, 2011 and 2010, respectively, arising from the translation of the Parent Company's cash and cash equivalents and due to related parties.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. 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 financial assets of the Parent Company, which comprise cash and cash equivalents, receivables and due to related parties, 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 maximum exposure to credit risk for the components of the parent company statements of financial position.

	2011	2010
Cash and cash equivalents (excluding cash on hand)	₱2,192,418,907	₱2,527,313,227
Receivables	383,556,215	195,194,142
Total credit risk exposure	₱2,575,975,122	₱2,722,507,369

As of December 31, 2011 and 2010, the credit quality per class of financial assets is as follows:

2011

	Neither past due nor impaired			Past due or Individually Impaired	Total
	Grade A	Grade B	Sub-standard		
Cash and cash equivalents	₱2,192,418,907	₱-	₱-	₱-	₱2,192,418,907
Receivables	383,556,215	-	-	2,983,278	386,539,493
Total	₱2,575,975,122	₱-	₱-	₱2,983,278	₱2,578,958,400

2010

	Neither past due nor impaired			Past due or Individually Impaired	Total
	Grade A	Grade B	Sub-standard		
Cash and cash equivalents	₱2,527,313,227	₱-	₱-	₱-	₱2,527,313,227
Receivables	195,194,142	-	-	2,983,278	198,177,420
Total	₱2,722,507,369	₱-	₱-	₱2,983,278	₱2,725,490,647

Cash and cash equivalents are short-term placements and working cash fund placed, invested or deposited in foreign and local banks belonging to top ten (10) banks in the Philippines in terms of resources and profitability. These financial assets are classified as Grade A due to the counterparties' low probability of insolvency.

Receivables and due from related parties are considered Grade A due to the Parent Company's positive collection experience.

Grade B are active accounts with minimal to regular instances of payment default, due to collection issues. In the Parent Company's assessment, there are no financial assets that will fall under this category since accounts are being collected on time.

Substandard grade are accounts which have probability of impairment based on historical trend or customer's current unfavorable operating conditions. In the Parent Company's assessment, there are no financial assets that will fall under this category since they are transacting only with their subsidiaries and associates who have good financial condition based on current operation.

The Parent Company determines financial assets as impaired when probability of recoverability is remote and in consideration of lapse in period which the asset is expected to be recovered.



As of December 31, 2011 and 2010, the aging analysis of the Company's receivables presented per class is as follows:

2011

	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		
Receivables								
Dividends receivable	₱300,000,000	₱-	₱-	₱-	₱-	₱-	₱300,000,000	
Rental receivables	49,454,225	-	-	-	-	-	49,454,225	
Due from related parties	21,445,485	-	-	-	-	2,983,278	24,428,763	
Accrued interest	11,482,219	-	-	-	-	-	11,482,219	
Management fee receivable	784,000	-	-	-	-	-	784,000	
Advances to officers and Employees	324,914	-	-	-	-	-	324,914	
Other receivable	65,372	-	-	-	-	-	65,372	
Total	₱383,556,215	₱-	₱-	₱-	₱-	₱2,983,278	₱386,539,493	

2010

	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		
Receivables								
Due from related parties	₱151,693,537	₱-	₱-	₱-	₱-	₱2,983,278	₱154,676,815	
Management fee	42,103,196	-	-	-	-	₱-	42,103,196	
Accrued interest	925,421	-	-	-	-	-	925,421	
Advances to officers and Employees	418,938	-	-	-	-	-	418,938	
Other receivable	53,050	-	-	-	-	-	53,050	
Total	₱195,194,142	₱-	₱-	₱-	₱-	₱2,983,278	₱198,177,420	

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Parent Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans. The Parent Company's policy is to maintain a level of cash and cash equivalents deemed sufficient to fund its monthly cash requirements, at least for the next four to six months. A significant part of the Parent Company's financial assets that are held to meet the cash outflows include cash equivalents, receivables, and due from related parties. 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.

Moreover, the Parent Company considers the following as mitigating factors for liquidity risk:

- It has available lines of credit that it can access to answer anticipated shortfall in sales and collection of receivables resulting from timing differences in programmed inflows and outflows.
- It has very diverse funding sources.
- It has internal control processes and contingency plans for managing liquidity risk. Cash flow reports and forecasts are reviewed on a weekly basis in order to quickly address liquidity concerns. Outstanding trade receivables are closely monitored to avoid past due collectibles.

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 obtaining bank loans.



The table summarizes the maturity profile of the Parent Company's financial liabilities at December 31, 2011 and 2010 based on contractual undiscounted payments:

2011

	< 1 year	1 to < 2 years	2 to < 3 years	3 to < 4 years	> 5 years	Total
Loans and Receivables						
Cash and cash equivalents	₱2,192,423,907	₱-	₱-	₱-	₱-	₱2,192,423,907
Receivables	383,556,215	-	-	-	-	383,556,215
	2,575,980,122					2,575,980,122
Other Financial Liabilities						
Accounts and other payables						
Dividends payable	7,214,303	-	-	-	-	7,214,303
Trade	496,904	-	-	-	-	496,904
Accrued expenses	3,514,792	-	-	-	-	3,514,792
Liability for purchased land	1,859,849	-	-	-	-	1,859,849
Due to related parties	250,583,932	-	-	-	-	250,583,932
Other noncurrent liabilities						
Subscription payable	380,708,165	-	-	-	-	380,708,165
	644,377,945	-	-	-	-	644,377,945
Liquidity gap	₱1,931,602,177	₱-	₱-	₱-	₱-	₱1,931,602,177

2010

	< 1 year	1 to < 2 years	2 to < 3 years	3 to < 4 years	> 5 years	Total
Loans and Receivables						
Cash and cash equivalents	₱2,527,318,227	₱-	₱-	₱-	₱-	₱2,527,318,227
Receivables	195,194,142	-	-	-	-	195,194,142
	2,722,512,369	-	-	-	-	2,722,512,369
Other Financial Liabilities						
Accounts and other payables						
Dividends payable	2,022,050	-	-	-	-	2,022,050
Trade	1,186,230	-	-	-	-	1,186,230
Accrued expenses	843,750	-	-	-	-	843,750
Due to related parties	2,843,893,263	-	-	-	-	2,843,893,263
Other noncurrent liabilities						
Subscription payable	380,708,165	-	-	-	-	380,708,165
Liability for purchased land	4,151,360	1,957,155	-	-	-	6,108,515
	3,232,804,818	1,957,155	-	-	-	3,234,761,973
Liquidity gap	(₱510,292,449)	(₱1,957,155)	₱-	₱-	₱-	(₱512,249,604)

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 in 2009. 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 Instruments

Financial instruments 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:

	2011		2010	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
Cash and cash equivalents	₱2,192,418,907	₱2,192,418,907	₱2,527,318,227	₱2,527,318,227
Receivables				
Dividends receivable	300,000,000	300,000,000	–	–
Rental receivables	49,454,225	49,454,225	–	–
Due from related parties	21,445,485	21,445,485	151,693,537	151,693,537
Accrued interest receivable	11,482,219	11,482,219	925,421	925,421
Management fee receivable	784,000	784,000	42,103,196	42,103,196
Advances to officers and employees	324,914	324,914	418,938	418,938
Other receivables	65,372	65,372	53,050	53,050
	₱2,575,975,122	₱2,575,975,122	₱2,722,512,369	₱2,722,512,369
Other Financial Liabilities				
Accounts and other payables				
Dividends payable	₱7,214,303	₱7,214,303	₱2,022,050	₱2,022,050
Trade	496,904	496,904	1,186,230	1,186,230
Accrued expenses	3,514,792	3,514,792	843,750	843,750
Others	4,087,163	4,087,163	59,291,120	59,291,120
Liability for purchased land	1,859,849	1,859,849	5,342,498	5,359,265
Due to related parties	250,583,932	250,583,932	2,843,893,263	2,843,893,263
Other noncurrent liabilities				
Subscriptions payable	380,708,165	380,708,165	380,708,165	380,708,165
	₱648,465,108	₱648,465,108	₱3,293,287,076	₱3,293,303,843

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, due from and to related parties, accounts and other payables approximate their fair values due to the relative short-term nature of the transactions.

Estimated fair value of long-term debt and liability for purchased land is based on the discounted value of future cash flows using the applicable rates for similar type of liabilities.

The carrying amounts of subscriptions payable approximate their fair value due to the lack of suitable methods of arriving at a reliable fair value.

Fair Value Hierarchy

The Parent Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As of December 31, 2010, there are no financial assets and liabilities measured at fair value.



18. Commitments and Contingencies

Operating Lease Commitment

Parent Company as a Lessee

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 agreement was renewed for another five (5) years from June 1, 2010 to May 31, 2015. The lease is automatically renewable, unless termination is agreed upon by both parties. The total rental fee charged against operations amounted to ₱2.79 million and ₱2.50 million for the years ended December 31, 2011 and 2010, respectively, which are included under “General and administrative expenses” in the parent company statements of comprehensive income (see Note 14).

As of December 31, 2011 and 2010, future minimum lease payments under the aforementioned operating lease and the present value of the net minimum lease payments follow:

	2011	2010
Within one (1) year	₱3,072,592	₱2,207,335
After one (1) year but not more than five (5) years	9,217,775	12,290,367
Total future minimum lease payments	₱12,290,367	₱14,497,702

Parent Company as a Lessor

The Parent Company has entered into a lease agreement with DMCI Mining for the use of the Parent Company’s land in Zambales on which the pier being used by DMCI Mining is situated. The term of the lease shall begin from the first shipment in January 2011 and ends until the last shipment in 2011. Rent income was based on the metric tons per shipments made by DMCI Mining. Total rental income earned by the Company amounted to ₱126.02 million and ₱77.30 million in 2011 and 2010, respectively (see Note 12).

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.

19. Acquisition of Power Plant

On July 8, 2009, PSALM awarded the Parent Company as the winning bidder for the sale of the 600-megawatt (MW) Batangas Coal-Fired Thermal Power Plant (the Power Plant) located in San Rafael, Calaca, Batangas.

On December 2, 2009, the Parent Company entered into an APA with PSALM. Pursuant to the provision of the APA, PSALM agreed to sell and transfer to the Parent Company on an “as is where is” basis, the Power Plant with an agreed purchase price of \$368.87 million.



As embedded in the APA, the Parent Company will also enter into a LLA with PSALM for the lease of land in which the Power Plant is situated, for the period of 25 years, renewable for another period of 25 years, upon mutual agreement of both Parties.

On the same date, through the Amendment, Accession and Assumption Agreement between the Parent Company, SCPC, (a wholly-owned subsidiary of Semirara), and PSALM, the Parent Company assigned all of its rights and obligation under the APA and LLA to SCPC. PSALM consented on the assignment. Closing under the APA was achieved on December 2, 2009, upon which control, possession, risk of loss or damage of and the obligation to operate the Purchased Assets, and the rights to its revenues were turned over to SCPC. However, legal title to the Purchased Assets will transfer to SCPC only upon full payment of the purchase price. Relative to the assignment of the APA and LLA by the Parent Company to SCPC, total consideration recognized by SCPC as due to the Parent Company amounted to ₱54.34 million (see Note 9).

Below are the significant provisions of the APA, among others:

- a. All liabilities, obligations, taxes, fees, fines or penalties pertaining to the Power Plant and operating contracts accruing or incurred prior to closing date, regardless of the date when the demand for payment or assessment is made, shall be for the account of PSALM;
- b. SCPC must hire as contractual employees all of the separated National Power Corporation (NPC) employees for a period of five (5) months;
- c. During the deferred payment period, SCPC shall at the end of each fiscal year, maintain a debt service ratio of at least 1.1:1.0 and debt-equity ratio not exceeding 2.5:1.0; and
- d. Should there be (i) Semirara coal; (ii) diesel fuel and (iii) bunker fuel on site on closing date, SCPC shall pay PSALM the value of those based on the price paid by NPC for the same.

Other provisions of the Agreement include:

- a. The Parent Company undertakes that it shall own at least 57% of the voting capital of Semirara; and
- b. SCPC shall be a wholly owned subsidiary of Semirara.

A breach of any of the above shall constitute a breach by the Parent Company of the APA.

All of the above provisions will be terminated upon full payment of the deferred balance due to PSALM.

The total cash payments made to PSALM on December 2, 2009 are broken down as follow:

- a. ₱6.62 billion in peso equivalent using the exchange rate of ₱47.132 representing 40% down payment for US\$351.00 million purchase price of the Power Plant; and
- b. ₱0.49 billion in peso equivalent using the exchange rate of ₱47.20 representing payment for US\$10.39 million advance rental for the 25-year lease of the premises underlying the Power Plant and for purchase orders of parts and services for the Power Plant.



In a letter dated December 18, 2009, PSALM claims an additional amount of ₱9.55 million representing the difference between the US\$ to Peso exchange rate used for the 40% down-payment of the purchase price, ₱47.132, versus the ₱47.20 US\$ to Peso exchange rate PSALM alleges to be in accordance with the APA. The assessed amount was accrued in 2009 as additional acquisition cost allocated to Property, plant and equipment. Subsequently, the amount was paid by the SCPC on February 8, 2010.

The principal amount of the deferred balance is equivalent to 60% of the purchase price for the Power Plant. The deferred balance will be paid to PSALM in 14 equal semi-annual payments beginning June 2, 2010 with an interest rate of 11% per annum, compounded semi-annually. Under the APA, upon prior written notice to PSALM, and on the condition that SCPC is not in breach of any of its substantial obligations to PSALM under the APA and LLA, SCPC may prepay any portion of the deferred balance in Philippine Pesos.

Under a Memorandum of Agreement dated December 2, 2009 between PSALM and the SCPC, the amounts of ₱288.39 million as financial settlement for parts identified as required to achieve 350 MW capability of the Power Plant and ₱247.55 million as unawarded purchase orders were deducted from the principal amount of the deferred balance.

As of December 31, 2010, the deferred balance due to PSALM was fully paid by SCPC.

