

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 3 1
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

Remarks: Please use BLACK ink for scanning purposes

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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, 2012.
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 40,083,052,763.60**

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, 2012.

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 and Marubeni Philippines Corp. which owns 93% equity at Maynilad Water Services, Inc. (MWSI). The Company's economic interest in MWSI decreased to 25% from 41%.

(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 SERVICE PICK-UP OTHER VEHICLES	VARIOUS VARIOUS VARIOUS
OFFICE FURN., FIXTURES & EQUIPT.	OFFICE FURNITURE & FIXTURES OFFICE EQUIPMENT COMPUTER EQUIPMENT COMMUNICATION EQUIPMENT	VARIOUS VARIOUS VARIOUS VARIOUS
OTHERS	LAND LEASEHOLD IMPROVEMENTS BUILDING BUILDING IMPROVEMENTS PLANTS	VARIOUS 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
	5 x 1.25MW Diesel (Caterpillar) Modular Gen Sets	Irawan, Palawan

DMCI PROJECT DEVELOPERS, INC.

Classification	Property Description	Location
EQUIPMENT	Office equipment Communication equipment Furniture 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, Taguig Wawa Baguio City Makati City Manila
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DMCI MINING CORPORATION

Machinery & Equipment		
<u>Description</u>	<u>Qty</u>	<u>Location</u>
Excavator, Hydraulic ROBEX 210LC-7H	12	Sta Cruz, Zambales
Excavator, Hyundai Hydraulic	1	Sta Cruz, Zambales
Excavator, Hydraulic PC-200-8	5	Sta Cruz, Zambales
Excavator, Hyundai Wheel - Robex 200W-7	1	Sta Cruz, Zambales
Excavator, Hydraulic	1	Sta Cruz, Zambales
Excavator Wheel Hyundai ROBEX 200W-7	1	Sta Cruz, Zambales
Excavator, Hydraulic PC-200-8 with Komtrax, GPRS	1	Sta Cruz, Zambales
Excavator Hydraulic R210LC-7H	5	Sta Cruz, Zambales
Excavator Hydraulic PC-200LC-8	10	Sta Cruz, Zambales
Bulldozer D85EX-15R Komatsu	1	Sta Cruz, Zambales
Bulldozer D85EX-15R Komatsu	1	Sta Cruz, Zambales
Bulldozer D85EX-15R Komatsu	1	Sta Cruz, Zambales
Bulldozer Komatsu D65 EX-16	1	Sta Cruz, Zambales
Dump Truck	7	Sta Cruz, Zambales
Dump Truck Hyundai HD270	4	Sta Cruz, Zambales
Dump Truck Hyundai HD270	6	Sta Cruz, Zambales
Dump Truck Hyundai HD270 15CU.M. CAP	2	Sta Cruz, Zambales
Dump Truck Hyundai HD270	10	Sta Cruz, Zambales
Dump Truck Hyundai HD270 15CU.M. CAP	15	Sta Cruz, Zambales
Grader Motor GD405A-2	1	Sta Cruz, Zambales
Grader Motor MG-400 Mitsubishi Engine	1	Sta Cruz, Zambales
Truck Water Fuso FV415J 10,000LTS (AS IS)	1	Sta Cruz, Zambales
Truck Water 16,000LTS Capacity	1	Sta Cruz, Zambales

Jaw Crusher (Used)	1	Sta Cruz, Zambales
Drilling Machine	1	Sta Cruz, Zambales
Tractor Crawler - Komatsu MDL D65EX-15	1	Sta Cruz, Zambales
Truck Boom Isuzu Forward AS-IS, 6W, 8Tons 4WD	1	Sta Cruz, Zambales
Microwave Oven Brand: Milestone MDL. Start D	1	Sta Cruz, Zambales
Bomag BW211D-40 Single Drum Vibratory Roller	1	Sta Cruz, Zambales

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
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
	Second Quarter	57.00	56.85
	Third Quarter	58.15	57.95
	Fourth Quarter	54.80	53.85
2013	First Quarter	55.80	53.80

Preferred Share Prices

		High	Low
2011	First Quarter	0	0
	Second Quarter	0	0
	Third Quarter	0	0
	Fourth Quarter	0	0
2012	First Quarter	0	0
	Second Quarter	0	0
	Third Quarter	0	0
	Fourth Quarter	0	0
2013	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 26, 2013: HIGH 58.00 LOW 56.10, CLOSE 56.10, VOLUME 1,837,360.**

(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, 2012 the Company had a total of 730**

shareholders of which 714 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, 2012 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.
11. On May 15, 2012, the Company paid cash dividends at the amount of Php 1.20 per outstanding common share to the shareholders of record of June 15, 2012.
12. On April 11, 2013, the Company declared cash dividends of Php 1.20 per common share and special cash dividends of Php 1.00 per common share to the shareholders of record of April 26, 2013.

(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 2012 vs. 2011

I. RESULTS OF OPERATIONS

DMCI Holdings, Inc. (the "Company") reported a net income after non-controlling interests of P9.8 billion for the year 2012, which is 2.0% higher than the P9.6 billion recorded during the previous year. Consolidated revenues reached P51.8 billion, which is 8.4% higher year-on-year, primarily driven by the growth in construction, real estate and power generation revenues. With the significant drop in the global price of nickel ore, the increase in cost of construction materials and labor, and the lower average coal price, net income showed a modest increase compared to revenue.

Below is a table on the net income contributions of the Company's businesses for 2012 and 2011:

NET INCOME AFTER NON-CONTROLLING INTERESTS

<i>(in Php Millions)</i>	Audited		Variance	
	2012	2011	Amount	%
COAL SALES	P1,739	P2,379	(P640)	-27%
NICKEL ORE SALES	341	917	(576)	-63%
CONSTRUCTION	1,220	1,117	103	9%
REAL ESTATE	2,182	1,795	387	22%
ELECTRICITY	1,902	1,177	725	62%
WATER	2,264	2,195	69	3%
PARENT & OTHERS	144	15	129	860%
TOTAL	9,792	9,595	197	2%

Due to the significant fall in commodity prices of nickel and coal, the mining segments posted declines in net income contributions. This was countered by robust performances of the real estate and power generation segments driven by a buoyant housing market and increased generation capacity coming from the newly rehabilitated power units. The construction segment also bounced back from 2011 with a 9% increase in 2012, resulting from higher recognized revenues from project completion and a healthy portfolio of projects. The equity in net earnings coming from the water business registered modest growth due to a 5.8% increase in water billed volume and an average year-on-year effective tariff increase of 9.2%.

WATER

The Company's investment in the water sector is recognized through its 44.59% equity investment in DMCI-MPIC Water Company, Inc. (DMWC), the consortium company, with Metro Pacific Investments Corp. (MPIC), which owns 91.90% of 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 2012, water investment contributions reached P2.3 billion, up by 3.1% from the previous year.

Maynilad operations reported better efficiencies for 2012 vs. 2011. For the year 2012, Maynilad grew its billed volume by 5.8% to 428.4 million cubic meters (MCM) versus the 404.7 MCM billed in the prior year. With billed volume continuing to grow despite an effective 2.3% reduction in supply, average NRW for the year improved to 43.5% from 47.8% in the prior year. Continued expansion into the southern

areas of Muntinlupa, Las Piñas and Cavite brought connections up to a total of 1,073,508 billed services, a 6.8% growth from the end of the same period last year, but lower than the 11.3% growth registered in 2011 due to right-of-way and permitting issues in Cavite. Renewed efforts by the company to clean up non-performing accounts also contributed.

Combined revenues from water and sewer services for the year grew 15.6% to P15.4 billion from P13.3 billion last year. The increase in revenues was due to the combined effect of the 5.8% increase in billed volume coupled with a 9.2% increase in average effective tariff. The effective rate increase for the year was dampened, not only by the deferred implementation of the higher rate until August, but also by the higher proportion of billed volume growth coming from domestic consumption whose rates are subsidized.

Meanwhile, total cash opex increased by 16.5% to P4.6 billion versus P4 billion last year. The four largest cost elements accounting for almost 73% of total cash expenditures continue to be personnel cost, light and power, outside services, and repairs and maintenance. Total non-cash operating expenses increased by P271 million or 14.6% to P2.1 billion from P1.9 billion last year. Due to the company's continuing capital expenditure program, amortization of intangible assets increased 27.3% to P1.8 billion from P1.4 billion in the prior year.

As a result, net income, grew at a rate of 8.9% to P6.4 billion from P5.9 billion in the prior year. The Company's net share in the equitized earning from its water investment in Maynilad for the year reported only P2.3 billion due to the adjustments at the consortium company level.

As part of its strategic business expansion, Maynilad and Philippine Hydro Inc. (PhilHydro) signed the Share Purchase Agreement (SPA) on August 3, 2012 for the acquisition of 100% shares of PhilHydro by Maynilad. PhilHydro owns and operates three plants that supply treated bulk water to the Legazpi City Water District in Albay, Norzagaray Water District and Santa Maria Water District in Bulacan, and municipal waterworks of Bambang, Nueva Vizcaya. The company also owns and operates the treated water supply and distribution system of Rizal, Nueva Ecija.

On December 28, 2012, DMWC subscribed for 134,023 common shares of stock of Maynilad at a total subscription price of P134.0 million, subject to the terms and conditions of the subscription agreement. On January 31, 2013, the SEC approved Maynilad's increase in authorized capital stock.

On December 28, 2012, MCNK JV Corporation (MCNK) subscribed for 169,617,682 common shares of stock (the "Subscription Shares") of the consortium company at a total subscription price of P169.6 million, subject to the terms and conditions of the subscription agreement. On January 29, 2013, the SEC approved DMWC's increased in authorized capital stock.

MCNK is 90.0% owned by Marubeni Corporation, a company incorporated in Japan and 10% owned by MAPL Holdings B.V., a company incorporated in Netherlands.

At the end of 2012, Maynilad determined that it is no longer appropriate to continue using the straight-line basis for amortizing concession assets given the large initial investments and that the economic benefit of these assets are more closely aligned with billed volume. Maynilad's BOD approved the change in amortization method to units-of-production resulting in deferred tax asset write-off amounting to P592.0 million in 2012.

CONSTRUCTION

The Group's construction business posted better results as segment net income after non-controlling interests reached P1.2 billion this year compared to P1.1 billion last year, an increase of 9% year-on-year. Revenues significantly grew by 44% year-on-year to P14.8 billion this year compared to P10.3 billion last year. This was mainly due to billable works done for the building projects. Notable

accomplishments are Solaire Resorts and Casino and The Raffles Suites and Residences which provided most of the boost in revenues. This however yielded relatively less margins, as building contracts generally have lower margins due to stiffer competition and higher materials and subcontracting costs compared with the specialized and complicated infrastructure projects. With the activity for the year coming mainly from the building contracts, construction gross and net profits showed only modest increases.

With the completion of the big building projects in 2012, DMCI's orderbook (balance of work) as of end-2012 amounted to P15.7 billion coming from a P22.2 billion end-2011 balance. The bulk of the balance of work is coming from the power plant construction contracts in Batangas, which comprise P5.5 billion from Semirara's 2x150MW Calaca expansion and P3.2 billion from South Luzon Thermal Energy Corp's 1x135MW. The orderbook however, does not include the MRT-7 railway project, which was already awarded to DMCI but still pending financial closing. Power plant-civil works projects in Calaca and Balayan, Batangas are expected to contribute in the continuing growth of not just construction revenues

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.

REAL ESTATE

The Group's real estate business is focused on residential development. It is led by the Company's wholly owned subsidiary DMCI Project Developer's Inc. The segment posted a 22% growth in net income on the back of a 12% increase in recognized revenues year-on-year, reaching P9.2 billion this year compared to P8.3 billion last year. It is worth to note that the company recognizes real estate revenues using the full accrual method, where sales are booked when the unit is fully complete and the downpayment of 15% has already been paid. Recently completed units in the Accolade Place, Maricielo Villas, Royal Palm-Rawai, Sienna Park, and Tivoli Gardens-Iris projects significantly accounted for the growth in realized revenues. Revenue growth outpaced the increase in expenses, resulting in net margin improvements brought about by continued cost containment effects. With corporate costs remaining under control, the ratio of general and administrative expenses, inclusive of brokers' commissions, to revenues was lowered at 19% compared to 20% last year.

Amidst the presence of aggressive competition within its market, sales and reservations take up for the year was sustained at P17.1 billion, equivalent to an average monthly take up of P1.4 billion, same in 2011. This is a testament to the strong niche the company has developed within its class as it continued to post brisk sales despite being purely concentrated on a specific market.

With the current increase of VAT-free housing price threshold to around P3.2 million, the Company has leveraged on the tax advantage to become more price competitive in the market. Notably, most of the Company's housing units have a selling price of around P3 million per unit.

In October 2012, the Company recently signed a facility agreement with a group of primary institutional lenders for DMCI PDI's issuance of Php 10.0 billion in 7-year Fixed Rate Corporate Notes (Notes). The proceeds from the Notes issue shall be used to finance project development and construction costs, acquire real estate properties, and fund other general corporate purposes.

COAL MINING & POWER

Coal Mining & Power (Calaca-Coal)

The Company's coal mining business which owns a major power asset in Calaca are both lodged under the 56.32%-owned and publicly listed Semirara Mining Corp (SMC). SMC reported a decline in net income of P3.1 billion compared to P4.1 billion last year. Mainly due to lower average coal prices despite a 10% increase in coal sales volume. This was countered by a surge in the net income coming from power generation of P3.3 billion compared to P1.9 billion in the previous year due to higher energy generation capacity from the newly rehabilitated Calaca power plants.

Below is an excerpt from SMC's management discussion and analysis of results of operations and financial condition for the year 2012 as lifted from its consolidated financial report with the PSE and SEC:

A. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (YEARS 2011-2012)

Full years 2011-2012

I. PRODUCTION AND OPERATIONS

COAL

Total materials moved in 2012 decreased by 9% at 77,072,255 from 85,060,883 bank cubic meters (bcm) last year due to longer hauling cycle and lower operating days. During the year, mining operations were concentrated at the lowest level of the pit, thus resulting to longer hauling cycle. Meanwhile, total rainfall this year of 2,771 mm is 2% lower than last year.

The advance stripping activities in the previous periods benefit the current period's mining operations as activities in 2012 were more focused on coal production rather than overburden stripping. As a result, strip ratio dropped by 15% at 8.66:1 from 10.13:1 last year. This explains the 5% increase in run-of-mine (ROM) coal production at 8,235,875 metric tons (MTs) from 7,840,467 MTs last year, despite the decrease in material movement. Coal recovery improved with the sale of unwashed coal to subsidiary Sem-Calaca Power Generation Corporation (power segment) for the use of its Unit 2. Hence, net total product coal increased by 8% at 7,656,849 MTs from 7,118,460 MTs last year.

Ending inventory increased by 39% at 1,382,607 MTs from beginning inventory of 991,887 MTs also as a result of higher coal recovery.

The table below shows the quarterly comparative production data for 2012 and 2011.

COMPARATIVE PRODUCTION DATA											
<i>(in '000, except Strip Ratio)</i>											
	Q1 '12	Q2 '12	Q3 '12	Q4 '12	YTD '12	Q1 '11	Q2 '11	Q3 '11	Q4 '11	YTD '11	%Inc (Dec)
Total Materials (bcm)	22,303	19,273	15,666	19,830	77,072	26,850	22,294	16,120	19,797	85,061	-9%
ROM Coal (MT)	1,805	2,220	1,739	2,472	8,236	1,822	2,296	1,837	1,887	7,840	5%
Strip Ratio	11.64:1	7.97:1	8.30:1	7.38:1	8.66:1	14.03:1	9.00:1	8.06:1	9.78:1	10.13:1	-15%
Net TPC (MT)	1,651	2,089	1,579	2,337	7,657	1,642	2,149	1,646	1,682	7,118	8%
COAL WASHING											
Washable Coal (MTs)	344	334	358	278	1,314	408	313	434	470	1,625	-19%
Washed Coal (MTs)	206	200	215	167	788	245	188	261	282	975	-19%
%recovery	60%	60%	60%	60%	60%	60%	60%	60%		60%	
Beg. Inventory (MTs)	992	950	963	1,276	992	491	469	74	237	491	102%
End Inventory (MTs)	950	963	1,276	1,383	1,383	469	74	237	992	992	39%

POWER

UNIT 1

When Calaca Power Plant assets were acquired in December 2009, Unit 1 can only generate 160 MW or 53% of its rated capacity using pure Semirara Coal. The rehabilitation of the unit was centered on improving the loading capacity to at least 220 MW or 73% of its rated capacity.

The rehabilitation of the plant started in August 2011 and completed in July 2012. It took more than a year of planning to cover all major repair works. The rehab project suffered delays in the commissioning stage to ensure the safe and reliable operation of the plant. The original equipment manufacturers (OEMs), Foster Wheeler for the boiler and Toshiba for the Turbine/Generator, supervised the repair to commissioning of the Unit. Although delayed, the unit can now load 235 MW or 77% of its rated capacity, an improvement of 24% or 75 MW on pure Semirara Coal.

Generation capacity is low at 20% in the five months of running against 27% last year but the average load is significantly higher at 197 MW against 155 MW. In general, the unit is now better in terms of generation capacity and efficiency.

Unit availability was only 2,697 hours or 31% compared to 54% last year since Unit 1 was down for about 7 months during the current period due to the rehabilitation works. Total energy generated was 531 Gwh or 27% down compared to last year.

UNIT 2

Unit 2 is on its second year of operation after its rehabilitation in the last quarter of 2010.

The unit performed better this year in all aspects of operation compared to last year. Gross generation has increased by 71% or 1,932 Gwh. Unit availability improved from 60% to 88% and force outage was limited to only 12% from 36% last year. Running hours in 2012 is remarkably higher at 7,761 hours than 2011 48% increase.

Loading capacity is limited to 260 MW due to some leaks on two of its high pressure heaters 7 & 8. The average load capacity during the current period is at 249 MW or 20% more than last year.

The table below shows the quarterly comparative plant performance for 2012 and 2011.

COMPARATIVE PLANT PERFORMANCE DATA											
<i>YTD'12 vs YTD'11</i>											
	Q1 '12	Q2 '12	Q3 '12	Q4 '12	YTD '12	Q1 '11	Q2'11	Q3'11	Q4'11	YTD '11	% Inc (Dec)
Gross Generation, Gwh											
Unit 1	-	-	128	403	531	243	245	239	-	727	-27%
Unit 2	473	478	508	473	1,932	189	395	181	367	1,132	71%
Total Plant	473	478	636	876	2,463	432	641	420	367	1,860	32%
					-					-	
% Availability											
Unit 1	0%	0%	36%	87%	31%	70%	74%	70%	0%	54%	-43%
Unit 2	88%	88%	92%	86%	88%	49%	83%	37%	71%	60%	48%
Total Plant	44%	44%	64%	86%	60%	59%	78%	54%	35%	57%	5%
Capacity Factor											
Unit 1	0%	0%	19%	61%	20%	0%	0%	36%	0%	28%	-27%
Unit 2	72%	72%	77%	72%	73%	29%	60%	27%	56%	43%	70%
Total Plant	18%	18%	24%	33%	47%	17%	24%	16%	14%	35%	32%

II. MARKET

COAL

Total coal sold in 2012 increased by 10% at 7.18 million MTs compared to 6.52 million MTs in 2011. Q1 2012 sales of 1.67 million MTs was 2% higher than 1.64 million MTs sold in Q1 2011, however, Q2 2012 sales volume of 2.06 million MTs was 18% lower as against 2.52 million MTs in Q2 2011, while Q3 sales continued to drop by 15% at 1.25 million MTs this year from 1.46 million MTs in 2011. Q4 sales recovered with an increase of 145% at 2.21 million MTs from 902 thousand MTs last year.

The table below shows the quarterly comparative coal sales volume data for 2012 and 2011.

COMPARATIVE SALES VOLUME DATA (in '000 MTs)													
CUSTOMER	Q1 '12	Q2 '12	Q3 '12	Q4 '12	YTD '12	%	Q1 '11	Q2 '11	Q3 '11	Q4 '11	YTD '11	%	%Inc (Dec)
Power Plants													
Calaca	205	285	545	456	1,492	21%	412	320	420	256	1,408	22%	6%
Other PPs	325	382	203	126	1,037	14%	384	325	569	270	1,547	24%	-33%
TOTAL PPs	531	667	748	582	2,528	63%	795	645	989	525	2,955	72%	-14%
Other Industries													
Cement	272	338	224	220	1,053	15%	187	145	146	182	660	10%	59%
Others	98	105	128	98	430	6%	197	60	107	111	475	7%	-9%
Total Others	370	443	352	318	1,482	21%	384	205	254	292	1,135	17%	31%
TOTAL LOCAL	901	1,110	1,100	900	4,011	56%	1,180	850	1,242	818	4,090	63%	-2%
EXPORT	771	946	146	1,310	3,173	44%	462	1,665	218	85	2,430	37%	31%
GRAND TOTAL	1,672	2,056	1,245	2,211	7,184	100%	1,641	2,516	1,460	902	6,519	100%	10%

Sale to power plants decreased by 14% this year at 2.53 million MTs from 2.96 million MTs last year. Although Q1 and Q2 off-take of the power segment were lower this year as compared to last year as rehabilitation of Unit 1 was completed only in Q3, coal off-take increased in the second half. As a result, the power segment's total coal purchases increased by 6% at 1.49 million MTs this year from 1.41 million MTs last year. Meanwhile deliveries to other power plants dropped in the second half, resulting to a 33% drop YoY at 1.04 million MTs this year from 1.55 million MTs in 2011.

On the other hand, with three new customers this year, sales to cement plants increased by 59% at 1.05 million MTs from 660 thousand MTs last year.

The 9% drop in sales to other local customers was mainly caused by weaker purchases by some small traders in Q1 and Q4 this year. Deliveries to other industrial plants totaled to 430 thousand MTs from 475 thousand MTs in 2011.

The increase in sales to cement plants helped offset the decrease in deliveries to power plants and other industrial customers, thus softening the drop in total local sales at 2% to 4.01 million MTs this year from 4.09 million MTs in 2011.

On the other hand, export sales rebounded in Q4, bringing total exports to 3.17 million MTs this year or a 31% growth from last year's 2.43 million MTs.

All supply contracts with the Corporation are already priced at market. As a result, the drop in global coal prices brought down composite average FOB price per MT this year to PHP2,453, a 20% decrease from last year's PHP3,078.

POWER

The power segment's 2012 recorded sales for bilateral contracts increased to 2,007 GWh from 1,553GWh in 2011 or 29% improvement. This mainly came from the contract with MERALCO which was effective since 26 December 2011.

MERALCO is still the single biggest customer of the power segment in 2012, accounting for 80% share of the total energy sales to bilateral contracts. BATELEC I and Trans-Asia accounted for 12% and 6% market share, respectively, the balance is for other small contracts.

Meanwhile, spot market sales dropped by 26% from 472 GWh in 2011 to 348 GWh in 2012. The decrease in spot sales was due to the increase in contracted power which effectively reduced the excess capacity for sale in the spot market.

Total energy sold in 2012 posted at 2,355 GWh 85% directly to the customers through bilateral contracts, and 15% to the spot market. Total energy sales increased by 16% from 2,025 GWh recorded in 2011.

Of the total energy sold, 99% was sourced from the generation of the power plants, while 1% was purchased from the spot market.

Spot market prices in 2012 were more volatile compared to 2011. This is due to the abrupt forced outages and scheduled maintenance of major power plants which decreased the supply in the months of May to July 2012. Also, It was observed that the demand increased by an average of 4% in 2012. These two factors caused the increase of spot prices in the market.

In the last quarter of 2012, spot prices escalated due to the planned outages of Ilijan Block A (600 MW) and Sta. Rita Mod 30 (256 MW) amidst the increased demand as business activities stepped up until Christmas Eve. This situation in the market provided Unit 1 an opportunity to generate more Revenues as power generated during the plant's testing were sold to the spot market.

The table below shows the quarterly comparative sales volume data and composite average price for 2012 and 2011.

COMPARATIVE SALES VOLUME DATA											
<i>(in GWh)</i>											
CUSTOMER	Q1'12	Q2'12	Q3'12	Q4'12	YTD'12	Q1'11	Q2'11	Q3'11	Q4'11	YTD'11	%Inc (Dec)
Bilateral Contracts	489	427	518	573	2,007	362	457	398	336	1,553	29%
Spot Sales	0.59	1	68	278	347	94	215	75	88	472	-26%
GRAND TOTAL	489	428	586	851	2,354	456	671	474	425	2,025	16%
Composit Ave Price	4.14	4.41	3.79	4.19	4.12	4.58	4.79	4.51	5.12	4.75	-13%

III. FINANCE

A. Sales and Profitability

Consolidated Revenues, net of eliminating entries, dropped by 6% YoY at PHP24.15 billion from PHP24.81 billion last year. Although coal sales volume increased, lower composite average price/MT pulled down coal Revenues before elimination to PHP17.63 billion this year from PHP20.06 billion last year. Net of eliminations, Coal Revenues dropped by 11% YoY at PHP14.45 billion from PHP16.20 billion last year. On the other hand, higher energy generation offset the decrease in average price per kwhr caused by the decrease in international coal price index. As a result, energy sales slightly improved by 1% at PHP9.70 billion from PHP9.61 billion last year.

Consolidated Cost of Sales decreased by 12% at PHP14.64 billion from PHP16.66 billion last year. Before elimination, Cost of Coal Sold dropped by 12% at PHP12.33 billion from PHP14.01 billion last year due to lower cost/MT sold. Net of elimination, Cost of Coal Sold likewise dropped by 12% YoY at PHP9.82 billion from PHP11.10 billion. Cost of Coal Sold per MT dropped by 24% compared to last year due mainly to higher units of production and tightening control on some mine overhead costs. This partially offsets the decline in Revenues due to lower average coal prices.

In the same note, power Cost of Energy Sales before elimination reduced by 14% at PHP5.55 billion from PHP6.40 billion last year. Minimal spot purchases for replacement power and lower coal fuel average cost this year accounted for the decrease in cost.

The resulting consolidated Gross Profit increased by 4% at PHP9.51 billion, with the coal power segments each contributing PHP4.63 and PHP4.88 billion, respectively. Last year's consolidated Gross Profit stood at PHP9.15 billion last year, PHP5.10 billion from coal and PHP3.05 billion from power. Consolidated Gross profit margin improved to 39% from 35% last year.

Consolidated Operating Expenses increased by 19% at PHP3.39 billion from PHP2.86 billion last year. Net of eliminating entries, the coal segment's Operating Expenses increased by 9% at PHP2.0 billion from last year's PHP1.84 billion as lower Cost of Sales increased Government Share by 5% at PHP1.56 billion from PHP1.48 billion last year. The power segment's Operating Expenses after elimination also went up by 35% at PHP1.38 billion from PHP1.02 billion last year due to write-down of net book value of replaced major components and parts relative to the rehabilitation of Unit 1 amounting to PHP341 million. The pre-operating Southwest Luzon Power Generation Corp. (SLPGC), a wholly-owned subsidiary of the Corporation incorporated to expand its power capacity with the construction of 2 x 150 MW power plants, incurred PHP21.55 million pre-operating expenses, representing taxes, licenses and fees incurred during the year. Another subsidiary, Sem-Cal Industrial Park Developers, Inc. (SIPDI) and Semirara Claystone Inc. also incurred Pre-operating Expenses of PHP37 thousand and PHP65 thousand during the period, respectively.

Consolidated Forex Gains posted a remarkable PHP391 million as against losses of PHP38.32 million last year. The PHP continued to strengthen against the USD during the year. Since most of its loans are USD-denominated, bulk of this year's Forex Gains is attributed to the coal segment which recognized PHP387.83 million versus last year's Loss of PHP26.01 million. Meanwhile, with minimal Forex exposure, the power segment's Forex Gains registered at PHP3.17 million as against Losses of PHP12.31 million last year.

Lower cash and lower placement interest rates resulted to the decrease in consolidated Finance Income by 39% at PHP82.15 million from PHP134.88 million last year. The coal segment's investible funds reduced after its additional equity infusion of PHP2.5 billion to SLPGC, thus its Finance Income decreased by 83% at PHP13.12 million from PHP79.45 million last year. On the other hand, the power segment's Finance Income increased by 24% at PHP68.95 million from PHP55.43 million due to higher short-term placement income from SLPGC in the first half of 2012 with its higher cash level, coming from the proceeds of the initial drawdown from the project loan facility and equity infusion by the parent, parked in short-term placements.

Consolidated Finance Costs slightly increased by 4% at PHP501.28 million from PHP483.29 million last year. The coal segment's interest-bearing loans increased by 6% at PHP4.91 billion from PHP4.62 billion last year. Although interest rates are lower this year, Finance Costs increased by 17% at PHP122.61 million from PHP104.93 million last year as it only started paying off short-term debts toward the end of the year. Meanwhile, the power segment's total ending interest-bearing loans balance dropped to PHP7.35 billion from PHP8.84 billion last year. Of this amount, P550 million reflects the new availment by SLPGC. With the availment of short-term working capital loans during the year, the power segment's Finance Costs slightly increased at PHP378.67 million from PHP378.36 million last year.

Consolidated Other Income increased by 219% at PHP318.45 million from PHP99.91 million generated by the coal segment last year from gain on sale of retired assets. After eliminating the PHP 1.5 billion Dividend Income from the power segment, the coal segment's Other Income this year, increased by 78% at PHP187.63 million from PHP99.91 million last year, included gain on sale of retired assets, sale of electricity and insurance claims. Meanwhile, the power segment's Other Income of PHP131.26 million this year is mainly composed of sale of fly ash.

The resulting consolidated Income Before Tax stood at PHP6.40 billion, with the coal and power segments contributing PHP3.10 billion and PHP3.30 billion, respectively; meanwhile SLPGC registered a

loss of 3.56 million. This year's consolidated Income Before Tax posted a 6% growth over last year's PHP6.01 billion.

Both operating business units enjoy Income Tax Holidays (ITH) as Board of Investments (BOI)-registered companies. Moreover, on 20 September 2012, the coal segment received the approval of its BOI registration for Bobog Mine, another mine site to be developed next to the current active Panian mine. The ITH benefit will start upon commercial operation of the new mine. SLPGC's application for BOI registration was also approved during the year. With these tax holidays, consolidated Provision for Income Tax remained minimal at PHP39.45 million this year. In 2011, consolidated Benefit from Income Tax posted at PHP22.17 million. The coal and power segments' tax provision this year stood at PHP1.3 million and PHP28.0 million, respectively.

The resulting consolidated Net Income After Tax posted a 5% growth at PHP6.36 billion from PHP6.031 billion last year. Coal and power segments respectively generated PHP3.10 billion and PHP3.28 billion this year, while SLPGC recorded a net loss of PHP8.0 million. Earnings per Share (EPS) correspondingly increased by 5% at PHP17.85 from PHP16.93 last year.

POWER

Another growth area of the power segment is under DMCI Power Corporation, a wholly-owned subsidiary. The Company and its subsidiaries are focused on getting power supply contracts with the National Power Corporation-Small Power Utilities Group. It has power generating units in the provinces of Masbate (24.4 MW diesel power plant) and Palawan (5 x 1.25MW diesel power plant). Masbate started power generation in late 2010 while Palawan just started in December 2012. With a surge in off take demand within a few years of operations brought about by increase in number of connections and development in these areas, the Company is now expanding its current generation capacity. An addition of 21MW diesel generator sets in Palawan by 2013. Moving forward, this segment is looking to replicate this success in other islands and provinces across the country. These developments, anchored on DMCI's engineering expertise, prove to be a testament to its pursuit of growth opportunities. In 2012, generated power sales amounted at P947 million, 17% higher compared to P809 million in 2011.

Nickel

DMCI Mining, Corp., the Company's nickel and metals (non-coal) mining company, continued to mine and sell nickel ore (1.5% and up nickel content) from existing stockpile in Benguet and Acoje mines in Zambales.

Against a weak global nickel ore price caused DMCI Mining's margins to decline. This resulted to net income of P341 million, which was 63% lower than previous year's net income of P917 million. Nickel ore shipments for the year decreased by 7% to 1.6 million wet metric tons (WMT) from last year's 1.7 million WMT. The year-on-year ore shipments from Benguet mines were reported at 836 thousand WMT in 2012 compared to 1,519 thousand WMT in 2011. While the Acoje mine year-on-year shipments stands at 745 thousand WMT in 2012 compared to 181 thousand WMT in 2011. Shipments from the Benguet and Acoje mine are from stockpiles previously mined. Nickel grade shipments were more on the low grade ore causing much of the drop in nickel prices which affected revenues, dropping 22% from last year's P2.45 billion to this year's P1.92 billion. With the end of mining contract for Benguet in 2012 and the Acoje-ENK Mine having some transitory and permitting issues, DMCI Mining is looking at other opportunities for mine acquisition to enhance the segment's operations.

Acquisitions

Following the Group's earlier pronouncement to expand its nickel mining operations, in November 2012 the Parent Company has acquired 60% of the outstanding shares of ENK PLC for P2.1 billion. ENK has major beneficial ownership in the Acoje mine previously being operated by DMCI Mining. However, although the Parent Company acquired 60% of ENK Plc shares, this does not translate to control but to an economic interest. Consequently, as the Parent Company is able to exercise significant influence, it should be accounted as an investment in an associate.

On October 22, 2012, the Company signed a memorandum of understanding (MOU) to purchase from Toledo Mining Corporation PLC (TMC) a 31% stake in Nickeline Resources Holdings, Inc. (NRHI). Under the terms of the MOU, the Company will pay nearly US\$6.5 million in cash for the interest in NRHI.

Also, in October 2012, DMCI Mining acquired a 17% stake of Daintree Resources Limited in TMC for GBP 3.4 million. On February 15, 2013, DMCI Mining increased its stake to 37.7% with the acquisition of an additional 20.7% for GBP 5.2 million. As a result, DMCI Mining launched a mandatory cash offer to acquire the entire issued and to be issued share capital of Toledo not already owned by DMCI Group. The offer will comprise 50 pence in cash for each Toledo share, valuing the whole of Toledo's existing issued share capital at approximately GBP 24.9 million.

As the Philippine Government is also looking to revamp and improve revenue generation and policy implementation in the mining industry, the Company sees opportunities to possibly acquire more mining assets for the Group.

FULL YEAR 2011 vs. 2010

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 AFTER NON-CONTROLLING INTERESTS

<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.

Braced

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 Shangri-la 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 the 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/KW hr 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.

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.

II. FINANCIAL CONDITION

December 31, 2012 – December 31, 2011

The Company's financial condition for the period improved as consolidated total assets and total net assets amounted to P95.25 billion and P47.99 billion as of December 31, 2012, posting an increase of 13.5% and 18.6%, respectively.

Consolidated cash decreased from P15.1 billion in December 31, 2011 vs. P9.7 billion in December 31, 2012 due mainly to investment acquisitions and capital expenditures. Moreover, the Parent Company and its subsidiary Semirara paid higher cash dividends in 2012.

Total receivables (current and non-current) went up by 51% due mainly to normal trade in the businesses mostly coming from the milestone billings from the construction segment and recognized receivable from newly completed project from real estate segment.

Consolidated inventories continued to grow by 23% coming mainly from the continuing work in progress at the real estate segment.

Other current assets increased by 20% mainly due to payment for advances to suppliers, brokers, contractors and mine rights owners.

Investments were up 32% as a result of the Company's share in net operations of the water business and new equity investments of the group particularly ENK Plc.

Property plant & equipment grew 10% as a result of the rehabilitation costs incurred in the Calaca power units.

Accounts & other payables increased by 3% mostly as a result of normal trade operations and accruals especially progress billings from subcontractors.

Customers' deposits increased by 45% with the payments received from real estate customers the revenue of which has yet to be realized.

Short-term debt decreased by 58% due to lower acceptances and trust receipts payable which are used by the Group to facilitate payment for importations of materials, fixed assets and other assets.

Long-term debt grew by 15% due to receivable discounting and receipt of the first tranche of the corporate note issuance at the real estate segment. Offset by regular debt payments being made mostly at the real estate, coal and power sectors.

Deferred tax liabilities decreased by 19% due to realization of reconciling items particularly excess of book over tax income pertaining to construction contracts and real estate sales.

Other noncurrent liabilities decreased by 12% due to payment of subscription payable to DMWC.

Retained earnings grew by 26% primarily due to the increase in net income.

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 non-controlling interests)
- c) Earnings Per Share
- d) Current Ratio
- e) Debt to Equity Ratio
- f)

SEGMENT REVENUES

<i>(in Php Millions)</i>	Audited		Variance	
	2012	2011	Amount	%
COAL SALES	P14,450	P16,231	(P1,781)	-11%
NICKEL ORE SALES	1,923	2,452	(529)	-22%
CONSTRUCTION	14,773	10,277	4,496	44%
REAL ESTATE	9,219	8,251	968	12%
ELECTRICITY	11,080	10,421	659	6%
PARENT & OTHERS	294	171	123	72%
TOTAL	51,739	47,803	3,936	8%

<i>(in Php Millions)</i>	Audited		Variance	
	2011	2010	Amount	%
COAL SALES	16,231	14,071	2,160	12%
NICKEL ORE SALES	2,452	1,959	493	25%
CONSTRUCTION	10,277	10,729	-452	-4%
REAL ESTATE	8,251	7,705	546	7%
ELECTRICITY	10,421	8,948	1,473	16%
PARENT & OTHERS	171	72	99	137%
TOTAL	47,803	43,484	4,319	10%

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 power, real estate and construction businesses (see Part I. Results of Operations – different segments for a detailed discussion per business).

SEGMENT NET INCOME

NET INCOME AFTER NON-CONTROLLING INTERESTS

<i>(in Php Millions)</i>	Audited		Variance	
	2012	2011	Amount	%
COAL SALES	P1,739	P2,379	(P640)	-27%
NICKEL ORE SALES	341	917	(576)	-63%
CONSTRUCTION	1,220	1,117	103	9%
REAL ESTATE	2,182	1,795	387	22%
ELECTRICITY	1,902	1,177	725	62%
WATER	2,264	2,195	69	3%
PARENT & OTHERS	144	15	129	860%
TOTAL	9,792	9,595	197	2%

NET INCOME AFTER NON-CONTROLLIN INTERESTS

<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%

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 the mining segments, the current period posted strong growth in earnings from the power, real estate and construction businesses, while the water segment 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 P3.69/share accounting for a 2% increase from the P3.61/share EPS last year. Same as segment net income, all the businesses except the mining segments 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*).

OTHER RELEVANT FINANCIAL SOUNDNESS RATIOS

	Dec. 31 2012	Dec. 31 2011
Current Ratio	183%	204%
Debt to Equity Ratio	52%	53%
Interest Coverage Ratio	1,303%	1,234%
Return on Assets Ratio	13%	15%
Return on Equity Ratio	26%	30%
Asset to Equity Ratio	198%	208%
Gross Margin Ratio	33%	34%
Net Profit Margin Ratio	24%	26%

PART II--OTHER INFORMATION

1. The company's operation is a continuous process. It is not dependent on any cycle or season;
2. Economic and infrastructure developments in the country may affect construction business; Interest rate movements may affect the performance of the real estate industry; Mining activities are generally hinge on the commodities market. Businesses not affected by known cycle, trends or uncertainties are power and water.
3. A cash dividend was declared at the amount of Php 1.20 per common share paid on July 5, 2012 to the holders of record of June 15, 2012. On April 11, 2013, the BOD of the Parent Company has declared cash dividends amounting Php 1.20 regular dividends and Php1.00 special cash dividends in favor of the stockholders of record as of April 26, 2013. This is due to be paid on May 10, 2013 with the total amount of P5,842.09 million.
4. There were no undisclosed material subsequent events that have not been disclosed for the period that the company have knowledge of;
5. There are no material contingencies during the year; any event that may trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation has been disclosed in the notes to financial statements.
6. There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period
7. Except for interest payments on loans, which the Company can fully service, the only commitment that would have a material impact on liquidity are construction guarantees. These are usually required from contractors in case of any damage / destruction to a completed project.
8. Any known trends or any known demands, commitments, events or uncertainties that will result in or that will have a material impact on the registrant's liquidity. - None
9. The Group does not have any offering of rights, granting of stock options and corresponding plans therefore
10. No transferring of assets except in the normal course of business was done during the relevant interim period

Item 7. Financial Statements

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

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

There has been no change or disagreements with certifying accountants.

PART III - CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

(1) Identify Directors, Including Independent Directors, and Executive Officer.

<u>Name</u>	<u>Position</u>	<u>Age</u>
DAVID M. CONSUNJI	Chairman of the Board of Directors	91
CESAR A. BUENAVENTURA	Vice-Chairman of the Board	83
ISIDRO A. CONSUNJI	President	64
CRISTINA C. GOTIANUN	Asst. Treasurer	58
HERBERT M. CONSUNJI	Director/Vice President & CFO	60
JORGE A. CONSUNJI	Director	61
VICTOR A. CONSUNJI	Director	62
MA. EDWINA C. LAPERAL	Director	51
HONORIO O. REYES-LAO	Director (Independent)	68
ANTONIO JOSE U. PERIQUET	Director (Independent)	52
NOEL A. LAMAN	Corporate Secretary	73
VICTOR S. LIMLINGAN	Managing Director	68

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 eighteen (18) years since March 1995.

Cesar A. Buenaventura, is Chairman of Buenaventura Echaz and Partners, Inc. 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., 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 eighteen (18) years since March 1995.

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, DMCI Project Developers, Inc. and Sem-Calaca Power Corp. Mr. Isidro Consunji has served the Corporation as a regular director for eighteen (18) years since March 1995.

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 eighteen (18) years since March 1995.

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 eighteen (18) years since March 1995.

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 eighteen (18) years since March 1995.

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 eighteen (18) years since March 1995.

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 four (4) years (since July 2009).

Antonio Jose U. Periquet is currently the Chairman of Pacific Main Holdings; Director of the Lyceum of the Philippines University, The Straits Wine Company, Inc., Ayala Corporation, BPI Capital Corporation, Bank of the Philippine Islands, BPI Family Bank, Campden Hill Group, Regis Financial Advisers, Inc., ABS-CBN Corporation 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 three (3) years since July 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 July 2006-January 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 eighteen (18) years since March 1995.

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 eighteen (18) years since March 1995.

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	61
Aldric G. Borlaza	Finance Officer	35

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 seventeen (17) years since 1996.

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 (from April 2002-current).

Term of office. The term of office of Ms. Austria is approximately seventeen (16) years. Mr. Borlaza has been serving the company for eleven (11) 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			
Herbert M. Consunji	Vice President & Chief Financial Officer			
Ma. Edwina C. Laperal	Treasurer			
	YEARS			
	2010	P 23,540,309.00		P 4,317,355.00
	2011	P 93,701,111.00		P 8,772,185.00
	2012	P 68,466,633.46		P 9,735,941.20
	2013*	P 68,466,633.46		P 9,735,941.20
	TOTAL:	P 254,174,686.92	P --	P 32,561,422.40
	YEARS			
All other directors and executive officers as a group unnamed	2010	P 2,724,413.00		P 3,719,329.58
	2011	P 60,278,449.08		P 2,738,299.00
	2012	P 29,749,137.42		P 3,816,176.48
	2013*	P 29,749,137.42		P 3,816,176.48
	TOTAL:	P 122,501,136.92	P --	P 14,089,981.54

**Approximate figures*

Item 11. Security Ownership of Certain Beneficial Owners and Management

Beneficial Ownership of Directors of the Corporation as of **December 31, 2012.**

<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, 2012.**

<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	1,215,393,901.00	45.7690%
Common	PCD Nominee Corp. (For) G/F Makati Stock Exchange Bldg., 6767 Ayala Ave., Makati City	479,057,183.00	18.0402%
Common	DFC Holdings, Inc. (Fil) c/o Cristina C. Gotianun 2281 Pasong Tamo Ext. Makati City	461,245,838.00	17.3694%
Common	PCD Nominee Corp. (For) G/F Makati Stock Exchange Bldg., 6767	425,164,093.00	16.0107%

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

Common	BDO Securities Corp. (Fil) 2th Floor Tower One & Exchange Plaza, Ayala Avenue Makati City	165,362,488.00	6.2271%
Common	The Hongkong & Shanghai Banking Corp. 12 th Floor The Enterprise Center Tower I 6766 Ayala Ave. Makati City	246,883,627.00	9.2970%

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 - EXHIBITS AND SCHEDULES

Item 13. Exhibits and Reports on SEC Form 17-C

(a) **Exhibits** - See accompanying index to exhibits

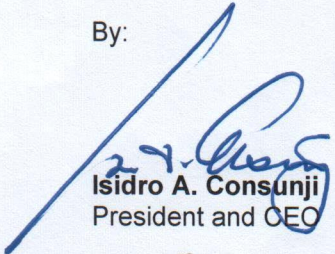
(b) **Reports on SEC Form 17-C** - The list of the reports from the preceding period December 31, 2012 is herein incorporated by reference.

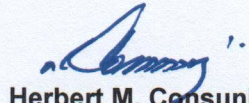
(9) Material Contracts – **NONE**

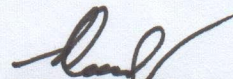
SIGNATURES

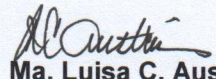
Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Makati on April 18, 2013.

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 19 APR 2013 day of _____ 2013 affiants exhibiting to me his/their Residence Certificates, as follows:

NAMES	RES. CERT. NO. Passport No.	DATE OF ISSUE	PLACE OF ISSUE
Isidro A. Consunji	10659096	01-16-13	Makati
Herbert M. Consunji	22026890	01-14-13	Makati
Aldric G. Borlaza	0119200	01-10-13	Mandaluyong
Ma. Luisa C. Austria	22023403	01-10-13	Makati
Atty. Noel A. Laman	10687001	02-01-13	Makati

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Book No. 331
Series of 2013


ATTY. LOPE M. VELASCO
NOTARY PUBLIC

Until December 31, 2013
Appt. No. M-136 Makati City
IBP #905610-Pasig City-11/09/12
PTR #3671504-MAKATI-01/02/13
TIN # 212-965-989
S.C. Roll No. 28757
#250 Sen. Gil Puyat Ave., San Lorenzo Village,
Makati City

**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

**LIST OF TOP 20 STOCKHOLDERS
AS OF DECEMBER 31, 2012**

	NAME	No. Of Shares	PERCENTAGE
1.	DACON CORPORATION	1,215,393,901	45.769%
2.	PCD NOMINEE CORPORATION (FILIPINO)	479,057,183	18.040%
3.	DFC HOLDINGS, INC.	461,185,838	17.367%
4.	PCD NOMINEE CORPORATION (FOREIGN)	425,164,093	16.010%
5.	DMCI RETIREMENT PLAN	19,980,000	0.752%
6.	FERNWOOD INVESTMENT, INC.	14,263,376	0.537%
7.	BERIT HOLDINGS CORPORATION	12,220,000	0.460%
8.	GUADALUPE HOLDINGS CORPORATION	4,058,000	0.153%
9.	AUGUSTA HOLDINGS, INC.	3,800,334	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.	YNTALCO REALTY DEVT. CORPORATION	500,000	0.019%
15.	BENIGNO DELA VEGA	410,000	0.015%
16.	AO ZHENG	368,000	0.014%
17.	XIUFEN LI	366,000	0.014%
18.	MAKATI SUPERMARKET CORP.	345,500	0.013%
19.	ENRIQUE G. FILAMORE	314,000	0.012%
20.	REGINA CAPITAL DEVELOPMENT	290,000	0.010%

DMCI Holdings, Inc.Summary of Submittals of SEC Form 17-C
For the Year 2012

Date	Nature of Report
January 2, 2012	Preferred shares redemption for the month of December
January 3, 2012	DMC share transactions of an Officer
January 31, 2012	DMC share transactions of an Officer
February 6, 2012	Preferred shares redemption for the month of January
February 14, 2012	DMC share transactions by DFC Holdings
February 15, 2012	DMC share transactions of an Officer
February 21, 2012	DMC share transactions of an Officer
March 1, 2012	Preferred shares redemption for the month of February
March 2, 2012	DMC share transactions of Director/Officer
March 6, 2012	DMC share transactions of Director/Officer
March 8, 2012	DMC share transactions of an Officer
April 2, 2012	Preferred shares redemption for the month of March
April 23, 2012	Board Approval on Audited Financial Statements 2011
May 3, 2012	Preferred shares redemption for the month of April
May 10, 2012	DMC share transactions by Dacon Corp.
May 15, 2012	Declaration of Cash Dividends
May 15, 2012	EPC contract of DMCI-Marubeni for MRT 7
May 17, 2012	DMC share transactions by Dacon Corp.
May 17, 2012	DMC share transactions by Dacon Corp.
June 1, 2012	Preferred shares redemption for the month of May
June 4, 2012	Advisory to Stockholders on Cash Dividends
June 6, 2012	News clarifications: Consunji eyes P60-B LRT 1 Extension
June 6, 2012	DMC share transactions by DFC Holdings
July 4, 2012	Preferred shares redemption for the month of June 2012
July 17, 2012	DMCI Power won bid for Paleco power plant
July 24, 2012	DMC share transactions by Director/Officer
July 25, 2012	Results of the Annual Stockholders Meeting
July 26, 2012	DMCI Power signs PSA with Paleco
August 1, 2012	Preferred shares report for the month of July
August 2, 2012	General Information Sheet 2012
August 9, 2012	Joint Offer with D&A Ltd to acquire ENK shares

September 3, 2012	Preferred shares report for the month of August
September 5, 2012	Update of Acquisition of ENK shares by DMCI & D&A
September 11, 2012	DMC share transactions by DFC Holdings
October 1, 2012	Preferred shares report for the month of September
October 12, 2012	Public Ownership Report as of September 30, 2012
October 17, 2012	DMC share transactions by Director
October 17, 2012	DMC share transactions by an Officer
October 18, 2012	DMC share transactions by Director
October 18, 2012	DMC share transactions by an Officer
October 22, 2012	Memorandum of Understanding between DMCI Mining and Toledo Mining
October 23, 2012	DMC share transactions by Director
October 24, 2012	DMCI Mining share acquisitions in Daintree TMC
October 29, 2012	DMC share transactions by Director
October 30, 2012	DMCI PDI signed P10b Corporate Notes
November 5, 2012	Preferred shares report
November 19, 2012	DMC share transactions by Director
November 19, 2012	DMC share transactions by an Officer
November 21, 2012	DMC share transactions by Director
November 22, 2012	DMC share transactions by Director
November 26, 2012	D DMC share transactions by Director
November 27, 2012	DMC share transactions by Director
December 3, 2012	Preferred shares report
December 4, 2012	DMC share transactions by Director
December 10, 2012	DMC share transactions by Director
December 27, 2012	DMC share transactions by Director
December 27, 2012	DMC share transactions by Director



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

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

(632) 888 • 3000

Facsimile

(632) 816 • 7362

E-Mail


investor_inquiries@dmcinet.com

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, 2012 and 2011, in accordance with the prescribed financial reporting framework indicated therein. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

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

SyCip Gorres Velayo & Co., the independent auditors, appointed by the stockholders has examined the consolidated financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such examination.

Signed under oath by:


DAVID M. CONSUNJI
Chairman of the Board


ISIDRO A. CONSUNJI
President & Chief Executive Officer


HERBERT M. CONSUNJI
Vice President & Chief Finance Officer

Signed this 12th day of April, 2013

Subsidiaries:
D.M. Consunji, Inc.
DMCI Project Developers, Inc.
DMCI Power Corporation
DMCI Mining Corporation
Semirara Mining Corporation
DMCI-MPIC Water Co., Inc.
Wire Rope Corporation of the Phils.

SUBSCRIBED AND SWORN to before me this 17 APR 2013 day of 2013 in Makati City, affiant exhibiting to me their Community Tax Certificates which are as follows:

DAVID M. CONSUNJI	22021383	January 15, 2013	Makati City
ISIDRO A. CONSUNJI	10659096	January 16, 2013	Makati City
HERBERT M. CONSUNJI	22026890	January 14, 2013	Makati City

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Series of 2013


ATTY. LOPE M. VELASCO
NOTARY PUBLIC

Until December 31, 2013
App. No. in 136 Makati City
IBP #905610-Pasig City-11/09/12
PTR #3671504-MAKATI-01/02/13
TIN # 212-965-989
S.C. Roll No. 28757
#250 Sen. Gil Puyat Ave., San Lorenzo Village,
Makati City



DMCI Holdings, Inc. and Subsidiaries

Consolidated Financial Statements
December 31, 2012 and 2011

and

Independent Auditors' Report

SyCip Gorres Velayo & Co.

SGV&Co
 **ERNST & YOUNG**

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
DMCI Holdings, Inc.

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, 2012 and 2011, 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, 2012, 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.

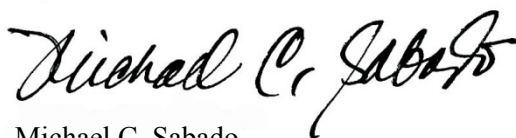
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



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, 2012 and 2011, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2012 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.



Michael C. Sabado

Partner

CPA Certificate No. 89336

SEC Accreditation No. 0664-AR-1 (Group A),
March 11, 2011, valid until March 10, 2014

Tax Identification No. 160-302-865

BIR Accreditation No. 08-001998-73-2012,

April 11, 2012, valid until April 10, 2015

PTR No. 3670019, January 2, 2013, Makati City

April 11, 2013



DMCI HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Amounts in Thousands)

	December 31	
	2012	2011
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 4 and 34)	₱9,739,025	₱15,065,748
Financial assets at fair value through profit or loss (Notes 5 and 34)	71,260	71,400
Available-for-sale financial assets (Notes 6 and 34)	88,553	59,910
Receivables (Notes 7, 21 and 34)	11,175,527	8,407,880
Costs and estimated earnings in excess of billings on uncompleted contracts (Note 8)	122,737	452,084
Inventories (Note 9)	21,515,161	17,484,675
Other current assets (Note 10)	5,493,252	4,567,316
Total Current Assets	48,205,515	46,109,013
Noncurrent Assets		
Noncurrent receivables (Notes 7 and 34)	5,242,743	2,438,697
Available-for-sale financial assets (Notes 6 and 34)	–	164,507
Investments in associates, jointly controlled entity and others (Note 11)	14,357,000	10,849,383
Investment properties (Note 12)	276,447	142,159
Property, plant and equipment (Note 13)	25,724,232	23,417,603
Deferred tax assets - net (Note 29)	10,741	16,140
Pension assets (Note 23)	6,211	4,355
Other noncurrent assets (Note 14)	1,431,998	1,041,832
Total Noncurrent Assets	47,049,372	38,074,676
	₱95,254,887	₱84,183,689
LIABILITIES AND EQUITY		
Current Liabilities		
Short-term debt (Notes 15 and 34)	₱632,971	₱1,490,648
Current portion of liabilities for purchased land (Notes 16 and 34)	929,379	471,886
Accounts and other payables (Notes 17 and 34)	12,338,919	11,951,574
Billings in excess of costs and estimated earnings on uncompleted contracts (Note 8)	355,247	750,744
Customers' advances and deposits (Note 18)	5,258,050	3,638,509
Current portion of long-term debt (Notes 19 and 34)	6,642,262	3,813,948
Income tax payable	89,442	138,199
Payable to related parties (Notes 21 and 34)	61,215	301,372
Total Current Liabilities	26,307,485	22,556,880

(Forward)



	December 31	
	2012	2011
Noncurrent Liabilities		
Long-term debt - net of current portion (Notes 19 and 34)	₱18,190,853	₱17,775,617
Liabilities for purchased land - net of current portion (Notes 16 and 34)	215,945	460,047
Deferred tax liabilities - net (Note 29)	818,441	1,008,459
Pension liabilities (Note 23)	203,550	180,305
Other noncurrent liabilities (Notes 20 and 34)	1,527,655	1,732,378
Total Noncurrent Liabilities	20,956,444	21,156,806
Total Liabilities	47,263,929	43,713,686
Equity (Note 22)		
Equity attributable to equity holders of the DMCI Holdings, Inc.:		
Paid-in capital	7,420,815	7,420,815
Retained earnings	33,238,094	26,633,072
Premium on acquisition of non-controlling interests	(161,033)	(161,033)
Other comprehensive gain (loss) (Note 35)	28,910	(1,090)
	40,526,786	33,891,764
Non-controlling interests	7,464,172	6,578,239
Total Equity	47,990,958	40,470,003
	₱95,254,887	₱84,183,689

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		
	2012	2011	2010
REVENUE			
Mining	₱16,373,200	₱18,682,228	₱16,029,885
Construction contracts	14,773,250	10,277,235	10,729,337
Electricity sales	11,079,789	10,420,559	8,948,308
Real estate sales	9,219,331	8,251,128	7,704,893
Merchandise sales and others	294,309	171,435	71,386
	51,739,879	47,802,585	43,483,809
COSTS OF SALES AND SERVICES (Note 24)			
Construction contracts	13,029,950	8,629,612	8,798,377
Mining	10,669,671	11,566,728	11,025,348
Electricity sales	6,276,353	7,019,858	5,974,593
Real estate sales	4,434,929	4,080,030	4,758,532
Merchandise sales and others	169,732	132,752	47,033
	34,580,635	31,428,980	30,603,883
GROSS PROFIT	17,159,244	16,373,605	12,879,926
OPERATING EXPENSES (Note 25)	5,890,694	5,205,907	4,755,130
	11,268,550	11,167,698	8,124,796
OTHER INCOME (EXPENSES)			
Equity in net earnings of associates (Note 11)	2,317,232	2,185,199	1,893,197
Finance income (Note 26)	849,864	1,098,176	1,058,041
Finance costs (Note 27)	(1,198,528)	(1,261,885)	(1,577,130)
Other income - net (Note 28)	786,382	432,873	487,947
INCOME BEFORE INCOME TAX	14,023,500	13,622,061	9,986,851
PROVISION FOR INCOME TAX (Note 29)	1,475,774	1,345,155	1,029,135
INCOME BEFORE CONTINUING OPERATIONS	12,547,726	12,276,906	8,957,716
INCOME AFTER TAX FROM DISCONTINUED OPERATIONS (Note 39)	–	–	677,345
NET INCOME (Note 33)	₱12,547,726	₱12,276,906	₱9,635,061
NET INCOME ATTRIBUTABLE TO			
Equity holders of DMCI Holdings, Inc.			
Income from continuing operations	₱9,791,615	₱9,595,451	₱7,201,534
Income from discontinued operations	–	–	665,749
Income for the year	9,791,615	9,595,451	7,867,283
Non-controlling interests			
Income from continuing operations	2,756,111	2,681,455	1,756,182
Income from discontinued operations	–	–	11,596
Income for the year	2,756,111	2,681,455	1,767,778
	₱12,547,726	₱12,276,906	₱9,635,061
EARNINGS PER SHARE (Note 30)			
Basic/Diluted, income for the year	₱3.69	₱3.61	₱2.96
Basic/Diluted, income from continuing operations	3.69	3.61	2.71
Basic/Diluted, income from discontinued operations	–	–	0.25

See accompanying Notes to Consolidated Financial Statements.



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

	Years Ended December 31		
	2012	2011	2010
NET INCOME	₱12,547,726	₱12,276,906	₱9,635,061
OTHER COMPREHENSIVE INCOME (LOSS)			
Changes in fair values on AFS financial assets (Notes 6 and 35)	30,000	1,691	3,868
Exchange differences on translating foreign operations	–	–	(25)
Recognized revaluation increment (Note 35)	–	–	(80,005)
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE YEAR, NET OF TAX	30,000	1,691	(76,162)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	₱12,577,726	₱12,278,597	₱9,558,899
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO			
Equity holders of DMCI Holdings, Inc.	₱9,821,615	₱9,597,142	₱7,792,409
Non-controlling interests	2,756,111	2,681,455	1,766,490
	₱12,577,726	₱12,278,597	₱9,558,899

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 Company							Attributable to Non-controlling Interests (Note 22)	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 35)			
As of January 1, 2012	₱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
Net income for the year	-	-	-	9,791,615	-	-	-	9,791,615	2,756,111	12,547,726
Other comprehensive income	-	-	-	-	-	-	30,000	30,000	-	30,000
Total comprehensive income	-	-	-	9,791,615	-	-	30,000	9,821,615	2,756,111	12,577,726
Appropriation	-	-	-	(1,600,000)	1,600,000	-	-	-	-	-
Dividends declared	-	-	-	(3,186,593)	-	-	-	(3,186,593)	(1,870,178)	(5,056,771)
Balances at December 31, 2012	₱2,655,497	₱4,765,318	₱7,420,815	₱28,236,435	₱5,001,659	(₱161,033)	₱28,910	₱40,526,786	₱7,464,172	₱47,990,958
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 (Note 39)	-	-	-	-	-	-	-	-	(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

See accompanying Notes to Consolidated Financial Statements.



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

	Years Ended December 31		
	2012	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before tax from continuing operations	₱14,023,500	₱13,622,061	₱9,986,851
Income before tax from discontinued operations	–	–	711,558
Income before tax	14,023,500	13,622,061	10,698,409
Adjustments for:			
Depreciation, depletion and amortization (Notes 12, 13, 14, 24 and 25)	3,329,842	3,093,843	3,227,322
Finance costs (Note 27)	1,198,528	1,261,885	1,577,130
Loss on PPE writedown (Note 28)	341,146	–	–
Provisions for: (Note 25)			
Doubtful accounts	78,296	15,178	58,905
Probable losses on current assets	–	–	88,778
Impairment of PPE	–	–	6,670
Impairment of noncurrent assets	47,150	–	–
Unrealized market loss (gain) on financial assets at FVPL (Note 5)	140	(1,400)	–
Gain on reversal of impairment on PPE (Note 28)	–	(6,670)	–
Loss (gain) on sale of:			
Available-for-sale financial assets (Note 6)	986	–	–
Investment in a subsidiary (Note 39)	–	–	(36,659)
Property, plant and equipment (Note 28)	(127,497)	(57,565)	(28,958)
Dividend income (Notes 11 and 28)	(25,379)	(4,547)	(5,785)
Net unrealized foreign exchange loss (gain)	(182,518)	18,974	(69,722)
Finance income (Note 26)	(849,864)	(1,098,176)	(1,058,041)
Equity in net earnings of associates and jointly controlled entity (Note 11)	(2,317,551)	(2,185,199)	(1,893,197)
Operating income before changes in working capital	15,516,779	14,658,384	12,564,852
Decrease (increase) in:			
Costs and estimated earnings in excess of billings on uncompleted contracts	329,347	(2,888)	82,264
Receivables	(5,652,933)	1,116,709	(5,061,392)
Inventories	(3,492,778)	(5,856,905)	1,182,676
Other current assets	(931,039)	(698,297)	(789,901)
Pension asset	(1,856)	(4,355)	–

(Forward)



	Years Ended December 31		
	2012	2011	2010
Increase (decrease) in:			
Customers' advances and deposits	₱1,619,541	(₱799,490)	₱342,093
Accounts and other payables	387,374	1,753,504	4,618,981
Liabilities for purchased land	168,985	(498,574)	499,176
Billings in excess of costs and estimated earnings on uncompleted contracts	(395,497)	163,864	228,890
Pension liabilities	23,245	(36,479)	89,898
Cash generated from operations	7,571,168	9,795,473	13,757,537
Interest received	852,289	1,080,363	1,049,028
Income taxes paid	(1,709,150)	(849,894)	(728,499)
Interest paid	(1,451,393)	(1,251,191)	(1,739,053)
Net cash provided by operating activities	5,262,914	8,774,751	12,339,013
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Investment in financial asset at FVPL (Note 5)	-	(70,000)	-
Property, plant and equipment (Notes 13 and 3)	(6,176,499)	(3,539,342)	(4,410,830)
Investments in associates, jointly controlled entity and others (Note 11)	-	(1,300)	(244,670)
Available-for-sale financial assets (Note 6)	-	(7,105)	(12,090)
Investment properties (Note 12)	(139,197)	(32,138)	(1,350,730)
Net increase in non-controlling interest	-	-	1,585,207
Proceeds from disposals of:			
Property and equipment	136,040	76,077	90,791
Available-for-sale financial assets (Note 6)	164,878	150	674
Investment in subsidiary (Note 40)	-	-	957,526
Investments in associates, jointly controlled entity and others (Note 11)	-	-	68,608
Dividends received	881,507	703,198	295,102
Increase in other noncurrent assets	(460,336)	(233,279)	(115,335)
Acquisition of a business (Note 11)	(2,576,811)	-	(9,967,288)
Net decrease in investment in associates	-	26,138	-
Net cash used in investing activities	(8,170,418)	(3,077,601)	(13,103,035)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from:			
Long-term debt	10,742,004	10,627,665	15,865,769
Short-term debt	1,813,037	2,455,720	4,854,515
Payments of:			
Long-term debt	(7,230,103)	(8,114,551)	(5,212,831)
Dividends paid to equity holders of DMCI Holdings, Inc.	(3,186,593)	(2,627,009)	(1,327,927)
Short-term debt	(2,669,848)	(1,720,312)	(5,308,098)
Dividends paid to non-controlling interest (Note 22)	(1,870,178)	(1,575,702)	(779,955)

(Forward)



	Years Ended December 31		
	2012	2011	2010
Increase (decrease) in:			
Payable to related parties (Note 21)	(₱89,249)	(₱190,387)	(₱430,553)
Other noncurrent liabilities	174,985	562,351	(214,937)
Redemption of preferred shares	-	(600)	-
Net cash provided by (used in) financing activities	(2,315,945)	(582,825)	7,445,983
EFFECT OF EXCHANGE RATE CHANGES			
ON CASH AND CASH EQUIVALENTS	(103,274)	4,757	2,415
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(5,326,723)	5,119,082	6,684,376
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	15,065,748	9,946,666	3,262,290
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	₱9,739,025	₱15,065,748	₱9,946,666

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 was listed in the Philippine Stock Exchange on December 18, 1995.

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, water concessionaire 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

The consolidated financial statements comprise the financial statements of the Group as of December 31, 2012 and 2011, and for each of the three years in the period ended December 31, 2012. 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 (3) 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. The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies.

Non-controlling interests pertain to the equity in a subsidiary not attributable, directly or indirectly to the Parent Company.



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.

Any equity instruments issued by a subsidiary that are not owned by the Parent Company are non-controlling interests including preferred shares and options under share-based transactions.

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.

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

	2012			2011		
	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	84.47	15.53	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
<u>Manufacturing:</u>						
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
Semirara Claystone, Inc. (SCI) ^{4***}	–	56.32	56.32	–	–	–

(Forward)



	2012			2011		
	Direct	Indirect	Effective Interest	Direct	Indirect	Effective Interest
<u>Marketing Arm:</u>						
DMCI Homes, Inc. (DMCI Homes) ³	–	100.00	100.00	–	100.00	100.00
<u>Power:</u>						
DMCI Power Corporation (DPC) (formerly DMCI Energy Resources Unlimited Inc.) *	100.00	–	100.00	100.00	–	100.00
DMCI Masbate Power Corporation (DMCI Masbate) ⁵	–	100.00	100.00	–	100.00	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	–	56.32	56.32
SEM-Cal Industrial Park Developers, Inc. (SIPDI) ^{4**}	–	56.32	56.32	–	56.32	56.32
DMCI Palawan Power Corporation (DMCI Palawan) ⁵	–	100.00	100.00	–	–	–

* 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.

*** Organized on November 29, 2012 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

⁵ DPC's subsidiaries

General Construction

DMCI

Subscription to PDI's increase in authorized capital stock

On October 30, 2009, the PDI BOD and stockholders approved the increase in the PDI's authorized capital stock from ₱3.00 billion, divided into 3,000,000,000 common shares with a par value of ₱1.00 per share, to ₱5.00 billion, divided into 5,000,000,000 common shares with a par value of ₱1.00 per share.

On December 6, 2009, DMCI, the Parent Company and PDI subscribed to the increase in the authorized capital stock of PDI.

Of the said increase in the authorized capital stock of 2 billion common shares at ₱1.00 par value per share, 538,132,578 common shares have been subscribed by the DMCI and the Parent Company, each subscribing 504,862,578 shares and 33,270,000 shares, respectively.

On December 30, 2010, the SEC approved PDI's application for increase in authorized capital stock.

Declaration of Investment in PDI as Property Dividends to the Parent Company

On October 2011, the DMCI declared majority of its investment in PDI as property dividends to the Parent Company with equivalent value of ₱949.59 million representing 30.57% share in PDI.

On December 5, 2011, the SEC approved the DMCI's application to declare its investment in PDI as property dividend to the Parent Company. The property dividend amounted to ₱949.59 million payable in 949,594,750 shares of stocks in PDI with same par value. As a result, PDI became 88.87% owned by the Parent Company.



Power

DPC

On February 3, 2011, the Parent Company and DPC executed a Deed of Assignment, whereby the Parent Company conveyed to DPC its subscription on 5,099,995 shares of DMCI Masbate with ₱1.00 par value each of which ₱1.27 million has been paid.

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 or DPC’s entire investment in DMCI Concepcion, 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 million. The interest payment amounting ₱1.00 million has been received on the date of payment while the remaining balance has been received on November 11, 2010.

Net gain from sale of stocks and land amounted to ₱19.05 million after deducting commissions paid to brokers amounting ₱2.00 million (Note 28).

DMCI Masbate

On February 3, 2011, the Parent Company and DMCI Power executed a Deed of Assignment, whereby the Parent Company 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 wholly owned by DMCI Power.

DMCI Palawan

DMCI Palawan Power Corporation, a wholly-owned subsidiary of DPC, was incorporated and domiciled in the Republic of the Philippines. It was registered with the Securities and Exchange Commission (SEC) on September 12, 2012 primarily to acquire, design, develop, construct, invest in and operate power generating plants in the province of Palawan and engage in the business of a generation company in accordance with Republic Act (RA) No. 9136, otherwise known as the Electric Power Industry Reform Act of 2001 (EPIRA) and its implementing rules and regulations, and to design, develop, assemble and operate other power related facilities, appliances and devices.

In 2012, DPC provided equity funding to DMCI Palawan amounting ₱2.50 million.

Mining

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.

In 2011, Semirara provided equity funding to SLPGC amounting ₱770.20 million.

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.

In 2011, Semirara provided equity funding to SIPDI amounting ₱2.50 million.



Manufacturing

SCI

On November 29, 2012, SCI, a wholly-owned subsidiary of Semirara, was incorporated to engage in, conduct, and carry on the business of manufacturing, buying, selling, distributing, marketing at wholesale and retail of pottery earthenware, stoneware, bricks, tiles, roofs and other merchandise produce from clay.

In 2012, Semirara provided equity funding to SCI amounting ₱2.50 million.

Disposed Subsidiary

AG&P

On December 22, 2010, the Parent Company (the “Seller”) and AGP Philippines Holdings, Inc. (AGPPHI 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 (Note 39).

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 amended Philippine Accounting Standards (PAS) and PFRS which were adopted as of January 1, 2012. Unless otherwise stated, the following amended standards and interpretations did not have any impact on the accounting policies, financial position and performance of the group:

- PAS 12, *Income Taxes - Recovery of Underlying Assets* (Amendment)
This amendment to PAS 12 clarifies the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that the carrying amount of investment property measured using the fair value model in PAS 40, *Investment Property*, will be recovered through sale and, accordingly, requires that any related deferred tax should be measured on a ‘sale’ basis. The presumption is rebutted if the investment property is depreciable and it is held within a business model whose objective is to consume substantially all of the economic benefits in the investment property over time (‘use’ basis), rather than through sale. Furthermore, the amendment introduces the requirement that deferred tax on non-depreciable assets measured using the revaluation model in PAS 16, *Property, Plant and Equipment*, always be measured on a sale basis of the asset.
- PFRS 7, *Financial Instruments: Disclosures - Transfers of Financial Assets* (Amendments)
The amendments require additional disclosures about financial assets that have been transferred but not derecognized to enhance the understanding of the relationship between those assets that have not been derecognized and their associated liabilities. In addition, the amendments require disclosures about continuing involvement in derecognized assets to enable users of financial statements to evaluate the nature of, and risks associated with, the entity’s continuing involvement in those derecognized assets. The amendments affect disclosures only and have no impact on the Group’s financial position or performance.



Future Changes in Accounting Policies

The Group has not adopted the following PFRS and Philippine Interpretations which are not yet effective as of December 31, 2012. 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.

Effective 2013

- PFRS 7, *Financial instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities* (Amendments) (effective for annual periods beginning on or after January 1, 2013) 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 statement of financial position;
- c) The net amounts presented in the statement 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 applied retrospectively. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

- PFRS 10, *Consolidated Financial Statements* (effective for annual periods beginning on or after January 1, 2013) PFRS 10 replaces the portion of PAS 27, *Consolidated and Separate Financial Statements*, that 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.

The Parent Company has concluded its assessment covering its investment in subsidiaries, associates and jointly controlled entities as of December 31, 2012 where in the adoption of PFRS 10: a.) all direct subsidiaries of the Parent Company shall remain to be consolidated; and, b.) all direct associates and jointly controlled entities of the Parent Company will not be consolidated based on the provisions of the Standard.



- PFRS 11, *Joint Agreements* (effective for annual periods beginning on or after January 1, 2013)
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 using proportionate consolidation. Instead, jointly controlled entities that meet the definition of a joint venture must be accounted for using the equity method.

The application of this new standard will impact the financial statements of the Group. Upon adoption of PFRS 11, the DMCI's investment in DMFB Joint Venture, a joint venture, will be accounted for under the equity method (Note 32). Currently, proportionate consolidation is applied for this joint venture. The change in the accounting for the joint venture will decrease total assets by ₱70.33 million and ₱96.39 million as of December 31, 2012 and 2011, respectively, and total liabilities by ₱55.01 million and ₱75.97 million as of December 31, 2012 and 2011, respectively. Finance income will also decrease by ₱0.40 million and ₱0.59 million for the years ended December 31, 2012 and 2011, respectively, while income before income tax will decrease by ₱0.40 million and ₱0.59 million for the years ended December 31, 2012 and 2011, respectively.

- PFRS 12, *Disclosure of Interests in Other Entities* (effective for annual periods beginning on or after January 1, 2013)
PFRS 12 includes all of the disclosures related to consolidated financial statements that were previously in PAS 27, as well as all the disclosures that were previously included in PAS 31 and PAS 28, *Investments in Associates*. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required.

The adoption of PFRS 12 will affect disclosures only and have no impact on the Group's financial position or performance.

- PFRS 13, *Fair Value Measurement* (effective for annual periods beginning on or after January 1, 2013)
PFRS 13 establishes a single source of guidance under PFRSs 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 should be applied prospectively as of the beginning of the annual period in which it is initially applied. Its disclosure requirements need not be applied in comparative information provided for periods before initial application of PFRS 13.

The Group does not anticipate that the adoption of this standard will have a significant impact on its financial position and performance.

- PAS 1, *Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income* (Amendments) (effective for annual periods beginning on or after July 1, 2012)
The amendments to PAS 1 change the grouping of items presented in other comprehensive income (OCI). Items that can be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon derecognition or settlement) will be presented separately from items that will never be recycled. The amendments affect presentation only and have no impact on the Group's financial position or performance. The amendments will be applied retrospectively and will result to the modification of the presentation of items of OCI.



- PAS 19, *Employee Benefits* (Revised) (effective for annual periods beginning on or after January 1, 2013)

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 revised standard also requires new disclosures such as, among others, a sensitivity analysis for each significant actuarial assumption, information on asset-liability matching strategies, duration of the defined benefit obligation, and disaggregation of plan assets by nature and risk. Once effective, the Group has to apply the amendments retroactively to the earliest period presented.

The Group reviewed its existing employee benefits and determined that the amended standard has significant impact on its accounting for retirement benefits. The Group obtained the services of an external actuary to compute the impact to the financial statements upon adoption of the standard. The effects are detailed below:

	As at December 31, 2012	As at January 1, 2012
<u>Increase (decrease) in:</u>		
<u>Consolidated balance sheet</u>		
Net defined benefit asset/liability	₱550,714	₱470,335
Other comprehensive income	(227,636)	(34,141)
Retained earnings	33,763	19,881
	December 31, 2012	
<u>Consolidated income statement</u>		
Net benefit cost	₱38,684	
Actuarial gains during the year	65,886	

- PAS 27, *Separate Financial Statements* (as revised in 2011) (effective for annual periods beginning on or after January 1, 2013)

As a consequence of the issuance 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 the separate financial statements. The adoption of the amended PAS 27 will not have a significant impact on the separate financial statements of the entities in the Group.
- PAS 28, *Investments in Associates and Joint Ventures* (as revised in 2011) (effective for annual periods beginning on or after January 1, 2013)

As a consequence of the issuance of the new PFRS 11, *Joint Arrangements*, and PFRS 12, *Disclosure of Interests in Other Entities*, 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.



Improvements to PFRSs

The Improvements to PFRSs contain non-urgent but necessary amendments to PFRSs. The amendments are effective for annual periods beginning on or after January 1, 2013 and are applied retrospectively. Earlier application is permitted. Except as otherwise indicated, the Group does not expect the adoption of these new standards to have significant impact on the Group's financial statements.

- *PFRS 1, First-time Adoption of PFRS - Borrowing Costs*
The Amendment clarifies that, upon adoption of PFRS, an entity that capitalized borrowing costs in accordance with its previous generally accepted accounting principles, may carry forward, without any adjustment, the amount previously capitalized in its opening statement of financial position at the date of transition. Subsequent to the adoption of PFRS, borrowing costs are recognized in accordance with PAS 23, *Borrowing Costs*. The amendment does not apply to the Group as it is not a first-time adopter of PFRS.
- *PAS 1, Presentation of Financial Statements - Clarification of the requirements for comparative information*
The Amendments clarify the requirements for comparative information that are disclosed voluntarily and those that are mandatory due to retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional comparative period does not need to contain a complete set of financial statements. On the other hand, supporting notes for the third balance sheet (mandatory when there is a retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements) are not required. The amendments affect disclosures only and have no impact on the Group's financial position or performance.
- *PAS 16, Property, Plant and Equipment - Classification of servicing equipment*
The Amendment clarifies that spare parts, stand-by equipment and servicing equipment should be recognized as property, plant and equipment when they meet the definition of property, plant and equipment and should be recognized as inventory if otherwise. The amendment will not have any significant impact on the Group's financial position or performance.
- *PAS 32, Financial Instruments: Presentation - Tax effect of distribution to holders of equity instruments*
The Amendment clarifies that income taxes relating to distributions to equity holders and to transaction costs of an equity transaction are accounted for in accordance with PAS 12, *Income Taxes*. The amendment will not have any significant impact on the Group's financial position or performance.
- *PAS 34, Interim Financial Reporting - Interim financial reporting and segment information for total assets and liabilities*
The Amendment clarifies that the total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the entity's previous annual financial statements for that reportable segment. The amendment affects disclosures only and has no impact on the Group's financial position or performance.



- Philippine Interpretation IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine* (effective for annual periods beginning on or after January 1, 2013)
This interpretation applies to waste removal costs (“stripping costs”) that are incurred in surface mining activity during the production phase of the mine (“production stripping costs”). If the benefit from the stripping activity will be realized in the current period, an entity is required to account for the stripping activity costs as part of the cost of inventory. When the benefit is the improved access to ore, the entity should recognize these costs as a non-current asset, only if certain criteria are met (“stripping activity asset”). The stripping activity asset is accounted for as an addition to, or as an enhancement of, an existing asset. After initial recognition, the stripping activity asset is carried at its cost or revalued amount less depreciation or amortization and less impairment losses, in the same way as the existing asset of which it is a part.

Semirara will move its activities to the North Panian area in 2013, and will assess the potential impact of this new area in stripping operations in relation to the application of this Interpretation.

Effective 2014

- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (Amendments) (effective for annual periods beginning on or after January 1, 2014)
The amendments 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 affect presentation only and have no impact on the Group’s financial position or performance.

Effective 2015

- PFRS 9, *Financial Instruments* (effective for annual periods beginning on or after January 1, 2015)
PFRS 9, as issued, reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39, *Financial Instruments: Recognition and Measurement*. Work on impairment of financial instruments and hedge accounting is still ongoing, with a view to replacing PAS 39 in its entirety. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability’s credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO. 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 the classification and measurement of financial liabilities. The Group has decided not to early adopt for its 2012 financial reporting, thus, has not conducted a full quantification of the impact of this standard. The Group will quantify the effect in conjunction with the other phases, when issued, to present a more comprehensive picture.

- **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 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 the 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. The Group will make an assessment when these have been completed.

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 (3) 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 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 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 (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 method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate (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 equity securities (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 effective interest method over the term of the related debt.

Customers’ Advances and Deposits

Customers’ advances and deposits represent payment from buyers which have not yet reached the minimum required percentage for recording real estate transactions, when the level of required payment is reached and the revenue recognition criteria is met, sales are recognized and these deposits and downpayments will be applied against the related receivables.

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 the 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.

Embedded Derivative

The Group assesses the existence of an embedded derivative on the date it first becomes a party to the contract, and performs re-assessment where there is a change to the contract that significantly modifies the cash flows.



Embedded derivatives are bifurcated from their host contracts and carried at fair value with fair value changes being reported through profit or loss, when the entire hybrid contracts (composed of both the host contract and the embedded derivative) are not accounted for as financial instruments designated at FVPL; when their economic risks and characteristics are not clearly and closely related to those of their respective host contracts; and when a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative.

As of December 31, 2012 and 2011, the Group's identified embedded derivatives consists of prepayment options that are not required to be bifurcated from the host instruments as these were assessed to be clearly and closely related to the host contracts.

Inventories

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 inventory and is measured at the lower of cost and net realizable value (NRV).

Cost includes:

- Land cost
- Amounts paid to contractors for construction
- Borrowing costs, planning and design costs, costs of site preparation, professional fees, property transfer taxes, construction overheads and other related costs

NRV is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date, less estimated costs of completion and the estimated costs of sale.

Real estate inventories consist of housing units for sale and development and condominium units for sale.

Housing units for sale and development are carried at the lower of cost or net realizable value (NRV). Cost includes the acquisition costs of the land plus the costs incurred for the construction, development and improvement of the real estate projects. NRV is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

Condominium units for sale are also carried at the lower of cost or NRV. Costs include costs incurred for development, improvement and construction of condominium units.

Valuation allowance is provided for housing units for sale and development, condominium units for sale and development and undeveloped land when the NRV of the properties are less than their carrying amounts.

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.



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 equipment 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 equipment are recognized in the consolidated statements of income when consumed.

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.

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 unrealized 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 realizable 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



The assets' residual value useful life and amortization are reviewed periodically to ensure that the period and method of depreciation and amortizations are consistent with the expected pattern of economic benefits from items of investment properties.

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. Construction-in-progress is not depreciated until such time that the relevant assets are completed and put into operational use.

Major repairs are capitalized as part of property, plant and equipment only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the items can be measured reliably. All other repairs and maintenance are charged against current operations as incurred.

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:

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

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

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

Intangible Assets

Intangible assets, software costs, 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.

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 assets.

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

PFRS 3 provides that if the initial accounting for a business combination can be determined only provisionally by the end of the period in which the combination is effected because either the fair values to be assigned to the acquiree's identifiable assets, liabilities or contingent liabilities or the cost of the combination can be determined only provisionally, the acquirer shall account for the combination using those provisional values. The acquirer shall recognize any adjustments to those provisional values as a result of completing the initial accounting within twelve months of the acquisition date as follows: (i) the carrying amount of the identifiable asset, liability or contingent liability that is recognized or adjusted as a result of completing the initial accounting shall be calculated as if its fair value at the acquisition date had been recognized from that date; (ii) goodwill or any gain recognized shall be adjusted by an amount equal to the adjustment to the fair value at the acquisition date of the identifiable asset, liability or contingent liability being recognized or adjusted; and (iii) comparative information presented for the periods before the



initial accounting for the combination is complete shall be presented as if the initial accounting has been completed from the acquisition date.

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

If the business combination is achieved in stages, the 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.

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 statement of income.



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.

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.

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.

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, 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 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 (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, 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 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 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 at the inception date 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

Finance leases that transfer substantially all the benefits incidental to ownership of the leased item to the Group are capitalized at the commencement of the lease at fair value of the leased property or if lower, the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the leased liability so as to achieve a constant rate of interest in the remaining balance of the liability. Finance charge are recognized in finance costs in the consolidated statements of income.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the earnings will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the EUL of the asset and the lease term.

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 Taxes

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 investments 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.

For periods where the income tax holiday (ITH) is in effect, no deferred taxes are recognized in the consolidated financial statements as the ITH status of the subsidiary neither results in a deductible temporary difference or temporary taxable difference. However, for temporary differences that are expected to reverse beyond the ITH, deferred taxes are recognized.

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 33 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 (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 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 15% 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.



Classification of property as investment property or real estate inventories

The Group determines whether a property is classified as investment property or inventory property as follows:

- Investment property comprises land and buildings (principally offices, commercial and retail property) which are not occupied substantially for use by, or in the operations of, the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation.
- Inventory comprises property that is held for sale in the ordinary course of business. Principally, this is residential, commercial and industrial property that the Group develops and intends to sell before or on completion of construction.

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.

Property acquisitions and business combinations

The Group acquires subsidiaries that own real estate. At the time of acquisition, the Group considers whether the acquisition represents the acquisition of a business. The Group accounts for an acquisition as a business combination where an integrated set of activities is acquired in addition to the property. More specifically, consideration is made of the extent to which significant processes are acquired and, in particular, the extent of ancillary services provided by the subsidiary (e.g., maintenance, cleaning, security, bookkeeping, hotel services, etc.). The significance of any process is judged with reference to the guidance in PAS 40 on ancillary services.

When the acquisition of subsidiaries does not represent a business, it is accounted for as an acquisition of a group of assets and liabilities. The cost of the acquisition is allocated to the assets and liabilities acquired based upon their relative fair values, and no goodwill or deferred tax is recognized.

Parent Company

In 2012, the Parent Company acquired existing shares of ENK Plc, a mining company with significant mining assets in the Philippines. ENK is a laterite development and production company focused on developing its Acoje project in the Philippines. The total acquisition cost amounted to ₱2.1 billion. In aggregate, the Parent Company owns 157.26 million shares which represents 60.00% ownership in ENK Plc. The remaining 40% is owned by D&A Income Ltd, an entity from United Kingdom. The investment in ENK is accounted for as an acquisition of a business.



DMCI Mining

On October 23, 2012, DMCI Mining purchased from Daintree Resources Limited 8,480,250 common shares or 17.01% ownership in Toledo Mining Corporation (Toledo). On February 15, 2013, DMCI Mining increased its shareholding to 37.7%. As of April 9, 2013, it further increased its stake to 57.1%. Total acquisition cost amounted to ₱226.90 million. The investment in Toledo is accounted for as an acquisition of a business. The acquisition is in transition as of December 31, 2012 and uncompleted as at reporting date.

On December 31, 2012, DMCI Mining purchased from Toledo 775,000 issued common shares or 31% ownership in Nickeline Resources Holdings Inc. (NRHI). Total acquisition cost amounted to ₱268.93 million. The investment in NRHI is accounted for as an acquisition of a business.

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 ₱16.37 billion, ₱18.68 billion and ₱16.03 billion in 2012, 2011 and 2010, 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 ₱14.77 billion, ₱10.28 billion, ₱10.73 billion in 2012, 2011 and 2010, respectively.

c.) Evaluation of net realizable value of inventories and land and improvements

Inventories and land and improvements are valued at the lower of cost and NRV. This requires the Group to make an estimate of the inventories' and land and improvements' estimated selling price in the ordinary course of business, cost of completion and costs necessary to make a sale to determine the NRV. For real estate inventories and land and improvements, the Group adjusts the cost of its real estate inventories and land and improvements to net realizable value based on its assessment of the recoverability of the real estate inventories and land and improvements. In determining the recoverability of the inventories and land and improvements, management considers whether those inventories and land and improvements are damaged or if their selling prices have declined.

Likewise, management also considers whether the estimated costs of completion or the estimated costs to be incurred to make the sale have increased. In the event that NRV is lower than the cost, the decline is recognized as an expense. The amount and timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized.

Inventories carried at cost amounted to ₱21,458.93 million and ₱16,517.37 million as of December 31, 2012 and 2011, respectively. Inventories carried at NRV amounted to ₱56.23 million and ₱967.30 million as of December 31, 2012 and 2011, respectively (Note 9).

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 ₱78.30 million, ₱15.18 million and ₱58.91 million in 2012, 2011 and 2010, respectively (Notes 7 and 25). Receivables of the Group that were impaired and fully provided with allowance amounted to ₱240.48 million and ₱171.73 million as of December 31, 2012 and 2011, respectively (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, 2012 and 2011 amounted to ₱2.35 billion and ₱2.51 billion, respectively (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 ₱53.29 million and ₱63.09 million as of December 31, 2012 and 2011, respectively, amounted to ₱56.23 million and ₱967.30 million as of December 31, 2012 and 2011, respectively (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, 2012 and 2011, the provision for decommissioning and site rehabilitation amounted to ₱62.45 million and ₱47.58 million, respectively (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 ₱25.72 billion and ₱23.42 billion as of December 31, 2012 and 2011, respectively (Note 13). The carrying value of investment properties of the Group amounted to ₱0.28 billion and ₱0.14 billion as of December 31, 2012 and 2011, respectively (Note 12). The carrying value of software cost of the Group amounted to ₱49.95 million and ₱59.31 million, respectively (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, 2012 and 2011, the balances of the Group's nonfinancial assets, net of accumulated depreciation, depletion and amortization and accumulated provisions for impairment losses follow:

	2012	2011
	(Amounts in Thousands)	
Property, plant and equipment (Note 13)	₱25,724,232	₱23,417,603
Investments in associates, jointly controlled entities and others (Note 11)	14,357,000	10,849,383
Investment properties (Note 12)	276,447	142,159
Software cost - net (Note 14)	49,945	59,312

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 ₱12.24 million and ₱16.14 million as of December 31, 2012 and 2011, respectively. The unrecognized deferred tax assets of the Group amounted to ₱474.67 million and ₱541.18 million as of December 31, 2012 and 2011, respectively (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, 2012 and 2011, the balances of the Group's net pension assets and liabilities and unrecognized actuarial gains follow (Note 23):

	2012	2011
	(Amounts in Thousands)	
Net pension assets	₱6,211	₱4,335
Net pension liabilities	203,550	180,305
Unrecognized actuarial gains	1,238,348	942,553



Contingencies

The Group is currently involved in various legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the defense in these matters and is based upon an analysis of potential results. The Group currently does not believe these proceedings will have a material effect on the Group's financial position. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings (Note 36).

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, 2012 and 2011 amounted to ₱159.81 million and ₱131.31 million, respectively (Note 34).

4. Cash and Cash Equivalents

This account consists of:

	2012	2011
	(Amounts in Thousands)	
Cash on hand and in banks	₱2,885,618	₱6,095,360
Cash equivalents	6,853,407	8,970,388
	₱9,739,025	₱15,065,748

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 annual interest ranging from 0.50% to 4.63% and 1.00% to 4.69% in 2012 and 2011, respectively.

Total finance income earned on cash in banks and cash equivalents amounted to ₱355.42 million, ₱417.38 million and ₱193.15 million in 2012, 2011 and 2010, respectively (Note 26).

5. Financial Asset at FVPL

This account consist of peso-denominated investments in quoted equity securities of San Miguel Pure Foods Company, Inc. acquired in 2011 with yields ranging from 1.93% to 2.00% per annum as of December 31, 2012 and 2011, respectively. The investment is acquired for the purpose of selling it in the near term.

Unrealized market loss and gain relating to this investment amounted to ₱0.14 million and ₱1.40 million and dividends earned amounted to ₱5.60 million and ₱4.20 million in 2012 and 2011, respectively, and are included under "Other income" and "Dividend income" accounts in the statements of comprehensive income (Note 28).



6. Available-for-Sale Financial Assets

This account consists of:

	2012	2011
	(Amounts in Thousands)	
Quoted securities		
Acquisition costs	₱57,914	₱59,271
Unrealized gain (loss) recognized in equity (Note 35)	28,910	(1,090)
	86,824	58,181
Unquoted securities		
Acquisition costs	27,980	239,446
Less allowance for probable loss	26,251	73,210
	1,729	166,236
Less noncurrent AFS - net	-	164,507
	1,729	1,729
	₱88,553	₱59,910

Quoted securities

The quoted equity investments include investments in golf and sports club shares. The Group recognized unrealized gain in other comprehensive income amounting ₱30.00 million and ₱1.69 million in 2012 and 2011, respectively, (Note 35).

Unquoted securities

This account consists of investments in stock accounted for at cost. As of December 31, 2012 and 2011, details of this account follow:

	2012	2011
Montecito Properties, Inc.	₱220,214	₱220,214
Less: Disposals	220,214	-
Montecito Properties, Inc.	-	220,214
Others	27,980	19,232
	27,980	239,446
Less allowance for impairment losses	26,251	73,210
	₱1,729	₱166,236

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 discussion meeting.

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

As of December 31, 2012, the Group disposed all investments in Montecito with carrying amount of ₱173.26 million resulting to a loss of ₱0.99 million.



As of December 31, 2012, the remaining unquoted securities include investment in Project Quest Corporation, Universal Rightfield Property Holdings, Inc., Celebrity Sports Plaza, Inc. and Unicorn First Properties Inc. with an aggregate cost of ₱26.25 million. These investments had been fully provided for with allowance for doubtful accounts as management assessed that commitments in these shares of stock are not recoverable.

In 2011, ₱8.75 million of the Group's investment was returned. Allowance for probable loss amounting ₱8.75 million has been reversed resulting to an income of the same amount recognized under "Other income" (Note 28).

7. Receivables

This account consists of:

	2012	2011
	(Amounts in Thousands)	
Trade:		
Real estate	₱7,831,097	₱5,071,205
General construction (including retention receivables on uncompleted contracts of ₱852.42 million in 2012 and ₱1,339.54 million in 2011)	3,819,636	1,979,285
Mining	1,453,964	1,077,440
Electricity sales	2,756,622	2,229,572
Merchandising and others	67,157	57,740
	15,928,476	10,415,242
Receivables from related parties (Note 21)	187,296	203,622
Advances to officers and employees	60,048	42,886
Other receivables	482,927	356,560
	16,658,747	11,018,310
Less allowance for doubtful accounts	240,477	171,733
	16,418,270	10,846,577
Less noncurrent receivables - net	5,242,743	2,438,697
	₱11,175,527	₱8,407,880

Receivables amounting ₱240.48 million and ₱171.73 million as of December 31, 2012 and 2011, respectively, were impaired and fully provided with allowance (Note 25). Reversals of allowance for doubtful accounts amounting ₱9.55 million and ₱7.89 million pertains to other receivables and receivables from local coal sales which were collected in 2012 and 2011, respectively. Movements in the allowance for impairment losses are as follows (amounts in thousands):

2012

	Trade Receivables					Total
	Real Estate	General Construction	Mining	Electricity Sales	Others	
At January 1	₱-	₱6,788	₱-	₱53,524	₱111,421	₱171,733
Provision during the year	-	-	-	76,899	1,398	78,296
Reversal	-	-	-	-	(9,552)	(9,552)
At December 31	₱-	₱6,788	₱-	₱130,423	₱103,267	₱240,477



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

In 2007 and 2006, real estate receivables with a nominal amount of ₱1,536.71 million and ₱603.59 million, respectively, were initially recorded at fair value. The unamortized discount amounted to nil and ₱1.44 million as of December 31, 2012 and 2011, respectively.

In 2008 and thereafter, all installment contracts receivable of the Group are interest bearing.

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

	2012	2011
	(Amounts in Thousands)	
Balance at beginning of year	₱1,444	₱8,604
Accretion for the year (Note 26)	(1,444)	(7,160)
Balance at end of year	₱-	₱1,444

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. 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 ₱5.57 billion and ₱1.67 billion as of December 31, 2012 and 2011, respectively (Note 19).

The Group retains the assigned receivables in the “real estate receivables” account and records the proceeds from sales as bank loans (Note 19).

In 2012 and 2011, the PDI 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 ₱1.52 billion and ₱0.94 billion as of December 31, 2012 and 2011, respectively (Note 19).

General construction

General construction receivables principally consist of receivables from third-party construction projects. These are normally collected 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, 2012, electricity sales receivables amounting ₱2,198.49 million are held as collateral for the mortgage payable of SCPC (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.

Noncurrent Receivables

Noncurrent receivables relate to real estate receivables arising from the sale of residential units and subdivision land for sale and development which are collectible within ten (10) years.

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:

	2012	2011
	(Amounts in Thousands)	
Total costs incurred	₱9,600,671	₱9,525,564
Add estimated earnings recognized	2,943,066	2,032,217
	12,543,737	11,557,781
Less total billings (including unliquidated advances from contract owners of ₱3,518.67 million in 2012 and ₱1,679.54 million in 2011)	12,776,247	11,856,441
	(₱232,510)	(₱298,660)

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

	2012	2011
	(Amounts in Thousands)	
Costs and estimated earnings in excess of billings on uncompleted contracts	₱122,737	₱452,084
Billings in excess of costs and estimated earnings on uncompleted contracts	(355,247)	(750,744)
	(₱232,510)	(₱298,660)



9. Inventories

This account consists of:

	2012	2011
	(Amounts in Thousands)	
At Cost:		
Real estate held for sale and development	₱15,510,158	₱12,508,114
Equipment parts, materials in transit and supplies	3,581,952	1,368,068
Coal inventory	2,346,396	2,510,754
Nickel ore	20,422	130,435
	21,458,928	16,517,371
At NRV:		
Equipment parts, materials in transit and supplies - net	56,233	967,304
	₱21,515,161	₱17,484,675

Costs of equipment parts, materials and supplies carried at NRV amounted to ₱580.93 million and ₱1,030.39 million as of December 31, 2012 and 2011, respectively.

Borrowing costs capitalized in 2012 and 2011 amounted ₱314.34 million and ₱213.92 million, respectively. The capitalization rate used to determine the amount of borrowing costs eligible for capitalization in 2012 and 2011 is 6.82% and 7.49%.

Land amounting ₱61.62 million as of December 31, 2012 was transferred from undeveloped land to investment properties since the initial stages of development are already underway with a view for rental and capital appreciation.

A summary of the movement in real estate held for sale and development is set out below:

	2012	2011
Opening balance at January 1	₱12,508,114	₱10,051,319
Construction/development cost incurred	5,126,788	4,932,384
Land acquired during the year	1,925,632	1,488,819
Borrowing costs capitalized	314,337	235,470
Allowance for inventory writedown	-	(5,406)
Transfers to investment property	(61,618)	-
Disposals (recognized as cost of sales) (Note 24)	(4,534,748)	(4,004,240)
Other adjustment/reclassifications	231,653	(190,232)
	₱15,510,158	₱12,508,114

The cost of inventories recognized as expense in the consolidated statements of income amounted to ₱4.63 billion, ₱4.04 billion and ₱4.76 billion for the years ended December 31, 2012, 2011 and 2010, respectively.

As of December 31, 2012 and 2011, equipment parts, materials and supplies amounting ₱817.41 million and ₱1,001.28 million, respectively, are held as collateral for the mortgage payable of SCPC (Note 19).



10. Other Current Assets

This account consists of:

	2012	2011
	(Amounts in Thousands)	
Advances to suppliers, brokers, contractors and mine rights owners	₱3,099,566	₱2,361,400
Input VAT	818,385	563,014
Creditable taxes withheld	720,142	1,213,174
Prepaid expenses	408,863	213,300
Refundable deposits	325,859	226,962
Others	120,437	24,413
	5,493,252	4,602,263
Less allowance for probable losses (Notes 25 and 28)	-	34,947
	₱5,493,252	₱4,567,316

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 owners are noninterest-bearing and are due and demandable.

Advances to Rusina Mining NL (Rusina) by DMC

In June 2008, DMC advanced \$2.41 million to Rusina in view of acquiring interests in Zambales Chromite Mining Co. Inc. and Zambales Diversified Metals Corporation, companies which are related to its 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 January 29, 2010, the Company received \$1.00 million as partial payment for the advances.

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 ₱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 ₱88.78 million (Note 25).

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

In 2012, the DMC collected the remaining outstanding amount of ₱34.95 million.

Input VAT

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



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.

Prepaid Expenses

Prepaid expenses consist mainly of prepayments for taxes, commissions and insurance. This also includes current portion of prepaid rent. This also includes the current portion of advance payment of documentary stamp tax used for the availment of long term borrowings.

Refundable Deposits

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

Others

Others mainly include deposits for escrow funds, bill deposits and guaranty deposits which will be recovered within one year.

11. Investments in Associates, Jointly Controlled Entity and Others

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

	2012	2011
	(Amounts in Thousands)	
Investments - At Equity		
Investments in associates		
Acquisition cost	₱6,838,852	₱4,792,658
Accumulated equity in net earnings	7,524,538	6,063,115
	14,363,390	10,855,773
Allowance for probable losses	(6,798)	(6,798)
	14,356,592	10,848,975
Jointly controlled entity		
Acquisition cost	125	125
Accumulated equity in net earnings	283	283
	408	408
	₱14,357,000	₱10,849,383

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	
	2012	2011	2012	2011
Associates:				
			(Amounts in Thousands)	
DMCI-MPIC Water Co. Inc. (DMWC)	44.59%	44.59%	₱10,828,351	₱9,951,297
Private Infra Dev Corporation (PIDC)	33.00	33.00	677,445	699,611
Subic Water and Sewerage Company, Inc. (Subic Water)	40.00	40.00	183,269	107,349
Bachy Soletanche Philippines Corporation (Bachy)	49.00	49.00	43,061	43,061

(Forward)



	Percentages of Ownership		Equity in Net Assets	
	2012	2011	2012	2011
Toledo Mining Corporation (Toledo)	17.00	–	₱226,899	₱–
Nickeline Resources Holdings, Inc. (NRHI)	31.00	–	268,933	–
ENK Plc	60.00	60.00	2,128,634	47,657
			14,356,592	10,848,975
Jointly Controlled Entity:				
Eco Process & Equipment Philippines, Inc.	50.00	50.00	408	408
Total			₱14,357,000	₱10,849,383

There have been no outstanding capital commitments in 2012 and 2011.

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

2012

	Assets	Liabilities	Revenue	Net income (loss)
	(Amounts in Thousands)			
Associates:				
DMCI-MPIC Water Co. Inc.	₱4,715,491	₱47,912	₱1,848,019	₱1,811,945
Private Infra Dev Corporation	11,963,341	2,827,758	103,364	68,798
Subic Water and Sewerage Company, Inc.	1,353,034	582,573	600,232	191,556
Bachy Soletanche Philippines Corporation	85,455	5,199	–	–
ENK Plc	5,811,966	94,471	–	(1,426,568)
Nickeline Resources Holdings Inc.	113,125	111,029	–	(90)
Toledo Mining Corporation	1,783,944	39,794	10,274	(29,750)
Jointly Controlled Entity:				
Eco Process & Equipment Philippines, Inc.	1,548	236	–	–

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	–	–

DMWC

DMWC is a joint venture owned by the Parent Company and Metro Pacific Investments Company (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.

DMWC's decrease in authorized capital stock

As approved by DMWC BOD on August 31, 2012, DMWC decreased its authorized capital stock from ₱5,854.8 million divided into 5,854.8 million common shares with par value of ₱1.00 to 4,664.8 million common shares with par value of ₱1.00. The decrease in DMWC's authorized capital stock was approved by the SEC on October 10, 2012. The main purpose of the decrease in authorized capital stock was to settle the outstanding subscriptions payable of existing shareholders which includes the Parent Company (Note 20). The share of the Parent Company, as a result of the decrease in the authorized capital stock, amounted to ₱530.62 million which is



accounted for as cancellation of the Parent Company's subscription payable of ₱379.71 million and a return of a portion of its investment amounting ₱150.91 million. The ₱150.91 million was applied against the liability to DMWC (Notes 21 and 27).

Details follow:

	2012	2011
Acquisition cost, beginning of year	₱3,961,600,000	₱3,961,600,000
Cancellation of subscription payable	(379,708,165)	-
Return of capital (Note 21)	(150,908,422)	-
Balance at end of year	₱3,430,983,413	₱3,961,600,000

DMWC and Maynilad Subscription Agreement

DMWC subscribed 134,023 common shares of stock of Maynilad at a total subscription price of ₱134.0 million out of which it initially paid ₱33.5 million. On December 28, 2012, the BOD of Maynilad approved a resolution to increase its authorized capital stock sufficient enough to cover the issuance of shares from the subscriptions on the same date. On January 31, 2013, the SEC approved Maynilad's increase in authorized capital stock. DMWC fully paid the remaining subscription price amounting ₱100.5 million on February 13, 2013 (Note 40).

Marubeni Corporation - Nippon Koei Co. Ltd (MCNK JV Corporation) and DMWC Subscription Agreement

On December 28, 2012, MCNK subscribed 169,617,682 common shares of stock of DMWC amounting ₱169.6 million out of which it initially paid ₱42.4 million. On the same date, the BOD of DMWC approved a resolution to increase its authorized capital stock sufficient enough to cover the issuance of the subscription shares. On January 29, 2013, the SEC approved DMWC's increase in authorized capital stock and MCNK fully paid the remaining subscription price amounting ₱127.2 million on February 13, 2013 (Note 40).

MCNK is 90.0% owned by Marubeni Corporation, a company incorporated in Japan and 10% owned by MAPL Holdings B.V., a company incorporated in Netherlands.

DMWC

On October 30, 2012, the DMWC BOD approved the declaration of dividends amounting ₱70.0 million or ₱0.02 per share which was paid on October 31, 2012. On July 23, 2012, the BOD declared cash dividends amounting to ₱1.9 billion or ₱0.32 per share. These were fully paid on July 30, 2012. On October 30, 2012, the BOD declared cash dividends amounting to ₱0.07 billion or ₱0.02 per share which were fully paid on October 31, 2012.

Equity in net earnings in DMWC amounted to ₱2.26 billion, ₱2.14 billion and ₱1.81 billion in 2012, 2011 and 2010, respectively.

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 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, 2012 and 2011, 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).

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
	₱11,500,000,000

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. In 2010, the Parent Company paid in full the subscriptions of shares amounting ₱244.67 million.

Subic Water

On January 22, 1997, PDI subscribed to 3,262,320 shares at the par value of ₱10 per share for an aggregate value of ₱32.62 million in Subic Water, a joint venture company among 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 ₱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, 2012 and 2011, such committed subscription remains unpaid.

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

Dividends received from the Group's investments in DMWC and Subic Water amounted to ₱856.13 million and ₱19.71 million, respectively, in 2012; ₱624.26 million and ₱74.39 million, respectively, in 2011; and ₱244.59 million and ₱44.73 million, respectively, in 2010 (Note 21).

ENK Plc

In 2012, the Parent Company acquired existing shares of ENK Plc, a mining company with significant mining assets in the Philippines. ENK is a laterite development and production company focused on developing its Acoje project in the Philippines. The total acquisition cost amounted to ₱2.1 billion. In aggregate, the Parent Company owns 157.26 million shares which represents 60% ownership in ENK Plc. The remaining 40% is owned by D&A Income Ltd, an entity from United Kingdom. The investment in ENK is accounted for as an acquisition of a business.

Also in 2012, the Parent Company and D&A executed a Shareholders' Agreement which clearly defines the roles of the shareholders as having economic interests and limits the participation of the shareholders in the governance of ENK. Accordingly, the Parent Company's 60% ownership interest in ENK only allows it to exercise significant influence. There is no joint control between Parent Company and D&A.

ENK Plc's acquisition of Rusina Mining NL

Rusina Mining NL ('Rusina') is a Philippines focused mineral exploration and development company. Its major asset is the Acoje Nickel Laterite Project. It also has a portfolio of exploration properties that are prospective for base metals, precious metals and chromite. ENK Plc acquired Rusina for a purchase consideration of \$21,246,000 last June 16, 2010.

In line with the Parent Company's acquisition of 60% economic interest of ENK Plc, the Parent Company has recognized the investments in Rusina Mining as part of its investment in ENK Plc.



Toledo and NRHI

On October 23, 2012, DMCI Mining purchased from Daintree Resources Limited 8,480,250 common shares or 17.01% ownership in Toledo Mining Corporation (Toledo). On February 15, 2013, DMCI Mining increased its shareholding to 37.7%. As of April 9, 2013, it further increased its stake to 57.1%. Total acquisition cost amounted to ₱226.90 million. The investment in Toledo is accounted for as an acquisition of a business and accounted at equity method as of December 31, 2012.

On December 31, 2012, DMCI Mining purchased from Toledo 775,000 issued common shares or 31% ownership in NRHI. Total acquisition cost amounted to ₱268.93 million. The investment in NRHI is accounted for as an acquisition of a business and accounted at equity method.

12. Investment Properties

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

2012

	Land	Buildings and Building Improvements	Condominium Units	Total
Cost				
At January 1	₱38,857	₱96,500	₱44,348	₱179,705
Additions	–	139,197	–	139,197
At December 31	38,857	235,697	44,348	318,902
Accumulated Depreciation and Amortization				
At January 1	–	36,525	1,021	37,546
Depreciation and amortization (Note 24)	–	3,416	1,492	4,909
At December 31	–	39,941	2,513	42,455
Net Book Value	₱38,857	₱195,756	₱41,835	₱276,447

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



The fair value of investment properties, which has been determined based on valuations performed by independent professional qualified appraisers in 2012 and 2011, 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 ₱202.83 million and ₱274.29 million as of December 31, 2012 and 2011, 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.

There have been no outstanding capital commitments in 2012 and 2011.

Rental income from investment properties (included under 'Other income') amounted to ₱274.17 million, ₱53.81 million and ₱66.96 million in 2012, 2011 and 2010, respectively (Note 28). Direct operating expenses (included under 'Operating expenses' in the consolidated statements of income) arising from investment properties amounted to ₱4.10 million, ₱6.31 million and ₱3.90 million in 2012, 2011 and 2010, respectively (Note 25).

There are no investment properties as of December 31, 2012 and 2011 that are pledged as security against liabilities.



13. Property, Plant and Equipment

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

2012

	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	₱1,507,723	₱19,083,577	₱4,650,906	₱327,295	₱307,786	₱14,932,108	₱137,718	₱2,081,458	₱43,028,571
Additions	50,304	73,214	878,527	46,964	71,704	1,162,314	4,480	3,888,992	6,176,499
Transfers from inventory (Note 9)	–	–	–	–	–	–	–	223,519	223,519
Transfers and retirements/disposals	–	237,538	(228,013)	–	(29,218)	(865,784)	–	(591,257)	(1,476,734)
Writedown	–	(420,699)	–	–	–	–	–	–	(420,699)
At December 31	1,558,027	18,973,630	5,301,420	374,259	350,272	15,228,638	142,198	5,602,711	47,531,156
Accumulated Depreciation, Depletion and Amortization									
At January 1	459,255	3,107,996	3,598,169	266,483	208,108	11,909,813	61,144	–	19,610,968
Depreciation, depletion and amortization (Notes 24 and 25)	9,026	1,013,782	525,853	49,206	36,831	2,092,772	16,230	–	3,743,700
Transfers and retirements/disposals	–	–	(224,678)	–	(24,009)	(1,219,504)	–	–	(1,468,191)
Writedown	–	(79,553)	–	–	–	–	–	–	(79,553)
At December 31	468,281	4,042,225	3,899,344	315,689	220,930	12,783,081	77,374	–	21,806,924
Net Book Value	₱1,089,746	₱14,931,405	₱1,402,076	₱58,570	₱129,342	₱2,445,557	₱64,824	₱5,602,711	₱25,724,232



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	₱253,090	₱266,057	₱13,387,180	₱98,811	₱1,268,997	₱38,670,834
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	327,295	307,786	14,932,108	137,718	2,081,458	43,028,571
Accumulated Depreciation, Depletion and Amortization									
At January 1	437,763	2,173,659	3,182,528	242,705	185,992	10,608,295	60,498	–	16,891,440
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	266,483	208,108	11,909,813	61,144	–	19,610,968
Net Book Value	₱1,048,468	₱15,975,581	₱1,052,737	₱60,812	₱99,678	₱3,022,295	₱76,574	₱2,081,458	₱23,417,603



SLPGC entered into a contract agreement with DMCI for the Construction of 2x150Megawatt coal-fired power plant. The construction of the coal-fired power plant commenced on the early part of the year. As of December 31, 2012, SLPGC expects to spend ₱17.70 billion to complete the power plant in the early part of 2015.

Depreciation, depletion and amortization expense on property, plant and equipment amounted to ₱3.74 billion, ₱3.50 billion and ₱3.67 billion in 2012, 2011 and 2010, respectively (Notes 24 and 25).

The construction in progress accounts mostly contains purchased mining equipment items that are in transit and various buildings and structures that are under construction as of December 31, 2012 and 2011. Construction in progress also includes capitalized rehabilitation costs for the Unit I of Calaca power plant that was 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 2012 and 2011.

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 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 ₱14.72 million was expensed out under “Operating expenses”.

In 2012, 2011 and 2010, the Group sold various equipment items at a gain included under the profit and loss caption “Other income - net” amounting ₱127.50 million, ₱57.57 million and ₱28.96 million, respectively (Note 28).

As of December 31, 2012 and 2011, the carrying amount of transportation and construction equipment under finance lease amounted to nil and ₱12.35 million, respectively (Note 37).

As security for timely payment, discharge, observance and performance of the loan provisions, the Company creates, establishes, and constitutes in favor of the Security Trustee, for the benefit of all secured parties, a first ranking real estate and chattel mortgage on present and future real assets and chattels owned by the Company as of December 31, 2012 and 2011 (Note 19).

In 2012, SCPC incurred a loss from property, plant and equipment writedown due to the replacement of generation units amounting to ₱341.15 million (Note 28).

The cost of fully depreciated assets that are still in use as of December 31, 2012 and 2011 amounted to ₱ 5,883 million and ₱ 5,045 billion, respectively.

There are no temporarily idle property, plant and equipment in 2012 and 2011.



14. Other Noncurrent Assets

The details of other noncurrent assets follow:

	2012	2011
	(Amounts in Thousands)	
Investment in sinking fund (Note 19)	₱508,041	₱490,789
Deposits	145,330	–
Deferred input VAT	293,536	92,391
Security deposits (Note 35)	191,390	132,681
5% input VAT withheld - net	124,438	150,127
Prepaid rent (Note 37)	100,115	105,354
Software cost - net	49,945	61,052
Prepaid tax	22,807	–
Others	1,499	15,860
	1,437,101	1,048,254
Less current portion of Prepaid rent (Note 10)	5,103	6,422
	₱1,431,998	₱1,041,832

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 (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, 2012 and 2011, the investment in sinking fund amounted to ₱508.04 million and ₱490.79 million, respectively.

Interest earned from the sinking fund amounted to ₱17.21 million, ₱7.21 million and ₱5.42 million in 2012, 2011 and 2010, respectively (Note 26).

Deferred Input VAT

This pertains to VAT incurred from acquisition of capital assets.

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 (Note 36). 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.

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 (Note 36).

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



Software Cost

Movements in software cost account follow:

	2012	2011
	(Amounts in Thousands)	
At Cost		
At January 1	₱114,172	₱41,457
Additions	17,016	72,715
At December 31	131,188	114,172
Accumulated Amortization		
At January 1	53,120	35,112
Amortization (Notes 24 and 25)	28,123	18,008
At December 31	81,243	53,120
Net Book Value	₱49,945	₱61,052

5% Input VAT withheld - net

In 2011, the CTA rendered a decision granting the Semirara's petition for refund or issuance of tax credit certificate (TCC) in the total amount of ₱178.65 million. The Commissioner of BIR filed a motion for reconsideration which was denied in a Resolution executed by the CTA. The Commissioner of BIR filed for a Petition for Review with the CTA En Banc.

In 2012, CTA En Banc rendered a decision dismissing the petition for review for the lack of merit on ₱163.36 million refund. Decision on petition for review filed by Commissioner of BIR on ₱15.29 million refund TCC remains pending to date.

Management has estimated that the refund will be recovered after ten (10) to fifteen (15) years. Consequently, the claim for tax refund was provided with provision for impairment losses amounting to ₱47.15 million in 2012 and ₱40.37 million in 2009 (Note 25).

Prepaid tax

Prepaid tax pertains to the current portion of the advance payment of documentary stamp tax used for the availments of long term borrowings during the year.

Deposits related to Definitive Agreement with a Third Party

On October 30, 2012, the DMC entered into a definitive agreement with a third party for the assignment of shares and call options in three holding companies. The assigned shares are held by an escrow agent and the ownership is subject to a condition that all pending cases faced by the third party, the holding companies and the development companies are resolved in their favor.

The purchase price due to the third party for the total shares is \$13.20 million. In accordance with the agreement, the DMC deposited a portion of the purchase price which was devoted primarily to paying the certain agreed upon expenses, including those relating to ongoing litigation of permitting issues faced by the third party, holding companies and development companies.

The definitive agreement also sets a deadline, should the pending cases remain unresolved, allows the third party to recover the shares and the Company to recover whatever was advanced.

As of December 31, 2012, cost incurred in relation to the definitive agreement amounted to ₱145.33 million.



15. Short-term Debt

This account consists of the following:

	2012	2011
	(Amounts in Thousands)	
Acceptances and trust receipts payable	₱60,575	₱1,037,365
Bank loans	572,396	453,283
	₱632,971	₱1,490,648

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 unsecured peso-denominated short-term borrowings from local banks which bear annual interest ranging from 2.00% to 4.00% in 2012 and 2011, 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, 2012 and 2011, the Group is 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 ₱519.67 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 nil and ₱23.40 million as of December 31, 2012 and 2011, respectively. Movements in the unamortized discount follow:

	2012	2011
	(Amounts in Thousands)	
Balance at beginning of year	₱23,397	₱62,020
Accretion for the year (Note 27)	(23,397)	(38,623)
	₱-	₱23,397

The accretion amounting ₱23.40 million and ₱38.62 million is recorded as finance costs in 2012 and 2011, respectively (Note 27).

17. Accounts and Other Payables

This account consists of the following:

	2012	2011
	(Amounts in Thousands)	
Trade and other payables		
Suppliers (Note 20)	₱9,211,717	₱9,368,741
Subcontractors	1,900,585	320,399
Others	511,776	586,180
Output VAT payable	543,445	1,475,956
Accrued costs and expenses	1,631,663	1,487,296
	13,799,186	13,238,572
Less noncurrent portion of trade and other payables (Note 20)	1,460,267	1,286,998
	₱12,338,919	₱11,951,574

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 and is recouped against monthly billings. 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 salaries, taxes and others. Further analysis is provided below:

	2012	2011
	(Amounts in Thousands)	
Payable to Department of Energy (DOE) (Note 31)	₱1,007,849	₱905,009
Withholding and others taxes	233,905	124,187
Accruals:		
Accrued salaries	156,845	171,513
Accrued interest	95,024	120,687
Accrued professional fees	8,649	8,962
Retention fee	35,146	54,525
Accrued rental	22,496	25,790
Dividends	12,102	19,422
Others	59,647	57,201
	₱1,631,663	₱1,487,296

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 ₱1,007.85 million and ₱905.01 million as of December 31, 2012 and 2011, respectively (Note 31).

18. Customers' Advances and Deposits

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

	2012	2011
	(Amounts in Thousands)	
Real estate customers	₱4,389,153	₱1,921,812
Contract owners	828,567	1,604,383
Coal supply contracts	40,330	112,314
	₱5,258,050	₱3,638,509

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.

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.



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:

	2012	2011
	(Amounts in Thousands)	
Bank loans	₱24,833,115	₱21,577,213
Finance lease	-	12,352
	24,833,115	21,589,565
Less current portion of:		
Bank loans	6,642,262	3,806,197
Finance lease	-	7,751
	6,642,262	3,813,948
Noncurrent portion	₱18,190,853	₱17,775,617



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

Loan Type	Date of Availment	Outstanding Balances		Maturity	Interest Rate	Payment Terms	Covenants/Collaterals
		2012	2011				
Local bank loans							
Loan 1	Various availments in 2011 and 2010	₱947.54	₱1,313.18	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	2,556.86	1,028.25	Various maturities in 2012 and 2013	Floating rate 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	1,040.28	925.66	August 2013	Floating rate, to 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, 2012 and 2011.
Loan 4	Various availments in 2011 and 2010	230.40	688.42	October 2012	Floating rate, 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	Various maturities in 2012	Floating rate, 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
		2012	2011				
Local bank loans							
Loan 6	January 2011	₱131.36	₱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	6,856.70	8,365.57	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
Mortgage payable	February 4, 2012	547.49		February 4, 2022	PDST-F + Spread or BSP Overnight Rate, whichever is higher	The principal amount shall be paid in twenty-seven equal consecutive quarterly installments commencing on the fourteenth quarter from the initial borrowing date. Final repayment date is ten (10) years after initial borrowing.	67% of issued and outstanding shares of SLPGC owned by the Parent Company
Corporate notes	Various dates in 2011 and 2012	5,864.83	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, 2012 and 2011.
Agreement to purchase receivables (with recourse)	Various	6,657.65	4,018.71	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 ₱5.57 billion and ₱1.67 billion in 2012 and 2011 , respectively (Note 7).
Working capital loan	Various	-	1.60	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	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 2012 and 2011, respectively.
		₱24,833.11	₱21,577.21				



Mortgage payable

SLPGC

On February 4, 2012, SLPGC entered into an ₱11.50 billion Omnibus Agreement with Banco de Oro Unibank (BDO), Bank of the Philippine Island (BPI) and China Banking Corporation (CBC) as Lenders. As security for the timely payment of the loan and prompt observance of all the provision of the Omnibus Agreement, the 67% of issued and outstanding shares of SLPGC owned by Semirara were pledged on this loan. The proceeds of the loan will be used for the engineering, procurement and construction of 2x150 MW coal-fired thermal power plant.

Breakdown of the syndicated loan is as follows:

	Amount
BDO Unibank	₱6,000,000,000
BPI	3,000,000,000
CBC	2,500,000,000
	<u>₱11,500,000,000</u>

Details of the loan follow:

- a. Interest: At applicable interest rate (PDST-F + Spread or BSP Overnight Rate, whichever is higher). Such interest shall accrue from and including the first day of each Interest Period up to the last day of such Interest Period. The Facility Agent shall notify all the Lenders of any adjustment in an Interest Payment Date at least three Banking Days prior to the adjusted Interest Payment Date.
- b. Repayment: The principal amount shall be paid in twenty-seven equal consecutive quarterly installments commencing on the fourteenth quarter from the initial borrowing date. Final repayment date is ten (10) years after initial borrowing.

The first drawdown was made on May 24, 2012 amounting to ₱550.00 million. Capitalized debt issuance cost related on the first drawdown amounted to ₱2.75 million and is amortized using the effective interest method over the loan's term. As of December 31, 2012, amortization of debt issuance cost recognized as part of "Property, plant and equipment" account in the consolidated statements of financial position amounted to ₱0.24 million (Note 13).

SCPC

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
BPI	2,000,000
PNB	1,600,000
	<u>₱9,600,000</u>



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 effective interest method over the loan's term.

Amortization of debt issuance cost recognized as part of "Finance cost" account in the consolidated statements of income amounted to ₱27.12 million, ₱22.42 million and ₱5.20 million in 2012, 2011 and 2010, respectively (Note 27).

The Omnibus Agreement provided that the Security Trustee shall invest and reinvest the monies on deposit in Collateral accounts. All investments made shall be in the name of the Security Trustee and for the benefit of the Collateral accounts. BDO Unibank, Inc., - Trust and Investment Group made an investment in Sinking Fund amounting ₱508.04 million and ₱490.79 million as of December 31, 2012 and 2011, respectively (Note 14).

As security for the prompt and full payment, mortgage payable by SCPC and SLPGC were 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 (with a carrying value of ₱2,200.00 million) and future real assets. Further, 67% of issued and outstanding shares in SCPC and SLPGC (with a carrying value of ₱14,540.00 million) owned by Semirara were also pledged in this loan.

Mortgage payable by SLPGC provide certain restrictions and requirements with respect to, among others, maintain and preserve its corporate existence, comply with all of its material obligations under the project agreements, maintain at each testing date a Debt-to-Equity ratio not exceeding two times, grant loans or make advances and disposal of major property. These restrictions and requirements were complied with by SLPGC as of December 31, 2012.

Corporate notes

In October 2012, PDI signed corporate notes facility agreement on the issuance of 7-year peso denominated notes in the aggregate amount of ₱10,000.00 million with local banks. Proceeds of the notes facility will be used to fund land acquisition, general operations and project development and construction. The notes will be issued in three (3) tranches and payments shall be made in each tranche are as follows:



Quarter from Issue Date	Based on aggregate % of issue amount of each Series (Equally divided over the applicable quarters)
7 th to 10 th Quarter	2%
11 th to 14 th Quarter	4%
15 th to 18 th Quarter	5%
19 th to 27 th Quarter	12%
Final Maturity	77%
Total	100%

Tranche 1 of the ₱10,000.00 million Series C was issued on October 31, 2012 in the aggregate amount principal amount of ₱1,000.00 million while Tranche 2 (Series D) and 3 (Series E) is scheduled to be issued in April 2013 and July 2013 in the aggregate principal amount of ₱4,000.00 million and ₱5,000.00 million, respectively. The note is issued in registered form in the minimum denominations of ₱100.00 million and multiples of ₱10.00 million each. Corporate notes shall bear interest three (3) months after date of issue and every three (3) months thereafter.

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.

Tranche 1 (Series A) of ₱5,000.00 million corporate note was issued on January 28, 2011 in the aggregate principal amount of ₱2,000.00 million while Tranche 2 (Series B) was issued on March 17, 2011 in the aggregate principal amount of ₱3,000.00 million. They were issued in registered form in the minimum denominations of ₱100.00 million and multiples of ₱10.00 million each.

Corporate Notes shall bear interest from Tranche 1 and 2 PDST-F Issue Date and ending three (3) months after such Issue Date, and every three (3) months thereafter. The interest rate shall initially be the PDST-F benchmark yield for five-year treasury securities (Base Rate) on banking day immediately preceding an Issue Date plus the Margin (125 basis points) for each of the Tranche, gross of any applicable withholding taxes. Interest is payable quarterly.

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 statements of income amounted to ₱8.19 million (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:

	2012	2011
	(Amounts in Thousands)	
Beginning at January 1	₱130,318	₱104,842
Additions	51,411	56,079
Amortizations (Note 27)	(38,748)	(30,603)
Ending at December 31	₱142,981	₱130,318

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 ₱6.66 billion and ₱4.02 billion as of December 31, 2012 and 2011, respectively (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 ₱1.52 billion and ₱0.94 billion in 2012 and 2011, 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 ₱3.67 billion and ₱5.51 billion as of December 31, 2012 and 2011, respectively.

20. Other Noncurrent Liabilities

The details of this account consist of:

	2012	2011
	(Amounts in Thousands)	
Accounts payable trade - supplier (Note 17)	₱1,460,267	₱1,286,998
Subscriptions payable (Note 11)	4,938	384,646
Provision for decommissioning and site rehabilitation - net	62,448	47,582
Others	2	13,152
	₱1,527,655	₱1,732,378



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

	2012	2011
	(Amounts in Thousands)	
At January 1	₱47,582	₱14,732
Addition	5,266	31,092
Accretion of interest (Note 27)	9,600	1,758
At December 31	₱62,448	₱47,582

On October 10, 2012, the subscription payable to DMWC was cancelled as a result of reduction of DMWC's authorized capital stock (Notes 11 and 37).

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 2010 to 1.31% to 8.15% in 2011.

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 ₱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 under the caption "Other Noncurrent Liabilities" as of December 31, 2012 and 2011.

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 ₱55.63 million, ₱52.90 million and ₱59.17 million in 2012, 2011, and 2010, respectively. These are included in Cost of sales under "Cost of coal sales - Outside services" (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 ₱383.10 million, ₱498.42 million and ₱507.86 million in 2012, 2011 and 2010, respectively, and are included in Cost of sales under “Cost of coal sales - Hauling and shiploading costs” (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 ₱1.02 million and ₱1.70 million were accrued during the periods ended December 31, 2012 and 2011, respectively;

- (b) M&S Company, Inc. (M&S), an affiliate under common control, supplies various supplies and materials to Semirara in cash on delivery basis. Semirara’s total purchases from M&S amounted to ₱30.34 million, ₱52.83 million and ₱48.07 million in 2012, 2011 and 2010, respectively. M&S also rents out various equipment used in Semirara’s operations. Rent expense amounted to ₱110.70 million in 2010. This is included included in Cost of sales under “Cost of coal sales under Outside services” in the consolidated statements of comprehensive income (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 ₱7.50 million, ₱6.49 million and ₱6.97 million in 2012, 2011 and 2010, 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 ₱ 1,108.47million, ₱1,283.62 million and ₱1,197.48 million in 2012, 2011 and 2010, 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. In 2010, total revenue earned from this contract amounted to ₱0.02 million.
- (f) On October 10, 2012, the Parent Company has fully settled its due to DMWC amounting ₱234.58 million. The amount from the return of capital amounting ₱150.91 million was applied against a portion of the liability while the remaining balance was paid in cash (Note 11).
- (g) Dividends received from the Group’s investments in DMWC and Subic Water amounted to ₱856.13 million and nil, respectively, in 2012 and ₱624.26 million and ₱74.39 million, respectively, in 2011.
- (h) Outstanding payable of the Group to DMWC amounted to nil and ₱234.58 million in 2012 and 2011, respectively. On October 10, 2012, the Parent Company has fully settled its due to DMWC amounting ₱234.58 million. The amount from the return of capital amounting ₱150.91 million was applied against a portion of the liability while the remaining balance was paid in cash (Notes 11 and 37).



The consolidated statements of financial position as of December 31, 2012 and 2011 include the following amounts relating to transactions with entities under common control follows:

2012					
Transaction	Amount	Outstanding Balance	Terms	Conditions	
(In Thousands)					
Receivables from related parties (Note 7)					
UPDI	Office rental; management fees	₱6,942	₱174,982	1-30 days	Unsecured
Sirawai Plywood and Lumber Corporation	Supply of materials	-	11,077	1-30 days	Unsecured
Others	Due to related parties and others	1,127	1,237	1-30 days	Unsecured
		₱8,069	₱187,296		
Payables from related parties					
DMC - CERI	Outside services, direct labor, and other expenses; Hauling and shiploading costs	₱438,731	₱55,893	30 days; noninterest- bearing	Unsecured
M&S Company	Supply of materials	30,335	3,532	30 days; noninterest- bearing	Unsecured
Others	Due to related parties and others	3,668	1,790	Payable on demand; noninterest- bearing	Unsecured
		₱472,734	₱61,215		
2011					
Transaction	Amount	Outstanding Balance	Terms	Conditions	
(In Thousands)					
Receivables from related parties (Note 7)					
DMC-UPDI	Office rental; management fees	(₱892)	₱172,370	1-30 days	Unsecured
Sirawai Plywood and Lumber Corporation	Supply of materials	-	11,097	1-30 days	Unsecured
VCONSUNJI INC.	Trade	-	11,016	1-30 days	Unsecured
Others	Due to related parties and others	24,936	9,139	1-30 days	Unsecured
		₱24,044	₱203,622		



		2011			
Transaction	Amount	Outstanding Balance	Terms	Conditions	
Payables from related parties					
DMCI-MPIC Water Co.,	Advances	₱233,053	₱234,579	Payable on demand	Unsecured, noninterest-bearing
DMC - CERI	Outside services, direct labor, and other expenses; Hauling and shiploading costs	-	57,269	30 days; non-interest bearing	Unsecured
Others	Trade	1,389	9,524	1-30 days	Unsecured
		₱234,442	₱301,372		

Terms and conditions of transactions with related parties

Outstanding balances as of December 31, 2012 and 2011, which are unsecured and interest free, are all due within one year. As of December 31, 2012 and 2011, 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.

Compensation of Key Management Personnel

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:

	2012	2011	2010
(Amounts in Thousands)			
Short-term employee benefits	₱156,843	₱144,418	₱282,861
Post employment benefits (Note 23)	14,714	17,274	39,819
	₱171,557	₱161,692	₱322,680

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

Capital Stock

The Parent Company's capital stock consists of:

	2012		2011	
	Shares	Amount	Shares	Amount
(Amounts in Thousands)				
Preferred stock - ₱1 par value cumulative and convertible				
Authorized - 180,000				
Issued	3	₱3	3	₱3
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 ₱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, 2012, the Parent Company has 743 existing certified shareholders of the 2.66 billion outstanding shares.

Retained Earnings

In accordance with SEC Memorandum Circular No. 11 issued in December 2008, the Parent Company's retained earnings available for dividend declaration (after reconciling items) as of December 31, 2012 and 2011 amounted to ₱8.48 billion and ₱6.30 billion, respectively.

Under the tax code, publicly held corporations are allowed to accumulate retained earnings in excess of capital stock and are exempt from improperly accumulated earnings tax.

Dividend declaration

The Parent Company's BOD approved the declaration of cash dividends in favor of all its stockholders as follows:

	2012	2011	2010
Date of declaration	May 15, 2012	May 31, 2011	June 4, 2010
Date of payment	July 5, 2012	July 7, 2011	July 15, 2010
Ex-dividend date	June 11, 2012	June 15, 2011	June 22, 2010
Dividend per share	₱1.20	₱1.00	₱0.50
Total dividends	₱3,186,592,800	₱2,655,494,000	₱1,327,747,000

On various dates in 2012, 2011 and 2010, Semirara, Beta and Wirerope declared dividends amounting ₱4,282.46 million, ₱3,607.40 million and ₱1,786.22 million, respectively, of which dividends to non-controlling interest amounted to ₱1,870.18 million, ₱1,575.71 million and ₱779.96 million, respectively.

Appropriation of retained earnings

On December 28, 2012, the Parent Company's BOD has appropriated ₱1,600 million from its unrestricted retained earnings as of December 31, 2012. The appropriated amount will be utilized for the stock subscription in DMCI Mining which it can use to fund ongoing acquisition of shares of stocks in Toledo. The acquisition is expected to be completed in 2013. As of April 11, 2013, DMCI Mining accumulated shares in Toledo aggregated 57.1% of outstanding shares (Note 40).

On December 29, 2011 the Board of Directors authorized the Parent Company to appropriate ₱3,000.00 million of its retained earnings for capital expenditures and investments which are expected to be utilized from 2012 to 2014.

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 ₱7.69 billion and ₱6.57 billion as of December 31, 2012 and 2011, 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, 2012.

The following table summarizes the components of net pension expense (included in "Salaries, wages and employee benefits" account) in the consolidated statements of comprehensive income (Note 21):

Pension expense

	2012	2011	2010
	(Amounts in Thousands)		
Current service cost	₱76,567	₱71,510	₱94,025
Interest cost on benefit obligation	21,503	45,839	39,801
Expected return on plan assets	(17,500)	(10,528)	(35,473)
Net actuarial loss (gain) recognized during the year	(3,352)	(1,643)	(11,308)
Effect of the asset limit - loss	(51)	98	-
Past service cost - non vested benefit	615	615	2,031
Amortization of transition obligation recognized during the year	(704)	18	18
Total pension expense	₱77,078	₱75,863	₱89,094
Actual return on plan assets	₱66,252	₱31,400	₱737,586



Pension income

	2012	2011	2010
	(Amounts in Thousands)		
Current service cost	₱34,640	₱30,965	₱-
Interest cost on benefit obligation	27,793	30,047	-
Expected return on plan assets	(82,364)	(65,393)	-
Net actuarial gain recognized during the year	(35,736)	(34,742)	-
Past service cost - non vested benefit	1,185	1,416	-
Total pension income	(₱54,482)	(₱37,707)	₱-
Actual return on plan assets	₱343,012	₱178,502	₱-

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

	2012	2011
	(Amounts in Thousands)	
Balance at beginning of year	₱1,542,143	₱1,246,622
Expected return on plan assets	99,864	75,921
Actual contributions	190	88,781
Benefits paid - from plan assets	(2,037)	(3,107)
Transfer of assets	(131)	(55)
Actuarial gain - net	309,531	133,981
Obligations on discontinued operations - sale of subsidiary	-	-
Balance at end of year	₱1,949,560	₱1,542,143

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

	2012	2011
	(Amounts in Thousands)	
Balance at beginning of year	₱794,522	₱607,842
Interest cost	49,297	45,839
Current service cost	111,208	102,475
Benefits paid - from plan assets	(2,037)	(3,162)
Benefits paid - direct payments	(1,929)	-
Transfer of obligations	(131)	-
Actuarial (gain) loss - net	(17,370)	41,528
Adjustment pertaining to the disposal of a subsidiary	-	-
Balance at end of year	₱933,560	₱794,522



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

	2012	2011
	(Amounts in Thousands)	
Fair value of plan assets	₱1,826,412	₱1,472,560
Present value of unfunded obligation	881,133	719,771
Excess of fair value of plan assets over present value of unfunded obligation	945,279	752,789
Unrecognized actuarial gain - net	(1,156,470)	(942,553)
Unrecognized past service cost - non vested	6,884	8,684
Unrecognized net transition obligation	757	775
Liabilities to be recognized in the consolidated statements of financial position	(₱203,550)	(₱180,305)

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

	2012	2011
	(Amounts in Thousands)	
Fair value of plan assets	₱122,982	₱69,583
Present value of unfunded obligation	52,428	74,751
Excess of fair value of plan assets over present value of unfunded obligation	70,554	(5,168)
Unrecognized actuarial gain - net	(64,343)	9,523
Asset to be recognized in the consolidated statements of financial position	₱6,211	₱4,355

The Group does not expects to contribute into the pension fund for the year ending 2013.

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

	2012	2011	2010	2009	2008
	(Amounts in Thousands)				
Present value of defined benefit obligation	₱933,560	₱794,522	₱607,842	₱399,801	₱328,414
Fair value of plan assets	1,949,560	1,542,143	1,246,622	571,315	340,067
Excess of fair value of plan assets over present value of unfunded obligation	1,016,000	747,621	638,780	171,514	11,653
Experience adjustments on plan obligation	34,518	71,434	(29,410)	6,254	(85,486)
Experience adjustments on plan assets	121,922	133,908	704,694	164,737	(209,130)

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

	2012	2011	2010
Discount rate	4.69% to 6.15%	6.08% to 6.75%	5.82% to 10.82%
Salary increase rate	3.00% to 10.00%	3.00% to 10.00%	3.00% to 12.00%
Expected rate of return on plan assets	6.00% to 6.50%	6.00% to 6.50%	6.00% to 12.00%



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, 2012 and 2011, the Group's plan assets consist primarily of the following:

	2012	2011
Cash and cash equivalents	-%	3.00%
Investments in stocks	1.00	2.00
Debt instruments	78.00	75.00
Other assets	21.00	20.00
	100.00%	100.00%

24. Costs of Sales and Services

Details of cost of sales and services follow:

	2012	2011	2010
	(Amounts in Thousands)		
Cost of Sales			
Cost of real estate inventory	₱4,534,748	₱4,004,240	₱4,720,585
Materials and supplies	4,172,074	1,821,355	2,948,473
Fuel and lubricants	3,043,332	4,242,030	2,144,741
Depreciation and amortization (Notes 12, 13 and 14)	1,448,149	1,797,211	1,337,876
Outside services (Note 21)	967,163	1,410,563	2,913,780
Hauling, shiploading and handling costs (Note 21)	763,505	1,198,572	652,237
Production overhead	600,582	456,211	596,642
Direct labor	456,399	622,215	405,183
Others	30,959	151,324	67,740
	₱16,016,911	₱15,703,721	₱15,787,257
Cost of Services			
Materials and supplies	5,981,336	6,515,312	6,479,986
Outside services (Note 21)	6,498,218	2,751,187	2,007,267
Direct labor	1,327,040	1,638,495	1,093,714
Depreciation and amortization (Notes 12, 13 and 14)	1,554,596	1,097,976	1,783,664
Fuel and lubricants	2,110,596	997,184	415,376
Production overhead	649,682	1,171,005	1,095,915
Spot purchases	130,367	1,500,978	1,771,760
Hauling, shiploading and handling costs (Note 21)	214,913	6,955	13,584
Others	96,976	46,167	155,360
	18,563,724	15,725,259	14,816,626
	₱34,580,635	₱31,428,980	₱30,603,883



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

	2012	2011	2010
	(Amounts in Thousands)		
Included in:			
Mining	₱1,448,149	₱1,797,211	₱1,337,876
Energy sales	1,345,551	776,589	793,300
Construction contracts	209,045	321,387	990,364
Operating expenses (Note 25)	327,097	198,656	105,782
	₱3,329,842	₱3,093,843	₱3,227,322
	(Amounts in Thousands)		
	2012	2011	2010
Depreciation, depletion and amortization of:			
Property, plant and equipment (Note 13)	₱3,743,700	₱3,496,747	₱3,667,181
Other noncurrent assets (Note 14)	28,123	18,009	18,239
Investment properties (Note 12)	4,909	6,313	6,262
	₱3,776,732	₱3,521,069	₱3,691,682

Depreciation, depletion and amortization adjusted in ending inventories amounted to ₱0.45 million, ₱0.43 million and ₱0.46 million in 2012, 2011 and 2010, respectively.

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

	2012	2011	2010
	(Amounts in Thousands)		
Presented under:			
Costs of construction contracts	₱1,185,705	₱1,170,311	₱1,008,525
Operating expenses (Note 25)	1,006,497	973,829	755,513
Costs of mining	450,999	608,734	398,932
	₱2,643,201	₱2,752,874	₱2,162,970

25. Operating Expenses

This account consists of:

	2012	2011	2010
	(Amounts in Thousands)		
Government share (Note 31)	₱1,557,950	₱1,497,356	₱1,325,106
Salaries, wages and employee benefits (Notes 23 and 24)	1,006,497	973,829	755,513
Outside services	792,487	211,478	301,546
Taxes and licenses	530,723	677,460	307,613
Commission	386,810	503,946	480,694
Advertising and marketing	366,357	337,092	338,133
(Forward)			



	2012	2011	2010
	(Amounts in Thousands)		
Depreciation and amortization (Notes 12, 13, 14 and 24)	₱27,097	₱198,656	₱105,782
Repairs and maintenance	238,995	94,728	67,047
Supplies	108,757	46,954	52,346
Provision for doubtful accounts (Note 7)	78,296	15,178	58,905
Communication, light and water	80,440	75,686	62,891
Entertainment, amusement and recreation	69,697	62,395	66,021
Insurance	61,687	68,172	66,199
Transportation and travel	54,507	47,292	72,974
Association dues	40,081	50,276	33,356
Rent (Note 37)	28,619	104,834	73,452
Probable losses on:			
Other current assets (Note 10)	-	-	88,778
Property, plant and equipment (Note 13)	-	-	6,670
Other noncurrent assets (Note 14)	47,151	-	-
Organizational cost	-	20,221	-
Provision for over-nomination (Note 36)	-	-	383,294
Miscellaneous	114,543	220,354	108,810
	₱5,890,694	₱5,205,907	₱4,755,130

26. Finance Income

Finance income is derived from the following sources:

	2012	2011	2010
	(Amounts in Thousands)		
Interest on:			
Real estate installment receivables	₱475,792	₱666,258	₱794,576
Short-term placements (Note 4)	277,342	328,309	93,473
Bank savings account (Note 4)	78,076	89,070	99,680
Investment from sinking fund (Note 14)	17,210	7,210	5,421
Accretion on unamortized discount on real estate receivables (Note 7)	1,444	7,160	52,104
Accretion on unamortized discount on security deposits (Note 10)	-	169	12,787
	₱849,864	₱1,098,176	₱1,058,041



27. Finance Costs

The finance costs are incurred from the following:

	2012	2011	2010
	(Amounts in Thousands)		
Long-term borrowings	₱1,075,984	₱1,103,810	₱1,438,076
Bank loans and short-term borrowings	50,799	87,091	66,987
Accretion on unamortized discount on liabilities on purchased land and provision for decommissioning and site rehabilitation (Notes 16 and 20)	32,997	40,381	66,867
Amortization of debt issuance cost (Note 19)	38,748	30,603	5,200
	₱1,198,528	₱1,261,885	₱1,577,130

28. Other Income (Expenses)

This account consists of:

	2012	2011	2010
	(Amounts in Thousands)		
Foreign exchange gain (loss) - net	₱332,447	(₱46,567)	₱177,715
Rental income (Note 12)	274,170	53,807	66,962
Forfeitures and cancellation of real estate contracts	157,579	160,145	108,672
Sales of Fly Ash	130,236	6,871	-
Gain on sale of property, plant and equipment - net (Note 13)	127,497	57,565	28,958
Pension income (Note 23)	54,481	37,707	-
Dividend income (Note 5)	5,679	4,547	5,785
Recoveries from insurance claims	41,546	35,180	5,069
Reversal of allowance for doubtful accounts (Note 7)	9,552	7,892	5,677
Management fee (Note 21)	3,131	55,308	5,605
Gain on reversal of impairment on PPE	-	6,670	-
Gain of sale of investment in a subsidiary	-	-	41,378
Commission income	-	-	35
Loss on sale of AFS	(986)	-	-
Loss on writedown of property, plant and equipment (Note 13)	(341,146)	-	-
Others	(7,804)	53,748	42,091
	₱786,382	₱432,873	₱487,947

Loss on writedown of property, plant and equipment

In 2012, SCPC incurred a loss from property plant and equipment writedown due to the replacement of generation units amounting ₱341.15 million.



Others

Others account include unrealized marked-to-market gains, penalty charges for delayed payments of contracts receivable-housing, holding fees, fees for change in ownership, transfer fees, restructuring fees, income derived from selling excess electricity produced by Semirara to neighboring communities and others.

29. Income Tax

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

	2012	2011	2010
	(Amounts in Thousands)		
Final	₱59,383	₱78,879	₱38,612
Current	1,601,010	763,135	660,474
Deferred	(184,619)	503,141	330,049
	₱1,475,774	₱1,345,155	₱1,029,135

The components of net deferred tax assets as of December 31, 2012 and 2011 follow:

	2012	2011
	(Amounts in Thousands)	
Deferred tax assets on:		
Deferred organizational cost	₱-	₱6,060
Allowance for:		
Doubtful accounts	3,969	3,969
Inventory obsolescence	1,727	1,727
Probable losses	1,678	159
Pension liabilities	2,350	2,799
Unrealized foreign exchange loss	27	908
Excess of tax over book income pertaining to construction contracts and real estate sales	-	706
NOLCO	666	11
MCIT	83	-
	10,500	16,339
Deferred tax liabilities on:		
Unamortized discount on payable to landowners	-	(15)
Others - net unrealized gain	241	(184)
	241	(199)
	₱10,741	₱16,140



The components of net deferred tax liabilities as of December 31, 2012 and 2011 follow:

	2012	2011
	(Amounts in Thousands)	
Deferred tax assets on:		
Pension liabilities	₱37,083	₱28,189
Allowance for:		
Doubtful accounts	21,421	21,421
Probable losses	7,648	7,648
Unamortized discount on receivables	414	434
	66,566	57,692
Deferred tax liabilities on:		
Unamortized discount on payable to landowners	6,239	(766)
Incremental cost of property, plant and equipment	-	(565)
Unamortized prepaid rent	-	(225)
Excess of book over tax income pertaining to construction contracts and real estate sales	(727,933)	(973,488)
Capitalized interest on real estate for sale and development deducted in advance	(137,384)	(76,320)
Unamortized transaction cost on loans payable	(25,551)	(14,367)
Unrealized marked to market gain	(378)	(420)
Others - net unrealized gain	-	-
	(885,007)	(1,066,151)
	(₱818,441)	(₱1,008,459)

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:

	2012	2011
	(Amounts in Thousands)	
Allowance for probable losses on current assets	₱57,131	₱57,131
Allowance for doubtful accounts	121,698	72,426
Pension liabilities	92,606	103,329
Allowance for probable losses on noncurrent assets	88,622	129,132
Provision for decommissioning and site rehabilitation	51,738	74,736
Unrealized forex loss	51,468	26,475
NOLCO	10,863	77,910
MCIT	525	24
Organizational costs	20	20
	₱474,671	₱541,183

The deferred income tax effects of the above deductible temporary differences for which no deferred tax assets are recognized amounted to ₱142.77 million and ₱162.35 million as of December 31, 2012 and December 31, 2011, 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:

	2012	2011	2010
Statutory income tax rate	30.00%	30.00%	30.00%
Adjustments for:			
Tax-exempt income	(14.25)	(15.62)	(14.95)
Nondeductible (nontaxable) equity in net losses (earnings) of associates and jointly controlled entities	(4.96)	(4.81)	(5.69)
Nondeductible expenses	0.02	0.50	1.25
Interest income subjected to final tax at a lower rate - net	(0.21)	(0.34)	(0.21)
Nondeductible interest expense	0.11	0.12	0.05
Changes in unrecognized deferred tax assets	(0.14)	0.03	(0.07)
Non taxable dividend income	(0.05)	(0.01)	(0.02)
Gain on sale of investments in shares of stock subjected to final tax	-	-	(0.06)
Effective income tax rate	10.52%	9.87%	10.30%

Board of Investments (BOI) Incentives

New Developer of Mass Housing Project

In 2012 and 2011, 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

	2012	2011	2010
	(Amounts in Thousands)		
Net income	₱9,791,615	₱9,595,451	₱7,867,283
Divided by weighted average number of common shares	2,655,494	2,655,494	2,655,494
Basic earnings per share	₱3.69	₱3.61	₱2.96

Basic/Diluted, Income from Continuing Operations

	2012	2011	2010
	(Amounts in Thousands)		
Net income	₱9,791,615	₱9,595,451	₱7,201,534
Divided by weighted average number of common shares	2,655,494	2,655,494	2,655,494
Basic earnings per share	₱3.69	₱3.61	₱2.71

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:

Income from discontinued operations	₱677,345
Less income from discontinued operations attributable to minority interests	11,596
	665,749
Weighted average number of common shares for basic EPS	2,655,494
Basic EPS	₱0.25

The assumed conversion of the Group's preferred shares has no dilutive effect. Accordingly, no diluted earnings per share is presented in 2012, 2011 and 2010.

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 ₱1,557.95 million and ₱1,479.97 million as of December 31, 2012 and 2011, respectively. The liabilities amounting ₱1,007.85 million and ₱905.01 million, as of December 31, 2012 and 2011, respectively, are included under the "Accounts and other payables" account in the consolidated statements of financial position (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:

	2012	2011
	(Amounts in Thousands)	
Current assets	₱70,330	₱96,390
Current liabilities	55,010	75,971
	₱15,320	₱20,419



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

	2012	2011
	(Amounts in Thousands)	
Financing income	₱399	₱591
Finance cost	-	-
Income before income tax	399	591
Final tax	(80)	(118)
Net income	₱319	₱473

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. 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.



The Group has no significant customer which contributes 10.00% or more to the revenues of the Group.

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, 2012, 2011 and 2010 and property, plant and equipment additions, total assets and total liabilities for the business segments as of December 31, 2012, 2011 and 2010:



Year ended December 31, 2012 (Amounts in Thousands)

	Construction	Coal Mining	Nickel Mining	Real Estate Development	Power	Water	Parent Company and Others	Total
Revenue	₱14,773,250	₱14,450,155	₱1,923,045	₱9,219,331	₱11,079,789	₱-	₱294,309	₱51,739,879
Other income (expense) - net	62,495	565,466	(36,319)	449,335	(171,004)	2,263,798	(30,156)	3,103,614
	14,835,745	15,015,621	1,886,726	9,668,666	10,908,785	2,263,798	264,153	54,843,493
Cost of sales and services	12,820,905	8,502,696	1,335,252	4,434,929	4,314,377	-	169,732	31,577,890
General and administrative expense (before depreciation and amortization)	212,923	1,968,269	13,854	1,791,670	1,507,900	-	68,981	5,563,597
	13,033,828	10,470,965	1,349,106	6,226,599	5,822,277	-	238,713	37,141,487
EBITDA	1,801,917	4,544,656	537,620	3,442,067	5,086,508	2,263,798	25,440	17,702,006
Other income (expenses)								
Finance income (cost) (Notes 26 and 27)	68,076	(109,492)	3,705	(163,293)	(321,509)	-	173,849	(348,664)
Depreciation and amortization (Notes 24 and 25)	(269,356)	(1,345,556)	(127,259)	(168,163)	(1,417,468)	-	(2,040)	(3,329,842)
Pretax income	1,600,637	3,089,608	414,066	3,110,611	3,347,531	2,263,798	197,249	14,023,500
Provision for income tax (Note 29)	380,874	1,286	73,268	929,075	39,589	-	51,682	1,475,774
Net income	₱1,219,763	₱3,088,322	₱340,798	₱2,181,536	₱3,307,942	₱2,263,798	₱145,567	₱12,547,726
Net income attributable to non-controlling interest	₱-	₱1,348,914	₱-	₱-	₱1,406,320	₱-	₱877	₱2,756,111
Net income attributable to equity holders	₱1,219,763	₱1,739,408	₱340,798	₱2,181,536	₱1,901,622	₱2,263,798	₱144,690	₱9,791,615
Segment Assets								
Cash	₱2,215,859	₱410,165	₱186,275	₱2,936,722	₱246,054	₱-	₱3,743,950	₱9,739,025
Receivables	4,735,618	1,271,154	184,131	7,444,717	2,630,486	-	152,164	16,418,270
Inventories	219,345	4,486,951	34,546	15,505,470	1,197,900	-	70,949	21,515,161
Investment in associates and joint venture	112,624	-	495,832	115,141	-	-	13,633,403	14,357,000
Property, plant and equipment	1,567,812	3,318,370	248,472	728,753	19,853,793	-	7,032	25,724,232
Others	1,549,053	1,751,575	649,969	2,238,549	1,224,942	-	87,111	7,501,199
	₱10,400,311	₱11,238,215	₱1,799,225	₱28,969,352	₱25,153,175	₱-	₱17,694,609	₱95,254,887
Segment Liabilities								
Customers' advances and deposits	₱828,567	₱17,645	₱22,685	₱4,389,153	₱-	₱-	₱-	₱5,258,050
Loans payable	25,601	4,913,558	131,360	12,522,481	7,811,362	-	61,724	25,466,086
Others	5,317,650	4,114,332	458,103	3,524,828	3,013,143	-	111,737	16,539,793
	₱6,171,818	₱9,045,535	₱612,148	₱20,436,462	₱10,824,505	₱-	₱173,461	₱47,263,929
Other disclosures								
Acquisition of land for future development								
Property, plant and equipment additions (Note 13)	₱705,364	₱5,154,104	₱111,540	₱233,805	₱83,947	₱-	₱5,232	₱3,539,341



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



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, 2012, 2011 and 2010 reviewed by the management follows:

Customer Location	2012	2011	2010
	(Amounts in Thousands)		
Revenue			
Local	₱7,440,134	₱9,041,168	₱5,315,637
Export	7,010,021	7,160,713	8,926,588
	₱14,450,155	₱16,201,881	₱14,242,225

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 ₱3.18 billion, ₱7.01 billion and ₱2.37 billion for the years ended December 31, 2012, 2011 and 2010, respectively. All these revenue were from the Coal mining segment.



34. 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, 2012 and 2011 (amounts in thousands):

	2012		2011	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Loans and Receivables				
Cash and cash equivalents				
Cash on hand and in banks	₱2,885,618	₱2,885,618	₱6,095,360	₱6,095,360
Cash equivalents	6,853,407	6,853,407	8,970,388	8,970,388
Receivables - net				
Trade				
Real estate	7,831,097	10,927,246	5,071,205	6,679,789
General construction	3,819,636	3,819,636	1,979,285	1,979,285
Coal mining	1,453,964	1,453,964	1,077,440	1,077,440
Electricity sales	2,756,622	2,756,622	2,229,572	2,229,572
Merchandising and others	67,157	67,157	57,740	57,740
Receivable from related parties	187,296	187,296	203,622	203,622
Advances to officers and employees	60,048	60,048	42,886	42,886
Other receivables	482,927	482,927	356,560	356,560
Security deposits	191,390	191,390	132,681	132,681
Refundable deposits	325,859	325,859	226,962	226,962
	26,915,021	30,011,170	26,443,701	28,052,285
AFS investments				
Quoted securities	86,824	86,824	58,181	58,181
Unquoted securities	1,729	1,729	166,236	166,236
	88,553	88,553	224,417	224,417
Financial asset at FVPL	71,260	71,260	71,400	71,400
	₱27,753,100	₱30,849,249	₱26,567,785	₱28,424,862
Other Financial Liabilities				
Accounts and other payables	₱12,338,919	₱12,338,919	₱11,925,949	₱11,925,949
Liabilities for purchased land	1,145,324	1,097,633	931,933	881,087
Payable to related parties	61,215	61,215	301,372	301,372
Short-term and long-term debt - including current portion	24,833,115	24,833,115	23,080,213	24,683,985
Other noncurrent liabilities	1,527,655	1,527,655	1,732,378	1,732,378
	₱39,906,228	₱39,858,537	₱37,971,845	₱39,524,771

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 2012 and 2011 ranged from 13.29% to 16.50% and 15.12% to 16.50%, 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, 2012 and 2011, the Group's AFS financial assets amounting ₱86.83 million and ₱58.18 million, respectively (Note 6), and financial assets at FVPL amounting ₱71.26 million in 2012 are carried at fair value based on Level 1 (Note 5).

There were no transfers among levels 1, 2 and 3 in 2012 and 2011.

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, 2012 and 2011.

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:

	2012	2011
Domestic market	22.67%	41.14%
Export market	55.74	37.27
<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, 2012 and 2011, 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	
	2012	2011
Change in coal prices	(Amounts in Thousands)	
Increase by 30%	₱1,053,008	₱915,762
Decrease by 30%	(1,053,008)	(915,762)
<i>Based on coal sales volume</i>	Effect on income before income tax	
	2012	2011
Change in coal prices	(Amounts in Thousands)	
Increase by 30%	₱4,335,047	₱6,019,117
Decrease by 30%	(4,335,047)	(6,019,117)

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, 2012 and 2011 follows (amounts in thousands):

	2012				
	U.S. Dollar	Japanese Yen	UK Pounds	Euro	Php Equivalent
Assets					
Cash and cash equivalents	\$3,982	¥2,739	£117	€23	₱173,790
Trade receivables					
Coal mining	28,572	–	–	–	1,172,869
	\$32,554	2,739	117	23	1,346,659
Liabilities					
Accounts and other payables	7,745	–	–	–	317,934
Long-term debt (including current portion)	120,602	–	–	–	4,950,730
	128,347	–	–	–	5,268,664
Net foreign currency denominated assets (liabilities)	(\$95,793)	¥2,739	£117	€23	(₱3,922,005)

	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)

The exchange rates used to restate the Group's foreign currency-denominated assets and liabilities as of December 31, 2012 and 2011 follow:

	2012	2011
US Dollar - Philippine Peso	₱41.05 to US\$1.00	₱43.84 to US\$1.00
Japanese Yen - Philippine Peso	₱0.47 to ¥1.00	₱0.56 to ¥1.00
UK Pounds - Philippine Peso	₱66.32 to £1.00	₱67.75 to £1.00
Euro - Philippine Peso	₱54.53 to €1.00	₱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, 2012 and 2011 (amounts in thousands).

2012

	Basis Pts	Effect on Profit	Effect on Equity
In Peso per U.S. Dollar			
Increase	2	(₱191,586,918)	(₱134,110,843)
Decrease	(2)	191,586,918	134,110,843
In Peso per Japanese Yen			
Increase	2	5,478,998	3,835,299
Decrease	(2)	(5,478,998)	(3,835,299)

(Forward)



	Basis Pts	Effect on Profit	Effect on Equity
In Peso per UK Pounds			
Increase	2	₱233,788	₱163,652
Decrease	(2)	(233,788)	(163,652)
In Peso per Euro			
Increase	2	45,952	32,166
Decrease	(2)	(45,952)	(32,166)

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)
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)

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

The Group recognized foreign exchange gain (loss) of ₱ 332.45 million (₱46.57) million and ₱177.72 million foreign exchange gain for the years ended December 31, 2012, 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, 2012 and 2011 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, 2012 and 2011, 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 ₱7.83 billion and ₱4.82 billion as of December 31, 2012 and 2011, respectively, are guaranteed by collaterals with fair value of ₱8.71 billion and ₱7.59 billion, respectively. This resulted to a net exposure of ₱0.93 billion and ₱0.85 billion for 2012 and 2011, respectively. Financial effect of collaterals for the said real estate receivables amounted to ₱6.67 billion and ₱3.97 billion in 2012 and 2011, 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.

	2012	2011
	(Amounts in Thousands)	
Cash and cash equivalents		
Cash in banks	P2,844,544	P5,995,566
Cash equivalents	6,853,407	8,970,388
Available-for-sale financial assets		
Quoted securities	86,824	58,181
Unquoted securities	1,729	166,236
Receivables		
Trade		
Real estate	7,831,097	5,071,205
General construction	3,819,636	1,979,285
Mining	1,453,964	1,077,440
Electricity sales	2,756,622	2,229,572
Merchandising and others	67,157	57,740
Receivable from related parties	187,296	203,622
Advances to officers and employees	60,048	42,886
Other receivables	482,927	356,560
Security deposits	191,390	132,681
Refundable deposits	325,859	226,962
Total credit risk exposure	P26,962,500	P26,568,324

As of December 31, 2012 and 2011, the credit quality per class of financial assets that were neither past due nor impaired is as follows (amounts in thousands):

2012

	Neither past due nor impaired			Past due or	Total
	Grade A	Grade B	Grade C	Individually Impaired	
Cash in bank and cash equivalents	P9,697,951	P-	P-	P-	P9,697,951
Available-for-sale financial assets					
Quoted	86,824	-	-	-	86,824
Unquoted	1,729	-	-	-	1,729
Receivables					
Trade					
Real estate	5,669,127	730,168	558,945	872,857	7,831,097
General construction	3,297,854	-	-	521,782	3,819,636
Mining	1,224,039	229,925	-	-	1,453,964

(Forward)



	Neither past due nor impaired			Past due or Individually	Total
	Grade A	Grade B	Grade C	Impaired	
Electricity sales	₱2,756,622	₱-	₱-	₱-	₱2,756,622
Merchandising	67,157	-	-	-	67,157
Receivable from related parties	114,456	-	-	71,402	369,936
Advances to officers and employees	60,048	-	-	-	60,048
Other receivables	332,758	72,840	-	77,329	482,927
Security deposits	191,390	-	-	-	191,390
Refundable deposits	323,743	2,117	-	-	325,860
Total	23,499,955	1,032,933	558,945	1,543,370	26,819,281
Allowance for:					
General construction	-	-	-	30,008	30,008
Mining	-	-	-	5,815	5,815
Electricity sales	-	-	-	130,422	130,422
Others	-	-	-	74,232	74,232
Total allowance	-	-	-	240,477	240,477
Net amount	₱23,499,955	₱1,032,933	₱558,945	₱1,302,893	₱27,378,852

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	2,685,576	760,075	616,671	1,008,883	5,071,205
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	203,622	-	-	-	203,622
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

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, 2012 and 2011, the aging analysis of the Group's financial assets presented per class follows (amounts in thousands):

2012

	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	₱6,160,770	₱22,510	₱26,836	₱1,620,981	₱-	₱-	₱7,831,097
General construction	3,723,418	-	25,126	-	41,084	30,008	3,819,636
Mining	1,411,613	-	35,736	-	-	5,815	1,453,164
Electricity sales	2,626,200	-	-	-	-	130,422	2,756,622
Advances to officers and employees	60,048	-	-	-	-	-	60,648
Other receivables	408,695	-	-	-	-	74,232	482,927
Total	₱14,390,744	₱22,510	₱87,698	₱1,620,981	₱41,084	₱240,477	₱16,404,094



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	₱4,195,554	₱79,859	₱34,621	₱754,237	₱6,934	₱-	₱5,071,205
General construction	1,457,503	280,700	87,300	146,994	-	6,788	1,979,285
Mining	1,058,535	10,647	8,258	-	-	-	1,077,440
Electricity sales	2,176,048	-	-	-	-	53,524	2,229,572
Advances to officers and employees	42,461	425	-	-	-	-	42,886
Other receivables	240,445	-	-	4,694	-	111,421	356,560
Total	₱9,170,546	₱371,631	₱130,179	₱905,925	₱6,934	₱171,733	₱10,756,948

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 ₱204.57 million and ₱593.61 million in 2012 and 2011, 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, 2012 and 2011, 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).

2012

	On Demand	Within 1 year	1-2 years	2-3 years	3-4 years	Total
Loans and Receivable						
Cash and cash equivalents	₱9,739,025	₱-	₱-	₱-	₱-	₱9,739,025
Receivables						
Trade:						
Real estate	4,492,306	733,280	457,235	391,443	1,756,833	7,831,097
General construction	2,952,890	866,746	-	-	-	3,819,636
Coal mining	1,453,964	-	-	-	-	1,453,964
Electricity sales	2,756,622	-	-	-	-	2,756,622
Merchandising	67,157	-	-	-	-	67,157
Receivable from related parties	482,927	-	-	-	-	482,927
Advances to officers and employees	60,048	-	-	-	-	60,048
Other receivables	482,927	-	-	-	-	482,927
Security deposits	191,390	-	-	-	-	191,390
Refundable deposits	325,859	-	-	-	-	325,859
	21,066,559	3,921,217	457,235	391,443	1,756,833	27,593,287
AFS financial assets						
Quoted securities	-	86,824	-	-	-	86,824
Unquoted securities	-	1,729	-	-	-	1,729
	-	88,553	-	-	-	88,553
Financial assets at FVPL	71,260	-	-	-	-	71,260
Total undiscounted financial assets	₱21,137,819	₱4,009,770	₱457,235	₱391,443	₱1,756,833	₱27,753,100
Other Financial Liabilities						
Short-term debt	₱632,971	₱-	₱-	₱-	₱-	₱632,971
Accounts payable and other						
Payables	13,001,108	-	-	-	-	13,001,108
Liabilities for purchased land	929,378	145,935	38,246	1,695	30,070	1,145,324
Long-term Debt						
Term loan facility						
US\$32.00 million loan with interest payable in arrears, to be repriced every 90 days	636,767	2,625	321,104	-	-	960,496
US\$29.26 million loan with interest payable semi-annually in arrears, to be repriced every 6 months	2,074	2,074	234,552	-	-	238,700
US\$15.70 million loan with interest payable in arrears, to be repriced every 30 to 180 days	2,010,661	3,878	567,784	-	-	2,582,323
US\$23.45 million loan with interest payable in arrears, to be repriced every 3 months	628,402	419,625	-	-	-	1,048,027
\$21.11 million deferred purchase payment at 4% interest p.a. over the rate 180 days	10,313	10,313	20,625	40,095	547,038	628,384
₱9.60 billion at PDST-F benchmark yield for 3-month treasury securities +1.75%	798,915	781,962	1,572,611	1,551,380	2,324,212	7,029,080
Various local bank loans 7.5% to 10%	-	-	-	-	-	-
Various car loans 15.56% to 27.14%	-	-	-	-	-	-
Agreement to purchase - 7.0% to 13.75%	1,260,099	788,636	712,778	1,299,599	2,471,312	6,532,424
Total undiscounted financial liabilities	19,910,688	2,155,048	3,467,700	2,892,769	5,372,632	33,798,837
Liquidity gap	₱1,227,131	₱1,854,722	(₱3,010,465)	(₱2,501,326)	(₱3,615,799)	(₱6,045,737)



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	1,275,060	687,009	459,866	1,467,655	1,181,615	5,071,205
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
Other Financial Liabilities						
Short-term debt	₱1,490,648	₱-	₱-	₱-	₱-	₱1,490,648
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	12,651,455	3,464,347	5,710,940	66,507	31,000	21,924,249
Liquidity gap	₱7,698,295	₱513,371	(₱5,251,074)	₱1,401,148	₱1,150,615	₱5,512,355

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)			
2012			
Dollar floating rate borrowings	+100	(P1,960)	(P1,372)
	-100	1,960	1,372
Peso floating rate borrowings	+100	(P70,252)	(P49,177)
	-100	70,252	49,177
2011			
Dollar floating rate borrowings	+100	(P934)	(P654)
	-100	934	654
Peso floating rate borrowings	+100	(P85,075)	(P59,552)
	-100	85,075	59,552

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.

35. 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			Total	Attributable to Parent Company	Attributable to minority interests
	Net Unrealized Gain (Loss) on Available-for- Sale Financial Assets (Note 6)	Cumulative Translation Adjustment	Revaluation increment in nonfinancial assets			
As of January 1, 2012	(P1,090)	P-	P-	(P1,090)	(P1,090)	P-
Other comprehensive income:						
Unrealized gain on AFS financial assets (Note 6)	30,000	-	-	30,000	30,000	-
Balances at December 31, 2012	P28,910	P-	P-	P28,910	P28,910	P-

	Other Comprehensive Income			Total	Attributable to Parent Company	Attributable to minority interests
	Net Unrealized Gain (Loss) on Available-for- Sale Financial Assets (Note 6)	Cumulative Translation Adjustment	Revaluation increment in nonfinancial assets			
As of January 1, 2011	(P2,781)	P-	P-	(P2,781)	(P2,781)	P-
Other comprehensive income:						
Unrealized gain on AFS financial assets (Note 6)	1,691	-	-	1,691	1,691	-
Balances at December 31, 2011	(P1,090)	P-	P-	(P1,090)	(P1,090)	P-



	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	–
	3,868	(25)	(80,005)	(76,162)	(74,874)	(1,288)
Balances at December 31, 2010	(₱2,781)	₱–	₱–	(₱2,781)	(₱2,781)	₱–

36. 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 (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 the reversal of the provision would be recognized in the "Other income" account upon collection of the said receivable.

As of December 31, 2012, decision of ERC regarding the case is still pending resolution.

Lease Commitments

Operating Lease - As Lessor

The Group entered into lease agreements with third parties covering its investment property portfolio (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, 2012 and 2011, future minimum lease receivables under the aforementioned operating lease (in thousands) are as follows:

	2012	2011
Within one year	₱9,320	₱5,816
After one year but not more than five years	6,591	5,971
More than five years	798	823
	₱16,709	₱12,610

Operating Lease - As Lessee

The Group leases portion of its office premises and various mining and transportation equipment items that are renewed under the terms and condition agreed with the lessors.

As of December 31, 2012 and 2011, future minimum lease payments under the above mentioned operating lease (in thousands) are as follows:

	2012	2011
Within one year	₱3,073	₱3,073
After one year but not more than five years	6,145	9,218
	₱9,218	₱12,291

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 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 ₱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 (Note 13). In 2011, finance lease facilities amounting ₱12.35 million was approved at 6.50% interest. In 2012, the Group pre-terminated the finance lease obligation and exercised the option to acquire the service vehicles and equipment used in construction activities.

As of December 31, 2011, the future minimum lease payments under finance lease and the present value of the net minimum lease payments follows:

Within one year	₱8,366
After one (1) year but not more than five (5) years	4,663
Total minimum lease payments	13,029
Less finance charges	678
Present value of minimum lease payment	₱12,351



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 ₱841.07 million in relation to its income tax holiday registration with the BOI.

37. Note to Consolidated Statements of Cash Flows

On October 10, 2012, the subscription payable to DMWC amounting ₱379.71 million was cancelled as a result of reduction of DMWC's authorized capital stock (Note 20). On the same date, the Parent Company has fully settled its due to DMWC amounting ₱234.58 million. The amount from the return of capital amounting ₱150.91 million was applied against a portion of the liability (Note 21).

As of December 31, 2012 and 2011, total cost incurred in the rehabilitation of the power plant and other facilities under construction amounted to ₱223.52 million and ₱1,607.46 million, respectively. These were initially recognized as part of the inventories and were capitalized in the "Construction in progress" account upon issuance (Note 13).

38. 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, 2012.



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 Pozzolanic 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 Pozzolanic. At the end of each five-year term, the parties will agree to assess and evaluate the Pozzolanic Contract, and if necessary, revise, alter, modify the same upon their mutual consent.

The Government has determined the provision of the Pozzolanic Contract which grants Pozzolanic 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 Pozzolanic Contract as invalid. This is the subject of a case filed by Pozzolanic and pending before the regional trial court of Quezon City as of December 31, 2012.

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. This remains in effect in 2012.

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. This remains in effect in 2012.

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. This remains in effect in 2012.

h. **MERALCO Power Supply Agreement with Modification**

On March 12, 2012, MERALCO filed an application for the Approval of the Power Supply Agreement (PSA) between MERALCO and SCPC, with a Prayer for Provisional Authority, docketed as ERC Case No. 201-037 RC.

In the said application, MERALCO alleged and presented on the following: a.) the salient provisions of the PSA; b.) payment structure under the PSA; c.) the impact of the approval of the proposed generation rates on MERALCO's customers; and d.) the relevance and urgent need for the implementation of the PSA.

On December 17, 2012, the Commission (ERC) issued a Decision approving with modification of the ERC Case No. 201-037 RC.

Subsequently, on February 13, 2013, ERC amends the previously approved resolution, due to the approved rates included two (2) Variable O&M Fee components and was changed accordingly into one Variable O&M fee.

On February 25, 2013, SCPC filed its Formal Offer for Exhibits- Motion for Partial Reconsideration which is still pending with ERC as of the opinion date. This remains pending with ERC.



39. 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 are presented below (in thousands):

Revenue from construction contracts	₱3,058,807
Finance, equity in net earnings and other income	90,204
	<u>3,149,011</u>
Cost of construction contracts	2,059,962
General administrative expenses	373,764
Interest and other financing charges	40,386
Benefit from income tax	34,213
	<u>2,508,325</u>
Income from discontinued operations	₱640,686

Income after tax from discontinued operations consists of the following:

Gain from sale of discontinued operations	₱36,659
Net income from discontinued operations	640,686
After tax income from discontinued operations	₱677,345

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



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

40. Events After the Reporting Period

a. *Effective Interest in Maynilad*

In relation to the increase in authorized capital stock of Maynilad as discussed in Note 11, DMWC subscribed an additional 402,066 common shares of stock of Maynilad for a total subscription price of ₱10.3 billion on February 13, 2013. On the same date, Maynilad issued these shares and DMWC has fully paid these shares (Note 11).

Subsequent to the Subscription Agreement executed between Marubeni Corporation - Nippon Koei Ltd (MCNK) and DMWC on December 28, 2012, another subscription agreement dated February 13, 2013 was executed, wherein MCNK subscribed an additional 508,853,045 common shares of DMWC for a total subscription price of ₱10.2 billion. On same date, DMWC issued these shares and MCNK has likewise fully paid these shares.

On February 13, 2013, MPIC purchased 154,992,852 common shares of stock of DMWC from the Parent Company for a total cash consideration of ₱2.4 billion. These were fully paid in cash on the same date. Also on the same date, MCNK purchased 472,455,019 common shares of stock of the DMWC from the Parent Company for a total cash consideration of ₱6.7 billion. The gain on the disposal of DMWC shares is estimated between ₱6 billion and ₱8 billion, exclusive of other costs and charges attributable in the disposal of shares.

The above transactions resulted to the following changes in effective interest in Maynilad:

Effective interest in Maynilad	Pre-deal Ownership	Post-deal Ownership
MPIC	56.80%	52.80%
DMCI	40.98%	25.24%
MCNK	–	20.00%
ESOP/Others	2.22%	1.96%



b. *Dividend income from DMWC*

On February 13, 2013, the BOD of DMWC declared and paid dividends amounting ₱9,554.0 million or ₱2.05 per share. Also, on same date, the BOD declared dividends amounting ₱919.0 million or ₱0.20 per share payable on February 27, 2013.

The Parent Company received dividend income amounting ₱4.67 billion in 2013.

c. *Panian Mine Pit Rockslide Incident*

On February 13, 2013, a section of Panian pit west wall, where the Semirara's coal production is presently concentrated, gave way. The Semirara has temporarily stopped its mining activities in said area immediately after the incident. Despite the temporary halt in its mining operations at the Panian site, the Semirara continues to service its supply contracts to its customers using its coal stockpile. Review of the Semirara's mine safety plan is on-going, with the assistance of a third party consultant to avoid similar case in the future.

On March 4, 2013, after review of the mine work program for the North Panian area and the additional safety and operational measures incorporated in the preparatory activities by the Semirara, the Department of Energy (DOE) granted the Semirara's request to proceed with the preparatory activities for the North area, the next coal mine area after the Western side of the Panian mine, consistent with the original mine plan. Preparatory activities in this area actually started on February 1, 2013 but were suspended after the incident. The DOE will review the safety and operational measures being implemented by the Semirara before actual coal mining activities commence.

The permit to start preparatory activities granted by DOE for the North Panian area is without prejudice to possible sanctions that may be imposed depending on the results of the ongoing investigation on the west wall rockslide incident.

d. *Approval of Semirara Energy Utilities Inc. Articles of Incorporation and By-Laws*

On February 18, 2013, the Securities and Exchange Commission (SEC) has approved the incorporation of Semirara Energy Utilities Inc., a wholly-owned subsidiary of Semirara Mining Corporation.

The new company was incorporated to perform Qualified Third Party (QTP) functions pursuant to Section 59 of Republic Act 9136, otherwise known as the EPIRA and its Implementing Rules & Regulations". DOE-Circular No. 2004-06-006 defines QTP as an alternative electric service provider authorized to serve remote and unviable areas pursuant to Section 59 of the EPIRA law.

e. *Department of Energy (DOE) awards coal exploration contract to Semirara Mining Corporation*

On February 2013, DOE awarded eight coal companies with service contracts and develops 11 prospective coal blocks, which were auctioned off in 2011 under the Philippine Energy Contracting Round 4.

For the coal service contracts, DOE awarded to the Group Areas 9 (Oriental Mindoro) and 25B (Sarangani).



f. *Increase in investment in Toledo Mining Corporation Plc.*

As of April 11, 2013, DMCI Mining Corporation has increased its investment in Toledo from 17% as of December 31, 2012 to 57.1% or 28,443,791 shares.

g. *Declaration of cash dividend by the Parent Company*

On April 11, 2013, the BOD of the Parent Company has declared cash dividends amounting ₱1.20 regular dividends and ₱1.00 special cash dividends in favor of the stockholders of record as of April 26, 2013. This is due to be paid on May 10, 2013 with a total amount of ₱5,842.09 million.

41. Approval of Consolidated Financial Statements

The consolidated financial statements of DMCI Holdings, Inc. and Subsidiaries as of December 31, 2012 and 2011, and for each of the three years in the period ended December 31, 2012 were endorsed for approval by the Audit Committee and authorized for issue by the BOD on April 11, 2013.



DMCI HOLDINGS, INC.

**SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS AVAILABLE
FOR DIVIDENDS DECLARATION
FOR THE YEAR ENDED DECEMBER 31, 2012**

Unappropriated Retained Earnings, as adjusted to available for dividend distribution at beginning of year		₱6,313,755,658
Add: Net income actually earned/realized during the year		
Net income	6,953,861,371	
Add amortization of discount on payable to landowners	<u>48,653</u>	
Net income actually earned during the year		6,953,910,024
Less:		
Dividends declared during the year		(3,186,592,798)
Appropriation for capital expenditures, investments and future dividend declaration		<u>(1,600,000,000)</u>
Unappropriated Retained Earnings, available for dividend distribution, ending		₱8,481,072,884



DMCI HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE OF ALL THE EFFECTIVE STANDARDS AND INTERPRETATIONS

List of Philippine Financial Reporting Standards (PFRSs) [which consist of PFRSs, Philippine Accounting Standards (PASs) and Philippine Interpretations] and Philippine Interpretations Committee (PIC) Q&As effective as of December 31, 2012

		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements				
Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary		✓		
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
PFRS 2	Share-based Payment	✓		
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations	✓		
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓



		Adopted	Not Adopted	Not Applicable
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	Not early adopted		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	Not early adopted		
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments	Not early adopted		
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures	Not early adopted		
PFRS 10	Consolidated Financial Statements	Not early adopted		
PFRS 11	Joint Arrangements	Not early adopted		
PFRS 12	Disclosure of Interests in Other Entities	Not early adopted		
PFRS 13	Fair Value Measurement	Not early adopted		
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	Not early adopted		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Balance Sheet Date	✓		
PAS 11	Construction Contracts	✓		
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		



		Adopted	Not Adopted	Not Applicable
PAS 16	Property, Plant and Equipment	✓		
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19	Employee Benefits	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures	✓		
PAS 19 (Amended)	Employee Benefits	Not early adopted		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements	Not early adopted		
PAS 28 (Amended)	Investments in Associates and Joint Ventures	Not early adopted		
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 31	Interests in Joint Ventures	✓		
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities			✓
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
PAS 36	Impairment of Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		



		Adopted	Not Adopted	Not Applicable
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions	✓		
	Amendments to PAS 39: The Fair Value Option	✓		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition			✓
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
PAS 40	Investment Property	✓		
PAS 41	Agriculture			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 8	Scope of PFRS 2	✓		
IFRIC 9	Reassessment of Embedded Derivatives	✓		
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives	✓		
IFRIC 10	Interim Financial Reporting and Impairment	✓		
IFRIC 11	PFRS 2- Group and Treasury Share Transactions			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓



		Adopted	Not Adopted	Not Applicable
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓		
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement	✓		
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	Not early adopted		
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers	✓		
SIC-15	Operating Leases - Incentives	✓		
SIC-21	Income Taxes - Recovery of Revalued Non-Depreciable Assets			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

Not applicable standards have been adopted but the Group has no significant covered transactions as of and for the years ended December 31, 2012 and 2011.

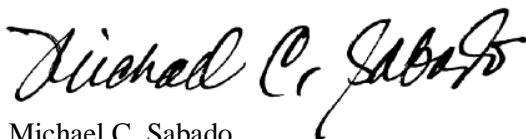


INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY SCHEDULES

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, 2012 and 2011 and for each of the three years in the period ended December 31, 2012, included in this Form 17-A, and have issued our report thereon dated April 11, 2013. 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.



Michael C. Sabado

Partner

CPA Certificate No. 89336

SEC Accreditation No. 0664-AR-1 (Group A),
March 11, 2011, valid until March 10, 2014

Tax Identification No. 160-302-865

BIR Accreditation No. 08-001998-73-2012,

April 11, 2012, valid until April 10, 2015

PTR No. 3670019, January 2, 2013, Makati City

April 11, 2013



DMCI HOLDINGS, INC. AND SUBSIDIARIES
INDEX TO CONSOLIDATED COMPANY FINANCIAL STATEMENTS AND
SUPPLEMENTARY SCHEDULES

CONSOLIDATED COMPANY FINANCIAL STATEMENTS

Consolidated Statements of Financial Position as of December 31, 2012 and 2011

Consolidated Statements of Comprehensive Income for the Years Ended
December 31, 2012 and 2011

Consolidated Statements of Changes in Equity for the Years Ended December 31, 2012 and 2011

Consolidated Statements of Cash flows for the Years Ended December 31, 2012 and 2011

SUPPLEMENTARY SCHEDULES

Report of Independent Auditors on Supplementary Schedules

- I. Supplementary schedules required by Annex 68-E
 - A. Financial Assets (Current Marketable Equity and Debt Securities and Other Short-Term Cash Investments)
 - B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)
 - C. Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements
 - D. Intangible Assets
 - E. Long-term Debt
 - F. Indebtedness to Related Parties
 - G. Guarantees of Securities of Other Issuers
 - H. Capital Stock
- II. Schedule of all of the effective standards and interpretations (Part 1, 4J)
- III. Reconciliation of Retained Earnings Available for Dividend Declaration (Part 1, 4C; Annex 68-C)
- IV. Map of the relationships of the companies within the group (Part 1, 4H)
- V. Schedule of Financial Ratios



DMCI HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE A: FINANCIAL ASSETS

DECEMBER 31, 2012

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Value based on market quotation at end of reporting period	Income received and accrued
Manila Electric Company	38,553	₱10,046,912	₱10,046,912	
Manila Southwoods Golf-Academy	1	370,000	370,000	
Subic Bay Yatch Club	2	4,800,000	4,800,000	
Manila Golf and Country Club	1	40,000,000	40,000,000	
Capitol Hills Golf and Country Club	1	75,000	75,000	
Canlubang Golf and Country Club	1	510,000	510,000	
Mabuhay Vinyl Corp.	34,889	56,171	56,172	
Valley Golf Club	1	17,000	17,000	
Alabang Country Club Inc.	1	1,950,000	1,950,000	
Wack Wack Golf & Country Club	1	18,500,000	18,500,000	
Manila Polo Club	1	10,500,000	10,500,000	
Wire rope Corporation of the Philippines	1	6,432,811	6,432,811	
DMC Conex Freight Services, Inc.	1	661,014	661,014	
Northwoods Development Corporation	1	650,000	650,000	
Bayantel	1	400,000	400,000	
Philippine Columbian Association	1	16,896	16,896	
Purefoods Preferred Shares	70,000	71,260,000	71,260,000	5,600,000



DMCI HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE B: AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDER (OTHER THAN RELATED PARTIES)

DECEMBER 31, 2012

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not current	Balance at end of period
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NOT APPLICABLE



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, 2012**

Entity with Receivable Balance	Name of Entity with Payable Balance	Receivable Balance	Payable Balance	Current	Noncurrent	Balance at end of period
Beta Electric Corporation	D. M. Consunji, Inc.	₱182,355,073	(₱182,355,073)	₱182,355,073		₱182,355,073
D. M. Consunji, Inc.	DMCI Power Corporation	5,738,092	(5,738,092)	5,738,092		5,738,092
D. M. Consunji, Inc.	DMCI Masbate Power Corporation	5,174,359	(5,174,359)	5,174,359		5,174,359
D. M. Consunji, Inc.	DMCI Holdings, Inc.	1,123,616	(1,123,616)	1,123,616		1,123,616
D. M. Consunji, Inc.	DMCI Homes, Inc.	329,036	(329,036)	329,036		329,036
D. M. Consunji, Inc.	DMCI Power, Inc.	5,738,092	(5,738,092)	5,738,092		5,738,092
D. M. Consunji, Inc.	DMCI Mining, Corp.	6,706,144	(6,706,144)	6,706,144		6,706,144
D. M. Consunji, Inc.	Semirara Mining Corp.	409,894,862	(409,894,862)	409,894,862		409,894,862
D. M. Consunji, Inc.	Wirerope Corp. Of The Phils.	17,091	(17,091)	17,091		17,091
D. M. Consunji, Inc.	Sem-Calaca Power Corporation	159,567,156	(159,567,156)	159,567,156		159,567,156
D. M. Consunji, Inc.	DMCI Homes Property Management Corp.	25,180	(25,180)	25,180		25,180
D. M. Consunji, Inc.	DMCI Laing Construction, Inc.	6,098,996	(6,098,996)	6,098,996		6,098,996
D. M. Consunji, Inc.	DMC Technical Training Center	131,572	(131,572)	131,572		131,572
D. M. Consunji, Inc.	DMCI Masbate	5,167,359	(5,167,359)	5,167,359		5,167,359



Entity with Receivable Balance	Name of Entity with Payable Balance	Receivable Balance	Payable Balance	Current	Noncurrent	Balance at end of period
	Power Corporation					
DMCI Holdings, Inc.	DMCI Power Corporation	₱21,275,000	(₱21,275,000)	₱-	₱21,275,000	₱21,275,000
DMCI Masbate Power Corporation	DMCI Mining, Corp.	12,000	(12,000)	12,000		12,000
DMCI Mining Corp.	DMCI Holdings, Inc.	18,137,117	(18,137,117)	18,137,117		18,137,117
DMCI Mining Corp.	Semirara Mining Corp.	8,739,796	(8,739,796)	8,739,796		8,739,796
DMCI Power Corporation	DMCI Masbate Power Corporation	46,014,873	(46,014,873)	46,014,873		46,014,873
DMCI Power Corporation	DMCI Palawan Power Corporation	248,854	(248,854)	248,854		248,854
DMCI Power Corporation	Sem-Calaca RES Corporation	9,340	(9,340)	9,340		9,340
DMCI Power Corporation	Sem-Calaca Power Corporation	87,222,950	(87,222,950)	87,222,950		87,222,950
Hampstead Gardens Corporation	D. M. Consunji, Inc.	26,290,874	(26,290,874)	26,290,874		26,290,874
Semirara Mining Corp.	Sem-Calaca Power Corporation	754,490,862	(754,490,862)	754,490,862		754,490,862
Semirara Mining Corp.	SEM - Cal Industrial Park Developers, Inc.	20,220	(20,220)	20,220		20,220
Semirara Mining Corp.	Southwest Luzon Power Generation Corp.	88,584	(88,584)	88,584		88,584
Semirara Mining Corp.	Semirara Claystone, Inc.	20,710	(20,710)	20,710		20,710
Semirara Mining Corp.	DMCI Power Corporation	63,919,590	(63,919,590)	63,919,590		63,919,590
DMCI Homes, Inc.	DMCI Project	427,742,069	(427,742,069)	427,742,069		427,742,069



Entity with Receivable Balance	Name of Entity with Payable Balance	Receivable Balance	Payable Balance	Current	Noncurrent	Balance at end of period
	Developers, Inc.					
DMCI Homes Property Management Corp.	DMCI Project Developers, Inc.	₱42,181,614	(₱42,181,614)	₱42,181,614		₱42,181,614
DMCI PDI Hotels INC.	DMCI Project Developers, Inc.	3,779,556	(3,779,556)	3,779,556		3,779,556
DMC Urban Property Developers, Inc.	DMCI Project Developers, Inc.	161,133,684	(161,133,684)	161,133,684		161,133,684
DMCI Project Developers, Inc.	D. M. Consunji, Inc.	168,613,847	(168,613,847)	168,613,847		168,613,847
DMCI Project Developers, Inc.	Dacon Corporation	318,252	(318,252)	318,252		318,252
DMCI Project Developers, Inc.	Hampstead Garden Corporation	50,661,099	(50,661,099)	50,661,099		50,661,099
DMCI Project Developers, Inc.	Riviera Land Corporation	100,272,755	(100,272,755)	100,272,755		100,272,755
DMCI Project Developers, Inc.	M&S Company Inc.	694,426	(694,426)	694,426		694,426
		₱2,769,954,700	(₱2,769,954,700)	₱2,748,679,700	₱21,275,000	₱2,769,954,700



DMCI HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE D: INTANGIBLE ASSETS

DECEMBER 31, 2012

Description	Beginning balance	Additions at cost	Charged to costs and expenses	Charged to other accounts	Other changes	Ending balance
Software cost	₱61,052,367	₱17,016,642	(₱28,123,580)	₱-	₱-	₱49,945,429

See Note 14 of the Consolidated Financial Statements.



DMCI HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE E: LONG TERM DEBT

DECEMBER 31, 2012

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
CTS Financing	125,227,881	16.5% to 19.5%	Various	1-2 years	₱33,036,565	₱92,191,316
Mortgage payable	₱9,600,000,000	PDST-F benchmark yield for 3-month treasury securities + 1.75%	May 2017	Payable in twenty-five (25) equal consecutive quarterly installments commencing on May 20, 2011	1,492,286,670	5,342,447,546
Mortgage payable	550,000,000	PDST-F benchmark yield for three-month treasury securities + 1.00%	May 2022	Payable in twenty-seven (27) equal consecutive quarterly installments commencing on November 24, 2015	-	547,494,161
Bank loans	631,603,879	1.32%, to be repriced every three months	January 2013	Principal to be paid at maturity date	631,603,879	-
Bank loans	19,704,000	1.32%, to be repriced every three months	January 2015	Principal to be paid at maturity date	-	19,704,000
Bank loans	296,234,087	1.32%, to be repriced every three months	January 2015	Principal to be paid at maturity date	-	296,234,087
Bank loans	230,404,414	1.80%, to be repriced every 90 days	July 2014	Principal to be paid at maturity date	-	230,404,414
Bank loans	4,105,000	1.03%, to be repriced every 90 days	August 2013	Principal to be paid at maturity date	4,105,000	-
Bank loans	13,874,900	1.03%, to be repriced every 90 days	August 2013	Principal to be paid at maturity date	13,874,900	-
Bank loans	331,337,972	1.03%, to be repriced every 90 days	August 2013	Principal to be paid at maturity date	331,337,972	-



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
Bank loans	₱65,885,250	1.03%, to be repriced every 90 days	August 2013	Principal to be paid at maturity date	₱65,885,250	₱—
Bank loans	451,550,000	1.03%, to be repriced every 90 days	August 2013	Principal to be paid at maturity date	451,550,000	—
Bank loans	55,850,131	1.03%, to be repriced every 90 days	August 2013	Principal to be paid at maturity date	55,850,131	—
Bank loans	10,262,500	1.03%, to be repriced every 90 days	June 2013	Principal to be paid at maturity date	10,262,500	—
Bank loans	107,410,708	1.03%, to be repriced every 90 days	June 2013	Principal to be paid at maturity date	107,410,709	—
Bank loans	117,895,600	1.16%, to be repriced quarterly	August 2014	Principal to be paid at maturity date	—	117,895,600
Bank loans	108,027,528	1.16%, to be repriced quarterly	August 2014	Principal to be paid at maturity date	—	108,027,528
Bank loans	133,658,800	1.16%, to be repriced quarterly	July 2014	Principal to be paid at maturity date	—	133,658,800
Bank loans	48,192,700	1.16%, to be repriced quarterly	April 2014	Principal to be paid at maturity date	—	48,192,700
Bank loans	90,351,050	1.16%, to be repriced quarterly	March 2014	Principal to be paid at maturity date	—	90,351,050
Bank loans	16,603,740	1.16%, to be repriced quarterly	March 2014	Principal to be paid at maturity date	—	16,603,740
Bank loans	45,298,675	1.16%, to be repriced quarterly	November 2014	Principal to be paid at maturity date	—	45,298,675
Bank loans	224,950,223	1.16%, to be repriced quarterly	June 2013	Principal to be paid at maturity date	224,950,223	—
Bank loans	21,961,750	1.16%, to be repriced quarterly	January 2013	Principal to be paid at maturity date	21,961,750	—



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
Bank loans	₱21,961,750	1.16%, to be repriced quarterly	January 2013	Principal to be paid at maturity date	₱21,961,750	₱—
Bank loans	74,623,605	1.16%, to be repriced quarterly	February 2013	Principal to be paid at maturity date	74,623,605	—
Bank loans	176,515,000	1.16%, to be repriced quarterly	March 2013	Principal to be paid at maturity date	176,515,000	—
Bank loans	300,189,414	1.16%, to be repriced quarterly	March 2013	Principal to be paid at maturity date	300,189,414	—
Bank loans	164,574,581	1.16%, to be repriced quarterly	December 2013	Principal to be paid at maturity date	164,574,581	—
Bank loans	489,742,334	1.16%, to be repriced quarterly	June 2013	Principal to be paid at maturity date	489,742,334	—
Bank loans	177,084,035	1.16%, to be repriced quarterly	January 2013	Principal to be paid at maturity date	177,084,035	—
Bank loans	278,536,852	1.16%, to be repriced quarterly	March 2013	Principal to be paid at maturity date	278,536,853	—
Bank loans	88,654,822	1.16%, to be repriced quarterly	June 2013	Principal to be paid at maturity date	88,654,823	—
Bank loans	131,360,000	1.16%, to be repriced quarterly	June 2013	Principal to be paid at maturity date	131,360,000	—
Corporate notes	495,000,000	7.22%	5 years	1% every year	5,000,000	490,000,000
Corporate notes	178,200,000	7.22%	5 years	1% every year	1,800,000	176,400,000
Corporate notes	633,600,000	7.22%	5 years	1% every year	6,400,000	627,200,000
Corporate notes	178,200,000	7.22%	5 years	1% every year	1,800,000	176,400,000
Corporate notes	178,200,000	7.22%	5 years	1% every year	1,800,000	176,400,000
Corporate notes	138,600,000	7.22%	5 years	1% every year	1,400,000	137,200,000
Corporate notes	178,200,000	7.22%	5 years	1% every year	1,800,000	176,400,000
Corporate notes	742,500,000	7.89%	5 years	1% every year	7,500,000	735,000,000
Corporate notes	267,300,000	7.89%	5 years	1% every year	2,700,000	264,600,000



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
Corporate notes	950,400,000	7.89%	5 years	1% every year	₱9,600,000	₱940,800,000
Corporate notes	267,300,000	7.89%	5 years	1% every year	2,700,000	264,600,000
Corporate notes	267,300,000	7.89%	5 years	1% every year	2,700,000	264,600,000
Corporate notes	207,900,000	7.89%	5 years	1% every year	2,100,000	205,800,000
Corporate notes	267,300,000	7.89%	7 years	1% every year	2,700,000	264,600,000
Corporate notes	210,000,000			7th to 27th Quarter from		
Corporate notes	450,000,000	6.08%	7 years	issue date	–	210,000,000
Corporate notes		6.08%	7 years	7th to 27th Quarter from	–	450,000,000
Corporate notes	70,000,000			issue date		
Corporate notes	80,000,000	6.08%	7 years	7th to 27th Quarter from	–	70,000,000
Corporate notes		6.08%	7 years	issue date	–	80,000,000
Corporate notes	40,000,000			7th to 27th Quarter from		
Corporate notes	100,000,000	6.08%	7 years	issue date	–	40,000,000
Corporate notes		6.08%	7 years	7th to 27th Quarter from	–	100,000,000
Corporate notes	20,000,000			issue date		
Corporate notes	20,000,000	6.08%	7 years	7th to 27th Quarter from	–	20,000,000
Corporate notes		6.08%	7 years	issue date	–	20,000,000
Corporate notes	10,000,000			7th to 27th Quarter from		
Corporate notes		6.08%	7 years	issue date	–	10,000,000
Discount on Notes Payable	(85,170,597)	6.08%	7 years	7th to 27th Quarter from		
Receivable Discounting	1,384,783,163	5.00% - 8.00%	Various	Monthly	(15,194,398)	(69,976,199)
Receivable Discounting	100,042,757	5.00% - 8.00%	Various	Monthly	181,723,779	1,203,059,384
					22,440,133	77,602,624



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
Receivable Discounting	2,346,561,390	5.00% - 8.00%	Various	Monthly	₱380,455,414	₱1,966,105,976
Receivable Discounting	275,866,069	5.00% - 8.00%	Various	Monthly	275,866,069	–
Receivable Discounting	1,307,595,706	5.00% - 8.00%	Various	Monthly	198,444,928	1,109,150,778
Receivable Discounting	871,613,362	5.00% - 8.00%	Various	Monthly	155,852,600	715,760,763
Receivable Discounting	52,205,721	5.00% - 8.00%	Various	Monthly	7,026,136	45,179,585
Receivable Discounting	176,656,304	5.00% - 8.00%	Various	Monthly	38,289,583	138,366,721
Receivable Discounting	17,099,581	5.00% - 8.00%	Various	Monthly	–	17,099,581
	₱27,469,526,636				₱6,642,262,185	₱18,190,852,829

See Note 19 of the Consolidated Financial Statements



DMCI HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE F: INDEBTEDNESS TO RELATED PARTIES

DECEMBER 31, 2012

Name of related party	Balance at beginning of period	Balance at end of period
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NOT APPLICABLE



DMCI HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE G: GUARANTEES OF SECURITIES OF OTHER ISSUERS

DECEMBER 31, 2012

Name of issuing entity of securities guaranteed by the company for which this statements is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount of owned by person for which statement is filed	Nature of guarantee
--	--	--	---	----------------------------

NOT APPLICABLE



DMCI HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE H: CAPITAL STOCK

DECEMBER 31, 2012

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 - ₱1 par value	5,900,000,000	2,655,494,000	–	1,829,073,615	84,751,362	741,669,023
	6,000,000,000	2,655,497,780	–	1,829,073,615	84,751,362	741,672,803

See Note 22 of the Consolidated Financial Statements



DMCI HOLDINGS, INC. AND SUBSIDIARIES
SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
FOR THE YEAR ENDED DECEMBER 31, 2012 AND 2011

Financial Soundness Indicator	2012	2011
i. Liquidity ratios:		
Current ratio	183.24%	185.96%
Quick ratio	101.46%	115.44%
ii. Leverage ratios:		
Debt-to-equity ratio	51.75%	53.35%
Interest coverage ratio	1303.06%	1234.09%
iii. Management ratios:		
Inventory turnover ratio	177.34%	239.60%
Accounts receivable turnover ratio	528.41%	445.03%
Return on assets ratio	13.17%	14.58%
Return on equity ratio	26.15%	30.34%
iv. Asset-to-equity ratio	198.49%	208.02%
v. Profitability ratios:		
Gross margin ratio	33.16%	34.25%
Net profit margin ratio	24.25%	25.68%

**See attached reporting computation.*

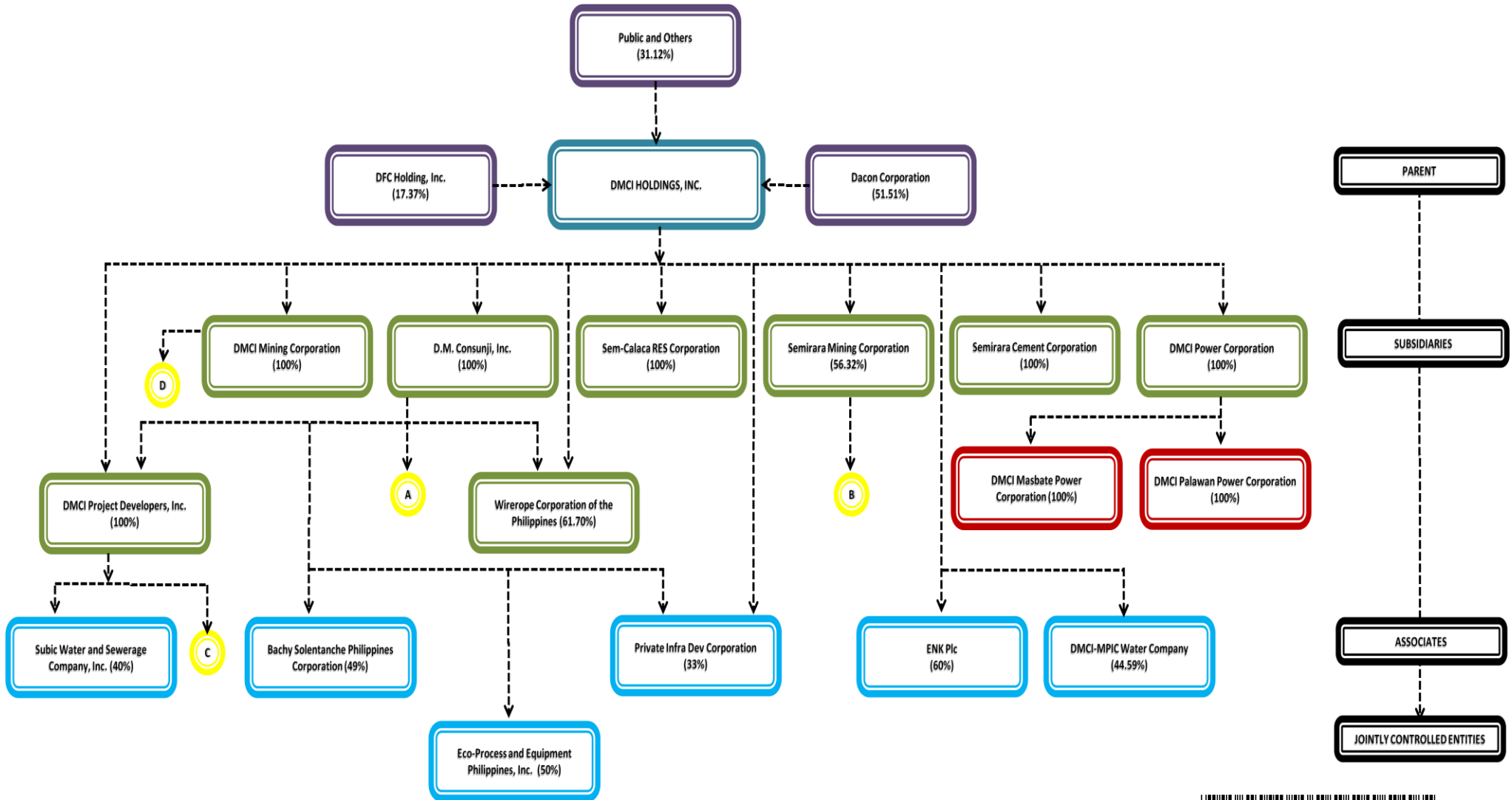


DMCI HOLDINGS, INC. AND SUBSIDIARIES
SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
FOR THE YEAR ENDED DECEMBER 31, 2012 AND 2011

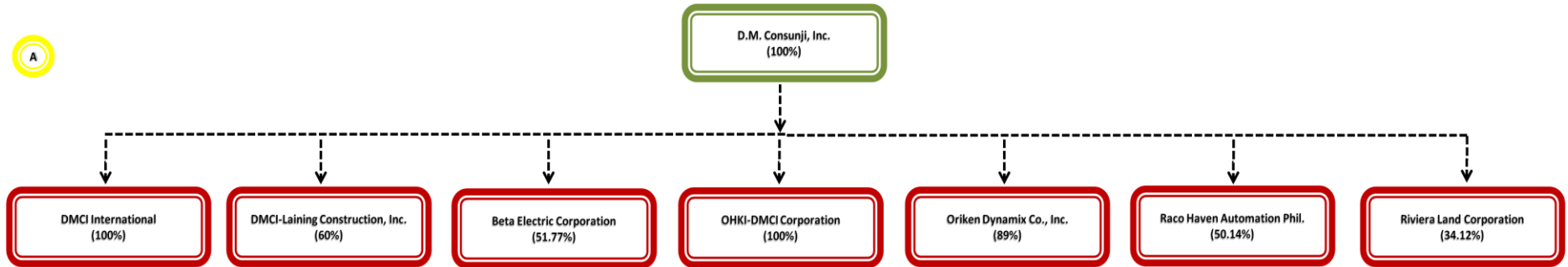
	2012	2011
	(Amounts in thousands)	
Current assets	48,205,515	46,109,013
Current liabilities	26,307,485	24,795,036
Current ratio	183.24%	185.96%
Current assets	48,205,515	46,109,013
Inventories	21,515,161	17,484,675
Quick assets	26,690,354	28,624,338
Current liabilities	26,307,485	24,795,036
Quick ratio	101.46%	115.44%
Interest-bearing loans	24,833,115	21,589,565
Equity	47,990,958	40,470,003
Debt-to-equity ratio	51.75%	53.35%
Earnings before income tax	14,023,500	13,622,061
Interest expense	1,076,200	1,103,810
Interest coverage ratio	1303.06%	1234.09%
Cost of goods sold	34,580,635	31,428,980
Average inventory	19,499,918	13,117,492
Inventory turnover ratio	177.34%	239.60%
Net credit sales	51,739,879	47,802,585
Average accounts receivable	9,791,704	10,741,458
Accounts receivable turnover ratio	528.41%	445.03%
Net income	12,547,726	12,276,906
Total assets	95,254,887	84,183,689
Return on assets ratio	13.17%	14.58%
Net income	12,547,726	12,276,906
Total equity	47,990,958	40,470,003
Return on equity ratio	26.15%	14.58%
Total assets	95,254,887	84,183,689
Total equity	47,990,958	40,470,003
Asset-to-equity ratio	198.49%	208.02%
Gross profit	17,159,244	16,373,605
Sales	51,739,879	47,802,585
Gross profit margin	33.16%	34.25%
Net income	12,547,726	12,276,906
Sales	51,739,879	47,802,585
Net profit margin	24.25%	25.68%



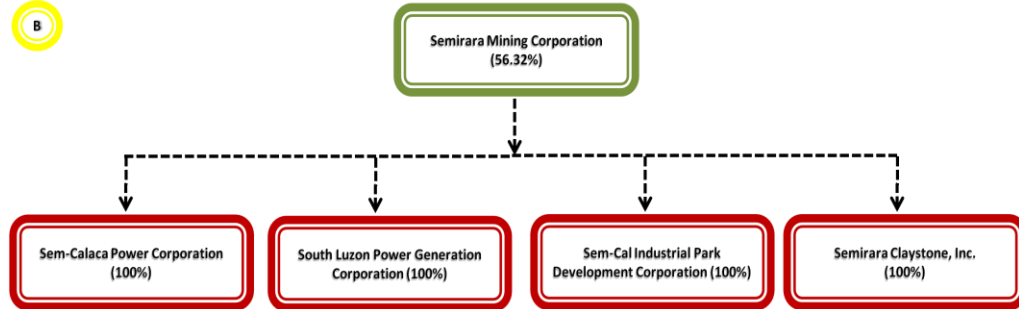
DMCI HOLDINGS, INC. AND SUBSIDIARIES
MAP OF THE RELATIONSHIP OF THE COMPANIES WITHIN THE GROUP
DECEMBER 31, 2012



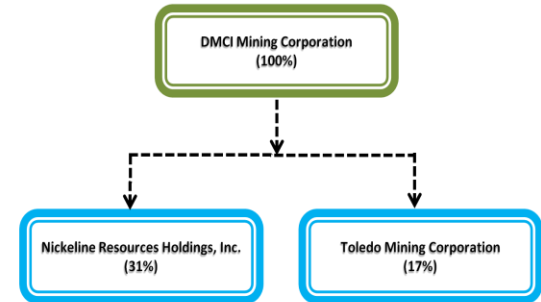
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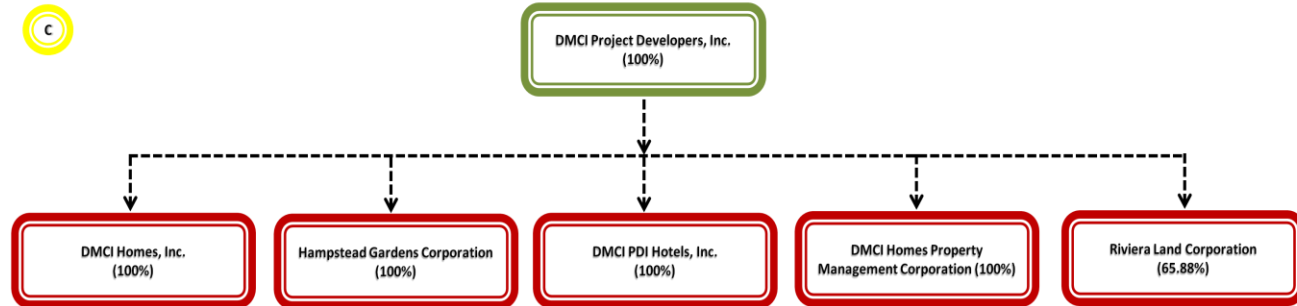
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D



C





CERTIFICATION

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

(632) 888 • 3000
Facsimile
(632) 816 • 7362
E-Mail

investor_inquiries@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 18th day of April, 2013 in Makati City.

[Signature]
MA. EDWINA C. LAPERAL *sub*

Subscribed and sworn to before me this 18 day of APR, 2013
affiant exhibiting to me his/her Community Tax No. 10669144 on January 23,
2013 in Makati City.



Doc. No. 115
Page No. 24
Book No. 334
Series of 2013

[Signature]
ATTY. LOPE M. VELASCO
NOTARY PUBLIC
Until December 31, 2013
Appt. No. M-136 Makati City
IBP #905610-Pasig City-11/09/12
PTR #3671504-MAKATI-01/02/13
TIN # 212-265-988
S.C. Roll No 28757
#250 Sen. Gil Puyat Ave., San Lorenzo Village,
Makati City

Subsidiaries:
D.M. Consunji, Inc.
DMCI Project Developers, Inc.
DMCI Power Corporation
DMCI Mining Corporation
Semirara Mining Corporation
DMCI-MPIC Water Co., Inc.
Wire Rope Corporation of the Phils.

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	2012 (in P'000)	2011 (in P'000)
A. ASSETS (A.1 + A.2 + A.3 + A.4 + A.5 + A.6+A.7+A.8+A.10)	95,254,887	84,183,689
A.1 Current Assets (A.1.1 + A.1.2 + A.1.3 + A.1.4 + A.1.5)	48,205,515	46,109,013
A.1.1 Cash and cash equivalents (A.1.1.1 + A.1.1.2 + A.1.1.3)	9,739,025	15,065,748
A.1.1.1 On hand	41,074	99,794
A.1.1.2 In domestic banks/entities	2,844,544	5,995,566
A.1.1.3 Short-term investments	6,853,407	8,970,388
A.1.2 Trade and Other Receivables (A.1.2.1 + A.1.2.2)	11,175,527	8,407,880
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)	11,175,527	8,407,880
A.1.2.1.1 Due from customers (trade)	10,685,733	7,976,545
A.1.2.1.2 Due from related parties	187,296	203,622
A.1.2.1.3 Others, specify (A.1.2.1.3.1+A.1.2.1.3.2)	542,975	399,446
A.1.2.1.3.1 Others	482,927	356,560
A.1.2.1.3.2 Advances to officers and employees	60,048	42,886
A.1.2.1.4 Allowance for doubtful accounts (negative entry)	(240,477)	(171,733)
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)	21,515,161	17,484,675
A.1.3.1 Real estate held for sale and development	15,510,158	12,508,114
A.1.3.2 Coal inventory	2,346,396	2,510,754
A.1.3.3 Equipment parts, materials & supplies in transit	3,638,185	2,335,372
A.1.3.4 Nickle Ore	20,422	130,435
A.1.3.5 Chromites		-
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)	159,813	131,310
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)	71,260	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	71,260	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		2012 (in P'000)	2011 (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)	88,553	59,910
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	88,553	59,910
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)	5,615,989	5,019,400
A.1.5.1	Advances to suppliers, subcon, brokers	3,099,566	2,361,400
A.1.5.2	Creditable taxes withheld	720,142	1,213,174
A.1.5.3	Input value added tax	818,385	563,014
A.1.5.4	Others	120,437	24,413
A.1.5.5	Security Deposits	-	-
A.1.5.6	Refundable deposits	325,859	226,962
A.1.5.7	Prepaid expenses	408,863	213,300
A.1.5.8	Cost and estimated earnings in excess of billings on uncompleted contracts	122,737	452,084
A.1.5.9	Allowance for probable losses <i>(negative entry)</i>	-	(34,947)
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)	25,724,232	23,419,344
A.2.1	Land and Land Improvements	987,944	1,507,723
A.2.2	Power Plant, Buildings and Building Improvement	661,673	19,083,577
A.2.3	Construction Equipment, Machinery and Tools	5,554,016	4,650,906
A.2.4	Office Furniture, Fixtures and Equipment	360,863	335,145
A.2.5	Others	39,965,797	17,459,070
A.2.5.1	Convention and Continuous Mining Properties and Equipment	39,452,863	14,932,108
A.2.5.2	Leashold Improvements	143,499	137,718
A.2.5.3	Construction-in-Progress	20,280	2,081,458
A.2.5.4	Transporation Equipment	349,155	307,786
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>	(21,806,061)	(19,617,077)
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)	14,357,000	10,849,383
A.3.1	Equity in domestic subsidiaries/affiliates		
A.3.2	Equity in foreign branches/subsidiaries/affiliates		
A.3.3	Others, specify (A.3.1.1 + A.3.2.1 + A.3.3.1 + A.3.3.4)	14,357,000	10,849,383
A.3.3.1	Investment in Associates	6,838,852	4,745,001
A.3.3.2	Accumulated Equity in net losses	7,524,538	6,063,115
A.3.3.3	Investment in Joint Ventures	408	408
A.3.3.4	Other	-	47,657
A.3.3.5	Allowance for probable losses <i>(negative entry)</i>	(6,798)	(6,798)
A.4	Investment Property	276,447	142,159
A.5	Biological Assets		
A.6	Intangible Assets (A.6.1 + A.6.2)	49,945	59,312
A.6.1	Major item/s, specify (A.6.1.1 + A.6.1.2 + A.6.1.3 + A.6.1.4)	49,945	59,312
A.6.1.1	Software costs	49,945	59,312
A.6.1.2			
A.6.1.3			
A.6.1.4			
A.6.2	Others, specify (A.6.2.1 + A.6.2.2 + A.6.2.3 + A.6.2.4)		-
A.6.2.1			
A.6.2.2			
A.6.2.3			
A.6.2.4			
A.7	Assets Classified as Held for Sale		
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	2012 (in P'000)	2011 (in P'000)
A.9 Long-term receivables (net of current portion) (A.9.1 + A.9.2 + A.9.3)	5,242,743	2,438,697
A.9.1 From domestic entities, specify (A.9.1.1 + A.9.1.2 + A.9.1.3 + A.9.1.4)	5,242,743	2,438,697
A.9.1.1 Due from customers (trade)	5,242,743	2,438,697
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)	1,399,005	1,165,781
A.10.1 Input VAT withheld	124,438	150,127
A.10.2 Prepaid rent	95,012	98,932
A.10.3 Investment in sinking fund	508,041	490,789
A.10.4 Others, specify (A.10.4.1 + A.10.4.2 + A.10.4.3 + A.10.4.4)	671,514	499,143
A.10.4.1 Deferred input-VAT	293,536	92,391
A.10.4.2 Security Deposit	191,390	132,681
A.10.4.3 Others	169,636	15,879
A.10.4.4 Pension asset	6,211	4,335
A.10.4.5 Deferred tax assets- net	10,741	16,140
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)	47,263,929	43,713,686
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)	27,064,711	23,238,342
B.1.1 Trade and Other Payables to Domestic Entities	12,338,919	11,925,949
B.1.1.1 Trade	10,163,807	8,937,618
B.1.1.2 Output VAT payable	543,445	1,475,956
B.1.1.3 Accrued cost and expenses	1,631,667	1,512,375
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)	5,830,446	4,091,792
(B.1.4.1 + B.1.4.2 + B.1.4.3)		
B.1.4.1 Real estate customers	4,389,153	1,921,812
B.1.4.2 Contract Owners	828,567	1,604,383
B.1.4.3 Coal Supply Contracts	40,330	112,314
B.1.4.4 Bank loans	572,396	453,283
B.1.5 Liabilities for Current Tax	89,442	138,199
B.1.6 Deferred Tax Liabilities	818,441	1,008,459
B.1.7 Others, specify (If material, state separately; indicate if the item is payable to public/private or financial/non-financial institutions)	7,987,463	6,073,943
B.1.7.1 Current portion of Long term - bank loans (private financial institutions)	6,642,262	3,806,197
B.1.7.2 Current Portion of finance lease (private financial institutions)	-	7,751
B.1.7.3 Current Portion of liabilities for purchased land	929,379	471,886
B.1.7.4 Billings in excess of costs and estimated earnings on uncompleted contracts	355,247	750,744
B.1.7.5 Acceptances and trust receipts payable	60,575	1,037,365
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	2012 (in P'000)	2011 (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)	18,190,853	17,775,617
B.2.1 Domestic Public Financial Institutions		
B.2.2 Domestic Public Non-Financial Institutions		
B.2.3 Domestic Private Financial Institutions	18,190,853	17,775,617
B.2.4 Domestic Private Non-Financial Institutions		
B.2.5 Foreign Financial Institutions		
B.3 Indebtedness to Affiliates and Related Parties (Non-Current)	61,215	326,997
B.4 Liabilities Included in the Disposal Groups Classified as Held for Sale		
B.5 Other Liabilities (B.5.1 + B.5.2)	1,947,150	2,372,730
B.5.1 Non-current portion liability for purchased land	215,945	460,047
B.5.2 Others, specify (B.5.2.1 + B.5.2.2 + B.5.2.3 + B.5.2.4)	1,731,205	1,912,683
B.5.2.1 Noncurrent Accounts Payable -trade	1,460,267	1,286,998
B.5.2.2 Subscription payable	4,938	384,646
B.5.2.3 Provision for decommissioning	62,448	47,582
B.5.2.4 Pension liabilities	203,550	180,305
B.5.2.5 Others	2	13,152
C. EQUITY (C.3 + C.4 + C.5 + C.6 + C.7 + C.8 + C.9+C.10)	47,990,958	40,470,003
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	2,655,497
C.3.1 Common shares	2,655,494	2,655,494
C.3.2 Preferred Shares	3	3
C.4 Additional Paid-in Capital / Capital in excess of par value / Paid-in Surplus	4,765,318	4,765,318
C.5 Minority Interest		
C.6 Others, specify (C.6.1 + C.6.2 + C.6.3 + C.6.4 + C.6.5)	7,332,049	6,416,116
C.6.1 Premium on Acquisition of Non-controlling interest	(161,033)	(161,033)
C.6.2 Other comprehensive loss	28,910	(1,090)
C.6.3 Attributable to non controlling interest	7,464,172	6,578,239
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)	33,238,094	26,633,072
C.8.1 Appropriated	1,600,000	3,401,659
C.8.2 Unappropriated	31,638,094	23,231,413
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)	95,254,887	84,183,689

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	2012 (in P'000)	2011 (in P'000)
A. REVENUE / INCOME (A.1 + A.2 + A.3)	55,693,357	51,518,833
A.1 Net Sales or Revenue / Receipts from Operations (manufacturing, mining, utilities, trade, services, etc.) (from Primary Activity)	51,739,879	47,802,585
A.2 Share in the Profit or Loss of Associates and Joint Ventures accounted for using the	2,317,232	2,185,199
A.3 Other Revenue (A.3.1 + A.3.2 + A.3.3 + A.3.4 + A.3.5)	625,276	273,807
A.3.1 Forfeitures and cancellation of contracts	157,579	160,145
A.3.2 Management fee	3,131	55,308
A.3.3 Rental income	274,170	53,807
A.3.4 Dividend income	5,679	4,547
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)	184,717	-
A.3.5.1 Commission income	-	-
A.3.5.2 Pension income	54,481	
A.3.5.3 Sale of fly ash	130,236	
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)	1,001,418	1,257,242
A.4.1 Interest Income	849,864	1,098,176
A.4.2 Recoveries from insurance claims	41,546	35,180
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)	(222,439)	57,565
A.4.3.1 Gain on sale of property, plant and equipment	127,497	57,565
A.4.3.2 Loss on writedown	(341,146)	-
A.4.3.3 Loss on sale of AFS	(986)	
A.4.3.4 Others	(7,804)	
A.4.4 Gain / (Loss) on Foreign Exchange (A.4.4.1 + A.4.4.2 + A.4.4.3 + A.4.4.4)	332,447	(46,567)
A.4.4.1 Foreign Exchange gain or loss	332,447	(46,567)
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)	9,552	112,888
A.4.5.1 Others	-	112,888
A.4.5.2 Reversal of doubtful accounts	9,552	
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)	16,016,911	15,703,721
C.1 Fuel and lubricants	3,043,332	4,242,030
C.2 Cost of real estate inventory	4,534,748	4,004,240
C.3 Materials and supplies	4,172,074	1,821,355
C.4 Depreciation and amortization	1,448,149	1,797,211
C.5 Outside services	967,163	1,410,563
C.6 Hauling, shiploading and handling costs	763,505	1,198,572
C.7 Direct labor	456,399	622,215
C.8 Production overhead	600,582	456,211
C.9 Others	30,959	151,324
D. COST OF SERVICES, SPECIFY (D.1 + D.2 + D.3 + D.4 + D.5 + D.6)	18,563,724	15,725,259
D.1 Materials and supplies	5,981,336	6,515,312
D.2 Outside services	6,498,218	2,751,187
D.3 Direct labor	1,327,040	1,638,495
D.4 Spot purchases	130,367	1,500,978
D.5 Production overhead	649,682	1,171,005
D.6 Depreciation and amortization	1,554,596	1,097,976
D.7 Fuel and lubricants	2,110,596	997,184
D.8 Hauling, shiploading and handling costs	214,913	6,955
D.9 Others	96,976	46,167

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	2012 (in P'000)	2011 (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)	21,112,722	20,089,853
G. OPERATING EXPENSES (G.1 + G.2 + G.3 + G.4)	5,890,694	5,205,907
G.1 Government share	1,557,950	1,497,356
G.2 Salaries, wages and employee benefits	1,008,440	973,829
G.3 Taxes and licenses	530,723	677,460
G.4 Other Expenses, specify (G.4.1 + G.4.2 + G.4.3 + G.4.4 + G.4.5 + G.4.6)	2,793,581	2,057,262
G.4.1 Commission	386,810	503,946
G.4.2 Advertising and marketing	366,357	337,092
G.4.3 Outside services	792,487	211,478
G.4.4 Depreciation and amortization	327,097	198,656
G.4.5 Rent	28,619	104,834
G.4.6 Repairs and maintenance	238,995	94,728
G.4.7 Communication, light and water	80,440	75,686
G.4.8 Insurance	61,687	68,172
G.4.9 Entertainment, amusement and recreation	69,697	62,395
G.4.10 Association dues	40,081	50,276
G.4.11 Transportation and travel	54,507	47,292
G.4.12 Supplies	108,757	46,954
G.4.13 Organizational cost	-	20,221
G.4.14 Provision for doubtful accounts	78,296	15,178
G.4.15 Provision for over nomination	-	-
G.4.16 Probable losses on other current assets	-	-
G.4.17 Probable losses on property plant and equipment	-	-
G.4.18 Probable losses on other noncurrent assets	47,151	-
G.4.19 Miscellaneous	112,600	220,354
H. FINANCE COSTS	1,198,528	1,261,885
I. NET INCOME (Loss) BEFORE TAX (F - G - H)	14,023,500	13,622,061
J. INCOME TAX EXPENSE (negative entry)	(1,475,774)	(1,345,155)
K. INCOME AFTER TAX	12,547,726	12,276,906
L. Amount of (i) Post-Tax Profit or Loss of Discontinued Operations; and (ii) Post-Tax Gain or Loss Recognized on the Measurement of Fair Value less Cost to Sell or on the Disposal of the Assets or Disposal Group(s) constituting the Discontinued Operation (i)		-
L.1 Gain from sale of discontinued operation		-
L.2 Net income from discontinued operation		-
M. Profit or Loss Attributable to Minority Interest	2,756,111	2,681,455
N. Profit or Loss Attributable to Equity Holders of the Parent	9,791,615	9,595,451

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	2012 (in P'000)	2011 (in P'000)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income (Loss) from Continuing Operations Before Tax and Extraordinary Items	14,023,500	13,622,061
Net Income (Loss) from Discontinued Operations Before Tax and Extraordinary Items	-	-
Net Income (Loss) Before Tax and Extraordinary Items	14,023,500	13,622,061
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities		
Depreciation & Amortization	3,329,842	3,093,843
Others, specify:		
Equity in Net Losses of Associates	(2,317,551)	(2,185,199)
Net Unrealized Foreign Exchange Losses/ (Gains)	(182,518)	18,974
Unrealized market gain on financial assets at FVPL	140	(1,400)
Dividend income	(25,379)	(4,547)
Gain on reversal on impairment on PPE	-	(6,670)
Loss on PPE write-down	341,146	-
Gain on disposal of property and equipment and investments	(127,497)	(57,565)
Gain on sale of investments	-	-
Loss on sale of AFS	986	-
Finance cost	1,198,528	1,261,885
Finance income	(849,864)	(1,098,176)
Provisions for:		
Property, plant and equipment	-	-
Probable loss on current assets	-	-
Noncurrent assets	47,150	-
Doubtful accounts and impairment losses	78,296	15,178
Changes in Assets and Liabilities:		
Decrease (Increase) in:		
Receivables	(5,901,426)	1,116,709
Costs and estimated earnings in excess of billings on uncompleted contracts	329,347	(2,888)
Inventories	(3,492,778)	(5,856,905)
Other Current Assets and prepayments	(931,039)	(698,297)
Others, specify:		
Pension asset	(1,856)	(4,355)
Increase (Decrease) in:		
Trade and Other Payables	635,867	1,753,504
Others, specify:		
Liabilities for purchased land	168,985	(498,574)
Customers' advances and deposits	1,619,541	(799,490)
Billings in excess of costs and estimated earnings on uncompleted contr	(395,497)	163,864
Pension liabilities	23,245	(36,479)
Interest received	852,289	1,080,363
Interest paid	(1,451,393)	(1,251,191)
Income taxes paid	(1,709,150)	(849,894)
A. Net Cash Provided by (Used in) Operating Activities (sum of above rows)	5,262,914	8,774,751
CASH FLOWS FROM INVESTING ACTIVITIES		
(Increase) Decrease in Investments in associates	(2,576,811)	26,138
(Increase) Decrease in Other noncurrent assets	(460,336)	(233,279)
(Increase) Decrease in Non-controlling interest	-	-
Reductions/(Additions) to Property, Plant, and Equipment	(6,176,499)	(3,539,342)
Reductions/(Additions) to available for sale assets	164,878	(7,105)
Reductions/(Additions) to investment in financial asset at FVPL	-	(70,000)
Reductions/(Additions) to investment properties	(139,197)	(32,138)
Reductions/(Additions) to investment in associates, jointly controlled entity and others	-	(1,300)
Others, specify:		
Proceeds from disposal of property and equipment	-	76,077
Proceeds from sale of available for sale assets	136,040	150
Proceeds from sale of investment in subsidiary	-	-
Proceeds from sale of investment in associates, jointly controlled	-	-
Dividend received	881,507	703,198
Acquisition of a business	-	-
B. Net Cash Provided by (Used in) Investing Activities (sum of above rows)	(8,170,418)	(3,077,601)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from:		
Short-term debt	1,813,037	2,455,720
Long-term debt	10,742,004	10,627,665
Availments (Payments) of:		
Short-term debt	(2,669,848)	(1,720,312)
Long-term debt	(7,230,103)	(8,114,551)
Dividends paid to equity holders of DMCI Holdings, Inc	(3,186,593)	(2,627,009)
Dividends paid to non-controlling interest	(1,870,178)	(1,575,702)
Increase (decrease) in:		
Other noncurrent liabilities	174,985	562,351
Payable to related parties	(89,249)	(190,387)
Others, specify (negative entry) :		
Redemption of Preferred Shares	-	(600)
C. Net Cash Provided by (Used in) Financing Activities (sum of above rows)	(2,315,945)	(582,825)
D. Effect of exchange rate changes on cash & cash equivalents	(103,274)	4,757
NET INCREASE IN CASH AND CASH EQUIVALENTS (A + B + C + D)	(5,326,723)	5,119,082
Cash and Cash Equivalents		
Beginning of year	15,065,748	9,946,666
End of the year	9,739,025	15,065,748

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)		
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		
P.1 Net income for the year			9,791,615				9,791,615	2,756,111	12,547,726		
P.2 Other Comprehensive income							30,000	30,000	30,000		
Q. Dividends (negative entry)			(3,186,593)				(3,186,593)	(1,870,178)	(5,056,771)		
R. Appropriation for (specify)											
R.1 Additional investment			(1,600,000)	1,600,000							
S. Balance, 2012	2,655,497	4,765,318	28,236,435	5,001,659	(161,033)	28,910	40,526,786	7,464,172	47,990,958		

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 5. Details of Income and Expenses, by source
 (applicable to corporations transacting with foreign corporations/entities)

FINANCIAL DATA	2012 (in P'000)	2011 (in P'000)
A. REVENUE / INCOME (A.1 + A.2)	56,062,993	51,565,400
A.1 Net Sales or Revenue / Receipts from Operations (manufacturing, mining, utilities, trade, services, etc.) (from Primary Activity) (A.1.1 +A.1.2)	51,739,879	47,802,585
A.1.1 Domestic	43,685,363	40,641,872
A.1.2 Foreign	8,054,516	7,160,713
A.2 Other Revenue (A.2.1 +A.2.2)	4,323,114	3,762,815
A.2.1 Domestic	4,323,114	3,762,815
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)	42,039,493	37,943,339
B.1 Domestic	42,039,493	37,943,339
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.

Parent Company Financial Statements
December 31, 2012 and 2011

and

Independent Auditors' Report

SyCip Gorres Velayo & Co.

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
DMCI Holdings, Inc.

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, 2012 and 2011, 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, 2012 and 2011, 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 parent company financial statements. The information is also not required by Securities Regulation Code Rule No. 68. Our opinion on the basic parent company financial statements is not affected by the presentation of the information in a separate schedule.

SYCIP GORRES VELAYO & CO.



Michael C. Sabado

Partner

CPA Certificate No. 89336

SEC Accreditation No. 0664-AR-1 (Group A),
March 11, 2011, valid until March 10, 2014

Tax Identification No. 160-302-865

BIR Accreditation No. 08-001998-73-2012,
April 11, 2012, valid until April 10, 2015

PTR No. 3670019, January 2, 2013, Makati City

April 11, 2013



DMCI HOLDINGS, INC.**PARENT COMPANY STATEMENTS OF FINANCIAL POSITION**

	December 31	
	2012	2011
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 6 and 19)	₱3,739,054,310	₱2,192,423,907
Receivables (Notes 7, 14 and 19)	117,192,581	383,556,215
Other current assets	4,955,205	9,803,981
Total Current Assets	3,861,202,096	2,585,784,103
Noncurrent Assets		
Investments in subsidiaries and associates (Note 8)	16,575,646,296	14,727,562,211
Investment properties (Note 9)	70,180,877	70,180,877
Property and equipment (Note 10)	5,700,392	3,355,456
Deferred tax asset - net (Note 18)	-	935,039
Pension asset (Note 15)	3,628,264	-
Other noncurrent assets	3,054,084	3,012,318
Total Noncurrent Assets	16,658,209,913	14,805,045,901
	₱20,519,412,009	₱17,390,830,004
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts and other payables (Notes 11 and 19)	₱14,987,036	₱23,980,991
Due to related parties (Notes 14 and 19)	1,126,696	250,583,932
Total Current Liabilities	16,113,732	274,564,923
Noncurrent Liabilities		
Pension liabilities (Note 15)	-	986,807
Deferred tax liability - net (Note 18)	448,986	-
Other noncurrent liabilities (Notes 12 and 19)	1,000,000	380,708,165
Total Noncurrent Liabilities	1,448,986	381,694,972
Total Liabilities	17,562,718	656,259,895
Equity (Note 13)		
Capital stock	2,655,497,780	2,655,497,780
Additional paid-in capital	4,765,316,671	4,765,316,671
Retained earnings	13,081,034,840	9,313,755,658
Total Equity	20,501,849,291	16,734,570,109
	₱20,519,412,009	₱17,390,830,004

See accompanying Notes to Parent Company Financial Statements.



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

	Years Ended December 31		
	2012	2011	2010
INCOME			
Investment income (Notes 8 and 14)	₱6,782,152,724	₱5,979,419,369	₱3,484,686,300
Finance income (Notes 6 and 17)	176,013,527	155,728,442	22,913,298
Rental income (Notes 9 and 14)	108,373,841	126,018,765	77,299,547
Management fee (Note 14)	4,200,000	4,200,000	55,516,455
Foreign exchange gain	–	751,668	17,983,702
Guarantee fee	–	–	6,214,019
Others (Note 15)	4,615,071	5,690,116	16,628,666
	7,075,355,163	6,271,808,360	3,681,241,987
COSTS AND EXPENSES			
General and administrative expenses (Note 16)	58,722,283	106,438,950	118,354,354
Finance cost	76,119	334,356	628,665
Foreign exchange loss	12,529,103	–	–
	71,327,505	106,773,306	118,983,019
INCOME BEFORE INCOME TAX	7,004,027,658	6,165,035,054	3,562,258,968
PROVISION FOR INCOME TAX (Note 18)	50,155,676	41,271,225	34,205,742
NET INCOME	6,953,871,982	6,123,763,829	3,528,053,226
OTHER COMPREHENSIVE INCOME	–	–	–
TOTAL COMPREHENSIVE INCOME	₱6,953,871,982	₱6,123,763,829	₱3,528,053,226
EARNINGS PER SHARE	₱2.62	₱2.31	₱1.33

See accompanying Notes to Parent Company Financial Statements.



DMCI HOLDINGS, INC.

PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY

	Capital		Retained Earnings		Total Equity
	Stock (Note 13)	Additional Paid-in Capital	Unappropriated (Note 13)	Appropriated (Note 13)	
Balance at January 1, 2012	₱2,655,497,780	₱4,765,316,671	₱6,313,755,658	₱3,000,000,000	₱16,734,570,109
Total comprehensive income	-	-	6,953,871,982	-	6,953,871,982
Dividends declared (Note 13)	-	-	(3,186,592,800)	-	(3,186,592,800)
Appropriation for capital expenditures and investments (Note 13)	-	-	(1,600,000,000)	1,600,000,000	-
Balance at December 31, 2012	₱2,655,497,780	₱4,765,316,671	₱8,481,034,840	₱4,600,000,000	₱20,501,849,291
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 13)	(600)	(599,400)	-	-	(600,000)
Appropriation for capital expenditures and investments (Note 13)	-	-	(3,000,000,000)	3,000,000,000	-
Total comprehensive income	-	-	6,123,763,829	-	6,123,763,829
Dividends declared (Note 13)	-	-	(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 13)	-	-	(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		
	2012	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	₱7,004,027,658	₱6,165,035,054	₱3,562,258,968
Adjustments for:			
Depreciation (Notes 10 and 16)	1,762,516	1,818,335	2,123,365
Finance cost	76,119	334,356	628,665
Gain on sale of property and equipment	–	(233,221)	–
Finance income (Note 17)	(176,013,527)	(155,728,442)	(22,913,298)
Investment income (Notes 8 and 14)	(6,782,152,724)	(5,979,419,369)	(3,484,686,300)
Operating income before changes in working capital	47,700,042	31,806,713	57,411,400
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Receivables	(32,053,499)	(8,053,327)	(16,550,085)
Other current assets	4,848,776	(7,926,806)	(113,130)
Pension asset	(3,628,264)	–	–
Other noncurrent assets	–	(435,616)	(272)
Increase (decrease) in:			
Accounts and other payable	(1,598,815)	(62,711,797)	56,801,759
Pension liabilities	(986,807)	(5,442,038)	(498,906)
Net cash generated from (used in) operations	14,281,433	(52,762,871)	97,050,766
Interest received	174,321,250	145,171,644	23,004,713
Income tax paid	(48,771,651)	(38,992,127)	(6,575,972)
Interest paid	(667,552)	–	(19,555,770)
Net cash provided by operating activities	139,163,480	53,416,646	93,923,737
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received	7,082,152,724	4,729,824,619	2,530,013,660
Additional (payments of) advances to related parties	109,410	130,248,052	(234,657,437)
Acquisitions of:			
Property and equipment (Note 10)	(4,107,452)	(2,051,671)	(1,044,357)
Investments in subsidiaries and associates (Note 8)	(2,378,700,672)	–	(571,756,921)
Assignment of investment (Note 8)	–	1,275,000	1,746,079,048
Proceeds from sale of:			
Property and equipment	–	421,117	–
Investments in subsidiaries and associates (Note 8)	–	–	1,750,000,000
Net cash provided by investing activities	4,699,454,010	4,859,717,117	5,218,633,993

(Forward)



	Years Ended December 31		
	2012	2011	2010
CASH FLOWS FROM FINANCING ACTIVITIES			
Additional (payments of) advances from related parties	(₱98,548,814)	(₱2,593,309,331)	₱897,377,772
Payments of:			
Long-term debt	-	-	(2,970,057,704)
Redemption of preferred shares (Note 13)	-	(600,000)	-
Liability for purchased land	-	(3,817,005)	(2,853,984)
Dividends (Note 13)	(3,193,438,273)	(2,650,301,747)	(1,323,523,320)
Net cash used in financing activities	(3,291,987,087)	(5,248,028,083)	(3,399,057,236)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,546,630,403	(334,894,320)	1,913,500,494
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	2,192,423,907	2,527,318,227	613,817,733
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)	₱3,739,054,310	₱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 DECLARATION
FOR THE YEAR ENDED DECEMBER 31, 2012**

Unappropriated Retained Earnings, as adjusted to available for dividend distribution at beginning of year		₱6,313,755,658
Add: Net income actually earned/realized during the year		
Net income	6,953,871,982	
Add amortization of discount on payable to landowners	<u>48,653</u>	
Net income actually earned during the year		6,953,920,635
Less:		
Dividends declared during the year		(3,186,592,800)
Appropriation for capital expenditures, investments and future dividend declaration		<u>(1,600,000,000)</u>
Unappropriated Retained Earnings, available for dividend distribution, ending		₱8,481,083,493



DMCI HOLDINGS, INC.

NOTES TO PARENT COMPANY FINANCIAL STATEMENTS

1. Corporate Information

DMCI Holdings, Inc. (the Parent Company) was 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 was listed in the Philippine Stock Exchange on December 18, 1995.

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), Sem-Calaca RES Corporation (formerly DMCI Calaca Power Corporation), Wire Rope Corporation of the Philippines (Wire Rope), and DMC MPIC Water Co. (DMWC), among others.

2. 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.

3. Changes in Accounting Policies

The accounting policies adopted in the preparation of the financial statements are consistent with those of the previous financial year except for the following amended Philippine Accounting Standards (PAS) and PFRS which were adopted as of January 1, 2012. 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.

- PFRS 7, *Financial Instruments: Disclosures - Transfers of Financial Assets* (Amendments) (effective for periods beginning on or after January 1, 2012)
The amendments require additional disclosures about financial assets that have been transferred but not derecognized to enhance the understanding of the relationship between those assets that have not been derecognized and their associated liabilities. In addition, the amendments require disclosures about continuing involvement in derecognized assets to enable users of financial statements to evaluate the nature of, and risks associated with, the



entity's continuing involvement in those derecognized assets. The amendments affect disclosures only and have no impact on the Parent Company's financial position or performance.

- PAS 12, *Income Taxes - Recovery of Underlying Assets* (Amendment) (effective for periods beginning on or after January 1, 2012)
This amendment to PAS 12 clarifies the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that the carrying amount of investment property measured using the fair value model in PAS 40, *Investment Property*, will be recovered through sale and, accordingly, requires that any related deferred tax should be measured on a 'sale' basis. The presumption is rebutted if the investment property is depreciable and it is held within a business model whose objective is to consume substantially all of the economic benefits in the investment property over time ('use' basis), rather than through sale. Furthermore, the amendment introduces the requirement that deferred tax on non-depreciable assets measured using the revaluation model in PAS 16, *Property, Plant and Equipment*, always be measured on a sale basis of the asset.

Future Changes in Accounting Policies

The Parent Company has not adopted the following PFRS and Philippine Interpretations which are not yet effective as of December 31, 2012. The Parent Company will adopt these standards when these 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.

Effective 2013

- PFRS 7, *Financial instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities* (Amendments) (effective for annual periods beginning on or after January 1, 2013)
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 parent company statement of financial position;
 - c) The net amounts presented in the parent company statement 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 affect disclosures only and have no impact on the Parent Company's financial position or performance.



- PFRS 10, *Consolidated Financial Statements* (effective for annual periods beginning on or after January 1, 2013)
PFRS 10 replaces the portion of PAS 27, *Consolidated and Separate Financial Statements*, that 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.

The Parent Company has concluded its assessment covering its investment in subsidiaries, associates and jointly controlled entities as of December 31, 2012 where in the adoption of PFRS 10: a.) all direct subsidiaries of the Parent Company shall remain to be consolidated; and b.) all direct associates and jointly controlled entities of the Parent Company will not be consolidated based on the provisions of the Standard.

- PFRS 11, *Joint Agreements* (effective for annual periods beginning on or after January 1, 2013)
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 using proportionate consolidation. Instead, jointly controlled entities that meet the definition of a joint venture must be accounted for using the equity method.

The Parent Company does not anticipate that the adoption of this standard will have a significant impact on its financial position and performance.

- PFRS 12, *Disclosure of Interests in Other Entities* (effective for annual periods beginning on or after January 1, 2013)
PFRS 12 includes all of the disclosures related to consolidated financial statements that were previously in PAS 27, as well as all the disclosures that were previously included in PAS 31 and PAS 28, *Investments in Associates*. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required.

The adoption of PFRS 12 will affect disclosures only and have no impact on the Parent Company's financial position or performance.

- PFRS 13, *Fair Value Measurement* (effective for annual periods beginning on or after January 1, 2013)
PFRS 13 establishes a single source of guidance under PFRSs 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 should be applied prospectively as of the beginning of the annual period in which it is initially applied. Its disclosure requirements need not be applied in comparative information provided for periods before initial application of PFRS 13.

The Parent Company does not anticipate that the adoption of this standard will have a significant impact on its financial position and performance.



- PAS 1, *Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income* (Amendments) (effective for annual periods beginning on or after July 1, 2012)
 The amendments to PAS 1 change the Parent Company's grouping of items presented in other comprehensive income (OCI). Items that can be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon derecognition or settlement) will be presented separately from items that will never be recycled. The amendments affect presentation only and have no impact on the Parent Company's financial position or performance. The amendments will be applied retrospectively and will result to the modification of the presentation of items of OCI.
- PAS 19, *Employee Benefits* (Revised) (effective for annual periods beginning on or after January 1, 2013)
 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 revised standard also requires new disclosures such as, among others, a sensitivity analysis for each significant actuarial assumption, information on asset-liability matching strategies, duration of the defined benefit obligation, and disaggregation of plan assets by nature and risk. Once effective, the Parent Company has to apply the amendments retroactively to the earliest period presented.

The Parent Company reviewed its existing employee benefits and determined that the amended standard has significant impact on its accounting for retirement benefits. The Parent Company obtained the services of an external actuary to compute the impact to the financial statements upon adoption of the standard. The effects are detailed below:

	As at December 31, 2012	As at January 1, 2012
<u>Increase (decrease) in:</u>		
<u>Parent Company Statements of financial position</u>		
Net defined benefit asset	(P35,475,447)	(P30,278,189)
Deferred tax asset	4,507,546	5,868,378
Other comprehensive income	(9,704,804)	4,865,192
Retained earnings	3,155,547	4,107,865
		2012
<u>Parent Company Statements of comprehensive income</u>		
Net benefit cost		P4,507,547
Income tax expense		(1,352,264)
Net income		P3,155,283

- PAS 27, *Separate Financial Statements* (as revised in 2011) (effective for annual periods beginning on or after January 1, 2013)
 As a consequence of the issuance 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 the separate financial statements. The adoption of the amended PAS 27 will not have a significant impact on the separate financial statements of the entities in the Parent Company.
- PAS 28, *Investments in Associates and Joint Ventures* (as revised in 2011) (effective for annual periods beginning on or after January 1, 2013)



As a consequence of the issuance of the new PFRS 11, *Joint Arrangements*, and PFRS 12, *Disclosure of Interests in Other Entities*, 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 Parent Company does not expect the adoption of these new standards to have significant impact on the financial statements.

Improvements to PFRSs

The Improvements to PFRSs contain non-urgent but necessary amendments to PFRSs. The amendments are effective for annual periods beginning on or after January 1, 2013 and are applied retrospectively. Earlier application is permitted. Except as otherwise indicated, the Parent Company does not expect the adoption of these new standards to have significant impact on the financial statements.

- *PFRS 1, First-time Adoption of PFRS - Borrowing Costs*
The Amendment clarifies that, upon adoption of PFRS, an entity that capitalized borrowing costs in accordance with its previous generally accepted accounting principles, may carry forward, without any adjustment, the amount previously capitalized in its opening statement of financial position at the date of transition. Subsequent to the adoption of PFRS, borrowing costs are recognized in accordance with PAS 23, *Borrowing Costs*.
- *PAS 1, Presentation of Financial Statements - Clarification of the requirements for comparative information*
The Amendments clarify the requirements for comparative information that are disclosed voluntarily and those that are mandatory due to retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional comparative period does not need to contain a complete set of financial statements. On the other hand, supporting notes for the third balance sheet (mandatory when there is a retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements) are not required.
- *PAS 16, Property, Plant and Equipment - Classification of servicing equipment*
The Amendment clarifies that spare parts, stand-by equipment and servicing equipment should be recognized as property, plant and equipment when they meet the definition of property, plant and equipment and should be recognized as inventory if otherwise.
- *PAS 32, Financial Instruments: Presentation - Tax effect of distribution to holders of equity instruments*
The Amendment clarifies that income taxes relating to distributions to equity holders and to transaction costs of an equity transaction are accounted for in accordance with PAS 12, *Income Taxes*.
- *PAS 34, Interim Financial Reporting - Interim financial reporting and segment information for total assets and liabilities*
The Amendment clarifies that the total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the entity's previous annual financial statements for that reportable segment.



- Philippine Interpretation IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine*
This interpretation applies to waste removal costs (“stripping costs”) that are incurred in surface mining activity during the production phase of the mine (“production stripping costs”). If the benefit from the stripping activity will be realized in the current period, an entity is required to account for the stripping activity costs as part of the cost of inventory. When the benefit is the improved access to ore, the entity should recognize these costs as a non-current asset, only if certain criteria are met (“stripping activity asset”). The stripping activity asset is accounted for as an addition to, or as an enhancement of, an existing asset. After initial recognition, the stripping activity asset is carried at its cost or revalued amount less depreciation or amortization and less impairment losses, in the same way as the existing asset of which it is a part. The Parent Company expects that this interpretation will not have any impact on its financial position or performance.

Effective 2014

- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (Amendments) (effective for annual periods beginning on or after January 1, 2014)
The amendments 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 affect presentation only and have no impact on the Parent Company’s financial position or performance.

Effective 2015

- PFRS 9, *Financial Instruments* (effective for annual periods beginning on or after January 1, 2015)
PFRS 9, as issued, reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39, *Financial Instruments: Recognition and Measurement*. Work on impairment of financial instruments and hedge accounting is still ongoing, with a view to replacing PAS 39 in its entirety. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through OCI or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability’s credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO. 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 the classification and measurement of financial liabilities. The Parent Company’s has decided not to early adopt for its 2012 financial



reporting, thus, has not conducted a full quantification of the impact of this standard. The Parent Company will quantify the effect in conjunction with the other phases, when issued, to present a more comprehensive picture.

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate* (effective for annual periods beginning on or after January 1, 2016)
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 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 the 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. The Parent Company expects that this interpretation will not have any impact on its financial position or performance.

4. Summary of Significant Accounting Policies

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 (3) 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 market place 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, 2012 and 2011, 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, 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 method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate (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 effective interest method.

Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the 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 statements of financial position captions, "Accounts and other payables", "Due to related parties" and "Other noncurrent liabilities" (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 Parent Company of financial assets is impaired. A financial asset or a Parent Company 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 Parent Company of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the borrower or a Parent Company 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 Parent Company 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 Parent Company 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 EIR (i.e. the EIR 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 Parent Company of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the Parent Company. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Parent Company to reduce any differences between loss estimates and actual loss experience.

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 Parent Company of similar financial assets) is derecognized when:

- a. the rights to receive cash flows from the asset has expired;
- b. the Parent Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- c. the Parent Company has transferred its 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. Capital distributions are accounted as recovery of the investment and are recognized as reduction in 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 against expenses 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 against 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:

	Years
Office furniture, fixtures and equipment	1-3
Transportation equipment	5

The residual values, 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 Parent Company 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 Parent 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 Parent Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Parent 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:

Dividend income

Dividend income is recognized when the Parent Company's right to receive payment is established. This is recognized as investment income in the statement of comprehensive income.

Finance income

Revenue is recognized as interest accrues (using the EIR 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).

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.

Management fees

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

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 includes income derived from the Parent Company's management fee from Semirara's stock right offering, pension income and 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.



General and Administrative Expenses

General and administrative 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.

Taxes

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 - Parent 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 - Parent 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. These 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.

5. 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.

Judgments

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.

Distinction between investment properties and owner - occupied properties

The Parent determines whether a property qualifies as an investment property. In making its judgment, the Parent 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.

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. The Parent Company's receivables amounted to ₱117.19 million and ₱383.56 million as of December 31, 2012 and 2011, respectively (Note 7).

There were no provisions for impairment losses on receivables recognized in 2012 and 2011.

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 related balances follow:

	2012	2011
Cost	₱32,121,753	₱28,014,301
Accumulated Depreciation	26,421,361	24,658,845
Depreciation	1,762,516	1,818,335



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:

- a. significant underperformance relative to expected historical or projected future operating results;
- b. significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- c. 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:

- a. deteriorating or poor financial condition;
- b. recurring net losses; and
- c. 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, 2012 and 2011, carrying values of the Parent Company's nonfinancial assets, net of accumulated depreciation and accumulated provisions for impairment losses, if any, follow:

	2012	2011
Investments in subsidiaries and associates (Note 8)	₱16,575,646,296	₱14,727,562,211
Investment properties (Note 9)	70,180,877	70,180,877
Property and equipment (Note 10)	5,700,392	3,355,456

Allowance for impairment losses on investments in subsidiaries and associates amounted to ₱11.46 million as of December 31, 2012 and 2011 (Note 8).

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 asset amounted to ₱0.94 million as of December 31, 2011. No deferred tax asset is recognized in 2012 (Note 18).

Estimating pension obligation and other retirement benefits

The determination of the Parent Company's pension liabilities is dependent on selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 15 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 ₱38.37 million and ₱35.74 million as of December 31, 2012 and 2011, respectively (Note 15).

Contingencies

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.

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.

Related balances follow (Note 19):

	2012		2011	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets	₱3,856,246,891	₱3,856,246,89	₱2,575,975,122	₱2,575,975,122
Financial liabilities	6,662,203	6,662,203	652,055,367	652,055,367

6. Cash and Cash Equivalents

This account consists of (Note 19):

	2012	2011
Cash on hand and in banks	₱63,860,955	₱72,536,656
Cash equivalents	3,675,193,355	2,119,887,251
	₱3,739,054,310	₱2,192,423,907

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 annual interests ranging from 3.95% to 4.38% and 1.60% to 4.69% in 2012 and 2011, respectively.



Interest income earned from cash and cash equivalents amounted to ₱176.01 million and ₱155.73 million in 2012 and 2011, respectively (Note 17).

7. Receivables

This account consists of:

	2012	2011
Advances to a broker	₱63,064,288	₱-
Due from related parties (Note 14)	24,319,353	24,428,763
Rental receivables (Note 14)	18,137,117	49,454,225
Accrued interest receivable	13,174,496	11,482,219
Management fee receivable (Note 14)	1,176,000	784,000
Advances to officers and employees	233,585	324,914
Dividend receivable	-	300,000,000
Other receivables	71,020	65,372
	120,175,859	386,539,493
Less allowance for impairment losses	2,983,278	2,983,278
	₱117,192,581	₱383,556,215

Advances to a broker pertain to the amount of excess fund paid in advance by the Parent Company to a broker to acquire ENK Plc shares. These were returned subsequently to the Parent Company on January 31, 2013.

Due from related parties pertains to the different advances made by the Parent Company to its affiliates.

The Parent Company has provided an allowance for uncollectible advances for their receivable from Semirara Cement Corporation amounting ₱2.98 million as of December 31, 2012 and 2011.

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.

Dividend receivable in 2011 pertains to the unpaid portion of the dividends declared by PDI. These were subsequently collected in 2012.

The Parent Company's receivables are all due within one year.



8. Investments in Subsidiaries and Associates

The details of the Parent Company's investments in subsidiaries and associates follow:

	2012	2011
Acquisition cost:		
Balance at beginning of year	₱14,739,021,864	₱13,790,702,114
Additions	2,078,973,030	949,594,750
Disposals	-	(1,275,000)
Return of capital	(530,616,587)	-
	16,287,378,307	14,739,021,864
Less allowance for impairment losses	11,459,653	11,459,653
	16,275,918,654	14,727,562,211
Deposit investment	299,727,642	-
	₱16,575,646,296	₱14,727,562,211

Deposit to DMCI Mining Corporation amounting ₱299.73 million represents amounts of investment which are expected to be applied against subscription in Toledo Mining Corporation (Toledo).

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:

	Principal Activity	Effective Interest			
		2012	2011	2012	2011
Investments in Subsidiaries:					
DMCI Project Developers, Inc. (PDI)	Real estate development	100.00	100.00	₱2,959,067,453	₱2,959,067,453
D.M. Consunji, Inc. (DMCI)	General construction	100.00	100.00	2,113,493,074	2,113,493,074
DMCI Power Corporation (DMCI Power)	Power	100.00	100.00	300,000,000	300,000,000
DMCI Mining Corporation (DMCI Mining)	Mining	100.00	100.00	277,086,632	277,086,632
Semirara Cement Corporation (SemCem)*	Cement manufacturing	100.00	100.00	1,999,400	1,999,400
Sem - Calaca RES Corporation**	Power	100.00	100.00	1,250,000	1,250,000
Semirara Mining Corporation (Semirara)	Mining	56.32	56.32	4,375,297,241	4,375,297,241
Wire Rope Corporation of the Philippines (Wire Rope)	Steel wire manufacturing	61.70	61.70	22,010,775	22,010,775
Associates:					
ENK Plc	Nickel mining	60.00	-	2,124,623,030	45,650,000
DMC MPIC Water Co. (DMWC)	Investment holding for water concessionaire	44.59	44.59	3,430,983,413	3,961,600,000
Private Infra Dev Corporation (PIDC)	Tollway operations	32.22	32.22	681,567,289	681,567,289
				₱16,287,378,307	₱14,739,021,864

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

**Formerly DMCI Calaca Power Corporation.



DMCI

Subscription to PDI's increase in authorized capital stock

On October 30, 2009, the PDI BOD and stockholders approved the increase in the PDI's authorized capital stock from ₱3.00 billion, divided into 3,000,000,000 common shares with a par value of ₱1.00 per share, to ₱5.00 billion, divided into 5,000,000,000 common shares with a par value of ₱1.00 per share.

On December 6, 2009, the Parent Company, DMCI and PDI executed a Deed of Assignment to subscribe to the increase in the authorized capital stock of PDI.

Of the said increase in the authorized capital stock of 2 billion common shares at ₱1.00 par value per share, 538,132,578 common shares have been subscribed by DMCI and the Parent Company, each subscribing 504,862,578 shares and 33,270,000 shares, respectively. As a way of payment to the subscriptions, DMCI and the Parent Company conveyed real estate properties at an agreed transfer values of ₱504.86 million and ₱33.27 million, respectively. In 2009, the subscriptions were included in "Deposits for future stock subscriptions" account in the PDI's statement of financial position as of December 31, 2009. In 2010, these were subsequently issued with capital stock upon SEC's approval of the application for the increase in the authorized capital stock.

On December 30, 2010, the SEC approved PDI's application for increase in authorized capital stock.

Substitution of payment on DMCI's subscription on PDI's increase in the authorized capital stock from real estate properties to cash

On September 24, 2012, a Deed of Substitution was executed. Under the Deed, DMCI substituted the conveyance of the real estate properties with cash. Accordingly, the subscription on the increase in the authorized capital stock was paid in cash.

Declaration of Investment in PDI as Property Dividends to the Parent Company

On October 2011, DMCI declared majority of its investment in PDI as property dividends to the Parent Company with equivalent value of ₱949.59 million representing 30.57% share in PDI.

On December 5, 2011, the SEC approved DMCI's application to declare its investment in PDI as property dividend to the Parent Company. The property dividend amounted to ₱949.59 million payable in 949,594,750 shares of stocks in PDI with same par value. As a result, PDI became 88.87% owned by the Parent Company.

DMWC

DMWC is a joint venture owned by the Parent Company and Metro Pacific Investments Company (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.

DMWC's decrease in authorized capital stock

As approved by DMWC BOD on August 31, 2012, DMWC decreased its authorized capital stock from ₱5,854.8 million divided into 5,854.8 million common shares with par value of ₱1.00 to 4,664.8 million common shares with par value of ₱1.00. The decrease in DMWC's authorized capital stock was approved by the SEC on October 10, 2012. The main purpose of the decrease in authorized capital stock was to settle the outstanding subscriptions payable of existing shareholders which includes the Parent Company. The share of the Parent Company, as a result of



the decrease in the authorized capital stock, amounted to ₱530.62 million which is accounted for as cancellation of the Parent Company's subscription payable of ₱379.71 million and a return of a portion of its investment amounting ₱150.91 million. The ₱150.91 million was applied against the liability to DMWC.

Details follow:

	2012	2011
Acquisition cost, beginning of year	₱3,961,600,000	₱3,961,600,000
Cancellation of subscription payable (Notes 12 and 22)	(379,708,165)	-
Return of capital (Notes 14 and 22)	(150,908,422)	-
Balance at end of year	₱3,430,983,413	₱3,961,600,000

DMWC and Maynilad Subscription Agreement

DMWC subscribed 134,023 common shares of stock of Maynilad at a total subscription price of ₱134.0 million out of which it initially paid ₱33.5 million. On December 28, 2012, the BOD of Maynilad approved a resolution to increase its authorized capital stock sufficient enough to cover the issuance of shares from the subscriptions on the same date. On January 31, 2013, the SEC approved Maynilad's increase in authorized capital stock. DMWC fully paid the remaining subscription price amounting ₱100.5 million on February 13, 2013 (Note 21).

Marubeni Corporation – Nippon Koei Co. Ltd (MCNK JV Corporation) and DMWC Subscription Agreement

On December 28, 2012, MCNK subscribed 169,617,682 common shares of stock of DMWC amounting ₱169.6 million out of which it initially paid ₱42.4 million. On the same date, the BOD of DMWC approved a resolution to increase its authorized capital stock sufficient enough to cover the issuance of the subscription shares. On January 29, 2013, the SEC approved DMWC's increase in authorized capital stock and MCNK fully paid the remaining subscription price amounting ₱127.2 million on February 13, 2013.

MCNK is 90.0% owned by Marubeni Corporation, a company incorporated in Japan and 10% owned by MAPL Holdings B.V., a company incorporated in Netherlands.

ENK Plc

In 2012, the Parent Company acquired existing shares of ENK Plc, a mining company with significant mining assets in the Philippines. ENK Plc is a laterite development and production company focused on developing its Acoje project in the Philippines. The total acquisition cost amounted to ₱2.1 billion. In aggregate, the Parent Company owns 157.26 million shares which represents 60% ownership in ENK Plc. The remaining 40% is owned by D&A Income Ltd., an entity from United Kingdom. The investment in ENK Plc is accounted for as an acquisition of a business.

Also in 2012, Parent Company and D&A executed a Shareholders' Agreement which clearly defines the roles of the shareholders as having economic interest and limits the participation of the shareholders in the governance of ENK Plc. Accordingly, the Parent Company's 60% ownership interest in ENK Plc only allows it to exercise significant influence. There is no joint control between the Parent Company and D&A.



ENK Plc's acquisition of Rusina Mining NL

Rusina Mining NL ('Rusina') is a Philippines focused mineral exploration and development company. Its major asset is the Acoje Nickel Laterite Project. It also has a portfolio of exploration properties that are prospective for base metals, precious metals and chromite. ENK Plc acquired Rusina for a purchase consideration of \$21,246,000 last June 16, 2010.

In line with the Parent Company's acquisition of 60% economic interest of ENK Plc, the Parent Company has recognized the investments in Rusina Mining as part of its investment in ENK Plc.

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).

On February 26, 2010, PIDC started the construction of the first section of the TPLEX project from Tarlac to Carmen, Pangasinan. Investment income from the Parent Company's subsidiaries and associates recognized in the profit or loss amounted to ₱5,926.02 million and ₱856.13 million, respectively, in 2012; ₱5,355.16 million and ₱624.26 million, respectively, in 2011; and ₱2,285.42 million and ₱244.59 million, respectively, in 2010 (Note 14).

Financial information of the Parent Company's subsidiaries follows:

	2012	2011
	(Amounts in Thousands)	
PDI		
Total assets	₱28,180,556	₱22,424,860
Total liabilities	20,066,045	14,430,054
Net income	2,235,417	1,869,010
DMCI		
Total assets	11,100,056	11,078,072
Total liabilities	7,051,792	7,120,985
Net income	1,461,176	1,329,630
DMCI Power		
Total assets	983,312	992,724
Total liabilities	552,024	660,873
Net income	99,437	78,395
DMCI Mining		
Total assets	1,799,310	1,579,386
Total liabilities	708,714	657,563
Net income	168,772	693,279
Semirara		
Total assets	23,509,432	22,193,762
Total liabilities	9,787,552	9,457,369
Net income	5,260,487	5,483,753

(Forward)



	2012	2011
Sem-Calaca RES Corporation		
Total assets	₱1,271	₱1,267
Total liabilities	9	-
Net income	(6)	5
Wire Rope		
Total assets	146,254	108,073
Total liabilities	92,628	58,082
Net income	2,292	18,896

The following table summarizes the significant financial information of the Parent Company's associates:

	2012	2011
	(Amounts in Thousands)	
DMWC		
Total assets	₱4,715,491	₱69,020,680
Total liabilities	47,912	46,127,875
Net income	1,811,945	4,765,268
PIDC		
Total assets	11,963,341	6,566,969
Total liabilities	2,827,758	2,827,758
Net income	68,798	(29,615)
ENK Plc		
Total assets	5,811,966	-
Total liabilities	897,152	-
Net income	(503,573)	-

9. Investment Properties

The Parent Company's investment properties represent various land situated in Taguig City and Zambales.

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. The aggregate fair value as of date of appraisal amounted to ₱70.18 million. No appraisal has been made in 2012 and 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 pier in Zambales for shipping. Rental income earned from DMCI Mining amounted to ₱108.37 million, ₱126.02 million and ₱77.30 million in December 31, 2012, 2011 and 2010, respectively.

There are no investment properties pledged as security to liabilities in 2012 and 2011.

10. Property and Equipment

The movements in this account follow:

	2012		
	Office Furniture, Fixtures and Equipment	Transportation Equipment	Total
Cost			
At January 1	₱15,207,561	₱12,806,740	₱28,014,301
Additions	408,613	3,698,839	4,107,452
At December 31	15,616,174	16,505,579	32,121,753
Accumulated Depreciation			
At January 1	14,689,063	9,969,782	24,658,845
Depreciation (Note 16)	351,548	1,410,968	1,762,516
At December 31	15,040,611	11,380,750	26,421,361
Net Book Value	₱575,563	₱5,124,829	₱5,700,392
	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 16)	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

The amount of depreciation charged to operations amounted to ₱1.76 million and ₱1.82 million in December 31, 2012 and 2011, respectively.

There are no property and equipment pledged as security to liabilities in 2012 and 2011.



11. Accounts and Other Payables

This account consists of:

	2012	2011
Value-added output tax	₱10,017,964	₱6,807,980
Accrued expenses:		
Professional fees	2,833,600	1,297,192
Accrued interest expense and others	89,759	2,217,600
Trade payable	694,339	496,904
Current portion of liability for purchased land (Note 12)	905,598	1,859,849
Dividends payable	368,830	7,214,303
Others	76,946	4,087,163
	₱14,987,036	₱23,980,991

Value-added output tax is net of input VAT amounting ₱1.03 million and ₱0.70 million as of December 31, 2012 and 2011, respectively.

Accrued professional expenses relate to accruals of audit and legal fees.

The accrued expenses, trade and other payables are noninterest bearing and are payable within one (1) year.

Dividends payable pertains to the amount declared for dividend distributions that are still unpaid as of December 31, 2012 and 2011. These are expected to be settled within one year from the date of declaration.

Others include advances from lessee and government liabilities.

12. Other Noncurrent Liabilities

This account consists of:

	2012	2011
Liability for purchased land	₱-	₱1,859,849
Less current portion	-	1,859,849
	-	-
Subscription payable	1,000,000	380,708,165
	₱1,000,000	₱380,708,165

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 ₱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 nil and ₱0.05 million as of December 31, 2012 and 2011, respectively.



Movements in the unamortized discount are as follows:

	2012	2011
Balance at beginning of the year	₱48,651	₱383,007
Accretion for the year	48,651	(334,356)
Balance at end of the year	₱–	₱48,651

The details of subscription payable follows:

	2012	2011
SemCem	₱1,000,000	₱1,000,000
DMWC (Note 8)	–	379,708,165
Balance at end of the year	₱1,000,000	₱380,708,165

On October 10, 2012, the subscription payable to DMWC was cancelled as a result of reduction of DMWC's authorized capital stock (Note 8).

13. Equity

Capital Stock

As of December 31, 2012 and 2011, the Parent Company's capital stock consists of:

	2012	2011
Preferred stock - ₱1 par value cumulative and convertible		
Authorized - 100,000,000 shares		
Issued - nil shares and 3,780 shares in 2012 and 2011, respectively	₱3,780	₱3,780
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	₱2,655,497,780

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:

	2012	2011
Preferred stock - ₱1 par value cumulative and convertible		
Balance at beginning of the year	₱3,780	₱4,380
Less: Shares redeemed	–	600
Balance at end of year	₱3,780	₱3,780



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, 2012, the Parent Company has 714 existing certified shareholders of the 2.66 billion outstanding shares.

Retained earnings

After reconciling items, the retained earnings available for dividend declaration amounted to ₱8,481.08 million.

Dividend declaration

The BOD approved the declaration of cash dividends in favor of all its stockholders as follows:

	2012	2011	2010
Date of declaration	May 15, 2012	May 31, 2011	June 4, 2010
Date of payment	July 5, 2012	July 7, 2011	July 15, 2010
Ex-dividend date	June 11, 2012	June 15, 2011	June 22, 2010
Dividend per share	₱1.20	₱1.00	₱0.50
Total dividends	₱3,186,592,800	₱2,655,494,000	₱1,327,747,000

Appropriation of retained earnings

On December 28, 2012, the Parent Company's BOD has appropriated ₱1,600 million from its unrestricted retained earnings as of December 31, 2012. The appropriated amount will be utilized for the stock subscription in DMCI Mining which it can use to fund ongoing acquisition of shares of stocks in Toledo. The acquisition is expected to be completed in 2013. As of April 11, 2013, DMCI Mining accumulated shares in Toledo aggregated 57.1% of outstanding shares (Note 21).

On December 29, 2011, the Board of Directors authorized the Parent Company to appropriate ₱3,000.00 million of its retained earnings for capital expenditures and investments which are expected to be utilized from 2012 to 2014.

14. 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 ₱4.20 million in 2012 and 2011.
- (b) Investment income from the Parent Company's subsidiaries and associates recognized in the profit or loss amounted to ₱5,926.02 million and ₱856.13 million, respectively, in 2012; ₱5,355.16 million and ₱624.26 million, respectively, in 2011; and ₱2,285.42 million and ₱244.54 million, respectively, in 2010 (Note 8);



- (c) The Parent Company obtained noninterest bearing cash and operating advances from DMWC which are due and demandable. Outstanding balance as of December 31, 2012 and 2011 amounted to nil and ₱234.58 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 ₱108.37 million, ₱126.02 million and ₱77.30 million in December 31, 2012, 2011 and 2010, respectively (Note 9);
- (e) 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.
- (f) On October 10, 2012, the Parent Company has fully settled its due to DMWC amounting ₱234.58 million. The amount from the return of capital amounting ₱150.91 million was applied against a portion of the liability while the remaining balance was paid in cash.
- (g) The parent company statements of financial position include the following amounts resulting from transactions with subsidiaries, associates and other related parties:

2012

Company	Amount/ Volume	Outstanding Receivable (Payable)	Terms	Conditions
Advances to affiliates:				
DMCI Power Corporation	₱-	₱21,275,000	Payable on demand	Unsecured, non-interest bearing
Montecito Properties, Inc.	-	61,075	Payable on demand	Unsecured, non-interest bearing
Advances from affiliate:				
D. M. Consunji, Inc.	-	(1,126,696)	Payable on demand	Unsecured, non-interest bearing
	₱-	₱20,209,379		

2011

Company	Amount/ Volume	Outstanding Balance	Terms	Conditions
Advances to affiliates:				
Sem-Calaca Power Corporation	₱-	₱10,610	Payable on demand	Unsecured, non-interest bearing
DMCI Mining Corporation	131,323,421	73,546	Payable on demand	Unsecured, non-interest bearing
DMCI Power Corporation	-	21,275,000	Payable on demand	Unsecured, non-interest bearing
Montecito Properties, Inc.	-	61,075	Payable on demand	Unsecured, non-interest bearing
Advances from affiliates:				
DMCI Project Developers, Inc.	(14,852,909)	(14,852,909)	Payable on demand	Unsecured, non-interest bearing
D. M. Consunji, Inc.	(1,126,696)	(1,126,696)	Payable on demand	Unsecured, non-interest bearing
DMCI - MPIC Water Co., Inc.	(233,053,403)	(234,579,072)	Payable on demand	Unsecured, non-interest bearing
	(₱117,709,587)	(229,138,446)		



Terms and conditions of transactions with related parties

Outstanding balances at year-end are unsecured and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. The Parent Company has not recognized any impairment losses on amounts due from related parties for the years ended December 31, 2012 and 2011. This assessment is undertaken each financial year through a review of the financial position of the related party and the market in which the related party operates.

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 2012 and 2011 follows:

	2012	2011
Short-term employee benefits	₱4,405,232	₱4,825,232
Post-employment benefits	2,050,716	2,246,234
Total	₱6,455,948	₱7,071,466

15. 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, 2012.

Pension assets (liabilities) for the retirement plan follow:

	2012	2011
Present value of defined benefit obligation	₱38,368,815	₱35,743,321
Fair value of plan assets	108,088,823	85,057,770
Surplus	69,720,008	49,314,449
Unrecognized actuarial gains	(66,091,744)	(50,357,784)
Unrecognized past service cost - non vested benefits	-	56,528
Asset (liability) recognized in the parent company statements of financial position	₱3,628,264	(₱986,807)

Movements in the fair value of plan assets follow:

	2012	2011
Balance at beginning of year	₱85,057,770	₱74,860,892
Expected return on plan assets	5,528,755	4,438,190
Benefits paid - from plan assets	-	(1,782,113)
Actuarial gains	17,502,298	7,540,801
Balance at end of year	₱108,088,823	₱85,057,770



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

	2012	2011
Balance at beginning of year	₱35,743,321	₱23,684,508
Current service cost	1,673,391	2,376,730
Interest cost on benefit obligation	2,173,194	1,378,438
Benefits paid - from plan assets	-	(1,782,113)
Actuarial losses (gains)	(1,221,091)	10,085,758
Balance at the end of year	₱38,368,815	₱35,743,321

Components of retirement income in the parent company statements of comprehensive income follow:

	2012	2011
Current service cost	₱1,673,391	₱2,376,730
Interest cost on benefit obligation	2,173,194	1,378,438
Expected return on plan assets	(5,528,755)	(4,438,190)
Net actuarial gain recognized	(2,989,429)	(5,046,295)
Past service cost - non vested benefit	56,528	287,279
Pension income	(₱4,615,071)	(₱5,442,038)

As of December 31, 2012 and 2011, the Parent Company's plan assets consist primarily of the following:

	2012	2011
Cash and cash equivalents	0%	3%
Investments in stocks	78%	75%
Debt instruments	21%	2%
Other assets	1%	20%

Movements in pension (assets) liabilities follow:

	2012	2011
Balance at beginning of year	₱986,807	₱6,428,845
Pension income	(4,615,071)	(5,442,038)
Balance at end of year	(₱3,628,264)	₱986,807

The assumptions used to determine pension benefits of the Parent Company follow:

	2012	2011	2010
Discount rate	5.94%	6.08%	5.82%
Salary rate increase	6.50%	6.50%	6.00%
Expected rate of return on plan assets	10.00%	10.00%	12.00%

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 ₱23.03 million and ₱11.98 million in 2012 and 2011, respectively.



Amounts for the current and previous four periods are as follows:

	2012	2011	2010	2009	2008
Present value of defined benefit obligation	₱38,368,815	₱35,743,321	₱23,684,508	₱8,680,745	₱6,709,632
Fair value of plan assets	108,088,823	85,057,770	74,860,892	29,706,686	16,564,335
Surplus	₱69,720,008	₱49,314,449	₱51,176,384	₱21,025,941	₱9,854,703
Experience adjustments on plan liabilities	(₱1,367,620)	₱12,390,854	₱7,840,952	(₱329,273)	(₱25,984,094)
Experience adjustments on plan assets	17,502,298	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 year ending December 31, 2013.

16. General and Administrative Expenses

This account consists of:

	2012	2011	2010
Salaries, wages and employee benefits	₱10,971,217	₱47,735,465	₱16,438,480
Professional fees	9,577,560	18,838,356	29,355,435
Transportation and travel	7,391,238	8,775,661	2,862,992
Taxes and licenses (Note 11)	6,843,838	4,990,444	53,089,321
Contribution and donation	4,411,500	7,243,500	703,000
Advertising and promotions	4,072,817	1,454,438	1,370,500
Entertainment, amusement and recreation	3,664,568	4,079,915	3,765,226
Rent (Note 20)	2,793,265	2,793,265	2,498,434
Repairs and maintenance	1,924,748	2,283,037	1,705,274
Depreciation (Note 10)	1,762,516	1,818,335	2,123,365
Communication, light and water	1,275,400	1,193,822	1,064,280
Supplies	807,650	764,405	484,056
Miscellaneous	3,225,966	4,468,307	2,893,991
	₱58,722,283	₱106,438,950	₱118,354,354

17. Finance Income

Current portion of finance income is derived from the following sources:

	2012	2011	2010
Short-term placements	₱174,477,256	₱155,194,363	₱22,151,699
Bank savings account	1,536,271	534,079	761,599
	₱176,013,527	₱155,728,442	₱22,913,298



18. Income Tax

The provision for income tax shown in the parent company statements of comprehensive income consists of:

	2012	2011	2010
Final	₱35,202,705	₱31,093,678	₱4,492,513
Current	13,568,946	7,898,450	2,083,459
Deferred	1,384,025	2,279,097	27,629,770
	₱50,155,676	₱41,271,225	₱34,205,742

The components of the net deferred tax assets as of December 31, 2012 and 2011 follow:

	2012	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:			
Accrued retirement benefit	448,986	-	-
Unrealized forex gain	-	113,799	5,543,558
Unamortized discount on liability for purchased land	-	14,596	114,902
	448,986	128,395	5,658,460
Net deferred tax asset (liability)	(₱448,986)	₱935,039	₱3,214,136

The Parent Company's NOLCO and MCIT were fully applied against taxable income and tax payable, respectively.

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

	2012	2011
Statutory income tax rate	30.00%	30.00%
Tax effects of:		
Nontaxable income	(29.05)	(29.10)
Interest income subjected to final tax	(0.25)	(0.25)
Nondeductible expenses	0.02	0.02
Effective income tax rate	0.72%	0.67%

19. Financial Instruments

Financial Risk and Capital Management Objectives and Policies

Capital management

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



The Parent Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Parent Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The following table shows the component of the Parent Company's capital as of December 31, 2012 and 2011.

	2012	2011
Total paid-in capital	₱7,420,814,451	₱7,420,814,451
Retained earnings	13,081,034,840	9,313,755,658
	₱20,501,849,291	₱16,734,570,109

Financial risk

The Parent Company's principal financial liabilities comprise accounts and other payables, due to related parties, subscription payable and liability for purchased land as of December 31, 2012 and 2011. 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 0.72% and 2.00% of cash and cash equivalents as of December 31, 2012 and 2011, 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, 2012 and 2011 follow:

2012

	USD	Peso Equivalent
Cash and cash equivalents	\$655,631	₱26,913,653
Advances to broker	1,536,280	63,064,294

2011

	USD	Peso Equivalent
Cash and cash equivalents	\$1,222,899	₱53,611,894
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 ₱41.05 and ₱43.84 as at December 31, 2012 and 2011, respectively.

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	
	2012	2011
+5%	(₱1,345,682)	(₱9,048,359)
-5%	1,345,682	9,048,359

The Parent Company recognized ₱12.53 million foreign exchange loss and ₱0.75 million foreign exchange gain for the year ended December 31, 2012 and 2011, 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 counter-party 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.

	2012	2011
Cash and cash equivalents (excluding cash on hand)	₱3,739,049,310	₱2,192,418,907
Receivables	117,192,581	383,556,215
Total credit risk exposure	₱3,856,241,891	₱2,575,975,122

As of December 31, 2012 and 2011, the credit quality per class of financial assets is as follows:

2012

	Neither past due nor impaired			Past due or Individually Impaired	Total
	Grade A	Grade B	Sub-standard		
Cash and cash equivalents	₱3,739,054,310	₱-	₱-	₱-	₱3,739,054,310
Receivables	117,192,581	-	-	2,983,278	120,175,859
Total	₱3,856,246,891	₱-	₱-	₱2,983,278	₱3,859,230,169



2011

	Neither past due nor impaired			Past due or	Total
	Grade A	Grade B	Sub-standard	Individually Impaired	
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

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, 2012 and 2011, the aging analysis of the Parent Company's receivables presented per class is as follows:

2012

	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								
Advances to broker	₱63,064,288	₱-	₱-	₱-	₱-	₱-	₱63,064,288	
Due from related parties	21,336,075	-	-	-	-	2,983,278	24,319,353	
Rental receivables	18,137,117	-	-	-	-	-	18,137,117	
Accrued interest	13,174,496	-	-	-	-	-	13,174,496	
Management fee receivable	1,176,000	-	-	-	-	-	1,176,000	
Advances to officers and employees	233,585	-	-	-	-	-	233,585	
Other receivable	71,020	-	-	-	-	-	71,020	
Total	₱117,192,581	₱-	₱-	₱-	₱-	₱2,983,278	₱120,175,859	

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	



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, 2012 and 2011 based on contractual undiscounted payments:

2012

	< 1 year	1 to < 2 years	2 to < 3 years	3 to < 4 years	> 5 years	Total
Loans and Receivables						
Cash and cash equivalents	₱3,739,054,310	₱-	₱-	₱-	₱-	₱3,739,054,310
Receivables	117,192,581	-	-	-	-	117,192,581
	3,856,246,891	-	-	-	-	3,856,246,891
Other Financial Liabilities						
Accounts and other payables						
Dividends payable	368,830	-	-	-	-	368,830
Trade	260,774	-	-	-	-	260,774
Accrued expenses	2,923,359	-	-	-	-	2,923,359
Liability for purchased land	905,598	-	-	-	-	905,598
Due to related parties (Note 14)	1,126,696	-	-	-	-	1,126,696
Other current payable	76,946	-	-	-	-	76,946
Other noncurrent liabilities						
Subscription payable	-	-	-	-	1,000,000	1,000,000
	5,662,203	-	-	-	1,000,000	6,662,203
Liquidity gap	₱3,850,584,688	₱-	₱-	₱-	(₱1,000,000)	₱3,849,584,688



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 (Note 14)	250,583,932	-	-	-	-	250,583,932
Other current payable	4,087,163	-	-	-	-	4,087,163
Other noncurrent liabilities						
Subscription payable	380,708,165	-	-	-	-	380,708,165
	648,465,108	-	-	-	-	648,465,108
Liquidity gap	₱1,927,515,014	₱-	₱-	₱-	₱-	₱1,927,515,014

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Parent Company follows a prudent policy on managing its assets and liabilities so as to ensure that exposure to fluctuations in interest rates are kept within acceptable limits.

As of December 31, 2012 and 2011, the Parent Company has no outstanding floating rate financial instruments. Accordingly, the Company is not sensitive to cash flow interest rate fluctuations.

Short-term investments bear fixed interest rates for the period of the investment.

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 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:

	2012		2011	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
Cash and cash equivalents	₱3,739,054,310	₱3,739,054,310	₱2,192,418,907	₱2,192,418,907
Receivables				
Advances to broker	63,064,288	63,064,288	-	-
Due from related parties	21,336,075	21,336,075	21,445,485	21,445,485
Rental receivables	18,137,117	18,137,117	49,454,225	49,454,225
Accrued interest receivable	13,174,496	13,174,496	11,482,219	11,482,219
Management fee receivable	1,176,000	1,176,000	784,000	784,000
Advances to officers and employees	233,585	233,585	324,914	324,914
Dividends receivable	-	-	300,000,000	300,000,000
Other receivables	71,020	71,020	65,372	65,372
	₱3,856,246,891	₱3,856,246,891	₱2,575,975,122	₱2,575,975,122



	2012		2011	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Other Financial Liabilities				
Accounts and other payables				
Dividends payable	₱368,830	₱368,830	₱7,214,303	₱7,214,303
Accrued expenses	2,923,359	2,923,359	3,514,792	3,514,792
Trade	260,774	260,774	4,087,163	4,087,163
Liability for purchased land	905,598	905,598	1,859,849	1,859,849
Due to related parties	1,126,696	1,126,696	250,583,932	250,583,932
Others current payable	76,946	76,946	4,087,163	4,087,163
Other noncurrent liabilities				
Subscriptions payable	1,000,000	1,000,000	380,708,165	380,708,165
	₱6,662,203	₱6,662,203	₱652,055,367	₱652,055,367

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; and
- 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, 2012, there are no financial assets and liabilities measured at fair value. There were no transfers between and among levels 1, 2 and 3 in 2012 and 2011.

20. 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 for the years ended December 31, 2012 and 2011, respectively, which are included under "General and administrative expenses" in the parent company statements of comprehensive income (Note 16).



As of December 31, 2012 and 2011, future minimum lease payments under the aforementioned operating lease and the present value of the net minimum lease payments follow:

	2012	2011
Within one (1) year	₱3,072,592	₱3,072,592
After one (1) year but not more than five (5) years	6,145,183	9,217,775
Total future minimum lease payments	₱9,217,775	₱12,290,367

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 started from the first shipment in January 2012 and ended until the last shipment in 2012. Rent income was based on the metric tons per shipments made by DMCI Mining. Total rental income earned by the Company amounted to ₱108.37 million, ₱126.02 million and ₱77.30 million in 2012, 2011 and 2010, respectively (Note 9).

Contingencies

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, 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. No provisions were made during the year.

21. Events after the Reporting Period

Increase in Investment in Toledo

As of April 11, 2013, DMCI Mining Corporation has increased its investment in Toledo from 17% as of December 31, 2012 to 57.1% or 28,443,791 shares.

Effective interest in Maynilad

In relation to the increase in authorized capital stock of Maynilad as discussed in Note 8, DMWC subscribed an additional 402,066 common shares of stock of Maynilad for a total subscription price of ₱10.3 billion on February 13, 2013. On same date, Maynilad issued these shares and DMWC has fully paid these shares (Note 8).

Subsequent to the Subscription Agreement executed between MCNK and DMWC on December 28, 2012, another subscription agreement dated February 13, 2013 was executed, wherein MCNK subscribed an additional 508,853,045 common shares of DMWC for a total subscription price of ₱10.2 billion. On same date, DMWC issued these shares and MCNK has likewise fully paid these shares.

On February 13, 2013, MPIC purchased 154,992,852 common shares of stock of DMWC from the Parent Company for a total cash consideration of ₱2.4 billion. These were fully paid in cash on the same date. Also on the same date, MCNK purchased 472,455,019 common shares of stock of the DMWC from the Parent Company for a total cash consideration of ₱6.7 billion. The gain on



the disposal of DMWC shares is estimated between ₱6.0 billion and ₱8.0 billion, exclusive of other costs and charges attributable in the disposal of shares. The above transactions resulted to the following changes in effective interest in Maynilad:

<u>Effective interest in Maynilad</u>	<u>Pre-deal Ownership</u>	<u>Post-deal Ownership</u>
MPIC	56.80%	52.80%
DMCI	40.98%	25.24%
MCNK	–	20.00%
ESOP/Others	2.22%	1.96%

Dividend income from DMWC

On February 13, 2013, the BOD of DMWC declared and paid dividends amounting ₱9,554.0 million or ₱2.05 per share. Also, on same date, the BOD declared dividends amounting ₱919.0 million or ₱0.20 per share payable on February 27, 2013.

The Parent Company received dividend income amounting ₱4.67 billion in 2013.

Declaration of Cash Dividends

On April 11, 2013, the BOD of the Parent Company has declared cash dividends amounting ₱1.20 regular dividends and ₱1.00 special cash dividends in favor of the stockholders of record as of April 26, 2013. This is due to be paid on May 10, 2013 with a total amount of ₱5,842.09 million.

22. Notes to Cash Flow Statements

On October 10, 2012, the subscription payable to DMWC was cancelled as a result of reduction of DMWC's authorized capital stock (Note 8). On the same date, the Parent Company has fully settled its due to DMWC amounting ₱234.58 million. The amount from the return of capital amounting ₱150.91 million was applied against a portion of the liability (Note 8).

23. Approval of Financial Statements

The accompanying Parent Company financial statements were endorsed for approval by the Audit Committee and authorized for issue by the BOD on April 11, 2013.

