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

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

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

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

Dear Stockholders:

Please be notified that the annual meeting of stockholders of DMCI Holdings, Inc., (the "Corporation") will be held on July 29, 2009, Wednesday, at 9:00 a.m., at the Fairways Function Room, Manila Golf and Country Club, Forbes Park, Makati City, with the following agenda:

1. Call to order.
2. Report on attendance and quorum.
3. Approval of minutes of previous stockholders' meeting.
4. Management report for the year ended December 31, 2008.
5. Ratification of all acts of the board of directors and officers during the preceding year.
6. Appointment of independent auditor.
7. Election of directors including the Independent Directors (as defined under the Corporation's Manual on Corporate Governance).
8. Other matters.
9. Adjournment.

Stockholders of record as of June 17, 2009 will be entitled to notice of, and to vote at said annual meeting or any adjournment or postponement thereof.

Validation of proxy shall be held on July 24, 2009, at 2:00 p.m. at the principal office of the Corporation.

On the day of the meeting you, or your duly designated proxy, are hereby required to bring this Notice, and any form of identification (i.e. driver's license, company I.D., TIN card, etc.) to facilitate registration. Registration starts at exactly 8:15 a.m. and closes at 8:45 a.m.

Makati City, Metro Manila

June 22, 2009

For the Board of Directors:

ATTY. NOEL A. LAMAN
Corporate Secretary

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

COVER SHEET

A S O 9 5 0 0 2 2 8 3

SEC Registration Number

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

(Company's Full Name)

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

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

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

HERBERT M. CONSUNJI
Contact Person

888-3000
Company Telephone Number

(Last Wednesday of July)

1 2	3 1	**SEC Form 20-IS Definitive Information Statement**	0 7	2 9
Month	Day	FORM TYPE	Month	Day
Fiscal Year			Annual Meeting	

N.A.
Secondary License Type, If Applicable

C F D
Dept Requiring this Doc

Amended Articles Number / Section

Total Amount of Borrowings

Total No. of Stockholders | Domestic | Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

S T A M P S

Remarks: Please use BLACK ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:

   [ ] Preliminary Information Statement

   [√] Definitive Information Statement

2. Name of Corporation as specified in its charter: **DMCI Holdings, Inc.**

3. Province, country or other jurisdiction of incorporation or organization: **Philippines**

4. SEC Identification Number: **ASO95-002283**

5. BIR Tax Identification Code: **004-703-376**

6. Address of principal office Postal Code: **3rd Floor, Dacon Building**
   2281 Pasong Tamo Extension
   1231 Makati City
   Metro Manila

7. Corporation's telephone number, including area code: **(632) 888-3000**

8. Date, time and place of the meeting of security holders:
   July 29, 2009, Wednesday
   9:00 A.M.
   Fairways Function Room,
   Manila Golf and Country Club,
   Forbes Park, Makati City

9. Approximate date on which the Information Statement is first to be sent or given to security holders: **July 3, 2009**

10. In case of Proxy Solicitations:

    Name of Person Filing the Statement/Solicitor: **The Management of the Corporation**

    Address and Telephone No.: **3rd Floor, Dacon Building**
    2281 Don Chino Roces Avenue
    1231 Makati City
    Metro Manila
    (632) 888-3000

11. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

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

12. Are any or all of Corporation's Securities Listed with the Philippine Stock Exchange?

Yes (√) No ( )

PART I
INFORMATION REQUIRED IN INFORMATION STATEMENT

A. GENERAL INFORMATION

Item 1. Date, Time and Place of Meeting

The enclosed proxy is solicited for and on behalf of the Management of **DMCI HOLDINGS, INC.** (hereinafter called the "Corporation") for use in connection with the annual meeting of the stockholders to be held on July 29, 2009 (Wednesday), at 9:00 A.M. at the Fairways Function Room, Manila Golf and Country Club, Forbes Park, Makati City.

The definitive information statement and form of proxy will be sent to the stockholders of record as of June 17, 2009 (the "Record Date") on or before July 3, 2009.

The matters to be considered and acted upon at such meeting are referred to in the Notice and are more fully discussed in this statement.

The complete mailing address of the Corporation is:

3rd Floor, Dacon Building
2281 Don Chino Roces Avenue
1231 Makati City
Metro Manila, Philippines

Item 2. Dissenter's Right of Appraisal

The dissenter's right of appraisal under Section 81 of the Corporation Code of the Philippines is not applicable in any of the matters to be submitted to the stockholders.

Item 3. Interest of Certain Persons in or Opposition to Matters to be Acted Upon

No director, officer, nominee for director, or associate of any of the foregoing, has any substantial interest, direct or indirect, by security holdings or otherwise, on any matter to be acted upon, other than election to office. No director has informed the Corporation in writing of any intention to oppose any action to be taken during the meeting.

B. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting Securities and Principal Holders thereof

(a) As of the Record Date, which shall be the date to determine the stockholders entitled to notice and to vote at the annual stockholders meeting on July 29, 2009, the Corporation has the following outstanding shares:

Common shares (voting) - 2,655,494,000 shares

(b) The Record Date shall be June 17, 2009. Only holders of Common Shares as of the Record Date shall be entitled to vote in the election of directors in the manner provided hereunder. On the approval of the minutes of the previous meeting, ratification of all acts of the Board of Directors and officers during the previous year, and appointment of the independent auditor, each share of outstanding common stock is entitled to one vote.

(c) In the election of directors, every stockholder entitled to vote shall have the right to vote in person or by proxy the number of common shares of stock standing in his name at record date. A stockholder entitled to vote may vote such number of shares for as many persons as there are directors to be elected, or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit. Provided, that the total number of votes cast by a stockholder shall not exceed the number of shares owned by him as shown in the books of the Corporation multiplied by the whole number of directors to be elected.

Pursuant to the provisions of Article III, Section 2 of the Amended By-Laws of the Corporation, all nominations for the election of directors shall be submitted in writing to the Board of Directors, with the consent of the nominees, at least ten (10) days before the scheduled annual stockholders' meeting.

(d) Security Ownership of Certain Record and Beneficial Owners

The following table sets forth as of **May 31, 2009**, the record and/or beneficial owners of more than 5% of the outstanding Common Shares of the Corporation which are entitled to vote and the amount of such record and/or beneficial ownership.

Title of Class	Name, Address of Record Owner and Relationship with Issuer	Name and Address of Beneficial Owner and Relationship with Record Owner	Citizenship	Number of Shares Held	Percent of Class
Common	DACON Corporation c/o DMCI Holdings, Inc. 2281 Pasong Tamo Extension Makati City Dacon Corp. is a stockholder of the Corporation	See attached Schedule 2. Beneficial owners are stockholders of Dacon Corp.[1]	Filipino	1,367,756,488	51.506668%
Common	Philippine Central Depository, Inc. (PCD) Ground Floor, Makati Stock Exchange Building 6767, Ayala Avenue	(See attached Schedule 3.) The beneficial owners of such shares are Philippine Depository and Trust Corporation	Foreigner	717,808,707	27.031080%

[1] Mr. Victor A. Consunji or Mr. Jorge A. Consunji shall have the right to vote the shares of DACON Corporation.

	Makati City PCD is the registered owner of the shares in the books of the Corporation's transfer agent	("PDTC") participants, who hold the shares on their behalf or on behalf of their clients			
Common	Philippine Central Depository, Inc. (PCD) Ground Floor, Makati Stock Exchange Building 6767, Ayala Avenue Makati City PCD is the registered owner of the shares in the books of the Corporation's transfer agent	See attached Schedule 3. The beneficial owners of such shares are Philippine Depository and Trust Corporation ("PDTC") participants, who hold the shares on their behalf or on behalf of their clients	Filipino	229,359,563	8.637171%

Below is the list of the individual beneficial owners under PCD, Inc. account holding more than 5% of the outstanding Common Shares of the Corporation.

Title of Class	Name and Address of Beneficial Owner and Relationship with Record Owner	Citizenship	Number of Shares Held	Percent of Class
Common	PCIB Securities, Inc. ("PCIB") 20th Floor, PCIB Tower, Makati Ave., Makati City. PCIB is a PDTC participant who hold the shares on their behalf or on behalf of their clients[2]	Filipino	178,677,654	6.728603%
Common	Hongkong and Shanghai Bank ("HSBC") Discovery Suites, 25 ADB Avenue, Ortigas Center, Pasig	Foreign	477,608,200	17.985663%

[2] *Mr. Gabriel Lim, Senior Vice President and Gen. Manager of PCIB Securities, Inc., shall have the right to vote the shares on behalf of the clients of PCIB.*

[3] Any one of the following shall have the right to vote the shares on behalf of the clients of HSBC:

a. Rosa Maria C. Tantoco	*Senior Vice President, Custody & Clearing*
b.Patricia F. Barrenechea	*Vice President, Custody & Clearing*
c. Nilo Antonio J. Dicen	*Vice President, Custody & Clearing*
d. Anna Kristina V.C. Layosa	*Vice President, Custody & Clearing*
e. Carlos Lorenzo P. Mondonedo	*Asst. Vice President, Custody & Clearing*
f. Benjamin JDP Concepcion	*Asst. Vice President, Custody & Clearing*

	City. HSBC is a PDTC participant who hold the shares on their behalf or on behalf of their clients[3]			

(e) Security Ownership of Management

The table sets forth as of **May 31, 2009**, the record or beneficial stock ownership of each Director of the Corporation and all Officers and Directors as a group.

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership		Citizenship	Percent of Class
Common	David M. Consunji	1,000	Direct	Filipino	0.000038%
Common	Cesar A. Buenaventura	1,000	Direct	Filipino	0.000038%
Common	Isidro A. Consunji	1,401,000	Direct	Filipino	0.052759%
Common	Ma. Edwina C. Laperal	5,962,400	Direct	Filipino	0.224531%
Common	Victor A. Consunji	86,682,558	Direct	Filipino	3.264272%
Common	Jorge A. Consunji	86,682,770	Direct	Filipino	3.264280%
Common	Herbert M. Consunji	1,600	Direct	Filipino	0.000060%
Common	Evaristo T. Francisco	100	Direct	Filipino	0.000004%
Common	Victor S. Limlingan	1,000	Direct	Filipino	0.000038%
Common	Cristina C. Gotianun	105,615,712	Direct	Filipino	3.977253%
Common	Noel A. Laman	20,000	Direct	Filipino	0.000753%
Common	Honorio Reyes Lao[4]	20,000	Direct	Filipino	0.000753%
Common	Myra C. Reinoso	0	N/A	Filipino	0%
Common	Aldric G. Borlaza	0	N/A	Filipino	0%
Common	Ma. Luisa C. Austria	0	N/A	Filipino	0%
Aggregate Ownership		**286,389,140**			**10.784779%**

All the above named directors and officers of the Corporation are the record and beneficial owners of the shares of stock set forth opposite their respective names.

(f) Voting Trust Holders of 5% or more

The Corporation is not aware of any person holding more than 5% of the shares of Corporation under a voting trust or similar agreement.

(g) Changes in Control

From January 1, 2009 to date, there has been no change in control of the Corporation. Neither is Corporation aware of any arrangement which may result in a change in control of it.

Item 5. Directors and Executive Officers

[4] Mr. Honorio Reyes Lao is not an incumbent director of the Company. He is, however, a nominee for independent director, at the July 29, 2009 stockholders' meeting. The business experience of Mr. Lao is provided in Schedule I.

(a) Incumbent Directors and Executive Officers.

The following are the incumbent directors and executive officers of the Corporation:

Name	Position	Age	Citizenship
David M. Consunji	Chairman of the Board	87	Filipino
Cesar A. Buenaventura	Vice-Chairman of the Board	79	Filipino
Isidro A. Consunji	President/Chief Executive Officer	61	Filipino
Herbert M. Consunji	Vice President & Chief Finance Officer/Director/Compliance Officer	56	Filipino
Ma. Edwina C. Laperal	Treasurer	48	Filipino
Cristina C. Gotianun	Assistant Treasurer	54	Filipino
Jorge A. Consunji	Director	57	Filipino
Victor A. Consunji	Director	58	Filipino
Evaristo T. Francisco	Director (Independent)	81	Filipino
Victor S. Limlingan	Managing Director (effective on February 1, 2009) / Director (resigned as Independent Director on January 30, 2009)	65	Filipino
Noel A. Laman	Corporate Secretary	69	Filipino
Myra C. Reinoso	Vice President for Finance	52	Filipino

The following are the Corporate Governance Committees pursuant to the Corporation's Manual on Corporate Governance and Article VI of the Amended By-laws dated February 14, 2007

Nomination and Election Committee:

Evaristo T. Francisco (Independent Director)	Chairman
David M. Consunji	Member
Isidro A. Consunji	Member

Compensation and Remuneration Committee:

Victor S. Limlingan (resigned as Independent Director on January 30, 2009)*	
Jorge A. Consunji	Member
Cesar A. Buenaventura	Member

Audit Committee:

Victor S. Limlingan (resigned as Independent Director on January 30, 2009)[5]	
Evaristo T. Francisco (Independent Director)	Member
Isidro A. Consunji	Member

* A new Independent Director will be elected during the annual stockholders' meeting on July 29, 2009.

On February 14, 2007, the SEC approved the Company's Amended By-Laws which incorporated the provisions of SRC Rule 38. Attached as Schedule 3 hereof are Certifications on the Qualifications and Lack of Disqualifications of the nominees for independent directors.

(b) Term of office.

The term of office of the Directors and executive officers is one (1) year from their election as such until their successors are duly elected and qualified.

(c) Business experience of the Directors and Officers during the past five (5) years.

David M. Consunji is the Founder and Chairman of the Board of Directors of D.M. Consunji, Inc. Mr. Consunji is also Chairman of the Board of Directors of Dacon Corporation, and Semirara Mining Corporation. Mr. Consunji served as the Secretary of the Department of Public Works, Transportation and Communications from August 1971 to 1975. Awards and recognition received by Mr. Consunji include (i) named Meralco Awardee in Engineering and Applied Sciences, 1994; (ii) recipient of the Civil Engineer Diamond Jubilee Award presented by the University of the Philippines Alumni Engineers in 1985; (iii) One of the Ten Outstanding Civil Engineers in 1982 by the Philippine Institute of Civil Engineers; (iv) recipient of Doctor of Laws, honoris causa, University of the Philippines in 1993; (v) named Outstanding Citizen of the City of Manila for Engineering in 1979; and (vi) named Management Association of the Philippines Awardee in 1996. Mr. David Consunji has served the corporation as Chairman of the Board for fourteen (14) years.

Cesar A. Buenaventura, O.B.E., is the Managing Partner of Buenaventura, Echauz and Partners (BEP) Financial Services, a financial advisory firm. He is currently a Director of: DMCI Holdings, Inc. (Vice Chairman), Semirara Mining Corporation, IPeople, Inc., Petro Energy Resources Corp., AG&P Company of Manila, Inc. (Chairman), Paysetter International, Inc. (Chairman), Montecito Proeperties, Inc. (Vice Chairman), Pilipinas Shell Petroleum Corporation, Phil. American Life Insurance Company. He is the Founding Chairman of Pilipinas Shell Foundation, Inc.; President of the Benigno S. Aquino Foundation; Member of the Board of Trustees of Asian Institute of Management and Founding Member, Board of Trustees, Makati Business Club. Mr. Buenaventura served as Chief Executive Officer of the Shell Group of Companies in 1975 until his retirement in 1990. He was appointed Member of the Monetary Board of the Central Bank of the Philippines (representing the Private Sector) and Member of the Board of Directors of the Philippine International Convention Center in 1981, a position he held up to 1987. He was a Member of the Board of Regents of the University of the Philippines from 1987 to 1994. He is a past Director of Philippine National Bank, Ayala Corporation, First Philippine Holdings Corporation, Philippine Airlines, Inc.; and a former Senior Adviser of Jardine Davies, Inc. He was chosen Management Man of the Year in 1985 by MAP and in January 1991, he was personally granted the award of Honorary Officer of the Order of the British Empire by her Majesty Queen Elizabeth II. Mr. Beunaventura has served the Company as Vice Chairman for fourteen (14) years.

Isidro A. Consunji is a regular Director of the following: DMCI Holdings, Inc., 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 Universal Rightfield Property Holdings, Inc., and Beta Electric Corporation; President of Dacon Corporation, DMCI Homes, DMCI Project Developers, Inc., and DMCI Holdings, Inc. Mr. Isidro Consunji has served the Corporation as a regular director for fourteen (14) years.

Herbert M. Consunji is a Partner in H.F. Consunji & Associates. He is also the Chairman of Subic Water and Sewerage Company, Inc., a regular Director of DMCI Project Developers, Inc., Semirara Mining Corporation, DMCI-MPIC Water Company, Inc., Maynilad Water Services, Inc., DMCI Power Corporation, Village Parks, Inc. His other positions are: President of Village Parks, Inc.; Chief Operating Officer of Maynilad Water Services, Inc., Vice President and Chief Finance Officer of DMCI Holdings, Inc., and Treasurer of Semirara Mining Corporation. Mr. Herbert Consunji has served the Corporation as a regular director for fourteen (14) years.

Jorge A. Consunji is the President and Chief Operating Officer of D.M. Consunji, Inc. His other positions include: Director of Semirara Miing Corporation, Beta Electic Corp., Bachy Soletanche 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 fourteen (14) years.

Victor A. Consunji is a Director of the following: Dacon Corporation (Vice-President), Semirara Mining Corporation (President), One Network Bank (Chairman), M&S Company, Inc., Sodaco Agricultural Corporation, DMC Urban Property Developers, Inc., DM Consunji, Inc., DMCI Holdings, Inc., and Ecoland Properties Development Corporation. Mr. Victor Consunji has served as a regular director for fourteen (14) years.

Evaristo T. Francisco served as a Member of the Board of Director of D.M. Consunji, Inc. from 1988-2001 and held various positions in Pilipinas Shell as Board of Director, Vice President for Marketing, Personnel and Public Affairs, Sales and other overseas work for Shell International Petroleum Co. Mr. Francisco has served the Company as Independent Director for eight (8) years (since 2001).

Victor S. Limlingan. Mr. Limlingan is 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 is an Adjunct Professor at the Asian Institute of Management, Chairman of Guagua National Colleges as well as a member of the Presidential Task Force on Education. He also owns and manages Regina Capital Development Corporation, a member of the Philippine Stock Exchange. In 2000, he became Chairman and majority owner of Cristina Travel Corporation. Dr. Limlingan has served the Company as Independent Director since 2006. However, he has resigned as such on January 30, 2009 and was appointed as the Managing Director of DMCI Holdings, Inc. effective February 1, 2009.

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., and D.M. Consunji, Inc. Ms. Laperal has served the Corporation as Treasurer for fourteen (14) years.

Cristina C. Gotianun is a Regular Director of Dacon Corporation, D.M. Consunji, Inc. and Kalinan Timber Corporation. Her other positions include: VP for Finance Administrative/Chief Finance Officer of D.M. Consunji, Inc., Director for Finance of DMCI Homes, Inc., and General Manager of Sirawan Food Corporation. Ms. Gotianun has served the Corporation as Asst. Treasurer for fourteen (14) years.

Noel A. Laman is the Chairman of the Executive Committee and a 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 Glaxo Wellcome Philippines, Inc, Boehringer Ingelheim (Phils.), Inc., Solvay Pharma Philippines Corporation, and Merck, Inc. He is an active member of the Intellectual Property Association of the Philippines, the Intellectual Property Foundation, the

Philippine Bar Association, and have been a speaker in local and foreign legal seminars and a resource person of various foreign chambers of commerce in the Philippines. He is a member of the Technical Panel for Legal Education, Commission on Higher Education. Atty. Laman has served the Corporation as Corporate Secretary for fifteen (15) years.

Myra C. Reinoso is the Vice President for Finance of DMCI Holdings, Inc. She recently joined the Company last October 15, 2007. She held various positions in Development Bank of the Philippines (DBP) from 1979 to 2007, in which her last post was First Vice President and Head of the Area Management Office for North Luzon. She also worked with the National Economic Development Authority from 1977-1979.

(d) Independent Directors.

Mr. Evaristo T. Francisco is currently the Corporation's independent director. Mr. Francisco has served the Corporation as independent directors since 2001. Mr. Honorio Reyes Lao shall be nominated as an independent director replacing Mr. Victor S. Limlingan who is now the Managing Director of the Corporation effective February 1, 2009.

Under its Manual of Corporate Governance, the Corporation is required to have at least two (2) Independent Directors or such number of Independent Directors as shall constitute at least twenty (20%) percent of the members of the Board of Director of the Corporation, whichever is lesser. Attached hereto as Schedule 1 is the Final List of Candidates for Independent Directors. The candidates for independent directors were nominated as such by Mr. Jose L. Merin, who has no family and/ or business relationships or affiliations with the two (2) nominees. The two (2) nominees for Independent Directors were selected by the Board Nomination and Election Committee in accordance with the guidelines in the Manual of Corporate Governance, the Code of Corporate Governance (SEC Memorandum Circular No. 2, Series of 2002), and the Guidelines on the nomination and election of Independent Directors (SRC Rule 38).

(e) Other directorships held in reporting companies naming each company.

David M. Consunji	Chairman of the Board Semirara Mining Corporation Regular Director
Cesar A. Buenaventura	Director, Semirara Mining Corporation and Atlantic, Gulf & Pacific Company of Manila, Inc. Regular Director
Isidro A. Consunji	Director, D. M. Consunji, Inc. Director, DMCI Project Developers, Inc. Director, DMCI Power Corporation Director & Vice-Chairman, Semirara Mining Corporation Director, Maynilad Water Services, Inc. Regular Director
Victor A. Consunji	Director, Semirara Mining Corporation Director, DMCI Power Corporation Regular Director
Jorge A. Consunji	Director, Semirara Mining Corporation Director, D. M. Consunji, Inc.

	Director, Maynilad Water Services, Inc.
	Regular Director
Ma. Edwina C. Laperal	Director, DMCI Project Developers, Inc.
	Regular Director
Herbert M. Consunji	Director, Semirara Mining Corporation
	Director, DMCI Project Developers, Inc.
	Director, DMCI Power Corporation
	Director, Maynilad Water Services, Inc.
	Regular Director

(f) Family Relationship

The family relationship up to the fourth civil degree either by consanguinity or affinity among directors, executive officers or persons nominated or chosen by the Corporation to become directors or executive officers is stated below:

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

(g) Since the last annual stockholders' meeting of the Corporation, and except for Mr. Victor S. Limlingan who resigned as the Corporation's Independent Director effective the close of business hours of January 30, 2009, no other Director has resigned or declined to stand for reelection to the Board of Directors of the Corporation because of a disagreement with the Corporation on any matter relating to the Corporation's operations, policies or practices.

(h) Involvement in Legal Proceedings

Except for the following, none of the directors, executive officers and nominees for election is subject to any pending material legal proceedings as of June 15, 2007. For the past five years, none of the directors, executive officer, or control person of the registrant has been subject to (a) any bankruptcy petition; (b) conviction by final judgment; (c) subject to any order, judgment or decree; or (d) violation of securities or commodities law.

(1) Mr. Isidro A. Consunji

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

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

On June 6, 2005, the trial court granted the public prosecutor’s motion to withdraw information. Private complainants’ motion for reconsideration was denied on November 29, 2005. Subsequently, private complainants filed a notice of appeal, which was given due course by the trial court on January 19, 2006. Mr. Consunji moved to strike the notice of appeal for being improper. On February 22, 2007, the trial court issued an order granting Mr. Consunji’s motion and declaring its order dated November 29, 2005 as final and executory. The private complainants failed to appeal the trial court’s order; hence, the same has attained finality.

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

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

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

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

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

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

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

(i) Significant employees

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

Significant Employees	Position held in Corporation	Citizenship	Age
Ma. Luisa C. Austria	Administrative / Accounting Officer	Filipino	57
Aldric G. Borlaza	Finance Officer	Filipino	31

Although the Corporation has and will likely continue to rely significantly on the aforementioned individuals, it is not dependent on the services of any particular employee. It does not have any special arrangements to ensure that any employee will remain with the Corporation and will not compete upon termination.

(j) Business experience of the significant employees of the Corporation for the last five years:

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 Corporation and has held said position for thirteen (13) years.

Aldric G. Borlaza worked for three (3) months in SGV, Assurance or External Audit group, involving basic audit of accounting controls, documents and paper trail as well as basic preparation of Audited Financial Statements (January 2002 to March 2002). He has been the Finance Officer of the Corporation for seven (7) years.

(k) Certain Relationships and Related Transactions

There has been no transaction or proposed transactions for the last two (2) years, to which the Corporation was or is to be a party, in which any director, executive officer, nominee for director, stockholder holding at least ten percent of the total outstanding capital stock of the Corporation, or a member of the immediate family of any of the aforementioned has direct or indirect material interest.

Item 6. Compensation of Directors and Executive Officers

ANNUAL COMPENSATION

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

	Chief Financial Officer			
	YEARS			
	2007	P 19,116,320.60		**P 2,761,958.23**
	2008	P 19,776,760.46		**P 2,581,413.00**
	2009*	P 19,776,760.46		**P 2,581,413.00**
	TOTAL:	P 58,669,841.52	P --	**P 7,924,784.23**
	YEARS			
All other directors and executive officers as a group unnamed	2007 2008 2009*	P 4,665,293.75 P 5,283,600.83 P 5,283,600.83		**P 1,125,078.21** **P 1,260,000.00** **P 1,260,000.00**
	TOTAL:	P 15,232,495.41	P --	**P 3,645,078.21**

**Approximate figures*

There is no contract covering their employment with the Corporation and they hold office by virtue of their election to office. The Company has no agreements with its named executive officers regarding any bonus, profit sharing, pension or retirement plan.

There are no outstanding warrants, options, or right to repurchase any securities held by the directors or executive officers of the Company.

Item 7. Independent Public Accountant

(a) The auditing firm named below will be recommended to the stockholders for appointment as the Corporation's principal accountant for the ensuing fiscal year. Conformably with SRC Rule 68(3)(b)(iv), the Corporation's independent public accountant shall be rotated, or the handling partner shall be changed, every 5 years. The handling partner, Ms. Jessie D. Cabaluna, will be the engagement partner until year 2009.

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
Makati City, Metro Manila

(b) SyCip Gorres Velayo & Co. was the same principal accountant of the Corporation for the fiscal year most recently completed December 31, 2008.

(c) Representatives of SGV & Co. are expected to be present at the stockholders' meeting. They will have the opportunity to make a statement if they desire to do so and they are expected to be available to respond to appropriate questions.

(d) The members of the Corporation's Audit Committee are:

Victor S. Limlingan[6]	
Evaristo T. Francisco (Independent Director)	Member
Isidro A. Consunji	Member

[6] Resigned as Independent Director on January 30, 2009.

(e) Sycip Gorres Velayo & Co. has no shareholdings in the Corporation nor any right, whether legally enforceable or not, to nominate persons or to subscribe for the securities in the Corporation. Sycip Gorres Velayo & Co. will not receive any direct or indirect interest in the Corporation or in any securities thereof (including options, warrants or rights thereto) pursuant to or in connection with the Offer. The foregoing is in accordance with the Code of Ethics for Professional Accountants in the Philippines.

(f) There are no disagreements on any matter of accounting principle or practices, FS disclosures, etc., between Sycip Gorres Velayo & Co. and the Corporation.

C. ISSUANCE AND EXCHANGE OF SECURITIES

Item 8. Authorization or Issuance of Securities Other than for Exchange

There are no issues regarding the issuance of securities other than for exchange.

D. OTHER MATTERS

Item 9. Action with respect to Reports
Summary of Items to be Submitted for Stockholders' Approval

(1) Approval of the Minutes of the Annual Stockholders' Meeting held on July 30, 2008

The minutes of the annual stockholders' meeting held on July 30, 2008 will be submitted for approval of the stockholders at the annual meeting to be held on July 29, 2009. Below is a summary of the items and/or resolutions approved at the annual stockholders' meeting held on July 30, 2008:

(a) The Chairman of the Board of Directors of the Corporation called the meeting to order. The Secretary of the meeting certified that a quorum existed for the transaction of business.

(b) The stockholders approved the minutes of the annual stockholders' meeting held on July 25, 2007.

(c) The President of the Corporation presented the management report. He presented the highlights of the performance of the Corporation, the details of which were incorporated into the Corporation's annual report as distributed to the stockholders. The management report included a discussion on (1) the Corporation's consolidated revenue and net income, (2) the Corporation's construction, coal mining, and real estate business segments, and (3) the Corporation's new businesses. Upon motion duly made and seconded, the management report was approved.

(d) Upon motion duly made and seconded, the stockholders ratified the acts of the officers and the Board of Directors of the Corporation for the year 2007 until the date of the annual stockholders' meeting.

(e) Upon motion duly made and seconded, the accounting firm Sycip Gorres Velayo and Co. was appointed as external auditors of the Corporation for the then current fiscal year.

(f) The following were elected as directors of the Corporation for the then current year, to serve as such for a period of one year and until their successors shall have been elected and qualified:

(1) David M. Consunji
(2) Cesar A. Buenaventura
(3) Isidro A. Consunji
(4) Victor A. Consunji
(5) Jorge A. Consunji
(6) Edwina C. Laperal
(7) Herbert M. Consunji
(8) Victor S. Limlingan
(9) Evaristo T. Franciso

(g) Upon motion duly made and seconded, the annual stockholders' meeting was adjourned.

(2) Ratification of the Acts of the Board of Directors and Officers

Resolutions, contracts, and acts of the board of directors and management for ratification refer to those passed or undertaken by them during the year and for the day to day operations of the Company, which includes the following: (a) appointment of proxies and nominee directors to represent the Corporation in the stockholders' meeting of Semirara Mining Corporation, Orchard Golf and Country Club, Inc., Rusina Mining NL; (b) sale of motor vehicle; (c) opening and maintenance of investment accounts; (d) appointment of trustee and investment manager; (e) opening of bank accounts.

Item 10. Summary of Voting Matters/Voting Procedures

(a) Summary of Matters to be presented to Stockholders

(1) Approval/ratification of the minutes of the annual meeting of stockholders held on July 30, 2008. Approval of said minutes shall constitute confirmation of all the matters stated in the minutes.

(2) Resolutions, contracts, and acts of the board of directors and management for ratification refer to those passed or undertaken by them during the year and for the day to day operations of the Company as contained or reflected in the attached annual report and financial statements.

(3) Selection of SyCip Gorres Velayo & Co. as independent auditors.

(4) Election of Directors

Election of a Board of nine (9) directors, each of whom will hold office until the next annual meeting of stockholders and until his or her successor is elected and qualified. The nominees for directors are:

Regular Directors:

DAVID M. CONSUNJI
CESAR A. BUENAVENTURA
ISIDRO A. CONSUNJI
JORGE A. CONSUNJI
VICTOR A. CONSUNJI

HERBERT M. CONSUNJI
MA. EDWINA C. LAPERAL

Independent Directors:

EVARISTO T. FRANCISCO
HONORIO REYES-LAO

All of the above nominees are currently directors of the Corporation, except for Mr. Lao who will be elected during the Annual Stockholders' Meeting on July 29, 2009.

One of the two (2) Independent Directors[7] of the Corporation within the purview of SRC Rule 38 is Mr. Evaristo T. Francisco. Mr. Victor S. Limlingan resigned as such last January 30, 2009.

(b) Voting Procedures

(1) Approval/ratification of the minutes of the annual stockholders' meeting held on July 30, 2008.

(A) Vote required: A majority of the outstanding common stock present in person or by proxy, provided constituting a quorum.

(B) Method by which votes shall be counted: Each outstanding common stock shall be entitled to one (1) vote. The votes shall be counted by a show of hands or, upon motion duly made and seconded, by secret ballot.

(2) Ratification of the acts of the Board of Directors and Officers

(A) Vote required: A majority of the outstanding common stock present in person or by proxy, provided constituting a quorum.

(B) Method by which votes shall be counted: Each outstanding common stock shall be entitled to one (1) vote. The votes shall be counted by a show of hands or, upon motion duly made and seconded, by secret ballot.

(3) Appointment of Independent External Auditors

(A) Vote required: A majority of the outstanding common stock present in person or by proxy, provided constituting a quorum.

(B) Method by which votes shall be counted: Each outstanding common stock shall be entitled to one (1) vote. The votes shall be counted by a show of hands or, upon motion duly made and seconded, by secret ballot.

(4) Election of Directors

[7] An "Independent Director" shall mean a person other than an officer or employee of the Corporation or its subsidiaries, or any other individual having a relationship with the Corporation, which would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

(A) Vote required. The nine (9) candidates receiving the highest number of votes shall be declared elected.

(B) Method by which votes will be counted. Cumulative voting applies**.** Under this method of voting, a stockholder entitled to vote shall have the right to vote in person or by proxy the number of shares of stock standing in his own name on the stock books of the Corporation as of the Record Date, and said stockholder may vote such number of shares for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit. The votes shall be counted by a show of hands or, upon motion duly made and seconded, by secret ballot.

The nine nominees obtaining the highest number of votes will be proclaimed as Directors of the Corporation for the ensuing year.

Security Transfer Services, Inc. was appointed as Board of Canvassers. The Board of Canvassers shall have the power to count and tabulate all votes, assents and consents; determine and announce the result; and to do such acts as may be proper to conduct the election or vote with fairness to all stockholders.

PART II
PROXY FORM
DMCI HOLDINGS, INC.

Item 1. Identification

This proxy is being solicited for and on behalf of the Management of the Corporation. The Chairman of the Board of Directors or, in his absence, the President of the Corporation will vote the proxies at the annual stockholders' meeting to be held on July 29, 2009.

Item 2. Instruction

(a) The proxy must be duly accomplished by the stockholder of record as of Record Date. A proxy executed by a corporation shall be in the form of a board resolution duly certified by the Corporate Secretary or in a proxy form executed by a duly authorized corporate officer accompanied by a Corporate Secretary's Certificate quoting the board resolution authorizing the said corporate officer to execute the said proxy.

(b) Duly accomplished proxies may be mailed or submitted personally to the Corporate Secretary of the Corporation not later than July 17, 2009 at the following address:

The Corporate Secretary
DMCI Holdings, Inc.
3rd Floor, DACON Building
2281 Pasong Tamo Extension
1231 Makati City
Philippines

(c) In case of shares of stock owned jointly by two or more persons, the consent of all co-owners must be necessary for the execution of the proxy. For persons owning shares in an "and/or" capacity, any one of them may execute the proxy.

(d) Validation of proxies will be held by the Stock Transfer Agent on July 24, 2009 at 2:00 p.m. at the principal office of the Corporation at the 3rd Floor, DACON Building, 2281, Don Chino Roces Avenue, Makati City, Philippines.

(e) Unless otherwise indicated by the stockholder, a stockholder shall be deemed to have designated the Chairman of the Board of Directors, or in his absence, the President of the Corporation, as his proxy for the annual stockholders meeting to be held on July 29, 2009.

(f) If the number of shares of stock is left in blank, the proxy shall be deemed to have been issued for all of the stockholder's shares of stock in the Corporation as of Record Date.

(g) The manner in which this proxy shall be accomplished, as well as the validation hereof shall be governed by the provisions of SRC Rule 20 (11)(b)

(h) The stockholder executing the proxy shall indicate the manner by which he wishes the proxy to vote on any of the matters in (1), (2) and (3) below by checking the appropriate box. Where the boxes (or any of them) are unchecked, the stockholder executing the proxy is deemed to have authorized the proxy to vote for the matter.

The Undersigned hereby appoints:

(a) The Chairman of the Board of Directors of DMCI Holdings, Inc., or in his absence, the President of DMCI Holdings, Inc.,

(b) ________________________________

as his/her/its Proxy to attend the above annual meeting of the stockholders of DMCI Holdings, Inc., and any adjournment or postponement thereof, and thereat to vote all shares of stock held by the undersigned as specified below and on any matter that may properly come before said meeting.

(1) Approval/ratification of the minutes of the annual stockholders' meeting held on July 30, 2008.

☐ FOR ☐ AGAINST ☐ ABSTAIN

(2) Ratification of the acts of the Board of Directors and Officers as contained in the attached annual report and the audited financial statements of the Corporation for the year ended December 31, 2008.

☐ FOR ☐ AGAINST ☐ ABSTAIN

(3) Appointment of SGV & Co. as Independent External Auditors

☐ FOR ☐ AGAINST ☐ ABSTAIN

(4) Election of Directors.

☐ FOR all nominees listed below, except those whose names are stricken out

☐ WITHHOLD authority to vote for all nominees listed below.

(**Instruction**: To strike out a name or withhold authority to vote for any individual nominee, draw a line through the nominee's name in the list below).

Regular Directors:

DAVID M. CONSUNJI
CESAR A. BUENAVENTURA
ISIDRO A. CONSUNJI
JORGE A. CONSUNJI
VICTOR A. CONSUNJI
HERBERT M. CONSUNJI
MA. EDWINA C. LAPERAL

Independent Directors:

EVARISTO T. FRANCISCO
HONORIO REYES-LAO

Item 3. Revocability of Proxy

Any stockholder who executes the proxy enclosed with this statement may revoke it at any time before it is exercised. The proxy may be revoked by the stockholder executing the same at any time by submitting to the Corporate Secretary a written notice of revocation not later than the start of the meeting, or by attending the meeting in person and signifying his intention to personally vote his shares. Shares represented by an unrevoked proxy will be voted as authorized by the stockholder.

Item 4. Persons Making the Solicitation

The solicitation is made by the Management of the Corporation. No director of the Corporation has informed the Corporation in writing that he intends to oppose an action intended to be taken up by the Management of the Corporation at the annual meeting. Solicitation of proxies shall be made through the use of mail or personal delivery. The Corporation will shoulder the cost of solicitation.

Item 5. Interest of Certain Persons in Matters to be Acted Upon

No director, officer, nominee for director, or associate of any of the foregoing, has any substantial interest, direct or indirect, by security holdings or otherwise, on any matter to be acted upon at the annual stockholders' meeting to be held on July 29 2009 other than election to office.

________________________________	______________________________________
Date	(Signature above printed name, including title when signing for a corporation or partnership or as an agent, attorney or fiduciary).
	No. of shares held:____________________

PART III
SIGNATURE

Management does not intend to bring any matter before the meeting other than those set forth in the Notice of the annual meeting of stockholders and does not know of any matters to be brought before the meeting by others. If any other matter does come before the meeting, it is the intention of the persons named in the accompanying proxy to vote the proxy in accordance with their judgment.

ACCOMPANYING THIS INFORMATION STATEMENT ARE COPIES OF THE (1) NOTICE OF THE ANNUAL STOCKHOLDERS' MEETING CONTAINING THE AGENDA THEREOF; (2) PROXY INSTRUMENT; AND (C) THE CORPORATION'S MANAGEMENT REPORT PURSUANT TO SRC RULE 20 (4).

UPON THE WRITTEN REQUEST OF A STOCKHOLDER, THE CORPORATION WILL PROVIDE, WITHOUT CHARGE, A COPY OF THE CORPORATION'S ANNUAL REPORT IN SEC FORM 17-A AND THE CORPORATION'S LATEST QUARTERLY REPORT IN SEC FORM 17-Q DULY FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. THE STOCKHOLDER MAY BE CHARGED A REASONABLE COST FOR PHOTOCOPYING THE EXHIBITS.

ALL REQUESTS MAY BE SENT TO THE FOLLOWING:

DMCI Holdings, Inc.
3rd Floor, DACON Building,
2281 Pasong Tamo Extension,
1231Makati City.

Attention: The Corporate Secretary

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Makati on June 22, 2009.

DMCI Holdings, Inc.

By: NOEL A. LAMAN
Corporate Secretary

SCHEDULE 1

FINAL LIST OF CANDIDATES FOR INDEPENDENT DIRECTORS

EVARISTO T. FRANCISCO served as a Member of the Board of Director of D.M. Consunji, Inc. from 1988-2001 and held various positions in Pilipinas Shell as Board of Director, Vice President for Marketing, Personnel and Public Affairs, Sales and other overseas work for Shell International Petroleum Co.

HONORIO REYES-LAO has extensive banking, financial, and management experience. 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.

The following is a disclosure of the beneficial owners of the shares held by the PCD Nominee Corporation and DACON Corporation in DMCI Holdings, Inc. as of May 31, 2009.

(1)	PCD Nominee Corporation[8]	947,168,270 shares	35.67%
(2)	DACON Corporation	1,367,756,488 shares	51.51%

PCD Nominee Corporation

Attached hereto as Schedule 2(a) is a Certification from the PCD Nominee Corporation as to the beneficial owners of the shares held by it in DMCI Holdings, Inc. The PCD Nominee Corporation is a wholly-owned subsidiary of the Philippine Depository and Trust Corporation (PDTC). The beneficial owners of shares held of record by the PCD Nominee Corporation are PDTC participants who hold the shares on their own behalf or that of their clients. PDTC is a private company organized by major institutions actively participating in the Philippine capital markets to implement an automated book-entry system of handling securities transactions in the Philippines.

DACON Corporation

The following are the beneficial owners of the shares held by DACON Corporation in DMCI Holdings, Inc.:

Name of Stockholder	Number of Shares in DACON Corporation	Percentage Ownership
David M. Consunji	1	.000
Fredesvinda A. Consunji	1	.000
Victor A. Consunji	6	.000
Jorge A. Consunji	1	.000
Cristina C. Gotianun	1	.000
IsidroA.Consunji	1	.000
Edwina C. Laperal	1	.000
Rebecca C. Lock	1	.000
Josefa C. Reyes	1	.000
Luz Consuelo Consunji	1	.000
EastHeight Holdings, Inc.	485,695	12.14
Inglebrook Holdings, Inc.	485,695	12.14
Gulfshore, Inc.	485,695	12.14
Valemount Corporation	485,693	12.14
Chrismon Investments, Inc.	485,695	12.14
Jagjit Holdings, Inc.	485,695	12.14

[8]PCD Nominee Corporation, a wholly-owned subsidiary of Philippine Depository and Trust Corporation ("PDTC"), is the registered owner of the shares in the books of the Corporation's transfer agent in the Philippines. The beneficial owners of such shares are PDTC participants, who hold the shares on their behalf or on behalf of their clients. PDTC is a private company organized by major institutions actively participating in the Philippine capital markets to implement an automated book-entry system of handling securities transactions in the Philippines

Rice Creek Holdings, Inc.	485,695	12.14
La Lumiere Holdings, Inc.	485,695	12.14
Double Spring Corporation	114,427	2.29
Total	**4,000,000**	100

Mr. Victor A. Consunji and/or Mr. Jorge A. Consunji shall have the right to vote the shares of DACON Corporation.

CERTIFICATION OF INDEPENDENT DIRECTORS

I, **EVARISTO T. FRANCISCO**, Filipino, of legal age and a resident of E-224 Alexandra Condominium, No. 29 Meralco Avenue, Pasig City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am an independent director of **DMCI HOLDINGS, INC.**
2. I have no other affiliations from any companies and/or organizations.
3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of **DMCI HOLDINGS, INC.**, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations.
4. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code.
5. I shall inform the corporate secretary of **DMCI HOLDINGS, INC**. of any changes in the abovementioned information within five days from its occurrence.

Done this 18th day of June at Makati City.

EVARISTO T. FRANCISCO
Affiant

SUBSCRIBED AND SWORN to before me this 22 JUN 2009 day of ________ at MAKATI CITY, affiant personally appeared before me and exhibited to me his/her Community Tax Certificate No. 00315278 issued at Pasig City on February 28, 2009.

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Series of 2009

ATTY. LOPE M. VELASCO
NOTARY PUBLIC
Until Dec. 31, 2009
PTR O.R. No. 7209240 Mla. 01/05/09
IBP O.R. No. 740913 Mla. 12/24/08
TIN 212-965-989
Roll No. 20757

CERTIFICATION OF INDEPENDENT DIRECTORS

I, **HONORIO REYES-LAO**, Filipino, of legal age and a resident of No. 10 Dampol St., Damar Village, Quezon City, after having been duly sworn to in accordance with law do hereby declare that:

1. I have been nominated as independent director of **DMCI HOLDINGS, INC.** for the year 2009-2010.
2. I am affiliated with the following companies or organizations:

Company/Organization	Position/Relationship	Period of Service
Gold Venture Lease and Management Services Inc.	Director & President	2008-2009
Antel Group of Companies	Business Consultant	2007-2009
East West Banking Corporation	Senior Management Consultant	2005-2006
China Banking Corporation	Various positions	1970-2004
First Sovereign Asset Management Corporation	Director	2004-2006
CBC Forex Corporation	Director	1998-2002
CBC Insurance Brokers, Inc	Director	1998-2004
CBC Properties and Computers Center, Inc.	Director	1993-2006

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of **DMCI HOLDINGS, INC.**, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations.
4. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code.
5. I shall inform the corporate secretary of **DMCI HOLDINGS, INC**. of any changes in the abovementioned information within five days from its occurrence.

Done this 19th day of June at Makati City.

HONORIO REYES-LAO
Affiant

SUBSCRIBED AND SWORN to before me this JUN 2 3 2009 of ________ at CITY OF MANILA, affiant personally appeared before me and exhibited to me his/her Community Tax Certificate No. 21337482 issued at Quezon City on January 30, 2009.

Doc. No. 362
Page No. 73
Book No. 48
Series of 2009

ATTY. SOCRATES G. MARANAN
NOTARY PUBLIC
UNTIL DECEMBER 31, 2009

EQ Beneficial Owner Report by Security

PHILIPPINE
CENTRAL
DEPOSITORY, INC.

29-May-2009

Security: DMC DMCI Holdings, Inc.

Member	Member Name and Address	Balance
B101AC	**A & A SECURITIES, INC.** Rm. 1906 Ayala Ave. Condominium 6776 Ayala Ave., Makati City	662,057
B102AC	**ABACUS SECURITIES CORPORATION** Unit 2904-A East Tower, PSE Centre Exchange Road, Ortigas Center Pasig City	1,238,120
B102AP	**ABACUS SECURITIES CORPORATION** Unit 2904-A East Tower, PSE Centre Exchange Road, Ortigas Center Pasig City	6,053
B103AC	**ACCORD CAPITAL EQUITIES CORPORATION** G/F Unit EC-05B, East Tower-PSE Centre Exchange Road, Ortigas Center Pasig City	1,387,000
B103AC	**ACCORD CAPITAL EQUITIES CORPORATION - FREE** G/F Unit EC-05B, East Tower-PSE Centre Exchange Road, Ortigas Center Pasig City	50,000
B103FC	**ACCORD CAPITAL EQUITIES CORPORATION** G/F, Unit EC-05B, East Tower-PSE Centre Exchange Road, Ortigas Center Pasig City	1,000
B104AC	**A. T. DE CASTRO SECURITIES CORP.** Suite 701, 7/F Ayala Tower I, Exchange Plaza, Ayala Triangle, Ayala Ave., Makati City	330,757

PHILIPPINE
CENTRAL
DEPOSITORY, INC.

EQ Beneficial Owner Report by Security

29-May-2009

Security: DMC DMCI Holdings, Inc.

B105AC	**ALL ASIA SECURITIES MANAGEMENT CORP.** All Asia Capital Center 105 Paseo de Roxas St. Makati City	**700**
B106AC	**ALPHA SECURITIES CORP.** 23/F Orient Square Bldg. Emerald Ave., Pasig City	**209,600**
B109AC	**BA SECURITIES, INC.** Rm 401-403 CLMC Bldg, 259-267 EDSA Greenhills Mandaluyong City	**20,000**
B109AC	**BA SECURITIES, INC. - FREE** Rm 401-403 CLMC Bldg, 259-267 EDSA Greenhills Mandaluyong City	**151,800**
B109FC	**BA SECURITIES, INC. - FREE** Rm 401-403 CLMC Bldg, 259-267 EDSA Greenhills Mandaluyong City	**9,000**
B110AC	**ANGPING & ASSOCIATES SECURITIES, INC.** Suites 2002/2004, The Peak, 107 Alfaro St., Salcedo Village, Makati City	**626,300**
B111AC	**ANSALDO, GODINEZ & CO., INC.** 340 Nueva St., Binondo Manila	**1,149,000**
B111AP	**ANSALDO, GODINEZ & CO., INC.** 340 Nueva St., Binondo Manila	**400**

PHILIPPINE
CENTRAL
DEPOSITORY, INC.

EQ Beneficial Owner Report by Security

29-May-2009

Security: DMC DMCI Holdings, Inc.

B112AC	**AB CAPITAL SECURITIES, INC. - FREE** 8/F Phinma Plaza, #39 Plaza Drive Rockwelll Center Makati City	**4,337,900**
B112AP	**AB CAPITAL SECURITIES, INC. - FREE** 8/F Phinma Plaza, #39 Plaza Drive Rockwill Center Makati City	**500**
B112FC	**AB CAPITAL SECURITIES, INC. - FREE** 8/F Phinma Plaza, #39 Plaza Drive Rockwell Center Makati City	**417,500**
B113AC	**SARANGANI SECURITIES, INC.** Unit 2 D1 Vernida I Condominium 120 Amorsolo St., Legaspi Village, Makati City	**500,000**
B115AC	**SB EQUITIES, INC.** 18/F, Security Bank Centre 6776 Ayala Triangle, Ayala Ave., Makati City	**677,010**
B115FC	**SB EQUITIES,INC.** 18/F, Security Bank Centre 6776 Ayala Triangle, Ayala Ave., Makati City	**90,000**
B116AC	**ASIA PACIFIC CAPITAL EQUITIES & SECURITIES CORPORATION** 24/F Galleria Corporate Center EDSA corner Ortigas Avenue Quezon City	**132,000**
B118AC	**ASIASEC EQUITIES, INC.** 8/F Chatham House, 116 Valero St. cor. Herrera St. Salcedo Village, Makati City	**1,624,000**

PHILIPPINE
CENTRAL
DEPOSITORY, INC.

EQ Beneficial Owner Report by Security

29-May-2009

Security: DMC DMCI Holdings, Inc.

B118FC	**ASIASEC EQUITIES, INC.** 8/F Chatham House, 116 Valero St. cor Herrera St. Salcedo Village, Makati City	**900**
B119AC	**ASTRA SECURITIES CORPORATION** Units 1204-1205 Ayala Tower One Ayala Ave. cor. Paseo de Roxas Makati City	**53,000**
B120AC	**ATC SECURITIES, INC.** Unit 6F, 6th flr., 8101 Pearl Plaza Pearl Drive, Ortigas Center Pasig City	**14,000**
B122AC	**BELSON SECURITIES, INC.** 4th Floor Belson House 271 Edsa, Mandaluyong City	**1,238,000**
B122FC	**BELSON SECURITIES, INC.** 4th Floor Belson House 271 Edsa, Mandaluyong City	**50,000**
B123AC	**BENJAMIN CO CA & CO., INC.** Rm. 301 Downtown Ctr Bldg., 516 Quintin Paredes St., Binondo, Manila	**4,000**
B124AC	**B. H. CHUA SECURITIES CORPORATION** 872 G. Araneta Avenue, Quezon City	**16,000**
B125AC	**JAKA SECURITIES CORPORATION** Unit 814, Ayala Tower I Ayala Ave., Makati City	**250,000**

PHILIPPINE
CENTRAL
DEPOSITORY, INC.

EQ Beneficial Owner Report by Security

29-May-2009

Security: DMC DMCI Holdings, Inc.

B126AC	**BPI SECURITIES CORPORATION** 8/F BPI Head Office Bldg., Ayala Ave.,cor.Paseo de Roxas Makati City	**1,960,900**
B126FC	**BPI SECURITIES CORPORATION** 8/F BPI Head Office Bldg., Ayala Ave.,cor.Paseo de Roxas Makati City	**116,000**
B128AC	**CAMPOS, LANUZA & COMPANY, INC.** Unit 2003B East Tower, PSE Center Exchange Road, Ortigas Center Pasig City	**34,000**
B129AC	**SINCERE SECURITIES CORPORATION** 12/F, East Tower - PSE Centre Exchange Road, Ortigas Center Pasig City	**300,000**
B130AC	**CENTURY SECURITIES CORPORATION** 1105 Galleria Corporate Center Ortigas Ave., Quezon City	**8,000**
B131AC	**PCIB SECURITIES, INC. - PSI FAO PRULI063** 20/F PCIB Tower I, Dela Costa St., Makati City	**51,000**
B131AC	**PCIB SECURITIES, INC.** 20/F PCIB Tower I, Dela Costa St., Makati City	**165,987,654**
B131AC	**PCIB SECURITIES, INC. - FREE** 20/F PCIB Tower I, Dela Costa St., Makati City	**11,750,000**

PHILIPPINE
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DEPOSITORY, INC.

EQ Beneficial Owner Report by Security

29-May-2009

Security: DMC DMCI Holdings, Inc.

B131FC	**PCIB SECURITIES, INC.** 20/F PCIB Tower 1, Dela Costa St., Makati City	**940,000**
B133AC	**CITISECURITIES, INC.** Rm. 2701-B PSE Centre, East Tower Exchange Rd, Pasig City	**407,000**
B133FC	**CITISECURITIES, INC.** Rm. 2701-B PSE Centre, East Tower Exchange Rd, Pasig City	**2,000**
B136AC	**TRITON SECURITIES CORP.** 26/F, LKG Tower 6801 Ayala Avenue, Makati City	**1,810,000**
B140AC	**IGC SECURITIES, INC.** Suite 1006 Tower One & Exchange Plaza Ayala Triangle, Ayala Ave. Makati City	**265,600**
B141AC	**CUALOPING SECURITIES CORPORATION** Suite 1801 Tytana Centre Condominium Plaza Lorenzo Ruiz, Binondo, Manila	**35,000**
B142AC	**DBP-DAIWA SECURITIES (PHILS.), INC. - FREE** 18/F Citibank Tower 8741 Paseo de Roxas Makati City	**95,000**
B143AC	**DAVID GO SECURITIES CORP.** Rm. 309 Federation Center Bldg. Muelle de Binondo, Binondo, Manila	**46,000**

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DEPOSITORY, INC.

EQ Beneficial Owner Report by Security

29-May-2009

Security: DMC DMCI Holdings, Inc.

B145AC	**DIVERSIFIED SECURITIES, INC. - FREE** 5/F PDCP Bank Centre Herrera St. cor. Alfaro St. Salcedo Village, Makati City	**39,742**
B145AC	**DIVERSIFIED SECURITIES, INC.** 5/F PDCP Bank Centre Herrera St. cor. Alfaro St. Salcedo Village, Makati City	**276,000**
B147AC	**E. CHUA CHIACO SECURITIES, INC.** 113 Rentas St. cor. 3751 Juan Luna Binondo, Manila	**521,000**
B147FC	**E. CHUA CHIACO SECURITIES, INC.** 113 Rentas St. cor 3751 Juan Luna Binondo, Manila	**10,000**
B148AC	**EQUITABLE SECURITIES (PHILS.) INC.** 3/F Cacho-Gonzalez Bldg, Aguirre cor. Trasierra St, Legaspi Village Makati City	**1,200**
B149AC	**EAST WEST CAPITAL CORPORATION** 2/F U-Bix Building 1331 Angono St., Makati City	**200,000**
B150AC	**EASTERN SECURITIES DEVELOPMENT CORPORATION** 1701 Tytana Ctr. Bldg, Binondo, Manila	**121,000**
B153AC	**EQUITIWORLD SECURITIES, INC.** 807-809 Philippine Stock Exchange Ayala Tower 1, Ayala Avenue Makati City	**327,600**

PHILIPPINE
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DEPOSITORY, INC.

EQ Beneficial Owner Report by Security

29-May-2009

Security: DMC DMCI Holdings, Inc.

B154AC	**EVERGREEN STOCK BROKERAGE & SEC., INC.** Rm. 606 Ayala Tower I Ayala Triangle, Ayala Ave. Makati City	**327,000**
B157AC	**FIRST ORIENT SECURITIES, INC.** Unit 1201 Ayala Triangle Tower One Ayala Avenue, Makati City	**15,400**
B159AC	**FIRST INTEGRATED CAPITAL SECURITIES, INC.** Units 1211-1212 Tower I & Exchange Plaza, Ayala Ave. Cor. Paseo de Roxas, Makati City	**312,500**
B161AC	**FRANCISCO ORTIGAS SECURITIES, INC.** Rm. 815 Ortigas Bldg. Ortigas Ave, Pasig City	**7,000**
B167AC	**AURORA SECURITIES, INC.** Unit 2405A, West Tower, PSE Centre Exchange Road, Ortigas Center Pasig City	**10,200**
B168AC	**GLOBALINKS SECURITIES & STOCKS, INC.** Rm 706 Ayala Tower One Ayala Avenue Cor. Paseo de Roxas St. Makati City	**5,111,058**
B168AP	**GLOBALINKS SECURITIES & STOCKS, INC.** Rm 706 Ayala Tower One Ayala Avenue Cor. Paseo de Roxas St. Makati City	**70**
B168FC	**GLOBALINKS SECURITIES & STOCKS, INC.** Rm 706 Ayala Tower One Ayala Avenue Cor. Paseo de Roxas St. Makati City	**25,000**

EQ Beneficial Owner Report by Security

PHILIPPINE
CENTRAL
DEPOSITORY, INC.

29-May-2009

Security: DMC DMCI Holdings, Inc.

B169AC	**JSG SECURITIES, INC.** 4th Floor, A&T Building, 244 Escolta Street, Binondo, Manila	**22,000**
B170AC	**GOLDSTAR SECURITIES, INC. - FREE** 2201-B East Tower, PSE Centre Exchange Rd, Ortigas Center Pasig City	**15,000**
B170AC	**GOLDSTAR SECURITIES, INC.** 2201-B East Tower, PSE Centre Exchange Rd, Ortigas Center Pasig City	**110,000**
B172AC	**GUILD SECURITIES, INC.** Unit 1215 Tower One & Exchange Plaza Ayala Ave., Makati City	**56,000**
B174AC	**HDI SECURITIES, INC. - FREE** 11/F, Ayala Tower I, Ayala Ave. Makati City	**250,000**
B174AC	**HDI SECURITIES, INC.** 11/F, Ayala Tower I, Ayala Ave. Makati City	**172,000**
B175AC	**H. E. BENNETT SECURITIES, INC.** Rm 207, Fil-Am Resources Bldg. 231 Juan Luna St., Binondo, Manila	**807,000**
B178AC	**HK SECURITIES, INC.** Suite 102 Columbia Tower, Ortigas Ave., Mandaluyong City	**1,000**

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DEPOSITORY, INC.

EQ Beneficial Owner Report by Security

29-May-2009

Security: DMC DMCI Holdings, Inc.

B179AC	**I. ACKERMAN & CO., INC.** Suite 705, Tower I Bldg. PSE Plaza, Ayala Triangle Ayala Ave., Makati City	**93,600**
B180AC	**I. B. GIMENEZ SECURITIES, INC.** No. 42, 3/F, New Rosario Ortigas Arcade Rosario Ortigas Extn., Pasig City	**3,283,700**
B181AC	**INVESTORS SECURITIES, INC.** 6/F Tower One & Exchange Plaza Ayala Avenue cor. Paseo de Roxas Makati City	**390,000**
B182AC	**IMPERIAL, DE GUZMAN, ABALOS & CO.,INC.** Greenfield Bldg.I 750 Shaw Blvd. Mandaluyong City	**57,500**
B183AC	**INTRA-INVEST SECURITIES, INC.** 11/F ACT Tower, 135 Sen. Gil Puyat Ave., Salcedo Vill., Makati City	**15,000**
B187AC	**ASIAN CAPITAL EQUITIES, INC.** 25-B Rufino Tower Bldg. Ayala Avenue, Makati City	**13,000**
B190AC	**VALUE QUEST SECURITIES CORPORATION** Unit 1007-B West Tower, PSE Center Exchange Road, Ortigas Center Pasig City	**300,000**
B192AC	**STRATEGIC EQUITIES CORP. - FREE** Unit 610-611 PSE Plaza, Tower I, Ayala Triangle, Ayala Ave., Makati City	**1,888,000**

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DEPOSITORY, INC.

EQ Beneficial Owner Report by Security

29-May-2009

Security: DMC DMCI Holdings, Inc.

B192AC	**STRATEGIC EQUITIES CORP.** Unit 610-611 PSE Plaza, Tower I, Ayala Triangle, Ayala Ave., Makati City	**50,000**
B192FC	**STRATEGIC EQUITIES CORP.** Unit 610-611 PSE Plaza, Tower I, Ayala Triangle, Ayala Ave., Makati City	**50,000**
B193AC	**LARRGO SECURITIES CO., INC.** Rm. 202 2/F Rufino Building, Ayala Avenue, Makati City	**37,000**
B197AC	**LOPEZ, LOCSIN, LEDESMA & CO., INC.** 405 Sen. Gil Puyat Ave. (near MRT), EDSA Makati City	**25,000**
B198AC	**LUCKY SECURITIES, INC.** 19/F West Tower - PSE Centre Exchange Road, Ortigas Center Pasig City	**230,000**
B200AC	**MANDARIN SECURITIES CORPORATION** 28/F LKG Tower 6801 Ayala Ave., Makati City	**115,000**
B202AC	**MARINO OLONDRIZ Y CIA** Rm 2305-A Tektite Tower I Exchange Road Ortigas Center Pasig City	**1,800**
B203AC	**CITISECONLINE.COM, INC.** Unit 2401-B East Tower, PSE Centre Exchange Road, Ortigas Center Pasig City	**2,158,268**

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DEPOSITORY, INC.

EQ Beneficial Owner Report by Security

29-May-2009

Security: DMC DMCI Holdings, Inc.

B203FC	**CITISECONLINE.COM, INC.** Unit 2401-B East Tower, PSE Centre Exchange Road, Ortigas Center Pasig City	**11,800**
B204AC	**DA MARKET SECURITIES, INC. - FREE** Unit 6, 3/F The Fort Strip Bldg. Bonifacio Center, Bonifacio Global City Taguig	**20,000**
B204AC	**DA MARKET SECURITIES, INC.** Unit 6, 3/F The Fort Strip Bldg. Bonifacio Center, Bonifacio Global City Taguig	**120,000**
B205AC	**MERCANTILE SECURITIES CORP.** 20/F, First e-Bank Tower 8737 Paseo de Roxas Makati City	**80,000**
B206AC	**MERIDIAN SECURITIES, INC.** Suite 2702B&C East Tower - PSE Centre Exchange Road, Ortigas Center Pasig City	**72,000**
B208AC	**MDR SECURITIES, INC.** 6/F, Unit 617 AIC-Burgundy Empire Tower ADB Ave. cor Garnet & Sapphire Roads Ortigas Center, Pasig City	**430,000**
B209AC	**DEUTSCHE REGIS PARTNERS, INC. - AC RETAIL** 23/F Tower One & Exchange Plaza Ayala Triangle, Makati City	**9,045,000**
B209FC	**DEUTSCHE REGIS PARTNERS, INC. - AC CORPORATE(F)** 23/F Tower One & Exchange Plaza Ayala Triangle, Makati City	**13,700,000**

PHILIPPINE
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DEPOSITORY, INC.

EQ Beneficial Owner Report by Security

29-May-2009

Security: DMC DMCI Holdings, Inc.

B209FP	**DEUTSCHE REGIS PARTNERS, INC. - FREE** 23/F Tower One & Exchange Plaza Ayala Triangle, Makati City	**600**
B211AC	**NEW WORLD SECURITIES CO., INC.** Rm. 202 Fil-Am Resources Bldg. 231 Juan Luna St. Binondo, Manila	**35,000**
B215AC	**OPTIMUM SECURITIES CORPORATION** No. 11 E. O. Bldg., United St. cor. 2nd St. Bo. Kapitolyo, Pasig City	**745,000**
B215AC	**OPTIMUM SECURITIES CORPORATION - HOUSE2** No. 11 E. O. Bldg., United St. cor. 2nd St. Bo. Kapitolyo, Pasig City	**25,000**
B217AC	**RCBC SECURITIES, INC. - FREE** 7/F Yuchengco Tower RCBC Plaza, 6819 Ayala Avenue Makati City	**7,000**
B217AC	**RCBC SECURITIES, INC.** 7/F Yuchengco Tower RCBC Plaza, 6819 Ayala Avenue Makati City	**984,000**
B218AC	**PAN ASIA SECURITIES CORP.** Rm 910 Tower One & Exchange Plaza Ayala Avenue, Makati City	**40,000**
B219AC	**PAPA SECURITIES CORPORATION** 6/F S & L Building Dela Rosa cor. Esteban Sts. Legaspi Village, Makati City	**1,026,750**

PHILIPPINE
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DEPOSITORY, INC.

EQ Beneficial Owner Report by Security

29-May-2009

Security: DMC DMCI Holdings, Inc.

B220AC	**ATR-KIM ENG SECURITIES, INC. - FREE** 17/F Tower One & Exchange Plaza, Ayala Triangle, Ayala Avenue Makati City	**1,017,134**
B220AP	**ATR-KIM ENG SECURITIES, INC. - FREE** 17/F Tower One & Exchange Plaza, Ayala Triangle, Ayala Avenue Makati City	**1,476**
B220FC	**ATR-KIM ENG SECURITIES, INC. - FREE** 17/F Tower One & Exchange Plaza, Ayala Triangle, Ayala Avenue Makati City	**476,666**
B224AC	**PNB SECURITIES, INC.** 3/F PNB Financial Center Roxas Blvd., Pasay City	**434,596**
B225AC	**PREMIUM SECURITIES, INC.** Unit 1415, Tower 1 & Exchange Plaza Ayala Avenue cor. Paseo de Roxas Makati City	**118,000**
B228AC	**PRYCE SECURITIES, INC.** 18/F, Pryce Center 1179 Chino Roces Ave. cor. Bagtikan St. Makati City	**157**
B229AC	**PUBLIC SECURITIES CORPORATION** Unit 1214 PSE Tower One & Exchange Plaza Ayala Ave. cor. Paseo de Roxas Makati City	**11,600**
B230AC	**QUALITY INVESTMENTS & SECURITIES CORPORATION** Suite 1602 Tytana Plaza Bldg. Plaza Lorenzo Ruiz Binondo, Manila	**308,000**

PHILIPPINE CENTRAL DEPOSITORY, INC.

EQ Beneficial Owner Report by Security

29-May-2009

Security: DMC DMCI Holdings, Inc.

B231AC	**R & L INVESTMENTS, INC.** 675 Lee St., Mandaluyong City	**90,000**
B232AC	**ALAKOR SECURITIES CORPORATION** 9/F Quad Alpha Centrum, 125 Pioneer St. Mandaluyong City	**300,000**
B233AC	**R. COYIUTO SECURITIES, INC.** 5/F Corinthian Plaza, Paseo de Roxas Legaspi Village, Makati City	**244,000**
B235AC	**REGINA CAPITAL DEVELOPMENT CORPORATION** Unit 806 Tower 1 & Exchange Plaza Ayala Triangle, Ayala Avenue Makati City	**15,422,143**
B236AC	**R. NUBLA SECURITIES, INC.** Room 300, Fil-Am Resources Bldg., 231 Juan Luna St., Binondo, Manila	**3,625,000**
B237AC	**AAA SOUTHEAST EQUITIES, INCORPORATED** Ground Floor, Fortune Life Building #162 Legaspi St., Legaspi Village Makati City	**55,000**
B238AC	**R. S. LIM & CO., INC.** 1509 Galvani Street San Isidro, Makati City	**19,100**
B239AC	**RTG & COMPANY, INC. - FREE** Unit 602 Tower 1 & Exchange Plaza Ayala Triangle, Makati City	**6,000**

PHILIPPINE
CENTRAL
DEPOSITORY, INC.

EQ Beneficial Owner Report by Security

29-May-2009

Security: DMC DMCI Holdings, Inc.

B239AC	**RTG & COMPANY, INC.** Unit 602 Tower 1 & Exchange Plaza Ayala Triangle, Makati City	**3,728,400**
B240AC	**S.J. ROXAS & CO.,INC. - PISI-215283** Unit 612 Tower One, Ayala Triangle, Ayala Avenue, Makati City	**20,000**
B240AC	**S.J. ROXAS & CO.,INC. - FREE** Unit 612 Tower One, Ayala Triangle, Ayala Avenue, Makati City	**1,000**
B240AC	**S.J. ROXAS & CO.,INC.** Unit 612 Tower One, Ayala Triangle, Ayala Avenue, Makati City	**57,000**
B240AP	**S.J. ROXAS & CO., INC.** Unit 612 Tower One, Ayala Triangle, Ayala Avenue, Makati City	**1,000**
B242AC	**SECURITIES SPECIALISTS, INC.** Casa Blanca, 1447 M. Adriatico St, Ermita, Manila	**1,400**
B243AC	**FIDELITY SECURITIES, INC.** 2/F JTKC Centre 2155 Pasong Tamo, Makati City	**10,000**
B246AC	**SUMMIT SECURITIES, INC.** Unit 2102 B/C PSE Center Tektite Tower East Exchange Road, Ortigas Center Pasig City	**365,800**

PHILIPPINE
CENTRAL
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EQ Beneficial Owner Report by Security

29-May-2009

Security: DMC DMCI Holdings, Inc.

B247AC	**STANDARD SECURITIES CORPORATION** Rm. 1202 Tower 1 Exchange Plaza,Ayala Ave., Makati City	**86,000**
B251AC	**TANSENGCO & CO., INC.** Rm. 2308 World Trade Exchange Bldg. 215 Juan Luna St., Binondo, Manila	**41,800**
B252AC	**THE FIRST RESOURCES MANAGEMENT & SECURITIES CORP.** Rms. 801-802, PSE Tower 1 Ayala Ave., cor. Paseo de Roxas,Ayala Triangle, Makati City	**162,000**
B253AC	**TOWER SECURITIES, INC.** 1802-C Tektite Tower I Exchange Road, Ortigas Centre Pasig City	**13,951,600**
B257AC	**TRI-STATE SECURITIES, INC.** Unit 1007, 10/F Ayala Triangle Tower I, Ayala Avenue, Makati City	**45,000**
B259AC	**UCPB SECURITIES, INC.** 14/F, UCPB Building Makati Ave., Makati City	**523,000**
B261AC	**E. SECURITIES, INC.** 11/F Export Bank Plaza Chino Roces cor. Gil Puyat Ave Makati City	**14,000**
B261AC	**E. SECURITIES, INC. - E.SEC2** 11/F Export Bank Plaza Chino Roces cor. Gil Puyat Ave Makati City	**30,000**

PHILIPPINE
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DEPOSITORY, INC.

EQ Beneficial Owner Report by Security

29-May-2009

Security: DMC DMCI Holdings, Inc.

B263AC	**VENTURE SECURITIES, INC. - PHIL FIRST AC001** 7/F, Phil. First Building 6764 Ayala Ave., Makati City	**4,000**
B263AC	**VENTURE SECURITIES, INC.** 7/F, Phil. First Building 6764 Ayala Ave., Makati City	**5,000**
B263AC	**VENTURE SECURITIES, INC. - FREE** 7/F, Phil. First Building 6764 Ayala Ave., Makati City	**9,000**
B263FC	**VENTURE SECURITIES, INC. - FREE** 7/F, Phil. First Building 6764 Ayala Ave., Makati City	**160,000**
B266AC	**VICSAL SECURITIES & STOCK BROKERAGE,INC.** Unit 1009-1011, Tower One & Exchange Plaza Ayala Triangle, Ayala Ave. Makati City	**15,575,000**
B267AC	**FIRST METRO SECURITIES BROKERAGE CORP. - FREE** 18th flr., PS Bank Center 777 Paseo de Roxas cor. Sedeno St. Makati City	**1,251,100**
B267AC	**FIRST METRO SECURITIES BROKERAGE CORP.** 18th flr., PS Bank Center 777 Paseo de Roxas cor. Sedeno St. Makati City	**20,000**
B267AP	**FIRST METRO SECURITIES BROKERAGE CORP.** 18th Flr., PS Bank Center 777 Paseo de Roxas cor. Sedeno St. Makati City	**90,000**

EQ Beneficial Owner Report by Security

PHILIPPINE
CENTRAL
DEPOSITORY, INC.

29-May-2009

Security: DMC DMCI Holdings, Inc.

B269AC	**WEALTH SECURITIES, INC.** 2103 PSE Centre, Exchange Road Ortigas Centre, Pasig City	**2,617,800**
B269AC	**WEALTH SECURITIES, INC. - PHILEQUITYFUND** 2103 PSE Centre, Exchange Road Ortigas Centre, Pasig City	**2,803,000**
B270AC	**WESTLINK GLOBAL EQUITIES, INC.** 6/F Philippine Stock Exchange Plaza Ayala Avenue, Makati City	**13,200**
B272AC	**BERNAD SECURITIES, INC.** 3/F, 1033 M.H. del Pilar St. Ermita, Manila	**1,050,000**
B273AC	**WONG SECURITIES CORPORATION** 960 Ideal Street, Mandaluyong City Metro Manila	**5,000**
B275AC	**YAO & ZIALCITA, INC.** 5G Vernida I Condominium 120 Amorsolo St., Legaspi Village Makati City	**536,000**
B278AC	**YU & COMPANY, INC.** Unit E 1606-B Tektite Tower 1 Exhange Road, Ortigas Center Pasig City	**950,000**
B279AC	**BDO SECURITIES CORP.** 20/F, BDO South Tower Maakti Ave. cor. H.V. dela Costa St. Makati City	**33,799,056**

PHILIPPINE
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DEPOSITORY, INC.

EQ Beneficial Owner Report by Security

29-May-2009

Security: DMC DMCI Holdings, Inc.

B282AC	**PCCI SECURITIES BROKERS CORP. - FREE** 4/F PCCI Corporate Centre 118 L.P. Leviste St, Salcedo Village Makati City	**1,321,000**
B283AC	**EAGLE EQUITIES, INC.** 779 Harvard St., Mandaluyong City	**48,000**
B285AC	**GOLDEN TOWER SECURITIES & HOLDINGS, INC.** 4-B Vernida I Condominium, 120 Amorsolo St., Legaspi Village, Makati City	**132,000**
B286AC	**SOLAR SECURITIES, INC.** Unit 3002-A East Tower, Phil. Stock Exchange Centre, Exchange Road, Ortigas Complex, Pasig City	**339,050**
B288AC	**G.D. TAN & COMPANY, INC.** Unit 2203-A East Tower, PSE Center Exchange Road, Ortigas Center, Pasig City	**16,000**
B323AC	**CLSA PHILIPPINES, INC. - FREE** 19/F, Tower 2, The Enterprise Center 6766 Ayala Ave., Makati City	**11,123,000**
B333AC	**UBS WARBURG SECURITIES PHILS., INC. - FREE** 19/F Ayala Tower One, Ayala Ave., Makati City	**40,000**
B338AP	**PHILIPPINE EQUITY PARTNERS, INC. - FREE** Unit 19C Citibank Tower Citibank Plaza 8741 Paseo de Roxas Makati City	**667**

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EQ Beneficial Owner Report by Security

29-May-2009

Security: DMC DMCI Holdings, Inc.

B345AC	**UNICAPITAL SECURITIES INC.** 4F Majalco Bldg Benavidez cor Trasierra Sts Legaspi Vill., Makati City	**851,000**
B345AC	**UNICAPITAL SECURITIES INC. - MAKATI SUPERMART** 4F Majalco Bldg Benavidez cor Trasierra Sts Legaspi Vill., Makati City	**25,000**
B388AC	**ARMSTRONG SECURITIES, INC.** 20/F, Equitable PCI Tower I Makati Ave. cor. H.V. de la Costa St. Makati City	**6,000**
B389AC	**KING'S POWER SECURITIES, INC.** Rm 1602 Federal Tower Dasmarinas St. Binondo, Manila	**35,000**
BCDO20	**BANCO DE ORO - TRUST BANKING GROUP** #12 ADB Avenue, Ortigas Centre, Mandaluyong City	**10,939**
CITI10	**CITIBANK N. A. - CITIOMNIFOR** 11/F Citibank Tower Villar corner Valero Sts. Makati City, MM	**20,964,347**
CITI10	**CITIBANK N. A. - CITI FAO SUNLIFE** 11/F Citibank Tower Villar corner Valero Sts. Makati City, MM	**7,309,000**
CITI10	**CITIBANK N. A. - CITIFAOPHILAM** 11/F Citibank Tower Villar corner Valero Sts. Makati City, MM	**859,000**

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EQ Beneficial Owner Report by Security

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Security: DMC DMCI Holdings, Inc.

CITI10	**CITIBANK N. A. - CITIMETROAXAEQ** 11/F Citibank Tower Villar corner Valero Sts. Makati City, MM	**1,214,000**
CITI10	**CITIBANK N. A. - CITIOMNILOC** 11/F Citibank Tower Villar corner Valero Sts. Makati City, MM	**152,000**
CITI10	**CITIBANK N. A. - CITIMETROAXABAL** 11/F Citibank Tower Villar corner Valero Sts. Makati City, MM	**3,958,000**
DEUB10	**DEUTSCHE BANK AG MANILA BRANCH** 26/F Ayala Tower One Ayala Triangle, Makati City	**800,000**
DEUB20	**DEUTSCHE BANK AG MANILA BRANCH - IMA** 26/F ayala Tower One, Ayala Triangle, Makati City	**170,500**
DEUB20	**DEUTSCHE BANK AG MANILA BRANCH - VTA** 26/F ayala Tower One, Ayala Triangle, Makati City	**115,000**
GSIS10	**GOVERNMENT SERVICE INSURANCE SYSTEM** GSIS Hqs., Financial Center Roxas Blvd., Pasay City	**702,000**
HSBC10	**THE HONGKONG AND SHANGHAI BANKING CORP. LTD. -CLIENTS'** 12th floor, The Enterprise Center Tower 1, 6766 Ayala Ave. cor Paseo de Roxas Makati City	**477,608,200**

PHILIPPINE
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EQ Beneficial Owner Report by Security

29-May-2009

Security: DMC DMCI Holdings, Inc.

HSBC20	**THE HONGKONG AND SHANGHAI BANKING CORP. LTD. -CLIENTS'** 12th floor, The Enterprise Center Tower 1, 6766 Ayala Ave. cor Paseo de Roxas Makati City	**4,301,600**
HSBC30	**THE HONGKONG & SHANGHAI BANKING CORP. LTD. -OWN ACCO** 12 th floor, The Enterprise Center, Tower 1 6766 Ayala Ave. cor Paseo de Roxas Makati City	**1,200**
PPSB20	**PHILAMLIFE SAVINGS BANK-TBD FOREIGN SEC - PASB TRUST - 0** 10/F Philamlife Tower 8767 Paseo de Roxas, Makati City	**5,000**
RCBC10	**RCBC TRUST & INVESTMENT DIVISION** 333 Sen. Gil J. Puyat Ave. Makati City	**2,305,200**
SCBK10	**STANDARD CHARTERED BANK** 6756 Ayala Avenue Makati City	**68,016,000**
SCTD10	**MBTC - TRUST BANKING GROUP** 5/F Metrobank Plaza Sen. Gil Puyat Ave., Makati City	**903,000**
SSSI10	**SOCIAL SECURITY SYSTEM** SSS Bldg., East Ave., Diliman, Quezon City	**930,000**
UCPB10	**UNITED COCONUT PLANTERS BANK-TRUST BANKING** 5/F, UCPB Bldg., Makati Ave. Makati City	**9,000**

PHILIPPINE
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EQ Beneficial Owner Report by Security

29-May-2009

Security: DMC DMCI Holdings, Inc.

TOTAL 947,168,270

DMCI HOLDINGS

INCORPORATED

Management Report

Pursuant To SRC Rule 20 (4)

I. INCORPORATED HEREIN ARE THE AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008 AND THE INTERIM FINANCIAL STATEMENTS FOR THE QUARTER MARCH 31, 2009 OF DMCI HOLDINGS, INC. ("The Corporation").

II. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

There has been no change or disagreements with certifying accountants.

III. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

A. Audited Financial Statements as of December 31, 2008

I. RESULTS OF OPERATIONS

2007 - 2008

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

WATER

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

Manila-West

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

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

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

(in Php millions)	**2008**		**2007**	
	Consortium	**DMCI share**	**Consortium**	**DMCI share**
Operating Net Income (Maynilad)	1,994		1,255	
Less: Minority	310		201	
Operating Net Income after Minority	1,684	**837**	1,054	**527**
Less: Non operating & Extraordinary Costs (Income)-net of tax (Consortium)				
Goodwill	1,293	**646**	(4,245)	**(2,122)**
Forex Losses	858	**429**	403	**202**
Maynilad Bid Costs	-	**-**	682	**341**
Reversal of contingent liabilities	(882)	**(441)**	-	**-**
Net Interest Expense (Income)	375	**188**	408	**204**
Loss on redemption of Preferred Shares	351	**176**	-	**-**
Prior Period & IFRIC 12 adjustments	(149)	**(75)**	1,132	**566**
Adjustments & Others	(163)	**(56)**	187	**94**
Adjustments for Minority	(119)	**(60)**	4	**2**
Subtotal	1,564	**807**	(1,428)	**(714)**
Net Income	120	**30**	2,482	**1,241**

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

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

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

Subic-Olongapo

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

REAL ESTATE

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

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

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

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

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

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

CONSTRUCTION

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

General Construction

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

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

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

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

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

Steel Fabrication and Assembly

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

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

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

MINING

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

Coal Mining

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

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

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

Full Years 2007-2008

I. PRODUCTION AND OPERATIONS

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

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

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

Rainy season at the island is unusually long this year. Moreover, the downpours were likewise extraordinarily heavy and started as early as second quarter of 2008, recording an average rainfall of 279 millimeters compared to same period last year's rainfall of 145 millimeters. Rainy season extended up to November in the current year. For the 8-month period starting April, the highest recorded rainfall was at 697 millimeters and lowest at 156 millimeters. Incessant heavy rains resulted to a partial caving in of a portion of the pit and disrupted coal production in the second half of the year. This event prompted the Company to declare a force majeure on 2 July 2008 which lasted until almost the end of the year. The force majeure was only lifted on 2 December 2008 when the rainy season finally ended.

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

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

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

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

II. MARKET

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

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

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

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

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

III. FINANCE

A. Sales and Profitability

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

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

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

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

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

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

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

B. Financial Condition, Solvency and Liquidity

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

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

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

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

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

Non-Current Assets decreased by a more significant percentage at 20% from P2.00 billion as at the start of the year to P1.61 billion ending balance. This is mainly caused by the 42% slump in Property, Plant and Equipment which closed at P1.11 billion from P1.90 billion beginning level after booking depreciation cost of old mining equipment and other facilities. Although more mining equipment were purchased in 2008, most of these equipment were not carried in the books of the Company since these are covered by sale and leaseback arrangements with a local leasing company. On the other hand, Investments and Advances rose by 176% from P80.87 million spent in 2007 to P223.23 million ending balance. Additional investments were made to DMCI Mining Corporation (DMCI-MC) and DMCI Power Corporation (DMCI-PC) during the year. Total investments to these companies amounted to P225 million, P100 million to DMCI-MC representing 100 million common shares par value of P1.00, and P125 million to DMCI-PC representing 125 million common shares at par value of P1.00. As at the end of the period, the Company accounted for 50% share in equity losses of these start-up companies amounting to P1.77 million.

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

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

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

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

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

Debt repayments during the year amounting to P2.13 billion brought down both Current and Long-Term portions to P389.23 million and P137.07 million, respectively, or a total of

P526.30 million. This effectively decreased Total Long-Term debts by 53% from total beginning balance of P1.13 billion.

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

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

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

C. Performance Indicators

1. ***Average Selling Price*** *– Now that the Company has a diverse market base, pricing for its coal is not anymore dictated by its dependence on a few customers. Since it started exporting, pricing mechanism became more dynamic and updated with the international prices for the commodity. This is an important milestone as the Company further seeks to develop its export capabilities. FOB price of Semirara coal for the year moved with the rising world prices towards the end of the period.*
2. ***Debt to Equity Ratio*** *– The aggressive expansion and investment strategies of the Company is carefully hinged on its financial capabilities as reflected in the strength of its balance sheet. The DE Ratio is maintained at a low level for a few years now, such that when a good opportunity presents itself, the Company can afford to further leverage. This clearly underscores its growth potential.*
3. ***Capital Expenditures*** *– The Company's high Capex in 2008 indicates an optimistic view of its future. The expansion and modernization program is in response to the growing demand for Semirara Coal, especially from the export markets. It is important that the Company can prove supply dependability to the newly penetrated markets to ensure long-term success in marketing the product. To achieve this, investments in new mining equipment were made during the year.*
4. ***Expanded Market*** *– In its second year of venturing to the global markets, the Company is still looking for opportunities to further strengthen its brand in the industry. In 2008, market share of export sales increased to 30% from 22% in 2007. Of the 922,749 MTs exported, 58% went to China, 36% to India, and 6% to Hong Kong.*
5. ***Improved Coal Quality*** *– The success of the Company's diligent efforts at quality improvement is clearly indicated in its successful attempt at market diversification. Taking an extra mile, the Company further endeavors to enhance the holistic development of its business, such that in 2007, works on having the Company ISO certified were started. Finally, in 2008, the Company obtained ISO certifications on Integrated Management System covering three (3) standards as follows: Quality Management System (ISO 9001:2000), Environmental Management System (ISO 14001:2004), and Occupational Health and Safety Management System (OSHAS 18001:2007). Compliance to international standards as attested by these ISO certifications will advance the Company's goal of lifting product standard and will consequently enable it to secure a niche in and gain respect from both the domestic and international coal markets.*

Nickel

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

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

2006 - 2007

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

WATER

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

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

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

REAL ESTATE

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

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

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

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

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

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

CONSTRUCTION

General Construction

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

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

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

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

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

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

Steel Fabrication and Assembly

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

MINING (COAL)

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

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

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

Full Years 2006-2007

I. PRODUCTION

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

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

Meanwhile, increased coal production necessitated a corresponding improvement in logistic support to maintain efficiency in product handling. The successful diversification to export markets required the upgrading of pier facilities to accommodate 50,000-tonne vessels. Currently, dredging activities at the pier are ongoing to enable these huge vessels to dock for safe berthing and to load coal faster using the conveyor and ship loader line. As a result, export vessels and smaller barges for local deliveries can now be loaded simultaneously, as the new barge loading facility with a rated capacity of 750 MTs/hr which was set up last year is now fully operational to load the smaller vessels.

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

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

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

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

II. MARKET

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

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

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

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

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

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

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

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

III. FINANCE

A. Sales and Profitability

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

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

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

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

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

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

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

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

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

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

B. Financial Condition, Solvency and Liquidity

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

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

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

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

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

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

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

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

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

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

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

C. Performance Indicators

1. ***Average Selling Price*** *– This performance indicator demonstrates the effect of movement in global coal prices on the pricing of Semirara coal. However, this year, the Company set out to penetrate the export market. With the inherent quality limitations of its coal, there was no guarantee that the venture will be fruitful. Hence, in order to provide motivation to new export markets to at least try burning Semirara coal, the Company sold trial shipments at almost break even price. With the success of the diversification strategy however, the Company was able to parallel the upward movement of global coal prices toward the end of the year. On the local front however, the depreciation of the Peso against the US dollar put a dent on the Composite Average Selling Price per MT.*

2. ***Debt to Equity Ratio*** *– As an effective gauge of the Company's financial strength, the continuous improvement of this figure boosts the confidence of financial institutions to offer more aggressive financing packages and investors to put more money into the*

3. ***Capital Expenditures*** *– After the completion of the capacity expansion program in 2006, Capital Expenditures in 2007 were minimal. However, with the increasing demand from the local markets and new export demands, the Company is planning another capacity expansion activity. Towards the end of the year, orders for one 16-cubic meter excavator and 12 units 100-tonner dump trucks were placed for delivery during the first half of 2008.*

4. ***Expanded Market*** *- 2007 is an exciting year for the Company. From a slow market in 2006, the scenario has completely turned around in the current year. Regional demand for coal has suddenly skyrocketed, thus giving Semirara an opportunity to penetrate the international market. This is a huge milestone for the Company since the event finally ended its over-dependence on local markets. Breaching the export market opens a vast and totally new avenue for growth for the Company. The Company has finally elevated its business to a new and higher platform, and it is gearing up for new challenges.*

5. ***Improved Coal Quality*** *– The new market opportunities of the Company brings forth more challenges to improve the quality of its products to achieve sustainable growth. More importantly, the Company must manage the stability of the quality parameters of its deliveries in order to successfully establish a brand. It is then imperative for management to invest in more quality-enhancing processes to achieve this. Currently, it is finalizing the specifications of a new washing plant to address the ash issue of the product.*

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

II. FINANCIAL CONDITION

2007 - 2008

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

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

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

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

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

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

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

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

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

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

2006 - 2007 (not restated)

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

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

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

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

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

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

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

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

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

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

III. KEY PERFORMANCE INDICATORS

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

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

CHANGE IN COAL SALES

With the emergence of coal mining as a significant business of the Company, it is imperative that the Company discuss thoroughly its coal business through its now 58% owned coal mining subsidiary, SMC. A clear indicator of performance in the coal mining business is any change in Coal Sales. This will show how this period's coal mining business fared with respect to the same period in the previous year/s (*see Part I. Results of Operations-Coal Mining for a detailed discussion*).

CHANGE IN REAL ESTATE SALES

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

CHANGE IN CONSTRUCTION REVENUE

The Company, for the past years of its existence, has always been known as the listed vessel for its construction business. In this regard, it is prudent that the Company note operational performance in its construction business. The initial performance indicator of the Company's construction business is any increment in its Construction Revenues. Any change will indicate an improvement or deterioration in the Company's construction business for the period (*see Part I. Results of Operations-Construction for a detailed discussion*).

CHANGE IN NET INCOME

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

CURRENT RATIO

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

DEBT TO EQUITY RATIO

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

BALANCE SHEET ANALYSIS *
FOR THE YEAR 2007 AND 2008

ACCOUNTS (5% VERTICAL & HORIZONTAL)	CAUSES
Cash and cash equivalents	*Cash went down by 13% as cash provided by operations and new borrowings were counteracted by purchases of coal mining equipment and real estate investment properties. Cash account was also affected by the consolidation of AG&P cash balances this year*

Receivables – net	*Total receivables (current and non-current) doubled as a result of the consolidation of AG&P in 2008 and the improved sales in the real estate and coal businesses. Real estate receivables are termed up to a maximum of 10 years and coal sales are normally collected in 60-90 days*
Inventories – net	*Coal inventory build up and continuous work in progress and completed units for the real estate segment accounted for the 39% increase in consolidated inventory for the Company.*
Noncurrent assets held for sale	*This account has been eliminated in 2008 due to the full consolidation of AG&P since its planned sale did not materialize*
Noncurrent receivables - net	*See receivables - net*
Investment in associates, jointly controlled entities and others - net	*Investments were up as a result of the Company's share in net operations of unconsolidated equity investments and additional investments into the water, power and nickel mining businesses.*
Investment properties - net	*investment properties increased by 13% due to purchases of real properties for the real estate business which have yet to be determined as a project development*
Property, plant and equipment - net	*Acquisitions of new coal mining equipment caused the substantial 35% increase in the Company's consolidated property, plant & equipment*
Accounts and other payables	*Accounts & other payables increased as a result of trade operations, deferred revenues and accruals. Customers' deposits relate to real estate clients that have purchased units but have yet to reach revenue recognition status*
Customer's deposits	*Customers' deposits decreased as sales from real estate buyers have reached full recognition status (20% collected and unit fully complete) and as such, the appropriate revenue and receivables have been recorded*
Current portion of long term debt	*see long term debt*

Liabilities directly associated with noncurrent assets held for sale	*This account has been eliminated in 2008 due to the full consolidation of AG&P since its planned sale did not materialize*
Long term debt- net of current portion	*Long term liabilities (including current portion) increased mainly from liabilities recognized due to the real estate receivables discounting on a w/ recourse basis. These liabilities from discounted receivables are parallel with the terms of the receivables which normally run up to 10 years. Moreover, these liabilities have a seasoning feature in where accounts which experience normal collections for a period of 2 years can be fully converted to straight receivable purchase*
Retained Earnings	*retained earnings increase due to operational results*

INCOME STATEMENT ANALYSIS *
FOR THE YEAR 2005,2006 AND 2007

ACCOUNTS (5% VERTICAL/HORIZONTAL)	CAUSES	
	2007-2008	**2006-2007**
REVENUE	*increase was due to growth in all the businesses*	*increase was due to growth in all the businesses*
COSTS OF SALES AND SERVICES	*increase was due to growth in all the businesses*	*increase was due to growth in all the businesses*
OPERATING EXPENSES	*increase is primarily from the jump in government royalties at the coal business and the heightened marketing and selling activities in the real estate sector*	*increase is primarily from increased operations in coal business and heightened marketing and selling activities in the real estate sector*

EQUITY IN NET EARNINGS OF ASSOCIATES, JOINTY CONTROLLED EQUITIES AND OTHERS	*The sharp decline in equity earnings is from the share in operations at the water business which included a negative goodwill (income) in 2007 worth P2.1 billion compared to an goodwill amortization (expense) in 2008 worth P646 million (net DMCI share)*	*The sharp jump in equity earnings is from the net share in earnings from the water business which included a negative goodwill of P4.2 billion, P2.1 billion of which is DMCI share*
FINANCE INCOME (COSTS)	*Net interest expense was higher due to increase in interest bearing debt incurred at the coal and real estate businesses; while interest earned from the increasing real estate receivables prompted the significant jump in interest income*	*Net interest expense was higher due to increase in interest bearing debt incurred at the real estate businesses; while interest earned from the increasing real estate receivables prompted the significant increase in interest income*
OTHER INCOME	*Higher rental and dividend (from unconsolidated affiliates) income prompted the increase in other income*	*Provisioning for deposits in a certain government project (Northrail) worth P300 million caused the sharp decline in other income*

PROSPECTS FOR THE FUTURE

The water business as discussed in the Management Discussion and Analysis will begin to contribute significantly in the consolidated operations of the Corporation in the next ten months and in the succeeding years. While the power and nickel mining businesses is expected to give opportunities to increase coal deliveries and domestic consumptions for our coal subsidiary in the mid-term.

PART II--OTHER INFORMATION

1. This interim financial report is in compliance with generally accepted accounting principles;
2. The same accounting policies and methods of computation are followed in the interim financial statements as compared with the most recent annual financial statements;
3. The company's operation is a continuous process. It is not dependent on any cycle or season;
4. A cash dividend was declared at the amount of Php 0.20 per common share to be paid on June 30, 2009 to the holders of record of June 5, 2009.
5. There were no subsequent events that have not been reflected in the financial statements for the period that the company have knowledge of;
6. There are no contingent accounts in the balance sheet of the corporation;
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 Company recognizes that the continuing slump in the property sector would keep both real estate sales and construction revenues moderate. Nonetheless, the Group's venture into middle-income housing development is expected to significantly contribute to revenues and income.

B. First Quarter Financial Statements as of March 31, 2009

I. RESULTS OF OPERATIONS

DMCI Holdings, Inc. (the "Company") reported a leap of more than 3 times in its first quarter consolidated net income from P238 million in 2008 to P775 million in 2009. Significant operational and financial improvements in the water investment and the growth in the coal mining sector along with the sustained real estate and construction businesses contributed to the soaring operations.

WATER

The Company's investment in the water sector is recognized through a consortium with Metro Pacific Investments Corp. (MPIC) and operated through Maynilad Water Services, Inc. (Maynilad), the water utility for the west portion of Metro Manila. First quarter net contributions from the water business reported a huge growth from a loss of P87 million in 2008 to an income of P337 million in 2009

Water operating efficiencies continued to improve as Maynilad reported a 67% increase in first quarter net income from P349 million in 2008 to P582 million in 2009, of which DMCI's beneficial share is P147 million and P238 million respectively. Billed volume was up 12.9%, despite a slight dip in water supply. Non-revenue water (NRW) slid by 4.9% from last year as it reached an average first quarter NRW of 61.6% in 2009 from 66.5% in 2008. As a result, Maynilad revenues were up by P220 million, posting an 11% increase. Non-cash opex showed a 20.5% boost, due mainly from higher amortization of concession assets, which continue to grow as Maynilad accelerates its capital expenditure programs. Cash opex, reported a 9% growth due to the following: (a) higher electricity rates, (b) increase in cost of outsourced activities, (c) growth in real estate tax from increase in properties acquired in line with the capital expenditure objectives, and (d) growth manpower costs due to the collective bargaining agreement implemented in the quarter.

Below is a table which details the breakdown of the consolidated operating results of the water investments of the Company:

(in Php millions)	**2009**		**2008 (restated)**	
	Consortium	**DMCI share**	**Consortium**	**DMCI share**
Operating Net Income (Maynilad Net Income)	582		349	
Less: Minority	47		56	
Operating Net Income after Minority	535	**238**	293	**147**
Less: Non operating & Extraordinary Items-net of tax & minority (Consortium)				
Fair Value/ Goodwill	293	**131**	148	**74**
Net Interest	-	**-**	272	**136**
Forex Losses (Gain)	(11)	**(5)**	(7)	**(4)**
Maynilad SBLC Forex Gains	(266)	**(119)**	-	**-**
Change in amortization of concession Assets	(237)	**(106)**	-	**-**
Bid Costs & Others	-	**-**	53	**26**
Subtotal	(221)	**(99)**	466	**232**
Net Income (Loss)	756	**337**	(173)	**(87)**

Note that Net Interest and Forex Losses at the consortium level have been eliminated for 2009 with the settlement of the consortium debt in November 2008. The increase in Fair Value/Goodwill amortization went up due to revaluations and restatements implemented only at the middle of 2008. The Maynilad SBLC Forex Gains are a partial amount of the total forex gains (approximately P1 billion net of tax) resulting from Maynilad's exit from corporate rehabilitation, where Maynilad's outstanding debts were fully settled; the recognition of which was only booked this period as the structure of its effective reimbursement back to Maynilad's customers had to be first presented to and approved by the regulators. The change in amortization of concession assets pertains to the adoption of the amortization by way of production vs. the previous method of straight line amortization over the concession period and was booked only at the consortium consolidated books and not at the Maynilad level.

The Company's ownership in the water consortium with MPIC was 50% as of the first quarter of 2008, which have gone down to 44.59% as of the first quarter of 2009 due to capital infusion and debt to equity conversion implemented in November 2008. MPIC now has majority stake over the consortium and consequently over Maynilad.

With certain growth and improvement of the water operations thru Maynilad, and the elimination of non-operating items, the Company believes that its water investment will be a major if not the biggest contributor to consolidated operations.

CONSTRUCTION

Although the Company's construction revenues were down by 8%, first quarter net contributions from construction almost doubled from P86 million in 2008 to P157 million in 2009. Improvements in the general construction segment accounted mainly for the increase in construction contributions.

General Construction

The general construction business unit, reported under wholly-owned and flagship construction company, D.M. Consunji, Inc. (DMCI), registered net income of P135 million for 2009, shooting up 3 times compared to the P45 million in 2008 despite slightly lower revenues.

As existing project reached final completion stages, revenues were slightly down but costs margins were also lower much a factor of the change orders and timing differences in accepted billings over actual costs. Moving forward, DMCI is well positioned with newly awarded major projects worth P16 billion: (a) the Raffles Residences and Fairmont Hotel awarded by the Kingdom Group from the United Arab Emirates in December 2008 with a contract amount of P5 billion and a construction period of 2 and a half years; (b) the 168 Residences awarded by the Yeloofa Group from China with a contract amount of P3 billion over a period of 3 years; and (c) the Skyway Extension from Bicutan to Alabang awarded by the Citra Group with a contract amount of P8 billion over a construction period of 2 years. These newly awarded projects are expected to provide considerable construction business to the Company starting this year.

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

General and administrative expenses for DMCI were unusually lower due mainly to a reversal of expense worth P39 million that is expected to be corrected in the 2nd quarter of this year. Regardless, the Company is still consistent with its cost streamlining guidance but on a full year basis, overhead is expected go up due to the requirements from the newly awarded major contracts.

With the current infrastructure progress being experienced in the construction sector, the Company is well positioned to be a driver and beneficiary of such progress.

Steel Fabrication and Assembly

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

AG&P reported a decline in first quarter net contributions from P40 million in 2008 to P22 million in 2009. Revenues were down 12% as its manpower supply revenues in New Caledonia (accounting for 36% of total revenues) were reduced by 40% inspite of fabrication revenues (accounting for 33%) going up 56%. With the New Caledonia manpower supply contract expected to downsize within the year, new fabrication projects, namely for Foster Wheeler, for fabrication works for its Coker Fired Heater requirements, are anticipated to provide future revenue flows and hopefully the collateral manpower assembly contracts.

Early in 2008, the Company was looking to sell AG&P but due to the current economic environment, the sale did not materialize. As a result, the Company has decided to fully support AG&P, operationally and financially with the hopes to renew and improve its business to become a viable independent business unit. The Company has acquired a bridge loan facility worth P500 million to partially fund the repayment of AG&P's outstanding debt resulting to AG&P's exit from corporate rehabilitation. The Company is confident that aside from its inclination towards only foreign prospects, AG&P's competence in steel fabrication can be a strategic advantage along with the DMCI engineering prowess, in riding the country's direction toward infrastructure progress.

REAL ESTATE

The Company's real estate business is led by its wholly owned real estate developer company, DMCI Project Developers, Inc. (PDI) under the brand name DMCI Homes. The real estate segment recognized sustained operations for the quarter despite a 14% decrease in net income. Higher unit cost for this period's sales mix, which includes high rise units, significantly caused the decline in real estate contributions.

The Company would like to reiterate that its housing segment recognizes sales when the unit is fully complete and 20% of the contract price has been collected. Also called the full accrual method, it is in accordance with International Accounting Standards, the adoption of which was suspended by the SEC. Note that this kind of recognition is different from the percentage of completion method adopted by most if not all of its counterparts in the Philippine real estate industry, the difference of which effectively delays the recognition of revenues.

First quarter revenues of P1.089 billion this year was 10% higher from the P985 million last year, with sales volume reaching 478 residential and 115 parking units compared to last year's 413 residential and 188 parking units. Continuing recognition from now staple projects: Riverfront Residences and Raya Gardens accounted for 63% of revenues; while new projects: Dansalan Gardens, Cypress Towers, and Tivoli Gardens accounted for 36%. These new projects are all high rise developments and are priced slightly higher due to higher build costs. The increment in price, however, is relatively lower than the increase in costs as the Company decided to adopt acceptable price levels to remain competitive and maintain sales velocity knowing that the effective increment from more sellable units makes up for the loss in margins. Moreover, the Company's real estate prices are still around 10-15% below direct competitors, helping maintain market share.

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

- Increase in selling and marketing activities
- Increase in local taxes, an offshoot of 2008 increased revenues
- Real estate taxes on unsold and not yet turned over inventory
- Increase in utilities

Note that some of the PDI's projects, namely Raya Gardens, Rosewood Pointe, Sycamore Bldg (Dansalan Gardens), Cypress Towers, and Riverfront Residences have been registered with the Board of Investments (BOI) as part of their affordable housing investments and enjoy income tax holiday. Income tax savings from these projects are estimated at P19 million

With a pedigree towards market pricing and an extensive experience in building and constructing, the Company is confident that it still provides best in class for its particular housing market segment in terms of value for money.

MINING

Coal Mining

The Company's coal mining business, operated by 56%-owned, publicly listed Semirara Mining Corp (SMC), reported an improvement in operating results for 2009 compared to 2008. Despite a slight 4% slowdown in coal sales volume, a whopping 55% increase in composite prices caused SMC revenues and net contributions to go up by 49% and 124% respectively. Coal mining contributions would have been higher if not for the almost 4 times leap in government royalties as a result of higher revenues.

Below is SMC's management discussion and analysis of results of operations and financial condition for the period ending and as of March 31, 2009 as lifted from its first quarter financial report with the PSE and SEC:

SEMIRARA MINING CORP
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

2009 FIRST QUARTER OPERATION

With the arrival of more new mining equipment, total material excavation hit a record high of 16,205,095 bank cubic meters (bcm) in Q1 2009. Effectively, stripping activities exposed around 1.5 million tons of coal. However, in order to minimize dissipation due to spontaneous combustion, operations saw it more prudent to limit coal extraction to 834,839 metric tons (MTs) of run-of-mine (ROM) coal and leave inventory of around 700 thousand MTs at the pit, ready for mining anytime. Consequently, this quarter's operations reflected a high strip ratio of 18.13:1. Meanwhile, net product coal produced was recorded at 772,537 MTs.

In line with the latest capacity expansion program launched toward the end of 2008, more brand new mining equipment were purchased and delivered to the mine site during the quarter.

In order to improve operating efficiency, the coal washing plant was transferred close to the location of the auxiliary stockpile to maximize transport of clean coal using the coal conveying system.

Also, as a measure to improve cost efficiency, the Company decided to put up its own Oxy/Acetylene plant for its industrial gases requirements.

Favorable weather conditions allowed operations to maximize capacity and management took advantage of the opportunity to intensify stripping activities to prepare for the worst scenario should rainy season comes in early, like what happened last year.

Furthermore, the Company also continued its exploratory and confirmatory drilling activities beyond the ultimate limit of Panian pit, the current active mine. Last year, the drilling program yielded promising results, with the discovery of significant volumes of coal. The granting of a 15-year extension of the Coal Operating Contract by the Department of Energy in 2008 motivated the Company to step up its exploration program.

The quarter closed with an ending coal inventory of 138,743 MTs.

2009 FIRST QUARTER FINANCIAL CONDITION

The year opened with a looming apprehension that the global financial crisis will adversely affect most industries, which may have a rippling effect to the Company's business. This concern was however assuaged when demand for Semirara coal remained strong, such that Coal Revenues generated for the period amounted to P3.209 billion. With Coal Handling Income from the

Company's operations at the Calaca Power Plants' stockyard of P22.657 million, Total Revenues amounted to P3.231 billion. Cost of Sales, inclusive of P18.888 million Coal Handling Costs and P129.05 million shipping, loading and hauling costs totaled to P2.587 billion. Gross Profit amounted to P644.617 million, translating to a Gross Profit Ratio of 20%.

Government Share, which is a function of coal sales, net of allowable expenses, was at 8% of total Coal Revenues or P257.439 million. Added to General and Administrative Expenses of P50.016 million, total Operating Expenses registered at P307.455 million. The resulting Net Operating Income was at P337.163 million.

Other Income of P19.732 million consisted of interest earned from short-term expenses, sale of electricity, and insurance claims. On the other hand, Interest and Financing Charges of P9.826 million reflected interest on loans. Meanwhile, the fluctuation of the US dollar to peso exchange rates resulted to Realized Forex Gain of P4.681 million and Unrealized Forex Loss of P5.247 million. Forex rate as at the close of the quarter is P48.33:USD1 compared to P47.52:USD1 at the beginning of year. Forex losses will be minimized if foreign denominated assets are of the same level with foreign denominated liabilities. The Company's dollar deposits totaled to US $3.3 million versus outstanding loan of USD6.1 million as at the end of the period.

Non-Recurring Income amounting to P11.811 million reflected proceeds from sale of mining equipment and idle office equipment.

The resulting Net Income Before Tax amounted to P358.314 million. As the Company is already registered with the Board of Investments (BOI), it enjoyed Income Tax Holiday (ITH) for its sales in excess of the BOI threshold limit. The effective Provision for Income Tax was recorded at P51.529 million. As a result, Net Income After Tax amounted to P306.785 million.

Meanwhile, Current Assets recorded a slight 2% drop to P4.418 billion from P4.513 billion as at the end of the period. Cash and Cash Equivalents dipped from P1.012 billion as at the start of the year to P871.027 million as at the end of the quarter, mainly due to the cash payments made for the purchases of mining equipment. As the new mining equipment will subsequently be subjected to sale and leaseback transactions, the expended cash will mostly be returned to the Company's coffers.

The significant increase in Receivables by 22% at P2.295 billion from beginning balance of P1.877 billion was mainly caused by the increase in Trade Receivables which was primarily comprised of receivables from the Company's major domestic customer amounting to P1.1 billion. Export sales receivables of P437 million reflected a timing difference in negotiating the letters of credit covering some export shipments.

Meanwhile, the strategy of operations to defer extraction of exposed coal at the pit triggered the drop in Coal Inventory. Correspondingly, Total Inventories dropped from the beginning balance of P1.383 billion to P988.193 million as at the end of the period.

The 10% growth of Prepaid and Other Expenses from P241.130 million beginning balance to P264.417 million ending balance resulted from accounting for additional creditable withholding taxes for coal sales during the quarter. The account, however, still included the erroneously withheld Value

Added Tax by NPC which has a pending claim with the Bureau of Internal Revenues.

Total Non-Current Assets, on the other hand, reflected a 71% growth from P1.598 billion beginning balance to P2.739 billion as at the close of the quarter. Property, Plant and Equipment almost doubled from P1.106 as at the start of the year to P2.148 ending balance due to additional purchases of mining equipment. Meanwhile, Investments reflected a P25 million increase reflecting temporary advances intended for additional capital infusion to one of its subdiary which is in the power business. Finally, the increase in Deferred Charges and Non-Current Assets was a result of accounting of additional guarantee deposits for sale and leaseback transactions.

The resulting Total assets showed a 17% improvement at P7.157 billion from P6.111 billion as at the start of the year.

The substantial increase in Current Liabilities was primarily brought about by the accounting of Dividends Payable amounting to P1.665 billion. The Board of Directors declared cash dividends of P6/share on 30 March 2009. In addition, accounts and other payables surged by 59% to P1.820 billion from beginning balance of P1.142 billion. This account included provision for Government Share of P223 million, Accrued Payables – Materials of P368 million and Accounts Payables – Consignments of P96 million. Continued amortization of loans brought down Current Portion of Long-Term Debts from beginning balance of P389.233 million to P258.662 million as at the close of the quarter. Conversely, Income Tax Payables increased from P58.060 million to P109.589 million as this amount still included the tax payable due on 15 April 2009. Meanwhile, more projects at the minesite required services from related parties for its expertise in construction and other services at arms-length transaction, also coal freight billings during the quarter were only settled in the subsequent period. As a result, Payable to Related Parties increased from P45.762 million beginning balance to P183.845 as at the close of the quarter. Customer's Deposit on the other hand remained the same, reflecting remaining balance of advances made by a local customer. Total Current Liabilities closed at P4.038 billion, from a beginning balance of P1.637 billion.

The slight increase in Non-Current Liabilities from beginning balance of P173.894 million to P176.230 million was due to the minimal increase in Long-Term Debt from P137.065 million to P139.402 million. The rest of the accounts remained unchanged.

The declaration of Cash Dividends reduced Unappropriated Retained Earnings from P1.460 billion as at the start of the year to P590.682 million. Meanwhile, Net Income of P306.785 million for the quarter slightly offset the significant reduction in Equity. The current quarter closed with a 32% decline in Total Stockholders' Equity from P4,301 billion beginning balance to P2.942 billion.

2009 COMPARATIVE REPORT

I. PRODUCTION

The arrival of new mining equipment which is part of the capacity expansion program allowed operations to excavate more materials this year. Total Material movement during the current quarter was 75% higher than Q1 2008 material movement of 9,280,236 bcm to 16,205,095 bcm.

Strip ratio or waste to coal ratio recorded a significant jump from 8:1 in Q1 of previous year to 18.13:1 in the current quarter. Consequently, current ROM coal production is 22% lower at 834,839 MTs from Q1 2008 level of 1,065,387 MTs. Net Product coal correspondingly declined by 23% at 772,537 MTs compared to Q1 2008 volume of 1,003,542 MTs.

Ending Inventory for the current period reflected a substantial decline of 51% from 282,276 MTs in Q1 2008 to 138,743 MTs this quarter. Recorded coal release this quarter is lower with coal shipments almost at the same level of Q1 of prior year.

II. MARKETING

Coal sales during the quarter remained strong and almost the same compared to Q1 last year. Although some customers have decreased their off-take, the decline in cement industry was offset by the increase in the power industry, Meanwhile, few new customers add up to the customer base of Semirara coal.

Unlike last year, NPC Calaca Power Plants were already operating steadily this period. As a result, deliveries to the plants rose by 79% from 193,476 MTs to 347,012 MTs on a quarter-to-quarter comparison. Although no deliveries were made to Sual and Pagbilao plants, stable deliveries to the Calaca plants improved NPC market share to 32% this year.

Meanwhile, sales to other power plants dropped by 62% at 77,421 MTs this period from 138,381 MTs in Q1 2008.

Sales to cement plants also dipped from 232,125 MTs in Q1 2008 to 148,777 MTs this quarter. On the positive note, one of the biggest cement companies in the country, Holcim Cement, started to buy Semirara coal this year.

Total local sales of 635,244 MTs showed a 5% decrease compared to Q1 2008 sales volume of 667,292 MTs.

Export deliveries remained robust, although recording a slight 2% dip from Q1 2008 volume of 453,670 MTs to 443,101 MTs. Remarkably, however, two new traders came into the picture, Noble Energy and Coal Pulse. Furthermore, the Thailand market was successfully penetrated through these new traders.

Total sales volume for the period was recorded at 1,078,344 MTs, a 4% drop from Q1 2008 level of 1,120.962 MTs.

Meanwhile, Composite average FOB price per MT marked a significant 55% increase at P2,976 compared to Q1 2008 price of P1,923.

III. FINANCE

A. <u>Sales and Profitability</u>

Although sales volume recorded a slight decrease, high composite FOB price in the current period translated to a 49% increase in Coal Revenues at P3.209 billion this quarter compared to P2.154 billion generated in Q1 2008. The improvement in the operations of Calaca Plants correspondingly resulted to a 144% growth in Coal Handling Revenues at P22.657 million compared to Q1 2008 level of P9.284 million. As a result Total Revenues posted a huge increase of 49% from P2.163 billion in Q1 2008 to P3.231 billion this quarter.

Meanwhile, due to more intensive stripping activities this year, as reflected in the higher strip ratio, Cost of Sales increased by 40% at P2.587 billion in the current quarter from P1.847 billion in Q1 2008.

Gross Profit resulted to P644.617 million, 104% higher than Q1 2008 figure of P316.740 million. Likewise, Gross Profit Margin improved this year at 20%, as compared to 15% in Q1 2008.

Meanwhile, recoverable costs, for the interim quarter for purposes of computing Government Share, was lower than 90% of Gross Revenues as compared to Q1 last year. As a result, provision for Government Share was higher at 8% of Coal Revenues amounting to P257.439 million this quarter, 298% higher than Government Share provision in Q1 2008 of P64.620 million which is 3% of Coal Revenues. The high provision of Government Share may be reversed in the subsequent quarters by reason of increase in operating costs or decrease in Coal Revenues due to anticipated further decline in coal prices in the world market. General and Administrative Expenses also reflected a growth of 119% at P50.016 million as against P22.831 million in Q1 2008. The increase corresponds to the expansion of the Company's operations.

Increase in Other Income at P19.732 million this year accounted for higher sale of electricity and insurance claims. This reflected a 35% growth from Q1 2008 level of P14.659 million.

On the other hand, Interest and Financing Charges continued to record a decline as a result of the drop in interest-bearing loans balances. Total charges of P9.826 million in the current quarter is 62% lower than Q1 2008 level of P26.096 million.

The continued fluctuation of the US dollar against the peso was reflected in the accounting of Foreign Exchange gains and losses.

Net Income Before Tax posted an 81% growth this quarter at P358.314 million from P198.431 million in Q1 2008. Although taxable income is significantly higher this year, Provision for Income Tax recorded a 12% drop at P51.529 million as compared to P58.516 million in Q1 last year. This is due to the availment of ITH by the Company this year as a BOI-registered firm as an expanding producer of coal.

Net Income After Tax correspondingly recorded a 119% increase from P139.914 million in Q1 2008 to P306.785 million this period.

Likewise, Earnings per Share increased by 119% from P0.504 to P1.105 as at the end of the current quarter. EBITDA, on the other hand, posted a less significant increase of 1% from P669.738 million in Q1 2008 to P675.459 million this quarter.

B. <u>Solvency and Liquidity</u>

Net Cash Provided by Operations during the current quarter amounting to P1.175 billion is 46% higher than Q1 2008 level of P477.035 million. The significant decrease in Inventories of P277.344 million and increase in Accounts Payables and Accrued Expenses of P658.344 million this year primarily accounted for the huge difference. On the other hand, increase in Receivables from the beginning balance is also sizeable at P417.819 million. This account is however mainly comprised of Trade Receivables which were subsequently collected in the succeeding period.

Meanwhile, the Company spent a significant amount of P1.814 billion for its investment activities during the year. The bulk of this year's expenditures were made for payments of mining equipment purchased in accordance with its capacity expansion program. Another P25 million was advanced to the Company's investment into the power sector. Furthermore, Non-Current Assets also recorded an increase, mainly accounting for guarantee deposits for new equipment subjected to sale and leaseback transactions.

On the other hand, Cashflows from Financing Activities in the current quarter reflected a positive figure of P498.285 million, as against Q1 2008 net outflows of P1.074 billion. This year's cash generation mainly came from short-term loan availments mainly for loan rollover and proceeds from sale and leaseback transactions. In Q1 2008, the Company declared and paid Cash Dividends amounting to P1.110 billion, thus using up its Cash.

Although Net Decrease in Cash is lower this quarter at P141.382 million, compared to P467.943 million in Q1 2008, Cash and Cash Equivalents as at the end of the period in the current quarter is lower at P871.027 million as against P1.183 billion as at the end of Q1 2008. This is explained by a higher beginning balance last year than this year.

Current Ratio dropped as at the end of the current quarter to 1.09x as compared to Q1 2008 level of 2.75x. Meanwhile, Debt-to-Equity ratio increased from 0.43:1 in Q1 2008 to 0.91:1 as at the end of the current period due to reduction of Retained Earnings resulting from Cash Dividend declaration.

IV. PERFORMANCE INDICATORS:

1. *<u>Average Selling Price</u> – Although global coal prices started to decline alongside the drop of oil prices, Q1 FOB Composite Price of Semirara coal remained high as the deliveries made were contracted in the previous quarter when prices were still high. High cash generation resulting from favorable pricing of Semirara coal afforded the Company to maximize stripping activities in preparation for the rainy season.*

2. *<u>Debt-to-Equity Ratio</u> – As at the end of the current period, the Company's Debt-to-Equity Ratio increased due to the significant dividend declaration made by the Board. Despite this development, the Company's D/E ratio of 0.91:1 is still strong.*

3. *<u>Capital Expenditures</u> – The Company continuously aims for growth and development. In order to achieve this, operations must take each opportunity to expand. The aggressive capacity expansion program launched by the Company is a well calculated risk that offers promising improvement of total stakeholders' value.*

4. *<u>Expanded Market</u> – The Company's effort to improve and expand its operations enabled it to correspondingly implement aggressive marketing of Semirara coal. In its third year of exporting coal, the Company again successfully penetrated a fresh international market that is Thailand. Meanwhile, new partnerships with respectable traders were forged during the quarter, while more new domestic users started to consider the use of Semirara coal. In the local front, gaining the confidence and patronage of one of the county's biggest cement companies is a significant marketing breakthrough.*

5. *<u>Improved coal quality</u> – Given the inherent limitations of Semirara coal in terms of quality, the Company continues to find ways to maximize marketability of the product. While it can only do so much in further improving coal quality, the Company believes that by improving its operations, and subsequently its services, it can indirectly improve market acceptability of its product. Gaining ISO certifications was a significant step taken by the Company to holistically improve its operations in general, and its product in particular.*

<u>Nickel</u>

The Company's venture into nickel mining proved to be a good venture until the sharp drop in the base metal commodity prices in mid 2008. DMCI Mining Corp. (DMCI Mining), the Company's nickel and other base metal mining subsidiary, posted a drop first quarter operations from a net income P1.5 million in 2008 to a net loss of P10 million in 2009. Due to the adverse nickel commodity markets, DMCI Mining has suspended mining operations since the latter part of 2008 and had considerable amounts of nickel ore stockpile. Recovery of the stockpile was undertaken by selling the nickel ore below cost essentially causing the negative contribution.

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

II. FINANCIAL CONDITION

<u>1Q 2009 vs. Audited 2008</u>

The Company's financial condition for the period improved as net assets increased by 6%.

Cash increased by 23% mainly from cash contributions from the construction segment as it has started to acquire new loan facilities and now maintains new deposits for its newly awarded projects.

Total receivables (current and non-current) dropped 6% as a result of collections vs. sales operations, the same for inventory which reported a 17% decline with coal and real estate sales eating up into inventories.

Investments were up as a result of the Company's share in net operations of the water business which is an unconsolidated equity investment.

Investment properties significantly increased due to new property acquisitions at the real estate business that are yet to be classified as real estate inventory. Once development plans have been finalized, these properties will be reclassified into real estate inventory.

Acquisitions of new coal mining equipment and some construction equipment caused the continuing 26% increase in the Company's consolidated property, plant & equipment.

Accounts & other payables increased as a result of trade operations, deferred revenues and accruals. Customers' deposits have also gone up as buyers' down payments have been received but revenues have yet to reach recognition status.

Long term liabilities (including current portion) was a little flattish due to current operational requirements newly awarded projects and the new availments from the receivables discounting facilities available in the real estate segment offset by payments at the coal mining sector.

Current ratio decreased from 1.97 to 1.58 but still indicates a very good liquidity position. Debt repayment capability slightly increased from 0.94 to 1.04 indicating a more leverage positioning as of the 1st quarter. Although the debt to equity ratio has hit the 1:1 mark, it is still well within industry averages as the Company strives to maintain its financial risk position relative to the interest of its stockholders.

III. KEY PERFORMANCE INDICATORS

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

(g) Change in Coal Sales
(h) Change in Real Estate Sales
(i) Change in Construction Revenues
(j) Change in Net Income
(k) Change in Current Ratio
(l) Change in Debt to Equity Ratio

CHANGE IN COAL SALES

With the emergence of coal mining as a significant business of the Company, it is imperative that the Company discuss thoroughly its coal business through its now 58% owned coal mining subsidiary, SMC. A clear indicator of performance in the coal mining business is any change in Coal Sales. This will show how this period's coal mining business fared with respect to the same period in the previous year/s (*see Part I. Results of Operations-Coal Mining for a detailed discussion*).

CHANGE IN REAL ESTATE SALES

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

CHANGE IN CONSTRUCTION REVENUE

The Company, for the past years of its existence, has always been known as the listed vessel for its construction business. In this regard, it is prudent that the Company note operational performance in its construction business. The initial performance indicator of the Company's construction business is any increment in its Construction Revenues. Any change will indicate an improvement or deterioration in the Company's construction business for the period (*see Part I. Results of Operations-Construction for a detailed discussion*).

CHANGE IN NET INCOME

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

CURRENT RATIO

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

DEBT TO EQUITY RATIO

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

PART II--OTHER INFORMATION

1. This interim financial report is in compliance with generally accepted accounting principles;
2. The same accounting policies and methods of computation are followed in the interim financial statements as compared with the most recent annual financial statements;
3. The company's operation is a continuous process. It is not dependent on any cycle or season;
4. A cash dividend was declared at the amount of Php 0.20 per common share to be paid on June 30, 2009 to the holders of record of June 5, 2009.
5. There were no subsequent events that have not been reflected in the financial statements for the period that the company have knowledge of;
6. There are no contingent accounts in the balance sheet of the corporation;
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 Company recognizes that the continuing slump in the property sector would keep both real estate sales and construction revenues moderate. Nonetheless, the Group's venture into middle-income housing development is expected to significantly contribute to revenues and income.

EXTERNAL AUDIT FEES

1. Audit and Audit Related Fees
   Below are the External Audit Fees of the Company and its subsidiaries for two fiscal years:

	2007	**2008**
DMCI Holdings, Inc.	1,232,000.00	2,178,000.00
D. M. Consunji, Inc.	1,000,000.00	1,100,000.00
DMCI Project Developers	1,600,000.00	2,100,000.00
Semirara Mining Corporation	1,160,000.00	1,300,000.00
Atlantic, Gulf & Pacific Company of Manila, Inc.	700,000.00	770,000.00
Aggregate amount	**5,692,000.00**	**7,448,000.00**

2. Other assurance and related services by the external auditor that are reasonable related to the performance of the audit review of the Company's financial statements – **NONE**

3. Tax Fees – The above external audit fees are subject to 12% for the years 2007 and 2008

4. All other fees – **NONE**

5. The Audit Committee has checked all financial reports against its compliance with both the internal financial management handbook and pertinent accounting standards, including regulatory requirements. They have pre-approved all audit plans, scope and frequency one (1) month before the conduct of external audit. The financial statement was then presented to and approved by the Audit Committee and Board of Directors. Payments and fees related to the services by the external auditor were discussed and approved by Audit Committee, Internal Auditor and Accounting group.

IV. BUSINESS AND GENERAL INFORMATION

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)]. In 2006, the Company has entered into a 50-50 consortium with Metro Pacific Investments Corporation who won the bid to acquire 84% stake in Maynilad Water Services, Inc. (MWSI). Recently, the company has established a wholly-owned power generation subsidiary to engage in the construction, operation and maintenance of power plants.

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. In 2000, PDI launched its housing division, DMCI Homes, that consolidates all housing construction and developments of the company.

AG&P, a 98%-owned subsidiary, is engaged in heavy fabrication, industrial construction and engineering services. Established in 1900, it is the oldest and largest in the local industry, and caters largely to major oil and gas companies worldwide. The adverse business conditions prompted the company to undergo a corporate rehabilitation but recently, the Regional Trial Court of Batangas approved the corporate rehabilitation exit of AG&P.

SMC, a 58%-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). SMC is currently exporting coal to China, India, and Hong Kong.

DMCI Power Corporation (DPC), is 50%-owned subsidiary of HI and is engaged in the business of a generation company 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-MPIC Water Company, Inc. (DMWC), is a 45-55 consortium with Metro Pacific Investments Corporation which owns 94% equity at Maynilad Water Services, Inc. (MWSI). MWSI bid was issued by the Metropolitan Waterworks and Sewerage System and it was awarded to DMWC last December 5, 2006 and was formally turned over on January 24, 2007 at Malacanang Palace presided by Her Excellency President Gloria Macapagal-Arroyo.

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 of old Acoje mine located 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.

Competition. – Among the publicly listed companies, DMCI Holdings, Inc. is the only holding company which has construction for its primary investment and general competence. 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. Currently, there is significant growth in the construction industry due to infrastructure build up by the Philippine government. 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 starategic success of its coal mining, real estate and water business segments.

Dependence on a few customers. – Not applicable

Transactions with and/or dependence on related parties. **-** Aside from inter-company transactions within the group of companies, and SMC's long term supply contract with NPC, the Company has contracts with its water business for engineering and construction works through its construction subsidiary, DMCI.

Need for governmental approval of products and services. – Not applicable

Effect of existing or probable governmental regulations to the business. – None at the moment

Estimate of amount spent for research and development activities. – Not applicable

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.

Total number of employees and number of full time employees.

Total No. of Employees	13
Fulltime Employees	13

V. DIRECTORS AND EXECUTIVE OFFICERS

Identify Directors, Including Independent Directors, and Executive Officers

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

David M. Consunji is the Founder and Chairman of the Board of Directors of D.M. Consunji, Inc. Mr. Consunji is also Chairman of the Board of Directors of Dacon Corporation, and Semirara Mining Corporation. Mr. Consunji served as the Secretary of the Department of Public Works, Transportation and Communications from August 1971 to 1975. Awards and recognition received by Mr. Consunji include (i) named Meralco Awardee in Engineering and Applied Sciences, 1994; (ii) recipient of the Civil Engineer Diamond Jubilee Award presented by the University of the Philippines Alumni Engineers in 1985; (iii) One of the Ten Outstanding Civil Engineers in 1982 by the Philippine Institute of Civil Engineers; (iv) recipient of Doctor of Laws, honoris causa, University of the Philippines in 1993; (v) named Outstanding Citizen of the City of Manila for Engineering in 1979; and (vi) named Management Association of the Philippines Awardee in 1996. Mr. David Consunji has served the corporation as Chairman of the Board for fourteen (14) years.

Cesar A. Buenaventura, O.B.E., is the Managing Partner of Buenaventura, Echauz and Partners (BEP) Financial Services, a financial advisory firm. He is currently a Director of: DMCI Holdings, Inc. (Vice Chairman), Semirara Mining Corporation, IPeople, Inc., Petro Energy Resources Corp., AG&P Company of Manila, Inc. (Chairman), Paysetter International, Inc. (Chairman), Montecito Proeperties, Inc. (Vice Chairman), Pilipinas Shell Petroleum Corporation, Phil. American Life Insurance Company. He is the Founding Chairman of Pilipinas Shell Foundation, Inc.; President of the Benigno S. Aquino Foundation; Member of the Board of Trustees of Asian Institute of Management and Founding Member, Board of Trustees, Makati Business Club. Mr. Buenaventura served as Chief Executive Officer of the Shell Group of Companies in 1975 until his retirement in 1990. He was appointed Member of the Monetary Board of the Central Bank of the Philippines (representing the Private Sector) and Member of the Board of Directors of the Philippine International Convention Center in 1981, a position he held up to 1987. He was a Member of the Board of Regents of the University of the Philippines from 1987 to 1994. He is a past Director of Philippine National Bank, Ayala Corporation, First Philippine Holdings Corporation, Philippine Airlines, Inc.; and a former Senior Adviser of Jardine Davies, Inc. He was chosen Management Man of the Year in 1985 by MAP and in January 1991, he was personally granted the award of Honorary Officer of the Order of the British Empire by her Majesty Queen Elizabeth II. Mr. Beunaventura has served the Company as Vice Chairman for fourteen (14) years.

Isidro A. Consunji is a regular Director of the following: DMCI Holdings, Inc., 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 Universal Rightfield Property Holdings, Inc., and Beta Electric Corporation; President of Dacon Corporation, DMCI Homes, DMCI Project Developers, Inc., and DMCI Holdings, Inc. Mr. Isidro Consunji has served the Corporation as a regular director for fourteen (14) years.

Herbert M. Consunji is a Partner in H.F. Consunji & Associates. He is also the Chairman of Subic Water and Sewerage Company, Inc., a regular Director of DMCI Project Developers, Inc., Semirara Mining Corporation, DMCI-MPIC Water Company, Inc., Maynilad Water Services, Inc., DMCI Power Corporation, Village Parks, Inc. His other positions are: President of Village Parks, Inc.; Chief Operating Officer of Maynilad Water Services, Inc., Vice President and Chief Finance Officer of DMCI Holdings, Inc., and Treasurer of Semirara Mining Corporation. Mr. Herbert Consunji has served the Corporation as a regular director for fourteen (14) years.

Jorge A. Consunji is the President and Chief Operating Officer of D.M. Consunji, Inc. His other positions include: Director of Semirara Miing Corporation, Beta Electic Corp., Bachy Soletanche 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 fourteen (14) years.

Victor A. Consunji is a Director of the following: Dacon Corporation (Vice-President), Semirara Mining Corporation (President), One Network Bank (Chairman), M&S Company, Inc., Sodaco Agricultural Corporation, DMC Urban Property Developers, Inc., DM Consunji, Inc., DMCI Holdings, Inc., and Ecoland Properties Development Corporation. Mr. Victor Consunji has served as a regular director for fourteen (14) years.

Evaristo T. Francisco served as a Member of the Board of Director of D.M. Consunji, Inc. from 1988-2001 and held various positions in Pilipinas Shell as Board of Director, Vice President for Marketing, Personnel and Public Affairs, Sales and other overseas work for Shell International Petroleum Co. Mr. Francisco has served the Company as Independent Director for eight (8) years (since 2001).

Victor S. Limlingan. Mr. Limlingan is 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 is an Adjunct Professor at the Asian Institute of Management, Chairman of Guagua National Colleges as well as a member of the

Presidential Task Force on Education. He also owns and manages Regina Capital Development Corporation, a member of the Philippine Stock Exchange. In 2000, he became Chairman and majority owner of Cristina Travel Corporation. Dr. Limlingan has served the Company as Independent Director since 2006. However, he has resigned as such on January 30, 2009 and was appointed as the Managing Director of DMCI Holdings, Inc. effective February 1, 2009.

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., and D.M. Consunji, Inc. Ms. Laperal has served the Corporation as Treasurer for fourteen (14) years.

Cristina C. Gotianun is a Regular Director of Dacon Corporation, D.M. Consunji, Inc. and Kalinan Timber Corporation. Her other positions include: VP for Finance Administrative/Chief Finance Officer of D.M. Consunji, Inc., Director for Finance of DMCI Homes, Inc., and General Manager of Sirawan Food Corporation. Ms. Gotianun has served the Corporation as Asst. Treasurer for fourteen (14) years.

Noel A. Laman is the Chairman of the Executive Committee and a 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 Glaxo Wellcome Philippines, Inc, Boehringer Ingelheim (Phils.), Inc., Solvay Pharma Philippines Corporation, and Merck, Inc. He is an active member of the Intellectual Property Association of the Philippines, the Intellectual Property Foundation, the Philippine Bar Association, and have been a speaker in local and foreign legal seminars and a resource person of various foreign chambers of commerce in the Philippines. He is a member of the Technical Panel for Legal Education, Commission on Higher Education. Atty. Laman has served the Corporation as Corporate Secretary for fifteen (15) years.

Myra C. Reinoso is the Vice President for Finance of DMCI Holdings, Inc. She recently joined the Company last October 15, 2007. She held various positions in Development Bank of the Philippines (DBP) from 1979 to 2007, in which her last post was First Vice President and Head of the Area Management Office for North Luzon. She also worked with the National Economic Development Authority from 1977-1979.

VI. MARKET PRICE OF AND DIVIDENDS ON REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

1. Market Information

Both common and preferred shares of DMCI Holdings, Inc. are traded on the Philippine Stock Exchange.

The high and low sales prices of the Company’s equity at the Philippine Stock Exchange for each quarter of the last two fiscal years and the first quarter of 2008 are set forth below.

Common Share Prices		High	Low
2006	First Quarter	3.55	3.40
	Second Quarter	3.80	3.60
	Third Quarter	3.80	3.75
	Fourth Quarter	6.10	6.00
2007	First Quarter	7.40	7.20
	Second Quarter	9.60	9.10
	Third Quarter	9.20	8.90
	Fourth Quarter	9.80	9.60
2008	First Quarter	8.00	7.90
	Second Quarter	6.00	6.00
	Third Quarter	3.75	3.50
	Fourth Quarter	2.65	2.60
2009	First Quarter	4.35	4.00

Preferred Share Prices		High	Low
2006	First Quarter	1,400	1,400
	Second Quarter	1,400	1,400
	Third Quarter	1,400	1,400
	Fourth Quarter	1,400	1,400
2007	First Quarter	0	0
	Second Quarter	0	0
	Third Quarter	0	0
	Fourth Quarter	0	0
2008	First Quarter	0	0
	Second Quarter	0	0
	Third Quarter	0	0
	Fourth Quarter	0	0
2009	First Quarter	0	0

Price information as of the latest practicable trading date: As of June 19, 2009:

	High	Low	Close	Volume
Common Shares	6.60	6.40	6.40	249,000
Preferred Shares	0	0	0	0

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

2. Holders

As of May 31, 2009 the Company had a total of 831 shareholders of which 814 were holders of common shares and 17 were holders of preferred shares.

DMCI HOLDINGS, INC.
List of Top 20 Stockholders
May 31, 2009

Rank	N a m e/A d d r e s s	Citizenship	Class	Number of Shares	Percentage
1	DACON CORPORATION C/O DMCI HOLDINGS, 3RD/F DACON BLDG., 2281 PASONG TAMO, MAKATI CITY	FILIPINO	A	1,367,756,488.00	51.506668
2	PCD NOMINEE CORPORATION G/F MAKATI STOCK EXCHANGE BLDG., 6767 AYALA AVE., MAKATI CITY	FOREIGN	A	717,808,707.00	27.03108
3	PCD NOMINEE CORPORATION G/F MAKATI STOCK EXCHANGE BLDG., 6767 AYALA AVE., MAKATI CITY	FILIPINO	A	229,359,563.00	8.637171
4	CRISTINA C. GOTIANUN DMCI HOLDINGS, INC. 3F DACON BLDG., 2281 PASONG TAMO EXT., MAKATI CITY	FILIPINO	A	105,615,712.00	3.977253
5	JORGE A. CONSUNJI DMCI HOLDINGS, INC. 3F DAON BLDG., 2281 PASONG TAMO EXT., MAKATI CITY	FILIPINO	A	86,682,770.00	3.26428
6	VICTOR A. CONSUNJI DMCI HOLDINGS, INC. 3/F DACON BLDG., 2281 PASONG TAMO EXT., MAKATI CITY	FILIPINO	A	86,682,558.00	3.264272
7	DMCI RETIREMENT PLAN C/O DMCI HOLDINGS, 3F DACON BLDG., 2281 PASONG TAMO, MAKATI CITY	FILIPINO	A	19,980,000.00	0.752402
8	DFC HOLDINGS, INC. #2281 PASONG TAMO EXTENSION, MAKATI CITY	FILIPINO	A	15,497,000.00	0.583583
9	MA. EDWINA C. LAPERAL DMCI HOLDINGS, INC. 3F DACON BLDG., 2281 PASONG TAMO EXT., MAKATI CITY	FILIPINO	A	5,412,400.00	0.203819
10	DMCI RETIREMENT FUND 2281 PASONG TAMO EXTENSION MAKATI CITY	FILIPINO	A	2,600,000.00	0.09791
11	PACITA N. LEE #69 GORORDO AVE., CEBU CITY 6000	FILIPINO	A	1,100,000.00	0.041424
12	LOURDES BUENAVENTURA UNIT 27, 58 MCKINLEY FORBES PARK, MAKATI CITY	FILIPINO	A	700,000.00	0.02636
13	ALLIED BANKING CORPORATION MERCHANT BANKING DIVISION, ALLIED BANKING CORP (ABC) MEZANINE FLR ALLIED BANK CTR. 6754 AYALA AVE., MAKATI CITY	FILIPINO	A	695,000.00	0.026172
14	MA. EDWINA/MIGUEL DAVID C. LAPERAL DMCI HOLDINGS, INC. 3F DACON BLDG., 2281 PASONG TAMO EXT., MAKATI CITY	FILIPINO	A	550,000.00	0.020712

15	EDGARDO MARCOS DE VERA 11F PACIFIC STAR BLDG., SEN. GIL PUYAT, COR. MAKATI AVE., MAKATI CITY	FILIPINO	A	520,000.00	0.019582
16	YNTALCO REALTY DEVT. CORPORATION C/O PCI CAPITAL CORPORATION	FILIPINO	A	500,000.00	0.018829
17	BENIGNO DELA VEGA #56 TINIO ST., MANDALUYONG CITY	FILIPINO	A	410,000.00	0.01544
18	LOURDES BUENAVENTURA UNIT 27, 58 MCKINLEY FORBES PARK, MAKATI CITY	FILIPINO	A	400,000.00	0.015063
19	MAKATI SUPERMARKET CORP. 2/F ODC INTERNAT'L PLAZA CONDO 219 SALCEDO ST., LEGASPI VILLAGE, MAKATI CITY	FILIPINO	A	345,500.00	0.013011
20	ENRIQUE G. FILAMOR 5813 AMORSOLO ST, DASMARINAS VILLAGE, MAKATI CITY	FILIPINO	A	314,000.00	0.011825
				====================	===========
	TOTAL TOP 20 ===>			2,642,929,698.00	99.526856
				====================	===========
				====================	===========
	OTHER STOCKHOLDERS ===>			12,564,302.00	0.473144
				====================	===========
				====================	===========
	TOTAL OUTSTANDING ===>			2,655,494,000.00	100
				====================	===========

3. Dividends

Set forth below are cash dividends declared on each class of its common equity by the Company 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:

(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 holders of record of June 30, 2006
(6) On May 28, 2007, the Company paid cash dividends at the amount of Pho 0.10 per outstanding common share to the holders of record of April 30, 2007.
(7) On May 30, 2008, the Company paid cash dividends at the amount of Php 0.10 per outstanding common share to the holders of record of May 12, 2008.

(8) On May 21, 2009, the Company declared cash dividends at the amount of Php 0.20 per outstanding share to the holders of record of June 5, 2009, to be paid on June 30, 2009.

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 or Exempt Securities Including Recent Issuance of Securities Constituting an Exempt Transaction **- NONE**

VII. DISCUSSION ON COMPLIANCE WITH LEADING PRACTICE ON CORPORATE GOVERNANCE

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

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

3. The Company has participated in the recent Corporate Governance Survey directed by the Securities and Exchange Commission on its Memorandum Circular No. 2 Series 2007.

4. The Independent Directors of the Company have submitted their Certificate of Qualifications as required by Securities and Exchange Commission in the promotion of meaningful compliance with Section 38 of the Securities Regulation Code (SRC);

5. The Corporation will conduct an annual rating of the self-rating system in order to assess the level of compliance with the practices and principles of good governance and the Company's Code of Business Conduct and Ethics.

6. The Corporation is planning to develop a more comprehensive evaluation procedure that will determine and measure the compliance with the Manual and the Code.

7. The Corporation has developed a corporate website (www.dmciholdings.com) wherein corporate information and updates, disclosures, and financial information are being uploaded for investors' and shareholders' information.

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

9. There are no major deviations from the adopted Manual on Corporate Governance

VIII. UPON THE WRITTEN REQUEST OF A STOCKHOLDER, THE CORPORATION WILL PROVIDE, WITHOUT CHARGE, A COPY OF THE CORPORATION'S ANNUAL REPORT IN SEC FORM 17-A AND THE CORPORATION'S LATEST QUARTERLY REPORT IN SEC FORM 17-Q DULY FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. THE STOCKHOLDER MAY BE CHARGED A REASONABLE COST FOR PHOTOCOPYING THE EXHIBITS.

DMCI HOLDINGS
INCORPORATED

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

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

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **DMCI HOLDINGS, INC.** is responsible for all information and representations contained in the financial statements for the years ended December 31, 2008 and 2007. The financial statements have been prepared in conformity with generally accepted accounting principles in the Philippines and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

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

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

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

(ii) Material weaknesses in the internal controls; and

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

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

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

Signed under oath by:

DAVID M. CONSUNJI
Chairman of the Board

ISIDRO A. CONSUNJI
President & Chief Executive Officer

HERBERT M. CONSUNJI
Vice President & Chief Finance Officer

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

SUBSCRIBED AND SWORN to before me this 24 day of APR 2009 in Makati City, affiant exhibiting to me their Community Tax Certificates which are as follows:

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

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

ATTY. LOPE M. VELASCO
NOTARY PUBLIC
Until Dec. 31, 2009
PTR O.R. No. 7208240 Mla. 01/05/09
IBP O.R. No. 740913 Mla. 12/24/08
TIN 212-965-989
Roll No. 28757

COVER SHEET

A S 0 9 5 - 0 0 2 2 8 3

SEC Registration Number

D M C I   H O L D I N G S ,   I N C .   A N D   S U B S I D I A R
I E S

(Company's Full Name)

3 r d   F l o o r ,   D a c o n   B u i l d i n g ,   2 2 8 1   D
o n   C h i n o   R o c e s   A v e n u e ,   M a k a t i   C i t
y

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

Herbert M. Consunji

(Contact Person)

888-3000

(Company Telephone Number)

1 2 | 3 1

Month *Day*

(Fiscal Year)

A A F S

(Form Type)

Month *Day*

(Annual Meeting)

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

S T A M P S

Remarks: Please use BLACK ink for scanning purposes.

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

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

BOA/PRC Reg. No. 0001
SEC Accreditation No. 0012-FR-1

INDEPENDENT AUDITORS' REPORT

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

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

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

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

SYCIP GORRES VELAYO & CO.

Jessie D. Cabaluna

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

April 23, 2009

DMCI HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31	
	2008	2007
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 4 and 34)	**₱3,068,623,137**	₱3,539,647,599
Available-for-sale financial assets - net (Notes 5 and 34)	**202,933,071**	202,673,060
Receivables - net (Notes 6, 22 and 34)	**7,358,987,612**	2,860,779,922
Costs and estimated earnings in excess of billings on uncompleted contracts (Note 7)	**369,922,764**	140,681,468
Inventories - net (Note 8)	**8,869,737,344**	6,375,959,003
Other current assets (Note 9)	**1,265,127,100**	568,933,917
Total Current Assets	**21,135,331,028**	13,688,674,969
Noncurrent assets held for sale (Note 20)	**–**	2,976,608,671
	21,135,331,028	16,665,283,640
Noncurrent Assets		
Noncurrent receivables - net (Notes 6, 22 and 34)	**2,440,384,238**	1,983,314,250
Investments in associates and jointly controlled entities - net (Note 10)	**4,713,046,320**	4,489,038,912
Investment properties - net (Note 11)	**2,337,534,961**	2,057,446,353
Property, plant and equipment - net (Note 12)	**4,548,855,362**	2,933,158,199
Deferred tax assets (Note 29)	**34,899,053**	17,146,597
Other noncurrent assets - net (Note 13)	**522,458,695**	161,118,901
Total Noncurrent Assets	**14,597,178,629**	11,641,223,212
	₱35,732,509,657	₱28,306,506,852
LIABILITIES AND EQUITY		
Current Liabilities		
Bank loans (Notes 14 and 34)	**₱1,274,109,721**	₱40,310,953
Current portion of liabilities for purchased land (Note 15)	**572,955,359**	169,088,537
Accounts and other payables (Notes 16 and 34)	**6,484,123,139**	2,766,998,825
Current portion of long-term debt (Notes 18 and 34)	**791,844,366**	1,843,238,927
Billings in excess of costs and estimated earnings on uncompleted contracts (Note 7)	**197,037,834**	30,887,799
Customers' advances and deposits (Note 17)	**1,295,265,665**	1,271,183,687
Income tax payable (Note 29)	**102,216,157**	58,968,314
Total Current Liabilities	**10,717,552,241**	6,180,677,042
Liabilities directly associated with noncurrent assets held for sale (Note 20)	**–**	2,327,975,504
	10,717,552,241	8,508,652,546

(Forward)

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

See accompanying Notes to Consolidated Financial Statements.

DMCI HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the year ended December 31, 2008

	ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT									
	Capital Stock (Note 21)	**Additional Paid-in Capital (Note 21)**	**Total Paid-up Capital (Note 21)**	**Retained Earnings (Note 21)**	**Net Unrealized Gain (Loss) on Available-for-Sale Investments (Note 5)**	**Revaluation Increment**	**Cumulative Translation Adjustment**	**Total**	**ATTRIBUTABLE TO MINORITY INTEREST**	**TOTAL EQUITY**
As of January 1, 2008	**₱2,655,498,480**	**₱4,766,141,526**	**₱7,421,640,006**	**₱7,701,472,463**	**(₱35,880,000)**	**₱–**	**₱–**	**₱15,087,232,469**	**₱2,142,908,927**	**₱17,230,141,396**
Impact of IFRIC 12	–	–	–	**(566,337,768)**	–	–	–	**(566,337,768)**	–	**(566,337,768)**
As of January 1, 2008, as restated	**2,655,498,480**	**4,766,141,526**	**7,421,640,006**	**7,135,134,695**	**(35,880,000)**	–	–	**14,520,894,701**	**2,142,908,927**	**16,663,803,628**
Net income for the year	–	–	–	**1,687,900,428**	–	–	–	**1,687,900,428**	**348,563,766**	**2,036,464,194**
Transferred from revaluation increment	–	–	–	**321,832,044**	–	–	–	**321,832,044**	**5,266,283**	**327,098,327**
Transferred from APIC	–	–	–	**115,985,397**	–	–	–	**115,985,397**	**1,897,921**	**117,883,318**
Transferred to profit or loss	–	–	–	–	**35,880,000**	–	–	**35,880,000**	–	**35,880,000**
Revaluation increment	–	–	–	–	–	**78,717,078**	–	**78,717,078**	–	**78,717,078**
Cumulative translation adjustment	–	–	–	–	–	–	**3,760,259**	**3,760,259**	–	**3,760,259**
Redemption of preferred shares	**(100)**	**(225,455)**	**(225,555)**	–	–	–	–	**(225,555)**	–	**(225,555)**
Dividends	–	–	–	**(265,529,629)**	–	–	–	**(265,529,629)**	**(483,420,788)**	**(748,950,417)**
Decrease in minority interest	–	–	–	–	–	–	–	–	**(48,364,724)**	**(48,364,724)**
Balances at December 31, 2008	**₱2,655,498,380**	**₱4,765,916,071**	**₱7,421,414,451**	**₱8,995,322,935**	**₱–**	**₱78,717,078**	**₱3,760,259**	**₱16,499,214,723**	**₱1,966,851,385**	**₱18,466,066,108**

For the year ended December 31, 2007

	ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT								
	Capital Stock (Note 21)	Additional Paid-in Capital (Note 21)	Total Paid-up Capital (Note 21)	Retained Earnings (Note 21)	Net Unrealized Gain (Loss) on Available-for-Sale Investments (Note 5)	Preferred Shares Held in Treasury (Note 21)	Total	ATTRIBUTABLE TO MINORITY INTEREST	TOTAL EQUITY
As of January 1, 2007	₱2,255,499,480	₱2,403,783,826	₱4,659,283,306	₱5,103,727,748	₱39,872,880	(₱1,100,000)	₱9,801,783,934	₱1,858,406,442	₱11,660,190,376
Cancellation/retirement of issued preferred shares (Note 22)	(1,000)	(1,099,000)	(1,100,000)	–	–	1,100,000	–	–	–
Issuance of additional common shares)	400,000,000	2,363,456,700	2,763,456,700	–	–	–	2,763,456,700		2,763,456,700
Net income for the year	–	–	–	2,273,756,347	–	–	2,273,756,347	286,832,064	2,560,588,411
Change in fair value of assets	–	–	–	–	(35,880,000)	–	(35,880,000)	–	(35,880,000)
Transferred to profit and loss	–	–	–	–	(39,872,880)	–	(39,872,880)	–	(39,872,880)
Dividends	–	–	–	(242,349,400)	–	–	(242,349,400)	(138,859,093)	(381,208,493)
Increase in minority interests	–	–	–	–	–	–	–	136,529,514	136,529,514
Balances at December 31, 2007	₱2,655,498,480	₱4,766,141,526	₱7,421,640,006	₱7,135,134,695	(₱35,880,000)	₱–	₱14,520,894,701	₱2,142,908,927	₱16,663,803,628

	For the year ended December 31, 2006								
	ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT								
	Capital Stock (Note 21)	Additional Paid-in Capital (Note 21)	Total Paid-up Capital (Note 21)	Retained Earnings (Note 21)	Net Unrealized Gain on Available-for-Sale Investments (Note 5)	Preferred Shares Held in Treasury (Note 21)	Total	ATTRIBUTABLE TO MINORITY INTEREST	TOTAL EQUITY
As of January 1, 2006	₱2,255,638,480	₱2,593,474,326	₱4,849,112,806	₱4,193,977,659	₱2,402,067	(₱187,210,650)	₱8,858,281,882	₱1,621,315,883	₱10,479,597,765
Cancellation/retirement of issued preferred shares (Note 22)	(139,000)	(189,690,500)	(189,829,500)	–	–	189,829,500	–	–	–
Redemption of preferred shares (Note 22)	–	–	–	–	–	(3,718,850)	(3,718,850)	–	(3,718,850)
Net income for the year	–	–	–	1,135,299,489	–	–	1,135,299,489	247,271,762	1,382,571,251
Change in fair value of assets (Note 7)	–	–	–	–	37,470,813	–	37,470,813	–	37,470,813
Dividends	–	–	–	(225,549,400)	–	–	(225,549,400)	–	(225,549,400)
Decrease in minority interests	–	–	–	–	–	–	–	(10,181,203)	(10,181,203)
Balances at December 31, 2006	₱2,255,499,480	₱2,403,783,826	₱4,659,283,306	₱5,103,727,748	₱39,872,880	(₱1,100,000)	₱9,801,783,934	₱1,858,406,442	₱11,660,190,376

See accompanying Notes to Consolidated Financial Statements.

DMCI HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31		
	2008	2007	2006
REVENUE			
Coal sales	**₱8,490,045,381**	₱6,466,700,620	₱4,687,694,870
Real estate sales	**4,736,635,397**	2,455,167,228	1,905,080,720
Construction contracts	**6,727,609,838**	4,685,196,331	2,932,982,072
Merchandise sales and others	**1,203,785,994**	568,564,114	362,079,443
	21,158,076,610	14,175,628,293	9,887,837,105
COSTS OF SALES AND SERVICES (Note 24)			
Coal sales	**6,943,585,844**	5,193,989,609	3,713,161,109
Real estate sales	**2,984,328,644**	1,258,497,532	1,130,883,288
Construction contracts	**6,024,191,346**	3,462,058,449	2,199,461,403
Merchandise sales and others	**553,734,466**	441,883,273	335,404,802
	16,505,840,300	10,356,428,863	7,378,910,602
GROSS PROFIT	**4,652,236,310**	3,819,199,430	2,508,926,503
OPERATING EXPENSES (Note 25)	**2,397,261,102**	1,871,325,453	1,337,805,962
	2,254,975,208	1,947,873,977	1,171,120,541
OTHER INCOME (LOSSES)			
Equity in net earnings of associates, jointly controlled entities and others (Note 10)	**84,072,533**	1,259,900,180	(27,608,828)
Finance income (Note 26)	**572,552,020**	371,535,619	358,314,865
Gain on sale of investments	**44,999,214**	178,975,915	356,049,626
Finance costs (Note 27)	**(552,067,273)**	(515,366,848)	(428,701,300)
Other income (charges) - net (Note 28)	**327,082,863**	(137,278,679)	416,125,403
INCOME BEFORE INCOME TAX	**2,731,614,565**	3,105,640,164	1,845,300,307
PROVISION FOR INCOME TAX (Note 29)	**695,150,371**	545,051,753	462,729,056
NET INCOME (Note 33)	**₱2,036,464,194**	₱2,560,588,411	₱1,382,571,251
NET INCOME ATTRIBUTABLE TO			
Equity holders of DMCI Holdings, Inc.	**₱1,687,900,428**	₱2,273,756,347	₱1,135,299,489
Minority interests	**348,563,766**	286,832,064	247,271,762
	₱2,036,464,194	₱2,560,588,411	₱1,382,571,251
Basic/Diluted Earnings Per Share (Note 30)	**₱0.64**	₱0.94	₱0.50

See accompanying Notes to Consolidated Financial Statements.

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

	Years Ended December 31		
	2008	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱2,731,614,565**	₱3,037,488,406	₱1,845,199,054
Adjustments for:			
Depreciation, depletion and amortization (Notes 11, 12 and 25)	**1,532,811,564**	1,679,972,724	1,419,254,315
Finance costs (Note 27)	**552,067,273**	515,366,848	428,701,300
Write-off of other noncurrent assets	**–**	300,000,000	–
Provisions for:			
Inventory obsolescence (Notes 8 and 25)	**–**	–	39,787,613
Doubtful accounts (Note 25)	**54,123,351**	4,434,241	105,840,759
Probable losses on investments	**–**	(39,872,880)	103,388,649
Foreign exchange losses – net	**–**	–	(85,605,985)
Equity in net earnings of associates and jointly controlled entities (Note 10)	**(84,072,533)**	(1,259,900,180)	(27,839,119)
Gain on disposals of:			
Property and equipment	**(44,999,214)**	–	(379,301,077)
Interest income (Note 26)	**(572,552,020)**	(371,535,619)	(358,314,865)
Dividend income	**(47,978,565)**	(3,937,366)	(6,972)
Pension expense (Note 23)	**52,953,859**	166,018,126	31,126,773
Operating income before changes in working capital	**4,173,968,280**	4,028,034,300	3,122,230,445
Decrease (increase) in:			
Receivables	**(4,304,048,697)**	493,966,461	(433,729,309)
Inventories	**(2,068,936,797)**	(1,448,585,962)	(1,895,490,549)
Costs and estimated earnings in excess of billings on uncompleted contracts	**(229,241,296)**	(123,665,274)	7,962,640
Other current assets	**(663,670,784)**	(189,877,080)	(235,879,358)
Increase (decrease) in:			
Accounts and other payables	**2,963,236,480**	868,041,137	(123,202,098)
Customer's advances and deposits	**24,081,978**	538,239,570	659,075,659
Billings in excess of costs and estimated earnings on uncompleted contracts	**150,851,858**	10,322,060	1,678,010
Contribution to pension liability	**(60,795,994)**	(85,777,878)	–
Cash generated from (used in) operations	**(14,554,972)**	4,090,697,334	1,102,645,440
Interest received	**574,833,177**	371,535,619	421,466,410
Interest paid	**(552,067,273)**	(515,366,848)	(398,446,595)
Income taxes paid	**(578,272,372)**	(439,790,243)	(812,154,035)
Net cash provided by (used in) operating activities	**(570,061,440)**	3,507,075,862	313,511,220

(Forward)

	Years Ended December 31		
	2008	2007	2006
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease (increase) in:			
Investments in associates, jointly controlled entities and others	**₱3,527,700**	₱13,531,843	(₱2,734,369,225)
Noncurrent receivables	**(457,069,988)**	(1,295,673,555)	324,907,718
Investment properties	**(97,043,625)**	218,128,932	674,115,305
Other noncurrent assets	**(361,339,794)**	(56,103,874)	13,080,898
Proceeds from disposals of:			
Available-for-sale financial assets (Note 5)	**46,635,389**	21,038,450	510,088,533
Property and equipment	**1,587,281,205**	–	23,425,061
Additions to:			
Available-for-sale financial assets (Note 5)	**–**	–	(17,602,963)
Property, plant and equipment (Note 12)	**(2,705,527,474)**	(1,232,883,828)	(818,017,618)
Dividends received	**47,978,565**	3,937,366	–
Net cash used in investing activities	**(1,935,558,022)**	(2,328,024,666)	(2,024,372,291)
CASH FLOWS FROM FINANCING ACTIVITIES			
Availments of long-term debt	**3,817,805,248**	1,248,442,770	2,919,140,201
Payments of long-term debt	**(2,127,459,157)**	(2,012,503,054)	(1,965,530,632)
Payments of bank loans	**–**	(763,357,235)	(132,039,359)
Redemption of preferred shares	**(225,555)**	–	(2,618,850)
Dividends paid	**(265,529,629)**	(381,208,493)	(243,007,220)
Proceeds from:			
Bank loans	**229,500,658**	749,857,219	71,191,728
Additional subscriptions to capital stock	**–**	2,763,456,700	–
Increase (decrease) in:			
Payable to related parties	**190,050,385**	(497,069,277)	294,453,909
Other noncurrent liabilities	**999,118**	1,066,588	71,471,488
Net cash provided by financing activities	**1,845,141,068**	1,108,685,218	1,013,061,265
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(660,478,394)**	2,287,736,414	(697,799,806)
CASH RECLASSIFIED FROM NONCURRENT ASSETS HELD FOR SALE (Note 20)	**189,453,932**	–	–
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**3,539,647,599**	1,251,911,185	1,949,710,991
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱3,068,623,137**	₱3,539,647,599	₱1,251,911,185

See accompanying Notes to Consolidated Financial Statements.

DMCI HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

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

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

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

2. Summary of Significant Accounting Policies

Basis of Preparation
The consolidated financial statements of the Group have been prepared using the historical cost basis, except for available-for-sale (AFS) financial assets that have been measured at fair value. The Group's functional and presentation currency is the Philippine Peso (₱). All amounts are rounded to the nearest peso 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, 2008 and 2007 and for each of the three years in the period ended December 31, 2008. Under PFRS, it is acceptable to use, for consolidation purposes, the financial statements of subsidiaries for fiscal periods differing from that of the Parent Company if the difference is not more than three months.

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

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

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

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

	Effective Percentages of Ownership	
	2008	2007
General Construction:		
D.M. Consunji, Inc. (DMCI) [1]	**100.00%**	100.00%
DMCI International, Inc. (DMCII) [2]	**100.00**	100.00
OHKI-DMCI Corporation (OHKI) [2]	**100.00**	100.00
Atlantic, Gulf and Pacific Company of Manila, Inc. (AG&P)	**98.39**	46.00
DMCI-Laing Construction, Inc. (DMCI-Laing) [2]	**60.00**	60.00
Beta Electric Corporation (Beta Electric) [2]	**50.77**	50.77
Raco Haven Automation Philippines, Inc. (Raco) [2]	**50.14**	50.14
Coal Mining:		
Semirara Mining Corporation (Semirara)	**56.46**	56.46
DMCI Mining Corporation (DMC)	**78.23**	100.00
Real Estate Development:		
DMCI Project Developers, Inc. (PDI)	**100.00**	100.00
Hampstead Gardens Corporation (Hampstead) [3]	**100.00**	100.00
Riviera Land Corporation (Riviera) [3]	**100.00**	100.00
Manufacturing:		
Semirara Cement Corporation (SemCem) *	**100.00**	100.00
Oriken Dynamix Company, Inc. (Oriken) [2]	**89.00**	89.00
Wire Rope Corporation of the Philippines (Wire Rope)	**61.70**	61.70
Marketing Arm:		
DMCI Homes, Inc. (DMCI Homes) [3]	**100.00**	100.00
Power:		
DMCI Power Corporation (DPC) (formerly DMCI Energy Resources Unlimited Inc.) *	**78.23**	100.00
DMCI Masbate Power Corporation (DMCI Masbate)	**100.00**	100.00

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

[1] Also engaged in real estate development

[2] DMCI's subsidiaries

[3] PDI's subsidiaries

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

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

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

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

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

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

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

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

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

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

Effective in 2009

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

- Amendment to PFRS 2, *Share-based Payment - Vesting Condition and Cancellations*
  The Standard has been revised to clarify the definition of a vesting condition and prescribes the treatment for an award that is effectively cancelled. It defines a vesting condition as a condition that includes an explicit or implicit requirement to provide services. It further requires nonvesting conditions to be treated in a similar fashion to market conditions. Failure to satisfy a nonvesting condition that is within the control of either the entity or the counterparty is accounted for as a cancellation. However, failure to satisfy a nonvesting condition that is beyond the control of either party does not give rise to a cancellation.

- PFRS 8, *Operating Segments*
  PFRS 8 will replace PAS 14, Segment *Reporting*, and adopts a full management approach to identifying, measuring and disclosing the results of an entity's operating segments. The information reported would be that which management uses internally for evaluating the performance of operating segments and allocating resources to those segments. Such information may be different from that reported in the consolidated balance sheet and consolidated statement of income and the Group will provide explanations and reconciliations of the differences. This Standard is only applicable to an entity that has debt or equity instruments that are traded in a public market or that files (or is in the process of filing) its consolidated financial statements with a securities commission or similar party. The Group is in the process of assessing the impact of the Standard on its current manner of reporting segment information.

- Amendment to PAS 1, *Presentation of Financial Statements*
  It introduces a new statement of comprehensive income that combines all items of income and expenses recognized in the profit or loss together with 'other comprehensive income'. Entities may choose to present all items in one statement, or to present two linked statements, a separate statement of income and a statement of comprehensive income. This Amendment also requires additional requirements in the presentation of the balance sheet and equity as well as additional disclosures to be included in the consolidated financial statements. Adoption of this Amendment will not have significant impact on the Group except for the presentation of a statement of comprehensive income.

- PAS 23 (Revised), *Borrowing Costs*
  The Standard has been revised to require capitalization of borrowing costs when such costs relate to a qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. In accordance with the transitional requirements in the Standard, the Group will adopt this as a prospective change. Accordingly, borrowing costs will be capitalized on qualifying assets with a commencement date after January 1, 2009. No changes will be made for borrowing costs incurred to this date that have been expensed.

- Amendments to PAS 27, *Consolidated and Separate Financial Statements - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
  These Amendments introduce changes in respect of the holding companies' separate financial statements, including (a) the deletion of 'cost method', making the distinction between pre- and post-acquisition profits no longer required; and (b) in cases of reorganizations where a new parent is inserted above an existing parent of the group (subject to meeting specific requirements), the cost of the subsidiary is the previous carrying amount of its share of equity items in the subsidiary rather than its fair value. All dividends will be recognized in the statement of income. However, the payment of such dividends requires the entity to consider whether there is an indicator of impairment.

- Amendment to PAS 32, *Financial Instruments: Presentation* and PAS 1*, Presentation of Financial Statements - Puttable Financial Instruments* and *Obligations Arising on Liquidation*
  These Amendments specify, among others, that puttable financial instruments will be classified as equity if they have all of the following specified features: (a) the instrument entitles the holder to require the entity to repurchase or redeem the instrument (either on an ongoing basis or on liquidation) for a pro rata share of the entity's net assets; (b) the instrument is in the most subordinate class of instruments, with no priority over other claims to the assets of the entity on liquidation; (c) all instruments in the subordinate class have identical features; (d) the instrument does not include any contractual obligation to pay cash or financial assets other than the holder's right to a pro rata share of the entity's net assets; and (e) the total expected cash flows attributable to the instrument over its life are based substantially on the profit or loss, a change in recognized net assets, or a change in the fair value of the recognized and unrecognized net assets of the entity over the life of the instrument.

- Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes*
  This Interpretation requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted and therefore part of the fair value of the consideration received is allocated to the award credits and realized in income over the period that the award credits are redeemed or expire.

- Philippine Interpretation IFRIC 16, *Hedges of a Net Investment in a Foreign Operation*
  This interpretation provides guidance on identifying foreign currency risks that qualify for hedge accounting in the hedge of net investment; where within the group the hedging instrument can be held in the hedge of a net investment; and how an entity should determine the amount of foreign currency gains or losses, relating to both the net investment and the hedging instrument, to be recycled on disposal of the net investment.

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

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

- PAS 1, *Presentation of Financial Statements*
  Assets and liabilities classified as held for trading are not automatically classified as current in the consolidated balance sheet.

- PAS 16, *Property, Plant and Equipment*
  This Amendment replaces the term 'net selling price' with 'fair value less costs to sell', to be consistent with PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations* and PAS 36, *Impairment of Asset*s. Items of property, plant and equipment held for rental that are routinely sold in the ordinary course of business after rental, are transferred to inventory when rental ceases and they are held for sale. Proceeds of such sales are subsequently shown as revenue. Cash payments on initial recognition of such items, the cash receipts from rents, and subsequent sales are all shown as cash flows from operating activities.

- PAS 19, *Employee Benefits*
  This revises the definition of ‘past service cost’ to include reduction in benefits related to past services (‘negative past service cost’) and to exclude reduction in benefits related to future services that arise from plan amendments. Amendments to plans that result in a reduction in benefits related to future services are accounted for as a curtailment.

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

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

- PAS 23, *Borrowing Costs*
  This revises the definition of borrowing costs to consolidate the types of items that are considered components of ‘borrowing costs’, i.e., components of the interest expense calculated using the effective interest rate method.

- PAS 20, *Accounting for Government Grants and Disclosures of Government Assistance*
  Loans granted with no or low interest rates will not be exempt from the requirement to impute interest. The difference between the amount received and the discounted amount is accounted for as a government grant.

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

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

- PAS 29, *Financial Reporting in Hyperinflationary Economies*
  The reference to the exception that assets and liabilities should be measured at historical cost, such that it notes property, plant and equipment as being an example, rather than implying that it is a definitive list is revised.

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

- PAS 36, *Impairment of Assets*
  When discounted cash flows are used to estimate ‘fair value less costs to sell’, additional disclosure is required about the discount rate, consistent with disclosures required when the discounted cash flows are used to estimate ‘value in use’.

- PAS 38, *Intangible Assets*
  Expenditure on advertising and promotional activities is recognized as an expense when the Company either has the right to access the goods or has received the services. Advertising and promotional activities now specifically include mail order catalogues.

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

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

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

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

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

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

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

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

Effective in 2010

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

exceed the noncontrolling equity investment in the subsidiary; and (c) on loss of control of a subsidiary, any retained interest will be remeasured to fair value and this will impact the gain or loss recognized on disposal. The changes introduced by revised PFRS 3 and PAS 27 must be applied prospectively and will affect future acquisitions and transactions with noncontrolling interests.

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

- Philippine Interpretation IFRIC 17, *Distribution of Non-cash Assets to Owners*
  This Interpretation covers accounting for two types of non-reciprocal distributions of assets by an entity to its owners acting in their capacity as owners. The two types of distribution are:
  a) distributions of non-cash assets (e.g., items of property, plant and equipment, businesses as defined in PFRS 3, ownership interests in another entity or disposal groups as defined in PFRS 5); and
  b) distributions that give owners a choice of receiving either non-cash assets or a cash alternative.

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

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

Effective in 2012

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

financial statements since the Group's already accounts for its revenue and associated expenses using the completed contract method.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Derecognition of Financial Assets and Liabilities
Financial assets
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

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

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

Financial liabilities
A financial liability is derecognized when the obligation under the liability is discharged or canceled or expires.

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

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

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

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

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

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

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

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

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

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

Investments in Associates, Jointly Controlled Entities and Others
Investments in associates and jointly controlled entities (investee companies) are accounted for under the equity method of accounting.

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

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

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

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

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

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

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

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

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

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

	Years
Buildings and building improvements	5-25
Condominium units	5

Property, Plant and Equipment

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

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

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

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

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

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

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

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

Provision for decommissioning and site rehabilitation costs
The Group is legally required to fulfill certain obligations as required under its Environmental Compliance Certificate (ECC) issued by Department of Environment and Natural Resources (DENR). The Group recognizes the present value of the liability for these obligations and capitalizes the present value of these costs as part of the balance of the related property, plant and equipment accounts which are depreciated on a straight-line basis over the EUL of the related property, plant and equipment or the contract period, whichever is shorter. The decommissioning and site rehabilitation costs is determined based on PAS 37, ***Provisions, Contingent Liabilities and Contingent Assets***. The Group recognizes the liability for these obligations as "Provision for decommissioning and site rehabilitation" under "Other noncurrent liabilities" in the consolidated balance sheet.

Mine Exploration and Development Costs
Cost incurred for exploration and development of mining properties are deferred as incurred. These deferred costs are charged to expense when the results of the exploration activities are determined to be negative or not commercially viable. When exploration results are positive or commercially viable, these deferred costs are capitalized under "Conventional and continuous mining properties and equipment".

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

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

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

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

Impairment of Nonfinancial Assets
This accounting policy applies primarily to the Group’s property, plant and equipment and investments in associates and jointly controlled entities.

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

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

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

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

Treasury Shares
Treasury shares are recorded at cost and are presented as a deduction from equity. When the shares are retired, the capital stock account is reduced by its par value. The excess of cost over par value upon retirement is debited to the following accounts in the order given: (1) additional paid-in capital to the extent of the specific or average additional paid-in capital when the shares were issued; and, (2) retained earnings.

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

Coal sales
Revenue from coal sales is recognized upon delivery when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably. Revenue from local and export coal sales are denominated in Philippine Pesos and US Dollars, respectively.

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

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

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

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

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

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

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

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

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

Borrowing Costs
Borrowing costs are generally expensed as incurred.

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

Pension Expense
The Group has a noncontributory defined benefit retirement plan.

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

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

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

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

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

Leases

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

Group as a lessee

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

Group as a lessor

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

Income Tax

Current tax

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

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

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

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

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

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

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

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

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

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

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

Segment Reporting
The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products. Financial information on business segments is presented in Note 34 to the consolidated financial statements.

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

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

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

3. Significant Accounting Estimates, Judgments and Assumptions

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

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

a.) Coal sales

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

There is no assurance that the use of estimates may not result in material adjustments in future periods. Revenue from coal sales amounted to ₱8.49 billion, ₱6.47 billion and ₱4.69 billion for the years ended December 31, 2008, 2007 and 2006, respectively.

b.) Real estate sales

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

c.) Construction contracts

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

There is no assurance that the use of estimates may not result in material adjustments in future periods. Revenue from construction contracts amounted to ₱6.73 billion, ₱4.69 billion and ₱2.93 billion for the years ended December 31, 2008, 2007 and 2006, respectively.

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

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

Operating lease commitments
The Group has entered into commercial property leases on its investment property portfolio. The Group has determined that it retains all the significant risks and rewards of ownership of these properties and accounts for them as operating leases.

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

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

The amount and timing of recorded expenses for any period would differ if the Group made different judgments or utilized different estimates. An increase in the allowance for impairment losses on receivables would increase recorded operating expenses and decrease total assets. Provision for doubtful accounts of the Group amounted to ₱54.12 million, ₱4.43 million and ₱105.84 million in 2008, 2007 and 2006, respectively (see Note 25). Receivables of the Group, net of allowance for doubtful account of ₱443.66 million and ₱80.76 million as of December 31, 2008 and 2007, respectively, amounted to ₱9.80 billion and ₱4.84 billion as of December 31, 2008 and 2007, respectively (see Note 6).

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

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

Provision for inventory obsolescence amounted to ₱39.79 million in 2006 (see Notes 8 and 25). Inventories of the Group, net of allowance for inventory obsolescence amounting to ₱59.71 million and ₱63.03 million as of December 31, 2008 and 2007, respectively, amounted to ₱8,869.74 million and ₱6,375.96 million as of December 31, 2008 and 2007, respectively (see Note 8).

Estimating decommissioning and site rehabilitation costs
The Group is legally required to fulfill certain obligations under its DENR issued ECC when it abandons depleted mine pits. These costs are accrued based on in-house estimate, which incorporates estimates of the amount of obligations and interest rates, if appropriate. The Group recognizes the present value of the liability for these obligations and capitalizes the present value of these costs as part of the balance of the related property and equipment accounts, which are being depreciated and amortized on a straight line basis over the useful life of the related asset or the lease term. Assumptions used to compute the decommissioning and site rehabilitation costs are reviewed and updated annually.

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

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

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

The fair value of financial assets as of December 31, 2008 and 2007 amounted to ₱14.44 billion and ₱9.46 billion, while the fair value of financial liabilities amounted to ₱14.97 billion and ₱8.20 billion, respectively (see Note 34).

Estimating useful lives of property, plant and equipment, investment properties and mining rights acquisition cost
The Group estimated the useful lives of its property, plant and equipment, investment properties and mining rights acquisition cost based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment, investment properties and mining rights acquisition cost are reviewed at least annually and are updated if expectations differ from previous estimates due to physical wear and tear and technical or commercial obsolescence on the use of these assets and change in the estimated production units. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in factors mentioned above. A reduction in the estimated useful lives of property, plant and equipment, investment properties and mining rights acquisition cost would increase depreciation, depletion and amortization expense and decrease noncurrent assets.

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

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

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

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

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

As of December 31, 2008 and 2007, the balances of the Group's nonfinancial assets, net of accumulated depreciation, depletion and amortization and accumulated provisions for impairment losses follow:

	2008	2007
Property, plant and equipment (see Note 12)	**₱4,548,855,362**	₱2,933,158,199
Investments in associates, jointly controlled entities and others (see Note 10)	**4,713,046,320**	4,489,038,912
Investment properties (see Note 11)	**2,337,534,961**	2,057,446,353

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

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

Pension and other retirement benefits
The determination of the obligation and cost of retirement and other employee benefits is dependent on the selection of certain assumptions used in calculating such amounts. Those assumptions include, among others, discount rates, expected returns on plan assets and salary increase rates (see Note 23). Actual results that differ from the Group's assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized

expense and recorded obligation in such future periods. While the Group believes that the assumptions are reasonable and appropriate, significant differences between actual experiences and assumptions may materially affect the cost of employee benefits and related obligations.

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

As of December 31, 2008 and 2007, the balances of the Group's net pension liabilities and unrecognized actuarial gain or loss follow (see Note 23):

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

Contingencies
The Group is currently involved in various legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the defense in these matters and is based upon an analysis of potential results. The Group currently does not believe these proceedings will have a material effect on the Group's financial position. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings (see Note 35).

4. Cash and Cash Equivalents

This account consists of:

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

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

5. Available-for-Sale Financial Assets

This account consists of:

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

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

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

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

Montecito
On October 9, 2003, the Regional Trial Court (RTC) of Calamba City issued a stay order prohibiting Montecito from selling, encumbering, transferring or disposing any of its properties in any manner except in the ordinary course of business. In connection with this, a Rehabilitation Plan was prepared which includes, among others, the following:

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

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

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

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

(a) Reduction of debt in full or in part, via dacion en pago for creditor banks;

(b) The North-South Spine Road shall be completed on or before July 31, 2005;

(c) Atlantic Gulf & Pacific shall improve the site facilities to attract foreign interests/investors;

(d) The two year grace period on principal on the restructured bank loans shall start on July 1, 2005; and

(e) Interest expense on the restructured loans shall be made current starting July 1, 2005.

On May 26, 2006, Montecito and a certain creditor bank entered into a Memorandum of Agreement (MOA) for the settlement of the outstanding obligation of Montecito with the creditor bank. Under the MOA, the creditor bank will foreclose certain parcels of land mortgaged with the creditor bank with a carrying value of ₱329.50 million as of December 31, 2004. After the foreclosure, the obligation and related interests of the creditor bank as of May 22, 2006 shall be fully extinguished. Any interest due on the obligation during the period of May 22, 2006 to May 31, 2006 computed at the rate of 5% per annum and interest, if any, which may be due thereafter, at a rate which may agreed upon by Montecito and the creditor bank but not to exceed 9.5% per annum shall be settled by Montecito before the date of public auction.

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

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

6. Receivables

This account consists of:

	2008	2007
Trade:		
Real estate	**₱4,390,349,600**	₱2,753,686,371
General construction (including retention receivables on uncompleted contracts of ₱307.68 million in 2008 and ₱283.07 million in 2007)	**1,657,594,648**	534,090,850
Coal mining	**1,773,418,539**	1,066,938,992
	7,821,362,787	4,354,716,213
Receivables from related parties (see Note 22)	**1,220,009,755**	303,614,528
Advances to suppliers, brokers and contractors	**651,307,682**	9,071,244

(Forward)

	2008	2007
Advances to officers and employees	**₱60,570,452**	₱11,848,505
Other receivables	**489,783,733**	245,601,436
	10,243,034,409	4,924,851,926
Less allowance for doubtful accounts	**443,662,559**	80,757,754
	9,799,371,850	4,844,094,172
Less noncurrent receivables - net	**2,440,384,238**	1,983,314,250
	₱7,358,987,612	₱2,860,779,922

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

2008

	Trade Receivables				
	Real Estate	**General Construction**	**Coal Mining**	**Others**	**Total**
At January 1	**₱8,010,691**	**₱44,949,581**	**₱26,902,851**	**₱ 894,632**	**₱80,757,755**
Reclassification from noncurrent assets held for sale (Note 20)	**–**	**308,781,453**	**–**	**–**	**308,781,453**
Provision during the year	**54,123,351**	**–**	**–**	**–**	**54,123,351**
At December 31	**₱62,134,042**	**₱353,731,034**	**₱26,902,851**	**₱894,632**	**₱443,662,559**
Individually impaired	**₱4,655,995**	**₱353,731,034**	**₱14,975,103**	**₱894,632**	**₱374,256,764**
Collectively impaired	**57,478,047**	**–**	**11,927,748**	**–**	**69,405,795**
Total	**₱62,134,042**	**₱353,731,034**	**₱26,902,851**	**₱894,632**	**₱443,662,559**
Gross amounts of loans, individually determined to be impaired, before deducting any individual assessed impairment allowance.	**₱4,655,995**	**₱353,731,034**	**₱14,975,103**	**₱894,632**	**₱374,256,764**

2007

	Trade Receivables				
	Real estate	General construction	Coal mining	Others	Total
At January 1	₱3,649,878	₱98,919,638	₱26,902,850	₱697,255	₱130,169,621
Charge for the year	7,585,777	–	–	197,377	7,783,154
Write-offs	(3,224,964)	(53,970,057)	–	–	(57,195,021)
At December 31	₱8,010,691	₱44,949,581	₱26,902,850	₱894,632	₱80,757,754
Individually impaired	₱8,010,691	₱38,463,527	₱14,975,103	₱894,632	₱62,343,953
Collectively impaired	–	6,486,054	11,927,747	–	18,413,801
Total	₱8,010,691	₱44,949,581	₱26,902,850	₱894,632	₱80,757,754
Gross amounts of loans, individually determined to be impaired, before deducting any impairment allowance.	₱8,010,691	₱38,463,527	₱14,975,103	₱894,632	₱62,343,953

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

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

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

Trade Receivable

Real estate

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

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

General construction

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

Coal Mining

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

Receivables from Related Parties

Receivables from related parties are due and demandable.

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

The receivables from URPHI arose from the construction agreements with the Group for the development of Pioneer Highlands and Dansalan projects.

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

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

Advances to Suppliers, Brokers and Contractors

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

7. Costs, Estimated Earnings and Billings on Uncompleted Contracts

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

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

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

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

8. Inventories

This account consists of:

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

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

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

9. Other Current Assets

This account consists of:

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

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

10. Investments in Associates, Jointly Controlled Entities and Others

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

	2008	2007
Investments - At Equity		
Investments in associates		
Acquisition cost:		
Balance at beginning of year	**₱471,415,660**	₱471,415,660
Additions	**200,001,492**	–
Balance at end of year	**671,417,152**	471,415,660
Accumulated equity in net losses:		
Balance at beginning of year	**(295,992,343)**	(316,600,771)
Equity in net income during the year	**53,649,889**	20,608,428
Balance at end of year	**(242,342,454)**	(295,992,343)
	429,074,698	175,423,317
Allowance for probable losses	**(105,038,586)**	(44,621,969)
	324,036,112	130,801,348
Jointly controlled entities:		
Acquisition cost	**3,032,125,000**	3,032,125,000
Accumulated equity in net earnings:		
Balance at beginning of year	**1,283,430,094**	44,023,350
Equity in net income during the year	**30,422,644**	1,239,406,744
Balance at end of year	**1,313,852,738**	1,283,430,094
	4,345,977,738	4,315,555,094
Allowance for probable losses	**(25,467,530)**	(25,467,530)
	4,320,510,208	4,290,087,564
Investment - At Cost		
Balance at beginning of year	**68,150,000**	10,000,000
Additions during the year	**350,000**	58,150,000
Balance at end of year	**68,500,000**	68,150,000
	₱4,713,046,320	₱4,489,038,912

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

	Percentages of Ownership		Equity in Net Assets	
	2008	2007	**2008**	2007 (As restated)
Associates:				
Bachy Soletanche Philippines Corporation (Bachy)	**49.00%**	49.00%	**₱43,106,317**	₱43,106,317
Obayashi Philippines Corporation (OPC)	**39.55**	39.55	**–**	–
Bauan International Port, Inc. (BIPI)	**20.00**	–	**142,950,896**	–
Subic Water and Sewerage Company, Inc. (Subic Water)	**40.00**	40.00	**137,978,899**	87,695,031
			324,036,112	130,801,348
Jointly Controlled Entities:				
DMCI-MPIC Water Co. Inc. (see Note 11)	**44.59**	50.00	**4,269,751,376**	4,239,328,732
DMCI/WPC Joint Venture	**50.00**	50.00	**39,181,239**	39,181,239
Obayashi-DMCI Joint Venture	**40.00**	40.00	**1,730,226**	1,730,226
Eco Process & Equipment Philippines, Inc.	**50.00**	50.00	**408,538**	408,538
Subic Water Construction Joint Venture	**50.00**	50.00	**9,438,829**	9,438,829
			4,320,510,208	4,290,087,564
At Cost				
Balance at beginning of year			**68,150,000**	10,000,000
Additions			**350,000**	58,150,000
			68,500,000	68,150,000
Total			**₱4,713,046,320**	₱4,489,038,912

Investments in Associates - At Equity

Subic Water

On January 22, 1997, PDI subscribed to 3,262,320 shares at the par value of ₱10 per share for an aggregate value of ₱32.62 million in Subic Water, a joint venture company with Subic Bay Metropolitan Authority (a government-owned corporation), Olongapo City Water District, and Cascal Services Limited (a company organized under the laws of England). The agreement executed by the parties on November 24, 1996 stipulated, among others, that PDI shall have an equity participation equivalent to 40% in Subic Water amounting to ₱74.80 million (based on the initial subscribed and paid-in capital of ₱187.00 million). The balance of PDI's committed subscription to Subic Water of ₱38.00 million (net of additional subscription payment of ₱4 million in 1998) is expected to be paid on or before the second anniversary of the said effective date. As of December 31, 2008 and 2007, such committed subscription has not yet been paid.

Vulcan

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

Private Infra Dev Corporation (PIDC)

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

On October 3, 2007, PIDC was incorporated and registered with the SEC.

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

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

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

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

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

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

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

Consideration/investment cost	₱1,116,394
Net assets of Maynilad	
Cash and cash equivalents	821,184
Short-term investments, trade and other receivables and other current assets	1,300,097
Other noncurrent assets	309,327
Concession assets	9,913,065
Property, plant and equipment	4,592,151
Trade and other payables	(1,553,834)
Interest-bearing loans	(3,641,095)
Deferred credits	(690,276)
Payable to MWSS	(2,717,478)
Pension liability and other noncurrent liabilities	(476,992)
Concession fees payable	(3,382,769)
Contingent liabilities	(891,491)
Deferred tax liabilities	(631,192)
Total net assets acquired at fair values*	2,950,697
Negative goodwill	₱1,834,303

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

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

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

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

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

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

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

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

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

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

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

a. decrease in the authorized capital stock of Maynilad through a reduction in the par value of its shares from ₱100 to ₱1 per share and the surrender of the shares of Benpres Holdings Corporation (BHC) and Suez Environnement (Suez Env);

b. increase in the authorized capital stock of Maynilad to ₱1.48 billion comprising of 1,475,000,000 shares with a par value of ₱1.00 per share, with DMCI-MPIC subscribing to 1,238,476,000 Class A common shares [inclusive of 88,500,000 Employees’ Stock Option Plan (ESOP) shares representing 6% of the outstanding capital stock of Maynilad upon the effective date of the increase in capital of the Company], and Lyonnaise Asia Water (Holdings) Pte Ltd (LAWL) subscribing to an additional 225,520,000 Class B common shares (plus an additional paid-in capital of ₱56.0 million), paid for by way of conversion of debt to equity, in compliance with paragraphs a, b, c, d, e and f of Clause 2.6 of the DCRA;

c. confirmation of valuation under Section 62 of the Corporation Code for the issuance by Maynilad of 7,600,000 shares out of the unsubscribed portion of its authorized capital stock, paid for by way of conversion of debt to equity in relation to the subscriptions of DMCI-MPIC and LAWL;

d. creation of additional paid-in capital (APIC) aggregating ₱2.0 billion resulting from the write-off of BHC of its advances amounting to ₱658.0 million (or equivalent to approximately US$12 million) and from the write-off by the Suez Group [Suez Env and LAWL, excluding Ondeo Services Philippines, Inc. (OSPI)] of its loans and advances amounting to ₱1.4 billion (or equivalent to approximately US$25.0 million), which write-offs have been confirmed in writing by BHC and the Suez Group on December 22, 2006 and January 4, 2007, respectively, in compliance with paragraphs a, b and c of Clause 2.4 of the DCRA;

e. equity restructuring to wipe out the previously reported deficit of Maynilad as of December 31, 2005 amounting to ₱7.0 billion (such amount was retroactively adjusted to ₱6.5 billion in 2006 as discussed below) against the APIC amounting to ₱2.1 billion and reduction surplus amounting to ₱5.2 billion resulting from the decrease in capital, in compliance with Clause 2.5 of the DCRA, subject to the condition that the remaining APIC of ₱342.0 million shall not be used to wipe out losses that may be incurred in the future without prior SEC approval; and

f. corresponding amendments to the Articles of Incorporation of Maynilad to reflect the decrease and increase in capital stock of the Company, in compliance with paragraphs a and b of Clause 19.2 of the DCRA.

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

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

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

**including directors' qualifying shares*

Instead of exercising its right under the DCRA to subscribe to 83.97% of the shares of the Maynilad in consideration for the conversion of its receivables to equity as part of the Capital Restructuring, MWSS opted to assign such subscription right to a private investor. After a process of competitive public bidding conducted by MWSS from June 2006 to January 2007, DMCI-MPIC was designated by MWSS as its assignee. Such assignment was effected by MWSS (MWSS Assignment) through an Assignment & Assumption Agreement executed by MWSS and DMCI-MPIC on December 27, 2006, which was acknowledged by Maynilad on the same date.

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

Rehabilitation Exit Plan

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

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

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

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

On August 16, 2007, Maynilad, together with the Lenders, Suez, Suez Env, OSPI and MWSS filed the Joint Omnibus Motion dated August 14, 2007 (Joint Omnibus Motion) praying for the Rehabilitation Court's approval of the PSA and seeking further the termination of the rehabilitation proceedings on account of the successful implementation of the 2005 Rehabilitation Plan following the implementation of the requirements of the PSA, citing that upon such implementation, Maynilad shall have already completed both the Capital Restructuring and the Debt Restructuring which are the key elements mandated by the 2005 Rehabilitation Plan for the rehabilitation of Maynilad and the restoration of its financial viability.

On December 19, 2007, the Rehabilitation Court issued an Order approving the PSA and declaring that Maynilad has successfully implemented the 2005 Rehabilitation Plan on the date it has implemented the "Full Prepayment" and the "Settlement" as set forth in the PSA and has satisfied all other payment requirements under Clause 5 of the PSA, all in accordance with the terms of the PSA, and that accordingly, the rehabilitation proceedings are terminated, effective on such date, pursuant to the last sentence of Section 27 of Rule 4 of the Interim Rules of Procedure on Corporate Rehabilitation upon issuance by the Rehabilitation Court of a subsequent Order confirming the termination of the rehabilitation proceedings after submission by Maynilad and the

Receiver of separate sworn certifications on the said implementation of the PSA and submission of proof of payment of the proper filing/docket fees. The Rehabilitation Court further resolved the disputed claims of the Suez Group and MWSS in favor of Maynilad, ruling that no amount is due to the said claimants for their respective disputed claims, upholding the recommendations of the Receiver.

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

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

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

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

has sought a reconsideration of the said decision. In a subsequent development, MWSS filed a motion seeking to intervene in the certiorari proceedings. On February 20, 2008, the Court of Appeals denied Maynilad's motion for reconsideration and MWSS' motion for intervention. MWSS filed a motion for reconsideration of the denial of its motion for intervention, which is currently pending. Maynilad is set to file with the Supreme Court its petition for review to assail the rulings of the Court of Appeals in this case.

11. Investment Properties

The movements in this account follow:

2008

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

2007

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

Depreciation expense on investment properties amounted to ₱3.97 million, ₱3.48 million, and ₱3.76 million in 2008, 2007 and 2006, respectively (see Note 24).

The aggregate fair value of the Group's investment properties amounted to ₱2.34 billion and ₱2.06 billion as of December 31, 2008 and 2007, respectively. The fair value represents the amount at which the assets could be exchanged between a knowledgeable, willing buyer and knowledgeable, willing seller in an arm's length transaction at the date of valuation.

Consolidated rental income from investment properties amounted to ₱96.41 million, ₱19.91 million and ₱12.17 million for the years ended December 31, 2008, 2007 and 2006, respectively (see Note 28).

12. Property, Plant and Equipment

The movements in this account follow:

2008

	Land and Land Improvements	Power Plant, Buildings and Building Improvements	Construction Equipment, Machinery and Tools	Office Furniture, Fixtures and Equipment	Transportation Equipment	Conventional and Continuous Mining Properties and Equipment	Leasehold Improvements	Construction in Progress	Total
Cost									
At January 1	₱688,213,379	₱1,440,726,794	₱2,566,658,782	₱242,516,703	₱195,448,985	₱8,932,390,288	₱59,559,320	₱228,261,724	₱14,353,775,975
Reclassification from noncurrent assets held for sale (Note 20)	1,509,932,992	511,877,126	865,532,980	97,262,488	–	–	–	63,941,376	3,048,546,962
Additions	223,609,602	163,330,163	389,874,194	40,194,114	25,599,806	1,550,115,501	10,380,735	223,706,281	2,626,810,396
Transfers and retirements/disposals	(5,861,185)	–	(449,245,895)	(14,496,568)	(1,224,872)	(1,555,146,503)	–	(147,649,992)	(2,173,625,015)
At December 31	2,415,894,788	2,115,934,083	3,372,820,061	365,476,737	219,823,919	8,927,359,286	69,940,055	368,259,389	17,855,508,318
Accumulated Depreciation Depletion and Amortization									
At January 1	396,046,974	913,591,263	1,935,459,162	212,465,014	132,950,442	7,770,916,496	59,188,425	–	11,420,617,776
Reclassification from noncurrent assets held for sale (Note 20)	94,768,141	257,104,269	580,412,403	55,978,746	–	–	–	–	988,263,559
Depreciation, depletion and amortization	73,304,315	167,455,453	282,152,667	39,844,087	22,809,397	943,370,909	177,817	–	1,529,114,645
Transfers and retirements/disposals	(14,244,732)	–	(347,434,920)	(11,183,061)	(3,098,200)	(255,382,111)	–	–	(631,343,024)
At December 31	549,874,698	1,338,150,985	2,450,589,312	297,104,786	152,661,639	8,458,905,294	59,366,242	–	13,306,652,956
Net Book Value	₱1,866,020,090	₱777,783,098	₱922,230,749	₱68,371,951	₱67,162,280	₱468,453,992	₱10,573,813	₱368,259,389	₱4,548,855,362

2007

	Land and Land Improvements	Buildings and Building Improvements	Construction Equipment, Machinery and Tools	Office Furniture, Fixtures and Equipment	Transportation Equipment	Conventional and Continuous Mining Properties and Equipment	Leasehold Improvements	Construction in Progress	Total
Cost									
At January 1	₱418,315,199	₱1,272,801,474	₱2,103,503,026	₱222,312,987	₱166,323,809	₱8,622,629,442	₱59,025,858	₱396,180,421	₱13,261,092,216
Additions	269,168,181	5,409,657	547,933,592	20,250,488	39,748,627	184,058,221	533,462	184,247,985	1,251,350,213
Transfers and retirements/disposals	729,999	162,515,663	(84,777,836)	(46,772)	(10,623,451)	125,702,625	–	(352,166,682)	(158,666,454)
At December 31	688,213,379	1,440,726,794	2,566,658,782	242,516,703	195,448,985	8,932,390,288	59,559,320	228,261,724	14,353,775,975
Accumulated Depreciation Depletion and Amortization									
At January 1	371,550,279	850,087,487	1,913,341,735	197,774,394	125,416,294	6,368,004,721	59,006,808	–	9,885,181,718
Depreciation, depletion and amortization	24,496,695	65,835,975	106,894,297	14,719,905	18,080,810	1,445,426,828	181,617	–	1,675,636,127
Transfers and retirements/disposals	–	(2,332,199)	(84,776,870)	(29,285)	(10,546,662)	(42,515,053)	–	–	(140,200,069)
At December 31	396,046,974	913,591,263	1,935,459,162	212,465,014	132,950,442	7,770,916,496	59,188,425	–	11,420,617,776
Net Book Value	₱292,166,405	₱527,135,531	₱631,199,620	₱30,051,689	₱62,498,543	₱1,161,473,792	₱370,895	₱228,261,724	₱2,933,158,199

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

	Land and Land Improvements	Power Plant, Buildings and Building Improvements	Conventional and Continuous Mining Properties and Equipment	Total
At Deemed Cost	₱146,388,235	₱486,594,149	₱581,857,987	₱1,214,840,371
Accumulated Depreciation, Depletion and Amortization on Adjusted Cost				
At January 1	117,254,786	304,679,148	386,984,295	808,918,229
Depreciation, depletion and amortization	15,003,445	61,754,990	44,104,106	120,862,541
At December 31	132,258,231	366,434,138	431,088,401	929,780,770
Net Book Value at Deemed Cost	₱14,130,004	₱120,160,011	₱150,769,586	₱285,059,601

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

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

13. Other Noncurrent Assets

The details of other noncurrent assets follow:

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

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

As of December 31, 2008, security deposits with nominal amount of ₱282.37 million were recorded at amortized cost amounting to ₱248.09 million. Interest income recognized from these deposits amounted to ₱2.99 million for the year ended December 31, 2008. The unamortized discount amounted to ₱31.29 million.

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

14. Bank Loans

The Group's bank loans in 2008 and 2007 consist of peso-denominated short-term borrowings from local banks which bear interest at prevailing market rates and are payable on monthly, quarterly and lump sum bases on various maturity dates within the next 12 months after the balance sheet date. The bank loans are generally secured by a real estate mortgage over the Group's housing and condominium units; a deed of assignment on certain real estate receivables (see Note 6); corporate guarantee and suretyship agreement issued by the Parent Company and DMCI; and customers' post-dated checks.

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

As of December 31, 2008 and 2007, the Group was in compliance with the loan covenants required by the banks.

15. Liabilities for Purchased Land

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

In 2008 and 2007, the Group acquired certain land properties which are payable over a period of 3 to 4 years. Such liabilities for purchased land with a nominal amount of ₱484.64 million and ₱514.34 million, respectively, were recorded at amortized cost amounting to ₱358.24 million and ₱436.18 million, as of December 31, 2008 and 2007, respectively. The fair value is derived using discounted cash flow model using the discount rate ranging from 5.00% to 5.21% with effective interest rates ranging from 7.21% to 8.37%. The unamortized discount amounted to ₱81.22 million and ₱68.49 million as of December 31, 2008 and 2007, respectively.

	2008	2007
Balance at the beginning of the year	**₱68,487,498**	₱–
Addition	**48,232,111**	78,163,878
Accretion for the year	**(35,504,258)**	(9,676,380)
	₱81,215,351	₱68,487,498

Accretion of ₱35.50 million and ₱9.68 million is recorded as interest expense in 2008 and 2007, respectively.

16. Accounts and Other Payables

This account consists of the following:

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

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

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

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

Semirara's liability to DOE and local government units represents the share of DOE and local government units in the gross revenue from Semirara's coal production (including accrued interest on the outstanding balance) computed in accordance with the coal operating contract between Semirara and DOE and local government units dated July 11, 1997 as amended on January 16, 1981. The contract is for a maximum period of 35 years (inclusive of the developmental stage and renewals) up to July 2012. Total payable to DOE and local government units amounted to ₱52.73 million and ₱53.56 million in 2008 and 2007, respectively.

17. Customers' Advances and Deposits

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

	2008	2007
Real estate customers	**₱1,294,058,807**	₱1,262,248,616
Coal supply contract	**1,206,858**	8,867,023
Others	**–**	68,048
	₱1,295,265,665	₱1,271,183,687

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

Coal Supply Contracts

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

18. Long-term Debt

Long-term debt pertains to the following obligations:

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

Details of the long-term debt follow:

Semirara

Loan Type	Date of Availment	Outstanding Balance 2008	2007	Maturity	Interest Rate	Payment Terms	Covenants/Collaterals
		(In Million)					
Local bank loans							
Loan 1	September 30, 2005	₱57.32	₱120.67	October 5, 2009	9% fixed p.a.	Payable in 48 equal monthly installments commencing on November 5, 2005	Secured by collaterals on mining equipment (Note 8)
Other loans	Various in 2008	102.50	258.35	Various in 2008 and 2009	8% fixed p.a.	Various	None
Foreign bank loans							
Loan 1	December 14, 2005	₱148.53	₱193.54	November 30, 2010	Based on SIBOR plus 1.95% p.a.	Repriceable and payable in 16 equal quarterly installments to commence 2 months after the draw down dates	Unconditional and irrevocable guarantee issued by Komatsu Asia and Pacific Pte Ltd. and other covenants
Other loans	Various availments in 2004 and 2005	206.67	304.52	Various maturities in 2009 and 2010	Based on 6-month USD LIBOR plus 1.5% p.a.	Payable in 10 equal consecutive semi-annual installments, the first of which was due and payable 6 months after the starting point	Unconditional and irrevocable guarantee issued by DMCI-HI (Note 17)
		515.02	877.08				
Various Letters of Credits	Various dates of Availments	11.28	291.51	Various maturities in 2008 and 2009	Interest ranging from 8% to 11% p.a.	Payable within 1 year	None
		₱526.30	₱1,168.59				

Other Subsidiaries

Other borrowings							
Various	Various	₱5,029.35	₱2,696.72	Various	10% to 13% p.a.	Payable in equal monthly installments over a period ranging from 5 to 15 years	Real estate receivables
TOTAL		**₱5,555.65**	**₱3,865.31**				

(a) Semirara

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

(b) The Parent Company

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

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

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

(1) The Parent Company entered into the Omnibus Notes Facility and Security Agreement by and among Maynilad as Issuer, MPIC, DMCI-MPIC and DMCI HI as Third-Party Mortgagors, BDO and DBP as Noteholders, BDO Capital and Investment Corporation and DBP as Joint Lead Arrangers, BDO Unibank, Inc.-Trust and Investments Group as Facility Agent, Registrar and Paying Agent, Collateral Agent and DSRA Agent.

(2) In order to secure the performance of the Secured Obligations under the Omnibus Agreement, DMCI HI was authorized to constitute: (a) a first-ranking chattel mortgage over 1,470.00 million common shares of DMCI-MPIC held and owned by the Parent Company; and (b) a voting trust over 1,530.00 million common shares of DMCI-MPIC held by the Parent Company, for the benefit of the secured parties.

(3) As required under the Omnibus Agreement, DMCI HI is authorized to enter into a Sponsors' Agreement with the Noteholders, whereby, the Parent Company agreed that so long as any Note is outstanding under the Omnibus Agreement and until payment in full of all amounts payable by the Issuer under the Omnibus Agreement and other related documents, it shall not directly or indirectly incur or suffer to exist any Lien upon any of the Sponsor Shares, or enter into any loan agreement secured by or to be secured by a Lien upon any of the Sponsor Shares, except for Permitted Liens.

(c) Sale of real estate receivables by other subsidiaries

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

The subsidiaries still retain the sold receivables in the receivables account and record the proceeds from these sales as loans payable which amounted to ₱615.62 million and ₱555.00 million as of December 31, 2008 and 2007, respectively. These loans bear fixed interest rates ranging from 10% to 13% and are payable on equal monthly installments over a period ranging from 5 to 15 years depending on the terms of the related installment contracts receivable.

19. Other Noncurrent Liabilities

The details of this account consist of:

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

20. Noncurrent Assets Held for Sale

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

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

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

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

(b) AG&P should proportionately pay all creditors, depending on their respective credit exposure, whatever cash inflows it will receive from all the transactions it will enter into, except those that will come from sale or lease of properties covered by the Mortgage Trust Indenture (MTI) which should be paid to MTI banks, especially the ₱70.0 million earmarked for its employees, from the time the Petition was filed and up to the time the approved rehabilitation plan subsists; and

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

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

(a) PNB agreed to withdraw its objections to the payment of the advance lease proceeds from Amstel-Phil Shipbreaking Corporation, (Amstel, AG&P's potential lessee) the amount of ₱70.00 million to the labor union;

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

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

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

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

b. Conversion to equity of PNB's loans and DMCI's advances amounting to ₱223 million and ₱591 million, respectively. The present authorized capital stock of AG&P of ₱36 million will be increased to ₱1,500 million before conversion of debt to equity.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

21. **Equity**

The Parent Company's capital stock consists of:

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

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

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

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

Retained Earnings

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

Dividends declared

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

Capital Management

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

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

22. **Related Party Transactions**

In the regular course of business, the Group's significant transactions with related parties, which are accounted for at market prices normally charged to unaffiliated customers for similar goods and services, consisted primarily of interest and noninterest-bearing cash and operating advances made by the Group to and from various associates and other related parties.

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

Related parties may be individual or corporate entities.

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

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

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

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

23. Employee Benefits

Retirement Plans

The Group has both unfunded (DMCI-HI and PDI) and funded (other subsidiaries), noncontributory, defined benefit pension plans covering substantially all of their regular employees. The latest actuarial valuation reports of the retirement plans were made on December 31, 2008.

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

	2008	2007	2006
Current service cost	**₱31,276,556**	₱25,115,481	₱28,500,069
Interest cost on benefit obligation	**36,039,420**	20,580,162	20,338,178
Expected return on plan assets	**(31,513,522)**	(32,586,949)	(12,730,102)
Net actuarial loss (gain) recognized during the year	**14,720,771**	106,114,093	(5,522,355)
Past service cost - non vested benefit	**2,030,814**	1,995,482	141,163
Past service cost - vested benefit	**–**	44,400,037	–
Amortization of transition obligation recognized during the year	**399,820**	399,820	399,820
Total pension expense	**₱52,953,859**	₱166,018,126	₱31,126,773
Actual return on plan assets	**₱140,742,799**	₱101,044,585	₱104,026,975

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

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

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

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

Liability to be recognized in the consolidated balance sheet:

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

The amounts for the current and the previous period follow:

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

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

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

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

24. Costs of Sales and Services

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

	2008	2007	2006
Included in:			
Coal sales	**₱1,574,811,504**	₱1,537,383,602	₱1,335,762,599
Construction contracts	**185,935,507**	103,559,125	32,270,888
Operating expenses (Note 25)	**231,253,905**	148,641,163	138,044,319
	₱1,992,000,916	₱1,789,583,890	₱1,506,077,806
Depreciation, depletion and amortization of:			
Property, plant and equipment (Note 12)	**₱1,529,114,645**	₱1,675,636,127	₱1,412,572,417
Other noncurrent assets (Note 13)	**1,049,361**	853,031	412,738
Investment properties (Note 11)	**3,969,919**	3,478,931	3,762,215
	₱1,534,133,925	₱1,679,968,089	₱1,416,747,370

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

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

25. Operating Expenses

This account consists of:

	2008	2007	2006
Salaries, wages and employee benefits (Note 24)	**₱450,937,506**	₱414,599,107	₱242,863,378
Government share	**253,381,663**	191,290,056	138,272,655
Advertising and marketing	**243,342,972**	347,920,517	46,340,977
Depreciation and amortization (Note 24)	**231,253,905**	148,641,163	138,044,319
Taxes and licenses	**220,016,070**	135,975,995	68,132,462
Commission	**218,228,133**	140,299,511	94,521,259
Outside services	**108,186,991**	156,757,220	101,680,473
Transportation and travel	**97,919,249**	35,833,955	52,198,784
Repairs and maintenance	**96,892,805**	51,355,764	24,655,285
Rent (Note 35)	**64,517,633**	44,093,211	38,632,568
Supplies	**63,405,222**	38,376,252	36,988,586
Communication, light and water	**59,890,435**	37,146,692	31,714,434
Provision for doubtful accounts	**54,123,351**	4,434,241	105,840,759
Entertainment, amusement and recreation	**33,413,272**	28,267,273	37,169,852
Insurance	**12,519,454**	9,455,113	4,887,833
Probable losses on noncurrent assets	**–**	20,187,583	–
Probable losses on investments	**–**	–	103,388,649
Provision for inventory obsolescence	**–**	–	39,787,613
Miscellaneous	**189,232,441**	66,691,800	32,686,076
	₱2,397,261,102	₱1,871,325,453	₱1,337,805,962

26. **Finance Income**

Finance income is derived from the following sources:

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

27. **Finance Costs**

The finance costs are incurred from the following:

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

28. **Other Income (Charges)**

This account consists of:

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

Deposits in Northrail of ₱300.00 million represent contributions made by the Group relative to a joint venture with the Bases Conversion Development Authority (BCDA) (a government-owned corporation), Philippine National Railways and a consortium of foreign investors and local partners which would undertake the construction of a multi-phase double-track railway system. The covering joint venture agreement provided, among others, the increase in capitalization of Northrail, the primary purpose of which is to construct, operate and manage such railway system. The deposits on subscriptions made by the joint venture partners are committed to be converted into equity upon the approval of increase in capital stock of Northrail.

In 2001, due to the uncertainty surrounding the Northrail project, the Subsidiary decided to pull out of the joint venture. In 2006, a claim has been filed and is still pending with the court for the recovery of its contribution to the Northrail Project as of December 31, 2007.

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

29. **Income Taxes**

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

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

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

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

(Forward)

	2008	2007
Deferred tax liabilities on:		
Incremental cost of property, plant and equipment	**(₱46,951,572)**	(₱80,363,926)
Excess of book over tax income pertaining to construction contracts and real estate sales	**(187,963,352)**	(67,794,941)
Unamortized discount on payable to landowners	**(25,734,355)**	(21,915,999)
Unamortized prepaid rent	**(9,329,535)**	–
Excess of pension contributions over pension cost	**(4,597,243)**	–
Asset revaluation - appraisal increase on Investment properties and property and equipment	**(438,592,688)**	–
Capitalized interest on real estate for sale and development deducted in advance	**(2,262,297)**	–
Others - net unrealized gain	**(17,527,104)**	(44,525,952)
	(732,958,146)	(214,600,818)
	(₱462,267,897)	(₱83,079,808)

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

	2008	2007
Allowance for losses on assets	**₱115,326,489**	₱25,740,844
Allowance for doubtful accounts	**143,932,389**	2,954,879
NOLCO	**82,945,795**	–
Accrued expenses	**79,480,249**	–
MCIT	**3,890,797**	–
	₱425,575,719	₱28,695,723

The deferred income tax effects of the above deductible temporary differences for which no deferred tax assets are recognized amounted to ₱130.4 million and ₱10.04 million as of December 31, 2008 and December 31, 2007, respectively. Deferred tax assets are recognized only to extent that taxable income will be available against which the deferred tax assets can be used. The Group assesses the unrecognized deferred tax assets and will recognize a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable income will allow the deferred tax asset to be recovered. Accordingly, in 2007, the Group recognized portion of deferred income tax effects of the deductible temporary differences not recognized in prior years and this amounted to ₱14.58 million.

As of December 31, 2007, the Group's available NOLCO amounting to ₱14.36 million was applied against the current provision for income tax and income tax payables.

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

	2008	2007	2006
Final	**₱5,995,727**	₱13,825,954	₱9,396,980
Current	**615,524,488**	497,865,059	514,368,812
Deferred	**73,630,156**	33,360,740	(61,036,736)
	₱695,150,371	₱545,051,753	₱462,729,056

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

	2008	2007	2006
Statutory income tax rate	**35.00%**	35.00%	35.00%
Adjustments for:			
Changes in unrecognized deferred tax assets	**4.41**	0.79	(1.24)
Nondeductible interest expense	**0.47**	0.11	1.17
Nondeductible expenses	**0.26**	0.20	0.02
Nondeductible (nontaxable) equity in net losses (earnings) of associates and jointly controlled entities	**3.08**	(18.50)	(0.53)
Interest income subjected to final tax at a lower rate - net	**(0.91)**	(1.21)	(2.58)
Additional deductible expenses	**(0.09)**	(0.10)	
Gain on sale of investments in shares of stock subjected to final tax	**–**	(2.01)	(6.75)
Non taxable dividend income	**(0.02)**	(1.21)	–
Tax-exempt income	**(10.64)**		
Gain on sale of dilution	**–**	(1.81)	–
Change in tax rate	**(6.11)**	6.29	–
Effective income tax rate	**25.45%**	17.55%	25.09%

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

Board of Investments (BOI) Incentives

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

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

30. Basic / Diluted Earnings Per Share

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

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

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

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

NPC

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

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

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

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

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

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

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

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

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

The services to be undertaken by the Company in order to extend its delivery service from discharge port to silos includes coal unloading and handling; repairs and maintenance of coal handling facilities; stevedoring services; support activities and coal yard management; and tree planting, marine life protection program and environmental programs to enhance image of NPC power plants. The Company recognized a loss of ₱11.09 million in 2008 and an income of ₱23.40 million and ₱25.98 million in 2007 and 2006, respectively, from this handling operation.

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

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

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

32. Coal Operating Contract with DOE

Semirara has a Coal Operating Contract with DOE dated July 11, 1977, as amended on January 16, 1981, for the exploration, development, mining and utilization of coal over Semirara Island, Antique under the terms and conditions provided therein and pursuant to the provisions of Presidential Decree No. 972, otherwise known as the Coal Development Act of 1976. The contract is for a maximum period of 35 years (inclusive of the developmental stage and renewals) up to July 2012. The contract also provides for the manner and basis of sharing the gross proceeds from coal production between the Company and DOE. The Company's provision for DOE's share (including accrued interest computed at 14% per annum on outstanding balance) under this contract and to the different local government units in the province of Antique, under the provisions of the Local Government Code of 1991, amounted to ₱253.38 million and ₱191.29 million as of December 31, 2008 and 2007, respectively. The liabilities, amounting to ₱52.73 million and ₱53.56 million are included under the "Accounts and other payables" account in the balance sheet (see Note 16).

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

33. **Segment Reporting**

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

The industry segments where the Group operates are: general construction, coal mining, real estate development, water and Parent Company and others.

Business Segments
The following tables present revenue, net income (loss) and depreciation, depletion and amortization information regarding business segments for the years ended December 31, 2008, 2007 and 2006 and property, plant and equipment additions, total assets and total liabilities for the business segments as of December 31, 2008, 2007 and 2006 (amounts in millions):

2008

	General Construction	**Mining**	**Real Estate Development**	**Water**	**Parent Company and Others**	**Total**
Revenue	**₱6,728**	**₱8,941**	**₱4,737**	**₱–**	**₱752**	**₱21,158**
Net income	**394**	**810**	**757**	**81**	**(6)**	**2,036**
Depreciation, Depletion and Amortization	**404**	**1,084**	**38**	**–**	**7**	**1,533**
Net finance income (expense)	**(73)**	**(25)**	**82**	**–**	**36**	**20**
Income taxes	**219**	**244**	**218**	**–**	**14**	**695**
Property, plant and equipment additions	**577**	**1,724**	**189**	**–**	**137**	**2,627**
Segment Assets	**8,536**	**6,484**	**16,441**	**3,037**	**1,235**	**35,733**
Segment Liabilities	**6,153**	**1,962**	**8,814**	**–**	**337**	**17,266**

2007

	General Construction	Mining	Real Estate Development	Water	Parent Company and Others	Total
Revenue	₱4,685	₱6,467	₱2,455	₱–	₱569	₱14,176
Net income	324	632	671	1,239	(305)	2,561
Depreciation, Depletion and Amortization	104	1,335	10	–	231	1,680
Net finance income (expense)	(17)	(100)	79	–	(106)	(144)
Income taxes	(18)	327	180	–	56	545
Property, plant and equipment additions	550	353	263	–	85	1,251
Segment Assets	7,073	6,612	7,756	3,037	3,829	28,307
Segment Liabilities	3,282	1,979	5,126	–	1,256	11,643

2006

	General Construction	Mining	Real Estate Development	Water	Parent Company and Others	Total
Revenue	₱2,933	₱4,688	₱1,905	₱–	₱362	₱9,888
Net income	137	601	287	(28)	386	1,383
Depreciation, Depletion and Amortization	32	1,336	12	–	33	1,413
Net finance income (expense)	(6)	(159)	112	–	59	6
Income taxes	86	309	59	–	9	463
Property, plant and equipment additions	139	1,504	35	–	13	1,691
Segment Assets	5,405	6,265	3,351	37	5,541	20,599
Segment Liabilities	1,092	2,254	3,947	–	1,648	8,941

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

34. **Financial Instruments**

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

The table below presents a comparison by category of carrying amounts and estimated fair values of all the Group's financial instruments as of December 31, 2008 and 2007.

	2008		2007	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Loans and Receivables				
Cash and cash equivalents				
Cash on hand and in banks	**₱1,387,248,507**	**₱1,387,248,507**	₱823,987,335	₱823,987,335
Cash equivalents	**1,681,374,630**	**1,681,374,630**	2,715,660,264	2,715,660,264
Receivables - net				
Trade				
Real estate	**4,328,215,558**	**5,535,888,432**	2,753,686,371	3,408,218,524
General construction	**1,303,863,614**	**1,303,863,614**	534,090,850	534,090,850
Coal mining	**1,746,515,688**	**1,746,515,688**	1,066,938,992	1,066,938,992
Receivable from related parties	**1,220,009,755**	**1,220,009,755**	303,614,528	303,614,528
Advances to officers and employees	**60,570,452**	**60,570,452**	11,848,505	11,848,505
Other receivables	**488,889,101**	**488,889,101**	245,601,436	245,601,436
Refundable deposits	**430,068,490**	**430,068,490**	142,846,122	142,846,122
	12,646,755,795	**13,854,428,669**	8,598,274,403	9,252,806,556
AFS investments				
Quoted securities	**25,727,237**	**25,727,237**	29,602,368	29,602,368
Unquoted securities	**177,205,834**	**177,205,834**	173,070,692	173,070,692
	202,933,071	**202,933,071**	202,673,060	202,673,060
	₱12,849,688,866	**₱14,057,361,740**	₱8,800,947,463	₱9,455,479,616
Financial Liabilities				
Accounts and other payables	**₱6,484,123,139**	**₱6,484,123,139**	₱2,766,998,825	₱2,766,998,825
Liabilities for purchased land	**926,732,340**	**758,563,511**	602,940,101	593,528,002
Payable to related parties	**841,838,563**	**841,838,563**	450,685,775	450,685,775
Loans payable and long-term debt - including current portion	**6,829,761,644**	**6,865,443,356**	3,905,616,785	4,440,900,617
Other noncurrent liabilities	**17,954,316**	**17,954,316**	16,955,199	16,955,199
	₱15,100,410,002	**₱14,967,922,885**	₱7,743,196,685	₱8,269,068,418

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

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

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

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

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

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

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

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

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

Foreign exchange risk
The Group's foreign exchange risk results primarily from movements of the Philippine Peso against the United States Dollar. Majority of revenues are generated in Pesos and some of the capital expenditures are in US$. Approximately 6.39% and 46% of debts as of December 31, 2008 and 2007, respectively, were denominated in US$.

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

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

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

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

	2008	2007
US Dollar - Philippine Peso	**₱47.52 to US$1.00**	₱41.28 to US$1.00
Japanese Yen - Philippine Peso	**₱0.52 to ¥1.00**	₱0.36 to ¥1.00
UK Pounds - Philippine Peso	**₱70.09 to £1.00**	₱82.64 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, 2008.

Increase/(decrease) in Peso per U.S. Dollar rates	₱1	(₱1)
Effect on profit before tax	(35,064)	35,064
Effect on equity	(35,064)	35,064
Increase/(decrease) in Peso per Japanese Yen	₱0.05	(₱0.05)
Effect on profit before tax	75,904	(75,904)
Effect on equity	75,904	(75,904)
Increase/(decrease) in Peso per UK Pounds	₱8	(₱8)
Effect on profit before tax	4,001	(4,001)
Effect on equity	4,001	(4,001)

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

Credit risk
The Group's exposure to credit risk arises from default of the counterparties which include certain financial institutions, real estate buyers, subcontractors and suppliers. Credit risk management involves dealing only with institutions or individuals for which credit limits have been established, and with subcontractors and suppliers whose paying and performance capabilities are rigorously screened. The Treasury policy sets a credit limit for each counterparty. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

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

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

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

	2008	2007
Balance sheet items		
Cash and cash equivalents		
Cash on hand and in banks	**₱1,387,248,507**	₱823,987,335
Cash equivalents	**1,681,374,630**	2,715,660,264
Available-for-sale financial assets		
Quoted securities	**25,727,237**	29,602,368
Unquoted securities	**177,205,834**	173,070,692
Receivables		
Trade		
Real estate	**4,328,215,558**	2,753,686,371
General construction	**1,303,863,614**	534,090,850
Coal Mining	**1,746,515,688**	1,066,938,992
Receivable from related parties	**1,220,009,755**	303,614,528
Advances to officers and employees	**60,570,452**	11,848,505
Other receivables	**488,889,101**	245,601,436
Refundable deposits	**430,068,490**	142,846,122
Total credit risk exposure	**₱12,849,688,866**	₱8,800,947,463

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

2008

	Neither past due nor impaired			**Past due or Individually impaired**	
	Grade A	**Grade B**	**Grade C**		**Total**
Cash and cash equivalents	**₱3,068,623,137**	**₱–**	**₱–**	**₱–**	**₱3,068,623,137**
Available-for-sale financial assets	**202,933,071**	**–**	**–**	**–**	**202,933,071**
Trade:					
Real estate	**2,888,630,277**	**506,082,419**	**–**	**995,636,904**	**4,390,349,600**
General construction	**1,301,190,504**	**–**	**–**	**356,404,144**	**1,657,594,648**
Coal Mining	**767,844,423**	**72,668,132**	**–**	**932,905,984**	**1,773,418,539**
Receivable from related parties	**1,220,009,755**	**–**	**–**	**–**	**1,220,009,755**
Advances to officers and employees	**60,145,537**	**–**	**–**	**424,915**	**60,570,452**
Other receivables	**307,580,755**	**126,894,652**	**–**	**55,308,326**	**489,783,733**
Refundable deposits	**430,068,490**	**–**	**–**	**–**	**430,068,490**
Total	**₱10,247,025,949**	**₱705,645,203**	**₱–**	**₱2,340,680,273**	**₱13,293,351,425**

2007

	Neither past due nor impaired			Past due or Individually Impaired	Total
	Grade A	Grade B	Grade C		
Cash and cash equivalents	₱3,539,647,599	₱–	₱–	₱–	₱3,539,647,599
Available-for-sale financial assets	202,673,060	–	–	–	202,673,060
Trade:					
Real estate	1,032,693,661	753,875,283	–	967,117,427	2,753,686,371
General construction	283,341,804	212,285,519	–	38,463,527	534,090,850
Coal Mining	663,816,967	90,726,026	–	312,395,999	1,066,938,992
Receivable from related parties	303,614,528	–	–	–	303,614,528
Advances to officers and employees	11,848,505	–	–	–	11,848,505
Other receivables	238,220,750	–	–	7,380,686	245,601,436
Refundable deposits	142,846,122	–	–	–	142,846,122
Total	₱6,418,702,996	₱1,056,886,828	₱–	₱1,325,357,639	₱8,800,947,463

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

2008

	Neither Due nor Impaired	**Past due but not impaired**					**Impaired Assets**	**Total**
		<30 days	**30-60 days**	**60-90 days**	**90-120 days**	**>120 days**		
Receivables								
Trade								
Real estate	**₱3,084,547,724**	**₱362,080,764**	**₱155,110,395**	**₱99,758,387**	**₱292,167,034**	**₱86,520,324**	**₱310,164,972**	**₱4,390,349,600**
General construction	**1,301,190,504**	**–**	**–**	**–**	**–**	**–**	**356,404,144**	**1,657,594,648**
Coal Mining	**840,512,555**	**880,447,054**	**44,770,426**	**–**	**–**	**–**	**7,688,504**	**1,773,418,539**
Due from related parties	**1,220,009,755**	**–**	**–**	**–**	**–**	**–**	**–**	**1,220,009,755**
Advances to officers and employees	**60,145,537**	**–**	**–**	**–**	**–**	**–**	**424,915**	**60,570,452**
Other receivables	**434,475,407**	**–**	**–**	**–**	**–**	**–**	**55,308,326**	**489,783,733**
Refundable deposits	**430,068,490**	**–**	**–**	**–**	**–**	**–**	**–**	**430,068,490**
Total	**₱7,370,949,972**	**₱1,242,527,818**	**₱199,880,821**	**₱99,758,387**	**₱292,167,034**	**₱86,520,324**	**₱729,990,861**	**₱10,021,795,217**

2007

	Neither Due nor Impaired	Past due but not impaired					Impaired Assets	Total
		<30 days	30-60 days	60-90 days	90-120 days	>120 days		
	(In thousands)							
Receivables								
Trade								
Real estate	₱1,845,462,692	₱79,542,610	₱206,401,675	₱164,550,168	₱262,099,970	₱187,618,565	₱8,010,691	₱2,753,686,371
General construction	495,627,323						38,463,527	534,090,850
Coal Mining	754,542,993	120,135,794	90,101,849	60,067,899	15,187,607	–	26,902,850	1,066,938,992
Due from related parties	303,614,528	–	–	–	–	–	–	303,614,528
Advances to officers and employees	11,848,505	–	–	–	–	–	–	11,848,505
Other receivables	238,220,750	–	–	–	–	–	7,380,686	245,601,436
Refundable deposits	142,846,122	–	–	–	–	–	–	142,846,122
Total	₱3,792,162,913	₱199,678,404	₱296,503,524	₱224,618,067	₱277,287,577	₱187,618,565	₱80,757,754	₱5,058,626,804

Liquidity risk

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

2008

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

2007

	Within 1 year	1-2 years	2-3 years	3-4 years	Total - Gross (In US$)	Total - Gross (in PHP)
Liabilities:						
Floating Rate						
US$15.14 million loan						
6 month USD LIBOR plus 1.5% per annum	$3,027,672	$3,027,672	$1,321,546	–	$7,376,890	₱304,518,019
US$6.64 million loan						
3 month SIBOR plus 1.95% per annum	$1,562,824	$1,562,824	$1,562,824	–	$4,688,472	193,540,124
Fixed Rate						
Various letters of credits and suppliers debt with various interest rates	₱302,211,822	–	–	–	–	302,211,822
Various local bank loans 7.88% to 14.4%	₱662,943,987	₱232,117,894	–	–	–	895,061,881
Long-term debt (contracts receivables discounting) 7.5% to 10%	₱647,748,066	₱405,858,732	₱286,149,892	₱789,377,919	–	2,129,134,609
					$12,065,362	₱3,824,466,455

Interest rate risk

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

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

2008

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

2007

	Within 1 year	1-2 years	2-3 years	3-4 years	More than 4 years	Fair Value
			(In Thousands)			
Cash equivalents						
Interest Rates 5.25% to 6.5%	₱2,715,660	₱–	₱–	₱–	₱–	₱2,715,660
Contracts receivable						
Effective Interest Rates 10% to 21.50%	454,866	427,511	372,912	372,365	1,184,926	2,812,580
	₱3,170,526	₱427,511	₱372,912	₱372,365	₱1,184,926	₱5,528,240
Long-term debts						
Fixed Rate						
Local bank loan(contracts receivables discounting) 7.5% to 10% interest rate	₱647,748	₱405,859	₱286,150	₱211,514	₱577,864	₱2,129,135
Various local bank loans 7.88% to 14.4% interest rate	662,944	232,118	–	–	–	895,062
Various letters of credit 8-11% interest rate	302,212	–	–	–	–	302,212
Floating Rate						
$15.14 million loan (USD) 6 month USD LIBOR Plus 1.5% per annum	124,982	124,982	54,554	–	–	304,518
$6.64 million loan (USD) 3 month SIBOR Plus 1.95% per annum	64,513	64,513	64,513	–	–	193,539
	₱1,802,399	₱827,472	₱405,217	₱211,514	₱577,864	₱3,824,466

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

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

35. Contingencies and Commitments

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

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

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

As of December 31, 2008, future minimum lease payments under the aforementioned finance lease and the present value of the net minimum lease payments (in millions) are as follows:

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

36. Note to Consolidated Statements of Cash Flows

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

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

COVER SHEET

A	S	O	9	5	0	0	2	2	8	3

SEC Registration Number

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

(Company's Full Name)

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

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

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

HERBERT M. CONSUNJI
Contact Person

888-3000
Company Telephone Number

(Last Wednesday of July)

1	2		3	1		**SEC Form 17-Q** **First Quarter Interim Report 2009**		0	7		3	0
Month			Day			FORM TYPE		Month			Day	

Fiscal Year

Annual Meeting

N.A.
Secondary License Type, If Applicable

C F D
Dept Requiring this Doc

Amended Articles Number / Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

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DMCI HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

For the period ended March 31, 2009 and December 31, 2008

(Amounts in Thousands of Philippine Pesos,

Except Par Value and Number of Shares)

	MARCH 2009	AUDITED 2008
ASSETS		
Current Assets		
Cash and cash equivalents	3,793,737	3,068,623
Available-for-sale financial assets - net	143,078	202,933
Receivables - net	7,551,459	7,358,988
Costs and estimated earnings in excess of billings on uncompleted contract	0	369,923
Inventories - net	7,350,452	8,869,737
Other current assets	647,415	1,265,127
Total Current Assets	19,486,142	21,135,331
Noncurrent Assets		
Noncurrent receivables - net	1,707,517	2,440,384
Investments in associates, jointly controlled entities and others - net	5,667,977	4,713,046
Investment properties - net	3,654,806	2,337,535
Property, Plant and Equipment - net	5,736,033	4,548,856
Deferred tax assets	0	34,899
Other non-current assets - net	1,743,258	522,459
Total Noncurrent Assets	18,509,591	14,597,179
Total Assets	37,995,733	35,732,510
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Bank Loans	880,107	1,274,110
Current portion of liabilities for land purchased	0	572,955
Accounts and other payables	9,575,650	6,484,123
Current portion of long-term debt	289,175	791,844
Billings in Excess of Costs on Uncompleted Contracts	0	197,038
Customers' deposits	1,419,968	1,295,266
Income Tax Payable	193,757	102,216
Total Current Liabilities	12,358,657	10,717,552
Noncurrent Liabilities		
Long-Term Debt - net of current portion	5,353,017	4,763,808
Liabilities for land purchased - net of current portion	13,360	353,777
Payables to related parties	1,014,221	841,839
Deferred Tax Liability	148,196	462,268
Pension Liabilities	145,397	109,246
Other Noncurrent Liabilities	352,726	17,954
Total Noncurrent Liabilities	7,026,917	6,548,892
Total Liabilities	19,385,574	17,266,444
Equity		
Equity attributable to equity holders of the parent:		
Paid-up capital	7,421,414	7,421,415
Deposit for future subscription	0	0
Retained earnings	9,770,322	8,995,323
Revaluation increment		78,717
Cumulative translation adjustment		3,760
Net unrealized gain (loss) on available-for sale financial assets	0	0
	17,191,736	16,499,215
Minority Interest		
Minority interests - net of interests attributable to noncurrent assets held for sale	1,418,422	1,966,851
Minority interests attributable to noncurrent assets held for sale	0	0
Total Equity	18,610,158	18,466,066
	37,995,733	35,732,510

DMCI HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS
For the period ended March 31, 2009 and 2008 and for the quarter ended March 31, 2009 and 2008
(Amounts in Thousands of Philippine Pesos)

	For the period		For the quarter	
	2009	2008 as restated	2009	2008
REVENUES				
Construction Contracts	1,550,522	1,681,297	1,550,522	1,681,297
Coal Sales	3,231,442	2,163,284	3,231,442	2,163,284
Real Estate Sales	1,088,935	985,484	1,088,935	985,484
Others	87,531	172,431	87,531	172,431
	5,958,430	**5,002,496**	**5,958,430**	**5,002,496**
COSTS OF SALES & SERVICES				
Construction contracts	1,216,037	1,465,439	1,216,037	1,465,439
Coal Sales	2,586,824	1,848,371	2,586,824	1,848,371
Real estate Sales	730,594	656,376	730,594	656,376
Others	76,015	140,265	76,015	140,265
	4,609,470	**4,110,451**	**4,609,470**	**4,110,451**
GROSS PROFIT	**1,348,960**	**892,045**	**1,348,960**	**892,045**
OPERATING EXPENSES	(671,302)	(422,838)	(671,302)	(422,838)
	677,658	469,207	677,658	469,207
OTHER INCOME (CHARGES)				
Equity in net earnings of associates, jointly controllled entities and others	337,064	(86,758)	337,064	(86,758)
Finance Income	95,860	64,420	95,860	64,420
Finance Cost	(105,107)	(49,409)	(105,107)	(49,409)
Other income - net	64,831	60,903	64,831	60,903
INCOME FROM OPERATIONS	1,070,306	458,352	1,070,306	458,352
NON-RECURRING CHARGES		(17,472)		(17,472)
INCOME BEFORE INCOME TAX	1,070,306	440,880	1,070,306	440,880
PROVISION FOR INCOME TAX	163,099	139,954	163,099	139,954
NET INCOME (LOSS) (NOTE 4)	**907,207**	**300,926**	**907,207**	**300,926**
NET INCOME ATTRIBUTABLE TO				
Equit holders of DMCI Holdings, Inc.	774,999	237,080	774,999	237,080
Minority Interests	132,208	63,846	132,208	63,846
	907,207	**300,926**	**907,207**	**300,926**
Earning (Loss) Per Share				
Basic	0.29	0.09	0.29	0.09

DMCI HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE PERIOD ENDED MARCH 31, 2009 AND 2008

	MARCH 2009	MARCH 2008
CAPITAL STOCK		
Cumulative and convertible		
Preferred stock - P1 par value		
Authorized - 100,000,000 shares		
Issued - 2,400,000 shares	2,400,000	2,400,000
Retirement of preferred shares	(2,395,620)	(2,395,520)
	4,380	4,480
Common stock - P1 par value		
Authorized - 5,900,000,000 shares		
Issued - 2,255,494,000 shares	2,655,494,000	2,255,494,000
Additional Subscription	-	400,000,000
	2,655,494,000	2,655,494,000
	2,655,498,380	2,655,498,480
ADDITIONAL PAID-IN CAPITAL		
Balance at the beginning	4,765,916,071	2,402,684,826
Retirement of Preferred Shares	-	-
Additional Paid-n capital of new subscribed shares	-	2,363,456,700
	4,765,916,071	4,766,141,526
RETAINED EARNINGS (DEFICIT)		
Balance at beginning of the period	8,995,322,935	7,701,472,463
Net income(loss) for the period	774,998,589	237,079,696
Accrued dividends declared	-	-
Balance at end of the period	9,770,321,524	7,938,552,159
Cumulative Translation Adjustment	-	-
PREFERRED SHARES HELD IN TREASURY		
Balance at beginning of the period		
Acquisitions for the period	-	-
Redemption/Retirement of preferred shares	-	-
Balance at end of the period	-	-
TOTAL STOCKHOLDERS' EQUITY	**17,191,735,975**	**15,360,192,165**

DMCI HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended March 31, 2009 and 2008

(Amounts in Thousands of Philippine Pesos)

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (Loss)/ Income	907,207	237,080
Adjustments to reconcile net income (loss) to net cash:		
Equity in net losses (earnings) of affiliates, depreciation, depletion		
amortization and other non-cash items (net)	(97,491)	(220,335)
Income (Loss) applicable to Minority Interest	132,208	63,846
Changes in assets and liabilities:		
Decrease / (Increase) in :		
Receivables- net	540,396	(1,205,289)
Inventories - net	1,519,285	1,048,919
Prepaid expenses and other current assets	617,712	195,911
Increase/ (Decrease) in :		
Accounts payable and accrued expenses	2,393,871	719,523
Current portion of long-term debt	(502,669)	(1,194,475)
Non current liabilities	478,025	480,538
Billings in excess of cost of uncompleted contracts	172,885	109,793
Income Tax Payable	91,541	43,890
Net cash provided by operating activities	6,252,970	279,401
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) in:		
Available for sale investments	59,855	56,076
Investments - net	(2,272,202)	(419,660)
Property, plant and equipment - net	(1,187,177)	154,974
Deferred charges and other assets - net	(1,185,900)	(760,755)
Net cash provided by investing activities	(4,585,424)	(969,365)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net availments (payments) of:	(394,003)	1,239,555
Notes payable		
Additional subscription of common shares		
Capital Stock at P 1.00 par value	0	0
Additional paid-in capital	0	0
Deposit for future subscription	0	0
Redemption of preferred shares		
Capital Stock at P 1.00 par value	0	0
Additional paid-in capital	0	0
Redemption of preferred shares from treasury	0	0
Payment of Dividends	0	0
Net increase (decrease) in minority interest	(548,429)	(453,968)
Net cash provided by financing activities	(942,432)	785,587
NET INCREASE (DECREASE) IN CASH		
AND CASH EQUIVALENTS	725,114	95,623
CASH AND CASH EQUIVALENTS, BEGINNING	3,068,623	3,539,648
CASH AND CASH EQUIVALENTS, ENDING	3,793,737	3,635,271

DMCI HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

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

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

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

2. Summary of Significant Accounting Policies

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

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

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

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

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

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

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

	Effective Percentages of Ownership	
	2008	2007
General Construction:		
D.M. Consunji, Inc. (DMCI) [1]	**100.00%**	100.00%
DMCI International, Inc. (DMCII) [2]	**100.00**	100.00
OHKI-DMCI Corporation (OHKI) [2]	**100.00**	100.00
Atlantic, Gulf and Pacific Company of Manila, Inc. (AG&P)	**98.39**	46.00
DMCI-Laing Construction, Inc. (DMCI-Laing) [2]	**60.00**	60.00
Beta Electric Corporation (Beta Electric) [2]	**50.77**	50.77
Raco Haven Automation Philippines, Inc. (Raco) [2]	**50.14**	50.14
Coal Mining:		
Semirara Mining Corporation (Semirara)	**56.46**	56.46
DMCI Mining Corporation (DMC)	**78.23**	100.00
Real Estate Development:		
DMCI Project Developers, Inc. (PDI)	**100.00**	100.00
Hampstead Gardens Corporation (Hampstead) [3]	**100.00**	100.00
Riviera Land Corporation (Riviera) [3]	**100.00**	100.00
Manufacturing:		
Semirara Cement Corporation (SemCem) *	**100.00**	100.00
Oriken Dynamix Company, Inc. (Oriken) [2]	**89.00**	89.00
Wire Rope Corporation of the Philippines (Wire Rope)	**61.70**	61.70
Marketing Arm:		
DMCI Homes, Inc. (DMCI Homes) [3]	**100.00**	100.00
Power:		
DMCI Power Corporation (DPC) (formerly DMCI Energy Resources Unlimited Inc.) *	**78.23**	100.00
DMCI Masbate Power Corporation (DMCI Masbate)	**100.00**	100.00

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

[1] Also engaged in real estate development

[2] DMCI's subsidiaries

[3] PDI's subsidiaries

PDI

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

DPC and DMC

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

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

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

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

Changes in Accounting Policies

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

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

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

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

Future Changes in Accounting Policies

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

Effective in 2009

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

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

- Amendment to PFRS 2, *Share-based Payment* - *Vesting Condition and Cancellations*
  The Standard has been revised to clarify the definition of a vesting condition and prescribes the treatment for an award that is effectively cancelled. It defines a vesting condition as a condition that includes an explicit or implicit requirement to provide services. It further requires nonvesting conditions to be treated in a similar fashion to market conditions. Failure to satisfy a nonvesting condition that is within the control of either the entity or the counterparty is accounted for as a cancellation. However, failure to satisfy a nonvesting condition that is beyond the control of either party does not give rise to a cancellation.

- PFRS 8, *Operating Segments*
  PFRS 8 will replace PAS 14, Segment *Reporting*, and adopts a full management approach to identifying, measuring and disclosing the results of an entity's operating segments. The information reported would be that which management uses internally for evaluating the performance of operating segments and allocating resources to those segments. Such information may be different from that reported in the consolidated balance sheet and consolidated statement of income and the Group will provide explanations and reconciliations of the differences. This Standard is only applicable to an entity that has debt or equity instruments that are traded in a public market or that files (or is in the process of filing) its consolidated financial statements with a securities commission or similar party. The Group is in the process of assessing the impact of the Standard on its current manner of reporting segment information.

- Amendment to PAS 1, *Presentation of Financial Statements*
  It introduces a new statement of comprehensive income that combines all items of income and expenses recognized in the profit or loss together with 'other comprehensive income'. Entities may choose to present all items in one statement, or to present two linked statements, a separate statement of income and a statement of comprehensive income. This Amendment also requires additional requirements in the presentation of the balance sheet and equity as well as additional disclosures to be included in the consolidated financial statements. Adoption of this Amendment will not have significant impact on the Group except for the presentation of a statement of comprehensive income.

- PAS 23 (Revised), *Borrowing Costs*
  The Standard has been revised to require capitalization of borrowing costs when such costs relate to a qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. In accordance with the transitional requirements in the Standard, the Group will adopt this as a prospective change. Accordingly, borrowing costs will be capitalized on qualifying assets with a commencement date after January 1, 2009. No changes will be made for borrowing costs incurred to this date that have been expensed.

- Amendments to PAS 27, *Consolidated and Separate Financial Statements - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
  These Amendments introduce changes in respect of the holding companies' separate financial statements, including (a) the deletion of 'cost method', making the distinction between pre- and post-acquisition profits no longer required; and (b) in cases of reorganizations where a new parent is inserted above an existing parent of the group (subject to meeting specific requirements), the cost of the subsidiary is the previous carrying amount of its share of equity items in the subsidiary rather than its fair value. All dividends will be recognized in the statement of income. However, the payment of such dividends requires the entity to consider whether there is an indicator of impairment.

- Amendment to PAS 32, *Financial Instruments: Presentation* and PAS 1, *Presentation of Financial Statements - Puttable Financial Instruments* and *Obligations Arising on Liquidation*
  These Amendments specify, among others, that puttable financial instruments will be classified as equity if they have all of the following specified features: (a) the instrument entitles the holder to require the entity to repurchase or redeem the instrument (either on an ongoing basis or on liquidation) for a pro rata share of the entity's net assets; (b) the instrument is in the most subordinate class of instruments, with no priority over other claims to the assets of the entity on liquidation; (c) all instruments in the subordinate class have identical features; (d) the instrument does not include any contractual obligation to pay cash or financial assets other than the holder's right to a pro rata share of the entity's net assets; and (e) the total expected cash flows attributable to the instrument over its life are based substantially on the profit or loss, a change in recognized net assets, or a change in the fair value of the recognized and unrecognized net assets of the entity over the life of the instrument.

- Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes*
  This Interpretation requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted and therefore part of the fair value of the consideration received is allocated to the award credits and realized in income over the period that the award credits are redeemed or expire.

- Philippine Interpretation IFRIC 16, *Hedges of a Net Investment in a Foreign Operation*
  This interpretation provides guidance on identifying foreign currency risks that qualify for hedge accounting in the hedge of net investment; where within the group the hedging instrument can be held in the hedge of a net investment; and how an entity should determine the amount of foreign currency gains or losses, relating to both the net investment and the hedging instrument, to be recycled on disposal of the net investment.

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

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

- PAS 1, *Presentation of Financial Statements*
  Assets and liabilities classified as held for trading are not automatically classified as current in the consolidated balance sheet.

- PAS 16, *Property, Plant and Equipment*
  This Amendment replaces the term 'net selling price' with 'fair value less costs to sell', to be consistent with PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations* and PAS 36, *Impairment of Asset*s. Items of property, plant and equipment held for rental that are routinely sold in the ordinary course of business after rental, are transferred to inventory when rental ceases and they are held for sale. Proceeds of such sales are subsequently shown as revenue. Cash payments on initial recognition of such items, the cash receipts from rents, and subsequent sales are all shown as cash flows from operating activities.

- PAS 19, *Employee Benefits*
  This revises the definition of 'past service cost' to include reduction in benefits related to past services ('negative past service cost') and to exclude reduction in benefits related to future services that arise from plan amendments. Amendments to plans that result in a reduction in benefits related to future services are accounted for as a curtailment.

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

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

- PAS 23, *Borrowing Costs*
  This revises the definition of borrowing costs to consolidate the types of items that are considered components of 'borrowing costs', i.e., components of the interest expense calculated using the effective interest rate method.

- PAS 20, *Accounting for Government Grants and Disclosures of Government Assistance*
  Loans granted with no or low interest rates will not be exempt from the requirement to impute interest. The difference between the amount received and the discounted amount is accounted for as a government grant.

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

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

- PAS 29, *Financial Reporting in Hyperinflationary Economies*
  The reference to the exception that assets and liabilities should be measured at historical cost, such that it notes property, plant and equipment as being an example, rather than implying that it is a definitive list is revised.

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

- PAS 36, *Impairment of Assets*
  When discounted cash flows are used to estimate 'fair value less costs to sell', additional disclosure is required about the discount rate, consistent with disclosures required when the discounted cash flows are used to estimate 'value in use'.

- PAS 38, *Intangible Assets*
  Expenditure on advertising and promotional activities is recognized as an expense when the Company either has the right to access the goods or has received the services. Advertising and promotional activities now specifically include mail order catalogues.

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

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

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

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

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

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

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

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

Effective in 2010

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

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

- Philippine Interpretation IFRIC 17, *Distribution of Non-cash Assets to Owners*
  This Interpretation covers accounting for two types of non-reciprocal distributions of assets by an entity to its owners acting in their capacity as owners. The two types of distribution are:
  a) distributions of non-cash assets (e.g., items of property, plant and equipment, businesses as defined in PFRS 3, ownership interests in another entity or disposal groups as defined in PFRS 5); and
  b) distributions that give owners a choice of receiving either non-cash assets or a cash alternative.

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

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

Effective in 2012

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Loans and receivables
For loans and receivables carried at amortized cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by

being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment for impairment.

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

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

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

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

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

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

Offsetting

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

Derecognition of Financial Assets and Liabilities

Financial assets

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

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

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

Financial liabilities

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

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

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

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

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

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

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

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

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

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

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

Investments in Associates, Jointly Controlled Entities and Others
Investments in associates and jointly controlled entities (investee companies) are accounted for under the equity method of accounting.

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

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

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

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

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

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

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

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

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

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

	Years
Buildings and building improvements	5-25
Condominium units	5

Property, Plant and Equipment

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

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

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

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

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

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

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

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

Provision for decommissioning and site rehabilitation costs

The Group is legally required to fulfill certain obligations as required under its Environmental Compliance Certificate (ECC) issued by Department of Environment and Natural Resources (DENR). The Group recognizes the present value of the liability for these obligations and capitalizes the present value of these costs as part of the balance of the related property, plant and equipment accounts which are depreciated on a straight-line basis over the EUL of the related property, plant and equipment or the contract period, whichever is shorter. The decommissioning and site rehabilitation costs is determined based on PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*. The Group recognizes the liability for these obligations as “Provision for decommissioning and site rehabilitation” under “Other noncurrent liabilities” in the consolidated balance sheet.

Mine Exploration and Development Costs

Cost incurred for exploration and development of mining properties are deferred as incurred. These deferred costs are charged to expense when the results of the exploration activities are determined to be negative or not commercially viable. When exploration results are positive or commercially viable, these deferred costs are capitalized under “Conventional and continuous mining properties and equipment”.

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

Intangible Assets

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

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

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

Impairment of Nonfinancial Assets

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

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

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

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

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

Treasury Shares
Treasury shares are recorded at cost and are presented as a deduction from equity. When the shares are retired, the capital stock account is reduced by its par value. The excess of cost over par value upon retirement is debited to the following accounts in the order given: (1) additional
paid-in capital to the extent of the specific or average additional paid-in capital when the shares were issued; and, (2) retained earnings.

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

Coal sales
Revenue from coal sales is recognized upon delivery when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably. Revenue from local and export coal sales are denominated in Philippine Pesos and US Dollars, respectively.

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

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

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

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

The asset “Costs and estimated earnings in excess of billings on uncompleted contracts” represents total costs incurred and estimated earnings recognized in excess of amounts billed. The liability “Billings in excess of costs and estimated earnings on uncompleted contracts” represents billings in excess of total costs incurred and estimated earnings recognized. Contract retentions are presented as part of “Trade receivables” under the “Receivables” account in the consolidated balance sheet.

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

Dividend income
Revenue is recognized when the Group’s right to receive payment is established.

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

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

Borrowing Costs
Borrowing costs are generally expensed as incurred.

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

Pension Expense
The Group has a noncontributory defined benefit retirement plan.

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

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

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

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

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

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

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

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

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

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

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

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

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

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

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

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

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

Earnings Per Share

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

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

Segment Reporting

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products. Financial information on business segments is presented in Note 34 to the consolidated financial statements.

Provisions

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

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

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

3. Preferred and Common Stock

The changes in the number of shares follow:

	March 31, 2009	December 31, 2008
Preferred stock - ₱1 par value cumulative and convertible to common stock		
Authorized number of shares	**100,000,000**	**100,000,000**
Issued and outstanding		
Balance at beginning of year	**4,380**	**4,380**
Cancellation/retirement of issued preferred shares	**0**	**0**
Balance at end of year	**4,380**	**4,380**
Common stock - ₱1 par value		
Authorized number of shares	**5,900,000,000**	**5,900,000,000**
Issued and outstanding	**2,655,494,000**	**2,655,494,000**
Additional subscription	**-**	**-**
Preferred shares held in treasury		
Balance at beginning of year	**0**	**0**
Redemption of preferred shares	**0**	**0**
Cancellation/retirement of issued preferred shares	**0**	**0**
Balance at end of year	**0**	**0**

The preferred stock is redeemable, convertible, non-voting, non-participating and cumulative with par value of ₱1.00 per share. The preferred shareholders' right of converting the preferred shares to common shares expired in March 2002. The preferred shares were essentially redeemed, retired, cancelled and paid as of March 31, 2009.

Appropriation
Retained earnings is restricted to the extent of the acquisition cost of the treasury shares amounting to ₱1.10 million and ₱187.21 million as of December 31, 2006 and 2005, respectively. No retained earnings have been currently appropriated as of June 30, 2008 for acquisition of treasury shares.

Dividends declared
On April 24, 2008 and April 3, 2007 the Parent Company's BOD approved and declared cash dividend of ₱0.10 per share or ₱265.55 million and ₱225.55 million respectively to stockholders of record as of May 12, 2008 and April 30, 2007, respectively. The cash dividend shall be paid on May 30, 2008 and was paid on May 28, 2007 respectively as well.

4. **Business Segments**

The following tables present the net income of the specific business segments for the period and quarter ended March 31, 2009 and 2008 (amounts in thousand):

Revenues

	For the period		For the Quarter	
	2009	2008 (restated)	2009	2008 (restated)
Construction	1,550,522	1,714,968	1,550,522	1,714,968
Mining	3,268,355	2,260,094	3,268,355	2,260,094
Water	-	-	-	-
Real Estate Development	1,088,935	985,484	1,088,935	985,484
Parent Company and Others	50,618	41,950	50,618	41,950
TOTAL	**5,958,430**	**5,002,496**	**5,958,430**	**5,002,496**

Net Income After Minority

	For the period		For the Quarter	
	2009	2008 (restated)	2009	2008 (restated)
Construction	145,180	85,710	145,180	85,710
Mining	163,354	78,835	163,354	78,835
Water	337,064	(86,758)	337,064	(86,758)
Real Estate Development	133,735	155,214	133,735	155,214
Parent Company and Others	(4,334)	4,079	(4,334)	4,079
TOTAL	**774,999**	**237,080**	**774,999**	**237,080**

5. Related Party Transactions

In the regular course of business, the Group's significant transactions with related parties consisted primarily of the following:

(a) Comprehensive surety, corporate and letters of guarantee issued by the Company and DMCI for various credit facilities granted to and for full performance of certain obligations by certain related parties.
(b) Certain assets of the Group, associates and other related parties were placed under accommodation mortgages to secure the indebtedness of the Group, its associates and other related parties.
(c) Interest and non interest-bearing cash and operating advances made by the Group to and from various associates and other related parties.
(d) Engineering and construction works of the water business is contracted to the construction segment of the Company. These projects are bidded out to various contractors and are awarded on arms length transactions. The interrelated contracts amounted to Php 2,042,658,158.51 and Php 1,492,323,438.05 as of March 31, 2009 and December 31, 2008 respectively, where Php 228,448,891.79 and Php 266,284,512.07 were booked for the period March 31, 2009 and March 31, 2008 respectively.

6. Financial Instruments and Financial Risk

For interim reporting purposes, financial assets and liabilities are recognized at historical cost which is the fair value of the consideration given (in the case of the asset) or received (in the case of liability). Debt issuance costs are included in the initial measurement of all financial assets and liabilities except those that are designated as fair value through profit and loss.

DMCI HOLDINGS, INC.
ACCOUNTS RECEIVABLE DESCRIPTION
March 31, 2009

Type of Receivable	Nature/Description	Collection Period
1) Contracts/Retention Receivable	Construction contract billings, sale of Goods and services pertaining to construction and related businesses of subsidiaries; real estate sales like sale of condominium units; development, improvements and construction of real estate projects; and coal mining sales	Contract Receivable - 20 to 30 days upon submission of progress billing Retention Receivable (10%) - depends on the agreement: 1) usually, 60 days after completion and acceptance of the project 2) if 50% completed, can bill 50% of retained amount as specified in the contract agreement Coal Mine Receivable - 1) Average standard term 80% of sales - 30 days upon presentation of invoice 20% of sales - 35 to 45 days term upon receipt of test results 2) Actual term - 45 to 60 days after billing Real Estate Receivable terms: Upon sale - 1) Reservation Fee - P 20,000.00 2) Balance paid through in-house or bank financing
2) Advances	Includes Advances to Suppliers, sub-contractors, and advances to employees/subject for liquidation	
3) Affiliates	Includes Advances to Subsidiaries and Affiliates	
4) Other Receivables	Includes refundable deposits, claims from some government agency like SSS, BIR and other receivables from miscellaneous billings	

Normal Operating Cycle

1.) Construction and Real Estate - positive net working capital
2) Mining - positive net working capital

DMCI HOLDINGS, INC.
AGING OF ACCOUNTS RECEIVABLE
AS OF MARCH 31, 2009

TYPE OF ACCOUNTS RECEIVABLE	T O T A L	1 MONTH	2 -3 MONTHS	4 - 6 MONTHS	7 MONTHS TO 1 YEAR	1 - 2 YEARS	3 - 5 YEARS	5 YEARS - ABOVE	Past Due Accts & Items for Litigation
A. TRADE RECEIVABLE - CONTRACT									
D.M. Consunji, Inc.	1,906,114,827.31	1,587,953,465.88	69,186,758.50	73,320,175.45	64,218,728.75	94,757,488.31	16,678,210.42	-	-
DMCI International, Inc.	24,686,393.00						24,686,393.00		
OHKI-DMCI Corporation	2,966,841.00	-	-	2,966,841.00	-				
Beta Electric Corporation	22,239,098.00	5,721,940.12	3,563,505.55	4,317,884.11	8,635,768.22	-	-		
Raco Haven Automation	5,548,869.85	-	-	-	-	5,548,869.85			
Sub-total	1,961,556,029.16	1,593,675,406.00	72,750,264.05	80,604,900.56	72,854,496.97	100,306,358.16	41,364,603.42	-	-
DMCI Project Developers, Inc.	2,855,137,949.00	2,086,695,483.00	136,381,205.50	84,474,161.50	165,271,200.00	149,252,230.00	104,361,103.00	128,702,566.00	-
Semirara Mining Corporation	2,158,671,929.00	1,298,607,390.00	779,228,211.00	55,309,928.00	18,207,599.00	1,699,405.00	5,619,396.00	-	
Atlantic Gulf & Pacific Co., Inc.	350,351,795.00	147,832,483.00	4,845,038.00	197,674,274.00					
Wire Rope Corporation of the Philippines	55,359,066.00	47,573,161.92	1,531,658.05	3,695,741.73	1,663,871.30	-	-		894,633.00
Sub-total	5,419,520,739.00	3,580,708,517.92	921,986,112.55	341,154,105.23	185,142,670.30	150,951,635.00	109,980,499.00	128,702,566.00	894,633.00
RETENTION RECEIVABLE - TRADE									
D.M. Consunji, Inc.	314,181,364.58	314,181,364.58							-
Raco Haven Automation	7,663,448.15	7,663,448.15							
Sub-total	321,844,812.73	321,844,812.73	-	-	-	-	-	-	-
Total Contract/Retention Receivable - Trade	7,702,921,580.89	5,496,228,736.65	994,736,376.60	421,759,005.79	257,997,167.27	251,257,993.16	151,345,102.42	128,702,566.00	894,633.00
Less: Allowance for Doubtful Accounts	434,105,549.00								
Net Trade Receivable	**7,268,816,031.89**								

B. NON-TRADE RECEIVABLES	
ADVANCES -	
DMCI Holdings, Inc.	502,564.18
DMCI Mining Corporation	138,389,390.53
DMCI Project Developers, Inc.	24,967,032.00
DMCI Power Corporation	29,437,741.52
Atlantic Gulf & Pacific Co., of Manila, Inc.	89,346,511.00
	282,643,239.23
Sub-total	282,643,239.23
AFFILIATES -	
DMCI Holdings, Inc.	364,286,195.01
DMCI Project Developers, Inc.	857,936,358.00
Atlantic Gulf & Pacific Co., of Manila, Inc.	191,047,677.00
	1,413,270,230.01
Sub-total	1,413,270,230.01
OTHER RECEIVABLES -	
Raco Haven Automation	3,602,481.00
	3,602,481.00
DMCI Holdings, Inc.	53,050.67
DMCI Project Developers, Inc.	72,965,654.00
Semirara Mining Corporation	148,828,948.00
Atlantic Gulf & Pacific Co., of Manila, Inc.	68,796,537.00
Sub-total	294,246,670.67
Total Non-trade Receivables	1,990,160,139.91
Less: Allowance for Doubtful Accounts	-
Net Non-trade Receivables	**1,990,160,139.91**
TOTAL RECEIVABLES	**9,258,976,171.80**