



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 Tama Ext.)
Makati City 1231, Philippines

(632) 888 • DMCI
(632) 888 • 3000
Facsimile
(632) 816 • 7362
E-Mail
dmcih@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 28, 2010, 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, 2009
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 two Independent Directors (as defined under the Corporation's Manual on Corporate Governance)
8. Other Matters
9. Adjournment

Stockholders of record as of June 18, 2010 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 22, 2010, 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 1, 2010.

For the Board of Directors:

ATTY. NOEL A. LAMAN
Corporate Secretary

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

PROXY

DMCI HOLDINGS, INC.

PROXY SOLICITED ON BEHALF OF THE MANAGEMENT OF DMCI HOLDINGS, INC. FOR THE ANNUAL STOCKHOLDERS' MEETING TO BE HELD ON JULY 28, 2010, 9:00 A.M. AT THE FAIRWAYS FUNCTION ROOM, MANILA GOLF & COUNTRY CLUB, FORBES PARK, MAKATI CITY.

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 16, 2010 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 22, 2010 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 30, 2008.
- (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), (3) and (4) 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.

Management recommends a vote for:

1. ***Approval of the minutes of the previous annual meeting of stockholders held on July 29, 2009.***
 For Against Abstain

2. ***Ratification of all the acts and resolutions of the Board of Directors, officers and management of the Corporation from the last fiscal year to date.***
 For Against Abstain

3. ***Approval of the Selection of SyCip Gorres Velayo & Co. as Independent Auditors.***
 For Against Abstain

4. ***Election of Directors¹***
 for all nominees listed below (except as marked to the contrary below).
 withhold authority to vote for all nominees listed below.
 strike the box opposite the name of each nominee to indicate that authority to vote for such nominee is withheld.

Security holder may strike a line through the nominee’s name in the list below to withhold authority to vote for any individual nominee.

Nominees

For Regular Directors:

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

For Independent Directors:

- HONORIO O. REYES-LAO
- EVARISTO T. FRANCISCO

5. ***In their discretion, the Proxies are authorized to vote upon such other matters as may properly come before the meeting.***

This proxy when properly executed will be voted in the manner directed above by the undersigned stockholder. If no direction is made, this proxy will be voted for items 1, 2, 3, and 4.

Dated _____

 (Signature over printed name, including title when signing for a corporation or partnership or as an agent, attorney or fiduciary)

Please mark, sign, date, and return promptly in accompanying envelope.

¹ Cumulative method of voting under Section 24 of the Corporation Code of the Philippines is allowed.

COVER SHEET

A S O 9 5 0 0 2 2 8 3

SEC Registration Number

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

(Company's Full Name)

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

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

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

HERBERT M. CONSUNJI
Contact Person

888-3000
Company Telephone Number

(Last Wednesday of July)

1 2 3 1
Month Day
Fiscal Year

SEC Form 20-IS
Definitive Information Statement
FORM TYPE

0 7 2 8
Month Day
Annual Meeting

N.A.

Secondary License Type, If Applicable

C F D
Dept Requiring this Doc

Amended Articles Number / Section

Total No. of Stockholders

Total Amount of Borrowings

Domestic Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes

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 28, 2010, 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 2, 2010**

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):

<u>Title of Each Class</u>	<u>No. of Shares Outstanding</u>	<u>Amount</u>
Common Shares	2,655,494,000	Php2,655,494,000.00
Preferred Shares	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 28, 2010 (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 18, 2010 (the “Record Date”) on or before July 2, 2010.

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 is the date to determine the stockholders entitled to notice and to vote at the annual stockholders meeting on July 28, 2010, the Corporation has the following outstanding shares:

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

(b) The Record Date is June 18, 2010. 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, 2010**, 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 Makati City	(See attached Schedule 3.) The beneficial owners of such shares are Philippine Depository and Trust Corporation ("PDTC")	Foreigner	576,616,547	21.714097%

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

	PCD is the registered owner of the shares in the books of the Corporation's transfer agent	participants, who hold the shares on their behalf or on behalf of their clients			
Common	DFC Holdings, Inc. Dacon Bldg. 2281 Don Chino Roces Avenue, Makati City DFC Holdings, Inc. is a stockholder of the Corporation	See attached schedule Beneficial owners are stockholders of DFC Holdings, Inc.	Filipino	394,120,075	14.84169%
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	246,422,255	9.279714

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	The Hongkong and Shanghai Banking Corp. 12 th Floor, The Enterprise Center, Tower 1, Ayala Avenue, Makati City ²	Foreign	344,867,093	12.986928%

² Any one of the following shall have the right to vote the shares on behalf of the clients of HSBC:

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

(e) Security Ownership of Management

The table sets forth as of **May 31, 2010**, 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	0.306619%
Common	Cesar A. Buenaventura	1,000	Direct	Filipino	0.000038%
Common	Isidro A. Consunji	1,000	Direct	Filipino	0.052759%
Common	Ma. Edwina C. Laperal	1,000	Direct	Filipino	0.224531%
Common	Victor A. Consunji	1,000	Direct	Filipino	3.264272%
Common	Jorge A. Consunji	1,000	Direct	Filipino	3.264280%
Common	Herbert M. Consunji	1,600	Direct	Filipino	0.000060%
Common	Evaristo T. Francisco	100	Direct	Filipino	0.000004%
Common	Honorio O. Reyes-Lao	20,000	Direct	Filipino	0.000753%
Common	Cristina C. Gotianun	1,000	Direct	Filipino	3.977253%
Common	Noel A. Laman	20,000	Direct	Filipino	0.000753%
Common	Victor S. Limlingan	1,000	Direct	Filipino	0.000038%
Common	Myra C. Reinoso	0	N/A	Filipino	0%
Aggregate Ownership		49,700			0.0018716%

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, 2010 to date, there has been no change in control of the Corporation. Neither is the Corporation aware of any arrangement which may result in a change in control of it.

Item 5. Directors and Executive Officers

(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	88	Filipino
Cesar A. Buenaventura	Vice-Chairman of the Board	80	Filipino
Isidro A. Consunji	President/Chief Executive Officer	62	Filipino
Herbert M. Consunji	Vice President & Chief Finance	57	Filipino

	Officer/Director/Compliance Officer		
Ma. Edwina C. Laperal	Treasurer	49	Filipino
Cristina C. Gotianun	Assistant Treasurer	55	Filipino
Jorge A. Consunji	Director	58	Filipino
Victor A. Consunji	Director	59	Filipino
Evaristo T. Francisco	Director (Independent)	82	Filipino
Honorio O. Reyes-Lao	Director (Independent)	65	Filipino
Victor S. Limlingan	Managing Director	66	Filipino
Noel A. Laman	Corporate Secretary	70	Filipino
Myra C. Reinoso	Vice President for Finance	53	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.

Nomination and Election Committee:

Evaristo T. Francisco (Independent Director)	Chairman
David M. Consunji	Member
Isidro A. Consunji	Member
Ma. Edwina C. Laperal	Member

Compensation and Remuneration Committee:

Honorio O. Reyes-Lao	Chairman
Jorge A. Consunji	Member
Cesar A. Buenaventura	Member

Audit Committee:

Honorio O. Reyes-Lao	Chairman
Evaristo T. Francisco (Independent Director)	Member
Isidro A. Consunji	Member
Herbert M. Consunji	Member

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 copies of the 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 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 fifteen (15) 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. Buenaventura has served the Company as Vice Chairman for fifteen (15) years.

Isidro A. Consunji is a regular Director of the following: DMCI Project Developers, Inc., Semirara Mining Corporation, Dacon Corporation, DMCI-MPIC Water Company, Inc. Crown Equities, Inc. and Beta Electric Corporation. His other positions include: Chairman of the Board of Directors of Universal Rightfield Property Holdings, Inc., and Beta Electric Corporation; President of Dacon Corporation, DMCI Homes, and DMCI Project Developers, Inc., Mr. Isidro Consunji has served the Corporation as a regular director for fifteen (15) 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, and Village Parks, Inc. His other positions are: President of Village Parks, Inc. and Chief Operating Officer of Maynilad Water Services, Inc. Mr. Herbert Consunji has served the Corporation as a regular director for fifteen (15) years.

Jorge A. Consunji is the President and Chief Operating Officer of D.M. Consunji, Inc. His other positions include: Director of Semirara Mining Corporation, Beta Electric Corp., Bachy Soletanche Corp., Atlantic, Gulf & Pacific Company of Manila, Inc., Chairman of Wire Rope Corporation of the Philippines, and Treasurer of Dacon Corporation. Mr. Jorge Consunji has served the Corporation as a regular director for fifteen (15) 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., and Ecoland Properties Development Corporation. Mr. Victor Consunji has served as a regular director for fifteen (15) years.

Ma. Edwina C. Laperal is the Treasurer of DMCI Holdings, Inc., Dacon Corporation, DMCI Project Developers, Inc., and DMCI Urban Property Developers, Inc.; Regular Director of DMCI Holdings, Inc., DMCI Project Developers, Inc., and D.M. Consunji, Inc. Ms. Laperal has served the Corporation as Treasurer for fifteen (15) 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 nine (9) years (since 2001).

Honorio O. Reyes-Lao was the President and Director of Gold Venture Lease and Management Services, Inc, 2008-2009; Senior Business Consultant of the Antel Group of Companies, 2007-2009; Senior Management Consultant of East West Banking Corporation, 2005-2006. Prior to 2005, Mr. Reyes-Lao was the Senior Vice-President of China Banking Corporation in charge of the lending operation under the Account Management Group. He was a Director of the First Sovereign Asset Management Corporation, 2004-'06; Director and Treasurer of CBC Insurance Brokers, Inc, 1998- 2003 : Director of CBC Forex Corporation, 1997-2002; and CBC Properties and Computer Center, Inc, 1993-2006. His civic affiliations are the Makati Chamber of Commerce and Industries - past President; Rotary Club of Makati West – Treasurer; and a Fellow in the Institute of Corporate Directors, a professional organization which espouses good corporate governance in both private and public organizations. Mr. Reyes-Lao has served the Company as Independent Director for one (1) year (since 2009).

Victor S. 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.

Cristina C. Gotianun is a Director of Dacon Corporation, D.M. Consunji, Inc, Asia Industries, Inc., DMC Construction Equipment Resources, Inc., DMC Urban Property Developers, Inc., M&S Company, Inc., Prime Ortigas Development Corporation and South Davao Development Co., Inc.. Her other positions include: Vice President for Finance Administrative/Chief Finance Officer of D.M. Consunji, Inc., Director for Finance of DMCI Homes, Inc., and Corporate Secretary of Dacon Corporation and DMC Urban Property Developers, Inc.. Ms. Gotianun has served the Corporation as Asst. Treasurer for fifteen (15) years.

Myra C. Reinoso is the Vice President for Finance of DMCI Holdings, Inc. 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. Ms. Reinoso has served the Corporation as Vice President for three (3) 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 GlaxoSmithKline Philippines Inc, Boehringer Ingelheim (Phils.), Inc., 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 has 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.

(d) Independent Directors.

Mr. Evaristo T. Francisco and Mr. Honorio Reyes Lao are currently the Corporation's independent directors. Mr. Francisco has served the Corporation as independent directors since 2001. Mr. Honorio Reyes Lao was elected to such position during the annual meeting held in July, 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:

<u>Name</u>	<u>Relationship</u>
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, no Director has resigned or declined to stand for reelection to the Board of Directors of the Corporation because of any 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 the date of filing of this report. 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.

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

This involves a complaint for violation of Article 315 (2) (a) of the Revised Penal Code, as qualified by PD No. 1689. Private complainants claim to have been induced to buy shares of stock of Universal Leisure Club ("UL Club"), on the representation that as members, they will enjoy the facilities of a project known as "a network of 5 world clubs" to be developed by Universal Leisure Corporation ("ULC"), the project proponent and the seller of the UL Club shares. ULC, however, failed to develop the project. Mr. Isidro A. Consunji, Mrs. Edwina C. Laperal and Mr. Cesar A. Buenaventura were named as respondents in their capacity as directors of UL Club, ULC and Universal Rightfield Property Holdings, Inc. ("URPHI"), the latter being the parent of ULC.

In its 1st Indorsement dated December 9, 2003, the City Prosecutor for Mandaluyong City, acting on a motion for inhibition filed by complainants, through counsel, recommended that further proceedings be conducted by the Department of Justice. In an order dated February 3, 2004, the Department of Justice designated State Prosecutor Geronimo Sy to conduct the preliminary investigation of this case. The last

pleading filed is a notice of change of address dated June 27, 2008 filed by complainants' counsel. This case remains pending to date.

(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	58
Aldric G. Borlaza	Finance Officer	Filipino	32

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 fourteen (14) 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 eight (8) 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

<u>Name</u>	<u>Principal Position</u>	<u>Salary</u>	<u>Bonus</u>	<u>Other annual compensation</u>
David M. Consunji	Chairman of the Board of Directors			
Cesar A. Buenaventura	Vice – Chairman of the Board of Directors			
Isidro A. Consunji	President/Chief Executive Officer			
Cristina C. Gotianun	Asst. Treasurer		B.	
Ma. Edwina C. Laperal	Treasurer		C.	
Herbert M. Consunji	Vice President & Chief Financial Officer			
	YEARS		D.	
	2008	P 19,776,760.46		P 2,581,413.00
	2009	P 34,817,379.00		P 5,342,802.21
	2010*	P 34,817,379.00		P 5,342,802.21
	TOTAL:	P 89,411,518.46	P --	P 13,267,017.42
	YEARS			
All other directors and executive officers as a group unnamed	2008	P 5,283,600.83		P 1,260,000.00
	2009	P 5,350,280.00		P 1,294,766.59
	2010*	P 5,350,280.00		P 1,294,766.59
	TOTAL:	P 15,984,160.83	P --	P 3,849,533.18

**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 2010.

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, 2009.
- (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:
- | | |
|--|----------|
| Honorio O. Reyes-Lao | Chairman |
| Evaristo T. Francisco (Independent Director) | Member |
| Isidro A. Consunji | Member |
| Herbert M. Consunji | Member |
- (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

- (I) *Approval of the Minutes of the Annual Stockholders' Meeting held on July 29, 2009*

The minutes of the annual stockholders' meeting held on July 29, 2009 will be submitted for approval of the stockholders at the annual meeting to be held on July 28, 2010. Below is a summary of the items and/or resolutions approved at the annual stockholders' meeting held on July 29, 2009:

- (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 30, 2008.
- (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 2008 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) Honorio O. Reyes-Lao (independent director)
 - (9) Evaristo T. Franciso (independent director)
- (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; (f) authorization to submit a letter of interest for the bidding of the Angat Hydroelectric Power Plant; (g) transfer of property to DMCI-PDI in exchange for shares of stock of DMCI-PDI; (h) obtainment of term loan from Banco De Oro for the purpose of partially financing the Calaca power plant; and (i) assignment of rights under the Asset Purchase Agreement and Land Lease Agreement for the Calaca power plant in favor of Sem-Calaca Power Corporation.

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 29, 2009. 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 O. REYES-LAO

All of the above nominees are currently directors of the Corporation.

Two (2) Independent Directors³ of the Corporation within the purview of SRC Rule 38 are Messrs. Honorio O. Reyes-Lao and Francisco T. Evaristo.

(b) Voting Procedures

- (1) Approval/ratification of the minutes of the annual stockholders' meeting held on July 29, 2009.
 - (A) Vote required: A majority of the outstanding common stock present in person or by proxy, provided constituting a quorum.

³ 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.

- (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
 - (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 vote; 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 28, 2010.

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 16, 2010 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 22, 2010 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 28, 2010.
- (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 29, 2009.
- 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, 2009.
- 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 28, 2010 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,
1231 Makati 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 8, 2010.

DMCI Holdings, Inc.


By: NOEL A. LAMAN
Corporate Secretary

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.

SCHEDULE 2

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, 2010**.

(1) PCD Nominee Corporation ⁴	823,038,802 shares	30.99%
(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
Isidro A. Consunji	1	.000
Edwina C. Laperal	1	.000
Rebecca A. Consunji	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
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 and/or Ms. Cristina C. Gotianun shall have the right to vote the shares of DACON Corporation..

⁴PCD 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

DFC Holdings, Inc.

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

Name of Stockholder	Number of Shares in DACON Corporation	Percentage Ownership
Isidro A. Consunji	698,689	0.70
Victor A. Consunji	1,637,578	1.64
Jorge A. Consunji	2,044,715	.2.04
Cristina C. Gotianun	2,079,530	2.08
Edwina C. Laperal	781,076	0.78
EastHeight Holdings, Inc.	485,695	12.14
Inglebrook Holdings, Inc.	11,801,311	11.80
Gulfshore, Inc.	10,455,285	10.45
Valemount Corporation	10,862,422	10.86
Chrismon Investments, Inc.	10,420,470	10.42
Jagjit Holdings, Inc.	12,500,000	12.50
Rice Creek Holdings, Inc.	12,500,000	12.50
La Lumiere Holdings, Inc.	12,500,000	12.50
Total	100,000,000	100.00

Ms. Ma Edwina C. Laperal and/or Ms. Cristina C. Gotianun shall have the right to vote the shares of DFC Holdings, Inc.

CERTIFICATION OF INDEPENDENT DIRECTORS

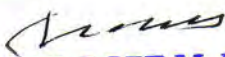
I, **EVARISTO T. FRANCISCO**, Filipino, of legal age and a resident of E-224 Alexandra Condominium, No. 29 Meralco Avenue, Pasig City, after having been duly sworn to in accordance with law do hereby declare that:

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 3rd day of June 2010 at Makati City.


EVARISTO T. FRANCISCO
 Affiant

SUBSCRIBED AND SWORN to before me this 09 JUN 2010 day of _____ at MAKATI CITY, affiant personally appeared before me and exhibited to me his/her Community Tax Certificate No. 31105491 issued at Pasig City on February 2010.


ATTY. LOPE M. VELASCO
 NOTARY PUBLIC
 Until Dec. 31, 2011
 PTR O.R. No. 2087649 - Makati 01/04/10
 BP O.R. No. 803499 - Pasig City 12/21/09
 TIN 212-965-989
 Roll No. 28757 8

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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 2010-2011.
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 3rd day of June at Makati City.


HONORIO REYES-LAO
Affiant

09 JUN 2010

SUBSCRIBED AND SWORN to before me this _____ day of _____ at **MAKATI CITY**, affiant personally appeared before me and exhibited to me his/her Community Tax Certificate No. 01411720 issued at Manila City on January 14, 2010.

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Series of 2010


ATTY. LOPE M. VELASCO
NOTARY PUBLIC
Until Dec. 31, 2011
PTR O.R. No. 2087649 - Makati 01/04/10
IRP O.R. No. 803499 - Pasig City 12/21/09



Philippine Depository & Trust Corp.

Philippine Depository & Trust Corp.

To

DEP00000001
PDTC DEPOSITORY
Metropolitan Manila
235
PHILIPPINES

OUTSTANDING BALANCES FOR A SPECIFIC COMPANY

Company Code - DMC000000000 & Company Name - DMCI HOLDINGS

Business Date 05/31/2010

Print Date 03/03/2006

BP ID	BP NAME	ACCOUNT TYPE	ID TYPE	INVESTOR TYPE	HOLDINGS
ACCOUNT NO.	ADDRESS	TELEPHONE NUMBER	ID NUMBER	COUNTRY	TAXCODE
10100000000 5	A & A SECURITIES, INC. Rm. 1906 Ayala Ave. Condominium 6776 Ayala Ave. Makati City Metropolitan Manila 1200	Omnibus Without Client 810-54-01	Tax Identification Number 2	Domestic PHILIPPINES	654,557.00 PH10
10200000000 5	ABACUS SECURITIES CORPORATION Unit 2904-A East Tower, PSE Centre Exchange Road. Ortigas Center Pasig City Metropolitan Manila 1600	Omnibus Without Client 634-2105	Tax Identification Number 3	Domestic PHILIPPINES	2,465,120.00 PH10
10200000000 7	ABACUS SECURITIES CORPORATION Unit 2904-A East Tower, PSE Centre Exchange Road. Ortigas Center Pasig City Metropolitan Manila 1600	Own 634-2105	Tax Identification Number 3	Domestic PHILIPPINES	125,643.00 NWT
10300000000 1	ACCORD CAPITAL EQUITIES CORPORATION Unit 1101 Orient Square Building Emerald Avenue Ortigas Center, Pasig City Metropolitan Manila 1600	Omnibus Without Client 687-5071 to 74	Tax Identification Number 4	Foreign PHILIPPINES	30,000.00 FMX1
10300000000 5	ACCORD CAPITAL EQUITIES CORPORATION Unit 1101 Orient Square Building Emerald Avenue Ortigas Center, Pasig City Metropolitan Manila 1600	Omnibus Without Client 687-5071 to 74	Tax Identification Number 4	Domestic PHILIPPINES	1,934,350.00 PH10

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ACCOUNT NO.	ADDRESS	TELEPHONE NUMBER	ID NUMBER	COUNTRY	TAXCODE
10400000000 5	A. T. DE CASTRO SECURITIES CORP. Suite 701, 7/F Ayala Tower I, Exchange Plaza, Ayala Triangle, Ayala Ave., Makati City Metropolitan Manila 1226	Omnibus Without Client 848-7160 to 65	Tax Identification Number 5	Domestic PHILIPPINES	452,757.00 PH10
10500000000 5	ALL ASIA SECURITIES MANAGEMENT CORP. All Asia Capital Center 105 Paseo de Roxas St. Makat City Metropolitan Manila 1200	Omnibus Without Client 818-3211	Tax Identification Number 6	Domestic PHILIPPINES	700.00 PH10
10600000000 5	ALPHA SECURITIES CORP. UNIT 2305, 23/F THE ORIENT SQUARE BLDG. F. ORTIGAS ST. (FORMERLY EMERALD AVE) ORTIGAS CENTER, PASIG CITY Metropolitan Manila 1200	Omnibus Without Client 8115180 to 87	Tax Identification Number 7	Domestic PHILIPPINES	178,600.00 PH10
10900000000 5	BA SECURITIES, INC. Rm 401-403 CLMC Bldg, 256-259 EDSA Greenhills Mandaluyong City Metropolitan Manila 1550	Omnibus Without Client 727-5374	Tax Identification Number 10	Domestic PHILIPPINES	70,000.00 PH10
10900000000 6	BA SECURITIES, INC. Rm 401-403 CLMC Bldg, 256-259 EDSA Greenhills Mandaluyong City Metropolitan Manila 1550	Settlement 727-5374	Tax Identification Number 10	Domestic PHILIPPINES	4,000.00 NWT
10900000000 18	BA SECURITIES, INC. Rm 401-403 CLMC Bldg, 256-259 EDSA Greenhills Mandaluyong City Metropolitan Manila 1550	Settlement 727-5374	Tax Identification Number 10	Foreign PHILIPPINES	9,000.00 RA10
11000000000 5	ANGPING & ASSOCIATES SECURITIES, INC. Suites 2002/2004, The Peak, 107 Alfaro St., Salcedo Village, Makati City Metropolitan Manila 1227	Omnibus Without Client 8482915	Tax Identification Number 11	Domestic PHILIPPINES	269,300.00 PH10

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ACCOUNT NO.	ADDRESS	TELEPHONE NUMBER	ID NUMBER	COUNTRY	TAXCODE
11100000000 5	ANSALDO, GODINEZ & CO., INC. 340 Nueva St., Binondo Manila Metropolitan Manila 1006	Omnibus Without Client 242-5127	Tax Identification Number 12	Domestic PHILIPPINES	1,246,000.00 PH10
11100000000 7	ANSALDO, GODINEZ & CO., INC. 340 Nueva St., Binondo Manila Metropolitan Manila 1006	Own 242-5127	Tax Identification Number 12	Domestic PHILIPPINES	400.00 NWT
11200000000 2	AB CAPITAL SECURITIES, INC. 8/F Phinma Plaza 39 Plaza Drive, Rockwell Center Makati City Metropolitan Manila 1200	Settlement 814-5601	Tax Identification Number 13	Foreign PHILIPPINES	128,000.00 FMX1
11200000000 6	AB CAPITAL SECURITIES, INC. 8/F Phinma Plaza 39 Plaza Drive, Rockwell Center Makati City Metropolitan Manila 1200	Settlement 814-5601	Tax Identification Number 13	Domestic PHILIPPINES	1,238,000.00 NWT
11300000000 5	SARANGANI SECURITIES, INC. UNIT 2 D1 VERNIDA I CONDOMINIUM 120 AMORSOLO ST., LEGASPI VILLAGE, MAKATI CITY Metropolitan Manila 1229	Omnibus Without Client 817-5806	Tax Identification Number 14	Domestic PHILIPPINES	10,000.00 PH10
11500000000 1	SB EQUITIES, INC. 18/F, Security Bank Centre 6776 Ayala Avenue, Makati City Metropolitan Manila 1226	Omnibus Without Client 8911037	Tax Identification Number 15	Foreign PHILIPPINES	39,800.00 FMX1
11500000000 5	SB EQUITIES, INC. 18/F, Security Bank Centre 6776 Ayala Avenue, Makati City Metropolitan Manila 1226	Omnibus Without Client 8911037	Tax Identification Number 15	Domestic PHILIPPINES	452,210.00 PH10

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ACCOUNT NO.	ADDRESS	TELEPHONE NUMBER	ID NUMBER	COUNTRY	TAXCODE
11500000000 6	SB EQUITIES,INC. 18/F, Security Bank Centre 6776 Ayala Avenue, Makati City Metropolitan Manila 1226	Settlement 8911037	Tax Identification Number 15	Domestic PHILIPPINES	30,000.00 NWT
11600000000 5	ASIA PACIFIC CAPITAL EQUITIES & SECURITII CORP. 24/F Galleria Corporate Center EDSA corner Ortigas Avenue, Pasig City Metropolitan Manila 1605	Omnibus Without Client 6345621 to 26	Tax Identification Number 16	Domestic PHILIPPINES	38,000.00 PH10
11800000000 1	ASIASEC EQUITIES, INC. 8/F Chatham House 116 Valero cor. V.A. Rufino Sts Salcedo Village, Makati City 1227 Metropolitan Manila 1227	Omnibus Without Client 8937981	Tax Identification Number 18	Foreign PHILIPPINES	60,900.00 FMX1
11800000000 5	ASIASEC EQUITIES, INC. 8/F Chatham House 116 Valero cor. V.A. Rufino Sts Salcedo Village, Makati City 1227 Metropolitan Manila 1227	Omnibus Without Client 8937981	Tax Identification Number 18	Domestic PHILIPPINES	1,939,300.00 PH10
11800000000 7	ASIASEC EQUITIES, INC. 8/F Chatham House 116 Valero cor. V.A. Rufino Sts Salcedo Village, Makati City 1227 Metropolitan Manila 1227	Own 8937981	Tax Identification Number 18	Domestic PHILIPPINES	8,000.00 NWT
11900000000 5	ASTRA SECURITIES CORPORATION Units 1204-1205 Ayala Tower One Ayala Ave. cor. Paseo de Roxas Makati City Metropolitan Manila 1200	Omnibus Without Client 848-6421/27	Tax Identification Number 19	Domestic PHILIPPINES	270,000.00 PH10

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ACCOUNT NO.	ADDRESS	TELEPHONE NUMBER	ID NUMBER	COUNTRY	TAXCODE
12000000000 5	ATC SECURITIES, INC. Unit 6f, 6th Floor 8101 Pearl Plaza, Pearl Drive Ortigas Center, Pasig City Metropolitan Manila 12	Omnibus Without Client 687-1768	Tax Identification Number 20	Domestic PHILIPPINES	14,000.00 PH10
12200000000 1	BELSON SECURITIES, INC. 4th Floor Belson House 271 Edsa, Mandaluyong City Metropolitan Manila 1554	Omnibus Without Client 724-7586loc21	Tax Identification Number 22	Foreign PHILIPPINES	20,000.00 FMX1
12200000000 5	BELSON SECURITIES, INC. 4th Floor Belson House 271 Edsa, Mandaluyong City Metropolitan Manila 1554	Omnibus Without Client 724-7586loc21	Tax Identification Number 22	Domestic PHILIPPINES	1,560,300.00 PH10
12400000000 5	B. H. CHUA SECURITIES CORPORATION 872 G. Araneta Avenue, Quezon City Metropolitan Manila 1135	Omnibus Without Client 412-3444	Tax Identification Number 24	Domestic PHILIPPINES	20,000.00 PH10
12500000000 5	JAKA SECURITIES CORP. Unit 814, Ayala Tower I Ayala Ave., Makati City Metropolitan Manila 1226	Omnibus Without Client 8487123	Tax Identification Number 25	Domestic PHILIPPINES	90,000.00 PH10
12600000000 1	BPI SECURITIES CORPORATION 8/F BPI Head Office Bldg., Ayala Ave., cor. Paseo de Roxas Makati City Metropolitan Manila 1226	Omnibus Without Client 8196535	Tax Identification Number 26	Foreign PHILIPPINES	365,000.00 FMX1
12600000000 5	BPI SECURITIES CORPORATION 8/F BPI Head Office Bldg., Ayala Ave., cor. Paseo de Roxas Makati City Metropolitan Manila 1226	Omnibus Without Client 8196535	Tax Identification Number 26	Domestic PHILIPPINES	4,319,120.00 PH10
12800000000 5	CAMPOS, LANUZA & COMPANY, INC. Unit 2003B East Tower, PSE Center Exchange Road, Ortigas Center Pasig City Metropolitan Manila 1605	Omnibus Without Client 634-6881/87	Tax Identification Number 27	Domestic PHILIPPINES	54,000.00 PH10

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ACCOUNT NO.	ADDRESS	TELEPHONE NUMBER	ID NUMBER	COUNTRY	TAXCODE
12900000000 5	SINCERE SECURITIES CORPORATION 1203-A East Tower, PSE Centre, Exchange Road, Ortigas Center, Pasig City Metropolitan Manila 0	Omnibus Without Client 638-3549	Tax Identification Number 28	Domestic PHILIPPINES	56,000.00 PH10
13000000000 5	CENTURY SECURITIES CORPORATION 1105 Galleria Corporate Center Ortigas Ave., Quezon City Metropolitan Manila 1600	Omnibus Without Client 633-7044/47	Tax Identification Number 29	Domestic PHILIPPINES	8,000.00 PH10
13100000000 5	PCIB SECURITIES, INC. 8/F PCIB Tower 2, Dela Costa St., Makati City Metropolitan Manila 1002	Omnibus Without Client 8912028	Tax Identification Number 30	Domestic PHILIPPINES	64,658,386.00 PH10
13100000000 6	PCIB SECURITIES, INC. 8/F PCIB Tower 2, Dela Costa St., Makati City Metropolitan Manila 1002	Settlement 8912028	Tax Identification Number 30	Domestic PHILIPPINES	13,020,500.00 NWT
13300000000 1	CITISECURITIES, INC. Rm. 2701-B Tektite Tower Center Exchange Rd, Pasiq City Metropolitan Manila 1600	Omnibus Without Client 635-5735	Tax Identification Number 31	Foreign PHILIPPINES	2,000.00 FMX1
13300000000 5	CITISECURITIES, INC. Rm. 2701-B Tektite Tower Center Exchange Rd, Pasiq City Metropolitan Manila 1600	Omnibus Without Client 635-5735	Tax Identification Number 31	Domestic PHILIPPINES	434,600.00 PH10
13500000000 5	VSEC.COM, INC. UNITS 1009-1011 TOWER ONE & EXCHANGE PLAZA, AYALA TRIANGLE, AYALA AVE., MAKATI CITY Metropolitan Manila 1200	Omnibus Without Client 856-5801	Tax Identification Number 33	Domestic PHILIPPINES	50,000.00 PH10

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13500000000 6	VSEC.COM, INC. UNITS 1009-1011 TOWER ONE & EXCHANGE PLAZA, AYALA TRIANGLE, AYALA AVE., MAKATI CITY Metropolitan Manila 1200	Settlement 856-5801	Tax Identification Number 33	Domestic PHILIPPINES	158,800.00 NWT
13600000000 5	TRITON SECURITIES CORP. 26/F LKG Tower, 6801 Ayala Avenue Makati City Metropolitan Manila 0	Omnibus Without Client 5238311	Tax Identification Number 34	Domestic PHILIPPINES	5,620,700.00 PH10
14000000000 1	IGC SECURITIES INC. Suite 1006, Tower I & Exchange Plaza Ayala Triangle Ayala Avenue Makati City Metropolitan Manila 1200	Omnibus Without Client 816-39-86	Tax Identification Number 38	Foreign PHILIPPINES	5,000.00 FMX1
14000000000 5	IGC SECURITIES INC. Suite 1006, Tower I & Exchange Plaza Ayala Triangle Ayala Avenue Makati City Metropolitan Manila 1200	Omnibus Without Client 816-39-86	Tax Identification Number 38	Domestic PHILIPPINES	1,209,300.00 PH10
14100000000 5	CUALOPING SECURITIES CORPORATION Suite 1801 Tytana Centre Condominium Plaza Lorenz Ruiz, Binondo, Manila Metropolitan Manila 1006	Omnibus Without Client 241-0262	Tax Identification Number 39	Domestic PHILIPPINES	20,000.00 PH10
14200000000 14	DBP-DAIWA SECURITIES (PHIL.), INC. 18/F Citibank Tower 8741 Paseo de Roxas Makati Cit Metropolitan Manila 1200	Settlement 813-73-44	Tax Identification Number 40	Domestic PHILIPPINES	55,000.00 PH10
14300000000 5	DAVID GO SECURITIES CORP. Rm. 309 Federation Center Bldg. Muelle de Binondo, Binondo, Manila Metropolitan Manila 1006	Omnibus Without Client 242-2379	Tax Identification Number 41	Domestic PHILIPPINES	607,000.00 PH10

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ACCOUNT NO.	ADDRESS	TELEPHONE NUMBER	ID NUMBER	COUNTRY	TAXCODE
1450000000 5	DIVERSIFIED SECURITIES, INC. 5/F PDCP Bank Centre, Herrera cor. Alfaro Sts., Salcedo Village, Makati City Metropolitan Manila 1600	Omnibus Without Client 634-6630/31	Tax Identification Number 43	Domestic PHILIPPINES	476,500.00 PH10
1450000000 6	DIVERSIFIED SECURITIES, INC. 5/F PDCP Bank Centre, Herrera cor. Alfaro Sts., Salcedo Village, Makati City Metropolitan Manila 1600	Settlement 634-6630/31	Tax Identification Number 43	Domestic PHILIPPINES	39,742.00 NWT
1470000000 5	E. CHUA CHIACO SECURITIES, INC. 113 Renta St., Binondo, Manila Metropolitan Manila 1006	Omnibus Without Client 242-5145	Tax Identification Number 45	Domestic PHILIPPINES	355,500.00 PH10
1480000000 5	EQUITABLE SECURIITES (PHILS.) INC. 3/F Cacho-Gonzalez Bldg, Aguirre cor. Trasierra St, Legaspi Village Makati City Metropolitan Manila 1229	Omnibus Without Client 810-4801/04	Tax Identification Number 46	Domestic PHILIPPINES	1,200.00 PH10
1490000000 5	EAST WEST CAPITAL CORPORATION 2/F U-Bix Building 1331 Angono St., Makati City Metropolitan Manila 1208	Omnibus Without Client 891-98901	Tax Identification Number 47	Domestic PHILIPPINES	200,000.00 PH10
1500000000 5	EASTERN SECURITIES DEVELOPMENT CORPORATION 1701 Tytana Ctr. Bldg, Binondo, Manila Metropolitan Manila 1006	Omnibus Without Client 242-4006/11	Tax Identification Number 48	Domestic PHILIPPINES	182,000.00 PH10
1530000000 5	EQUITIWORLD SECURITIES, INC. 807-809 Philippine Stock Exchange Ayala Tower 1, Ayala Avenue Makati City Metropolitan Manila 1226	Omnibus Without Client 848-5401/09	Tax Identification Number 51	Domestic PHILIPPINES	111,400.00 PH10
1530000000 7	EQUITIWORLD SECURITIES, INC. 807-809 Philippine Stock Exchange Ayala Tower 1, Ayala Avenue Makati City Metropolitan Manila 1226	Own 848-5401/09	Tax Identification Number 51	Domestic PHILIPPINES	30,000.00 NWT

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ACCOUNT NO.	ADDRESS	TELEPHONE NUMBER	ID NUMBER	COUNTRY	TAXCODE
15400000000 1	EVERGREEN STOCK BROKERAGE & SEC., INC. Suite 606 - 607, 6th Floor, Tower One Phil. Stock Exchange Plaza, Ayala Triangle, Ayala Ave. Makati City Metropolitan Manila 1200	Omnibus Without Client 891-9451	Tax Identification Number 52	Foreign PHILIPPINES	10,000.00 FMX1
15400000000 5	EVERGREEN STOCK BROKERAGE & SEC., INC. Suite 606 - 607, 6th Floor, Tower One Phil. Stock Exchange Plaza, Ayala Triangle, Ayala Ave. Makati City Metropolitan Manila 1200	Omnibus Without Client 891-9451	Tax Identification Number 52	Domestic PHILIPPINES	264,000.00 PH10
15700000000 5	FIRST ORIENT SECURITIES, INC. Unit 1201 Ayala Triangle Tower One Ayala Avenue, Makati City Metropolitan Manila 1226	Omnibus Without Client 891-9240/45	Tax Identification Number 55	Domestic PHILIPPINES	17,400.00 PH10
15900000000 5	FIRST INTEGRATED CAPITAL SECURITIES, INC. Units 1211-1212 Tower I & Exchange Plaza, Ayala Ave. Cor. Paseo de Roxas, Makati City Metropolitan Manila 1200	Omnibus Without Client 759-4320 to 23	Tax Identification Number 57	Domestic PHILIPPINES	65,500.00 PH10
16100000000 5	FRANCISCO ORTIGAS SECURITIES, INC. 10/F Ortigas Bldg. Ortigas Ave, Pasig City Metropolitan Manila 1600	Omnibus Without Client 631-26-74	Tax Identification Number 59	Domestic PHILIPPINES	102,500.00 PH10
16200000000 5	F. YAP SECURITIES, INC. Unit 2301 PSE Center (East Tower) Exchange Rd., Ortigas Center Pasig City Metropolitan Manila 1603	Omnibus Without Client 635-4126	Tax Identification Number 60	Domestic PHILIPPINES	66,500.00 PH10
16700000000 5	AURORA SECURITIES, INC. UNIT 2405A WEST TOWER PHILIPPINE STOCK EXCHANGE CENTRE ORTIGAS, PASIG CITY Metropolitan Manila 1605	Omnibus Without Client 633-5892	Tax Identification Number 64	Domestic PHILIPPINES	200.00 PH10

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ACCOUNT NO.	ADDRESS	TELEPHONE NUMBER	ID NUMBER	COUNTRY	TAXCODE
16800000000 2	GLOBALINKS SECURITIES & STOCKS, INC. # 706 Ayala Tower One Ayala Avenue Cor. Paseo de Roxas St. Makati City Metropolitan Manila 1226	Settlement 759-4136	Tax Identification Number 65	Foreign PHILIPPINES	146,000.00 FMX1
16800000000 5	GLOBALINKS SECURITIES & STOCKS, INC. # 706 Ayala Tower One Ayala Avenue Cor. Paseo de Roxas St. Makati City Metropolitan Manila 1226	Omnibus Without Client 759-4136	Tax Identification Number 65	Domestic PHILIPPINES	2,420,058.00 PH10
16800000000 6	GLOBALINKS SECURITIES & STOCKS, INC. # 706 Ayala Tower One Ayala Avenue Cor. Paseo de Roxas St. Makati City Metropolitan Manila 1226	Settlement 759-4136	Tax Identification Number 65	Domestic PHILIPPINES	3,173,000.00 NWT
16800000000 7	GLOBALINKS SECURITIES & STOCKS, INC. # 706 Ayala Tower One Ayala Avenue Cor. Paseo de Roxas St. Makati City Metropolitan Manila 1226	Own 759-4136	Tax Identification Number 65	Domestic PHILIPPINES	70.00 NWT
16800000000 18	GLOBALINKS SECURITIES & STOCKS, INC. # 706 Ayala Tower One Ayala Avenue Cor. Paseo de Roxas St. Makati City Metropolitan Manila 1226	Settlement 759-4136	Tax Identification Number 65	Foreign PHILIPPINES	10,000.00 RA10
16900000000 5	JSG SECURITIES, INC. 4th Floor, A&T Building, 244 Escolta Street, Binondo Manila Metropolitan Manila 1006	Omnibus Without Client 2429414	Tax Identification Number 66	Domestic PHILIPPINES	65,000.00 PH10
17000000000 5	GOLDSTAR SECURITIES, INC. 2201-B East Tower, PSE Centre Exchange Rd, Ortiga Center Pasig City Metropolitan Manila 1600	Omnibus Without Client 633-7485/86	Tax Identification Number 67	Domestic PHILIPPINES	597,500.00 PH10

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17000000000 7	GOLDSTAR SECURITIES, INC. 2201-B East Tower, PSE Centre Exchange Rd, Ortiga Center Pasig City Metropolitan Manila 1600	Own 633-7485/86	Tax Identification Number 67	Domestic PHILIPPINES	29,500.00 NWT
17000000000 14	GOLDSTAR SECURITIES, INC. 2201-B East Tower, PSE Centre Exchange Rd, Ortiga Center Pasig City Metropolitan Manila 1600	Settlement 633-7485/86	Tax Identification Number 67	Domestic PHILIPPINES	15,000.00 PH10
17200000000 5	GUILD SECURITIES, INC. Unit 1215 Tower One & Exchange Plaza Ayala Ave., Makati City Metropolitan Manila 1226	Omnibus Without Client 8919232	Tax Identification Number 69	Domestic PHILIPPINES	54,500.00 PH10
17400000000 5	HDI SECURITIES, INC. 11/F, Ayala Tower I, Ayala Ave. Makati City Metropolitan Manila 1226	Omnibus Without Client 891-9598	Tax Identification Number 71	Domestic PHILIPPINES	155,500.00 PH10
17400000000 6	HDI SECURITIES, INC. 11/F, Ayala Tower I, Ayala Ave. Makati City Metropolitan Manila 1226	Settlement 891-9598	Tax Identification Number 71	Domestic PHILIPPINES	2,000.00 NWT
17500000000 5	H. E. BENNETT SECURITIES, INC. Rm. 1704 World Trade Exchange Bldg., 215 Juan Lur St., Binondo, Manila Metropolitan Manila 1006	Omnibus Without Client 242-5733	Tax Identification Number 72	Domestic PHILIPPINES	42,000.00 PH10
17800000000 5	HK SECURITIES, INC. Suite 102 Columbia Tower, Ortigas Ave., Mandaluyong City Metropolitan Manila 1600	Omnibus Without Client 6336991 to 96	Tax Identification Number 75	Domestic PHILIPPINES	1,000.00 PH10
17900000000 5	I. ACKERMAN & CO., INC. Suite 705, Tower I Bldg. PSE Plaza, Ayala Triangle Ayala Ave., Makati City Metropolitan Manila 1226	Omnibus Without Client 891-9071	Tax Identification Number 76	Domestic PHILIPPINES	174,900.00 PH10

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1800000000 5	I. B. GIMENEZ SECURITIES, INC. 2703A East Tower PSE Centre Exchange Road, Ortig Centre, Pasig City Metropolitan Manila 1600	Omnibus Without Client 634-2344/48	Tax Identification Number 77	Domestic PHILIPPINES	821,700.00 PH10
1810000000 5	INVESTORS SECURITIES, INC, Unit 604-605 Tower One & Exchange Plaza Ayala Triangle, Ayala Ave. cor Paseo de Roxas Makati City Metropolitan Manila 1200	Omnibus Without Client 8431210	Tax Identification Number 78	Domestic PHILIPPINES	616,000.00 PH10
1820000000 5	IMPERIAL,DE GUZMAN,ABALOS & CO.,INC. Ground Floor, EDSA Central Square Shaw Boulevard Mandaluyong City Metropolitan Manila 1552	Omnibus Without Client 6332686	Tax Identification Number 79	Domestic PHILIPPINES	57,000.00 PH10
1830000000 5	INTRA-INVEST SECURITIES, INC. 11/F ACT Tower, 135 Sen. Gil Puyat Ave., Salcedo Vill., Makati City Metropolitan Manila 1200	Omnibus Without Client 8106934	Tax Identification Number 80	Domestic PHILIPPINES	56,000.00 PH10
1870000000 5	ASIAN CAPITAL EQUITIES, INC. 6/F Tower 1 & Exchange Plaza Ayala Ave., cor Paseo de Roxas, Makati City Metropolitan Manila 1226	Omnibus Without Client 8485126	Tax Identification Number 84	Domestic PHILIPPINES	3,000.00 PH10
1880000000 5	J.M. BARCELON & CO., INC. #34 Casa Nueva Townhomes, Manga Road, corner Balite Drive, New Manila, Quezon City Metropolitan Manila 1100	Omnibus Without Client 523-6808	Tax Identification Number 85	Domestic PHILIPPINES	5,000.00 PH10
1900000000 5	VALUE QUEST SECURITIES CORPORATION Unit 1007-B, West Tower PSE Center Exchange Roac Ortigas Center Pasig City Metropolitan Manila 00	Omnibus Without Client 892-1816	Tax Identification Number 87	Domestic PHILIPPINES	500,000.00 PH10

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ACCOUNT NO.	ADDRESS	TELEPHONE NUMBER	ID NUMBER	COUNTRY	TAXCODE
19200000000 6	STRATEGIC EQUITIES CORP. Unit 610-611 PSE Plaza, Tower I, Ayala Triangle, Ayala Ave., Makati City Metropolitan Manila 1226	Settlement 759-4055	Tax Identification Number 89	Domestic PHILIPPINES	2,681,000.00 NWT
19700000000 5	LOPEZ, LOCSIN, LEDESMA & CO., INC. Room 702, Ayala Tower One, Ayala Avenue, Makati City Metropolitan Manila 1226	Omnibus Without Client 8127482	Tax Identification Number 94	Domestic PHILIPPINES	28,000.00 PH10
19800000000 5	LUCKY SECURITIES, INC. Unit 1402-B PSE Center Exchange Road, Ortigas Center Pasig City Metropolitan Manila 1600	Omnibus Without Client 6346747/60	Tax Identification Number 95	Domestic PHILIPPINES	975,800.00 NWT
20000000000 5	MANDARIN SECURITIES CORPORATION 28/F LKG Tower 6801 Ayala Ave. Makati City Metropolitan Manila 1200	Omnibus Without Client 523-8311/16	Tax Identification Number 97	Domestic PHILIPPINES	146,000.00 PH10
20200000000 5	MARINO OLONDRIZ Y CIA #20 Arguilla St. San Lorenzo Village, Makati City Metropolitan Manila 0	Omnibus Without Client 2415280	Tax Identification Number 99	Domestic PHILIPPINES	1,800.00 PH10
20300000000 1	CITISECONLINE.COM, INC. 2701-A EAST TOWER, PSE CENTRE EXCHANGE ROAD, ORTIGAS CENTER PASIG CITY Metropolitan Manila 1605	Omnibus Without Client 635-5735	Tax Identification Number 100	Foreign PHILIPPINES	191,200.00 FMX1
20300000000 5	CITISECONLINE.COM, INC. 2701-A EAST TOWER, PSE CENTRE EXCHANGE ROAD, ORTIGAS CENTER PASIG CITY Metropolitan Manila 1605	Omnibus Without Client 635-5735	Tax Identification Number 100	Domestic PHILIPPINES	6,683,708.00 PH10
20400000000 6	DA MARKET SECURITIES, INC. Unit 2402-B West Tower, PSE Center Exchange Roac Ortigas Center Pasig City Metropolitan Manila 1600	Settlement 637-42-42	Tax Identification Number 101	Domestic PHILIPPINES	5,000.00 NWT

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ACCOUNT NO.	ADDRESS	TELEPHONE NUMBER	ID NUMBER	COUNTRY	TAXCODE
20400000000 14	DA MARKET SECURITIES, INC. Unit 2402-B West Tower, PSE Center Exchange Road Ortigas Center Pasig City Metropolitan Manila 1600	Settlement 637-42-42	Tax Identification Number 101	Domestic PHILIPPINES	36,400.00 PH10
20500000000 5	MERCANTILE SECURITIES CORP. 3RD FLOOR GOODWILL BUILDING 393 SE. GIL PUYAT AVENUE MAKATI CITY Metropolitan Manila 1226	Omnibus Without Client 898-2984	Tax Identification Number 102	Domestic PHILIPPINES	10,000.00 PH10
20600000000 5	MERIDIAN SECURITIES, INC. Suite 2702B&C Tektite Tower I Ortigas Centre, Pasig City Metropolitan Manila 1600	Omnibus Without Client 634-6931/36	Tax Identification Number 103	Domestic PHILIPPINES	363,000.00 PH10
20800000000 5	MDR SECURITIES, INC. Unit 1806, 8/F Medical Plaza Ortigas Bldg., Pasig City Metropolitan Manila 1226	Omnibus Without Client 891-9225	Tax Identification Number 105	Domestic PHILIPPINES	250,000.00 PH10
20900000000 4	DEUTSCHE REGIS PARTNERS, INC. 23/F Tower I, Ayala Triangle, Makati City Metropolitan Manila 1226	Settlement 894-6620	Tax Identification Number 106	Foreign PHILIPPINES	900.00 RA02
20900000001 1	DEUTSCHE REGIS PARTNERS, INC. 23/F Tower I, Ayala Triangle, Makati City Metropolitan Manila 1226	Client 894-6620	Tax Identification Number 381	Domestic PHILIPPINES	1,227,000.00 NWT
20900000003 1	DEUTSCHE REGIS PARTNERS, INC. 23/F Tower I, Ayala Triangle, Makati City Metropolitan Manila 1226	Client 894-6620	Tax Identification Number 380	Domestic PHILIPPINES	4,458,000.00 NWT
20900000008 1	DEUTSCHE REGIS PARTNERS, INC. 23/F Tower I, Ayala Triangle, Makati City Metropolitan Manila 1226	Client 894-6620	Tax Identification Number 486	Foreign PHILIPPINES	4,300,000.00 FMX1

BP ID	BP NAME	ACCOUNT TYPE	ID TYPE	INVESTOR TYPE	HOLDINGS
ACCOUNT NO.	ADDRESS	TELEPHONE NUMBER	ID NUMBER	COUNTRY	TAXCODE
2100000000 5	MOUNT PEAK SECURITIES, INC. #748 C.K. Bldg., Juan Luna St., Binondo, Manila Metropolitan Manila 1006	Omnibus Without Client 241-8043	Tax Identification Number 107	Domestic PHILIPPINES	2,800.00 PH10
2110000000 5	NEW WORLD SECURITIES CO., INC. Rm. 202 Fil-Am Resources Bldg. 231 Juan Luna St. Binondo, Manila Metropolitan Manila 1006	Omnibus Without Client 2421767	Tax Identification Number 108	Domestic PHILIPPINES	14,600.00 PH10
2150000000 5	OPTIMUM SECURITIES CORPORATION No. 11 E. O. Bldg., United St. cor. 2nd St. Bo. Kapitolyo, Pasig City Metropolitan Manila 1650	Omnibus Without Client 631-7831/36	Tax Identification Number 112	Domestic PHILIPPINES	298,800.00 PH10
2170000000 5	RCBC SECURITIES, INC. Unit 1008 Tower I & Exchange Plaza Ayala Avenue, Makati City Metropolitan Manila 1200	Omnibus Without Client 8485183	Tax Identification Number 113	Domestic PHILIPPINES	2,370,000.00 PH10
2170000000 6	RCBC SECURITIES, INC. Unit 1008 Tower I & Exchange Plaza Ayala Avenue, Makati City Metropolitan Manila 1200	Settlement 8485183	Tax Identification Number 113	Domestic PHILIPPINES	7,000.00 NWT
2180000000 1	PAN ASIA SECURITIES CORP. 910 Tower One & Exchange Plaza Ayala Avenue, Makati City Metropolitan Manila 1200	Omnibus Without Client 8919173	Tax Identification Number 114	Foreign PHILIPPINES	125,000.00 FMX1
2180000000 5	PAN ASIA SECURITIES CORP. 910 Tower One & Exchange Plaza Ayala Avenue, Makati City Metropolitan Manila 1200	Omnibus Without Client 8919173	Tax Identification Number 114	Domestic PHILIPPINES	5,000.00 PH10

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ACCOUNT NO.	ADDRESS	TELEPHONE NUMBER	ID NUMBER	COUNTRY	TAXCODE
21900000000 5	PAPA SECURITIES CORPORATION 6/F, S & L Building Dela Rosa cor. Esteban Sts. Legaspi Village, Makati City Metropolitan Manila 1200	Omnibus Without Client 817-8433	Tax Identification Number 115	Domestic PHILIPPINES	881,750.00 PH10
22000000000 1	ATR-KIM ENG SECURITIES, INC. 17/F Tower One & Exchange Plaza, Ayala Triangle, Ayala Avenue Makati City Metropolitan Manila 1226	Omnibus Without Client 849-8855	Tax Identification Number 116	Foreign PHILIPPINES	60.00 FMX1
22000000000 2	ATR-KIM ENG SECURITIES, INC. 17/F Tower One & Exchange Plaza, Ayala Triangle, Ayala Avenue Makati City Metropolitan Manila 1226	Settlement 849-8855	Tax Identification Number 116	Foreign PHILIPPINES	140,940.00 FMX1
22000000000 6	ATR-KIM ENG SECURITIES, INC. 17/F Tower One & Exchange Plaza, Ayala Triangle, Ayala Avenue Makati City Metropolitan Manila 1226	Settlement 849-8855	Tax Identification Number 116	Domestic PHILIPPINES	1,713,100.00 NWT
22000000000 8	ATR-KIM ENG SECURITIES, INC. 17/F Tower One & Exchange Plaza, Ayala Triangle, Ayala Avenue Makati City Metropolitan Manila 1226	Settlement 849-8855	Tax Identification Number 116	Domestic PHILIPPINES	101,949.00 NWT
22400000000 5	PNB SECURITIES, INC. 3/F PNB Financial Center Roxas Blvd., Pasay City Metropolitan Manila 1300	Omnibus Without Client 526-3466	Tax Identification Number 120	Domestic PHILIPPINES	360,096.00 PH10
22500000000 5	PREMIUM SECURITIES, INC. Unit 1415, Tower 1 & Exchange Plaza Ayala Avenue cor. Paseo de Roxas Makati City Metropolitan Manila 1259	Omnibus Without Client 848-5915/17	Tax Identification Number 121	Domestic PHILIPPINES	45,000.00 PH10

BP ID	BP NAME	ACCOUNT TYPE	ID TYPE	INVESTOR TYPE	HOLDINGS
ACCOUNT NO.	ADDRESS	TELEPHONE NUMBER	ID NUMBER	COUNTRY	TAXCODE
22500000000 18	PREMIUM SECURITIES, INC. Unit 1415, Tower 1 & Exchange Plaza Ayala Avenue cor. Paseo de Roxas Makati City Metropolitan Manila 1259	Settlement 848-5915/17	Tax Identification Number 121	Foreign PHILIPPINES	82,000.00 RA10
22800000000 5	PRYCE SECURITIES, INC. 9/F, BPI Paseo de Roxas Cond. Center 8753 Paseo de Roxas, Makati City Metropolitan Manila 1226	Omnibus Without Client 816-2426/27	Tax Identification Number 124	Domestic PHILIPPINES	157.00 PH10
22900000000 5	PUBLIC SECURITIES CORPORATION Unit 207 Cityland Condominium 10 - Tower 2 6817 H.V. De La Costa St. cor. Ayala Ave. Makati City Metropolitan Manila 1200	Omnibus Without Client 892-88-34	Tax Identification Number 125	Domestic PHILIPPINES	1,000.00 PH10
23000000000 5	QUALITY INVESTMENTS & SECURITIES CORPORATION Suite 1602 Tytana Plaza Oriente St, Binondo Manila Metropolitan Manila 1006	Omnibus Without Client 241-0547	Tax Identification Number 126	Domestic PHILIPPINES	356,000.00 PH10
23100000000 5	R & L INVESTMENTS, INC. 675 Lee St., Mandaluyong City Metropolitan Manila 1501	Omnibus Without Client 7247210/705207	Tax Identification Number 127	Domestic PHILIPPINES	30,000.00 PH10
23200000000 6	ALAKOR SECURITIES CORPORATION 9/F Quad Alpha Centrum, 125 Pioneer St. Mandaluyong City Metropolitan Manila 1550	Settlement 631-8041/42	Tax Identification Number 128	Domestic PHILIPPINES	50,000.00 NWT
23300000000 5	R. COYIUTO SECURITIES, INC. 5/F Corinthian Plaza, Paseo de Roxas, Legaspi Village Makati City Metropolitan Manila 0	Omnibus Without Client 811-3064	Tax Identification Number 129	Domestic PHILIPPINES	209,000.00 PH10

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ACCOUNT NO.	ADDRESS	TELEPHONE NUMBER	ID NUMBER	COUNTRY	TAXCODE
23500000000 5	REGINA CAPITAL DEVELOPMENT CORPORATI Unit 806 Tower 1 & Exchange Plaza Ayala Triangle, Ayala Avenue Makati City Metropolitan Manila 1226	Omnibus Without Client 848-5482/84	Tax Identification Number 131	Domestic PHILIPPINES	1,410,143.00 PH10
23500000000 6	REGINA CAPITAL DEVELOPMENT CORPORATI Unit 806 Tower 1 & Exchange Plaza Ayala Triangle, Ayala Avenue Makati City Metropolitan Manila 1226	Settlement 848-5482/84	Tax Identification Number 131	Domestic PHILIPPINES	4,300,000.00 NWT
23500000000 8	REGINA CAPITAL DEVELOPMENT CORPORATI Unit 806 Tower 1 & Exchange Plaza Ayala Triangle, Ayala Avenue Makati City Metropolitan Manila 1226	Settlement 848-5482/84	Tax Identification Number 131	Domestic PHILIPPINES	1,000,000.00 NWT
23600000000 5	R. NUBLA SECURITIES, INC. Room 604, Fil-Am Resources Bldg., 231 Juan Luna S Binondo, Manila Metropolitan Manila 1006	Omnibus Without Client 242-1596	Tax Identification Number 132	Domestic PHILIPPINES	3,688,000.00 PH10
23700000000 5	AAA SOUTHEAST EQUITIES, INCORPORATED Ground Floor, Fortune Life Building #162 Legaspi St. Legaspi Village Makati City Metropolitan Manila 1229	Omnibus Without Client 816-2918	Tax Identification Number 133	Domestic PHILIPPINES	55,000.00 PH10
23800000000 5	R. S. LIM & CO., INC. 1509 Galvani Street San Isidro, Makati City Metropolitan Manila 1234	Omnibus Without Client 8919670	Tax Identification Number 134	Domestic PHILIPPINES	10,100.00 PH10
23900000000 5	RTG & COMPANY, INC. Unit 602 Tower 1 & Exchange Plaza Ayala Triangle, Makati City Metropolitan Manila 1200	Omnibus Without Client 8919482	Tax Identification Number 135	Domestic PHILIPPINES	4,709,100.00 PH10

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ACCOUNT NO.	ADDRESS	TELEPHONE NUMBER	ID NUMBER	COUNTRY	TAXCODE
23900000000 6	RTG & COMPANY, INC. Unit 602 Tower 1 & Exchange Plaza Ayala Triangle, Makati City Metropolitan Manila 1200	Settlement 8919482	Tax Identification Number 135	Domestic PHILIPPINES	6,000.00 NWT
23900000000 7	RTG & COMPANY, INC. Unit 602 Tower 1 & Exchange Plaza Ayala Triangle, Makati City Metropolitan Manila 1200	Own 8919482	Tax Identification Number 135	Domestic PHILIPPINES	2,000.00 NWT
24000000000 5	S.J. ROXAS & CO., INC. Unit 612 Tower One,& Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City Metropolitan Manila 0	Omnibus Without Client 848-5065	Tax Identification Number 136	Domestic PHILIPPINES	281,000.00 PH10
24000000000 6	S.J. ROXAS & CO., INC. Unit 612 Tower One,& Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City Metropolitan Manila 0	Settlement 848-5065	Tax Identification Number 136	Domestic PHILIPPINES	1,000.00 NWT
24000000002 1	S.J. ROXAS & CO.,INC. Unit 612 Tower One, Ayala Triangle, Ayala Avenue, Makati City Metropolitan Manila 0	Client 8485065 TO 69	Tax Identification Number 546	Domestic PHILIPPINES	20,000.00 NWT
24300000000 5	FIDELITY SECURITIES, INC. 2103-B PSE Centre, Exchange Road, Ortigas, Pasig City Metropolitan Manila 1600	Omnibus Without Client 6345038	Tax Identification Number 139	Domestic PHILIPPINES	13,000.00 PH10
24600000000 5	SUMMIT SECURITIES, INC. Unit 2102 B/C PSE Center Tektite Tower East Exchange Road, Ortigas Center Pasig City Metropolitan Manila 1600	Omnibus Without Client 6311032 to 37	Tax Identification Number 141	Domestic PHILIPPINES	334,800.00 PH10

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ACCOUNT NO.	ADDRESS	TELEPHONE NUMBER	ID NUMBER	COUNTRY	TAXCODE
24700000000 5	STANDARD SECURITIES CORPORATION #34 Jefferson St., GHW, San Juan Metro Manila Metropolitan Manila 00	Omnibus Without Client 8486149	Tax Identification Number 142	Domestic PHILIPPINES	40,000.00 PH10
24900000000 5	SUPREME STOCKBROKERS, INC Unit 1509 15F Ayala Tower 1 & Exchange Plaza, Ay Ave., Makati City Metropolitan Manila 1226	Omnibus Without Client 8919404 to 07	Tax Identification Number 144	Domestic PHILIPPINES	3,600.00 PH10
25100000000 5	TANSENGCO & CO., INC. U-2308 World Trade Exchange Condominium 215 Ju Luna St., Binondo, Manila Metropolitan Manila 1006	Omnibus Without Client 241-7155	Tax Identification Number 146	Domestic PHILIPPINES	560,800.00 PH10
25200000000 5	THE FIRST RESOURCES MANAGEMENT & SECURITIES CORP. Rms. 801-802, PSE Tower 1 Ayala Ave., cor. Paseo d Roxas, Ayala Triangle, Makati City Metropolitan Manila 1200	Omnibus Without Client 8486311 to 18	Tax Identification Number 147	Domestic PHILIPPINES	257,000.00 PH10
25300000000 5	TOWER SECURITIES, INC. 1802-C Tektite Tower I Exchange Road, Ortigas Cent Pasig City Metropolitan Manila 1600	Omnibus Without Client 6354448	Tax Identification Number 148	Domestic PHILIPPINES	15,507,900.00 PH10
25700000000 5	TRI-STATE SECURITIES, INC. Unit 1007, 10/F Ayala Triangle Tower I, Ayala Avenue, Makati City Metropolitan Manila 1226	Omnibus Without Client 8485042	Tax Identification Number 152	Domestic PHILIPPINES	745,000.00 PH10
25900000000 5	UCPB SECURITIES, INC. Suite 1612, 16/F Ayala Tower I Exchange Plaza, Ayal Ave. cor. Paseo de Roxas Makati City Metropolitan Manila 1226	Omnibus Without Client 8485678	Tax Identification Number 154	Domestic PHILIPPINES	528,000.00 PH10

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ACCOUNT NO.	ADDRESS	TELEPHONE NUMBER	ID NUMBER	COUNTRY	TAXCODE
26100000000 5	E.SECURITIES, INC. 11/F Exportbank Plaza Chino Roces cor. Sen. Gil J. Puyat Ave., Makati City Metropolitan Manila 1251	Omnibus Without Client 887-9000 L786	Tax Identification Number 156	Domestic PHILIPPINES	232,200.00 PH10
26100000004 1	E.SECURITIES, INC. 11/F Exportbank Plaza Chino Roces cor Sen. Gil J. Puyat Ave, Makati City Metropolitan Manila 1251	Client	Tax Identification Number 560	Domestic PHILIPPINES	30,000.00 PH10
26300000000 2	VENTURE SECURITIES, INC. Unit 811 Tower One & Exchange Plaza Ayala Triangl Ayala Ave. cor. Paseo de Roxas Makati City Metropolitan Manila 1226	Settlement 8486505	Tax Identification Number 158	Foreign PHILIPPINES	160,000.00 FMX1
26300000000 6	VENTURE SECURITIES, INC. Unit 811 Tower One & Exchange Plaza Ayala Triangl Ayala Ave. cor. Paseo de Roxas Makati City Metropolitan Manila 1226	Settlement 8486505	Tax Identification Number 158	Domestic PHILIPPINES	14,000.00 NWT
26300000004 1	VENTURE SECURITIES, INC. Unit 811 Tower One & Exchange Plaza Ayala Triangl Ayala Ave. cor. Paseo de Roxas Makati City Metropolitan Manila 1226	Client 892-8888	Tax Identification Number 533	Domestic PHILIPPINES	4,000.00 NWT
26600000000 5	VICSAL SECURITIES & STOCK BROKERAGE, IN 658 C. Palanca St., Quiapo, Manila Metropolitan Manila 1001	Omnibus Without Client 7349771	Tax Identification Number 161	Domestic PHILIPPINES	5,232,500.00 PH10
26700000000 1	FIRST METRO SECURITIES BROKERAGE CORP. Unit 1515, 15/F Ayala Tower One Ayala Triangle, Ayala Ave. cor Paseo de Roxas Makati City Metropolitan Manila 1226	Omnibus Without Client 759-4133/34	Tax Identification Number 162	Foreign PHILIPPINES	4,300.00 FMX1

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ACCOUNT NO.	ADDRESS	TELEPHONE NUMBER	ID NUMBER	COUNTRY	TAXCODE
26700000000 2	FIRST METRO SECURITIES BROKERAGE CORP. Unit 1515, 15/F Ayala Tower One Ayala Triangle, Ayala Ave. cor Paseo de Roxas Makati City Metropolitan Manila 1226	Settlement 759-4133/34	Tax Identification Number 162	Foreign PHILIPPINES	1,001,000.00 FMX1
26700000000 5	FIRST METRO SECURITIES BROKERAGE CORP. Unit 1515, 15/F Ayala Tower One Ayala Triangle, Ayala Ave. cor Paseo de Roxas Makati City Metropolitan Manila 1226	Omnibus Without Client 759-4133/34	Tax Identification Number 162	Domestic PHILIPPINES	1,298,200.00 PH10
26700000000 6	FIRST METRO SECURITIES BROKERAGE CORP. Unit 1515, 15/F Ayala Tower One Ayala Triangle, Ayala Ave. cor Paseo de Roxas Makati City Metropolitan Manila 1226	Settlement 759-4133/34	Tax Identification Number 162	Domestic PHILIPPINES	1,775,400.00 NWT
26700000000 7	FIRST METRO SECURITIES BROKERAGE CORP. Unit 1515, 15/F Ayala Tower One Ayala Triangle, Ayala Ave. cor Paseo de Roxas Makati City Metropolitan Manila 1226	Own 759-4133/34	Tax Identification Number 162	Domestic PHILIPPINES	225,000.00 NWT
26900000000 5	WEALTH SECURITIES, INC. 2103 PSE Centre, Exchange Road Ortigas Centre, Pas City Metropolitan Manila 1600	Omnibus Without Client 634-5038	Tax Identification Number 164	Domestic PHILIPPINES	2,678,000.00 PH10
26900000002 1	WEALTH SECURITIES, INC. 2103 PSE Centre, Exchange Road Ortigas Centre, Pas City Metropolitan Manila 1600	Client 689-8080	Tax Identification Number 320	Domestic PHILIPPINES	2,513,900.00 NWT
27000000000 5	WESTLINK GLOBAL EQUITIES, INC. 6/F Philippine Stock Exchange Plaza Ayala Avenue, Makati City Metropolitan Manila 1200	Omnibus Without Client 848-6231	Tax Identification Number 165	Domestic PHILIPPINES	8,800.00 PH10

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ACCOUNT NO.	ADDRESS	TELEPHONE NUMBER	ID NUMBER	COUNTRY	TAXCODE
27000000000 6	WESTLINK GLOBAL EQUITIES, INC. 6/F Philippine Stock Exchange Plaza Ayala Avenue, Makati City Metropolitan Manila 1200	Settlement 848-6231	Tax Identification Number 165	Domestic PHILIPPINES	200.00 NWT
27200000000 5	BERNAD SECURITIES, INC. 3/F 1033 M.H. del Pilar St. Ermita, Manila Metropolitan Manila 1000	Omnibus Without Client 5245186	Tax Identification Number 167	Domestic PHILIPPINES	200,000.00 PH10
27300000000 5	WONG SECURITIES CORPORATION 1402-B A. Mabini St., cor. Sta. Monica St., Ermita, Manila Metropolitan Manila 1000	Omnibus Without Client 5217794	Tax Identification Number 168	Domestic PHILIPPINES	2,000.00 PH10
27500000000 5	YAO & ZIALCITA, INC. Yao & Zialcita, Inc., 5G Vernida I Condominium, 120 Amorsolo St., Legaspi Village, Makati City Metropolitan Manila	Omnibus Without Client 5274019 to 21	Tax Identification Number 170	Domestic PHILIPPINES	255,000.00 PH10
27800000000 5	YU & COMPANY, INC. Unit E 1606-B Tektite Tower 1 Exchange Road, Ortiga Center Pasig City Metropolitan Manila 1600	Omnibus Without Client 634-6248	Tax Identification Number 173	Domestic PHILIPPINES	670,000.00 PH10
27900000000 5	BDO SECURITIES CORPORATION 27/F Tower I & Exchange Plaza Ayala Ave., Makati City Metropolitan Manila 1226	Omnibus Without Client 759-41-44	Tax Identification Number 174	Domestic PHILIPPINES	38,642,756.00 PH10
27900000000 6	BDO SECURITIES CORPORATION 27/F Tower I & Exchange Plaza Ayala Ave., Makati City Metropolitan Manila 1226	Settlement 759-41-44	Tax Identification Number 174	Domestic PHILIPPINES	1,129,200.00 NWT
27900000000 8	BDO SECURITIES CORPORATION 27/F Tower I & Exchange Plaza Ayala Ave., Makati City Metropolitan Manila 1226	Settlement 759-41-44	Tax Identification Number 174	Domestic PHILIPPINES	50,000.00 NWT

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ACCOUNT NO.	ADDRESS	TELEPHONE NUMBER	ID NUMBER	COUNTRY	TAXCODE
28200000000 6	PCCI SECURITIES BROKERS CORP. 3/F PCCI Corporate Centre 118 Alfaro St, Salcedo Village Makati City Metropolitan Manila 1227	Settlement 893-3920	Tax Identification Number 177	Domestic PHILIPPINES	2,079,600.00 NWT
28200000000 8	PCCI SECURITIES BROKERS CORP. 3/F PCCI Corporate Centre 118 Alfaro St, Salcedo Village Makati City Metropolitan Manila 1227	Settlement 893-3920	Tax Identification Number 177	Domestic PHILIPPINES	30,300.00 NWT
28300000000 5	EAGLE EQUITIES, INC. 179 Kaimito St. Valle Verde II, Pasig City Metropolitan Manila 1600	Omnibus Without Client 6363637 to 39	Tax Identification Number 178	Domestic PHILIPPINES	50,500.00 PH10
28500000000 5	GOLDEN TOWER SECURITIES & HOLDINGS, IN 4-B Vernida I Condominium, 120 Amorsolo St., Legaspi Village, Makati City Metropolitan Manila 1229	Omnibus Without Client 8132839	Tax Identification Number 179	Domestic PHILIPPINES	31,000.00 PH10
28600000000 5	SOLAR SECURITIES, INC. Unit 3002-A East Tower, Phil. Stock Exchange Centre Exchange Road, Ortigas Complex, Pasig City Metropolitan Manila 1605	Omnibus Without Client 6366301	Tax Identification Number 180	Domestic PHILIPPINES	637,050.00 PH10
28800000000 5	G.D. TAN & COMPANY, INC. Unit 2203-A East Tower, PSE Center Exchange Road, Ortigas Center, Pasig City Metropolitan Manila 1600	Omnibus Without Client 6339989	Tax Identification Number 181	Domestic PHILIPPINES	10,500.00 PH10
32300000000 14	CLSA PHILIPPINES, INC. Trafalgar Plaza, Unit 17-D, 105 H.V. dela Costa St., Salcedo Vill., Makati City Metropolitan Manila 1227	Settlement 848-3699	Tax Identification Number 183	Domestic PHILIPPINES	4,000,000.00 PH10
32800000000 5	DW CAPITAL INC. 1136 Solar St., Binondo, Manila Metropolitan Manila 0	Omnibus Without Client 245-3093	Tax Identification Number 184	Domestic PHILIPPINES	25,000.00 PH10

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ACCOUNT NO.	ADDRESS	TELEPHONE NUMBER	ID NUMBER	COUNTRY	TAXCODE
33300000000 14	UBS SECURITIES PHILIPPINES, INC. 19/F Ayala Tower One, Ayala Ave., Makati City Metropolitan Manila 1200	Settlement 754-8813	Tax Identification Number 185	Domestic PHILIPPINES	40,000.00 PH10
33800000000 8	PHILIPPINE EQUITY PARTNERS, INC. Unit 19C Citibank Tower Citibank Plaza 8741 Paseo c Roxas Makati City Metropolitan Manila 1226	Settlement 8145788	Tax Identification Number 186	Domestic PHILIPPINES	591.00 NWT
33800000002 1	PHILIPPINE EQUITY PARTNERS, INC. Unit 19C Citibank Tower Citibank Plaza 8741 Paseo c Roxas Makati City Metropolitan Manila 1226	Client	Tax Identification Number 426	Domestic PHILIPPINES	500,000.00 PH10
34500000000 5	UNICAPITAL SECURITIES INC. 4F Majalco Bldg Benavidez cor Trasierra Sts Legaspi Vill., Makati City Metropolitan Manila 1200	Omnibus Without Client 750-2030	Tax Identification Number 187	Domestic PHILIPPINES	409,700.00 PH10
34500000003 1	UNICAPITAL SECURITIES INC. 4F Majalco Bldg Benavidez cor Trasierra Sts Legaspi Vill., Makati City Metropolitan Manila 1200	Client 8122514	Tax Identification Number 418	Domestic PHILIPPINES	25,000.00 NWT
38800000000 5	ARMSTRONG SECURITIES, INC. Unit 2205-A, 22/F PSE Centre Exchange Road, Ortig Centre, Pasig City Metropolitan Manila 1600	Omnibus Without Client 6346337 to 39	Tax Identification Number 191	Domestic PHILIPPINES	6,000.00 PH10
38900000000 5	KING'S POWER SECURITIES, INC. RM 1602 FEDERAL TOWER DASMARINAS ST., BINONDO, MANILA Metropolitan Manila 0	Omnibus Without Client	Tax Identification Number 192	Domestic PHILIPPINES	330,000.00 PH10

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ACCOUNT NO.	ADDRESS	TELEPHONE NUMBER	ID NUMBER	COUNTRY	TAXCODE
BCDO2000000 1	BANCO DE ORO - TRUST BANKING GROUP 17/F, South Tower, BDO Corporate Centre cor H.V. Dela Costa and Makati Avenue Makati City City Metropolitan Manila 1200	Own 634 4660	Tax Identification Number 962	Domestic PHILIPPINES	1,630,439.00 NWT
BCDO2000005 1	GENERALI PILIPINAS LIFE ASSURANCE COMPANY - GF 17/F, South Tower, BDO Corporate Centre cor H.V. Dela Costa and Makati Avenue Makati City City Metropolitan Manila 1200	Client 634 4660	Tax Identification Number 1242	Domestic PHILIPPINES	1,080,100.00 NWT
BCDO2000007 1	BANCO DE ORO - TRUST BANKING GROUP 17/F, South Tower, BDO Corporate Centre cor H.V. Dela Costa and Makati Avenue Makati City City Metropolitan Manila 1200	Client 634 4660	Tax Identification Number 1224	Domestic PHILIPPINES	4,596,600.00 NWT
BCDO2000009 1	BANCO DE ORO - TRUST BANKING GROUP 17/F, South Tower, BDO Corporate Centre cor H.V. Dela Costa and Makati Avenue Makati City City Metropolitan Manila 1200	Client 634 4660	Tax Identification Number 1222	Domestic PHILIPPINES	6,971,300.00 NWT
CITI1000000 1	CITIBANK N.A. 11/F Citibank Tower Villar corner Valero Sts. Makati City, MM Metropolitan Manila 1200	Own 8947841	Tax Identification Number 946	Foreign PHILIPPINES	22,335,957.00 FMX1
CITI1000001 1	CITIBANK N.A. 11/F Citibank Tower Villar corner Valero Sts. Makati City, MM Metropolitan Manila 1200	Client 8947841	Tax Identification Number 1098	Domestic PHILIPPINES	4,506,780.00 NWT
CITI1000003 1	CITIBANK N.A. 11/F Citibank Tower Villar corner Valero Sts. Makati City, MM Metropolitan Manila 1200	Client 8947841	Tax Identification Number 1102	Domestic PHILIPPINES	158,700.00 NWT

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ACCOUNT NO.	ADDRESS	TELEPHONE NUMBER	ID NUMBER	COUNTRY	TAXCODE
CITI1000004 1	CITIBANK N.A. 11/F Citibank Tower Villar corner Valero Sts. Makati City, MM Metropolitan Manila 1200	Client 8947841	Tax Identification Number 1101	Foreign PHILIPPINES	4,506,000.00 RA02
CITI1000006 1	CITIBANK N.A. 11/F Citibank Tower Villar corner Valero Sts. Makati City, MM Metropolitan Manila 1200	Client 8947841	Tax Identification Number 1295	Domestic PHILIPPINES	1,323,900.00 NWT
CITI1000007 1	CITIBANK N.A. 11/F Citibank Tower Villar corner Valero Sts. Makati City, MM Metropolitan Manila 1200	Client 8947841	Tax Identification Number 1103	Domestic PHILIPPINES	1,628,800.00 NWT
CITI1000008 1	CITIBANK N.A. 11/F Citibank Tower Villar corner Valero Sts. Makati City, MM Metropolitan Manila 1200	Client 8947841	Tax Identification Number 1105	Domestic PHILIPPINES	194,600.00 NWT
CITI1000010 1	CITIBANK N.A. 11/F Citibank Tower Villar corner Valero Sts. Makati City, MM Metropolitan Manila 1200	Client 8947841	Tax Identification Number 1100	Domestic PHILIPPINES	12,968,000.00 NWT
CITI1000011 1	CITIBANK FAO PHILIPPINE AXA OPPORTUNIT' 2/F CITI TOWER, PASEO DE ROXAS, MAKATI CITY Metropolitan Manila 1226	Client 894-7714	Tax Identification Number 1100*	Domestic PHILIPPINES	87,500.00 NWT
CITI1000013 1	CITIBANK FAO PHILAM EQUITABLE LIFE INSURANCE CO. 2/F, CITI TOWER, PASEO DE ROXAS, MAKATI CITY Metropolitan Manila 1226	Client 894-7498	Certificate Of Incorporation 1100***	Domestic PHILIPPINES	208,000.00 NWT

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ACCOUNT NO.	ADDRESS	TELEPHONE NUMBER	ID NUMBER	COUNTRY	TAXCODE
DEUB1000000 1	DEUTSCHE BANK MANILA-CLIENTS A/C 26/F Ayala Tower One Ayala Triangle, Makati City Metropolitan Manila 1226	Own 8946970	Tax Identification Number 948	Foreign PHILIPPINES	940,000.00 FMX1
DEUB2000000 1	DEUTSCHE BANK MANILA-CLIENTS A/C 26/F ayala Tower One, Ayala Triangle, Makati City Metropolitan Manila 1226	Own 894-6970	Tax Identification Number 949	Domestic PHILIPPINES	112,000.00 NWT
DEUB2000003 1	DEUTSCHE BANK MANILA-CLIENTS A/C 26/F ayala Tower One, Ayala Triangle, Makati City Metropolitan Manila 1226	Client 894-6970	Tax Identification Number 1088	Domestic PHILIPPINES	617,500.00 NWT
DEUB2000005 1	DEUTSCHE BANK MANILA-CLIENTS A/C 26/F ayala Tower One, Ayala Triangle, Makati City Metropolitan Manila 1226	Client 894-6970	Tax Identification Number 1087	Domestic PHILIPPINES	3,684,000.00 NWT
DEUB2000006 1	DEUTSCHE BANK MANILA-CLIENTS A/C 26/F ayala Tower One, Ayala Triangle, Makati City Metropolitan Manila 1226	Client 894-6970	Tax Identification Number 1290	Domestic PHILIPPINES	11,000.00 PH10
GSIS1000000 1	GOVERNMENT SERVICE INSURANCE SYSTEM GSIS Hqs., Financial Center Roxas Blvd., Pasay City Metropolitan Manila 0	Own 891-6346	Tax Identification Number 974	Domestic PHILIPPINES	702,000.00 NWT
HSBC1000000 1	THE HONGKONG AND SHANGHAI BANKING CORP. LTD. -CLIENTS' ACCT. HSBC Securities Services 12th Floor, The Enterprise Center, Tower I 6766 Ayala Avenue corner Paseo de Roxas Makati City Metropolitan Manila 1200	Own 8145200	Tax Identification Number 951	Foreign PHILIPPINES	344,867,093.00 FMX1
HSBC2000000 1	THE HONGKONG AND SHANGHAI BANKING CORP. LTD. -CLIENTS' ACCT. HSBC Securities Services 12th Floor, The Enterprise Center, Tower I 6766 Ayala Avenue corner Paseo de Roxas Makati City Metropolitan Manila 1200	Own 814-5200	Tax Identification Number 952	Domestic PHILIPPINES	65,438,120.00 NWT

BP ID	BP NAME	ACCOUNT TYPE	ID TYPE	INVESTOR TYPE	HOLDINGS
ACCOUNT NO.	ADDRESS	TELEPHONE NUMBER	ID NUMBER	COUNTRY	TAXCODE
HSBC2000006 1	ING BANK, N.V. MNL (TRUST DEPT.) FOR THE ACCT OF PNB LIFE INS, INC. 20/F TOWER ONE, AYALA TRIANGLE AYALA AVENUE, MAKATI CITY Metropolitan Manila 1226	Client 902-7000	Tax Identification Number 1054 *	Domestic PHILIPPINES	717,100.00 NWT
HSBC3000000 1	THE HONGKONG & SHANGHAI BANKING COR LTD. -OWN ACCOUNT HSBC Securities Services 12th Floor, The Enterprise Center, Tower I 6766 Ayala Avenue corner Paseo de Roxas Makati City Metropolitan Manila 1200	Own 636-7370	Tax Identification Number 953	Foreign PHILIPPINES	1,200.00 RA02
NRCP1000000 1	NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES 18th Floor, Philippine AXA Life Centre, Sen. Gil Puy Ave., corner Tindalo St., Makati City Metropolitan Manila 1200	Own 887-4570	Tax Identification Number 1006	Domestic PHILIPPINES	200,000.00 NWT
RCBC1000000 1	RCBC TRUST & INVESTMENT DIVISION 333 Sen. Gil J. Puyat Ave. Makati City Metropolitan Manila 1200	Own 894-9017/18	Tax Identification Number 987	Domestic PHILIPPINES	11,580,010.00 NWT
RCBC1000005 1	RCBC TRUST & INVESTMENT DIVISION 333 Sen. Gil J. Puyat Ave. Makati City Metropolitan Manila 1200	Client 894-9017/18	Tax Identification Number 1144	Domestic PHILIPPINES	24,400.00 NWT
RCBC1000008 1	RCBC TRUST & INVESTMENT DIVISION 333 Sen. Gil J. Puyat Ave. Makati City Metropolitan Manila 1200	Client 894-9017	Certificate Of Incorporation 987	Domestic PHILIPPINES	5,000.00 NWT
RCBC1000011 1	RCBC TRUST & INVESTMENT DIVISION 333 Sen. Gil J. Puyat Ave. Makati City Metropolitan Manila 1200	Client 894-9017	Certificate Of Incorporation 987****	Domestic PHILIPPINES	23,290.00 NWT

BP ID	BP NAME	ACCOUNT TYPE	ID TYPE	INVESTOR TYPE	HOLDINGS
ACCOUNT NO.	ADDRESS	TELEPHONE NUMBER	ID NUMBER	COUNTRY	TAXCODE
RCBC1000012 1	RCBC TRUST & INVESTMENT DIVISION 333 Sen. Gil J. Puyat Ave. Makati City Metropolitan Manila 1200	Client 894-9017	Certificate Of Incorporation 987*****	Domestic PHILIPPINES	3,000.00 NWT
RCBC1000030 1	RCBC TRUST & INVESTMENT DIVISION 333 Sen. Gil J. Puyat Ave. Makati City Metropolitan Manila 1200	Client 894-9017	Certificate Of Incorporation 987.....	Domestic PHILIPPINES	80,000.00 NWT
RCBC1000034 1	RCBC TRUST & INVESTMENT DIVISION 333 Sen. Gil J. Puyat Ave. Makati City Metropolitan Manila 1200	Client 894-9017	Certificate Of Incorporation 987.....	Domestic PHILIPPINES	10,000.00 NWT
RCBC1000035 1	RCBC TRUST & INVESTMENT DIVISION 333 Sen. Gil J. Puyat Ave. Makati City Metropolitan Manila 1200	Client 894-9017	Certificate Of Incorporation 987.....	Domestic PHILIPPINES	44,000.00 NWT
RCBC1000039 1	RCBC TRUST & INVESTMENT DIVISION 333 Sen. Gil J. Puyat Ave. Makati City Metropolitan Manila 1200	Client 894-9017	Certificate Of Incorporation 987.....	Domestic PHILIPPINES	95,000.00 NWT
RCBC1000043 1	RCBC TRUST & INVESTMENT DIVISION 333 Sen. Gil J. Puyat Ave. Makati City Metropolitan Manila 1200	Client 894-9017	Certificate Of Incorporation 987----	Domestic PHILIPPINES	11,000.00 NWT
RCBC1000047 1	RCBC TRUST & INVESTMENT DIVISION 333 Sen. Gil J. Puyat Ave. Makati City Metropolitan Manila 1200	Client 894-9017	Certificate Of Incorporation .987	Domestic PHILIPPINES	10,000.00 NWT
RCBC3000000 1	RCBC TRUST & INVESTMENT DIVISION - VARIOUS TAXABLE ACCTS 333 SEN. GIL J. PUYAT AVE., MAKATI CITY Metropolitan Manila	Own 8783326	Tax Identification Number 987.	Domestic PHILIPPINES	481,000.00 PH10
RCBC3000006 1	RCBC TRUST & INVESTMENTS DIVISION - VARIOUS TAXABLE ACCTS 333 SEN. GIL J. PUYAT AVE., MAKATI CITY Metropolitan Manila	Client 8783326	Certificate Of Incorporation987	Domestic PHILIPPINES	3,500.00 PH10

BP ID	BP NAME	ACCOUNT TYPE	ID TYPE	INVESTOR TYPE	HOLDINGS
ACCOUNT NO.	ADDRESS	TELEPHONE NUMBER	ID NUMBER	COUNTRY	TAXCODE
RCBC3000007 1	RCBC TRUST & INVESTMENTS DIVISION - VARIOUS TAXABLE ACCTS 333 SEN. GIL J. PUYAT AVE., MAKATI CITY Metropolitan Manila STMT-D	Client 8783326	Certificate Of Incorporation ..987..	Domestic PHILIPPINES	3,500.00 PH10
SCBK1000000 1	STANDARD CHARTERED BANK 6756 Ayala Avenue Makati City Metropolitan Manila 1200	Own 878-2879	Tax Identification Number 957	Foreign PHILIPPINES	68,698,500.00 FMX1
SSSI1000000 1	SOCIAL SECURITY SYSTEM SSS Bldg., East Ave., Diliman, Quezon City Metropolitan Manila 0	Own 926-1644	Tax Identification Number 994	Domestic PHILIPPINES	14,767,700.00 NWT
UCPB1000000 1	UNITED COCONUT PLANTERS BANK-TRUST BANKING 5/F, UCPB Bldg., Makati Ave. Makati City Metropolitan Manila 0	Own 8119500	Tax Identification Number 995	Domestic PHILIPPINES	6,916,500.00 NWT
Total Holdings				:	823,038,802.00
Grand Total				:	823,038,802.00

If no written notice of any error or correction is received by PDTC within five (5) calendar days from receipt hereof, you shall be deemed to have accepted the accuracy and completeness of the details indicated in this report.

This document is computer generated and requires no signature.



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

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

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

The management of **DMCI HOLDINGS, INC.** is responsible for all information and representations contained in the financial statements for the years ended December 31, 2009 and 2008. 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.

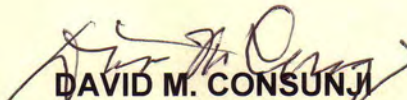
The management likewise discloses to the company's audit committee and to its external auditor:

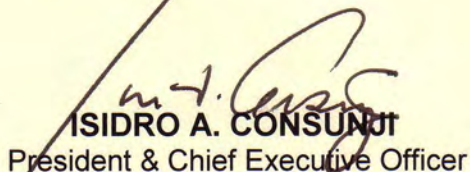
- (i) All significant deficiencies in the design or operation of internal controls that could adversely affect its ability to record, process, and report financial data;
- (ii) Material weaknesses in the internal controls; and
- (iii) Any fraud that involves management or other employees who exercise 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 20 APR 2010 day of 2010 in Makati City, affiant exhibiting to me their Community Tax Certificates which are as follows:

DAVID M. CONSUNJI	12221982	January 13, 2010	Makati City
ISIDRO A. CONSUNJI	28601864	January 29, 2010	Makati City
HERBERT M. CONSUNJI	12210246	January 6, 2010	Makati City

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Page No. 82
Book No. A1
Series of 2010

Lope M. Velasco
ATTY. LOPE M. VELASCO
NOTARY PUBLIC
Until Dec. 31, 2011
PTR O.R. No. 2087649 - Makati 01/04/10
IBP O.R. No. 803499 - Pasig City 12/21/05
TIN 212-965-989
Roll No. 28757 8



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, 2009 AND THE INTERIM FINANCIAL STATEMENTS FOR THE QUARTER MARCH 31, 2010 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, 2009.

I. RESULTS OF OPERATIONS

2008 - 2009

DMCI Holdings, Inc. (the “Company”) reported record results for 2009. Operational results from all business segments showed significant improvements from the previous years. Consolidated net income after minority for 2009 reached P4.7 billion, almost 3 times the amount reported in 2008. Major developments from all the businesses contributed to remarkable showing of the Company’s operations for the year.

Below is a table on the net income contributions of the Company’s businesses:

<i>(amount in Php millions)</i>	2009	2008
Construction	794	391
Mining	1,164	460
Real Estate	1,020	758
Water	1,675	81
Power	47	(20)
Parent & Others	(17)	18
Total	4,683	1,688

Summary of significant developments in the business segments:

- Water – growth in billed volumes and increase in tariff
- Construction – new big ticket projects
- Real Estate – more sold units reaching full completion and 20% paid, above target sales and reservation for the 2nd half of 2009
- Mining – growth in coal exports

WATER

The Company's investment in the water sector is recognized through a consortium company owned with Metro Pacific Investments Corp. or MPIC (the "Consortium") and operated through Maynilad Water Services, Inc. (Maynilad), the water utility for the west portion of Metro Manila. Net contributions for the 2009 reached an unprecedented P1.662 billion a big jump from the 2008 figure of only P30 million. Current growth in operations coupled by non recurring charges booked in both 2009 and 2008 contributed to the sharp increase.

Maynilad Level

Maynilad net income grew by 41% from P1.994 billion to P2.825 billion this year as both billed volume and tariff rates increased in 2009.

Water operating efficiencies continued to improve as Maynilad reported a respectable increase of 11.3% in billed volumes, despite a slight dip in water supply. As a result, non-revenue water (NRW) slid from last year as it reached an average of 59.67% in 2009 from 63.81% in 2008. Moreover, 24 hour water distribution coverage increased to 65% this from 58% and 46% in the previous 2 years (2008 and 2007 respectively) with 7 psi water pressure coverage also improving to 79% this year from 67% and 53 % the previous years. This is testament to the commitment of Maynilad to improve its water availability and pressure levels across its network. Maynilad has incurred almost P19 billion in capital expenditures from 2007 to 2009.

Maynilad's water and sewer revenues for the period grew 30.6% from P7.81 billion last year to P10.2 billion this year. The growth was due mainly to the improvement in billed volumes and an effective tariff increase of 17.4%. The tariff increase from a combined 12.2% inflation and a 22.6% rate rebasing increase should have resulted in a price increase of 25.5% but was dampened by the growth in domestic consumption whose rates are subsidized. The domestic consumers now account for 76% of billed volume compared to 74% last year.

Total cash opex increased by only 3% to P3.2 billion from P3.1 billion last year due to the notable increases in light and power, repairs & maintenance, and rentals. Total non-cash operating expenses grew P276 million or 19% to P1.7 billion from P1.4 billion. The amortization of intangible assets grew 17% to P1.3 billion from P1.1 billion evident of Maynilad's continued capital expenditure programs. Provision of doubtful accounts, a factor of 2.6% of revenues, grew by 40% in line w/ significant increase in tariff levels.

On April 16, 2009, the MWSS Board of Trustees approved a rate rebasing increase for Maynilad of 22.6% of the average basic charge effective fifteen days from publication in a newspaper of general circulation or on May 4, 2009. Incorporated in the approval of the rebasing increase is the final determination on the treatment of certain collections that until recently had been classified as deferred credits pending their resolution.

The net effect of the resolution of these issues is an extraordinary gain of P1.16 billion. Also, deferred tax assets amounting to P1.7 billion were written-off following the approval of Maynilad's 6-year income tax holiday (ITH). These two extraordinary items along with other non-recurring charges resulted in a net extraordinary loss of around P619 million compared to only P329 million last year. Excluding the impact of the extraordinary items, Maynilad recurring income would have been P3.4 billion from P2.3 billion last year, still a 48% improvement.

Consortium Level

Due to some debt and capital structure changes that happened in November 2008 and in 2009, the Company's equity in both the Consortium and Maynilad levels have changed. As of September 30, 2009, the Company owns 44.59% of the Consortium which now owns 94% of Maynilad (including a 2% ESOP) compared to a 50% share in the Consortium which owned 84% of Maynilad (including a 6% ESOP).

Below is a table which details the breakdown of the consolidated operating results of the water investments of the Company from the Maynilad level net income to the Consortium level net income:

(in Php millions)

	2009		2008	
	Consortium	DMCI share 44.59%	Consortium	DMCI share 50%
Maynilad Net Income	2,825		1,994	
Minority	166		310	
Attributable Operating Net Income	2,659	1,185	1,684	842
Consortium Items				
Fair Value & Goodwill Adjustments	(1,140)	(508)	(1,293)	(647)
Prior Period Adjustments		-	1,031	516
Forex Losses		-	(858)	(429)
Depreciation Adjustment	(31)	(14)	-	-
Deferred Tax Adjustments	1,838	820	-	-
Net Interest Expense		-	(375)	(188)
Loss on redemption of Preferred Shares		-	(351)	(176)
Concession Fee Adjustments	418	186		
Actuarial Gains	170	76	102	51
Minority Adjustments	(74)	(33)	119	60
Others	(113)	(50)	62	31
Timing Adjustment for DMCI Share		-	-	(30)
Subtotal	1,068	476	(1,563)	(812)
Net Income	3,727	1,662	121	30

Note that Net Interest and Forex Losses at the consortium level were practically eliminated for 2009 with the conversion/settlement of the consortium debt in November 2008. The Fair Value/Goodwill amortization went down due to current revaluations and restatements.

Notwithstanding the extraordinary and non-operating items both at the Maynilad and Consortium levels, continuing operating developments point towards sustainable improvements with the promise of significant contributions for the Company's consolidated operations.

CONSTRUCTION

The construction business doubled in net contributions for the year from P394 million last year to P794 million this year. Construction from local buildings and infrastructure projects boosted the general construction business while offshore works sustained the steel fabrication sector.

General Construction

The general construction business unit, reported under wholly-owned and flagship construction company, D.M. Consunji, Inc. (DMCI), registered net contributions of P500 million, improving by 2.5 times from the P201 million in 2008 as construction works from new big ticket projects were started and realized in 2009.

The onset of the newly awarded major contracts (worth P16 billion) caused the impressive 85% increase in DMCI construction revenues from P4.4 billion to P8.1 billion this year. Building construction revenues this year amounted to P2.1 billion compared to P2.3 billion last year, but now accounted for only 26% of total construction revenues from 52% the previous year. Below is a table on the DMCI building works for 2009:

(in Php millions)

Building Projects	Contract	Revenues
Raffles/Fairmont	4,415	994
168 Residences	3,118	411
Moldex Grand Towers	680	377
Others	4,301	382
Total	12,514	2,164

Infrastructure development, now a driving force for the country was evident as DMCI infrastructure revenues totaled P4.1 billion for 2009 accounting for 50.6% of general construction revenues, a big jump from the 23% registered last year. Breakdown of major infrastructure revenues is illustrated below:

(in Php millions)

Infra Projects	Contract	Revenues
Skyway	7,180	2,184
LRT	1,140	672
Maynilad	3,038	1,110
Others	1,800	198
Total	13,158	4,164

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

General and administrative expenses for DMCI were slightly higher due mainly to increased construction activity. Regardless, the Company is still consistent with its cost streamlining guidance despite expectations that overhead is expected go up due to the requirements from the newly awarded contracts.

With the current infrastructure development programs, the Company, thru DMCI, is well positioned to be a driver and a beneficiary of the infrastructure 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 an impressive growth of 51% in net contributions from P193 million in 2008 to P292 million in 2009. Despite flat gross revenues, new projects, namely the BP Whiting – Coker project, provided the margins needed to improve gross profit while the use of converted tax credits helped provide the boost in bottom figure for 2009.

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 in 2009, operationally and financially, with the hopes to renew and improve its business to become a fully contributing subsidiary.

In January 2009, the Company 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 and causing the increase in the Parent Company's interest expense. This debt was fully settled and refinanced by AG&P from another local bank in November 2009.

The Company is confident that aside from its current orderbook of mostly offshore contracts, AG&P's competence in steel fabrication can be a strategic auxiliary competence alongside its general contracting capacity, in benefiting from the current infrastructure progress.

REAL ESTATE

The Company's real estate business is focused purely on residential development. It is led by the Company's wholly owned real estate development subsidiary, DMCI Project Developers, Inc. (PDI). Under the brand name DMCI Homes, PDI has developed and sold middle income housing units that define value for money dwelling units for the Filipinos.

As a background, the Company recognizes real estate revenues using the full accrual method, where sales are booked when the unit is fully complete with a downpayment of 20%. In accordance with International Accounting Standards, the mandatory adoption in 2008 of the full accrual method was subsequently suspended by the SEC for real estate companies. Despite this, the method was already being used by the Company since its inception. Note that this type of revenue recognition is notably different from the percentage of completion method, adopted by most if not all of its counterparts in the Philippine real estate industry.

The housing segment recognized a 48% increase in net contributions from P748 million last year to P1 billion this year as full completion of units for existing and new projects were realized. Realize housing sales reached P6.96 billion this year compared to P4.7 billion last year as a result. Below is a table on the sales per project of the housing business:

		<u>2009</u>		<u>2008</u>	<u>Variance</u>
Alta Vista De Boracay	2%	142,467,342	6%	275,405,296	(132,937,953)
Bonifacio Heights Condominium	2%	143,883,022	17%	825,335,133	(681,452,110)
Cypress Towers	5%	368,340,692	7%	333,396,471	34,944,221
Dansalan Gardens Condo	9%	642,808,855	8%	393,330,051	249,478,804
East Ortigas Mansion 1 & 2	0%	32,698,735	2%	89,085,837	(56,387,102)
Hampstead Gardens	0%	5,848,270			5,848,270
Lakeview Manors	0%	21,456,999	1%	32,790,596	(11,333,597)
Mahogany Place 1 & 2	2%	126,200,337	5%	255,147,439	(128,947,101)
Mahogany Place 3	1%	75,994,464			75,994,464
Mayfield Park Residences	4%	290,760,756	5%	228,495,388	62,265,368
Morning Sun Homes	0%	(2,692,825)	0%	(684,283)	(2,008,541)
Ohana Place Residences	3%	241,303,879			241,303,879
Rainbow Ridge Condo 1 & 2	1%	47,242,612	1%	30,882,070	16,360,542
Raya Gardens Condo	10%	671,026,069	12%	578,318,578	92,707,491
Riverfront Residences 1	17%	1,176,119,782	12%	569,109,033	607,010,749
Rosewood Pointe Homes	10%	709,460,990	16%	778,816,507	(69,355,518)
Royal Palm Residences	15%	1,040,856,726	0%		1,040,856,726
Springlane Homes 1 & 2	0%	5,289,255	0%	8,295,646	(3,006,392)
The Manors Celebrity Place	1%	42,350,762	4%	197,749,413	(155,398,651)
Tivoli Gardens Residences	15%	1,055,787,252			1,055,787,252
Villa Allegre Homes	1%	44,015,011	1%	47,181,244	(3,166,233)
Vista de Lago Condominium	1%	40,185,346	2%	94,205,068	(54,019,722)
Others	1%	41,703,274	0%	(224,090)	41,927,364
TOTAL SALES	100%	6,963,107,606		4,736,635,396	2,226,472,210

Recognized revenues from new projects: Royal Palm, Tivoli Gardens, and Ohana Place totaled P2.3 billion or 33% of total revenues, while recognized revenues from significant existing projects: Riverfront, Raya, Dansalan Gardens, Cypress Towers, and Mayfield Park totaled P3.1 billion or 45% of total revenues. This is testament to the continuing performance take up of the real estate segment whose drive towards quality and affordable housing is paying off.

Sales and reservations (a better representative of current demand) for the period have experienced a dip by 12% from P9.8 billion in 2008 to P8.7 billion this year but was an improvement over the 1st half drop of 32%. On a quarterly basis, 2nd half sales surged from last year indicating a recovery from the effects of the global economic downturn. We believe that the economic downturn is affecting the Philippine OFW remittance, of which sales to these OFWs (whether direct sales offshore or domestic sales funded by OFW principals) form a significant part of our market.

Net interest income from real estate sales grew from P82 million in 2008 to P307 million in 2009 indicating the growing in-house financing sales of the housing business. The growth in the recognition of interest income also comes from the efforts to assign its receivables to local banks but effectively reducing its interest spread from these receivables.

Operating expenses in the real estate segment were higher by 36% due to:

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

Note that 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.

MINING

Coal Mining

The Company's coal mining business, operated by now 58.8%-owned, publicly listed Semirara Mining Corp (SMC) reported more than double improvement in net income from P796 million in 2008 to P1.7 billion in 2009. Sales volume was up by 35%, from 3.3 million metric tons in 2008 to 4.5 million metric tons in 2009 as coal exports reached new highs. Coal prices slightly improved by 2% despite a 17% increase in composite domestic prices as export prices were practically the same as last year. As a result coal revenues for the period were up by 37% from P8.4 billion last year to P11.6 billion this year.

Below is SMC's management discussion and analysis of results of operations and financial condition for 2009 as lifted from its annual financial report filed with the PSE and SEC:

Full Years 2008-2009

I. PRODUCTION AND OPERATIONS

The year 2009 indicated higher demand for Semirara coal which prompted the Company to further augment its mining capacity and to refleet its old mining equipment to improve production performance.

In order to match the continuous increase in demand for Semirara coal, the Company invested additional 37 units of 100-tonner dump trucks, nine units excavators, and various support mining equipment raising the excavation capacity by 69% with Total Material movement at 60,286,812 bank cubic meters (bcm), compared with 2008 material movement of 35,652,194 bcm. Meanwhile, waste material to coal ratio or strip ratio went up by 16% as operations limited coal extraction to match contracted volume for deliveries. This operational strategy was undertaken to minimize coal quality dissipation due to spontaneous combustion. Coal production nevertheless posted a significant growth of 40% at 4,846,867 (MT) metric tons (MTs) from 3,470,765 MTs produced last year.

Meanwhile, the coal washing plant was relocated near the auxiliary stockpile to further enhance coal transporting efficiency. This cost-efficient improvement maximized transport of

clean coal through the conveying system and free up more space to accommodate more clean coal for stockpiling and blending at the coal blending stockyard. This allowed more storage flexibility and maintenance of readily available coal for immediate shipment.

Another cost efficient initiative was the installation of an Oxy/Acetylene plant for the industrial gases requirements of operations. Oxygen and acetylene gases are now readily available for laboratory use and equipment and facilities repair activities.

Last year, exploration drilling at the eastern side of the Panian Mine yielded promising results with the discovery of significant additional volumes of coal. This year, more exploratory and confirmatory drilling activities were done beyond the ultimate limit of the pit. The Department of Environment and Natural Resources approved the amendment of the company's Environmental Compliance Certificate increasing its annual coal production to 8 million metric (MT). Another significant development was the approval by the Department of Energy on the extension of the Coal Operating Contract until 2027. This confluence of events further encouraged the Company to enhance its exploration pursuits in Semirara Island to develop more mineable areas

Favorable weather conditions during the year gave operations the opportunity to maximize mining activities, such that the Company was able to serve the growing demand during the year and even posted a healthy ending inventory level of 763,577 MTs.

II. MARKET

The global coal industry offers a vast potential for the Company to expand its market and grow its business. Over the years, the growing demand for coal worldwide gave the Company ample motivation to increase its capacity to create a niche in the export markets. Since it started exporting coal in 2007, export sales became the major growth driver for the Company. Additional investments for modernization of facilities and expansion of capacity demonstrated to be fruitful as the Company was able to prove its reliability as a new player in the export market. Given the vast untapped markets for coal, the challenge of the Company now evolved from establishing product acceptability to capacity expansion in order to meet increasing demand.

Another successful round of capacity expansion program during the year resulted to a 35% growth in sales volume from 3,313,251 MTs in 2008 to 4,464,027 million this year.

The slight 5% drop in local sales at 2,202,332 MTs from 2,320,502 MTs in 2008 was sufficiently compensated by export sales which more than doubled, reflecting a growth of 128% at 2,261,695 MTs from 992,749 MTs in 2008. Market share of export and local sales during the year was 51% and 49%, respectively. In 2008, export sales represented 30% of total volume sold or 36% based on peso sales, the rest represents sales to domestic market.

Sales to the Calaca power plants in Batangas recovered by posting a 43% growth from previous year's volume of 756,421 MTs to 1,082,094 MTs this year. However, total sales to the power industry declined by 10% from 1,453,144 MTs in 2008 to 1,301,776 MTs this year. The local power industry still accounted for a significant market share of 29%.

Similarly, sales to local cement industries showed a slight 3% drop from 2008 volume of 631,510 MTs to 615,164 MTs as few customers decreased their orders during the year. Nevertheless, the Company welcomed a positive development during the year when it was able to successfully secure a supply contract with a new customer who is a significant player in the cement industry. Cement plants accounted for 14% of the Company's market share.

Meanwhile, sales to other industries continued to grow during the year. A 21% increase was recorded from previous year's sales of 235,848 MTs to 285,392 MTs in 2009. Other industries sales reflected a 6% market share.

Partnerships with new global coal traders pushed the Company's marketing efforts. With the help of these traders, the Company was able to penetrate new markets, including Thailand, Japan, and Taiwan. Meanwhile, it continued its deliveries to India, China, and Hong Kong. With the expansion of its export markets, the Company's export sales had been increasing over the years.

Composite FOB average price for the year remained healthy at PHP2,599.77 per MT, posting a 2% growth over last year's average price of PHP2,549.17 per MT.

III. FINANCE

A. Investment in Calaca, Batangas Power Plants

Historically, the 2 x 300 MW NPC-owned and operated power plants in Calaca, Batangas (the Power Plant), has been the major customer of the Company. Before embarking on a market diversification strategy in 2000, the plants took up more than 90% of the Company's market share.

After a series of failed attempts to privatize the Power Plant, the Power Sector Assets and Liabilities Management Corporation (PSALM) conducted a negotiated sale of the Power Plant in early 2009. DMCI-HI, the Company's parent company, participated and was awarded as the winning bidder on 8 July 2009.

Under an Amendment, Accession and Assignment Agreement dated 2 December 2009 among PSALM, DMCI-HI and SEM-Calaca (a wholly-owned subsidiary of the Company), DMCI-HI, with PSALM's consent, assigned its rights and obligations under the Asset Purchase Agreement (APA) and Land Lease Agreement (LLA) to SEM-Calaca. Under an Assignment Agreement dated 1 December 2009, DMCI-HI and SEM-Calaca agreed to an assignment cost of PHP54,343,156 for the APA and LLA. On 2 December 2009, SEM-Calaca paid PSALM PHP7,107,740,798 broken down as follows:

- a. PHP6.62 billion in peso equivalent using the exchange rate of PHP47.13 representing 40% down payment for US\$351.0 million purchase price of the Power Plant; and
- b. PHP0.49 billion in peso equivalent using the exchange rate of PHP47.20 representing 40% down payment for US\$10.39 million advance rental payment for the 25-year lease of the premises underlying the Power Plant and for purchase orders for parts and services for the Power Plant.

Likewise, SEM-Calaca submitted to PSALM closing deliveries including two stand-by letters of credit representing the DP Security and the performance security on the LLA. Subsequent to the execution of the Amendment, Accession and Assignment Agreement, the control, possession, obligation to operate the Power Plant and the rights to its revenues were transferred to SEM-Calaca.

The 60% balance of the purchase price will be paid to PSALM via 14 equal semi-annual payments beginning 2 June 2010 with an interest rate of 12% per annum, compounded semi-annually. Under the APA, upon prior written notice to PSALM, and on the condition that SEM-Calaca is not in breach of any of its substantial obligations to PSALM under the APA and LLA, SEM-Calaca may prepay any portion of the Deferred Payment any time. Subsequently, SEM-Calaca has fully settled the 40% balance of the bid cost on 5 March 2010 which was funded by a combination of internally generated cash and bridge loans availed from several banks.

The acquisition of the Power Plant is a strategic move on the part of Company to allow forward integration of its core business and secure its market share in the power industry. The investment posts rewarding opportunities because as a stand-alone investment, it is expected to generate fair return on investment.

B. Sales and Profitability

High coal prices combined with healthy sales volume resulted to a historical high level of Coal Revenues at PHP11.50 billion, posting a 35% growth from 2008 Coal Revenues of PHP8.49 billion. Meanwhile, with the acquisition of the Power Plant in December, the consolidated revenue for 2009 amounted to PHP11.94 billion. Energy Sales from 2 December until 31 December 2009 was accounted at PHP443.49 million.

Meanwhile, although the Company incurred higher fixed costs and shipping costs in 2009 as a result of intensified mining operations, mine rehabilitation and inflation, economies of scale brought down Cost of Coal Sold per MT by 2% from PHP1,964.21 in 2008 to P1,917.98 this year. Non-Cash Cost is at 12% and 17% of total Cost of Coal Sold in 2009 and 2008, respectively. The decline was due to full depreciation of major equipment, while a portion of new equipment purchases were subjected to sale and leaseback. Total Cost of Coal Sold, inclusive of Shipping, Hauling, and Shiploading costs amounted to PHP8.92 billion and PHP6.94 billion in 2009 and 2008, respectively. The recorded cost of Energy Sales of PHP440.47 million from the power business, brought total Cost of Sales in 2009 to PHP9.36 billion.

Gross Profit recorded an impressive growth of 67% from PHP1.55 billion last year to PHP2.58 billion this year. This is a result of higher income generation in the coal business, plus additional income on the new investment in the Power Plant.

The Company recorded a 58% increase in Operating Expenses from PHP458.93 million in 2008 to PHP723.92 million in the current year. Government share, which is a function of Net Coal Revenues accounted for 63% of the total expense which is now beyond the minimum of 3% to gross revenue. The balance is comprised of General and

Administrative Expenses, including Philippine Stock Exchange listing fees, business permits, filing fees, Makati payroll and other employee benefits. In addition, the power business incurred Operating Expenses amounting to PHP25.66 million, resulting to a consolidated Operating Expenses of PHP749.58 million in 2009.

Bulk or 70% of the consolidated Finance Costs of PHP112.19 million is attributed mainly to the interest cost of the PSALM debt amounting to PHP78.76 million plus other credit availments by the Power Plant. Meanwhile, the Company's Finance Costs significantly dropped by 67% from PHP101.24 million in 2008 to PHP33.44 million in 2009 due to the declining long-term loan balances and decelerated further by lower interest rates during the year.

Conversely, almost all of the recorded consolidated Finance Income of PHP52.75 million was generated by the Company, posting an income of PHP52.74 million. Since the Company used more cash in its purchase of equipment and acquisition of the Power Plant, less cash was available for placements and other investments. Hence, the current year's Finance Income dropped by 32% compared to 2008 level of PHP77.23 million.

Meanwhile, the Company recorded a significant amount of Foreign Exchange Losses at PHP152.25 million, 84% more than last year's losses of PHP82.78 million. This is due to higher Foreign Exchange rate at settlement date mostly from indent orders of parts and equipment against contract date. On the other hand, the power business recognized Foreign Exchange Gains totaling to PHP199.95 million mainly coming from unrealized forex gain resulting from the fluctuation of the PHP against the USD from PHP47.2 / USD1 at the time the power plant was acquired to PHP46.2 / USD1 as at yearend which correspondingly brought down the peso equivalent of the liability to PSALM on the 60% balance of the purchase price.

Furthermore, the Company recognized Equity in Net Losses of Associates amounting to PHP39.35 million, a sizeable jump from 2008 level of PHP1.77 million. This accounted for the losses incurred by its investments in DMCI Mining Corporation and DMCI Power Corporation at PHP21.99 million and PHP17.36, respectively.

On the contrary, the Company recorded Other Income of PHP91.77 million this year, 69% more than 2008 level of PHP54.44 million. This is mainly comprised of gains on equipment sale and recoveries from insurance claims. Additional PHP0.50 million was generated by the Power Plant, thus consolidated Other Income totaled to PHP92.27 million.

The resulting Net Income Before Tax posted an impressive 81% growth at PHP1.87 billion from PHP1.03 billion. Provision for Income Tax fell by 73% at PHP63.29 million from PHP237.02 million in 2008. The Company enjoyed the full-year effect of the Income Tax Holiday from its registration with the Board of Investments last year. Of the consolidated provision for income tax amounting to PHP63.29 million, PHP57.93 million represented derecognition of deferred tax asset.

Before elimination entries, the parent Company posted a Net Income After Tax of PHP1.79 billion from PHP796.40 million last year, while the Power Plant generated a

Net Income after tax of PHP63.19 million. Total consolidated Net Income After Tax was PHP1.81 billion, more than double at 127% increase from last year's level. Consolidated Earnings per Share correspondingly increased from PHP2.87 in 2008 to PHP6.52 this year.

C. Financial Condition, Solvency and Liquidity

While the Company generated healthy cash levels during the year with increased income generation from coal sales, most of the accumulated cash was used to finance its acquisition of the Power plant before the year ended. In addition, purchases of mining equipment amounting to PHP2.86 billion, debt repayment of PHP1.47 billion, and payment of cash dividends of PHP1.67 billion also used up substantial cash during the year. As a result, the Company's Cash and Cash Equivalents declined by 54% from PHP1.01 billion in 2008 to PHP464.94 billion this year. Meanwhile, the Power Plant posted an ending cash balance of PHP16.98 million, thus consolidated Cash and Cash Equivalents closed at PHP481.92 million.

The Company's Net Receivables also dropped by 46% from PHP1.78 in 2008 to PHP963.24 million in the current period. This is mainly due to the drop in Trade Receivables from local sales that was slightly offset by the increase in export sales receivables. Towards the end of the year, the Company sold more to the export markets which had shorter receivable turn-over rates. Export sales were covered by irrevocable stand by letters of credits in congruence with the Company's risk management policy. On the other hand, the power business booked Receivables amounting to PHP290.85 million, which is mainly comprised of Energy Sales. The resulting consolidated Net Receivables totaled to PHP1.25 billion, which is 23% of Total Current Assets.

Meanwhile, with more coal inventory at the stockpile as at the end of the period, cost of coal inventory correspondingly went up by 63% at PHP1.47 billion from 2008 level of PHP896.73 million. Also, spare parts and supplies went up by 8% from PHP486.49 million in 2008 to PHP527.64 million this year. This is explained by the increased number of mining equipment units which required more spare parts and materials. The Company's Net Inventories reflected a 44% increase from PHP1.38 billion in 2008 to PHP1.99 billion as at the close of the current year. The Power Plant also booked total Inventories amounting to PHP1.01 billion. This is mainly comprised of spare parts and supplies. Consolidated Inventories is sizeable at PHP3.08 billion, representing 55% of Total Current Assets.

The 59% increase in the Company's Other Current Assets from PHP323.73 million in 2008 to PHP515.62 million this year is mainly due to the recording of prepaid income tax amounting to PHP149.44 million and increase in advances to suppliers by PHP85.34 million. Meanwhile, Other Current Assets of PHP19.34 million of the Power Plant represents withholding taxes amounting to P13.10 million. Consolidated Other Current Assets represented 13.62% of Total Current Assets at PHP759.89 million.

Given the movements of the foregoing accounts, the Company's Total Current Assets dropped by 6.5% at PHP4.21 billion from PHP4.50 billion in 2008. However, with the

Power Plant's Total Current Assets of PHP1.64 billion, consolidated amount of PHP5.58 billion posted a 24% increase from last year's level.

On the other hand, the Company's Total Non-Current Assets grew by 515% at PHP9.69 billion from 2008 level of PHP1.61 billion. This is mainly caused by the surge in Total Investments from PHP223.23 million to PHP7.40 billion this year as a result of the acquisition of the Power Plant. Furthermore, Net Property, Plant and Equipment (PPE) doubled from PHP1.11 billion in 2008 to PHP2.21 billion this year with the purchase of new mining equipment for capacity expansion. Finally, Other Non-Current Assets posted a 86% decrease from PHP283.75 million to PHP39.97 million this year since security deposits for its operating lease transactions amounting to 270.75 million will already be realizable next year. As a result, consolidated Total Non-Current Assets amounted to PHP18.25 billion.

Total consolidated Assets closed at PHP23.83 billion, PHP15.70 billion of which accounted for the Power Plant's Total Assets. The Company's Total Assets in 2008 stood at P6.11 billion.

With the expansion of its business and investments, the Company's Total Liabilities correspondingly rose by 125% at PHP4.07 billion from PHP1.81 billion in 2008. Furthermore, consolidated Total Liabilities closed at P13.98 billion.

The Company's Total Current Liabilities of PHP3.53 billion increased by 116% from PHP1.64 billion in 2008. The bulk of this year's Current Liabilities is comprised of Trade and Other Payables amounting to PHP2.55 billion, or representing 72% of Total Current Liabilities. Trade and Other Payables accounted for Trade Payables, Payables to Related Parties, Accrued Expenses, and Payable to the Department of Energy and other government units. Availment of additional credit facilities increased Current Portion of Long Term Debt by 151% from 2008 level of PHP389.23 million to PHP977.90 million. Meanwhile, relative to its investment in the Power Plant, the Company recorded another PHP2.03 billion Current Liabilities, resulting to a consolidated Total Current Liabilities of PHP5.52 billion.

Similarly, the Company's Non-Current Liabilities totaled to PHP537.98 million, 209% more than 2008 level of PHP173.89 million. Bulk of this is Long-Term Debt – net of current portion amounting to PHP474.36 million or 88% of Total Non-Current Liabilities. This account increased with the booking of loan amounting to USD10M to finance equipment purchase. Consolidated Total Non-Current Liabilities surged to PHP8.64 billion as the Power Plant recognized its liability to PSALM representing 60% of the purchase price which will be amortized in 7 years.

Total Equity of the Company was beefed up with the recording of Deposit for Future Subscription amounting to PHP5.40 billion, representing deposits made by DMCI-HI and Dacon Corporation for subscription of additional shares of stocks for the stock rights offering planned by the Company to strengthen its equity base to match its sizeable investment in the Power Plant with provision for oversubscription for their commitment to take all unsubscribed shares by the public. After dividend payout amounting to PHP1.65 billion and recording of additional Retained Earnings from the Company's

Income for the year amounting to PHP1.75 billion and the Power Plant's Net Income generation of PHP62.93 million, net of eliminating entries, the consolidated Equity, net of Cost of Shares Held in Treasury, closed at PHP9.84 billion, 129% more than Total Equity in 2008 of PHP4.30 billion.

In the current year, the Company's Current Ratio closed at 1.19:1, while consolidated Current Ratio stood at 1.01:1. Current Ratio was healthier in 2008 at 2.75:1. The deterioration in this ratio is mainly due to the availment of more short-term debts to bridge finance the investment in the Power Plant and use of internally generated cash to fund the acquisition of the power assets from PSALM.

Meanwhile, prior to consolidation, the Company maintained last year's Debt-to-Equity ratio of 0.41:1. However, consolidated balance sheets reflected a Debt-to-Equity ratio 1.42:1.

D. Performance Indicators

- 1. Average Selling Price** – After successfully introducing Semirara coal to a more diverse market, it has since enjoyed a fair price for its product. High coal prices towards the end of 2008 spilled over in the first half of 2009. As a result, the Company's composite average FOB price remained strong during the year. Notably, the Company's coal price already started picking up to become at par with the global market.
- 2. Debt to Equity Ratio** – Over the years, the Company was able to consistently report a strong balance sheet. As a result, it was able to enjoy a higher credit rating from its creditors and consequently avail of competitive credit terms. Moreover, since it is not highly leveraged, it was able to afford substantial investment in the Power Plant, thus taking advantage of an opportunity to further grow its business by creating more value for its stakeholders.
- 3. Capital Expenditures** – Timely and well-planned Capex programs successfully helped the Company attain its market diversification program. Having proved its dependability as a serious player in the global market, more buyers are now interested in dealing with the Company. With huge unmet demand, especially from the export markets the Company is looking at a limitless growth potential.
- 4. Expanded Market** – The Company's persistent efforts in market diversification, supported by its aggressive capacity expansion and facilities improvement programs, paid off as it has successfully expanded its market. A remarkable achievement in 2009 was the penetration of wider export market base expanding to Thailand, Japan, and Taiwan. With its expanded market, the Company enjoys more reasonable and competitive commercial terms for its coal sales.
- 5. Consistent Improved Coal Quality** – The Company recognized at the onset that for it to be able to improve its market base, it is a pre-requisite to work on its quality improvement measures first and make it a priority concern. Given the inherent quality of its coal, the biggest challenge that the Company faces is maintaining the right blend to satisfy customer requirement. Acceptability of Semirara coal is the key in sustaining the Company's success in market diversification.

POWER

This year marks the Company's significant foray into the Power Industry as it won the bidding and finalized the acquisition of the 2 x 300MW Calaca Coal Fired Power Plant ("Calaca") in December 2009. The acquisition of Calaca is lodged under Sem-Calaca Power Corp., a wholly owned power company of Semirara Mining Corp. and as such is also discussed in the previous Coal Mining portion of this report.

With less than a months time of operations, Sem-Calaca along with other (not yet significant) power interests of the Company reported a P443 million revenue with net contributions amounting to P46 million as it supplied power to its contracted customers and the open electricity market.

With the current developments in the Power Industry, Calaca is looking to be a defensive and synergistic acquisition for the coal business and consequently a major contributor to the Company's consolidated 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.

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 pipe laying 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.*

II. FINANCIAL CONDITION

2008 - 2009

	2009	2008	Variance	%
ASSETS				
Cash and cash equivalents	3,262,290	3,068,623	193,667	6%
Receivables - net	5,403,883	6,598,971	(1,195,088)	-18%
Noncurrent receivables - net	2,195,731	2,440,384	(244,653)	-10%
Inventories - net	10,660,129	8,930,963	1,729,166	19%
Other current assets	3,350,338	2,025,144	1,325,194	65%
Investments in associates	6,785,788	4,634,643	2,151,145	46%
Investment properties - net	2,578,233	2,350,001	228,232	10%
Property, plant and equipment - net	21,969,886	4,475,163	17,494,723	391%
LIABILITIES AND EQUITY				
Accounts and other payables	8,141,460	5,650,621	2,490,839	44%
Customers' advances and deposits	4,095,906	2,050,365	2,045,541	100%
Current portion of long-term debt	3,839,948	2,438,607	1,401,341	57%
Long-term debt - net of current portion	14,284,335	3,952,748	10,331,587	261%
Retained earnings	13,135,743	8,995,322	4,140,421	46%

The Company's financial condition for the period improved as net assets increased by 27%.

Total receivables (current and non-current) dropped 16% as a result of collections vs. new sales and the conversion of more than P3 billion worth of discounted housing receivables into full assignment w/o recourse.

Consolidated inventories reported a 19% increase due to the increase in coal year end stockpile and the acquired power plant spare parts and coal stockpile for Calaca.

Increase in other current assets are from advances to suppliers, brokers, and contractors plus the increase in disputed and unutilized input vat from the acquisition of Calaca and the real estate business respectively.

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 by 10% due to new property acquisitions at the real estate business that are yet to be classified as inventory. Once development plans have been finalized, these properties will be reclassified into real estate inventory.

The acquisition of the Calaca power plant and purchases of new coal mining equipment and some construction equipment caused the enormous growth in the Company's consolidated property, plant & equipment.

Accounts & other payables increased as a result of trade operations, deferred revenues and accruals more evident in the current boom seen in the construction segment. Most of these trade payables are payables to suppliers.

Customers' deposits have also gone up as new buyers' down payments have been received but revenues have yet to be recognized as either the unit is not yet fully complete and the downpayment of 20% is not yet received.

Debt acquired for the acquisition of Calaca accounted for almost all the increase in Long term liabilities (including current portion).

Current ratio slightly dipped from 1.72 to 1.26 as internally generated cash was used to partially pay the acquisition for Calaca.

Debt to equity ratio went up to 1.47 from 0.93 as the Company and its subsidiaries took up debt to acquire Calaca.

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.

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	CAUSES
	2008-2009
ASSETS	
<i>Cash and cash equivalents</i>	<i>Cash increased due to cash generation from operations and financing acquired but was decreased by the acquisition of the Calaca Power Plant causing the marginal 6% net cash generation for 2009</i>
<i>Net Receivables - current & non-current</i>	<i>Total receivables (current and non-current) dropped 16% as a result of collections vs. new sales and the conversion of more than P3 billion worth of discounted housing receivables into full assignment w/o recourse</i>
<i>Inventories - net</i>	<i>Consolidated inventories reported a 19% increase due to the increase in coal year end stockpile and the acquired power plant spare parts and coal stockpile for Calaca</i>
<i>Other current assets</i>	<i>Increase in other current assets are from advances to suppliers, brokers, and contractors plus the increase in disputed and unutilized input vat from the acquisition of Calaca and the real estate business respectively</i>
<i>Investments in associates</i>	<i>Investments were up as a result of the Company's share in net operations of the water business which is an unconsolidated equity investment</i>

<i>Investment properties - net</i>	<i>Investment properties significantly increased by 10% due to new property acquisitions at the real estate business that are yet to be classified as inventory. Once development plans have been finalized, these properties will be reclassified into real estate inventory</i>
<i>Property, plant and equipment - net</i>	<i>The acquisition of the Calaca power plant and purchases of new coal mining equipment and some construction equipment caused the enormous growth in the Company's consolidated property, plant & equipment</i>
LIABILITIES AND EQUITY	
<i>Accounts and other payables</i>	<i>Accounts & other payables increased as a result of trade operations, deferred revenues and accruals more evident in the current boom seen in the construction segment. Most of these trade payables are payables to suppliers</i>
<i>Customers' advances and deposits</i>	<i>Customers' deposits have also gone up as new buyers' down payments have been received but revenues have yet to be recognized as either the unit is not yet fully complete and the downpayment of 20% is not yet received</i>
<i>Long-term debt - net of current portion</i>	<i>Debt acquired for the acquisition of Calaca accounted for almost all the increase in Long term liabilities (including current portion)</i>
<i>Retained earnings</i>	<i>Retained earnings movement was mainly caused by operating results and dividend declaration during the year</i>

INCOME STATEMENT	CAUSES	
	2008-2009	2007-2008
REVENUE	<i>increase was due to growth in all the businesses</i>	<i>increase was due to growth in all the businesses</i>
COSTS OF SALES AND SERVICES	<i>increase was due to growth in all the businesses</i>	<i>increase was due to growth in all the businesses</i>
OPERATING EXPENSES	<i>increase is primarily from the jump in government royalties at the coal business, the heightened marketing and selling activities in the real estate sector, the growth in construction activity and the inclusion of the new power business</i>	<i>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</i>

<i>EQUITY IN NET EARNINGS OF ASSOCIATES, JOINTY CONTROLLED EQUITIES AND OTHERS</i>	<i>Increase in equity in net earnings came from the share in net income from the water investments which showed an improvement in operations and reported significantly less extraordinary items due mainly to the increase in concession period</i>	<i>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)</i>
<i>FINANCE INCOME (COSTS)</i>	<i>Net interest expense was slightly 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</i>	<i>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</i>
<i>OTHER INCOME</i>	<i>Reduced rental and dividend (from unconsolidated affiliates) income and some accruals prompted the decrease in other income</i>	<i>Higher rental and dividend (from unconsolidated affiliates) income prompted the increase in other income</i>

B. First Quarter Report for the period March 31, 2010

MANAGEMENT DISCUSSION AND ANALYSIS OF RESULTS OF CONSOLIDATED OPERATIONS AND CONSOLIDATED FINANCIAL CONDITION FOR THE QUARTER AND PERIOD ENDED MARCH 31, 2010.

1Q 2009 – 1Q 2010

I. RESULTS OF OPERATIONS

DMCI Holdings, Inc. (the “Company”) reported a jump of 81% in its first quarter consolidated net income from P775 million in 2009 to P1.4 billion in 2010. Significant growth in the construction and mining business along with the maintained results in the real estate segment and the water investment all contributed to the impressive bottom line.

Below is a table on the 1st quarter net income contributions of the Company’s businesses for 2010 and 2009:

<i>(amount in Php millions)</i>	Q1 2010		Q1 2009	
Construction	500	36%	145	19%
Mining	318	23%	163	21%
Real Estate	166	12%	134	17%
Water	391	28%	337	43%
Power	32	2%	(3)	0%
Parent & Others	(1)	0%	(1)	0%
Total	1,406	100%	775	100%

For the period, the construction was the main driver of growth for the Company due to the revenues recognized from works on the new big ticket projects. Also, the mining business, particularly coal mining, doubled contributions as coal deliveries to both exports and domestic customers picked up. Water and real estate registered marginal but respectable improvements as well.

WATER

The Company's investment in the water sector is recognized through a consortium with Metro Pacific Investments Corp. (MPIC) and operated through the water utility for the west portion of Metro Manila: Maynilad Water Services, Inc. (Maynilad). Despite a spike in operations, first quarter net contributions from the water business reported a sustained amount of P391 million in 2010 compared to P337 million in 2009, due much to the consortium adjustments recognized which extraordinarily increased 2009 1st quarter income.

Below is the breakdown of the consolidated 1st quarter operating results of the water investments of the Company:

<i>(in Php millions)</i>	Q1 2010		Q1 2009	
	Consortium	DMCI share	Consortium	DMCI share
Operating Net Income (Maynilad Net Income)	1,068		582	
Less: Minority	62		47	
Operating Net Income after Minority	1,006	449	535	239
Less: Consortium Items				
Fair Value/ Goodwill	58	26	293	131
Forex Losses (Gain)	13	6	(11)	(5)
Maynilad SBLC Forex Gains		-	(266)	(119)
Change in Amortization of Assets		-	(237)	(106)
Minority Adjustments	59	26		-
Subtotal	130	58	(221)	(99)
Net Income (Loss)	876	391	756	337

Water operating efficiencies continued to improve as Maynilad reported a 83.7% increase in first quarter net income from P582 million in 2009 to P1.068 billion in 2010, of which DMCI's beneficial share is P239 million and P449 million respectively. Billed volume was up 11.6%, despite a slight dip in water supply. Year to date non-revenue water (NRW) slid by 7.4% from 61.6 last year's to 57% this year. Billed services also grew 8% to 831,578 accounts, when compared to the billed

volume increase, indicates a slight improvement in consumption. As a result, Maynilad water service revenues were up by P648 million, a 36.7% increase from last year. Non-cash opex showed a 15% reduction coming mainly from the reduced amortization of concession assets which despite capital expenditures shrank due to the extension of Maynilad's concession period. Cash opex, on the other hand, reported a 10% growth due to the following: (a) higher electricity rates and consumption, (b) increase in cost of outsourced activities, and (c) growth in real estate tax from increase in properties acquired in line with higher asset levels from capex programs.

Although dampened by the extra ordinary items, the certain and inevitable growth at the Maynilad operating level is providing the Company confidence that its water investment will soon become not just an equity income contributor but also a cash generating segment.

CONSTRUCTION

The construction business more than tripled its net contributions for the period from P145 million last year to P500 million this year. General construction and engineering works from local buildings and domestic infrastructure projects coupled by foreign steel fabrication contracts boosted the operational results from construction sector.

General Construction

The general construction unit, operated under wholly-owned and flagship construction company, D.M. Consunji, Inc. (DMCI), registered quarter net contributions of P390 million, improving 3 times from the P130 million last year as construction and engineering works from the new big ticket projects were essentially started in the 2nd half of 2009.

The onset of the newly awarded major contracts (worth P16 billion) caused the massive 285% increase in DMCI construction revenues from P978 million to P2.787 billion this year. Building construction revenues this period amounted to P579 million compared to P411 million of last year, but now accounted for only 21% of total general construction revenues from 42% the previous year. Below is a table on notable DMCI building contract amounts and recognized revenues for the first quarter of 2010:

(in Php millions)

Building Projects	Contract	Revenues
Raffles/Fairmont	4,494	324
168 Residences	3,096	188
Moldex Grand Towers	682	57
Total	8,272	569

Infrastructure development, now a driving force for the country's economic growth was evident as DMCI infrastructure revenues totaled P1.7 billion for the period accounting for 61% of general construction revenues, a major jump from the 48% registered on the same period last year. A breakdown of the major infrastructure projects contract amounts and period revenues for the period is illustrated below:

(in Php millions)

Infra Projects	Contract	Revenues
Skyway	7,186	1,163
LRT1	1,078	50
Maynilad	3,183	498
Total	11,447	1,711

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

General and administrative expenses for DMCI were higher due mainly to the increased construction activity. Regardless, the Company is still consistent with its cost savings guidance despite expectations that overhead is expected shoot up due to the requirements from the newly awarded contracts.

With the current infrastructure development programs, the Company, thru DMCI, is well positioned to be a driver and a beneficiary of the infrastructure progress.

Steel Fabrication and Assembly

The Company's steel fabrication business is reported thru its 98% owned 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 remarkable growth of 7.3 times in first quarter net contributions from P15 million in 2009 to P110 million in 2010. New projects, namely the BP Whiting – Coker project, accounted for P411 million of period revenues and significantly provided the much push in the top line. Overseas manpower services, although slightly lower, continued to contribute significant revenues to AG&P.

Early in 2008, the Company was looking to sell AG&P but due credit crunch suffered in the same year the sale did not materialize. As a result, the Company has decided to financially support AG&P early in 2009 with the hopes to renew and improve its business to become a fully contributing subsidiary and improve its value. As of now, the Company is still open to offers to purchase AG&P.

Nonetheless, the Company is confident that aside from its current orderbook of mostly offshore oil and gas related contracts, AG&P's competence in steel fabrication can be a strategic auxiliary competence alongside its general contracting capacity, in benefiting from the current infrastructure progress.

REAL ESTATE

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

As a background, the Company recognizes real estate revenues using the full accrual method, where sales are booked when the unit is fully complete and the down payment of 20% is already collected. This method is in accordance with International Accounting Standards, and supposedly there was a plan to adopt this in the Philippines in 2008 but was subsequently suspended by the SEC after majority of the real estate companies lobbied against it. Despite this, the full accrual method has been and is still used by the Company.

The housing segment recognized a 24% increase in net contributions for the period from P134 million last year to P166 million this year despite a 31% drop in realized revenues. Realize housing sales for the period was relatively low at P752 million from P1.09 billion last year. Below is a table on the sales per project of the housing business:

	AMOUNT (PHP)		UNITS			
	2010	2009	UNITS	2010 PARKING	UNITS	2009 PARKING
Alta Vista De Boracay	2,929,714	9,389,671	1		11	
Cypress Towers	44,062,276	52,193,271	22	7	21	
Dansalan Gardens Condo	20,105,397	91,364,737	9	10	31	
East Raya Gardens	50,124,072	-	19	7		
Magnolia Place	40,946,435	-	15	7		
Mahogany Place	14,398,865	12,340,157	7		4	
Ohana Place Residences	33,580,795	-	12	9		
Raya Gardens Condo	21,228,519	218,042,587	8	9	102	
Riverfront Residences	22,344,293	325,275,611	7	13	147	
Rosewood Pointe Homes	83,432,210	42,129,186	29	17	17	
Royal Palm Residences	254,292,910	-	78	67		
The Manors Celebrity Place	3,843,000	47,688,946	1		12	
Tivoli Gardens Residences	134,577,619	222,560,363	40	88	87	
Bonifacio Heights Condominium	2,931,000	36,147,919	2	4	22	15
Lakeview Manors	2,912,787	1,527,324	1	6	1	
Mayfield Park Residences	9,967,071	23,427,774	4	6	11	3
Villa Allegre Homes	2,305,175	3,744,137	1		3	
Vista de Lago Condominium	8,273,099	2,167,350	3	8	1	1
Adjustments & Others	(279,734)	935,631	(1)	2	8	-
	751,975,501	1,088,934,665	258	260	478	19

Sales from new projects: East Raya, Magnolia Place, Ohana and Royal Palm all contributed to maintain respectable quarter revenues but it is the cost estimate adjustments coupled by higher priced projects (Royal Palm, Tivoli, Riverfront, Magnolia Place, East Raya) that helped boost gross margins improving income despite the drop in top line.

A better representative of current demand would be sales and reservations for the period which experienced a growth of 46% from P2.6 billion in 2009 to P3.8 billion in 2010. This shows that there is sustained and even growing demand for DMCI housing units coming from existing and new projects like Cedar Creek (Rosewood 3) and The Redwoods, which both provided significant sales and reservations for the period.

Housing interest income for the period spiked exponentially from P33 million in 2009 to P182 million in 2010, causing mainly the jump in net income despite the slide in housing recognized revenues. This indicates the growth in in-house financing buyers. The growth in the recognition of interest income also comes from the efforts of PDI to fully assign its receivables to local financial institutions effectively reducing its full interest spread (of around 9%) but getting cash upfront from the receivables.

Operating expenses in the real estate segment were higher by 36% due to:

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

Note that most of the Company's housing units have a selling price below P2.5 million per unit and as such has been registered with the Board of Investments (BOI) as part of their affordable housing investments that provide income tax holiday. With this the Company's housing segment enjoys income tax holidays for most of its revenues.

MINING & POWER

Coal Mining & Power (Calaca)

The Company's coal mining business and its major power generating asset (Calaca) are both lodged under 58.8%-owned and publicly listed Semirara Mining Corp (SMC). SMC reported an improvement in first quarter operating results from a net income of P298 million in 2009 to P594 million in 2010 providing an 80% growth in net contribution from P173 million to P312 respectively. This was mainly due to growth in coal deliveries, specifically coal exports, and the first time inclusion of the Calaca power generation business (100% owned by SMC) and reported a P63 million net income for the period.

Below is SMC's management discussion and analysis of results of operations and financial condition for the period ending and as of March 31, 2010 as lifted from its first quarter financial report with the PSE and SEC:

Management Discussion & Analysis of Semirara Mining Corporation For the period March 31, 2010

2010 FIRST QUARTER OPERATION

Towards the end of 2009, the Company negotiated to buy new mining equipment worth USD32.25 million. These included three units 16-tonner excavators, 25 units 100-tonner dumtrucks, support equipment and spare parts and accessories. These equipment started arriving at the site in November 2009 until the first quarter of this year.

With these new mining equipment, mining capacity was further augmented, such that total material excavation posted a new record of 19,447,774 bank cubic meters (bcm) in the current period. With a strip ratio of 9.8:1, run-of-mine (ROM) coal produced was 1,849,130 metric tons (MTs), comprised of 1,449,400 MTs of clean coal and 399,730 MTs of washable coal. Net product coal produced during the quarter totaled to 1,672,346 MTs.

Meanwhile, exploratory drilling activities beyond the ultimate pit limit of Panian mine are ongoing during the period.

Also, construction activities to complete another loading facility is on-going. This project is a necessary logistic support for the increasing mining capacity and growing demand for Semirara coal.

Demand for Semirara coal remained strong during the quarter, such that sales also marked another historical high of 2,007,530 MTs. Ending coal inventory closed at 413,372 MTs.

2010 FIRST QUARTER FINANCIAL CONDITION

On 2 December 2009, the Company acquired its single biggest user of coal, the 2 x 300 MW power plants in Calaca, Batangas (the Power Plant). Although rehabilitation works still need to be done to maximize the Company's return of its investments, the Power Plant already contributed positively to the the Company's financial position during the quarter.

The core business of the Company generated Coal Sales of PHP3.60 billion, while the Power Plant recorded Energy Sales of PHP2.49 billion during the quarter, thus resulting to consolidated Revenues of PHP6.09 billion. Meanwhile, The Company and the Power Plant recorded Cost of Sales of PHP2.41 billion and PHP1.83 billion, respectively, consolidating to PHP4.25 billion. Consolidated Gross Profit amounted to PHP1.85 billion, PHP2.41 billion was generated by the coal business while PHP1.83 billion was generated by the Power Plant.

The Company incurred Operating Expenses of PHP634.39 million, inclusive of provision for Government Share of PHP582.31 million. On the other hand, the Power Plant recorded Operating Expenses of PHP394.02 million. Consolidated Operating Expenses totaled to PHP1.03 billion.

In Q1, the Company recognized Interest Expenses amounting to PHP63.98 million for loans availed both for its operations and for the acquisition of the Power Plant. Meanwhile, the Power Plant incurred PHP139.26 million Interest Expenses mainly for bridge loans for the pre-payment of the more expensive loan from the Power Sector Assets and Liabilities Management Corporation (PSALM) for the deferred balance of the acquisition cost of the assets. Consolidated Interest Expenses totaled to PHP202.24 million.

On the other hand, the Company and the Power Plant recorded Interest Income for short-term placements amounting to PHP785.45 thousand and PHP253.28 thousand, respectively. Consolidated Interest Income was at PHP1.04 million.

The continued strengthening of the PHP against the USD proved beneficial for the Company during the quarter as foreign loans which were availed of when the USD was stronger were partially settled when it was weaker. Hence, the Company recognized Forex Gains of PHP47.29 million. On the other hand, the Power Plant, recorded Forex Losses of PHP36.20 million. This was primarily attributable to the partial pre-payment of the PSALM loan amounting to USD 100 million in January when the exchange rate was at USD1:PHP46.7, while the exchange rate as at the end of 2009 was lower at USD1:PHP46.2.

Meanwhile, the Company recognized Equity in Net Income of Associates amounting to PHP0.61 million from its investments in power and nickel mining.

The Company incurred Other Expenses of PHP11.27 million, while the Power plant generated Other Income of PHP2.94 billion, reflecting consolidated Other Expenses of PHP8.33 million.

Income Before Tax at consolidated level was PHP620.96 million, PHP530.56 and PHP90.41 million was respectively contributed by the Company and the Power Plant.

Since the Company enjoys an Income Tax Holiday as a Bureau of Investments-registered company, no provision for Income Tax during the quarter was made. On the Other hand, the Power Plant recorded a deferred Income Tax provision amounting to PHP27.12 million.

The resulting Income After Tax generated by the Company was PHP530.56 million, while the Power Plant generated PHP63.29 million. At consolidated level, Net Income After Tax for the period was at PHP593.84 million.

At consolidated level Current Assets, closed at PHP6.70 billion, the Company accounted for PHP3.64 billion, while the Power Plant at P3.06 billion. This posted a 20% growth from the account's beginning balance of PHP5.58 billion.

Cash and Cash Equivalents increased by 124% from PHP 481.92 million to PHP1.08 billion, PHP491.43 million was generated by the Company while PHP586.11 million came from the Power Plant. Both the Company and the Power Plant started to accumulate cash from healthy sales during the period.

Robust sales during the period likewise increased consolidated Net Receivables by 94% from beginning balance of PHP1.25 billion to PHP2.43 billion, PHP859.87 of which represented the Receivables of the Company while the Power Plant accounted for the remaining PHP1.57 billion. This is the main contributor to the growth in Current Assets.

On the other hand, consolidated Net Inventories dropped by 24% from beginning balance of PHP3.09 billion to PHP2.36 billion. The Company's Inventory level closed at PHP1.47 billion, while the Power Plant's ending balance was at PHP883.98 million.

Consolidated Other Current Assets posted a 31% reduction from PHP759.89 million to PHP521.75 million. The bulk of this was contributed by the Company amounting to PHP818.40 consisting mainly of security deposits from operating leases, advances to suppliers, claim from BIR on erroneously withheld output VAT by NPC, while the the output VAT of P311.11 milion of the Power Plant was offset to the mining company's claim of erroneously withheld Output VAT ounting to P150.12 million plus other current assets of the Power Plant amounting to PHP14.47 million..

Consolidated Non-Current Assets also posted a slight 3% growth from PHP18.25 billion as at the start of the year to ending balance of PHP18.71 billion. The bulk of this came from at the group's Property Plant and Equipment (PPE) account which also increase by 3% from beginning balance of PHP17.82 billion, closing at PHP18.30 billion. This is mainly comprised by the value of the PPE, net of depreciation for the quarter, of the newly acquired Power Plant amounting to PHP15.40 billion. The PPE of the Company closed at PHP2.89 billion with the additional acquisition of mining equipment during the quarter of P1.06 billion.

The Company's Investments and Advances slightly increased from PHP244.43 million as at the start of the year to PHP245.05 million. This minimal increase is explained by the additional investment made to DMCI Power Corp.

Meanwhile, Consolidated Other Non-Current Assets posted an 8% drop from beginning balance of PHP 184.01 million to PHP169.51 million. Other Non-Current Assets of the Company closed at PHP25.47 million, while the Power Plant's amounted to PHP144.04 million as at the end of the period.

With the movements of the foregoing accounts, consolidated Total Assets stood at PHP25.11 billion, 7% more than the beginning balance of PHP23.83 billion. The Company's Total Assets closed at PHP6.81 billion, while the Power Plant recorded an ending balance of PHP15.55 billion.

Similarly, Consolidated Total Liabilities also increased by 7% from PHP13.98 billion as at the start of the year, closing at PHP14.66 billion as at the end of the quarter. The Company's Total Liabilities closed at PHP10.56 billion, while the Power Plant's ending balance was at PHP4.11 billion.

Total Current Liabilities posted a significant increase of 144% from beginning balance of PHP5.52 billion to PHP13.13 billion as at the end of the period, the Company accounted for PHP9.07 billion, while the Power Plant closed with PHP4.07 billion. This is explained by avilment of short-term bridge loans both by the Company and the Power Plant to pre-pay the more expensive PSALM loan. The loan will be taken out by a project financing facility which will be participated by three banks. While the lenders arrange and process the facility, they provided bridge financing to both the Company and the Power Plant to cut down interest expenses. This is reflected in the increase in Current Portion of Long-Term Debt by 329% from PHP1.87 billion beginning balance to PHP13.45 billion as at the end of the period. The Company and the Power Plant accounted for PHP4.85 billion and PHP3.15 billion, respectively.

Meanwhile, the 49% increase of the Trade and Other Payables account from PHP2.86 billion to PHP5.14 billion is primarily attributed to the advances made by affiliate companies to complete the pre-payment of the PSALM debt. Also, the Power Plant accrued real property taxes payable for the newly acquired assets. Of the ending balance, the Company accounted for PHP4.21 billion while the Power Plant at PHP1.23 billion.

On the other hand, Total-Non Current Liabilities dropped by 82% from beginning balance of PHP8.46 billion to PHP1.53 billion. This is mainly explained by the continuous amortization of Long-Term debts by the Company which is clearly reflected in the huge drop of the Long-Term Debt – net of current portion account by 83% from PHP8.36 billion beginning balance to PHP1.43 billion closing balance. The Power Plant has no long-term debts as at the end of the quarter since the PSALM debt was already fully pre-paid on March 5, 2010.

Pension Liability also posted a 5% increase from beginning balance of PHP12.94 million to PHP13.63 million closing balance due to additional provision during the quarter. Likewise, the Power Plant has not recognized any Pension Liability as of this time.

The Company's Provision for Decommissioning and Site Rehabilitation remained the same at PHP14.77 million.

Likewise, consolidated Deferred Tax Liabilities remains at PHP72.06 million as the group has not recognized additional deferred tax liabilities during the quarter, of which, the Company accounted for PHP35.91 million, while the Power Plant's deferred tax liabilities stood at PHP36.15 million.

The quarter's consolidated Net Income After Tax of PHP593.84 million beefed up consolidated Total Stockholders' Equity which closed at PHP10.44 billion from PHP9.85 billion, reflecting a growth of 6%.

2010 COMPARATIVE REPORT

I. PRODUCTION

The increase in mining capacity brought about by the acquisition of new mining equipment was reflected by the 20% growth in Total Material movement in the current quarter at 19,447,774 bcm as compared to Q1 2009 material movement of 16,205,095 bcm.

Meanwhile, with the strong demand for Semirara coal during the period more coal was produced to balance demand vis-à-vis extensive stripping activities which were permitted by the additional capacities. As a result, strip ratio is lower this period at 9.8:1 compared to 18.13:1 in Q1 2009. Consequently, ROM coal production is 121% more this period at 1,849,130 MTs as against 834,893 MTs in Q1 2009. Net product coal likewise increased by 116% at 1,689,238 MTs this quarter as against 780,340 MTs in the same period last year.

Ending inventory also posted an increase of 198% at 413,373 MTs this period compared to 138,743 MTs in Q1 2009.

II. MARKETING

Demand for Semirara coal continued to soar as revealed in the 86% increase in sales this period at 2,003,473 MTs compared to Q1 2009 sales of 1,078,343 MTs.

The main growth driver is export sales which increased by 185% from 443,100 MTs in Q1 2009 to 1,262,884 MTs this year. Most of the volume went to China at around 1.0 million metric tons, while the rest were distributed to Thailand, Taiwan, and Hong Kong. Consequently, the market share of export sales went up from 41% in Q1 2009 to 63% in the current quarter.

Likewise, sales to cement plants increased by 35% from 148,777 MTs in Q1 2009 to 201,481 MTs this period. All cement plant customers of the Company increased their purchases this quarter.

Sales to other industries also reflected a sizeable growth of 107% from 62,033 MTs in Q1 2009 to 124,309 MTs in the current period. This is due to the increased purchases of a local trader who found a niche in reselling to small industrial coal users.

On the other hand, sales to the power industry showed a minimal drop of 2% from 424,433 MTs last year to 414,799 MTs in the current period. This is mainly caused by the decrease in the off-take of the newly acquired Power Plant as rehabilitation works to improve the plants' capacities already started.

Composite average FOB price per MT decreased by 28% from PHP2,976 in Q1 2009 to PHP2,142 this quarter. With the acquisition of the Power Plant, the Company has amended its Coal Supply Contract, specifically the pricing mechanism, such that selling price to the Power Plant reflects the actual market price and not anymore set at import parity.

B. Solvency and Liquidity

The Company's cash flow in the current period is significantly boosted with the contribution of its investment in the Power Plant.

On a consolidated level, Net Cash Provided by Operations during the current quarter amounted to PHP2.68 billion. This is 128% higher than Q1 2009 level of PHP1.18 billion. This is primarily due to higher consolidated Operating Income Before Working Capital Changes as both the Company and the Power Plant reflected healthy results in the current period. Huge Receivables of the Power Plant explained the increase in Receivables to PHP1.19 billion from beginning balance. Meanwhile, Trade and Other Payables reflected a significant increase after accruing for the advances made by affiliates to the Company and real estate tax payables of the Power Plant.

Additions to PPE, particularly in the parent level when invested in new mining equipment for capacity expansion, mainly comprised Cashflows Used in Investing Activities. Notably, the net consolidated amount of PHP840.89 million is significantly lower than Q1 2008 level of PHP1.81 billion since more mining equipment were acquired and paid last year.

Although partially offset by availment of bridge loans, both the Company and the Power Plant used up substantial amount of cash for the pre-payment of PSALM debt. During the period, consolidated Cashflows Used in Financing activities amounted to PHP1.24 billion. On the other hand, in Q1 2009, the Company generated cash from its financing activities from availments of short-term debts and from proceeds of sale and leaseback transactions.

Despite the sizeable cash outflows both for investing and financing activities, consolidated cash generation during the period amounted to PHP595.62 million, thus resulting to a consolidated Cash End of PHP1.08 billion. This is 24% more than Q1 2009 Cash End of P871.03 million.

With the availment of bridge loans while the project financing for the 60% acquisition cost of the Power Plant is arranged, Current Ratio as at the end of the quarter dropped to 0.50x as compared to Q1 2009 level of 1.09x. Meanwhile, Debt-to-Equity ratio increased from 0.91:1 in Q1 2009 to 1.43:1 as at the end of the current period.

IV. PERFORMANCE INDICATORS:

- 1. Average Selling Price – With the acquisition of the Power Plant, the Coal Supply Agreement was amended, such that FOB selling price is not anymore set at import parity, but at market price. As a result, the composite FOB price of Semirara coal during the period is now reflective of actual market price of coal. Despite the decrease of the composite average price in the current period as compared to last year, the Company still enjoyed comfortable profit margins. Moving forward, this development will help the Company in implementing realistic pricing strategies.*
- 2. Debt-to-Equity Ratio – Although the Company's Debt-to-Equity Ratio deteriorated with the availment of debts to finance the acquisition of the Power Plant, the management is however positive that this deterioration in the ratio is just temporary. Despite the fact that the Power Plant is still to undergo major rehabilitation works, it is already contributing positively to the Company's Q1 results.*

3. **Business Expansion** – *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 especially with the acquisition of a coal fired power plant which is a forward integration of the core business of coal mining..*
4. **Expanded Market** – *The growing sales of Semirara coal over the past few years is a clear testament to the success of the Company's marketing efforts. The expansion of its markets, especially to the export markets, drive the Company's sustainable growth.*
5. **Improved coal quality** – *One of the biggest challenges that the Company is confronted with is to successfully market coal that is naturally of lower quality. However, with its persistent efforts to maximize the quality of its product, overcoming inherent limitations, Semirara coal ultimately became acceptable to a wide range of coal users. Moreover, it continues to find innovative ways to further improve and maximize coal quality.*

Power - Calaca

The Company's significant venture into the power sector through the acquisition the 600MW (2 x 300MW) Calaca Coal Fired Power Plant (Calaca) is booked under Sem-Calaca Power Corp. (SCPC), a 100% owned power subsidiary of SMC. For the period, SCPC reported income of P63 million, of which contributed 32 million to consolidated operations of Company (including other power interests).

At time of acquisition (Dec 2009), the current capacity of the plant averages at around 320-340MW for the 2 plants, or 53-56% of nominal capacity. Moreover, the condition of the 2 plants was not ideal that down times were a regularly occurrence. For the period, Calaca experienced 12 days of no plants running, 40 days of 1 plant running, and 38 days of both plants running. Under these difficult conditions, Calaca was still able to generate significant business as first quarter revenues amounted to P2.5 billion. Calaca was able to produce 513 GWh (gigawatt-hours) of electricity of which 465 GWh were actual plant generation and 48 GWh were purchase in the electricity spot market. Out of total production, 352 GWh were sold to TSC or contracted customers, 117 GWh were sold in the electricity spot market, and 34 GWh were used for in-house station requirements. Average selling prices for the TSC sales hovered at P5/kWh for the period while spot sales started at P3/kWh in January then jumped to P8/kWh in February and P7.4 in March.

Major rehabilitation work is required to improve Calaca to reach its full 600MW capacity and operate with minimal down time. These major rehab works is scheduled towards the end of the 2nd quarter of the year (or when the rainy season starts) due mainly to lead time for the required parts and equipment to arrive (around 4-6 months lead time). Despite the delay in ordering the special parts and equipment, it is very opportunistic to run Calaca even at these efficiency levels to benefit from the current high spot market prices driven by the current dry season that's causing a lot of demand from the higher costing power producers since the hydro electric power plants have no water source. If the schedule of rainy season comes as expected towards the start of the 2nd half, the demand for non-hydro power plants will be lessened and spot prices are expected to come down.

Nickel

The Company's venture into nickel mining was revived in 2010 when a mining contract with Benguet Mining was finalized early this year. DMCI Mining, Corp., the Company's nickel and non-coal based mining company, set out to mine and market relatively high concentration nickel ore (1.8%-2% nickel content) at the Benguet mine in Zambales. This has proved a good venture as first quarter operations led to P7.4 million net income with contributions amounting P5.9 million this year to the Company compared to P12.6 million loss for a negative contribution of P9.8 million last year.

Evident of the Company's competence in mining and having the only reliable port at the area, DMCI Mining has quickly taken the opportunity to mine and sell nickel and once again prove resilient to the commodities market situation

II. FINANCIAL CONDITION

2009 - 2010

<i>(In Php Thousands)</i>	March 31,		AUDITED		Variance	
	2010	%	2009	%	Amount	%
Cash and cash equivalents	4,035,204	6%	3,262,290	6%	772,914	24%
Receivables (current & non-current) - net	10,723,641	22%	7,599,614	18%	3,124,027	41%
Inventories - net	10,867,968	17%	10,660,129	18%	207,839	2%
Investments in associates - net	8,123,900	13%	6,785,788	12%	1,338,112	20%
Investment properties - net	3,076,828	5%	2,578,233	4%	498,595	19%
Property, Plant and Equipment - net	22,505,500	36%	21,969,886	38%	535,614	2%
Accounts and other payables	11,886,439	19%	8,141,460	14%	3,744,979	46%
Customers' deposits	4,238,902	7%	4,095,906	7%	142,996	3%
Long-Term Debt	17,100,008	21%	18,124,283	24%	(1,024,275)	(6)%

The Company's financial condition for the period improved as net assets slightly increased by 9%.

Cash growth is derived mainly from the operations of the different business with the increase significantly from the full operations of the power generation business.

Total receivables (current and non-current) went up by 41% due mainly to new sales in all businesses with the significant growth coming from power sector.

Consolidated inventories reported a marginal 2% increase as coal and real estate inventories along with construction materials stock piling was maintained.

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

Investment properties significantly increased by 19% due to new property acquisitions at the real estate business that are yet to be classified as inventory. Once development plans have been finalized, these properties will be reclassified into real estate inventory.

Property plant & equipment didn't move significantly.

Accounts & other payables increased as a result of trade operations, deferred revenues and accruals more evident in the current boom seen in the construction sector. Most of these trade payables are payables to suppliers.

Customer's deposits were maintained and didn't move much.

Long term debt decreased as no new loan facilities were incurred and regular payments were booked.

Current ratio slightly dipped from 1.26 to 0.95 due mainly from reclassification of other assets-current to non-current.

Debt to equity ratio improved to 1.38 from 1.46 as equity position improved from current operating results.

III. KEY PERFORMANCE INDICATORS

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

- (g) Segment Revenues
- (h) Segment Net Income (after Minority)
- (i) Earnings Per Share
- (j) Current Ratio
- (k) Debt to Equity Ratio

SEGMENT REVENUES

REVENUE (in Php Thousands)	For the period		Variance	%
	2010	2009		
Construction	3,478,526	1,550,522	1,928,004	124%
Mining	3,812,919	3,268,355	544,564	17%
Water	-	-	-	
Real Estate Development	751,976	1,088,935	(336,959)	(31)%
Power	2,491,077	-	2,491,077	
Parent & Others	32,620	50,618	(17,998)	(36)%
TOTAL	10,567,118	5,958,430	4,608,688	77%

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

SEGMENT NET INCOME

NET INCOME (after Minority)

<i>(in Php Thousands)</i>	For the period		Variance	%
	2010	2009		
Construction	500,397	145,180	355,217	245%
Mining	318,315	163,354	154,961	95%
Water	390,761	337,064	53,697	16%
Real Estate Development	165,550	133,735	31,815	24%
Power	32,313	(3,060)	35,373	(1,156)%
Parent & Others	(1,259)	(1,274)	15	(1)%
TOTAL	1,406,077	774,999	631,078	81%

The net income (after minority) or bottom line results from operations of the Company can be seen with the increment in net income for the period compared to the same period of the previous year/s for the different business segments. The current period indicates a strong growth from the construction business with mining also providing significant improvements.

EARNINGS PER SHARE

<i>(amount in Php millions)</i>	Q1 2010		Q1 2009	
	Net Income	EPS	Net Income	EPS
Construction	500	0.19	145	0.05
Mining	318	0.12	163	0.06
Real Estate	166	0.06	134	0.05
Water	391	0.15	337	0.13
Power	32	0.01	(3)	0.00
Parent & Others	(1)	0.00	(1)	0.00
Total	1,406	0.53	775	0.29

The Company's consolidated earnings per share for the period was P0.53/share accounting for an 83% increase over P0.29/share of the same period last year. Same as segment net income, the construction segment provided the biggest chunk in earnings followed by the water investment and then the mining business (*see Part I. Results of Operations – different segments for a detailed discussion per business*).

CURRENT RATIO

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

DEBT TO EQUITY RATIO

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

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:

	2008	2009
DMCI Holdings, Inc.	2,178,000.00	2,587,200.00
D. M. Consunji, Inc.	1,100,000.00	1,100,000.00
DMCI Project Developers	2,100,000.00	1,848,000.00
Semirara Mining Corporation	<u>1,300,000.00</u>	<u>2,400,000.00</u>
Aggregate amount	6,678,000.00	7,935,200.00

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 2008 and 2009.
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). In 2007, the company has established a wholly-owned power generation subsidiary to engage in the construction, operation and maintenance of power plants. Late in 2009, the Company, thru SMC, acquired a 2 by 300 megawatt nominal capacity coal fired power plant located in the province of Calaca, Batangas.

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 59%-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.

Sem-Calaca Power Corporation (SCPC) is a wholly-owned subsidiary of Semirara Mining Corp. incorporated on November 19, 2009, primarily to acquire, expand and maintain power generating plants, develop fuel for generation of electricity, and sell electricity to any person or entity through electricity markets, among others.

DMCI Power Corporation (DPC), is 79.44%-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 79.44%-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 engineering and construction for its primary and general competence. Its construction business is 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 and fortunately the big ticket projects were mostly awarded to DMCI. Given this trend, DMCI has been focusing on selected business sectors where engineering expertise has remained relatively strong, particularly, in the mining, water and residential development industries. These sectors provide the company with a strong competitive advantage coming from engineering skills, construction capabilities, equipment and manpower management. The Company has multiple competitors for its residential development business but has an effective monopoly over viable coal production in the country. Along with its partner in Maynilad, water operations for Metro Manila are shared with the Ayala-owned Manila Water Company. With the most recent and significant investment of the Company into the power business, it now faces a different environment in terms of competition and market conditions (eg. other power players and the open electricity market).

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, the Company, through DMCI, has contracts with Maynilad for major and big-ticket engineering and construction works.

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

Effect of existing or probable governmental regulations to the business. – Aside from the normal tax regulations prevalent in all businesses of the Company and the government royalties recognized in the coal mining business, the Company now foresees the regulations in the power sector as having a great effect on operations.

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 project or venture (construction projects, power plant operations). 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

<u>Name</u>	<u>Position</u>	<u>Age</u>
DAVID M. CONSUNJI	Chairman of the Board of Directors	88
CESAR A. BUENAVENTURA	Vice-Chairman of the Board	80
ISIDRO A. CONSUNJI	President	61
HERBERT M. CONSUNJI	Director/Vice President & CFO	57
JORGE A. CONSUNJI	Director	58
VICTOR A. CONSUNJI	Director	59
MA. EDWINA C. LAPERAL	Director/Treasurer	49
EVARISTO T. FRANCISCO	Director (Independent)	82
HONORIO O. REYES-LAO	Director (Independent)	65
VICTOR S. LIMLINGAN	Managing Director	66
CRISTINA C. GOTIANUN	Asst. Treasurer	55
NOEL A. LAMAN	Corporate Secretary	71
MYRA C. REINOSO	Vice President for Finance	53

David M. Consunji is the Founder and Chairman of the Board of Directors of D.M. Consunji, Inc. Mr. Consunji is also Chairman of Dacon Corporation, and Semirara Mining Corporation. Mr. Consunji served as the Secretary of the Department of Public Works, Transportation and Communications from August 1971 to 1975. Awards and recognition received by Mr. Consunji include (i) named Meralco Awardee in Engineering and Applied Sciences, 1994; (ii) recipient of the Civil Engineer Diamond Jubilee Award presented by the University of the Philippines Alumni Engineers in 1985; (iii) One of the Ten Outstanding Civil Engineers in 1982 by the Philippine Institute of Civil Engineers; (iv) recipient of Doctor of Laws, honoris causa, University of the Philippines in 1993; (v) named Outstanding Citizen of the City of Manila for Engineering in 1979; and (vi) named Management Association of the Philippines Awardee in 1996. Mr. David Consunji has served the Corporation as Chairman of the Board for fifteen (15) 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. Buenaventura has served the Company as Vice Chairman for fifteen (15) years.

Isidro A. Consunji is a regular Director of the following: DMCI Project Developers, Inc., Semirara Mining Corporation, Dacon Corporation, DMCI-MPIC Water Company, Inc. Crown Equities, Inc. and Beta Electric Corporation. His other positions include: Chairman of the Board of Directors of Universal Rightfield Property Holdings, Inc., and Beta Electric Corporation; President of Dacon Corporation, DMCI Homes, and DMCI Project Developers, Inc., Mr. Isidro Consunji has served the Corporation as a regular director for fifteen (15) 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, and Village Parks, Inc. His other positions are: President of Village Parks, Inc. and Chief Operating Officer of Maynilad Water Services, Inc. Mr. Herbert Consunji has served the Corporation as a regular director for fifteen (15) years.

Jorge A. Consunji is the President and Chief Operating Officer of D.M. Consunji, Inc. His other positions include: Director of Semirara Mining Corporation, Beta Electric Corp., 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 fifteen (15) 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., and Ecoland Properties Development Corporation. Mr. Victor Consunji has served as a regular director for fifteen (15) years.

Ma. Edwina C. Laperal is the Treasurer of DMCI Holdings, Inc., Dacon Corporation, DMCI Project Developers, Inc., and DMCI Urban Property Developers, Inc.; Regular Director of DMCI Holdings, Inc., DMCI Project Developers, Inc., and D.M. Consunji, Inc. Ms. Laperal has served the Corporation as Treasurer for fifteen (15) 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 nine (9) years (since 2001).

Honorio O. Reyes-Lao was the President and Director of Gold Venture Lease and Management Services, Inc, 2008-2009; Senior Business Consultant of the Antel Group of Companies, 2007-2009; Senior Management Consultant of East West Banking Corporation, 2005-2006. Prior to 2005, Mr. Reyes-Lao was the Senior Vice-President of China Banking Corporation in charge of the lending operation under the Account Management Group. He was a Director of the First Sovereign Asset Management Corporation, 2004-'06; Director and Treasurer of CBC Insurance Brokers, Inc, 1998-2003 : Director of CBC Forex Corporation, 1997-2002; and CBC Properties and Computer Center, Inc, 1993-2006. His civic affiliations are the Makati Chamber of Commerce and Industries - past President; Rotary Club of Makati West – Treasurer; and a Fellow in the Institute of Corporate Directors, a professional organization which espouses good corporate governance in both private and public organizations. Mr. Reyes-Lao has served the Company as Independent Director for one (1) year (since 2009).

Victor S. 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.

Cristina C. Gotianun is a Director of Dacon Corporation, D.M. Consunji, Inc, Asia Industries, Inc., DMC Construction Equipment Resources, Inc., DMC Urban Property Developers, Inc., M&S Company, Inc., Prime Ortigas Development Corporation and South Davao Development Co., Inc.. Her other positions include: Vice President for Finance Administrative/Chief Finance Officer of D.M. Consunji, Inc., Director for Finance of DMCI Homes, Inc., and Corporate Secretary of Dacon Corporation and DMC Urban Property Developers, Inc.. Ms. Gotianun has served the Corporation as Asst. Treasurer for fifteen (15) years.

Myra C. Reinoso is the Vice President for Finance of DMCI Holdings, Inc. 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. Ms. Reinoso has served the Corporation as Vice President for three (3) 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.

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 2010 are set forth below.

Common Share Prices		High	Low
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
	Second Quarter	6.60	6.40
	Third Quarter	8.70	8.60
	Fourth Quarter	9.70	9.40
2010	First Quarter	15.00	14.50

Preferred Share Prices		High	Low
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
	Second Quarter	0	0
	Third Quarter	0	0
	Fourth Quarter	0	0

2010 First Quarter 0 0

Price information as of the latest practicable trading date: As of June 16, 2010:

	High	Low	Close	Volume
Common Shares	17.00	16.75	17.00	4,690,600
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, 2010 the Company had a total of 780 shareholders of which 763 were holders of a total of 2,655,494,000 common shares and 17 were holders of a total of 4,380 preferred shares. The following table sets forth the list of the Top 20 common shareholders of the Corporation as of May 31, 2010, indicating the number of shares held by each and the percentage to the total outstanding shares:

Top 20 Common Shareholders as of May 31, 2010
STOCKHOLDER NAME

	CLASS	TOTAL SHARES	
1 DACON CORPORATION	FIL	1,367,756,488	51.506668 %
2 PCD NOMINEE CORPORATION	FOR	576,616,547	21.714097 %
3 DFC HOLDINGS, INC. 394,120,075	FIL	394,120,075	14.841686 %
4 PCD NOMINEE CORPORATION	FIL	246,422,255	9.279714 %
5 DMCI RETIREMENT PLAN	FIL	19,980,000	0.752402 %
6 BERIT HOLDINGS CORPORATION	FIL	19,764,000	0.744268 %
7 FERNWOOD INVESTMENT, INC.	FIL	12,187,833	0.458967 %
8 DMCI RETIREMENT FUND	FIL	2,600,000	0.097910 %
9 PACITA N. LEE	FIL	1,100,000	0.041424 %
10 MA. EDWINA/MIGUEL DAVID C. LAPERAL	FIL	550,000	0.020712 %
11 EDGARDO MARCOS DE VERA	FIL	520,000	0.019582 %
12 YNTALCO REALTY DEVT. CORPORATION	FIL	500,000	0.018829 %
13 BENIGNO DELA VEGA	FIL	410,000	0.015440 %
14 AO ZHENG	FIL	368,000	0.013858 %
15 XIUFEN LI	FIL	366,000	0.013783 %
16 MAKATI SUPERMARKET CORP.	FIL	345,500	0.013011 %
17 ENRIQUE G. FILAMOR	FIL	314,000	0.011825 %
18 ANTONIO L. GO	FIL	220,000	0.008285 %
19 DIETER J. LONISHEN	FIL	220,000	0.008285 %
20 MIGUEL M. VILLANUEVA	FIL	200,000	0.007532 %
		-----	-----
		2,644,560,698	99.588276 %
		=====	=====
TOTAL NO. OF SHARES :		2,655,494,000	

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 PhP 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.
- (9) On June 4, 2010 the Company declared cash dividends at the amount of PhP 0.50 per outstanding share to the holders of record of June 22, 2010, to be paid on July 15, 2010.

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.

COVER SHEET

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SEC Registration Number

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(Company's Full Name)

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y																																					

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

Herbert M. Consunji

(Contact Person)

888-3000

(Company Telephone Number)

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3	1
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Month Day
(Fiscal Year)

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(Form Type)

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Month Day
(Annual Meeting)

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

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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 statements of financial position as at December 31, 2009 and 2008, and the consolidated statements of income, consolidated statements of comprehensive 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, 2009, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

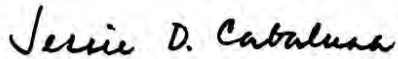


We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of DMCI Holdings, Inc. and Subsidiaries as of December 31, 2009 and 2008, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2009 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.



Jessie D. Cabaluna

Partner

CPA Certificate No. 36317

SEC Accreditation No. 0069-AR-2

Tax Identification No. 102-082-365

PTR No. 2087369, January 4, 2010, Makati City

April 19, 2010



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

(Amounts in Thousands)

	December 31	
	2009	2008
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 4 and 34)	₱3,262,290	₱3,068,623
Available-for-sale financial assets - net (Notes 5 and 34)	214,174	202,933
Receivables - net (Notes 6, 20 and 34)	5,403,883	6,598,971
Costs and estimated earnings in excess of billings on uncompleted contracts (Note 7)	605,754	369,923
Inventories - net (Note 8)	10,660,129	8,930,963
Other current assets (Note 9)	3,350,338	2,025,144
Total Current Assets	23,496,568	21,196,557
Noncurrent Assets		
Noncurrent receivables - net (Notes 6, 20 and 34)	2,195,731	2,440,384
Investments in associates, jointly controlled entities and others - net (Note 10)	6,785,788	4,634,643
Investment properties - net (Note 11)	2,578,233	2,350,001
Property, plant and equipment - net (Note 12)	21,969,886	4,475,163
Deferred tax assets - net (Note 28)	38,529	34,899
Other noncurrent assets - net (Note 13)	573,560	522,459
Total Noncurrent Assets	34,141,727	14,457,549
	₱57,638,295	₱35,654,106
LIABILITIES AND EQUITY		
Current Liabilities		
Bank loans (Notes 14 and 34)	₱1,207,116	₱438,407
Current portion of liabilities for purchased land (Notes 15 and 34)	154,597	572,955
Accounts and other payables (Notes 16 and 34)	8,141,460	5,650,621
Current portion of long-term debt (Notes 18 and 34)	3,839,948	2,438,607
Billings in excess of costs and estimated earnings on uncompleted contracts (Note 7)	357,990	197,038
Customers' advances and deposits (Note 17)	4,095,906	2,050,365
Income tax payable (Note 28)	138,495	102,216
Payable to related parties (Notes 20 and 34)	694,749	841,839
Total Current Liabilities	18,630,261	12,292,048
Noncurrent Liabilities		
Long-term debt - net of current portion (Notes 18 and 34)	14,284,335	3,952,748
Liabilities for purchased land - net of current portion (Notes 15 and 34)	683,506	353,777
Deferred tax liabilities - net (Note 28)	518,786	462,268
Pension liabilities (Note 22)	107,857	109,246
Other noncurrent liabilities (Notes 19 and 34)	19,711	17,954
Total Noncurrent Liabilities	15,614,195	4,895,993
Total Liabilities	34,244,456	17,188,041



	December 31	
	2009	2008
Equity (Note 21)		
Equity attributable to equity holders of the DMCI Holdings, Inc.:		
Paid-up capital	₱7,421,415	₱7,421,415
Retained earnings	13,135,743	8,995,322
Premium on minority acquisition	(161,033)	-
Other comprehensive income (Note 35)	72,093	82,477
	20,468,218	16,499,214
Minority interests	2,925,621	1,966,851
Total Equity	23,393,839	18,466,065
	₱57,638,295	₱35,654,106

See accompanying Notes to Consolidated Financial Statements.



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

	ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT						ATTRIBUTABLE TO MINORITY INTERESTS	TOTAL EQUITY	
	Capital Stock (Note 21)	Additional Paid-in Capital (Note 21)	Total Paid-up Capital (Note 21)	Retained Earnings (Note 21)	Premium on acquisition of minority interest	Other Comprehensive Income (Note 35)			
As of January 1, 2009	₱2,655,498	₱4,765,917	₱7,421,415	₱8,995,322	₱-	₱82,477	₱16,499,214	₱1,966,851	₱18,466,065
Net income for the year	-	-	-	4,682,519	-	-	4,682,519	747,114	5,429,633
Other comprehensive income (losses)	-	-	-	-	-	(10,384)	(10,384)	(62)	(10,446)
Total comprehensive income	-	-	-	4,682,519	-	(10,384)	4,672,135	747,052	5,419,187
Dividends	-	-	-	(542,098)	-	-	(542,098)	(738,896)	(1,280,994)
Net movement in minority interest	-	-	-	-	(161,033)	-	(161,033)	950,614	789,581
Balances at December 31, 2009	₱2,655,498	₱4,765,917	₱7,421,415	₱13,135,743	(₱161,033)	₱72,093	₱20,468,218	₱2,925,621	₱23,393,839
As of January 1, 2008	₱2,655,498	₱4,766,142	₱7,421,640	₱7,135,135	₱-	(₱35,880)	₱14,520,895	₱2,142,909	₱16,663,804
Net income for the year	-	-	-	1,687,900	-	-	1,687,900	348,563	2,036,463
Other comprehensive income	-	-	-	-	-	118,357	118,357	1,350	119,707
Total comprehensive income	-	-	-	1,687,900	-	118,357	1,806,257	349,913	2,156,170
Redemption of preferred shares	-	(225)	(225)	-	-	-	(225)	-	(225)
Transferred from APIC	-	-	-	115,985	-	-	115,985	1,898	117,883
Transferred from revaluation increment	-	-	-	321,832	-	-	321,832	5,266	327,098
Dividends	-	-	-	(265,530)	-	-	(265,530)	(483,420)	(748,950)
Decrease in minority interest	-	-	-	-	-	-	-	(48,365)	(48,365)
Balances at December 31, 2008	₱2,655,498	₱4,765,917	₱7,421,415	₱8,995,322	₱-	₱82,477	₱16,499,214	₱1,966,851	₱18,466,065
As of January 1, 2007	₱2,255,498	₱2,402,685	₱4,658,183	₱5,103,728	₱-	₱39,873	₱9,801,784	₱1,858,406	₱11,660,190
Net income for the year	-	-	-	2,273,756	-	-	2,273,756	286,832	2,560,588
Other comprehensive losses	-	-	-	-	-	(75,753)	(75,753)	-	(75,753)
Total comprehensive income	-	-	-	2,273,756	-	(75,753)	2,198,003	286,832	2,484,835
Issuance of additional common shares	400,000	2,363,457	2,763,457	-	-	-	2,763,457	-	2,763,457
Dividends	-	-	-	(242,349)	-	-	(242,349)	(138,859)	(381,208)
Increase in minority interest	-	-	-	-	-	-	-	136,530	136,530
Balances at December 31, 2007	₱2,655,498	₱4,766,142	₱7,421,640	₱7,135,135	₱-	(₱35,880)	₱14,520,895	₱2,142,909	₱16,663,804



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

	Years Ended December 31		
	2009	2008	2007
REVENUE			
Mining	₱11,602,130	₱9,170,287	₱6,466,701
Construction contracts	10,442,043	6,727,610	4,685,196
Real estate sales	6,963,108	4,736,635	2,455,167
Electricity sales	443,493	–	–
Merchandise sales and others	260,054	523,543	568,564
	29,710,828	21,158,075	14,175,628
COSTS OF SALES AND SERVICES (Note 23)			
Mining	8,873,190	6,943,586	5,193,990
Construction contracts	8,709,809	6,024,191	3,462,058
Real estate sales	4,756,934	2,984,329	1,258,498
Electricity sales	440,471	–	–
Merchandise sales and others	197,957	553,735	441,883
	22,978,361	16,505,841	10,356,429
GROSS PROFIT	6,732,467	4,652,234	3,819,199
OPERATING EXPENSES (Notes 11, 12, 22, 23 and 24)	2,882,151	2,397,261	1,871,325
	3,850,316	2,254,973	1,947,874
OTHER INCOME (LOSSES)			
Equity in net earnings of associates, jointlycontrolled entities and others (Note 10)	1,680,147	84,073	1,259,900
Finance income (Note 25)	840,035	572,552	371,536
Gain on sale of investments	40,412	44,999	178,976
Finance costs (Note 26)	(590,535)	(552,067)	(515,367)
Other income (charges) - net (Note 27)	223,606	327,083	(137,279)
INCOME BEFORE INCOME TAX	6,043,981	2,731,613	3,105,640
PROVISION FOR INCOME TAX (Note 28)	614,348	695,150	545,052
NET INCOME (Note 33)	₱5,429,633	₱2,036,463	₱2,560,588
NET INCOME ATTRIBUTABLE TO			
Equity holders of DMCI Holdings, Inc.	₱4,682,519	₱1,687,900	₱2,273,756
Minority interests	747,114	348,563	286,832
	₱5,429,633	₱2,036,463	₱2,560,588
Basic/Diluted Earnings Per Share (Note 29)	₱1.76	₱0.64	₱0.94

See accompanying Notes to Consolidated Financial Statements.



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

	Years Ended December 31		
	2009	2008	2007
NET INCOME	P5,429,633	P2,036,463	P2,560,588
OTHER COMPREHENSIVE INCOME			
Change in fair value unrealized loss on AFS financial assets	(6,649)	–	(35,880)
Unrealized gain (loss) on AFS financial assets transferred to statement of income (Note 5)	–	35,880	(39,873)
Exchange differences on translating foreign operations	(3,797)	3,822	–
Recognized revaluation increment	–	80,005	–
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE YEAR, NET OF TAX	(10,446)	119,707	(75,753)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	P5,419,187	P2,156,170	P2,484,835
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO			
Equity holders of DMCI Holdings, Inc.	P4,673,510	P1,787,117	P2,206,489
Minority interests	745,677	369,053	278,346
	P5,419,187	P2,156,170	P2,484,835

See accompanying Notes to Consolidated Financial Statements.



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

	Years Ended December 31		
	2009	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	₱6,043,981	₱2,731,613	₱3,105,640
Adjustments for:			
Depreciation, depletion and amortization (Notes 11, 12, 13, 23 and 24)	1,493,002	1,566,760	1,905,640
Finance costs (Note 26)	590,535	552,067	515,367
Write-off of other noncurrent assets (Note 27)	-	-	300,000
Provisions for:			
Doubtful accounts (Note 24)	76,948	54,123	4,434
Probable losses on investments	-	-	20,188
Equity in net earnings of associates and jointly controlled entities (Note 10)	(1,680,147)	(84,073)	(1,259,900)
Gain on sale of property and equipment (Note 27)	(13,735)	(43)	(11,396)
Interest income (Note 25)	(840,035)	(572,552)	(371,536)
Dividend income (Notes 10 and 27)	(1,399)	(47,979)	(3,937)
Operating income before changes in working capital	5,669,150	4,199,916	4,204,500
Decrease (increase) in:			
Receivables	1,991,911	(4,304,049)	1,398,637
Inventories	(243,936)	(2,068,937)	(1,448,586)
Costs and estimated earnings in excess of billings on uncompleted contracts	(235,831)	(229,241)	(123,665)
Other current assets	(2,085,211)	(663,671)	(189,877)
Increase (decrease) in:			
Accounts and other payables	1,187,034	2,884,870	1,105,907
Customers' advances and deposits	2,045,541	24,082	538,240
Billings in excess of costs and estimated earnings on uncompleted contracts	160,952	150,852	10,322
Pension liabilities	(1,389)	(18,165)	(85,778)
Cash generated from (used in) operations	8,488,221	(24,343)	5,409,700
Interest received	905,256	574,833	371,536
Interest paid	570,283	(552,067)	(515,367)
Income taxes paid	(525,181)	(578,272)	(439,790)
Net cash provided by (used in) operating activities	9,438,579	(579,849)	4,826,079

(Forward)



	Years Ended December 31		
	2009	2008	2007
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposals of:			
Available-for-sale financial assets (Note 5)	₱24,641	₱46,635	₱21,038
Property and equipment	900,545	1,587,281	-
Additions to:			
Available-for-sale financial assets (Note 5)	(42,531)	-	-
Investment properties		(97,044)	218,129
Property, plant and equipment (Note 12)	(4,375,952)	(2,626,811)	(1,232,884)
Investments in associates, jointly controlled entities and others (Note 10)	(472,397)	(200,351)	(3,032,125)
Investment properties (Note 11)	(433,430)		
Decrease (increase) in other noncurrent assets	99,466	(361,340)	(42,572)
Acquisition of a business (Notes 32 and 37)	(7,107,741)	-	-
Net increase (decrease) in minority interest	785,784	(41,201)	136,530
Dividends received	1,399	47,979	3,937
Net cash used in investing activities	(10,620,216)	(1,644,852)	(3,927,947)
CASH FLOWS FROM FINANCING ACTIVITIES			
Availments of long-term debt	11,288,460	3,817,805	1,248,443
Payments of long-term debt	(9,322,615)	(2,127,459)	(2,012,503)
Payments of bank loans	(133,988)	-	(763,357)
Redemption of preferred shares	-	(226)	-
Dividends paid	(1,280,994)	(265,530)	(381,208)
Proceeds from:			
Bank loans	902,697	229,501	749,857
Additional subscriptions to capital stock	-	-	2,763,457
Increase (decrease) in:			
Payable to related parties (Note 20)	(80,013)	190,050	(497,069)
Other noncurrent liabilities	1,757	999	1,067
Net cash provided by financing activities	1,375,304	1,845,140	1,108,687
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	193,667	(379,561)	2,006,819
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	3,068,623	3,448,184	1,441,365
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	₱3,262,290	₱3,068,623	₱3,448,184

See accompanying Notes to Consolidated Financial Statements.



DMCI HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

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

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

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 thousand (₱000) unless otherwise indicated.

Statement of Compliance

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

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Group as of December 31, 2009 and 2008 and for each of the three years in the period ended December 31, 2009. Under PFRS, it is acceptable to use, for consolidation purposes, the financial statements of subsidiaries for fiscal periods differing from that of the Parent Company if the difference is not more than three months.

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

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

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 consolidated statement of income and consolidated statement of changes in equity and within equity in the consolidated statement of financial position, separately from equity holders' of the Parent Company. Losses are attributed to the non-controlling interest even if that results in a deficit balance.



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

	Effective Percentages of Ownership	
	2009	2008
<u>General Construction:</u>		
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	98.39
Atlantic, Gulf and Pacific Company (Marine), Inc. (AG&P Marine, Inc.) ⁴	98.39	98.39
Pascal-Ville Corporation (PVC) ⁴	98.39	98.39
Integrain Agricultural Development Corporation (IADC) ⁴	98.39	98.39
AG&P Nouvelle Calédonie ⁴	98.39	98.39
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
<u>Mining:</u>		
Semirara Mining Corporation (Semirara)	58.88	56.46
DMCI Mining Corporation (DMC)	79.44	78.23
<u>Real Estate Development:</u>		
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
DMCI-PDI Hotels, Inc. (PDI Hotels) ³	100.00	-
DMCI Homes Property Management Corporation (DHPMC) ³	100.00	100.00
<u>Manufacturing:</u>		
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
<u>Marketing Arm:</u>		
DMCI Homes, Inc. (DMCI Homes) ³	100.00	100.00
<u>Power:</u>		
DMCI Power Corporation (DPC) (formerly DMCI Energy Resources Unlimited Inc.) *	79.44	78.23
DMCI Masbate Power Corporation (DMCI Masbate)	89.93	89.33
DMCI Concepcion Power Corporation (DMCI Concepcion)	79.44	78.23
DMCI Calaca Power Corporation	100.00	-
Sem-Calaca Power Corporation ⁵	58.88	-

* 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

⁴ AG&P's subsidiaries

⁵ Semirara's subsidiary

DMCI-PDI Hotels, Inc. (PDI Hotels)

On September 2, 2009, PDI Hotels was incorporated to engage in hotel business, including but not limited to the ownership of, establishment, maintenance and operation of hotels, condotels, apartelles, and similar establishments, as well as to engage in the development of, design, and implementation of hotel management systems or manual of operations. PDI Hotels started commercial operations on November 1, 2009.



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)

On February 28, 2008, the BOD of DPC 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.

In 2007, the Parent Company holds the entire ₱20 million outstanding capital stocks of DPC. In relation to the increase in the capital stocks of DPC, the BOD of the Parent Company, in its meeting on February 28, 2008, approved the subscription to an additional 105 million shares at par value of ₱1.00 per share in DPC. Semirara subscribed to the increase in the authorized capital stocks of DPC and infused a total of ₱125.00 million which resulted in a 50:50 equity sharing of the Parent Company with Semirara.

On March 12, 2009, the Semirara made an additional subscription to the unissued capital stock of DPC equivalent to 25 million shares at ₱1.00 per share or a total subscription price of ₱25.00 million payable in cash. Advances for future subscriptions amounting to ₱60.55 million were also made.

DMCI Mining Corporation (DMC)

On February 28, 2008, the BOD of DMC 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 stocks of DMC. In relation to the increase in the capital stocks of DMC, the BOD of the Parent Company, in its meeting on February 28, 2008, approved the subscription to an additional 80 million shares at par value of ₱1.00 per share in DMC. Semirara subscribed to the increase in the authorized capital stocks of DMC and infused a total of ₱100.00 million in DMC which resulted in a 50:50 equity sharing of the Parent Company with Semirara.

At the end of second quarter of 2009, DMC implemented a complete suspension of operations of its nickel and ore mining activities in Sta. Cruz, Zambales.

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

Sem-Calaca Power Corporation (SCPC)

SCPC, a wholly-owned subsidiary of Semirara, was incorporated on November 19, 2009, primarily to acquire, expand and maintain power generating plants, develop fuel for generation of electricity, and sell electricity to any person or entity through electricity markets, among others.



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 following new and amended PFRS and Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC) which were adopted as of January 1, 2009.

New Standards and Interpretations

- Philippine Accounting Standard (PAS) 1 (Revised), *Presentation of Financial Statements* (effective January 1, 2009)
- PAS 23 (Revised), *Borrowing Costs* (effective January 1, 2009)
- PFRS 8, *Operating Segments* (effective January 1, 2009)
- Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes* (effective July 1, 2008)
- Philippine Interpretation IFRIC 16, *Hedges of a Net Investment in a Foreign Operation* (effective October 1, 2008)
- Philippine Interpretation IFRIC 18, *Transfers of Assets from Customers* (effective July 1, 2009)

Amendments to Standards

- PAS 32 and PAS 1 Amendments, *Puttable Financial Instruments and Obligations Arising on Liquidation* (effective January 1, 2009)
- PFRS 1 and PAS 27 Amendments, *Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* (effective January 1, 2009)
- PFRS 2, Amendment, *Vesting Conditions and Cancellations* (effective January 1, 2009)
- PFRS 7 Amendment, *Improving Disclosures about Financial Instruments* (effective January 1, 2009)
- Philippine Interpretation IFRIC 9 and PAS 39 Amendments, *Embedded Derivatives* (effective June 30, 2009)

Improvements to PFRSs 2008

- PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*
- PAS 1, *Presentation of Financial Statements*
- PAS 16, *Property, Plant and Equipment*
- PAS 18, *Revenue*
- PAS 19, *Employee Benefits*
- PAS 23, *Borrowing Costs*
- PAS 28, *Investment in Associates*
- PAS 31, *Interest in Joint ventures*
- PAS 36, *Impairment of Assets*
- PAS 38, *Intangible Assets*
- PAS 39, *Financial Instruments: Recognition and Measurement*
- PAS 40, *Investment Properties*

Standards or interpretations that have been adopted and that are deemed to have an impact on the consolidated financial statements or performance of the Group are described below:

- PAS 1 (Revised), *Presentation of Financial Statements*
The revised standard introduces a new statement of comprehensive income that combines all items of income and expenses recognized in the profit or loss together with “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



standard also requires additional requirements in the presentation of statements of financial information and owners' equity as well as additional disclosures to be included in the financial statements. The Group has elected to present two linked statements, a consolidated statement of income and a consolidated statement of comprehensive income. The consolidated financial statements have been prepared following the revised disclosure requirements.

- **PAS 23 (Revised), *Borrowing Costs***
The revised PAS 23 requires capitalization of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. The Group's previous policy was to expense borrowing costs as they were incurred. In accordance with the transitional provisions of the amended PAS 23, the Group has adopted the standard on a prospective basis. Therefore, borrowing costs will be capitalized on qualifying assets with a prevailing commencement date on or after January 1, 2009. During the 12-month period to December 31, 2009, ₱45.03 million of borrowing costs have been capitalized on qualifying assets included in "Real Estate Held for Sale and Development" account in the consolidated statement of financial position.
- **PFRS 8, *Operating Segments***
PFRS 8 replaced PAS 14, *Segment Reporting*, upon its effective date. The Group concluded that the operating segments determined in accordance with PFRS 8 are the same as the business segments previously identified under PAS 14. PFRS 8 disclosures are shown in Note 33, including the related revised comparative information.
- **Amendment to PFRS 7, *Financial Instruments: Disclosure***
The amendments to PFRS 7, *Financial Instruments: Disclosures*, require additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class, for all financial instruments recognized at fair value. In addition, a reconciliation between the beginning and ending balance for level 3 fair value measurements is now required, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and financial assets used for liquidity management. The fair value measurement disclosures are presented in Note 34. The liquidity risk disclosures are not significantly impacted by the amendments and are presented in Note 34.
- **PFRS 1 and PAS 27 Amendments - *Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate***
The amendments to PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards*, allowed an entity to determine the 'cost' of investments in subsidiaries, jointly controlled entities or associates in its opening PFRS financial statements in accordance with PAS 27, *Consolidated and Separate Financial Statements*, or using a deemed cost method. The amendment to PAS 27 required all dividends from a subsidiary, jointly controlled entity or associate to be recognized in the income statement in the separate financial statement. The revision to PAS 27 was applied prospectively. The new requirement affects only the Parent Company's separate financial statement and does not have an impact on the consolidated financial statements.



- PAS 18, *Revenue*

The amendment adds guidance (which accompanies the standard) to determine whether an entity is acting as a principal or as an agent. The features to consider are whether the entity:

- Has primary responsibility for providing the goods or service
- Has inventory risk
- Has discretion in establishing prices
- Bears the credit risk

The Group has assessed its revenue arrangements against these criteria and has concluded that it is acting as principal in all arrangements. The revenue recognition policy has been updated accordingly.

Future Changes in Accounting Policies

The Group has not applied the following PFRS and Philippine Interpretations which are not yet effective as of December 31, 2009:

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

The revised standards are effective for annual periods beginning on or after July 1, 2009. PFRS 3 (Revised) introduces significant changes in the accounting for business combinations occurring after this date. Changes affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs and future reported results. PAS 27 (Amended) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes by PFRS 3 (Revised) and PAS 27 (Amended) will affect future acquisitions or loss of control of subsidiaries and transactions with non-controlling interests. PFRS 3 (Revised) will be applied prospectively while PAS 27 (Amended) will be applied retrospectively with a few exceptions.

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

This Interpretation, effective for annual periods beginning on or after January 1, 2012, covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The Interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, *Construction Contracts*, or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. This standard will not have an impact on the consolidated financial statements because the Group accounts its revenue using completed contract method.



- **Philippine Interpretation IFRIC 17, *Distributions of Non-Cash Assets to Owners***
This Interpretation is effective for annual periods beginning on or after July 1, 2009 with early application permitted. It provides guidance on how to account for non-cash distributions to owners. The Interpretation clarifies when to recognize a liability, how to measure it and the associated assets, and when to derecognize the asset and liability. The Group does not expect the Interpretation to have an impact on the consolidated financial statements as the Group has not made non-cash distributions to shareholders in the past.

Amendments to Standards

- **PAS 39 Amendment - *Eligible Hedged Items***
The amendment to PAS 39, *Financial Instruments: Recognition and Measurement*, effective for annual periods beginning on or after July 1, 2009, 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. This also covers the designation of inflation as a hedged risk or portion in particular situations. The Group has concluded that the amendment will have no impact on the financial position or performance of the Group, as the Group has not entered into any such hedges.
- **PFRS 2 Amendments - *Group Cash-settled Share-based Payment Transactions***
The amendments to PFRS 2, *Share-based Payments*, effective for annual periods beginning on or after January 1, 2010, clarify the scope and the accounting for group cash-settled share-based payment transactions. The Group has concluded that the amendment will have no impact on the financial position or performance of the Group as the Group has not entered into any such share-based payment transactions.

Improvements to PFRS 2009

The omnibus amendments to PFRSs issued in 2009 were issued primarily with a view to removing inconsistencies and clarifying wording. The amendments are effective for annual periods financial years January 1, 2010 except otherwise stated. The Group has not yet adopted the following amendments and anticipates that these changes will have no material effect on the financial statements.

- **PFRS 2, *Share-based Payment***: clarifies that the contribution of a business on formation of a joint venture and combinations under common control are not within the scope of PFRS 2 even though they are out of scope of PFRS 3, *Business Combinations* (Revised). The amendment is effective for financial years on or after July 1, 2009.
- **PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations***: clarifies that the disclosures required in respect of non-current assets and disposal groups classified as held for sale or discontinued operations are only those set out in PFRS 5. The disclosure requirements of other PFRSs only apply if specifically required for such non-current assets or discontinued operations.
- **PFRS 8, *Operating Segment Information***: clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker.
- **PAS 1, *Presentation of Financial Statements***: clarifies that the terms of a liability that could result, at anytime, in its settlement by the issuance of equity instruments at the option of the counterparty do not affect its classification.



- PAS 7, *Statement of Cash Flows*: explicitly states that only expenditure that results in a recognized asset can be classified as a cash flow from investing activities.
- PAS 17, *Leases*: removes the specific guidance on classifying land as a lease. Prior to the amendment, leases of land were classified as operating leases. The amendment now requires that leases of land are classified as either 'finance' or 'operating' in accordance with the general principles of PAS 17. The amendments will be applied retrospectively.
- PAS 36, *Impairment of Assets*: clarifies that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in PFRS 8 before aggregation for reporting purposes.
- PAS 38, *Intangible Assets*: clarifies that if an intangible asset acquired in a business combination is identifiable only with another intangible asset, the acquirer may recognize the group of intangible assets as a single asset provided the individual assets have similar useful lives. Also clarifies that the valuation techniques presented for determining the fair value of intangible assets acquired in a business combination that are not traded in active markets are only examples and are not restrictive on the methods that can be used.
- PAS 39, *Financial Instruments: Recognition and Measurement*: clarifies the following:
 - a) that a prepayment option is considered closely related to the host contract when the exercise price of a prepayment option reimburses the lender up to the approximate present value of lost interest for the remaining term of the host contract.
 - b) that the scope exemption for contracts between an acquirer and a vendor in a business combination to buy or sell an acquiree at a future date applies only to binding forward contracts, and not the derivative contracts where further actions by either party are still to be taken.
 - c) that gains or losses on cash flow hedges of a forecast transaction that subsequently results in the recognition of a financial instrument or on cash flow hedges of recognized financial instruments should be reclassified in the period that the hedged forecast cash flows affect profit or loss.
- Philippine Interpretation IFRIC 9, *Reassessment of Embedded Derivatives*: clarifies that it does not apply to possible reassessment at the date of acquisition, to embedded derivatives in contracts acquired in a business combination between entities or businesses under common control or the formation of joint venture.
- Philippine Interpretation IFRIC 16, *Hedge of a Net Investment in a Foreign Operation*: states that, in a hedge of a net investment in a foreign operation, qualifying hedging instruments may be held by any entity or entities within the group, including the foreign operation itself, as long as the designation, documentation and effectiveness requirements of PAS 39 that relate to a net investment hedge are satisfied.

Cash and Cash Equivalents

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



Financial Instruments

Date of recognition

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

Initial recognition of financial instruments

All financial assets 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.

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

As of December 31, 2009 and 2008, the Group's financial instruments are classified as AFS financial assets, loans and receivables and other financial liabilities.

Determination of fair value

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

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

Day 1 difference

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



Loans and receivables

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

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

After initial measurement, 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 “Finance income” in the consolidated statement of income.

AFS financial assets

AFS financial assets are those non-derivative financial assets that are designated as AFS financial assets or are not classified in any of the three preceding categories. After initial measurement, AFS financial assets are measured at fair value with unrealized gains or losses being recognized in the consolidated statement of comprehensive income and are reported as “net unrealized gain on AFS financial assets” in equity. When the investment is disposed of, the cumulative gain or loss previously recorded in equity is recognized in the consolidated statement of income. Interest earned or paid on the investments is reported as interest income or expense using the 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).

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

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

Loans and receivables

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

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial assets' original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is charged to the consolidated statement of income during the period in which it arises. Interest income continues to be recognized based on the original 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 consolidated statement of income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

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



Financial assets carried at cost

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

AFS financial assets

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 statement of 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. Future interest income is based on the reduced carrying amount and is accrued using the rate of interest used to discount future cash flows for the purpose of measuring impairment loss and is recorded as part of "Interest income" account 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 Instruments

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

Derecognition of Financial Assets and Liabilities

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



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

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or canceled or has expired.

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

Property acquired or being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, is held as Real estate held for sale and development. Real estate held for sale and development consists of residential units for sale and development, subdivision land for sale and development. Costs include those costs of acquisition, development, improvement and construction of the real estate projects. Borrowing costs are capitalized while the development and construction of the real estate projects are in progress, and to the extent that these are expected to be recovered in the future.



Investments in Associates, Jointly Controlled 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 statement of financial position at cost plus post-acquisition changes in the Group's share in the net assets of the investee companies, less any impairment in value. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortized. The Group's share in the investee's post acquisition profit or loss is recognized in the consolidated statement of income. Profit and losses resulting from transactions between the Group and the investee companies are eliminated to the extent of the interest in the investee companies.

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.

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

Investment in Jointly Controlled Assets

A jointly controlled asset involves joint control and ownership by the Group and other venturers of assets contributed to or acquired for the purpose of the joint venture, without the formation of a corporation, partnership or other entity. The Group accounts for its share of the jointly controlled assets, any liabilities it has incurred, its share of any liabilities jointly incurred with other ventures, income from the sale or use of its share of the joint venture's output, together with its share of the expenses incurred by the joint venture, and any expenses it incurs in relation to its interest in the joint venture.

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.

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

	Years
Buildings and building improvements	5-25
Condominium units	5

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.

Mine Exploration, Evaluation and Development Costs

Pre-license costs

Pre-license costs are expensed in the period in which they are incurred.

Exploration and evaluation costs

Once the legal right to explore has been acquired, exploration and evaluation expenditure is charged to the consolidated statement of income as incurred, unless the directors conclude that a future economic benefit is more likely than not to be realized. These costs include materials and fuel used, surveying costs, drilling costs and payments made to contractors.

In evaluating if expenditures meet the criteria to be capitalized, several different sources of information are utilized. The information that is used to determine the probability of future benefits depends on the extent of exploration and evaluation that has been performed.

Exploration and evaluation expenditure incurred on licenses where a Joint Ores Reserve Committee (JORC) compliant resource has not yet been established is expensed as incurred until sufficient evaluation has occurred in order to establish a JORC compliant resource. Costs incurred during this phase are included as part of production cost.



Upon the establishment of a JORC compliant resource (at which point, the Group considers it probable that economic benefits will be realised), the Group capitalises any further evaluation costs incurred for the particular licence to exploration and evaluation assets up to the point when a JORC compliant reserve is established.

Once JORC compliant reserves are established and development is sanctioned, exploration and evaluation assets are tested for impairment and transferred to 'Mines under construction'. No amortization is charged during the exploration and evaluation phase.

Mines under construction

Upon transfer of 'Exploration and evaluation costs' into 'Mines under construction', all subsequent expenditure on the construction, installation or completion of infrastructure facilities is capitalized within "Mines under construction". Development expenditure is net of proceeds from all but the incidental sale of ore extracted during the development phase. After production starts, all assets included in "Mines under construction" are transferred to "Mining 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 the 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.

Property, Plant and Equipment

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

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

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

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



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

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

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

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

Provision for decommissioning and site rehabilitation costs

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

Intangible Assets

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

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



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

Input VAT

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

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

Impairment of Nonfinancial Assets

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

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

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, depletion and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

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

Equity

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

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

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.



Minority Interests

Minority interests represent the portion of profit or loss and the net assets not held by the Parent Company and are presented separately in the consolidated statement of income and within equity in the consolidated statement of financial position, separately from total equity attributable to owners of the Parent Company. Any losses applicable to a minority shareholder of a consolidated subsidiary in excess of the minority shareholder's equity in the subsidiary are charged against the minority interests to the extent that the minority shareholder has binding obligation to, and is able to, make good of the losses.

Revenue and Cost Recognition

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

Mining

Revenue from mining is recognized upon 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.

Electricity sales

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

Real estate sales

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

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

Construction contracts

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



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

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

Merchandise sales

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

Dividend income

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

Rental income

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

Interest income

Revenue is recognized as interest accrues using the effective interest method 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.

Operating Expenses

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

Borrowing Costs

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

The interest capitalized is calculated using the Group's weighted average cost of borrowings after adjusting for borrowings associated with specific developments. Where borrowings are associated with specific developments, the amounts capitalized is the gross interest incurred on those borrowings less any investment income arising on their temporary investment. Interest is capitalized from the commencement of the development work until the date of practical



completion. The capitalization of finance costs is suspended if there are prolonged periods when development activity is interrupted. Interest is also capitalized on the purchased cost of a site property acquired specially for development but only where activities necessary to prepare the asset for development are in progress.

The Group capitalized borrowing costs for all eligible assets where construction commenced on or after January 1, 2009. The Group continues to expense borrowing costs relating to construction projects that commenced prior to January 1, 2009.

Foreign Currency Translations

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

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

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

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

Commission Expense

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

Pension Expense

The Group has a noncontributory defined benefit retirement plan.

The retirement cost of the Group is determined using the projected unit credit method. Under this method, the current service cost is the present value of retirement benefits payable in the future with respect to services rendered in the current period. The defined benefit asset or liability comprises the present value of the defined benefit obligation less past service costs not yet recognized, if any, less the fair value of the plan assets out of which the obligations are to be settled directly and less any actuarial gains or losses not recognized. The value of any asset is restricted to the sum of any past service costs not yet recognized, if any, and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.



The defined benefit obligation is calculated annually by an independent actuary using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using prevailing interest rate on government bonds that have terms to maturity approximating the terms of the related retirement liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are credited to or charged against income when the net cumulative unrecognized actuarial gains and losses at the end of the previous period exceeded 10% of the higher of the present value of the defined benefit obligation and the fair value of plan assets at that date. These gains or losses are recognized over the expected average remaining working lives of the employees participating in the plan.

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

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

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

Leases

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

Group as a lessee

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

Group as a lessor

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

Income Tax

Current tax

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



Deferred tax

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

Deferred tax liabilities are recognized for all taxable temporary differences, 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 reporting 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 reporting date and are recognized to the extent that it has become probable that future taxable profit will allow all or part of 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 substantially enacted at the reporting date.

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

Earnings per Share

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



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

Operating Segment

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products. Financial information on operating segments is presented in Note 33 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 reporting 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.

Events After the Reporting Period

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

Business Combinations

Business combinations are accounted for using the purchase method. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets (including previously unrecognized intangible assets) acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the date of acquisition, irrespective of the extent of any noncontrolling interest.

PFRS 3 provides that if the initial accounting for a business combination can be determined only provisionally by the end of the period in which the combination is effected because either the fair values to be assigned to the acquiree's identifiable assets, liabilities or contingent liabilities or the cost of the combination can be determined only provisionally, the acquirer shall account for the combination using those provisional values. The acquirer shall recognize any adjustments to those provisional values as a result of completing the initial accounting within twelve months of the acquisition date as follows: (i) the carrying amount of the identifiable asset, liability or contingent liability that is recognized or adjusted as a result of completing the initial accounting shall be



calculated as if its fair value at the acquisition date had been recognized from that date; (ii) goodwill or any gain recognized shall be adjusted by an amount equal to the adjustment to the fair value at the acquisition date of the identifiable asset, liability or contingent liability being recognized or adjusted; and (iii) comparative information presented for the periods before the initial accounting for the combination is complete shall be presented as if the initial accounting has been completed from the acquisition date.

Acquisition of Minority Interests in a Subsidiary

Acquisition of minority interests is accounted for using the parent entity extension method, whereby the difference between the fair value of consideration given and the net book value of the share in the net assets acquired is recognized as goodwill. When the consideration is less than the net assets acquired, the difference is recognized as a gain in the consolidated statement of income. In an acquisition without consideration involved, the difference between the share of the minority interests in the net assets at book value before and after the acquisition is recognized either as goodwill or a gain from acquisition of minority interests.

3. Significant Accounting Judgments and Estimates

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

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

Judgments

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

Real estate revenue recognition

Selecting an appropriate revenue recognition method for a real estate sale transaction requires certain judgments based on buyer's commitment on sale which may be ascertained through the significance of the buyer's initial payments.

Impairment of AFS financial assets

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



Financial assets not quoted in an active market

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

Distinction between investment properties and owner-occupied properties

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

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

Operating lease commitments - The Group as Lessee

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

Management's Use of Estimates

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

Revenue recognition

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

a.) Mining

The Group's sales arrangement with its customers includes reductions of invoice price to take into consideration charges for penalties and bonuses. These 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 mining amounted to ₱11.60 billion, ₱9.17 billion and ₱6.47 billion in 2009, 2008 and 2007, 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 ₱10.44 billion, ₱6.73 billion and ₱4.69 billion in 2009, 2008 and 2007, respectively.

Allowance for doubtful accounts

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

The amount and timing of recorded expenses for any period would differ if the Group made different judgments or utilized different estimates. An increase in the allowance for doubtful accounts on receivables would increase recorded operating expenses and decrease total assets. Provision for doubtful accounts of the Group amounted to ₱76.95 million, ₱54.13 million and ₱4.43 million in 2009, 2008 and 2007, respectively (see Notes 6 and 24). Receivables of the Group, net of allowance for doubtful accounts of ₱438.58 million and ₱430.76 million as of December 31, 2009 and 2008, respectively, amounted to ₱5.40 billion and ₱6.60 billion as of December 31, 2009 and 2008, 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, 2009 and 2008 amounted to ₱1.74 billion and ₱0.90 billion, respectively (see Note 8).

NRV of equipment parts, materials in transit and supplies

The Group reviews its inventory to assess NRV at least on a semi-annual basis. This requires the Group to make an estimate of the inventories' estimated selling price in the ordinary course of business and costs necessary to make a sale to determine the NRV. The amount and timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized. An increase in reserves for inventory write-down would increase recorded operating expenses and decrease current assets.

Inventories of the Group, net of allowance for inventory obsolescence amounting to ₱92.04 million and ₱59.71 million as of December 31, 2009 and 2008, respectively, amounted to ₱1.67 billion and ₱0.70 billion as of December 31, 2009 and 2008, 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, depleted and amortized on a straight line basis over the EUL of the related asset or the lease term. Assumptions used to compute the decommissioning and site rehabilitation costs are reviewed and updated annually.

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

As of December 31, 2009 and 2008, the provision for decommissioning and site rehabilitation has a carrying value of ₱14.77 million and ₱13.20 million, respectively (see Note 19).

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

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

It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in factors mentioned above. A reduction in the estimated useful lives of property, plant and equipment, 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 ₱21.97 billion and ₱4.48 billion as of December 31, 2009 and 2008, respectively (see Note 12). The net book value of investment properties of the Group amounted to ₱2.58 billion and ₱2.35 billion as of December 31, 2009 and 2008, 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, 2009 and 2008, the balances of the Group's nonfinancial assets, net of accumulated depreciation, depletion and amortization and accumulated provisions for impairment losses follow:

	2009	2008
	(Amounts in Thousands)	
Property, plant and equipment (Note 12)	₱21,969,886	₱4,475,163
Investments in associates, jointly controlled entities and others (Note 10)	6,785,788	4,634,643
Investment properties (Note 11)	2,578,233	2,350,001

Deferred tax assets

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

The deferred tax assets amounted to ₱38.53 million and ₱34.90 million as of December 31, 2009 and 2008, respectively. The unrecognized deferred tax assets of the Group amounted to ₱436.52 million and ₱425.58 million as of December 31, 2009 and 2008, respectively (see Note 28).

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 22). 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, 2009 and 2008, the balances of the Group's net pension liabilities and unrecognized actuarial gain or loss follow (see Note 22):

	2009	2008
	(Amounts in Thousands)	
Net pension liabilities	₱107,857	₱109,246
Unrecognized actuarial gains	294,152	135,674

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 36).

Fair value of financial instruments

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

Financial assets carried at fair value as of December 31, 2009 and 2008 amounted to ₱34.25 million and ₱25.73 million, respectively (see Note 5).

4. Cash and Cash Equivalents

This account consists of:

	2009	2008
	(Amounts in Thousands)	
Cash on hand and in banks	₱1,913,408	₱1,387,248
Cash equivalents	1,348,882	1,681,375
	₱3,262,290	₱3,068,623

Cash in banks earns interest at the respective bank deposit rates. Cash equivalents are made for varying periods of up to three (3) 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:

	2009	2008
	(Amounts in Thousands)	
Quoted securities		
Balance at beginning of year	₱25,727	₱29,602
Additions	39,411	-
Disposal	(24,238)	(3,875)
Balance at end of year	40,900	25,727
Unrealized loss recognized in equity	(6,649)	-
	34,251	25,727
Unquoted securities		
Balance at beginning of year	282,595	282,595
Additions	3,120	-
Disposals	(23,832)	-
Balance at end of year	261,883	282,595
Less allowance for probable loss	(81,960)	(105,389)
	179,923	177,206
	₱214,174	₱202,933

The quoted equity investments include investments in golf and sports club shares. In 2009, unrealized loss on AFS financial assets recognized in other comprehensive income amounted to ₱6.65 million.

Unquoted securities

The unquoted shares include investment in Montecito Properties, a 40% owned company carried at cost less provision for impairment losses. The Group does not have significant influence nor participate during Board discussion meeting. As of December 31, 2009 and 2008, the carrying amount of the investment amounted to ₱138.09 million.

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. (ALI) 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 (ALI) and payment of project management fee and marketing fees.

6. Receivables

This account consists of:

	2009	2008
	(Amounts in Thousands)	
Trade:		
Real estate	₱2,788,393	₱4,390,350
General construction (including retention receivables on uncompleted contracts of ₱788.15 million in 2009 and ₱307.68 million in 2008)	2,890,654	1,666,048
Mining	752,142	1,773,418
Electricity sales	489,246	-
	6,920,435	7,829,816
Receivables from related parties (Note 20)	941,971	1,220,010
Advances to officers and employees	60,280	73,581
Other receivables	115,509	346,712
	8,038,195	9,470,119
Less allowance for doubtful accounts	438,581	430,764
	7,599,614	9,039,355
Less noncurrent receivables - net	2,195,731	2,440,384
	₱5,403,883	₱6,598,971



Receivables amounting to ₱84.89 million and ₱11.04 million as of December 31, 2009 and 2008, respectively, were impaired and fully provided for. Movements in the allowance for impairment losses are as follows (amounts in thousands):

2009

	Trade Receivables				Total
	Real Estate	General Construction	Mining	Others	
At January 1	₱66,364	₱336,602	₱16,760	₱11,038	₱430,764
Provision during the year	-	3,098	-	73,850	76,948
Reversal	-	-	(3,191)	-	(3,191)
Reclassification	(4,231)	4,231	-	-	-
Write-off	-	(65,940)	-	-	(65,940)
At December 31	₱62,133	₱277,991	₱13,569	₱84,888	₱438,581
Individually impaired	₱4,656	₱277,991	₱13,569	₱84,888	₱381,104
Collectively impaired	57,477	-	-	-	57,477
Total	₱62,133	₱277,991	₱13,569	₱84,888	₱438,581
Gross amounts of receivables, individually determined to be impaired, before deducting any individual assessed impairment allowance	₱-	₱-	₱-	₱84,888	₱381,104

2008

	Trade Receivables				Total
	Real Estate	General Construction	Coal Mining	Others	
At January 1	₱12,242	₱336,592	₱16,760	₱11,038	₱376,632
Provision during the year	54,122	10	-	-	54,132
At December 31	₱66,364	₱336,602	₱16,760	₱11,038	₱430,764
Individually impaired	₱4,973	₱336,602	₱16,760	₱11,038	₱369,373
Collectively impaired	61,391	-	-	-	61,391
Total	₱66,364	₱336,602	₱16,760	₱11,038	₱430,764
Gross amounts of loans, individually determined to be impaired, before deducting any individual assessed impairment allowance.	₱-	₱-	₱-	₱11,038	₱369,373

In 2009 and 2008, real estate receivables with a nominal amount of ₱1.54 billion and ₱1.35 billion, respectively, were initially recorded at fair value. The unamortized discount amounted to ₱60.71 million and ₱123.76 million as of December 31, 2009 and 2008, respectively.

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

	2009	2008
	(Amounts in Thousands)	
Balance at beginning of year	₱123,764	₱197,168
Accretion for the year (Note 25)	(63,056)	(73,404)
Balance at end of year	₱60,708	₱123,764

Trade Receivable

Real estate

Real estate receivables principally consist of amounts arising from sale of real estate subdivision units which are collectible within (ten) 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 18). 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 ₱77.93 million in 2009 and ₱980.84 million as of December 31, 2009 and 2008, respectively (see Note 18).

In 2009, the Group entered into an agreement with Banco de Oro (BDO) to convert the receivables under purchased agreements into a without recourse basis. Total carrying value of trade receivables from real estate sales converted into a without recourse basis amounted to ₱3,621.87 million as of December 31, 2009 (see Note 18).

General construction

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

Mining

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

Electricity sales

Receivables from electricity sales are claims from power distribution companies for supply and distribution of contracted energy and are generally carried at original invoice amounts less discounts and rebates.

7. Costs, Estimated Earnings and Billings on Uncompleted Contracts

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

	2009	2008
	(Amounts in Thousands)	
Total costs incurred	₱8,975,799	₱2,493,011
Add estimated earnings recognized	2,914,459	689,724
	11,890,258	3,182,735
Less total billings (including unliquidated advances from contract owners of ₱2,399.42 million in 2009 and ₱27.07 million in 2008)	11,642,494	3,009,850
	₱247,764	₱172,885



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

	2009	2008
	(Amounts in Thousands)	
Costs and estimated earnings in excess of billings on uncompleted contracts	₱605,754	₱369,923
Billings in excess of costs and estimated earnings on uncompleted contracts	(357,990)	(197,038)
	₱247,764	₱172,885

8. Inventories

This account consists of:

	2009	2008
	(Amounts in Thousands)	
At Cost:		
Real estate held for sale and development	₱7,198,094	₱7,202,765
Coal inventory	1,743,045	896,734
Equipment parts, materials in transit and supplies	48,181	132,335
Nickel ore	14,038	-
Chromites	3,092	2,218
At NRV:		
Nickel ore	24,593	100,494
Equipment parts, materials in transit and supplies	1,629,086	596,417
	₱10,660,129	₱8,930,963

Costs of equipment parts, materials and supplies carried at NRV amounted to ₱1.67 billion and ₱791.43 million as of December 31, 2009 and 2008, respectively. Costs of nickel ore carried at NRV amounted to ₱29.24 million and ₱101.16 million as of December 31, 2009 and 2008, respectively.

In 2009, the Group capitalized borrowing costs amounting to ₱45.03 million on all real estate projects that commenced development starting January 1, 2009. The rate used to determine the amount of borrowing costs eligible for capitalization was 10.99%, which is the effective interest rate of the Group's general borrowing.

The cost of inventories recognized as expense in the consolidated statements of income amounted to ₱22.18 billion, ₱16.07 billion and ₱10.07 billion for the years ended December 31, 2009, 2008 and 2007, respectively.



9. Other Current Assets

This account consists of:

	2009	2008
	(Amounts in Thousands)	
Advances to suppliers, brokers and contractors	₱1,708,462	₱760,017
Input value added tax (VAT)	810,465	783,020
Creditable taxes withheld	389,390	296,012
Security deposits - current portion (Note 13)	270,766	-
Prepaid expenses	130,595	117,362
Others	40,660	68,733
	₱3,350,338	₱2,025,144

Input value added tax (VAT)

Input VAT is fully recoverable and can be applied against output VAT, except for the output VAT erroneously withheld by National Power Corporation (NPC) in which the Group recognized provision for probable loss amounting to ₱42.38 million (see Note 24).

In 2007, the Group filed a total claim for refund of ₱190.50 million from the BIR representing VAT erroneously withheld by NPC from December 2005 to March 2007, which eventually was elevated to the Court of Tax Appeals (CTA). On October 13, 2009, CTA granted the Company's petition for a refund on erroneously withheld VAT initially on December 2005 sales amounting to ₱11.85 million. The Commissioner of Internal Revenue moved for reconsideration of the CTA's Decision. On November 21, 2009, the Company filed its comment thereon. The motion for reconsideration remains pending to date. Management has estimated that the refund will be recovered after three (3) to five (5) years.

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.

10. Investments in Associates, Jointly Controlled Entities and Others

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

	2009	2008
	(Amounts in Thousands)	
Investments - At Equity		
Investments in associates		
Acquisition cost:		
Balance at beginning of year	₱3,253,835	₱53,834
Additions	472,397	200,001
Reclassification of investment in PIDC	12,500	
Reclassification of investment in DMWC	-	3,000,000
Balance at end of year	3,738,732	3,253,835

(Forward)



	2009	2008
	(Amounts in Thousands)	
Accumulated equity in net losses:		
Balance at beginning of year	₱1,328,764	₱83,765
Equity in net income during the year	1,680,147	53,650
Reclassification of investment in DMWC	-	1,239,328
Dividends received (Note 27)	(1,399)	(47,979)
Balance at end of year	3,007,512	1,328,764
	6,746,244	4,582,599
Allowance for probable losses	(16,864)	(16,864)
	6,729,380	4,565,735
Jointly controlled entities:		
Acquisition cost		
Balance at beginning of year	125	3,000,125
Reclassification investment in DMWC	-	(3,000,000)
Balance at end of year	125	125
Accumulated equity in net earnings:		
Balance at beginning of year	283	1,209,188
Equity in net income during the year	-	30,423
Reclassification of investment in DMWC	-	(1,239,328)
Balance at end of year	283	283
	408	408
	6,729,788	4,566,143
Investment - At Cost		
Balance at beginning of year	68,500	68,150
Additions during the year	-	350
Reclassification to investment in associate	(12,500)	-
Balance at end of year	56,000	68,500
	₱6,785,788	₱4,634,643

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	
	2009	2008	2009	2008
	(Amounts in Thousands)			
Associates:				
Bachy Soletanche Philippines Corporation (Bachy)	49.00%	49.00%	₱43,061	₱43,061
DMCI-MPIC Water Co. Inc. (DMCI-MPIC)	44.59	44.59	5,931,761	4,269,751
Subic Water and Sewerage Company, Inc. (Subic Water)	40.00	40.00	126,710	109,972
Bauan International Port, Inc. (BIPI)	20.00	20.00	142,951	142,951
Private Infra Dev Corporation (PIDC)	33.00	18.00	484,897	-
			6,729,380	4,565,735
Jointly Controlled Entities:				
Eco Process & Equipment Philippines, Inc.	50.00	50.00	408	408
			6,729,788	4,566,143
At Cost				
Balance at beginning of year			68,500	68,150
Additions			-	350
Reclassification to investment in associate			(12,500)	-
			56,000	68,500
Total			₱6,785,788	₱4,634,643



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

2009

	Assets	Liabilities	Net income (loss)
(Amounts in Thousands)			
Associates:			
Bachy Soletanche Philippines Corporation	P85,455	P5,199	(P93)
Bauan International Port, Inc. Subic Water and Sewerage Company, Inc	1,071,700	9,400	26,600
DMCI-MPIC Water Co. Inc.	829,696	255,872	152,191
Private Infra Dev Corporation	53,265	37,952	3,727
	1,592,064	10,785	(21,288)
	3,632,180	319,208	161,137
Jointly Controlled Entities:			
Eco Process & Equipment Philippines, Inc.	2,596	252	(2)
	P3,634,776	P319,460	P161,135

2008

	Assets	Liabilities	Net income (loss)
(Amounts in Thousands)			
Associates:			
Bachy Soletanche Philippines Corporation	P86,132	P5,783	(P7,623)
Bauan International Port, Inc. Subic Water and Sewerage Company, Inc	1,075,700	10,000	25,700
DMCI-MPIC Water Co. Inc.	800,964	282,346	125,710
Private Infra Dev Corporation	49,453	38,441	121
	477,596	47,461	3,570
	2,489,845	384,031	147,478
Jointly Controlled Entities:			
Eco Process & Equipment Philippines, Inc.	2,596	1,285	2
	P2,492,441	P385,316	P147,480

BIPI

BIPI is a domestic corporation which functions as a multi-purpose facility primarily handling bulk cargo from industries in Bauan. BIPI's place of business is at Port Area, San Roque, Bauan, Batangas.

Subic Water

On January 22, 1997, PDI subscribed to 3,262,320 shares at the par value of P10 per share for an aggregate value of P32.62 million in Subic Water, a venture company with Subic Bay Metropolitan Authority (a government-owned corporation), Olongapo City Water District, and Cascas 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 P74.80 million (based on the



initial subscribed and paid-in capital of ₱187.00 million). The balance of PDI's committed subscription to Subic Water of ₱38.18 million (net of additional subscription payment of ₱4.00 million in 1998) is expected to be paid on or before the second anniversary of the said effective date. As of December 31, 2009 and 2008, 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. Gain recognized arising from the assignment amounted to ₱70.07 million and was presented under other income (see Note 27).

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 (TPLEX) 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

On September 3, 2009, the BOD approved the Parent Company's additional subscription of 1,449,684 common shares out of PIDC's increase in authorized capital stock of ₱3.50 billion.

DMCI-MPIC Water Company, Inc. (DMWC)

Loss of Joint Control

DMCI-MPIC Water Company, Inc. is a 50% owned joint venture of the Parent Company until July 17, 2008 when Metro Pacific Investments Corporation (MPIC) acquired convertible note (herein referred to as Facility Loan B) which was issued by DMWC in 2007 to First Pacific Company Limited (FPC) and a foreign company (the original holders of the convertible note). The convertible note carries an option to convert the same to DMWC shares. The acquisition of the convertible note by the MPIC resulted to potential voting rights equivalent to approximately 12.0% interest in DMWC and control is thereby obtained by MPIC.

Pursuant to the Subscription Agreement by and among the Parent Company, MPIC and DMWC on November 27, 2008, the Parent Company and MPIC subscribed to additional 961.6 million common shares and 1.93 billion common shares, respectively, of DMWC (the "DMCI and MPIC Subscription Shares").

Simultaneous with the execution of the Subscription Agreement, DMWC, 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 BOD of DMCI-MPIC convened and approved the increase in authorized capital stock of DMWC from ₱6.00 billion divided into 6,000,000,000 common shares with par value of ₱1.00 per share to ₱8.88 billion divided into 8,884,800,000 common shares with par value of ₱1.00 per share.

As of December 31, 2008, deposit for future stock subscription representing the paid up portion of the Parent Company and MPIC subscription amounted to ₱2.13 billion.

Equity in net earnings in DMWC amounted to ₱1.66 billion in 2009, ₱30.42 million in 2008 and ₱1.24 billion in 2007 (including share in negative goodwill of ₱1.83 billion and IFRIC adjustment of ₱278.26 million).

On January 19, 2007, the 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 ₱56.00 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 ₱2.00 billion resulting from the write-off of BHC of its advances amounting to ₱658.00 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 ₱1.40 billion (or equivalent to approximately US\$25.00 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 ₱7.00 billion (such amount was retroactively adjusted to ₱6.50 billion in 2006 as discussed below) against the APIC amounting to ₱2.10 billion and reduction surplus amounting to ₱5.20 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 ₱342.00 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 (amounts in thousands):

Shareholder	Class	Total Subscription (No. of Shares)	%
DMCI-MPIC*	Class A Common	1,149,976	77.97
DMCI-MPIC	ESOP	88,500	6.00
Metrobank	Class A Common	524	.03
LAWL*	Class B Common	236,000	16.00
All classes		1,475,000	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 Rebasings, the Service Obligations of Maynilad as well as the recovery or compensation of foreign exchange losses or gains relating to the full prepayment of Maynilad's US\$ Concessionaire Loans,



the Tranche A2 Concession Fees and the Recognized Tranche B Concession Fees (as defined below) were deemed necessary. Thus, contemporaneously with the signing of the PSA,

Maynilad entered into the TCA with MWSS for the purpose of providing for these transitional arrangements which will apply from and after the termination of the DCRA and the 2005 Rehabilitation Plan.

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

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

On August 16, 2007, Maynilad, together with the Lenders, Suez, Suez Env, OSPI and MWSS filed the Joint Omnibus Motion dated August 14, 2007 (Joint Omnibus Motion) praying for the Rehabilitation Court's approval of the PSA and seeking further the termination of the rehabilitation proceedings on account of the successful implementation of the 2005 Rehabilitation Plan following the implementation of the requirements of the PSA, citing that upon such implementation, Maynilad shall have already completed both the Capital Restructuring and the Debt Restructuring which are the key elements mandated by the 2005 Rehabilitation Plan for the rehabilitation of Maynilad and the restoration of its financial viability.

On December 19, 2007, the Rehabilitation Court issued an Order approving the PSA and declaring that Maynilad has successfully implemented the 2005 Rehabilitation Plan on the date it has implemented the "Full Prepayment" and the "Settlement" as set forth in the PSA and has satisfied all other payment requirements under Clause 5 of the PSA, all in accordance with the terms of the PSA, and that accordingly, the rehabilitation proceedings are terminated, effective on such date, pursuant to the last sentence of Section 27 of Rule 4 of the Interim Rules of Procedure on Corporate Rehabilitation upon issuance by the Rehabilitation Court of a subsequent Order confirming the termination of the rehabilitation proceedings after submission by Maynilad and the

Receiver of separate sworn certifications on the said implementation of the PSA and submission of proof of payment of the proper filing/docket fees. The Rehabilitation Court further resolved the disputed claims of the Suez Group and MWSS in favor of Maynilad, ruling that no amount is due to the said claimants for their respective disputed claims, upholding the recommendations of the Receiver.

After receiving the Monetary Board approval of the proposed prepayment under the PSA, Maynilad implemented the full prepayment of the Facility, Suez Loan, Tranche A2 Concession Fees and the Recognized Tranche B Concession Fees pursuant to the PSA on January 16, 2008. Further, on January 17, 2008, Maynilad implemented the full settlement of the discounted amount of approved claims of contractors/suppliers who have granted Maynilad a 10% discount prior to the effective date of the PSA and satisfied all other payment requirements under Clause 5 of the PSA. Through a Manifestation with Motion (for Issuance of Order Confirming Termination of Corporate Rehabilitation Proceedings) dated January 18, 2008, Maynilad submitted to the Rehabilitation Court the required sworn certification on the implementation of the PSA. The Receiver also submitted on such date to the Rehabilitation Court the required sworn certification on Maynilad's implementation of the PSA. On February 6, 2008, the Rehabilitation Court finally issued the Order confirming the termination of Maynilad's corporate rehabilitation proceedings on account of its successful implementation of the 2005 Rehabilitation Plan, in accordance with



Section 27 of Rule 4 of the Interim Rules of Procedure on Corporate Rehabilitation. In view of the immediately executory nature of orders issued by the Rehabilitation Court, Maynilad is considered officially out of corporate rehabilitation on the date of such confirmation order, which is February 6, 2008.

Pending Case on Maynilad's Corporate Rehabilitation Proceedings

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

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

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

Contingent Liabilities

Following are the significant contingent liabilities of the Company as of December 31, 2009:

- a. Additional Tranche B Concession Fees and interest penalty are being claimed by MWSS in excess of the amount recommended by the rehabilitation receiver (Receiver). Such additional charges being claimed by MWSS (in addition to other miscellaneous claims) amounts to ₱3.8 billion as of December 31, 2009 and ₱3.5 billion as of December 31, 2008. The Rehabilitation Court has resolved to deny and disallow the said disputed claims of MWSS in its December 19, 2007 Order, upholding the recommendations of the Receiver on the matter. Following the issuance of the Rehabilitation Court's Order on December 19, 2007 disallowing



the MWSS' disputed claims and the termination of the Company's rehabilitation proceedings, MWSS has not yet indicated to the Company the amount of additional Tranche B Concession Fees that it is still claiming, which amount is therefore undeterminable as of this time. The Company and MWSS are seeking to resolve this matter in accordance with the dispute resolution requirements of the Transitional and Clarificatory Agreement.

- b. In a decision dated September 7, 2007, the National Labor Relations Commission (NLRC) dismissed the complaint filed by the Maynilad Waters Supervisors Association (MWSA) for alleged nonpayment of cost of living allowance (COLA) in NLRC NCR CN 00-03-03620-2003. In the said case, the Labor Arbiter had earlier issued a decision ordering the payment of COLA to the supervisor-employees "retroactive to the date when they were hired by the respondent company in 1997, with legal interest from the date of promulgation of [the] decision" until full payment of the award, which decision was reversed and set aside by the NLRC. On December 10, 2007, in pursuance of its efforts to effect an early exit from corporate rehabilitation, the Company executed a Compromise Agreement with the MWSA (Compromise Agreement) for the settlement of certain claims of the MWSA, wherein the Company agreed to pay to MWSA residual benefits equivalent to its claim for COLA for 23 months from August 1997 to June 1999. On January 15, 2008, the Company received a copy of the petition for certiorari filed by the MWSA with the Court of Appeals alleging grave abuse of discretion on the part of the NLRC and praying that the Labor Arbiter's decision dated November 10, 2006 be affirmed in toto, but only in relation to the MWSA's claim for COLA from July 1999 up to the present time. The Company filed its comment on the said petition on March 6, 2008. The case remains pending with the Court of Appeals as of February 22, 2010.
- c. On October 13, 2005, the Company and Manila Water Company, Inc. (the East Concessionaire) were jointly assessed by the Municipality of Norzagaray, Bulacan, for real property taxes on certain common purpose facilities purportedly due from 1998 to 2005 amounting to ₱357.1 million. Accordingly, the Company and the East Concessionaire filed a joint appeal of the said assessment with the Local Board of Assessment Appeals (LBAA). An appeal-in-intervention was also filed by MWSS with the LBAA. MWSS maintains the position that these properties are owned by the Republic of the Philippines and that the same are exempt from taxation. On February 2, 2007, the Company and the East Concessionaire received an updated assessment of real property tax from the Municipality of Norzagaray, Bulacan, which included real property tax purportedly due for 2006 of ₱35.70 million and interest of 2% per month of ₱93.60 million.

On May 2, 2007, the LBAA denied the joint appeal of the Company and the East Concessionaire. The LBAA also denied the appeal-in-intervention filed by MWSS. Subsequently, the Company and the East Concessionaire elevated the case to the Central Board of Assessment Appeals (CBAA) by filing separate appeals. The CBAA, through the board secretary, issued a "First Endorsement" addressed to the Company stating that the LBAA order was "not in accordance with Sec. 227 of the Local Government Code of 1991" as it was signed only by the chairman "without the concurrence of at least one member to constitute a majority." In an order dated July 9, 2007, the LBAA explained the lack of signatures of the other members of the LBAA in the May 2, 2006 order and reiterated the previous denial of the separate appeals filed by the Company and the East Concessionaire. Responding to a letter from the Company, the municipal treasurer of Norzagaray, insisted on the concessionaires' liability to pay the subject real property tax. According to the letter dated July 17, 2007, the supposed joint liability of the Company and the East Concessionaire for real property tax, including interest, as of June 30, 2007 amounts to ₱554.20 million. On August 21, 2007, the Company filed a second appeal on the LBAA order dated July 9, 2007.



During the hearing on November 27, 2007, the presiding commissioner encouraged the parties to enter into an amicable settlement. At the subsequent hearing on February 12, 2008, the parties agreed to (i) set an ocular inspection of the area where the subject common purpose facilities are situated; and (ii) continue exploring the possibility of an amicable settlement. However, due to the parties' failure to report any development regarding the amicable settlement suggested by the commissioner, an order/notice of hearing dated June 27, 2008 was issued by the CBAA setting a hearing on July 30, 2008. During such hearing, an agreement was arrived at on the holding of a meeting on August 20, 2008 to be attended by officials of the Company and the East Concessionaire for the purpose of entering into a possible compromise agreement. It was also agreed that a formal hearing will then be set on a date to be agreed upon during the meeting. Eventually, a hearing with the CBAA was held on October 21, 2008. Pursuant to the Order dated October 23, 2008, the CBAA required the parties to file their respective Memoranda on whether or not CBAA should hear and proceed with the case or remand the same to the LBAA of the Province of Bulacan to be heard and proceeded on the merit. The Company filed its Memorandum dated November 5, 2008 stating that the CBAA has the authority to hear, proceed and decide the appeal on the merits without the need of remanding the matter to the LBAA. In such Memorandum, the Company likewise prayed that the LBAA Orders dated May 2, 2006 and July 9, 2007 be reversed and set aside and that the subject properties be declared as part of public dominion and therefore, tax-exempt. In an order dated May 12, 2009, the CBAA granted the Company's prayer in its Memorandum, in so far as the CBAA decided to: (1) set aside the assailed LBAA Resolutions dated May 2, 2006 and July 9, 2007; and (2) give due course to the Company's appeal and hear the same on merit.

- d. A complaint with prayer for the issuance of a CDO against the Company, 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 (average all-in tariff) effective January 1, 2005 for the Company. 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 the Company 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, the Company 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, the Company filed a petition for certiorari with the Court of Appeals. Alleging grave abuse of discretion on the part of the NWRB, the Company 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 the Company's petition for certiorari and declared that the NWRB is empowered to review the subject average all-in tariff rate of ₱30.19 per cubic meter. The Company 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 issued an Omnibus Resolution denying the Company's motion for reconsideration and MWSS' motion for intervention. The Company has filed with the Supreme Court its petition for review on certiorari to assail the rulings of the Court of Appeals that found, among others, that the NWRB is empowered to review the subject average all-in tariff rate of ₱30.19 per cubic meter. Comments to the petition for review on certiorari were filed by the civil society groups concerned and the Office of the Solicitor General (on behalf of the NWRB). The Company filed its Reply to the Comments on October 20, 2009. MWSS also filed a motion for reconsideration of the denial of its motion for intervention before the Court of Appeals, which the appellate court denied on March 9, 2009. In view of the denial,



MWSS filed a petition for review on certiorari before the Supreme Court. In its resolution dated July 1, 2009, the Supreme Court issued a resolution consolidating the cases filed by the Company and MWSS, considering that both petitions assailed the same Omnibus Resolution of the Court of Appeals dated February 20, 2008, in relation to CA-G. R. SP No. 92743. The consolidated case remains pending as of February 22, 2010.

- e. The Company is a party to various civil and labor cases relating to breach of contracts with damages, illegal dismissal of employees, and nonpayment of backwages, benefits and performance bonus, among others.

Extension of Maynilad's Concession Agreement

On September 10, 2009, the MWSS Board of Trustees (BOT) approved the extension of the expiry of its Concession Agreement with the Company by an additional (15) years or from May 6, 2022 to May 6, 2037. Subsequently, on September 16, 2009, the MWSS Administrator wrote the Department of Finance (DOF) to inform them of the Board's decision and seek DOF's written consent to the extension, as well its extension of the letter of undertaking covering the government's obligation under the Concession Agreement. The DOF is presently reviewing the extension but the Company expects to receive the DOF's Letter of Consent and Undertaking within six months from the MWSS BOT approval, similar to the timeframe established when the East Concessionaire received its extension.

11. Investment Properties

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

2009

	Land	Buildings and Building Improvements	Condominium units	Total
Cost				
At January 1	P2,259,121	P102,748	P22,519	P2,384,388
Additions	431,501	-	1,930	433,431
Transfers from property, plant and equipment	-	7,102	-	7,102
Transfers to real estate held for sale and development	(206,098)	-	-	(206,098)
At December 31	2,484,524	109,850	24,449	2,618,823
Accumulated Depreciation and Amortization				
At January 1	-	32,118	2,269	34,387
Transfers from property, plant and equipment	-	456	-	456
Depreciation and amortization (Note 23)	-	5,747	-	5,747
At December 31	-	38,321	2,269	40,590
Net Book Value	P2,484,524	P71,529	P22,180	P2,578,233



2008

	Land	Buildings and Building Improvements	Condominium units	Total
Cost				
At January 1	₱2,167,797	₱56,350	₱62,925	₱2,287,072
Additions	798,724	46,398	–	845,122
Transfers to real estate held for sale and development	(707,400)	–	(40,406)	(747,806)
At December 31	2,259,121	102,748	22,519	2,384,388
Accumulated Depreciation and Amortization				
At January 1	–	29,057	1,360	30,417
Depreciation and amortization (Note 23)	–	3,061	909	3,970
At December 31	–	32,118	2,269	34,387
Net Book Value	₱2,259,121	₱70,630	₱20,250	₱2,350,001

The fair value of investment properties, which has been determined based on valuations performed by independent professional qualified appraisers as of February 12, 2009, exceeds its carrying cost. The fair value represents the amount at which the assets could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction at the date of valuation. Investment properties with total carrying value amounting to ₱2.35 billion was appraised to have an aggregate fair value ₱2.25 billion.

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

Rental income from investment properties (included under 'Other income') amounted to ₱76.48 million, ₱96.41 million and ₱16.07 million for the years ended December 31, 2009, 2008 and 2007, respectively (see Note 27). Direct operating expenses (included under 'Operating expenses' in the consolidated statement of income) arising from investment properties amounted to ₱5.75 million, ₱3.97 million and ₱3.48 million in 2009, 2008 and 2007, respectively.



12. Property, Plant and Equipment

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

2009

	Land and Land Improvements	Power Plant, Buildings and Building Improvements	Construction Equipment, Machinery and Tools	Office Furniture, Fixtures and Equipment	Transportation Equipment	Conventional and Continuous Mining Properties and Equipment	Leasehold Improvements	Construction in Progress	Total
Cost									
At January 1	₱2,354,670	₱2,103,468	₱3,372,820	₱365,476	₱219,820	₱8,927,359	₱69,940	₱368,259	₱17,781,812
Additions	57,905	3,617	986,465	23,761	30,457	2,191,704	29,753	1,052,290	4,375,952
Acquisition of a business (Note 32)	–	15,634,200	–	–	–	–	–	62,826	15,697,026
Transfers and retirements/disposals	(73,693)	111,807	(10,081)	(191)	(20,354)	(843,602)	(1,214)	(398,238)	(1,235,566)
At December 31	2,338,882	17,853,092	4,349,204	389,046	229,923	10,275,461	98,479	1,085,137	36,619,224
Accumulated Depreciation, Depletion and Amortization									
At January 1	549,874	1,338,150	2,450,593	297,100	152,661	8,458,905	59,366	–	13,306,649
Depreciation, depletion and amortization (Note 23)	21,512	356,688	437,196	37,919	24,882	804,854	1,748	–	1,684,799
Transfers and retirements/disposals	(1,040)	(20,721)	(9,341)	(15,774)	(18,508)	(275,512)	(1,214)	–	(342,110)
At December 31	570,346	1,674,117	2,878,448	319,245	159,035	8,988,247	59,900	–	14,649,338
Net Book Value	₱1,768,536	₱16,178,975	₱1,470,756	₱69,801	₱70,888	₱1,287,214	₱38,579	₱1,085,137	₱21,969,886

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	₱2,136,921	₱1,940,138	₱3,432,192	₱339,779	₱195,445	₱8,932,390	₱59,559	₱292,203	₱17,328,627
Additions	223,610	163,330	389,874	40,194	25,600	1,550,116	10,381	223,706	2,626,811
Transfers and retirements/disposals	(5,861)	–	(449,246)	(14,497)	(1,225)	(1,555,147)	–	(147,650)	(2,173,626)
At December 31	2,354,670	2,103,468	3,372,820	365,476	219,820	8,927,359	69,940	368,259	17,781,812
Accumulated Depreciation, Depletion and Amortization									
At January 1	490,815	1,170,695	2,515,871	268,444	132,950	7,770,916	59,188	–	12,408,879
Depreciation, depletion and amortization (Note 23)	73,304	167,455	282,157	39,839	22,809	943,371	178	–	1,529,113
Transfers and retirements/disposals	(14,245)	–	(347,435)	(11,183)	(3,098)	(255,382)	–	–	(631,343)
At December 31	549,874	1,338,150	2,450,593	297,100	152,661	8,458,905	59,366	–	13,306,649
Net Book Value	₱1,804,796	₱765,318	₱922,227	₱68,376	₱67,159	₱468,454	₱10,574	₱368,259	₱4,475,163



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 ₱1.68 billion, ₱1.53 billion and ₱1.68 billion in 2009, 2008 and 2007, respectively (see Notes 23 and 24).

The construction-in-progress accounts pertains to mining equipment in transit. As such, no borrowing cost was capitalized in 2009.

13. Other Noncurrent Assets

The details of other noncurrent assets follow:

	2009	2008
	(Amounts in Thousands)	
Security deposits (Notes 28, 29 and 30)	₱522,956	₱430,068
Prepaid rent - noncurrent (Note 30)	150,568	11,131
Deferred charges	132,633	36,012
Software cost - net	19,086	27,748
Others	25,593	17,500
	850,836	₱522,459
Less current portion of		
Security deposits	270,751	-
Prepaid rent (Note 7)	6,525	-
	277,276	-
	₱573,560	₱522,459

Deferred input VAT pertains to acquisition of capital assets.

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

As of December 31, 2009 and 2008, security deposits with a nominal amount of ₱22.20 million and ₱282.37 million, respectively, were initially recorded at fair value. Movement in the unamortized discount of security deposits follows:

	2009	2008
	(Amounts in Thousands)	
At January 1	₱31,280	₱-
Additions	2,300	34,273
Accretion (Note 25)	(20,624)	(2,993)
At December 31	₱12,956	₱31,280



Movements in software cost account follow:

	2009	2008
	(Amounts in Thousands)	
At Cost		
At January 1	P32,477	P4,610
Additions	6,010	27,867
At December 31	38,487	32,477
Accumulated Amortization		
At January 1	4,729	2,879
Amortization (Note 19)	3,848	1,850
At December 31	8,577	4,729
Net Book Value	P29,910	P27,748

14. Bank Loans

The Group's bank loans in 2009 and 2008 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 reporting 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, 2009 and 2008, the Group was in compliance with the loan covenants required by the banks.

15. Liabilities for Purchased Land

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

In 2009 and 2008, 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 P460.95 million in 2009 and P484.64 million in 2008 were recorded at amortized cost amounting to P417.99 million and P358.24 million, as of December 31, 2009 and 2008, respectively. The fair value is derived using discounted cash flow model using the discount rate ranging from 6.03% to 8.544% with effective



interest rates ranging from 7.21% to 8.37%. The unamortized discount amounted to ₱89.81 million and ₱81.22 million as of December 31, 2009 and 2008, respectively. Movements in the unamortized discount follow:

	2009	2008
	(Amounts in Thousands)	
Balance at beginning of year	₱81,215	₱68,487
Addition	41,428	48,232
Accretion for the year	(32,837)	(35,504)
	₱89,806	₱81,215

Accretion of ₱32.84 million and ₱35.50 million is recorded as interest expense in 2009 and 2008, respectively.

16. Accounts and Other Payables

This account consists of the following:

	2009	2008
	(Amounts in Thousands)	
Trade and other payables		
Suppliers	₱5,777,230	₱3,617,412
Subcontractors	326,920	421,701
Others	514,770	967,307
Accrued costs and expenses	1,522,540	644,201
	₱8,141,460	₱5,650,621

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 costs and expenses

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



This account consists of the following:

	2009	2008
	(Amounts in Thousands)	
Output VAT payable	₱509,927	₱154,032
Accrued salaries	260,640	253,755
Payable to DOE	216,517	52,734
Accrued interest	135,516	64,012
Accrued rental	125,776	-
Withholding taxes	74,403	81,118
Accrued real property tax	18,829	-
Accrued professional fees	7,621	1,262
Others	173,311	37,288
	₱1,522,540	₱644,201

Semirara's liability to the DOE and local government units represents the share of DOE and local government units in the gross revenue from Semirara's coal production (including accrued interest on the outstanding balance) computed in accordance with the coal operating contract between Semirara 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 ₱216.52 million and ₱52.73 million in 2009 and 2008, respectively.

17. Customers' Advances and Deposits

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

	2009	2008
	(Amounts in Thousands)	
Contract owners	₱2,399,423	₱755,099
Real estate customers	1,695,276	1,294,059
Coal supply contract	1,207	1,207
	₱4,095,906	₱2,050,365

Contract owners

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

Real estate customers

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

Coal supply contracts

These deposits represent advances from customers of Semirara, mainly, NPC. These deposits are applied against future coal deliveries which occur within one year from the dates the deposits were made.



18. Long-term Debt

Long-term debt pertains to the following obligations:

	2009	2008
	(Amounts in Thousands)	
Parent Company		
Term loan facility	₱2,970,058	₱–
Other subsidiaries:		
PSALM (Note 32)	9,571,202	–
Bank loans	4,954,744	6,316,638
Deferred purchase payment	474,364	–
Finance lease	99,000	–
Acceptances and trust receipts payable	54,915	74,717
	18,124,283	6,391,355
Less current portion of:		
Term loan facility	800,000	–
PSALM	1,681,082	–
Bank loans	1,286,339	2,427,326
Finance lease	21,077	–
Acceptances and trust receipts payable	51,450	11,281
	3,839,948	2,438,607
	₱14,284,335	₱3,952,748

Term Loan Facility

To partially finance the acquisition of the Power Plant in Calaca, on October 28, 2009, the Parent Company obtained the following loan facilities from BDO Capital & Investment Corporation (BDO Capital).

- (a) Term Loan facility up to ₱3.00 billion
- i. Interest: At a floating rate per annum equivalent to the three (3) months Philippine Dealing System Treasury-Fixing (PDST-F) benchmark yield for treasury securities as published on the PDEX page of Bloomberg (or such successor electronic service provider) at approximately 11:30a.m. (Manila Time) on business day prior to drawdown date or interest period, as applicable, plus 275 basis points. Interest period is every three months commencing from initial drawdown date.
 - ii. Repayment: The principal amount shall be payable in fifteen equal quarterly installments commencing on the sixth month from the initial drawdown date.
 - iii. Front end fee: 0.75% flat of the gross Term Loan Facility amount, payable upon receipt of the BDO Capital's written advice of the approval of the Term Loan Facility
 - iv. Security: Deed of Pledge on (a) listed Semirara shares owned by the Parent Company, DFC Holdings Inc. and Dacon Corp. and (b) listed Parent Company shares owned by Dacon Corp. at a minimum collateral cover of 200% with top up provisions

The term loan facility was drawn in full on December 2, 2009. Capitalized debt issuance costs amounted to ₱31.09 million and is amortized using the effective interest rate method. Amortization of debt issuance cost recognized as part of "Interest cost" account in the consolidated statement of income amounted to ₱1.15 million.



- (b) Case to Case Standby Letter of Credit (SBLC) for Deferred Payment Security up to \$22.66 million, equivalent to a semi-annual deferred payment due to PSALM.
 - i. Commitment fee: 100 basis points flat of the gross amount of SBLC amount, payable quarterly in advance in equal amortization until expiry of the SBLC
 - ii. Front end fee: 0.30% flat on the gross amount of Deferred Payment SBLC, payable upon the receipt of BDO Capital's written advice of the approval of SBLC Facility
 - iii. Security: Deed of Pledge on (a) listed Semirara shares owned by the Parent Company, DFC Holdings Inc. and Dacon Corp. and (b) listed Parent Company shares owned by Dacon Corp. at a minimum collateral cover of 200% with top up provisions
 - iv. Security: As a first priority, Deed of Pledge by the Parent Company/third party on listed Semirara shares at a minimum collateral cover of 200% with top up provisions

- (c) Case to Case SBLC for Land Lease Performance Security up to \$0.74 million.
 - i. SBLC term is one year
 - ii. Commitment fee: 100 basis points flat of the gross amount of SBLC amount, payable quarterly in advance in equal amortization until expiry of the SBLC
 - iii. Front end fee: 0.30% flat on the gross amount of Deferred Payment SBLC, payable upon the receipt of BDO Capital's written advice of the approval of SBLC Facility
 - iv. Security: Deed of Pledge on (a) listed Semirara shares owned by the Parent Company, DFC Holdings Inc. and Dacon Corp. and (b) listed the Parent Company shares owned by Dacon Corp. at a minimum collateral cover of 200% with top up provisions

Long-term debt to PSALM pertains to the deferred portion of the purchase price for the acquisition of the Power Plant with principal balance amounting to US\$226.26 million translated using ₱46.20 peso-dollar closing exchange rate as of December 31, 2009 (see Notes 36 and 39).

There is another SBLC, the SBLC-Performance Bond Security of approximately US\$7.02 million issued on August 12, 2009 with terms: 1 year, Commitment Fee is 100 basis points and Security is listed Semirara shares owned by the Parent Company. This SBLC is not yet cancelled as of April 19, 2010



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

Loan Type	Date of Availment	Outstanding Balance		Maturity	Interest Rate	Payment Terms	Covenants/Collaterals
		2009	2008				
Foreign bank loan							
Mizuho Bank	December 14, 2005	₱72.20	₱148.53	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
Bayerrische Hypo-Und Vereinsbank Aktiengesellschaft (HVB)	Various availments in 2004 and 2005	61.06	206.67	Various maturities in 2009 and 2010	Based on 6-month US\$ 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 the Parent Company
Local bank loans							
Agreement to purchase receivables (with recourse)	Various	3,913.92	3,214.12	Various	10% to 13% p.a.	Payable in equal monthly installments over a period ranging from 5 to 15 years	Real estate receivables
Working capital loan	Various	404.90	1,935.53	Various	7%-10% p.a.	Payable in equal monthly installments over a period more than one year	None
Notes payable	November 25, 2009	502.66	754.47	November 25, 2014	8.42% to 9.90%	Payable in unequal quarterly payments	Related real estate properties mortgaged in amount of ₱1.1 billion as a security for the previously loan to BDO and transferred to this loan
Loan under collateral	September 30, 2005	-	57.32	October 5, 2009	9% fixed p.a.	Payable in 48 equal monthly installments commencing on November 5, 2005	Secured by collaterals on mining equipment
		₱4,954.74	₱6,316.64				

The Parent Company

In 2006, the Parent Company borrowed ₱1.50 billion 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 ₱750.00 million were pledged as collateral. Further, the Parent Company investments in Semirara shares were also mortgaged to secure the ₱1.50 billion 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 December 31, 2007, the Parent Company has fully this debt.

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 the Parent Company 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, the Parent Company was authorized to constitute: (a) a first-ranking chattel mortgage over 1.47 billion common shares of DMCI-MPIC held and owned by the Parent Company; and (b) a voting trust over 1.53 billion common shares of DMCI-MPIC held by the Parent Company, for the benefit of the secured parties.
- (3) As required under the Omnibus Agreement, the Parent Company 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.

On January 30, 2009, the Parent Company obtained ₱550.00 million short-term loan facility from Banco de Oro Unibank, Inc. and consequently, entered into a Deed of Undertaking and Indemnity Agreement among the latter and AG&P. This loan was collateralized by various properties of AG&P as well as the Parent Company's held AG&P shares.

Of the said loan, ₱500.00 million was used for the payment of AG&P's loans payable to PNB and Cameron Grandville, while the remaining ₱50.00 was used for AG&P's capital requirements. PNB and Cameron Granville accepted the compromise amounts of ₱560.00 million and ₱90.00 million, respectively, in full settlement of AG&P's loans including accrued interest, charges, fees and penalties as of that date. Consequently, PNB and Cameron Granville issued Instrument of Discharge of Lien in favor of AG&P's Mortgage Trust Indenture (MTI's) dated March 5, 1992 and April 18, 2008 with a local bank to fully and irrevocably extinguish their interests and participation on the collateral under the said MTI's.

The settlement of the loan obligation likewise extinguishes all of the related accrued interest and penalties.

On November 25, 2009, AG&P obtained a 5-year term notes payable from UCPB amounting to ₱500.00 million. This loan was used by AG&P in settlement of its advances from the Parent Company amounting to ₱650.00 million. Accordingly, the corresponding mortgage participation certificates previously issued was cancelled and re-issued in favor of UCPB. The Parent Company consequently settled its loan from Banco de Oro Unibank, Inc. on November 25, 2009.

Subsidiaries

Mizuho Bank

The other covenants in Mizuho Bank under the foreign bank loans require 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\$3.00 million and US\$1.00 million, respectively, or their equivalent in other currencies.

HVB

Semirara availed a loan facility to finance 85% of the EUR importation cost of certain conventional and mining equipments amounting to EUR 17.81 million for the expansion of Semirara's production capacity. Total loan contract amounted to EUR 15.14 million.



Agreement to purchase receivables

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 ₱836.52 million and ₱615.62 million as of December 31, 2009 and 2008, 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 (see Note 6).

On May 2009, the subsidiaries entered into a Memorandum of Agreement (MOA) with Recourse with BDO Unibank, Inc. (the Bank), whereby the Bank agreed to purchase from time to time and has purchased from the Developer, on a with recourse basis, certain CTS Accounts up to an aggregate amount of ₱3.74 billion. Subsequently, in December 2009, both parties of the MOA decided to amend the agreement under a with recourse basis to a without recourse arrangement with an amount in consideration not to exceed ₱3.74 billion. Total amount of receivables sold under the without recourse arrangement amounted to ₱3.62 billion (see Note 6).

Working capital loan

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

Deferred purchase payment

On November 16, 2009, Semirara entered into a Deferred Payment Sale and Purchase Agreement with Marubeni Corporation (MC) for the purchase of various equipment intended for enhancing its mining activities. The amounts corresponding to the units or pieces of equipment that are shipped to Semirara shall be paid by the Semirara to MC within seven hundred twenty (720) days after the date of the bill of lading for the relevant shipment of such units or pieces of equipment.

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

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



19. Other Noncurrent Liabilities

The details of this account consist of:

	2009	2008
	(Amounts in Thousands)	
Provision for decommissioning and site rehabilitation - net	₱14,773	₱13,204
Subscriptions payable	4,938	4,750
	₱19,711	₱17,954

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

	2009	2008
	(Amounts in Thousands)	
At January 1	₱13,204	₱12,205
Addition	408	-
Accretion of interest	1,161	999
At December 31	₱14,773	₱13,204

20. 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.

- (a) DMC-Construction Equipment Resources, Inc. (DMC-CERI), an affiliate, has transactions with Semirara for services rendered relating to Semirara's coal operations. These included services for the confirmatory drilling for coal reserve evaluation of identified potential areas, exploratory drilling of other minerals within Semirara Island, dewatering well drilling along cut-off wall of Panian mine and fresh water well drilling for industrial and domestic supply under an agreement. Expenses incurred for said services amounted to ₱166.22 million, ₱117.72 million and ₱113.14 million for the years ended in 2009, 2008, and 2007, respectively. These are included under Cost of sales - Outside services (see Note 23).



DMC-CERI also provides to Semirara marine vessels for use in the delivery of coal to its various customers. The coal freight billing is on a per metric ton basis plus demurrage charges when delay will be incurred in the loading and unloading of coal cargoes. Expenses (at gross amount) incurred for these services amounted to ₱500.75 million, ₱246.94 million and ₱241.25 million in 2009, 2008 and 2007, respectively, and are included under Cost of sales - Shipping, hauling and shiploading costs (see Note 23). The reported expense of the Group is net of freight payment by NPC (billing is C&F);

Land lease rental by Semirara with DMC-CERI amounting to ₱13.44 million was accrued during the year.

- (b) M&S Company, Inc. rent out various equipments used in Semirara's operations. Also, M&S Company supplies the rough lumber used by Semirara in its various projects and the seedlings to be planted on the areas surrounding the pit, in compliance with the agreement between the Parent Company and DENR. Rough lumbers purchased amounted to ₱39.01 million, ₱50.99 million and ₱8.38 million for years ended December 31, 2009, 2008, and 2007, respectively. The related rental expense amounted to ₱91.49 million for the years ended December 31, 2009, 2008 and 2007. This is included under other expenses of the production cost for the year.
- (c) DMC Urban Property Developers, Inc. (UPDI) had transactions with Semirara representing long-term lease on office space and other transactions rendered to Semirara necessary for the coal operations. Office rental expense amounted to ₱7.78 million, ₱1.84 million and ₱5.00 million for the years ended December 31, 2009, 2008 and 2007, respectively.
- (d) Semirara has transactions with Royal Star Aviation, Inc. for the year aggregating to ₱3.55 million. This amount represents the flight charges for employees and visitors to and from Manila and the mine site located at Semirara Island, Antique.
- (e) DMCI has various construction contracts with Maynilad for the rehabilitation and refurbishment of its water transmission and supply lines. Total construction revenue earned amounted to ₱1.11 billion, ₱536.00 million and ₱339.00 million in 2009, 2008 and 2007, respectively.

The consolidated statements of financial position as of December 31, 2009 and 2008 include the following amounts relating to transactions with related parties

	2009	2008
	(Amounts in Thousands)	
Receivables from related parties		
Entities significantly influenced by certain individuals	₱612,792	₱618,782
Joint venture	329,179	601,228
	941,971	1,220,010
Payable to related parties		
Entities significantly influenced by certain individuals	443,394	709,609
Joint venture	250,184	45,769
Parent	1,171	86,461
	₱694,749	₱841,839
	₱247,222	₱378,171



Outstanding balances as of December 31, 2009, which are unsecured and interest free, are all due within one year. 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:

	2009	2008
	(Amounts in Thousands)	
Short-term employee benefits	₱46,055	₱58,559
Post employment benefits (Note 22)	8,700	9,755
	₱54,755	₱68,314

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.

21. Equity

The Parent Company's capital stock consists of:

	2009		2008	
	Shares	Amount	Shares	Amount
	(Amounts in Thousands)			
Preferred stock - ₱1 par value cumulative and convertible Authorized - 180,000				
Issued	4	₱4	4	₱4
Common stock - ₱1 par value Authorized - 5,900,00				
Issued				
Balance at beginning of year	2,655,494	₱2,655,494	2,255,494	₱2,255,494
Issuance of shares	-	-	400,000	400,000
Balance at end of year	2,655,494	₱2,655,494	2,655,494	₱2,655,494

The preferred stock is redeemable, convertible, non-voting, non-participating and cumulative with par value of ₱1.00 per share. The preferred shareholders' right of converting the preferred shares to common shares expired in March 2002.

In 2008, the Parent Company retired 100 preferred shares. The difference between the redemption price amounting ₱0.23 million was charged against the additional paid-in capital account.

The BOD, at various dates, 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 (Dacon) 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

On June 5, 1997, the SEC approved the use of the revaluation increment in property amounting to ₱1.30 billion to reduce the accumulated deficit of AG&P as of December 31, 1996. Pursuant to the SEC approval of the foregoing, the future retained earnings of AG&P shall be restricted to the extent of the deficit wiped out (and not recovered by accumulated depreciation on appraisal increment) by the revaluation increment of ₱1.30 billion.

On May 21, 2008, the AG&P petition to effect another quasi-reorganization by applying the APIC amounting to ₱117.90 million and the revaluation increment in property and equipment and investment properties amounting to ₱340.70 million against the accumulated deficit in the amount of ₱458.60 million as of August 31, 2007 provided that the following conditions are met:

- a. AG&P's deficit amounting to ₱458.60 million as of August 31, 2007 shall decrease on December 31, 2007, the amount of deficit reflected therein shall first be reduced by applying it against the APIC of ₱117.90 million, and only the remaining deficit shall be applied against the revaluation increment;
- b. the remaining revaluation increment set up after the deficit have been offset will not be used to wipe out losses that may be incurred in the future without the prior approval of SEC; and
- c. for purposes of dividend declaration, the retained earnings shall be restricted to the extent of the deficit wiped out by the appraisal surplus.

Any future retained earnings is also restricted for dividend declaration to the extent of the cost of the shares held in treasury amounting to ₱20.00 million. In 2007, treasury shares are divided into 14,275 class A shares and 75,205 class B shares. In 2008, pursuant to the removal of the classification of the shares, all of the treasury shares are considered as common shares.

Dividends declared

On May 21, 2009 and April 24, 2008, the Parent Company's BOD approved and declared cash dividend of ₱0.20 per share or ₱542.10 million and ₱0.10 per share or ₱265.53 million, out of the unrestricted retained earnings of the Company, to stockholders of record as of June 5, 2009 and May 12, 2008, respectively. The 2009 and 2008 cash dividends were paid on June 30, 2009 and May 30, 2008, 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. Employee Benefits

Retirement Plans

The Group has both unfunded and funded, noncontributory, defined benefit pension plans covering substantially all of their regular employees. The latest actuarial valuation reports of the retirement plans were made on December 31, 2009.

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

	2009	2008	2007
	(Amounts in Thousands)		
Current service cost	₱29,197	₱31,277	₱25,115
Interest cost on benefit obligation	34,046	36,039	20,580
Expected return on plan assets	(26,086)	(31,513)	(32,587)
Net actuarial loss (gain) recognized during the year	18,882	14,721	106,114
Past service cost - non vested benefit	2,031	2,031	1,995
Past service cost - vested benefit	-	-	44,400
Amortization of transition obligation recognized during the year	-	400	400
Total pension expense	₱58,070	₱52,955	₱166,017
Actual return on plan assets	₱219,653	₱177,981	₱69,133

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

	2009	2008	2007
	(Amounts in Thousands)		
Balance at beginning of year	₱340,065	₱430,071	₱277,392
Expected return on plan assets	26,086	31,513	32,587
Actual contributions	61,964	60,796	84,280
Benefits paid	(50,559)	(25,676)	(716)
Transfer of assets	34	(145)	(18)
Actuarial gain – net	193,567	(156,494)	36,546
Balance at end of year	₱571,157	₱340,065	₱430,071

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

	2009	2008	2007
	(Amounts in Thousands)		
Balance at beginning of year	₱328,414	₱337,317	₱250,164
Interest cost	34,046	36,039	20,580
Current service cost	29,197	31,277	25,115
Past service cost - non vested benefit	-	-	17,052
Past service cost - vested benefit	-	-	44,400
Benefits paid	(51,070)	(25,676)	(2,213)
Transfer of obligations	34	(145)	(18)
Actuarial (gain) loss – net	56,987	(50,398)	(17,763)
Balance at end of year	₱397,608	₱328,414	₱337,317



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

	2009	2008	2007
	(Amounts in Thousands)		
Fair value of plan assets	₱571,157	₱340,065	₱430,071
Present value of unfunded obligation	397,608	328,414	337,317
Excess of fair value of plan assets over present value of unfunded obligation	173,549	11,652	92,754
Unrecognized actuarial gain - net	(294,152)	(135,674)	(236,689)
Unrecognized past service cost - non vested	12,746	14,776	16,383
Unrecognized net transition obligation	-	-	140
Liabilities to be recognized in the consolidated statements of financial positions	₱107,857	₱109,246	₱127,412

The Group expects to contribute about ₱46.96 million into the pension fund in 2010.

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

	2009	2008	2007	2006	2005
	(Amounts in Thousands)				
Present value of defined benefit obligation	₱397,608	₱328,414	₱337,317	₱250,164	₱194,657
Fair value of plan assets	571,157	340,065	430,071	277,392	171,856
Excess of fair value of plan assets over present value of unfunded obligation	173,549	11,652	92,754	27,228	(22,801)
Experience adjustments on plan obligation	6,254	(85,486)	1,664	(5,117)	-
Experience adjustments on plan assets	164,737	(209,130)	68,458	-	-

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

	2009	2008	2007
Discount rate	8.60% to 11.26%	8.00% to 12.93%	7.97% to 10.43%
Salary increase rate	3% to 10.75%	10%	10%
Expected rate of return on plan assets	6% to 7%	7%	7%

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

As of December 31, 2009 and 2008, the Group's plan assets consist primarily of the following:

	2009	2008
Cash and cash equivalents	7.49%	12.00%
Investments in stocks	62.00	48.00
Debt instruments	29.87	39.00
Other assets	0.64	1.00
	100.00%	100.00%



23. Costs of Sales and Services

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

	2009	2008	2007
	(Amounts in Thousands)		
Included in:			
Mining	₱1,037,072	₱1,154,232	₱1,651,861
Construction contracts	352,925	181,274	105,138
Operating expenses (Note 24)	103,005	231,254	148,641
	₱1,493,002	₱1,566,760	₱1,905,640
Depreciation, depletion and amortization of:			
Property, plant and equipment (Note 12)	₱1,684,799	₱1,529,113	₱1,675,636
Other noncurrent assets (Note 13)	–	1,049	853
Investment properties (Note 11)	5,747	3,970	3,479
	₱1,690,546	₱1,534,132	₱1,679,968

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

	2009	2008	2007
	(Amounts in Thousands)		
Presented under:			
Costs of construction contracts	₱1,907,831	₱782,638	₱698,880
Operating expenses (Note 24)	598,245	450,938	414,599
Costs of mining	366,772	264,844	244,504
	₱2,872,848	₱1,498,420	₱1,357,983

24. Operating Expenses

This account consists of:

	2009	2008	2007
	(Amounts in Thousands)		
Salaries, wages and employee benefits (Notes 22 and 23)	₱598,245	₱450,938	₱414,599
Government share	450,152	253,382	191,290
Taxes and licenses	339,619	220,016	135,976
Commission	316,456	218,228	140,300
Advertising and marketing	248,718	243,343	347,921
Outside services	219,080	108,187	156,757
Depreciation and amortization (Notes 11, 12 and 23)	103,005	231,254	148,641
Provision for doubtful accounts (Note 6)	76,948	54,132	4,434
Repairs and maintenance	71,651	96,893	51,356
Supplies	62,260	63,405	38,376
Communication, light and water	58,453	59,890	37,147
Entertainment, amusement and recreation	40,136	33,413	28,267
(Forward)			



	2009	2008	2007
	(Amounts in Thousands)		
Rent (Note 36)	P36,815	P64,518	P44,093
Transportation and travel	29,760	97,919	35,834
Insurance	17,310	12,519	9,455
Probable losses on noncurrent assets	-	-	20,188
Miscellaneous	213,543	189,224	66,691
	P2,882,151	P2,397,261	P1,871,325

25. Finance Income

Finance income is derived from the following sources:

	2009	2008	2007
	(Amounts in Thousands)		
Interest on:			
Real estate receivables	P656,922	P340,120	P176,782
Short-term placements	82,389	125,150	88,600
Accretion on real estate receivables (Note 6)	63,056	73,404	81,776
Accretion on other assets (Notes 9 and 13)	22,634	2,993	-
Bank savings account	15,034	30,885	24,378
	P840,035	P572,552	P371,536

26. Finance Costs

The finance costs are incurred from the following:

	2009	2008	2007
	(Amounts in Thousands)		
Long-term borrowings	P537,882	P97,625	P251,134
Accretion of interest on long-term loan	51,797	-	-
Bank loans and short-term borrowings	856	452,857	200,032
Loans to affiliated entities	-	972	63,496
Purchase contracts	-	613	705
	P590,535	P552,067	P515,367



27. Other Income (Charges)

This account consists of:

	2009	2008	2007
	(Amounts in Thousands)		
Rental income (Note 11)	₱76,483	₱96,407	₱61,067
Foreign exchange gain - net	52,570	12,749	21,841
Gain on sale of property, plant and equipment - net	13,735	43	11,396
Dividend income	1,399	47,979	3,937
Commission income	205	1,974	-
Write-off of deposits	-	-	(300,000)
Others (Note 10)	79,213	167,931	64,480
	₱223,605	₱327,083	(₱137,279)

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.

28. Income Tax

The components of net deferred tax assets as of December 31, 2009 and 2008 follow:

	2009	2008
	(Amounts in Thousands)	
Deferred tax assets on:		
Allowance for:		
Doubtful accounts	₱1,156	₱1,786
Inventory obsolescence	1,727	1,926
Probable loss	18,872	-
Pension liabilities	35,312	5,155
Accrued expenses and other expense	-	481
Unrealized forex loss	24	1,310
Unamortized discount on receivables	7,634	-
NOLCO	25,967	25,600
MCIT	1,719	481
	₱92,411	36,739

(Forward)



	2009	2008
	(Amounts in Thousands)	
Deferred tax liabilities on:		
Excess of book over tax income pertaining to construction contracts and real estate sales	(P52,926)	P-
Unamortized discount on payable to landowners	(303)	(573)
Borrowing cost	-	
Others - net unrealized gain	(653)	(1,267)
	(53,882)	(1,840)
	P38,529	P34,899

The components of net deferred tax liabilities as of December 31, 2009 and 2008 follow:

	2009	2008
	(Amounts in Thousands)	
Deferred tax assets on:		
Allowance for:		
Doubtful accounts	P70,567	P88,133
Inventory obsolescence	-	15,986
Probable loss	7,648	14,413
Unamortized discount on receivables	10,579	34,173
Pension liabilities	11,076	51,654
Accrued expenses and other expense	23,626	5,645
Provision for decommissioning and site rehabilitation	-	3,961
Unamortized discount on security deposits	-	9,384
Unearned rental income	4,085	6,456
Unrealized forex loss	2,471	-
NOLCO	2,271	-
MCIT	34,129	40,885
	166,452	270,690
Deferred tax liabilities on:		
Incremental cost of property, plant and equipment	(25,353)	(46,952)
Excess of book over tax income pertaining to construction contracts and real estate sales	(145,080)	(187,963)
Unamortized discount on payable to landowners	(23,227)	(25,734)
Unamortized prepaid rent	(3,339)	(9,330)
Excess of pension contributions over pension cost	(5,781)	(4,597)
Asset revaluation - appraisal increase on Investment properties and property and equipment	(401,920)	(438,593)
Capitalized interest on real estate for sale and development deducted in advance	(13,510)	(2,262)
Others - net unrealized gain	(67,028)	(17,527)
	(685,238)	(732,958)
	(P518,786)	(P462,268)



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:

	2009	2008
	(Amounts in Thousands)	
Temporary differences:		
Allowance for losses on assets	₱199,507	₱115,326
Allowance for doubtful accounts	129,156	143,932
Pension costs	51,065	-
Preoperating expenses	25,327	-
Provision for decommissioning and site rehabilitation	14,365	-
Unamortized discount on refundable deposits	10,656	-
NOLCO	6,443	82,946
Accrued expenses	-	79,481
MCIT	-	3,891
	₱436,519	₱425,576

The deferred income tax effects of the above deductible temporary differences for which no deferred tax assets are recognized amounted to ₱130.96 million and ₱130.40 million as of December 31, 2008 and December 31, 2007, respectively. Deferred tax assets are recognized only to the extent that taxable income will be available against which the deferred tax assets can be used.

The Group assesses the unrecognized deferred tax assets and will recognize a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable income will allow the deferred tax asset to be recovered. 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.

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

	2009	2008	2007
	(Amounts in Thousands)		
Final	₱13,128	₱5,996	₱13,826
Current	548,332	615,524	497,865
Deferred	52,888	73,630	33,361
	₱614,348	₱695,150	₱545,052



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

	2009	2008	2007
Statutory income tax rate	30.00%	35.00%	35.00%
Adjustments for:			
Changes in unrecognized deferred tax assets	1.45	4.41	0.79
Nondeductible interest expense	0.09	0.47	0.11
Nondeductible expenses	0.28	0.26	0.20
Nondeductible (nontaxable) equity in net losses (earnings) of associates and jointly controlled entities	(8.34)	3.08	(18.50)
Interest income subjected to final tax at a lower rate - net	(0.13)	(0.91)	(1.21)
Additional deductible expenses	-	(0.09)	(0.10)
Gain on sale of investments in shares of stock subjected to final tax	(0.20)	-	(2.01)
Non taxable dividend income	(0.01)	(0.02)	(1.21)
Tax-exempt income	(12.98)	(10.64)	-
Gain on dilution	-	-	(1.81)
Change in tax rate	-	(6.11)	6.29
Effective income tax rate	10.16%	25.45%	17.55%

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

New Developer of Mass Housing Project

In 2009 and 2008, the BOI issued in favor of PDI a Certificate of Registration as a New Developer of Mass Housing Project for several of its real estate projects in accordance with the Omnibus Investment Code of 1987. Pursuant thereto, the projects has been granted an Income Tax Holiday for a period of four (4) years.

Expanding Producer of Coal

On September 26, 2008, the BOI issued in favor of Semirara a Certificate of Registration as an Expanding Producer of Coal in accordance with the provisions of the Omnibus Investments Code of 1987. Pursuant thereto, 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.



29. Basic / Diluted Earnings Per Share

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

	2009	2008	2007
	(Amounts in Thousands)		
Net income	₱4,682,518	₱1,687,900	₱2,273,756
Divided by weighted average number of common shares	2,655,494	2,655,494	2,409,577
Basic earnings per share	₱1.76	₱0.64	₱0.94

The assumed conversion of the Group's preferred shares has no dilutive effect. Accordingly, no diluted earnings per share is presented in 2009, 2008 and 2007.

30. 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 ₱450.15 million and ₱253.38 million as of December 31, 2009 and 2008, respectively. The liabilities, amounting to ₱216.52 million and ₱52.73 million are included under the "Accounts and other payables" account in the statement of financial position (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.

31. Investment in DM-FB Joint Venture

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

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



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

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

	2009	2008
	(Amounts in Thousands)	
Current assets	₱922,312	₱341,812
Noncurrent assets	2,517	2,074
	924,829	343,886
Current liabilities	684,255	89,849
Noncurrent liabilities	111,829	246,235
	796,084	336,084
	₱128,870	₱7,802

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

	2009	2008
	(Amounts in Thousands)	
Revenue	₱1,224,921	₱119,360
Construction cost	929,217	80,309
	295,704	39,051
Operating expenses	174,556	37,070
	₱121,148	₱1,981

Exemption to Corporate Income Tax

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

32. Acquisition of Calaca Power Plant

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

On December 2, 2009, the Parent Company entered into an Asset Purchase Agreement with PSALM. Pursuant to the provision of the Asset Purchase Agreement (APA), PSALM agreed to sell and transfer to the Parent Company on an "as is where is" basis, the Power Plant with an agreed purchase price of US\$368.87 million.



On the same date, through the Accession Assignment Agreement (the Agreement) between the Parent Company, Sem-Calaca Power Corporation (SCPC), a wholly-owned subsidiary of Semirara), and PSALM, SCPC acquired the 2 x 300-MW Power Plant from PSALM. The total cash payments made to PSALM are broken down as follows:

1. ₱6.62 billion in peso equivalent using the exchange rate of ₱47.13 representing 40% down payment for US\$351.0 million purchase price of the Power Plant (see Note 18); and
2. ₱0.49 billion in peso equivalent using the exchange rate of ₱47.20 representing 40% down payment for US\$10.39 million advance rental payment for the 25-year lease of the premises underlying the Power Plant and for purchase orders for parts and services for the Power Plant.

Other provisions of the Agreement include:

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

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

Relative to the assignment of the APA and Land Lease Agreement (LLA) by the Parent Company to SCPC, total consideration recognized by SCPC as due to the Parent Company amounted to ₱54.34 million (see Note 12).

Below are the significant provisions of the APA, among others:

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

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

In a letter dated December 18, 2009, PSALM claims an additional amount of ₱9.55 million representing the difference between the US\$ to Peso exchange rate used for the 40% down-payment of the purchase price versus the ₱47.2 US\$ to Peso exchange rate PSALM alleges to be in accordance with the APA. The assessed amount was accrued in 2009 as additional acquisition cost allocated to Property, plant and equipment. Subsequently, the amount was paid by the Parent Company in February 8, 2010.

The principal amount of the Deferred Payment is equivalent to 60% of the purchase price for the Power Plant. The Deferred Payment will be paid to PSALM via 14 equal semi-annual payments beginning June 2, 2010 with an interest rate of 11% per annum, compounded semi-annually. Under the APA, upon prior written notice to PSALM, and on the condition that SCPC is not in breach of any of its substantial obligations to PSALM under the APA and LLA, SCPC may prepay any portion of the Deferred Payment in Philippine Pesos (see Note 18).



Under a Memorandum of Agreement dated December 2, 2009 between PSALM and SCPC, the amounts of P288.39 million representing parts identified as required to achieve 350 MW capability of the Power Plant and P247.55 million as unawarded purchase orders will be deducted from the principal amount of the Deferred Payment.

After considering the above adjustments, the fair value of the identifiable assets and liabilities as at the date of acquisition were (amounts in thousands):

Property, plant and equipment (Note 12)	₱15,697,026
Materials and supplies (Note 8)	720,932
Coal (Note 8)	273,936
Prepaid rent (Note 9)	150,568
Fuel and diesel (Note 8)	86,705
<u>Total assets acquired</u>	<u>₱16,929,167</u>

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

Cash consideration	₱7,107,741
Payable to PSALM (Note 18)	9,767,083
Transaction cost (Note 20)	54,343
<u>Total cost</u>	<u>₱16,929,167</u>

The accounting for business combination was done provisionally for the property, plant and equipment due to lack of proper fair value estimate of fixed assets acquired as of to date.

33. Operating Segments

Business Segment Information

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

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

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

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

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

Water - recognized through a consortium with Metro Pacific Investments Corp. or MPIC (the "Consortium") and operated through Maynilad Water Services, Inc. (Maynilad), the water utility for the west portion of Metro Manila.

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



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

However, Group financing (including finance costs and finance income) and income taxes are managed on a group basis and are not allocated to operating segments. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

Business Segments

The following tables present revenue, net income (loss) and depreciation, depletion and amortization information regarding business segments for the years ended December 31, 2009, 2008 and 2007 and property, plant and equipment additions, total assets and total liabilities for the business segments as of December 31, 2009, 2008 and 2007:



Year ended December 31, 2009 (Amounts in Thousands)

	Construction	Mining	Real Estate Development	Power	Water	Parent Company and Others	Total
Revenue	₱10,442,043	₱11,602,130	₱6,963,108	₱443,493	₱-	₱260,054	₱29,710,828
Other income (expense) - net	43,192	(56,301)	83,018	200,467	1,674,873	(1,085)	1,944,164
	10,485,235	11,545,829	7,046,126	643,960	1,674,873	258,969	31,654,992
Cost of sales and services	8,286,838	7,836,117	4,756,934	440,471	-	197,957	21,518,317
General and administrative expense (before depreciation and amortization)	685,654	758,085	1,172,899	44,422	-	118,085	2,779,145
	8,972,492	8,594,202	5,929,833	484,893	-	316,042	24,297,462
EBITDA	1,512,743	2,951,627	1,116,293	159,067	1,674,873	(57,073)	7,357,530
Other income (expenses)							
Interest income (expense)	(58,390)	19,777	307,619	(77,920)	-	58,414	249,500
Depreciation and amortization	(460,620)	(1,045,863)	(51,111)	(2,330)	-	(3,125)	(1,563,049)
Pretax income	993,733	1,925,541	1,372,801	78,817	1,674,873	(1,784)	6,043,981
Provision for income tax	188,030	27,343	352,943	36,159	-	9,873	614,348
Net income	₱805,703	₱1,898,200	₱1,019,858	₱42,658	₱1,674,873	(₱11,657)	₱5,429,633
Net income attributable to minority interest	₱11,601	₱733,808	₱-	(₱4,169)	₱-	₱5,874	₱747,114
Net income attributable to equity holders	₱794,102	₱1,164,392	₱1,019,858	₱46,827	₱1,674,873	(₱17,531)	₱4,682,519
Segment Assets							
Receivables	₱1,631,613	₱865,679	₱4,317,353	₱491,197	₱-	₱293,772	₱7,599,614
Inventories	503,754	2,035,423	6,979,981	1,101,978	-	38,993	10,660,129
Investment in associates and joint venture	721,899	45,650	-	-	6,018,239	-	6,785,788
Property, plant and equipment	3,262,940	2,288,959	393,889	16,018,170	-	5,929	21,969,887
Others	3,581,123	1,315,883	4,756,271	230,266	-	739,334	10,622,877
	₱9,701,329	₱6,551,594	₱16,447,494	₱17,841,611	₱6,018,239	₱1,078,028	₱57,638,295
Segment Liabilities							
Customers' advances and deposits	₱2,399,423	₱1,207	₱1,695,276	₱-	₱-	₱-	₱4,095,906
Loans payable	972,561	1,267,555	4,202,965	9,571,203	-	3,218,114	19,232,398
Finance lease payable	99,000	-	-	-	-	-	99,000
Others	3,740,085	2,568,594	4,109,886	408,289	-	57,375	10,884,229
	₱7,211,069	₱3,837,356	₱10,008,127	₱9,979,492	₱-	₱3,275,489	₱34,311,533
Other disclosures							
Acquisition of raw land	₱-	₱-	₱431,501	₱-	₱-	₱-	₱431,501
PPE additions	1,105,289	18,533,661	64,660	366,410	-	2,958	20,072,978



Year ended December 31, 2008 (Amounts in Thousands)

	Construction	Mining	Real Estate Development	Power	Water	Parent Company and Others	Total
Revenue	₱6,727,610	₱8,940,812	₱4,736,635	₱-	₱-	₱753,018	₱21,158,075
Other income (expense) - net	315,023	(22,184)	70,054	-	80,707	12,555	456,155
	7,042,633	8,918,628	4,806,689	-	80,707	765,574	21,614,231
Cost of sales and services	5,427,155	6,011,139	2,984,329	-	-	747,712	15,170,335
General and administrative expense (before depreciation and amortization)	563,376	664,921	892,889	27,182	-	17,639	2,166,007
	5,990,531	6,676,060	3,877,218	27,182	-	765,351	17,336,342
EBITDA	1,052,102	2,242,568	929,471	(27,182)	80,707	223	4,277,889
Other income (expenses)							
Interest income (expenses)	(72,924)	(25,407)	82,209	1,773	-	34,834	20,485
Depreciation and amortization	(366,210)	(1,163,061)	(34,871)	-	-	(2,619)	(1,566,761)
Pretax income	612,968	1,054,100	976,809	(25,409)	80,707	32,438	2,731,613
Provision for income tax	218,913	244,249	218,421	355	-	13,212	695,150
Net income	₱394,055	₱809,851	₱758,388	(₱25,764)	₱80,707	₱19,226	₱2,036,463
Net income attributable to minority interest	₱3,109	₱349,681	₱-	(₱5,609)	₱-	₱1,382	₱348,563
Net income attributable to equity holders	₱390,946	₱460,170	₱758,388	(₱20,155)	₱80,707	₱17,844	₱1,687,900
Segment Assets							
Receivables	₱2,214,915	₱2,075,602	₱4,444,775	₱18,996	₱-	₱285,067	₱9,039,355
Inventories	355,240	1,497,239	7,037,913	181	-	40,390	8,930,963
Investment in associates and joint venture	227,377	-	-	-	4,338,766	68,500	4,634,643
Property, plant and equipment	2,817,257	1,144,731	371,152	136,035	-	5,988	4,475,163
Others	2,936,361	1,786,420	3,607,066	63,025	-	181,110	8,573,982
	₱8,551,150	₱6,503,992	₱15,460,906	₱218,237	₱4,338,766	₱581,055	₱35,654,106
Segment Liabilities							
Customers' advances and deposits	₱755,099	₱1,207	₱1,294,059	₱-	₱-	₱-	₱2,050,365
Loans payable	1,348,781	137,065	3,140,747	-	-	63,435	4,690,028
Others	3,660,046	1,795,603	4,531,430	6,004	-	454,565	10,447,648
	₱5,763,926	₱1,933,875	₱8,966,236	₱6,004	₱-	₱518,000	₱17,188,041
Other disclosures							
Acquisition of raw land	₱-	₱-	₱798,724	₱-	₱-	₱-	₱798,724
PPE additions	576,738	1,720,970	189,086	-	-	140,017	2,626,811



Year ended December 31, 2007 (Amounts in Thousands)

	Construction	Mining	Real Estate Development	Power	Water	Parent Company and Others	Total
Revenue	₱4,685,196	₱6,470,846	₱2,455,167	₱-	₱-	₱564,419	₱14,175,628
Other income (expense) - net	33,306	114,389	34,761	(6)	1,239,330	113,733	1,535,513
	4,718,502	6,585,235	2,489,928	(6)	1,239,330	678,152	15,711,141
Cost of sales and services	3,326,062	3,657,309	1,258,498	-	-	473,617	8,715,486
General and administrative expense (before depreciation and amortization)	577,124	322,981	1,245,950	11,506	-	(134,877)	2,022,684
	3,903,186	3,980,290	2,504,448	11,506	-	338,740	10,738,170
EBITDA	815,316	2,604,945	14,520	(11,512)	1,239,330	339,412	4,972,971
Other income (expenses)							
Interest income (expenses)	(16,066)	(102,549)	78,479	(498)	-	(37,113)	(77,747)
Depreciation and amortization	(224,762)	(1,542,544)	(20,362)	-	-	(1,916)	(1,789,584)
Pretax income	574,488	959,852	43,597	(12,010)	1,239,330	300,383	3,105,640
Provision for income tax	249,977	327,489	(17,724)	-	-	(14,690)	545,052
Net income	₱324,511	₱632,363	₱61,321	(₱12,010)	₱1,239,330	₱315,073	₱2,560,588
Net income attributable to minority interest	(₱1,144)	₱283,078	₱-	₱-	₱-	₱4,898	₱286,832
Net income attributable to equity holders	₱325,655	₱349,285	₱61,321	(₱12,010)	₱1,239,330	₱310,175	₱2,273,756
Segment Assets							
Receivables	₱2,032,954	₱1,194,260	₱1,540,298	₱6,339	₱-	₱70,243	₱4,844,094
Inventories	1,521,219	1,546,006	3,268,344	-	-	40,390	6,375,959
Investment in associates and joint venture	84,426	-	-	-	4,336,463	68,150	4,489,039
Property, plant and equipment	669,197	1,935,930	271,927	20,527	-	8,523	2,906,104
Others	1,050,830	1,936,707	2,614,885	9,960	-	4,078,929	9,691,311
	₱5,358,626	₱6,612,903	₱7,695,454	₱36,826	₱4,336,463	₱4,266,235	₱28,306,507
Segment Liabilities							
Customers' advances and deposits	₱608,883	₱8,867	₱1,271,184	₱-	₱-	₱-	₱1,888,934
Loans payable	1,027,971	397,581	805,837	-	-	77	2,231,465
Others	1,645,307	1,572,586	4,530,216	38,835	-	(264,641)	7,522,303
	₱3,282,161	₱1,979,034	₱6,607,237	₱38,835	₱-	₱(264,564)	₱11,642,703
Other disclosures							
Acquisition of raw land	₱-	₱-	₱798,724	₱-	₱-	₱-	₱798,724
PPE additions	576,737	1,720,970	189,086	-	-	140,017	2,626,810



The Group's management reporting and controlling systems use accounting policies that are the same as those described in Note 1 in the summary of significant accounting policies under IFRS.

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

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

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

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

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

Geographic Information

Analysis of sales and revenue by geographical location

The financial information about the operation of the Group as of December 31, 2009, 2008 and 2007 reviewed by the management follows:

Customer Location	2009	2008	2007
	(Amounts in Thousands)		
Revenue			
Local	₱7,252,952	₱6,648,580	₱5,332,725
Export	4,247,241	1,841,465	1,133,976
	₱11,500,193	₱8,490,045	₱6,466,701

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

Sales to power company amounted to ₱4.30 billion, ₱3.41 billion and ₱2.86 billion for the years ended December 31, 2009, 2008 and 2007, respectively. All these revenue were from Coal mining segment.

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, 2009 and 2008 (amounts in thousands):

	2009		2008	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Loans and Receivables				
Cash and cash equivalents				
Cash on hand and in banks	₱1,899,827	₱1,899,827	₱1,377,402	₱1,377,402
Cash equivalents	1,348,882	1,348,882	1,681,375	1,681,375
Receivables - net				
Trade				
Real estate	2,726,260	4,364,138	4,323,986	5,535,888
General construction	2,612,663	2,612,663	1,329,446	1,329,446
Coal mining	738,573	738,573	1,756,658	1,756,658
Electricity sales	489,246	489,246	-	-
Receivable from related parties	941,971	941,971	1,220,010	1,220,010
Advances to officers and employees	60,280	60,280	73,581	73,581
Other receivables	30,621	30,621	345,817	345,817
Security deposits	522,956	522,956	430,068	430,068
	11,371,279	13,009,157	12,538,343	13,750,245
AFS investments				
Quoted securities	34,251	34,251	25,727	25,727
Unquoted securities	179,923	179,923	177,206	177,206
	214,174	214,174	202,933	202,933
	₱11,585,453	₱13,223,331	₱12,741,276	₱13,953,178
Other Financial Liabilities				
Accounts and other payables	₱8,067,057	₱8,067,057	₱5,569,503	₱5,569,503
Liabilities for purchased land	838,103	686,018	926,732	758,564
Payable to related parties	694,749	694,749	841,839	841,839
Loans payable and long-term debt - including current portion	19,331,399	20,274,475	6,829,762	6,865,443
Other noncurrent liabilities	4,938	4,938	4,750	4,750
	₱28,936,246	₱29,727,237	₱14,172,586	₱14,040,099

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 reporting dates due to the short-term nature of the transactions.

The fair values of real estate receivable are calculated by discounting expected future cash flows at applicable rates for similar instruments using the remaining terms of maturity. The discount rate used in 2009 and 2008 ranged from 15.50% to 16.50% and 10.00% to 13.00%, respectively.

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 reporting 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.

Fair value hierarchy

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

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

As at December 31, 2009, the Group's AFS financial assets amounting to P34.25 million are carried at fair value based on Level 1 (Note 5).

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.

Equity price risk

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

The effect on equity (as a result of a change in fair value of quoted equity instruments held as AFS investments as of December 31, 2009 due to a reasonably possible change in equity indices, with all other variables held constant, will have an increase on profit before tax P11.46 million and increase equity by P11.40 million, respectively, if equity indices will increase by 10%. An equal change in the opposite direction would have decreased equity by the same amount.

The effect on equity (as a result of a change in fair value of quoted equity instruments held as AFS investments as of December 31, 2008 due to a reasonably possible change in equity indices, with all other variables held constant, will have an increase on profit before tax P6.57 million and increase equity by P6.54 million, respectively, if equity indices will increase by 10%. An equal change in the opposite direction would have decreased equity by the same amount.



Foreign exchange risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Approximately 56.46% and 6.39% of debts as of December 31, 2009 and 2008, respectively, were denominated in US\$. The Group also has investment in a foreign subsidiary, AG&P Nouvelle Calédonie.

The Group does not have any foreign currency hedging arrangements.

Information on the Group's foreign currency-denominated monetary assets and liabilities and their Philippine peso equivalents as of December 31, 2009 and 2008 follows (amounts in thousands):

	2009				
	U.S. Dollar	Japanese Yen	UK Pounds	Pacific Franc	Php Equivalent
Assets					
Cash and cash equivalents	\$11,441	¥2,739	£179	XPF35,874	₱583,826
Trade receivables					
Coal mining	8,920	–	–	–	412,099
General construction	8,564	–	–	56,506	427,283
	\$28,925	2,739	179	92,380	1,423,208
Liabilities					
Accounts and other payables	2,276	–	–	58,216	137,769
Long-term debt (including current portion)	213,401	–	–	–	9,859,115
	215,677	–	–	58,216	9,996,884
Net foreign currency denominated assets	(\$186,752)	¥2,739	£179	XPF34,164	(₱8,573,676)

	2008				
	U.S. Dollar	Japanese Yen	UK Pounds	Pacific Franc	Php Equivalent
Assets					
Cash and cash equivalents	\$4,910	¥789	£35	XPF1,849	₱237,222
Trade receivables					
Coal mining	155	–	–	–	7,366
General construction	5,147	–	–	30,337	261,574
	\$10,212	789	35	32,186	506,162
Liabilities					
Accounts and other payables	4,402	–	–	483,556	479,974
Long-term debt (including current portion)	7,475	–	–	–	355,212
	11,877	–	–	483,556	835,186
Net foreign currency denominated assets	(\$1,665)	¥789	£35	(XPF451,370)	₱(329,024)

The exchange rates used to restate the Group's foreign currency-denominated assets and liabilities as of December 31, 2009 and 2008 follow:

	2009	2008
US Dollar - Philippine Peso	₱46.20 to US\$1.00	₱47.52 to US\$1.00
Japanese Yen - Philippine Peso	₱0.51 to ¥1.00	₱0.52 to ¥1.00
UK Pounds - Philippine Peso	₱74.19 to £1.00	₱70.09 to £1.00
Pacific Franc - Philippine Peso	₱0.56 to XPF1.00	₱0.56 to XPF1.00



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, 2009 and 2008 (amounts in thousands).

2009

	Basis pts	Effect on profit	Effect on equity
In Peso per U.S. Dollar			
Increase	2	(P373,504)	(P261,453)
Decrease	(2)	373,504	261,453
In Peso per Japanese Yen			
Increase	2	5,478	3,835
Decrease	(2)	(5,478)	(3,835)
In Peso per UK Pounds			
Increase	8	1,432	1,002
Decrease	(8)	(1,432)	(1,002)
In Peso per Pacific Franc			
Increase	2	68,328	47,830
Decrease	(2)	(68,328)	(47,830)

2008

	Basis pts	Effect on profit	Effect on equity
In Peso per U.S. Dollar			
Increase	2	(P3,330)	(P2,331)
Decrease	(2)	3,330	2,331
In Peso per Japanese Yen			
Increase	2	1,578	1,105
Decrease	(2)	(1,578)	(1,105)
In Peso per UK Pounds			
Increase	8	280	196
Decrease	(8)	(280)	(196)
In Peso per Pacific Franc			
Increase	2	(902,740)	(631,918)
Decrease	(2)	902,740	631,918

There is no impact on the Company's equity other than those already affecting net income. The movement in sensitivity analysis is derived from current observations on fluctuations in dollar exchange rates.

The Group recognized P52.57 million and P9.70 million foreign exchange gain for the years ended December 31, 2009 and 2008, respectively, arising from the translation of the Group's cash and cash equivalents, trade receivables and long-term debt.



Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Group's exposure to credit risk arises from default of the counterparties which include certain financial institutions, real estate buyers, subcontractors, suppliers and various electric companies. Credit risk management involves dealing only with 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.

Real estate contracts

The credit risk for real estate receivable is mitigated as the Group has the right to cancel the sales contract without need for any court action and take possession of the subject house in case of refusal by the buyer to pay on time the due installment contracts receivable. This risk is further mitigated because the corresponding title to the subdivision units sold under this arrangement is transferred to the buyers only upon full payment of the contract price.

Electricity sales

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

Under the current regulatory regime, the generation rate charged by the Group to WESM is not regulated but is determined in accordance with the WESM Price Determination Methodology (PDM) approved by the Energy Regulatory Commission (ERC) and are complete pass-through charges to WESM. Likewise, the generation rate charged by the Group to various electric companies is not subject to regulations and are complete pass-through charges to various electric companies.

Mining

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

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

Construction contracts

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



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

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

The table below shows the gross maximum exposure to credit risk for the components of the statement of financial position.

	2009	2008
	(Amounts in Thousands)	
Cash and cash equivalents		
Cash on hand and in banks	₱1,899,827	₱1,377,402
Cash equivalents	1,348,882	1,681,375
Available-for-sale financial assets		
Quoted securities	34,251	25,727
Unquoted securities	179,923	177,206
Receivables		
Trade		
Real estate	2,788,393	4,390,350
General construction	2,890,654	1,666,048
Coal mining	752,142	1,773,418
Electricity sales	489,246	-
Receivable from related parties	941,971	1,220,010
Advances to officers and employees	60,280	73,581
Other receivables	115,509	346,712
Security deposits	522,956	430,068
Total credit risk exposure	₱12,024,034	₱13,161,897

As of December 31, 2009 and 2008, the credit quality per class of financial assets that were neither past due nor impaired is as follows (amounts in thousands):

2009

	Neither past due nor impaired			Past due or Individually	Total
	Grade A	Grade B	Grade C	Impaired	
Cash and cash equivalents	₱3,248,709	₱-	₱-	₱-	₱3,248,709
Available-for-sale financial assets	214,174	-	-	-	214,174
Trade:					
Real estate	1,304,587	34,337	369,480	1,079,989	2,788,393
General construction	1,858,260	19,297	-	1,013,097	2,890,654
Coal mining	459,685	145,754	-	146,703	752,142
Electricity sales	489,246	-	-	-	489,246
Receivable from related parties	941,971	-	-	-	941,971
Advances to officers and employees	19,609	978	35,133	4,560	60,280
Other receivables	1,725	14,988	12,364	86,432	115,509
Security deposits	522,956	-	-	-	522,956
Total	₱9,060,922	₱215,354	₱416,977	₱2,330,781	₱12,024,034



2008

	Neither past due nor impaired			Past due or Individually	Total
	Grade A	Grade B	Grade C	Impaired	
Cash and cash equivalents	₱3,068,623	₱-	₱-	₱-	₱3,068,623
Available-for-sale financial assets	202,933	-	-	-	202,933
Trade:					
Real estate	2,888,630	506,082	20,158	975,480	4,390,350
General construction	1,309,644	19,802	-	336,602	1,666,048
Coal mining	767,844	72,668	9,071	941,977	1,791,560
Electricity sales	-	-	-	-	-
Receivable from related parties	935,198	-	284,812	-	1,220,010
Advances to officers and employees	73,157	-	-	424	73,581
Other receivables	12,955	126,895	195,824	11,038	346,712
Security deposits	430,068	-	-	-	430,068
Total	₱9,689,052	₱725,447	₱509,865	₱2,265,521	₱13,189,885

For real estate receivables, Grade A are classified as financial assets with high credit worthiness and probability of default is minimal. While receivables under Grade B and C are have favorable and acceptable risk attributes, respectively, with average credit worthiness. Neither past due nor impaired trade receivables other than real estate receivables (including retention receivables) and other receivables are classified into 'high grade' and 'standard grade'. Neither past due nor impaired advances to officers and employees and due from related parties are normally 'high grade' in nature. The Group sets financial assets as 'high grade' based on the Group's positive collection experience. On the other hand, 'standard grade' are those which have credit history of default in payments. The Group's AFS financial assets and other noncurrent assets are classified as standard grade financial assets because these assets are susceptible to untoward consequences due to the current financial positions of counterparties.

As of December 31, 2009 and 2008, the aging analysis of the Group's receivables presented per class follows (amounts in thousands):

2009

	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	₱34,903	₱31,512	₱36,938	₱33,922	₱880,581	₱62,133	₱1,079,989
General construction	324,970	152,274	257,862	-	-	277,991	1,013,097
Coal mining	122,776	-	10,358	-	-	13,569	146,703
Electricity sales	-	-	-	-	-	-	-
Due from related parties	-	-	-	-	-	-	-
Advances to officers and employees	-	-	-	-	4,560	-	4,560
Other receivables	1,544	-	-	-	-	84,888	86,432
Security deposits	522,956	-	-	-	-	-	522,956
Total	₱1,007,149	₱183,786	₱305,158	₱33,922	₱885,141	₱438,581	₱2,853,737



2008

	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	P362,081	P155,110	P99,758	P292,167	P-	P66,364	P975,480
General construction	-	-	-	-	-	336,602	336,602
Coal mining	880,447	44,770	-	-	-	16,760	941,977
Electricity sales	-	-	-	-	-	-	-
Due from related parties	-	-	-	-	-	-	-
Advances to officers and employees	424.00	-	-	-	-	-	424
Other receivables	-	-	-	-	-	11,038	11,038
Security deposits	430,068	-	-	-	-	-	430,068
Total	P1,673,020	P199,880	P99,758	P292,167	P-	P430,764	P2,695,589

The repossessed lots and residential houses are transferred back to inventory under the account Real Estate for Sale and Held for Development and are held for sale in the ordinary course of business. The total of these inventories is P148.42 million and P229.19 million as of December 31, 2009 and 2008, respectively. The Group performs certain repair activities on the said reposed assets in order to put their condition at a marketable state. Costs incurred in bringing the repossessed assets to its marketable state are included in their carrying amounts.

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

Liquidity risk

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

The following table summarizes the maturity profile of the Group's financial liabilities as of December 31, 2009 and 2008, based on contractual undiscounted cash flows. The table also analyses the maturity profile of the Group's financial assets in order to provide a complete view of the Group's contractual commitments (amounts in thousands).

2009

	On Demand	Within 1 year	1-2 years	2-3 years	3-4 years	Total
Loans and Receivable						
Cash and cash equivalents	P3,262,290	P-	P-	P-	P-	P3,262,290
Receivables						
Trade:						
Real estate	-	699,858	515,327	607,598	1,513,755	3,336,538
General construction	-	2,890,654	-	-	-	2,890,654
Coal mining	-	752,142	-	-	-	752,142
Electricity sales	-	489,246	-	-	-	489,246
Receivable from related parties	941,971	-	-	-	-	941,971
Advances to officers and employees	47,755	12,525	-	-	-	60,280
Other receivables	115,509	-	-	-	-	115,509
Security deposits	218,387	270,751	33,818	-	-	522,956
	4,585,912	5,115,176	549,145	607,598	1,513,755	12,371,586

(Forward)



	On Demand	Within 1 year	1-2 years	2-3 years	3-4 years	Total
AFS financial assets						
Quoted securities	₱34,251	₱-	₱-	₱-	₱-	₱34,251
Unquoted securities	179,923	-	-	-	-	179,923
	214,174	-	-	-	-	214,174
Total undiscounted financial Assets	₱4,800,086	₱5,115,176	₱549,145	₱607,598	₱1,513,755	₱12,585,760
Other Financial Liabilities						
Bank loans	₱-	₱1,207,116	₱-	₱-	₱-	₱1,207,116
Accounts payable and other payables	8,067,057	-	-	-	-	8,067,057
Liabilities for purchased land	154,597	272,535	87,001	19,532	304,438	838,103
Payable to related parties	694,749	-	-	-	-	694,749
Long -term Debt						
Term loan facility	-	800,000	800,000	800,000	570,058	2,970,058
\$361,481,091 payable to PSALM, 11% compounded semi- annually	-	1,681,082	1,315,020	1,315,020	5,260,080	9,571,202
US\$15.14 million loan 6 month USD LIBOR plus 1.5% per annum	-	61,055	-	-	-	61,055
US\$6.64 million loan 3 month SIBOR plus 1.95% per annum	-	72,202	-	-	-	72,202
\$4.63 million deferred purchase payment, p.a. over the rate 180 days BBA LIBOR on 2 business days prior to 1st day of interest period	-	-	1,345	473,019	-	474,364
Various letters of credits and suppliers debt with various interest rates	-	52,670	450,000	-	-	502,670
Various local bank loans 7.88% to 14.4%	-	145,019	259,881	-	-	404,900
Agreement to purchase - 7.5% to 10%	-	955,393	885,203	888,566	1,184,755	3,913,917
Finance lease 6.00% to 6.57%	-	21,077	43,202	34,721	-	99,000
Acceptances and trust receipts payable	-	51,450	3,465	-	-	54,915
Total undiscounted financial Liabilities	₱8,916,403	₱5,319,599	₱3,845,117	₱3,530,858	₱7,319,331	₱28,931,308
Liquidity gap	(₱4,116,317)	(₱204,423)	(₱3,295,972)	(₱2,923,260)	(₱5,805,576)	(₱16,345,548)



2008

	On Demand	Within 1 year	1-2 years	2-3 years	3-4 years	Total
Loans and Receivable						
Cash and cash equivalents	₱3,068,623	₱-	₱-	₱-	₱-	₱3,068,623
Trade:						
Real estate	2,878,705	420,437	364,706	726,502	-	4,390,350
General construction	953,287	275,181	385,005	531	52,044	1,666,048
Coal mining	1,773,418	-	-	-	-	1,773,418
Electricity sales	-	-	-	-	-	-
Receivable from related parties	983,725	173,201	3,628	6,870	52,586	1,220,010
Advances to officers and employees	10,745	49,825	-	-	-	60,570
Other receivables	288,310	609	20,612	-	37,181	346,712
Security deposits	261,755	73,024	32,694	26,237	36,358	430,068
	10,218,568	992,277	806,645	760,140	178,169	12,955,799
AFS financial assets						
Quoted securities	25,727	-	-	-	-	25,727
Unquoted securities	177,206	-	-	-	-	177,206
	202,933	-	-	-	-	202,933
Total undiscounted financial Assets	₱10,421,501	₱992,277	₱806,645	₱760,140	₱178,169	₱13,158,732
Financial Liabilities						
<i>Financial Liabilities at amortized cost</i>						
Bank loans	-	438,407	-	-	-	438,407
Accounts payable and other payables	5,650,621	-	-	-	-	5,650,621
Liabilities for purchased land	572,955	141,062	45,031	10,110	157,574	926,732
Payable to related parties	69,568	139,137	294,643	331,473	7,018	841,839
	6,293,144	1,554,309	5,820,609	341,583	164,592	14,174,237
Other Financial Liabilities						
Long-term Debt						
Floating Rate						
US\$15.14 million loan 6 month USD LIBOR plus 1.5% per annum	₱-	₱143,875	₱62,800	₱-	₱-	₱206,675
US\$6.64 million loan 3 month SIBOR plus 1.95% per annum	-	74,265	74,265	-	-	148,530
Fixed Rate						
Various letters of credits and suppliers debt with various interest rates	-	725	753,740	-	-	754,465
Various local bank loans 7.88% to 14.4%	-	464,701	963,506	507,320	-	1,935,527
Long-term debt (contracts receivables discounting) 7.5% to 10%	-	921,419	928,482	737,364	626,856	3,214,121
Loan under collateral 9% fixed p.a	-	57,320	-	-	-	57,320
Acceptances and trust receipts payable	-	11,281	63,436	-	-	74,717
	-	1,673,586	2,846,229	1,244,684	626,856	6,391,355
Total undiscounted financial liabilities	₱6,293,144	₱3,227,895	₱8,666,838	₱1,586,267	₱791,448	₱20,565,592
Liquidity gap	(₱4,128,357)	(₱2,235,618)	(₱7,860,193)	(₱826,127)	(₱613,279)	(₱7,406,860)

Interest rate risk

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



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

	Change in basis points	Effect on income before income tax	Effect on equity
(Amounts in Thousands)			
2009			
Dollar floating rate borrowings	+100	(P101,788)	(P94,154)
	-100	101,788	94,154
Peso floating rate borrowings	+100	(29,701)	(20,791)
	-100	29,701	20,791
2008			
Dollar floating rate borrowings	+100	(3,500)	(3,238)
	-100	3,500	3,238

The assumed movement in basis points for interest rate sensitivity analysis is based on the Company's historical changes in market interest rates on unsecured bank loans.

35. Other Comprehensive Income

The Group does not recognize income tax on the components of other comprehensive income as presented in the following table (amounts in thousands):

	Other Comprehensive Income			Total	Attributable to Parent Company	Attributable to minority interests
	Net Unrealized Gain (Loss) on Available-for- Sale Financial Assets (Note 5)	Cumulative Translation Adjustment	Revaluation increment in nonfinancial assets			
As of January 1, 2009	P-	P3,822	P80,005	P83,827	P82,477	P1,350
Other comprehensive income:						
Exchange differences on translating foreign operations	-	(3,797)	-	(3,797)	(3,735)	(62)
Unrealized loss on AFS financial assets (Note 5)	(6,649)	-	-	(6,649)	(6,649)	-
	(6,649)	(3,797)	-	(10,446)	(10,384)	(62)
Balances at December 31, 2009	(P6,649)	P25	P80,005	P73,381	P72,093	P1,288
As of January 1, 2008	(P35,880)	P-	P-	(P35,880)	(P35,880)	P-
Other comprehensive income:						
Transferred to statement of income	35,880	-	-	35,880	35,880	-
Recognized revaluation increment	-	-	80,005	80,005	78,717	1,288
Increase in cumulative translation adjustment	-	3,822	-	3,822	3,760	62
	35,880	3,822	80,005	119,707	118,357	1,350
Balances at December 31, 2008	P-	P3,822	P80,005	P83,827	P82,477	P1,350

(Forward)



	Net Unrealized Gain (Loss) on Available-for- Sale Financial Assets (Note 5)	Cumulative Translation Adjustment	Revaluation increment in nonfinancial assets	Total	Attributable to Parent Company	Attributable to minority interests
As of January 1, 2007	₱39,873	₱-	₱-	₱39,873	₱39,873	₱-
Other comprehensive income:						
Change in fair value of available for sale financial asset	(35,880)	-	-	(35,880)	(35,880)	-
Transferred to statement of income	(39,873)	-	-	(39,873)	(39,873)	-
	(75,753)			(75,753)	(75,753)	
Balances at December 31, 2007	(₱35,880)	₱-	₱-	(₱35,880)	(₱35,880)	₱-

36. 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, 2009, future minimum lease payments under the aforementioned finance lease and the present value of the net minimum lease payments (in thousands) are as follows:

	Minimum Payments	Present value of payments
Within one year	₱26,912	₱25,993
After one year but not more than five years	72,088	65,230
Total minimum lease payments	99,000	91,223
Less finance charges	7,777	-
	₱91,223	₱91,223

Also as discussed in Notes 18 and 38, the Group entered into a Land Lease Agreement with PSALM for the lease of land with which the plant is situated, for the period of 25 years, renewable for other 25 years with the mutual agreement of both parties. The Group paid US\$3.19 million or its peso equivalent ₱150.57 million as payment for the 25 years of rental.



Part of the agreement, the Group has the option to buy an Option Assets. Option assets are parcels of land that form part of the leased premises which the lessor offers for the sale to the lease for which the lessor issues an Option Existence Notice. As of to date, no Option Existence Notice was issued for the parcel of land where the plant is located. The Group was also required to deliver and submit to the lessor a performance security amounting to ₱34.83 million in the form of Stand by Letter of Credits (SBLC). The performance security shall be maintained by the Group in full force and effect continuously without any interruption until the Performance Security expiration date. The Performance Security initially must be effective for the period of one year from the date of issue, to be replaced prior to expiration every year thereafter and shall at all times remain valid.

In the event that the lessor issues an Option Existence Notice and the Company buy the option assets in consideration for the grant of the option, the land purchase price should be equivalent to the highest of the following and / or amounts: (i) assessment of the Provincial Assessors of Batangas Province; (ii) the assessment of the Municipal or City Assessor having jurisdiction over the particular portion of the leased premises; (iii) the zonal valuation of Bureau of Internal Revenue or, (iv) 21.00 per square meter (dollar). Valuation basis for 1 to 3 shall be based on the receipt of PSALM of the option to exercise notice. The exchange rate to be used should be the Philippine Dealing Exchange rate at the date of receipt of PSALM of the option to exercise notice.

Commitment on Electricity Sales Contracts

The APA included a number of electricity sales contracts to electric cooperative located in close proximity to the plant. These sales agreements are full-requirement supply in nature. There pricing is tied to the NPC cost of electricity tariff which is allowed to be modified for the changes in foreign exchange and fuel cost. This tariff rate commonly referred to us as NPC time of use (TOU) rate. Also included in PSCs is Manila Electric Company (Meralco), largest distribution utility in Manila. This agreement also tied to NPC TOU rate but the monthly volumes are prescribed. In addition, the Group also acquired a bilateral contract with industrial customer. This agreement is tied to a basic rate which is then adjusted for changes in fuel cost, foreign exchange and inflation. In total, the capacity of these sales agreements covers a total of approximately 365MW of non-coincidental peak summer demand.

Capital Commitments

As of December 31, 2010, the Group has capital commitments on acquisition of mining equipment amounted to ₱1.91 million in relation to its income tax holiday registration with BOI.

37. Note to Consolidated Statements of Cash Flows

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

	2009	2008
	(Amounts in Thousands)	
Acquisition of business (Note 32)	₱9,571,203	₱60,678
Acquisition of conventional and other mining equipment on account (Notes 12 and 13)	474,364	-
Assignment of APA and LLA (Note 32)	54,343	-



38. Other Matters

a. **Electric Power Industry Reform Act (EPIRA)**

In June 2001, Congress approved and passed into law the EPIRA, providing the mandate and the framework to introduce competition in the electricity market. EPIRA also provides for the privatization of the assets of NPC, including its generation and transmission assets, as well as its contract with Independent Power Producers (IPPs). EPIRA provides that competition in the retail supply of electricity and open access to the transmission and distribution systems would occur within three years from EPIRA's effective date June 2001. Prior to June 2002, concerned government agencies were to establish a wholesale electricity spot market, ensure the unbundling of transmission and distribution wheeling rates and remove existing cross subsidies provided by industrial and commercial users to residential customers. The Wholesale Electricity Spot Market (WESM) was officially launched on June 23, 2006 and began commercial operations for Luzon. The Energy Regulatory Commission (ERC) has already implemented a cross subsidy removal scheme. The inter-regional grid cross subsidy was fully phased-out in June 2002. ERC has already approved unbundled rates for TRANSCO and majority of the distribution utilities.

Under EPIRA, NPC's generation assets are to be sold through transparent, competitive public bidding, while all transmission assets are to be transferred to the Transmission Company, initially a government-owned entity that is eventually be privatized. The privatization of these NPC assets has been delayed and is considerably behind the schedule set by the Department of Energy (DOE). EPIRA also created PSALM, which is to accept transfers of all assets and assume all outstanding obligations of NPC, including its obligations to IPPs. One of PSALM's responsibilities is to manage these contracts with IPPs after NPC's privatization. PSALM also is responsible for the privatizing at least 70% of the transferred generating assets and IPP contracts no later than three years from the effective date of the law.

The Group believes that it has complied with all the requirements of EPIRA.

In August 2005, the ERC issued a resolution reiterating the statutory mandate under the EPIRA law for the generation and distribution companies, which are not publicly listed, to make an initial public offering (IPO) of at least 15% of their common shares by June 26, 2006. For Companies which operated after the implementation of EPIRA, the IPO shall be implemented not later than five years from the issuance of the Certificate of Compliance (COC) by the ERC. The Company received its COC on October 14, 2005. On May 10, 2006, ERC issued Resolution 21, suspending, under further notice, the implementation of the 15% issuance of common shares. The suspension continues to remain in effect as of December 31, 2009.

b. **Clean Air Act**

On November 25, 2000, the IRR of the Philippine Clean Air Act (PCAA) took effect. The IRR contains provisions that have an impact on the industry as a whole and on SCPC in particular, that need to be complied with within 44 months (or July 2004) from the effectivity date, subject to approval by the DENR. The power plant of SCPC uses thermal coal and uses a facility to test and monitor gas emissions to conform with Ambient and Source Emissions Standards and other provisions of the Clean Air Act and its Implementing Rules and



Regulations. Based on SCPC's initial assessment of its power plant's existing facilities, SCPC believes that it is in full compliance with the applicable provisions of the IRR of the PCAA as of December 31, 2009. SCPC is currently complying with the provisions of the Clean Air Act and its IRR.

c. Contract for the Fly Ash of the Power Plant

On October 20, 1987, NPC and Pozzolanic Australia Pty, Ltd. ("Pozzolanic") executed the Contract for the Purchase of Fly Ash of the Power Plant (the "Pozzolanic Contract"). Under the Pozzolanic Contract, Pozzolanic was given the right to sell, store, process, remove or otherwise dispose of the all fly ash produced at the first unit of the Power Plant. It was also granted the first option to purchase fly ash, under similar terms and conditions, from the second unit of the Power Plant that NPC may construct. It may also exercise the exclusive right of first refusal to purchase fly ash from any new coal-fired power plants which will be put up by NPC.

The Pozzolanic Contract is effective for a period of five consecutive five-year terms from its signing, or a period of 25 years from October 20, 1987 or until 2012, subject to cancellation by NPC upon default or any breach of contract by Pozzolanic. At the end of each five-year term, the parties agree to assess and evaluate the Pozzolanic Contract, and if necessary, revise alter, modify the same upon their mutual consent.

The Government has determined as invalid that provision of the Pozzolanic Contract which grants Pozzolanic the exclusive right of first refusal to purchase fly ash from the second unit of the Power Plant and from any coal-fired power plant put up by NPC after the execution of the Pozzolanic Contract. This is the subject of a case filed by Pozzolanic and pending before the regional trial court of Quezon City.

39. Subsequent Event

Subsequent to the reporting date, on various dates, Semirara paid PSALM the 60% deferred balance of the Purchased Assets's Purchase Price, net of the unawarded purchase orders and the financial settlement, to wit (in millions, except for exchange rate):

	January 29, 2010	February 26, 2010	March 5, 2010
Principal	₱4,507.94	₱2,345.89	₱2,386.65
Interest	162.06	39.11	5.10
Total Payments in Pesos	₱4,670.00	₱2,385.00	₱2,391.75
Exchange Rate	₱46.70	₱46.15	₱46.00
Total Payments in US\$	US\$100.00	US\$51.68	US\$51.99

As of March 5, 2010, Semirara has fully paid PSALM the Purchase Price of the Purchased Assets.

The funds used by the Semirara to extinguish its Loans Payable to PSALM in relation to the Purchase Price of the Purchased Assets came from its short-term loans with various banks and advances from the Parent Company (see Note 18).



40. Approval of Consolidated Financial Statements

The consolidated financial statements of DMCI Holdings, Inc. and Subsidiaries as of December 31, 2009 and 2008 and for each of the three years in the period ended December 31, 2009 were endorsed for approval by the Audit Committee on April 19, 2010 and authorized for issue by the BOD on April 19, 2010.

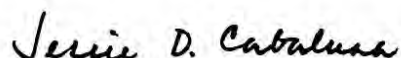


INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY SCHEDULES

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of DMCI Holdings, Inc. and subsidiaries included in this Form 17-A and have issued our report thereon dated April 19, 2010. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule No. 68.1 and SEC Memorandum Circular No. 11, Series of 2008 and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state in all material respect the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Jessie D. Cabaluna
Partner
CPA Certificate No. 36317
SEC Accreditation No. 0069-AR-2
Tax Identification No. 102-082-365
PTR No. 2087369, January 4, 2010, Makati City

April 19, 2010



DMCI HOLDINGS, INC.

**SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 2009**

Unappropriated Retained Earnings, as adjusted to available for dividend distribution, beginning		₱2,836,543,264
Add: Net income actually earned/realized during the year		
Net income during the year closed to Retained Earnings	653,557,491	
Add: Non-actual losses		
Amortization of discount on payable to landowners	<u>2,399,968</u>	
Net income actually earned during the period		655,957,459
Add (less):		
Dividend declarations during the period		<u>(531,098,800)</u>
Unappropriated Retained Earnings, available for dividend distribution, ending		₱2,961,401,923



DMCI HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
For the period ended March 31, 2010 and December 31, 2009
(Amounts in Thousands of Philippine Pesos,
Except Par Value and Number of Shares)

	2010	AUDITED 2009
ASSETS		
Current Assets		
Cash and cash equivalents	4,035,203	3,262,290
Available-for-sale financial assets - net	143,078	214,174
Receivables - net	8,581,600	5,403,883
Costs and estimated earnings in excess of billings on uncompleted contracts	426,020	605,754
Inventories - net	10,867,968	10,660,129
Other current assets	1,113,333	3,350,338
Total Current Assets	25,167,203	23,496,568
Noncurrent Assets		
Noncurrent receivables - net	2,142,041	2,195,731
Investments in associates, jointly controlled entities and others - net	8,123,900	6,785,788
Investment properties - net	3,076,827	2,578,233
Property, Plant and Equipment - net	22,505,500	21,969,886
Deferred tax assets	0	38,529
Other noncurrent assets - net	2,017,791	573,560
Total Noncurrent Assets	37,866,060	34,141,727
	63,033,263	57,638,295
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Bank Loans	350,753	1,207,116
Current portion of liabilities for purchased land	0	154,597
Accounts and other payables	11,886,439	8,141,460
Current portion of long-term debt	8,014,089	3,839,948
Billings in Excess of Costs on Uncompleted Contracts	511,803	357,990
Customers' advances and deposits	4,238,902	4,095,906
Income tax payable	241,524	138,495
Payable to related parties	1,232,561	694,749
Total Current Liabilities	26,476,071	18,630,261
Noncurrent Liabilities		
Long-Term Debt - net of current portion	9,085,919	14,284,335
Liabilities for purchased land - net of current portion	0	683,506
Deferred tax liabilities - net	86,830	518,786
Pension liabilities	122,822	107,857
Other Noncurrent Liabilities	797,207	19,711
Total Noncurrent Liabilities	10,092,778	15,614,195
Total Liabilities	36,568,849	34,244,456
Equity		
Equity attributable to equity holders of the DMCI Holdings, Inc.:		
Paid-up capital	7,421,414	7,421,415
Deposit for future subscription	0	0
Retained earnings	14,541,821	13,135,743
Premium on minority acquisition		(161,033)
Other comprehensive income	(0)	72,093
Total Equity	21,963,235	20,468,218
Minority Interests	4,501,179	2,925,621
Total Equity	26,464,414	23,393,839
	63,033,263	57,638,295

DMCI HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

For the period ended March 31, 2010 and 2009 and for the quarter ended
March 31, 2010 and 2009

(Amounts in Thousands of Philippine Pesos)

	For the period		For the quarter	
	2010	2009	2010	2009
REVENUE				
Mining	3,812,919	3,231,442	3,812,919	3,231,442
Construction contracts	3,478,526	1,550,522	3,478,526	1,550,522
Real estate sales	751,976	1,088,935	751,976	1,088,935
Electricity sales	2,491,077	-	2,491,077	-
Merchandise sales and others	32,620	87,531	32,620	87,531
	10,567,118	5,958,430	10,567,118	5,958,430
COST OF SALES AND SERVICES				
Mining	2,603,316	2,586,824	2,603,316	2,586,824
Construction contracts	2,702,509	1,216,037	2,702,509	1,216,037
Real estate sales	406,466	730,594	406,466	730,594
Electricity sales	1,834,379	-	1,834,379	-
Merchandise sales and others	17,662	76,015	17,662	76,015
	7,564,332	4,609,470	7,564,332	4,609,470
GROSS PROFIT	3,002,786	1,348,960	3,002,786	1,348,960
OPERATING EXPENSES	(1,540,197)	(671,302)	(1,540,197)	(671,302)
	1,462,589	677,658	1,462,589	677,658
OTHER INCOME (LOSSES)				
Equity in net earnings of associates, jointly controlled entities and others	391,374	337,064	391,374	337,064
Finance income	193,611	95,860	193,611	95,860
Finance costs	(215,549)	(105,107)	(215,549)	(105,107)
Other income (charges) - net	15,962	64,831	15,962	64,831
INCOME BEFORE INCOME TAX	1,847,987	1,070,306	1,847,987	1,070,306
PROVISION FOR INCOME TAX	190,379	163,099	190,379	163,099
NET INCOME (LOSS) (NOTE 4)	1,657,608	907,207	1,657,608	907,207
NET INCOME ATTRIBUTABLE TO				
Equity holders of DMCI Holdings, Inc.	1,406,077	774,999	1,406,077	774,999
Minority interests	251,531	132,208	251,531	132,208
	1,657,608	907,207	1,657,608	907,207
Basic/Diluted Earnings Per Share	0.53	0.29	0.53	0.29

DMCI HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIOD ENDED MARCH 2010 AND 2009

	MARCH 2010	MARCH 2009
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)	(2,395,620)
	4,380	4,380
Common stock - P1 par value		
Authorized - 5,900,000,000 shares		
Issued - 2,255,494,000 shares	2,655,494,000	2,655,494,000
Additional subscription - 400,000,000 shares	-	-
	2,655,494,000	2,655,494,000
	2,655,498,380	2,655,498,380
ADDITIONAL PAID-IN CAPITAL		
Balance at the beginning	4,765,916,071	4,765,916,071
Retirement of Preferred Shares	-	-
Additional Paid-in Capital of new subscribed shares	-	-
	4,765,916,071	4,765,916,071
DEPOSITS FOR FUTURE SUBSCRIPTION		-
RETAINED EARNINGS (DEFICIT)		
Balance at beginning of the period	13,135,744,178	8,995,322,935
Net income(loss) for the period	1,406,076,639	774,998,589
Dividends paid	-	-
Balance at end of the period	14,541,820,817	9,770,321,524
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	21,963,235,268	17,191,735,975

DMCI HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
For the period ended March 31, 2010 and 2009
(Amounts in Thousands of Philippine Pesos)

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (Loss)/ Income	1,657,608	907,207
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)	(414,123)	(97,491)
Income (Loss) applicable to Minority Interest	251,531	132,208
Changes in assets and liabilities:		
Decrease / (Increase) in :		
Receivables- net	(3,124,027)	540,396
Inventories - net	(207,839)	1,519,285
Prepaid expenses and other current assets	2,237,005	617,712
Increase/ (Decrease) in :		
Accounts payable and accrued expenses	4,271,190	2,393,871
Current portion of long-term debt	4,174,141	(502,669)
Non current liabilities	(5,521,417)	478,025
Billings in excess of cost of uncompleted contracts	333,547	172,885
Income tax payable	103,029	91,541
Net cash provided by operating activities	3,760,645	6,252,970
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) in:		
Available for sale investments	71,096	59,855
Investments - net	(1,836,706)	(2,272,202)
Property, plant and equipment - net	(535,614)	(1,187,177)
Deferred charges and other assets - net	(1,405,702)	(1,185,900)
Net cash provided by investing activities	(3,706,926)	(4,585,424)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net availments (payments) of:		
Notes payable	(856,363)	(394,003)
Additional subscription of common shares		
Capital Stock at P1.00 par value	0	0
Additional paid-in capital	(1)	0
Deposit for future subscription	0	0
Acquisition of preferred shares to treasury	0	0
Redemption of preferred shares		
Capital Stock at P1.00 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	1,575,558	(548,429)
Net cash provided by financing activities	719,194	(942,432)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	772,913	725,114
CASH AND CASH EQUIVALENTS, BEGINNING	3,262,290	3,068,623
CASH AND CASH EQUIVALENTS, ENDING	4,035,203	3,793,737

DMCI HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

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

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

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 thousand (₱000) unless otherwise indicated.

Statement of Compliance

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

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Group as of December 31, 2009 and 2008 and for each of the three years in the period ended December 31, 2009. Under PFRS, it is acceptable to use, for consolidation purposes, the financial statements of subsidiaries for fiscal periods differing from that of the Parent Company if the difference is not more than three months.

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

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

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 consolidated statement of income and consolidated statement of changes in equity and within equity in the consolidated statement of financial position, separately from equity holders' of the Parent Company. Losses are attributed to the non-controlling interest even if that results in a deficit balance.

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

	Effective Percentages of Ownership	
	2009	2008
<u>General Construction:</u>		
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	98.39
Atlantic, Gulf and Pacific Company (Marine), Inc. (AG&P Marine, Inc.) ⁴	98.39	98.39
Pascal-Ville Corporation (PVC) ⁴	98.39	98.39
Integrain Agricultural Development Corporation (IADC) ⁴	98.39	98.39
AG&P Nouvelle Calédonie ⁴	98.39	98.39
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
<u>Mining:</u>		
Semirara Mining Corporation (Semirara)	58.88	56.46
DMCI Mining Corporation (DMC)	79.44	78.23
<u>Real Estate Development:</u>		
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
DMCI-PDI Hotels, Inc. (PDI Hotels) ³	100.00	–
DMCI Homes Property Management Corporation (DHPMC) ³	100.00	100.00
<u>Manufacturing:</u>		
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
<u>Marketing Arm:</u>		
DMCI Homes, Inc. (DMCI Homes) ³	100.00	100.00
<u>Power:</u>		
DMCI Power Corporation (DPC) (formerly DMCI Energy Resources Unlimited Inc.) *	79.44	78.23
DMCI Masbate Power Corporation (DMCI Masbate)	89.93	89.33
DMCI Concepcion Power Corporation (DMCI Concepcion)	79.44	78.23
DMCI Calaca Power Corporation	100.00	–
Sem-Calaca Power Corporation ⁵	58.88	–

* 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

⁴ AG&P's subsidiaries

⁵ Semirara's subsidiary

DMCI-PDI Hotels, Inc. (PDI Hotels)

On September 2, 2009, PDI Hotels was incorporated to engage in hotel business, including but not limited to the ownership of, establishment, maintenance and operation of hotels, condotels, apartelles, and similar establishments, as well as to engage in the development of,

design, and implementation of hotel management systems or manual of operations. PDI Hotels started commercial operations on November 1, 2009.

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)

On February 28, 2008, the BOD of DPC 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.

In 2007, the Parent Company holds the entire ₱20 million outstanding capital stocks of DPC. In relation to the increase in the capital stocks of DPC, the BOD of the Parent Company, in its meeting on February 28, 2008, approved the subscription to an additional 105 million shares at par value of ₱1.00 per share in DPC. Semirara subscribed to the increase in the authorized capital stocks of DPC and infused a total of ₱125.00 million which resulted in a 50:50 equity sharing of the Parent Company with Semirara.

On March 12, 2009, the Semirara made an additional subscription to the unissued capital stock of DPC equivalent to 25 million shares at ₱1.00 per share or a total subscription price of ₱25.00 million payable in cash. Advances for future subscriptions amounting to ₱60.55 million were also made.

DMCI Mining Corporation (DMC)

On February 28, 2008, the BOD of DMC 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 stocks of DMC. In relation to the increase in the capital stocks of DMC, the BOD of the Parent Company, in its meeting on February 28, 2008, approved the subscription to an additional 80 million shares at par value of ₱1.00 per share in DMC. Semirara subscribed to the increase in the authorized capital stocks of DMC and infused a total of ₱100.00 million in DMC which resulted in a 50:50 equity sharing of the Parent Company with Semirara.

At the end of second quarter of 2009, DMC implemented a complete suspension of operations of its nickel and ore mining activities in Sta. Cruz, Zambales.

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

Sem-Calaca Power Corporation (SCPC)

SCPC, a wholly-owned subsidiary of Semirara, was incorporated on November 19, 2009, primarily to acquire, expand and maintain power generating plants, develop fuel for generation of electricity, and sell electricity to any person or entity through electricity markets, among others.

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 following new and amended PFRS and Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC) which were adopted as of January 1, 2009.

New Standards and Interpretations

- Philippine Accounting Standard (PAS) 1 (Revised), *Presentation of Financial Statements* (effective January 1, 2009)
- PAS 23 (Revised), *Borrowing Costs* (effective January 1, 2009)
- PFRS 8, *Operating Segments* (effective January 1, 2009)
- Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes* (effective July 1, 2008)
- Philippine Interpretation IFRIC 16, *Hedges of a Net Investment in a Foreign Operation* (effective October 1, 2008)
- Philippine Interpretation IFRIC 18, *Transfers of Assets from Customers* (effective July 1, 2009)

Amendments to Standards

- PAS 32 and PAS 1 Amendments, *Puttable Financial Instruments and Obligations Arising on Liquidation* (effective January 1, 2009)
- PFRS 1 and PAS 27 Amendments, *Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* (effective January 1, 2009)
- PFRS 2, Amendment, *Vesting Conditions and Cancellations* (effective January 1, 2009)
- PFRS 7 Amendment, *Improving Disclosures about Financial Instruments* (effective January 1, 2009)
- Philippine Interpretation IFRIC 9 and PAS 39 Amendments, *Embedded Derivatives* (effective June 30, 2009)

Improvements to PFRSs 2008

- PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*
- PAS 1, *Presentation of Financial Statements*
- PAS 16, *Property, Plant and Equipment*
- PAS 18, *Revenue*
- PAS 19, *Employee Benefits*
- PAS 23, *Borrowing Costs*
- PAS 28, *Investment in Associates*
- PAS 31, *Interest in Joint ventures*
- PAS 36, *Impairment of Assets*
- PAS 38, *Intangible Assets*
- PAS 39, *Financial Instruments: Recognition and Measurement*
- PAS 40, *Investment Properties*

Standards or interpretations that have been adopted and that are deemed to have an impact on the consolidated financial statements or performance of the Group are described below:

- **PAS 1 (Revised), *Presentation of Financial Statements***
The revised standard introduces a new statement of comprehensive income that combines all items of income and expenses recognized in the profit or loss together with “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

standard also requires additional requirements in the presentation of statements of financial information and owners’ equity as well as additional disclosures to be included in the financial statements. The Group has elected to present two linked statements, a consolidated statement of income and a consolidated statement of comprehensive income. The consolidated financial statements have been prepared following the revised disclosure requirements.

- **PAS 23 (Revised), *Borrowing Costs***
The revised PAS 23 requires capitalization of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. The Group’s previous policy was to expense borrowing costs as they were incurred. In accordance with the transitional provisions of the amended PAS 23, the Group has adopted the standard on a prospective basis. Therefore, borrowing costs will be capitalized on qualifying assets with a prevailing commencement date on or after January 1, 2009. During the 12-month period to December 31, 2009, ₱45.03 million of borrowing costs have been capitalized on qualifying assets included in “Real Estate Held for Sale and Development” account in the consolidated statement of financial position.
- **PFRS 8, *Operating Segments***
PFRS 8 replaced PAS 14, *Segment Reporting*, upon its effective date. The Group concluded that the operating segments determined in accordance with PFRS 8 are the same as the business segments previously identified under PAS 14. PFRS 8 disclosures are shown in Note 33, including the related revised comparative information.
- **Amendment to PFRS 7, *Financial Instruments: Disclosure***
The amendments to PFRS 7, *Financial Instruments: Disclosures*, require additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class, for all financial instruments recognized at fair value. In addition, a reconciliation between the beginning and ending balance for level 3 fair value measurements is now required, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and financial assets used for liquidity management. The fair value measurement disclosures are presented in Note 34. The liquidity risk disclosures are not significantly impacted by the amendments and are presented in Note 34.

- PFRS 1 and PAS 27 Amendments - *Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*

The amendments to PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards*, allowed an entity to determine the ‘cost’ of investments in subsidiaries, jointly controlled entities or associates in its opening PFRS financial statements in accordance with PAS 27, *Consolidated and Separate Financial Statements*, or using a deemed cost method. The amendment to PAS 27 required all dividends from a subsidiary, jointly controlled entity or associate to be recognized in the income statement in the separate financial statement. The revision to PAS 27 was applied prospectively. The new requirement affects only the Parent Company’s separate financial statement and does not have an impact on the consolidated financial statements.
- PAS 18, *Revenue*

The amendment adds guidance (which accompanies the standard) to determine whether an entity is acting as a principal or as an agent. The features to consider are whether the entity:

 - Has primary responsibility for providing the goods or service
 - Has inventory risk
 - Has discretion in establishing prices
 - Bears the credit risk

The Group has assessed its revenue arrangements against these criteria and has concluded that it is acting as principal in all arrangements. The revenue recognition policy has been updated accordingly.

Future Changes in Accounting Policies

The Group has not applied the following PFRS and Philippine Interpretations which are not yet effective as of December 31, 2009:

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

The revised standards are effective for annual periods beginning on or after July 1, 2009. PFRS 3 (Revised) introduces significant changes in the accounting for business combinations occurring after this date. Changes affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs and future reported results. PAS 27 (Amended) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes by PFRS 3 (Revised) and PAS 27 (Amended) will affect future acquisitions or loss of control of subsidiaries and transactions with non-controlling interests. PFRS 3 (Revised) will be applied prospectively while PAS 27 (Amended) will be applied retrospectively with a few exceptions.
- Philippine Interpretation IFRIC 15, *Agreement for Construction of Real Estate*

This Interpretation, effective for annual periods beginning on or after January 1, 2012,

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

- *Philippine Interpretation IFRIC 17, Distributions of Non-Cash Assets to Owners*
This Interpretation is effective for annual periods beginning on or after July 1, 2009 with early application permitted. It provides guidance on how to account for non-cash distributions to owners. The Interpretation clarifies when to recognize a liability, how to measure it and the associated assets, and when to derecognize the asset and liability. The Group does not expect the Interpretation to have an impact on the consolidated financial statements as the Group has not made non-cash distributions to shareholders in the past.

Amendments to Standards

- *PAS 39 Amendment - Eligible Hedged Items*
The amendment to PAS 39, *Financial Instruments: Recognition and Measurement*, effective for annual periods beginning on or after July 1, 2009, 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. This also covers the designation of inflation as a hedged risk or portion in particular situations. The Group has concluded that the amendment will have no impact on the financial position or performance of the Group, as the Group has not entered into any such hedges.
- *PFRS 2 Amendments - Group Cash-settled Share-based Payment Transactions*
The amendments to PFRS 2, *Share-based Payments*, effective for annual periods beginning on or after January 1, 2010, clarify the scope and the accounting for group cash-settled share-based payment transactions. The Group has concluded that the amendment will have no impact on the financial position or performance of the Group as the Group has not entered into any such share-based payment transactions.

Improvements to PFRS 2009

The omnibus amendments to PFRSs issued in 2009 were issued primarily with a view to removing inconsistencies and clarifying wording. The amendments are effective for annual periods financial years January 1, 2010 except otherwise stated. The Group has not yet adopted the following amendments and anticipates that these changes will have no material effect on the financial statements.

- *PFRS 2, Share-based Payment*: clarifies that the contribution of a business on formation of a joint venture and combinations under common control are not within the scope of PFRS 2 even though they are out of scope of PFRS 3, *Business Combinations* (Revised). The amendment is effective for financial years on or after July 1, 2009.
- *PFRS 5, Non-current Assets Held for Sale and Discontinued Operations*: clarifies that the disclosures required in respect of non-current assets and disposal groups classified as held

for sale or discontinued operations are only those set out in PFRS 5. The disclosure requirements of other PFRSs only apply if specifically required for such non-current assets or discontinued operations.

- PFRS 8, *Operating Segment Information*: clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker.
- PAS 1, *Presentation of Financial Statements*: clarifies that the terms of a liability that could result, at anytime, in its settlement by the issuance of equity instruments at the option of the counterparty do not affect its classification.
- PAS 7, *Statement of Cash Flows*: explicitly states that only expenditure that results in a recognized asset can be classified as a cash flow from investing activities.
- PAS 17, *Leases*: removes the specific guidance on classifying land as a lease. Prior to the amendment, leases of land were classified as operating leases. The amendment now requires that leases of land are classified as either ‘finance’ or ‘operating’ in accordance with the general principles of PAS 17. The amendments will be applied retrospectively.
- PAS 36, *Impairment of Assets*: clarifies that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in PFRS 8 before aggregation for reporting purposes.
- PAS 38, *Intangible Assets*: clarifies that if an intangible asset acquired in a business combination is identifiable only with another intangible asset, the acquirer may recognize the group of intangible assets as a single asset provided the individual assets have similar useful lives. Also clarifies that the valuation techniques presented for determining the fair value of intangible assets acquired in a business combination that are not traded in active markets are only examples and are not restrictive on the methods that can be used.
- PAS 39, *Financial Instruments: Recognition and Measurement*: clarifies the following:
 - a) that a prepayment option is considered closely related to the host contract when the exercise price of a prepayment option reimburses the lender up to the approximate present value of lost interest for the remaining term of the host contract.
 - b) that the scope exemption for contracts between an acquirer and a vendor in a business combination to buy or sell an acquiree at a future date applies only to binding forward contracts, and not the derivative contracts where further actions by either party are still to be taken.
 - c) that gains or losses on cash flow hedges of a forecast transaction that subsequently results in the recognition of a financial instrument or on cash flow hedges of recognized financial instruments should be reclassified in the period that the hedged forecast cash flows affect profit or loss.
- Philippine Interpretation IFRIC 9, *Reassessment of Embedded Derivatives*: clarifies that it does not apply to possible reassessment at the date of acquisition, to embedded derivatives in contracts acquired in a business combination between entities or businesses under common control or the formation of joint venture.
- Philippine Interpretation IFRIC 16, *Hedge of a Net Investment in a Foreign Operation*: states that, in a hedge of a net investment in a foreign operation, qualifying hedging

instruments may be held by any entity or entities within the group, including the foreign operation itself, as long as the designation, documentation and effectiveness requirements of PAS 39 that relate to a net investment hedge are satisfied.

Cash and Cash Equivalents

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

Financial Instruments

Date of recognition

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

Initial recognition of financial instruments

All financial assets 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.

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

As of December 31, 2009 and 2008, the Group's financial instruments are classified as AFS financial assets, loans and receivables and other financial liabilities.

Determination of fair value

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

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

Day 1 difference

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

Loans and receivables

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

"Receivables", "Noncurrent receivables" and Security deposits included under "Other noncurrent assets".

After initial measurement, 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 "Finance income" in the consolidated statement of income.

AFS financial assets

AFS financial assets are those non-derivative financial assets that are designated as AFS financial assets or are not classified in any of the three preceding categories. After initial measurement, AFS financial assets are measured at fair value with unrealized gains or losses being recognized in the consolidated statement of comprehensive income and are reported as "net unrealized gain on AFS financial assets" in equity. When the investment is disposed of, the cumulative gain or loss previously recorded in equity is recognized in the consolidated statement of income. Interest earned or paid on the investments is reported as interest income or expense using the 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).

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

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

Loans and receivables

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

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial assets' original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is charged to the consolidated statement of income during the period in which it arises. Interest income continues to be recognized based on the original 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 consolidated statement of income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

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

Financial assets carried at cost

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

AFS financial assets

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 statement of 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. Future interest income is based on the reduced carrying amount and is accrued using the rate of interest used to discount future cash flows for the purpose of measuring impairment loss and is recorded as part of "Interest income" account 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 Instruments

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

Derecognition of Financial Assets and Liabilities

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

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

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or canceled or has expired.

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

Property acquired or being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, is held as Real estate held for sale and development. Real estate held for sale and development consists of residential units for sale and development, subdivision land for sale and development. Costs include those costs of acquisition, development, improvement and construction of the real estate projects. Borrowing costs are capitalized while the development and construction of the real estate projects are in progress, and to the extent that these are expected to be recovered in the future.

Investments in Associates, Jointly Controlled 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 statement of financial position at cost plus post-acquisition changes in the Group's share in the net assets of the investee companies, less any impairment in value. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortized. The Group's share in the investee's post acquisition profit or loss is recognized in the consolidated statement of income. Profit and losses resulting from transactions between the Group and the investee companies are eliminated to the extent of the interest in the investee companies.

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.

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

Investment in Jointly Controlled Assets

A jointly controlled asset involves joint control and ownership by the Group and other venturers of assets contributed to or acquired for the purpose of the joint venture, without the formation of a corporation, partnership or other entity. The Group accounts for its share of the jointly controlled assets, any liabilities it has incurred, its share of any liabilities jointly incurred with other ventures, income from the sale or use of its share of the joint venture's output, together with its share of the expenses incurred by the joint venture, and any expenses it incurs in relation to its interest in the joint venture.

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.

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

	Years
Buildings and building improvements	5-25
Condominium units	5

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.

Mine Exploration, Evaluation and Development Costs

Pre-license costs

Pre-license costs are expensed in the period in which they are incurred.

Exploration and evaluation costs

Once the legal right to explore has been acquired, exploration and evaluation expenditure is charged to the consolidated statement of income as incurred, unless the directors conclude that a future economic benefit is more likely than not to be realized. These costs include materials and fuel used, surveying costs, drilling costs and payments made to contractors.

In evaluating if expenditures meet the criteria to be capitalized, several different sources of information are utilized. The information that is used to determine the probability of future benefits depends on the extent of exploration and evaluation that has been performed.

Exploration and evaluation expenditure incurred on licenses where a Joint Ores Reserve Committee (JORC) compliant resource has not yet been established is expensed as incurred until sufficient evaluation has occurred in order to establish a JORC compliant resource. Costs incurred during this phase are included as part of production cost.

Upon the establishment of a JORC compliant resource (at which point, the Group considers it probable that economic benefits will be realised), the Group capitalises any further evaluation costs incurred for the particular licence to exploration and evaluation assets up to the point when a JORC compliant reserve is established.

Once JORC compliant reserves are established and development is sanctioned, exploration and evaluation assets are tested for impairment and transferred to 'Mines under construction'. No amortization is charged during the exploration and evaluation phase.

Mines under construction

Upon transfer of 'Exploration and evaluation costs' into 'Mines under construction', all subsequent expenditure on the construction, installation or completion of infrastructure facilities is capitalized within "Mines under construction". Development expenditure is net of proceeds from all but the incidental sale of ore extracted during the development phase. After production starts, all assets included in "Mines under construction" are transferred to "Mining 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 the 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.

Property, Plant and Equipment

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

The initial cost of property, plant and equipment comprises its purchase price, including import duties, taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Costs also include decommissioning and site rehabilitation cost. Expenditures incurred after the property, plant and equipment have been

put into operation, such as repairs and maintenance and overhaul costs, are normally charged to operations in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional cost of property, plant and equipment.

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

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

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

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

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

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

Provision for decommissioning and site rehabilitation costs

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

Intangible Assets

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

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

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

Input VAT

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

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

Impairment of Nonfinancial Assets

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

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

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

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

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

Equity

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

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

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.

Minority Interests

Minority interests represent the portion of profit or loss and the net assets not held by the Parent Company and are presented separately in the consolidated statement of income and within equity in the consolidated statement of financial position, separately from total equity attributable to owners of the Parent Company. Any losses applicable to a minority shareholder of a consolidated subsidiary in excess of the minority shareholder's equity in the subsidiary are charged against the minority interests to the extent that the minority shareholder has binding obligation to, and is able to, make good of the losses.

Revenue and Cost Recognition

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

Mining

Revenue from mining is recognized upon 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.

Electricity sales

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

Real estate sales

Real estate sales are generally accounted for under the full accrual method. Under this method, the gain on sale is recognized when: (a) the collectibility of the sales price is

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

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

Construction contracts

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

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

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

Merchandise sales

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

Dividend income

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

Rental income

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

Interest income

Revenue is recognized as interest accrues using the effective interest method 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.

Operating Expenses

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

Borrowing Costs

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

The interest capitalized is calculated using the Group's weighted average cost of borrowings after adjusting for borrowings associated with specific developments. Where borrowings are associated with specific developments, the amounts capitalized is the gross interest incurred on those borrowings less any investment income arising on their temporary investment. Interest is capitalized from the commencement of the development work until the date of practical

completion. The capitalization of finance costs is suspended if there are prolonged periods when development activity is interrupted. Interest is also capitalized on the purchased cost of a site property acquired specially for development but only where activities necessary to prepare the asset for development are in progress.

The Group capitalized borrowing costs for all eligible assets where construction commenced on or after January 1, 2009. The Group continues to expense borrowing costs relating to construction projects that commenced prior to January 1, 2009.

Foreign Currency Translations

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

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

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

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

Commission Expense

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

Pension Expense

The Group has a noncontributory defined benefit retirement plan.

The retirement cost of the Group is determined using the projected unit credit method. Under this method, the current service cost is the present value of retirement benefits payable in the future with respect to services rendered in the current period. The defined benefit asset or liability comprises the present value of the defined benefit obligation less past service costs not yet recognized, if any, less the fair value of the plan assets out of which the obligations are to be settled directly and less any actuarial gains or losses not recognized. The value of any asset is restricted to the sum of any past service costs not yet recognized, if any, and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

The defined benefit obligation is calculated annually by an independent actuary using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using prevailing interest rate on government bonds that have terms to maturity approximating the terms of the related retirement liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are credited to or charged against income when the net cumulative unrecognized actuarial gains and losses at the end of the previous period exceeded 10% of the higher of the present value of the defined benefit obligation and the fair value of plan assets at that date. These gains or losses are recognized over the expected average remaining working lives of the employees participating in the plan.

Past-service costs, if any, are recognized immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time

(the vesting period). In this case, the past-service costs are amortized on a straight-line basis over the vesting period.

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

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

Leases

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

Group as a lessee

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

Group as a lessor

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

Income Tax

Current tax

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

Deferred tax

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

Deferred tax liabilities are recognized for all taxable temporary differences, 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 reporting 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 reporting date and are recognized to the extent that it has become probable that future taxable profit will allow all or part of 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 substantially enacted at the reporting date.

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

Earnings per Share

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

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

Operating Segment

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products. Financial information on operating segments is presented in Note 33 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 reporting 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.

Events After the Reporting Period

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

Business Combinations

Business combinations are accounted for using the purchase method. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets (including previously unrecognized intangible assets) acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the date of acquisition, irrespective of the extent of any noncontrolling interest.

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

Acquisition of Minority Interests in a Subsidiary

Acquisition of minority interests is accounted for using the parent entity extension method, whereby the difference between the fair value of consideration given and the net book value

of the share in the net assets acquired is recognized as goodwill. When the consideration is less than the net assets acquired, the difference is recognized as a gain in the consolidated statement of income. In an acquisition without consideration involved, the difference between the share of the minority interests in the net assets at book value before and after the acquisition is recognized either as goodwill or a gain from acquisition of minority interests.

3. Preferred and Common Stock

The changes in the number of shares follow:

	March 31, 2010	December 31, 2009
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. Aside from the issued and outstanding 4,380 preferred shares, all the preferred shares were essentially redeemed, retired, cancelled and paid.

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 for acquisition of treasury shares.

Dividends declared

On May 21, 2009 and April 24, 2008 the Parent Company's BOD approved and declared cash dividend of ₱0.20 and ₱0.10 per share or ₱531 million and ₱265.55 million respectively

to stockholders of record as of June 5, 2009 and May 12, 2008, respectively. The cash dividend was paid on June 30, 2009 and on May 30, 2008 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, 2010 and 2009 (amounts in thousand):

	Revenues			
	For the period		For the Quarter	
	2010	2009	2010	2009
Construction	3,478,526	1,550,522	3,478,526	1,550,522
Mining	3,812,919	3,268,355	3,812,919	3,268,355
Water	-	-	-	-
Real Estate Development	751,976	1,088,935	751,976	1,088,935
Electricity	2,491,077	-	2,491,077	-
Parent Company and Others	32,620	50,618	32,620	50,618
TOTAL	10,567,118	5,958,430	10,567,118	5,958,430

	Net Income After Minority			
	For the period		For the Quarter	
	2010	2009	2010	2009
Construction	500,397	145,180	500,397	145,180
Mining	318,315	163,354	318,315	163,354
Water	390,761	337,064	390,761	337,064
Real Estate Development	165,550	133,735	165,550	133,735
Electricity	32,313	(3,060)	32,313	(3,060)
Parent Company and Others	(1,259)	(1,274)	(1,259)	(1,274)
TOTAL	1,406,077	774,999	1,406,077	774,999

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 3,182,591,462.08 and Php 2,042,658,158.51 as of March 31, 2010 and March 31, 2009 respectively, where Php 498,122,761.33 and Php 228,448,891.79 were booked for the period ended March 31, 2010 and March 31, 2009 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, 2010

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 pag-ibig 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.	709,593,166.65
DMCI Project Developers, Inc.	304,745,803.18
Semirara Mining Corporation	13,110,454.21
DMCI Power Corporation	158,941.04
Atlantic Gulf & Pacific Co., of Manila, Inc.	<u>191,047,677.00</u>
	<u>1,362,374,204.61</u>

Sub-total 1,362,374,204.61

OTHER RECEIVABLES -

D.M. Consunji, Inc.	173,556,177.03
Beta Electric Corporation	<u>28,533,051.55</u>
	<u>202,089,228.58</u>

DMCI Holdings, Inc.	53,050.67
DMCI Project Developers, Inc.	191,981,782.33
Semirara Mining Corporation	31,470,738.00
DMCI Mining Corporation	9,465,107.00
Atlantic Gulf & Pacific Co., of Manila, Inc.	<u>344,606,964.00</u>

Sub-total 779,666,870.58