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 30, 2008, 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, 2007
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 20, 2008 will be entitled to notice of, and to vote at said annual meeting or any adjournment or postponement thereof.

Validation of proxy shall be held on July 24, 2008, 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,

May 21, 2008.

For the Board of Directors:

ATTY. ZENAIDA L. SALIPSIP
Assistant Corporate Secretary

P R O X Y

DMCI HOLDINGS, INC.

PROXY SOLICITED ON BEHALF OF THE MANAGEMENT OF DMCI HOLDINGS, INC. FOR THE ANNUAL STOCKHOLDERS' MEETING TO BE HELD ON JULY 30, 2008, 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 18, 2008 at the following address:

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

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

(d) Validation of proxies will be held by the Stock Transfer Agent on July 24, 2008 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 25, 2007.***

[ ] 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 Directors***[1]

( ) 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:

[ ] VICTOR S. LIMLINGAN
[ ] 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

DMCI HOLDINGS, INC.

(Company's Full Name)

3RD FLR. DACON BLDG. 2281

PASONG TAMO EXT. MAKATI CITY

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

HERBERT M. CONSUNJI	888-3000
Contact Person	Company Telephone Number

(Last Wednesday of July)

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

N.A.

Secondary License Type, If Applicable

C F D	
Dept Requiring this Doc	Amended Articles Number / Section

Total Amount of Borrowings

Total No. of Stockholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

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 30, 2008, 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 1, 2008**

10. In case of Proxy Solicitations:

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

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

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

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

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

Yes (√) No ( )

PART I
INFORMATION REQUIRED IN INFORMATION STATEMENT

A. GENERAL INFORMATION

Item 1. Date, Time and Place of Meeting

The enclosed proxy is solicited for and on behalf of the Management of **DMCI HOLDINGS, INC.** (hereinafter called the "Corporation") for use in connection with the annual meeting of the stockholders to be held on July 30, 2008 (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 20, 2008 (the "Record Date") on or before July 1, 2008.

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

The complete mailing address of the Corporation is:

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

Item 2. Dissenter's Right of Appraisal

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

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

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

B. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting Securities and Principal Holders thereof

(a) As of the Record Date, which shall be the date to determine the stockholders entitled to notice and to vote at the annual stockholders meeting on July 30, 2008, the Corporation has the following outstanding shares:

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

(b) The Record Date shall be June 20, 2008. 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. 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 **April 30, 2008**, 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	1,020,359,.329	38.424464%
Common	Philippine Central Depository, Inc. (PCD) Ground Floor, Makati Stock	(See attached Schedule 3.) The beneficial owners of such shares are	Foreigner	712,917,749	26.846897%

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

	Exchange Building 6767, Ayala Avenue Makati City PCD is the registered owner of the shares in the books of the Corporation's transfer agent	Philippine Depository and Trust Corporation ("PDTC") participants, who hold the shares on their behalf or on behalf of their clients			
Common	Philippine Central Depository, Inc. (PCD) Ground Floor, Makati Stock Exchange Building 6767, Ayala Avenue Makati City PCD is the registered owner of the shares in the books of the Corporation's transfer agent	See attached Schedule 3. The beneficial owners of such shares are Philippine Depository and Trust Corporation ("PDTC") participants, who hold the shares on their behalf or on behalf of their clients	Filipino	586,659,026	22.092275

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

Title of Class	**Name and Address of Beneficial Owner and Relationship with Record Owner**	**Citizenship**	**Number of Shares Held**	**Percent of Class**
Common	PCIB Securities, Inc. ("PCIB") 20th Floor, PCIB Tower, Makati Ave., Makati City. PCIB is a PDTC participant who hold the shares on their behalf or on behalf of their clients[2]	Filipino	410,721,315	15.466851%
Common	Hongkong and Shanghai Bank ("HSBC") Discovery Suites, 25 ADB	Foreign	503,037,558	18.943276%

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

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

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

(e) Security Ownership of Management

The table sets forth as of **April 30, 2008**, 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	8,142,254	Filipino	0.335972%
Common	Cesar A. Buenaventura	200,000	Filipino	0.00886%
Common	Isidro A. Consunji	1,000	Filipino	0.000000%
Common	Ma. Edwina C. Laperal	5,412,400	Filipino	0.22333%
Common	Victor A. Consunji	66,092,050	Filipino	2.727139%
Common	Jorge A. Consunji	80,212,304	Filipino	3.309779%
Common	Herbert M. Consunji	1,600	Filipino	0.0000007%
Common	Oscar S. Reyes	100	Filipino	0.00000004%
Common	Evaristo T. Francisco	100	Filipino	0.00000004%
Common	Cristina C. Gotianun	104,600,712	Filipino	4.316112%
Common	Noel A. Laman	20,000	Filipino	0.0000088%
Aggregate Ownership		**264,682,520**		**10.921525%**

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, 2008 to date, there has been no change in control of the Corporation. Neither is Corporation aware of any arrangement which may result in a change in control of it.

---

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

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	86	Filipino
Cesar A. Buenaventura	Vice-Chairman of the Board	78	Filipino
Isidro A. Consunji	President/Chief Executive Officer	59	Filipino
Herbert M. Consunji	Vice President & Chief Finance Officer/Director/Compliance Officer	55	Filipino
Ma. Edwina C. Laperal	Treasurer	47	Filipino
Cristina C. Gotianun	Assistant Treasurer	53	Filipino
Jorge A. Consunji	Director	56	Filipino
Victor A. Consunji	Director	57	Filipino
Evaristo T. Francisco	Director (Independent)	80	Filipino
Victor S. Limlingan	Director (Independent)	64	Filipino
Noel A. Laman	Corporate Secretary	68	Filipino
Myra C. Reinoso	Vice President for Finance	51	Filipino

(b) Term of office.

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

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

David M. Consunji is the Founder and Chairman of the Board of Directors of D.M. Consunji, Inc. Mr. Consunji is also Chairman of the Board of Directors of Dacon Corporation, and Semirara Mining Corporation. Mr. Consunji served as the Secretary of the Department of Public Works, Transportation and Communications from August 1971 to 1975. Awards and recognition received by Mr. Consunji include (i) named Meralco Awardee in Engineering and Applied Sciences, 1994; (ii) recipient of the Civil Engineer Diamond Jubilee Award presented by the University of the Philippines Alumni Engineers in 1985; (iii) One of the Ten Outstanding Civil Engineers in 1982 by the Philippine Institute of Civil Engineers; (iv) recipient of Doctor of Laws, honoris causa, University of the Philippines in 1993; (v) named Outstanding Citizen of the City of Manila for Engineering in 1979; and (vi) named Management Association of the Philippines Awardee in 1996. Mr. David Consunji has served the corporation as Chairman of the Board for thirteen 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 Vice Chairman of DMCI Holdings, Inc.; and of Montecito Properties, Inc.; Chairman of Atlantic Gulf & Pacific Company of Manila (AG&P); and Regular Director of Pilipinas Shell Petroleum Corporation, Philippine American Life Insurance Company, AG&P Company of Manila, Inc., Montecito Properties, Inc., iPeople, Inc., D.M. Consunji, Inc., and Semirara Mining Corporation, Nextstage, Inc., PetroEnergy Resources Corp., Paysetter Holdings, Inc., and Paysetter International, Inc. He is the Founding Chairman of Pilipinas Shell Foundation, Inc.; President of the Benigno S. Aquino Foundation; Member of the Board of Trustees of Asian Institute of Management and Founding Member, Board of Trustees, Makati Business Club. Mr.

Buenaventura served as Chief Executive Officer of the Shell Group of Companies in 1975 until his retirement in 1990. He was appointed Member of the Monetary Board of the Central Bank of the Philippines (representing the Private Sector) and Member of the Board of Directors of the Philippine International Convention Center in 1981, a position he held up to 1987. He was a Member of the Board of Regents of the University of the Philippines from 1987 to 1994. He is a past Director of Philippine National Bank, Ayala Corporation, First Philippine Holdings Corporation, Philippine Airlines, Inc.; and a former Senior Adviser of Jardine Davies, Inc. He was chosen Management Man of the Year in 1985 by MAP and in January 1991, he was personally granted the award of Honorary Officer of the Order of the British Empire by her Majesty Queen Elizabeth II. Mr .Beunaventura has served the Company as Vice Chairman for thirteen years.

Isidro A. Consunji is a regular Director of the following: DMCI Holdings, Inc., DMCI Project Developers, Inc., Semirara Mining Corporation, Dacon Corporation, DMCI-MPIC Water Company, Inc. 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 Project Developers, Inc., and DMCI Holdings, Inc. Mr. Isidro Consunji has served the Corporation as a regular director for thirteen years.

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

Jorge A. Consunji is the President of D.M. Consunji, Inc. His other positions include: President of DMC Construction Equipment Resources, Inc., and Royal Star Aviation, Inc.; Chairman of the Board of Wire Rope Corp. of the Phils.; regular Director of DMCI Holdings, Inc. Dacon Corp., South Davao Development Co., Inc., Semirara Mining Corp., Contech Products South, Eco-Process & Equipment Phils. Inc., Bachy Soletanche Corp., DMCI-Laing Co.Inc., and Beta Electirc Corp. Mr. Jorge Consunji has served the Corporation as a regular director for thirteen years.

Victor A. Consunji is the Chairman of the Board of Directors and President of Sirawai Plywood and Lumber Corporation, Prominent Fruits, Inc., and Rubber Industries Corporation of the Philippines. His other positions include: Regular Director of Conbros Shipping Corporation; President of South Davao Development Company, Inc., Eagle Cattle Ranch, Inc., Sirawan Food Corporation, and Semirara Mining Corporation; Regular Director of D.M. Consunji, Inc., Ecoland Properties Development Corporation, and DMC Construction Equipment Resources, Inc., and Vice President of Dacon Corporation. Mr. Victor Consunji has served as a regular director for thirteen 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 seven years (since 2001).

Victor S. Limlingan. Mr. Limlingan is a regular Director of Sika Philippines, Landco Pacific Corporation, R. Jorge Group of Companies and a government corporation funded by the New Zealand government, Bukidnon Forest Incorporated. He is currently with the Center for Development Management where he is undertaking research on strategies for development and development finance. He also owns and manages Regina Capital Development Corporation, a member of the Philippine Stock

Exchange. In 2000, he became Chairman and majority owner of Cristina Travel Corporation. Dr. Limlingan has served the Company as Independent Director for two years (since 2006).

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

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

Noel A. Laman is the Chairman of the Executive Committee and the Senior Partner of Castillo Laman Tan Pantaleon & San Jose. His other positions include: Chairman of the Board of Directors of Trans-Orient Overseas Contractors, Inc., Manpower Resources of Asia, Inc., and Sealanes Marine Services (each being a part of the DCL group of Companies); Regular 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 as resource person of various foreign chambers of commerce. Atty. Laman has served the Corporation as Corporate Secretary for thirteen years.

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

(d) Independent Directors.

Messrs. Evaristo T. Francisco and Victor S. Limlingan are currently the Corporation's independent directors. Mr. Francisco has served the Corporation as independent director since 2001, while Mr. Limlingan has served as independent director since 2006.

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 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 Petrofields Corporation Regular Director
Isidro A. Consunji	Chairman of the Board Director, D. M. Consunji, Inc. Vice-Chairman, Semirara Mining Corporation Regular Director
Victor A. Consunji	Director, Semirara Mining Corporation Regular Director
Jorge A. Consunji	Director, Semirara Mining Corporation Director, D. M. Consunji, 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. Regular Director

(f) Family Relationship

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

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

(g) Since the last annual stockholders' meeting of the Corporation, no Director has resigned or declined to stand for reelection to the Board of Directors of the Corporation because of a disagreement with the Corporation on any matter relating to the Corporation's operations, policies or practices.

(h) Involvement in Legal Proceedings

Except for the following, none of the directors, executive officers and nominees for election is subject to any pending material legal proceedings as of June 20, 2008. For the past five years, none of the directors, executive officer, or control person of the registrant has been subject to (a) any bankruptcy petition; (b) conviction by final judgment; (c) subject to any order, judgment or decree; or (d) violation of securities or commodities law.

(1) Mr. Isidro A. Consunji

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

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

On June 6, 2005, the trial court granted the public prosecutor's motion to withdraw information. Private complainants' motion for reconsideration was denied on November 29, 2005. Subsequently, private complainants filed a notice of appeal, which was given due course by the trial court on January 19, 2006. Mr. Consunji moved to strike the notice of appeal for being improper. The motion to strike is pending resolution.

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

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

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

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

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

Gonzales v. Consunji, et al.
IS No. 03-6480

City Prosecution Office, Quezon City

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

(i) Significant employees

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

Significant Employees	Position held in Corporation	Citizenship	Age
Ma. Luisa C. Austria	Administrative / Accounting Officer	Filipino	56
Aldric G. Borlaza	Finance Officer	Filipino	30

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 twelve (12) 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 six (6) years.

(k) Certain Relationships and Related Transactions

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

Item 6. Compensation of Directors and Executive Officers

ANNUAL COMPENSATION

Name	**Principal Position**	**Salary**	**Bonus**	**Other annual compensation**
David M. Consunji	Chairman of the Board of Directors			
Cesar A. Buenaventura	Vice – Chairman of the Board of Directors			
Isidro A. Consunji	President/Chief Executive Officer			
Cristina C. Gotianun	Asst. Treasurer			
Edwina C.Laperal	Treasurer			
Herbert M. Consunji	Vice President & Chief Financial Officer			
	YEARS			
	2006	P 10,088,390.00		P 348,500.00
	2007	P 19,116,320.60		P 2,761,958.23
	2008*	P 19,116,320.60		P 2,761,958.23
	TOTAL:	P 48,321,031.20	P --	P 5,872,416.46
	YEARS			
All other directors and executive officers as a group unnamed	2006 2007 2008*	P 3,946,940.01 P 4,665,293.75 P 4,665,293.75		P 273,600.00 P 1,125,078.21 P 1,125,078.21
	TOTAL:	P 13,277,527.51	P --	P 2,523,756.42

**Approximate figures*

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

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

Item 7. Independent Public Accountant

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

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

(b) SyCip Gorres Velayo & Co. was the same principal accountant of the Corporation for the fiscal year most recently completed (December 31, 2007).

(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) 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.

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

C. ISSUANCE AND EXCHANGE OF SECURITIES

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

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

D. OTHER MATTERS

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

(1) Approval of the Minutes of the Annual Stockholders' Meeting held on July 25, 2007

The minutes of the annual stockholders' meeting held on July 25, 2007 will be submitted for approval of the stockholders at the annual meeting to be held on July 30, 2008. Below is a summary of the items and/or resolutions approved at the said annual stockholders' meeting:

(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 26, 2006.

(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 2006 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 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) Herbert M. Consunji
(7) Evaristo T. Franciso
(8) Victor S. Limlingan

(g) After balloting, the stockholders owning or representing at least a majority of the outstanding capital stock voted in favor of the issuance of new 400M voting common shares to Dacon Corporation in compliance of the requirements of the PSE Listing Rules. Further, at least a majority of the minority stockholders present/represented at the annual stockholders' meeting of July 25, 2007, waived the rights/public offering of the new 400M voting common shares to be issued to Dacon Corporation, conformably with the PSE Listing Rules.

(h) 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; (b) sale of motor vehicles; (c) transactions with telecommunications companies for the telecommunications needs of the Corporation; (d) opening and maintenance of investment accounts; (e) appointment of trustee and investment manager; (f) opening of bank accounts.

Item 10. Summary of Voting Matters/Voting Procedures

(a) Summary of Matters to be presented to Stockholders

(1) Approval/ratification of the minutes of the annual meeting of stockholders held on July 25, 2007. 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
VICTOR S. LIMLINGAN

Except for Ms. Edwina C. Laperal, all of the above nominees are currently directors of the Corporation.

The two (2) Independent Directors[4] of the Corporation within the purview of SRC Rule 38 are Messrs. Evaristo T. Francisco and Victor S. Limlingan.

[4] 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) Voting Procedures

(1) Approval/ratification of the minutes of the annual stockholders' meeting held on July 25, 2007.

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

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

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

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

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

(3) Appointment of Independent External Auditors

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

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

(4) Election of Directors

(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 30, 2008.

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 18, 2008 at the following address:

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

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

(d) Validation of proxies will be held by the Stock Transfer Agent on July 24, 2008 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) 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 25, 2007.

☐ 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, 2007.

☐ 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
VICTOR S. LIMLINGAN

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 30, 2008, other than election to office.

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

PART III
SIGNATURE

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

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

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

ALL REQUESTS MAY BE SENT TO THE FOLLOWING:

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

Attention: **The Corporate Secretary**

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Makati on May 21, 2008.

By:

DMCI Holdings, Inc.

ZENAIDA L. SALIPSIP
Assistant Corporate Secretary

SCHEDULE 1

FINAL LIST OF CANDIDATES FOR INDEPENDENT DIRECTORS

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

Victor S. Limlingan. Mr. Limlingan is currently a Director of Sika Philippines, Landco Pacific Corporation, R. Jorge Group of Companies and a government corporation funded by the New Zealand government, Bukidnon Forest Incorporated. He is currently with the Center for Development Management where he is undertaking research on strategies for development and development finance. He also owns and manages Regina Capital Development Corporation, a member of the Philippine Stock Exchange. In 2000, he became Chairman and majority owner of Cristina Travel Corporation.

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 April 30, 2008.

(1) PCD Nominee Corporation[5] 1,299,576,775 shares 48.94%
(2) DACON Corporation 1,020,359,329 shares 38.42%

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	.0000349
Fredesvinda A. Consunji	1	.0000349
Victor A. Consunji	11	.000384
Jorge A. Consunji	1	.0000349
Cristina C. Gotianun	1	.0000349
EastHeight Holdings, Inc.	343,330	12
Inglebrook Holdings, Inc.	343,330	12
Gulfshore, Inc.	343,330	12
Valemount Corporation	343,330	12
Chrismon Investments, Inc.	343,330	12
Jagjit Holdings, Inc.	343,330	12
Rice Creek Holdings, Inc.	343,330	12
La Lumiere Holdings, Inc.	343,330	12
Double Spring Corporation	114,427	3.99
Total	**2,861,082**	100

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

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

PHILIPPINE
CENTRAL
DEPOSITORY, INC.

EQ Beneficial Owner Report by Security

30-Apr-2008

Security: DMC DMCI Holdings, Inc.

Member	Member Name and Address	Balance
B101AC	**A & A SECURITIES, INC.** Rm. 1906 Ayala Ave. Condominium 6776 Ayala Ave., Makati City	662,057
B102AC	**ABACUS SECURITIES CORPORATION** Unit 2904-A East Tower, PSE Centre Exchange Road, Ortigas Center Pasig City	261,120
B102AP	**ABACUS SECURITIES CORPORATION** Unit 2904-A East Tower, PSE Centre Exchange Road, Ortigas Center Pasig City	632,792
B103AC	**ACCORD CAPITAL EQUITIES CORPORATION** G/F Unit EC-05B, East Tower-PSE Centre Exchange Road, Ortigas Center Pasig City	1,511,000
B103AC	**ACCORD CAPITAL EQUITIES CORPORATION - FREE** G/F Unit EC-05B, East Tower-PSE Centre Exchange Road, Ortigas Center Pasig City	100,000
B103FC	**ACCORD CAPITAL EQUITIES CORPORATION** G/F, Unit EC-05B, East Tower-PSE Centre Exchange Road, Ortigas Center Pasig City	70,000
B104AC	**A. T. DE CASTRO SECURITIES CORP.** Suite 701, 7/F Ayala Tower I, Exchange Plaza, Ayala Triangle, Ayala Ave., Makati City	126,757

PHILIPPINE CENTRAL DEPOSITORY, INC.

EQ Beneficial Owner Report by Security

30-Apr-2008

Security: DMC DMCI Holdings, Inc.

B105AC	**ALL ASIA SECURITIES MANAGEMENT CORP.** All Asia Capital Center 105 Paseo de Roxas St. Makati City	**700**
B106AC	**ALPHA SECURITIES CORP.** 23/F Orient Square Bldg. Emerald Ave., Pasig City	**179,600**
B109AC	**BA SECURITIES, INC. - FREE** Rm 401-403 CLMC Bldg, 259-267 EDSA Greenhills Mandaluyong City	**147,800**
B109FC	**BA SECURITIES, INC. - FREE** Rm 401-403 CLMC Bldg, 259-267 EDSA Greenhills Mandaluyong City	**9,000**
B110AC	**ANGPING & ASSOCIATES SECURITIES, INC.** Suites 2002/2004, The Peak, 107 Alfaro St., Salcedo Village, Makati City	**229,300**
B110FC	**ANGPING & ASSOCIATES SECURITIES, INC.** Suites 2002/2004, The Peak, 107 Alfaro St., Salcedo Village, Makati City	**50,000**
B111AC	**ANSALDO, GODINEZ & CO., INC.** 340 Nueva St., Binondo Manila	**1,354,000**
B111AP	**ANSALDO, GODINEZ & CO., INC.** 340 Nueva St., Binondo Manila	**400**

PHILIPPINE
CENTRAL
DEPOSITORY, INC.

EQ Beneficial Owner Report by Security

30-Apr-2008

Security: DMC DMCI Holdings, Inc.

B112AC	**AB CAPITAL SECURITIES, INC. - FREE** 8/F Phinma Plaza, #39 Plaza Drive Rockwelll Center Makati City	**2,020,900**
B112AC	**AB CAPITAL SECURITIES, INC.** 8/F Phinma Plaza, #39 Plaza Drive Rockwelll Center Makati City	**1,000**
B112AP	**AB CAPITAL SECURITIES, INC. - FREE** 8/F Phinma Plaza, #39 Plaza Drive Rockwill Center Makati City	**500**
B112FC	**AB CAPITAL SECURITIES, INC. - FREE** 8/F Phinma Plaza, #39 Plaza Drive Rockwell Center Makati City	**340,500**
B115AC	**SB EQUITIES, INC.** 18/F, Security Bank Centre 6776 Ayala Triangle, Ayala Ave., Makati City	**170,010**
B115FC	**SB EQUITIES,INC.** 18/F, Security Bank Centre 6776 Ayala Triangle, Ayala Ave., Makati City	**100,000**
B116AC	**ASIA PACIFIC CAPITAL EQUITIES & SECURITIES CORPORATION** 24/F Galleria Corporate Center EDSA corner Ortigas Avenue Quezon City	**137,000**
B118AC	**ASIASEC EQUITIES, INC.** 8/F Chatham House, 116 Valero St. cor. Herrera St. Salcedo Village, Makati City	**4,840,000**

PHILIPPINE
CENTRAL
DEPOSITORY, INC.

EQ Beneficial Owner Report by Security

30-Apr-2008

Security: DMC DMCI Holdings, Inc.

B118AP	**ASIASEC EQUITIES, INC.** 8/F Chatham House, 116 Valero St. cor Herrera St. Salcedo Village, Makati City	**1,200,000**
B118FC	**ASIASEC EQUITIES, INC.** 8/F Chatham House, 116 Valero St. cor Herrera St. Salcedo Village, Makati City	**900**
B120AC	**ATC SECURITIES, INC.** U2903, 29/F, Jollibee Plaza Emerald Avenue, Ortigas Center Pasig City	**14,000**
B122AC	**BELSON SECURITIES, INC.** 4th Floor Belson House 271 Edsa, Mandaluyong City	**595,000**
B122AP	**BELSON SECURITIES, INC.** 4th Floor Belson House 271 Edsa, Mandaluyong City	**400**
B122FC	**BELSON SECURITIES, INC.** 4th Floor Belson House 271 Edsa, Mandaluyong City	**35,000**
B123AC	**BENJAMIN CO CA & CO., INC.** Rm. 301 Downtown Ctr Bldg., 516 Quintin Paredes St., Binondo, Manila	**4,000**
B124AC	**B. H. CHUA SECURITIES CORPORATION** 872 G. Araneta Avenue, Quezon City	**6,000**

PHILIPPINE
CENTRAL
DEPOSITORY, INC.

EQ Beneficial Owner Report by Security

30-Apr-2008

Security: DMC DMCI Holdings, Inc.

B125AC	**JAKA SECURITIES CORPORATION** Unit 814, Ayala Tower I Ayala Ave., Makati City	**130,000**
B126AC	**BPI SECURITIES CORPORATION** 8/F BPI Head Office Bldg., Ayala Ave.,cor.Paseo de Roxas Makati City	**1,328,200**
B126FC	**BPI SECURITIES CORPORATION** 8/F BPI Head Office Bldg., Ayala Ave.,cor.Paseo de Roxas Makati City	**65,000**
B128AC	**CAMPOS, LANUZA & COMPANY, INC.** Unit 2003B East Tower, PSE Center Exchange Road, Ortigas Center Pasig City	**304,000**
B129AC	**SINCERE SECURITIES CORPORATION** 12/F, East Tower - PSE Centre Exchange Road, Ortigas Center Pasig City	**10,000**
B130AC	**CENTURY SECURITIES CORPORATION** 1105 Galleria Corporate Center Ortigas Ave., Quezon City	**8,000**
B131AC	**PCIB SECURITIES, INC. - PSI FAO PRULI063** 20/F PCIB Tower I, Dela Costa St., Makati City	**151,000**
B131AC	**PCIB SECURITIES, INC.** 20/F PCIB Tower I, Dela Costa St., Makati City	**410,721,315**

PHILIPPINE CENTRAL DEPOSITORY, INC.

EQ Beneficial Owner Report by Security

30-Apr-2008

Security: DMC DMCI Holdings, Inc.

B131FC	**PCIB SECURITIES, INC.** 20/F PCIB Tower 1, Dela Costa St., Makati City	**940,000**
B133AC	**CITISECURITIES, INC.** Rm. 2701-B PSE Centre, East Tower Exchange Rd, Pasig City	**1,081,200**
B133FC	**CITISECURITIES, INC.** Rm. 2701-B PSE Centre, East Tower Exchange Rd, Pasig City	**72,800**
B136AC	**TRITON SECURITIES CORP.** 26/F, LKG Tower 6801 Ayala Avenue, Makati City	**2,423,000**
B140AC	**IGC SECURITIES, INC.** Suite 1006 Tower One & Exchange Plaza Ayala Triangle, Ayala Ave. Makati City	**145,600**
B141AC	**CUALOPING SECURITIES CORPORATION** Suite 1801 Tytana Centre Condominium Plaza Lorenzo Ruiz, Binondo, Manila	**100,000**
B143AC	**DAVID GO SECURITIES CORP.** Rm. 309 Federation Center Bldg. Muelle de Binondo, Binondo, Manila	**44,000**
B145AC	**DIVERSIFIED SECURITIES, INC. - FREE** 5/F PDCP Bank Centre Herrera St. cor. Alfaro St. Salcedo Village, Makati City	**39,742**

PHILIPPINE
CENTRAL
DEPOSITORY, INC.

EQ Beneficial Owner Report by Security

30-Apr-2008

Security: DMC DMCI Holdings, Inc.

B145AC **DIVERSIFIED SECURITIES, INC.** **139,000**
5/F PDCP Bank Centre
Herrera St. cor. Alfaro St.
Salcedo Village, Makati City

B147AC **E. CHUA CHIACO SECURITIES, INC.** **281,000**
113 Rentas St. cor. 3751 Juan Luna
Binondo, Manila

B148AC **EQUITABLE SECURITIES (PHILS.) INC.** **5,200**
3/F Cacho-Gonzalez Bldg,
Aguirre cor. Trasierra St, Legaspi Village
Makati City

B149AC **EAST WEST CAPITAL CORPORATION** **200,000**
2/F U-Bix Building
1331 Angono St.,
Makati City

B150AC **EASTERN SECURITIES DEVELOPMENT CORPORATION** **85,000**
1701 Tytana Ctr. Bldg,
Binondo, Manila

B153AC **EQUITIWORLD SECURITIES, INC.** **267,600**
807-809 Philippine Stock Exchange
Ayala Tower 1, Ayala Avenue
Makati City

B154AC **EVERGREEN STOCK BROKERAGE & SEC., INC. - FREE** **177,000**
Rm. 606 Ayala Tower I
Ayala Triangle, Ayala Ave.
Makati City

B154AC **EVERGREEN STOCK BROKERAGE & SEC., INC.** **80,000**
Rm. 606 Ayala Tower I
Ayala Triangle, Ayala Ave.
Makati City

PHILIPPINE
CENTRAL
DEPOSITORY, INC.

EQ Beneficial Owner Report by Security

30-Apr-2008

Security: DMC DMCI Holdings, Inc.

B157AC	**FIRST ORIENT SECURITIES, INC.** Unit 1201 Ayala Triangle Tower One Ayala Avenue, Makati City	**15,400**
B159AC	**FIRST INTEGRATED CAPITAL SECURITIES, INC.** Units 1211-1212 Tower I & Exchange Plaza, Ayala Ave. Cor. Paseo de Roxas, Makati City	**162,500**
B161AC	**FRANCISCO ORTIGAS SECURITIES, INC.** Rm. 815 Ortigas Bldg. Ortigas Ave, Pasig City	**7,000**
B167AC	**AURORA SECURITIES, INC.** Unit 2405A, West Tower, PSE Centre Exchange Road, Ortigas Center Pasig City	**5,200**
B168AC	**GLOBALINKS SECURITIES & STOCKS, INC.** Rm 706 Ayala Tower One Ayala Avenue Cor. Paseo de Roxas St. Makati City	**4,094,058**
B168AP	**GLOBALINKS SECURITIES & STOCKS, INC.** Rm 706 Ayala Tower One Ayala Avenue Cor. Paseo de Roxas St. Makati City	**70**
B168FC	**GLOBALINKS SECURITIES & STOCKS, INC.** Rm 706 Ayala Tower One Ayala Avenue Cor. Paseo de Roxas St. Makati City	**113,000**
B168FC	**GLOBALINKS SECURITIES & STOCKS, INC. - FREE** Rm 706 Ayala Tower One Ayala Avenue Cor. Paseo de Roxas St. Makati City	**100,000**

PHILIPPINE
CENTRAL
DEPOSITORY, INC.

EQ Beneficial Owner Report by Security

30-Apr-2008

Security: DMC DMCI Holdings, Inc.

B169AC	**JSG SECURITIES, INC.** 4th Floor, A&T Building, 244 Escolta Street, Binondo, Manila	**22,000**
B170AC	**GOLDSTAR SECURITIES, INC.** 2201-B East Tower, PSE Centre Exchange Rd, Ortigas Center Pasig City	**31,000**
B170AC	**GOLDSTAR SECURITIES, INC. - FREE** 2201-B East Tower, PSE Centre Exchange Rd, Ortigas Center Pasig City	**84,000**
B172AC	**GUILD SECURITIES, INC. - FREE** Unit 1215 Tower One & Exchange Plaza Ayala Ave., Makati City	**53,000**
B174AC	**HDI SECURITIES, INC. - FREE** 11/F, Ayala Tower I, Ayala Ave. Makati City	**122,000**
B175AC	**H. E. BENNETT SECURITIES, INC.** Rm 207, Fil-Am Resources Bldg. 231 Juan Luna St., Binondo, Manila	**167,000**
B178AC	**HK SECURITIES, INC.** Suite 102 Columbia Tower, Ortigas Ave., Mandaluyong City	**1,000**
B179AC	**I. ACKERMAN & CO., INC.** Suite 705, Tower I Bldg. PSE Plaza, Ayala Triangle Ayala Ave., Makati City	**103,600**

PHILIPPINE
CENTRAL
DEPOSITORY, INC.

EQ Beneficial Owner Report by Security

30-Apr-2008

Security: DMC DMCI Holdings, Inc.

B180AC	**I. B. GIMENEZ SECURITIES, INC.** No. 42, 3/F, New Rosario Ortigas Arcade Rosario Ortigas Extn., Pasig City	**3,725,700**
B181AC	**INVESTORS SECURITIES, INC.** 6/F Tower One & Exchange Plaza Ayala Avenue cor. Paseo de Roxas Makati City	**388,000**
B182AC	**IMPERIAL, DE GUZMAN, ABALOS & CO.,INC.** Greenfield Bldg.I 750 Shaw Blvd. Mandaluyong City	**78,500**
B183AC	**INTRA-INVEST SECURITIES, INC.** 11/F ACT Tower, 135 Sen. Gil Puyat Ave., Salcedo Vill., Makati City	**12,000**
B187AC	**ASIAN CAPITAL EQUITIES, INC.** 25-B Rufino Tower Bldg. Ayala Avenue, Makati City	**13,000**
B190AC	**VALUE QUEST SECURITIES CORPORATION** Unit 1007-B West Tower, PSE Center Exchange Road, Ortigas Center Pasig City	**750,000**
B192AC	**STRATEGIC EQUITIES CORP. - FREE** Unit 610-611 PSE Plaza, Tower I, Ayala Triangle, Ayala Ave., Makati City	**336,000**
B193AC	**LARRGO SECURITIES CO., INC.** Rm. 202 2/F Rufino Building, Ayala Avenue, Makati City	**12,000**

PHILIPPINE
CENTRAL
DEPOSITORY, INC.

EQ Beneficial Owner Report by Security

30-Apr-2008

Security: DMC DMCI Holdings, Inc.

B197AC	**LOPEZ, LOCSIN, LEDESMA & CO., INC.** 405 Sen. Gil Puyat Ave. (near MRT), EDSA Makati City	**17,000**
B198AC	**LUCKY SECURITIES, INC.** 19/F West Tower - PSE Centre Exchange Road, Ortigas Center Pasig City	**230,000**
B199AC	**LUYS SECURITIES COMPANY, INC.** 28/F, LKG Tower 6801 Ayala Ave., Makati City	**100,000**
B200AC	**MANDARIN SECURITIES CORPORATION** 28/F LKG Tower 6801 Ayala Ave., Makati City	**167,000**
B202AC	**MARINO OLONDRIZ Y CIA** Rm 2305-A Tektite Tower I Exchange Road Ortigas Center Pasig City	**1,800**
B205AC	**MERCANTILE SECURITIES CORP.** 20/F, First e-Bank Tower 8737 Paseo de Roxas Makati City	**15,000**
B206AC	**MERIDIAN SECURITIES, INC.** Suite 2702B&C East Tower - PSE Centre Exchange Road, Ortigas Center Pasig City	**13,000**
B208AC	**MDR SECURITIES, INC.** 6/F, Unit 617 AIC-Burgundy Empire Tower ADB Ave. cor Garnet & Sapphire Roads Ortigas Center, Pasig City	**15,640,000**

PHILIPPINE
CENTRAL
DEPOSITORY, INC.

EQ Beneficial Owner Report by Security

30-Apr-2008

Security: DMC DMCI Holdings, Inc.

B209AC	**DEUTSCHE REGIS PARTNERS, INC. - AC RETAIL** 23/F Tower One & Exchange Plaza Ayala Triangle, Makati City	**1,000,000**
B209FC	**DEUTSCHE REGIS PARTNERS, INC. - AC CORPORATE(F)** 23/F Tower One & Exchange Plaza Ayala Triangle, Makati City	**1,305,000**
B209FP	**DEUTSCHE REGIS PARTNERS, INC. - FREE** 23/F Tower One & Exchange Plaza Ayala Triangle, Makati City	**6,900**
B211AC	**NEW WORLD SECURITIES CO., INC.** Rm. 202 Fil-Am Resources Bldg. 231 Juan Luna St. Binondo, Manila	**20,000**
B215AC	**OPTIMUM SECURITIES CORPORATION** No. 11 E. O. Bldg., United St. cor. 2nd St. Bo. Kapitolyo, Pasig City	**272,000**
B215AC	**OPTIMUM SECURITIES CORPORATION - HOUSE2** No. 11 E. O. Bldg., United St. cor. 2nd St. Bo. Kapitolyo, Pasig City	**25,000**
B217AC	**RCBC SECURITIES, INC. - FREE** 7/F Yuchengco Tower RCBC Plaza, 6819 Ayala Avenue Makati City	**7,000**
B217AC	**RCBC SECURITIES, INC.** 7/F Yuchengco Tower RCBC Plaza, 6819 Ayala Avenue Makati City	**128,000**

PHILIPPINE
CENTRAL
DEPOSITORY, INC.

EQ Beneficial Owner Report by Security

30-Apr-2008

Security: DMC DMCI Holdings, Inc.

B217FC	**RCBC SECURITIES, INC.** 7/F Yuchengco Tower, RCBC Plaza 6819 Ayala Avenue Makati City	**50,000**
B218AC	**PAN ASIA SECURITIES CORP.** Rm 910 Tower One & Exchange Plaza Ayala Avenue, Makati City	**40,000**
B219AC	**PAPA SECURITIES CORPORATION - FREE** 6/F S & L Building Dela Rosa cor. Esteban Sts. Legaspi Village, Makati City	**296,000**
B219AC	**PAPA SECURITIES CORPORATION** 6/F S & L Building Dela Rosa cor. Esteban Sts. Legaspi Village, Makati City	**430,650**
B220AC	**ATR-KIM ENG SECURITIES, INC. - FREE** 17/F Tower One & Exchange Plaza, Ayala Triangle, Ayala Avenue Makati City	**1,002,500**
B220AP	**ATR-KIM ENG SECURITIES, INC. - FREE** 17/F Tower One & Exchange Plaza, Ayala Triangle, Ayala Avenue Makati City	**242**
B220FC	**ATR-KIM ENG SECURITIES, INC. - FREE** 17/F Tower One & Exchange Plaza, Ayala Triangle, Ayala Avenue Makati City	**386,700**
B224AC	**PNB SECURITIES, INC.** 3/F PNB Financial Center Roxas Blvd., Pasay City	**165,596**

PHILIPPINE
CENTRAL
DEPOSITORY, INC.

EQ Beneficial Owner Report by Security

30-Apr-2008

Security: DMC DMCI Holdings, Inc.

B225AC	**PREMIUM SECURITIES, INC.** Unit 1415, Tower 1 & Exchange Plaza Ayala Avenue cor. Paseo de Roxas Makati City	**68,000**
B228AC	**PRYCE SECURITIES, INC.** 18/F, Pryce Center 1179 Chino Roces Ave. cor. Bagtikan St. Makati City	**157**
B229AC	**PUBLIC SECURITIES CORPORATION** Unit 1214 PSE Tower One & Exchange Plaza Ayala Ave. cor. Paseo de Roxas Makati City	**1,600**
B230AC	**QUALITY INVESTMENTS & SECURITIES CORPORATION** Suite 1602 Tytana Plaza Bldg. Plaza Lorenzo Ruiz Binondo, Manila	**238,000**
B231AC	**R & L INVESTMENTS, INC.** 675 Lee St., Mandaluyong City	**70,000**
B233AC	**R. COYIUTO SECURITIES, INC.** 5/F Corinthian Plaza, Paseo de Roxas Legaspi Village, Makati City	**239,000**
B235AC	**REGINA CAPITAL DEVELOPMENT CORPORATION** Unit 806 Tower 1 & Exchange Plaza Ayala Triangle, Ayala Avenue Makati City	**560,143**
B236AC	**R. NUBLA SECURITIES, INC.** Room 300, Fil-Am Resources Bldg., 231 Juan Luna St., Binondo, Manila	**2,310,000**

EQ Beneficial Owner Report by Security

PHILIPPINE
CENTRAL
DEPOSITORY, INC.

30-Apr-2008

Security: DMC DMCI Holdings, Inc.

B237AC	**AAA SOUTHEAST EQUITIES, INCORPORATED** Ground Floor, Fortune Life Building #162 Legaspi St., Legaspi Village Makati City	**55,000**
B238AC	**R. S. LIM & CO., INC.** 1509 Galvani Street San Isidro, Makati City	**19,100**
B239AC	**RTG & COMPANY, INC.** Unit 602 Tower 1 & Exchange Plaza Ayala Triangle, Makati City	**3,589,400**
B239AC	**RTG & COMPANY, INC. - FREE** Unit 602 Tower 1 & Exchange Plaza Ayala Triangle, Makati City	**6,000**
B239AP	**RTG & COMPANY, INC.** Unit 602 Tower 1 & Exchange Plaza Ayala Triangle, Makati City	**10,000**
B240AC	**S.J. ROXAS & CO.,INC. - PISI-215283** Unit 612 Tower One, Ayala Triangle, Ayala Avenue, Makati City	**20,000**
B240AC	**S.J. ROXAS & CO.,INC.** Unit 612 Tower One, Ayala Triangle, Ayala Avenue, Makati City	**42,000**
B240AC	**S.J. ROXAS & CO.,INC. - FREE** Unit 612 Tower One, Ayala Triangle, Ayala Avenue, Makati City	**1,000**

PHILIPPINE
CENTRAL
DEPOSITORY, INC.

EQ Beneficial Owner Report by Security

30-Apr-2008

Security: DMC DMCI Holdings, Inc.

B240AP	**S.J. ROXAS & CO., INC.** Unit 612 Tower One, Ayala Triangle, Ayala Avenue, Makati City	**1,000**
B242AC	**SECURITIES SPECIALISTS, INC.** Casa Blanca, 1447 M. Adriatico St, Ermita, Manila	**400**
B243AC	**FIDELITY SECURITIES, INC.** 2/F JTKC Centre 2155 Pasong Tamo, Makati City	**10,000**
B246AC	**SUMMIT SECURITIES, INC.** Unit 2102 B/C PSE Center Tektite Tower East Exchange Road, Ortigas Center Pasig City	**265,800**
B247AC	**STANDARD SECURITIES CORPORATION** Rm. 1202 Tower 1 Exchange Plaza,Ayala Ave., Makati City	**71,000**
B251AC	**TANSENGCO & CO., INC.** Rm. 2308 World Trade Exchange Bldg. 215 Juan Luna St., Binondo, Manila	**41,800**
B252AC	**THE FIRST RESOURCES MANAGEMENT & SECURITIES CORP.** Rms. 801-802, PSE Tower 1 Ayala Ave., cor. Paseo de Roxas,Ayala Triangle, Makati City	**122,000**
B253AC	**TOWER SECURITIES, INC.** 1802-C Tektite Tower I Exchange Road, Ortigas Centre Pasig City	**7,765,600**

PCD

PHILIPPINE
CENTRAL
DEPOSITORY, INC.

EQ Beneficial Owner Report by Security

30-Apr-2008

Security: DMC DMCI Holdings, Inc.

B257AC	**TRI-STATE SECURITIES, INC.** Unit 1007, 10/F Ayala Triangle Tower I, Ayala Avenue, Makati City	**45,000**
B259AC	**UCPB SECURITIES, INC.** 14/F, UCPB Building Makati Ave., Makati City	**303,000**
B261AC	**E. SECURITIES, INC.** 11/F Export Bank Plaza Chino Roces cor. Gil Puyat Ave Makati City	**14,000**
B261AC	**E. SECURITIES, INC. - E.SEC2** 11/F Export Bank Plaza Chino Roces cor. Gil Puyat Ave Makati City	**30,000**
B263AC	**VENTURE SECURITIES, INC. - FREE** 7/F, Phil. First Building 6764 Ayala Ave., Makati City	**14,000**
B263AC	**VENTURE SECURITIES, INC. - PHIL FIRST AC001** 7/F, Phil. First Building 6764 Ayala Ave., Makati City	**4,000**
B263FC	**VENTURE SECURITIES, INC. - FREE** 7/F, Phil. First Building 6764 Ayala Ave., Makati City	**160,000**
B266AC	**VICSAL SECURITIES & STOCK BROKERAGE,INC.** Unit 1009-1011, Tower One & Exchange Plaza Ayala Triangle, Ayala Ave. Makati City	**9,718,000**

EQ Beneficial Owner Report by Security

PHILIPPINE
CENTRAL
DEPOSITORY, INC.

30-Apr-2008

Security: DMC DMCI Holdings, Inc.

B267AC	**FIRST METRO SECURITIES BROKERAGE CORP. - PHIL AXA LIFE I** 18th flr., PS Bank Center 777 Paseo de Roxas cor. Salcedo St. Makati City	**492,000**
B267AC	**FIRST METRO SECURITIES BROKERAGE CORP.** 18th flr., PS Bank Center 777 Paseo de Roxas cor. Salcedo St. Makati City	**170,000**
B267AC	**FIRST METRO SECURITIES BROKERAGE CORP. - FREE** 18th flr., PS Bank Center 777 Paseo de Roxas cor. Salcedo St. Makati City	**356,102**
B269AC	**WEALTH SECURITIES, INC.** 2103 PSE Centre, Exchange Road Ortigas Centre, Pasig City	**5,720,800**
B270AC	**WELLEX GLOBAL EQUITIES, INC.** 6/F Philippine Stock Exchange Plaza Ayala Avenue, Makati City	**289,000**
B272AC	**BERNAD SECURITIES, INC.** 3/F, 1033 M.H. del Pilar St. Ermita, Manila	**750,000**
B273AC	**WONG SECURITIES CORPORATION** 960 Ideal Street, Mandaluyong City Metro Manila	**5,000**
B275AC	**YAO & ZIALCITA, INC.** 5G Vernida I Condominium 120 Amorsolo St., Legaspi Village Makati City	**475,000**

PHILIPPINE
CENTRAL
DEPOSITORY, INC.

EQ Beneficial Owner Report by Security

30-Apr-2008

Security: DMC DMCI Holdings, Inc.

B278AC **YU & COMPANY, INC.** **785,000**
Unit E 1606-B Tektite Tower 1
Exhange Road, Ortigas Center
Pasig City

B279AC **BDO SECURITIES CORP.** **270,500**
27/F Tower I & Exchange Plaza
Ayala Ave., Makati City

B282AC **PCCI SECURITIES BROKERS CORP. - FREE** **143,000**
4/F PCCI Corporate Centre
118 L.P. Leviste St, Salcedo Village
Makati City

B282AC **PCCI SECURITIES BROKERS CORP.** **70,000**
4/F PCCI Corporate Centre
118 L.P. Leviste St, Salcedo Village
Makati City

B283AC **EAGLE EQUITIES, INC.** **48,000**
779 Harvard St., Mandaluyong City

B285AC **GOLDEN TOWER SECURITIES & HOLDINGS, INC.** **30,000**
4-B Vernida I Condominium, 120 Amorsolo St.,
Legaspi Village, Makati City

B286AC **SOLAR SECURITIES, INC.** **289,050**
Unit 3002-A East Tower, Phil. Stock Exchange Centre,
Exchange Road, Ortigas Complex, Pasig City

B288AC **G.D. TAN & COMPANY, INC.** **30,000**
Unit 2203-A East Tower, PSE Center
Exchange Road, Ortigas Center, Pasig City

PHILIPPINE
CENTRAL
DEPOSITORY, INC.

EQ Beneficial Owner Report by Security

30-Apr-2008

Security: DMC DMCI Holdings, Inc.

B323AC	**CLSA PHILIPPINES, INC.** 19/F, Tower 2, The Enterprise Center 6766 Ayala Ave., Makati City	**10,000**
B323AC	**CLSA PHILIPPINES, INC. - FREE** 19/F, Tower 2, The Enterprise Center 6766 Ayala Ave., Makati City	**4,490,000**
B323FP	**CLSA PHILIPPINES, INC. - FREE** 19/F, Tower 2, The Enterprise Center 6766 Ayala Ave., Makati City	**368**
B333AC	**UBS WARBURG SECURITIES PHILS., INC. - FREE** 19/F Ayala Tower One, Ayala Ave., Makati City	**40,000**
B338AP	**PHILIPPINE EQUITY PARTNERS, INC. - FREE** Unit 19C Citibank Tower Citibank Plaza 8741 Paseo de Roxas Makati City	**309**
B345AC	**UNICAPITAL SECURITIES INC.** 4F Majalco Bldg Benavidez cor Trasierra Sts Legaspi Vill., Makati City	**630,000**
B345AC	**UNICAPITAL SECURITIES INC. - MAKATI SUPERMART** 4F Majalco Bldg Benavidez cor Trasierra Sts Legaspi Vill., Makati City	**25,000**
B388AC	**ARMSTRONG SECURITIES, INC.** 20/F, Equitable PCI Tower I Makati Ave. cor. H.V. de la Costa St. Makati City	**18,000**

PHILIPPINE
CENTRAL
DEPOSITORY, INC.

EQ Beneficial Owner Report by Security

30-Apr-2008

Security: DMC DMCI Holdings, Inc.

B389AC	**KING'S POWER SECURITIES, INC.** Rm 704 Federal Tower Dasmarinas St. Binondo, Manila	**35,000**
BCDO20	**BANCO DE ORO - TRUST BANKING GROUP - BDO-EPCIB VTA** #12 ADB Avenue, Ortigas Centre, Mandaluyong City	**10,939**
BCDO20	**BANCO DE ORO - TRUST BANKING GROUP - PBAL** #12 ADB Avenue, Ortigas Centre, Mandaluyong City	**9,454,000**
BCDO20	**BANCO DE ORO - TRUST BANKING GROUP - PEQ** #12 ADB Avenue, Ortigas Centre, Mandaluyong City	**5,539,000**
CITI10	**CITIBANK N. A. - CITIOMNILOC** 11/F Citibank Tower Villar corner Valero Sts. Makati City, MM	**7,860,000**
CITI10	**CITIBANK N. A. - CITIOMNIFOR** 11/F Citibank Tower Villar corner Valero Sts. Makati City, MM	**44,173,781**
CITI10	**CITIBANK N. A. - CITIMETROAXAEQ** 11/F Citibank Tower Villar corner Valero Sts. Makati City, MM	**2,075,000**
CITI10	**CITIBANK N. A. - CITIMETROAXABAL** 11/F Citibank Tower Villar corner Valero Sts. Makati City, MM	**4,819,000**

PHILIPPINE
CENTRAL
DEPOSITORY, INC.

EQ Beneficial Owner Report by Security

30-Apr-2008

Security: DMC DMCI Holdings, Inc.

CITI10	**CITIBANK N. A. - CITIFAOPHILAM** 11/F Citibank Tower Villar corner Valero Sts. Makati City, MM	**4,185,000**
CITI10	**CITIBANK N. A. - CITI FAO SUNLIFE** 11/F Citibank Tower Villar corner Valero Sts. Makati City, MM	**5,109,000**
DEUB10	**DEUTSCHE BANK AG MANILA BRANCH** 26/F Ayala Tower One Ayala Triangle, Makati City	**4,900,000**
DEUB20	**DEUTSCHE BANK AG MANILA BRANCH** 26/F ayala Tower One, Ayala Triangle, Makati City	**2,970,000**
DEUB20	**DEUTSCHE BANK AG MANILA BRANCH - IMA** 26/F ayala Tower One, Ayala Triangle, Makati City	**347,500**
DEUB20	**DEUTSCHE BANK AG MANILA BRANCH - VTA** 26/F ayala Tower One, Ayala Triangle, Makati City	**3,550,000**
GSIS10	**GOVERNMENT SERVICE INSURANCE SYSTEM** GSIS Hqs., Financial Center Roxas Blvd., Pasay City	**702,000**
HSBC10	**THE HONGKONG AND SHANGHAI BANKING CORP. LTD. -CLIENTS'** 12th floor, The Enterprise Center Tower 1, 6766 Ayala Ave. cor Paseo de Roxas Makati City	**503,037,558**

PHILIPPINE
CENTRAL
DEPOSITORY, INC.

EQ Beneficial Owner Report by Security

30-Apr-2008

Security: DMC DMCI Holdings, Inc.

HSBC20	**THE HONGKONG AND SHANGHAI BANKING CORP. LTD. -CLIENTS'** 12th floor, The Enterprise Center Tower 1, 6766 Ayala Ave. cor Paseo de Roxas Makati City	**18,158,600**
HSBC20	**THE HONGKONG AND SHANGHAI BANKING CORP. LTD. -CLIENTS'** 12th floor, The Enterprise Center Tower 1, 6766 Ayala Ave. cor Paseo de Roxas Makati City	**8,273,359**
HSBC30	**THE HONGKONG & SHANGHAI BANKING CORP. LTD. -OWN ACCOU** 12 th floor, The Enterprise Center, Tower 1 6766 Ayala Ave. cor Paseo de Roxas Makati City	**1,200**
PABC10	**AB CAPITAL & INVESTMENT CORP.- TRUST & INVESTMENT DIVISI** G/F Asianbank Centre Building Sen Gil Puyat Ave Ext cor Tordesillas St Salcedo Village, Makati City	**2,914,000**
PPSB20	**PHILAMLIFE SAVINGS BANK-TBD FOREIGN SEC - PASB TRUST - 00** 10/F Philamlife Tower 8767 Paseo de Roxas, Makati City	**47,000**
PPSB20	**PHILAMLIFE SAVINGS BANK-TBD FOREIGN SEC - PASB TRUST - 00** 10/F Philamlife Tower 8767 Paseo de Roxas, Makati City	**167,000**
PPSB20	**PHILAMLIFE SAVINGS BANK-TBD FOREIGN SEC - PASB TRUST - 00** 10/F Philamlife Tower 8767 Paseo de Roxas, Makati City	**174,000**
PPSB20	**PHILAMLIFE SAVINGS BANK-TBD FOREIGN SEC** 10/F Philamlife Tower 8767 Paseo de Roxas, Makati City	**588,000**

PHILIPPINE
CENTRAL
DEPOSITORY, INC.

EQ Beneficial Owner Report by Security

30-Apr-2008

Security: DMC DMCI Holdings, Inc.

PSMC11	**PUREFOODS-HORMEL CO., INC. EMPLOYEES' RET. PLAN** 40 San Miguel Avenue, Ortigas Center Pasig City	**75,000**
PSMC20	**SAN MIGUEL CORPORATION PLAN-STP** San Miguel Corp. Retirement PLan 40 San Miguel Ave. Ortigas Center, Mandaluyong City	**395,000**
RCBC10	**RCBC TRUST & INVESTMENT DIVISION** 333 Sen. Gil J. Puyat Ave. Makati City	**3,732,200**
SCBK10	**STANDARD CHARTERED BANK** 6756 Ayala Avenue Makati City	**154,985,700**
SCTD10	**MBTC - TRUST BANKING GROUP** 5/F Metrobank Plaza Sen. Gil Puyat Ave., Makati City	**3,409,500**
SCTD10	**MBTC - TRUST BANKING GROUP - METRO GROWTH01** 5/F Metrobank Plaza Sen. Gil Puyat Ave., Makati City	**1,633,500**
UCPB10	**UNITED COCONUT PLANTERS BANK-TRUST BANKING** 5/F, UCPB Bldg., Makati Ave. Makati City	**9,000**
	TOTAL	**1,299,576,775**

DMCI HOLDINGS, INC.
Management Report
Pursuant To SRC Rule 20 (4)

I. **Incorporated herein are the Audited Annual Financial Statements of DMCI Holdings, Inc. (the "Company") for the year ended December 31, 2007, the Interim Financial Statements of the Corporation for the quarter ended March 31, 2008, and the Statement of Management's Responsibility in respect of the financial statements.**

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**

AUDITED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2007

DMCI Holdings, Inc. (the "Company") is a holding company which derives its income from its investments. Its major investments are in: Semirara Mining Corp. (SMC), which operates the coal mining operations; DMCI Project Developers, Inc. (PDI), which reports on the real estate segment; and D.M. Consunjji, Inc. (DMCI), which manages the construction business and also shares in the real estate business.

Item 6. Management's Discussion and Analysis of Plan of Operation.

I. RESULTS OF OPERATIONS

2007 vs. 2006

DMCI Holdings, Inc. (the "Company") consolidated operations catapulted as net income increased from P1.383 billion in 2006 to P3.126 billion in 2007. This year's earnings included extraordinary items such as: (1) gain on sale of shares of the coal business amounting to P178 million, (2) write-off of non-performing investments worth P300 million, and (3) an equity share in the negative goodwill, acquisition, financing and other costs from the water investment with a net amount of P1.321 billion. As last year's earnings included a P386 million gain on sale of shares of the coal business, the resulting ordinary net income from recurring operations was still significantly higher from P1 billion in 2006 to P1.918 billion in 2007. First time results from the water investment, progress in the construction business, and the sustained phenomenal growth in the real estate segment were the drivers for the upsurge in the figures.

REAL ESTATE

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

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

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

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

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

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

CONSTRUCTION

The construction business, reported under wholly-owned construction company, D.M. Consunji, Inc. (DMCI), reported improved operations for 2007 compared to 2006. Construction revenues and income for the year reached P2.955 billion and P324 million, up by 69% and 136% respectively. This was caused by increased construction activity from outside contracts and jobs provided by the water business and inclusion of income from assets held for sale (see OTHERS below).

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

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

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

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

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

WATER

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

For 2007, the Company registered a net equity in earnings from its investments in the water business amounting to P1.81 billion which includes a P2.12 billion share in the negative goodwill from the acquisition of Maynilad and a P799 million net share in losses due to the financing, acquisition and other costs reported at DMWC. Without these non operational items, income from DMWC's (Maynilad's) recurring operations for 2007 would have amounted to P1.254 billion, a respectable increase of 25% from P1 billion in 2006. The Company's effective share in the recurring income for

2007 and 2006 would be P489 and P390 million respectively. Initial effects from capital expenditures and water system improvement measures being installed by the new owners of Maynilad helped increase in billed volume and improved to some extent non-revenue water (NRW).

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

POWER, COAL AND NICKEL MINING

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

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

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

Full Years 2006-2007

I. PRODUCTION

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

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

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

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

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

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

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

II. MARKET

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

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

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

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

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

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

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

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

III. FINANCE

A. Sales and Profitability

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

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

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

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

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

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

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

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

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

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

B. Financial Condition, Solvency and Liquidity

The shipment of more export sales towards the end of the year significantly boosted yearend cash. Export deliveries were covered by sight Letters of Credits. Hence payment collections were done right after the shipment of coal, unlike for local deliveries wherein collection period ranges between 45 to 60 days. Moreover, the Company recouped its Temporary Investments made in 2006 amounting to P300 million in the current period.

The resulting 2007 Cash end of P1.65 billion reflected a 223% increase from end 2006 Cash level of P510.44 million.

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

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

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

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

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

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

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

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

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

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

C. *Performance Indicators*

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

2. ***Debt to Equity Ratio*** *– As an effective gauge of the Company's financial strength, the continuous improvement of this figure boosts the confidence of financial institutions to offer more aggressive financing packages and investors to put more money into the Company. A healthy solvency condition also afforded the Company to consider investment opportunities to further add to its value. Considering its core competencies, the Company is investing in a nickel mine. Also, as a forward integration strategy, it is putting in money to the power industry to augment and guarantee market for Semirara coal.*

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

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

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

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

OTHERS

The Company's consolidated profit and loss for 2007 includes income from assets held for sale worth P149 million, 171% higher than 2006 which was included in the general construction segment (see CONSTRUCTION above).

This asset pertains to investments in AG&P an allied investment in construction. The Company converted its receivables from AG&P worth P957 million into equity, increasing its share from 45% in 2006 to 96% in 2007. With this, AG&P should have been consolidated into the Company's financial statements but subsequently AG&P was identified as an investment for disposal, the sale proceeds of which will be used for new investments in the power sector and the proposed toll road businesses.

AG&P is the oldest construction company in the Philippines specializing in steel fabrication. It currently has major projects for Goro Nickel from New Caledonia composed of modular steel fabrication being done here off shore in the Philippines with the hook-up and commissioning of the said modular steel structures in New Caledonia. The contract amount of this Goro Nickel project is around US$100 million. Recognized works for 2007 on this project accounted for the significant operations in 2007.

The Company expects to sell AG&P in 2008, the sale of which will be essential to the cash flow requirements of its investments into power and toll roads.

.

2006 vs. 2005

DMCI Holdings, Inc. (the "Company") reported a consolidated income of P1.383 billion for 2006 compared to P4.181 billion for 2005. The 2006 bottom figure included an extraordinary gain on sale of shares of the coal business amounting to P356 million accounting for a net ordinary income of approximately P1 billion, while the 2005 bottom figure also incorporated a P2.3 billion gain on sale of shares of the coal business for a net ordinary income of P1.9 billion. The decline in net ordinary income can be attributable to the developments in the coal sector but was compensated by the progress in the construction business and the advancements in the real estate unit.

REAL ESTATE

The Company's real estate business, headed by 100% owned real estate company DMCI Project Developers, Inc. (PDI), continued to experience towering operations for 2006 with respect to 2005. Extraordinary demand from buyers of the Company's real estate projects produced record breaking revenues of P1.9 billion for 2006 from the P1.5 billion posted in 2005.

The Company's medium rise condominium community projects continued to be a success as sales from existing projects: East Ortigas Mansions (EOM), Mayfield Park Residences (MPR) went up significantly. Bonifacio Heights, a joint venture project with the Armed Forces of the Philippines (AFP), located in the Fort Bonifacio area of which are exclusively available for AFP personnel, contributed P508 million accounting for a 278% increase in sales from 2005. Moreover, Mahogany Place Subdivision, a horizontal house and/or lot development which is a deviation from the normal medium rise platform proved to be a success to the Company, as it contributed significant revenues amounting to P460 million for the period increasing by 193% from 2005. Heightened marketing activities coupled with the DMCI reputable quality of building can be credited to the increase in sales. The year marked the significant contribution of international community thru the Overseas Filipino Workers (OFWs) as an essential market and opportunity for expansion with approximately 30% of sales were bought by the international market. International marketing is proving to be critical pursuit to be taken into greater summits.

With existing projects reaching almost fully-sold status, the Company is looking to launch new projects to address the dwindling supply of housing units, namely: Raya Gardens Condominiums, a combination of high rise and medium rise development located in Barangay Merville, Paranaque; Rosewood Pointe, a project utilizing the proven medium rise template done in the same design and aesthetics as Mayfield Park Residences, located in Taguig;; and The Manors at Celebrity Place, a mixed town house-medium rise community project located adjacent to the Celebrity Sports Plaza in Loyola Heights, Quezon City. The Company hopes that these new projects will meet the stringent market demand for aesthetically pleasing, high quality, reasonably affordable residential dwellings.

Evident with the Company's efforts to provide the best source of housing for Filipinos and not just to liquidate its land bank, it has entered into a joint-venture with a publicly listed company, Crown Equities, Inc. in the development of Cypress Towers, a high rise condominium project, right smack along C-5, Taguig, 15 minutes away from the Makati Central Business District; and also with Equitable PCI Bank, in the development of Riverfront Residences located in Pasig, a stones throw away from the Ortigas Business Center. The Company through PDI is also lined up with other parties in the possibility of developing their parcels of land using the Company's proven community driven design and build formula.

PDI effected some accounting adjustments that started in the 2nd quarter of the 2006 which caused a prospective reduction to revenues and increase in costs from revision of certain accounting treatment and estimates, and compliance to the new accounting standards as indicated in the Philippine Financial Reporting Standards (PFRS). The Company is expecting to further evaluate and possibly retroact the adjustment upon the year-end audit but still pushed through with the booking due as a principle of conservatism. This tapered the escalation in the Company's real estate operations.

General and administrative costs were significantly increased with marketing and selling activities being accelerated by the Company accounting mainly for the increase in consolidated operating expenses. It is expected that the trend with operating costs will continue as expansion and strengthening of its real estate operations will strongly be embarked upon by the Company as it now is convinced of the apparent prospects in the real estate business.

As the Company's housing business is reaching new peaks, the Company is eagerly looking at propelling its real estate business into the next stage of not just providing quality affordable homes to Filipinos but also as a source of income to would be investors with thoughts on launching the real estate business in the public market.

CONSTRUCTION

The construction segment, operated by wholly-owned construction subsidiary D.M. Consunji, Inc. (DMCI), showed significant progress as it posted an increase in construction gross margins and income for 2006 compared to 2005

Continuous revenues from key projects KAMANAVA Floodway civil works, and the One Adriatico Place residential building helped provide the much needed works. Other notable projects were the Subic-Tarlac Express-Deck Fabrication and the Meneses Corp. Center which also pitched in their fair share of work. The sharp increase in construction gross margins, was mainly due to improved productivity and effectivity in contract management. Revenues from the non-traditional construction operations, specifically from the special business units, namely the Equipment Management Business Unit (EMD), the Ready Mix Concrete Business Unit (RMC), and the Formwork Management Business Unit (FMBU) were also helpful in increase revenues with minimal costs for the construction business. The Company directs this notable development to DMCI's direction towards utilizing and optimizing the specific core competencies and opportunities brought about by its existing construction equipment.

In addition, DMCI booked change orders from previous works of which costs were already recorded. These change orders were agreed and finalized and was subsequently booked in the year allowing for the realization of revenues without costs, further increasing gross margins.

General and administrative expenses slid down for the period compared to last two years as the Company's continuing cost reduction is being sustained, more so with the construction industry becoming more diversified and competitive.

The entry of the Company into the water utility business will also prove helpful to the construction business per se as much of the engineering requirements involved in the improvement of the water utility will be done by DMCI. (see discussion in the Water business below)

As the construction business is maturing and proving to be a challenge nowadays with its retail-competitive nature, the Company is still confident that it can maintain its foothold as one of the leading provider of construction services with the heritage as proud Filipino contractors to the country and the global community.

POWER & COAL

The Company's coal mining business, operated by now 58%-owned, publicly listed Semirara Mining Corp (SMC), reported significantly lower business results for 2006 as contributions from the coal segment was recorded at P601million, compared to P1,592 million in 2005.

Below is SMC's management discussion and analysis of financial condition and results of operations lifted from the Semirara Mining Corp. 2006 Year-End Financial Report:

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

For the period ended and as of December 31, 2006

Full Years 2005-2006

I. PRODUCTION

The last fleet of equipment that completed the modernization and expansion program of Semirara Mining Corporation (SMC), which commenced in 2004 to address the growing demand for Semirara coal, arrived in the first half of the current year. Consequently, the completed expansion program has ramped up the capacity of the Company to move materials up to 40 million bank cubic meters (bcm), translating to an annual capacity of 4 million to 4.5 million run-of-mine (ROM) coal. The "economies of scale" at this level is expected to bring down cost of production that will make the company more competitive against imports, at the same time, bring up the company's level of business to the vast potentials of the export market in the region which management looks forward to initiate in 2007.

Consequently, 2006 registered the highest material movement in the history of the Company's operations at 38.42 million bcm, registering a 38% increase over the previous year's material movement of 27.88 million bcm. Coupled with the increased capacity, this growth was also spurred by the fact that coal demand was slower in 2006, such that mining activities were largely focused on material movement instead of coal extraction. Management opted to use available capacity removing material burden to fully utilize its production equipment but left stripped coal at the pit for future deliveries. Pre-stripped coal is estimated to amount to 1.3 million Mt's with a market value of at least P2.3 billion as of yearend. This inventory is not recognized in the Company's balance sheet in accordance with the Generally Accepted Accounting Principles. The coal can be easily extracted at minimum cost in the succeeding year. As a result, waste material to coal ratio (or strip ratio) correspondingly demonstrated a significant increase of 76% at 14.13:1, compared to last year's ratio of 8.02:1. This translated to a lower ROM coal production of 2.59 million metric tons (MTs), 19% short compared to 2005 production of 3.19 million MTs. The resulting net total product coal was correspondingly lower at 2.27 million MTs, registering a 21% slump from 2005 net production of 2.89 million MTs. Coal stockpile inventory amounted to 606 thousand MTs with a book value of P1.02 billion as of yearend 2006.

Firming up on Quality Improvement, expansion of the coal washing plant was also achieved during the year, while drying facilities were installed to cater to the needs of the cement industry.

To further address Cost Reduction, it is worth mentioning that a second Crusher and Conveyor System was laid down to minimize the use of trucks for hauling material handling to reduce fuel cost which is the single biggest cost item. Installed capacity is now up to 30% of total material handling capacity. To run the systems efficiently, the company's 2 x 7.5 MW coal-fired power plants underwent rehabilitation.

II. MARKET

Demand for Semirara coal slumped in 2006. Competition from the natural gas-fired plants as well as entry of cheaper imports limited coal deliveries to power plants. For the year, coal sales volume registered at 2.076 million MTs, 16% lower than last year's 2.479 million MTs.

The Calaca Plants of the National Power Corporation (NPC) accounted for 62% of the total coal delivered, translating to 1.294 million MTs. This reflected a 6% increase over the previous year's NPC Calaca sales of 1.225 million MTs. NPC Calaca Plant Number 2 had limited operations in 2005 due to a series of technical problems encountered during the course of its maintenance shutdown. Meanwhile, sales to other NPC plants, like Sual and Pagbilao, significantly dropped from 207.14 thousand MTs in 2005 to 5.96 thousand MTs in the current year. Apart from import commitments, the Sual plants encountered problems in the second half of the year, resulting to plant shutdown. On the other hand, Pagbilao was awash with inventory as imported coal intended for Masinloc and Sual were diverted to Pagbilao. Sale to Non-NPC power plants likewise fell from 348.79 thousand MTs to 195.74 thousand MTs this year, thus greatly contributing to the considerable reduction of total consumption of power plants from 1.78 million in 2005 to 1.50 million in 2006.

The drop in the demand for cement likewise resulted to the decrease in the off-take of Semirara coal by cement plants to 531.29 thousand MTs in the current period, from 666.97 thousand MTs in the previous year. The cement market accounted for 26% of the total sales of the Company.

Nevertheless, despite the bleak picture of the power and cement markets, sales to industrial users of Semirara coal increased by 56% to 48.94 thousand MTs in the current period from 31.46 thousand MTs in the previous year. Although the total volume may not be impressive, it is worthy to note that towards the end of the year, the Company started to deliver to small industrial and manufacturing plants who were shifting to coal from more expensive fuels like bunker and diesel. This is a welcome development for the Company since it has been the thrust of management to reduce dependence on a few major customers and to penetrate more non-traditional users of Semirara coal.

Interestingly, during the current year, the Company received several inquiries on the feasibility of exporting coal to China. Towards the end of the period, the Company was finalizing a deal for a test shipment to South China.

Composite price for Semirara coal is almost at the same level as last year, registering a slight increase at P2,211.76/MT compared to the previous year's price of P2,204.67.

III. FINANCE

A. Sales and Profitability

The 16% drop in sales volume correspondingly registered a decrease in Coal Sales from P5.47 billion in 2005 to P4.59 billion in the current period. Meanwhile, with more volume delivered to Calaca this year, Coal Handling Revenues consequently rose by 11% to P96.34 million from P86.51 million last year. The resulting Gross Revenues is P4.69 billion, 16% lower than the previous year's Revenue level of P5.55 billion. Revenue distribution remained at 98% Coal Sales and 2% Coal Handling Revenues.

On the other hand, higher strip ratio resulted to a 12% rise in Cost of Sales from P3.31 billion, which includes Coal Handling Cost of P113.38 million, in 2005 to P3.71 billion this year, inclusive of Coal Handling Cost of P70.36 million. On a per metric ton basis, the impact of advanced stripping is *significantly reflected in the 36% increase in Cost of Coal Sold at P1,754.82/MT in 2006 as against last year's reported figure of P1,287.39/MT. Cash costs in the current period comprised 68% of total cost/MT, while depreciation, depletion and amortization comprised 32%. The previous period's cost is composed of 61% cash costs and 39% non-cash costs. More depreciable equipment were acquired related to capacity expansion causing a rise in depreciation cost.*

The resulting Gross Profit ratio is considerably lower at 21% this year as against 2005 profitability ratio of 40%. In absolute amounts, the current period's Gross Profit registered a 57% decrease from P2.25 billion in 2005 to P974.53 million this year.

Operating Expenses recorded a substantial reduction of 51% at P133.13 million as at yearend 2006, as compared to the previous period's figure of P271.64 million. Reduced Coal Sales brought down Government Share by 13% at P138.27 million in 2006 from P158.78 million in 2005. General and Administrative Expenses posted a reduction of 105%, largely as a result of the reversal of the Provision of Real Property Taxes amounting to P73.5 million, in accordance with Presidential Decree (PD) 972 exempting the Company from all taxes except income tax.

Meanwhile, the 80% increase in Financing Cost is attributed to the increased number and value of Letter of Credits opened for the purchase of various parts used for the maintenance program of machineries and equipment, construction of second line in-pit crushing and overburden conveying system, and rehabilitation of the power plants. Moreover, base rates for foreign-denominated loans, which comprised 49% of total loans, increased with the rise in 180-day LIBOR from 3.7650% in 2005 to 5.2963% in 2006, and 90-day SIBOR from 3.5619 % in 2005 to 5.2326% in 2006. Hence, the resulting Financing cost was recorded at P213.04 million in 2006, as against 2005 figure of P118.52 million. It should be noted however that there was a reversal in Accrued Interest Expenses on past due royalty payments for prior years in 2005 amounting to P86.7 million as settlement was reached with the Department of Energy.

Finance Revenue, which reflected interest income on savings accounts and short-term placements and investments, is lower by 1% from P55.11 million in 2005 to P54.53 million in the current year, despite the sizeable reduction in the cash level from P1.33 billion in 2005 to P510.44 million as at yearend 2006.

Meanwhile, the continued strengthening of the Philippine Peso as against the US dollar, which is the currency of all foreign-denominated loans, afforded the Company to recognize Foreign Exchange Gains of P119.96 million from its foreign loans, recording a 22% increase over the previous year's gains of P98.09 million. Of the amount, P34.29 million were Realized and P85.70 million is Unrealized.

Collection of insurance claims amounting to P70.21 million and gains on sale of phased-out mining support equipment amounting to P20.07 million spurred the increase of Other Income account by 24.2x to P107.61 million in 2006 from P4.44 million in the previous year.

The resulting Net Income Before Tax fell by 55% at P910.47 million, which is 19% of Revenues in 2006, from P2.01 billion in 2005 or 36% of Revenues. Provision for Income Tax in the current year amounted to P309.23 million, of which P297.26 million is due and payable in the current year while P11.97 million represents provision for deferred tax liability, total provision is effectively 33.97% of taxable income. On the other hand, 2005 Provision for Income Tax was recorded at P422.61 million, which is only 20.97% of the year's pre-tax income. The effective tax rate in the current period is higher compared to the previous year since 2005 provision included the application of the remaining Net Operating Loss Carry Over (NOLCO) amounting to P455.13 million and Minimum Corporate

Income Tax (MCIT) of P67.42 million. Consequently, Net Income After Tax in the current year amounted to P601.24 million, registering a 62% drop from 2005 After-Tax Income of P1.59 billion.

B. Financial Condition, Solvency and Liquidity

Due to adverse market developments, the company failed to meet sales targets in the current year. Consequently, not only did Revenues drop, but cost of coal sold also soared as operations accounted for full costs of pre-stripping activities, in accordance with the consensus of the Emerging Issues Task Force (EITF) of the Financial Accounting Standards Board (FASB) set forth in EITF Issue No. 04-6, Accounting for Stripping Costs Incurred during Production in the Mining Industry. Management opted to fully utilize available capacity by stripping waste, instead of controlling operations to balance stripping activities with coal extraction. As a result, the Company's financial condition has experienced a slight setback in terms of liquidity. However, despite the sluggish market, which is the root cause of reduced profitability, the Company was still able to maintain a healthy cash position and report a sound balance sheet.

Despite the huge drop in profitability, Net Cash Provided by Operating Activities only showed a slight decrease of 8.29% from P1.30 billion in 2005 to P1.19 billion in 2006. This is primarily due to the decrease in Receivables by P608.23 million in the current year compared to an increase in the account by P366.99 million reflected in the previous period and the tempered increase in Inventories by P474.28 million this year as against last year's figure of P811.31 million. Moreover, 2005 reflected a decrease in Accounts and Other Payables of P581.37 million versus the current period's decrease by a smaller amount of P80.31 million as last year's statement recorded complete settlement of some old accounts. These included payment of DOE past due accounts amounting to P193.3 million and payment of Due to Related Parties amounting to P152.7 million incurred in 2004.

As the expansion and modernization program reached its final phase in 2006, P1.5 billion worth of machineries and equipment were purchased during the period. Purchases of new mining equipment worth P1.21 billion and other Capital Expenditures (CAPEX) amounting to P291.19 million was recorded in 2006. The amount, however, is lower than total CAPEX of P1.78 billion in 2005, comprised of various mining equipment amounting to P1.58 billion and P207.71 million other CAPEX. This decline in cash outflow was partly offset when the Company placed P300 million in Temporary Investments with an Affiliate. As a consequence, Net Cash Used in Investing Activities exhibited a drop from P1.18 billion in 2005 to P574.17 million in the current year.

Meanwhile, the Company's Financing Activities recorded a Net Cash Used amounting to P1.44 billion, compared to the previous period's Net Cash Inflow From Financing Activities amounting to P1.18 billion. The previous year recorded cash inflows from proceeds of shares offering amounting to P1.62 billion which shored up cash resources. Although loans repayment amounted to P1.28 billion, higher amounts of loans amounting to P1.2 billion were also availed. On the other hand, the current year's cash flows reflect Repayment of Long-Term Debt of P1.28 billion, but was offset by lower loan borrowings. Furthermore, in 2006 for the first time in its history, the Company paid cash dividends amounting to P333.09 million, thus putting more dent to its cash position.

While 2005 recorded a net cash generation of P1.30 billion, the current year exhibited a Net Decrease in Cash amounting to P821.20 million. As a result, 2006 Cash End is lower at P510.44 compared to 2005 cash level of P1.33 billion.

Correspondingly, Current Assets fell to P3.41 billion as at end 2006 from the P3.95 billion level in the previous year. The Temporary Investment mentioned above is an investment to the parent Company, which has a tenor of 180 days, earning a very attractive rate of 11%. The drop in Trade Receivables *from P1.09 billion in 2005 to P505.73 million in the current year mainly accounted for the decrease in Net Receivables from P1.17 billion last year to P566.88 million this year, reflective of the lower sales. Meanwhile, low market demand resulted to an increase in Coal Inventory to P1.02 billion this year accounting for 606 thousand MTs of coal from P552.62 million in the previous year. As a result, Net Inventories rose to P1.84 billion from P1.37 billion as at end 2005. The increase in Other Current Assets is primarily caused by the rise in the amount of Creditable Withholding Taxes on Coal Sales withheld by customers to P175.34 million in the current year from P83.06 million in 2005. This increase is largely due to the government-mandated withholding of 5% VAT by the National Power Corporation which the Company is reclaiming in accordance with its VAT exemptions.*

On the other hand, the completion of the last leg of the expansion program brought up Property, Plant and Equipment to P3.10 billion, with additions amounting to P1.50 billion, partially offset by Depreciation, Depletion and Amortization totaling to P1.34 billion. Consequently, Non-Current Assets registered a 4.4% increase from P2.97 billion in 2005 to P3.11 billion as at end of the current year. The decrease in Other Non-Current Assets was mainly driven by the decrease in Marginal Deposits on equipment and parts purchases from P42.82 million in 2005 to P5.64 in the current year. The resulting Total Assets reflected a 6% drop from P6.93 billion as at end 2005 to P6.51 billion in 2006.

Notwithstanding the modest profitability reported during the current year, the Company was able to significantly trim down its Total Liabilities by 20% from P2.74 billion as at end 2005 to P2.19 billion as at end of the current year. The reclassification of Long-Term Portion of Long-Term Debt to Current Portion posted an increase in the Current account. Also, most loan availments during the year have short-term tenors to take advantage of cheaper financing charges compared to long-term loans, giving due consideration to the Company's overall liquidity. Combined, these resulted to a 15% growth in Total Current Liabilities from P1.17 billion in 2005 to P1.34 billion this year. On the other hand, the payment of Accounts and Other Payables, the settlement of last year's Income Taxes Payable, and the delivery of coal to customers with advance payments tempered the net increase in Total Current Liabilities of P180.3 million.

Total Non-Current Liabilities meanwhile showed a 46% fall from P1.57 billion in 2005 to P850.66 million this year, mainly as a result of the pre-payment of Marubeni loan amounting to $7.42 million before its maturity and reclassification of Long-Term Debts. Moreover, in accordance with the Philippine Accounting Standards (PAS) 19, the Company continued to acknowledge its liability to fund the retirement benefits of the employees, which resulted to an increase in Pension Liability by 27% from P42.33 million in the previous year to P52.67 million this year.

The adoption of the New IFRS/IAS in the previous year caused changes in accounting standards which compelled the Company to restate prior years' financial statements and recognize certain deferred tax liabilities. Net Deferred Tax Liabilities rose by 19% from P61.83 million in 2005 to P73.79 million as at end 2006.

Although in terms of absolute amounts, the decrease in Total Liabilities recorded at P539.63 million is higher than the reduction in Total Assets by P416.73 million, the reclassification from long-term to current portion of Long-Term Debts and availments of short-term financing resulted to a dip in the Current Ratio from 3.39:1 in 2005 to 2.53:1 this year.

The recognition of net profits in 2006, tempered by the distribution of Stock Dividends of P333.09 million, further boosted the strong equity position of the Company. Meanwhile, a continuation of the shares buyback program which commenced in 2005 increased Cost of Treasury Shares by 38% from P383.63 million in the previous period to P528.89 million as at yearend with the acquisition of *additional 5,499,500 common shares costing P145.26 million in 2006. The resulting Total Stockholders' Equity was impressive at P4.31 billion as at end 2006 from P4.19 billion in the previous year, recording a 3% growth. As a consequence, Debt-to-Equity ratio further improved to 0.51 in the current period, compared to last year's ratio of 0.65.*

C. Performance Indicators

6. ***Production & Sales Volume*** *– These two indicators are main drivers of profitability, with direct impact on cost and revenues. In terms of capacity, the Company can already easily serve an increasing demand of up to 4.5 million MTs. Economies of scale should also work in the Company's favor in reducing cost of production. However, production level should be correspondingly matched with demand to achieve optimum cost efficiency. During the current year, low market demand pushed management to continue stripping operation, which in turn adversely affected profitability level. However, it proved to be a wise decision for management, since towards the latter part of the year, several interested buyers were already knocking at the Company's door wanting to explore possibilities of exporting Semirara coal. Subsequently, the Company had a maiden voyage exporting its coal to South China in the first quarter of 2007. As of this writing, it has received more supply proposals from foreign buyers.*

7. ***Average Selling Price*** *– This is another profitability driver. Semirara being the single largest coal producer in the country, producing more than 92% of total local output practically comprise the whole coal industry in the country. Hence, it benchmarks its selling price to global coal prices. Notably, it has inherent advantage over landed cost of imported coal, which includes freight cost and 12% Value Added Tax (VAT). By virtue of PD 972, the Company is VAT-exempt. On the other hand, pricing of Semirara coal to local customers is vulnerable to foreign exchange movements.*

8. ***Capital Expenditures*** *– The Company's growth potential depends on its ability to timely increase its capacity to meet growing demand. There is an increased global demand for mining equipment as the mining industry has become more active in the recent years. As a result, delivery lead time of mining equipment is at least 6 months. More often, delivery period is 18 months. Hence, Capital Expenditures should be a major factor in planning and strategizing to balance financial strength and growth.*

9. ***Debt to Equity (D/E) Ratio*** *– The mining industry is capital intensive. The ability of the company to raise funds to finance its operations and acquisition requirements largely depends on its financial strength. The D/E Ratio is a good indicator of the Company's financial condition. Over the years, the company has remarkably improved its D/E Ratio, such that the current year set a new record of 0.51, a further improvement of the previous year's already sound D/E ratio of 0.65.*

10. ***Improved Coal Quality*** *– The Company's thrust to improve and expand its market should be complimented with efforts to improve acceptability of its product by continuously enhancing coal quality. This need is further underscored by the opening of the export market to Semirara Coal. In this light, the Company has continuously exerted efforts to enhance the value of its product. The inherent characteristics of Semirara coal may only limit its potential, but other quality parameters can still be improved by incorporating additional processes, such as coal washing/drying to improve ash content and lower moisture.*

With current adversities in the coal business, the Company is strongly pursuing expansion into the power sector as it recently won the bid in the NPC off-grid Small Power Utility Group (SPUG) project in Masbate Island. Likewise, the Company is also in the application stage for its plan to build and maintain a coal-fired power plant in Concepcion Iloilo. As the Company's enters into the power industry, it hopes that diversification and forward integration will provide for a more stable domestic consumption for Semirara coal. With 2006 not being the best year for the coal sector, the Company is optimistic in other opportunities to further diversify and support its coal mining business. Coal exports, the power sector and other mineral mining opportunities among others are what the Company believes that if successful, can bring back its coal business to higher highs.

WATER

Late in 2006, the Company, along with Metro Pacific Investments Corp. (MPIC)., won in its bid to acquire Maynilad Water Services, Inc. (Maynilad). The Company initially invested the amount of P3 billion pesos to this venture and is expecting significant contributions to be included in succeeding year's consolidated operations. The Company also expects that significant engineering requirements of this newly acquired business will be done by its construction unit and as such will help in the whole consolidated business.

II. FINANCIAL CONDITION

<u>2007 vs. 2006</u>

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

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

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

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

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

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

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

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

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

Current ratio was same levels from 2.20 as of end 2006 to 2.21 as of end 2007 showing the Company's current debt repayment capability remains healthy and well within industry averages. Debt to equity ratio was improved from 0.68 to 0.78 indicating. This is a result mainly of debt payments made in both the parent level and the coal mining business. The Company notes that the debt to equity ratio is below 1, indicating a strong owner base leverage and is in a very good gearing position. The debt to equity ratio was also well within industry averages as the Company strives to maintain its financial risk position relative to the interest of its stockholders.

<u>2006 vs. 2005</u>

The Company's financial condition for the period improved as total assets at the end of 2006 increased by 21% from 2005.

Cash decreased as the Company's investment in the Maynilad acquisition was booked late in the year. The investment had an initial cash cost to the Company of P3 billion. Despite this cash from operations for the period posted positive figures showing the continuing upbeat results from the different businesses of the Company.

Total receivables (current and non-current) went up as a result of heightened sales in the real estate sector, sustained coal take-up, and improving construction business among others.

The current slowdown in coal deliveries coupled by increased mining operations allowed for an inventory build up explaining significantly the increase in the Company's consolidated inventory. Although sales were up in the real estate business, the Company has decided to build up inventory and increase work in its existing projects, accounting for additional growth to total inventory. Some long term investment properties were also reclassified to real estate inventory, as these properties were determined in 2006 to be used for development in the near future, adding to the increase in inventories and reduction in investment properties.

SMC's acquired additional equipment as it reached its final phase in its expansion. This accounted mostly for the increase in property plant and equipment.

Accounts & other payables grew by 18%. Payables to suppliers mainly from the construction segment grew 28% due to the improved business. Also, customers deposits from the real estate sales that have yet to be realized went up 10 times manifesting the growth in the Company's housing business. Moreover, pre-selling has been contributing the increase in these customers deposit, evident of the Company's continuing success and recognition as reliable and guaranteed builders in the property development business.

Long term liabilities grew as SMC's plant expansion was financed mainly by long term loans. In addition, the Company acquired local bank financing to fund half of its P3 billion initial investment in the Maynilad acquisition. Subsequently, as of April 2007, the Company have already paid up this local bank loan.

Current ratio decreased from 2.52 in 2005 to 2.41 significantly affected by the increase in current payables and the initial cash investment for the Maynilad acquition. Despite this current debt repayment capability is still healthy and well within industry averages. Debt to equity ratio slightly increased from 0.66 to 0.77 indicating a slight rise in the risk position for the Company's stockholders vs. its creditors. The Company notes however that the debt to equity ratio is still below 1, indicating a strong owner base leverage. The debt to equity ratio was also within industry averages as the Company strives to maintain its financial risk position relative to the interest of its stockholders (current ratio average per industry: Mining-1.78, Construction-1.29; Real Estate-1.84; debt to equity ratio average: Construction-2.05; Mining/Quarrying-2.08; Real Estate-0.32; reference: Business World Top 1000 Corporations in the Philippines. 2005, Volume19).

III. KEY PERFORMANCE INDICATORS

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

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

CHANGE IN COAL SALES

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

CHANGE IN REAL ESTATE SALES

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

CHANGE IN CONSTRUCTION REVENUE

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

CHANGE IN NET INCOME

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

CURRENT RATIO

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

DEBT TO EQUITY RATIO

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

BALANCE SHEET ANALYSIS *
FOR THE YEAR 2006 AND 2007

ACCOUNTS (5% VERTICAL/HORIZONTAL)	CAUSES
Cash and cash equivalents	*Cash balance more than doubled due mainly to cash provided by operations and cash raised from issuance of new equity*

Receivables – net	*total receivables including non-current slightly went up due to higher real estate sales and continuing coal deliveries and increased construction works/billings*
Inventories – net	*increased coal sales reduced coal inventory accounting significantly for the decrease in consolidated inventory*
Noncurrent assets held for sale	*This account is from the one-line consolidation of AG&P which the Company now owns 96% compared to 45% last year. It was decided to offer this investment for sale*
Noncurrent receivables - net	*See receivables - net*
Investment in associates, jointly controlled entities and others - net	*Increase in investments is mainly from the investment into the water business*
Investment properties - net	*reduction in investment properties are mosly reclassification of real properties into inventory as these real properties were determined to be for development*
Property, plant and equipment - net	*Depreciation from coal mining equipment primarily caused the decline in consolidated property plant and equipment*
Accounts and other payables	*improved business in the construction and real estate business allowed for more operating payables*
Customer's deposits	*Increase sales to real estate buyers where the recognition thresholds have yet to be accomplished accounted for the increase in customers deposits. The recognition thresholds are: units are not yet finished;collections have yet to reach 20%*
Current portion of long term debt	*see long term debt*
Long term debt- net of current portion	*Payments of obligations (including current portion), mainly in the coal mining business, caused the reduction in long term debt*

Paid up Capital	*New equity issuances resulted to the increase in paid up capital*
Retained Earnings	*retained earnings increase due to operational results*

more detailed discussion in Management Discussion and Analysis, Financial Condition

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

ACCOUNTS (5% VERTICAL/HORIZONTAL)	CAUSES	
	2006-2007	**2005-2006**
SALE OF GOODS AND SERVICES	*increase was due to growth in all the businesses*	*reduction was essentially due to reduced coal sales but was compensated by higer real estate revenues*
COSTS OF SALES AND SERVICES	*increase was due to growth in all the businesses*	*reduction in cost of sales was essentially due to reduced coal sales*
OPERATING EXPENSES	*increase is primarily from increased operations in coal business and heightened marketing and selling activities in the real estate sector*	*increase is mainly due to increased production in coal business with the higher coal mining capacity and continuing expansion in marketing and selling activities in the real estate sector*
EQUITY IN NET EARNINGS OF ASSOCIATES, JOINTY CONTROLLED EQUITIES AND OTHERS	*The sharp jump in equity earnings are from the net share in earnings from the water business which included a negative goodwill (see Management Discussion and Analysis, Results of Operations, Water)*	*Immaterial amounts in 2005-2006 as equity investments in these periods were not significant*
INCOME ASSOCIATED WITH NONCURRENT ASSETS HELD FOR SALE – net of tax	*This is from operations of AG&P which was consolidated in 2007due to increase in ownership from 45% to 96%*	*Share in income of AG&P in these periods were immaterial in amount due to the percentage of ownership which was 45% in 2005 and 2006*

**** more detailed discussion in Management Discussion and Analysis, Results of Operations***

PROSPECTS FOR THE FUTURE

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

PART II--OTHER INFORMATION

1. This interim financial report is in compliance with generally accepted accounting principles;
2. The same accounting policies and methods of computation are followed in the interim financial statements as compared with the most recent annual financial statements;
3. The company's operation is a continuous process. It is not dependent on any cycle or season;
4. A cash dividend was declared at the amount of Php 0.10 per common share to be paid on May 30, 2008 to the holders of record of May 12, 2008.
5. There were no subsequent events that have not been reflected in the financial statements for the period that the company have knowledge of;
6. There are no contingent accounts in the balance sheet of the corporation;
7. Except for interest payments on loans, which the Company can fully service, the only commitment that would have a material impact on liquidity are construction guarantees. These are usually required from contractors in case of any damage / destruction to a completed project.
8. Any known trends or any known demands, commitments, events or uncertainties that will result in or that will have a material impact on the registrant's liquidity. **- NONE**
9. The Company recognizes that the continuing slump in the property sector would keep both real estate sales and construction revenues moderate. Nonetheless, the Group's venture into middle-income housing development is expected to significantly contribute to revenues and income.

FIRST QUARTER INTERIM REPORT 2008

I. RESULTS OF OPERATIONS

DMCI Holdings, Inc. (the "Company") showed a major slowdown in its consolidated operations as first quarter net income decreased from P337 million in 2007 to P107 million in 2008. Extra-ordinary items and other costs booked in the water business mainly caused the dip in bottom figure. Despite this, the construction, real estate and coal mining segments continued to improve.

REAL ESTATE

The Company's real estate business, headed by 100% owned real estate company DMCI Project Developers, Inc. (PDI) operates the Company's residential development business under the brand DMCI Homes. The real estate segment continued to recognize exceptional growthas its first quarter revenues and net income surged to 34% and 42% respectively from the same period last year. Increased sales and an effective higher selling price coming from the new projects provided much of the rise in both top line and bottom line.

Sales from new projects: Alta Vista Boracay, Manors at Celebrity Place, Raya Gardens, Rosewood Pointe, and Riverfront Residences accounted for 73% million of the real estate sales booked this quarter. Existing projects: East Ortigas Mansions, Vista De Lago and Bonifacio Heights were essentially sold out and only contributed negligible recognized sales for the period.

Selling prices for the new projects are marginally higher than the old projects as this year's residential unit mix include high rise units which cost more than the previous mid rise unit developments. Moreover, as demand is improving, the Company has taken the opportunity to slightly increase its prices. This in turn provided better margins and allowed for realignment of more resources to marketing/selling activities and the much needed organizational development. The Company still sees its prices as approximately 15-20% below competitors, an edge it enjoys as both a triple A construction company and a real estate developer.

Operating expenses in the real estate segment were significantly higher this quarter compared to last year due to the increased marketing/ selling activities and the organizational growth and development. This was one of the main contributors to the increase in consolidated general and administrative expenses on a quarter to quarter basis. It is expected that the operating costs for the real estate division will continue to escalate as expansion and strengthening of its real estate operations will be espoused but is justified with the appropriate increase in revenues.

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

CONSTRUCTION

The construction business, under wholly-owned construction company, D.M. Consunji, Inc. (DMCI), reported a substantial jump in operations for the period. Construction revenues and income for the period was up by 130% and 264% respectively, caused by the increased works from outside contracts and construction from the water business.

Finalized billings on construction of Shangrila Boracay, Robinsons One Adriatico and Cybergate Tower accounted for a sizeable share of the revenues for the period. In addition, construction from Maynilad, which already contributed P339 million in 2007, added P227 million of revenues just for the first quarter of 2008. Back-log work as of the end of the first quarter showed an amount of P1.87 billion compared to P1.95 billion at the end of 2007.

Contributions from the other non-traditional construction operations such as equipment rental and sales, plus the ready-mix concrete business were also helpful in providing gross contributions for the construction business.

General and administrative expenses for the construction group were slightly lower from last year. Construction overhead is expected to be at low levels consistent with the Company's cost reduction guidance, more so with the construction industry becoming more diversified and competitive.

As the sector grows due to increased infrastructure activity, the Company is still cautious in allocating significant resources into its construction business. Since the Company's core competence lies in its experience and skill in the construction industry, it uses this competence in the other (and newer) more recurring business ventures such as mining, water utility, real estate development, and power generation. With this in mind, the Company is still firm in providing engineering expertise and remains a stalwart provider of excellent construction services.

WATER

The water business, shared equally through a consortium with Metro Pacific Investments Corp. (MPIC), reported adverse results for the period. Share in net losses from the water business for the first quarter of 2008 was at P241 million, a big drop from the P172 million share in net income for the first quarter of 2007.

Net interest expense from loans at the consortium level amounted to P272 million from P84 million last year, half of which the Company shares with MPIC. These loans were obtained to solidify the acquisition of Maynilad Water Services, Inc. and are expected to be fully settled within the year.

Maynilad (effectively 42%-owned by the Company) reported a P629 million realized foreign exchange losses from the retirement of its long outstanding debt under rehabilitation. This was part of the consortium's efforts to ease Maynilad out of rehabilitation and into a more unrestricted operational and financial position. With this, the Company expects Maynilad to have a free hand with its capital expansion and financial leveraging. If we were to remove the foreign exchange losses, Maynilad's first quarter recurring income would have been P611 million, a 39% rise from the P439 million recurring income reported in the same period last year. Operationally, the initiatives to improve water operations are now being realized but were shrouded by the recognition of the said foreign exchange losses.

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

COAL MINING

The Company's coal mining business, operated by 55%-owned, publicly listed Semirara Mining Corp (SMC), reported a slight improvement in net results for first quarter of 2008 compared to the same period in 2007.

Below is SMC's management discussion and analysis of financial condition and results of operations lifted from its official 2008 First Quarter Report filed with the Securities and Exchange Commission (SEC) and the Philippine Stock Exchange (PSE):

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS 2008 FIRST QUARTER OPERATION

First quarter operations resulted to movement of total materials amounting to 9,280,236 bank cubic meters (bcm). This yielded a historic high run-of-mine (ROM) coal of 1,013,679 metric tons (MTs), reflecting a strip ratio of 8.44:1. Washable coal totaled to 129,270 MTs. Washed coal and clean coal combined recorded a net product coal of 1,003,542 MTs. Strong demand for Semirara coal continued to dictate the pace of operations to produce more coal, rather than intensify stripping activities. Meanwhile, less amount of washable coal was extracted as mining operations were focused on coal seams with better quality. These two factors resulted to the substantial production of coal this period.

Toward the end of the quarter, the first batch of new mining equipment, consisting of 7 units 100 tonner dump trucks, one unit power excavator, and one unit bulldozer, arrived in the mine site, signifying the start of the new expansion program that the Company is undertaking. Although this did not impact on the current period's production, this came in as a pleasant development for management, in light of the difficulty in acquiring equipment these days as a consequence of the boom in the mining industry.

During the period, a new set of drilling equipment was acquired to fast-track confirmatory drilling programs and exploratory drillings outside the established ultimate pit limit. This activity aims to find out if viable coal reserves go beyond the boundaries previously set for Panian pit.

Also, a bunker-fired generator set that has a rated capacity of 4MW had been brought in during the first quarter for back-up power supply, in preparation for the rainy season when utilization of dewatering pumps are on their peak usage, thus requiring more power.

Strong demand for Semirara coal, especially from export markets, translated to record high sales of 1,120,962 MTs. As a consequence, Ending Inventory has been trimmed to 292,460 MTs as more coal were sold than produced.

2008 FIRST QUARTER FINANCIAL CONDITION

Robust market during the period generated Coal Revenues amounting to P2.154 billion. Added to coal handling operations income of P9.284 million, total Revenues amounted to P2.163 billion. Cost of Sales, inclusive of P13 million Coal Handling Costs and P84.6 million shipping, loading and hauling costs totaled to P1.848 billion. The resulting Gross Profits was recorded at P314.912 million, reflecting a Gross Profit Ratio of 15%.

Operating Expenses registered at P85.624 million. This consisted of Government Share of P64.620 million and General and Administrative Expenses of P21.004 million. As a result, Net Operating Income was logged at P229.288 million.

Substantial cash generation during the period earned interest income from short-term placements which boosted Other Income to 14.659 million. On the other hand, Interest and Financing Charges of P26.096 million were expended for the Company's outstanding long-term and working capital loans.

The fluctuation of the foreign exchange between the US dollar and the peso resulted to a minimal Realized and Unrealized Forex Loss of P1.112 million and P838.1 thousand, respectively. Non-Recurring Charges of P17.472 million were recognized for wharfage dues of P34 million billed by the Philippine Ports Authority accrued from 1988-2007, 50% of which was paid under protest, offset by gain on sale of old equipment amounting to P16.6 million.
Net Income Before Tax resulted to P198.43 million. With full provision for Regular Corporate Income Tax of P58.516 million, Net Income After Tax was posted at P139.914 million. As at the end of the period, Total Assets dropped from P6.423 billion as at end of 2007 to P5.678 billion. The dip was primarily caused by the termination of short-term investments on 24 March 2008 to pay off the P1.1 billion cash dividends last 27 March 2008. Meanwhile, net proceeds of P314 million from the sale and lease back transactions that the Company availed to finance its capacity expansion program temporarily boosted Cash in Bank to P534.977 million from P237.357 million.

The resulting ending Cash and Cash Equivalents totaled to P1.183 billion, reflecting a 28% dip from beginning balance of P1.651 billion. Total Receivables increased by 5% from P1.116 billion beginning balance to P1.171 billion as at the end of the quarter. This is mainly caused by the increase in Receivables from Related Parties due to the granting of P50 million advances to an affiliate at 7% interest per annum, which was consequently repaid in April. Meanwhile, Trade Receivables comprise the bulk of Total Receivables at P 1.065 billion, representing 91% of the account.

Total Inventories registered a 26% decrease from P1.453 billion as at end of 2007 to P1.080 billion as at the end of the current period. Strong demand for coal caused the decrease in Coal Inventory from beginning balance of 424,299 MTs to P292,460 MTs ending level. Moreover, the increased activities at the mine site, including rehabilitation and modernization of facilities to support mine operations, most of which were delivered towards the end of 2007, necessitated the corresponding issuances of more materials and parts, thus bringing down Supplies Inventory by 25% from the beginning level.

The 11% growth of Prepaid and Other Expenses from P215.421 million beginning balance to P238.883 million ending balance resulted from accounting for additional creditable withholding taxes for coal sales during the quarter. The movements of the forgoing accounts resulted to a 17% drop of Total Current Assets from P4.435 billion as at the start of the year to P3.673 billion as at the end of the period.

Depreciation of mining equipment amounting to P367 million and reclassification to Financial Lease Assets of previously booked mining equipment that was later became a subject of a sale and lease back agreement brought down total Property, Plant and Equipment (PPE) to P1.492 billion from P1.904 billion beginning balance.

Meanwhile, the value of the equipment brought in for the expansion program which was covered by sale and leaseback arrangements was classified as Financial Leased Assets with recorded value of 333.573 million represented cost of lease agreements and other incidental expenses.
Investment and Advances also increased to P176.802 million from beginning balance of P80.871 million as a result of the additional amount released by the Company for its investment in power and mining businesses.

The resulting Non-Current Assets recorded a slight growth of 1% from P1.988 billion as at the start of the period to P 2.005 billion ending level.

Total Liabilities posted a 12% increase from beginning balance of P1.808 billion to P2.034 billion. This is mainly caused by the increase in Non-Current Liabilities which grew by 34% from P482.049 *million to P646.538 million, and augmented by the 5% growth in Current Liabilities from P1.326 billion to P1.387 billion as at the end of the period.*

The 21% growth in Accounts and Other Payables from beginning balance of P533.681 million to P643.938 million reflected the accrual of consignment parts for February and March amounting to P98M, accounting of withholding tax payable for the cash dividend amounting to P93M, provision for income tax payable of P58 million, and booking of other trade payables offset by payments made during the quarter.

The decrease in Current Portion of Long Term Debt from P730.171 million to P453.271 million as at the end of the period is due to payment of loan amortizations. The liability under the financing lease agreements entered into by the Company was presented as Financial Lease Liability account. Current Portion reflected a balance of P174.294 million, while Non-Current Portion amounted to P159.279 million as at the end of the quarter. Accrual of additional Income Tax Payable amounting to P58 million brought up the ending balance of the account to P98.683 million. On the other hand, liquidation of advances from other parties decreased Payable to Related Parties account from P12.921 million as at the start of the period to P7.23 million as at the close of the quarter. Meanwhile, Customers' Deposit represents the balance of advance payments made by customers. The 10% from P8.867 beginning balance to P9.797 million represents balance of advance payments made by a few customers.

Dividend Payments of P1.11 billion brought down Retained Earnings to P2.160 billion from P3.27 billion as at the start of the period. This quarter's Net Income After Tax of P139.914 million slightly offset the decrease in Stockholder's Equity which closed at P4.173 billion.

2008 COMPARATIVE REPORT

I. PRODUCTION

Total Material movement during the current quarter registered an 18% dip from first quarter 2007 material movement of 11,278,053 bcm to 9,279,804 bcm. This is a consequence of strong market demand which drove operations to focus on coal production, rather than waste stripping. As a result, waste moved reflected a 21% drop to 8,518,813 bcm as at the end of the quarter from last year's comparative period overburden volume of 10,839,737 bcm.

Strip ratio was managed at the ideal level of 8:1, as compared to Q1 2007 level of 17.66:1. Consequently, ROM coal recorded an unprecedented production volume of 1,065,387 MTs, registering a 74% increase from the comparable period production of 613,643 MTs. Net Product coal correspondingly showed a significant increase when production this year attained a record high of 1,003,542 MTs, posting an 82% increase over the previous period volume of 551,371 MTs. Ending inventory at the end of the current period of 292,460 MTs is leaner than previous comparable period level of 480,944 MTs as more coal orders were received and served this year, even more than the volume produced.

II. MARKETING

The successful diversification to the export markets totally changed the Company's market scenario, such that dependence to a few local buyers became a thing of the past. In Q1 2007, the Company set off its trial shipment to China consisting of 28,835 MTs of coal. Since then, export deliveries became more regular, such that during the current period, total export sales reached 453,670 MTs, accounting for 40% of total sales.

On the local front, the intermittent operation of the NPC Calaca Power units caused the decline of coal liftings to these plants by 46% to 193,476 MTs against Q1 2007 volume of 460,787 MTs. On a positive note, Sual and Pagbilao plants started to buy Semirara coal again, and during the period, a total of 42,783 MTs were delivered to these plants, tempering the decrease in total NPC volume to 35% from 360,787 MTs in Q1 2007 to 236,259 MTs this quarter. It is also noteworthy to mention that even with a bigger pie, NPC's market share has declined to 21%, compared to its 54% share in Q1 2007.

Meanwhile, sales to other power plants recorded a substantial increase of 146% from 56,192 MTs in Q1 2007 to 138,381 MTs this quarter as more users buy Semirara coal. In light of the increasing cost of importing coal, Semirara coal became a practical substitute for costly imported coal.

Sales to cement industry likewise showed an improvement by 20% from 192,681 MTs in Q1 2007 to 232,125 MTs in the current quarter. Similarly, sales to other industries were likewise given a 148% boost with more coal liftings by a local trader that distributes to different plants with small boilers.

As a result, despite the sizeable slump in NPC volume, total local sales registered a 5% growth on a quarter-to-quarter comparison from 634,183 MTs in Q1 2007 to 667,292 MTs this period. Added to the export volume, total sales this period reached 1,120,962 MTs, the highest volume shipped in a quarter in the history of Company and 69% higher than Q1 2007 sales of 662,944 MTs.

Composite average FOB price per MT of P1,923 is about the same as the comparable quarter's level of P1,927 as most of the deliveries were covered by 2007 contracts, the terms of which spilled over to Q1 this year. The increase in price for contracts signed starting last quarter last year up to the current quarter will only be felt starting Q2 this year.

III. FINANCE

A. Sales and Profitability

The significant increase in sales volume translated to a corresponding 69% growth in Coal Sales from P1.277 billion in Q1 2007 to P2.154 billion in the current quarter. The dip in sales to NPC-Calaca also explained the slump of Coal Handling Revenues from P26.037 million in the previous comparable quarter to P9.284 million this period. The resulting Total Revenues managed to record an impressive 66% growth from P1.303 billion in Q1 2007 to P2.163 billion this year.

Increased Sales volume likewise correspondingly increased Cost of Sales from P1.058 billion in Q1 last year to P1.843 billion in the current period. Comparatively, cost of coal sold per MT also rose to P1,557 this quarter against P1,516/MT in Q1 2007. The decrease in depreciation cost per MT was offset by the increase in fuel, materials and parts and contracted services costs. Moreover, shipping and hauling cost is 112% higher this quarter, due to accounting for additional $2/MT for midstream loading for some export shipments and wharfage fees for all export deliveries.

The resulting Gross Profit reflected a 31% increase from P245.146 million to P320.404 million. However, higher Cost of Sales brought down Gross Profit Margin to 15% from 18% in Q1 2007. Government Share is higher by 68% from P38.32 million in Q1 2007 to P64.620 million this year resulting from the 69% increase in Coal Sales. Meanwhile, General and Administrative Expenses were maintained at almost the same level.

Other Income (Charge) consisted mainly of interests earned on short-term placements and gain on sale of old and retired equipment amounting to P16.6M, offset by non-recurring charges on accrued wharfage dues from 1988-2007 of P34 as billed by the Philippine Ports Authority.

On the other hand, Interest and Financing Charges recorded a 37% decrease from P41.271 million to P26.096 million as a result of the decline in interest-bearing loans balances and continuous drop in interest rates.

Foreign Exchange losses were a result of the fluctuation of the dollar against the peso, which recorded at P41.28: $USD1 at the beginning of the year to P41.87 : $USD1 as at 31 March 2008. Net Income Before Tax showed a 15% growth this quarter at P198.431 million from P171.823 million.

After provision for Income Taxes, Net Income After Tax likewise posted a 17% increase from P119.941 million in Q1 2007 to P139.914 mullion this period.

Earnings per Share correspondingly increased by 17% from P0.4321 to P0.5041 as at the end of the current quarter. EBITDA likewise increased by 17% from P573.409 million in Q1 2007 to P669.738 million this period.

B. Solvency and Liquidity

Net Cash Provided by Operations of P477.035 million as at the end of the period reflected a 289% increase over Q1 2007 level of P124.349 million. This is mainly caused by the more sizeable decrease in Inventories this year by P372.810 million, as compared to last year's reduction in the account by P127.599 million. Moreover, with more export sales that are covered by sight Letters of Credit, average collection period is shorter, thus despite the increase in coal Sales, increase in Receivables, which were mainly trade-related was maintained at a manageable level of P55.570 million. In the previous comparable quarter, Receivables rose to P398.048 million.

The significant growth in Accounts and Other Payables in the current period is a consequence of the accrual of consignment parts amounting to P98M, accounting of withholding tax payable for the cash dividend amounting to P93M, provision for income tax payable of P58 million, and booking of other trade payables offset by payments made during the quarter.

Total Short-Term placements in the current quarter is higher than Q1 2007 placements. Hence, Interest Received this period is significantly higher by 63% at P15.089 million compared to P9.250 million earnings last year. Conversely, Interest Paid is lower by 48% at P21.696 million, as against last year's payment of P41.511 million. This is explained by lower interest-bearing loans balances and lower interest rates this year.

The resulting Net Cash Provided by Operating Activities is substantially higher by 418% at P477.035 million from P92.088 million as at end of Q1 2007.

Meanwhile, Additions to PPE reflected a positive figure as a result of the sale and lease back arrangement entered into by the Company. Meanwhile, investments to the power and mining businesses recorded a cash outflow of P95.931 million. Increase in Non-Current Assets was more substantial this year with the purchase of additional mining equipment. Capex was minimal in the previous period. Cash generated from investing activities was posted at P128.795 million in the current period as compared to the P219.931 million recorded last year.

The declaration and payment of Cash Dividends amounting to P1.11 billion primarily explained the huge difference in Cash Used in Financing Activities. This period's loan availments and proceeds from sale and leaseback of equipment were almost offset by Repayments of Long-Term Debts.

With the significant Cash Dividend payments this year, Cash and Cash Equivalents dropped by P467.944 million as at the end of the period. As a result, Ending Cash Balance decreased to P1.183 billion from beginning balance of P1.651 billion. However, this amount is still better by 77% compared to Q1 2007 Cash balance of P667.739 million.

The Company's liquidity position remained impressive with a Current Ratio of 2.65x, despite recording a drop as compared to yearend 2007 level of 3.34x. Meanwhile, Total Debt-to-Equity ratio likewise posted a decrease from yearend 2007 DE ratio of 0.39:1, but remained strong at 0.56:1 as at the end of the current period.

IV. PERFORMANCE INDICATORS:

1. Average Selling Price *– Selling price to all customers increased during the current period. However, market share of export sales covered by contracts signed in 2007 and were priced lower substantially increased. As a result, composite average price was pulled down. However, average selling price is expected to go up starting Q2 this year as export contracts signed toward the end of 2007 and Q1 2008 were priced higher and will be lifted starting the succeeding quarter.*

2. Debt-to-Equity Ratio *- Despite the declaration and payment of sizeable cash dividends, the Company's financial strength remained robust as illustrated by a healthy Debt-to-Equity Ratio. As a result, lender confidence remained strong, thus benefiting the Company with prime borrowing rates.*
3. Capital Expenditures *– Market developments, especially offshore, provided a good opportunity for the Company to expand its operations. In this light, it has embarked on another capacity expansion and modernization program to serve growing demand for Semirara coal. As a result, Capital Expenditures are expected to be substantial this year.*

4. Expanded Market *– The continued efforts of the Company to broaden the market for its product has finally paid off when it was able to successfully penetrate the export markets.*
With more markets demanding for coal supply, the Company has finally able to start pricing its coal at par with regional prices. Moreover, increasing demand from local markets has started to establish the reliability of Semirara coal as effective import substitute for thermal coal from Indonesia and China.

5. Improved coal quality *– The inherent low grade quality of Semirara coal presents a continuous challenge to the Company to make its coal marketable. As a consequence, it is a top order in its priority to enhance coal quality by installing processes like coal washing. The Company is currently planning to install another coal washing plant. Also, to ensure that customer specifications are met, the Company ascertains that its laboratory facilities are kept up-to-date with technological advancements.*

Now that sustainability have been established with the emergence of its coal exports, the Company is poised to include the coal business as a strategic partner in entering the power and nickel mining industries. SMC have invested in and co-owns 50% of DMCI Power and DMCI Mining, the power generation and nickel mining unit of the Company. With this, the Company and SMC hopes to provide shareholder value thru additional coal take-up and optimum equipment usage aside from the promising business prospects in the power and nickel mining industries.

NICKEL MINING

The Company now reported nickel mining operational results after just over a year of incorporating DMCI Mining Corp., the entity that operates the Company's venture into the nickel mining business. DMCI Mining reported revenues of P97 million and income of P2.2 million. Income was at low levels due to timing differences in billing and revenue recognition, the costs of which have already been expensed due to conservatism. DMCI Mining expects to book these revenues in the 2nd quarter of 2008 which will go directly to net income. The Company expects the nickel mining business to grow significantly and be a future key contributor to consolidated operations.

OTHERS

The Company's consolidated income statement for the period now includes income from noncurrent assets held for sale worth P3.3 million. This is from the inclusion of Atlantic Gulf & Pacific Co. (AG&P) which the Company now owns 96% compared to 45% for the same period last year. The Company, late in 2007, converted its receivables worth P957 million into equity in AG&P, increasing its ownership. However, the Company's board decided that AG&P will be sold and as such AG&P is reported on a net-line basis in the consolidated financial statement.

AG&P is the oldest construction company in the Philippines specializing in steel fabrication. It currently has major projects for Goro Nickel composed of modular steel works and fabrication being done here and the hook-up and commissioning of these modular steel structures in New Caledonia. The contract amount of this Goro Nickel project is around US$100 million with major revenue and income expected to be booked in subsequent periods of the year.

The Company expects to dispose AG&P in 2008 and the cash proceeds will be used for the investments into the power and toll road segments.

II. FINANCIAL CONDITION

The Company's financial condition for the period marginally increased as total assets increased by just 3% from the end of 2007.

Cash increased by 3% due mainly to the normal cash transactions on a consolidated level. Long term debt payments at the coal mining business have been equalized by new loans obtained at the construction level.

Total receivables (current and non-current) went up 25% as a result of heightened 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.

The notable coal take-up from improved local demand and growing coal exports reduced coal inventory accounting for much of the decrease in consolidated inventory for the Company.

Investments were up as a result of the Company's share in net operationgs of unconsolidated equity investments and additional investments into the power generation businesses which is not yet consolidated due to its pre-operating stages.

Depreciation from coal equipment accounted for almost all the decrease in consolidated property, plant and equipment. This decrease was counteracted by acquisitions of new coal mining equipment.

Bank loans increased due to new loans obtained by the construction segment. These loans are expected to prepare the construction business for new projects more specifically for the toll road construction.

Accounts & other payables increased marginally as a result of trade operations and accruals. Customers' deposits now decreased as sales from these customers have reached full recognition status (25% collected and unit fully complete) and as such, the appropriate revenue and receivables have been recorded.

Long term liabilities (including current portion) decreased due to current repayments and prepayments mostly done in the coal mining segment. SMC's expansion was financed mainly by long term loans but has prepaid most of its loans within the year from internally generated cash.

Non-current assets and liabilities associated with assets held for sale are from AG&P which is consolidated under the net-line basis due to its specific identification of future disposal. AG&P liabilities increased from normal operations and accruals the asset effect of which have yet to be recognized due to the normal timing differences for billings on services.

Current ratio decreased from 2.21 to 1.99 due to loans obtained under the construction segment. Despite this, the Company's current debt repayment capability remains healthy and well within industry averages. Debt to equity ratio declined from 0.78 to 0.86 as total liabilities increased. The Company notes that the debt to equity ratio is still below 1, indicating a strong owner base and a very strong gearing position. The debt to equity ratio was 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:

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

CHANGE IN COAL SALES

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

CHANGE IN REAL ESTATE SALES

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

CHANGE IN CONSTRUCTION REVENUE

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

CHANGE IN NET INCOME

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

CURRENT RATIO

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

DEBT TO EQUITY RATIO

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

OTHER INFORMATION

1. This interim financial report is in compliance with generally accepted accounting principles;
2. The same accounting policies and methods of computation are followed in the interim financial statements as compared with the most recent annual financial statements;
3. The company's operation is a continuous process. It is not dependent on any cycle or season;
4. A cash dividend was declared at the amount of Php 0.10 per common share to be paid on May 30, 2008 to the holders of record of May 12, 2008.
5. There were no subsequent events that have not been reflected in the financial statements for the period that the company have knowledge of;
6. There are no contingent accounts in the balance sheet of the corporation;
7. Except for interest payments on loans, which the Company can fully service, the only commitment that would have a material impact on liquidity are construction guarantees. These are usually required from contractors in case of any damage / destruction to a completed project.
8. Any known trends or any known demands, commitments, events or uncertainties that will result in or that will have a material impact on the registrant's liquidity. – NONE
9. The Company recognizes that the continuing slump in the property sector would keep both real estate sales and construction revenues moderate. Nonetheless, the Group's venture into middle-income housing development is expected to significantly contribute to revenues and income.

EXTERNAL AUDIT FEES

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

	2006	**2007**
DMCI Holdings, Inc.	1,232,000.00	1,232,000.00
D. M. Consunji, Inc.	800,000.00	800,000.00
DMCI Project Developers	500,000.00	500,000.00
Semirara Mining Corporation	1,100,000.00	1,100,000.00
Aggregate amount	**3,632,000.00**	**3,632,000.00**

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

3. Tax Fees – The above external audit fees are subject to 12% for the years 2006 and 2007

4. All other fees – **NONE**

5. The Audit Committee has checked all financial reports against its compliance with both the internal financial management handbook and pertinent accounting standards, including

regulatory requirements. They have pre-approved all audit plans, scope and frequency one (1) month before the conduct of external audit. The financial statement was then presented to and approved by the Audit Committee and Board of Directors. Payments and fees related to the services by the external auditor were discussed and approved by Audit Committee, Internal Auditor and Accounting group.

IV. Business and General Information

The Company was incorporated on March 8, 1995 as a holding company to consolidate all construction business, construction component companies and related interests of the Consunji Family. It was listed on the Philippine Stock Exchange on December 18, 1995.

In only a few years after incorporation, the Company has expanded its business organization to include four major subsidiaries, namely: D.M. Consunji, Inc. (DMCI), DMCI Project Developers, Inc. (PDI), Atlantic Gulf and Pacific Company of Manila, Inc. (AG&P) and Semirara Mining Corporation [(SMC) (formerly Semirara Coal Corporation)]. In 2006, the Company has entered into a 50-50 consortium with Metro Pacific Investments Corporation who won the bid to acquire 84% stake in Maynilad Water Services, Inc. (MWSI). Recently, the company has established a wholly-owned power generation subsidiary to engage in the construction, operation and maintenance of power plants.

DMCI, a wholly owned subsidiary, is engaged in general construction services– the Group's core business. It is also engaged in various construction component businesses such as the production and trading of concrete products and electrical and foundation works. Incorporated and founded in 1954, DMCI is currently one of the leaders in the Philippine construction industry, noted for quality projects delivered on time and its pioneering application of advanced engineering methodology. In addition, DMCI, together with its affiliate PDI, is actively engaged in real estate sales and development, launching its housing component **- *DMCI Homes***, in early 2002.

PDI, another wholly owned subsidiary incorporated in 1995, is engaged in construction business-generating investments primarily through its equity participation in various project and infrastructure development activities. These ventures generate not only investment income but also construction business for DMCI. Currently, PDI, hand in hand with affiliate DMCI, is actively engaged in real estate sales and development.

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

SMC, a 56%-owned publicly listed company established in 1980 is engaged in the exploration, mining, development and sales of coal resources on Semirara Island in Caluya, Antique. It is currently the Philippines' largest coal-producing company with a guaranteed long-term market by virtue of its supply contract with state-run National Power Corporation (NPC).

DMCI Power Corporation (DPC), a wholly-owned subsidiary of HI, 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 50-50 consortium with Metro Pacific Investments Corporation which owns 83.97% equity at Maynilad Water Services, Inc. (MWSI). MWSI bid was issued by the Metropolitan Waterworks and Sewerage System and it was awarded to DMWC last December 5, 2006 and was formally turned over on January 24, 2007 at Malacanang Palace presided by Her Excellency President Gloria Macapagal-Arroyo.

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

Competition. – Among the publicly listed companies, DMCI Holdings, Inc. is the only holding company which has construction for its primary investment. Its construction business is primarily conducted by wholly owned D.M. Consunji, Inc. (DMCI), which has, for its competitors, numerous construction contracting companies, both local and foreign, currently operating in the country. It has been an acknowledged trend that the state of construction industry depends mainly on prevailing economic conditions. Thus, the currently weak economic growth explains the continued slump in the construction industry. Given this trend, DMCI has been focusing on selected markets where construction demand has remained relatively strong, particularly, in housing and civil works. This is where the company believes it can compete effectively given its strong construction capabilities, equipment and manpower complement, and track record.

Dependence on a few customers. – Not applicable

Transactions with and/or dependence on related parties. **-** Aside from inter-company transactions within the group of companies, and SMC's long term supply contract with NPC, the Company has no known transactions with and/or dependence on related parties.

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

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

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

Costs and effects of compliance with environmental laws. - Costs vary depending on the size and nature of a construction project. Failure to comply with the terms of the ECC (environmental compliance certificate) can lead to imposition of fines and temporary cessation of operations.

Total number of employees and number of full time employees.

Total No. of Employees	12
Fulltime Employees	12

V. Market Price of and Dividends on Registrant's Common Equity and Related Stockholder Matters

1. Market Information

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

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

Common Share Prices		High	Low
2005	First Quarter	3.50	3.35
	Second Quarter	2.44	2.38
	Third Quarter	3.30	3.20
	Fourth Quarter	3.15	2.95
2006	First Quarter	3.55	3.40
	Second Quarter	3.80	3.60
	Third Quarter	3.80	3.75
	Fourth Quarter	6.10	6.00
2007	First Quarter	7.40	7.20
	Second Quarter	9.60	9.10
	Third Quarter	9.20	8.90
	Fourth Quarter	9.80	9.60

Preferred Share Prices		High	Low
2005	First Quarter	775	775
	Second Quarter	775	775
	Third Quarter	775	775
	Fourth Quarter	775	775
2006	First Quarter	1,400	1,400
	Second Quarter	1,400	1,400
	Third Quarter	1,400	1,400
	Fourth Quarter	1,400	1,400

2007	First Quarter	0	0
	Second Quarter	0	0
	Third Quarter	0	0
	Fourth Quarter	0	0

Price information as of the latest practicable trading date: As of May 23, 2008:

	High	Low	Close	Volume
Common Shares	6.90	6.80	6.90	1,326,000
Preferred Shares	0	0	0	0

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

2. Holders

As of May 31, 2008 the Company had a total of 839 shareholders of which 821 were holders of common shares and 18 were holders of preferred shares.

DMCI HOLDINGS, INC.
List of Top 20 Stockholders
March 31, 2008

Rank	N a m e/A d d r e s s	Citizenship	Class	Number of Shares	Percentage
1	DACON CORPORATION C/O DMCI HOLDINGS, 3RD/F DACON BLDG., 2281 PASONG TAMO, MAKATI CITY	FILIPINO	A	1,020,359,329.00	38.424464
2	PCD NOMINEE CORPORATION G/F MAKATI STOCK EXCHANGE BLDG., 6767 AYALA AVE., MAKATI CITY	FOREIGNER	A	713,157,749.00	26.855935
3	PCD NOMINEE CORPORATION G/F MAKATI STOCK EXCHANGE BLDG., 6767 AYALA AVE., MAKATI CITY	FILIPINO	A	586,636,026.00	22.091408
4	CRISTINA C. GOTIANUN DMCI HOLDINGS, INC. 3F DACON BLDG., 2281 PASONG TAMO EXT., MAKATI CITY	FILIPINO	A	105,615,712.00	3.977253
5	JORGE A. CONSUNJI DMCI HOLDINGS, INC. 3F DAON BLDG., 2281 PASONG TAMO EXT., MAKATI CITY	FILIPINO	A	86,682,770.00	3.26428
6	VICTOR A. CONSUNJI DMCI HOLDINGS, INC. 3/F DACON BLDG., 2281 PASONG TAMO EXT., MAKATI CITY	FILIPINO	A	86,682,558.00	3.264272
7	DMCI RETIREMENT PLAN C/O DMCI HOLDINGS, 3F DACON BLDG.,	FILIPINO	A	19,980,000.00	0.752402

	2281 PASONG TAMO, MAKATI CITY				
8	DAVID M. CONSUNJI 4688 PASAY ROAD DASMARINAS VILLAGE MAKATI METRO MANILA	FILIPINO	A	8,142,254.00	0.306619
9	MA. EDWINA C. LAPERAL DMCI HOLDINGS, INC. 3F DACON BLDG., 2281 PASONG TAMO EXT., MAKATI CITY	FILIPINO	A	5,412,400.00	0.203819
10	DMCI RETIREMENT FUND 2281 PASONG TAMO EXTENSION MAKATI CITY	FILIPINO	A	2,600,000.00	0.09791
11	ANTONIO C. JOSUE #58 BERBENIA ST., TAHANAN VILLAGE, PARANAQUE, METRO MANILA	FILIPINO	A	2,150,000.00	0.080964
12	PACITA N. LEE #69 GORORDO AVE., CEBU CITY 6000	FILIPINO	A	1,100,000.00	0.041424
13	LOURDES BUENAVENTURA UNIT 27, 58 MCKINLEY FORBES PARK, MAKATI CITY	FILIPINO	A	700,000.00	0.02636
14	ALLIED BANKING CORPORATION MERCHANT BANKING DIVISION, ALLIED BANKING CORP (ABC) MEZANINE FLR ALLIED BANK CTR. 6754 AYALA AVE., MAKATI CITY	FILIPINO	A	695,000.00	0.026172
15	MA. EDWINA/MIGUEL DAVID C. LAPERAL DMCI HOLDINGS, INC. 3F DACON BLDG., 2281 PASONG TAMO EXT., MAKATI CITY	FILIPINO	A	550,000.00	0.020712
16	EDGARDO MARCOS DE VERA 11F PACIFIC STAR BLDG., SEN. GIL PUYAT, COR. MAKATI AVE., MAKATI CITY	FILIPINO	A	520,000.00	0.019582
17	YNTALCO REALTY DEVT. CORPORATION C/O PCI CAPITAL CORPORATION	FILIPINO	A	500,000.00	0.018829
18	BENIGNO DELA VEGA #56 TINIO ST., MANDALUYONG CITY	FILIPINO	A	410,000.00	0.01544
19	LOURDES BUENAVENTURA UNIT 27, 58 MCKINLEY FORBES PARK, MAKATI CITY	FILIPINO	A	400,000.00	0.015063
20	MARY O. CO 2F DMCI PLAZA 2281 CHINO ROCES AVE., MAKATI CITY	FILIPINO	A	400,000.00	0.015063
				====================	===========
	TOTAL TOP 20 ===>			2,642,693,798.00	99.517973
				====================	===========
				====================	===========
	OTHER STOCKHOLDERS ===>			12,800,202.00	0.482027
				====================	===========
				====================	===========
	TOTAL OUTSTANDING ===>			2,655,494,000.00	100
				====================	===========

DMCI HOLDINGS, INC.
List of Top 20 Stockholders
March 31, 2008

Rank	N a m e/A d d r e s s	Citizenship	Class	Number of Shares	Percentage
1	PCD NOMINEE CORPORATION G/F MAKATI STOCK EXCHANGE BLDG., 6767 AYALA AVE., MAKATI CITY	FILIPINO	P	3,360.00	75
2	AACTC TID FAO TA # 97-029 C/O ALL ASIA CAPITAL CENTER 105 PASEO DE ROXAS, MAKATI CITY	FILIPINO	P	200	4.464286
3	AFP RSBS EMPLOYEES RETIREMENT BENEFITS PLAN AFP RSBS, CAMP AGUINALDO QUEZON CITY	FILIPINO	P	200	4.464286
4	EDGAR VERON CRUZ C/O DMCI, PASONG TAMO EXT. MAKATI CITY	FILIPINO	P	100	2.232143
5	CONSUELO T. MENDOZA #27 ROCHA ST., SAN LORENZO VILLAGE, MAKATI CITY	FILIPINO	P	100	2.232143
6	VICTOR Q. GARCIA AND/OR ANNA MARIA S. GARCIA 6 6TH STREET, NEW MANILA, QUEZON CITY	FILIPINO	P	100	2.232143
7	RAMON O. TORRES, JR. PCI CAPITAL CORP. 20/F PCIB TOWER 1 MAKATI AVE.	FILIPINO	P	70	1.5625
8	UBP T/A # 1A1-052-85 UNIONBANK OF THE PHILS. 3/F SSS BLDG., AYALA AVE., COR. HERRERA ST., MAKATI CITY	FILIPINO	P	50	1.116071
9	LILIA B. YANG 4/F SYCIPLAW-ALL ASIA CENTER GIL PUYAT AVE., MAKATI CITY	FILIPINO	P	50	1.116071
10	HELEN SY TAN 2206 OROQUIETA ST. STA. CRUZ, MANILA	FILIPINO	P	50	1.116071
11	CYNTHIA RUTH GRACE OROFEO C/O ASIANBANK CEBU-AYALA BRANCH	FILIPINO	P	50	1.116071
12	GEORGE W. CHUA RM. 307 WELLINGTON BLDG., ORIENTE ST., BINONDO, MANILA	FILIPINO	P	40	0.892857
13	CONSTANTINO W. CHUA RM. 307 WELLINGTON BLDG. ORIENTE ST., BINONDO MANILA	FILIPINO	P	40	0.892857
14	ROCO BUNAG KAPUNA & MIGALLOS LAW OFFICES ITF CLIENT 16F STRATA 200, EMERALD AVE., PASIG CITY	FILIPINO	P	20	0.446429
15	ROMEO C. CRUZ, JR. $5 CONCEPCION ST. MANDALUYONG CITY	FILIPINO	P	20	0.446429
16	MELISSA J. TERMULO 59 IBAYO, MARILAO, BULACAN	FILIPINO	P	10	0.223214
17	DAVE FUENTEBELLA	FILIPINO	P	10	0.223214

	418 MADRIGAL AVENUE, AYALA ALABANG VILL., MUNTINLUPA, MM.				
18	LESLIE C. CHU GORORDO AVE., CEBU CITY	FILIPINO	P	10	0.223214
				====================	===========
	TOTAL TOP 20 ===>			4,480.00	100
				====================	===========
				====================	===========
	OTHER STOCKHOLDERS ===>			0	0
				====================	===========
				====================	===========
	TOTAL OUTSTANDING ===>			4,480.00	100
				====================	===========

3. Dividends

Set forth below are cash dividends declared on each class of its common equity by the Company for the two most recent fiscal years and any subsequent interim period for which financial statements are required to be presented by SRC Rule 68:

(1) On April 7, 1999, the Company paid the semi-annual dividend of 2.5 % for last semester of the second year to the holders of the preferred shares.
(2) On October 7, 1999, the Company paid the semi-annual dividend of 3.6 % for the first semester of the third year to the holders of the preferred shares.
(3) On April 7, 2000, the Company paid the semi-annual dividend of 3.6% for last semester of the third year to the holders of the preferred shares.
(4) On October 7, 2000, the Company paid the semi-annual dividend of 3.6% for the first semester of the fourth year to the holders of the preferred shares.
(5) On July 20, 2006, the Company paid cash dividends at the amount of PhP 0.10 per outstanding common share to the holders of record of June 30, 2006
(6) On May 28, 2007, the Company paid cash dividends at the amount of Pho 0.10 per outstanding common share to the holders of record of April 30, 2007.
(7) On May 30, 2008, the Company paid cash dividends at the amount of Php 0.10 per outstanding common share to the holders of record of May 12, 2008.

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**

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

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

DMCI HOLDINGS
INCORPORATED

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

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

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **DMCI HOLDINGS, INC.** is responsible for all information and representations contained in the financial statements for the years ended December 31, 2007 and 2006. 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

SUBSCRIBED AND SWORN to before me this APR 2 8 2008 day of ____ 2008 in Makati City, affiant exhibiting to me their Community Tax Certificates which are as follows:

DAVID M. CONSUNJI	19488777	January 18, 2008	Makati City
ISIDRO A. CONSUNJI	19491997	January 18, 2008	Makati City
HERBERT M. CONSUNJI	11502325	January 11, 2008	Parañaque

Doc. No. 492
Page No. 100
Book No. 114
Series of 2008

ATTY. LOPE M. VELASCO
NOTARY PUBLIC
Until Dec. 31, 2009
PTR O.R. No. 6238211 – Mla. 01/02/08
IBP O.R. No. 712488 – Mla. 12/20/07
TIN 212-965-989
Roll No. 28757 02

COVER SHEET

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

SEC Registration Number

DMCI HOLDINGS, INC. AND SUBSIDIARIES

(Company's Full Name)

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

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

Herbert M. Consunji

(Contact Person)

888-3000

(Company Telephone Number)

1 2	3 1
Month	*Day*

(Fiscal Year)

AAFS

(Form Type)

Month *Day*

(Annual Meeting)

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

S T A M P S

Remarks: Please use BLACK ink for scanning purposes.

SGV & Co

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

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

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

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of DMCI Holdings, Inc. and Subsidiaries, which comprise the consolidated balance sheets as at December 31, 2007 and 2006, and the consolidated statements of income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2007, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of DMCI Holdings, Inc. and Subsidiaries as of December 31, 2007 and 2006, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2007 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Jessie D. Cabaluna

Jessie D. Cabaluna
Partner
CPA Certificate No. 36317
SEC Accreditation No. 0069-AR-1
Tax Identification No. 102-082-365
PTR No. 0017580, January 3, 2008, Makati City

April 24, 2008

DMCI HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31	
	2007	2006
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 4 and 35)	**₱3,539,647,599**	₱1,251,911,185
Available-for-sale financial assets - net (Notes 5 and 35)	**202,673,060**	259,591,510
Receivables - net (Notes 6, 23 and 35)	**2,860,779,922**	3,837,332,900
Costs and estimated earnings in excess of billings on uncompleted contracts (Note 7)	**140,681,468**	17,016,194
Inventories - net (Note 8)	**6,375,959,003**	4,714,825,303
Other current assets (Note 9)	**568,933,917**	379,056,837
Total Current Assets	**13,688,674,969**	10,459,733,929
Noncurrent assets held for sale (Note 21)	**2,976,608,671**	–
	16,665,283,640	10,459,733,929
Noncurrent Assets		
Noncurrent receivables - net (Notes 6, 23 and 35)	**1,983,314,250**	687,640,695
Investments in associates, jointly controlled entities and others - net (Note 10)	**5,055,376,680**	3,170,873,740
Investment properties - net (Note 12)	**2,057,446,353**	2,279,058,851
Property, plant and equipment - net (Note 13)	**2,933,158,199**	3,375,910,498
Deferred tax assets (Note 30)	**207,507,492**	219,867,967
Other noncurrent assets - net (Note 14)	**161,118,901**	405,868,058
Total Noncurrent Assets	**12,397,921,875**	10,139,219,809
	₱29,063,205,515	₱20,598,953,738
LIABILITIES AND EQUITY		
Current Liabilities		
Bank loans (Notes 15 and 35)	**₱40,310,953**	₱53,810,969
Current portion of liabilities for land purchased (Note 16)	**169,088,537**	109,600,945
Accounts and other payables (Notes 17 and 35)	**2,766,998,825**	2,293,463,302
Current portion of long-term debt (Notes 19 and 35)	**1,843,238,927**	1,489,583,736
Billings in excess of costs and estimated earnings on uncompleted contracts (Note 7)	**30,887,799**	20,565,739
Customers' deposits (Note 18)	**1,271,183,687**	732,944,117
Income tax payable (Note 30)	**58,968,314**	43,891,708
Total Current Liabilities	**6,180,677,042**	4,743,860,516
Liabilities directly associated with noncurrent assets held for sale (Note 14)	**2,327,975,504**	–
	8,508,652,546	4,743,860,516

(Forward)

	December 31	
	2007	2006
Noncurrent Liabilities		
Long-term debt - net of current portion (Notes 19 and 35)	**₱2,022,066,905**	₱3,139,782,380
Liabilities for land purchased - net of current portion (Note 16)	**433,851,564**	280,791,418
Payable to related parties (Notes 23 and 35)	**450,685,775**	447,501,228
Deferred tax liability (Note 30)	**273,440,703**	263,768,032
Pension liabilities (Note 24)	**127,411,427**	47,171,177
Other noncurrent liabilities (Notes 20 and 35)	**16,955,199**	15,888,611
Total Noncurrent Liabilities	**3,324,411,573**	4,194,902,846
Total Liabilities	**11,833,064,119**	8,938,763,362
Equity attributable to equity holders of the DMCI Holdings, Inc.		
Paid-up capital	**7,421,640,006**	4,659,283,306
Retained earnings	**7,701,472,463**	5,103,727,748
Net unrealized gain (loss) on available-for-sale financial assets (Note 5)	**(35,880,000)**	39,872,880
Preferred shares held in treasury	–	(1,100,000)
	15,087,232,469	9,801,783,934
Minority interests		
Minority interests - net of interest attributable to noncurrent assets held for sale	**2,121,837,524**	1,858,406,442
Minority interests attributable to noncurrent assets held for sale	**21,071,403**	–
Total Equity	**17,230,141,396**	11,660,190,376
	₱29,063,205,515	₱20,598,953,738

See accompanying Notes to Consolidated Financial Statements.

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

For the year ended December 31, 2007

	ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT								
	Capital Stock (Note 22)	Additional Paid-in Capital (Note 22)	Total Paid-up Capital (Note 22)	Retained Earnings (Note 22)	Net Unrealized Gain (Loss) on Available-for-Sale Investments (Note 5)	Preferred Shares Held in Treasury (Note 22)	Total	ATTRIBUTABLE TO MINORITY INTERESTS	TOTAL EQUITY
As of January 1, 2007	₱2,255,499,480	₱2,403,783,826	₱4,659,283,306	₱5,103,727,748	₱39,872,880	(₱1,100,000)	₱9,801,783,934	₱1,858,406,442	₱11,660,190,376
Cancellation/retirement of issued preferred shares (Note 22)	(1,000)	(1,099,000)	(1,100,000)	–	–	1,100,000	–	–	–
Issuance of additional common shares)	400,000,000	2,363,456,700	2,763,456,700	–	–	–	2,763,456,700		2,763,456,700
Net income for the year	–	–	–	2,840,094,115	–	–	2,840,094,115	286,832,064	3,126,926,179
Change in fair value of assets	–	–	–	–	(35,880,000)	–	(35,880,000)	–	(35,880,000)
Transferred to profit and loss	–	–	–	–	(39,872,880)	–	(39,872,880)	–	(39,872,880)
Dividends	–	–	–	(242,349,400)	–	–	(242,349,400)	(138,859,093)	(381,208,493)
Increase in minority interests	–	–	–	–	–	–	–	136,529,514	136,529,514
Balances at December 31, 2007	**₱2,655,498,480**	**₱4,766,141,526**	**₱7,421,640,006**	**₱7,701,472,463**	**₱(35,880,000)**	**₱–**	**₱15,087,232,469**	**₱2,142,908,927**	**₱17,230,141,396**

For the year ended December 31, 2006

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

	For the year ended December 31, 2005								
	ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT								
	Capital Stock	**Additional Paid-in Capital**	**Total Paid-up Capital**	**Retained Earnings**	**Net Unrealized Gain on Available-for-Sale Investments**	**Preferred Shares Held in Treasury**	**Total**	**ATTRIBUTABLE TO MINORITY INTERESTS**	**TOTAL EQUITY**
As of January 1, 2005									
as previously reported	₱2,255,836,240	₱2,827,839,006	₱5,083,675,246	₱643,926,308	–	(₱239,096,300)	₱5,488,505,254	₱173,986,410	₱5,662,491,664
PAS 39 adjustments (Note 2)	–	–	–	(41,459,151)	2,402,067	–	(39,057,084)	–	(39,057,084)
Balance at January 1, 2005									
as restated	2,255,836,240	2,827,839,006	5,083,675,246	602,467,157	2,402,067	(239,096,300)	5,449,448,170	173,986,410	5,623,434,580
Cancellation/retirement of issued									
preferred shares	(197,760)	(234,364,680)	(234,562,440)	–	–	234,562,440	–	–	–
Redemption of preferred shares	–	–	–	–	–	(182,676,790)	(182,676,790)	–	(182,676,790)
Net income for the year	–	–	–	3,591,510,502	–	–	3,591,510,502	589,134,270	4,180,644,772
Increase in minority interest	–	–	–	–	–	–	–	858,195,203	858,195,203
Balances at December 31, 2005	₱2,255,638,480	₱2,593,474,326	₱4,849,112,806	₱4,193,977,659	₱2,402,067	(₱187,210,650)	8,858,281,882	₱1,621,315,883	₱10,479,597,765

See accompanying Notes to Consolidated Financial Statements.

DMCI HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31		
	2007	2006	2005
REVENUE			
Coal sales	**₱6,466,700,620**	₱4,687,694,870	₱5,552,892,725
Real estate sales	**2,455,167,228**	1,905,080,720	1,508,478,092
Construction contracts	**2,954,719,610**	1,746,748,032	2,790,475,944
Merchandise sales and others	**568,564,114**	362,079,443	177,634,429
	12,445,151,572	8,701,603,065	10,029,481,190
COSTS OF SALES AND SERVICES (Note 25)			
Coal sales	**5,193,989,609**	3,713,161,109	3,305,420,022
Real estate sales	**1,258,497,532**	1,130,883,288	1,021,634,826
Construction contracts	**2,288,033,926**	1,324,265,776	2,547,425,062
Merchandise sales and others	**441,883,273**	335,404,802	40,630,100
	9,182,404,340	6,503,714,975	6,915,110,010
GROSS PROFIT	**3,262,747,232**	2,197,888,090	3,114,371,180
OPERATING EXPENSES (Note 26)	**1,523,488,008**	1,121,010,338	944,779,655
	1,739,259,224	1,076,877,752	2,169,591,525
OTHER INCOME (CHARGES)			
Equity in net earnings of associates, jointly controlled entities and others (Note 10)	**1,826,237,948**	(27,608,828)	4,036,652
Finance income (Note 27)	**366,996,843**	357,997,191	206,378,552
Gain on sale of investments	**178,975,915**	356,049,626	2,464,865,776
Finance costs (Note 28)	**(444,742,891)**	(351,688,635)	(220,019,630)
Other income - net (Note 29)	**(212,310,353)**	378,124,001	93,717,145
INCOME BEFORE INCOME TAX	**3,454,416,686**	1,789,751,107	4,718,570,020
PROVISION FOR INCOME TAX (Note 30)	**476,899,995**	462,627,803	566,875,731
INCOME BEFORE INCOME ASSOCIATED WITH NONCURRENT ASSETS HELD FOR SALE	**2,977,516,691**	1,327,123,304	4,151,694,289
INCOME ASSOCIATED WITH NONCURRENT ASSETS HELD FOR SALE - net of tax (Note 21)	**149,409,488**	55,447,947	28,950,483
NET INCOME	**₱3,126,926,179**	₱1,382,571,251	₱4,180,644,772
NET INCOME ATTRIBUTABLE TO			
Equity holders of DMCI Holdings, Inc.	**₱2,840,094,115**	₱1,135,299,489	₱3,591,510,502
Minority interests	**286,832,064**	247,271,762	589,134,270
	₱3,126,926,179	₱1,382,571,251	₱4,180,644,772
BASIC/DILUTED EARNINGS PER SHARE (Note 31)			
Income before income associated with noncurrent assets held for sale attributable to equity holders of DMCI Holdings, Inc.	**₱1.18**	₱0.50	₱1.59
Net income attributable to equity holders of DMCI Holdings, Inc.	**₱1.18**	₱0.50	₱1.59

See accompanying Notes to Consolidated Financial Statements.

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

	Years Ended December 31		
	2007	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱3,603,826,174**	₱1,845,199,054	₱4,747,520,503
Adjustments for:			
Depreciation, depletion and amortization (Notes 12, 13 and 25)	**1,679,972,724**	1,419,254,315	1,341,042,862
Finance expense (Note 28)	**444,742,891**	351,688,635	220,019,630
Write-off of other noncurrent assets	**300,000,000**	–	–
Recovery of provision for doubtful accounts	**–**	–	(3,432,945)
Provisions for:			
Inventory obsolescence (Note 8)	**–**	39,787,613	–
Doubtful accounts (Note 26)	**4,434,241**	105,840,759	92,323,339
Probable losses on investments	**(39,872,880)**	103,388,649	–
Foreign exchange losses - net	**–**	(85,605,985)	(74,911,051)
Equity in net losses (earnings) of associates and jointly controlled entities (Note 10)	**(1,826,237,948)**	(27,839,119)	(32,987,135)
Gain on disposals of:			
Property and equipment	**–**	(379,301,077)	(2,673,349,780)
Investments	**–**	–	–
Interest income (Note 27)	**(366,996,843)**	(357,997,191)	(206,378,552)
Dividend income (Note 29)	**(3,937,366)**	(6,972)	(5,777,090)
Pension expense (Note 24)	**166,018,128**	31,126,773	21,218,673
Operating income before changes in working capital	**3,961,949,121**	3,045,535,454	3,425,288,454
Decrease (increase) in:			
Receivables	**493,966,461**	(433,729,309)	406,754,149
Inventories	**256,534,211**	(506,131,780)	(587,453,307)
Costs and estimated earnings in excess of billings	**(123,665,274)**	7,962,640	94,361,673
Real estate for sale and development	**(1,705,120,173)**	(1,389,358,769)	(187,635,193)
Other current assets	**(189,877,080)**	(235,879,358)	(78,620,610)
Increase (decrease) in:			
Accounts and other payables	**868,041,135**	(123,202,098)	(239,964,548)
Customer's deposits	**538,239,570**	659,075,659	(59,663,472)
Billings in excess of costs and estimated earnings on uncompleted contracts	**10,322,060**	1,678,010	(129,589,246)
Contribution to pension liability	**(85,777,878)**	–	–
Cash generated from operations	**4,024,612,153**	1,025,950,449	2,643,477,900
Interest received	**366,996,843**	421,148,736	226,214,603
Interest paid	**(444,742,891)**	(321,433,930)	(254,152,784)
Income taxes paid	**(439,790,243)**	(812,154,035)	(60,779,082)
Net cash provided by operating activities	**3,507,075,862**	313,511,220	2,554,760,637

(Forward)

	Years Ended December 31		
	2007	2006	2005
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease (increase) in:			
Investments in associates, jointly controlled entities and others	**₱13,531,843**	(₱2,734,369,225)	(₱432,018,220)
Noncurrent receivables	**(1,295,673,555)**	324,907,718	287,561,694
Investment properties	**218,128,932**	674,115,305	(69,189,461)
Other noncurrent assets	**(56,103,874)**	13,080,898	(67,806,532)
Proceeds from disposals of:			
Available-for-sale investments (Note 5)	**21,038,450**	510,088,533	–
Property and equipment	–	23,425,061	15,914,131
Additions to:			
Available-for-sale investments (Note 5)	**–**	(17,602,963)	(762,406,309)
Property, plant and equipment (Note 13)	**(1,232,883,828)**	(818,017,618)	(1,271,881,508)
Dividends received	**3,937,366**	–	5,777,090
Net cash used in investing activities	**(2,328,024,666)**	(2,024,372,291)	(2,294,049,115)
CASH FLOWS FROM FINANCING ACTIVITIES			
Availments of long-term debt	**1,248,442,770**	2,919,140,201	1,181,042,796
Payments of long-term debt	**(2,012,503,054)**	(1,965,530,632)	(1,048,212,512)
Payments of bank loans	**(763,357,235)**	(132,039,359)	(621,836,130)
Redemption of preferred shares	**–**	(2,618,850)	(190,354,750)
Dividends paid	**(381,208,493)**	(243,007,220)	(22,301,149)
Proceeds from:			
Bank loans	**749,857,219**	71,191,728	332,610,023
Additional subscriptions to capital stock	**2,763,456,700**	–	1,623,018,435
Sale of treasury shares	**–**	–	6,113,600
Payment on acquisition of shares held in treasury	**–**	–	(383,633,460)
Increase (decrease) in:			
Payable to related parties	**(497,069,277)**	294,453,909	595,428,053
Other noncurrent liabilities	**1,066,588**	71,471,488	–
Net cash provided by financing activities	**1,108,685,218**	1,013,061,265	1,471,874,906
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**2,287,736,414**	(697,799,806)	1,732,586,428
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**1,251,911,185**	1,949,710,991	217,124,563
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱3,539,647,599**	₱1,251,911,185	₱1,949,710,991

See accompanying Notes to Consolidated Financial Statements.

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

1. Corporate Information

DMCI Holdings, Inc. (the Company) is incorporated in the Philippines. The Company is organized primarily to March 8, 1995. The Company's registered office address is 3rd Floor, Dacon Building, 2281 Don Chino Roces Avenue, Makati City.

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

The consolidated financial statements of DMCI Holdings, Inc. and Subsidiaries as of December 31, 2007 and 2006 and for each of the three years in the period ended December 31, 2007 were endorsed for approval by the Audit Committee on April 23, 2008 and authorized for issue by the Board of Directors (BOD) on April 24, 2008 .

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 financial (AFS) assets that have been measured at fair value. The Company's functional and presentation currency is the Philippine Peso (₱).

Statement of Compliance

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

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Group as of December 31, 2007 and 2006 and for each of the three years in the period ended December 31, 2007. Under PFRS, it is acceptable to use, for consolidation purposes, the financial statements of subsidiaries for fiscal periods differing from that of the Company if the difference is not more than three months.

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

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

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

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

	Effective Percentages of Ownership	
	2007	2006
General Construction:		
D.M. Consunji, Inc. (DMCI) [1]	**100.00%**	100.00%
DMCI International, Inc. (DMCII) [2]	**100.00**	100.00
OHKI-DMCI Corporation (OHKI) [2]	**100.00**	100.00
DMCI-Laing Construction, Inc. (DMCI-Laing) [2]	**60.00**	60.00
Beta Electric Corporation (Beta Electric) [2]	**50.77**	50.77
Raco Haven Automation Philippines, Inc. (Raco) [2]	**50.14**	50.14
Coal Mining:		
Semirara Mining Corporation (Semirara)	**55.30**	58.31
DMCI Mining Corporation	**100.00**	
Real Estate Development:		
DMCI Project Developers, Inc. (PDI)	**100.00**	100.00
Hampstead Gardens Corporation (Hampstead) [3]	**100.00**	100.00
Riviera Land Corporation (Riviera) [3]	**96.38**	96.38
Manufacturing:		
Semirara Cement Corporation (SemCem) *	**100.00**	100.00
Oriken Dynamix Company, Inc. (Oriken) [2]	**89.00**	89.00
Wire Rope Corporation of the Philippines (Wire Rope)	**61.70**	61.70
Marketing Arm:		
DMCI Homes, Inc. (DMCI Homes) [3]	**100.00**	100.00
Power:		
DMCI Power Corporation (DPC) (formerly DMCI Energy Resources Unlimited Inc.) * (Note 12)	**100.00**	100.00
DMCI Masbate Power Corporation (DMCI Masbate)	**100.00**	–

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

[1] Also engaged in real estate development

[2] DMCI's subsidiaries

[3] PDI's subsidiaries

Power Supply Agreement (PSA)

In 2006, the Company incorporated DMCI Energy Resources Unlimited, Inc. (DMCI Energy) that will handle its power business in line with plans to increase the Group's exposure in this sector. DMCI Energy will put up coal-fired power plants and participate in the privatization of the power supply of off-grid islands and remote villages.

The privatization of Small Power Utilities Group (SPUG) Areas was mandated by Department of Energy (DOE) Circular No. 2004-01-001 issued on January 26, 2004. The circular called for the periodic assessment of the requirements and prospects of bringing power generation and associated power delivery systems to commercial viability on an area-by-area basis, including a program to encourage private sector participation in the SPUG areas. In line with this, the Company participated in the bid of Masbate SPUG. On January 15, 2007, the National Power Corporation (NPC) bids and awards committee has awarded the Masbate's SPUG rights to DMCI HI. Initially, the BOD, in its meeting on January 15, 2007, approved the assignment and transfer of all the rights, interests and liabilities over the PSA with Masbate Electric Cooperative to DMCI Energy. On November 26, 2007, however, the BOD constituted DMCI Masbate Power Corporation (DMCI Masbate) as the new Project Company for its Masbate Power Project in lieu of DMCI Energy. Accordingly, the BOD approved the assignment and transfer of all the Company's rights, interests, liabilities and obligations in the Masbate Power Project, including those arising from the PSA, executed on May 4, 2007, between the Company and Masbate Electric Cooperative, Inc., as well as those rights, interests, liabilities and obligations by virtue of the Bidding Process of the Private Sector Participation in Power Generation in the Province of Masbate in favor of DMCI Masbate.

On January 26, 2007, in a special meeting of the BOD, the members of the BOD approved the change in name of the Company from DMCI Energy Resources Unlimited Inc. to DMCI Power Corporation (DPC). The SEC approved the Company's application for the change in name on February 2, 2007.

Semirara Mining Corporation (Semirara)
On February 4, 2005, Semirara successfully completed its international offer of 89,866,000 shares. The offered shares comprised 42,991,000 existing shares held by the Company and 46,875,000 new shares. Concurrently, the Company offered 15,180,000 existing shares to all of the trading participants of the Philippine Stock Exchange. As a result of these offers, the Company recognized gains aggregating ₱2,016.91 million in 2005.

On May 13, 2006, the Company sold 16.50 million Semirara shares resulting to ₱356.05 million gain.

On November 14, 2007, the BOD approved the assignment of certain shares of stock of Semirara which are held by the Company in favor of DACON Corporation ('DACON') in full/partial payment/settlement of the Company's liabilities to DACON.

<u>Changes in Accounting Policies</u>
The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Group has adopted the following new and amended PFRS and Philippine Interpretations during the year.

- PFRS 7, *Financial Instruments: Disclosures*
- Philippine Accounting Standards (PAS) 1, *Amendment - Presentation of Financial Statements*
- Philippine Interpretation IFRIC 8, *Scope of PFRS 2*
- Philippine Interpretation IFRIC 9, *Reassessment of Embedded Derivatives*
- Philippine Interpretation IFRIC 10, *Interim Financial Reporting and Impairment*

The principal effects of these changes are as follows:

PFRS 7, *Financial Instruments: Disclosures*
PFRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. It replaces disclosure requirements in PAS 32, *Financial Instruments: Disclosure and Presentation* and PAS 30, *Disclosure in the Financial Statements of Banks and Similar Financial Institutions*. It is applicable to all entities that report under PFRS.

The Group adopted the amendment to the transitional provisions of PFRS 7, as approved by the Financial Reporting Standards Council of the Philippines, which gives transitory relief with respect to the presentation of comparative information for the new risk disclosures about the nature and extent of risks arising from financial instruments. Accordingly, the Group does not need to present comparative information for the disclosures required by paragraphs 31- 42 of PFRS 7, unless the disclosure was previously required under PAS 32. Adoption of PFRS 7 resulted in additional disclosures, which are included throughout the consolidated financial statements. These disclosures include presenting the different classes of loans and receivables (see Note 6), rollforward of allowance for doubtful accounts (see Note 6), credit quality of financial assets (see Note 35), aging of past due but not impaired financial assets (see Note 35), and sensitivity analysis as to changes in interest and foreign exchange rates (see Note 35).

PAS 1, *Amendment - Presentation of Financial Statements*
The amendment to PAS 1 introduces disclosures about the level of an entity's capital and how it manages capital. The new disclosures are shown in Note 22 to the consolidated financial statements.

Philippine Interpretation IFRIC 8, *Scope of PFRS 2*
This Interpretation requires PFRS 2 to be applied to any arrangements in which the entity cannot identify specifically some or all of the goods received, in particular where equity instruments are issued for consideration which appears to be less than fair value. The adoption of this Philippine Interpretation has no impact on the consolidated financial statements as the Group has no share-based payments.

Philippine Interpretation IFRIC 9, *Reassessment of Embedded Derivatives*
Philippine Interpretation IFRIC 9 states that the date to assess the existence of an embedded derivative is the date that an entity first becomes a party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows. As the Group has no embedded derivative requiring separation from the host contract, this Philippine Interpretation has no impact on the financial position or performance of the Group.

Philippine Interpretation IFRIC 10, *Interim Financial Reporting and Impairment*
The Group adopted the Interpretation beginning January 1, 2007, which prohibits the reversal of impairment losses on goodwill and AFS equity investments recognized in the interim financial reports even if impairment is no longer present at the annual balance sheet date. Adoption of the Interpretation did not have any significant impact on the consolidated financial statements.

<u>Future Changes in Accounting Policies</u>
The Group has not applied the following new and amended PFRS and Philippine Interpretations which are not yet effective for the year ended December 31, 2007:

PAS 1, *Presentation of Financial Statements (Revised) (effective for annual periods beginning on or after January 1, 2009)*
The revised standard requires that the statement of changes in equity includes only transactions with owners and all non-owner changes are presented in equity as a single line with details included in a separate statement.

In addition, the amendment to PAS 1 provides for the introduction of a new statement of comprehensive income that combines all items of income and expense recognized in the consolidated statement of income together with 'other comprehensive income'. The revisions specify what is included in other comprehensive income, such as actuarial gains and losses on defined benefit pension plans and changes in the asset revaluation reserve. Entities can choose to present all items in one statement, or to present two linked statements, a separate consolidated statement of income and a statement of comprehensive income. The Group will assess the impact of the Standard on its current manner of reporting all items of income and expenses.

PAS 23, *Borrowing Costs (Effective for annual periods beginning on or after January 1, 2009)*
The Standard has been revised to require capitalization of borrowing costs when such costs relate to a qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

In accordance with the transitional requirements of the Standard, the Group will adopt this as a prospective change. Accordingly, borrowing costs will be capitalized on qualifying assets with a commencement date after January 1, 2009. The Group assessed that the adoption of this Standard will have no impact on the consolidated financial statements.

Philippine Interpretation IFRIC 11, *PFRS 2 - Group and Treasury Share Transactions (Effective for annual periods beginning on or after March 1, 2007)*
This Philippine Interpretation requires arrangements whereby an employee is granted rights to a Group's equity instruments to be accounted for as an equity-settled scheme by the Group even if: (a) the Group chooses or is required to buy those equity instruments (e.g. treasury shares) from another party, or (b) the shareholders of the Group provide the equity instruments needed. It also provides guidance on how subsidiaries, in their separate financial statements, account for such schemes when their employees receive rights to equity instruments of the parent. The adoption of this Philippine Interpretation will have no impact on the Group's financial statements.

PFRS 8, *Operating Segments (Effective for annual periods beginning on or after January 1, 2009)*
This Amendment was issued as part of the convergence project with the United States (US) Financial Accounting Standards Board. This new standard replaces PAS 14, *Segment Reporting* and adopts a management approach to segment reporting as required in the US Standard SFAS 131 - *Disclosures about Segments of an Enterprise and Related Information*. The information reported would be that which management uses internally for evaluating the performance of operating segments and allocating resources to those segments. This information may be different from that reported in the consolidated balance sheet and consolidated statement of income and entities will need to provide explanations and reconciliations of the differences. The Group will assess the impact of the adoption of this standard.

Philippine Interpretation IFRIC 12, "*Service Concession Arrangements" (effective January 1, 2008)*
This Interpretation establishes the accounting to be applied for certain infrastructure that is constructed, acquired or provided by the grantor for the purposes of meeting the concession. Philippine Interpretation IFRIC 12 prescribed the accounting for the rights which the Operator receives from the Grantor using either:

Financial Asset Model. Wherein the Operator shall recognize a financial asset to the extent that it has an unconditional contractual right to receive cash from the Grantor. The Operator has an unconditional right to receive cash if the Grantor contractually guarantees to pay the Operator;

Intangible Asset Model. Wherein the Operator shall recognize an intangible asset to the extent that it received a right to charge the users (not an unconditional right to receive cash because the amounts are contingent on the extent that the public uses the service); or

Mixed Model. If the Operator is paid by the users, but the Grantor guarantees a certain minimum amount to be paid to the Operator, the Financial Asset Model is used to the extent of such amount.

This Interpretation becomes applicable for financial years beginning on or after January 1, 2008.

Based on Maynilad Water Services, Inc.'s (Maynilad) assessment, its Concession Agreement with MWSS would qualify under the intangible asset model. The adoption of this Interpretation will require Maynilad to recognize the fair value of the entire concession fees to be paid during the entire concession period, which would result in the increase in total assets with a corresponding increase in liabilities. Currently, Maynilad only recognizes concession fees that are paid and due (currently presented as "concession assets"). In addition, the infrastructure and concession assets will no longer be recognized as such but will form part of the intangible assets. These intangible assets will then be amortized using the straight-line method over the life of the Concession Agreement.

Based on Maynilad's preliminary estimates, the adoption of IFRIC 12 will result in an increase in total assets and total liabilities as of January 1, 2008 of ₱1.4 billion and ₱9.3 billion, respectively, and a decrease in retained earnings by ₱7.9 billion (net of tax effect of ₱2.8 billion). With the Parent Group's effective equity interest of 42% in Maynilad, the estimated effect of adopting IFRIC 12 will be a decrease in retained earnings as of January 1, 2008 of ₱73.3 billion (net of tax effect).

Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes (Effective for annual periods beginning on or after July 1, 2008)*
This Interpretation requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted and therefore part of the fair value of the consideration received is allocated to the awards credits and deferred over the period that the award credits are fulfilled. The Group does not expect this Interpretation to have a significant impact on the consolidated financial statements as no such scheme currently exists.

Philippine Interpretation IFRIC 14, *PAS 19 - Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective for annual periods beginning on or after January 1, 2008)*
This Interpretation provides guidance on how to assess the limit on the amount of surplus in a defined benefit scheme that can be recognized as an asset under PAS 19, *Employee Benefits*. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The Group does not expect this Interpretation to have a significant impact on the consolidated financial statements.

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

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

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

As of December 31, 2007 and 2006, the Group's financial instruments are of the nature of AFS financial asset, loans and receivables and other financial liabilities.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- the rights to receive cash flows from the asset has expired;

- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or

- the Group has transferred its rights to receive cash flows from the asset and either: (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

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

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

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

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

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

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

Real estate held for sale and development
Real estate held for sale and development consists of residential units for sale and development, subdivision land for sale and development, and undeveloped land carried at the lower of aggregate cost or NRV. Costs include those costs of acquisition, development, improvement and construction of the real estate projects. Borrowing costs in 2004 are capitalized while the development and construction of the real estate projects are in progress, and to the extent that these are expected to be recovered in the future. NRV is the selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale such as commissions.

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

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

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

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

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

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

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

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

Investment Properties

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

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

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

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

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

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

	Years
Condominium units	5
Buildings and improvement	5-25

Property, Plant and Equipment

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Construction contracts
Revenue from construction contracts is recognized under the percentage-of-completion method of accounting and is measured principally on the basis of the estimated completion of a physical proportion of the contract work. Contracts to manage, supervise, or coordinate the construction

activity of others and those contracts wherein the materials and services are supplied by contract owners are recognized only to the extent of the contracted fee revenue. Revenue from cost plus contracts is recognized by reference to the recoverable costs incurred during the period plus the fee earned, measured by the proportion that costs incurred to date bear to the estimated total costs of the contract.

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

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

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

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

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.

Coal sales
Revenue from coal sales is recognized upon delivery when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably.

Rendering of services
Service fees from coal handling activities are recognized as revenue when the related services have been rendered.

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.

Borrowing Costs
Borrowing costs are generally expensed as incurred. Interest on borrowed funds used to finance the construction of a qualifying asset to the extent incurred during the period of construction is capitalized as part of the cost of the qualifying asset. The capitalization of these borrowing costs as part of the cost of the qualifying asset: (a) commences when the expenditures and borrowing costs are being incurred during the construction and related activities necessary to prepare the qualifying asset for its intended use are in progress; and (b) ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use are complete. The capitalized borrowing costs of are amortized using the straight-line method over the estimated useful life of the qualifying asset.

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

Retirement Cost
The Group's pension costs are actuarially determined using the projected unit credit method. This method reflects services rendered by employees up to the date of valuation and incorporates assumptions concerning employees' projected salaries. Actuarial valuations are conducted with sufficient regularity, with option to accelerate when significant changes to underlying assumptions occur. Pension cost includes current service cost, interest cost, expected return on any plan assets, actuarial gains and losses and the effect of any curtailments or settlements.

The net pension liability recognized by the Group in respect of the defined benefit pension plan is the lower of: (a) the present value of the defined benefit obligation at the balance sheet date less the fair value of the plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs that shall be recognized in later periods; or (b) the total of any cumulative unrecognized net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using risk-free interest rates of government bonds that have terms to maturity approximating the terms of the related pension liability.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Earnings Per Share

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

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

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

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

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

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

3. Significant Accounting Estimates, Judgments and Assumptions

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

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

a.) Coal

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

There is no assurance that the use of estimates may not result in material adjustments in future periods. Revenue from coal sales amounted to ₱6.5 billion, ₱4.7 billion and ₱5.6 billion for the years ended December 31, 2007, 2006 and 2005, respectively.

b.) Real estate

Selecting an appropriate revenue recognition method for a particular sale transaction requires certain judgments based on the sufficiency of the investment of the buyer among others. Revenue from real estate sales amounted to ₱2.46 billion, ₱1.91 billion and ₱1.51 billion for the years ended December 31, 2007, 2006 and 2005, respectively.

c.) Construction

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 ₱2.95 billion, ₱1.75 billion and ₱2.79 billion for the years ended December 31, 2007, 2006 and 2005, respectively.

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

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

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

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

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

The amount and timing of recorded expenses for any period would differ if the Group made different judgments or utilized different estimates. An increase in the allowance for impairment losses on receivables would increase recorded operating expenses and decrease total assets. Provision for doubtful accounts of the Group amounted to ₱4.43 million, ₱105.84 million and ₱92.32 million in 2007, 2006 and 2005, respectively (see Note 26). Receivables of the Group, net of allowance for doubtful account of ₱80.76 million and ₱130.17 million as of December 31, 2007 and 2006, respectively, amounted to ₱4.84 billion and ₱4.52 billion as of December 31, 2007 and 2006, 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, 2007 and 2006 amounted to ₱570.81 million and ₱1,017.02 million, respectively (see Note 8).

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

Provision for inventory obsolescence amounted to ₱39.79 million in 2006 (see Notes 8 and 26). Inventories of the Group, net of allowance for inventory obsolescence amounting to ₱63.03 million and ₱99.76 million as of December 31, 2007 and 2006, respectively, amounted to ₱6,375.96 million and ₱4,714.83 million as of December 31, 2007 and 2006, respectively (see Note 8).

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

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

As of December 31, 2007 and 2006, the Provision for decommissioning and site rehabilitation has a carrying value of ₱12.21 million and ₱11.14 million, respectively (see Note 20).

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

The fair value of financial assets as of December 31, 2007 and 2006 amounted to ₱9.46 billion and ₱7.31 billion, while the fair value of financial liabilities amounted to ₱7.88 billion and ₱6.89 billion, respectively (Note 35).

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

The carrying value of property, plant and equipment of the Group amounted to ₱2.93 billion and ₱3.38 billion as of December 31, 2007 and 2006, respectively (see Note 13). The net book value of investment properties of the Group amounted to ₱2.06 billion and ₱2.28 billion as of December 31, 2007 and 2006, respectively (see Note 12).

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, 2007 and 2006, the balances of the Group's nonfinancial assets, net of accumulated depreciation, depletion and amortization and accumulated provisions for impairment losses follow:

	2007	2006
Property, plant and equipment (see Note 13)	**₱2,933,158,199**	₱3,375,910,498
Investments in associates, jointly controlled entities and others (see Note 10)	**4,983,579,845**	3,196,535,117
Investment properties (see Note 12)	**2,057,446,353**	2,279,058,851

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

The deferred tax assets amounted to ₱207.51 million and ₱219.87 million as of December 31, 2007 and 2006, respectively. The unrecognized deferred tax assets of the Group amounted to ₱10.04 million and ₱24.62 million as of December 31, 2007 and 2006, respectively (see Note 30).

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 24). 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, 2007 and 2006, the balances of the Group's net pension liabilities and unrecognized actuarial gain or loss follow (see Note 24):

	2007	2006
Pension liabilities	**₱127,411,427**	₱47,171,177
Unrecognized actuarial gain	**268,860,502**	76,525,534

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).

4. **Cash and Cash Equivalents**

This account consists of:

	2007	2006
Cash on hand and in banks	**₱823,987,335**	₱724,603,701
Cash equivalents	**2,715,660,264**	527,307,484
	₱3,539,647,599	₱1,251,911,185

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

5. **Available-for-Sale Financial Assets**

This account consists of:

	2007	2006
Quoted securities		
Balance at beginning of year	**₱56,084,471**	₱38,831,508
Additions	**39,000,000**	17,252,963
Disposal	**(29,602,103)**	–
Balance at end of year	**65,482,368**	56,084,471
Net unrealized gain (loss)	**(35,880,000)**	39,872,880
	29,602,368	95,957,351
Unquoted securities		
Balance at beginning of year	**280,482,460**	790,220,993
Additions	**–**	350,000
Disposals	**(2,023,119)**	(521,548,185)
Balance at end of year	**278,459,341**	269,022,808
Less Allowance for probable loss	**(105,388,649)**	(105,388,649)
	173,070,692	163,634,159
	₱202,673,060	₱259,591,510

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

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

	2007	2006
Balance at beginning of year	**₱39,872,880**	₱2,402,067
Income (loss) recognized in equity during the year	**(35,880,000)**	37,470,813
Gain removed from equity and recognized in profit and loss	**(39,872,880)**	–
Balance at end of year	**(₱35,880,000)**	₱39,872,880

Movements in the allowance for probable loss on unquoted AFS financial assets are as follows:

	2007	2006
Balance at beginning of year	**₱105,388,649**	₱2,000,000
Provision for probable losses for the year (see Note 26)	**–**	103,388,649
Balance at end of year	**₱105,388,649**	₱105,388,649

Unquoted equity investments classified as AFS financial assets are carried at cost less any accumulated impairment losses, as their fair values cannot be reliably measured.

The disposal of unquoted AFS financial assets in 2006 represents withdrawal made by the Group from its Investment Management Account which consisted of private bonds and mutual funds. The proceeds from the withdrawal were used to finance the acquisition of Maynilad. No gain or loss was recognized on this transaction.

Montecito
On October 9, 2003, the Regional Trial Court (RTC) of Calamba City issued a stay order prohibiting Montecito from selling, encumbering, transferring or disposing any of its properties in any manner except in the ordinary course of business. In connection with this, a Rehabilitation Plan was prepared which includes, among others, the following:

(a) Restructuring of loans due to various banks subject to the following: (i) repayment of principal and capitalized interest over a term of 7 years, with a 2-year grace period; and (ii) fixed interest rate of 9.5% for 7 years and possibility of settling outstanding debt through dacion en pago or friendly foreclosure;

(b) Reconfiguration of unsold regular lots to smaller lot sizes; and

(c) Change in Montecito's existing payment terms for contracts receivables from 4 years to 3 years.

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

(a) Reduction of debt in full or in part, via dacion en pago for creditor banks;

(b) The North-South Spine Road shall be completed on or before July 31, 2005;

(c) Atlantic Gulf & Pacific shall improve the site facilities to attract foreign interests/investors;

(d) The two year grace period on principal on the restructured bank loans shall start on July 1, 2005; and

(e) Interest expense on the restructured loans shall be made current starting July 1, 2005.

On May 26, 2006, Montecito and a certain creditor bank entered into a Memorandum of Agreement (MOA) for the settlement of the outstanding obligation of Montecito with the creditor bank. Under the MOA, the creditor bank will foreclose certain parcels of land mortgaged with the creditor bank with a carrying value of ₱329.50 million as of December 31, 2004. After the foreclosure, the obligation and related interests of the creditor bank as of May 22, 2006 shall be fully extinguished. Any interest due on the obligation during the period of May 22, 2006 to May 31, 2006 computed at the rate of 5% per annum and interest, if any, which may be due thereafter, at a rate which may agreed upon by Montecito and the creditor bank but not to exceed 9.5% per annum shall be settled by Montecito before the date of public auction.

6. Receivables

This account consists of:

	2007	2006
Trade:		
Real estate	**₱2,753,686,371**	₱1,883,601,265
General construction (including retention receivables on uncompleted contracts of ₱283.07 million in 2007 and ₱239.14 million in 2006)	**534,090,850**	631,597,549
Coal mining	**1,066,938,992**	374,230,827
	4,354,716,213	2,889,429,641
Receivable from related parties (see Note 23)	**303,614,528**	1,100,674,021
Advances to suppliers, brokers and contractors	**9,071,244**	348,634,631
Advances to officers and employees	**11,848,505**	6,701,554
Other receivables	**245,601,436**	309,703,369
	4,924,851,926	4,655,143,216
Less allowance for doubtful accounts	**80,757,754**	130,169,621
	4,844,094,172	4,524,973,595
Less noncurrent receivables - net	**1,983,314,250**	687,640,695
	₱2,860,779,922	₱3,837,332,900

Trade receivables amounting to ₱80.76 million and ₱130.73 million as of December 31, 2007 and 2006, respectively, were impaired and fully provided for. Movements in the allowance for doubtful accounts are as follows:

<u>2007</u>

	Trade Receivables				
	Real estate	General construction	Coal mining	Others	Total
At January 1	**₱3,649,878**	₱92,433,584	₱26,902,850	₱7,183,309	₱130,169,621
Charge for the year	**7,585,777**	–	–	197,377	7,783,154
Write-offs	**(3,224,964)**	(53,970,057)	–	–	(57,195,021)
Interest accrued on impaired receivables	**–**	–	–	–	–
At December 31	**₱8,010,691**	₱38,463,527	₱26,902,850	₱7,380,686	₱80,757,754

	Trade Receivables				
	Real estate	**General Construction**	**Coal mining**	**Others**	**Total**
Individually impaired	**₱8,010,691**	**₱38,463,527**	**₱26,902,850**	**₱7,380,686**	**₱80,757,754**
Collectively impaired	**–**	**–**	**–**	**–**	**–**
Total	**₱8,010,691**	**₱38,463,527**	**₱26,902,850**	**₱7,380,686**	**₱80,757,754**
Gross amounts of loans, individually determined to be impaired, before deducting any individual assessed impairment allowance.	**₱8,010,691**	**₱38,463,527**	**₱26,902,850**	**₱7,380,686**	**₱80,757,754**

2006

	Trade Receivables				
	Real estate	General Construction	Coal mining	Others	Total
At January 1	₱62,884,717	₱38,463,527	₱26,902,850	₱6,276,894	₱134,527,988
Charge for the year	2,486,063	53,970,057	–	906,415	57,362,535
Write-offs	(61,720,902)	–	–	–	(61,720,902)
Interest accrued on impaired receivables	–	–	–	–	–
At December 31	₱3,649,878	₱92,433,584	₱26,902,850	₱7,183,309	₱130,169,621
Individually impaired	₱3,649,878	₱92,433,584	₱26,902,850	₱7,183,309	₱130,169,621
Collectively impaired	–	–	–	–	–
Total	₱3,649,878	₱92,433,584	₱26,902,850	₱7,183,309	₱130,169,621
Gross amounts of loans, individually determined to be impaired, before deducting any individual assessed impairment allowance.	₱3,649,878	₱92,433,584	₱26,902,850	₱7,183,309	₱130,169,621

As of December 31, 2007 and 2006, real estate receivables with a nominal amount of ₱1,350.38 million and ₱455.59 million, respectively, were initially recorded at the fair value. The unamortized discount amounted to ₱197.17 million and ₱127.62 million as of December 31, 2007 and 2006, respectively.

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

	2007	2006
Balance at beginning of year	**₱127,623,298**	₱–
Additions	**151,321,632**	159,529,122
Accretion for the year	**(81,776,493)**	(31,905,824)
Balance at end of year	**₱197,168,437**	₱127,623,298

Trade receivable

Real estate

Real estate receivables principally consist of amounts arising from sale of real estate subdivision units which are collectible within 10 years with interest at prevailing market rates. The corresponding titles to the subdivision units sold under this arrangement are transferred to the buyers only upon full payment of the contract price.

Certain subsidiaries are liable to local commercial banks relative to the discounting of real estate receivables (see Note 15). As of December 31, 2007 and 2006, total real estate receivables with carrying amount of ₱1,889.37 million and ₱615.6 million, respectively, was used to secure the Group’s bank loans (see Note 19). The purchase agreements provide that the Group should substitute defaulted contracts to sell with other contracts to sell of equivalent value. The carrying value of real estate receivables discounted amounted to ₱743.78 million in 2007 and ₱637.25 million in 2006.

General construction

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

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

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.

Receivable from related parties
Receivable from related parties are due and demandable.

Receivables from AG&P
On January 31, 2002, AG&P filed a petition for rehabilitation (after approval of AG&P's stockholders and BOD on January 29, 2002) with the RTC of Batangas City. On February 21, 2002, the RTC issued a stay order prohibiting AG&P from selling, encumbering, transferring or disposing any of its properties in any manner except in the ordinary course of business.

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

Receivables from Universal Rightfield Property Holdings, Inc. (URPHI)
The receivables from URPHI arose from the construction agreements with the Group for the development of Pioneer Highlands and Dansalan projects.

On January 28, 2004, DMCI, as a creditor of URPHI, initiated a petition for rehabilitation of URPHI with the RTC of Mandaluyong City. On February 17, 2004, the RTC issued a stay order prohibiting URPHI from selling, encumbering, transferring or disposing any of its properties in any manner except in the ordinary course of business. The rehabilitation plan, subject to the approval of the court included among others, the settlement of DMCI's claims from URPHI.

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

7. Costs, Estimated Earnings and Billings on Uncompleted Contracts

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

	2007	2006
Total costs incurred	**₱773,218,949**	₱336,468,965
Add estimated earnings recognized	**43,813,560**	90,207,432
	817,032,509	426,676,397
Less total billings (including unliquidated advances from contract owners of ₱22.56 in 2007 and ₱23.31 million in 2006)	**707,238,840**	430,225,942
	₱109,793,669	(₱3,549,545)

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

	2007	2006
Costs and estimated earnings in excess of billings on uncompleted contracts	**₱140,681,468**	₱17,016,194
Billings in excess of costs and estimated earnings on uncompleted contracts	**(30,887,799)**	(20,565,739)
	₱109,793,669	(₱3,549,545)

8. Inventories

This account consists of:

	2007	2006
At Cost:		
Real estate held for sale and development	**₱4,701,981,393**	₱2,784,313,482
Coal inventory	**570,806,557**	1,017,024,549
Nickel ore	**90,838,320**	–
Equipment parts, materials and supplies in transit	**107,316,068**	57,095,396
At NRV:		
Equipment parts, materials and supplies	**905,016,665**	856,391,876
	₱6,375,959,003	₱4,714,825,303

Equipment parts, materials and supplies at NRV amounted to ₱968.04 million and ₱956.15 million as of December 31, 2007 and 2006, respectively.

Inventories written off in 2006 amounted to ₱39.79 million.

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

9. Other Current Assets

This account consists of:

	2007	2006
Creditable taxes withheld	**₱256,909,900**	₱216,776,141
Value added input tax (input Vat)	**170,913,900**	131,471,126
Prepaid expenses	**61,691,117**	29,625,744
Others	**79,419,000**	1,183,826
	₱568,933,917	₱379,056,837

Input vat is fully recoverable. This can be applied against output VAT tax.

10. Investments in Associates, Jointly Controlled Entities and Others

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

	2007	2006
Investments - At Equity		
Investments in associates		
Acquisition cost:		
Balance at beginning of year	**₱471,415,660**	₱492,101,021
Disposals	–	(20,685,361)
Balance at end of year	**471,415,660**	471,415,660
Accumulated equity in net losses:		
Balance at beginning of year	**(316,600,771)**	(344,622,851)
Equity in net income during the year	**20,608,428**	28,022,080
Balance at end of year	**(295,992,343)**	(316,600,771)
	175,423,317	154,814,889
Allowance for probable losses	**(44,621,969)**	(44,621,969)
	130,801,348	110,192,920
Jointly controlled entities:		
Acquisition cost	**3,032,125,000**	32,125,000
Additions during the year	–	3,000,000,000
	3,032,125,000	3,032,125,000
Accumulated equity in net earnings:		
Balance at beginning of year	**44,023,350**	44,445,660
Equity in net income (losses) during the year	**1,805,744,512**	(422,310)
Balance at end of year	**1,849,767,862**	44,023,350
	4,881,892,862	3,076,148,350
Allowance for probable losses	**(25,467,530)**	(25,467,530)
	4,856,425,332	3,050,680,820
Investment - At Cost		
Balance at beginning of year	**10,000,000**	10,000,000
Additions during the year	**58,150,000**	–
Balance at end of year	**68,150,000**	10,000,000
	₱5,055,376,680	₱3,170,873,740

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	
	2007	2006	**2007**	2006
Associates:				
Bachy Soletanche Philippines Corporation (Bachy)	**49.00%**	49.00%	**₱43,106,317**	₱42,890,723
Vulcan Materials Corporation (VMC)	–	49.00	–	–
Obayashi Philippines Corporation (OPC)	**39.55**	39.55	–	1,078,532
Subic Water and Sewerage Company, Inc. (Subic Water)	**40.00**	40.00	**87,695,031**	66,223,665
AG&P (see Note 21)	**98.00**	46.00	–	–
			130,801,348	110,192,920
Jointly Controlled Entities:				
DMCI-MPIC Water Co. Inc. (see Note 11)	**50.00**	50.00	**4,805,666,500**	3,000,000,000
DMCI/WPC Joint Venture	**50.00**	50.00	**39,181,239**	39,181,239
Obayashi-DMCI Joint Venture	**40.00**	40.00	**1,730,226**	1,730,226
Eco Process & Equipment Philippines, Inc.	**50.00**	50.00	**408,538**	330,526
Subic Water Construction Joint Venture	**50.00**	50.00	**9,438,829**	9,438,829
			4,856,425,332	3,050,680,820
At Cost				
Balance at beginning of year			**10,000,000**	10,000,000
Additions			**58,150,000**	
			68,150,000	10,000,000
Total			**₱5,055,376,680**	₱3,170,873,740

Investments in Associates - At Equity

Subic Water

On January 22, 1997, PDI subscribed to 3,262,320 shares at the par value of ₱10 per share for an aggregate value of ₱32.62 million in Subic Water, a joint venture company with Subic Bay Metropolitan Authority (a government-owned corporation), Olongapo City Water District, and Cascal Services Limited (a company organized under the laws of England). The agreement executed by the parties on November 24, 1996 stipulated, among others, that PDI shall have an equity participation equivalent to 40% in Subic Water amounting to ₱74.80 million (based on the initial subscribed and paid-in capital of ₱187.00 million). The balance of PDI's committed subscription to Subic Water of ₱38.00 million (net of additional subscription payment of ₱4 million in 1998) is expected to be paid on or before the second anniversary of the said effective date. As of December 31, 2007 and 2006, such committed subscription has not yet been paid.

Vulcan

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

Tarlac-La Union Toll Expressway Project (TLEX)
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 La Union Toll Expressway Project of the DPWH and to perform such other activities related to the construction, operation and maintenance, or a combination of undertakings which are within the capabilities of the Consortium members.

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

11. **Acquisition of Maynilad Water Services Inc. (Maynilad)**

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

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

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

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

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

The provisional impact of this acquisition on the financial position of the Group (subjected to further assessment of the fair value of share of identifiable assets acquired and liabilities and contingent liabilities assumed) is summarized as follows:

Consideration/investment cost	₱1,116,394
Net assets of Maynilad	
Cash and cash equivalents	821,184
Short-term investments, trade and other receivables and other current assets	1,300,097
Other noncurrent assets	309,326
Concession assets	9,913,065

(Forward)

Property, plant and equipment	₱4,567,856
Trade and other payables	(1,529,539)
Interest-bearing loans	(3,641,095)
Deferred credits	(690,276)
Payable to MWSS	(2,717,478)
Pension liability and other noncurrent liabilities	(476,993)
Concession fees payable	(2,961,255)
Contingent liabilities	(891,491)
Deferred tax liabilities	(764,627)
Total net assets acquired at fair values*	3,238,774
Negative goodwill	₱2,122,380

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

The amount of the excess of the net identifiable assets and liabilities over the fair value of the business combination (negative goodwill) of ₱4.2 billion was recognized in the consolidated statement of income of DMCI-MPIC.

Equity in net earnings in DMCI-MPIC amounted to ₱1.81 billion in 2007 (share in provisional goodwill ₱2.12 billion and equity in net loss of ₱0.31 billion).

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

a. decrease in the authorized capital stock of Maynilad through a reduction in the par value of its shares from ₱100 to ₱1 per share and the surrender of the shares of Benpres Holdings Corporation (BHC) and Suez Environnement (Suez Env);

b. increase in the authorized capital stock of Maynilad to ₱1.48 billion comprising of 1,475,000,000 shares with a par value of ₱1.00 per share, with DMCI-MPIC subscribing to 1,238,476,000 Class A common shares [inclusive of 88,500,000 Employees' Stock Option Plan (ESOP) shares representing 6% of the outstanding capital stock of Maynilad upon the effective date of the increase in capital of the Company], and Lyonnaise Asia Water (Holdings) Pte Ltd (LAWL) subscribing to an additional 225,520,000 Class B common shares (plus an additional paid-in capital of ₱56.0 million), paid for by way of conversion of debt to equity, in compliance with paragraphs a, b, c, d, e and f of Clause 2.6 of the DCRA;

c. confirmation of valuation under Section 62 of the Corporation Code for the issuance by Maynilad of 7,600,000 shares out of the unsubscribed portion of its authorized capital stock, paid for by way of conversion of debt to equity in relation to the subscriptions of DMCI-MPIC and LAWL;

d. creation of additional paid-in capital (APIC) aggregating ₱2.0 billion resulting from the write-off of BHC of its advances amounting to ₱658.0 million (or equivalent to approximately US$12 million) and from the write-off by the Suez Group [Suez Env and LAWL, excluding Ondeo Services Philippines, Inc. (OSPI)] of its loans and advances amounting to ₱1.4 billion (or equivalent to approximately US$25.0 million), which write-offs have been confirmed in writing by BHC and the Suez Group on December 22, 2006 and January 4, 2007, respectively, in compliance with paragraphs a, b and c of Clause 2.4 of the DCRA;

e. equity restructuring to wipe out the previously reported deficit of Maynilad as of December 31, 2005 amounting to ₱7.0 billion (such amount was retroactively adjusted to ₱6.5 billion in 2006 as discussed below) against the APIC amounting to ₱2.1 billion and reduction surplus amounting to ₱5.2 billion resulting from the decrease in capital, in compliance with Clause 2.5 of the DCRA, subject to the condition that the remaining APIC of ₱342.0 million shall not be used to wipe out losses that may be incurred in the future without prior SEC approval; and

f. corresponding amendments to the Articles of Incorporation of Maynilad to reflect the decrease and increase in capital stock of the Company, in compliance with paragraphs a and b of Clause 19.2 of the DCRA.

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

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

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

**including directors' qualifying shares*

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

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

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

As mentioned, the PSA was executed to enable Maynilad to effect an early exit from corporate rehabilitation. As this rehabilitation exit will result in the termination of the 2005 Rehabilitation Plan and the DCRA, certain transitional arrangements, including those relating to the second Rate Rebasing, the Service Obligations of Maynilad as well as the recovery or compensation of foreign exchange losses or gains relating to the full prepayment of Maynilad's USD Concessionaire

Loans, the Tranche A2 Concession Fees and the Recognized Tranche B Concession Fees (as defined below) were deemed necessary. Thus, contemporaneously with the signing of the PSA, Maynilad entered into the TCA with MWSS for the purpose of providing for these transitional arrangements which will apply from and after the termination of the DCRA and the 2005 Rehabilitation Plan.

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

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

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

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

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

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

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

<u>Pending Case Assailing the Approval and Implementation of the ₱30.19 Rebased Tariff of Maynilad</u>
A complaint with prayer for the issuance of a cease and desist order against Maynilad, MWSS and the MWSS-RO was filed by certain civil society groups before the National Water Resources Board (NWRB) contesting the approval by the MWSS Board of Trustees of the MWSS-RO resolution approving the rebased tariff of ₱30.19 per cubic meter (all-in average tariff) effective January 1, 2005 for Maynilad. The complaint alleges, among others, that the increase in the water tariff rate was without adequate public consultation and sufficient basis and that the application filed by Maynilad for the said rate increase had no imprimatur from the Receiver. Claiming that

the NWRB had no jurisdiction to hear and decide the aforesaid complaint, Maynilad and MWSS filed separate motions to dismiss, which were both denied. The NWRB has yet to rule on the said complaint. Following the denial of its motion to dismiss, Maynilad filed a petition for certiorari with the Court of Appeals. Alleging grave abuse of discretion on the part of the NWRB, Maynilad claims that there is no law conferring any power upon the NWRB to assume jurisdiction over disputes relating to water tariff rates for MWSS' concessionaires and that the powers of the Public Service Commission were not transferred to the NWRB. In a decision dated May 28, 2007, the Court of Appeals dismissed Maynilad's petition for certiorari and declared that the NWRB is empowered to review the subject all-in average tariff rate of ₱30.19 per cubic meter. Maynilad has sought a reconsideration of the said decision. In a subsequent development, MWSS filed a motion seeking to intervene in the certiorari proceedings. On February 20, 2008, the Court of Appeals denied Maynilad's motion for reconsideration and MWSS' motion for intervention. MWSS filed a motion for reconsideration of the denial of its motion for intervention, which is currently pending. Maynilad is set to file with the Supreme Court its petition for review to assail the rulings of the Court of Appeals in this case.

12. Investment Properties

The movement of this account follow:

	2007	2006
Land	**₱1,981,054,403**	₱2,242,788,671
Condominium units - net of accumulated depreciation of ₱1.36 million in 2007 and ₱1.02 million in 2006	**61,565,187**	680,000
Buildings and improvements - net of accumulated depreciation of ₱13.35 million in 2007 and ₱12.05 million in 2006	**14,826,763**	35,590,180
	₱2,057,446,353	₱2,279,058,851

The movement in the land account in 2007 and 2006 represents transfer to real estate held for sale and development.

Depreciation expense on investment properties amounted to ₱3.48 million, ₱3.76 million, and ₱2.63 million in 2007, 2006 and 2005, respectively (see Note 25).

The aggregate fair value of the Group's investment properties amounted to ₱3.7 billion and ₱2.61 billion as of December 31, 2007 and 2006, respectively. The fair value represents the amount at which the assets could be exchanged between a knowledgeable, willing buyer and knowledgeable, willing seller in an arm's length transaction at the date of valuation.

Consolidated rental income from investment properties amounted to ₱19.91 million, ₱12.17 million and ₱5.15 million for the years ended December 31, 2007, 2006 and 2005, respectively (Note 29).

13. **Property, Plant and Equipment**

The movements in this account follow:

2007

	Land and Land Improvements	Buildings and Building Improvements	Construction Equipment, Machinery and Tools	Office Furniture, Fixtures and Equipment	Transportation Equipment	Conventional and Continuous Mining Properties and Equipment	Leasehold Improvements	Construction in Progress	Total
Cost									
At January 1	**₱418,315,199**	**₱1,272,801,474**	**₱2,103,503,026**	**₱222,312,987**	**₱166,323,809**	**₱8,622,629,442**	**₱59,025,858**	**₱396,180,421**	**₱13,261,092,216**
Additions	**269,168,181**	**5,409,657**	**547,933,592**	**20,250,488**	**39,748,627**	**184,058,221**	**533,462**	**184,247,985**	**1,251,350,213**
Transfers and retirements/ disposals	**729,999**	**162,515,663**	**(84,777,836)**	**(46,772)**	**(10,623,451)**	**125,702,625**	**–**	**(352,166,682)**	**(158,666,454)**
At December 31	**688,213,379**	**1,440,726,794**	**2,566,658,782**	**242,516,703**	**195,448,985**	**8,932,390,288**	**59,559,320**	**228,261,724**	**14,353,775,975**
Accumulated Depreciation Depletion and Amortization									
At January 1	**371,550,279**	**850,087,487**	**1,913,341,735**	**197,774,394**	**125,416,294**	**6,368,004,721**	**59,006,808**	**–**	**9,885,181,718**
Depreciation, depletion and amortization	**24,496,695**	**65,835,975**	**106,894,297**	**14,719,905**	**18,080,810**	**1,445,426,828**	**181,617**	**–**	**1,675,636,127**
Transfers and retirements/ disposals	**–**	**(2,332,199)**	**(84,776,870)**	**(29,285)**	**(10,546,662)**	**(42,515,053)**	**–**	**–**	**(140,200,069)**
At December 31	**396,046,974**	**913,591,263**	**1,935,459,162**	**212,465,014**	**132,950,442**	**7,770,916,496**	**59,188,425**	**–**	**11,420,617,776**
Net Book Value	**₱292,166,405**	**₱527,135,531**	**₱631,199,620**	**₱30,051,689**	**₱62,498,543**	**₱1,161,473,792**	**₱370,895**	**₱228,261,724**	**₱2,933,158,199**

2006

	Land and Land Improvements	Buildings and Building Improvements	Construction Equipment, Machinery and Tools	Office Furniture, Fixtures and Equipment	Transportation Equipment	Conventional and Continuous Mining Properties and Equipment	Leasehold Improvements	Construction in Progress	Total
Cost									
At January 1	₱407,548,987	₱1,162,755,821	₱1,993,132,680	₱198,484,396	₱146,035,786	₱7,465,825,565	₱58,757,352	₱222,140,384	₱11,654,680,971
Additions	805,909	3,397,412	119,352,923	27,137,537	21,643,296	1,109,577,187	268,506	409,110,828	1,691,293,598
Transfers and retirements/ disposals	9,960,303	106,648,241	(8,982,577)	(3,308,946)	(1,355,273)	47,226,690	–	(235,070,791)	(84,882,353)
At December 31	418,315,199	1,272,801,474	2,103,503,026	222,312,987	166,323,809	8,622,629,442	59,025,858	396,180,421	13,261,092,216
Accumulated Depreciation Depletion and Amortization									
At January 1	343,240,575	803,445,859	1,886,407,441	189,430,169	111,938,423	5,163,910,458	58,945,120	–	8,557,318,045
Depreciation, depletion and amortization	28,309,704	46,641,628	35,915,050	11,576,035	14,466,235	1,275,602,077	61,688	–	1,412,572,417
Transfers and retirements/ disposals	–	–	(8,980,756)	(3,231,810)	(988,364)	(71,507,814)	–	–	(84,708,744)
At December 31	371,550,279	850,087,487	1,913,341,735	197,774,394	125,416,294	6,368,004,721	59,006,808	–	9,885,181,718
Net Book Value	₱46,764,920	₱422,713,987	₱190,161,291	₱24,538,593	₱40,907,515	₱2,254,624,721	₱19,050	₱396,180,421	₱3,375,910,498

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

	Land and Land Improvments	Buildings and Building Improvements	Conventional and Continuous Mining Properties and Equipment	Total
At Deemed Cost	₱146,388,235	₱486,594,149	₱581,857,987	₱1,214,840,371
Accumulated Depreciation, Depletion and Amortization on Adjusted Cost				
At January 1	117,254,786	304,679,148	386,984,295	808,918,229
Depreciation, depletion and amortization	15,003,445	61,754,990	44,104,106	120,862,541
At December 31	132,258,231	366,434,138	431,088,401	929,780,770
Net Book Value at Deemed Cost	₱14,130,004	₱120,160,011	₱150,769,586	₱285,059,601

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

Depreciation, depletion and amortization expense on property, plant and equipment amounted to ₱1.68 billion, ₱1.41 billion and ₱1.34 billion in 2007, 2006 and 2005, respectively (see Note 25).

In 2005, as a result of periodic review of the estimated useful lives (EUL) and depreciation and amortization method of items of property and equipment, Semirara came to the conclusion that there has been a significant change in the expected pattern of economic benefits and that these items would be useful for a shorter period than the previous EUL. Accordingly, Semirara revised the EUL of certain conventional machineries and equipment and continuous mining system from 5 to 3 years. These changes have been accounted for as changes in accounting estimates. The changes increased depreciation, depletion and amortization expense by about ₱488 million for the year ended December 31, 2005.

14. **Other Noncurrent Assets**

The details of other noncurrent assets follow:

	2007	2006
Refundable deposits (Note 35)	**₱142,846,122**	₱80,218,125
Deposits in North Luzon Railways Corporation (Northrail)	–	300,000,000
Others	**18,272,779**	25,649,933
	₱161,118,901	₱405,868,058

Deposits in Northrail of ₱300.00 million represents contributions made by the Group relative to a joint venture with the Bases Conversion Development Authority (BCDA) (a government-owned corporation), Philippine National Railways and a consortium of foreign investors and local partners which would undertake the construction of a multi-phase double-track railway system. The covering joint venture agreement provided, among others, the increase in capitalization of Northrail, the primary purpose of which is to construct, operate and manage such railway system. The deposits on subscriptions made by the joint venture partners are committed to be converted into equity upon the approval of increase in capital stock of Northrail.

In 2001, due to the uncertainty surrounding the Northrail project, the Subsidiary decided to pull out of the joint venture. In 2006, a claim has been filed and is still pending with the court for the recovery of its contribution to the Northrail Project as of December 31, 2007.

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

15. Bank Loans

The Group's bank loans in 2007 and 2006 consist of peso-denominated short-term borrowings from local banks which bear interest at prevailing market rates and are payable on monthly, quarterly and lump sum bases on various maturity dates within the next 12 months after the balance sheet dates. The bank loans are generally unsecured which are secured by a real estate mortgage over the Group's housing and condominium units; a deed of assignment on certain real estate receivables of PDI, DMCI and Hampstead (see Note 6); corporate guarantee and suretyship agreement issued by the Company and DMCI; and PDI, DMCI and Hampstead's customers' post-dated checks.

The Group's agreements with local banks contain some or all of the following restrictions relating to, among others: purchase of issued and outstanding capital stock; disposal of encumbered properties; change in the ownership or management and nature of its business; dividend declaration and distribution; guarantees; incurrence of additional liabilities; and merger and consolidation.

As of December 31, 2007 and 2006, the Group was in compliance with the loan covenants required by the banks.

16. Liabilities for Purchased Land

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

In 2007, the Group acquired certain land properties which are payable over a period of 3 to 4 years. Such liabilities for purchased land with a nominal amount of ₱514 million were initially recorded at fair value resulting to a discount of ₱78.16 million upon. The fair value is derived using discounted cash flow model using the discount rate ranging from 5.00% to 5.21% with effective interest rate ranging from 7.21% to 8.37%. The unamortized discount amounted to ₱68.49 million as of December 31, 2007.

Accretion of ₱9.68 million is recorded as interest expense in 2007.

17. Accounts and Other Payables

This account consists of the following:

	2007	2006
Trade and other payables		
Suppliers	**₱942,711,573**	₱818,439,749
Subcontractors	**249,023,378**	224,554,744
Others	**284,011,042**	269,561,118
Accrued costs and expenses	**1,291,252,832**	980,907,691
	₱2,766,998,825	₱2,293,463,302

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

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

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

Semirara's liability to DOE and local government units represents the share of DOE and local government units in the gross revenue from Semirara's coal production (including accrued interest on the outstanding balance) computed in accordance with the coal operating contract between Semirara and DOE and local government units dated July 11, 1997 as amended on January 16, 1981. The contract is for a maximum period of 35 years (inclusive of the developmental stage and renewals) up to July 2012. Total payable to DOE and local government units amounted to ₱53.56 million and ₱28.51 million in 2007 and 2006, respectively.

The provision, shown under other income, that was previously recognized for a pending claim amounting to ₱71.53 million was reversed in 2006. The management strongly believes that there will be no material outflow of Semirara's resources relative to said claim due to claimant's inaction after Semirara apprised claimant of the basis of Semirara's legal position.

18. **Customers' Deposits**

The customers' deposits are due to the following:

	2007	2006
Real estate customers	**₱1,262,248,616**	₱714,048,132
Coal supply contract	**8,867,023**	18,895,985
Others	**68,048**	–
	₱1,271,183,687	₱732,944,117

Real estate customers
Customers' deposits represent reservation fees and initial collections received from customers. These will be recognized as revenues and will be applied against the receivable balance when it reached 20% of the total collection.

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

19. **Long-term Debt**

Long-term debt pertains to the following obligations:

	2007	2006
Long-term:		
Bank loans	**₱3,522,254,632**	₱3,906,983,116
Acceptances and trust receipts payable	**343,051,200**	713,489,588
Payable to foreign suppliers	–	8,893,412
	3,865,305,832	4,629,366,116
Less current portion of:		
Acceptances and trust receipts payable	**343,051,200**	713,489,588
Bank loans	**1,500,187,727**	767,200,736
Payable to foreign suppliers	–	8,893,412
	1,843,238,927	1,489,583,736
	₱2,022,066,905	₱3,139,782,380

The maturities of long-term debt as of December 31, 2007 follow:

Due in:	
2008	₱1,843,238,927
2009	827,472,301
2010	405,216,685
2011	211,514,413
2012 and thereafter	577,863,506
	₱3,865,305,832

Details of the long-term debt follow:

Semirara

Loan Type	Date of Availment	Outstanding Balance 2007	2006	Maturity	Interest Rate	Payment Terms	Covenants/Collaterals
		(In Million)					
Local bank loans							
Loan 1	September 30, 2005	₱120.67	₱179.81	October 5, 2009	9% fixed p.a.	Payable in 48 equal monthly installments commencing on November 5, 2005	Secured by collaterals on mining equipment (Note 8)
Other loans	Various in 2007	258.35	-	Various in 2007 and 2008	8% fixed p.a.	Various	None
Foreign bank loans							
Loan 1	December 14, 2005	193.54	306.50	November 30, 2010	Based on SIBOR plus 1.95% p.a.	Repriceable and payable in 16 equal quarterly installments to commence 2 months after the draw down dates	Unconditional and irrevocable guarantee issued by Komatsu Asia and Pacific Pte Ltd. and other covenants
Other loans	Various availments in 2004 and 2005	304.52	510.14	Various maturities in 2009 and 2010	Based on 6-month USD LIBOR plus 1.5% p.a.	Payable in 10 equal consecutive semi-annual instalments, the first of which was due and payable 6 months after the starting point	Unconditional and irrevocable guarantee issued by the Company (Note 19)
		877.08	996.45				
Payable to foreign suppliers							
Supplier 1	December 31, 2005	–	6.44	December 4, 2007	5.7% p.a. compounded quarterly	Payable in 8 equal quarterly installments	None
Supplier 2	August 20, 2004	–	2.45	September 15, 2006	5% p.a. compounded monthly	Payable in 18 equal monthly installments	Unconditional and irrevocable guarantee issued by the Company (Note 19)
			8.89				
Various Letters of Credits	Various dates of availments	291.51	713.49	Various maturities in 2008	Interest ranging from 8% to 11% p.a.	Payable within 1 year	None
		₱1,168.59	₱1,718.83				

The Company

Loan Type	Date of Availment	2007	2006	Maturity	Interest Rate	Payment Terms	Covenants/Collaterals
Local bank loan							
Equitable PCI Bank	October 23, 2006	₱–	₱1,500.00	October 23, 2014	3-month MART1 plus 3% spread plus GRT	Payable in 28 equal monthly installments to commence at the end of the first quarter from initial drawdown date	Real estate receivables and investments in shares of stocks of Semirara

Other Subsidiaries

Loan Type	Date of Availment	2007	2006	Maturity	Interest Rate	Payment Terms	Covenants/Collaterals
Other borrowings							
Various	Various	₱2,696.72	₱1,410.54	Various	10% to 13% p.a.	Payable in equal monthly installments over a period ranging from 5 to 15 years	Real estate receivables
TOTAL		**₱3,865.31**	**₱4,629.37**				

(a) Semirara

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

(b) The Company

During the year, the Company borrowed ₱1,500.00 million from BDO (Lender) to partially finance its share of the total purchase price in its joint bid to acquire Maynilad Water Services, Inc. (MWSI). As security for the prompt and full payment by the the Company, real estate receivables amounting to ₱750.00 million were pledged as collateral. Further, the Company investments in shares of stocks in Semirara shares were also mortgaged to secure the ₱1,500.00 million loan.

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

(c) Sale of real estate receivables by other subsidiaries

Certain subsidiaries entered into various purchase agreements with financial institutions whereby the subsidiaries sold its receivables. The purchase agreements provide that the subsidiaries should substitute defaulted contracts to sell with other contracts to sell of equivalent value.

The subsidiaries still retain the sold receivables in the receivables account and record the proceeds from these sales as loans payable which amounted to ₱615.62 million and ₱555.00 million as of December 31, 2007 and 2006, 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.

20. **Other Noncurrent Liabilities**

The details of this account consist of:

	2007	2006
Provision for decommissioning and site rehabilitation	**₱12,205,199**	₱11,138,611
Subscriptions payable	**4,750,000**	4,750,000
	₱16,955,199	₱15,888,611

21. **Noncurrent Assets Held for Sale**

AG&P
As of December 31, 2001, the Group's accumulated equity in net losses of AG&P equalled the carrying amount of its investment. The Group discontinued the recognition of its share of further losses in AG&P as it is not committed to provide financial support to the latter. Unrecognized share in net income of AG&P amounted to ₱27.21 million as of December 31, 2006.

On January 31, 2002, AG&P filed a petition for rehabilitation (after the approval of AG&P's stockholders and BOD on January 29, 2002) with the RTC of Batangas City. On February 21, 2002, the RTC issued a stay order prohibiting AG&P from selling, encumbering, transferring or disposing any of its properties in any manner except in the ordinary course of business.

On March 11, 2003, the RTC approved AG&P's updated rehabilitation plan that included, among others, the settlement of the Group's claims from AG&P.

On March 31, 2003, Philippine National Bank (PNB), AG&P's creditor, filed a Motion for Reconsideration with the court for the modification of the updated rehabilitation plan due to, among others, the non-viability of the proposed transfer of the 20 hectares at Batangas Fabrication Yard (BFY) to PNB via a dacion en pago payment scheme with option to repurchase and to lease it back for 5 years with exclusivity provision. In addition, PNB suggested to the court the following modifications to the updated rehabilitation plan:

(a) AG&P should remit to PNB a part of the advance rentals AG&P received as payment in the lease transaction entered into between AG&P and Babcock Hitachi Philippines, Inc. in July 2001 totaling ₱18 million with interest;

(b) AG&P should proportionately pay all creditors, depending on their respective credit exposure, whatever cash inflows it will receive from all the transactions it will enter into, except those that will come from sale or lease of properties covered by the Mortgage Trust Indenture (MTI) which should be paid to MTI banks, especially the ₱70.0 million earmarked for its employees, from the time the Petition was filed and up to the time the approved rehabilitation plan subsists; and

(c) PNB will accede to the proposal of AG&P to restructure the latter's loan on the condition that the loan obligation of AG&P with PNB shall consistently earn interest depending on the prevailing rates in the market, otherwise, the approved "suspension of interest charges on all interest-bearing obligations from February 2002 up to December 2002 pending review and approval of AG&P's rehabilitation plan by the court" and "restructuring of outstanding PNB loans for a ten-year period with 2 years grace period in the payment of principal, interest rate for the first 5 years is proposed at 6% and 12% for the next 5 years" should be disapproved and deleted.

On May 2, 2003, the Receiver filed a Manifestation and Compliance with the court on the Receiver's meeting with the officers of PNB and representatives of AG&P on the issues raised by PNB in its Motion for Reconsideration. The Receiver manifests, among others, that:

(a) PNB agreed to withdraw its objections to the payment of the advance lease proceeds from Amstel-Phil Shipbreaking Corporation, (Amstel, AG&P's potential lessee) the amount of ₱70.00 million to the labor union;

(b) AG&P and PNB agree to subject the issue of interest during the restructuring period to further discussions; and

(c) PNB is withdrawing its objection since AG&P had withdrawn its proposal to transfer the BFY property by way of dacion en pago arrangement to the former.

On January 30, 2006, AG&P submitted to the court a proposed Amended Rehabilitation Plan (Amended Plan). The salient provisions of the Amended Plan include, among others, the following:

a. Acceptance by the rank and file of the revised payment package in full settlement of separation benefits, labor cases, commutation of sick and vacation leaves and reimbursement of tax withheld.

b. Conversion to equity of PNB's loans and DMCI's advances amounting to ₱223.00 million and ₱591.00 million, respectively. The present authorized capital stock of AG&P of ₱36.00 million will be increased to ₱1,500.00 million before conversion of debt to equity.

c. Partial settlement of DMCI loan thru transfer of 20% equity shares in associate owned by AG&P in Bauan International Port, Inc. to DMCI.

d. Restructuring of residual loans from PNB and advances from DMCI.

e. Settlement by DMCI of loans from a local commercial bank with the underlying collaterals to be assumed by DMCI via "dacion en pago".

f. Quasi-reorganization through application of additional paid-in capital of and revaluation increment in property against deficit.

In 2007, the Company entered into a Deed of Assignment whereas the Company agreed to the conversion of the Company's advances to AG&P in the amount of ₱957.82 million into equity.

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

The results of AG&P are presented below:

	December 31		
	2007	2006	2005
Contract revenue	**₱1,730,476,721**	1,186,234,040	₱802,510,876
Contract costs	**1,174,024,523**	875,195,627	568,926,357
Gross profit	**556,452,198**	311,038,413	233,584,519
Operating expenses	**347,837,445**	216,795,624	185,366,626
Other income/(charges)	**8,946,493**	(38,693,589)	(55,685,290)
Income (loss) before income tax	**217,561,246**	55,549,200	(7,467,397)
Provision for (benefit from) income tax			
Current	**13,711,378**	7,149,509	6,347,072
Deferred	**54,440,380**	12,951,744	(42,764,952)
	68,151,758	20,101,253	(36,417,880)
Net income	**₱149,409,488**	₱35,447,947	₱28,950,483

EPS on income associated with noncurrent assets held for sale attributable to equity holders of the Company:

	2007	2006	2005
Income associated with noncurrent assets Held for sale	**₱149,409,488**	₱35,447,947	₱28,950,483
Less income associated with noncurrent assets held for sale attributable to minority interests	**74,209,203**	19,141,891	15,633,261
	75,200,285	16,306,056	13,317,222
Weighted average number of common shares for basic/diluted EPS	**82,953,117**	2,255,494,000	2,255,494,000
Basic/Diluted EPS	**₱0.9065**	₱0.0072	₱0.0059

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

ASSETS	
Current Assets	
Cash and cash equivalents	₱189,453,932
Receivables	248,282,344
Inventories	101,049,305
Other current assets - net	32,522,398
Total Current Assets	571,307,979
Noncurrent Assets	
Available-for-sale fa	7,255,141
Investments in subsidiary and associate	143,462,575
Investment properties	186,741,902
Property, plant and equipment	2,059,836,977
Pension assets	8,004,097
Total Noncurrent Assets	2,405,300,692
Assets held for sale	₱2,976,608,671

LIABILITIES	
Current Liabilities	
Loans payable	₱891,260,530
Notes payable	113,037,580
Accounts and other payables	753,887,833
Due to a stockholder	210,102,403
Billings in excess of costs and estimated earnings on uncompleted contracts	15,298,177
Total Current Liabilities	1,983,586,523
Noncurrent Liabilities	
Deferred tax liabilities	353,388,981
Liabilities directly attributable to assets held for sale	₱2,336,975,504

22. Equity

The Parent Company's capital stock consists of:

	2007		2006	
	Shares	**Amount**	Shares	Amount
Preferred stock - ₱1 par value cumulative and convertible				
Authorized	**100,000,000**	**₱100,000,000**	100,000,000	₱100,000,000
Issued				
Balance at beginning of year	**5,480**	**₱5,480**	144,480	₱144.480
Cancellation/retirement of shares	**(1,000)**	**(1,000)**	(139,000)	(139.000)
Balance at end of year	**4,480**	**4,480**	5,480	5,480
Common stock - ₱1 par value				
Authorized	**5,900,000,000**	**5,900,000,000**	5,900,000,000	5,900,000,000
Issued				
Balance at beginning of year	**2,255,494,000**	**2,255,494,000**	2,255,494,000	2,255,494,000
Issuance of shares	**400,000,000**	**400,000,000**	–	–
Balance at end of year	**2,655,494,000**	**2,655,494,000**	2,255,494,000	2,255,494,000
Preferred shares held in treasury				
Balance at beginning of year	**(1,000)**	**(1,000)**	(136,950)	(136,950)
Redemption of shares	**–**	**–**	(3,050)	(3,050)
Cancellation/retirement of shares	**1,000**	**1,000**	139,000	139,000
Balance at end of year	**–**	**₱–**	(1,000)	(₱1,000)

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.

On April 1, 2002, the Company's BOD approved the Exchange Offer involving the redemption of all of the Company's outstanding preferred shares totaling 1,670,584 shares as of December 31, 2001, which were due for redemption on April 7, 2002 (Final Redemption Date). Such Exchange Offer, which was formally presented to the preferred shareholders on April 5, 2002, consisted of any one or more of the following Options:

Option A - Secured 5-Year Term Loan
Redemption of preferred shares through the issuance of Promissory Notes (PNs) by the Company, DMCI or PDI at a valuation of ₱1,000 per share, equivalent to the original issue price of the preferred shares. The PNs, which are value dated April 7, 2002, shall be subject to a floating interest rate based on prevailing 91-day T-Bill rate plus a 2% spread; and shall be secured by a mortgage on certain real estate properties owned by the Group and related parties.

In 2004, the Group issued PNs amounting to ₱139 million (net of payments of ₱99 million in 2004) for the redemption of 310,700 preferred shares, respectively, under Option A.

Option B - Secured 7-Year Term Loan
Redemption of preferred shares through the issuance of PNs by the Company, DMCI or PDI at a valuation of ₱1,367 per share, equivalent to the original issue price of the preferred shares plus accumulated and nonconversion premium. The PNs, which are also value dated April 7, 2002, shall be subject to either of the following interest rates at the option of the preferred shareholders: (a) floating interest rate based on prevailing 91-day T-Bill rate plus a 3% spread; (b) fixed interest at 13% for the first 5 years of the loan and floating for the remaining 2 years at a rate equivalent to that contemplated in letter (a); and (c) fixed interest at 13% for the entire 7-year term; and shall be secured by a participation in a mortgage trust indenture covering various accounts receivables, inventory and equipment and a mortgage on certain provincial real estate properties owned by the Group.

In 2003, the Group issued PNs amounting to ₱244 million for the redemption of 202,355 preferred shares under Option B.

As of December 31, 2007 and 2006, the outstanding liabilities to preferred shareholders who opted for options A and B have fully paid.

Option C - Asset for Share Exchange
Redemption of preferred shares in exchange for residential and office units, equipment and/or accounts receivable at a valuation of ₱1,112 per share (purchase price), equivalent to the original issue price of the preferred shares plus accumulated and current dividends. The exchange shall be carried out with the subject assets valued at their selling price or fair market value. In the event that the total value of the assets elected by the preferred shareholders exceeds the total purchase price of the preferred shares, the resulting residual amount shall be paid by such shareholders to the Company in cash. Conversely, should the total purchase price exceeds the asset value, the residual amount shall be paid by the Company to the shareholders through either of Options A, B or D.

As of December 31, 2004, the Company redeemed 659,279 preferred shares under Option C in exchange for Asian Hospital, Inc. (AHI) shares; certain construction equipment owned by DMCI amounting to ₱50 million and other certain assets of the Group amounting to ₱586 million in favor of Dacon Corporation (Dacon), a major stockholder; proceeds from sale of various condominium units owned by Constress and PDI totaling to ₱56 million in favor of certain preferred shareholders; and condominium units owned by PDI with an aggregate value of ₱6 million in favor of certain preferred shareholders. As of December 31, 2007 and 2006, there have been no redemptions under Option C.

Option D - Cash Payment
Redemption of preferred shares for cash at a price of ₱775 per share, equivalent to the closing market price of such preferred shares on April 1, 2002 up to a maximum of ₱72 million (cap funds held by custodian bank for the redemption of preferred shares). Should the total amount of all the preferred shares of the holders electing this option exceed the cap, the ₱72 million shall be allocated among all accepting shareholders on a pari passu basis; with the remaining preferred shares to be purchased under any of Options A, B or C.

As of December 31, 2007 and 2006, the Group redeemed 3,050 preferred shares and 149,210 preferred shares, respectively, under Option D.

The Group cancelled/retired 139,000 and 197,760 issued preferred shares in 2007 and 2006, respectively. The difference between the par value and the redemption price amounting to ₱189.83 million and ₱234.36 million as of 2007 and 2006, respectively, were charged against the additional paid in capital account.

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

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

Dividends declared
On April 3, 2007 and June 15, 2006, the Parent Company's BOD approved and declared cash dividend of ₱0.10 per share or ₱225.55 million to stockholders of record as of April 30, 2007 and June 30, 2006, respectively. The 2007 and 2006 cash dividend were paid on May 28, 2007 and July 20, 2006, respectively.

On April 24, 2008, the BOD approved the declaration of cash dividend of ₱0.10 per share to stockholders of record as of May 12, 2008, out of the unrestricted retained earnings as of December 31, 2007. The 2008 cash dividend will be paid on May 30, 2008.

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

23. Related Party Transactions

In the regular course of business, the Group's significant transactions with related parties, which are accounted for at market prices normally charged to unaffiliated customers for similar goods and services, consisted primarily of the following:

(a) Comprehensive surety, corporate and letters of guarantee issued by the Company and DMCI for various credit facilities granted to and for full performance of certain obligations by certain related parties (Notes 14, 16 and 31). Such outstanding surety and/or guarantees amounted to ₱354 million as of December 31, 2004. These obligations were paid in 2005.

(b) Interest and noninterest-bearing cash and operating advances made by the Group to and from various associates and other related parties.

Details of maturing receivables from and payables to related parties as of December 31, 2007 and 2006 are as follow:

	2007	2006
Receivable from Related Parties (Note 6)		
Celebrity Sports Plaza	**₱69,972,660**	₱–
Universal Rightfield Property Holdings, Inc.	**66,382,253**	127,443,010
One Asia Development Corp.	**62,316,305**	–
Atlantic Gulf & Pacific Company	–	553,525,418
DMC Urban Property Developers, Inc.	–	245,352,200
Others	**104,943,310**	174,353,393
	₱303,614,528	₱1,100,674,021
Payable to Related Parties		
DACON Corporation	**92,196,633**	200,000,000
M & S Company	**84,476,761**	99,881,140
DMC Urban Property Developers, Inc.	**29,461,262**	27,746,204
One Asia Development Corporation	–	75,074,468
Others	**172,754,284**	44,799,416
	378,888,940	447,501,228
Net Receivable (Payable) to Related Parties	**(₱75,274,412)**	₱653,172,793

Outstanding balances as of December 31, 2007, which are unsecured and interest free, are all due within one year. The Group has provided allowance for doubtful accounts for amounts owned by related parties that are deemed uncollectible (see Note 5). 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:

	2007	2006
Short-term employee benefits	**₱37,665,856**	₱27,329,775
Post employment benefits (Note 24)	**24,902,972**	2,661,201
	₱62,568,828	₱29,990,976

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.

24. Employee Benefits

Retirement Plans

The Group has both unfunded (DMCI-HI and PDI) and funded (other subsidiaries), noncontributory, defined benefit pension plans covering substantially all of their regular employees. The latest actuarial valuation reports of the retirement plans were made on December 31, 2006.

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

	2007	2006	2005
Current service cost	**₱25,115,481**	₱28,500,069	₱10,484,508
Interest cost on benefit obligation	**20,580,162**	20,338,178	22,597,832
Expected return on plan assets	**(32,586,949)**	(12,730,102)	(12,730,102)
Net actuarial loss (gain) recognized during the year	**106,114,093**	(5,522,355)	466,615
Past service cost - non vested benefit	**1,995,482**	141,163	–
Past service cost - vested benefit	**44,400,037**	–	–
Amortization of transition obligation recognized during the year	**399,820**	399,820	399,820
Total pension expense	**₱166,018,126**	₱31,126,773	₱21,218,673
Actual return on plan assets	**₱101,044,585**	₱104,026,975	–

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

	2007	2006	2005
Balance at beginning of year	**₱277,391,997**	₱171,856,371	₱159,126,269
Expected return on plan assets	**32,586,949**	12,730,102	12,730,102
Actual contributions	**84,280,361**	19,650,846	–
Benefits paid	**(715,889)**	(5,412,093)	–
Transfer of assets	**(17,721)**	–	–
Actuarial gain - net	**68,457,636**	78,566,771	–
Balance at end of year	**₱461,983,333**	₱277,391,997	₱171,856,371

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

	2007	2006	2005
Balance at beginning of year	**₱250,164,117**	₱194,656,679	₱182,565,943
Interest cost	**20,580,162**	20,338,178	22,597,832
Current service cost	**25,115,481**	28,500,069	10,484,508
Past service cost - non vested benefit	**17,052,039**		
Past service cost - vested benefit	**44,400,037**	1,468,002	–
Benefits paid	**(2,213,404)**	(5,412,093)	–
Transfer of obligations	**(17,721)**	–	–
Actuarial (gain) loss - net	**(17,763,237)**	10,613,282	(20,991,604)
Balance at end of year	**₱337,317,474**	₱250,164,117	₱194,656,679

Liability to be recognized in the consolidated balance sheet:

	2007	2006	2005
Present value of unfunded obligation	**₱337,317,474**	₱250,164,117	₱194,656,679
Fair value of plan assets	**₱461,983,333**	277,391,997	171,856,371
Excess of fair value of plan assets over present value of unfunded obligation	**(124,665,859)**	(27,227,880)	22,800,308
Unrecognized actuarial gain (loss) - net	**268,860,502**	76,525,534	(5,556,444)
Unrecognized past service cost - non vested	**(16,383,396)**	(1,326,839)	–
Unrecognized net transition obligation	**(140,373)**	(799,639)	(1,199,460)
Unrecognized net assets	**(259,447)**	–	–
Liabilities to be recognized in the consolidated balance sheets	**₱127,411,427**	₱74,399,056	₱16,044,404

The movements in the net retirement liability (asset) recognized in the consolidated balance sheet follow:

	2007	2006	2005
Balance at beginning of period	**₱47,171,177**	₱16,044,404	(₱5,174,269)
Contribution	**(85,777,876)**	–	–
Pension expense	**166,018,126**	31,126,773	21,218,673
Balance at end of period	**₱127,411,427**	₱47,171,177	₱16,044,404

The amounts for the current and the previous period follow:

	2007	2006
Excess of fair value of plant asset over present value of define benefit obligation	**(₱124,665,859)**	(₱27,227,880)
Experience adjustments on plan obligation	**1,663,542**	(5,116,687)
Experience adjustments on plan assets	**68,457,636**	–

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

	2007	2006	2005
Discount rate	**7.97% to 10.43%**	12%	12%
Salary increase rate	**10%**	10%	10%
Expected rate of return on plan assets	**7%**	12%	8%

25. **Costs of Sales and Services**

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

	2007	2006	2005
Included in:			
Coal sales	**₱1,537,383,602**	₱1,335,762,599	₱1,238,929,678
Construction contracts	**103,559,125**	32,270,888	72,722,175
Operating expenses (Note 26)	**39,029,997**	48,713,883	29,391,009
	₱1,679,972,724	₱1,416,747,370	₱1,341,042,862

	2007	2006	2005
Depreciation, depletion and amortization of:			
Property, plant and equipment (Note 13)	**₱1,675,636,127**	₱1,412,572,417	₱1,335,547,851
Other noncurrent assets (Note 14)	**853,031**	412,738	38,838
Real estate held for sale and development (Note 8)		–	2,822,796
Investment properties (Note 12)	**3,483,566**	3,762,215	2,633,377
	₱1,679,972,724	₱1,416,747,370	₱1,341,042,862

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

	2007	2006	2004
Included in:			
Costs of construction contracts	**₱698,880,167**	₱330,959,847	₱367,542,131
Operating expenses (Note 26)	**322,887,603**	200,688,257	198,701,631
Costs of coal sales	**244,503,934**	140,330,673	116,282,956
	₱1,266,271,704	₱671,978,777	₱682,526,718

26. **Operating Expenses**

This account consists of:

	2007	2006	2005
Salaries, wages and employee benefits (Note 25)	**₱322,887,603**	₱200,688,257	₱198,701,631
Advertising and marketing	**347,920,517**	46,340,977	35,220,167
Government share	**191,290,056**	138,272,655	158,784,821
Commission	**140,299,511**	94,521,259	45,723,198
Taxes and licenses	**103,928,927**	56,956,000	54,018,437
Outside services	**102,020,559**	71,160,864	102,631,929
Rent (Note 34)	**44,093,211**	31,336,803	23,334,957
Depreciation and amortization (Note 25)	**39,029,997**	48,713,883	29,391,009
Communication, light and water	**30,483,199**	26,803,633	31,256,387
Supplies	**26,724,325**	31,328,087	16,133,371
Entertainment, amusement and recreation	**25,901,357**	35,762,538	39,553,521
Transportation and travel	**21,835,098**	42,276,522	41,979,873
Probable losses on noncurrent assets	**20,187,583**	–	–
Repairs and maintenance	**13,708,492**	20,103,450	10,272,100
Provision for doubtful accounts	**4,434,241**	105,840,759	92,323,339
Insurance	**3,828,682**	3,096,183	3,211,300
Probable losses on investments	–	103,388,649	–
Provision for inventory obsolescence	–	39,787,613	–
Miscellaneous	**84,914,650**	24,632,206	62,243,615
	₱1,523,488,008	₱1,121,010,338	₱944,779,655

27. **Finance Income**

Finance income is derived from the following sources:

	2007	2006	2005
Interest on:			
Real estate receivable	**₱258,558,285**	₱215,878,662	₱66,243,952
Short-term placements	**84,634,738**	109,703,553	135,561,947
Bank savings account	**23,803,820**	32,414,976	4,572,653
	₱366,996,843	₱357,997,191	₱206,378,552

28. **Finance Costs**

The finance costs are incurred from the following:

	2007	2006	2005
Interest on:			
Long-term borrowings	**₱212,146,253**	₱193,193,414	₱179,792,385
Bank loans and short-term borrowings	**168,396,014**	130,542,853	31,119,055
Purchase contracts	**704,515**	23,974,286	–
Loans to affiliated entities	**63,496,109**	3,978,082	9,108,190
	₱444,742,891	₱351,688,635	₱220,019,630

29. **Other income (charges)**

This account consists of:

	2007	2006	2005
Foreign exchange gain - net	**₱70,791,494**	₱124,745,394	₱100,651,573
Rental income	**19,905,474**	12,174,806	5,151,492
Gain (loss) on sale of property and equipment - net	**11,396,121**	162,495,353	(83,788,235)
Dividend income	**3,937,366**	6,972	5,777,090
Write off of deposits	**(300,000,000)**	–	–
Revenue from guarantee fees	**–**	–	25,760,109
Others	**(18,340,808)**	78,701,476	40,165,116
	(₱212,310,353)	₱378,124,001	₱93,717,145

30. **Income Taxes**

The significant components of deferred tax assets and liabilities represented the deferred tax effects of the following:

	2007	2006
Deferred tax assets on:		
Allowance for:		
Doubtful accounts	**₱25,310,335**	₱69,392,066
Inventory obsolescence	**22,059,863**	33,195,963
Contingencies	**–**	10,484,528
Probable loss	**35,676,508**	28,686,027
Unamortized discount on receivables	**69,008,953**	–
Pension liabilities	**44,594,000**	16,509,912
Accrued expenses and other expense	**6,586,014**	41,599,587

(Forward)

	2007	2006
Provision for decommissioning and site rehabilitation	**₱4,271,819**	₱–
NOLCO	–	12,485,454
Accrued retirement costs	–	5,881,525
MCIT	–	1,632,905
	207,507,492	219,867,967
Deferred tax liabilities on:		
Incremental cost of property, plant and equipment	**(80,363,926)**	(100,791,915)
Excess of book over tax income pertaining to construction contracts and real estate sales	**(126,034,468)**	(122,406,082)
Unamortized discount on loans payable	**(21,915,999)**	
Capitalized interest on real estate for sale and development deducted in advance		(9,583,535)
Others - net unrealized gain	**(45,126,310)**	(30,986,500)
	(273,440,703)	(263,768,032)
	(₱65,933,211)	(₱43,900,065)

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:

	2007	2006
Allowance for losses on assets	**₱25,740,844**	₱48,042,493
Allowance for doubtful accounts	**2,954,879**	3,712,722
NOLCO	–	1,872,974
Retirement costs	–	8,017,202
Accrued expenses	–	1,954,534
	28,695,723	63,599,925
Tax effect	**10,043,503**	22,259,974
MCIT	–	2,363,798
	₱10,043,503	₱24,623,772

The deferred income tax effects of the above deductible temporary differences for which no deferred tax assets are recognized amounted to ₱10.04 million and ₱24.62 million as of December 1, 2007 and December 31, 2006, respectively. Deferred tax assets are recognized only to extent that taxable income will be available against which the deferred tax assets can be used. The Group assesses the unrecognized deferred tax assets and will recognize a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable income will allow the deferred tax asset to be recovered. Accordingly, in 2007, the Group recognized portion of deferred income tax effects of the deductible temporary differences not recognized in prior years and this amounted to ₱14.58 million.

As of December 31, 2007, the Group's available NOLCO amounting to ₱14.36 million was applied against the current provision for income tax and income tax payables.

The provision for (benefit from) income tax shown in the consolidated statement of income consists of:

	2007	2006	2005
Final	**₱13,825,954**	₱9,396,980	₱10,470,800
Current	**484,153,681**	514,368,812	497,908,228
Deferred	**(21,079,640)**	(61,137,989)	58,496,703
	₱476,899,995	₱462,627,803	₱566,875,731

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

	2007	2006	2005
Statutory income tax rate	**35.00%**	**35.00%**	32.50%
Adjustments for:			
Changes in unrecognized deferred tax assets	**0.79**	**(1.24)**	0.50
Nondeductible interest expense	**0.11**	**1.17**	0.22
Nondeductible expenses	**0.20**	**0.02**	0.02
Nontaxable equity in net earnings of associates and jointly controlled entities	**(18.50)**	**(0.53)**	(0.17)
Interest income subjected to final tax at a lower rate - net	**(1.21)**	**(2.58)**	(0.78)
Additional deductible expenses	**(0.10)**		
Gain on sale of investments in shares of stock subjected to final tax	**(2.01)**	**(6.75)**	(12.98)
Non taxable dividend income	**(1.21)**	**–**	(0.04)
Gain on sale of dilution	**(1.81)**	**–**	(5.47)
Change in tax rate	**2.55**	**–**	(1.83)
Others – net	**–**	**(0.02)**	(0.03)
Effective income tax rate	**13.81%**	**25.07%**	11.94%

Republic Act (RA) No. 9337

RA No. 9337 was enacted into law amending various provisions in the existing 1997 National Internal Revenue Code. On October 18, 2005, the SC has rendered its final decision declaring the validity of RA No. 9337. Among the reforms introduced by the said RA, which became effective on November 1, 2005, are as follows:

- Increase in the corporate income tax rate from 32% to 35% with a reduction thereof to 30% beginning January 1, 2009;
- Grant of authority to the Philippine President to increase the value-added tax (VAT) rate from 10% to 12% effective February 1, 2006;
- Revised invoicing and reporting requirements for VAT;
- Expanded scope of transactions subject to VAT; and
- Provide thresholds and limitations on the amounts of VAT credits that can be claimed.

Due to enactment of the RA, the deferred tax assets and liabilities as of December 31, 2005 was measured at 35%.

Board of Investments (BOI) Incentives
In 2007 and 2006, the BOI issued in favor of certain subsidiaries in the group a Certificate of Registration as a New Developer of Mass Housing Project for its 4 real estate projects in accordance with the Omnibus Investment Code of 1987. Pursuant thereto, the projects has been granted an Income Tax Holiday for a period of four (4) years commencing from 2007 until 2011.

31. Basic / Diluted Earnings Per Share

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

	2007	2006	2005
Net income	**₱2,840,094**	₱1,135,299	₱3,591,511
Less dividends on preferred shares	**–**	–	542
	2,840,094	1,135,299	3,590,969
Divided by weighted average number of common shares	**2,409,577**	2,255,494	2,255,494
Basic earnings per share	**₱1.18**	₱0.50	₱1.59

The assumed conversion of the Group's preferred shares has no dilutive effect. The preferred shareholders' right of conversion expired in March 2002. Accordingly, no diluted earnings per share is presented in the accompanying consolidated statement of income in 2007, 2006 and 2005.

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

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

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

a) NPC to be entitled to an additional 3% discount in the event that its aggregate lifting in any given year exceeds 1,100,000 MT up to 2,400,000 MT of coal. Discount computation shall start on the month its aggregate lifting exceeds 1,100,000 MT of coal;

b) maintenance by the Company, at its own expense, of a minimum coal running inventory of at least 100,000 MT that meets the applicable coal specifications set forth in the second amendment of the CSA and ready in all aspects for loading and delivery to Calaca I and Calaca II;

c) limitation in the coal's sulfur content to 1.0% in compliance with the Clean Air Act and reduction in its ash specification to 20% to minimize coal handling problems;

d) inclusion of certain bases of NPC's exercise of its rights to reject and/or stop coal deliveries by the Company to NPC, consequences of coal rejection in terms of title and risk of loss to coal delivered, relief from payment by NPC, and removal of delivered coal from NPC premises; and remedies for the Company in the event NPC exercises such rights;

e) changes in (i) the pricing periods to a 3-month period which shall commence respectively at the beginning of a calendar quarter namely: January 1, April 1, July 1, and October 1; and (ii) the computation of the base price of the Company's coal delivery including the determination of the initial and final base prices, to consider the volatile foreign exchange situation and the price of all NPC imported coal for Calaca plant during the pricing period; and

f) changes in the computation of the adjustment for penalty or bonus from the base price per MT.

In 2003, the supplemental agreement (Agreement) to the CSA has been finalized. The Agreement provided for, among others, the services to be undertaken by the Company for the coal handling operations at Calaca, Batangas as a result of the extension of coal delivery from C&F Discharge Port to C&F Silo with the cost of ₱66 per MT plus value added tax.

The services to be undertaken by the Company in order to extend its delivery service from discharge port to silos includes coal unloading and handling; repairs and maintenance of coal handling facilities; stevedoring services; support activities and coal yard management; and tree planting, marine life protection program and environmental programs to enhance image of NPC power plants. The Company recognized a net income (loss) of ₱23.40 million, ₱25.98 million, and (₱26.87) million from this handling operation for the years ended December 31, 2006, 2005 and 2004, respectively.

The Company's receivables from NPC amounted to ₱380.93 million and ₱809.33 million as of December 31, 2007 and 2006, respectively.

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

As provided for in the MOA, the Company received advance payments that are subsequently applied against coal delivery sales. The unapplied portion of these advance payments are presented as "Customers' deposits" account in the balance sheet (Note 18).

33. 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 liabilities to DOE (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 ₱53.56 million and ₱28.51 million as of December 31, 2007 and 2006, respectively. These liabilities are included under the "Accounts and other payables" account in the balance sheet (see Note 17).

In 2002, the DOE, through the Energy Resources Development Bureau, approved the exclusion of coal produced and used solely by Semirara to feed its power plant in determining the amount due to DOE.

34. Segment Reporting

Business Segment Information

Financial information by segment is reported on the basis used internally for evaluating segment performance and allocating resources among operating segments.

The industry segments where the Group operates are: general construction, coal mining, real estate development and Parent Company & others.

Business Segments

The following tables present revenue, net income (loss) and depreciation, depletion and amortization information regarding business segments for the years ended December 31, 2007, 2006 and 2005 and property, plant and equipment additions, total assets and total liabilities for the business segments as of December 31, 2007, 2006 and 2005 (amounts in millions):

2007

	General Construction	Coal Mining	Real Estate Development	Parent Company and Others	Total
Revenue	**₱2,955**	**₱6,467**	**₱2,455**	**₱568**	**₱12,445**
Net income	**324**	**632**	**671**	**1,500**	**3,127**
Depreciation, Depletion and Amortization	**104**	**1,335**	**10**	**231**	**1,680**
Net finance income (expense)	**(17)**	**(100)**	**79**	**(40)**	**(78)**
Income taxes	**(18)**	**327**	**180**	**(12)**	**477**
Property, plant and equipment additions	**550**	**353**	**263**	**85**	**1,251**
Segment Assets	**7,073**	**6,612**	**7,793**	**7,585**	**29,063**
Segment Liabilities	**3,282**	**1,979**	**5,126**	**1,496**	**11,883**

2006

	General Construction	Coal Mining	Real Estate Development	Parent Company and Others	Total
Revenue	₱1,747	₱4,688	₱1,905	₱362	₱8,702
Net income	137	601	287	358	1,383
Depreciation, Depletion and Amortization	32	1,336	12	33	1,413
Net finance income (expense)	(6)	(159)	112	59	6
Income taxes	86	309	59	9	463
Property, plant and equipment additions	139	1,504	35	13	1,691
Segment Assets	5,405	6,265	3,388	20,599	20,625
Segment Liabilities	1,092	2,254	3,947	1,646	8,939

2005

	General Construction	Coal Mining	Real Estate Development	Parent Company and Others	Total
Revenue	₱2,790	₱5,553	₱1,508	₱178	₱10,029
Net income	74	1,592	140	2,375	4,181
Depreciation, Depletion and Amortization	92	1,239	4	3	1,338
Net finance income (expense)	18	(63)	(10)	42	(14)
Income taxes	51	423	81	12	567
Property, plant and equipment additions	84	1,798	4	–	1,886
Segment Assets	3,743	6,935	6,026	327	17,031
Segment Liabilities	923	2,798	2,683	148	6,552

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

35. Financial Instruments

Fair value information

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, 2007 and 2006.

	2007		2006	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Loans and Receivables				
Cash and cash equivalents				
Cash on hand and in banks	**₱823,987,335**	**₱823,987,335**	₱724,603,701	₱724,603,701
Cash equivalents	**2,715,660,264**	**2,715,660,264**	527,307,484	527,307,484
Receivables – net				
Trade				
Real estate	**2,753,686,371**	**3,408,218,524**	1,879,951,387	3,295,735,415
General construction	**534,090,850**	**534,090,850**	539,163,965	539,163,965
Coal mining	**1,066,938,992**	**1,066,938,992**	417,565,625	417,565,625
Receivable from related parties	**303,614,528**	**303,614,528**	1,030,436,373	1,030,436,373
Advances to officers and employees	**11,848,505**	**11,848,505**	6,701,554	6,701,554
Other receivables	**245,601,436**	**245,601,436**	302,520,060	302,520,060
Refundable deposits	**142,846,122**	**142,846,122**	80,218,125	80,218,125
	8,598,274,403	**9,252,806,556**	5,508,468,274	6,924,252,302
AFS investments				
Quoted securities	**29,602,368**	**29,602,368**	95,957,351	95,957,351
Unquoted securities	**173,070,692**	**173,070,692**	163,634,159	163,634,159
	202,673,060	**202,673,060**		
	₱8,800,947,463	**₱9,455,479,616**	₱5,768,059,784	₱7,183,843,812
Financial Liabilities				
Accounts and other payables	**₱3,161,504,437**	**₱3,161,504,437**	₱2,293,463,302	₱2,293,463,302
Liabilities for purchased land	**602,940,101**	**493,528,002**	390,392,363	182,368,217
Payable to related parties	**378,888,940**	**378,888,940**	473,162,605	473,162,605
Loans payable and long-term debt - including current portion	**3,905,616,785**	**4,440,900,617**	4,683,177,085	4,746,164,747
Other noncurrent liabilities	**16,955,199**	**16,955,199**	15,888,611	15,888,611
	₱8,065,905,462	**₱8,491,777,195**	₱7,856,083,966	₱7,711,047,482

Fair Value of Financial Instruments
The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

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

The fair values of long-term contracts 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 2007 and 2006 ranged from 10.00% to 13.00%.

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

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

Financial Liabilities

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

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

Financial Risk Management Objectives and Policies
The Group's principal financial instruments comprise interest-bearing loans and borrowings. The main purpose of these financial instruments is to raise financing for its operations and capital expenditures. The Group has various other financial assets and liabilities, such as receivables and payables which arise directly from its operations.

The main risks arising from the use of financial instruments are foreign currency risk, credit risk, liquidity risk, interest rate risk and commodity price risk. The Group's BOD reviews and approves policies for managing each of these risks and they are summarized below.

Foreign exchange risk
The Group's foreign exchange risk results primarily from movements of the Philippine Peso against the United States Dollar. Majority of revenues are generated in Pesos and some of the capital expenditures are in US$. Approximately 46% and 69% of debts as of December 31, 2007 and 2006, respectively, were denominated in US$.

Information on the Company's foreign currency-denominated monetary assets and liabilities and their Philippine peso equivalents as of December 31, 2007 and 2006 follows:

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

	2006			
	U.S. Dollar	Japanese Yen	UK Pounds	Php Equivalent
Assets				
Cash and cash equivalents	$247,851	–	156,218	₱12,152,134
	$247,851	–	156,218	12,152,134
Liabilities				
Accounts and other payables	2,009,078	–	–	98,505,094
Long-term debt (including current portion)	16,837,244	–	–	825,530,073
	18,846,322	–	–	924,035,167
Net foreign currency denominated asset (liabilities)	($18,598,471)	–	156,218	(₱911,883,033)

The spot exchange rates used in 2007 and 2006 were ₱41.28 to US$1 and ₱49.03 to US$1, respectively.

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, 2007.

Increase/(decrease) in Peso per U.S. Dollar rates	₱1	(₱1)
Effect on profit before tax	27,301,969	(27,301,969)
Effect on equity	17,746,280	(17,746,280)

Increase/(decrease) in Peso per Japanese Yen	₱0.05	(₱0.05)
Effect on profit before tax	2,000,000	(2,000,000)
Effect on equity	1,300,000	(1,300,000)

Increase/(decrease) in Peso per UK Pounds	₱8	(₱8)
Effect on profit before tax	1,866,936	(1,866,936)
Effect on equity	1,213,508	(1,213,508)

The Group recognized ₱266.67 million and ₱734.17 million foreign exchange gain for the years ended December 31, 2007 and 2006, respectively, arising from the translation of the Group's cash and cash equivalents, trade receivables and long-term debt.

Credit risk

The Group's exposure to credit risk arises from default of the counterparties which include certain financial institutions, real estate buyers, subcontractors and suppliers. Credit risk management involves dealing only with institutions or individuals for which credit limits have been established, and with subcontractors and suppliers whose paying and performance capabilities are rigorously screened. The Treasury policy sets a credit limit for each counterparty. In addition, receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant.

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

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

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

	2007	2006
Balance sheet items		
Cash and cash equivalents		
Cash on hand and in banks	**₱823,987,335**	₱724,603,701
Cash equivalents	**2,715,660,264**	527,307,484
Available-for-sale financial assets		
Quoted securities	**29,602,368**	95,957,351
Unquoted securities	**173,070,692**	163,634,159
Receivables		
Trade		
Real estate	**2,753,686,371**	1,883,601,265
General construction	**534,090,850**	631,597,549
Coal Mining	**1,066,938,992**	374,230,827
Receivable from related parties	**303,614,528**	1,100,674,021
Advances to officers and employees	**11,848,505**	6,701,554
Other receivables	**245,601,436**	309,703,369
Refundable deposits	**142,846,122**	80,218,125
Total credit risk exposure	**₱8,658,101,341**	₱5,818,011,280

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

	Neither past due nor impaired			**Past due or Individually impaired**	
	Grade A	**Grade B**	**Grade C**		**Total**
Cash and cash equivalents	₱3,539,647,599	₱–	₱–	₱–	₱3,539,647,599
Avialable-for-sale financial assets	202,673,060				202,673,060
Trade:					
Real estate	1,032,693,661	753,875,283	–	967,117,427	2,753,686,371
General construction	283,341,804	212,285,519	–	38,463,527	534,090,850
Coal Mining	663,816,967	90,726,026	–	312,395,999	1,066,938,992
Receivable from related parties	303,614,528	–	–	–	303,614,528
Advances to officers and employees	11,848,505	–	–	–	11,848,505
Other receivables	223,374,401	–	–	7,380,686	230,755,087
Refundable deposits	142,846,122	–	–	–	142,846,122
Total	₱6,403,856,647	₱1,056,886,828	₱–	₱1,325,357,639	₱8,786,101,114

As of December 31, 2007, the aging analysis of the Company's receivables presented per class follows

	Neither	Past due but not impaired					Impaired	
	Due nor Impaired	**<30 days**	**30-60 days**	**60-90 days**	90-120 days	>120 days	Assets	Total
				(In thousands)				
Receivables								
Trade								
Real estate	₱1,845,462,692	₱79,542,610	₱206,401,675	₱164,550,168	₱262,099,970	₱187,618,565	₱8,010,691	₱2,753,686,371
General construction	495,627,323						38,463,527	534,090,850
Coal Mining	754,542,993	120,135,794	90,101,849	60,067,899	15,187,607	–	26,902,850	1,066,938,992
Due from related parties	303,614,528	–	–	–	–	–	–	303,614,528
Advances to officers and employees	11,848,505	–	–	–	–	–	–	11,848,505
Other receivables	223,374,401	–	–	–	–	–	7,380,686	230,755,087
Refundable deposits	142,846,122	–	–	–	–	–	–	142,846,122
Total	₱4,080,931,092	₱199,678,404	₱296,503,524	₱224,618,067	₱277,287,577	₱187,618,565	₱80,757,754	₱5,043,780,455

Liquidity risk

The Group seeks to manage its liquidity profile to be able to service its maturing debts and to finance capital requirements. The Group maintains a level of cash and cash equivalents deemed sufficient to finance operations. As part of its liquidity risk management, the Group regularly evaluates its projected and actual cash flows. It also continuously assesses conditions in the financial markets for opportunities to pursue fund-raising activities. Fund-raising activities may include bank loans and capital market issues both on-shore and off-shore.

2007

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

2006

	Within 1 year	1-2 years	2-3 years	3-4 years	Total - Gross (In US$)	Total – Gross (in PHP)
Liabilities:						
Floating Rate						
US$15.14 million loan 6 month USD LIBOR plus 1.5% per annum	$3,027,672	$3,027,672	$3,027,672	$1,321,546	$10,404,562	₱510,135,675
US$6.64 million loan 3 month SIBOR plus 1.95% per annum	$1,562,720	$1,562,720	$1,562,720	$1,562,720	$6,250,880	306,480,646
₱1,500 million loan 3-month MART1 plus 3% spread plus GRT	₱214,285,714	₱214,285,714	₱214,285,714	₱857,142,857	–	1,500,000,000
Fixed Rate						
Various letters of credits and suppliers debt with various interest rates	₱713,489,588	–	–	–	–	713,489,588
Various local bank loans 7.88% to 14.4%	₱129,824,105	₱129,991,114	59,359,528	–	–	319,174,747
Long-term debt (contracts receivables discounting) 7.5% to 10%	₱242,488,654	₱175,918,789	₱130,144,000	₱731,534,016	–	1,280,085,460
					$16,655,442	₱4,629,366,116

Interest rate risk
The Group's exposure to market risk for changes in interest rates relates primarily to the Group's long-term debt obligations. The Group's policy is to manage its interest cost using a mix of fixed and variable rate debt.

The following table shows the information about the Group's significant financial instruments that are exposed to cash flow and fair value interest rate risks and presented by maturity profile.

2007

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

2006

	Within 1 year	1-2 years	2-3 years	3-4 years	More than 4 years	Fair Value
			(In Thousands)			
Cash equivalents						
Interest Rates						
4.5% to 6.75%	₱527,307	₱–	₱–	₱–	₱–	₱527,307
Contracts receivable						
Effective Interest Rates						
16.50% to 18.70%	268,564	230,500	227,500	226,795	930,241.92	1,883,601
	₱795,871	₱230,500	₱227,500	₱226,795	₱930,242	₱2,410,908

(Forward)

	Within 1 year	1-2 years	2-3 years	3-4 years	More than 4 years	Fair Value
			(In Thousands)			
Long-term debts						
Fixed Rate						
Local bank loan(contracts receivables discounting) 7.5% to 10% interest rate	₱242,488	₱175,919	₱130,144	₱731,534	₱–	₱1,280,085
Various local bank loans 7.88% to 14.4% interest rate	129,824	129,991	59,360	–	–	319,175
Various letters of credit 8-11% interest rate	713,490	–	–	–	–	713,490
Floating Rate						
$15.14 million loan (USD) 6 month USD LIBOR plus 1.5% per annum	148,447	148,447	148,447	64,795	–	510,136
$6.64 million loan (USD) 3 month SIBOR plus 1.95% per annum	76,620	76,620	76,620	76,620	–	306,480
₱1,500 million loan 3-month MART1 plus 3% spread plus GRT	214,286	214,286	214,286	214,286	642,856	1,500,000
	₱1,525,155	₱745,263	₱628,857	₱1,087,235	₱642,856	₱4,629,366

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

	Change in basis points	
	+100 basis points	
	Effect on income before income tax	**Effect on equity**
	(In thousands)	
Company - floating rate borrowings	(₱4,981)	(₱3,238)

	Change in basis points	
	-100 basis points	
	Effect on income before income tax	**Effect on equity**
	(In thousands)	
Company - floating rate borrowings	₱4,981	₱3,238

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, 2007, future minimum lease payments under the aforementioned finance lease and the present value of the net minimum lease payments (in millions) are as follows:

Within one year	₱108,289,540
After one year but not more than five years	112,312,950
Total minimum lease payments	₱220,602,490

37. **Note to Consolidated Statements of Cash Flows**

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

	2007	2006
	(In Thousands)	
Conversion of advances for additional shares in AG&P	**₱478,152**	₱–
Acquisition of conventional and continuous mining equipment through availments of long-term debt	–	973,276
Retirement of redeemed treasury shares	–	189,830
Redemption of preferred shares by related parties charged against advances	–	1,100

DMCI HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

For the period ended March 31, 2008 and December 31, 2007

(Amounts in Thousands of Philippine Pesos,

Except Par Value and Number of Shares)

	MARCH 2008	AUDITED 2007
ASSETS		
Current Assets		
Cash and cash equivalents	3,635,271	3,539,648
Available-for-sale investments	146,601	202,673
Receivables - net	4,340,695	2,860,780
Costs and estimated earnings in excess of billings on uncompleted contract	0	140,681
Inventories - net	5,327,040	6,375,959
Prepaid expenses and other current assets	373,023	568,934
Total Current Assets	13,882,630	13,688,675
Noncurrent Assets held for sale	3,019,604	2,976,609
	16,842,234	16,665,284
Noncurrent Assets		
Noncurrent receivables - net	1,708,688	1,983,314
Investments in associates, jointly controlled entities and others - net	5,521,532	5,055,377
Investment properties - net	2,010,951	2,057,446
Property, Plant and Equipment - net	2,778,184	2,933,158
Deferred tax assets	0	207,507
Other non-current assets - net	1,086,386	161,119
Total Noncurrent Assets	13,105,741	12,397,921
Total Assets	29,947,975	29,063,205

LIABILITIES AND STOCKHOLDERS' EQUITY

	MARCH 2008	AUDITED 2007
Current Liabilities		
Bank Loans	1,279,866	40,311
Current portion of liabilities for land purchased	0	169,088
Accounts and other payables	3,786,882	2,766,999
Current portion of long-term debt	648,764	1,843,239
Billings in Excess of Costs on Uncompleted Contracts	0	30,888
Customers' deposits	1,139,912	1,271,184
Income Tax Payable	102,858	58,968
Total Current Liabilities	6,958,282	6,180,677
Liabilities directly associated with noncurrent ssets held for sale	2,796,391	2,327,976
	9,754,674	8,508,653
Noncurrent Liabilities		
Long-Term Debt - net of current portion	2,067,632	2,022,067
Liabilities for land purchased - net of current portion		433,851
Payables to related parties	1,101,839	450,686
Deferred Tax Liability	127,236	273,441
Pension Liabilities	35,077	127,411
Other Noncurrent Liabilities	4,750	16,955
Total Noncurrent Liabilities	3,336,534	3,324,411
Total Liabilities	13,091,207	11,833,064
Equity		
Equity attributable to equity holders of the parent:		
Paid-up capital	7,421,640	7,421,640
Deposit for future subscription	0	0
Retained earnings	7,746,204	7,701,472
Net unrealized gain (loss) on available-for sale financial assets	0	(35,880)
Preferred shares held in treasury	0	0
	15,167,844	15,087,232
Minority Interest		
Minority interests - net of interests attributable to noncurrent assets held for sale	1,688,857	2,121,838
Minority interests attributable to noncurrent assets held for sale	66	21,071
Total Equity	16,856,767	17,230,141
	29,947,975	29,063,205

DMCI HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS
For the period ended March 31, 2008 and 2007 and for the quarter ended March 31, 2008 and 2007
(Amounts in Thousands of Philippine Pesos)

	For the period		For the quarter	
	2008	**2007**	**2008**	**2007**
REVENUES				
Construction Contracts	1,033,400	449,698	1,033,400	449,698
Coal Sales	2,163,284	1,303,462	2,163,284	1,303,462
Real Estate Sales	985,484	753,072	985,484	753,072
Merchandise sales	172,431	97,936	172,431	97,936
	4,354,599	**2,604,168**	**4,354,599**	**2,604,168**
COSTS OF SALES & SERVICES				
Construction costs and expenses	933,116	379,569	933,116	379,569
Cost of Coal Sales	1,848,371	1,058,316	1,848,371	1,058,316
Cost of Real Estate Sold	656,376	432,066	656,376	432,066
Cost of merchandise sales	140,265	86,077	140,265	86,077
	3,578,128	**1,956,028**	**3,578,128**	**1,956,028**
GROSS PROFIT	**776,471**	**648,140**	**776,471**	**648,140**
OPERATING EXPENSES	(332,930)	(258,590)	(332,930)	(258,590)
OTHER INCOME (CHARGES)				
Equity in net earnings of associates, jointly controllled entities and others	(241,979)	137,309	(241,979)	137,309
Finance Income	64,420	19,047	64,420	19,047
Gain on sale of investment				
Finance Cost	(43,635)	(135,945)	(43,635)	(135,945)
Other income - net	38,060	64,858	38,060	64,858
INCOME FROM OPERATIONS	260,407	474,819	260,407	474,819
NON-RECURRING CHARGES	(17,472)	0	(17,472)	0
INCOME BEFORE INCOME TAX	242,935	474,819	242,935	474,819
PROVISION FOR INCOME TAX	138,419	137,127	138,419	137,127
INCOME BEFORE INCOME ASSOCIATED WITH NONCURRENT ASSETS HELD FOR SALE	104,516	337,692	104,516	337,692
INCOME ASSOCIATED WITH NONCURRENT ASSETS HELD FOR SALE - net of tax	3,297	0	3,297	0
NET INCOME (LOSS)	**107,813**	**337,692**	**107,813**	**337,692**
ATTRIBUTABLE TO				
Equit holders of the parent	44,732	289,544	44,732	289,544
Minority Interests	63,081	48,148	63,081	48,148
	107,813	**337,692**	**107,813**	**337,692**

DMCI HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE PERIOD ENDED MARCH 31, 2008 AND 2007

	MARCH 2008	MARCH 2007
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	(2,395,520)	2,395,520
	4,480	4,480
Common stock - P1 par value		
Authorized - 5,900,000,000 shares		
Issued - 2,255,494,000 shares	2,255,494,000	2,255,494,000
Additional Subscription	400,000,000	168,000,000
	2,655,494,000	2,423,494,000
ADDITIONAL PAID-IN CAPITAL		
Balance at the beginning	2,402,684,826	2,403,783,826
Retirement of Preferred Shares	-	(1,099,000)
Additional Paid-n capital of new subscribed shares	2,363,456,700	993,893,100
	4,766,141,526	3,396,577,926
RETAINED EARNINGS (DEFICIT)		
Balance at beginning of the period	7,701,472,463	5,103,727,748
Net income(loss) for the period	44,731,725	289,543,997
Accrued dividends declared	-	-
Balance at end of the period	7,746,204,188	5,393,271,745
Cumulative Translation Adjustment	-	39,872,880
PREFERRED SHARES HELD IN TREASURY		
Balance at beginning of the period	-	(1,100,000)
Acquisitions for the period	-	-
Redemption/Retirement of preferred shares	-	1,100,000
Balance at end of the period	-	-
TOTAL STOCKHOLDERS' EQUITY	**15,167,844,194**	**11,253,221,031**

DMCI HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended March 31, 2008 and 2007

(Amounts in Thousands of Philippine Pesos)

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (Loss)/ Income	107,813	289,554
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)	(90,284)	48,149
Income (Loss) applicable to Minority Interest	63,081	(48,148)
Changes in assets and liabilities:		
Decrease / (Increase) in :		
Receivables- net	(1,205,289)	(811,435)
Inventories - net	1,048,919	(233,764)
Prepaid expenses and other current assets	195,911	115,466
Increase/ (Decrease) in :		
Accounts payable and accrued expenses	719,523	63,464
Current portion of long-term debt	(1,194,475)	121,061
Non current liabilities	480,538	(670,377)
Billings in excess of cost of uncompleted contracts	109,793	(3,550)
Income Tax Payable	43,890	40,504
Net cash provided by operating activities	279,420	(1,089,086)
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) in:		
Available for sale investments	56,076	189,410
Investments - net	(419,660)	(207,257)
Property, plant and equipment - net	154,974	145,421
Deferred charges and other assets - net	(760,755)	(56,011)
Net cash provided by investing activities	(969,366)	71,563
CASH FLOWS FROM FINANCING ACTIVITIES		
Net availments (payments) of:		
Notes payable	1,239,555	1,669
Additional subscription of common shares		
Capital Stock at P 1.00 par value	0	168,000
Additional paid-in capital	0	993,893
Deposit for future subscription	0	0
Redemption of preferred shares		
Capital Stock at P 1.00 par value	0	(1)
Additional paid-in capital	0	(1,099)
Redemption of preferred shares from treasury	0	1,100
Payment of Dividends	0	0
Net increase (decrease) in minority interest	(453,968)	(87,370)
Net cash provided by financing activities	785,569	1,076,192
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	95,623	58,669
CASH AND CASH EQUIVALENTS, BEGINNING	3,539,648	1,251,911
CASH AND CASH EQUIVALENTS, ENDING	3,635,271	1,310,580

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

1. Corporate Information

DMCI Holdings, Inc. (the Company) is incorporated in the Philippines. The Company was organized on March 8, 1995. The Company's registered office address is 3rd Floor, Dacon Building, 2281 Don Chino Roces Avenue, Makati City.

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

The consolidated financial statements of DMCI Holdings, Inc. and Subsidiaries as of December 31, 2007 and 2006 and for each of the three years in the period ended December 31, 2007 were endorsed for approval by the Audit Committee on April 23, 2008 and authorized for issue by the Board of Directors (BOD) on April 24, 2008 .

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 financial (AFS) assets that have been measured at fair value. The Company's functional and presentation currency is the Philippine Peso (₱).

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

Basis of Consolidation
The consolidated financial statements comprise the financial statements of the Group as of December 31, 2007 and 2006 and for each of the three years in the period ended December 31, 2007. Under PFRS, it is acceptable to use, for consolidation purposes, the financial statements of subsidiaries for fiscal periods differing from that of the Company if the difference is not more than three months.

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

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

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

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

	Effective Percentages of Ownership	
	2007	2006
General Construction:		
D.M. Consunji, Inc. (DMCI) [1]	**100.00%**	100.00%
DMCI International, Inc. (DMCII) [2]	**100.00**	100.00
OHKI-DMCI Corporation (OHKI) [2]	**100.00**	100.00
DMCI-Laing Construction, Inc. (DMCI-Laing) [2]	**60.00**	60.00
Beta Electric Corporation (Beta Electric) [2]	**50.77**	50.77
Raco Haven Automation Philippines, Inc. (Raco) [2]	**50.14**	50.14
Coal Mining:		
Semirara Mining Corporation (Semirara)	**55.30**	58.31
DMCI Mining Corporation	**100.00**	
Real Estate Development:		
DMCI Project Developers, Inc. (PDI)	**100.00**	100.00
Hampstead Gardens Corporation (Hampstead) [3]	**100.00**	100.00
Riviera Land Corporation (Riviera) [3]	**96.38**	96.38
Manufacturing:		
Semirara Cement Corporation (SemCem) *	**100.00**	100.00
Oriken Dynamix Company, Inc. (Oriken) [2]	**89.00**	89.00
Wire Rope Corporation of the Philippines (Wire Rope)	**61.70**	61.70
Marketing Arm:		
DMCI Homes, Inc. (DMCI Homes) [3]	**100.00**	100.00
Power:		
DMCI Power Corporation (DPC) (formerly DMCI Energy Resources Unlimited Inc.) * (Note 12)	**100.00**	100.00
DMCI Masbate Power Corporation (DMCI Masbate)	**100.00**	–

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

[1] Also engaged in real estate development

[2] DMCI's subsidiaries

[3] PDI's subsidiaries

Power Supply Agreement (PSA)

In 2006, the Company incorporated DMCI Energy Resources Unlimited, Inc. (DMCI Energy) that will handle its power business in line with plans to increase the Group's exposure in this sector. DMCI Energy will put up coal-fired power plants and participate in the privatization of the power supply of off-grid islands and remote villages.

The privatization of Small Power Utilities Group (SPUG) Areas was mandated by Department of Energy (DOE) Circular No. 2004-01-001 issued on January 26, 2004. The circular called for the periodic assessment of the requirements and prospects of bringing power generation and associated power delivery systems to commercial viability on an area-by-area basis, including a program to encourage private sector participation in the SPUG areas. In line with this, the Company participated in the bid of Masbate SPUG. On January 15, 2007, the National Power Corporation (NPC) bids and awards committee has awarded the Masbate's SPUG rights to DMCI HI. Initially, the BOD, in its meeting on January 15, 2007, approved the assignment and transfer of all the rights, interests and liabilities over the PSA with Masbate Electric Cooperative to DMCI Energy. On November 26, 2007, however, the BOD constituted DMCI Masbate Power Corporation (DMCI Masbate) as the new Project Company for its Masbate Power Project in lieu of DMCI Energy. Accordingly, the BOD approved the assignment and transfer of all the Company's rights, interests, liabilities and obligations in the Masbate Power Project, including those arising from the PSA, executed on May 4, 2007, between the Company and Masbate Electric Cooperative, Inc., as well as those rights, interests, liabilities and obligations by virtue of the Bidding Process of the Private Sector Participation in Power Generation in the Province of Masbate in favor of DMCI Masbate.

On January 26, 2007, in a special meeting of the BOD, the members of the BOD approved the change in name of the Company from DMCI Energy Resources Unlimited Inc. to DMCI Power Corporation (DPC). The SEC approved the Company's application for the change in name on
February 2, 2007.

Semirara Mining Corporation (Semirara)
On February 4, 2005, Semirara successfully completed its international offer of 89,866,000 shares. The offered shares comprised 42,991,000 existing shares held by the Company and 46,875,000 new shares. Concurrently, the Company offered 15,180,000 existing shares to all of the trading participants of the Philippine Stock Exchange. As a result of these offers, the Company recognized gains aggregating ₱2,016.91 million in 2005.

On May 13, 2006, the Company sold 16.50 million Semirara shares resulting to ₱356.05 million gain.

On November 14, 2007, the BOD approved the assignment of certain shares of stock of Semirara which are held by the Company in favor of DACON Corporation ('DACON') in full/partial payment/settlement of the Company's liabilities to DACON.

Changes in Accounting Policies
The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Group has adopted the following new and amended PFRS and Philippine Interpretations during the year.

- PFRS 7, *Financial Instruments: Disclosures*
- Philippine Accounting Standards (PAS) 1, *Amendment - Presentation of Financial Statements*
- Philippine Interpretation IFRIC 8, *Scope of PFRS 2*

- Philippine Interpretation IFRIC 9, *Reassessment of Embedded Derivatives*
- Philippine Interpretation IFRIC 10, *Interim Financial Reporting and Impairment*
-

The principal effects of these changes are as follows:

PFRS 7, *Financial Instruments: Disclosures*
PFRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. It replaces disclosure requirements in PAS 32, *Financial Instruments: Disclosure and Presentation* and PAS 30, *Disclosure in the Financial Statements of Banks and Similar Financial Institutions*. It is applicable to all entities that report under PFRS.

The Group adopted the amendment to the transitional provisions of PFRS 7, as approved by the Financial Reporting Standards Council of the Philippines, which gives transitory relief with respect to the presentation of comparative information for the new risk disclosures about the nature and extent of risks arising from financial instruments. Accordingly, the Group does not need to present comparative information for the disclosures required by paragraphs 31- 42 of PFRS 7, unless the disclosure was previously required under PAS 32. Adoption of PFRS 7 resulted in additional disclosures, which are included throughout the consolidated financial statements. These disclosures include presenting the different classes of loans and receivables
(see Note 6), rollforward of allowance for doubtful accounts (see Note 6), credit quality of financial assets (see Note 35), aging of past due but not impaired financial assets (see Note 35), and sensitivity analysis as to changes in interest and foreign exchange rates (see Note 35).

PAS 1, *Amendment - Presentation of Financial Statements*
The amendment to PAS 1 introduces disclosures about the level of an entity's capital and how it manages capital. The new disclosures are shown in Note 22 to the consolidated financial statements.

Philippine Interpretation IFRIC 8, *Scope of PFRS 2*
This Interpretation requires PFRS 2 to be applied to any arrangements in which the entity cannot identify specifically some or all of the goods received, in particular where equity instruments are issued for consideration which appears to be less than fair value. The adoption of this Philippine Interpretation has no impact on the consolidated financial statements as the Group has no share-based payments.

Philippine Interpretation IFRIC 9, *Reassessment of Embedded Derivatives*
Philippine Interpretation IFRIC 9 states that the date to assess the existence of an embedded derivative is the date that an entity first becomes a party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows. As the Group has no embedded derivative requiring separation from the host contract, this Philippine Interpretation has no impact on the financial position or performance of the Group.

Philippine Interpretation IFRIC 10, *Interim Financial Reporting and Impairment*
The Group adopted the Interpretation beginning January 1, 2007, which prohibits the reversal of impairment losses on goodwill and AFS equity investments recognized in the interim financial reports even if impairment is no longer present at the annual balance sheet date. Adoption of the Interpretation did not have any significant impact on the consolidated financial statements.

Future Changes in Accounting Policies
The Group has not applied the following new and amended PFRS and Philippine Interpretations which are not yet effective for the year ended December 31, 2007:

PAS 1, *Presentation of Financial Statements (Revised) (effective for annual periods beginning on or after January 1, 2009)*
The revised standard requires that the statement of changes in equity includes only transactions with owners and all non-owner changes are presented in equity as a single line with details included in a separate statement.

In addition, the amendment to PAS 1 provides for the introduction of a new statement of comprehensive income that combines all items of income and expense recognized in the consolidated statement of income together with 'other comprehensive income'. The revisions specify what is included in other comprehensive income, such as actuarial gains and losses on defined benefit pension plans and changes in the asset revaluation reserve. Entities can choose to present all items in one statement, or to present two linked statements, a separate consolidated statement of income and a statement of comprehensive income. The Group will assess the impact of the Standard on its current manner of reporting all items of income and expenses.

PAS 23, *Borrowing Costs (Effective for annual periods beginning on or after January 1, 2009)*
The Standard has been revised to require capitalization of borrowing costs when such costs relate to a qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

In accordance with the transitional requirements of the Standard, the Group will adopt this as a prospective change. Accordingly, borrowing costs will be capitalized on qualifying assets with a commencement date after January 1, 2009. The Group assessed that the adoption of this Standard will have no impact on the consolidated financial statements.

Philippine Interpretation IFRIC 11, *PFRS 2 - Group and Treasury Share Transactions (Effective for annual periods beginning on or after March 1, 2007)*
This Philippine Interpretation requires arrangements whereby an employee is granted rights to a Group's equity instruments to be accounted for as an equity-settled scheme by the Group even if: (a) the Group chooses or is required to buy those equity instruments (e.g. treasury shares) from another party, or (b) the shareholders of the Group provide the equity instruments needed. It also provides guidance on how subsidiaries, in their separate financial statements, account for such schemes when their employees receive rights to equity instruments of the parent. The adoption of this Philippine Interpretation will have no impact on the Group's financial statements.

PFRS 8, *Operating Segments (Effective for annual periods beginning on or after January 1, 2009)*
This Amendment was issued as part of the convergence project with the United States (US) Financial Accounting Standards Board. This new standard replaces PAS 14, *Segment Reporting* and adopts a management approach to segment reporting as required in the US Standard SFAS 131 - *Disclosures about Segments of an Enterprise and Related Information*. The information reported would be that which management uses internally for evaluating the performance of operating segments and allocating resources to those segments. This information may be different from that reported in the consolidated balance sheet and consolidated statement of income and entities will need to provide explanations and reconciliations of the differences. The Group will assess the impact of the adoption of this standard.

Philippine Interpretation IFRIC 12, *"Service Concession Arrangements" (effective January 1, 2008)*
This Interpretation establishes the accounting to be applied for certain infrastructure that is constructed, acquired or provided by the grantor for the purposes of meeting the concession. Philippine Interpretation IFRIC 12 prescribed the accounting for the rights which the Operator receives from the Grantor using either:

Financial Asset Model. Wherein the Operator shall recognize a financial asset to the extent that it has an unconditional contractual right to receive cash from the Grantor. The Operator has an unconditional right to receive cash if the Grantor contractually guarantees to pay the Operator;

Intangible Asset Model. Wherein the Operator shall recognize an intangible asset to the extent that it received a right to charge the users (not an unconditional right to receive cash because the amounts are contingent on the extent that the public uses the service); or

Mixed Model. If the Operator is paid by the users, but the Grantor guarantees a certain minimum amount to be paid to the Operator, the Financial Asset Model is used to the extent of such amount.

This Interpretation becomes applicable for financial years beginning on or after January 1, 2008.

Based on Maynilad Water Services, Inc.'s (Maynilad) assessment, its Concession Agreement with MWSS would qualify under the intangible asset model. The adoption of this Interpretation will require Maynilad to recognize the fair value of the entire concession fees to be paid during the entire concession period, which would result in the increase in total assets with a corresponding increase in liabilities. Currently, Maynilad only recognizes concession fees that are paid and due (currently presented as "concession assets"). In addition, the infrastructure and concession assets will no longer be recognized as such but will form part of the intangible assets. These intangible assets will then be amortized using the straight-line method over the life of the Concession Agreement.

Based on Maynilad's preliminary estimates, the adoption of IFRIC 12 will result in an increase in total assets and total liabilities as of January 1, 2008 of ₱1.4 billion and ₱9.3 billion, respectively, and a decrease in retained earnings by ₱7.9 billion (net of tax effect of ₱ 2.8 billion). With the Parent Group's effective equity interest of 42% in Maynilad, the estimated effect of adopting IFRIC 12 will be a decrease in retained earnings as of January 1, 2008 of ₱73.3 billion (net of tax effect).

Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes (Effective for annual periods beginning on or after July 1, 2008)*
This Interpretation requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted and therefore part of the fair value of the consideration received is allocated to the awards credits and deferred over the period that the award credits are fulfilled. The Group does not expect this Interpretation to have a significant impact on the consolidated financial statements as no such scheme currently exists.

Philippine Interpretation IFRIC 14, *PAS 19 - Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective for annual periods beginning on or after January 1, 2008)*
This Interpretation provides guidance on how to assess the limit on the amount of surplus in a defined benefit scheme that can be recognized as an asset under PAS 19, *Employee Benefits*. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The Group does not expect this Interpretation to have a significant impact on the consolidated financial statements.

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

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

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

As of December 31, 2007 and 2006, the Group's financial instruments are of the nature of AFS financial asset, loans and receivables and other financial liabilities.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income.

Distributions to holders of financial instruments classified as equity are charged directly to equity net of any related income tax benefits.

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

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

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

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

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

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

established. The Group's AFS financial assets pertain to quoted and unquoted securities (see Note 5).

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

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

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.

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

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

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

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

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

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

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

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

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

Derecognition of Financial Assets and Liabilities

Financial assets

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

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

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

Financial liabilities

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

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

Inventories

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

Coal inventory

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

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

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

Real estate held for sale and development
Real estate held for sale and development consists of residential units for sale and development, subdivision land for sale and development, and undeveloped land carried at the lower of aggregate cost or NRV. Costs include those costs of acquisition, development, improvement and construction of the real estate projects. Borrowing costs in 2004 are capitalized while the development and construction of the real estate projects are in progress, and to the extent that these are expected to be recovered in the future. NRV is the selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale such as commissions.

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

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

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

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

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

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

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

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

Investment Properties

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

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

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

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

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

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

	Years
Condominium units	5
Buildings and improvement	5-25

Property, Plant and Equipment

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

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

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

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

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

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

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

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

Decommissioning and site rehabilitation costs
The Group is legally required to fulfill certain obligations as required under its Environmental Compliance Certificate (ECC) issued by Department of Environment and Natural Resources (DENR). The Group recognizes the present value of the liability for these obligations and capitalizes the present value of these costs as part of the balance of the related property, plant and equipment accounts which are depreciated on a straight-line basis over the EUL of the related

property, plant and equipment or the contract period, whichever is shorter. The decommissioning and site rehabilitation costs is determined based on PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*. The Group recognizes the liability for these obligations as "Provision for the decommissioning and site rehabilitation" under "Other noncurrent liabilities" in the consolidated balance sheet.

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

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

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

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

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

Impairment of nonfinancial assets
The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment testing for an asset is required, the group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less cost to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that largely independent of those from other assets or group of assets. Where the carrying a mount

of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

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

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

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

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

Construction contracts
Revenue from construction contracts is recognized under the percentage-of-completion method of accounting and is measured principally on the basis of the estimated completion of a physical proportion of the contract work. Contracts to manage, supervise, or coordinate the construction

activity of others and those contracts wherein the materials and services are supplied by contract owners are recognized only to the extent of the contracted fee revenue. Revenue from cost plus contracts is recognized by reference to the recoverable costs incurred during the period plus the fee earned, measured by the proportion that costs incurred to date bear to the estimated total costs of the contract.

Contract costs include all direct materials and labor costs and those indirect costs related to contract performance. Expected losses on contracts are recognized immediately when it is probable that the total contract costs will exceed total contract revenue. The amount of such loss is determined irrespective of whether or not work has commenced on the contract; the stage of completion of contract activity; or the amount of profits expected to arise on other contracts, which are not treated as a single construction contract. Changes in contract performance, contract

conditions and estimated profitability, including those arising from contract penalty provisions and final contract settlements that may result in revisions to estimated costs and gross margins are recognized in the year in which the changes are determined. Profit incentives are recognized as revenue when their realization is reasonably assured.

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

Real estate

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

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

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.

Coal sales
Revenue from coal sales is recognized upon delivery when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably.

Rendering of services
Service fees from coal handling activities are recognized as revenue when the related services have been rendered.

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.

Borrowing Costs
Borrowing costs are generally expensed as incurred. Interest on borrowed funds used to finance the construction of a qualifying asset to the extent incurred during the period of construction is capitalized as part of the cost of the qualifying asset. The capitalization of these borrowing costs as part of the cost of the qualifying asset: (a) commences when the expenditures and borrowing costs are being incurred during the construction and related activities necessary to prepare the qualifying asset for its intended use are in progress; and (b) ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use are complete. The capitalized borrowing costs of are amortized using the straight-line method over the estimated useful life of the qualifying asset.

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

Retirement Cost
The Group's pension costs are actuarially determined using the projected unit credit method. This method reflects services rendered by employees up to the date of valuation and incorporates assumptions concerning employees' projected salaries. Actuarial valuations are conducted with sufficient regularity, with option to accelerate when significant changes to underlying assumptions occur. Pension cost includes current service cost, interest cost, expected return on any plan assets, actuarial gains and losses and the effect of any curtailments or settlements.

The net pension liability recognized by the Group in respect of the defined benefit pension plan is the lower of: (a) the present value of the defined benefit obligation at the balance sheet date less the fair value of the plan assets, together with adjustments for unrecognized actuarial gains or

losses and past service costs that shall be recognized in later periods; or (b) the total of any cumulative unrecognized net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using risk-free interest rates of government bonds that have terms to maturity approximating the terms of the related pension liability.

<u>Leases</u>
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.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3. Preferred and Common Stock

The changes in the number of shares follow:

	March 31, 2008	December 31, 2007
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	**4,480**	**144,480**
Cancellation/retirement of issued preferred shares	**-**	**(140,000)**
Balance at end of year	**4,480**	**4,480**
Common stock - ₱1 par value		
Authorized number of shares	**5,900,000,000**	**5,900,000,000**
Issued and outstanding	**2,255,494,000**	**2,255,494,000**
Additional subscription	**-**	**400,000,000**

Preferred shares held in treasury		
Balance at beginning of year	-	**(1,000)**
Redemption of preferred shares	-	-
Cancellation/retirement of issued preferred shares	-	**1,000**
Balance at end of year	-	**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.

On April 1, 2002, the Company's BOD approved the Exchange Offer involving the redemption of all of the Company's outstanding preferred shares totaling 1,670,584 shares as of December 31, 2001, which were due for redemption on April 7, 2002 (Final Redemption Date). Such Exchange Offer, which was formally presented to the preferred shareholders on April 5, 2002, consisted of any one or more of the following Options:

Option A - Secured 5-Year Term Loan
Redemption of preferred shares through the issuance of Promissory Notes (PNs) by the Company, DMCI or PDI at a valuation of ₱1,000 per share, equivalent to the original issue price of the preferred shares. The PNs, which are value dated April 7, 2002, shall be subject to a floating interest rate based on prevailing 91-day T-Bill rate plus a 2% spread; and shall be secured by a mortgage on certain real estate properties owned by the Group and related parties.

In 2004, the Group issued PNs amounting to ₱139 million (net of payments of ₱99 million in 2004) for the redemption of 310,700 preferred shares, respectively, under Option A.

Option B - Secured 7-Year Term Loan
Redemption of preferred shares through the issuance of PNs by the Company, DMCI or PDI at a valuation of ₱1,367 per share, equivalent to the original issue price of the preferred shares plus accumulated and nonconversion premium. The PNs, which are also value dated April 7, 2002, shall be subject to either of the following interest rates at the option of the preferred shareholders: (a) floating interest rate based on prevailing 91-day T-Bill rate plus a 3% spread; (b) fixed interest at 13% for the first 5 years of the loan and floating for the remaining 2 years at a rate equivalent to that contemplated in letter (a); and (c) fixed interest at 13% for the entire 7-year term; and shall be secured by a participation in a mortgage trust indenture covering various accounts receivables, inventory and equipment and a mortgage on certain provincial real estate properties owned by the Group.

In 2003, the Group issued PNs amounting to ₱244 million for the redemption of 202,355 preferred shares under Option B.

As of March 31, 2008 and 2007, the outstanding liabilities to preferred shareholders who opted for options A and B have been fully paid.

Option C - Asset for Share Exchange
Redemption of preferred shares in exchange for residential and office units, equipment and/or accounts receivable at a valuation of ₱1,112 per share (purchase price),

equivalent to the original issue price of the preferred shares plus accumulated and current dividends. The exchange shall be carried out with the subject assets valued at their selling price or fair market value. In the event that the total value of the assets elected by the preferred shareholders exceeds the total purchase price of the preferred shares, the resulting residual amount shall be paid by such shareholders to the Company in cash. Conversely, should the total purchase price exceeds the asset value, the residual amount shall be paid by the Company to the shareholders through either of Options A, B or D.

As of December 31, 2004, the Company redeemed 659,279 preferred shares under Option C in exchange for Asian Hospital, Inc. (AHI) shares; certain construction equipment owned by DMCI amounting to ₱50 million and other certain assets of the Group amounting to ₱586 million in favor of Dacon Corporation (Dacon), a major stockholder; proceeds from sale of various condominium units owned by Constress and PDI totaling to ₱56 million in favor of certain preferred shareholders; and condominium units owned by PDI with an aggregate value of ₱6 million in favor of certain preferred shareholders. As of March 31, 2008 and 2007, there have been no redemptions under Option C.

<u>Option D - Cash Payment</u>
Redemption of preferred shares for cash at a price of ₱775 per share, equivalent to the closing market price of such preferred shares on April 1, 2002 up to a maximum of ₱72 million (cap funds held by custodian bank for the redemption of preferred shares). Should the total amount of all the preferred shares of the holders electing this option exceed the cap, the ₱72 million shall be allocated among all accepting shareholders on a pari passu basis; with the remaining preferred shares to be purchased under any of Options A, B or C.

As of December 31, 2006 and 2005, the Group redeemed 3,050 and 149,210 preferred shares, respectively, under Option D. From then, as of March 31, 2008, there have been no other redemptions under Option D.

Appropriation
Retained earnings is restricted to the extent of the acquisition cost of the treasury shares amounting to ₱1.10 million and ₱187.21 million as of December 31, 2006 and 2005, respectively. No retained earnings have been currently appropriated as of March 31, 2008 for acquisition of treasury shares.

Dividends declared
On April 24, 2008 and April 3, 2007 the Parent Company's BOD approved and declared cash dividend of ₱0.10 per share or ₱265.55 million and ₱225.55 million respectively to stockholders of record as of May 12, 2008 and April 30, 2007, respectively. The cash dividend shall be paid on May 30, 2008 and was paid on May 28, 2007 respectively.

4. **Business Segments**

The following tables present sales and services, cost of sales and services, and gross profit information regarding business segments for the period and quarter ended March 31, 2008 and 2007 (amounts in thousand):

Revenues

	For the Period		For the Quarter	
	2008	2007	2008	2007
General Construction	1,067,071	498,378	1,067,071	498,378
Coal Mining	2,163,284	1,303,462	2,163,284	1,303,462
Infrastructure and Real Estate Development	985,484	753,072	985,484	753,072
Nickel Mining	96,810	-	96,810	-
Parent Company and Others	41,950	49,256	41,950	49,256
	4,354,599	**2,604,168**	**4,354,599**	**2,604,168**

Net Income

	For the period		For the Quarter	
	2008	2007	2008	2007
General Construction	45,342	12,473	45,342	12,473
Coal Mining	77,370	69,937	77,370	69,937
Water Services	(241,968)	137,327	(241,968)	137,327
Infrastructure and Real Estate Development	155,214	108,944	155,214	108,944
Nickel Mining	2,253		2,253	
Parent Company and Others	6,521	(39,139)	6,521	(39,139)
	44,732	**289,544**	**44,732**	**289,544**

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.