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SEC Registration Number

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

(Company's Full Name)

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

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

HERBERT M. CONSUNJI

Contact Person

888-3000

Company Telephone Number

(Last Wednesday of July)

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Fiscal Year

SEC Form 17-Q
First Quarter Interim Report 2009

FORM TYPE

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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

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SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarter ended **March 31, 2009**

2. SEC Identification No. AS095-002283 3. BIR Tax Identification No. 004-703-376

DMCI Holdings, Inc.
4. Exact name of issuer as specified in its charter

5. Philippines 6. [ ] (SEC Use Only)

Province, Country or other jurisdiction of incorporation or organization — Industry Classification Code:

7. 3rd Floor, Dacon Building, 2281 Pasong Tamo Ext., Makati city 1231
Address of principal office Postal Code

8. Tel. (632) 888-3000 Fax (632) 816-7362
Issuer's telephone number, including area code

9. Not applicable
Former name, former address, and former fiscal year, if changed since last report.

10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Shares, Php 1.00 Par	1,127,747,000
Preferred Shares, Php 1.00 Par	4,380
Common Shares, Php 1.00 Par	150,000,000

(1,127,747,000 Common shares are exempt under Section 6 (a) (4) of the RSA, and 74,719,200 underlying Common shares exempt under Section 6 (a)-7 of the RSA.)

11. Are any or all of these securities listed on a Stock Exchange.

Yes [X] No [ ]

If yes, state the name of such stock exchange and the classes of securities listed therein:

Philippine Stock Exchange — Class "A" Shares
Preferred Shares

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

Yes [X] No [ ]

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

Yes [X] No [ ]

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements.

The Financial Statements for the quarter and period ended **March 31, 2009** are contained herein.

MANAGEMENT DISCUSSION AND ANALYSIS OF RESULTS OF CONSOLIDATED OPERATIONS AND CONSOLIDATED FINANCIAL CONDITION FOR THE QUARTER AND PERIOD ENDED MARCH 31, 2009.

1Q 2008 – 1Q 2009

I. RESULTS OF OPERATIONS

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

WATER

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

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

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

(in Php millions)	**2009**		**2008 (restated)**	
	Consortium	**DMCI share**	**Consortium**	**DMCI share**
Operating Net Income (Maynilad Net Income)	582		349	
Less: Minority	47		56	

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

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

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

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

CONSTRUCTION

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

General Construction

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

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

awarded projects are expected to provide considerable construction business to the Company starting this year.

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

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

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

Steel Fabrication and Assembly

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

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

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

REAL ESTATE

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

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

First quarter revenues of P1.089 billion this year was 10% higher from the P985 million last year, with sales volume reaching 478 residential and 115 parking units compared to last year's 413 residential

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

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

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

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

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

MINING

Coal Mining

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

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

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

2009 FIRST QUARTER OPERATION

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

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

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

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

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

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

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

2009 FIRST QUARTER FINANCIAL CONDITION

The year opened with a looming apprehension that the global financial crisis will adversely affect most industries, which may have a rippling effect to the Company's business. This concern was however assuaged when demand for Semirara coal remained strong, such that Coal Revenues generated for the period amounted to P3.209 billion. With Coal Handling Income from the Company's operations at the Calaca Power Plants' stockyard of P22.657 million, Total Revenues amounted to P3.231 billion. Cost of Sales, inclusive of P18.888 million Coal Handling Costs and P129.05 million shipping, loading and hauling costs totaled to P2.587 billion. Gross Profit amounted to P644.617 million, translating to a Gross Profit Ratio of 20%.

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

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

dollar deposits totaled to US $3.3 million versus outstanding loan of USD6.1 million as at the end of the period.

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

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

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

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

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

The 10% growth of Prepaid and Other Expenses from P241.130 million beginning balance to P264.417 million ending balance resulted from accounting for additional creditable withholding taxes for coal sales during the quarter. The account, however, still included the erroneously withheld Value Added Tax by NPC which has a pending claim with the Bureau of Internal Revenues.

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

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

The substantial increase in Current Liabilities was primarily brought about by the accounting of Dividends Payable amounting to P1.665 billion. The Board of Directors declared cash dividends of P6/share on 30 March 2009. In addition, accounts and other payables surged by 59% to P1.820 billion from beginning

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

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

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

2009 COMPARATIVE REPORT

I. PRODUCTION

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

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

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

II. MARKETING

Coal sales during the quarter remained strong and almost the same compared to Q1 last year. Although some customers have decreased their off-take, the

decline in cement industry was offset by the increase in the power industry, Meanwhile, few new customers add up to the customer base of Semirara coal.

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

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

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

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

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

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

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

III. FINANCE

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

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

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

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

Meanwhile, recoverable costs, for the interim quarter for purposes of computing Government Share, was lower than 90% of Gross Revenues as compared to Q1 last year. As a result, provision for Government Share was higher at 8% of Coal

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

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

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

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

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

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

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

B. Solvency and Liquidity

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

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

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

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

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

IV. PERFORMANCE INDICATORS:

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

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

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

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

5. ***Improved coal quality*** *– Given the inherent limitations of Semirara coal in terms of quality, the Company continues to find ways to maximize marketability of the product. While it can only do so much in further improving coal quality, the Company believes that by improving its operations, and subsequently its services, it can indirectly improve market acceptability of its product. Gaining*

Nickel

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

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

II. FINANCIAL CONDITION

1Q 2009 vs. Audited 2008

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

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

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

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

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

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

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

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

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

III. KEY PERFORMANCE INDICATORS

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

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*).

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.

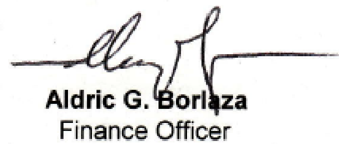
SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Issuer DMCI Holdings, Inc.

Signature and Title **Herbert M. Consunji**
Vice President & Chief Finance Officer

Signature and Title



Date May 19, 2009

DMCI HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
For the period ended March 31, 2009 and December 31, 2008
(Amounts in Thousands of Philippine Pesos,
Except Par Value and Number of Shares)

	MARCH 2009	AUDITED 2008
ASSETS		
Current Assets		
Cash and cash equivalents	3,793,737	3,068,623
Available-for-sale financial assets - net	143,078	202,933
Receivables - net	7,551,459	7,358,988
Costs and estimated earnings in excess of billings on uncompleted contract	0	369,923
Inventories - net	7,350,452	8,869,737
Other current assets	647,415	1,265,127
Total Current Assets	19,486,142	21,135,331
Noncurrent Assets		
Noncurrent receivables - net	1,707,517	2,440,384
Investments in associates, jointly controlled entities and others - net	5,667,977	4,713,046
Investment properties - net	3,654,806	2,337,535
Property, Plant and Equipment - net	5,736,033	4,548,856
Deferred tax assets	0	34,899
Other non-current assets - net	1,743,258	522,459
Total Noncurrent Assets	18,509,591	14,597,179
Total Assets	37,995,733	35,732,510
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Bank Loans	880,107	1,274,110
Current portion of liabilities for land purchased	0	572,955
Accounts and other payables	9,575,650	6,484,123
Current portion of long-term debt	289,175	791,844
Billings in Excess of Costs on Uncompleted Contracts	0	197,038
Customers' deposits	1,419,968	1,295,266
Income Tax Payable	193,757	102,216
Total Current Liabilities	12,358,657	10,717,552
Noncurrent Liabilities		
Long-Term Debt - net of current portion	5,353,017	4,763,808
Liabilities for land purchased - net of current portion	13,360	353,777
Payables to related parties	1,014,221	841,839
Deferred Tax Liability	148,196	462,268
Pension Liabilities	145,397	109,246
Other Noncurrent Liabilities	352,726	17,954
Total Noncurrent Liabilities	7,026,917	6,548,892
Total Liabilities	19,385,574	17,266,444
Equity		
Equity attributable to equity holders of the parent:		
Paid-up capital	7,421,414	7,421,415
Deposit for future subscription	0	0
Retained earnings	9,770,322	8,995,323
Revaluation increment		78,717
Cumulative translation adjustment		3,760
Net unrealized gain (loss) on available-for sale financial assets	0	0
	17,191,736	16,499,215
Minority Interest		
Minority interests - net of interests attributable to noncurrent assets held for sale	1,418,422	1,966,851
Minority interests attributable to noncurrent assets held for sale	0	0
Total Equity	18,610,158	18,466,066
	37,995,733	35,732,510

DMCI HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS
For the period ended March 31, 2009 and 2008 and for the quarter ended
March 31, 2009 and 2008
(Amounts in Thousands of Philippine Pesos)

	For the period		For the quarter	
	2009	2008 as restated	2009	2008
REVENUES				
Construction Contracts	1,550,522	1,681,297	1,550,522	1,681,297
Coal Sales	3,231,442	2,163,284	3,231,442	2,163,284
Real Estate Sales	1,088,935	985,484	1,088,935	985,484
Others	87,531	172,431	87,531	172,431
	5,958,430	**5,002,496**	**5,958,430**	**5,002,496**
COSTS OF SALES & SERVICES				
Construction contracts	1,216,037	1,465,439	1,216,037	1,465,439
Coal Sales	2,586,824	1,848,371	2,586,824	1,848,371
Real estate Sales	730,594	656,376	730,594	656,376
Others	76,015	140,265	76,015	140,265
	4,609,470	**4,110,451**	**4,609,470**	**4,110,451**
GROSS PROFIT	**1,348,960**	**892,045**	**1,348,960**	**892,045**
OPERATING EXPENSES	(671,302)	(422,838)	(671,302)	(422,838)
	677,658	469,207	677,658	469,207
OTHER INCOME (CHARGES)				
Equity in net earnings of associates, jointly controllled entities and others	337,064	(86,758)	337,064	(86,758)
Finance Income	95,860	64,420	95,860	64,420
Finance Cost	(105,107)	(49,409)	(105,107)	(49,409)
Other income - net	64,831	60,903	64,831	60,903
INCOME FROM OPERATIONS	1,070,306	458,352	1,070,306	458,352
NON-RECURRING CHARGES		(17,472)		(17,472)
INCOME BEFORE INCOME TAX	1,070,306	440,880	1,070,306	440,880
PROVISION FOR INCOME TAX	163,099	139,954	163,099	139,954
NET INCOME (LOSS) (NOTE 4)	**907,207**	**300,926**	**907,207**	**300,926**
NET INCOME ATTRIBUTABLE TO				
Equit holders of DMCI Holdings, Inc.	774,999	237,080	774,999	237,080
Minority Interests	132,208	63,846	132,208	63,846
	907,207	**300,926**	**907,207**	**300,926**
Earning (Loss) Per Share				
Basic	0.29	0.09	0.29	0.09

DMCI HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE PERIOD ENDED MARCH 31, 2009 AND 2008

	MARCH 2009	MARCH 2008
CAPITAL STOCK		
Cumulative and convertible		
Preferred stock - P1 par value		
Authorized - 100,000,000 shares		
Issued - 2,400,000 shares	2,400,000	2,400,000
Retirement of preferred shares	(2,395,620)	(2,395,520)
	4,380	4,480
Common stock - P1 par value		
Authorized - 5,900,000,000 shares		
Issued - 2,255,494,000 shares	2,655,494,000	2,255,494,000
Additional Subscription	-	400,000,000
	2,655,494,000	2,655,494,000
	2,655,498,380	2,655,498,480
ADDITIONAL PAID-IN CAPITAL		
Balance at the beginning	4,765,916,071	2,402,684,826
Retirement of Preferred Shares	-	-
Additional Paid-n capital of new subscribed shares	-	2,363,456,700
	4,765,916,071	4,766,141,526
RETAINED EARNINGS (DEFICIT)		
Balance at beginning of the period	8,995,322,935	7,701,472,463
Net income(loss) for the period	774,998,589	237,079,696
Accrued dividends declared	-	-
Balance at end of the period	9,770,321,524	7,938,552,159
Cumulative Translation Adjustment	-	-
PREFERRED SHARES HELD IN TREASURY		
Balance at beginning of the period		
Acquisitions for the period	-	-
Redemption/Retirement of preferred shares	-	-
Balance at end of the period	-	-
TOTAL STOCKHOLDERS' EQUITY	**17,191,735,975**	**15,360,192,165**

DMCI HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS
For the period ended March 31, 2009 and 2008
(Amounts in Thousands of Philippine Pesos)

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (Loss)/ Income	907,207	237,080
Adjustments to reconcile net income (loss) to net cash:		
Equity in net losses (earnings) of affiliates, depreciation, depletion		
amortization and other non-cash items (net)	(97,491)	(220,335)
Income (Loss) applicable to Minority Interest	132,208	63,846
Changes in assets and liabilities:		
Decrease / (Increase) in :		
Receivables- net	540,396	(1,205,289)
Inventories - net	1,519,285	1,048,919
Prepaid expenses and other current assets	617,712	195,911
Increase/ (Decrease) in :		
Accounts payable and accrued expenses	2,393,871	719,523
Current portion of long-term debt	(502,669)	(1,194,475)
Non current liabilities	478,025	480,538
Billings in excess of cost of uncompleted contracts	172,885	109,793
Income Tax Payable	91,541	43,890
Net cash provided by operating activities	6,252,970	279,401
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) in:		
Available for sale investments	59,855	56,076
Investments - net	(2,272,202)	(419,660)
Property, plant and equipment - net	(1,187,177)	154,974
Deferred charges and other assets - net	(1,185,900)	(760,755)
Net cash provided by investing activities	(4,585,424)	(969,365)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net availments (payments) of:	(394,003)	1,239,555
Notes payable		
Additional subscription of common shares		
Capital Stock at P 1.00 par value	0	0
Additional paid-in capital	0	0
Deposit for future subscription	0	0
Redemption of preferred shares		
Capital Stock at P 1.00 par value	0	0
Additional paid-in capital	0	0
Redemption of preferred shares from treasury	0	0
Payment of Dividends	0	0
Net increase (decrease) in minority interest	(548,429)	(453,968)
Net cash provided by financing activities	(942,432)	785,587
NET INCREASE (DECREASE) IN CASH		
AND CASH EQUIVALENTS	725,114	95,623
CASH AND CASH EQUIVALENTS, BEGINNING	3,068,623	3,539,648
CASH AND CASH EQUIVALENTS, ENDING	3,793,737	3,635,271

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

1. Corporate Information

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

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

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

2. Summary of Significant Accounting Policies

Basis of Preparation
The consolidated financial statements of the Group have been prepared using the historical cost basis, except for available-for-sale (AFS) financial assets that have been measured at fair value. The Group's functional and presentation currency is the Philippine Peso (₱).

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

Basis of Consolidation
The consolidated financial statements comprise the financial statements of the Group as of December 31, 2008 and 2007 and for each of the three years in the period ended December 31, 2008. Under PFRS, it is acceptable to use, for consolidation purposes, the financial statements of subsidiaries for fiscal periods differing from that of the Parent Company if the difference is not more than three months.

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

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

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

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

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

* Organized on January 29, 1998 and October 16, 2006, respectively, and has not yet started commercial operations.
[1] Also engaged in real estate development
[2] DMCI's subsidiaries
[3] PDI's subsidiaries

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

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

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

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

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

Changes in Accounting Policies

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

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

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

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

Future Changes in Accounting Policies

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

Effective in 2009

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

c) previous carrying amount (as determined under generally accepted accounting principles) of the investment at the date of transition to PFRS.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

  An investment in an associate is a single asset for the purpose of conducting the impairment test. Therefore, any impairment test is not separately allocated to the goodwill included in the investment balance.

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

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

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

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

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

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

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

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

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

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

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

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

Effective in 2010

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

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

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

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

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

Effective in 2012

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

Cash and Cash Equivalents

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

Financial Instruments

Date of recognition

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

Initial recognition of financial instruments

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

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

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

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

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

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

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

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

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

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

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

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

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

<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.

Nickel ore inventory

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

Materials-in-transit

Cost is determined using the specific identification basis.

Equipment parts and supplies

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

Real estate held for sale and development

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

Noncurrent Assets Held for Sale

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

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

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

Investments in Associates, Jointly Controlled Entities and Others

Investments in associates and jointly controlled entities (investee companies) are accounted for under the equity method of accounting.

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

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

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

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

Investment Properties

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

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

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

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

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

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

	Years
Buildings and building improvements	5-25
Condominium units	5

Property, Plant and Equipment

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

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

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

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

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

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

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

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

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

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

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

Intangible Assets

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

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

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

Impairment of Nonfinancial Assets

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

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

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

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

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

<u>Treasury Shares</u>
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.

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

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

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

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

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

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

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

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

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

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

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

Borrowing Costs
Borrowing costs are generally expensed as incurred.

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

Pension Expense

The Group has a noncontributory defined benefit retirement plan.

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

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

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

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

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

Leases

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

Group as a lessee

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Earnings Per Share

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

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

Segment Reporting

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

Provisions

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

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

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

3. Preferred and Common Stock

The changes in the number of shares follow:

	March 31, 2009	December 31, 2008
Preferred stock - ₱1 par value cumulative and convertible to common stock		
Authorized number of shares	**100,000,000**	**100,000,000**
Issued and outstanding		
Balance at beginning of year	**4,380**	**4,380**
Cancellation/retirement of issued preferred shares	**0**	**0**
Balance at end of year	**4,380**	**4,380**
Common stock - ₱1 par value		
Authorized number of shares	**5,900,000,000**	**5,900,000,000**
Issued and outstanding	**2,655,494,000**	**2,655,494,000**
Additional subscription	**-**	**-**
Preferred shares held in treasury		
Balance at beginning of year	**0**	**0**
Redemption of preferred shares	**0**	**0**
Cancellation/retirement of issued preferred shares	**0**	**0**
Balance at end of year	**0**	**0**

The preferred stock is redeemable, convertible, non-voting, non-participating and cumulative with par value of ₱1.00 per share. The preferred shareholders' right of converting the preferred shares to common shares expired in March 2002. The preferred shares were essentially redeemed, retired, cancelled and paid as of March 31, 2009.

Appropriation
Retained earnings is restricted to the extent of the acquisition cost of the treasury shares amounting to ₱1.10 million and ₱187.21 million as of December 31, 2006 and 2005, respectively. No retained earnings have been currently appropriated as of June 30, 2008 for acquisition of treasury shares.

Dividends declared
On April 24, 2008 and April 3, 2007 the Parent Company's BOD approved and declared cash dividend of ₱0.10 per share or ₱265.55 million and ₱225.55 million respectively to stockholders of record as of May 12, 2008 and April 30, 2007, respectively. The cash dividend shall be paid on May 30, 2008 and was paid on May 28, 2007 respectively as well.

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4. **Business Segments**

The following tables present the net income of the specific business segments for the period and quarter ended March 31, 2009 and 2008 (amounts in thousand):

Revenues

	For the period		For the Quarter	
	2009	2008 (restated)	2009	2008 (restated)
Construction	1,550,522	1,714,968	1,550,522	1,714,968
Mining	3,268,355	2,260,094	3,268,355	2,260,094
Water	-	-	-	-
Real Estate Development	1,088,935	985,484	1,088,935	985,484
Parent Company and Others	50,618	41,950	50,618	41,950
TOTAL	**5,958,430**	**5,002,496**	**5,958,430**	**5,002,496**

Net Income After Minority

	For the period		For the Quarter	
	2009	2008 (restated)	2009	2008 (restated)
Construction	145,180	85,710	145,180	85,710
Mining	163,354	78,835	163,354	78,835
Water	337,064	(86,758)	337,064	(86,758)
Real Estate Development	133,735	155,214	133,735	155,214
Parent Company and Others	(4,334)	4,079	(4,334)	4,079
TOTAL	**774,999**	**237,080**	**774,999**	**237,080**

5. Related Party Transactions

In the regular course of business, the Group's significant transactions with related parties consisted primarily of the following:

(a) Comprehensive surety, corporate and letters of guarantee issued by the Company and DMCI for various credit facilities granted to and for full performance of certain obligations by certain related parties.
(b) Certain assets of the Group, associates and other related parties were placed under accommodation mortgages to secure the indebtedness of the Group, its associates and other related parties.
(c) Interest and non interest-bearing cash and operating advances made by the Group to and from various associates and other related parties.
(d) Engineering and construction works of the water business is contracted to the construction segment of the Company. These projects are bidded out to various contractors and are awarded on arms length transactions. The interrelated contracts amounted to Php 2,042,658,158.51 and Php 1,492,323,438.05 as of March 31, 2009 and December 31, 2008 respectively, where Php 228,448,891.79 and Php 266,284,512.07 were booked for the period March 31, 2009 and March 31, 2008 respectively.

6. Financial Instruments and Financial Risk

For interim reporting purposes, financial assets and liabilities are recognized at historical cost which is the fair value of the consideration given (in the case of the asset) or received (in the case of liability). Debt issuance costs are included in the initial measurement of all financial assets and liabilities except those that are designated as fair value through profit and loss.

DMCI HOLDINGS, INC.
ACCOUNTS RECEIVABLE DESCRIPTION
March 31, 2009

Type of Receivable	Nature/Description	Collection Period
1) Contracts/Retention Receivable	Construction contract billings, sale of Goods and services pertaining to construction and related businesses of subsidiaries; real estate sales like sale of condominium units; development, improvements and construction of real estate projects; and coal mining sales	Contract Receivable - 20 to 30 days upon submission of progress billing Retention Receivable (10%) - depends on the agreement: 1) usually, 60 days after completion and acceptance of the project 2) if 50% completed, can bill 50% of retained amount as specified in the contract agreement Coal Mine Receivable - 1) Average standard term 80% of sales - 30 days upon presentation of invoice 20% of sales - 35 to 45 days term upon receipt of test results 2) Actual term - 45 to 60 days after billing Real Estate Receivable terms: Upon sale - 1) Reservation Fee - P 20,000.00 2) Balance paid through in-house or bank financing
2) Advances	Includes Advances to Suppliers, sub-contractors, and advances to employees/subject for liquidation	
3) Affiliates	Includes Advances to Subsidiaries and Affiliates	
4) Other Receivables	Includes refundable deposits, claims from some government agency like SSS, BIR and other receivables from miscellaneous billings	

Normal Operating Cycle

1.) Construction and Real Estate - positive net working capital
2) Mining - positive net working capital

DMCI HOLDINGS, INC.
AGING OF ACCOUNTS RECEIVABLE
AS OF MARCH 31, 2009

TYPE OF ACCOUNTS RECEIVABLE	T O T A L	1 MONTH	2 -3 MONTHS	4 - 6 MONTHS	7 MONTHS TO 1 YEAR	1 - 2 YEARS	3 - 5 YEARS	5 YEARS - ABOVE	Past Due Accts & Items for Litigation
A. TRADE RECEIVABLE - CONTRACT									
D.M. Consunji, Inc.	1,906,114,827.31	1,587,953,465.88	69,186,758.50	73,320,175.45	64,218,728.75	94,757,488.31	16,678,210.42	-	-
DMCI International, Inc.	24,686,393.00						24,686,393.00		
OHKI-DMCI Corporation	2,966,841.00	-	-	2,966,841.00	-				
Beta Electric Corporation	22,239,098.00	5,721,940.12	3,563,505.55	4,317,884.11	8,635,768.22	-	-		
Raco Haven Automation	5,548,869.85	-	-	-	-	5,548,869.85			
Sub-total	1,961,556,029.16	1,593,675,406.00	72,750,264.05	80,604,900.56	72,854,496.97	100,306,358.16	41,364,603.42	-	-
DMCI Project Developers, Inc.	2,855,137,949.00	2,086,695,483.00	136,381,205.50	84,474,161.50	165,271,200.00	149,252,230.00	104,361,103.00	128,702,566.00	-
Semirara Mining Corporation	2,158,671,929.00	1,298,607,390.00	779,228,211.00	55,309,928.00	18,207,599.00	1,699,405.00	5,619,396.00	-	
Atlantic Gulf & Pacific Co., Inc.	350,351,795.00	147,832,483.00	4,845,038.00	197,674,274.00					
Wire Rope Corporation of the Philippines	55,359,066.00	47,573,161.92	1,531,658.05	3,695,741.73	1,663,871.30	-	-		894,633.00
Sub-total	5,419,520,739.00	3,580,708,517.92	921,986,112.55	341,154,105.23	185,142,670.30	150,951,635.00	109,980,499.00	128,702,566.00	894,633.00
RETENTION RECEIVABLE - TRADE									
D.M. Consunji, Inc.	314,181,364.58	314,181,364.58							-
Raco Haven Automation	7,663,448.15	7,663,448.15							
Sub-total	321,844,812.73	321,844,812.73	-	-	-	-	-	-	-
Total Contract/Retention Receivable - Trade	7,702,921,580.89	5,496,228,736.65	994,736,376.60	421,759,005.79	257,997,167.27	251,257,993.16	151,345,102.42	128,702,566.00	894,633.00
Less: Allowance for Doubtful Accounts	434,105,549.00								
Net Trade Receivable	**7,268,816,031.89**								

TYPE OF ACCOUNTS RECEIVABLE	T O T A L
B. NON-TRADE RECEIVABLES	
ADVANCES -	
DMCI Holdings, Inc.	502,564.18
DMCI Mining Corporation	138,389,390.53
DMCI Project Developers, Inc.	24,967,032.00
DMCI Power Corporation	29,437,741.52
Atlantic Gulf & Pacific Co., of Manila, Inc.	89,346,511.00
	282,643,239.23
Sub-total	282,643,239.23
AFFILIATES -	
DMCI Holdings, Inc.	364,286,195.01
DMCI Project Developers, Inc.	857,936,358.00
Atlantic Gulf & Pacific Co., of Manila, Inc.	191,047,677.00
	1,413,270,230.01
Sub-total	1,413,270,230.01
OTHER RECEIVABLES -	
Raco Haven Automation	3,602,481.00
	3,602,481.00
DMCI Holdings, Inc.	53,050.67
DMCI Project Developers, Inc.	72,965,654.00
Semirara Mining Corporation	148,828,948.00
Atlantic Gulf & Pacific Co., of Manila, Inc.	68,796,537.00
Sub-total	294,246,670.67
Total Non-trade Receivables	1,990,160,139.91
Less: Allowance for Doubtful Accounts	-
Net Non-trade Receivables	**1,990,160,139.91**
TOTAL RECEIVABLES	**9,258,976,171.80**