COVER SHEET

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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)

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

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

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

HERBERT M. CONSUNJI

Contact Person

888-3000

Company Telephone Number

(Last Wednesday of July)

1 2	3 1	**SEC Form 17-Q** **First Quarter Interim Report 2010**	0 7	3 0
Month	Day	FORM TYPE	Month	Day
Fiscal Year			Annual Meeting	

N.A.

Secondary License Type, If Applicable

C F D

Dept Requiring this Doc

Amended Articles Number / Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

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SECURITIES AND EXCHANGE COMMISSION

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, 2010**

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

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, 2010** are contained herein.

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

1Q 2009 – 1Q 2010

I. RESULTS OF OPERATIONS

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

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

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

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

WATER

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

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

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

Water operating efficiencies continued to improve as Maynilad reported a 83.7% increase in first quarter net income from P582 million in 2009 to P1.068 billion in 2010, of which DMCI's beneficial share is P239 million and P449 million respectively. Billed volume was up 11.6%, despite a slight dip in water supply. Year to date non-revenue water (NRW) slid by 7.4% from 61.6 last year's to 57% this year. Billed services also grew 8% to 831,578 accounts, when compared to the billed volume increase, indicates a slight improvement in consumption. As a result, Maynilad water service revenues were up by P648 million, a 36.7% increase from last year. Non-cash opex showed a 15% reduction coming mainly from the reduced amortization of concession assets which despite capital expenditures shrank due to the extension of Maynilad's concession period. Cash opex, on the other hand, reported a 10% growth due to the following: (a) higher electricity rates and consumption, (b) increase in cost of outsourced activities, and (c) growth in real estate tax from increase in properties acquired in line with higher asset levels from capex programs.

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

CONSTRUCTION

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

General Construction

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

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

(in Php millions)

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

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

(in Php millions)

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

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

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

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

<u>Steel Fabrication and Assembly</u>

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

AG&P reported a remarkable growth of 7.3 times in first quarter net contributions from P15 million in 2009 to P110 million in 2010. New projects, namely the BP Whiting – Coker project, accounted for P411 million of period revenues and significantly provided the much push in the top line. Overseas manpower services, although slightly lower, continued to contribute significant revenues to AG&P.

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

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

REAL ESTATE

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

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

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

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

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

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

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

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

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

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

MINING & POWER

Coal Mining & Power (Calaca)

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

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

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

2010 FIRST QUARTER OPERATION

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

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

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

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

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

2010 FIRST QUARTER FINANCIAL CONDITION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2010 COMPARATIVE REPORT

I. PRODUCTION

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

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

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

II. MARKETING

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

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

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

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

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

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

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

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

On a consolidated level, Net Cash Provided by Operations during the current quarter amounted to PHP2.68 billion. This is 128% higher than Q1 2009 level of PHP1.18 billion. This is primarily due to higher consolidated Operating Income Before Working Capital Changes as both the Company

and the Power Plant reflected healthy results in the current period. Huge Receivables of the Power Plant explained the increase in Receivables to PHP1.19 billion from beginning balance. Meanwhile, Trade and Other Payables reflected a significant increase after accruing for the advances made by affiliates to the Company and real estate tax payables of the Power Plant.

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

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

Despite the sizeable cash outflows both for investing and financing activities, consolidated cash generation during the period amounted to PHP595.62 million, thus resulting to a consolidated Cash End of PHP1.08 billion. This is 24% more than Q1 2009 Cash End of P871.03 million.
With the availment of bridge loans while the project financing for the 60% acquisition cost of the Power Plant is arranged, Current Ratio as at the end of the quarter dropped to 0.50x as compared to Q1 2009 level of 1.09x. Meanwhile, Debt-to-Equity ratio increased from 0.91:1 in Q1 2009 to 1.43:1 as at the end of the current period.

IV. PERFORMANCE INDICATORS:

1. ***<u>Average Selling Price</u> – With the acquisition of the Power Plant, the Coal Supply Agreement was amended, such that FOB selling price is not anymore set at import parity, but at market price. As a result, the composite FOB price of Semirara coal during the period is now reflective of actual market price of coal. Despite the decrease of the composite average price in the current period as compared to last year, the Company still enjoyed comfortable profit margins. Moving forward, this development will help the Company in implementing realistic pricing strategies.***

2. ***<u>Debt-to-Equity Ratio</u> – Although the Company's Debt-to-Equity Ratio deteriorated with the availment of debts to finance the acquisition of the Power Plant, the management is however positive that this deterioration in the ratio is just temporary. Despite the fact that the Power Plant is still to undergo major rehabilitation works, it is already contributing positively to the Company's Q1 results.***

3. ***<u>Business Expansion</u> – The Company continuously aims for growth and development. In order to achieve this, operations must take each opportunity to expand. The aggressive capacity expansion program launched by the Company is a well calculated risk that offers promising improvement of total stakeholders' value especially with the acquisition of a coal fired power plant which is a forward integration of the core business of coal mining..***

4. ***<u>Expanded Market</u> – The growing sales of Semirara coal over the past few years is a clear testament to the success of the Company's marketing efforts. The expansion of its markets, especially to the export markets, drive the Company's sustainable growth.***

5. ***<u>Improved coal quality</u> – One of the biggest challenges that the Company is confronted with is to successfully market coal that is naturally of lower quality. However, with its persistent efforts to maximize the quality of its product, overcoming inherent limitations, Semirara coal ultimately became acceptable to a wide range of coal users.***

Power - Calaca

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

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

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

Nickel

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

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

II. FINANCIAL CONDITION

2009 - 2010

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

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

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

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

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

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

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

Property plant & equipment didn’t move significantly.

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

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

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

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

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

III. KEY PERFORMANCE INDICATORS

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

a) Segment Revenues
b) Segment Net Income (after Minority)
c) Earnings Per Share
d) Current Ratio
e) Debt to Equity Ratio

SEGMENT REVENUES

REVENUE

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

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

SEGMENT NET INCOME

NET INCOME (after Minority)

(in Php Thousands)	For the period		Variance	%
	2010	2009		
Construction	500,397	145,180	355,217	245%
Mining	318,315	163,354	154,961	95%
Water	390,761	337,064	53,697	16%
Real Estate Development	165,550	133,735	31,815	24%
Power	32,313	(3,060)	35,373	(1,156)%
Parent & Others	(1,259)	(1,274)	15	(1)%
TOTAL	**1,406,077**	**774,999**	**1,406,077**	**181%**

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

EARNINGS PER SHARE

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

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

CURRENT RATIO

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

DEBT TO EQUITY RATIO

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

PART II--OTHER INFORMATION

1. This interim financial report is in compliance with generally accepted accounting principles;
2. The same accounting policies and methods of computation are followed in the interim financial statements as compared with the most recent annual financial statements;
3. The company's operation is a continuous process. It is not dependent on any cycle or season;
4. A cash dividend was declared at the amount of Php 0.20 per common share to be paid on June 30, 2009 to the holders of record of June 5, 2009.
5. There were no subsequent events that have not been reflected in the financial statements for the period that the company have knowledge of;
6. There are no contingent accounts in the balance sheet of the corporation;
7. Except for interest payments on loans, which the Company can fully service, the only commitment that would have a material impact on liquidity are construction guarantees. These are usually required from contractors in case of any damage / destruction to a completed project.
8. Any known trends or any known demands, commitments, events or uncertainties that will result in or that will have a material impact on the registrant's liquidity. **- NONE**
9. The Company recognizes that the continuing slump in the property sector would keep both real estate sales and construction revenues moderate. Nonetheless, the Group's venture into middle-income housing development is expected to significantly contribute to revenues and income.

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 **Aldric G. Borlaza** **Ma. Luisa C. Austria**
Finance Officer Accounting Officer

Date May 14, 2010

DMCI HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

For the period ended March 31, 2010 and December 31, 2009

(Amounts in Thousands of Philippine Pesos,

Except Par Value and Number of Shares)

		AUDITED
	2010	**2009**
ASSETS		
Current Assets		
Cash and cash equivalents	4,035,203	3,262,290
Available-for-sale financial assets - net	143,078	214,174
Receivables - net	8,581,600	5,403,883
Costs and estimated earnings in excess of billings on uncompleted contra	426,020	605,754
Inventories - net	10,867,968	10,660,129
Other current assets	1,113,333	3,350,338
Total Current Assets	25,167,203	23,496,568
Noncurrent Assets		
Noncurrent receivables - net	2,142,041	2,195,731
Investments in associates, jointly controlled entities and others - net	8,123,900	6,785,788
Investment properties - net	3,076,827	2,578,233
Property, Plant and Equipment - net	22,505,500	21,969,886
Deferred tax assets	0	38,529
Other noncurrent assets - net	2,017,791	573,560
Total Noncurrent Assets	37,866,060	34,141,727
	63,033,263	57,638,295
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Bank Loans	350,753	1,207,116
Current portion of liabilities for purchased land	0	154,597
Accounts and other payables	11,886,439	8,141,460
Current portion of long-term debt	8,014,089	3,839,948
Billings in Excess of Costs on Uncompleted Contracts	511,803	357,990
Customers' advances and deposits	4,238,902	4,095,906
Income tax payable	241,524	138,495
Payable to related parties	1,232,561	694,749
Total Current Liabilities	26,476,071	18,630,261
Noncurrent Liabilities		
Long-Term Debt - net of current portion	9,085,919	14,284,335
Liabilities for purchased land - net of current portion	0	683,506
Deferred tax liabilities - net	86,830	518,786
Pension liabilities	122,822	107,857
Other Noncurrent Liabilities	797,207	19,711
Total Noncurrent Liabilities	10,092,778	15,614,195
Total Liabilities	36,568,849	34,244,456
Equity		
Equity attributable to equity holders of the DMCI Holdings, Inc.:		
Paid-up capital	7,421,414	7,421,415
Deposit for future subscription	0	0
Retained earnings	14,541,821	13,135,743
Premium on minority acquisition		(161,033)
Other comprehensive income	(0)	72,093
	21,963,235	20,468,218
Minority Interests	4,501,179	2,925,621
Total Equity	26,464,414	23,393,839
	63,033,263	57,638,295

DMCI HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

For the period ended March 31, 2010 and 2009 and for the quarter ended March 31, 2010 and 2009

(Amounts in Thousands of Philippine Pesos)

	For the period		For the quarter	
	2010	2009	2010	2009
REVENUE				
Mining	3,812,919	3,231,442	3,812,919	3,231,442
Construction contracts	3,478,526	1,550,522	3,478,526	1,550,522
Real estate sales	751,976	1,088,935	751,976	1,088,935
Electricity sales	2,491,077	-	2,491,077	-
Merchandise sales and others	32,620	87,531	32,620	87,531
	10,567,118	**5,958,430**	**10,567,118**	**5,958,430**
COST OF SALES AND SERVICES				
Mining	2,603,316	2,586,824	2,603,316	2,586,824
Construction contracts	2,702,509	1,216,037	2,702,509	1,216,037
Real estate sales	406,466	730,594	406,466	730,594
Electricity sales	1,834,379	-	1,834,379	-
Merchandise sales and others	17,662	76,015	17,662	76,015
	7,564,332	**4,609,470**	**7,564,332**	**4,609,470**
GROSS PROFIT	**3,002,786**	**1,348,960**	**3,002,786**	**1,348,960**
OPERATING EXPENSES	(1,540,197)	(671,302)	(1,540,197)	(671,302)
	1,462,589	677,658	1,462,589	677,658
OTHER INCOME (LOSSES)				
Equity in net earnings of associates, jointly controlled entities and others	391,374	337,064	391,374	337,064
Finance income	193,611	95,860	193,611	95,860
Finance costs	(215,549)	(105,107)	(215,549)	(105,107)
Other income (charges) - net	15,962	64,831	15,962	64,831
INCOME BEFORE INCOME TAX	1,847,987	1,070,306	1,847,987	1,070,306
PROVISION FOR INCOME TAX	190,379	163,099	190,379	163,099
NET INCOME (LOSS) (NOTE 4)	**1,657,608**	**907,207**	**1,657,608**	**907,207**
NET INCOME ATTRIBUTABLE TO				
Equity holders of DMCI Holdings, Inc.	1,406,077	774,999	1,406,077	774,999
Minority interests	251,531	132,208	251,531	132,208
	1,657,608	**907,207**	**1,657,608**	**907,207**
Basic/Diluted Earnings Per Share	0.53	0.29	0.53	0.29

DMCI HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIOD ENDED MARCH 2010 AND 2009

	MARCH 2010	MARCH 2009
CAPITAL STOCK		
Cumulative and convertible		
Preferred stock - P1 par value		
Authorized - 100,000,000 shares		
Issued - 2,400,000 shares	2,400,000	2,400,000
Retirement of preferred shares	(2,395,620)	(2,395,620)
	4,380	4,380
Common stock - P1 par value		
Authorized - 5,900,000,000 shares		
Issued - 2,255,494,000 shares	2,655,494,000	2,655,494,000
Additional subscription - 400,000,000 shares	-	-
	2,655,494,000	2,655,494,000
	2,655,498,380	2,655,498,380
ADDITIONAL PAID-IN CAPITAL		
Balance at the beginning	4,765,916,071	4,765,916,071
Retirement of Preferred Shares	-	-
Additional Paid-in Capital of new subscribed shares	-	-
	4,765,916,071	4,765,916,071
DEPOSITS FOR FUTURE SUBSCRIPTION		-
RETAINED EARNINGS (DEFICIT)		
Balance at beginning of the period	13,135,744,178	8,995,322,935
Net income(loss) for the period	1,406,076,639	774,998,589
Dividends paid	-	-
Balance at end of the period	14,541,820,817	9,770,321,524
Cumulative Translation Adjustment	-	-
PREFERRED SHARES HELD IN TREASURY		
Balance at beginning of the period	-	-
Acquisitions for the period	-	-
Redemption/Retirement of preferred shares	-	-
Balance at end of the period	-	-
TOTAL STOCKHOLDERS' EQUITY	**21,963,235,268**	**17,191,735,975**

DMCI HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended March 31, 2010 and 2009

(Amounts in Thousands of Philippine Pesos)

	2010	**2009**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (Loss)/ Income	1,657,608	907,207
Adjustments to reconcile net income (loss) to net cash:		
Equity in net losses (earnings) of affiliates, depreciation, depletioı		
amortization and other non-cash items (net)	(414,123)	(97,491)
Income (Loss) applicable to Minority Interest	251,531	132,208
Changes in assets and liabilities:		
Decrease / (Increase) in :		
Receivables- net	(3,124,027)	540,396
Inventories - net	(207,839)	1,519,285
Prepaid expenses and other current assets	2,237,005	617,712
Increase/ (Decrease) in :		
Accounts payable and accrued expenses	4,271,190	2,393,871
Current portion of long-term debt	4,174,141	(502,669)
Non current liabilities	(5,521,417)	478,025
Billings in excess of cost of uncompleted contracts	333,547	172,885
Income tax payable	103,029	91,541
Net cash provided by operating activities	3,760,645	6,252,970
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) in:		
Available for sale investments	71,096	59,855
Investments - net	(1,836,706)	(2,272,202)
Property, plant and equipment - net	(535,614)	(1,187,177)
Deferred charges and other assets - net	(1,405,702)	(1,185,900)
Net cash provided by investing activities	(3,706,926)	(4,585,424)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net availments (payments) of:		
Notes payable	(856,363)	(394,003)
Additional subscription of common shares		
Capital Stock at P1.00 par value	0	0
Additional paid-in capital	(1)	0
Deposit for future subscription	0	0
Acquisition of preferred shares to treasury	0	0
Redemption of preferred shares		
Capital Stock at P1.00 par value	0	0
Additional paid-in capital	0	0
Redemption of preferred shares from treasury	0	0
Payment of Dividends	0	0
Net increase (decrease) in minority interest	1,575,558	(548,429)
Net cash provided by financing activities	719,194	(942,432)
NET INCREASE (DECREASE) IN CASH		
AND CASH EQUIVALENTS	772,913	725,114
CASH AND CASH EQUIVALENTS, BEGINNING	3,262,290	3,068,623
CASH AND CASH EQUIVALENTS, ENDING	4,035,203	3,793,737

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

1. Corporate Information

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

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

2. Summary of Significant Accounting Policies

Basis of Preparation
The consolidated financial statements of the Group have been prepared using the historical cost basis, except for available-for-sale (AFS) financial assets that have been measured at fair value. The Group's functional and presentation currency is the Philippine Peso (₱). All amounts are rounded to the nearest thousand (₱000) unless otherwise indicated.

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

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

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

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

Minority interests represent the portion of profit or loss and net assets in subsidiaries not wholly owned by the Group and are presented separately in consolidated statement of income and consolidated statement of changes in equity and within equity in the consolidated statement of financial position, separately from equity holders' of the Parent Company. Losses are attributed to the non-controlling interest even if that results in a deficit balance.

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

	Effective Percentages of Ownership	
	2009	2008
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**	98.39
Atlantic, Gulf and Pacific Company (Marine), Inc. (AG&P Marine, Inc.) [4]	**98.39**	98.39
Pascal-Ville Corporation (PVC) [4]	**98.39**	98.39
Integrain Agricultural Development Corporation (IADC) [4]	**98.39**	98.39
AG&P Nouvelle Caledonie[4]	**98.39**	98.39
DMCI-Laing Construction, Inc. (DMCI-Laing) [2]	**60.00**	60.00
Beta Electric Corporation (Beta Electric) [2]	**50.77**	50.77
Raco Haven Automation Philippines, Inc. (Raco) [2]	**50.14**	50.14
Mining:		
Semirara Mining Corporation (Semirara)	**58.88**	56.46
DMCI Mining Corporation (DMC)	**79.44**	78.23
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
DMCI-PDI Hotels, Inc. (PDI Hotels) [3]	**100.00**	–
DMCI Homes Property Management Corporation (DHPMC) [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.) *	**79.44**	78.23
DMCI Masbate Power Corporation (DMCI Masbate)	**89.93**	89.33
DMCI Concepcion Power Corporation (DMCI Concepcion)	**79.44**	78.23
DMCI Calaca Power Corporation	**100.00**	–
Sem-Calaca Power Corporation [5]	**58.88**	–

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

[1] Also engaged in real estate development

[2] DMCI's subsidiaries

[3] PDI's subsidiaries

[4] AG&P's subsidiaries

[5] Semirara's subsidiary

DMCI-PDI Hotels, Inc. (PDI Hotels)

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

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

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

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

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

DMCI Mining Corporation (DMC)
On February 28, 2008, the BOD of DMC also approved the increase in the authorized capital stock of DMC from ₱80.00 million divided into 80 million shares, par value of ₱1.00 per share, to
₱500.00 million divided into 500 million shares, par value of ₱1.00 per share.

In 2007, the Parent Company holds the entire ₱20 million outstanding capital stocks of DMC. In relation to the increase in the capital stocks of DMC, the BOD of the Parent Company, in its meeting on February 28, 2008, approved the subscription to an additional 80 million shares at par value of ₱1.00 per share in DMC. Semirara subscribed to the increase in the authorized capital stocks of DMC and infused a total of ₱100.00 million in DMC which resulted in a 50:50 equity sharing of the Parent Company with Semirara.

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

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

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

<u>Changes in Accounting Policies</u>
The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those of the previous financial year except for the following new and amended PFRS and Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC) which were adopted as of January 1, 2009.

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

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

Improvements to PFRSs 2008
- PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*
- PAS 1, *Presentation of Financial Statements*
- PAS 16, *Property, Plant and Equipment*
- PAS 18, *Revenue*
- PAS 19, *Employee Benefits*
- PAS 23, *Borrowing Costs*
- PAS 28, *Investment in Associates*
- PAS 31, *Interest in Joint ventures*
- PAS 36, *Impairment of Assets*
- PAS 38, *Intangible Assets*
- PAS 39, *Financial Instruments: Recognition and Measurement*
- PAS 40, *Investment Properties*

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

- PAS 1 (Revised), *Presentation of Financial Statements*
  The revised standard introduces a new statement of comprehensive income that combines all items of income and expenses recognized in the profit or loss together with "comprehensive income". Entities may choose to present all items in one statement, or to present two linked statements, a separate statement of income and a statement of comprehensive income. This

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

- PAS 23 (Revised), *Borrowing Costs*
  The revised PAS 23 requires capitalization of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. The Group's previous policy was to expense borrowing costs as they were incurred. In accordance with the transitional provisions of the amended PAS 23, the Group has adopted the standard on a prospective basis. Therefore, borrowing costs will be capitalized on qualifying assets with a prevailing commencement date on or after January 1, 2009. During the 12-month period to
  December 31, 2009, ₱45.03 million of borrowing costs have been capitalized on qualifying assets included in "Real Estate Held for Sale and Development" account in the consolidated statement of financial position.

- PFRS 8, *Operating Segments*
  PFRS 8 replaced PAS 14, *Segment Reporting*, upon its effective date. The Group concluded that the operating segments determined in accordance with PFRS 8 are the same as the business segments previously identified under PAS 14. PFRS 8 disclosures are shown in
  Note 33, including the related revised comparative information.

- Amendment to PFRS 7, *Financial Instruments: Disclosure*
  The amendments to PFRS 7, *Financial Instruments: Disclosures*, require additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class, for all financial instruments recognized at fair value. In addition, a reconciliation between the beginning and ending balance for level 3 fair value measurements is now required, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and financial assets used for liquidity management. The fair value measurement disclosures are presented in Note 34. The liquidity risk disclosures are not significantly impacted by the amendments and are presented in Note 34.

- PFRS 1 and PAS 27 Amendments - *Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
  The amendments to PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards*, allowed an entity to determine the 'cost' of investments in subsidiaries, jointly controlled entities or associates in its opening PFRS financial statements in accordance with PAS 27, *Consolidated and Separate Financial Statements*, or using a deemed cost method. The amendment to PAS 27 required all dividends from a subsidiary, jointly controlled entity or associate to be recognized in the income statement in the separate financial statement. The revision to PAS 27 was applied prospectively. The new requirement affects only the Parent Company's separate financial statement and does not have an impact on the consolidated financial statements.

- PAS 18, *Revenue*
  The amendment adds guidance (which accompanies the standard) to determine whether an entity is acting as a principal or as an agent. The features to consider are whether the entity:

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

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

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

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

- Philippine Interpretation IFRIC 15, *Agreement for Construction of Real Estate*
  This Interpretation, effective for annual periods beginning on or after January 1, 2012,

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

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

Amendments to Standards

- PAS 39 Amendment - *Eligible Hedged Items*
  The amendment to PAS 39, *Financial Instruments: Recognition and Measurement,* effective for annual periods beginning on or after July 1, 2009, clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. This also covers the designation of inflation as a hedged risk or portion in particular situations. The Group has concluded that the amendment will have no impact on the financial position or performance of the Group, as the Group has not entered into any such hedges.

- PFRS 2 Amendments - *Group Cash-settled Share-based Payment Transactions*
  The amendments to PFRS 2, *Share-based Payments*, effective for annual periods beginning on or after January 1, 2010, clarify the scope and the accounting for group cash-settled share-based payment transactions. The Group has concluded that the amendment will have no impact on the financial position or performance of the Group as the Group has not entered into any such share-based payment transactions.

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

- PFRS 2, *Share-based Payment*: clarifies that the contribution of a business on formation of a joint venture and combinations under common control are not within the scope of PFRS 2 even though they are out of scope of PFRS 3, *Business Combinations* (Revised). The amendment is effective for financial years on or after July 1, 2009.

- PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*: clarifies that the disclosures required in respect of non-current assets and disposal groups classified as held for sale or discontinued operations are only those set out in PFRS 5. The disclosure requirements of other PFRSs only apply if specifically required for such non-current assets or discontinued operations.

- PFRS 8, *Operating Segment Information*: clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker.

- PAS 1, *Presentation of Financial Statements*: clarifies that the terms of a liability that could result, at anytime, in its settlement by the issuance of equity instruments at the option of the counterparty do not affect its classification.

- PAS 7, *Statement of Cash Flows*: explicitly states that only expenditure that results in a recognized asset can be classified as a cash flow from investing activities.

- PAS 17, *Leases*: removes the specific guidance on classifying land as a lease. Prior to the amendment, leases of land were classified as operating leases. The amendment now requires that leases of land are classified as either 'finance' or 'operating' in accordance with the general principles of PAS 17. The amendments will be applied retrospectively.

- PAS 36, *Impairment of Assets*: clarifies that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in PFRS 8 before aggregation for reporting purposes.

- PAS 38, *Intangible Assets*: clarifies that if an intangible asset acquired in a business combination is identifiable only with another intangible asset, the acquirer may recognize the group of intangible assets as a single asset provided the individual assets have similar useful lives. Also clarifies that the valuation techniques presented for determining the fair value of intangible assets acquired in a business combination that are not traded in active markets are only examples and are not restrictive on the methods that can be used.

- PAS 39, *Financial Instruments: Recognition and Measurement*: clarifies the following:
  a) that a prepayment option is considered closely related to the host contract when the exercise price of a prepayment option reimburses the lender up to the approximate present value of lost interest for the remaining term of the host contract.
  b) that the scope ex scope exemption for contracts between an acquirer and a vendor in a business combination to buy or sell an acquiree at a future date applies only to binding forward contracts, and not the derivative contracts where further actions by either party are still to be taken.
  c) that that gains or losses on cash flow hedges o f a forecast transaction that subsequently results in the recognition of a financial instrument or on cash flow hedges of recognized financial instruments should be reclassified in the period that the hedged forecast cash flows affect profit or loss.

- Philippine Interpretation IFRIC 9, *Reassessment of Embedded Derivatives*: clarifies that it does not apply to possible reassessment at the date of acquisition, to embedded derivatives in contracts acquired in a business combination between entities or businesses under common control or the formation of joint venture.

- Philippine Interpretation IFRIC 16, *Hedge of a Net Investment in a Foreign Operation*: states that, in a hedge of a net investment in a foreign operation, qualifying hedging instruments may be held by any entity or entities within the group, including the foreign operation itself, as long as the designation, documentation and effectiveness requirements of PAS 39 that relate to a net investment hedge are satisfied.

<u>Cash and Cash Equivalents</u>
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.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Impairment of Financial Assets

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

Loans and receivables

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

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

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

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

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

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

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

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

Derecognition of Financial Assets and Liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

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

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

Financial liabilities

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

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

Inventories

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

Coal inventory

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

Nickel ore inventory

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

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

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

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

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

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

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

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

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

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

Investment in Jointly Controlled Assets

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

Investment Properties

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

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

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

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

	Years
Buildings and building improvements	5-25
Condominium units	5

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

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

Mine Exploration, Evaluation and Development Costs

Pre-license costs

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

Exploration and evaluation costs

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

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

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

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

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

Mines under construction

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

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

Property, Plant and Equipment

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

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

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

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

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

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

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

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

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

Intangible Assets

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

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

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

Input VAT

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

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

Impairment of Nonfinancial Assets

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

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

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

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

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

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

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

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

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

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

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

Real estate sales
Real estate sales are generally accounted for under the full accrual method. Under this method, the gain on sale is recognized when: (a) the collectibility of the sales price is

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

<u>Pension Expense</u>
The Group has a noncontributory defined benefit retirement plan.

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

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

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

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

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

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

Leases

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

Group as a lessee

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

Group as a lessor

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

Income Tax

Current tax

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

Deferred tax

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

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

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

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

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

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

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

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

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

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

Earnings per Share

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

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

Operating Segment

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

Provisions

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

Contingencies

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

Events After the Reporting Period

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

Business Combinations

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

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

Acquisition of Minority Interests in a Subsidiary

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

3. **Preferred and Common Stock**

The changes in the number of shares follow:

	March 31, 2010	December 31, 2009
Preferred stock - ₱1 par value cumulative and convertible to common stock		
Authorized number of shares	**100,000,000**	**100,000,000**
Issued and outstanding		
Balance at beginning of year	**4,380**	**4,380**
Cancellation/retirement of issued preferred shares	**0**	**0**
Balance at end of year	**4,380**	**4,380**
Common stock - ₱1 par value		
Authorized number of shares	**5,900,000,000**	**5,900,000,000**
Issued and outstanding	**2,655,494,000**	**2,655,494,000**
Additional subscription	**-**	**-**
Preferred shares held in treasury		
Balance at beginning of year	**0**	**0**
Redemption of preferred shares	**0**	**0**
Cancellation/retirement of issued preferred shares	**0**	**0**
Balance at end of year	**0**	**0**

The preferred stock is redeemable, convertible, non-voting, non-participating and cumulative with par value of ₱1.00 per share. The preferred shareholders' right of converting the preferred shares to common shares expired in March 2002. Aside from the issued and outstanding 4,380 preferred shares, all the preferred shares were essentially redeemed, retired, cancelled and paid.

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

Dividends declared
On May 21, 2009 and April 24, 2008 the Parent Company's BOD approved and declared cash dividend of ₱0.20 and P0.10 per share or ₱531 million and ₱265.55 million respectively

to stockholders of record as of June 5, 2009 and May 12, 2008, respectively. The cash dividend was paid on June 30, 2009 and on May 30, 2008 respectively as well.

4. Business Segments

The following tables present the net income of the specific business segments for the period and quarter ended March 31, 2010 and 2009 (amounts in thousand):

Revenues

	For the period		For the Quarter	
	2010	2009	2010	2009
Construction	3,478,526	1,550,522	3,478,526	1,550,522
Mining	3,812,919	3,268,355	3,812,919	3,268,355
Water	-	-	-	-
Real Estate Development	751,976	1,088,935	751,976	1,088,935
Electricity	2,491,077	-	2,491,077	-
Parent Company and Others	32,620	50,618	32,620	50,618
TOTAL	**10,567,118**	**5,958,430**	**10,567,118**	**5,958,430**

Net Income After Minority

	For the period		For the Quarter	
	2010	2009	2010	2009
Construction	500,397	145,180	500,397	145,180
Mining	318,315	163,354	318,315	163,354
Water	390,761	337,064	390,761	337,064
Real Estate Development	165,550	133,735	165,550	133,735
Electricity	32,313	(3,060)	32,313	(3,060)
Parent Company and Others	(1,259)	(1,274)	(1,259)	(1,274)
TOTAL	**1,406,077**	**774,999**	**1,406,077**	**774,999**

5. **Related Party Transactions**

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

(a) Comprehensive surety, corporate and letters of guarantee issued by the Company and DMCI for various credit facilities granted to and for full performance of certain obligations by certain related parties.
(b) Certain assets of the Group, associates and other related parties were placed under accommodation mortgages to secure the indebtedness of the Group, its associates and other related parties.
(c) Interest and non interest-bearing cash and operating advances made by the Group to and from various associates and other related parties.
(d) Engineering and construction works of the water business is contracted to the construction segment of the Company. These projects are bidded out to various contractors and are awarded on arms length transactions. The interrelated contracts amounted to Php 3,182,591,462.08 and Php 2,042,658,158.51as of March 31, 2010 and March 31, 2009 respectively, where Php 498,122,761.33 and Php 228,448,891.79 were booked for the period ended March 31, 2010 and March 31, 2009 respectively.

6. **Financial Instruments and Financial Risk**

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

DMCI HOLDINGS, INC.
ACCOUNTS RECEIVABLE DESCRIPTION
March 31, 2010

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

Normal Operating Cycle

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

DMCI HOLDINGS, INC.
AGING OF ACCOUNTS RECEIVABLE
AS OF MARCH 31, 2010

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.	2,415,383,802.55	2,013,374,129.05	69,869,067.95	137,107,406.79	156,222,692.23	34,180,224.65	4,630,281.88	-	-
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	61,697,634.72	30,877,738.61	15,469,978.51	4,666,444.72	10,683,472.88	-	-		
Raco Haven Automation	2,190,605.00	-	-	-	-	2,190,605.00			
Sub-total	2,506,925,276.27	2,044,251,867.66	85,339,046.46	141,773,851.51	169,873,006.11	36,370,829.65	29,316,674.88	-	-
DMCI Project Developers, Inc.	1,891,156,630.19	1,313,093,773.77	93,750,495.76	32,586,057.62	33,817,426.61	40,426,398.52	377,482,477.91	-	-
Semirara Mining Corporation	2,377,794,521.00	2,005,990,975.36	434,060,259.44	(76,667,629.46)	891,468.17	7,900,051.48	5,619,396.01	-	
Atlantic Gulf & Pacific Co., Inc.	410,333,199.00	381,384,728.00	21,071,050.00	7,877,421.00	-	-			
DMCI Mining Corporation	126,863,516.00	126,863,516.00							
Wire Rope Corporation of the Philippines	42,340,820.00	17,788,332.04	12,185,110.66	9,077,484.96	3,289,892.34	-	-		-
Sub-total	4,848,488,686.19	3,845,121,325.17	561,066,915.86	(27,126,665.88)	37,998,787.12	48,326,450.00	383,101,873.92	-	-
RETENTION RECEIVABLE - TRADE									
D.M. Consunji, Inc.	804,019,792.44	804,019,792.44							-
Beta Electric Corporation	76,690,017.06	76,690,017.06							
Sub-total	880,709,809.50	880,709,809.50	-	-	-	-	-	-	-
Total Contract/Retention Receivable - Trade	8,236,123,771.96	6,770,083,002.33	646,405,962.32	114,647,185.63	207,871,793.23	84,697,279.65	412,418,548.80	-	-
Less: Allowance for Doubtful Accounts	338,261,309.51								
Net Trade Receivable	**7,897,862,462.45**								

B. NON-TRADE RECEIVABLES	
ADVANCES -	
D.M. Consunji, Inc.	20,034,454.89
Beta Electric Corporation	11,310,732.28
Oriken Dynamix Company, Inc.	3,588,758.00
Sub-total	34,933,945.17
DMCI Holdings, Inc.	635,911.32
DMCI Mining Corporation	104,540,008.00
DMCI Project Developers, Inc.	291,201,018.86
DMCI Power Corporation	5,636,442.37
Atlantic Gulf & Pacific Co., of Manila, Inc.	246,790,021.00
Sub-total	683,737,346.72
AFFILIATES -	
D.M. Consunji, Inc.	97,815,187.15
Beta Electric Corporation	1,993,851.55
DMCI Laing Construction	43,909,123.83
Sub-total	143,718,162.53

DMCI Holdings, Inc.	709,593,166.65
DMCI Project Developers, Inc.	304,745,803.18
Semirara Mining Corporation	13,110,454.21
DMCI Power Corporation	158,941.04
Atlantic Gulf & Pacific Co., of Manila, Inc.	191,047,677.00
	1,362,374,204.61
Sub-total	1,362,374,204.61
OTHER RECEIVABLES -	
D.M. Consunji, Inc.	173,556,177.03
Beta Electric Corporation	28,533,051.55
	202,089,228.58
DMCI Holdings, Inc.	53,050.67
DMCI Project Developers, Inc.	191,981,782.33
Semirara Mining Corporation	31,470,738.00
DMCI Mining Corporation	9,465,107.00
Atlantic Gulf & Pacific Co., of Manila, Inc.	344,606,964.00
Sub-total	779,666,870.58