COVER SHEET

A	S	O	9	5	0	0	2	2	8	3

SEC Registration Number

DMCI HOLDINGS, INC.

(Company's Full Name)

3RD FLR. DACON BLDG. 2281
PASONG TAMO EXT. MAKATI CITY

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

HERBERT M. CONSUNJI
Contact Person

888-3000
Company Telephone Number

(Last Wednesday of July)

1 2	3 1	**SEC Form 17-Q** **Third 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

Remarks: Please use BLACK ink for scanning purposes

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 **September 30, 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 **September 30, 2010** are contained herein.

MANAGEMENT DISCUSSION AND ANALYSIS OF RESULTS OF CONSOLIDATED OPERATIONS AND CONSOLIDATED FINANCIAL CONDITION FOR THE QUARTER AND PERIOD ENDED SEPTEMBER 30, 2010.

I. RESULTS OF OPERATIONS

9M 2009 – 9M 2010

DMCI Holdings, Inc. (the "Company") reported a jump of 79% in its consolidated 9-month net income (after minority interest) from P3.2 billion in 2009 to P5.8 billion in 2010. The inclusion of the new power business boosted the already significant growth in the construction, real estate and mining businesses. These along with the sustained contributions from water investments all added to the impressive bottom line.

Below is a table on the 9-month net income contributions of the Company's businesses for 2010 and 2009:

(amount in Php millions)	**9M 2010**		**9M 2009**		**Variance**	
Construction	1,408	24%	588	18%	820	139%
Mining	1,367	24%	741	23%	626	84%
Real Estate	1,014	18%	483	15%	531	110%
Water	1,328	23%	1,417	44%	(89)	-6%
Power	670	12%	-	0%	670	
Parent & Others	(15)	0%	3	0%	(18)	-600%
Total	**5,772**	**100%**	**3,232**	**100%**	2,540	79%

The operations in the Calaca power plant, the realization of works for the big ticket construction projects, the growth in recognized real estate sales, and the improvement in coal mining caused the steep growth in consolidated net income. The water business registered a slight 6% decrease but mainly as a result of extraordinary items.

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, water contributions for the period slightly reduced to P1.3 billion in 2010 compared to P1.4 billion in 2009 as extraordinary items at the Maynilad level and consortium entries bloated 2009 amounts. Without these consortium and extraordinary items, water contributions would have been up 54% from P965 million to P1.5 billion in 2009 and 2010 respectively.

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

(in Php millions)	**9M 2010**		**9M 2009**	
	Consortium	**DMCI share**	**Consortium**	**DMCI share**
Maynilad (Operating) Level				
Maynilad Core Net Income	3,541	1,486	2,299	965
Forex & Extraordinary Items	(54)	(23)	963	404
Maynilad Net Income	3,487	1,463	3,262	1,369
Minority	(205)		(192)	
Net Income attributable to Consortium	3,282	**1,463**	3,070	**1,369**
Consortium Adjustments:				
Fair Value/ Goodwill	(403)	**(180)**	(657)	**(293)**
Prior Period Adjustments		**-**	635	**283**
Concession Fee/ Forex Gain (Losses)	115	**51**	10	**4**
Unrecognized Actuarial Gains		**-**	(117)	**(52)**
ESOP Provision	(11)	**(5)**		**-**
Write off of MWSS Payables	48	**21**	(76)	**(34)**
Bid & Other Costs		**-**	(21)	**(9)**
Tax Adjustments		**-**	252	**112**
Other Adjustments	(52)	**(23)**	84	**37**
Subtotal	(303)	**(135)**	110	**49**
Net Income (Loss)	**2,979**	**1,328**	**3,180**	**1,418**

Water operating efficiencies continued to improve as Maynilad reported a 54% increase in core net income for the period from P2.3 billion in 2009 to P3.5 billion in 2010, of which DMCI's beneficial share is P965 million and P1.5 billion respectively. Billed volume for the period was up 7.3%, despite a 7.1% dip in water supply. Year to date non-revenue water (NRW) slid from 60.3% last year to 54% this year. Billed services also grew 10.2% to 874,527 accounts. As a result, Maynilad water service revenues were up by P1.1 billion, a 14.7% increase from last year. Non-cash opex showed a 24% 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 18% growth due to the following: (a) higher electricity rates and consumption, (b) increase in cost of outsourced activities, (c) growth in real estate tax along with repairs & maintenance costs from increase in assets acquired in line with higher asset levels from capex programs.

The continuous and sustained growth in the Maynilad operations is providing the Company confidence that soon its water investment will not just be a significant income generating investment but also a cash provider.

CONSTRUCTION

The construction business grew its net contributions for the period by 139% from P588 million last year to P1.4 billion this year. Construction and engineering works from buildings and infrastructure projects coupled by the steel fabrication jobs resulted to the huge increase.

General Construction

The general construction unit, operated under wholly-owned and flagship construction company, D.M. Consunji, Inc. (DMCI), registered 9-month contributions of P903 million, doubling from the P445 million last year as construction and engineering works from major building and infrastructure contracts reached optimum levels.

Work done from major contracts: the Skyway Elevated Toll Road, the 168 Residences and the Raffles Condominiums & Hotel caused much of the increase in this period's realized general contracting revenues from P4.5 billion in 2009 to P8.1 billion this year. Contributions from the other independent construction units such as external electrical works, equipment sales and rentals, external ready-mix concrete sales, 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 to shoot up due to the requirements from the newly awarded contracts.

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

Steel Fabrication and Assembly

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

AG&P reported a humunguous growth in 9-month net contributions from P144 million in 2009 to P505 million in 2010. Work from significantly new steel fabrication and yard works coupled by the continuing overseas manpower and commissioning services added to the significant improvement in the AG&P operations.

Early in 2008, the Company was looking to sell AG&P but due global credit decline 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. As of now, the Company is still looking to sell AG&P and hopefully will conclude negotiations by the end of 2010.

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

REAL ESTATE

The Company's real estate business is led by the Company's wholly owned real estate development subsidiary, DMCI Project Developers, Inc. (PDI). Under the brand name DMCI Homes, PDI develops and sells middle income residential housing units that define best in quality and 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 paid. This method is in accordance with International Accounting Standards but is not the same with most real estate developers in the Philippines. There was a move to adopt the said recognition method in the country 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 being used by the Company in preparation for the inevitable full alignment of the country towards International Accounting Standards.

The housing segment net contributions more than doubled for the period from P483 million last year to P1 billion this year despite only a 22% increase in realized revenues as prices and margins generally increased for the newly realized projects. Realized housing revenues for the period reached P4 billion from P3.3 billion last year as sales from the newly completed projects reached full recognition status. Moreover, housing interest income for the period spiked to P581 million, up by 51% from the P385 million recognized last year. This indicates the continuing growth in internally financed buyers despite better bank financing terms.

A better representative of current operations would be the sales and reservations for the period which experienced a growth of 104% from P5.5 billion in 2009 to P11.1 billion in 2010. The steep growth can be mainly attributed to the effect of the global credit crunch which greatly affected the Company's housing operations in the 2nd half of 2008 until the 1st half of 2009. Aside from this, current sales and reservation have been at its highest averaging more than P1 billion a month indicating a recovery and even a growing demand in DMCI housing units

Operating expenses in the real estate segment were higher by 24% 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 majority of the Company's housing units are selling between P1.5-3 million per unit and as such have been registered with the Board of Investments (BOI) as part of their affordable housing investments that allow for an income tax holiday. With this the Company's housing segment enjoys income tax holidays for most of its sold units.

MINING & POWER

Coal Mining & Power (Calaca)

The Company's coal mining business and its major power generating asset (Calaca) are both lodged under 56%-owned and publicly listed Semirara Mining Corp (SMC). SMC reported an improvement in its 9-month operating results from a net income of P1.3 billion in 2009 to P3.2 billion in 2010 providing an 128% growth in net contribution of P 786 million to P1.8 billion in 2009 and 2010 respectively. This was mainly due to the inclusion of the new power plant operations on top of the growth in coal deliveries, specifically coal exports.

Below is SMC's management discussion and analysis of results of operations and financial condition for the period ending and as of September 30, 2010 as lifted from its first quarter financial report with the PSE and SEC:

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

2010 NINE-MONTH OPERATION

With the importation of additional mining equipment worth USD32.25 million, annual excavating capacity was further increased to 70 million bank cubic meters (bcm) this year. As of the end of the period, total material movement is already 84% of capacity at 58,802,443 bcm.

Year-to-date strip ratio of 9.9:1 is within the estimated waste to material ratio of the mine. With this strip ratio, run-of-mine (ROM) coal produced was 5,537,655 metric tons (MTs), 4,537,411 MTs of which were clean coal, while 1,000,244 MTs were washable coal. After washing, net product coal produced during the nine-month period totaled to 5,086,182 MTs.

To extend viability of mining operations in the island, the Company stepped up its exploratory and confirmatory drilling activities beyond the ultimate pit limit of Panian mine. These activities continuously yielded positive results during the period and more drilling programs are expected to be undertaken to find additional coal reserves.

Moreover, the construction of another loading facility is still on-going to back-up the increase in mining capacity and uninterrupted shiploading activities to support the company's targets and programs.

Robust global coal demand enabled the Company to sell all its production with coal sales reaching a new record high of 5,092,309 MTs. Ending coal inventory closed at 702,087 MTs.

The forward integration into the power business with the acquisition of the 2 x 300 MW plants in Calaca, Batangas in 2009 created more value for the Company after consolidating the results of operations of the new business segment. Consolidated Revenue for the period resulted to PHP16.90 billion. Of this amount, the coal segment generated PHP9.46 billion, while the power segment contributed PHP7.43 billion.

Consolidated Cost of Sales was posted at PHP11.73 billion, the coal and the power sements incurred PHP6.49 billion and PHP5.25 billion, respectively

The resulting consolidated Gross Margin was PHP5.16 billion, of which PHP2.98 billion was generated by the coal segment, while the power business made PHP2.19 billion.

The coal business incurred Operating Expenses of PHP1.15 billion after Government Share provision of PHP884.45 million. This interim provision is expected to taper down as the Company anticipates increases in fuel cost and cost of issuances of inventories for mine rehabilitation and programmed equipment maintenance towards the end of the year due to timing of deliveries of materials and parts requirements. On the other hand, the power segment posted Operating Expenses of PHP593.15 million, which is mainly comprised of taxes and licenses and expenses related to the documentation of the acquisition of the new business. Consolidated Operating Expenses totaled to PHP1.74 billion for the period.

The fluctuation of foreign exchange rates was favorable, allowing the Company to record a consolidated net Forex gain of PHP140.31 million. Consolidated Finance Costs reached PHP511.14 million, with the power segment incurring more finance charges of PHP362.80 million compared to the coal segment's finance costs of P148.34 million. This is explained by the higher debt level of the former which is related to the acqusition of the business. On the other hand, the power business generated more Finance Revenues of PHP12.42 million compared to the coal segments interest income of PHP7.11 million, consolidating to PHP19.53 million. The aforementioned was translated to Net Finance Income of P491.61 million. The coal segment recognized Other Expenses of PHP12.22 from bank charges, net of miscellaneous income. while the power segment generated PHP10.38 million of Other Income from sale of fly ash, resulting to a consolidated Other Expenses of PHP1.84 million.

The Company recognized Equity in Net Income of Associates amounting to PHP146.46 million from its investment in DMC Power Corp. and DMC Mining Corp. as of end of Q3 pending final execution of the Deed of Assignment of the company's equity interest in both corporations. Last, August 2010 the company approved the sale of its equity interest in said corporations in favor of DMCI-HI based on book value or cost whichever is higher.

The resulting consolidated Net Income Before Tax totaled to PHP3.21 billion, with the coal and the power segments gererating PHP1.85 billion and PHP1.22 billion, respectively. Although both business segments are registered with the Board of Investments and thus enjoy Income Tax Holidays, the power segment only completed its registration in April this year, thus, it made a Provision for Income Tax of PHP1.36 million covering its operations prior to its formal registration.

The resulting consolidated Net Income After Tax amounted to PHP3.21 billion, PHP1.85 billion from the coal segment while P1.22 billion was generated by the power segment. Earnings per share posted at P10.42 a piece based on weighted outstanding shares.

2010 NINE-MONTH FINANCIAL CONDITION

Consolidated Assets reflected a 17% growth at PHP27.80 billion from PHP23.83 billion beginning balance. The increase mainly came from the 58% growth in consolidated Current Assets which closed at PHP8.80 billion from PHP5.58 billion as at the beginning of the year. As a result of strong sales, Cash and Cash Equivalents of both business segments closed at healthy levels, with a consolidated figure of PHP2.56 billion from PHP481.92 million at beginning of the year. Consolidated Receivables likewise posted a significant 70% growth at PHP2.14 billion, of which the coal segment accounted for PHP955.44 million while the power segment recorded receivables of PHP1.19 billion. Included in this account is Due from Affiliated Companies which likewise increased resulting from outstanding operating charges and advances by affiliates for both the coal and power business at PHP44.11 million and PHP167.96 million, respectively or at consolidated amount of PHP212.08 million. Inventories was maintained at almost the same level from beginning balance at PHP3.11 billion, the bulk is from the coal segment at PHP2.36 billion while the power segment closed this account at PHP748.13 million. Similarly, Other Current Assets Increased from PHP759.89 million beginning balance to close at PHP982.91 million. The 29% increase mainly represents down payments /advance payments to indent suppliers of parts and other domestic services

Non-Current Assets likewise increased, albeit the account showed a more modest growth of 4% from PHP18.25 billion beginning balance to PHP19.00 billion ending balance. The growth primarily came from the increase in Property, Plant and Equipment after accounting for additional purchases of mining equipment by the parent company and recording of partial rehabilitation cost of the power plant.

Meanwhile, consolidated Total Liabilities increased by 16% from beginning balance of PHP13.98 billion to ending balance of PHP16.23 billion.

Current Liabilities, consisting of short-term loans, trade payables, payable to government agencies, and payable to affiliates, dropped by 16% from beginning balance of PHP5.52 billion to close at PHP4.65 billion mainly due to settlement of short-term bridge loans in incurred in December last year for the equity payment of the power plant acquired. Current portion of long term debt significantly dropped by 99% to PHP17.36 million from PHP1.81 billion after reclassification of short-term debt to relative to the acqusition of the power business to long-term. The increase in notes payable was related to bridge loans incurred by the group relative to the full payment of the PSALM debt.

Due to Affiliated Companies dropped by 50% from beginning balance of PHP609.14 million to PHP302.86 million as at the close of the period after servicing the liability.

The 46% increase in Trade and Other Payables was mainly due to the interim provision of royalty to the government of P884.45 million and due to other affiliated companies on operating charges amounting to P302.85 million down from P609.14 at beginning of year. The balance came from normal purchases of goods and services and for various development projects.

Consolidated Shareholders' Equity posted an 18% increase from PHP9.85 billion beginning balance to PHP11.56 billion ending balance. The increase mainly came from the listing of additional 59,375,000 shares on 19 July 2010 which generated PHP4.39 billion for the Company. Moreover, Gain on Sale of Treasury Shares amounting to PHP765 million was also recognized after the reissuance of 19,302,200 shares during the second quarter. In addition, income generated for the first nine-months beefed up Retained Earnings despite accounting for payment of dividends of PHP1.78 billion on 23 June 2010.

2010 COMPARATIVE REPORT

I. COAL PRODUCTION / POWER GENERATION

To meet the growing demand for coal, the Company commissioned new mining equipment during the year. This increased annual capacity from 60 million bcm in 2009 to 70 million bcm this year. As a result, total materials moved during the nine-month period jumped by 36% year-on-year at 58,802,443 bcm from 43,141,516 bcm in 2009. The table below shows the quarterly material movement for the two comparative years:

QUARTERLY MATERIAL MOVEMENT (in million BCM)

	2010	***2009***	***Inc/(Dec)***
Q1	*19.45*	*16.21*	*20%*
Q2	*21.18*	*14.51*	*46%*
Q3	*18.17*	*12.42*	*46%*
Total	***58.80***	***43.14***	***36%***

With lower YTD strip ratio at 9.9:1 this year compared to 11.72:1 in 2009, ROM coal production increased more significantly by 61% at 5,537,655 MTs from 3,430,440 MTs in 2009. The table below shows the quarterly ROM coal production for the two comparative years:

QUARTERLY ROM COAL PRODUCTION (in million MTs)

	2010	***2009***	***Inc/(Dec)***
Q1	*1.85*	*0.83*	*121%*
Q2	*1.86*	*1.07*	*74%*
Q3	*1.83*	*1.53*	*20%*
Total	***5.54***	***3.43***	***61%***

Correspondingly, net product coal production increased by 60% from 3,173,057 MTs as at end of Q3 2009 to 5,086,182 MTs this period. The table below shows the quarterly net product coal for the two comparative years:

QUARTERLY NET PRODUCT COAL (in million MTs)

	2010	***2009***	***Inc/(Dec)***
Q1	*1.67*	*0.77*	*116%*
Q2	*1.71*	*0.98*	*74%*
Q3	*1.70*	*1.42*	*20%*
Total	***5.09***	***3.17***	***60%***

This year's YTD strip ratio of 9.9:1 indicated more balanced stripping activities vis-à-vis coal extraction as this ratio in within the estimated strip ratio of the whole mine of 10:1. This is 16% lower than 2009 YTD strip ratio of 11.72:1

With a healthier beginning inventory in the current period, ending inventory is 2.5x higher at 702,087 MTs compared to YTD 2009 level of 198,302 MTs.

Meanwhile, the power business generated 1,395 GWh during the nine-month period, of which 465 GWh, 617 GWh, and 313 GWh was generated in Q1, Q2, and Q3, respectively. The improvement in Q2 production versus Q1 was caused by the minor repairs of both plants since these were acquired in December 2009. However, Unit 2 was shutdown in August for the scheduled rehabilitation works of the plant, thus the drop in production in Q3. The nine-month average capacity of unit 1 was at 159 MW and 167 MW for Unit 2, or a combined capacity of 326 MW or average utilization of 53% and 56% of rated capacity, respectively.

II. MARKETING

Strong global demand for coal benefited the Company as coal sales continue to soar steadily over the years, especially since the Company breached the export markets in 2007. YTD coal sales this year already surpassed last year's full year volume at 5,092,309 MTs. This is 51% more than 2009 YTD coal sales of 3,379,485 MTs. The table below shows the quarterly coal sales for the two comparative years:

QUARTERLY COAL SALES (in MTs)

	2010	***2009***	***Inc/(Dec)***
Q1	*2,007,530*	*1,078,344*	*86%*
Q2	*1,909,614*	*1,089,514*	*75%*
Q3	*1,175,165*	*1,211,627*	*-3%*
Total	***5,092,309***	***3,379,485***	***51%***

Indicating continued success of the Company's marketing efforts to introduce Semirara coal to the global market, export sales accounted for the largest market share at 52% with total volume sold of 2,654,346 MTs in the first nine months of the current year. This also posted a 66% growth from last year's YTD export sales of 1,600,934 MTs.

Local sales also registered an impressive 37% increase in the current year at 2,437,964 MTs, compared with YTD Q3 2009 volume of 1,778,553 MTs. Market share of domestic buyers inched up to 48% from 37% last year. The table below shows the comparative YTD sales volume per industry for 2010 and 2009:

COAL SALES PER INDUSTRY (in MTs)

	2010	***2009***	***Inc/(Dec)***
LOCAL			
Power	*1,417,222*	*1,078,791*	*31%*
Cement	*653,874*	*497,603*	*31%*
Other Industries	*366,867*	*202,159*	*81%*
Total LOCAL	***2,437,964***	***1,778,553***	***37%***
Export	***2,654,346***	***1,600,934***	***66%***
Total Volume	***5,092,309***	***3,379,487***	***51%***

The increase in the off-take of the power industry is largely due to the commissioning of a new plant. Meanwhile, lifting by existing cement customers also increased.. Similarly, demand from other industries increased.

Composite average FOB price per MT softened by 16% from PHP2,717 as of YTD Q3 2009 to PHP2,286 this period. After the acquisition of the power business, the Company amended the pricing mechanism to reflect actual market price. The high average price last year was mainly dictated by the import parity pricing with main customer based on average landed cost of coal imported for all its power plants for each quarter and quarterly average of forex rates.

Meanwhile, the power segment sold 1,558 GWh during the first nine months of the year, 467 GWh, 591 GWh, and 499 GWh were sold in Q1, Q2, and Q3, respectively. Of the *total volume sold, 166 GWh were sourced from the spot market, while 59 GWh from replacement power contracts. The power segment entered into replacement power contracts when Unit 2 was shut down for rehabilitation works. These contracts aimed to serve a portion of the Transition Supply Contracts that Unit 1 could not supply. Average price/KWh in the first three quarters registered at PHP4.97. Replacement power was only at 59 GWh. TSC sales registered at 1,062.02 Gwh while Spot sales was at 495.65 Gwh. The spot purchase registered at 165.81 Gwh.*

III. FINANCE

2010 NINE-MONTH FINANCIAL CONDITION

A. Sales and Profitability

The coal segment generated Revenues of PHP11.64 billion, while the power segment generated PHP7.79 billion. After eliminating entries, consolidated Revenues amounted to PHP16.90 billion, posting an 83% growth over same period last year's Revenue of PHP9.24 billion. Obviously, the growth was spurred by the power business.

Correspondingly, consolidated Cost of Sales increased by 67% at PHP11.73 billion from PHP7.04 billion for the nine-month period in 2009. It is important to note though that due to ecomomies of scale and reduced strip ratio, cost of coal sold decreased by 8% from PHP7.04 billion in 2009 to PHP6.49 billion this period.

Gross Profit generated by the coal segment of PHP2.98 billion is 35% stronger than 2009 YTD Gross Profit of PHP2.21 billion. Augmented by the power segment's Gross Profit of PHP2.19 billion, net increase in consolidated Gross Profit of PHP5.16 billion is 134% over the same period last year. Gross profit margin likewise showed an improvement at 31% this period compared to 24% last year.

Meanwhile, matching the expansion in operations, Operating Expenses of the coal segment, which is inclusive of provision for government share, increased by 36% from PHP845.46 million in 2009 to PHP1.15 billion in the current nine-month period. After accounting for the power segment's Operating Expenses of PHP593.15 million, consolidated Operating Expenses for the period is PHP1.74 billion, 106% more than last year's level.

After incurring additional debt to finance the coal segment's CAPEX, Finance Costs increased by 609% from a minimal level of PHP20.93 million in 2009 to PHP148.34 million this year. With the power segment's bigger interest costs of PHP362.80 million for the PHP9.6 billion project financing relative to the asset's acquisition, consolidated Finance Costs amounted to PHP511.14 million.

On the other hand, the coal and power segments generated Finance Income of PHP7.11 million and PHP12.42 million, consolidating to PHP19.53 million. The Company did not account for Finance Income during the same period last year.

Consolidated Forex Gains of PHP140.31 million was recognized after the gains recorded by the Company offset the losses of the Power Plant. In the first nine months of 2009, the Company incurred Forex Losses amounting to PHP137.58 million.
On the other hand, the Company incurred Other Expenses amounting to PHP12.22 million. Offset by the Other Income generated by the Power Plant of PHP10.38 million, the resulting consolidated Other Expense is at PHP1.84 million, as against Other Income generation of PHP94.57 million by the Company as at Q3 2009 from sale of electricity and insurance claims.

The Company recognized Equity in Net Income of Associates amounting to PHP146.46 million in the current period, as against the losses of PHP21.38 million incurred in 2009. This is due to the positive results of the Company's investment in DMCI Mining Corp.

Consolidated Income Before Tax of PHP3.21 billion in the current period reflected an increase of 151% compared to PHP1.27 billion as of Q3 2009.

Since the two business segments are registered with the Board of Investments (BOI), and thus are entitled to Income Tax Holiday, consolidated Provision for Income Tax stood at PHP1.36 million, representing tax provision made by the power segment for its operations prior to its registration with BOI.

The resulting consolidated Net Income After Tax in the current period was PHP3.21 billion, 146% more than YTD Q3 2009 net results of PHP1.30 billion.

Consolidated Earnings per Share (EPS) reflected a 122% growth at PHP10.42 as against YTD Q3 EPS of PHP4.69.

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

The investment in the power business significantly improved consolidated cash position, with total net cash generation by the power segment of PHP1.29 billion, slightly higher than the coal segment's cash end of PHP1.28 billion.

Consolidated Net Cash Provided by Operations during the current period amounted to PHP4.38 billion. This is slightly higher than YTD Q3 2009 level of PHP4.03 billion. Although consolidated Operating Income Before Working Capital Changes is healthy as both the coal and the power segments reflected healthy results in the current period, strong sales translated to significant increase in Receivables, as against previous period's sizable decrease in the account. Other Current Assets likewise recorded a substantial increase after accounting for advances/deposit to suppliers of parts, materials and services. Meanwhile, increase in Trade Payables was not as huge as last year.

Additions to PPE in the parent level accounting for purchase of new mining equipment for capacity expansion, mainly comprised Cashflows Used in Investing Activities. More equipment for capacity expansion were purchased in the first nine months of current period at PHP2.19 billion compared in 2009 of only P1.45 billion. Investment also increased as the amount of P308 million was invested in a sinking fund by the power segement. This mainly explains the 45% difference between Net Cash Used in

Investing Activities as at Q3 2009 of PHP1.54 billion and PHP2.25 billion in the current period.

Meanwhile, Net Cash Used in Financing Activities in the current period is almost break even at PHP46.86 million as loan availment offset loan repayment and payment of dividends. The negative movement in deposit for future subscription was also offset by proceeds from sale of treasury and new shares. On the other hand, the Company accounted for Cashflows from Financing Activities in 2009 of PHP2.04 billion with the payment of cash dividend of P1.67 billion net of tax and loan repayment of P371 million.

As a result of the movements of the foregoing accounts, consolidated cash generation this period was PHP2.10 billion. Although Cash beginning in 2009 was healthier at PHP1.01 billion compared to PHP482 million this year. Hence, consolidated Ending Cash as at Q3 2010 is 73% higher at PHP2.56 billion compared to PHP1.47 billion as at Q3 2009.

With the reclassification of debt relative to the acquisition of the power business, from short to long term, Current Ratio bounced back to 1.89x as at the end of the period from 1.01 as at the start of the year. Debt-to-Equity ratio however recorded a more modest improvement at 1.40:1 from 1.42:1 as at the start of the year.

IV. PERFORMANCE INDICATORS

1. <u>Earnings per Share</u> *– The huge jump in EPS this year compared to YTD Q3 2009 indicated a healthy growth of the Company's business. EPS at consolidated level posted at P10.42 or 122% jump from last year when it was purely derived from earnings generated by the coal mining. On a stand alone basis, the coal segment steadily registers growth over the years. The forward integration into the power industry creates a multiplier effect in the Company's core business.*

2. <u>Current Ratio</u> - *The healthy cash flow generation of both coal and power segments beefed up its consolidated cash position enabling the company to settle maturing obligations and early termination of short-term loans. This is evidenced by the significant improvement in its current ratio which registered at 1.89x at the end of Q3 from only 1.01x at the end of last year and 1.34x at end of H1 this year.*

3. <u>Debt-to-Equity Ratio</u> *– For a long time, the Company has been underleveraged as indicated by low DE ratios. However, the investment in the power business, a project financing facility was availed to finance the acquisition. This significantly raised DE ratio. However, with the settlement of bridge loans by the parent company for its acquisition of the power plant augmented by the power segment's strong earnings which beefed up equity, DE ratio started to improve, closing at 1.40x as at the end of the period.*

4. <u>Business Expansion</u> *– This year is one of the most challenging time for the Company since its existence, with both the expansion of the coal mining, raising the production capacity to 6.5 to 7.0 Mn MT ROM and the kick off of the major rehabilitation of the newly acquired power units for the power business aimed to restore them to their original rated capacity. As of the end of Q3 YTD, coal production is already at 85% of its capacity while the rehabilitation of Unit 2 is still on-going and expected to be operational* *before the end of the year. All these are geared towards creation of more value for the Company's stakeholders.*

5. ***Expanded Market*** *– The continuous growth in demand for Semirara coal both in the local milieu and in the global scene provides ample opportunity for the Company to expand its market. Moreover , the customer base of the company further widens since aside from serving direct coal users, it now serves the power distributors and the direct users of power as well through its newly acquired power generation business. Hence, giving the company more edge in the market and providing assurance for long-term sustainability of the business.*

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 mining company, set out to mine and market relatively high concentration nickel ore (1.8%-2% nickel content) at the Benguet nickel mine in Santa Cruz, Zambales. This has proved a good venture as 9-month operations led to a P311 million net income with contributions amounting P243 million this year to the Company compared to a P50 million loss for a negative contribution of P44 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 and opportunistic to the nickel market cycles.

II. FINANCIAL CONDITION

<u>Audited2009 – Sep2010</u>

(In Php Millions)	Unaudited		Audited		Variance	
	Sep2010	**%**	**2009**	**%**	**Amount**	**%**
ASSETS						
Cash and cash equivalents	7,911	12%	3,262	6%	4,648	142%
Receivables - net	9,597	14%	5,404	9%	4,193	78%
Inventories - net	11,421	17%	10,660	18%	761	7%
Noncurrent receivables - net	1,575	2%	2,196	4%	(621)	-28%
Investments in associates	7,829	11%	6,786	12%	1,043	15%
Investment properties - net	3,426	5%	2,578	4%	848	33%
Property, Plant and Equipment - net	22,715	33%	21,970	38%	745	3%
LIABILITIES & EQUITY						
Bank Loans	367	1%	1,207	2%	(840)	-70%
Accounts and other payables	12,866	19%	8,141	14%	4,725	58%
Current portion of long-term debt	485	1%	3,840	7%	(3,355)	-87%
Customers' deposits	4,589	7%	4,096	7%	493	12%
Long-Term Debt - net of current portion	17,668	26%	14,284	25%	3,384	24%
Paid-up capital	7,421	11%	7,421	13%	(0)	0%
Retained earnings	17,581	26%	13,136	23%	4,445	34%
Minority Interest	5,337	8%	2,926	5%	2,412	82%

The Company’s financial condition for the period improved as net assets increased by 30%.

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

Total receivables (current and non-current) went up by 47% due mainly to revenue activities in all businesses mainly coal, construction and real estate, with the significant growth coming from the inclusion of the power sector.

Consolidated inventories reported a slight 7% increase as coal production heightened for the 3rd quarter with the extended dry weater and inventory increased in the other businesses.

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 33% due to new property acquisitions at the real estate business that are yet to be processed and classified as real estate inventory. Once development plans have been finalized, these properties will be reclassified into real estate inventory.

Property plant & equipment remained at the same levels.

Accounts & other payables increased as a result of working capital requirements, 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 grew by 12% coming from new sales and reservations for the period.

Long term debt remained flat as no additional credit facilities were incurred.

Liquidity grew as current ratio went up from 1.26 to 1.58. Debt to equity ratio improved to 1.25 from 1.46 as operating results for the period improved ownership values.

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

(In Php Millions)	**9M 2010**		**9M 2009**		**Variance**	
	Amount	**%**	**Amount**	**%**	**Amount**	**%**
REVENUE						
DMCI-General Construction	8,161	25%	4,538	24%	3,623	80%
AG&P-Steel Fabrication	2,471	8%	1,646	9%	825	50%
CONSTRUCTION	10,632	32%	6,184	33%	4,448	72%
COAL SALES	9,463	29%	9,239	49%	224	2%
NICKEL ORE SALES	1,138	3%	102	1%	1,036	1016%
MINING	10,601	32%	9,341	49%	1,260	13%
REAL ESTATE	4,066	12%	3,332	18%	734	22%
ELECTRICITY	7,538	23%	0	0%	7,538	n/a
PARENT & OTHERS	103	0%	109	1%	(6)	-6%
	32,939	**100%**	**18,966**	**100%**	**13,973**	**74%**

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

(In Php Millions)	**9M 2010**		**9M 2009**		**Variance**	
	TOTAL	**%**	**TOTAL**	**%**	**Amount**	**%**
NET INCOME (After Minority)						
DMCI-General Construction	903	16%	445	14%	458	103%
AG&P-Steel Fabrication	505	9%	144	4%	362	252%
CONSTRUCTION	1,408	24%	588	18%	820	139%
COAL SALES	1,124	19%	786	24%	339	43%
NICKEL ORE SALES	243	4%	(44)	-1%	287	-650%
MINING	1,367	24%	741	23%	626	84%
REAL ESTATE	1,014	18%	483	15%	530	110%
ELECTRICITY	670	12%	0	0%	670	n/a
WATER	1,328	23%	1,417	44%	(89)	-6%
PARENT & OTHERS	(16)	0%	3	0%	(18)	-722%
	5,772	**100%**	**3,232**	**100%**	**2,540**	**79%**

The net contributions (net income after minority) or bottom line results from operations of the Company's businesses 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 driven by all the businesses of the Company along with the recognition of the full operations of the Calaca power plant.

EARNINGS PER SHARE (EPS)

The Company's consolidated EPS for the period was P2.17/share accounting for a 78% increase over the P1.22/share EPS of the same period last year. Only the water business didn't provide the growth in earnings as an effect of extraordinary items booked in the previous year (*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 0.50 per common share paid on July 15, 2010 to the holders of record of June 22, 2010.
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**
Finance Officer

Ma. Luisa C. Austria
Accounting Officer

Date November 17, 2010

DMCI HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

For the period ended September 30, 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	7,910,637	3,262,290
Available-for-sale financial assets - net	217,215	214,174
Receivables - net	9,597,315	5,403,883
Costs and estimated earnings in excess of billings on uncompleted contra	471,395	605,754
Inventories - net	11,421,066	10,660,129
Other current assets	1,243,814	3,350,338
Total Current Assets	30,861,443	23,496,568
Noncurrent Assets		
Noncurrent receivables - net	1,575,185	2,195,731
Investments in associates, jointly controlled entities and others - net	7,828,879	6,785,788
Investment properties - net	3,425,772	2,578,233
Property, Plant and Equipment - net	22,715,332	21,969,886
Deferred tax assets	0	38,529
Other noncurrent assets - net	2,062,220	573,560
Total Noncurrent Assets	37,607,387	34,141,727
	68,468,830	57,638,295

LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Bank Loans	367,283	1,207,116
Current portion of liabilities for purchased land	0	154,597
Accounts and other payables	12,866,286	8,141,460
Current portion of long-term debt	484,608	3,839,948
Billings in Excess of Costs on Uncompleted Contracts	463,641	357,990
Customers' advances and deposits	4,589,084	4,095,906
Income tax payable	183,918	138,495
Payable to related parties	585,656	694,749
Total Current Liabilities	19,540,476	18,630,261
Noncurrent Liabilities		
Long-Term Debt - net of current portion	17,667,853	14,284,335
Liabilities for purchased land - net of current portion	0	683,506
Deferred tax liabilities - net	448,942	518,786
Pension liabilities	125,074	107,857
Other Noncurrent Liabilities	347,207	19,711
Total Noncurrent Liabilities	18,589,076	15,614,195
Total Liabilities	38,129,552	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	17,580,612	13,135,743
Premium on minority acquisition		(161,033)
Other comprehensive income	(0)	72,093
	25,002,027	20,468,218
Minority Interests	5,337,251	2,925,621
Total Equity	30,339,278	23,393,839
	68,468,830	57,638,295

DMCI HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

For the period ended September 30, 2010 and 2009 and for the quarter ended September 30, 2010 and 2009

(Amounts in Thousands of Philippine Pesos)

	For the period		For the quarter	
	2010	2009	2010	2009
REVENUE				
Mining	10,600,751	9,239,571	2,719,555	2,883,827
Construction contracts	10,631,968	6,015,704	3,305,423	2,467,169
Real estate sales	4,065,833	3,331,929	1,665,590	1,464,295
Electricity sales	7,537,532	-	1,580,721	-
Merchandise sales and others	102,910	379,255	31,072	133,993
	32,938,994	**18,966,459**	**9,302,361**	**6,949,284**
COST OF SALES AND SERVICES				
Mining	7,175,151	7,034,555	1,978,609	2,195,618
Construction contracts	8,365,133	4,729,977	2,571,998	1,881,129
Real estate sales	2,304,032	2,092,197	934,886	869,480
Electricity sales	5,326,514	-	1,377,726	-
Merchandise sales and others	61,915	334,046	19,379	117,700
	23,232,745	**14,190,775**	**6,882,598**	**5,063,927**
GROSS PROFIT	**9,706,249**	**4,775,684**	**2,419,763**	**1,885,357**
OPERATING EXPENSES	(3,331,056)	(2,029,241)	(624,999)	(510,006)
	6,375,193	2,746,443	1,794,764	1,375,351
OTHER INCOME (LOSSES)				
Equity in net earnings of associates, jointly controlled entities and others	1,477,459	1,399,386	569,011	276,401
Finance income	412,849	156,276	(118,651)	(122,552)
Finance costs	(498,823)	(87,437)	57,335	82,377
Other income (charges) - net	131,942	(134,595)	(56,794)	(267,734)
INCOME BEFORE INCOME TAX	7,898,620	4,080,073	2,245,665	1,343,843
PROVISION FOR INCOME TAX	634,964	308,035	226,224	28,192
NET INCOME (LOSS) (NOTE 4)	**7,263,656**	**3,772,038**	**2,019,441**	**1,315,651**
NET INCOME ATTRIBUTABLE TO				
Equity holders of DMCI Holdings, Inc.	5,772,615	3,231,847	1,591,810	1,075,414
Minority interests	1,491,041	540,191	427,631	240,237
	7,263,656	**3,772,038**	**2,019,441**	**1,315,651**
Basic/Diluted Earnings Per Share	2.17	1.22	0.60	0.40

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

	SEPTEMBER 2010	SEPTEMBER 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 - 2,655,494,000 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	5,772,615,065	3,231,846,656
Dividends paid	(1,327,747,000)	(531,098,800)
Balance at end of the period	17,580,612,243	11,696,070,791
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	**25,002,026,694**	**19,117,485,242**

DMCI HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended September 30, 2010 and 2009

(Amounts in Thousands of Philippine Pesos)

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (Loss)/ Income	**7,263,656**	3,772,038
Adjustments to reconcile net income (loss) to net cash:		
Equity in net losses (earnings) of affiliates, depreciation, depletic		
amortization and other non-cash items (net)	(2,893,140)	(1,162,860)
Income (Loss) applicable to Minority Interest	1,491,041	540,191
Changes in assets and liabilities:		
Decrease / (Increase) in :		
Receivables- net	(3,572,886)	(219,983)
Inventories - net	(760,937)	(1,320,992)
Prepaid expenses and other current assets	2,106,524	597,058
Increase/ (Decrease) in :		
Accounts payable and accrued expenses	4,954,314	(295,554)
Current portion of long-term debt	(3,355,340)	(615,345)
Non current liabilities	2,974,881	3,498,883
Billings in excess of cost of uncompleted contracts	240,010	693,967
Income tax payable	45,423	63,194
Net cash provided by operating activities	8,493,546	5,550,597
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) in:		
Available for sale investments	(3,041)	59,855
Investments - net	(1,890,630)	(1,942,915)
Property, plant and equipment - net	(745,446)	(1,271,141)
Deferred charges and other assets - net	(1,450,131)	(1,465,204)
Net cash provided by investing activities	(4,089,248)	(4,619,405)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net availments (payments) of:		
Notes payable	(839,833)	(631,490)
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	(1,327,747)	(531,099)
Net increase (decrease) in minority interest	2,411,630	(196,432)
Net cash provided by financing activities	244,049	(1,359,021)
NET INCREASE (DECREASE) IN CASH		
AND CASH EQUIVALENTS	4,648,347	22,171
CASH AND CASH EQUIVALENTS, BEGINNING	3,262,290	3,068,623
CASH AND CASH EQUIVALENTS, ENDING	7,910,637	3,090,794

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

<u>Basis of Preparation</u>
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.

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

<u>Basis of Consolidation</u>
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	
	Sept 2010	**2009**
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)	**98.19**	**98.19**
Atlantic, Gulf and Pacific Company (Marine), Inc. (AG&P Marine, Inc.) [4]	**98.19**	**98.19**
Pascal-Ville Corporation (PVC) [4]	**98.19**	**98.19**
Integrain Agricultural Development Corporation (IADC) [4]	**98.19**	**98.19**
AG&P Nouvelle Caledonie[4]	**98.19**	**98.19**
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)	**56.32**	**55.05**
DMCI Mining Corporation (DMC)	**77.53**	**77.53**
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**	**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.) *	**77.53**	**77.53**
DMCI Masbate Power Corporation (DMCI Masbate)	**89.93**	**89.93**
DMCI Concepcion Power Corporation (DMCI Concepcion)	**77.53**	**77.53**
DMCI Calaca Power Corporation	**100.00**	**100.00**
Sem-Calaca Power Corporation [5]	**56.32**	**55.05**

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

[1] Also engaged in real estate development

[2] DMCI's subsidiaries

[3] PDI's subsidiaries

[4] AG&P's subsidiaries

[5] Semirara's subsidiary

DMCI-PDI Hotels, Inc. (PDI Hotels)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

<u>Future Changes in Accounting Policies</u>
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.

Cash and Cash Equivalents

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

Financial Instruments

Date of recognition

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

Initial recognition of financial instruments

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

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

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

Determination of fair value

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

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

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

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

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

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

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

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

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

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

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

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

Impairment of Financial Assets

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

Loans and receivables

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

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

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

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

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

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

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

<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.

Commission Expense

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

Pension Expense

The Group has a noncontributory defined benefit retirement plan.

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

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

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

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

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

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

Leases

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

Group as a lessee

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

Group as a lessor

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

Income Tax

Current tax

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

Deferred tax

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

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

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

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

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

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

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

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

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

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

Earnings per Share

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

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

Operating Segment

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

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

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

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

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

PFRS 3 provides that if the initial accounting for a business combination can be determined only provisionally by the end of the period in which the combination is effected because either the fair values to be assigned to the 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:

	September 30, 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 June 4, 2010 and May 21, 2009 the Parent Company's BOD approved and declared cash dividend of ₱0.50 and P0.20 per share or ₱1,328 million and ₱531 million respectively to stockholders of record as of June 22, 2010 and June 15, 2009, respectively. The cash dividend was paid on July 15, 2010 and June 30, 2009 respectively as well.

4. **Business Segments**

The following tables present the net income of the specific business segments for the period and quarter ended September 30, 2010 and 2009 (amounts in Php thousand):

Revenues

	For the period		For the Quarter	
	2010	2009	2010	2009
Construction	10,631,968	6,015,704	3,305,423	2,467,169
Mining	10,600,751	9,239,571	2,719,555	3,124,302
Water	-	-	-	-
Real Estate Development	4,065,833	3,331,929	1,665,590	1,464,295
Electricity	7,537,532	-	1,580,721	-
Parent Company and Others	102,910	379,255	31,072	133,993
TOTAL	**32,938,994**	**18,966,459**	**9,302,361**	**6,949,284**

Net Income After Minority

	For the period		For the Quarter	
	2010	2009	2010	2009
Construction	1,408,093	587,175	462,827	261,829
Mining	1,367,359	741,852	536,995	334,800
Water	1,328,450	1,417,765	422,615	296,781
Real Estate Development	1,013,584	483,096	249,202	183,686
Electricity	670,687	-	(64,269)	-
Parent Company and Others	(15,556)	1,959	(15,557)	(1,681)
TOTAL	**5,772,615**	**3,231,847**	**1,591,813**	**1,075,415**

5. **Operating Expenses**

The following tables present the consolidated operating expenses for the period ended September 30, 2010 and 2009 (amount in Php thousands):

	September 2010	September 2009
Government Share	884,453	674,105
Salaries, Wages & Employees benefits	557,693	393,656
Advertising and Marketing Expense	223,686	152,109
Commission	266,564	209,382
Outside Services	61,093	67,237
Taxes and Licenses	538,934	181,661
Depreciation Expense	185,248	59,050
Professional Fees	110,539	58,021
Entertainment, amusement and recreation	28,693	27,598
Rental Expense	34,735	32,989
Transportation and Travel	27,978	17,608
Communication, light and water	66,715	52,407
Repairs and Maintenance	90,432	44,665
Gasoline and Oil Expense	13,307	10,324
Supplies	52,900	70,681
Insurance	49,230	12,457
Other Operating Expense	138,854	(34,707)
TOTAL	**3,331,056**	**2,029,241**

6. **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 3,350,849,478.02 and Php 2,367,891,860.00 as of September 30, 2010

and September 30, 2009 respectively, where Php 1,665,248,624.58 and Php 750,888,557.00 were booked for the period ended September 30, 2010 and September 30, 2009 respectively.

7. 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.
AGING OF ACCOUNTS RECEIVABLE
AS OF SEPTEMBER 30, 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.	2,072,235,629.30	1,585,533,486.86	116,027,486.64	41,114,012.92	232,451,384.70	97,109,258.18	-	-	-
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	108,310,694.06	92,512,282.15	2,588,659.00	1,410,384.25	11,799,368.66	-	-		
Raco Haven Automation	2,190,605.00	-	-	-	-	2,190,605.00			
Sub-total	2,210,390,162.36	1,678,045,769.01	118,616,145.64	42,524,397.17	247,217,594.36	99,299,863.18	24,686,393.00	-	-
DMCI Project Developers, Inc.	3,691,183,325.00	2,835,153,003.00	134,993,610.00	72,891,113.00	276,108,915.00	372,036,684.00	-	-	-
Semirara Mining Corporation	1,762,511,631.80	702,845,780.00	487,697,337.00	563,945,944.80	130,227.00	2,272,947.00	5,619,396.00	-	
Atlantic Gulf & Pacific Co., Inc.	555,616,289.00	444,897,903.00	4,288,657.00	12,236,317.00	-	-			94,193,412.00
DMCI Mining Corporation	9,237,934.00	9,237,934.00							
DMCI Power Corporation	81,421,779.90	81,421,779.90							
Wire Rope Corporation of the Philippines	46,897,068.00	27,357,820.33	7,880,385.33	4,221,591.33	6,542,639.01	-	-		894,632.00
Sub-total	6,146,868,027.70	4,100,914,220.23	634,859,989.33	653,294,966.13	282,781,781.01	374,309,631.00	5,619,396.00	-	95,088,044.00
RETENTION RECEIVABLE - TRADE									
D.M. Consunji, Inc.	645,934,050.41	645,934,050.41							-
Beta Electric Corporation	88,320,903.29	88,320,903.29							
Sub-total	734,254,953.70	734,254,953.70	-	-	-	-	-	-	-
Total Contract/Retention Receivable - Trade	9,091,513,143.76	6,513,214,942.94	753,476,134.97	695,819,363.30	529,999,375.37	473,609,494.18	30,305,789.00	-	95,088,044.00
Less: Allowance for Doubtful Accounts	409,105,785.51								
Net Trade Receivable	**8,682,407,358.25**								
B. NON-TRADE RECEIVABLES									
ADVANCES -									
D.M. Consunji, Inc.	380,200,391.98								
Beta Electric Corporation	18,455,759.50								
Oriken Dynamix Company, Inc.	3,588,758.00								
Sub-total	402,244,909.48								
DMCI Holdings, Inc.	486,202.16								
DMCI Mining Corporation	113,114,373.00								
DMCI Project Developers, Inc.	339,042,727.00								
DMCI Power Corporation	10,966,618.87								
Atlantic Gulf & Pacific Co., of Manila, Inc.	49,052,928.00								
Sub-total	914,907,758.51								
AFFILIATES -									
DMCI Holdings, Inc.	333,155,919.07								
DMCI Project Developers, Inc.	67,626,171.90								
Semirara Mining Corporation	-								

DMCI Power Corporation	16,826,385.39
Atlantic Gulf & Pacific Co., of Manila, Inc.	189,531,586.47
	607,140,062.83
Sub-total	607,140,062.83
OTHER RECEIVABLES -	
D.M. Consunji, Inc.	166,669,893.10
Beta Electric Corporation	9,933,479.96
	176,603,373.06
DMCI Holdings, Inc.	53,050.67
DMCI Project Developers, Inc.	254,137,682.00
Semirara Mining Corporation	130,696,642.00
DMCI Mining Corporation	207,913.00
DMCI Power Corporation	2,126,672.94
Atlantic Gulf & Pacific Co., of Manila, Inc.	404,219,239.00

DMCI HOLDINGS, INC.
ACCOUNTS RECEIVABLE DESCRIPTION
SEPTEMBER 30, 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