COVER SHEET

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SEC Registration Number

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

(Company's Full Name)

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

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

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

(Last Wednesday of July)

1 2	3 1	**SEC Form 17-Q** **Second Quarter Interim Report 2009**	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

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarter ended **June 30, 2009**

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

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

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

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

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

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

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

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

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

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

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

Yes [X] No [ ]

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

Philippine Stock Exchange — Class "A" Shares
Preferred Shares

12. Indicate by check mark whether the registrant:

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

Yes [X] No [ ]

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

Yes [X] No [ ]

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements.

The Financial Statements for the quarter and period ended **June 30, 2009** are contained herein.

MANAGEMENT DISCUSSION AND ANALYSIS OF RESULTS OF CONSOLIDATED OPERATIONS AND CONSOLIDATED FINANCIAL CONDITION FOR THE QUARTER AND PERIOD ENDED JUNE 30, 2009.

1H 2008 vs. 1H 2009

I. RESULTS OF OPERATIONS

DMCI Holdings, Inc. (the "Company") reported a 260% growth in its first half consolidated net income after minority from P597 million last year to P2.1 billion this year. Major improvements in the results from the water segment coupled by the growth in the coal mining and construction businesses contributed to jump in consolidated bottom figure.

WATER

The Company's investment in the water sector is recognized through a consortium with Metro Pacific Investments Corp. or MPIC (the"Consortium") and operated through Maynilad Water Services, Inc. (Maynilad), the water utility for the west portion of Metro Manila. Net contributions for the first 6 months from the water business recognized a huge growth from a negative contribution of P257 million in 2008 to an income of P1.1 billion in 2009 due mainly to operational progress including some financial reporting items.

Maynilad Level

Water operating efficiencies continued to improve as Maynilad reported a respectable increase of 12% in billed volumes, despite a slight dip in water supply. As a result, non-revenue water (NRW) slid by 7% from last year as it reached an average 6-month NRW of 60.9% in 2009 from 65.5% in 2008.

Maynilad's water and sewer revenues combined grew 24.0% to P4.57 billion from P3.68 billion in the same period last year. The increase was due to the 11.9% increase in billed volume coupled with an average effective tariff increase of around 10.8%. Total cash opex increased by 9.9% to P1.66 billion versus P1.51 billion last year due primarily to increases in personnel cost, light and power, outside services, and provisions for real estate and business taxes. Total non-cash operating expenses grew P114 million or 14.8% to P881 million from P767 million last year. The amortization of intangible assets grew 8.1% to P733 million from P677 million last year, while depreciation and amortization increase 7.1% to P61 million from P57 million last year, as Maynilad continued to pursue its capital expenditure programs. Due to the tariff increases, provision for doubtful accounts increased from 0.8% to 1.8% of revenues.

As a bottom result, net income increased at a significantly high pace of 145% from only P945 million last year to P2.32 billion this year, primarily due to the impact of the extraordinary gain recognized upon the approval of the rebased rates this year versus non-recoverable foreign exchange losses from shareholder advances last year netting around P1 billion. Excluding the impact of these extraordinary items, as well as non-recurring foreign exchange gains or losses, core net income would have been

P1.29 billion, an increase of 5.1% versus P1.23 billion last year, as the improvement in income from operations was partly offset by higher interest expense from Maynilad's higher loans levels.

Consortium Level

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

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

(in Php millions)	**1st Half 2009**		**1st Half 2008 (restated)**	
	Consortium	**DMCI share**	**Consortium**	**DMCI share**
Net Income - Maynilad level	2,316		945	
Less: Minority	136		151	
Operating Net Income after Minority	2,180	**972**	794	**397**
Non operating & Extraordinary Items (net of tax & minority) - Consortium Level				
Fair Value/ Goodwill	(477)	**(213)**	(562)	**(281)**
Prior Period Adjustments	635	**283**	229	**115**
Net Interest	-	**-**	(347)	**(174)**
Forex Gain (Losses)	18	**8**	(603)	**(302)**
Unrecognized Actuarial Gains	(117)	**(52)**	58	**29**
Write off of MWSS Payables	(76)	**(34)**	-	**-**
Bid & Other Costs	(6)	**(3)**	(176)	**(88)**
Tax Adjustments	311	**139**		**-**
Other Adjustments	46	**21**	93	**47**
Subtotal	334	**149**	(1,308)	**(654)**
Consortium Net Income (Loss)	2,514	**1,121**	(514)	**(257)**

Note that Net Interest and Forex Losses at the consortium level have been eliminated for 2009 with the settlement of the consortium debt in November 2008. The increase in Fair Value/Goodwill amortization went down due to current revaluations and restatements. Prior period adjustments for 2009 pertains to Consortium deferred tax liability adjustments in connection to the adoption of IFRIC 12.

Notwithstanding the extraordinary and non-operating items, continuous developments in Maynilad point towards sustained substantial water contributions for the Company's total business.

CONSTRUCTION

The construction business provided P325 million in net contributions for the first 6 months this year compared to P282 million last year, recording a respectable 15% increase. Improvements in the general construction segment accounted mainly for the growth in total construction contributions.

General Construction

The general construction business unit, reported under wholly-owned and flagship construction company, D.M. Consunji, Inc. (DMCI), registered contributions to net income of P233 million for the first half of 2009, jumping 36% compared to the P171 million in 2008.

As 2008 projects reached final completion stages, revenues from newly awarded major contracts (worth P16 billion) started to factor in their realized work causing the 15% increase in DMCI construction revenues. Building revenues came mainly from the Raffles Hotel and the 168 Residences projects contributing a total P575 billion or 23% of total DMCI construction revenues. Infrastructure revenues coming from the Skyway Extension and the LRT1 Extensions projects combined accounted for P997 million or 39%. Meanwhile, first half revenues from waterworks in Maynilad netted P340 million or 13% of DMCI construction revenues. The Company is noticing that infrastructure projects (including Maynilad waterworks) are clearly on an uptrend, which would only be beneficial to triple A contractors like DMCI.

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

General and administrative expenses for general construction unit went up due to the increased work requirements coming from the new major projects.

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

Steel Fabrication and Assembly

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

AG&P reported a decline in first half net contributions from P111 million in 2008 to P92 million in 2009. Revenues were down 19.7% as its fabrication, commissioning and manpower contracts for the New Caledonia project is nearing completion stage. Moreover, its new contracts were delayed as the clients requested to slow roll work to ensure that prices of steel are stabilized. It is only in the end of the first quarter/start of the second quarter of 2009 when steel prices settled down and that work accomplishments have steadily been accumulating. Despite these, AG&P is confident that it will be able to achieve growth for the full year 2009.

Early in 2008, the Company was looking to sell AG&P but due to the current economic environment, the sale did not materialize. As a result, the Company has decided to fully support AG&P in 2009, operationally and financially being a fully contributing subsidiary. The Company has acquired a bridge loan facility worth P500 million to partially fund the payment of AG&P's outstanding debt. This loan settlement contributed to AG&P's exit from corporate rehabilitation. The Company is confident that aside from its current and forecast projects, AG&P's competence in steel fabrication can be of strategic and synergistic value. Along with the DMCI general contracting capability, AG&P can benefit from the current infrastructure boom.

REAL ESTATE

The Company's real estate business, focused on residential development, is led by its wholly owned real estate developer arm, DMCI Project Developers, Inc. (PDI). Under the brand name DMCI Homes, the residential segment recognized sustained operations for the quarter with a slight increase of 6% in first half net contributions from P283 million in 2008 to P299 million in 2009.

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

First half revenues of P1.87 billion this year was only up by 2% higher from the P1.83 billion last year. Sales volume reached 679 residential and 212 parking units compared to last year's 787 residential and 229 parking units. Higher revenues from existing projects: Dansalan Gardens, Riverfront Residences, and Raya Gardens was up by 49% and accounted for P963 million or 52% of total; while revenues from new projects: Cypress Towers and Tivoli Gardens accounted for P363 million or 19% of total. These new projects are all high rise developments and are priced slightly higher due to higher build costs. The increment in price, however, is relatively lower than the increase in costs as the Company decided to adopt acceptable price levels to remain competitive knowing that the sales velocity and effective increment from more sellable units make up for the loss in margins. Moreover, the Company's real estate prices are still around 10-15% below direct competitors, helping maintain market share.

Despite the improving recognized revenues, first half sales and reservations has experienced a dip by 32% from P6.1 billion last year to P4.1 billion this year. We believe this is a result of the current global economic downturn affecting OFWs all over the world (US, Europe and the Middle East) as these OFWs are essentially the funders of a significant part of our market.

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

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

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

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

MINING

Coal Mining

The Company's coal mining business, operated by now 58.8%-owned, publicly listed Semirara Mining Corp (SMC) reported an improvement in operating results for the first 6 months of 2009 compared to 2008. Despite a slight increase of only 2% in coal sales volume, a major 31% increase in composite prices caused SMC revenues and net contributions to go up by 34% and 73% respectively. Coal mining contributions would have been higher if not for the substantial increase in government royalties as a result of higher revenues.

Below is SMC's management discussion and analysis of results of operations and financial condition for the first half of 2009 as lifted from its June 30, 2009 interim financial report with the PSE and SEC:

SEMIRARA MINING CORPORATION
MANAGEMENT DISCUSSION & ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION
2009 FIRST HALF OPERATION

Fair weather conditions during the first half of the year allowed operations to maximize the deployment of more new mining equipment that arrived during the period, such that total material movement reached a record high of 30,718,930 bank cubic meters (bcm). The acquisition of new mining equipment raised annual mine capacity from 38 million bcm to about 59 million bcm. With the aggressive pre-stripping activities, which exposed almost a million tons of coal as at the end of the period, strip ratio during the period was high at 15.19. In order to minimize dissipation due to spontaneous combustion, it became the practice of operations during the last few months to leave the coal in the pit and extract only up to the contracted volume for shipment or deliveries during the period. As a result, Run-of-Mine coal production during the period was managed at 1,902,358 metric tons (MTs). This yielded net product coal of 1,753,953 MTs.

The coal washing plant which was transferred near the auxiliary stockpile served its purpose in maximizing the transport of clean coal using the coal conveying system.

Meanwhile, the Oxy/Acetylene plant installed to improve cost efficiency is operational and supplied the Company with its industrial gases requirements.

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

Although coal ending inventory at the stockpile as at the end of the period is minimal at 10,086 MTs, more than 800,000 MTs of coal were already exposed and are ready for extraction anytime. Given this huge inventory at the pit, management is positive that it can ensure supply sustainability throughout the upcoming rainy season.

Demand continued to be strong during the first half of the year. As a result, coal sales once again breached the record at 2,167,859 MTs.

With composite average FOB price at a high of P2,914/MT for coal sold at an average heating value of 9,649 BTU/lb, Coal Revenues for the six-month period was also a record *breaker at P6.316 billion. Another P39.569 million was generated from the coal handling operations at the Calaca coal yard. As a result, Gross Revenues totaled to P6.356 billion for the first half of the year.*

Cost of Sales of P4.839 billion was inclusive of Coal Handling Costs amounting to P40.977 million and Shipping, Loading and Hauling Costs of P247.652 million. The resulting Gross Margin was recorded at P1.517 billion, posting a gross profit margin of 24%.

Meanwhile, Operating Expenses was correspondingly high at P733.777 million as high Coal Revenues also translated to accrual of high Government share of P633.857 million for the period ended, although final computation is on per annum basis. The balance of P99.920 million represented General and Administrative Expenses. Consequently, Operating Income was recorded at P783.031 million or 12% of Revenues.

Other Income/(Charges) of P55.56 million was comprised of income from short-term investments of P12.3 million, insurance claims of P10.8 million, non-recurring Income from sale of equipment of P33.994 million, and sale of electricity to the local electric cooperative, offset by other charges. Interest and Other Financing Charges on short and long-term loans amounted to P12.453 million. With exchange rate of peso to dollar at P48.13:1 as at the beginning of the year and fluctuating to P47.52 as at the end of the period, the Company recorded Realized Forex Gain of P4.073 million while conversely recognizing Unrealized Forex Loss of P146.4 thousand.

The resulting Net Income Before Tax amounted to P830.068 million. Total Provision for Income Tax was P109.387 million, net of tax savings as a result of the Company's registration with the Board of Investments last year. Thus, Net Income After Tax amounted to P720.680 million for the period ending first half of this year.

2009 FIRST HALF FINANCIAL CONDITION

Total Assets reflected a 13% drop from beginning balance of P6.111 billion to P5.330 billion as at the end of the first half.

The decrease in Total Assets was mainly caused by the drop in Total Current Assets by 39% from P4.513 billion as at the start of the year to close at P2.742 billion. The main contributors to this reduction were the decrease in Cash and Cash Equivalents by 37% from P1.012 billion beginning balance to P636.699 million; decrease in Trade Receivables by 53% from P1.753 billion to P826.039 million; and drop in Coal Inventory by 98% from P896.734 million to P17.379 million as at the end of the period. Dividend declaration of P1.665 billion and aggressive pre-stripping activities of the Company used up most of its cash during the first half of the year. Meanwhile, the huge beginning receivables from customers were merely due to timing difference in collection because of the long holidays at the closing of the previous year. The National Power Corporation (NPC) accounted for 26% of the ending Trade Receivable level. The share of Philippine National Oil Corporation (PNOC) is at 21%, Toledo Power Corp (TPC) at 15%, Holcim Cement at 8%, Jet Power Corporation (JPC) at 9%, Apo Cement at 3%, while the balance represented export letter of credits that were not yet due for negotiation as of cut-off. Finally, the pre-stripped coal was not yet valued in the books of the Company since it was not yet counted as production. Hence, ending coal inventory reflected a minimal value.

On the other hand, Receivable from Related Parties increased by 165% from P6.608 million beginning balance to P17.537 million, representing operating advances to affiliate companies. Meanwhile, advances to suppliers, which mainly comprised Other Receivables, posted a slight 2% increase from P117.358 million to P120.285 million as at the end of the period. Materials, Fuel and Other Supplies likewise posted an increase of 77% from

P486.486 million to P862.568 million, corresponding to the augmented activities at the mine site in congruence to the capacity expansion program.

Total Non-Current Assets reflected a 62% growth from beginning balance of P1.598 billion to P2.588 billion as at the end of first half. The increase mainly came from the augmented Property, Plant and Equipment (PPE), which lodged additional mining equipment brought in to expand capacity. Investments and Deferred Charges and Other Non-Current Assets likewise increased by 11% and 35%, respectively, from beginning balance as at the start of the year. Increase in Investments reflected additional cash infusion to DMCI Power, while Deferred Charges and Other Non-Current Assets consisted of software costs, net of amortization and guarantee deposits on leases amounting to P337.89 million

Total Liabilities on the other hand recorded a 9% growth from P1.811 billion as at the start of the year to P1.974 billion closing first half balance.

The 10% growth in Total Current Liabilities from P1.637 billion to P1.798 billion was mainly caused by the 34% surge in Accounts Payable and Other Payables from P1.142 billion to P1.533 billion, which included provision for government share of P524 million, trade payables of P844.6 million (inclusive of accrued payable materials amounting to P312 million, payables on consignments of P161 million, other trade - local and foreign - payables of P371 million), and accrued and other payables of P164.40 million. Meanwhile, Payable to Related Parties posted an 18% increase at P53.776 million from beginning balance of P45.762 million, reflecting additional payables for equipment utilization, coal freight charges, and boat charters for transport of materials, equipment, and parts.

On the other hand, Current Portion of Long-Term Debt decreased by 61% from P389.223 million to P152.162 million due to continued debt amortization.

As a result of its registration with the Board of Investments, the Company is entitled to income tax holidays, thus enabling it to maintain its income Tax Payable to a low level of P57.858 million as at the end of the period, posting a slight decrease from beginning balance of P58.060 million.

Meanwhile, Customer's Deposit, which reflected the balance of advance payments made by a client, remained unchanged at P1.207 million.

Non-Current Liabilities showed a minimal 1% increase at P175.653 million from beginning balance of P173.894 million. This is due to the Increase in Long-Term Debt – net of Current Portion as a result of account reclassification. Other Non-Current Liabilities accounts did not reflect movements during the period.

The payment of Cash Dividends in May amounting to P1.665 billion, partially offset by Net Income After Tax of P720.680 million for the current period, caused the decrease in Total Stockholders' Equity to P3.356 billion, net of Cost of Treasury Shares, as at the end of first half.

2009 COMPARATIVE REPORT

I. PRODUCTION

Additional new mining equipment came in during the first half of the year and effectively increased annual capacity from 38 million bcm to 59 million bcm. As a result, total material movement during the current period was 30,718,930 bcm, posting a 60% variance over H1 2008 of 19,220,787 bcm. Of the total volume this year, 16,205,095 bcm were moved in Q1, *75% higher than Q1 2008 material movement of 9,280,236 bcm, while 14,513,835 bcm were moved in Q2, posting a 46% growth over Q2 2008 volume of 9,940,985 bcm.*

Meanwhile, ROM coal production during the first six months of the year did not correspond to the huge increase in total material movement as coal production was managed to minimize dissipation. Total ROM coal produced for H1 2009 is 1,902,358 MTs, showing a minimal 1% improvement over H1 2009 volume of 1,878,232 MTs. Q1 and Q2 2009 ROM coal produced were 834,893 MTs and 1,067,465 MTs, respectively. On the other hand, 1,065,387 MTs and 812,845 MTs were extracted in Q1 and Q2 2008, respectively.

Similarly, net product coal produced in the current period showed a slight 3% improvement at 1,753,953 MTs, 772,537 MTs and 981,417 MTs were produced in Q1 and Q2, respectively. In 2008, net product coal produced in Q1 and Q2 were 1,003,542 MTs and 747,401 MTs, respectively, totaling to 1,750,944 MTs for the six-month period.

With higher waste materials moved this year at 28,888,671 bcm, recording a 62% growth over H1 2008 waste material movement of 17, 879,625 bcm, strip ratio likewise marked an increase at 15.19 as at the end of the current period, as compared to 9.52 as at end of H1 2008.

Since coal production was managed in the current period, the resulting coal inventory on hand was even lower by 27% at 10,086 MTs compared to the already low H1 2008 ending inventory of 13,819 MTs.

II. MARKETING

Strong demand for Semirara coal remained steadfast despite adverse global economic developments. Total coal sold in Q1 and Q2 this year were recorded at 1,078,344 MTs and 1,089,515 MTs, respectively, totaling to 2,167,859 MTs for the first semester. This year's volume is at almost the same level with H1 2008 coal sales of 2,118,095 MTs, of which 1,120,961 MTs were sold in Q1 while 997,134 MTs were sold in Q2.

Export sales this year took up the biggest share in the pie at 44% of total sales. It also posted a 13% increase at 954,837 MTs compared to H1 2008 export sales of 842,038 MTs. Aside from China, India and Hong Kong markets, new buyers from Thailand, Japan, and Taiwan started to buy Semirara coal this year with two new traders helping in marketing our coal. Export sales in Q2 this year is 511,736 MTs, 16% more that Q1 volume of 443,100 MTs.

Meanwhile, the power units of NPC Calaca Power Plant were already restored to normal operations this year, unlike last year wherein the plants were intermittently down due to technical problems. NPC, which was once the single market of Semirara coal, now holds a low market share of 28% buying 612,798 MTs in the first semester. Total volume sold to the Calaca plants this year is 64% more than H1 2008 sales of 374,152 MTs. There are no deliveries made to other NPC plants this year. The increase in NPC Calaca volume slightly offset the drop in other Non-NPC Calaca power plants, which dropped by 68% at 104,109 MTs as against H1 2008 deliveries of 368,580 MTs, inclusive of 42,783 MTs delivered to Sual and Pagbilao plants. The resulting total deliveries to power plants, which took up 33% of the Company's total market this year and 35% last year, recorded a 4% drop at 716,907 MTs in H1 2009 MTs compared to 742,733 MTs in H1 2008.

Sales to cement plants also recorded a 20% drop at 338,788 MTs in H1 2009 as against H1 2008 volume of 423,425 MTs. On the positive note, one of the biggest cement companies in the country started to buy Semirara coal this year.

On the other hand, other industries marked a 43% growth at 157,327 MTs in the current semester compared to sales last year of 109,604 MTs.

Total local sales dropped by 5% from 1,275,762 MTs in H1 2008 to 1,213,022 MTs in the current semester.

Composite average FOB price, however, reflected an impressive growth of 31% at P2,914/MT in H1 2009 against H1 2008 price of P2,231/MT.

III. FINANCE

A. Sales and Profitability

Higher composite average FOB price this year augmented the increase in Coal Revenues at P6.316 billion for H1, 34% higher than H1 2008 Coal Revenues of P4.728 billion, despite volume sold at almost the same level. Similarly, with the Calaca plants operational, 2009 YTD Coal Handling Revenues increased by 94% at P39.569 million as against P20.396 million generated in the same period last year. The resulting Total Revenues correspondingly demonstrated an increase of 34% at P6.356 billion compared to P4.748 billion in H1 2008.

Meanwhile, as operations intensified its stripping activities this period to maximize the expanded capacity and to prepare for the rainy season, as demonstrated by the high strip ratio, Cost of Sales, inclusive of shipping, loading and hauling costs, reflected a 33% increase at P4.839 billion compared to P3.635 billion in H1 2008.

The resulting Gross Margin is still 36% better this period at P1.517 billion, as against P1.113 billion generated last year.

As operations became more efficient and with higher Coal Sales, Provision for Government Share increased by 46% at P633.857 million for the first semester this year compared with the provision posted in H1 2008 at P433.264 million. Although the provision made this year is high at 10% of Coal Sales, the percentage may still go down close to the 3% minimum once all targeted repairs, equipment maintenance program and other mine and campsite rehabilitation activities will be materialized in the remaining months of the year or if coal prices will fall, thus affecting revenue generation. In addition, with the Company's expanded operations, General and Administrative Expenses correspondingly increased by 50% at P99.92 million in the current period, as against P55.352 million in H1 2008.

Total Other Income (charges) slightly increased. Most of the recorded other income came from gain on sale of asset, both from retired equipment and equipment subjected to sale and leaseback. The Company again booked Non-recurring Income of P33.994 million from sale of equipment, 218% more than the amount book last year of P10.677 million.

Interest and Financing charges significantly dropped. This is primarily due to lower Financing Charges this year at P12.453 million compared to P54.255 million in H1 2008 as interest rates went down along with the decrease of loan balances. Realized and Unrealized Forex Gain / Loss also reflected fluctuations with the movements in Foreign Exchange Rates.

Net Income Before Tax marked a 27% growth in the current semester at P796.074 million as against P627.244 million in H1 2008.

Although Taxable Income is higher in the current period, Provision for Income Tax dropped by 44% at P109.387 million, as against H1 2008 tax provision of P194.643 million. This is due to the tax incentives that the Company availed from its registration with the Board of Investments as an expanding producer of coal.

The resulting Net Income After Tax increased by 63% at P720.680 million this period from P443,279 million in H1 2008.

Correspondingly, Earnings per Share grew by 63% at P2.596 this semester as against P1.597 last year. On the other hand, EBITDA showed an 8% decrease at P1.414 billion from P1.533 billion in H1 2008.

*B. **Solvency & Liquidity***

Net cash used by the Company in the current semester amounted to P375.711 million. As a result, Cash End dropped to P636.699 million from beginning level of P1.012 billion.

Net Cash Provided by Operations for the current six-month period was P2.900 billion, 233% more than the P870.243 million generated in the same period last year. This was mainly caused by the decrease in Receivables and Inventories for reasons discussed above. Furthermore, Accounts Payables and Accrued Expenses increased mainly due to accrual of Government Share.

While Operations posted a significant increase compared to the previous comparable period, investing activities in the current year, however, were more aggressive such that the Company spent P2.100 billion during the first half. On the other hand, the Company generated P144.937 from investing activities last year. About P2.0 billion of this year's outflows were spent on new mining equipment purchased to expand capacity.

Similarly, the Company used more cash for its financing activities. Net Cash Used in Financing Activities as at the end of H1 this year totaled to P1.175 billion as against last year's P700.224 million. The increase in dividend payout per share this year to P6 from P4 in 2008 resulted to a 64% surge in absolute amount to P1.665 billion from P1.018 billion last year. The 40% increase in loan availment on a period-to-period comparison is due to availment of short-term loans for working capital, which were subsequently paid off in the succeeding quarter. Debt repayment, on the other hand, slid by 10% as loan balances continued to decrease.

The movements in the Company's balance sheet resulted to drop in Current Ratio from 2.76x as at yearend 2008 and end of H1 2008 level of 2.08x to 1.53x as at the close of the current semester. Meanwhile, Total Debt to Equity Ratio is still strong at 0.59:1 as at the end of the period compared to H1 2008 ratio of 0.66:1 and 2008 yearend level of 0.42:1.

IV. PERFORMANCE INDICATORS

*1. **Average Selling Price** – Average FOB Composite Price during the period remained high despite the fluctuations in the global market. A significant reason is that some deliveries* *were already contracted when coal prices were still high. Another factor is that average price of Semirara coal came from a low base due to the strategic pricing offered to new customers to penetrate new markets.*

*2. **<u>Debt to Equity Ratio</u>** – This is an important indicator of the Company's financial health. The strength of the balance sheet has been proven in the last several years when the Company steadily maintained a healthy D/E ratio despite huge cash dividend payouts and intensive investments for capacity expansion.*

*3. **<u>Capital Expenditures</u>** – the aggressive expansion programs that the Company launched over the past years indicates its drive to grow its business. Given its existing capacities, it is already able to generate sizeable earnings. However, management takes each opportunity to further improve and develop the Company to continuously enhance shareholders' value.*

*4. **<u>Expanded Market</u>** – The Company continued its efforts to enlarge its market base. A significant development during the period is the penetration of Thailand, Japan and Taiwan markets. The successful shipments to these three countries further increased market share of export sales to 44%. Furthermore, another positive development is the successful acceptance of Semirara coal by one of the country's biggest cement companies.*

*5. **<u>Improved Coal Quality</u>** – A distinct testimony to the success of the Company's effort to improve acceptability of its coal is the successful diversification of its market base, for both domestic and export markets. The Company was able to transcend the issue of inherent low coal quality, as it was able to maximize the total characteristics of its product in order to become a dependable alternative supplier of fuel.*

<u>Nickel</u>

The Company's venture into nickel mining proved to be a good venture until the sharp drop in the base metal commodity prices in mid 2008. DMCI Mining Corp. (DMCI Mining), the Company's nickel and other base metal mining subsidiary, posted a drop first half operations from a net income P45 million in 2008 to a net loss of P17 million in 2009. Due to the adverse nickel commodity prices, DMCI Mining has fully suspended mining operations but still had considerable amounts of laterite nickel inventory.

Although the current situation for the nickel business is in dire conditions, the Company believes that when opportunities return to the nickel (and other base metals) markets, DMCI Mining is well positioned to react immediately with its already existing and installed resources.

II. FINANCIAL CONDITION

<u>1H 2009 vs. Audited 2008</u>

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

Total receivables (current and non-current) dropped 8% as a result of collections vs. new sales. Inventory reported an 11% increase with real estate finished inventory and current work in progress jumping from P6.9 billion from end 2008 to P8 billion as of the middle of 2009.

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

Investment properties significantly increased by 12% due to new property acquisitions at the real estate business that are yet to be classified as inventory. Once development plans have been finalized, these properties will be reclassified into real estate inventory.

Acquisitions of new coal mining equipment and some construction equipment caused the 29% jump in the Company's consolidated property, plant & equipment.

Accounts & other payables increased as a result of trade operations, deferred revenues and accruals more evident in the current boom seen in the construction segment. Customers' deposits have also gone up as buyers' down payments have been received but revenues have yet to reach recognition status.

Long term liabilities (including current portion) went up as a result of the new debt at the general construction side, the availment of which is a requirement of the new projects. Also, additional receivables discounting facilities incurred at the real estate business contributed to the jump in debt. On the other hand Semirara partially settled its long term obligations.

Current ratio improved from 1.97 to 2.10 indicating an improved and strong liquidity position. Debt repayment capability slightly remained fairly the same with a debt to equity ratio of 0.97 from 0.93 still showing a very strong leverage position.

III. KEY PERFORMANCE INDICATORS

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

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

CHANGE IN COAL SALES

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

CHANGE IN REAL ESTATE SALES

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

CHANGE IN CONSTRUCTION REVENUE

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

CHANGE IN NET INCOME

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

CURRENT RATIO

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

DEBT TO EQUITY RATIO

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

PART II--OTHER INFORMATION

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

SIGNATURES

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

Issuer DMCI Holdings, Inc.

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

Signature and Title **Aldric G. Borlaza**
Finance Officer

Ma. Luisa C. Austria
Accounting Officer

Date August 19, 2009

DMCI HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
For the period ended June 30, 2009 and December 31, 2008
(Amounts in Thousands of Philippine Pesos,
Except Par Value and Number of Shares)

	2009	AUDITED 2008
ASSETS		
Current Assets		
Cash and cash equivalents	3,027,146	3,068,623
Available-for-sale financial assets - net	143,078	202,933
Receivables - net	7,912,676	7,358,988
Costs and estimated earnings in excess of billings on uncompleted contract	0	369,923
Inventories - net	9,863,867	8,869,737
Other current assets	561,220	1,265,127
Total Current Assets	21,507,989	21,135,331
Noncurrent Assets		
Noncurrent receivables - net	1,050,388	2,440,384
Investments in associates, jointly controlled entities and others - net	5,577,787	4,713,046
Investment properties - net	2,627,113	2,337,535
Property, Plant and Equipment - net	5,863,368	4,548,856
Deferred tax assets	0	34,899
Other noncurrent assets - net	1,877,169	522,459
Total Noncurrent Assets	16,995,826	14,597,179
	38,503,814	35,732,510
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Bank Loans	948,426	1,274,110
Current portion of liabilities for land purchased	0	572,955
Accounts and other payables	7,479,487	6,484,123
Current portion of long-term debt	184,741	791,844
Billings in Excess of Costs on Uncompleted Contracts	0	197,038
Customers' deposits	1,449,891	1,295,266
Income tax payable	174,141	102,216
Total Current Liabilities	10,236,687	10,717,552
Noncurrent Liabilities		
Long-Term Debt - net of current portion	6,994,584	4,763,808
Liabilities for land purchased - net of current portion	12,405	353,777
Payables to related parties	1,114,486	841,839
Deferred tax liability	149,415	462,268
Pension liabilities	109,409	109,246
Other Noncurrent Liabilities	362,711	17,954
Total Noncurrent Liabilities	8,743,010	6,548,892
Total Liabilities	18,979,697	17,266,444
Equity		
Equity attributable to equity holders of the parent:		
Paid-up capital	7,421,414	7,421,415
Deposit for future subscription	0	0
Retained earnings	10,620,657	8,995,323
Revaluation increment		78,717
Cumulative translation adjustment		3,760
Net unrealized gain (loss) on available-for-sale financial assets	(0)	0
	18,042,071	16,499,215
Minority Interests		
Minority interests - net of interest attributable to noncurrent assets held for sale	1,482,046	1,966,851
Minority interests attributable to noncurrent assets held for sale	0	0
Total Equity	19,524,117	18,466,066
	38,503,814	35,732,510

DMCI HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

For the period ended June 30, 2009 and 2008 and for the quarter ended June 30, 2009 and 2008

(Amounts in Thousands of Philippine Pesos)

	For the period		For the quarter	
	2009	2008 As restated	2009	2008 As restated
REVENUE				
Construction Contracts	3,548,535	3,476,442	1,998,013	1,795,146
Coal Sales	6,355,744	4,748,187	3,124,302	2,584,903
Real Estate Sales	1,867,634	1,831,047	778,699	845,563
Others	245,262	662,602	157,731	490,170
	12,017,175	**10,718,278**	**6,058,745**	**5,715,782**
COST OF SALES AND SERVICES				
Construction contracts	2,848,848	2,916,381	1,632,811	1,450,942
Coal Sales	4,838,937	3,635,127	2,252,113	1,786,756
Real Estate Sales	1,222,717	1,153,680	492,123	497,304
Others	216,346	416,808	140,331	276,543
	9,126,848	**8,121,996**	**4,517,378**	**4,011,545**
GROSS PROFIT	**2,890,327**	**2,596,282**	**1,541,367**	**1,704,237**
OPERATING EXPENSES	(1,519,235)	(1,315,335)	(847,933)	(892,497)
	1,371,092	1,280,947	693,434	811,740
OTHER INCOME (CHARGES)				
Equity in ordinary earnings of associates, jointly controlled entities and others	1,122,985	(257,147)	785,921	(170,378)
Finance Income	278,828	282,737	182,968	218,317
Finance costs	(169,814)	(134,043)	(64,707)	(84,634)
Other income (charges) - net	133,139	15,132	68,308	(45,771)
INCOME FROM OPERATIONS	2,736,230	1,187,626	1,665,924	729,274
NON-RECURRING CHARGES		(10,677)		(28,149)
INCOME BEFORE INCOME TAX	2,736,230	1,198,303	1,665,924	757,423
PROVISION FOR INCOME TAX	279,843	395,035	116,744	255,081
NET INCOME (LOSS)	**2,456,387**	**803,268**	**1,549,180**	**502,342**
NET INCOME ATTRIBUTABLE TO				
Equity holders of DMCI Holdings, Inc. (NOTE 4)	**2,156,433**	**597,588**	**1,381,434**	**360,508**
Minority interests	299,954	205,680	167,746	141,834
	2,456,387	**803,268**	**1,549,180**	**502,342**
Earnings per Common share				
Basic	0.81	0.23	0.52	0.14
Diluted	0.00	-	-	-

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

	JUNE 2009	JUNE 2008
CAPITAL STOCK		
Cumulative and convertible		
Preferred stock - P1 par value		
Authorized - 100,000,000 shares		
Issued - 2,400,000 shares	2,400,000	2,400,000
Retirement of preferred shares	(2,395,620)	(2,395,520)
	4,380	4,480
Common stock - P1 par value		
Authorized - 5,900,000,000 shares		
Issued - 2,255,494,000 shares	2,655,494,000	2,255,494,000
Additional subscription - 400,000,000 shares	-	400,000,000
	2,655,494,000	2,655,494,000
	2,655,498,380	2,655,498,480
ADDITIONAL PAID-IN CAPITAL		
Balance at the beginning	4,765,916,071	2,402,684,826
Retirement of Preferred Shares	-	-
Additional Paid-in Capital of new subscribed shares	-	2,363,456,700
	4,765,916,071	4,766,141,526
DEPOSITS FOR FUTURE SUBSCRIPTION		-
RETAINED EARNINGS (DEFICIT)		
Balance at beginning of the period	8,995,322,935	7,967,002,093
Net income(loss) for the period	2,156,432,590	542,979,599
Dividends paid	(531,098,800)	(265,529,630)
Balance at end of the period	10,620,656,725	8,244,452,062
Cumulative Translation Adjustment	-	-
PREFERRED SHARES HELD IN TREASURY		
Balance at beginning of the period	-	-
Acquisitions for the period	-	(225,555)
Redemption/Retirement of preferred shares	-	-
Balance at end of the period	-	(225,555)
TOTAL STOCKHOLDERS' EQUITY	**18,042,071,176**	**15,665,866,513**

DMCI HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended June 30, 2009 and 2008

(Amounts in Thousands of Philippine Pesos)

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (Loss)/ Income	2,456,387	746,829
Adjustments to reconcile net income (loss) to net cash:		
Equity in net losses (earnings) of affiliates, depreciation, depletioı		
amortization and other non-cash items (net)	(682,387)	(106,288)
Income (Loss) applicable to Minority Interest	299,954	203,849
Changes in assets and liabilities:		
Decrease / (Increase) in :		
Receivables- net	836,308	(1,557,206)
Inventories - net	(994,130)	181,338
Prepaid expenses and other current assets	703,907	59,043
Increase/ (Decrease) in :		
Accounts payable and accrued expenses	577,034	1,731,714
Current portion of long-term debt	(607,103)	(1,213,300)
Non current liabilities	2,194,118	465,863
Billings in excess of cost of uncompleted contracts	172,885	109,793
Income tax payable	71,925	269,772
Net cash provided by operating activities	5,028,898	891,407
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) in:		
Available for sale investments	59,855	59,192
Investments - net	(1,154,319)	(801,786)
Property, plant and equipment - net	(1,314,512)	(220,263)
Deferred charges and other assets - net	(1,319,811)	(395,242)
Net cash provided by investing activities	(3,728,787)	(1,358,099)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net availments (payments) of:		
Notes payable	(325,684)	1,330,229
Additional subscription of common shares		
Capital Stock at P1.00 par value	0	0
Additional paid-in capital	0	0
Deposit for future subscription	0	0
Acquisition of preferred shares to treasury	0	(226)
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	(531,099)	(265,530)
Net increase (decrease) in minority interest	(484,805)	(314,197)
Net cash provided by financing activities	(1,341,588)	750,276
NET INCREASE (DECREASE) IN CASH		
AND CASH EQUIVALENTS	(41,477)	283,584
CASH AND CASH EQUIVALENTS, BEGINNING	3,068,623	3,539,648
CASH AND CASH EQUIVALENTS, ENDING	3,027,146	3,823,232

DMCI HOLDINGS, INC.
ACCOUNTS RECEIVABLE DESCRIPTION
June 30, 2009

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

Normal Operating Cycle

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

DMCI HOLDINGS, INC.
AGING OF ACCOUNTS RECEIVABLE
AS OF JUNE 30, 2009

TYPE OF ACCOUNTS RECEIVABLE	T O T A L	1 MONTH	2 -3 MONTHS	4 - 6 MONTHS	7 MONTHS TO 1 YEAR	1 - 2 YEARS	3 - 5 YEARS	5 YEARS - ABOVE	Past Due Accts & Items for Litigation
A. TRADE RECEIVABLE - CONTRACT									
D.M. Consunji, Inc.	3,504,604,256.57	2,988,090,709.58	300,482,846.92	14,169,559.52	26,428,728.06	158,754,202.07	16,678,210.42	-	-
DMCI International, Inc.	24,686,393.00						24,686,393.00		
OHKI-DMCI Corporation	2,966,841.00	-	-	2,966,841.00	-				
Beta Electric Corporation	41,051,165.10	26,591,954.85	4,288,036.98	1,179,398.01	8,991,775.26	-	-		
Raco Haven Automation	5,548,869.85	-	-	-	-	5,548,869.85			
Sub-total	3,578,857,525.52	3,014,682,664.43	304,770,883.90	18,315,798.53	35,420,503.32	164,303,071.92	41,364,603.42	-	-
DMCI Project Developers, Inc.	2,424,727,770.00	1,150,744,058.00	151,428,454.00	93,764,651.00	837,390,931.00	90,286,036.00	99,278,764.00	1,834,876.00	-
Semirara Mining Corporation	846,751,499.00	799,492,215.00	-	31,647,271.00	343,162.00	9,649,456.00	5,619,395.00	-	
Atlantic Gulf & Pacific Co., Inc.	483,238,900.00	274,363,068.00	16,498,827.00	2,934,026.00	189,442,979.00				
Wire Rope Corporation of the Philippines	40,304,316.00	36,282,099.42	-	1,463,712.28	1,663,871.30	-	-		894,633.00
Sub-total	3,795,022,485.00	2,260,881,440.42	167,927,281.00	129,809,660.28	1,028,840,943.30	99,935,492.00	104,898,159.00	1,834,876.00	894,633.00
RETENTION RECEIVABLE - TRADE									
D.M. Consunji, Inc.	438,055,854.78	438,055,854.78							-
Beta Electric Corporation	48,916,812.90	48,916,812.90							
Raco Haven Automation	7,663,448.15	7,663,448.15							
Sub-total	494,636,115.83	494,636,115.83	-	-	-	-	-	-	-
Total Contract/Retention Receivable - Trade	7,868,516,126.35	5,770,200,220.68	472,698,164.90	148,125,458.81	1,064,261,446.62	264,238,563.92	146,262,762.42	1,834,876.00	894,633.00
Less: Allowance for Doubtful Accounts	435,194,141.00								
Net Trade Receivable	**7,433,321,985.35**								

B. NON-TRADE RECEIVABLES	
ADVANCES -	
D.M. Consunji, Inc.	163,567,168.00
DMCI Holdings, Inc.	453,635.25
Semirara Mining Corporation	18,521,656.00
DMCI Mining Corporation	135,371,634.00
DMCI Project Developers, Inc.	78,178,776.00
DMCI Power Corporation	40,138,150.63
Atlantic Gulf & Pacific Co., of Manila, Inc.	43,123,365.00
Sub-total	479,354,384.88
AFFILIATES -	
D.M. Consunji, Inc.	162,763,149.04
DMCI Holdings, Inc.	360,797,687.05
DMCI Project Developers, Inc.	122,407,783.33
Semirara Mining Corporation	5,386,842.32
Atlantic Gulf & Pacific Co., of Manila, Inc.	191,047,677.00
	842,403,138.74
Sub-total	842,403,138.74

OTHER RECEIVABLES -	
D.M. Consunji, Inc.	9,667,067.00
Raco Haven Automation	3,602,481.00
	13,269,548.00
DMCI Holdings, Inc.	53,050.67
DMCI Project Developers, Inc.	29,772,269.00
Semirara Mining Corporation	101,762,956.00
Atlantic Gulf & Pacific Co., of Manila, Inc.	63,127,525.00
Sub-total	207,985,348.67
Total Non-trade Receivables	1,529,742,872.29
Less: Allowance for Doubtful Accounts	-
Net Non-trade Receivables	**1,529,742,872.29**
TOTAL RECEIVABLES	**8,963,064,857.64**

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

1. Corporate Information

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

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

2. Summary of Significant Accounting Policies

Basis of Preparation

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

Statement of Compliance

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

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Group as of June 30, 2009 and 2008. Under PFRS, it is acceptable to use, for consolidation purposes, the financial statements of subsidiaries for fiscal periods differing from that of the Parent Company if the difference is not more than three months.

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

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

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

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

	Effective Percentages of Ownership	
	June 30, 2009	2008
General Construction:		
D.M. Consunji, Inc. (DMCI) [1]	**100.00%**	100.00%
DMCI International, Inc. (DMCII) [2]	**100.00**	100.00
OHKI-DMCI Corporation (OHKI) [2]	**100.00**	100.00
Atlantic, Gulf and Pacific Company of Manila, Inc. (AG&P)	**98.39**	98.39
DMCI-Laing Construction, Inc. (DMCI-Laing) [2]	**60.00**	60.00
Beta Electric Corporation (Beta Electric) [2]	**50.77**	50.77
Raco Haven Automation Philippines, Inc. (Raco) [2]	**50.14**	50.14
Coal Mining:		
Semirara Mining Corporation (Semirara)	**58.88**	56.46
DMCI Mining Corporation (DMC)	**78.23**	78.23
Real Estate Development:		
DMCI Project Developers, Inc. (PDI)	**100.00**	100.00
Hampstead Gardens Corporation (Hampstead) [3]	**100.00**	100.00
Riviera Land Corporation (Riviera) [3]	**100.00**	100.00
Manufacturing:		
Semirara Cement Corporation (SemCem) *	**100.00**	100.00
Oriken Dynamix Company, Inc. (Oriken) [2]	**89.00**	89.00
Wire Rope Corporation of the Philippines (Wire Rope)	**61.70**	61.70
Marketing Arm:		
DMCI Homes, Inc. (DMCI Homes) [3]	**100.00**	100.00
Power:		
DMCI Power Corporation (DPC) (formerly DMCI Energy Resources Unlimited Inc.) *	**78.23**	78.23
DMCI Masbate Power Corporation (DMCI Masbate)	**100.00**	100.00

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

[1] Also engaged in real estate development

[2] DMCI's subsidiaries

[3] PDI's subsidiaries

PDI

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

DPC and DMC

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

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

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

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

Changes in Accounting Policies

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

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

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

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

Future Changes in Accounting Policies

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

Effective in 2009

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Effective in 2010

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

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

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

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

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

Effective in 2012

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Loans and receivables
For loans and receivables carried at amortized cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by

being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment for impairment.

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

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

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

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

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

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

Offsetting

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

Derecognition of Financial Assets and Liabilities

Financial assets

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

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

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

Financial liabilities

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

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

Inventories

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

Coal inventory

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

Nickel ore inventory

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

Materials-in-transit

Cost is determined using the specific identification basis.

Equipment parts and supplies

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

Real estate held for sale and development

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

Noncurrent Assets Held for Sale

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

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

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

Investments in Associates, Jointly Controlled Entities and Others

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

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

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

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

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

Investment Properties

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

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

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

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

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

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

	Years
Buildings and building improvements	5-25
Condominium units	5

Property, Plant and Equipment

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

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

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

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

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

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

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

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

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

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

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

<u>Intangible Assets</u>

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

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

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

<u>Impairment of Nonfinancial Assets</u>

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Borrowing Costs
Borrowing costs are generally expensed as incurred.

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

Pension Expense
The Group has a noncontributory defined benefit retirement plan.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Earnings Per Share

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

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

Segment Reporting

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

Provisions

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

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

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

3. Preferred and Common Stock

The changes in the number of shares follow:

	June 30, 2009	December 31, 2008
Preferred stock - ₱1 par value cumulative and convertible to common stock		
Authorized number of shares	**100,000,000**	**100,000,000**
Issued and outstanding		
Balance at beginning of year	**4,380**	**4,380**
Cancellation/retirement of issued preferred shares	**0**	**0**
Balance at end of year	**4,380**	**4,380**
Common stock - ₱1 par value		
Authorized number of shares	**5,900,000,000**	**5,900,000,000**
Issued and outstanding	**2,655,494,000**	**2,655,494,000**
Additional subscription	**-**	**-**
Preferred shares held in treasury		
Balance at beginning of year	**0**	**0**
Redemption of preferred shares	**0**	**0**
Cancellation/retirement of issued preferred shares	**0**	**0**
Balance at end of year	**0**	**0**

The preferred stock is redeemable, convertible, non-voting, non-participating and cumulative with par value of ₱1.00 per share. The preferred shareholders' right of converting the preferred shares to common shares expired in March 2002. The preferred shares were essentially redeemed, retired, cancelled and paid as of June 30, 2009.

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

Dividends declared
On May 21, 2009 and April 24, 2008 the Parent Company's BOD approved and declared cash dividend of ₱0.20 and P0.10 per share or ₱531 million and ₱265.55 million respectively to stockholders of record as of June 5, 2009 and May 12, 2008, respectively. The cash dividend was paid on June 30, 2009 and on May 30, 2008 respectively as well.

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4. **Business Segments**

The following tables present the net income of the specific business segments for the period and quarter ended June 30, 2009 and 2008 (amounts in thousand):

Revenues

	For the period		For the Quarter	
	2009	2008 (restated)	2009	2008 (restated)
Construction	3,637,630	3,594,192	2,087,108	1,879,224
Mining	6,427,821	5,189,383	3,159,466	2,929,289
Water	-	-		
Real Estate Development	1,867,634	1,831,047	778,699	845,563
Parent Company and Others	84,090	103,655	33,472	61,705
TOTAL	**12,017,175**	**10,718,277**	**6,058,745**	**5,715,781**

Net Income After Minority

	For the period		For the Quarter	
	2009	2008 (restated)	2009	2008 (restated)
Construction	325,346	232,765	180,166	147,055
Mining	407,052	290,472	243,698	211,637
Water	1,120,984	(256,723)	783,920	-169,965
Real Estate Development	299,410	333,339	165,675	178,125
Parent Company and Others	3,640	(2,265)	7,974	-6,344
TOTAL	**2,156,432**	**597,588**	**1,381,433**	**360,508**

5. **Related Party Transactions**

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

(a) Comprehensive surety, corporate and letters of guarantee issued by the Company and DMCI for various credit facilities granted to and for full performance of certain obligations by certain related parties.
(b) Certain assets of the Group, associates and other related parties were placed under accommodation mortgages to secure the indebtedness of the Group, its associates and other related parties.
(c) Interest and non interest-bearing cash and operating advances made by the Group to and from various associates and other related parties.
(d) Engineering and construction works of the water business is contracted to the construction segment of the Company. These projects are bidded out to various contractors and are awarded on arms length transactions. The interrelated contracts amounted to Php 2,444,361,212.58 and Php 1,492,323,438.05 as of June 30, 2009 and December 31, 2008 respectively, where Php 340,176,666.72 and Php 518,934,417.36 were booked for the period ended June 30, 2009 and June 30, 2008 respectively.

6. **Financial Instruments and Financial Risk**

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