COVER SHEET

A	S	O	9	5	0	0	2	2	8	3

SEC Registration Number

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

(Company's Full Name)

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

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

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

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

(Last Wednesday of July)

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

LCU

Document ID

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarter ended **September 30, 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	No. of Shares Outstanding	Amount
Common Shares	2,655,494,000	Php2,423,494,000.00
Preferred Shares	4,380	4,380.00
TOTAL	2,655,498,380	Php2,423,498,380.00

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

Yes [X] No [ ]

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

Philippine Stock Exchange — Class “A” Shares
Preferred Shares

12. Indicate by check mark whether the registrant:

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

Yes [X] No [ ]

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

Yes [X] No [ ]

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements.

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

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

9-Months 2008 vs. 9-Months 2009

DMCI Holdings, Inc. (the "Company") more than doubled its 9 month consolidated net income from P1.4 billion last year to P3.2 billion this year. Major improvements coming from the water segment coupled with the growth in the coal mining and construction businesses contributed to the jump in bottom figure.

WATER

The Company's investment in the water sector is recognized through a consortium company owned 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 9 month period from the water business recognized a significant growth from a net loss of 62 million in 2008 to P1.4 billion in 2009 due mainly to operational progress and non-recurring items at both years.

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 from the same period last year. As a result, non-revenue water (NRW) slid from last year as it reached an average of 60.34% in 2009 from 64.7% in 2008.

Maynilad's water and sewer revenues for the period grew 29% from P5.7 billion last year to P7.4 billion this year. The growth was due mainly to the improvement in billed volumes and the increase in the tariff rate of 22.3% (from rate rebasing), the effect of which was dampened by the growth in domestic consumption whose rates are subsidized. The domestic consumers now account for 76% of billed volume compared to 74% last year.

Total cash operating expenses (opex) increased by only 3.1% to P2.5 billion versus P2.4 billion last year due primarily to increases light and power, water treatment chemicals, and real estate and business taxes. Total non-cash operating expenses grew P265 million or 22% to P1.5 billion from P1.2 billion last year. The amortization of intangible assets grew 24.5% to P1.1 billion from P919 million last year as Maynilad continued to pursue its capital expenditure programs. Provision of doubtful accounts, a factor of 2.9% of revenues, grew by 28% in line with revenue growth.

On April 16, 2009, the MWSS Board of Trustees approved a rate rebasing increase for Maynilad of 22.6% of the average basic charge effective fifteen days from publication in a newspaper of general circulation or on May 4, 2009. Incorporated in the approval of the rebasing increase is the final determination on the treatment of certain collections that until recently had been classified as deferred credits pending their resolution.

The net effect of the resolution of these issues is an extraordinary gain of P960 million net of estimated taxes. As a bottom result, net income doubled from P1.6 billion last year to P3.2 billion this year, primarily due to the impact of the extraordinary gain from rate rebasing versus the non-recoverable foreign exchange losses from shareholder advances last year. Excluding the impact of these extraordinary items, core net income would have been P2.32 billion, still a notable improvement of 30% versus P1.79 billion last year.

Consortium Level

Due to some debt and ownership structure changes that finalized in November 2008, the Company's equity in both the Consortium and Maynilad levels has changed. As of September 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 owned 84% of Maynilad (including a 6% ESOP) as of the same date last year.

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

(in Php millions)	**9-Months 2009**		**9-Months 2008**	
	Consortium	**DMCI share**	**Consortium**	**DMCI share**
		44.59%		**50%**
Net Income - Maynilad level	3,262		1,572	
Less: Minority	192		251	
Operating Net Income after Minority	3,070	**1,369**	1,321	**661**
Non operating & Extraordinary Items (net of tax & minority) - Consortium Level				
Fair Value/ Goodwill	(657)	**(293)**	(737)	**(369)**
Deferred Credit Reversal	-		452	**226**
Prior Period Adjustments-IFRIC 12	635	**283**	229	**115**
Net Interest	-	**-**	(376)	**(188)**
Forex Gain (Losses)	10	**4**	(824)	**(412)**
Unrecognized Actuarial Gains	(117)	**(52)**	-	**-**
Write off of MWSS Payables	(76)	**(34)**	-	**-**
Bid & Other Costs	(21)	**(9)**	(181)	**(91)**
Tax Adjustments	252	**112**	-	**-**
Other Adjustments	84	**37**	(8)	**(4)**
Subtotal	110	**49**	(1,445)	**(723)**
Net Income (Loss)	3,180	**1,418**	(124)	**(62)**

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

Notwithstanding the extraordinary and non-operating items, developments in Maynilad point towards continuous improvements with sustained major contributions for the Company's consolidated operations.

CONSTRUCTION

The construction business provided P587 million in net contributions for the first 9 months this year compared to P399 million last year, recording a significant 47% increase. Development in local buildings and infrastructure projects boosted the general construction business while offshore works catapulted the steel fabrication segment.

General Construction

The general construction business unit, reported under wholly-owned and flagship construction company, D.M. Consunji, Inc. (DMCI), registered net contributions of P443 million for the first 9 months of 2009, jumping 36% compared to the P327 million in 2008.

As previous projects were being finished, revenues from newly awarded major contracts (worth P16 billion) started to factor causing a 26% increase in DMCI construction revenues from P3.6 billion to P4.5 billion. Building revenues amounting to Php 1.1 billion came mainly from the Raffles Hotel, the 168 Residences, and the Moldex Grand Tower projects contributing a total P1 billion. This represented 24% of total DMCI construction revenues, which is significantly down from the same period last year of 55%. Infrastructure revenues was led by the Skyway Extension project with P1.25 billion, while the LRT works accounted for P568 million and the Maynilad service contributing P751 million. Total infrastructure works accounted for 57% of general construction revenues, a big jump from the 23% registered last year.

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

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

With the current infrastructure development programs in place, 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 through 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 an impressive growth of 100% in net income from P72 million in January to September 2008 to P144 million in the comparative period 2009. Revenues increased by 93% as its fabrication and overseas contracts were at full activity in the 3rd quarter. The fabrication contracts were delayed early this year due to the price spike in steel experienced in mid to late 2008 and correction started to happen towards the end of the first quarter in 2009. Accomplishments on these contracts have been steadily accumulating.

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 with the hopes to renew and improve its business to become a fully contributing subsidiary. The Company has acquired a bridge loan facility worth P500 million to partially fund the repayment of AG&P's outstanding debt resulting to AG&P's exit from corporate rehabilitation. The Company is confident that aside from its current orderbook of mostly offshore contracts, AG&P's competence in steel fabrication can be a strategic arm, along with the DMCI general contracting capacity, in benefiting from the current infrastructure boom.

REAL ESTATE

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

The Company basically recognizes real estate revenues using the full accrual method, where sales are booked when the unit is fully complete and the down payment of 20%. In accordance with International Accounting Standards, the mandatory adoption of the full accrual method was suspended by the SEC for real estate companies. Despite this, the method has already been adopted by the Company. Note that this type of revenue recognition is notably different from the percentage of completion method adopted by most if not all of its counterparts in the Philippine real estate industry.

The housing segment recognized a 35% drop in net contributions from P748 million last year to P483 million this year as recognition of sold units went down. The recognized sold units for this period were mostly high rise units which cost higher and normally take longer to complete. Revenues from new projects: Royal Palm Residences in Taguig, Tivoli Gardens in Mandaluyong, and existing projects: Dansalan, Raya Gardens, couldn't make up for the drop in recognized revenues from existing projects: Rosewood Park and Bonifacio Heights. PDI expects to recognize a significant amount of sold units in the 4th quarter of this year as these units are projected to reach full recognition status – fully complete and 20% paid.

Net interest income from real estate sales also went down by 75% from P252 million to P62 million, as the housing segment extended its efforts to finance its projects by assigning its Contract to Sell receivables to financial institutions, reducing its interest spread from receivables..

Operating expenses in the real estate segment were slightly 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.

Sales and reservations (a better representative of current demand) for the period have experienced a dip by 11% from P7.2 billion last year to P6.4 billion this year but was an improvement over the 1st half drop of 32%. On a quarterly basis, 3rd quarter sales surged to P2.4 billion this year compared to P1.7 billion last year, helping reduce the year-to-date drop in sales. We believe the slowdown is a result of the current economic downturn affecting OFWs all over the world but is slowly picking up pace. These OFWs form a significant part of our market.

MINING

Coal Mining

The Company's coal mining business, operated by now 58.8%-owned, publicly listed Semirara Mining Corp (SMC) reported a 34% improvement in net income for the first 9 months from P570 million in 2008 to P766 million in 2009. Sales volume was up by 23% (from 2.7 million metric tons in 2008 to 3.4 million metric tons in 2009) as coal exports reached new highs. Coal prices slightly improved by 16%

despite a 33% jump in composite domestic prices as export prices were flat from last year. As a result coal revenues for the period were up by 43% from P6.4 billion last year to P9.2 billion this year.

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 September 30, 2009 interim financial report filed with the PSE and SEC:

2009 NINE-MONTH OPERATION

Deployment of new mining equipment that arrived during the period, which increased capacity from 38 million bank cubic meters (bcm) to 59 million bcm, were maximized to take advantage of favorable weather conditions. As a result, total material movement recorded a historical high of 43,141,516 bcm or 13% higher than the full year material movement last year. Meanwhile, to minimize dissipation due to spontaneous combustion, coal extraction was limited to the contracted volume for deliveries. With this strategy, operations recorded a high strip ratio, or the ratio of waste moved in bcm for every MT of coal mined, at 11.72 as at the end of the period. Reflecting the increased capacity and healthy demand for Semirara coal, Run-of-Mine (ROM) coal production reached 3,430,440 MTs during the period. Net Product Coal was 3,243,674 MTs.

To further improve efficiency in operations, the coal washing plant was transferred near the auxiliary stockpile. This effectively maximized transport of clean coal through the conveying system.

The Company also installed an Oxy/Acetylene plant that supplies industrial gases requirements of operations. This is undertaken with the end goals of providing readily available oxygen and acetylene gases for the laboratory and equipment/facilities repair activities and of improving cost efficiency.

Meanwhile, exploratory and confirmatory drilling activities beyond the ultimate limit of the Panian pit, the current active mine, are on-going after the program yielded promising results last year with the discovery of significant volumes of coal. The Coal Operating Contract has been extended until 2027 by the Department of Energy last year. This positive development provided ample motivation for the Company to continue to invest in its exploration pursuits.

Congruent to the stripping strategy of the Company to expose the coal without necessarily extracting and stockpiling huge volumes, ending inventory was managed at 198,303 MTs.

Strong demand for Semirara coal was reflected in the period's total sales of 3,379,485 MTs. At a composite average FOB price of P2,716.90 for coal sold at an average heating value of 9,648 BTU/lb, Coal Revenues reached a record high of P9.182 billion surpassing by 9% of the entire sales last year. Meanwhile, P57.834 million was generated from the coal handling operations at the Calaca coal yard. Gross Revenues totaled to P9.240 billion for the nine-month period.

Cost of Sales, inclusive of Coal Handling Costs of P59.173 million and Shipping, Loading and Hauling Costs of P368.474 million amounted to P7.035. Gross Margin for the period was P2.205 billion, reflecting a gross profit margin of 24%.

Operating Expenses totaled to P845.562 million, consisting of Government share of P674.105 million and General and Administrative Expenses of P171.457 million. Government share correspondingly increases if the rate of increase in revenue is higher than the rate of increase in cost. The resulting Operating Income amounted to P1.359 billion, 15% of Revenues.

The Company booked Net Other Expenses of P85.322 million, comprising of: Interest Income from short-term investments and other Finance Income of P39.269 million; proceeds from gain on asset disposal, sale of electricity and insurance claims totaling to P55.290 million; Interest and Other Financing charges for availed loans of P20.926 million; Realized Forex Loss of P107.682 million; Unrealized Forex Loss of P29.893 million; and Equity in Net Loss of Associates amounting to P21.379 million.

Net Income Before Tax amounted to P1.274 billion. Provision for Income Tax recorded a surplus of P27.178 million as a result of the revised terms of the Company's registration with the Board of

Investments which lowered base figure for taxable sales volume from 2.7 million MTs to 1.9 million MTs. The resulting Net Income After Tax for the nine-month period amounted to P1.301 billion.

2009 NINE-MONTH FINANCIAL CONDITION

The 19% decrease in Current Assets from beginning balance of P4.498 billion was offset by the 49% increase in Non-Current Assets from P1.613 billion to P2.404 billion, such that the drop in Total Assets was minimized to 1% from P6.111 billion as at the start of the year to P6.069 billion as at the end of the period.

The decrease in Current Assets is mainly caused by the drop in Trade Receivables and Coal Inventory by 69% and 57%, respectively. The substantial beginning balance in Trade Receivables amounting to P1.753 billion reflected timing difference in the collection of December 2008 receivables due to long holidays towards the end of the year. The account closed at P541.168 million as at the end of the current period due to aggressive collection efforts by the company and close monitoring of receivables from customers. Besides, more sales went to export markets, which were all on cash basis. Meanwhile, due to the new strategy of operations to leave the coal at the pit to minimize dissipation, ending coal inventory was reduced to 198,303 MTs, valued at P388.113 million from beginning inventory level of 463,802 MTs, amounting to P896.734 million.

On the other hand, the rest of the Current Assets accounts recorded increases. Cash, Inclusive of Short-Term Investments, improved by 46% from beginning balance of P1.012 billion to P1.475 billion. Receivables from related parties reflecting operating advances to affiliates increased by 261% from P6.608 million beginning balance to P23.859 million. Other Receivables consisting of advances to employees, suppliers and contractors, as well as medical accounts receivables, increased by 27% from P117.358 million to P149.404 million. Materials and Parts Inventory increased by 50% from P486.486 million to P728.946 million. Prepaid Expenses and Other Current Assets, inclusive of creditable withholding tax and erroneously withheld VAT by NPC for refund, increased by 58% from P226.110 million to P358.211 million due to current creditable withholding taxes on sales and prepaid insurance of mining equipment.

The increase in Non-Current Assets is largely attributed to the 59% rise in Property, Plant and Equipment from beginning balance of P1.106 billion to P1.762 billion, reflecting the arrival of additional mining equipment under the capacity expansion program undertaken by the Company. Investments also increased by 2% from P223.232 million to P226.853 million, recording cash infusions to the Company's subsidiaries, DMCI Mining Corporation and DMCI Power Corporation. The 40% increase in Deferred Charges and Other Non-Current Assets from P283.749 million to P398.309 million represented software costs and security deposits on leases.

Meanwhile, Total Liabilities increased by 18%, from beginning balance of P1.811 billion to P2.132 billion as a result of the rise in Total Current Liabilities from beginning balance of P1.637 billion to P2.080 billion as at the end of the period due to higher provision of government share and increase in accrued payable on materials parts delivered and other accrued expense. Non-Current Liabilities on the other hand, dropped by 70% from beginning balance of P173.894 million to P51.410 million ending balance.

The increase in Total Current Liabilities was mainly due to the 61% increase in Trade and Other Payables from P1.189 billion to P1.914 billion which included a P499.016 million provision for government share. On the other hand, Current Portion of Long Term Debt recorded a significant decrease of 57% from P398.233 million to P166.128 million as the Company's total long-term debts continued to decline with the servicing of loans and reclassification to current portion. Income Taxes Payable at the beginning of the period amounting to P58.060 million was already paid, and no tax liability was recognized due to overpayment of taxes resulting from the amendment of the company's ITH incentive, thus provision for tax payable is zero at the end of the period.

Long-Term Debt, net of Current Portion, showed a significant decrease of 86% from P137.065 million to P18.516 million. Deferred Tax Liability which recorded a beginning balance of P14.125 million were already fully settled as at the end of the period. Provision for decommissioning and site rehabilitation increased by 51% at P19.959 million from beginning balance of P13.204 million. Likewise, Pension Liability also recorded an increase of 36% at P12.936 million from P9.499 million.

After payment of P1.665 billion Cash Dividends in May and accounting for Net Income After Tax of P1.301 billion, Total Stockholders' Equity, net of Cost of Treasury shares closed at P3.937 billion as at the end of the nine-month period.

2009 COMPARATIVE REPORT

I. PRODUCTION

The procurement of additional new mining equipment this year increased annual capacity by 55% from 2008 level of 38 million bcm to 59 million bcm this year. Total material movement during the nine-month period correspondingly increased by 55% from 27,918,308 bcm in 2008 to 43,141,516 bcm in the current period. Quarterly material movement this year was recorded at 16,205,095 bcm, 14,513,835 bcm, and 12,422,586 bcm for Q1, Q2, and Q3, respectively. In 2008, quarterly production was at 9,280,236 bcm, 9,940,985 bcm, and 8,697,087 bcm for Q1, Q2, and Q3, respectively.
On a quarterly basis, ROM coal production this year was inversely proportional to material movement, such that, quarterly production was increasing at 834,893 MTs, 1,067,465 MTs, and 1,528,082 MTs for Q1, Q2, and Q3, respectively, totaling to 3,430,440 MTs for the nine-month period. On the other hand, ROM coal production in 2008 was on a downward trend at 1,065,387 MTs, 812,845 MTs, and 754,092 MTs for Q1, Q2, and Q3, respectively, totaling to 2,632,324 MTs for the nine-month period.

Net product coal production corresponded to ROM coal movement. In the current period, production recorded at 772,537 MTs, 981,417 MTs, and 1,419,104 MTs, for Q1, Q2, and Q3, respectively, totaling to 3,173,057 MTs for the nine-month period. On the other hand, net product coal production in 2008 was at 1,003,542 MTs, 747,401 MTs, and 655,232 MTs for Q1, Q2, and Q3, respectively, totaling to 2,406,176 MTs for the nine-month period.

Although rate of ROM coal production vis-à-vis material movement is increasing quarter-on-quarter, YTD strip ratio (SR) is still high at 11.72:1 as at the end of the period due to advance stripping, as utilization of additional equipment capacities are maximized. This is 19% higher than YTD Q3 2008 strip ratio of 9.89:1. Nevertheless, the 11.72:1 SR posted at the end of 3rd quarter is an improvement from the recorded strip ratio as of end of the 1st half of 15.19:1 as higher coal production was recorded during the 3rd quarter with understandably lower overburden extraction due to series of typhoons affecting the island. Despite the unfavorable weather condition, higher coal release was permitted due to the advance exposure of the coal blocks in the previous periods.

Meanwhile, ending coal inventory is almost six times at 198,303 MTs as at the end of the period, compared to Q3 2008 level of 28,368 MTs. The Company was on force majeur situation this time last year due to unusually heavy downpours, thus explaining the extraordinary low volume of coal inventory at the stockyard.

II. MARKETING

Demand for Semirara coal has steadily increased since the Company started to market its product beyond the Philippine borders. This year the Company sold a record high of 3,379,485 MTs in the first nine months, 1,078,344 MTs, 1,089,515 MTs, and 1,211,626 MTs were sold in Q1, Q2, and Q3, respectively. This volume is 23% higher than the nine-month sales in 2008 of 2,738,301 MTs, of which

1,120,961 MTs were sold in Q1 while 997,134 MTs and 620,206 MTs were sold in Q2 and Q3, respectively. . Significantly, the nine-month sales is already 2% better than the sales posted last year.

Market share of export sales has been increasing, such that this period's volume of 1,600,933 MTs took up 47% of total sales. This recorded a 66% growth over same period last year's sales of 965,726 MTs, with a market share of 35%. New markets were penetrated this year, namely, Thailand, Japan, and Taiwan, in addition to the existing markets in China, India and Hong Kong. Two new traders also partnered with the Company to bring its coal to new markets.

Meanwhile, NPC Calaca Plants were already operational this year, unlike last year wherein technical problems caused intermittent downtimes. Once the single biggest market of Semirara coal, consuming more than 90% of its production, the two plants accounted for 27% of sales for the nine-month period at 901,417 MTs, 63% more than same period of last year's uptake of 554,152 MTs. Sales to other power plants this year totaled to 177,374 MTs, bringing total sales to power industry to 1,078,790 MTs. In 2008, nine-month sales to other power plants reached 520,237 MTs, thus offsetting NPC Calaca's low volume and pulled up total power plants' sales to 1,064,389 MTs, recording a minimal 1% difference compared to current period's sales. Market share of the power industry dropped at 32% from 39% last year.

Recording an 8% dip from last year's volume of 539,608 MTs, sales to cement plants in the current period amounted to 497,602 MTs. This effectively brought down the market share of cement industry to 15% from 20% last year. On the positive note, one of the biggest cement companies in the country started to buy Semirara coal this year.

Finally, sales to other industries showed a 20% improvement at 202,159 MTs compared with 2008 sales of 168,578 MTs. Market share, however, remained at 6% of total sales.

Total local sales remained at about the same level with last year. This period's volume amounted to 1,778,551 MTs, while 2008 sales totaled to 1,772,575 MTs.

Composite average FOB price, increased by 16% at P2,717/MT this period as against last year's price of P2,342/MT.

III. FINANCE

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

Higher sales volume and higher composite average FOB selling price this year contributed to the 43% increase in Coal Revenues at P9.182 billion as at the end of Q3 from P6.414 billion 2008 YTD Coal Revenues. Since operations of Calaca plants were already normal this year, Coal Handling Revenues correspondingly increased by 87% from P30.912 million in the first nine months of 2008 to P57.834 million as at the end of the current period. As a result, Total Revenues for the three quarters recorded a 43% increase at P9.240 billion this year from P6.445 billion in 2008.

Increased production and sales level resulted to a corresponding increase in Cost of Sales this year. Inclusive of shipping, loading and hauling costs, YTD Cost of Sales totaled to P7.035 billion, 40% more than YTD 2008 amount of P5.040 billion.

Gross Margin resulted to a 57% increase this period at P2.205 billion from P1.404 billion as of Q3 2008.

Higher coal sales and efficient operations increased provision for Government Share by 42% at P674.105 million for the current nine-month period from P474.437 million for the same period last year. General and Administrative Expenses likewise posted a 19% growth at P171.457 million, compared with P144.154 million spent in 2008.

The decline in interest-bearing loans reflected a corresponding decline of Finance Costs by 77% at P20.926 million from P92.166 million.

Meanwhile, Finance Income, which is mainly comprised of interest income from short-term placements and deposits, dropped by 31% at P39.269 million this period from P57.033 million generated for the nine-month period last year.

Foreign Exchange Losses of P137.576 million this year is comprised of Realized Losses of P107.682 million and Unrealized Losses of P29.893 million. This amount is four times the total Foreign Exchange Losses last year of P27.151 million, consisting of P48.096 million and P20.945 million Realized Losses and Unrealized Gains, respectively. The losses reflected fluctuations in foreign exchange rates for both periods.

Meanwhile, the Company recorded Equity in Net Losses of Associates amounting to P21.379 million in the current period, registering a 43% increase from YTD 2008 level of P14.961 million. This account records the Company's corresponding share in losses incurred by its investments in the power and mining sectors.

Other Income, which included gain on sale of equipment and recoveries from insurance claims, showed a 41% decrease at P55.290 million as compared to last year's level of P93.586 million.

The resulting Net Income Before Income Tax showed a 59% growth at P1.274 billion from P802.247 million as at the end of Q3 last year.

Benefiting from the amendment in base figure for ITH computation in relation to the Company's registration with the Board of Investment, the Company recorded a surplus in the Provision for Income Tax amounting to P27.178 million in the current period. Last year, total provision for the nine-month period reached P186.138 million.

Net Income after Tax more than doubled this year at P1.301 billion compared to the P616.109 million generated as at the end of Q3 2008. The reversal of income tax provision recorded in the 1st half of the current year partly contributed to the higher net income as of end of the 3rd quarter apart from the higher sales and production posted during the 3rd quarter.

Earnings per share correspondingly increased by 111% at P4.69 in the current period from P2.22 last year. EBITDA on the other hand, posted a more modest increase of 6% at P2.145 billion from P2.021 billion as at Q3 2008.

B. Solvency and Liquidity

Healthy cash generation from operations allowed the Company to finance its substantial investing and financing activities.

Net Cash Provided by Operating Activities was sizeable at P4.039 billion as at the end of Q3 this year. This amount is 105% more than the P1.988 billion generated in the same period last year. This is mainly caused by higher income this year as a result of the increase in sales volume and average selling price. The substantial decrease in Receivables, mainly trade-related, also contributed to the surge in this period's cash generation.

Meanwhile, the Company remained aggressive in its investing activities. Net Cash Used in Investing Activities totaled to P1.540 billion as at end of the third quarter, 7% higher than the P1.435 billion used in the same period of 2008. This year, additional mining equipment further increased PPE, with a net *impact of P1.450 billion in its cash flow. This amount is 7% higher than the recorded additions to PPE of P1.349 billion as at the end of Q3 2008.*

Robust earnings and healthy cash flows likewise afforded the Company to absorb the increase in Net Cash Used in Financing Activities at P2.037 billion in the current period, 77% higher compared to last year's level of P1.152 billion. The increase was mainly caused by higher dividend payout this year at P6/share or aggregating to P1.665 million, as compared to the P4/share last year, totaling to P1.110 billion. Although Repayment of Debt was substantially higher at P1.228 billion last year, compared to P371.549 million in the current period, the Company availed credit amounting to P435.280 million and entered into Finance Lease Agreements, generating P750.526 million Proceeds from Sale and Leaseback of equipment.

As a result, despite its higher spending, the Company was able to generate net cash of P462.138 million during the first nine months of the year. Combined with beginning balance, Cash end was recorded at P1.475 billion, 46% higher than Cash beginning and 40% more than total Cash as at the end of Q3 2008.

Current Ratio and Total Debt to Equity Ratio of the Company remained strong at 1.76x and 0.54:1, respectively, although these dropped from Q3 2008 level of Current Ratio and Total Debt to Equity Ratio at 2.94x and 0.52:1, respectively.

IV. PERFORMANCE INDICATORS:

***1.	Average Selling Price*** *– In order to diversify its market base, the Company initially employed strategic pricing to penetrate new markets. Semirara coal was sold at a discount to encourage coal users to try using the product. Over the years, average FOB selling price has showly inched up alongside the success of the Company's diversification efforts. Currently, Semirara coal is priced within the market range. The Company's success in exporting its coal greatly helped in leveling its price with market as the option to export its coal gave the Company leverage in pricing for local contracts.*

***2.	Debt to Equity Ratio*** *– As a measure of the Company's financial leverage, the low Debt to Equity ratio is a good indicator of the Company's health. Its creditors give the Company a triple "A" rating, such that it is able to enjoy highly competitive credit terms. All existing Omnibus lines of the company are clean from any security. Meanwhile, with a healthy solvency condition, the Company has considered several investment options to further improve shareholders' value.*

***3.	Capital Expenditures*** *– The ability of the Company to sustain its capital expenditures spells well for the attainment of its goal to improve operations and increase capacity. In order to match its aggressive marketing strategies, the Company must have the corresponding capacity to serve its increasing orders.*

***4.	Expanded Market*** *– The Company's success in expanding its market base is a confluence of several factors, which include its ability to expand capacity when necessary and good quality control of its product. The increasing market share of exports is a welcome development because this signifies that growth potentials have become limitless with the vast export markets. Meanwhile, understanding its strengths fully, the Company works hard to maintain and benefit from its competitive advantages in keeping and expanding its local markets.*

***5.	Improved coal quality*** *– Acceptability of Semirara coal is the key in sustaining the Company's success in market diversification. With the inherent limitations of its coal, it is a continuing challenge for the Company to maximize the quality of its product. Quality improvement efforts are geared to achieve this goal. The improvement of the Company's coal washing plant enables operations to maintain its quality control to match its increasing capacity.*

Nickel

The Company's venture into nickel mining proved to be a good venture until the sharp drop in the base metal commodity prices in mid 2008. DMCI Mining Corp. (DMCI Mining), the Company's nickel and other base metal mining subsidiary, posted a drop in 9-month operations from a net income P59 million to a net loss in 2008 of P24 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

September 30, 2009 vs. December 31, 2008 (Audited)

The Company's financial condition for the period improved as net assets increased by 13%. .

Total receivables (current and non-current) dropped 17% as a result of collections vs. new sales and conversion of P3 billion worth of discounted housing contract to sell receivables into full assignment w/o recourse. Consolidated inventories reported a 15% increase as real estate finished inventory and current work in progress jumped from P6.9 billion to P8 billion.

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 13% 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 28% 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 be recognized as either the unit is not yet fully complete and the downpayment of 20% is not yet paid.

Long term liabilities (including current portion) went up as a result of the new credit requirements at the general construction side, continuing real estate receivables discounting, and coal equipment purchase loans.

Current ratio improved from 1.97 to 2.19 indicating an improved and strong liquidity position. Creditor to owner ratio remained fairly the same at 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 0.20 per common share to be paid on June 30, 2008 to the holders of record of June 5, 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	November 20, 2009	

DMCI HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

For the period ended September 30, 2009 and 2008 and for the quarter ended September 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	6,015,704	4,239,605	2,467,169	763,163
Coal Sales	9,239,571	6,444,650	2,883,827	1,696,463
Real Estate Sales	3,331,929	3,523,717	1,464,295	1,692,670
Others	379,255	796,744	133,993	134,142
	18,966,459	**15,004,716**	**6,949,284**	**4,286,438**
COST OF SALES AND SERVICES				
Construction contracts	4,729,977	3,393,862	1,881,129	477,301
Coal Sales	7,034,555	5,070,565	2,195,618	1,435,438
Real Estate Sales	2,092,197	2,073,662	869,480	919,982
Others	334,046	528,436	117,700	111,628
	14,190,775	**11,066,345**	**5,063,927**	**2,944,349**
GROSS PROFIT	**4,775,684**	**3,938,371**	**1,885,357**	**1,342,089**
OPERATING EXPENSES	(2,029,241)	(1,734,455)	(510,006)	(419,120)
	2,746,443	2,203,916	1,375,351	922,969
OTHER INCOME (CHARGES)				
Equity in ordinary earnings of associates, jointly controlled entities and others	1,399,386	(62,227)	276,401	(319,374)
Finance Income	156,276	539,556	(122,552)	269,197
Finance costs	(87,437)	(211,084)	82,377	(77,041)
Other income (charges) - net	(134,595)	(91)	(267,734)	25,718
INCOME FROM OPERATIONS	4,080,073	2,470,070	1,343,843	821,469
PROVISION FOR INCOME TAX	308,035	758,333	28,192	(87,000)
NET INCOME (LOSS) (NOTE 4)	**3,772,038**	**1,711,737**	**1,315,651**	**908,469**
NET INCOME ATTRIBUTABLE TO				
Equity holders of DMCI Holdings, Inc.	3,231,847	1,446,584	1,075,414	848,996
Minority interests	540,191	265,153	240,237	59,473
	3,772,038	**1,711,737**	**1,315,651**	**908,469**
Earnings per Common share				
Basic	1.22	0.54	0.40	0.32
Diluted	0.00	-	-	-

DMCI HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

For the period ended September 30, 2009 and December 31, 2008

(Amounts in Thousands of Philippine Pesos,

Except Par Value and Number of Shares)

		AUDITED
	2009	**2008**
ASSETS		
Current Assets		
Cash and cash equivalents	3,090,794	3,068,623
Available-for-sale financial assets - net	143,078	202,933
Receivables - net	6,900,916	7,358,988
Costs and estimated earnings in excess of billings on uncompleted contrac	0	369,923
Inventories - net	10,190,729	8,869,737
Other current assets	668,069	1,265,127
Total Current Assets	20,993,586	21,135,331
Noncurrent Assets		
Noncurrent receivables - net	3,118,439	2,440,384
Investments in associates, jointly controlled entities and others - net	5,890,787	4,713,046
Investment properties - net	2,652,709	2,337,535
Property, Plant and Equipment - net	5,819,997	4,548,856
Deferred tax assets	0	34,899
Other noncurrent assets - net	2,022,562	522,459
Total Noncurrent Assets	19,504,494	14,597,179
	40,498,080	35,732,510
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Bank Loans	642,620	1,274,110
Current portion of liabilities for land purchased	0	572,955
Accounts and other payables	4,536,951	6,484,123
Current portion of long-term debt	176,499	791,844
Billings in Excess of Costs on Uncompleted Contracts	521,082	197,038
Customers' deposits	3,519,839	1,295,266
Income tax payable	165,410	102,216
Total Current Liabilities	9,562,400	10,717,552
Noncurrent Liabilities		
Long-Term Debt - net of current portion	7,714,018	4,763,808
Liabilities for land purchased - net of current portion	10,497	353,777
Payables to related parties	1,595,077	841,839
Deferred tax liability	229,509	462,268
Pension liabilities	126,003	109,246
Other Noncurrent Liabilities	372,672	17,954
Total Noncurrent Liabilities	10,047,775	6,548,892
Total Liabilities	19,610,176	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	11,696,071	8,995,323
Revaluation increment		78,717
Cumulative translation adjustment		3,760
Net unrealized gain (loss) on available-for-sale financial assets	0	0
	19,117,485	16,499,215
Minority Interests		
Minority interests - net of interest attributable to noncurrent assets held for sale	1,770,419	1,966,851
Minority interests attributable to noncurrent assets held for sale	0	0
Total Equity	20,887,904	18,466,066
	40,498,080	35,732,510

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

	SEPTEMBER 2009	SEPTEMBER 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)	(2,395,620)
	4,380	4,380
Common stock - P1 par value		
Authorized - 5,900,000,000 shares		
Issued - 2,255,494,000 shares	2,655,494,000	2,255,494,000
Additional subscription - 400,000,000 shares	-	400,000,000
	2,655,494,000	2,655,494,000
	2,655,498,380	2,655,498,380
ADDITIONAL PAID-IN CAPITAL		
Balance at the beginning	4,765,916,071	2,402,459,371
Retirement of Preferred Shares	-	-
Additional Paid-in Capital of new subscribed shares	-	2,363,456,700
	4,765,916,071	4,765,916,071
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	3,231,846,656	1,202,428,265
Dividends paid	(531,098,800)	(265,529,630)
Balance at end of the period	11,696,070,791	8,903,900,728
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	-	225,555
Balance at end of the period	-	-
TOTAL STOCKHOLDERS' EQUITY	**19,117,485,242**	**16,325,315,179**

DMCI HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended September 30, 2009 and 2008

(Amounts in Thousands of Philippine Pesos)

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (Loss)/ Income	3,772,038	1,467,581
Adjustments to reconcile net income (loss) to net cash:		
Equity in net losses (earnings) of affiliates, depreciation, depletion amortization and other non-cash items (net)	(1,162,860)	(494,424)
Income (Loss) applicable to Minority Interest	540,191	265,153
Changes in assets and liabilities:		
Decrease / (Increase) in :		
Receivables- net	(219,983)	(358,916)
Inventories - net	(1,320,992)	(2,268,167)
Prepaid expenses and other current assets	597,058	257,050
Increase/ (Decrease) in :		
Accounts payable and accrued expenses	(295,554)	1,428,326
Current portion of long-term debt	(615,345)	(1,514,044)
Non current liabilities	3,498,883	3,149,328
Billings in excess of cost of uncompleted contracts	693,967	109,793
Income tax payable	63,194	206,949
Net cash provided by operating activities	5,550,597	2,248,629
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) in:		
Available for sale investments	59,885	59,192
Investments - net	(1,942,915)	(764,091)
Property, plant and equipment - net	(1,271,141)	(573,884)
Deferred charges and other assets - net	(1,465,204)	(720,524)
Net cash provided by investing activities	(4,169,405)	(1,990,307)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net availments (payments) of:		
Notes payable	(631,490)	97,971
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	0
Redemption of preferred shares		
Capital Stock at P1.00 par value	0	0
Additional paid-in capital	0	(226)
Redemption of preferred shares from treasury	0	0
Payment of Dividends	(531,099)	0
Net increase (decrease) in minority interest	(196,432)	(253,703)
Net cash provided by financing activities	(1,359,021)	(155,958)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	22,171	93,364
CASH AND CASH EQUIVALENTS, BEGINNING	3,068,623	3,539,648
CASH AND CASH EQUIVALENTS, ENDING	3,090,794	3,633,012

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	
	September 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)	**79.44**	78.23
Real Estate Development:		
DMCI Project Developers, Inc. (PDI)	**100.00**	100.00
Hampstead Gardens Corporation (Hampstead) [3]	**100.00**	100.00
Riviera Land Corporation (Riviera) [3]	**100.00**	100.00
Manufacturing:		
Semirara Cement Corporation (SemCem) *	**100.00**	100.00
Oriken Dynamix Company, Inc. (Oriken) [2]	**89.00**	89.00
Wire Rope Corporation of the Philippines (Wire Rope)	**61.70**	61.70
Marketing Arm:		
DMCI Homes, Inc. (DMCI Homes) [3]	**100.00**	100.00
Power:		
DMCI Power Corporation (DPC) (formerly DMCI Energy Resources Unlimited Inc.) *	**79.44**	78.23
DMCI Masbate Power Corporation (DMCI Masbate)	**100.00**	100.00

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

[1] Also engaged in real estate development

[2] DMCI's subsidiaries

[3] PDI's subsidiaries

PDI

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

DPC and DMC

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

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

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

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

Changes in Accounting Policies

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

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

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

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

Future Changes in Accounting Policies

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

Effective in 2009

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Effective in 2010

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

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

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

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

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

Effective in 2012

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

Cash and Cash Equivalents

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

Financial Instruments

Date of recognition

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

Initial recognition of financial instruments

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Offsetting

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

Derecognition of Financial Assets and Liabilities

Financial assets

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

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

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

Financial liabilities

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

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

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

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

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

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

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

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

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

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

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

Investments in Associates, Jointly Controlled Entities and Others

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

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

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

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

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

Investment Properties

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

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

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

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

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

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

	Years
Buildings and building improvements	5-25
Condominium units	5

Property, Plant and Equipment

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

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

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

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

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

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

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

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

Provision for decommissioning and site rehabilitation costs

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

Mine Exploration and Development Costs

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

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

Intangible Assets

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

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

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

Impairment of Nonfinancial Assets

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

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

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

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

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

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.

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

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

<u>Segment Reporting</u>
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.

<u>Provisions</u>
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:

	September 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. Aside from the issued and outstanding 4,380 preferred shares, all the preferred shares were essentially redeemed, retired, cancelled and paid.

Appropriation
Retained earnings is restricted to the extent of the acquisition cost of the treasury shares amounting to ₱1.10 million and ₱187.21 million as of December 31, 2006 and 2005,

respectively. No retained earnings have been currently appropriated for acquisition of treasury shares.

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

4. **Business Segments**

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

Revenues

	For the period		For the Quarter	
	2009	2008 (restated)	2009	2008 (restated)
Construction	6,015,704	4,239,605	2,467,169	763,163
Mining	9,239,571	6,444,650	2,883,827	1,696,463
Water	-	-		
Real Estate Development	3,331,929	3,523,717	1,464,295	1,692,670
Parent Company and Others	379,255	796,744	133,993	134,142
TOTAL	**18,966,459**	**15,004,716**	**6,949,284**	**4,286,438**

Net Income After Minority

	For the period		For the Quarter	
	2009	2008 (restated)	2009	2008 (restated)
Construction	587,175	399,457	261,829	117,121
Mining	741,852	374,549	334,800	84,078
Water	1,417,765	(62,183)	296,781	194,540
Real Estate Development	483,096	747,773	183,686	464,452
Parent Company and Others	1,959	(13,012)	(1,682)	(11,195)
TOTAL	**3,231,847**	**1,446,584**	**1,075,414**	**848,996**

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 2,367,891,860.00 and Php 1,346,196,408.20 as of September 30, 2009 and September 30, 2008 respectively, where Php 750,888,557.00 and Php720,907,713.10 were booked for the period ended September 30, 2009 and September 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.

DMCI HOLDINGS, INC.
ACCOUNTS RECEIVABLE DESCRIPTION
September 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 SEPTEMBER 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.	2,264,586,119.26	1,777,568,159.51	173,033,873.92	105,623,053.41	167,779,662.89	20,764,074.64	19,817,294.89	-	-
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	51,872,400.29	23,330,300.08	17,688,309.29	1,529,826.73	9,323,964.19	-	-		
Raco Haven Automation	5,548,869.85	-	-	-	-	5,548,869.85			
Sub-total	2,349,660,623.40	1,800,898,459.59	190,722,183.21	110,119,721.14	177,103,627.08	26,312,944.49	44,503,687.89	-	-
DMCI Project Developers, Inc.	2,989,953,727.00	1,127,518,624.00	760,643,896.00	93,764,651.00	820,489,893.00	88,463,796.00	97,275,024.00	1,797,843.00	-
Semirara Mining Corporation	567,936,598.00	954,719,638.00	61,284,923.00	(461,637,410.00)	-	7,950,051.00	5,619,396.00	-	
Atlantic Gulf & Pacific Co., Inc.	561,074,542.00	402,156,678.00	46,831,179.00	26,851,151.00	62,065,660.00	23,169,874.00			
Wire Rope Corporation of the Philippines	28,075,304.00	24,053,088.00	-	1,463,712.00	1,663,871.00	-	-		894,633.00
Sub-total	4,147,040,171.00	2,508,448,028.00	868,759,998.00	(339,557,896.00)	884,219,424.00	119,583,721.00	102,894,420.00	1,797,843.00	894,633.00
RETENTION RECEIVABLE - TRADE									
D.M. Consunji, Inc.	562,026,974.51	562,026,974.51							-
Beta Electric Corporation	57,098,849.10	57,098,849.10							
Raco Haven Automation	7,663,448.15	7,663,448.15							
Sub-total	626,789,271.76	626,789,271.76	-	-	-	-	-	-	-
Total Contract/Retention Receivable - Trade	7,123,490,066.16	4,936,135,759.35	1,059,482,181.21	(229,438,174.86)	1,061,323,051.08	145,896,665.49	147,398,107.89	1,797,843.00	894,633.00
Less: Allowance for Doubtful Accounts	430,538,144.51								
Net Trade Receivable	**6,692,951,921.65**								
B. NON-TRADE RECEIVABLES									
ADVANCES -									
Beta Electric Corporation	26,112,490.47								
Oriken Dynamix Company, Inc.	3,588,758.00								
Sub-total	29,701,248.47								
DMCI Holdings, Inc.	524,477.75								
DMCI Mining Corporation	2,560,467.00								
DMCI Project Developers, Inc.	105,985,468.00								
DMCI Power Corporation	6,274,535.87								
Atlantic Gulf & Pacific Co., of Manila, Inc.	62,917,973.00								
Sub-total	207,964,170.09								
AFFILIATES -									
D.M. Consunji, Inc.	1,655,529,969.27								
Beta Electric Corporation	3,902,946.67								
DMCI Laing Construction	43,909,123.83								
Sub-total	1,703,342,039.77								
DMCI Holdings, Inc.	364,531,421.00								
DMCI Project Developers, Inc.	303,402,800.49								

Semirara Mining Corporation	4,924,308.57
DMCI Power Corporation	4,318,000.00
DMCI Mining Corporation	135,799,173.00
Atlantic Gulf & Pacific Co., of Manila, Inc.	191,047,677.00
	2,707,365,419.83
Sub-total	2,707,365,419.83
OTHER RECEIVABLES -	
D.M. Consunji, Inc.	88,795,407.73
Beta Electric Corporation	23,177,546.45
Raco Haven Automation	3,602,481.00
	115,575,435.18
DMCI Holdings, Inc.	53,050.67
DMCI Project Developers, Inc.	54,891,848.00
Semirara Mining Corporation	143,347,083.00
Atlantic Gulf & Pacific Co., of Manila, Inc.	97,206,250.00
Sub-total	411,073,666.85