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D M C I H O L D I N G S , I N C . A N D S U B S I D I A R I E S

(Company's Full Name)

3 r d F l o o r , D a c o n B u i l d i n g , 2 2 8 1 D o n C h i n o R o c e s A v e n u e , M a k a t i C i t y

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

Herbert M. Consunji

(Contact Person)

888-3000

(Company Telephone Number)

1 2 3 1
Month Day
(Fiscal Year)

A A F S
(Form Type)

Month Day
(Annual Meeting)

(Secondary License Type, If Applicable)

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Amended Articles Number/Section

Total No. of Stockholders

Total Amount of Borrowings

_____ _____
Domestic Foreign

To be accomplished by SEC Personnel concerned

File Number

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INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
DMCI Holdings, Inc.
3rd Floor, Dacon Building
2281 Don Chino Roces Avenue
Makati City

We have audited the accompanying consolidated financial statements of DMCI Holdings, Inc. and its Subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2010 and 2009, and the consolidated statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2010, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of DMCI Holdings, Inc. and its Subsidiaries as of December 31, 2010 and 2009, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2010 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Jessie D. Cabaluna

Jessie D. Cabaluna

Partner

CPA Certificate No. 36317

SEC Accreditation No. 0069-AR-2

Tax Identification No. 102-082-365

BIR Accreditation No. 08-001998-10-2009,

June 1, 2009, Valid until May 31, 2012

PTR No. 2641508, January 3, 2011, Makati City

April 18, 2011



DMCI HOLDINGS, INC. AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

(Amounts in Thousands)

	December 31	
	2010	2009 (As restated - see Note 32)
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 4 and 34)	₱9,946,666	₱3,262,290
Available-for-sale financial assets (Notes 5 and 34)	222,203	214,174
Receivables (Notes 6, 20 and 34)	9,125,086	5,075,179
Costs and estimated earnings in excess of billings on uncompleted contracts (Note 7)	449,196	605,754
Inventories (Note 8)	12,704,544	10,557,538
Other current assets (Note 9)	3,920,594	3,200,211
Total Current Assets	36,368,289	22,915,146
Noncurrent Assets		
Noncurrent receivables (Notes 6, 20 and 34)	2,782,287	2,195,731
Investments in associates, jointly controlled entity and others (Note 10)	9,387,673	7,747,388
Investment properties (Note 11)	358,590	2,713,680
Property, plant and equipment (Note 12)	21,540,724	22,369,545
Deferred tax assets (Note 28)	10,191	38,529
Other noncurrent assets (Note 13)	824,822	723,687
Total Noncurrent Assets	34,904,287	35,788,560
	₱71,272,576	₱58,703,706
LIABILITIES AND EQUITY		
Current Liabilities		
Bank loans (Notes 14 and 34)	₱753,534	₱1,207,116
Current portion of liabilities for purchased land (Notes 15 and 34)	660,622	154,597
Accounts and other payables (Notes 16 and 34)	10,108,213	8,534,697
Billings in excess of costs and estimated earnings on uncompleted contracts (Note 7)	586,880	357,990
Customers' advances and deposits (Note 17)	4,437,999	4,095,906
Current portion of long-term debt (Notes 18 and 34)	3,165,102	3,839,948
Income tax payable	146,079	138,495
Payable to related parties (Notes 20 and 34)	517,384	947,937
Total Current Liabilities	20,375,813	19,276,686
Noncurrent Liabilities		
Long-term debt - net of current portion (Notes 18 and 34)	15,858,722	14,284,335
Liabilities for purchased land - net of current portion (Notes 15 and 34)	731,262	683,506
Deferred tax liabilities (Note 28)	496,766	518,786
Pension liabilities (Note 22)	216,784	107,857
Other noncurrent liabilities (Notes 19 and 34)	1,170,027	402,268
Total Noncurrent Liabilities	18,473,561	15,996,752
Total Liabilities	38,849,374	35,273,438

(Forward)



	December 31	
		2009
	2010	(As restated - see Note 32)
Equity (Note 21)		
Equity attributable to equity holders of the DMCI Holdings, Inc.:		
Paid-up capital	₱7,421,415	₱7,421,415
Retained earnings	19,693,115	13,157,192
Premium on acquisition of non-controlling interests	(161,033)	(161,033)
Other comprehensive income (loss) (Note 35)	(2,781)	72,093
	26,950,716	20,489,667
Non-controlling interests	5,472,486	2,940,601
Total Equity	32,423,202	23,430,268
	₱71,272,576	₱58,703,706

See accompanying Notes to Consolidated Financial Statements.



DMCI HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Amounts in Thousands)

ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

	Capital Stock (Note 21)	Additional Paid-in Capital (Note 21)	Total Paid-up Capital (Note 21)	Retained Earnings (Note 21)	Premium on acquisition of minority interest	Other Comprehensive Income (Note 35)	ATTRIBUTABLE TO NON-CON- TROLLING INTERESTS		TOTAL EQUITY
							Total		
As of January 1, 2010 (as previously stated)	₱2,655,498	₱4,765,917	₱7,421,415	₱13,135,743	(₱161,033)	₱72,093	₱20,468,218	₱2,925,621	₱23,393,839
Effect of PFRS 3	–	–	–	21,449	–	–	21,449	14,980	36,429
	2,655,498	4,765,917	7,421,415	13,157,192	(161,033)	72,093	20,489,667	2,940,601	23,430,268
Net income for the year	–	–	–	7,867,283	–	–	7,867,283	1,767,778	9,635,061
Other comprehensive income	–	–	–	–	–	(74,874)	(74,874)	(1,288)	(76,162)
Total comprehensive income	–	–	–	7,867,283	–	(74,874)	7,792,409	1,766,490	9,558,899
Dividends	–	–	–	(1,327,747)	–	–	(1,327,747)	(779,955)	(2,107,702)
Discontinued operations	–	–	–	–	–	–	–	(44,758)	(44,758)
Acquisition of NCI	–	–	–	12,015	–	–	12,015	(12,015)	–
Effect of dilution of interest	–	–	–	(15,628)	–	–	(15,628)	15,628	–
Net movement in non-controlling interests	–	–	–	–	–	–	–	1,586,495	1,586,495
Balances at December 31, 2010	₱2,655,498	₱4,765,917	₱7,421,415	₱19,693,115	(₱161,033)	(₱2,781)	₱26,950,716	₱5,472,486	₱32,423,202
As of January 1, 2009	₱2,655,498	₱4,765,917	₱7,421,415	₱8,995,322	₱–	₱82,477	₱16,499,214	₱1,966,851	₱18,466,065
Net income for the year (as restated)	–	–	–	4,703,968	–	–	4,703,968	747,114	5,451,082
Other comprehensive income	–	–	–	–	–	(10,384)	(10,384)	(62)	(10,446)
Total comprehensive income	–	–	–	4,703,968	–	(10,384)	4,693,584	747,052	5,440,636
Dividends	–	–	–	(542,098)	–	–	(542,098)	(738,896)	(1,280,994)
Net movement in non-controlling interests	–	–	–	–	(161,033)	–	(161,033)	965,594	804,561
Balances at December 31, 2009	₱2,655,498	₱4,765,917	₱7,421,415	₱13,157,192	(₱161,033)	₱72,093	₱20,489,667	₱2,940,601	₱23,430,268
As of January 1, 2008	₱2,655,498	₱4,766,142	₱7,421,640	₱7,135,135	₱–	(₱35,880)	₱14,520,895	₱2,142,909	₱16,663,804
Net income for the year	–	–	–	1,687,900	–	–	1,687,900	348,563	2,036,463
Other comprehensive income	–	–	–	–	–	118,357	118,357	1,350	119,707
Total comprehensive income	–	–	–	1,687,900	–	118,357	1,806,257	349,913	2,156,170
Redemption of preferred shares	–	(225)	(225)	–	–	–	(225)	–	(225)
Transferred from APIC	–	–	–	115,985	–	–	115,985	1,898	117,883
Transferred from revaluation increment	–	–	–	321,832	–	–	321,832	5,266	327,098
Dividends	–	–	–	(265,530)	–	–	(265,530)	(483,420)	(748,950)
Decrease in non-controlling interests	–	–	–	–	–	–	–	(49,715)	(49,715)
Balances at December 31, 2008	₱2,655,498	₱4,765,917	₱7,421,415	₱8,995,322	₱–	₱82,477	₱16,499,214	₱1,966,851	₱18,466,065

See accompanying Notes to Consolidated Financial Statements.



DMCI HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(Amounts in Thousands, except for Earnings Per Share figures)

	Years Ended December 31		
		2009	
	2010	(As restated - see Note 32)	2008
REVENUE			
Mining	₱16,029,885	₱11,602,130	₱9,170,287
Construction contracts	10,729,337	7,999,066	4,121,872
Electricity sales	8,948,308	443,493	-
Real estate sales	7,704,893	6,963,108	4,736,635
Merchandise sales and others	71,386	260,054	119,282
	43,483,809	27,267,851	18,148,076
COSTS OF SALES AND SERVICES (Note 23)			
Mining	10,962,856	8,873,190	6,943,586
Construction contracts	8,798,377	6,847,905	3,610,815
Electricity sales	5,974,593	419,709	-
Real estate sales	4,758,532	4,756,934	2,984,329
Merchandise sales and others	47,033	197,957	553,735
	30,541,391	21,095,695	14,092,465
GROSS PROFIT	12,942,418	6,172,156	4,055,611
OPERATING EXPENSES (Note 24)	4,817,622	2,430,043	1,875,932
	8,124,796	3,742,113	2,179,679
OTHER INCOME (LOSSES)			
Equity in net earnings of associates (Note 10)	1,893,197	1,674,826	78,939
Finance income (Note 25)	1,058,041	834,473	565,218
Gain on sale of investments	-	40,412	44,999
Finance costs (Note 26)	(1,577,130)	(545,335)	(507,653)
Other income - net (Note 27)	487,947	23,346	78,543
INCOME BEFORE INCOME TAX	9,986,851	5,769,835	2,439,725
PROVISION FOR INCOME TAX (Note 28)	1,029,135	601,120	596,357
INCOME BEFORE CONTINUING OPERATIONS	8,957,716	5,168,715	1,843,368
AFTER TAX INCOME FROM DISCONTINUED OPERATIONS (Note 39)	677,345	297,347	193,095
NET INCOME (Note 33)	₱9,635,061	₱5,466,062	₱2,036,463
NET INCOME ATTRIBUTABLE TO			
Equity holders of DMCI Holdings, Inc.	₱7,867,283	₱4,703,968	₱1,687,900
Non-controlling interests	1,767,778	762,094	348,563
	₱9,635,061	₱5,466,062	₱2,036,463
EARNINGS PER SHARE (Note 29)			
Basic/Diluted, profit for the year	₱2.96	₱1.77	₱0.64
Basic/Diluted, profit from continuing operations	2.71	1.77	0.64
Basic/Diluted, profit from discontinued operations	0.25	-	-

See accompanying Notes to Consolidated Financial Statements.



DMCI HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in Thousands)

	Years Ended December 31		
	2010	2009 (As restated - see Note 32)	2008
NET INCOME	₱9,635,061	₱5,466,062	₱2,036,463
OTHER COMPREHENSIVE INCOME			
Changes in fair value on AFS financial assets (Note 5)	3,868	(6,649)	–
Unrealized gain on AFS financial assets transferred to statement of income	–	–	35,880
Exchange differences on translating foreign operations	(25)	(3,797)	3,822
Recognized revaluation increment (Note 35)	(80,005)	–	80,005
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE YEAR, NET OF TAX	(76,162)	(10,446)	119,707
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	₱9,558,899	₱5,455,616	₱2,156,170
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO			
Equity holders of DMCI Holdings, Inc.	₱7,792,409	₱4,694,959	₱1,787,117
Non-controlling interests	1,766,490	760,657	369,053
	₱9,558,899	₱5,455,616	₱2,156,170

See accompanying Notes to Consolidated Financial Statements.



DMCI HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in Thousands)

	Years Ended December 31		
	2010	2009 (As restated)	2008
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax from continuing operations	₱10,023,509	₱6,080,410	₱2,731,613
Profit before tax from discontinued operations	674,900	–	–
Profit before tax	10,698,409	6,080,410	2,731,613
Adjustments for:			
Depreciation, depletion and amortization (Notes 11, 12, 13, 23 and 24)	3,298,969	1,563,049	1,566,760
Finance costs (Note 26)	1,577,130	590,535	552,067
Provisions for: (Note 24)			
Probable losses on Current assets	88,778	–	–
Property, plant and equipment	6,670	–	–
Noncurrent assets	–	40,374	–
Doubtful accounts	58,905	76,948	54,123
Dividend income (Notes 10 and 27)	(5,785)	(1,399)	(47,979)
Gain on sale of:			
Property, plant and equipment (Note 27)	(28,958)	(13,735)	(43)
Investment in associates, jointly controlled entity and others (Note 10)	–	(40,412)	–
Investment in a subsidiary (Note 39)	(36,659)	–	–
Unrealized foreign exchange gains	(67,308)	(199,245)	–
Interest income (Note 25)	(1,058,041)	(840,035)	(572,552)
Equity in net earnings of associates and jointly controlled entity (Note 10)	(1,893,197)	(1,680,147)	(84,073)
Negative goodwill (Notes 27 and 32)	–	(15,667)	–
Operating income before changes in working capital	12,638,913	5,560,676	4,199,916
Decrease (increase) in:			
Receivables	(5,007,945)	2,320,615	(4,304,049)
Inventories	1,125,835	(320,088)	(2,068,937)
Costs and estimated earnings in excess of billings on uncompleted contracts	82,264	(235,831)	(229,241)
Other current assets	(841,502)	(1,928,559)	(663,671)
Increase (decrease) in:			
Accounts and other payables	5,118,157	2,349,933	2,884,870
Customers' advances and deposits	342,093	2,045,541	24,082
Billings in excess of costs and estimated earnings on uncompleted contracts	228,890	160,952	150,852
Pension liabilities	89,898	(1,389)	(18,165)
Cash generated from (used in) operations	13,776,603	9,951,850	(24,343)
Interest received	1,049,029	905,256	574,833
Interest paid	(1,739,052)	(539,959)	(552,067)
Income taxes paid	(728,499)	(525,181)	(578,272)
Net cash provided by (used in) operating activities	12,358,081	9,791,966	(579,849)

(Forward)



	Years Ended December 31		
	2010	2009 (As restated - see Note 32)	2008
CASH FLOWS FROM INVESTING ACTIVITIES			
Net increase (decrease) in minority interest	₱1,585,207	₱785,784	(₱41,201)
Proceeds from disposals of:			
Investment in subsidiary (Note 39)	957,526	-	-
Investments in associates, jointly controlled entity and others (Note 10)	68,608	-	-
Property and equipment	73,623	900,545	1,587,281
Available-for-sale financial assets (Note 5)	674	65,053	46,635
Dividends received	295,102	1,399	47,979
Additions to:			
Available-for-sale financial assets (Note 5)	(12,090)	(42,531)	-
Investments in associates, jointly controlled entity and others (Note 10)	(244,670)	(1,433,997)	(200,351)
Investment properties (Note 11)	(1,350,730)	(433,431)	(97,044)
Property, plant and equipment (Notes 12 and 37)	(4,421,591)	(3,901,588)	(2,626,811)
Acquisition of a business (Notes 32 and 37)	(9,967,288)	(7,158,718)	-
Increase in other noncurrent assets	(104,059)	(112,232)	(361,340)
Net cash used in investing activities	(13,119,688)	(11,329,716)	(1,644,852)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from:			
Long-term debt	15,865,769	10,809,583	3,817,805
Bank loans	4,854,515	902,697	229,501
Payments of:			
Dividends	(2,107,882)	(1,280,994)	(265,530)
Long-term debt	(5,212,831)	(9,123,370)	(2,127,459)
Bank loans	(5,308,098)	(133,988)	-
Increase (decrease) in:			
Other noncurrent liabilities	(214,937)	384,314	999
Payable to related parties (Note 20)	(430,553)	173,175	190,050
Redemption of preferred shares	-	-	(226)
Net cash provided by financing activities	7,445,983	1,731,417	1,845,140
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	6,684,376	193,667	(379,561)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	3,262,290	3,068,623	3,448,184
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	₱9,946,666	₱3,262,290	₱3,068,623

See accompanying Notes to Consolidated Financial Statements.



DMCI HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

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

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

2. Summary of Significant Accounting Policies

Basis of Preparation

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

Statement of Compliance

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

Basis of Consolidation

Basis of consolidation from January 1, 2010

The consolidated financial statements comprise the financial statements of the Group as of December 31, 2010 and 2009 and for each of the three years in the period ended December 31, 2010. Under PFRS, it is acceptable to use, for consolidation purposes, the financial statements of subsidiaries for fiscal periods differing from that of the Parent Company if the difference is not more than three months.

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

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

Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries not wholly owned by the Group and are presented separately in consolidated statement of income, consolidated statement of comprehensive income and consolidated statement of changes in equity and within equity in the consolidated statement of financial position, separately from equity holders' of the Parent Company.

Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.



A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary, the carrying amount of any non-controlling interest and the cumulative translation differences, recorded in equity.
- Recognizes the fair value of the consideration received, the fair value of any investment retained and any surplus or deficit in profit or loss.
- Reclassifies the Parent Company's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

Basis of consolidation prior to January 1, 2010

Certain of the above-mentioned requirements were applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- Acquisitions of non-controlling interests, prior to January 1, 2010, were accounted for using the parent entity extension method, whereby, the difference between the consideration and the share in the book value of the net assets acquired were recognized in goodwill.
- Losses incurred by the Group were attributed to non-controlling interest until the balance was reduced to nil. Any further excess losses were attributed to the parent, unless non-controlling interest had a binding obligation to cover these. Losses prior to January 1, 2010 were not reallocated between non-controlling interest and the parent shareholders.
- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying value of such investments at January 1, 2010 has not been restated.

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

	Effective Percentages of Ownership	
	2010	2009
<u>General Construction:</u>		
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. and Subsidiaries (AG&P)	-	98.19
DMCI-Laing Construction, Inc. (DMCI-Laing) ²	60.00	60.00
Beta Electric Corporation (Beta Electric) ²	50.77	50.77
Raco Haven Automation Philippines, Inc. (Raco) ²	50.14	50.14
<u>Mining:</u>		
Semirara Mining Corporation (Semirara)	56.32	58.88
DMCI Mining Corporation (DMC)	100.00	79.44
<i>(Forward)</i>		



	Effective Percentages of Ownership	
	2010	2009
<u>Real Estate Development:</u>		
DMCI Project Developers, Inc. (PDI)	100.00	100.00
Hampstead Gardens Corporation (Hampstead) ³	100.00	100.00
Riviera Land Corporation (Riviera) ³	100.00	100.00
DMCI-PDI Hotels, Inc. (PDI Hotels) ³	100.00	100.00
DMCI Homes Property Management Corporation (DHPMC) ³	100.00	100.00
<u>Manufacturing:</u>		
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
<u>Marketing Arm:</u>		
DMCI Homes, Inc. (DMCI Homes) ³	100.00	100.00
<u>Power:</u>		
DMCI Power Corporation (DPC) (formerly DMCI Energy Resources Unlimited Inc.) *	100.00	79.44
DMCI Masbate Power Corporation (DMCI Masbate)	100.00	89.93
DMCI Concepcion Power Corporation (DMCI Concepcion)	-	79.44
DMCI Calaca Power Corporation	100.00	100.00
Sem-Calaca Power Corporation (SCPC) ⁴	56.32	58.88

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

¹ Also engaged in real estate development

² DMCI's subsidiaries

³ PDI's subsidiaries

⁴ Semirara's subsidiary

AG&P

On December 22, 2010, the Parent Company (the "Seller") and AGP Philippines Holdings, Inc. (AGPPHI or "Buyer") entered into a Stock Purchase Agreement (the "SPA"), wherein the Seller agreed to sell and the Buyer agreed to purchase nine hundred seventy-three million eighty-nine thousand forty-two (973,089,042) shares of stock (the "Shares") representing 98.19% of the AG&P's total issued and outstanding capital stock (see Note 39).

PDI Hotels

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

PDI

In 2008, DMCI and PDI entered into a debt-to-equity conversion agreement for the equivalent 32.19% interest in PDI. On December 9, 2009, PDI, DMCI and the Parent Company, entered into a property-for-share swap wherein certain parcels of land owned by DMCI and the Parent Company were transferred to PDI in exchange of equity interest in PDI.



DPC

Sale of Shares in DMCI Concepcion and land in Concepcion, Iloilo

On August 16, 2010, DPC entered into a Sale and Purchase Agreement (the Agreement) with Palm Thermal Consolidated Holdings Corporation and Panay Consolidated Land Holdings Corporation (the Buyers) for the sale of its 2.50 million shares in DMCI Concepcion, representing its entire investment in the said company, and its 300,000 sq/m land located in Concepcion, Iloilo with aggregate book value of ₱58.95 million for a total consideration of ₱80.00 million to be paid in accordance with the following schedule:

- a. ₱1.00 million as earnest money payable on the date of the Agreement; and,
- b. ₱79.00 million upon full compliance of the conditions set forth in the Agreement.

On November 11, 2010, DPC received ₱79.00 million from the Buyers representing the remaining balance of the agreed consideration. Net gain from said transaction amounted to ₱19.05 million after deducting commissions paid to brokers in 2010 amounting to ₱2.00 million.

DMCI Masbate

Power Supply Agreement with Masbate Electric Cooperative, Inc. (Maselco)

In May 4, 2007, Maselco and the DMCI Masbate entered into a Power Supply Agreement (PSA) wherein DMCI Masbate shall deliver a guaranteed dependable capacity of 13,000 kW, which Maselco may dispatch for its load and ancillary services requirements.

The PSA has a term commencing on the date on its execution and expiring on the last day of the fifteenth (15th) year of the commercial operations period as provided therein, unless extended or earlier terminated. The commercial operations period shall commence not later than eighteen (18) months from effective date. Maselco shall only pay for actual energy delivered, not on a take or pay basis, except in extraordinary circumstances as provided in the PSA. In exceptional circumstances, payments shall be based on a pre-defined net expected energy rate.

Transitory Agreement with Maselco

On March 3, 2010, DMCI Masbate entered into a Transitory Agreement, which shall have a term of five (5) years commencing from the date of the agreement, wherein Maselco shall avail of the generating capacity of DMCI Masbate and shall pay for such energy output according to the approved Subsidized/Approved Generation Rate of ₱3.65 for Masbate.

Also, under this agreement, DMCI Masbate shall deliver the coal-fired power plant barring any political and social situation preventing the construction and development thereof pursuant to the PSA not later than the 5th year anniversary of this agreement. If it is determined anytime during the term that the construction and commissioning of a coal-fired power plant in Masbate cannot be completed prior to the lapse of the term, the parties may extend the term of this agreement, amend the existing PSA or terminate this agreement and negotiate for a new PSA.

DMC

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



In March 2010, the Company and Benguet Corp Nickel Mines, Inc., an affiliate of BC, agreed to establish and maintain a Mine Rehabilitation Fund as a reasonable environmental deposit to ensure the availability of funds for its satisfactory compliance with the commitments and performance of activities stipulated in its Environment Protection and Management Program/Annual Environmental Protection and Enhancement Program during a specific project phase.

SCPC

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

Semirara

Semirara and the Parent Company have 50%-50% shareholdings in both DPC and DMC. On December 8, 2010, a Deed of Assignment was made and executed between Semirara and the Parent Company, the former being the “Assignor” and the latter being the “Assignee”. Semirara offered to assign, transfer and convey all of its rights, ownership and interest over its shares in DPC and DMC.

Changes in Accounting Policies

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those of the previous financial year except for the following new and amended PFRS and Philippine Interpretations of International Financial Reporting Interpretations Committee (IFRIC) effective as of January 1, 2010.

New and Amended Standards and Interpretations

- PFRS 2, *Share-based Payment: Group Cash-settled Share-based Payment Transactions* (effective January 1, 2010)
- PFRS 3, *Business Combinations (Revised)*, and Philippine Accounting Standards (PAS) 27, *Consolidated and Separate Financial Statements (Amended)* (effective July 1, 2009, including consequential amendments to PFRS 2, PFRS 5, PFRS 7, PAS 7, PAS 21, PAS 28, PAS 31 and PAS 39)
- PAS 39, *Financial Instruments: Recognition and Measurement - Eligible Hedged Items* (effective July 1, 2009)
- Philippine Interpretation IFRIC 17, *Distributions of Non-cash Assets to Owners* (effective July 1, 2009)
- Improvements to PFRSs 2008, with respect to PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*
- Improvements to PFRSs 2009

Standards or interpretations that have been adopted by the Group are described below. However, the adoption of these standards and interpretations did not have an impact on the consolidated financial statements of the Group, unless otherwise stated.

- PFRS 2, *Share-based Payment (Amendment) - Group Cash-settled Share-based Payment Transactions*

The amendment to PFRS 2 clarified the scope and the accounting for group cash-settled share-based payment transactions.



- PFRS 3 (Revised), *Business Combinations*, and PAS 27 (Amended), *Consolidated and Separate Financial Statements*

PFRS 3 (Revised) introduces significant changes in the accounting for business combinations occurring after becoming effective. Changes affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs and future reported results.

PAS 27 (Amended) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes by PFRS 3 (Revised) and PAS 27 (Amended) affect acquisitions or loss of control of subsidiaries and transactions with non-controlling interest after January 1, 2010.

- PAS 39, *Financial Instruments: Recognition and Measurement (Amendment) - Eligible Hedged Items*

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. This also covers the designation of inflation as a hedged risk or portion in particular situations.

- Philippine Interpretation IFRIC 17, *Distributions of Non-cash Assets to Owners*
This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends.

Improvements to PFRSs

Improvements to PFRSs, an omnibus of amendments to standards, deal primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Group.

- PFRS 8, *Operating Segments*, clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker. As the Group's chief operating decision maker does review segment assets and liabilities, the Group has continued to disclose this information in Note 33.

Other amendments resulting from Improvements to PFRSs to the following standards did not have any impact on the accounting policies, financial position or performance of the Group:

- PFRS 2, *Share-based Payment*
- PFRS 5, *Non-current Assets Held for Sale and Discontinued Operation*
- PAS 1, *Presentation of Financial Statements*
- PAS 7, *Statement of Cash Flows*
- PAS 17, *Leases*
- PAS 34, *Interim Financial Reporting*
- PAS 36, *Impairment of Assets*
- PAS 38, *Intangible Assets*
- PAS 39, *Financial Instruments: Recognition and Measurement*



- Philippine Interpretation IFRIC 9, *Reassessment of Embedded Derivatives*
- Philippine Interpretation IFRIC 16, *Hedge of a Net Investment in a Foreign Operation*

Future Changes in Accounting Policies

The Group has not applied the following PFRS and Philippine Interpretations which are not yet effective as of December 31, 2010. This list consists of standards and interpretations issued, which the Group reasonably expects to be applicable at a future date. The Group intends to adopt those standards when they become effective. The Group does not expect the adoption of these standards to have a significant impact in the consolidated financial statements, unless otherwise stated.

- PAS 24, *Related Party Disclosures (Amendment)*
The amended standard is effective for annual periods beginning on or after January 1, 2011. It clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government related entities. Early adoption is permitted for either the partial exemption for government-related entities or for the entire standard.
- PAS 32, *Financial Instruments: Presentation - Classification of Rights Issues (Amendment)*
The amendment to PAS 32 is effective for annual periods beginning on or after February 1, 2010 and amended the definition of a financial liability in order to classify rights issues (and certain options or warrants) as equity instruments in cases where such rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency.
- PAS 12, *Income Taxes (Amendment) - Deferred Tax: Recovery of Underlying Assets*
The amendment to PAS 12 is effective for annual periods beginning on or after January 1, 2012. It provides a practical solution to the problem of assessing whether recovery of an asset will be through use or sale. It introduces a presumption that recovery of the carrying amount of an asset will normally be through sale.
- PFRS 7, *Financial Instruments: Disclosures (Amendments) - Disclosures - Transfers of Financial Assets*
The amendments to PFRS 7 are effective for annual periods beginning on or after July 1, 2011. The amendments will allow users of financial statements to improve their understanding of transfer transactions of financial assets (for example, securitizations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.
- PFRS 9, *Financial Instruments: Classification and Measurement*
PFRS 9 as issued reflects the first phase of the IASB's work on the replacement of PAS 39 and applies to classification and measurement of financial assets as defined in PAS 39. The standard is effective for annual periods beginning on or after January 1, 2013. In subsequent phases, hedge accounting and derecognition will be addressed. The completion of this project is expected in second quarter 2011. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets. The Group will



quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

- **Philippine Interpretation IFRIC 14, *Prepayments of a Minimum Funding Requirement (Amendment)***
The amendment to IFRIC 14 is effective for annual periods beginning on or after January 1, 2011 with retrospective application. The amendment provides guidance on assessing the recoverable amount of a net pension asset. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset.
- **Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate***
This Philippine Interpretation, effective for annual periods beginning on or after January 1, 2012, covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The Interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, *Construction Contracts*, or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion.
- **Philippine Interpretation IFRIC 19, *Extinguishing Financial Liabilities with Equity Instruments***
IFRIC 19 is effective for annual periods beginning on or after July 1, 2010. The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. In case that this cannot be reliably measured, the instruments are measured at the fair value of the liability extinguished. Any gain or loss is recognized immediately in profit or loss.

Improvements to PFRSs (issued in May 2010)

Improvements to PFRSs is an omnibus of amendments to PFRSs. The amendments are effective for annual periods beginning on or after January 1, 2011, except when otherwise stated. The Group, however, expects no impact from the adoption of the amendments on its consolidated financial position or performance.

- **PFRS 3, *Business Combinations***
The amendment to PFRS 3 is effective for annual periods beginning on or after July 1, 2010. It clarifies that the amendments to PFRS 7, PAS 32 and PAS 39, *Financial Instruments: Recognition and Measurement*, that eliminate the exemption for contingent consideration, do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of PFRS 3 (as revised in 2008). The amendment will be applied retrospectively.

The amendment also limits the scope of the measurement choices that only the components of non-controlling interest that are present ownership interests that entitle their holders to a proportionate share to the entity's net assets, in the event of liquidation, shall be measured either at fair value or at present ownership instrument's proportionate share of the acquiree's identifiable net assets. Other components of non-controlling interest are measured at their acquisition date fair value, unless another measurement basis is required by another PFRS.



Further, the amendment requires an entity in a business combination to account for the replacement of the acquiree's share-based payment transactions, whether obliged or voluntarily, such as split between considerations and post-combination expenses. However, if the entity replaces the acquiree's awards that expire as a consequence of the business combination, these are recognized as post-combination expenses. The amendment also specifies the accounting for share-based payment transactions that the acquirer does not exchange for its own awards: if vested - they are part of non-controlling interest and measured at their market-based measure; if vested - they are measured at market-based value as if granted at acquisition date, and allocated between non-controlling interest and post-combination expenses.

- *PFRS 7, Financial Instruments: Disclosures*
PFRS 7 emphasizes the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instruments. The amendment will be applied retrospectively.
- *PAS 1, Presentation of Financial Statements*
The amendment to PAS 1 clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. The amendment will be applied retrospectively.
- *PAS 27, Consolidated and Separate Financial Statements*
The amended standard is effective for annual reporting periods beginning on or after July 1, 2010. It clarifies that the consequential amendments from PAS 27 made to PAS 21, *The Effect of Changes in Foreign Exchange Rates*, PAS 28, *Investments in Associates*, and PAS 31, *Interests in Joint Ventures*, apply prospectively for annual periods beginning on or after July 1, 2009 or earlier when PAS 27 is applied earlier. The amendment will be applied retrospectively.
- *Philippine Interpretation IFRIC 13, Customer Loyalty Programmes*
This Philippine Interpretation clarifies that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme, is to be taken into account. The amendment will be applied retrospectively.

Cash and Cash Equivalents

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

Financial Instruments

Date of recognition

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

Initial recognition of financial instruments

All financial assets are initially recognized at fair value. Except for financial assets at fair value through profit or loss (FVPL), the initial measurement of financial assets includes transaction



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

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

As of December 31, 2010 and 2009, the Group's financial instruments are classified as AFS financial assets, loans and receivables and other financial liabilities.

Determination of fair value

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

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

Day 1 difference

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

Loans and receivables

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



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

AFS financial assets

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

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

Other financial liabilities

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

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

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

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

Impairment of Financial Assets

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



Loans and receivables

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

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

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

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

Financial assets carried at cost

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

AFS financial assets

In case of AFS financial assets classified as equity investments, impairment would include a significant or prolonged decline in the fair value of the investments below its cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously



recognized in the consolidated statement of income - is removed from equity and recognized in the consolidated statement of income under “Other charges” account. Impairment losses on equity investments are not reversed through the consolidated statement of income. Increases in fair value after impairment are recognized directly in consolidated statement of changes in equity.

Offsetting Financial Instruments

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

Derecognition of Financial Assets and Liabilities

Financial asset

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

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

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

Financial liability

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

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

Inventories

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



Coal inventory

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

Nickel ore and chromites inventory

The cost of extracted nickel ore and chromites 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 cost of sales, all other production related costs are charged to production cost.

Materials-in-transit

Cost is determined using the specific identification basis.

Equipment parts and supplies

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

Real estate held for sale and development

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

Investments in Associates, Jointly Controlled Entity and Others

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

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

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

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



its share of that net income equals the share of net losses not recognized during the period the equity method was suspended.

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

After application of the equity method, the Group determines whether it is necessary to recognize an additional impairment loss on the Group's investment in its associate. The Group determines at each reporting period whether there is any objective evidence that the investment in the associate is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the "Equity in net earnings of associates, jointly controlled entities and others" in the consolidated statement of income.

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

Interest in a Joint Venture

The Group has an interest in a joint venture, whereby the venturers have a contractual arrangement that establishes joint control over the economic activities of the entity. The agreement requires unanimous agreement for financial and operating decisions among the venturers. The Group recognizes its interest in the joint venture using the proportionate consolidation method. The Group combines its proportionate share of each of the assets, liabilities, income and expenses of the joint venture with similar items, line by line, in its consolidated financial statements. The financial statements of the joint venture are prepared for the same reporting period as the Group. Adjustments are made where necessary to bring the accounting policies in line with those of the Group.

Adjustments are made in the Group's consolidated financial statements to eliminate the Group's share of intragroup balances, transactions and unrealised gains and losses on such transactions between the Group and its jointly controlled entity. Losses on transactions are recognized immediately if the loss provides evidence of a reduction in the net realisable value of current assets or an impairment loss. The joint venture is proportionately consolidated until the date on which the Group ceases to have joint control over the joint venture.

Investment Properties

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

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the consolidated statement of income in the period of derecognition.



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

	Years
Buildings and building improvements	5-25
Condominium units	5

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If 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.

Mining Reserves

Mining reserves are estimates of the amount of coal that can be economically and legally extracted from the Semirara's mining properties. Semirara estimates its mining reserves based on information compiled by appropriately qualified persons relating to the geological data on the size, depth and shape of the coal body, and requires complex geological judgments to interpret the data. The estimation of recoverable reserves is based upon factors such as estimates of foreign exchange rates, commodity prices, future capital requirements, and production costs along with geological assumptions and judgments made in estimating the size and grade of the coal body. Changes in the reserve estimates may impact upon the carrying value of property, plant and equipment, provision for decommissioning and site rehabilitation, recognition of deferred tax assets, and depreciation charges.

Property, Plant and Equipment

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

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

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

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



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

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

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

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

Intangible Assets

Intangible assets acquired separately are capitalized at cost and these are shown as part of the other noncurrent assets account in the consolidated statement of financial position. Following initial recognition, intangible assets are measured at cost less accumulated amortization and provisions for impairment losses, if any. The useful lives of intangible assets with finite life are assessed at the individual asset level. Intangible assets with finite life are amortized over their EUL. The 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 EUL ranging from 3 to 5 years. Costs directly associated with the development of identifiable computer software that generate expected future benefits to the Group are recognized as intangible assets. All other costs of developing and maintaining computer software programs are recognized as expense when incurred.

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

Input Value Added Tax (VAT)

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

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



Impairment of Nonfinancial Assets

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

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

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

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

Equity

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

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

Treasury Shares

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

Non-controlling Interests

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



Revenue and Cost Recognition

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

Mining

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

Electricity sales

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

Real estate sales

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

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

Construction contracts

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

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



final contract settlements that may result in revisions to estimated costs and gross margins are recognized in the year in which the changes are determined. Profit incentives are recognized as revenue when their realization is reasonably assured.

The asset “Costs and estimated earnings in excess of billings on uncompleted contracts” represents total costs incurred and estimated earnings recognized in excess of amounts billed. The liability

“Billings in excess of costs and estimated earnings on uncompleted contracts” represents billings in excess of total costs incurred and estimated earnings recognized. Contract retentions are presented as part of “Trade receivables” under the “Receivables” account in the consolidated statement of financial position.

Merchandise sales

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

Dividend income

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

Rental income

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

Interest income

Revenue is recognized as interest accrues using the effective interest method.

Operating Expenses

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

Borrowing Costs

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

The interest capitalized is calculated using the Group’s weighted average cost of borrowings after adjusting for borrowings associated with specific developments. Where borrowings are associated with specific developments, the amounts capitalized is the gross interest incurred on those borrowings less any investment income arising on their temporary investment. Interest is capitalized from the commencement of the development work until the date of practical completion. The capitalization of finance costs is suspended if there are prolonged periods when development activity is interrupted. Interest is also capitalized on the purchased cost of a site property acquired specially for development but only where activities necessary to prepare the asset for development are in progress.

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



Foreign Currency Translations

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

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

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

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

Commission Expense

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

Pension Expense

The Group has a noncontributory defined benefit retirement plan.

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

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



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

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

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

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

Leases

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

Group as a lessee

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

Group as a lessor

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

Income Tax

Current tax

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

Deferred tax

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



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

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

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

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

Earnings per Share

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



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

Operating Segment

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The Group generally accounts for intersegment revenues and expenses at agreed transfer prices. Income and expenses from discontinued operations are reported separate from normal income and expenses down to the level of income after taxes. Financial information on operating segments is presented in Note 33 to the consolidated financial statements.

Provisions

General

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

Provision for decommissioning and site rehabilitation costs

The Group is legally required to fulfill certain obligations as required under its Environmental Compliance Certificate (ECC) issued by Department of Environment and Natural Resources (DENR). The Group recognizes the present value of the liability for these obligations and capitalizes the present value of these costs as part of the balance of the related property, plant and equipment accounts which are depreciated, depleted and amortized on a straight-line basis over the EUL of the related property, plant and equipment or the contract period, whichever is shorter. The decommissioning and site rehabilitation costs are determined based on the provisions of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*. The Group recognizes the liability for these obligations as "Provision for decommissioning and site rehabilitation" under "Other noncurrent liabilities" in the consolidated statement of financial position (see Note 19).

Contingencies

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

Events After the Reporting Period

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



Business Combinations and Goodwill

Business combinations from January 1, 2010

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognized in accordance with PAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

Following initial recognition, goodwill is measured at cost less any accumulated impairment loss. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For purposes of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (CGUs), or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is allocated should:

- represent the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- not be larger than an operating segment determined in accordance with PFRS 8.

Impairment is determined by assessing the recoverable amount of the CGU (or group of CGUs), to which the goodwill relates. Where the recoverable amount of the CGU (or group of CGUs) is less than the carrying amount, an impairment loss is recognized. Where goodwill forms part of a CGU (or group of CGUs) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in these circumstances is measured based on the relative values of the operation disposed of and the portion of the CGU retained. If the acquirer's interest in the net fair value of the identifiable



assets, liabilities and contingent liabilities exceeds the cost of the business combination, the acquirer shall recognize immediately in the consolidated statement of comprehensive income any excess remaining after reassessment.

Business combinations prior to January 1, 2010

In comparison to the above-mentioned requirements, the following differences applied:

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Any additional acquired share of interest did not affect previously recognized goodwill.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

Contingent consideration was recognized if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognized as part of goodwill.

Goodwill acquired in a business combination is initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquired entity at the date of acquisition.

If the initial accounting for a business combination can only be determined on a provisional basis by the end of the period in which the combination is effected because either the fair values to be assigned to the acquiree's identifiable assets, liabilities or contingent liabilities or the cost of the combination can be determined only provisionally, the Parent Company accounts for the combination using those provisional values. The Parent Company recognizes any adjustment to those provisional values as a result of completing the initial accounting within 12 months from the acquisition date.

Discontinued Operation

A discontinued operation is a component of an entity that has been disposed of and represents a separate major line of business. In the consolidated statement of income of the reporting period, and of the comparable period of the previous years, income and expenses from discontinued operations are reported separately from income and expenses from continuing operations, down to the level of profit after taxes. The resulting income or loss (after taxes) is presented separately in the statements of income.

Acquisition of Non-controlling Interest in a Subsidiary

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



3. Significant Accounting Judgments and Estimates

The preparation of the consolidated financial statements in conformity with PFRS requires the Group to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the consolidated financial statements, as they become reasonably determinable.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ for such estimates.

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations which have the most significant effect on the amounts recognized in the consolidated financial statements:

Real estate revenue recognition

Selecting an appropriate revenue recognition method for a real estate sale transaction requires certain judgments based on buyer's commitment on sale which may be ascertained through the significance of the buyer's initial payments.

Impairment of AFS financial assets

The Group follows the guidance of PAS 39 in determining when an asset is impaired. This determination requires significant judgment. In making this judgment, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; the financial health of and near-term business outlook of the investee, including factors such as normal volatility in share price for quoted equity securities and industry and sector performance, changes in technology and operational and financing cash flow for unquoted equity securities.

Financial assets not quoted in an active market

The Group classifies financial assets by evaluating, among others, whether the asset is quoted or not in an active market. Included in the evaluation on whether a financial asset is quoted in an active market is the determination on whether quoted prices are readily and regularly available, and whether those prices represent actual and regularly occurring market transactions on an arm's length basis.

Distinction between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to property but also to the other assets used in the production or supply process.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions cannot be sold separately, the property is accounted for as an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgment is applied in determining



whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgment.

Operating lease commitments - The Group as Lessee

The Group has entered into various leases for its occupied offices, and mining and transportation equipment. The Group has determined that all significant risks and rewards of ownership are retained by the respective lessors on the offices and equipment it leases under operating leases.

Operating lease commitments - Group as Lessor

The Group has entered into property lease agreements on its investment property portfolio. The Group has determined that it retains all the significant risks and rewards of ownership of these properties as the Group considered, among others, the length of the lease term compared with the estimated life of the assets.

In determining whether a lease contract is cancellable or not, the Group considered, among others, the significance of the penalty including the economic consequence to the lessee.

Finance lease commitments - Group as Lessee

The Group has entered into finance leases on some of its construction equipment and service vehicle. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that the lessor transfers substantially all the risks and benefits incidental to ownership of the leased equipment to the Group thus, it recognized these leases as finance leases.

Management's Use of Estimates

The key assumptions concerning the future and other sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Revenue recognition

The Group's revenue recognition policies require use of estimates and assumptions that may affect the reported amounts of revenue and receivables.

a.) Mining

The Group's sales arrangement with its customers includes reductions of invoice price to take into consideration charges for penalties and bonuses. These price adjustments depend on the estimated quality of the delivered coal. These estimates are based on final coal quality analysis on delivered coal using American Standards for Testing Materials (ASTM).

There is no assurance that the use of estimates may not result in material adjustments in future periods. Revenue from mining amounted to ₱16.03 billion, ₱11.60 billion and ₱9.17 billion in 2010, 2009 and 2008, respectively.

b.) Construction contracts

The Group's revenue from construction contracts are recognized based on the percentage-of-completion, measured principally on the basis of the estimated completion of a physical proportion of the contract work and by reference to the actual cost incurred to date over the estimated total cost of the project.



There is no assurance that the use of estimates may not result in material adjustments in future periods. Revenue from construction contracts amounted to ₱10.73 billion, ₱8.00 billion and ₱4.12 billion in 2010, 2009 and 2008, respectively.

Allowance for doubtful accounts

The Group maintains an allowance for doubtful accounts at a level considered adequate to provide for potential uncollectible receivables. The level of this allowance is evaluated by the management on the basis of factors that affect the collectibility of the accounts. These factors include, but are not limited to debtors' ability to pay all amounts due according to the contractual terms of the receivables being evaluated, the length of relationship with the customer, the customer's payment behavior and known market factors. The Group reviews the age and status of receivables, and identifies accounts that are to be provided with allowances on a continuous basis. The Group provides full allowance for receivables that it deems uncollectible.

The amount and timing of recorded expenses for any period would differ if the Group made different judgments or utilized different estimates. An increase in the allowance for doubtful accounts on receivables would increase recorded operating expenses and decrease total assets.

Provision for doubtful accounts of the Group amounted to ₱58.91 million, ₱76.95 million and ₱0.66 million in 2010, 2009 and 2008, respectively (see Notes 6 and 24). Receivables of the Group, net of allowance for doubtful accounts of ₱149.77 million and ₱438.58 million as of December 31, 2010 and 2009, respectively, amounted to ₱11.91 billion and ₱7.27 billion as of December 31, 2010 and 2009, respectively (see Note 6).

Stock pile inventory quantities

The Group estimates the stock pile inventory of coal by conducting a topographic survey which is performed by in-house surveyors. The survey is conducted on a monthly basis with a reconfirmatory survey at year end. The process of estimation involves a predefined formula which considers an acceptable margin of error of plus or minus 3%. Thus, an increase or decrease in the estimation threshold for any period would differ if the Group utilized different estimates and this would either increase or decrease the profit for the year. The coal inventory as of December 31, 2010 and 2009 amounted to ₱0.93 billion and ₱1.74 billion, respectively (see Note 8).

NRV of inventories

The Group reviews its inventory to assess NRV at least on a semi-annual basis. This requires the Group to make an estimate of the inventories' estimated selling price in the ordinary course of business and costs necessary to make a sale to determine the NRV. The amount and timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized. An increase in reserves for inventory write-down would increase recorded operating expenses and decrease current assets.

Inventories of the Group at NRV, net of allowance for inventory obsolescence amounting to ₱62.89 million and ₱92.04 million as of December 31, 2010 and 2009, respectively, amounted to ₱955.03 million and ₱1,434.37 million as of December 31, 2010 and 2009, respectively (see Note 8).

Estimating decommissioning and site rehabilitation costs

The Group is legally required to fulfill certain obligations under its DENR issued ECC when it abandons depleted mine pits. These costs are accrued based on in-house estimate, which incorporates estimates of the amount of obligations and interest rates, if appropriate. 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 and equipment accounts, which are being depreciated, depleted and amortized on a straight line basis over the EUL of the related asset or the lease term. Assumptions used to compute the decommissioning and site rehabilitation costs are reviewed and updated annually.

The amount and timing of the recorded obligations for any period would differ if different judgments were made or different estimates were utilized. An increase in decommissioning and site rehabilitation costs would increase the recorded operating expenses and increase noncurrent liabilities.

As of December 31, 2010 and 2009, the provision for decommissioning and site rehabilitation amounted to ₱14.73 million and ₱17.62 million, respectively (see Note 19).

Estimating useful lives of investment properties, property, plant and equipment and intangible asset

The Group estimated the useful lives of its property, plant and equipment, investment properties and intangible asset based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment, investment properties and intangible assets are reviewed at least annually and are updated if expectations differ from previous estimates due to physical wear and tear and technical or commercial obsolescence on the use of these assets.

It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in factors mentioned above. A reduction in the estimated useful lives of property, plant and equipment, investment properties and intangible asset would increase depreciation, depletion and amortization expense and decrease noncurrent assets.

The carrying value of property, plant and equipment of the Group amounted to ₱21.54 billion and ₱22.37 billion as of December 31, 2010 and 2009, respectively (see Note 12). The net book value of investment properties of the Group amounted to ₱0.36 billion and ₱2.71 billion as of December 31, 2010 and 2009, respectively (see Note 11). The net book value of software cost of the Group amounted to ₱6.35 million and ₱19.09 million, respectively (see Note 13).

Impairment of nonfinancial assets

The Group assesses the impairment of assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Group considers important which could trigger an impairment review include the following:

- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- significant negative industry or economic trends.

An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.



In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Group is required to make estimates and assumptions that can materially affect the consolidated financial statements.

As of December 31, 2010 and 2009, the balances of the Group's nonfinancial assets, net of accumulated depreciation, depletion and amortization and accumulated provisions for impairment losses follow:

	2010	2009 (As restated - see Note 32)
Property, plant and equipment (Note 12)	₱21,540,724	₱22,369,545
Investments in associates, jointly controlled entities and others (Note 10)	9,387,673	7,747,388
Investment properties (Note 11)	358,590	2,713,680

Deferred tax assets

The Group reviews the carrying amounts of deferred taxes at each reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. However, there is no assurance that the Group will generate sufficient taxable income to allow all or part of deferred tax assets to be utilized.

The deferred tax assets amounted to ₱10.19 million and ₱38.53 million as of December 31, 2010 and 2009, respectively. The unrecognized deferred tax assets of the Group amounted to ₱503.06 million and ₱525.22 million as of December 31, 2010 and 2009, respectively (see Note 28).

Pension and other retirement benefits

The determination of the obligation and cost of retirement and other employee benefits is dependent on the selection of certain assumptions used in calculating such amounts. Those assumptions include, among others, discount rates, expected returns on plan assets and salary increase rates (see Note 22). Actual results that differ from the Group's assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligation in such future periods. While the Group believes that the assumptions are reasonable and appropriate, significant differences between actual experiences and assumptions may materially affect the cost of employee benefits and related obligations.

The Group also estimates other employee benefits obligation and expense, including the cost of paid leaves based on historical leave availments of employees, subject to the Group's policy. These estimates may vary depending on the future changes in salaries and actual experiences during the year.

As of December 31, 2010 and 2009, the balances of the Group's net pension liabilities and unrecognized actuarial gains follow (see Note 22):

	2010	2009
	(Amounts in Thousands)	
Net pension liabilities	₱216,784	₱107,857
Unrecognized actuarial gains	891,609	292,117



Contingencies

The Group is currently involved in various legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the defense in these matters and is based upon an analysis of potential results. The Group currently does not believe these proceedings will have a material effect on the Group's financial position. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings (see Note 36).

Fair value of financial instruments

The Group carries certain financial assets and liabilities at fair value, which requires extensive use of accounting estimates and judgment. While significant components of fair value measurement were determined using verifiable objective evidence (i.e., foreign exchange rates, interest rates), the amount of changes in fair value would differ if the Group utilized different valuation methodology. Any changes in fair value of these financial assets and liabilities would affect directly the consolidated statements of income and changes in equity.

Financial assets carried at fair value as of December 31, 2010 and 2009 amounted to ₱49.54 million and ₱34.25 million, respectively (see Note 34).

4. Cash and Cash Equivalents

This account consists of:

	2010	2009
	(Amounts in Thousands)	
Cash on hand and in banks	₱4,796,531	₱1,913,408
Cash equivalents	5,150,135	1,348,882
	₱9,946,666	₱3,262,290

Cash in banks earns interest at the respective bank deposit rates. Cash equivalents are short-term placements made for varying periods of up to three (3) months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term investment rates.

Total finance income earned on cash in banks and cash equivalents amounted to ₱198.57 million, ₱91.86 million and ₱148.70 million in 2010, 2009 and 2008, respectively (see Note 25).

The amount of cash in bank collateralized for the mortgage payable of SCPC amounted to ₱2.00 million as of December 31, 2010 (see Note 18).



5. Available-for-Sale Financial Assets

This account consists of:

	2010	2009
	(Amounts in Thousands)	
Quoted securities		
Balance at beginning of year	₱40,900	₱25,727
Additions	12,090	39,411
Disposal	(674)	(24,238)
Balance at end of year	52,316	40,900
Unrealized loss recognized in equity	(2,781)	(6,649)
	49,535	34,251
Unquoted securities		
Balance at beginning of year	261,883	282,595
Additions	-	3,120
Disposals	(7,255)	(23,832)
Balance at end of year	254,628	261,883
Less allowance for probable loss	(81,960)	(81,960)
	172,668	179,923
	₱222,203	₱214,174

Quoted securities

The quoted equity investments include investments in golf and sports club shares. The Group recognized unrealized gain amounting to ₱3.87 million in 2010 and unrealized loss amounting to ₱6.65 million in 2009 from AFS financial assets recognized in other comprehensive income (see Note 35).

Unquoted securities

The unquoted shares include investment in Montecito Properties, a 30% owned company carried at cost less provision for impairment losses. The Group does not have significant influence nor participate during Board discussion meeting. As of December 31, 2010 and 2009, the carrying amount of the investment in Montecito amounted to ₱164.51 million out of the total amount of unquoted securities of ₱172.67 million and ₱179.92 million as of December 31, 2010 and 2009, respectively.

On March 28, 2008, Montecito entered into a marketing management agreement with Ayala Land, Inc. (ALI) for the purpose of constructing, developing and completing the redevelopment of the residential subdivision known as Montecito Estate or the Project.

The agreement provided for an allocation of 55% of the saleable lots to Montecito and remaining 45% to ALI and payment of project management fee and marketing fees.



6. Receivables

This account consists of:

	2010	2009
	(Amounts in Thousands)	
Trade:		
Real estate	₱5,652,968	₱2,788,393
General construction (including retention receivables on uncompleted contracts of ₱1,135.37 million in 2010 and ₱788.15 million in 2009)	2,310,783	2,890,654
Mining	1,474,989	752,142
Electricity sales	1,825,826	489,246
	11,264,566	6,920,435
Receivables from related parties (Note 20)	489,854	613,267
Advances to officers and employees	49,549	60,280
Other receivables	253,177	115,509
	12,057,146	7,709,491
Less allowance for doubtful accounts	149,773	438,581
	11,907,373	7,270,910
Less noncurrent receivables - net	2,782,287	2,195,731
	₱9,125,086	₱5,075,179

Receivables amounting to ₱58.91 million and ₱76.95 million as of December 31, 2010 and 2009, respectively, were impaired and fully provided for (see Note 24). Movements in the allowance for impairment losses are as follows (amounts in thousands):

2010

	Trade Receivables					Total
	Real Estate	General Construction	Mining	Electricity Sales	Others	
At January 1	₱62,133	₱277,991	₱13,569	₱-	₱84,888	₱438,581
Provision during the year	-	-	-	53,524	5,381	58,905
Reversal	-	-	(5,677)	-	-	(5,677)
Write-off	(2,446)	-	-	-	(14,674)	(17,120)
Reclassification	(59,687)	-	-	-	59,687	-
Effect of deconsolidation of a subsidiary	-	(273,577)	-	-	(51,339)	(324,916)
At December 31	₱-	₱4,414	₱7,892	₱53,524	₱83,943	₱149,773
Individually impaired	₱-	₱4,414	₱7,892	₱53,524	₱83,943	₱149,773
Total	₱-	₱4,414	₱7,892	₱53,524	₱83,943	₱149,773

2009

	Trade Receivables				
	Real Estate	General Construction	Mining	Others	Total
At January 1	₱66,364	₱336,602	₱16,760	₱11,038	₱430,764
Provision during the year	-	3,098	-	73,850	76,948
Reversal	-	-	(3,191)	-	(3,191)
Reclassification	(4,231)	4,231	-	-	-
Write-off	-	(65,940)	-	-	(65,940)
At December 31	₱62,133	₱277,991	₱13,569	₱84,888	₱438,581
Individually impaired	₱4,656	₱277,991	₱13,569	₱84,888	₱381,104
Collectively impaired	57,477	-	-	-	57,477
Total	₱62,133	₱277,991	₱13,569	₱84,888	₱438,581



In 2007 and 2006, real estate receivables with a nominal amount of ₱1,016.30 million and ₱603.59 million, respectively, were initially recorded at fair value. The unamortized discount amounted to ₱8.60 million and ₱60.71 million as of December 31, 2010 and 2009, respectively.

Movement in the unamortized discount on real estate receivables is as follows:

	2010	2009
	(Amounts in Thousands)	
Balance at beginning of year	₱60,708	₱123,764
Accretion for the year (Note 25)	(52,104)	(63,056)
Balance at end of year	₱8,604	₱60,708

Trade Receivables

Real estate

Real estate receivables principally consist of amounts arising from sale of real estate subdivision units which are collectible within (ten) 10 years with interest that ranges from 14.00% to 19.00%. The corresponding titles to the subdivision units sold under this arrangement are transferred to the buyers only upon full payment of the contract price.

Certain subsidiaries are liable to local commercial banks relative to the discounting of real estate receivables (see Note 18). The purchase agreements provide that the Group should substitute defaulted contracts to sell with other contracts to sell of equivalent value. The carrying value of real estate receivables discounted amounted to ₱3.15 billion and ₱3.25 billion as of December 31, 2010 and 2009, respectively (see Note 18).

In 2010 and 2009, the Group entered into an agreement with Banco de Oro (BDO) to convert the receivables under purchased agreements into a without recourse basis. Total carrying value of trade receivables from real estate sales converted into a without recourse basis amounted to ₱2.89 billion and ₱3.62 billion as of December 31, 2010 and 2009, respectively (see Note 18).

General construction

General construction receivables principally consist of receivables from third-party construction projects. These are normally on a 30 to 60 day term.

Mining

Receivable from coal mining pertains to receivables from the sale of coal both to domestic and international markets. These receivables are noninterest-bearing and generally have 30-45 days credit terms.

Electricity sales

Receivables from electricity sales are claims from power distribution companies for supply and distribution of contracted energy and are generally carried at original invoice amounts less discounts and rebates.

As of December 31, 2010, electricity sales receivables amounting to ₱1,658.56 million are held as collateral for the mortgage payable of SCPC (see Note 18).

Other Receivables

Other receivables include the Group's receivables from JV partners and condominium corporations. These receivables are noninterest-bearing and are generally collectible within one year from the reporting date.



7. Costs and Estimated Earnings in Excess of Billings on Uncompleted Contracts

The details of the costs, estimated earnings and billings on uncompleted contracts follow:

	2010	2009
	(Amounts in Thousands)	
Total costs incurred	₱20,379,360	₱8,975,799
Add estimated earnings recognized	5,603,142	2,914,459
	25,982,502	11,890,258
Less total billings (including unliquidated advances from contract owners of ₱1,617.48 million in 2010 and ₱2,399.42 million in 2009)	26,120,186	11,642,494
	(₱137,684)	₱247,764

The foregoing balances are reflected in the consolidated statements of financial position under the following accounts:

	2010	2009
	(Amounts in Thousands)	
Costs and estimated earnings in excess of billings on uncompleted contracts	₱449,196	₱605,754
Billings in excess of costs and estimated earnings on uncompleted contracts	(586,880)	(357,990)
	(₱137,684)	₱247,764

8. Inventories

This account consists of:

	2010	2009
	(Amounts in Thousands)	
At Cost:		
Real estate held for sale and development	₱10,051,696	₱7,198,094
Coal inventory	931,245	1,743,045
Equipment parts, materials in transit and supplies	663,831	164,903
Nickel ore	102,740	14,038
Chromites	-	3,092
	11,749,512	9,123,172
At NRV:		
Equipment parts, materials in transit and supplies	955,032	1,409,773
Nickel ore	-	24,593
	955,032	1,434,366
	₱12,704,544	₱10,557,538



Costs of equipment parts, materials and supplies carried at NRV amounted to ₱1.01 billion and ₱1.50 billion as of December 31, 2010 and 2009, respectively. Costs of nickel ore carried at NRV amounted to nil and ₱29.24 million as of December 31, 2010 and 2009, respectively.

In 2010 and 2009, the Group capitalized borrowing costs amounting to ₱66.83 million and ₱45.03 million, respectively, on all real estate projects that commenced development starting January 1, 2009. The rate used to determine the amount of borrowing costs eligible for capitalization was 9.99% and 10.99%, which is the effective interest rate of the Group's general borrowing in 2010 and 2009, respectively.

The cost of inventories recognized as expense in the consolidated statement of income amounted to ₱21.74 billion, ₱14.25 billion and ₱10.48 billion for the years ended December 31, 2010, 2009 and 2008, respectively.

As of December 31, 2010, equipment parts, materials and supplies amounting to ₱549.82 million are held as collateral for the mortgage payable of SCPC (see Note 18).

9. Other Current Assets

This account consists of:

	2010	2009
	(Amounts in Thousands)	
Advances to suppliers, broker, contractors and mine rights owners	₱1,705,651	₱1,619,034
Creditable taxes withheld	818,163	389,390
Input VAT	700,066	660,338
Security deposits - current portion (Note 13)	304,401	270,751
Refundable deposits	244,049	89,443
Prepaid expenses	227,317	130,595
Others	9,725	40,660
	4,009,372	3,200,211
Less allowance for probable losses (Note 24)	88,778	-
	₱3,920,594	₱3,200,211

Advances to Suppliers, Brokers, Contractors and Mine Rights Owners

Advances to suppliers, brokers and contractors are recouped upon every progress billing payment depending on the percentage of accomplishment. Advances to mine rights owner are noninterest-bearing and are due and demandable.

Advances to Rusina Mining NL (Rusina) by DMC

In June 2008, DMC advanced US\$2.41 million to Rusina in view of acquiring interests in Zambales Chromite Mining Co., Inc. and Zambales Diversified Metals Corporation, companies related to its operations.

On November 3, 2008, the DMC withdrew its investments and on March 16, 2009, Rusina agreed to set in place the mechanics through which DMC could recover its investments. In March 27, 2009, Montemina Resources Corporation (MRC) was established to hold the shares of DMC. Consequently, DMC recognized the advances as a receivable from Rusina.



As of January 29, 2010, DMC received a total of US\$1.00 million as partial payment for the US\$2.41 million advances. On September 9 and 13, 2010, DMC issued two letters to MRC informing the latter of its breach of the above agreement due to its failure to pay the third tranche of US\$1.41 million. Accordingly, DMC recognized a provision for probable losses amounting to ₱61.81 million in 2010. In addition to the aforementioned US\$ advances, DMC also provided full allowance on its Peso advances to Rusina which amounted to ₱26.96 million. Total provision for the probable losses on Rusina amounted to ₱88.77 million (see Note 24).

Creditable Taxes Withheld

Creditable taxes withheld are attributable to taxes withheld by third parties arising from sales and services that will be applied to future taxes payable.

Input VAT

Input VAT is fully recoverable and can be applied against output VAT.

Refundable Deposits

Refundable deposits pertain to bill deposits and guaranty deposits for utilities that will be recovered within one year.

Prepaid Expenses

Prepaid expenses consist mainly of prepayments for taxes, commissions and insurance.

10. Investments in Associates, Jointly Controlled Entity and Others

The details of the Group's investments in associates, jointly controlled entity and others follow:

	2010	2009
	(Amounts in Thousands)	
Investments - At Equity		
Investments in associates		
Acquisition cost:		
Balance at beginning of year	₱4,700,332	₱3,253,835
Additions	244,670	1,433,997
Reclassification of investment in PIDC	-	12,500
Disposal	(200,001)	-
Balance at end of year	4,745,001	4,700,332
Accumulated equity in net losses:		
Balance at beginning of year	3,007,512	1,328,764
Equity in net earnings during the year	1,893,197	1,680,147*
Disposal	(8,687)	-
Dividends received (Note 20)	(289,317)	(1,399)
Balance at end of year	4,602,705	3,007,512
	9,347,706	7,707,844
Allowance for probable losses	(6,798)	(16,864)
	9,340,908	7,690,980

(Forward)



	2010	2009
	(Amounts in Thousands)	
Jointly controlled entity:		
Acquisition cost	₱125	₱125
Accumulated equity in net earnings	283	283
	408	408
	9,341,316	7,691,388
Investment - At Cost		
Balance at beginning of year	56,000	68,500
Disposal	(9,643)	-
Reclassification to investment in associate	-	(12,500)
Balance at end of year	46,357	56,000
	₱9,387,673	₱7,747,388

*Includes equity in net earnings of AG&P amounting to ₱5.32 million

The details of the Group's equity in the net assets of its associates and jointly controlled entity and the corresponding percentages of ownership follow:

	Percentages of Ownership		Equity in Net Assets	
	2010	2009	2010	2009
Associates:			(Amounts in Thousands)	
DMCI-MPIC Water Co. Inc. (DMWC)	44.59%	44.59%	₱8,457,486	₱6,893,361
Bachy Soletanche Philippines Corporation (Bachy)	49.00	49.00	43,061	43,061
Subic Water and Sewerage Company, Inc. (Subic Water)	40.00	40.00	104,750	126,710
Bauan International Port, Inc. (BIPI)	-	20.00	-	142,951
Private Infra Dev Corporation (PIDC)	33.00	33.00	735,611	484,897
			9,340,908	7,690,980
Jointly Controlled Entity:				
Eco Process & Equipment Philippines, Inc.	50.00	50.00	408	408
			9,341,316	7,691,388
At Cost				
Balance at beginning of year			56,000	68,500
Disposal			(9,643)	-
Reclassification to investment in associate			-	(12,500)
			46,357	56,000
Total			₱9,387,673	₱7,747,388



The following table summarizes the significant financial information of the Group's associates and jointly controlled entity:

2010

	Assets	Liabilities	Revenue	Net income (loss)
	(Amounts in Thousands)			
Associates:				
Bachy Soletanche Philippines Corporation	₱85,455	₱5,199	₱-	₱-
Subic Water and Sewerage Company, Inc	970,745	318,796	521,030	196,092
DMCI-MPIC Water Co. Inc.	59,067,964	39,861,616	12,049,524	4,400,399
Private Infra Dev Corporation	2,363,254	112,459	-	18,158
Jointly Controlled Entity:				
Eco Process & Equipment Philippines, Inc.	1,548	236	-	-

2009

	Assets	Liabilities	Revenue	Net income (loss)
	(Amounts in Thousands)			
Associates:				
Bachy Soletanche Philippines Corporation	₱85,455	₱5,199	₱-	(₱93)
Bauan International Port, Inc.	1,071,700	9,400	64,721	26,600
Subic Water and Sewerage Company, Inc	829,696	255,872	586,175	152,191
DMCI-MPIC Water Co. Inc.	53,264,908	37,952,351	19,411,781	3,727,314
Private Infra Dev Corporation	1,592,064	10,785	-	(21,288)
Jointly Controlled Entity:				
Eco Process & Equipment Philippines, Inc.	2,596	252	-	(2)

BIPI

BIPI is a domestic corporation which functions as a multi-purpose facility primarily handling bulk cargo from industries in Bauan. BIPI's place of business is at Port Area, San Roque, Bauan, Batangas.

Relative to the disposal of AG&P, investment to BIPI was no longer recognized in the consolidated statement of financial position as of December 31, 2010 (see Note 39).

Subic Water

On January 22, 1997, PDI subscribed to 3,262,320 shares at the par value of ₱10 per share for an aggregate value of ₱32.62 million in Subic Water, a venture company with Subic Bay Metropolitan Authority (a government-owned corporation), Olongapo City Water District, and Cascal Services Limited (a company organized under the laws of England). The agreement executed by the parties on November 24, 1996 stipulated, among others, that PDI shall have an equity participation equivalent to 40% in Subic Water amounting to ₱74.80 million (based on the initial subscribed and paid-in capital of ₱187.00 million). The balance of PDI's committed



subscription to Subic Water of ₱38.18 million (net of additional subscriptions payment of ₱4.00 million in 1998) is expected to be paid on or before the second anniversary of the effectivity date. As of December 31, 2010 and 2009, such committed subscription has not yet been paid.

The investment in Subic Water is accounted for as an investment in an associate since there's no joint control among the investors.

PIDC

On February 19, 2008, PIDC was awarded the contract for the financing, design, construction, operation and maintenance of the Tarlac-Pangasinan-La Union Expressway, Phase 1, from La Paz, Tarlac to Rosario, La Union

On September 3, 2009, the BOD approved the Parent Company's additional subscription of 1,449,684 common shares out of PIDC's increase in authorized capital stock of ₱3.50 billion. The Parent Company paid ₱244.67 million and ₱436.90 million in 2010 and 2009, respectively, for the said subscription.

DMWC

Loss of Joint Control

DMWC is a 50% owned joint venture of the Parent Company until July 17, 2008 when Metro Pacific Investments Corporation (MPIC) acquired convertible note (herein referred to as Facility Loan B) which was issued by DMWC in 2007 to First Pacific Company Limited (FPC) and a foreign company (the original holders of the convertible note). The convertible note carries an option to convert the same to DMWC shares. The acquisition of the convertible note by the MPIC resulted to potential voting rights equivalent to approximately 12.0% interest in DMWC and control is thereby obtained by MPIC.

Pursuant to the Subscription Agreement by and among the Parent Company, MPIC and DMWC on November 27, 2008, the Parent Company and MPIC subscribed to additional 961.6 million common shares and 1.93 billion common shares, respectively, of DMWC (the "DMCI and MPIC Subscription Shares").

Simultaneous with the execution of the Subscription Agreement, DMWC, the Parent Company, MPIC and Maynilad entered into a Shareholders' Agreement outlining the relationship of the Parent Company and MPIC as shareholders of DMWC. In the same Shareholders' Agreement, which was immediately executory, the parties confirmed that each of the Parent Company and MPIC holds, on the date of said Shareholders' Agreement, equity interests in the form of shares and share entitlements in DMCI-MPIC equal to 44.59% and 55.41%, respectively.

Also on the same date and immediately upon execution of the Subscription Agreement and the Shareholders' Agreement, the stockholders and the BOD of DMWC convened and approved the increase in authorized capital stock of DMWC from ₱6.00 billion divided into 6,000,000,000 common shares with par value of ₱1.00 per share to ₱8.88 billion divided into 8,884,800,000 common shares with par value of ₱1.00 per share.

On July 7, 2009, the SEC approved the application for increase in authorized capital stock of DMWC. As of December 31, 2009, deposit for future stock subscription amounting to ₱2,125.4 million was applied to the additional issuances during the year, which increased the Parent Company's investment by ₱961.6 million, with a corresponding subscription payable of ₱379.71 million.



On September 13, 2010, the stockholders and the BOD of DMWC concurred and approved the decrease in authorized capital stock to 5,854,800,000 common shares with par value of ₱1.00 per share resulting to an additional paid-in capital of ₱3,030.0 million. On October 19, 2010, the SEC approved the Amended Articles of Incorporation effecting the reduction in authorized capital stock.

On November 9, 2010, the SEC approved DMWC's application for quasi-reorganization offsetting the deficit as of December 31, 2009 amounting to ₱3,027.4 million against its additional paid-in capital.

Equity in net earnings in DMWC amounted to ₱1.81 billion in 2010, ₱1.66 billion in 2009 and ₱30.42 million in 2008 (including share in negative goodwill of ₱1.83 billion and IFRIC 12 adjustment of ₱278.26 million).

Concession Agreement of Maynilad

On February 21, 1997, Maynilad entered into a Concession Agreement with the MWSS, a government-owned and controlled corporation organized and existing pursuant to Republic Act (RA) No. 6234 (the Charter), as clarified and amended, with respect to the MWSS West Service Area. The Concession Agreement sets forth the rights and obligations of Maynilad throughout the concession period. The MWSS Regulatory Office acts as the regulatory body of the Concessionaires [Maynilad and the East Concessionaire - Manila Water Company, Inc. (Manila Water)].

Under the Concession Agreement, MWSS grants Maynilad (as contractor to perform certain functions and as agent for the exercise of certain rights and powers under the Charter), the sole right to manage, operate, repair, decommission and refurbish all fixed and movable assets required (except certain retained assets of MWSS) to provide water and sewerage services in the West Service Area for 25 years commencing on August 1, 1997 (the Commencement Date) to May 6, 2022 (the Expiration Date) or the early termination date as the case may be.

Maynilad is also tasked to manage, operate, repair, decommission and refurbish certain specified MWSS facilities in the West Service Area. Legal title to these assets remains with MWSS. The legal title to all property, plant and equipment contributed to the existing MWSS system by Maynilad during the concession period remains with Maynilad until the Expiration Date (or on early termination date) at which time, all rights, titles and interest in such assets will automatically vest to MWSS.

Under the Concession Agreement, Maynilad is entitled to the following rate adjustments:

- a. annual standard rate adjustment to compensate for increases in the Consumer Price Index (CPI) subject to rate adjustment limit;
- b. Extraordinary Price Adjustment (EPA) to account for the financial consequences of the occurrence of certain unforeseen events subject to grounds stipulated in the Concession Agreement; and
- c. rate rebasing (Rate Rebasing) mechanism to allow rates to be adjusted every five (5) years to enable Maynilad to recover expenditures efficiently and prudently incurred, Philippine business taxes and payments corresponding to debt service on concession fees, and Maynilad loans incurred to finance such expenditures.



Extension of Maynilad's Concession Agreement

On September 10, 2009, the MWSS Board of Trustees (BoT) approved the extension of the expiry of its Concession Agreement with Maynilad by an additional fifteen (15) years or from May 7, 2022 to May 6, 2037. Subsequently, on September 16, 2009, the MWSS Administrator wrote the Department of Finance (DoF) to inform them of the MWSS BoT's decision and seek the DoF's written consent to the extension, as well its extension of the Letter of Undertaking covering the government's obligation under the Concession Agreement. On April 22, 2010, the DoF (by authority from the Office of the President of the Republic of the Philippines) approved the extension of the expiry of its Concession Agreement.

The significant commitments under the extension follow:

- a. to mitigate tariff increases;
- b. to increase the share in the current operating budget support to MWSS by 100% as part of the concession fees starting 2010 (see Note 21); and
- c. to increase total investments.

The DoF further clarified that the extension of the government's Undertaking shall be effective only upon an increase in Maynilad's Performance Bond from US\$30 Million to US\$90 Million for the third rate Rebasing Period. Subsequently, Maynilad submitted a Performance Bond in the increased amount of US\$90 Million to MWSS on May 31, 2010.

11. Investment Properties

The movements in this account follow (amounts in thousands):

2010

	Land	Buildings and Building Improvements	Condominium units	Total
Cost				
At January 1	₱2,640,046	₱68,327	₱12,210	₱2,720,583
Additions	1,350,730	-	-	1,350,730
Transfers to real estate held for sale and development	(3,515,176)	-	-	(3,515,176)
Effect of deconsolidation of a subsidiary	(186,743)	-	-	(186,743)
At December 31	288,857	68,327	12,210	369,394
Accumulated Depreciation and Amortization				
At January 1	-	6,903	-	6,903
Depreciation and amortization (Note 23)	-	3,416	485	3,901
At December 31	-	10,319	485	10,804
Net Book Value	₱288,857	₱58,008	₱11,725	₱358,590



2009

	Land	Buildings and Building Improvements	Condominium units	Total
Cost				
At January 1	₱2,414,643	₱61,225	₱10,280	₱2,486,148
Additions	431,501	–	1,930	433,431
Transfers from property, plant and equipment	–	7,102	–	7,102
Transfers to real estate held for sale and development	(206,098)	–	–	(206,098)
At December 31	2,640,046	68,327	12,210	2,720,583
Accumulated Depreciation and Amortization				
At January 1	–	700	–	700
Transfers from property, plant and equipment	–	456	–	456
Depreciation and amortization (Note 23)	–	5,747	–	5,747
At December 31	–	6,903	–	6,903
Net Book Value	₱2,640,046	₱61,424	₱12,210	₱2,713,680

The fair value of investment properties, which has been determined based on valuations performed by independent professional qualified appraisers in 2010 and 2009, exceeds its carrying cost. The fair value represents the amount at which the assets could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction at the date of valuation. The aggregate fair value as of the date of appraisal amounted to ₱2.14 billion and ₱2.37 billion as of December 31, 2010 and 2009, respectively.

The value of the investment properties was arrived at using the Market Data Approach. In this approach, the value of the investment properties is based on sales and listings of comparable property registered in the vicinity. The technique of this approach requires the establishment of comparable property by reducing reasonable comparative sales and listings to a common denominator. This is done by adjusting the differences between the subject property and those actual sales and listings regarded as comparable. The properties used as basis of comparison are situated within the immediate vicinity of the subject property.

Rental income from investment properties (included under 'Other income') amounted to ₱66.96 million, ₱23.77 million and ₱24.86 million for the years ended December 31, 2010, 2009 and 2008, respectively (see Note 27). Direct operating expenses (included under 'Operating expenses' in the consolidated statements of income) arising from investment properties amounted to ₱3.90 million, ₱5.75 million and ₱3.97 million in 2010, 2009 and 2008, respectively (see Notes 23 and 24).



12. Property, Plant and Equipment

The movements in this account follow (amounts in thousands):

2010

	Land and Land Improvements	Power Plant, Buildings and Building Improvements	Construction Equipment, Machinery and Tools	Office Furniture, Fixtures and Equipment	Transportation Equipment	Conventional and Continuous Mining Properties and Equipment	Leasehold Improvements	Construction in Progress	Total
Cost									
At January 1	₱2,183,360	₱18,387,511	₱4,349,204	₱389,046	₱229,923	₱10,275,461	₱98,479	₱1,085,137	₱36,998,121
Additions	286,529	66,151	912,951	64,128	80,047	2,648,097	332	663,736	4,721,971
Transfers from inventory	–	–	–	20,859	–	–	–	525,355	546,214
Transfers and retirements/disposals	(96,217)	519,981	(22,151)	–	(10,266)	463,622	–	(983,603)	(128,634)
Deconsolidation of a subsidiary	(1,624,704)	(679,407)	(1,135,170)	(204,257)	(33,647)	–	–	(21,629)	(3,698,814)
At December 31	748,968	18,294,236	4,104,834	269,776	266,057	13,387,180	98,811	1,268,996	38,438,858
Accumulated Depreciation, Depletion and Amortization									
At January 1	570,346	1,653,355	2,878,448	319,245	159,035	8,988,247	59,900	–	14,628,576
Depreciation, depletion and amortization (Notes 23 and 24)	15,999	874,431	1,014,680	71,491	63,339	1,629,171	598	–	3,669,709
Transfers and retirements/disposals	(31,883)	(1)	(16,425)	–	(9,369)	(9,123)	–	–	(66,801)
Allowance for impairment	–	6,670	–	–	–	–	–	–	6,670
Deconsolidation of a subsidiary	(116,699)	(360,796)	(693,590)	(141,922)	(27,013)	–	–	–	(1,340,020)
At December 31	437,763	2,173,659	3,183,113	248,814	185,992	10,608,295	60,498	–	16,898,134
Net Book Value	₱311,205	₱16,120,577	₱921,721	₱20,962	₱80,065	₱2,778,885	₱38,313	₱1,268,996	₱21,540,724



2009

	Land and Land Improvements	Power Plant, Buildings and Building Improvements	Construction Equipment, Machinery and Tools	Office Furniture, Fixtures and Equipment	Transportation Equipment	Conventional and Continuous Mining Properties and Equipment	Leasehold Improvements	Construction in Progress	Total
Cost									
At January 1	₱2,199,148	₱2,123,543	₱3,372,820	₱365,476	₱219,820	₱8,927,359	₱69,940	₱368,259	₱17,646,365
Additions	57,905	3,617	986,465	23,761	30,457	2,191,704	29,753	1,052,290	4,375,952
Acquisition of a business (Note 32)	–	16,148,544	–	–	–	–	–	62,826	16,211,370
Transfers and retirements/disposals	(73,693)	111,807	(10,081)	(191)	(20,354)	(843,602)	(1,214)	(398,238)	(1,235,566)
At December 31	2,183,360	18,387,511	4,349,204	389,046	229,923	10,275,461	98,479	1,085,137	36,998,121
Accumulated Depreciation, Depletion and Amortization									
At January 1	549,874	1,338,150	2,450,593	297,100	152,661	8,458,905	59,366	–	13,306,649
Depreciation, depletion and amortization (Notes 23 and 24)	21,512	335,926	437,196	37,919	24,882	804,854	1,748	–	1,664,037
Transfers and retirements/disposals	(1,040)	(20,721)	(9,341)	(15,774)	(18,508)	(275,512)	(1,214)	–	(342,110)
At December 31	570,346	1,653,355	2,878,448	319,245	159,035	8,988,247	59,900	–	14,628,576
Net Book Value	₱1,613,014	₱16,734,156	₱1,470,756	₱69,801	₱70,888	₱1,287,214	₱38,579	₱1,085,137	₱22,369,545



Depreciation, depletion and amortization expense on property, plant and equipment amounted to ₱3.67 billion, ₱1.66 billion and ₱1.53 billion in 2010, 2009 and 2008, respectively (see Notes 23 and 24).

The construction-in-progress account mostly contains purchased mining equipment in transit in 2010 and 2009. Construction-in-progress also includes capitalized rehabilitation costs for the Unit II of Calaca power plant incurred in 2010, the rehabilitation of which is expected to be completed by early 2011. These are not qualifying assets as such no borrowing cost was capitalized in 2010 and 2009.

As of December 31, 2010 and 2009, the carrying amount of transportation and construction equipment under finance lease amounted to ₱124.77 million and ₱99.00 million, respectively (see Note 36). Power plant, buildings and building improvements amounting to ₱15.28 billion are held as collateral to secure the mortgage payable of SCPC as of December 31, 2010 (see Note 18).

13. Other Noncurrent Assets

The details of other noncurrent assets follow:

	2010	2009
	(Amounts in Thousands)	
Security deposits (Notes 34 and 36)	₱339,022	₱433,513
Investment in sinking fund (Note 18)	310,230	–
5% input VAT withheld - net	150,127	150,127
Prepaid rent (Note 36)	144,204	150,568
Deferred input VAT	175,263	132,633
Software cost – net	6,346	19,086
Others	10,214	115,036
	1,135,406	1,000,963
Less current portion of		
Security deposits (Note 9)	304,401	270,751
Prepaid rent	6,183	6,525
	310,584	277,276
	₱824,822	₱723,687

Deferred input VAT

This pertains to acquisition of capital assets.

5% input VAT withheld

As a result of the enactment of Republic Act (RA) No. 9337 effective November 1, 2005 (see Notes 24 and 28), National Power Corporation (NPC) started withholding the required 5% input VAT on the VAT exempt coal sales of the Group. On March 7, 2007, the Group obtained a ruling from the Bureau of Internal Revenue (BIR) which stated that the sale of coal remains exempt from VAT. In 2007, the Group filed a total claim for refund of ₱190.50 million from the BIR representing VAT erroneously withheld by NPC from December 2005 to March 2007, which eventually was elevated to the Court of Tax Appeals (CTA). On October 13, 2009, CTA granted the Semirara's petition for a refund on erroneously withheld VAT initially on December 2005 sales amounting to ₱11.85 million. The Commissioner of BIR moved for reconsideration of the



CTA's Decision. On November 21, 2009, the Parent Company filed its comment thereon. The motion for reconsideration remains pending to date. Management has estimated that the refund will be recovered after three (3) to five (5) years. Consequently, in 2009, the claim for tax refund was provided with provision for probable loss amounting to ₱40.37 million (see Note 24).

Security deposits

Security deposits represent payments to and held by the lessor as security for the faithful and timely performance by the Group of all its obligations and compliance with all provisions of the equipment rental agreement. These deposits shall be returned by the lessor to the Group after deducting any unpaid rental, and/or any other amounts due to the lessor for any damage and expense incurred to put the vehicle in good working condition.

There were no additional security deposits during the year. In 2009 and 2008, security deposits with a nominal amount of ₱22.20 and ₱282.37 million, respectively, were initially recorded at fair value. Movement in the unamortized discount on security deposits follows:

	2010	2009
	(Amounts in Thousands)	
At January 1	₱12,956	₱31,280
Additions	-	2,300
Accretion (Note 25)	(12,787)	(20,624)
At December 31	₱169	₱12,956

Movements in software cost account follow:

	2010	2009
	(Amounts in Thousands)	
At Cost		
At January 1	₱38,487	₱32,477
Additions	2,971	6,010
At December 31	41,458	38,487
Accumulated Amortization		
At January 1	19,401	4,729
Amortization (Notes 23 and 24)	15,711	14,672
At December 31	35,112	19,401
Net Book Value	₱6,346	₱19,086

14. Bank Loans

The Group's bank loans in 2010 and 2009 consist of peso-denominated short-term borrowings from local banks which bear interest at prevailing market rates and are payable on monthly, quarterly and lump sum bases on various maturity dates within the next 12 months after the reporting date.

The Group's agreements with local banks contain some or all of the following restrictions relating to, among others: purchase of issued and outstanding capital stock; disposal of encumbered properties; change in the ownership or management and nature of its business; dividend declaration and distribution; guarantees; incurrence of additional liabilities; and merger and consolidation.



As of December 31, 2010 and 2009, the Group was in compliance with the loan covenants required by the banks.

15. Liabilities for Purchased Land

Liabilities for purchased land represent the balance of the Group's obligations to various real estate property sellers for the acquisition of certain parcels of land. The terms of the deeds of absolute sale covering the land acquisitions provided that such obligations are payable only after the following conditions, among others, have been complied with: (a) presentation by the property sellers of the original transfer certificates of title covering the purchased parcels of land; (b) submission of certificates of non-delinquency on real estate taxes; and (c) physical turnover of the acquired parcels of land to the Group.

In 2010 and 2009, the Group acquired certain land properties which are payable over a period of three (3) to four (4) years. Such liabilities for purchased land with a nominal amount of ₱530.71 million in 2010 and ₱459.42 million in 2009 were recorded at fair value amounting to ₱492.40 million and ₱417.99 million, as of December 31, 2010 and 2009, respectively. The fair value is derived using discounted cash flow model using the discount rate ranging from 6.94% to 9.62% in 2010 and 7.21% to 8.37% in 2009, which already includes the 2.00% spread provided by the bank. The unamortized discount amounted to ₱62.02 million and ₱89.81 million as of December 31, 2010 and 2009, respectively. Movements in the unamortized discount follow:

	2010	2009
	(Amounts in Thousands)	
Balance at beginning of year	₱89,806	₱81,215
Addition	38,307	41,428
Accretion for the year	(66,093)	(32,837)
	₱62,020	₱89,806

Accretion of ₱66.09 million and ₱32.84 million is recorded as finance cost in 2010 and 2009, respectively (see Note 26).

16. Accounts and Other Payables

This account consists of the following:

	2010	2009
	(Amounts in Thousands)	
Trade and other payables		
Suppliers	₱6,245,915	₱5,777,230
Subcontractors	679,080	326,920
Others	402,971	514,770
Output VAT payable	1,795,072	509,927
Accrued costs and expenses	1,742,863	1,405,850
	10,865,901	8,534,697
Less noncurrent portion of trade and other payables (Note 19)	757,688	-
	₱10,108,213	₱8,534,697



Suppliers

Payable to suppliers include liabilities to various foreign and local suppliers for open account purchases of equipment and equipment parts and supplies. These are noninterest bearing and are normally settled on a 30 to 60-day credit terms.

Subcontractor

Subcontractor payable arises when the Group receives progress billing from its subcontractors for the construction cost of a certain project. These subcontractors were selected by the contract owners to provide materials, labor and other services necessary for the completion of a project.

Other payables

Other payables include payable to nickel mine rights owner and marketing agents. These are noninterest-bearing and are normally settled within one (1) year.

Accrued costs and expenses

Accrued costs and expenses consist mainly of accrual of expenses, costs of construction contracts and Semirara's liability to the Department of Energy (DOE).

This account consists of the following:

	2010	2009
	(Amounts in Thousands)	
Payable to DOE (Note 30)	₱1,013,040	₱216,517
Accrued rental	239,116	125,776
Accrued salaries	110,512	260,640
Withholding taxes	102,749	74,403
Accrued interest	36,985	221,637
Accrued taxes	18,829	328,794
Accrued professional fees	6,275	7,621
Others	215,357	170,462
	₱1,742,863	₱1,405,850

Semirara's liability to the DOE and local government units represents the share of DOE and local government units in the gross revenue from Semirara's coal production (including accrued interest on the outstanding balance) computed in accordance with the coal operating contract between Semirara and DOE and local government units dated July 11, 1977 as amended on January 16, 1981. The contract is for a maximum period of 35 years (inclusive of the developmental stage and renewals) up to July 2012. Total payable to DOE and local government units amounted to ₱1,031.04 million and ₱216.52 million as of December 31, 2010 and 2009, respectively (see Note 30).



17. Customers' Advances and Deposits

The customers' advances and deposits are due to the following:

	2010	2009
	(Amounts in Thousands)	
Real estate customers	₱2,812,545	₱1,695,276
Contract owners	1,391,098	2,399,423
Coal supply contracts	234,356	1,207
	₱4,437,999	₱4,095,906

Contract owners

Advances from contract-owners pertain to unliquidated down payments which are being recouped upon every progress billing depending on the percentage of accomplishment.

Real estate customers

Customers' advances and deposits from real estate customers represent reservation fees and initial collections received from customers before the two parties enter into a sale transaction. These were payments from buyers which has not reached the minimum required percentage. When the level of required percentage is reached by the buyer, sale is recognized and these deposits and downpayments will be recognized as revenue and will be applied against the receivable balance.

Coal supply contracts

These deposits represent advances from customers of Semirara. These deposits are applied against future coal deliveries which occur within one year from the dates the deposits were made.

18. Long-term Debt

Long-term debt pertains to the following obligations:

	2010	2009
	(As restated - see Note 32)	
	(Amounts in Thousands)	
Parent Company		
Term loan facility	₱-	₱2,970,058
Other subsidiaries:		
Bank loans	18,117,573	4,954,744
Deferred purchase payment	774,744	474,364
Finance lease	124,767	99,000
Acceptances and trust receipts payable	6,740	54,915
Long-term debt to Power Sector Assets and Liabilities Management (PSALM) (Note 32)	-	9,571,202
	19,023,824	18,124,283

(Forward)



	2010	2009 (As restated - see Note 32)
	(Amounts in Thousands)	
Less current portion of:		
Term loan facility	₱-	₱800,000
Bank loans	3,102,606	1,286,339
Finance lease	55,756	21,077
Acceptances and trust receipts payable	6,740	51,450
Long-term debt to PSALM	-	1,681,082
	3,165,102	3,839,948
	₱15,858,722	₱14,284,335

Term Loan Facility

To partially finance the acquisition of the Power Plant in Calaca, on October 28, 2009, the Parent Company obtained the following loan facilities from BDO Capital & Investment Corporation (BDO Capital).

- (a) Term Loan facility up to ₱3.00 billion
- i. Interest: At a floating rate per annum equivalent to the three (3) months Philippine Dealing System Treasury-Fixing (PDST-F) benchmark yield for treasury securities
 - ii. as published on the PDEX page of Bloomberg (or such successor electronic service provider) at approximately 11:30 a.m. (Manila Time) on business day prior to drawdown date or interest period, as applicable, plus 275 basis points. Interest period is every three months commencing from initial drawdown date.
 - iii. Repayment: The principal amount shall be payable in fifteen equal quarterly installments commencing on the sixth month from the initial drawdown date.
 - iv. Front end fee: 0.75% flat of the gross Term Loan Facility amount, payable upon receipt of BDO Capital's written advice of the approval of the Term Loan Facility
 - v. Security: Deed of Pledge on (a) listed Semirara shares owned by the Parent Company, DFC Holdings Inc. and Dacon Corp. (Dacon) and (b) listed Parent Company shares owned by Dacon at a minimum collateral cover of 200% with top up provisions

The term loan facility was drawn in full on December 2, 2009. Capitalized debt issuance costs amounted to ₱31.09 million and is amortized using the effective interest rate method. Amortization of debt issuance cost recognized as part of "Finance cost" account in the consolidated statement of income amounted to ₱1.15 million (see Note 26).

On March 28, 2010, the term loan facility was fully settled by the Parent Company.

- (b) Case to Case Standby Letter of Credit (SBLC) for Deferred Payment Security up to US\$22.66 million, equivalent to a semi-annual deferred payment due to PSALM.
- i. Commitment fee: 100 basis points flat of the gross amount of SBLC amount, payable quarterly in advance in equal amortization until expiry of the SBLC
 - ii. Front end fee: 0.30% flat on the gross amount of Deferred Payment SBLC, payable upon the receipt of BDO Capital's written advice of the approval of SBLC Facility
 - iii. Security: Deed of Pledge on (a) listed Semirara shares owned by the Parent Company, DFC Holdings Inc. and Dacon and (b) listed Parent Company shares owned by Dacon at a minimum collateral cover of 200% with top up provisions
 - iv. Security: As a first priority, Deed of Pledge by the Parent Company/third party on listed Semirara shares at a minimum collateral cover of 200% with top up provisions



- (c) Case to Case SBLC for Land Lease Performance Security up to US\$0.74 million.
- i. SBLC term is one year
 - ii. Commitment fee: Commitment fee: 100 basis points flat of the gross amount of SBLC amount, payable quarterly in advance in equal amortization until expiry of the SBLC
 - iii. Front end fee: 0.30% flat on the gross amount of Deferred Payment SBLC, payable upon the receipt of BDO Capital's written advice of the approval of SBLC Facility
 - iv. Security: Deed of Pledge on (a) listed Semirara shares owned by the Parent Company, DFC Holdings Inc. and Dacon and (b) listed the Parent Company shares owned by Dacon at a minimum collateral cover of 200% with top up provisions

Long-term debt to PSALM

Long-term debt to PSALM pertains to the deferred portion of the purchase price for the acquisition of the Power Plant with principal balance amounting to US\$226.26 million translated using ₱46.20 peso-dollar closing exchange rate as of December 31, 2009 (see Note 32).

On various dates during 2010, Semirara paid PSALM the 60% deferred balance of the Purchased Assets's Purchase Price, net of the unawarded purchase orders and the financial settlement, to wit (in millions, except for exchange rate):

	January 29, 2010	February 26, 2010	March 5, 2010
Principal	₱4,507.94	₱2,345.89	₱2,386.65
Interest	162.06	39.11	5.10
Total Payments in Pesos	₱4,670.00	₱2,385.00	₱2,391.75
Exchange Rate	₱46.70	₱46.15	₱46.00
Total Payments in US\$	US\$100.00	US\$51.68	US\$51.99

As of March 5, 2010, Semirara has fully paid PSALM the Purchase Price of the Purchased Assets.

The funds used by the Semirara to extinguish its Loans Payable to PSALM in relation to the Purchase Price of the Purchased Assets came from its short-term loans with various banks and advances from the Parent Company.

Mortgage payable

On May 20, 2010, SCPC entered into a ₱9.60 billion Omnibus Loan Security Agreement ("Agreement") with Banco de Oro Unibank, Inc. (BDO Unibank), Bank of Philippine Islands (BPI) and Philippine National Bank (PNB) as Lenders, the Parent Company as Guarantor, BDO Capital and Investment Corporation as Lead Arranger and Sole Bookrunner, BPI Capital Corporation and PNB Capital and Investment Corp. as Arrangers, and BDO Unibank, Inc., Trust and Investments Group as Security Trustee, Facility Agent and Paying Agent.

Breakdown is as follows:

BDO Unibank	₱6,000,000,000
BPI	2,000,000,000
PNB	1,600,000,000
	<u>₱9,600,000,000</u>



The Agreement was entered into to finance the payments made to PSALM pursuant to the APA and LLA, and ongoing plant rehabilitation and capital expenditures.

Details of the loan follow:

- a. Interest: At a floating rate per annum equivalent to the three (3) months Philippine Dealing System Treasury-Fixing (PDST-F) benchmark yield for treasury securities as published on the PDEX page of Bloomberg (or such successor electronic service provider at approximately 11:30 a.m. (Manila Time) on the banking day immediately preceding the date of initial borrowing or start of each interest period, as applicable, plus 175 basis points.
- b. Repayment: The principal amount shall be payable in twenty-five equal consecutive quarterly installments commencing on the twelfth month from the initial borrowing date. Final repayment date is seven (7) years after initial borrowing.

The loan was drawn in full on May 20, 2010. Capitalized debt issuance cost amounted to ₱110.04 million and is amortized using the effective interest rate method over the loan's term. Amortization of debt issuance cost recognized as part of "Finance cost" account in the consolidated statement of income amounted to ₱5.20 million (see Note 26).

Rollforward of the capitalized debt issuance cost follows:

At January 1, 2010	₱-
Additions	110,042,257
Amortization (Note 26)	(5,199,543)
At December 31, 2010	<u>₱104,842,714</u>

As security for the prompt and full payment by SCPC, this loan was collateralized by all monies in the Collateral Accounts, supply receivables, proceeds of any asset and business continuity insurance, project agreements and first-ranking mortgage on present and future real assets and first-ranking chattel mortgage on present and future chattels (see Notes 4, 5, 8 and 12).

In a special meeting of SCPC's BOD held on March 9, 2010, the BOD authorized SCPC to establish, maintain, and operate trust and investment management accounts with Banco de Oro Unibank, Inc., - Trust and Investment Group. The Omnibus Agreement provided that the Security Trustee shall invest and reinvest the monies on deposit in Collateral Accounts. All investments made shall be in the name of the Security Trustee and for the benefit of the Collateral Accounts. BDO Unibank, Inc., - Trust and Investment Group made an investment in Sinking Fund amounting ₱310.23 million as of December 31, 2010 (see Note 13).



Details of the bank loans follow (amounts in millions):

Loan Type	Date of Availment	Outstanding Balance		Maturity	Interest Rate	Payment Terms	Covenants/Collaterals
		2010	2009				
Foreign bank loan							
Loan 1	Various availments in 2010	₱701.44	₱-	Various maturities in 2012	1.59% - 2.88% payable in arrears, to be repriced every 90 days	Interest payable in 90 days; not deducted from proceeds of loans and principal repayable in maturity.	Any monies standing to the credit of the borrower's other account with the bank and any securities, deeds, boxes and parcels and their contents and property of any description held in borrower's name
Loan 2	Various availments in 2010	639.06	-	Various maturities in 2012	1.95% p.a. payable semi-annually in arrears, to be repriced every 6 months	Interest payable semi-annually in arrears from 2010 to 2011 inclusive of 10% withholding tax payment of interest shall commence in 2011 and every six months thereafter until fully paid at the prevailing rate.	Unsecured loans
Loan 3	October 2010	442.08	-	October 2012	1.90% p.a. for 92 days, to be repriced every 30 to 180 days	Interest shall be payable on the last day of the current interest period or the 90th day of said period whichever occurs earlier and full payment of principal at maturity.	Unsecured loans
Loan 3	October 26, 2010	240.24	-	October 26, 2012	1.82% p.a. to be repriced over the rate 180 days	Interest payable starting October 26, 2010 until October 26, 2012 and principal repayable on maturity.	Unsecured loans
Mortgage Payable	May 20, 2010	9,495.16	-	May 20 2017	PDST-F benchmark yield for 3-month treasury securities + 1.75%	Payable in twenty-five (25) equal consecutive quarterly installments commencing on May 20, 2011.	Monies in the Collateral Accounts, supply receivables, proceeds of asset and business continuity insurance obtained by SCPC, project agreements, first-ranking mortgage on present and future real assets and first-ranking



Loan Type	Date of Availment	Outstanding Balance		Maturity	Interest Rate	Payment Terms	Covenants/Collaterals
		2010	2009				
Mizuho Bank	December 14, 2005	₱-	₱72.20	November 30, 2010	Based on SIBOR plus 1.95% p.a.	Repriceable and payable in 16 equal quarterly installments to commence 2 months after the draw down dates	Unconditional and irrevocable guarantee issued by Komatsu Asia and Pacific Pte Ltd. and other covenants
Bayerrische Hypo-Und Vereinsbank Aktiengesellschaft (HVB)	Various availments in 2004 and 2005	-	61.06	Various maturities in 2009 and 2010	Based on 6-month US\$ LIBOR plus 1.5% p.a.	Payable in 10 equal consecutive semi-annual installments, the first of which was due and payable 6 months after the starting point	Unconditional and irrevocable guarantee issued by the Parent Company
Local bank loans							
Agreement to purchase receivables (with recourse)	Various	5,978.33	3,913.92	Various	10%-13% p.a.	Payable in equal monthly installments over a period ranging from 5 to 15 years	Real estate receivables with carrying value of ₱355.95 million and ₱231.37 million in 2010 and 2009
Working capital loan	Various	617.10	401.54	Various	7.5%-10% p.a.	Payable in equal monthly installments over a period more than one year	None
Various car loans	Various	4.16	3.36	Various	15.56%-27.14% p.a.	Payable in equal monthly installments	Various Cars with carrying value of ₱7.29 million and ₱4.36 million in 2010 and 2009
Notes payable	November 25, 2009	-	502.66	November 25, 2014	8.42%-9.90%	Payable in unqual quarterly payments	Related real estate properties mortgaged in amount of ₱1.1 billion as a security for the previously loan to BDO and transferred to this loan
		₱18,117.57	₱4,954.74				



The Parent Company

On January 30, 2009, the Parent Company obtained ₱550.00 million short-term loan facility from Banco de Oro Unibank, Inc. and consequently, entered into a Deed of Undertaking and Indemnity Agreement among the latter and AG&P. This loan was collateralized by various properties of AG&P as well as the Parent Company's held AG&P shares.

Of the said loan, ₱500.00 million was used for the payment of AG&P's loans payable to PNB and Cameron Grandville, while the remaining ₱50.00 was used for AG&P's capital requirements. PNB and Cameron Granville accepted the compromise amounts of ₱560.00 million and ₱90.00 million, respectively, in full settlement of AG&P's loans including accrued interest, charges, fees and penalties as of that date. Consequently, PNB and Cameron Granville issued Instrument of Discharge of Lien in favor of AG&P's Mortgage Trust Indenture (MTI's) dated March 5, 1992 and April 18, 2008 with a local bank to fully and irrevocably extinguish their interests and participation on the collateral under the said MTI's.

The settlement of the loan obligation likewise extinguishes all of the related accrued interest and penalties.

On November 25, 2009, AG&P obtained a 5-year term notes payable from UCPB amounting to ₱500.00 million. This loan was used by AG&P in settlement of its advances from the Parent Company amounting to ₱650.00 million. Accordingly, the corresponding mortgage participation certificates previously issued was cancelled and re-issued in favor of UCPB. The Parent Company consequently settled its loan from Banco de Oro Unibank, Inc. on November 25, 2009.

Subsidiaries

Mizuho Bank

The other covenants in Mizuho Bank under the foreign bank loans require Semirara to seek prior written notice to the lender in respect of any financial indebtedness for loans or credit extended by Semirara to an affiliate and directors and officers in excess of US\$3.00 million and US\$1.00 million, respectively, or their equivalent in other currencies. The loan from Mizuho Bank was fully settled in 2010.

HVB

Semirara availed a loan facility to finance 85% of the EUR importation cost of certain conventional and mining equipments amounting to EUR17.81 million for the expansion of Semirara's production capacity. Total loan contract amounted to EUR15.14 million. The loan from HBV was fully settled in 2010.

Deferred purchase payment

On November 16, 2009, Semirara entered into a Deferred Payment Sale and Purchase Agreement with Marubeni Corporation (MC) for the purchase of various equipment intended for enhancing its mining activities. The amounts corresponding to the units or pieces of equipment that are shipped to Semirara shall be paid by the Semirara to MC within seven hundred twenty (720) days after the date of the bill of lading for the relevant shipment of such units or pieces of equipment.

The interest rate applicable to each interest period shall be four percent (4.00%) per annum over the rate 180 days BBA LIBOR on two (2) business days prior to the first day of such interest period.



Notwithstanding the provisions for payment of the contract amount as stipulated, Semirara may, with not less than fourteen (14) business days written notice to MC, prior to the next interest payment date, prepay the whole or any part of the respective contract amount on that interest payment date.

Agreement to purchase receivables

Certain subsidiaries entered into various purchase agreements with financial institutions whereby the subsidiaries assigned its receivables. The purchase agreements provide that the subsidiaries should substitute defaulted contracts to sell with other contracts to sell of equivalent value.

The subsidiaries still retain the assigned receivables in the receivables account and record the proceeds from these sales as loans payable which amounted to ₱5,978.33 million and ₱3,913.92 million as of December 31, 2010 and 2009, respectively. These loans bear fixed interest rates ranging from 7% to 12% and are payable on equal monthly installments over a period ranging from 5 to 15 years depending on the terms of the related installment contracts receivable (see Note 6).

In 2009, the subsidiaries under the real estate segment entered into a Memorandum of Agreement (MOA) with BDO Unibank, Inc. (the Bank) to purchase from time to time, on a without recourse basis, certain Contract to Sell accounts up to an aggregate amount of ₱3.74 billion. In 2010, another MOA was entered with the Bank to purchase from time to time, on a without recourse basis, certain Contract to Sell accounts for an additional aggregate amount of ₱3.00 billion. Total amount of receivables sold on a without recourse arrangement amounted to ₱2.89 billion and ₱2.39 billion in 2010 and 2009, respectively.

Working capital loan

The Group availed of various working capital loans including car financing and leasing.

Unused Credit Lines

As of December 31, 2010, the Group has unused credit lines with local banks amounting to ₱8.10 billion.

19. Other Noncurrent Liabilities

The details of this account consist of:

	2010	2009
	(Amounts in Thousands)	
Accounts payable trade - supplier	₱757,688	₱-
Subscriptions payable	384,646	384,646
Provision for decommissioning and site rehabilitation - net	14,732	17,622
Deferred income	12,961	-
	₱1,170,027	₱402,268



The rollforward analysis of the provision for decommissioning and site rehabilitation account follows:

	2010	2009
	(Amounts in Thousands)	
At January 1	₱17,622	₱13,204
Addition	-	2,849
Adjustment	(3,664)	408
Accretion of interest (Note 26)	774	1,161
At December 31	₱14,732	₱17,622

20. Related Party Transactions

In the regular course of business, the Group's significant transactions with related parties, which are accounted for at market prices normally charged to unaffiliated customers for similar goods and services, consisted primarily of interest and noninterest-bearing cash and operating advances made by the Group to and from various associates and other related parties.

Related parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making the financing and operating activities. Parties are also considered to be related if they are subject to common control of common significant influence.

Related parties may be individual or corporate entities.

- (a) DMC-Construction Equipment Resources, Inc. (DMC-CERI), an affiliate under common stockholder, has transactions with Semirara for services rendered relating to Semirara's coal operations. These included services for the confirmatory drilling for coal reserve evaluation of identified potential areas, exploratory drilling of other minerals within Semirara Island, dewatering well drilling along cut-off wall of Panian mine and fresh water well drilling for industrial and domestic supply under an agreement. Expenses incurred for said services amounted to ₱59.17 million, ₱166.22 million and ₱117.72 million for the years ended in 2010, 2009, and 2008, respectively. These are included under Cost of sales - Outside services (see Note 23).

DMC-CERI also provides to Semirara marine vessels for use in the delivery of coal to its various customers. The coal freight billing is on a per metric ton basis plus demurrage charges when delay will be incurred in the loading and unloading of coal cargoes. Expenses (at gross amount) incurred for these services amounted to ₱507.86 million, ₱500.75 million and ₱246.94 million in 2010, 2009 and 2008, respectively, and are included under Cost of sales - Shipping, hauling and shiploading costs (see Note 23). The reported expense of the Group is net of freight payment by NPC (billing is C&F) in 2009 and 2008. The unpaid balance amounted to ₱31.45 million as of December 31, 2010.

Land lease rental by Semirara with DMC-CERI amounting to ₱13.74 and ₱13.44 million was accrued in 2010 and 2009, respectively.



- (b) M&S Company, Inc., an affiliate under common stockholder, rent out various equipment used in Semirara's operations. Also, M&S Company supplies the rough lumber used by Semirara in its various projects and the seedlings to be planted on the areas surrounding the pit, in compliance with the agreement between the Parent Company and DENR. Rough lumbers purchased amounted to nil, ₱39.01 million and ₱50.99 million in 2010, 2009, and 2008, respectively. The related rental expense amounted to ₱91.49 million for the years ended December 31, 2010, 2009 and 2008. This is included under other expenses of the production cost for the year.
- (c) DMC Urban Property Developers, Inc. (UPDI), an affiliate under common stockholder, had transactions with Semirara representing long-term lease on office space and other transactions rendered to Semirara necessary for the coal operations. Office rental expense amounted to ₱6.97 million, ₱7.78 million and ₱1.84 million for the years ended December 31, 2010, 2009 and 2008, respectively.
- (d) DMCI has various construction contracts with Maynilad for the rehabilitation and refurbishment of its water transmission and supply lines. Total construction revenue earned amounted to ₱1,197.48 million, ₱1,109.56 million and ₱536.00 million in 2010, 2009 and 2008, respectively.
- (e) DMCI Homes, Inc. has a management contract with UPDI to provide general and overall sales and marketing services for the latter's various projects. Total revenue earned from this contract amounted to ₱0.02 million, ₱0.05 million and ₱0.57 million in 2010, 2009 and 2008, respectively.
- (f) In 2010, dividends received from the Group's investments in DMWC and Subic Water amounted to ₱244.59 million and ₱44.73 million, respectively. In 2009, dividends received from Subic Water amounted to ₱1.40 million (see Note 10).

The consolidated statements of financial position as of December 31, 2010 and 2009 include the following amounts relating to transactions with related parties

	2010	2009
	(Amounts in Thousands)	
Receivables from related parties (Note 6)		
Entities significantly influenced by certain individuals	₱489,103	₱612,792
Joint venture	751	475
	₱489,854	₱613,267
Payable to related parties		
Entities significantly influenced by certain individuals	₱508,778	₱697,753
Joint venture	8,606	250,184
	₱517,384	₱947,937

Outstanding balances as of December 31, 2010 and 2009, which are unsecured and interest free, are all due within one year. As of December 31, 2010 and 2009, the Parent Company has not made any provision for impairment loss relating to amounts owed by related parties. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.



Key management personnel of the Group include all directors and senior management. The aggregate compensation and benefits of key management personnel of the Group follows:

	2010	2009	2008
	(Amounts in Thousands)		
Short-term employee benefits	₱282,861	₱93,012	₱65,524
Post employment benefits (Note 22)	39,819	8,700	9,755
	₱322,680	₱101,712	₱75,279

There are no agreements between the Group and any of its directors and key officers providing for benefits upon termination of employment, except for such benefits to which they may be entitled under the Group's pension plan.

21. Equity

As of December 31, 2010 and 2009, the Parent Company's capital stock consists of:

	Shares	Amount
	(Amounts in Thousands)	
Preferred stock - ₱1 par value cumulative and convertible Authorized - 180,000 Issued	4	₱4
Common stock - ₱1 par value Authorized - 5,900,000 Issued	2,655,494	₱2,655,494

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.

In 2008, the Parent Company retired 100 preferred shares. The difference between the redemption price amounting to ₱0.23 million was charged against the additional paid-in capital account.

The BOD, at various dates, approved the issuance of additional 400,000,000 common shares out of the Parent Company's existing unissued authorized capital stock in favor of Dacon at prices ranging from ₱6.70 per share to ₱7.52 per share or a total price of ₱1.90 billion. As required by the PSE Listing Rules, the stockholders approved the issuance of new 400 million voting common shares in favor of Dacon. Likewise, the waiver of the rights/public offering of the new 400 million voting common shares to be issued to Dacon was approved by the majority of the minority stockholders.

Retained Earnings

On June 4, 2010 and May 21, 2009, the Parent Company's BOD approved and declared cash dividends of ₱0.50 per share or ₱1,327.75 million and ₱0.20 per share or ₱542.10 million, out of the unrestricted retained earnings of the Company, to stockholders of record as of June 22, 2010 and June 5, 2009, respectively. The 2010 and 2009 cash dividends were paid on July 15, 2010 and June 30, 2009, respectively.



Capital Management

The primary objective of the Group's capital management strategy is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares. There were no changes made in the Group's capital management objectives, policies or processes. The Group considers total stockholders' equity as capital. Equity, which the Group considers as capital, pertains to the equity attributable to equity holders of the Group less unrealized gain or loss on AFS financial assets.

22. Employee Benefits

Retirement Plans

The Group has both unfunded and funded, noncontributory, defined benefit pension plans covering substantially all of their regular employees. The latest actuarial valuation reports of the retirement plans were made on December 31, 2010.

The following table summarizes the components of net pension expense (included in "Salaries, wages and employee benefits" account) in the consolidated statement of income:

	2010	2009	2008
	(Amounts in Thousands)		
Current service cost	₱91,500	₱29,474	₱31,277
Interest cost on benefit obligation	39,108	34,096	36,039
Expected return on plan assets	(35,473)	(24,171)	(31,513)
Net actuarial loss (gain) recognized during the year	(11,308)	16,455	14,721
Past service cost - non vested benefit	2,031	2,031	2,031
Amortization of transition obligation recognized during the year	18	-	400
Total pension expense	₱85,876	₱57,885	₱52,955
Actual return on plan assets	₱737,584	₱219,809	(₱124,981)

The pension expense amounting to ₱32.50 million and ₱31.38 million in 2009 and 2008, respectively, which pertained to AG&P, are presented under the line item "After tax income from discontinued operations" in the consolidated statement of income.



Movements in the fair value of plan assets of the Group follow:

	2010	2009	2008
	(Amounts in Thousands)		
Balance at beginning of year	₱571,315	₱340,067	₱430,073
Expected return on plan assets	35,473	24,171	31,513
Actual contributions	–	61,964	60,796
Benefits paid	(3,198)	(50,559)	(25,676)
Transfer of assets	–	34	(145)
Actuarial gain – net	702,111	195,638	(156,494)
Obligations on discontinued operations - sale of subsidiary	(59,079)	–	–
Balance at end of year	₱1,246,622	₱571,315	₱340,067

Changes in the present value of the defined benefit obligation follow:

	2010	2009	2008
	(Amounts in Thousands)		
Balance at beginning of year	₱399,801	₱328,414	₱337,317
Interest cost	39,108	34,096	36,039
Current service cost	91,500	29,474	31,277
Benefits paid	(3,198)	(50,559)	(25,676)
Transfer of obligations	(471)	34	(145)
Actuarial (gain) loss – net	95,655	58,342	(50,398)
Adjustment pertaining to the disposal of a subsidiary	(39,812)	–	–
Balance at end of year	₱582,583	₱399,801	₱328,414

Net pension liability to be recognized in the consolidated statements of financial position:

	2010	2009	2008
	(Amounts in Thousands)		
Fair value of plan assets	₱1,246,622	₱571,315	₱340,067
Present value of unfunded obligation	582,583	399,801	328,414
Excess of fair value of plan assets over present value of unfunded obligation	664,039	171,514	11,653
Unrecognized actuarial gain - net	(891,609)	(292,117)	(135,674)
Unrecognized past service cost - non vested	10,715	12,746	14,776
Unrecognized net transition obligation	71	–	–
Liabilities to be recognized in the consolidated statements of financial position	₱216,784	₱107,857	₱109,245

The Group expects to contribute about ₱310.63 million into the pension fund in 2011.



The amounts for the current and the previous four periods follow:

	2010	2009	2008	2007	2006
	(Amounts in Thousands)				
Present value of defined benefit obligation	₱582,583	₱399,801	₱328,414	₱337,317	₱250,164
Fair value of plan assets	1,246,622	571,315	340,067	430,073	277,392
Excess of fair value of plan assets over present value of unfunded obligation	664,039	171,514	11,653	92,756	27,228
Experience adjustments on plan obligation	(29,410)	6,254	(85,486)	1,664	(5,117)
Experience adjustments on plan assets	704,694	164,737	(209,130)	68,458	–

The assumptions used to determine pension benefits of the Group follow:

	2010	2009	2008
Discount rate	5.82% to 10.82%	8.60% to 11.26%	8.00% to 12.93%
Salary increase rate	3.00% to 12.00%	3.00% to 10.75%	10.00%
Expected rate of return on plan assets	6.00% to 12.00%	6.00% to 7.00%	7.00%

The overall expected rate of return on plan assets is determined based on the market prices prevailing on that date applicable to the period over which the obligation is to be settled.

As of December 31, 2010 and 2009, the Group's plan assets consist primarily of the following:

	2010	2009
Cash and cash equivalents	0.61%	7.49%
Investments in stocks	82.08	62.00
Debt instruments	17.08	29.87
Other assets	0.23	0.64
	100.00%	100.00%

23. Costs of Sales and Services

Details of cost of sales and services follow:

	2010	2009	2008
	(Amounts in Thousands)		
Materials and supplies	₱9,428,459	₱6,080,783	₱4,200,109
Outside services (Note 20)	4,921,047	4,384,992	1,561,319
Cost of real estate inventory	4,720,585	4,716,250	2,984,329
Depreciation and amortization (Notes 11, 12 and 13)	3,121,540	1,346,203	1,226,994
Fuel and lubricants	2,560,117	1,903,667	1,902,807
Spot purchases	1,771,760	153,521	–
Production overhead	1,692,557	757,575	658,412
Direct labor	1,498,896	1,099,608	1,049,870
Shipping, hauling, shiploading and handling costs (Note 20)	665,822	539,788	380,577
Others	160,608	113,308	128,048
	₱30,541,391	₱21,095,695	₱14,092,465



Depreciation, depletion and amortization included in the consolidated statement of income follow:

	2010	2009	2008
	(Amounts in Thousands)		
Included in:			
Mining	₱1,337,876	₱1,107,119	₱1,154,232
Construction contracts	990,364	164,853	72,762
Energy sales	793,300	74,231	–
Operating expenses (Note 24)	177,429	81,646	103,069
	₱3,298,969	₱1,427,849	₱1,330,063
Depreciation, depletion and amortization of:			
Property, plant and equipment (Note 12)	₱3,669,709	₱1,664,037	₱1,529,113
Other noncurrent assets (Note 13)	15,711	14,672	1,850
Investment properties (Note 11)	3,901	5,747	3,970
	₱3,689,321	₱1,684,456	₱1,534,933

Depreciation, depletion and amortization adjusted in ending inventories amounted to ₱0.39 million, ₱0.25 million and ₱0.20 million in 2010, 2009 and 2008, respectively.

Salaries, wages and employee benefits included in the consolidated statement of income follow:

	2010	2009	2008
	(Amounts in Thousands)		
Presented under:			
Costs of construction contracts	₱1,008,525	₱1,907,831	₱782,638
Operating expenses (Note 24)	594,184	598,245	450,938
Costs of mining	398,932	366,772	264,844
	₱2,001,641	₱2,872,848	₱1,498,420

24. Operating Expenses

This account consists of:

	2010	2009	2008
	(Amounts in Thousands)		
Government share (Note 30)	₱1,325,106	₱450,152	₱253,382
Salaries, wages and employee benefits (Notes 22 and 23)	594,184	456,863	341,239
Commission	480,694	316,456	218,228
Outside services	485,692	152,021	60,789
Provision for over-nomination (Note 36)	383,294	–	–
Taxes and licenses	289,874	287,434	164,501
Advertising and marketing	352,772	248,718	243,343
Depreciation and amortization (Notes 11, 12, 13 and 23)	177,429	81,646	103,069
Probable losses on			
Other current assets (Note 9)	88,778	–	–
Property, plant and equipment (Note 12)	6,670	–	–
Other noncurrent assets (Note 13)	–	40,374	–

(Forward)



	2010	2009	2008
	(Amounts in Thousands)		
Rent (Note 36)	₱70,384	₱35,729	₱64,359
Transportation and travel	69,455	21,991	85,375
Repairs and maintenance	66,181	28,790	53,668
Insurance	65,173	13,807	8,600
Entertainment, amusement and recreation	61,418	35,500	31,298
Communication, light and water	61,153	37,718	29,583
Provision for doubtful accounts (Note 6)	58,905	76,948	663
Supplies	50,099	46,780	54,355
Miscellaneous	130,361	99,116	163,480
	₱4,817,622	₱2,430,043	₱1,875,932

25. Finance Income

Finance income is derived from the following sources:

	2010	2009	2008
	(Amounts in Thousands)		
Interest on:			
Real estate receivables	₱794,576	₱658,932	₱340,120
Bank savings account (Note 4)	99,680	11,134	30,005
Short-term placements (Note 4)	98,894	80,727	118,696
Accretion on unamortized discount on real estate receivables (Note 6)	52,104	63,056	73,404
Accretion on unamortized discount on security deposits (Note 13)	12,787	20,624	2,993
	₱1,058,041	₱834,473	₱565,218

26. Finance Costs

The finance costs are incurred from the following:

	2010	2009	2008
	(Amounts in Thousands)		
Long-term borrowings	₱1,438,076	₱509,333	₱97,625
Bank loans and short-term borrowings	66,987	856	371,940
Accretion on unamortized discount on liabilities on purchased land and provision for decommissioning and site rehabilitation (Notes 15 and 19)	66,867	33,998	36,503
Amortization of debt issuance costs (Note 18)	5,200	1,148	-
Loans to affiliated entities	-	-	972
Purchase contracts	-	-	613
	₱1,577,130	₱545,335	₱507,653



27. Other Income (Charges)

This account consists of:

	2010	2009 (As restated - see Note 32)	2008
	(Amounts in Thousands)		
Foreign exchange gain (loss) - net	₱177,715	₱52,570	(₱70,983)
Rental income (Note 11)	66,962	23,767	24,861
Gain on sale of property, plant and equipment - net	28,958	12,853	43
Dividend income	5,785	799	47,979
Commission income	35	205	1,974
Negative goodwill (Note 32)	-	15,667	-
Others	208,492	(82,515)	74,669
	₱487,947	₱23,346	₱78,543

Others account include housing segment's income from forfeitures and penalties for late payments.

28. Income Tax

The components of net deferred tax assets as of December 31, 2010 and 2009 follow:

	2010	2009
	(Amounts in Thousands)	
Deferred tax assets on:		
Pension liabilities	₱5,619	₱35,312
MCIT	3,599	1,719
NOLCO	3,524	25,967
Allowance for:		
Inventory obsolescence	1,727	1,727
Doubtful accounts	951	1,156
Probable losses	159	18,872
Unrealized forex loss	930	24
Excess of tax over book income pertaining to construction contracts and real estate sales	225	-
Unamortized discount on receivables	-	7,634
	16,734	92,411
Deferred tax liabilities on:		
Unamortized discount on payable to landowners	(115)	(303)
Excess of book over tax income pertaining to construction contracts and real estate sales	-	(52,926)
Others - net unrealized gain	(6,428)	(653)
	(6,543)	(53,882)
	₱10,191	₱38,529



The components of net deferred tax liabilities as of December 31, 2010 and 2009 follow:

	2010	2009
	(Amounts in Thousands)	
Deferred tax assets on:		
Allowance for:		
Doubtful accounts	₱21,421	₱70,567
Probable losses	7,648	7,648
Pension liabilities	18,407	11,076
Unamortized discount on receivables	2,582	10,579
Accrued expenses and other expense	-	23,626
Unearned rental income	-	4,085
Unrealized forex loss	-	2,471
NOLCO	-	2,271
MCIT	-	34,129
	50,058	166,452
Deferred tax liabilities on:		
Excess of book over tax income pertaining to construction contracts and real estate sales	(479,232)	(145,080)
Capitalized interest on real estate for sale and development deducted in advance	(26,984)	(13,510)
Unamortized discount on payable to landowners	(12,252)	(23,227)
Incremental cost of property, plant and equipment	(7,847)	(25,353)
Unamortized prepaid rent	(157)	(3,339)
Excess of pension contributions over pension cost	-	(5,781)
Asset revaluation - appraisal increase on investment properties and property and equipment	-	(401,920)
Others - net unrealized gain	(20,352)	(67,028)
	(546,824)	(685,238)
	(₱496,766)	(₱518,786)

The Group has the following deductible temporary differences and MCIT that are available for offset against future taxable income or tax payable for which deferred tax assets have not been recognized:

	2010	2009
	(Amounts in Thousands)	
Allowance for probable losses on current assets	₱145,908	₱61,781
Allowance for probable losses on noncurrent assets	135,802	129,132
Allowance for doubtful accounts	75,202	199,507
NOLCO	73,300	88,770
Pension liabilities	57,901	15,448
Provision for decommissioning and site rehabilitation	14,732	17,622
Unamortized discount on refundable deposits	169	12,956
MCIT	46	-
	₱503,060	₱525,216



The deferred income tax effects of the above deductible temporary differences for which no deferred tax assets are recognized amounted to ₱150.92 million and ₱157.56 million as of December 31, 2010 and December 31, 2009, respectively. Deferred tax assets are recognized only to the extent that taxable income will be available against which the deferred tax assets can be used.

The Group assesses the unrecognized deferred tax assets and will recognize a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable income will allow the deferred tax asset to be recovered.

The provision for income tax shown in the consolidated statements of income consists of:

	2010	2009	2008
	(Amounts in Thousands)		
Final	₱38,612	₱11,635	₱5,996
Current	660,474	506,132	516,731
Deferred	330,049	83,353	73,630
	₱1,029,135	₱601,120	₱596,357

The reconciliation of the statutory income tax rate to the effective income tax rate follows:

	2010	2009 (As restated - see Note 32)	2008
Statutory income tax rate	30.00%	30.00%	35.00%
Adjustments for:			
Changes in unrecognized deferred tax assets	(0.07)	1.26	(0.25)
Nondeductible interest expense	0.05	0.10	0.48
Nondeductible expenses	1.25	0.20	0.29
Nondeductible (nontaxable) equity in net losses (earnings) of associates and jointly controlled entities	(5.69)	(8.71)	(3.24)
Interest income subjected to final tax at a lower rate - net	(0.21)	(0.11)	(0.95)
Additional deductible expenses	-	-	(0.11)
Gain on sale of investments in shares of stock subjected to final tax	(0.06)	(0.21)	-
Non taxable dividend income	(0.02)	(0.01)	(1.97)
Tax-exempt income	(14.95)	(12.10)	(4.44)
Change in tax rate	-	-	(0.37)
Effective income tax rate	10.30%	10.42%	24.44%

Republic Act (RA) No. 9337, that was enacted into law in 2005, amended various provisions in the existing 1997 National Internal Revenue Code. Among the reforms introduced by the said RA was the reduction of the income tax rate from 35% to 30% beginning January 1, 2009. It further provides that nondeductible interest expense shall be reduced from 42% to 33% of interest income subjected to final tax beginning January 1, 2009.



Board of Investments (BOI) Incentives

New Developer of Mass Housing Project

In 2010 and 2009, the BOI issued in favor of PDI a Certificate of Registration as a New Developer of Mass Housing Project for several of its real estate projects in accordance with the Omnibus Investment Code of 1987. Pursuant thereto, the projects has been granted an Income Tax Holiday (ITH) for a period of four (4) years.

Expanding Producer of Coal

On September 26, 2008, the BOI issued in favor of Semirara a Certificate of Registration as an Expanding Producer of Coal in accordance with the provisions of the Omnibus Investments Code of 1987. Pursuant thereto, Semirara shall be entitled to for six (6) years. Semirara shall initially be granted a four (4) year ITH. The additional two (2) year ITH shall be granted upon submission of completed or on-going projects in compliance with its Corporate Social Responsibility (CSR), which shall be submitted before the lapse of its initial four (4) year ITH.

New Operator of the 600-MW Calaca Coal-Fired Power Plant

On April 19, 2010, SCPC was registered with the BOI as New Operator of the 600-MW Calaca Coal-Fired Power Plant on a Non-Pioneer Status in accordance with the provisions of the Omnibus Investments Code of 1987. Pursuant thereto, SCPC shall enjoy income tax holiday for four (4) years from April 2011 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration. The ITH incentives shall be limited to the revenue generated from the sales of electricity of the 600 MW Batangas Coal-Fired Thermal Power Plant. On January 7, 2011, the BOI approved SCPC's request for an earlier application of the ITH to be effective January 1, 2010.

29. Basic / Diluted Earnings Per Share

The following table presents information necessary to calculate basic earnings per share on net income attributable to equity holders of the Parent Company (in thousands except basic earnings per share):

Basic/Diluted, Profit for the Year

	2010	2009	2008
	(Amounts in Thousands)		
Net income	₱7,866,002	₱4,703,968	₱1,687,900
Divided by weighted average number of common shares	2,655,494	2,655,494	2,655,494
Basic earnings per share	₱2.96	₱1.77	₱0.64

Basic/Diluted, Profit from Continuing Operations

	2010	2009	2008
	(Amounts in Thousands)		
Net income	₱7,200,253	₱4,703,968	₱1,687,900
Divided by weighted average number of common shares	2,655,494	2,655,494	2,655,494
Basic earnings per share	₱2.71	₱1.77	₱0.64



Basic/Diluted, Profit from Discontinued Operations

EPS on post-tax income from discontinued operations attributable to equity holders of the Parent Company:

Income from discontinued operations	₱677,345
Less income from discontinued operations attributable to minority interest	11,596
	<hr/>
	665,749
Weighted average number of common shares for basic EPS	2,655,494
Basic EPS	<hr/>
	₱0.25

The assumed conversion of the Group's preferred shares has no dilutive effect. Accordingly, no diluted earnings per share is presented in 2010, 2009 and 2008.

30. Coal Operating Contract with DOE

Semirara has a Coal Operating Contract with DOE dated July 11, 1977, as amended on January 16, 1981, for the exploration, development, mining and utilization of coal over Semirara Island, Antique under the terms and conditions provided therein and pursuant to the provisions of Presidential Decree No. 972, otherwise known as the Coal Development Act of 1976. The contract is for a maximum period of 35 years (inclusive of the developmental stage and renewals) up to July 2012. The contract also provides for the manner and basis of sharing the gross proceeds from coal production between the Semirara and DOE.

On May 13, 2008, the DOE granted Semirara's request for an extension of its COC for another 15-year or until July 14, 2027. On November 12, 2009, the COC was amended further, expanding its contract area to include portions of Caluya and Sibay islands, Antique, covering an additional area of 5,500 hectares and 300 hectares, respectively.

In return for the mining rights granted to Semirara, the Government is entitled to receive annual royalty payments consisting of the balance of the gross income after deducting operating expenses, operator's fee and special allowance. Semirara's provision for DOE's share (including accrued interest computed at 14% per annum on outstanding balance) under this contract and to the different local government units in the province of Antique, under the provisions of the Local Government Code of 1991, amounted to ₱1,325.11 million and ₱450.15 million as of December 31, 2010 and 2009, respectively. The liabilities amounting to ₱1,013.04 million and ₱216.52 million, as of December 31, 2010 and 2009, respectively, are included under the "Accounts and other payables" account in the statement of financial position (see Note 16).

In 2002, the DOE, through the Energy Resources Development Bureau, approved the exclusion of coal produced and used solely by Semirara to feed its power plant in determining the amount due to DOE.



31. Investment in DMFB Joint Venture

DMFB Joint Venture (the Joint Venture) is a joint venture agreement between DMCI and First Balfour Inc. (FBI). The Joint Venture was formed on January 18, 2008 for the purpose of entering into a construction contract with Light Rail Transit Authority (LRTA). The Joint Venture is unincorporated and is not registered with the Philippine SEC. However, the Joint Venture was registered with the Bureau of Internal Revenue on May 27, 2008 as builder of constructions or parts, civil engineering. The Joint Venture's principal place of business is at 3rd Floor, NIA Bldg. A, EDSA corner NIA Road 1, Barangay Pinyahan, Quezon City.

On May 16, 2008, the Joint Venture was declared as the winning bidder for the construction and completion of the LRT Line 1 North Extension Project (the Project).

The respective financial interest of the Parties in the Joint Venture shall be 51% to DMCI and 49% to FBI. It shall be adjusted from time to time based on the ratio of the Parties' respective aggregate capital contribution. Irrespective of the financial contribution, management should be of unanimous decision.

The Group's share of the Joint Venture's assets and liabilities are as follows:

	2010	2009
	(Amounts in Thousands)	
Current assets	₱376,814	₱922,312
Noncurrent assets	–	2,517
	376,814	924,829
Current liabilities	267,107	684,255
Noncurrent liabilities	–	111,829
	267,107	796,084
	₱109,707	₱128,745

The Group's share of the Joint Venture's profits are as follows:

	2010	2009
	(Amounts in Thousands)	
Revenue	₱209,446	₱1,224,921
Construction cost	66,942	929,217
Operating expenses	22,555	174,556
	89,497	1,103,773
	₱119,949	₱121,148

Exemption to Corporate Income Tax

Persuant to Section 22 (Paragraph B) of the Tax Code of 1997, the term "corporation" shall include partnerships, no matter how created or organized, joint stock companies, joint accounts, associations or insurance companies; but does not include general professional partnerships and a joint venture or consortium formed for the purpose of undertaking construction project. Such being the case, the Joint Venture formed as a result of joint venture agreement between DMCI and First Balfour, Inc. (the Parties) for the construction of LRT Line 1 North Extension Project, is not subject to the corporate income tax.



32. Acquisition of Calaca Power Plant

On July 8, 2009, PSALM awarded the Parent Company as the winning bidder for the sale of the 600-megawatt (MW) Batangas Coal-Fired Thermal Power Plant (the Power Plant) located in San Rafael Calaca, Batangas.

Pursuant to the provision of the Asset Purchase Agreement (APA), PSALM, agreed to sell and transfer to the Parent Company on an “as is where is” basis, the Power Plant. The agreed Purchase Price amounting to US\$368.87 million was for the Power Plant from PSALM as of December 2, 2009. Below are the significant provisions of the APA:

- a. All liabilities, obligations, taxes, fees, fines or penalties pertaining to the Power Plant and operating contracts accruing or incurred prior to closing date, regardless of the date when the demand for payment or assessment is made, shall be for the account of PSALM;
- b. SCPC must hire as contractual employees all of the separated NPC employees for a period of five (5) months;
- c. During the deferred payment period, SCPC shall at the end of each fiscal year shall at the end of each fiscal year, maintain a debt service ratio of at least 1.1:1.0 and debt-equity ratio not exceeding 2.5:1.0; and
- d. Should there be (i) Semirara coal; (ii) diesel fuel and (iii) bunker fuel on site on closing date, SCPC shall pay PSALM the value of those based on the price paid by NPC for the same.

As embedded in the APA, the Parent Company will also enter into a LLA with PSALM for the lease of land in which the Power Plant is situated, for the period of 25 years, renewable for another period of 25 years, upon mutual agreement of both Parties.

On the same date, through the Accession Assignment Agreement (the Agreement) between the Parent Company, SCPC, a wholly-owned subsidiary of Semirara), and PSALM, SCPC acquired the 2 x 300-MW Power Plant from PSALM. The total cash payments made to PSALM are broken down as follows:

- a. ₱6.62 billion in peso equivalent using the exchange rate of ₱47.13 representing 40% down payment for US\$351.0 million purchase price of the Power Plant; and
- b. ₱0.49 billion in peso equivalent using the exchange rate of ₱47.20 representing payment for US\$10.39 million advance rental payment for the 25-year lease of the premises underlying the Power Plant and for purchase orders for parts and services for the Power Plant.

Other provision of the Agreement includes:

- a. The Parent Company undertakes that it shall own at least 57% of the voting capital of Semirara; and
- b. SCPC shall be a wholly owned subsidiary of Semirara.

A breach of any of the above shall constitute a breach by the Parent Company of the APA.

Relative to the assignment of the APA and Land Lease Agreement (LLA) by the Parent Company to SCPC, total consideration recognized by SCPC as due to the Parent Company amounted to ₱54.34 million (see Note 12).



In a letter dated December 18, 2009, PSALM claims an additional amount of ₱9.55 million representing the difference between the US\$ to Peso exchange rate used for the 40% down-payment of the purchase price versus the ₱47.2 US\$ to Peso exchange rate PSALM alleges to be in accordance with the APA. The assessed amount was accrued in 2009 as additional acquisition cost allocated to Property, plant and equipment. Subsequently, the amount was paid by the Parent Company in February 8, 2010.

The principal amount of the Deferred Payment is equivalent to 60% of the purchase price for the Power Plant. The Deferred Payment will be paid to PSALM via 14 equal semi-annual payments beginning June 2, 2010 with an interest rate of 11% per annum, compounded semi-annually. Under the APA, upon prior written notice to PSALM, and on the condition that SCPC is not in breach of any of its substantial obligations to PSALM under the APA and LLA, SCPC may prepay any portion of the Deferred Payment in Philippine Pesos (see Note 18).

Under a Memorandum of Agreement dated December 2, 2009 between PSALM and SCPC, the amounts of ₱288.39 million representing parts identified as required to achieve 350 MW capability of the Power Plant and ₱247.55 million as unawarded purchase orders will be deducted from the principal amount of the Deferred Payment.

The fair value of the identifiable assets and liabilities as at the date of acquisition were (amounts in thousands):

	Fair value recognized on acquisition (Restated)	Provisional values previously recognized
Property, plant and equipment (Note 12)	₱16,211,370	₱15,697,026
Materials and supplies (Note 8)	618,340	720,931
Coal (Note 8)	273,936	273,936
Prepaid rent (Notes 9 and 13)	150,568	150,568
Fuel and diesel (Note 8)	86,705	86,705
Net assets acquired	17,340,919	16,929,166
Negative goodwill arising on acquisition	(15,667)	-
Total consideration	₱17,325,252	₱16,929,166

Total consideration transferred relating to the acquisition follows (amounts in thousands):

Cash consideration	₱7,158,718	₱7,158,718
Payable to PSALM (Note 18)	9,770,448	9,770,448
Transaction costs	396,086	-
Total cost	₱17,325,252	₱16,929,166

The net assets recognized in the consolidated financial statements as of December 31, 2009 were based on a provisional assessment of fair value as the Group had sought an independent valuation for the property, plant and equipment. The results of this valuation had not been received at the date the 2009 consolidated financial statements were approved for issue by management.

The valuation of the property, plant and equipment and materials and supplies was completed in April 2010 and showed that the fair value at the date of acquisition was ₱16.21 billion, an increase of ₱514.34 million compared with the provisional value.



The 2009 comparative information has been restated to reflect this adjustment. There was recognition of negative goodwill arising on the acquisition of ₱15.67 million (see Note 27). The decreased depreciation charge on the buildings from the acquisition date to December 31, 2009 was ₱20.76 million.

From the date of acquisition to December 31, 2009, SCPC has contributed ₱443.49 million to revenue from continuing operations and ₱99.36 million to net income from continuing operations of the Group. If the combination had taken place at the beginning of that year, consolidated revenue from continuing operations would have been ₱33,169.18 million and the net income from continuing operations for the Group for 2009 would have been ₱5,322.75 million.

33. Operating Segments

Business Segment Information

For management purposes, the Group is organized into six (6) major business units that are largely organized and managed separately according to industry.

Construction - engaged in various construction component businesses such as production and trading of concrete products, handling steel fabrication and electrical and foundation works.

Coal mining - engaged in the exploration, mining and development of coal resources on Semirara Island in Caluya, Antique and nickel extraction in Zambales.

Real estate - focused in mid-income residential development carried under the brand name DMCI Homes.

Power - engaged in the business of a generation company which designs, constructs, invest in, and operate power plants.

Water - recognized through a consortium with MPIC (the "Consortium") and operated through Maynilad, the water utility for the west portion of Metro Manila.

Others - includes the Parent Company and other industry (i.e., manufacturing).

No operating segments have been aggregated to form the above reportable operating segments. Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on revenue, earnings before interest, income taxes and depreciation and amortization (EBITDA) and operating profit or loss, and is measured consistently in the consolidated financial statements.

Group financing (including finance costs and finance income) and income taxes are also managed per operating segments. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

Business Segments

The following tables present revenue, net income (loss) and depreciation, depletion and amortization information regarding business segments for the years ended December 31, 2010, 2009 and 2008 and property, plant and equipment additions, total assets and total liabilities for the business segments as of December 31, 2010, 2009 and 2008:



Year ended December 31, 2010 (Amounts in Thousands)

	Construction	Mining	Real Estate Development	Power	Water	Parent Company and Others	Total
Revenue	₱10,729,337	₱16,029,885	₱7,704,893	₱8,948,308	₱-	₱71,386	₱43,483,809
Other income (expense) – net	14,228	275,370	177,748	(3,661)	1,887,153	30,306	2,381,144
	10,743,565	16,305,255	7,882,641	8,944,647	1,887,153	101,692	45,864,953
Cost of sales and services	7,808,013	9,624,980	4,758,532	5,181,292	-	47,033	27,419,850
General and administrative expense (before depreciation and amortization)	292,912	1,811,241	1,355,238	1,044,417	-	136,386	4,640,194
	8,100,925	11,436,221	6,113,770	6,225,709	-	183,419	32,060,044
EBITDA	2,642,640	4,869,034	1,768,871	2,718,938	1,887,153	(81,727)	13,804,909
Other income (expenses)							
Finance income (cost) (Notes 25 and 26)	(11,321)	(164,177)	76,981	(463,480)	-	42,908	(519,089)
Depreciation and amortization (Notes 23 and 24)	(1,008,581)	(1,425,955)	(50,786)	(811,128)	-	(2,519)	(3,298,969)
Pretax income	1,622,738	3,278,902	1,795,066	1,444,330	1,887,153	(41,338)	9,986,851
Provision for income tax (Note 28)	357,122	137,699	509,067	(30,097)	-	55,344	1,029,135
Income before income from discontinued operations	1,265,616	3,141,203	1,285,999	1,474,427	1,887,153	(96,682)	8,957,716
Post-tax income from discontinued operations	-	-	-	-	-	677,345	677,345
	₱1,265,616	₱3,141,203	₱1,285,999	₱1,474,427	₱1,887,153	₱580,663	₱9,635,061
Net income attributable to non-controlling interest	₱24,028	₱1,115,157	₱-	₱627,811	₱-	₱782	₱1,767,778
Net income attributable to equity holders	₱1,241,588	₱2,026,046	₱1,285,999	₱846,616	₱1,887,153	₱579,881	₱7,867,283
Segment Assets							
Receivables	₱2,361,454	₱1,484,340	₱6,275,379	₱1,785,535	₱-	₱665	₱11,907,373
Inventories	125,632	1,828,786	10,047,008	683,627	-	19,491	12,704,544
Investment in associates and joint venture	116,993	-	-	-	8,562,236	708,444	9,387,673
Property, plant and equipment	752,589	3,865,219	428,445	16,488,501	-	5,970	21,540,724
Others	2,344,727	4,894,374	3,850,404	1,998,569	-	2,644,188	15,732,262
	₱5,701,395	₱12,072,719	₱20,601,236	₱20,956,232	₱8,562,236	₱3,378,758	₱71,272,576
Segment Liabilities							
Customers' advances and deposits	₱1,391,098	₱234,356	₱2,812,545	₱-	₱-	₱-	₱4,437,999
Loans payable	139,138	3,247,406	6,253,335	10,000,157	-	12,555	19,652,591
Finance lease payable	124,767	-	-	-	-	-	124,767
Others	4,015,657	4,250,900	4,304,758	1,440,178	-	622,524	14,634,017
	₱5,670,660	₱7,732,662	₱13,370,638	₱11,440,335	₱-	₱635,079	₱38,849,374
Other disclosures							
Acquisition of land for future development (Note 11)	₱-	₱-	₱1,350,730	₱-	₱-	₱-	₱1,350,730
Property, plant and equipment additions (Note 12)	991,847	3,498,740	134,754	93,886	-	2,744	4,721,971



Year ended December 31, 2009 (Amounts in Thousands)

	Construction	Mining	Real Estate Development	Power	Water	Parent Company and Others	Total
Revenue	₱ 7,999,066	₱11,602,130	₱6,963,108	₱443,493	₱-	₱260,054	₱27,267,851
Other income (expense) – net	(178,056)	(56,301)	83,018	216,134	1,674,873	(1,084)	1,738,584
	7,821,010	11,545,829	7,046,126	659,627	1,674,873	258,970	29,006,435
Cost of sales and services	6,538,775	7,836,117	4,756,934	419,709	-	197,957	19,749,492
General and administrative expense (before depreciation and amortization)	254,905	758,085	1,172,899	44,422	-	118,086	2,348,397
	6,793,680	8,594,202	5,929,833	464,131	-	316,043	22,097,889
EBITDA	1,027,330	2,951,627	1,116,293	195,496	1,674,873	(57,073)	6,908,546
Other income (expenses)							
Finance income (cost) (Notes 25 and 26)	(18,752)	19,777	307,619	(77,920)	-	58,414	289,138
Depreciation and amortization (Notes 23 and 24)	(325,420)	(1,045,863)	(51,111)	(2,330)	-	(3,125)	(1,427,849)
Pretax income	683,158	1,925,541	1,372,801	115,246	1,674,873	(1,784)	5,769,835
Provision for income tax (Note 28)	174,802	27,343	352,943	36,159	-	9,873	601,120
Income before income from discontinued operations	₱508,356	₱1,898,198	₱1,019,858	₱79,087	₱1,674,873	(₱11,657)	₱5,168,715
Post-tax income from discontinued operations	-	-	-	-	-	297,347	297,347
	₱508,356	₱1,898,198	₱1,019,858	₱79,087	₱1,674,873	₱285,690	₱5,466,062
Net income attributable to non-controlling interest	₱11,601	₱733,808	₱-	₱10,811	₱-	₱5,874	₱762,094
Net income attributable to equity holders	₱496,755	₱1,164,390	₱1,019,858	₱68,276	₱1,674,873	₱279,816	₱4,703,968
Segment Assets							
Receivables	₱1,631,613	₱865,679	₱4,245,375	₱491,197	₱-	₱37,046	₱7,270,910
Inventories	503,754	2,035,423	6,979,981	999,387	-	38,993	10,557,538
Investment in associates and joint venture	721,899	45,650	-	-	6,979,839	-	7,747,388
Property, plant and equipment	3,127,493	2,288,959	393,889	16,553,276	-	5,928	22,369,545
Others	3,716,570	1,315,883	4,756,271	230,266	-	739,335	10,758,325
	₱9,701,329	₱6,551,594	₱16,375,516	₱18,274,126	₱6,979,839	₱821,302	₱58,703,706
Segment Liabilities							
Customers' advances and deposits	₱2,399,423	₱1,207	₱1,695,276	₱-	₱-	₱-	₱4,095,906
Loans payable	972,561	1,267,555	4,202,965	9,571,203	-	3,218,115	19,232,399
Finance lease payable	99,000	-	-	-	-	-	99,000
Others	3,740,085	2,568,594	4,042,809	804,375	-	690,270	11,846,133
	₱7,211,069	₱3,837,356	₱9,941,050	₱10,375,578	₱-	₱3,908,385	₱35,273,438
Other disclosures							
Acquisition of land for future development (Note 11)	₱-	₱-	₱433,431	₱-	₱-	₱-	₱433,431
Property, plant and equipment additions (Note 12)	1,105,289	18,533,661	64,660	880,754	-	2,958	20,587,322



Year ended December 31, 2008 (Amounts in Thousands)

	Construction	Mining	Real Estate Development	Power	Water	Parent Company and Others	Total
Revenue	₱ 4,121,864	₱9,170,287	₱4,736,635	₱-	₱-	₱ 119,290	₱18,148,076
Other income (expense) – net	61,348	(22,184)	70,054	-	80,707	12,555	202,480
	4,183,212	9,148,103	4,806,689	-	80,707	131,845	18,350,556
Cost of sales and services	3,698,357	6,011,139	2,984,329	-	-	171,646	12,865,471
General and administrative expense (before depreciation and amortization)	170,232	664,921	892,889	27,182	-	17,638	1,772,862
	3,868,589	6,676,060	3,877,218	27,182	-	189,284	14,638,333
EBITDA	314,623	2,472,043	929,471	(27,182)	80,707	(57,439)	3,712,223
Other income (expenses)							
Finance income (cost) (Notes 25 and 26)	(35,844)	(25,407)	82,209	1,773	-	34,834	57,565
Depreciation and amortization (Notes 23 and 24)	(129,513)	(1,163,061)	(34,871)	-	-	(2,618)	(1,330,063)
Pretax income	149,266	1,283,575	976,809	(25,409)	80,707	(25,223)	2,439,725
Provision for income tax (Note 28)	120,120	244,249	218,421	355	-	13,212	596,357
Income before income from discontinued operations	29,146	1,039,326	758,388	(25,764)	80,707	(38,435)	1,843,368
Post-tax income from discontinued operations	-	-	-	-	-	193,095	193,095
	₱29,146	₱1,039,326	₱758,388	(₱25,764)	₱80,707	₱154,660	₱2,036,463
Net income attributable to minority interest	₱3,109	₱349,681	₱-	(₱5,609)	₱-	₱1,382	₱348,563
Net income attributable to equity holders	₱26,037	₱689,645	₱758,388	(₱20,155)	₱80,707	₱153,278	₱1,687,900
Segment Assets							
Receivables	₱2,214,915	₱2,075,602	₱4,444,775	₱18,996	₱-	₱285,067	₱9,039,355
Inventories	355,240	1,497,239	7,037,913	181	-	40,390	8,930,963
Investment in associates and joint venture	227,377	-	-	-	4,338,766	68,500	4,634,643
Property, plant and equipment	2,817,257	1,144,731	371,152	136,035	-	5,988	4,475,163
Others	2,936,361	1,786,420	3,607,066	63,025	-	181,110	8,573,982
	₱8,551,150	₱6,503,992	₱15,460,906	₱218,237	₱4,338,766	₱581,055	₱35,654,106
Segment Liabilities							
Customers' advances and deposits	₱755,099	₱1,207	₱1,294,059	₱-	₱-	₱-	₱2,050,365
Loans payable	1,348,781	137,065	3,140,747	-	-	63,435	4,690,028
Others	3,660,046	1,795,603	4,531,430	6,004	-	454,565	10,447,648
	₱5,763,926	₱1,933,875	₱8,966,236	₱6,004	₱-	₱518,000	₱17,188,041
Other disclosures							
Acquisition of raw land	₱-	₱-	₱798,724	₱-	₱-	₱-	₱798,724
Property, plant and equipment additions	576,738	1,720,970	189,086	-	-	140,017	2,626,811



The Group's management reporting and controlling systems use accounting policies that are the same as those described in Note 1 in the summary of significant accounting policies under PFRS.

The Group measures the performance of its operating segments through a measure of segment profit or loss which is referred to as "EBITDA" in the management and reporting system.

EBITDA is the measure of segment profit (loss) used in segment reporting and comprises gross profit, selling and general administrative expenses, research and non-capitalized development costs, other operating income (expense), net, as well as other financial income (expense), net.

Intersegment revenue is generally recorded at values that approximate third-party selling prices.

Segment assets principally comprise all assets. The industrial business segments' assets exclude income tax assets, assets from defined benefit plans and certain financial assets (including liquidity).

Segment liabilities principally comprise all liabilities. The industrial business segments' liabilities exclude income tax liabilities, liabilities from defined benefit plans and certain financial liabilities (including financing liabilities).

Geographic Information

Analysis of sales and revenue by geographical location

The financial information about the operations of the coal mining as of December 31, 2010, 2009 and 2008 reviewed by the management follows:

Customer Location	2010	2009	2008
	(Amounts in Thousands)		
Revenue			
Local	₱7,816,713	₱7,252,952	₱6,648,580
Export	8,926,588	4,247,241	1,841,465
	₱16,743,301	₱11,500,193	₱8,490,045

Substantially all revenue from external customers are from open cut mining and sales of thermal coal. Local and export classification above is based on the geographic location of the customer. All non-current assets other than financial instruments are located in the Philippines.

Sales to power company amounted to ₱2.37 billion, ₱4.30 billion and ₱3.41 billion for the years ended December 31, 2010, 2009 and 2008, respectively. All these revenue were from Coal mining segment.



34. Financial Instruments

Fair Value of Financial Instruments

The table below presents a comparison by category of carrying amounts and estimated fair values of all the Group's financial instruments as of December 31, 2010 and 2009 (amounts in thousands):

	2010		2009	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Loans and Receivables				
Cash and cash equivalents				
Cash on hand and in banks	₱4,796,531	₱4,796,531	₱1,913,408	₱1,913,408
Cash equivalents	5,150,135	5,150,135	1,348,882	1,348,882
Receivables - net				
Trade				
Real estate	5,652,968	7,267,264	2,726,260	4,426,271
General construction	2,306,369	2,306,369	2,612,663	2,612,663
Coal mining	1,467,097	1,467,097	738,573	738,573
Electricity sales	1,772,302	1,772,302	489,246	489,246
Receivable from related parties	489,854	489,854	613,267	613,267
Advances to officers and employees	49,549	49,549	60,280	60,280
Other receivables	169,234	169,234	30,621	30,621
Security deposits	339,022	339,022	433,513	438,351
Refundable deposits	244,049	244,049	89,443	89,443
	22,437,110	24,051,406	11,056,156	12,761,005
AFS investments				
Quoted securities	49,535	49,535	34,251	34,251
Unquoted securities	172,668	172,668	179,923	179,923
	222,203	222,203	214,174	214,174
	₱22,659,313	₱24,273,609	₱11,270,330	₱12,975,179
Other Financial Liabilities				
Accounts and other payables	₱8,191,563	₱8,191,563	₱7,621,573	₱7,621,573
Liabilities for purchased land	1,391,884	1,288,909	838,103	686,018
Payable to related parties	517,384	517,384	947,937	947,937
Loans payable and long-term debt - including current portion	19,777,359	21,908,553	18,124,283	19,067,359
Other noncurrent liabilities	1,142,334	1,142,334	384,646	384,646
	₱31,020,524	₱33,048,743	₱27,916,542	₱28,707,533

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

Financial assets

The fair values of cash and short-term receivables approximate their carrying amounts as of reporting dates due to the short-term nature of the transactions.

The fair values of real estate receivable are calculated by discounting expected future cash flows at applicable rates for similar instruments using the remaining terms of maturity. The discount rate used in 2010 and 2009 ranged from 13.16% to 16.00% and 15.50% to 16.50%, respectively.

Security deposits (related to Semirara's Operating Leases) - As of December 31, 2010, the fair values of the security deposits approximate their carrying amounts since these are already receivable within the year. As of December 31, 2009, the fair values of security deposits are calculated by discounting expected future cash flows at applicable rates for similar instruments using the remaining terms to maturity. The discount rate used ranged from 3.82% to 4.93%.



AFS quoted equity securities - Fair values are based on quoted prices published in markets.

Refundable deposits are carried at cost since these are mostly deposits to a utility company as a consequence of its subscription to the electricity services of the said utility company needed for the Group's residential units.

Security deposits other than those pertaining to operating leases and unquoted AFS financial assets - In the absence of a reliable basis of determining fair values due to the unpredictable nature of future cash flows and the lack of suitable methods in arriving at a reliable fair value, these financial assets are carried at cost less impairment allowance, if any.

Financial liabilities

The fair values of accounts and other payables and accrued expenses and payables to related parties approximate their carrying amounts as of reporting dates due to the short-term nature of the transactions.

Estimated fair value of long-term fixed rate loans and liabilities for purchased land are based on the discounted value of future cash flows using the applicable rates for similar types of loans with maturities consistent with those remaining for the liability being valued. For floating rate loans, the carrying value approximates the fair value because of recent and regular repricing (quarterly) based on market conditions.

Fair Value Hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As at December 31, 2010 and 2009, the Group's AFS financial assets amounting to ₱49.54 million and ₱34.25 million, respectively, are carried at fair value based on Level 1 (see Note 5). There were no transfers among levels 1, 2 and 3 in 2010 and 2009.

Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise interest-bearing loans and borrowings. The main purpose of these financial instruments is to raise financing for its operations and capital expenditures. The Group has various other financial assets and liabilities, such as receivables and payables which arise directly from its operations.

The main risks arising from the use of financial instruments are equity price risk, market price risk, foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group's BOD reviews and approves policies for managing each of these risks and they are summarized below.



The sensitivity analyses have been prepared on the following bases:

- Equity price risk - movements in equity indices
- Market Price risk - movements in one-year historical coal prices
- Interest rate risk - market interest rate on unsecured bank loans
- Foreign currency risk - yearly movement in the foreign exchange rates

The assumption used in calculating the sensitivity analyses of the relevant income statement item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at December 31, 2010 and 2009.

Equity price risk

Equity price risk is the risk that the fair values of equities decrease as a result of changes in the levels of equity indices and the value of individual stocks. The Group manages the equity price risk through diversification and placing limits on individual and total equity instruments.

The effect on equity (as a result of a change in fair value of quoted equity instruments held as AFS investments as of December 31, 2010 due to a reasonably possible change in equity indices, with all other variables held constant, will have an increase on equity by ₱29.91 million if equity indices will increase by 10%. An equal change in the opposite direction would have decreased equity by the same amount.

The effect on equity (as a result of a change in fair value of quoted equity instruments held as AFS investments as of December 31, 2009 due to a reasonably possible change in equity indices, with all other variables held constant, will have an increase on equity by ₱11.46 million if equity indices will increase by 10%. An equal change in the opposite direction would have decreased equity by the same amount.

Market price risk

Market price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The price that the Group can charge for its coal is directly and indirectly related to the price of coal in the world coal market. In addition, as the Group is not subject to domestic competition in the Philippines, the pricing of all of its coal sales is linked to the price of imported coal. World thermal coal prices are affected by numerous factors outside the Group's control, including the demand from customers which is influenced by their overall performance and demand for electricity. Prices are also affected by changes in the world supply of coal and may be affected by the price of alternative fuel supplies, availability of shipping vessels as well as shipping costs. As the coal price is reset on a periodic basis under coal supply agreements, this may increase its exposure to short-term coal price volatility.

There can be no assurance that world coal prices will be sustained or that domestic and international competitors will not seek to replace the Group in its relationship with its key customers by offering higher quality, better prices or larger guaranteed supply volumes, any of which would have a materially adverse effect on the Group's profits.



To mitigate this risk, the Group continues to improve the quality of its coal and diversify its market from power industry, cement industry, other local industries and export market. This will allow flexibility in the distribution of coal to its target customers in such manner that minimum target average price of its coal sales across all its customers will still be achieved (i.e., domestic vs local). Also, in order to mitigate any negative impact resulting from price changes, it is the Group's policy to set minimum contracted volume for customers with long term supply contracts for each given period (within the duration of the contract) and pricing is negotiated on a monthly basis to even out the impact of any fluctuation in coal prices, thus, protecting its target margin. The excess volumes are allocated to spot sales which may command different price than those contracted already since the latter shall follow pricing formula per contract. Nevertheless, on certain cases temporary adjustments on coal prices with reference to customers following a certain

pricing formula are requested in order to recover at least the cost of coal if the resulting price is abnormally low vis-à-vis cost of production (i.e., abnormal rise in cost of fuel, forex).

Below are the details of the Group's coal sales to the domestic market (excluding those to the power-generating companies) and to the export market:

	2010	2009
Domestic market	29.24%	24.91%
Export market	57.36	50.66

as a percentage of total coal sales volume

The following table shows the effect on income before income tax should the change in the prices of coal occur based on the inventory of the Group as of December 31, 2010 and 2009, with all other variables held constant. The change in coal prices is based on 1-year historical price movements.

<i>Based on ending coal inventory</i>	Effect on income before income tax	
	2010	2009
Change in coal prices		
Increase by 10%	₱114,971,049	₱198,624,209
Decrease by 10%	(114,971,049)	(198,624,209)

<i>Based on coal sales volume</i>	Effect on income before income tax	
	2010	2009
Change in coal prices		
Increase by 10%	₱1,674,330,035	₱1,160,544,622
Decrease by 10%	(1,674,330,035)	(1,160,544,622)

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group does not have any foreign currency hedging arrangements.



Information on the Group's foreign currency-denominated monetary assets and liabilities and their Philippine peso equivalents as of December 31, 2010 and 2009 follows (amounts in thousands):

	2010				Php Equivalent
	U.S. Dollar	Japanese Yen	UK Pounds	Pacific Franc	
Assets					
Cash and cash equivalents	\$60,714	¥2,886	£-	XPF-	₱2,663,252
Trade receivables					
Coal mining	15,951	-	-	-	699,300
	76,665	2,886	-	-	3,362,552
Liabilities					
Accounts and other payables	15,768	-	-	-	691,253
Long-term debt (including current portion)	68,143	-	-	-	2,987,389
	83,911	-	-	-	3,678,642
Net foreign currency denominated assets (liabilities)	(\$7,246)	¥2,886	£-	XPF-	(₱316,090)
	2009				Php Equivalent
	U.S. Dollar	Japanese Yen	UK Pounds	Pacific Franc	
Assets					
Cash and cash equivalents	\$11,441	¥2,739	£179	XPF35,874	₱83,826
Trade receivables					
Coal mining	8,920	-	-	-	412,099
General construction	8,564	-	-	56,506	427,283
	28,925	2,739	179	92,380	923,208
Liabilities					
Accounts and other payables	2,276	-	-	58,216	137,769
Long-term debt (including current portion)	213,401	-	-	-	9,859,115
	215,677	-	-	58,216	9,996,884
Net foreign currency denominated assets (liabilities)	(\$186,752)	¥2,739	£179	XPF34,164	(₱9,073,676)

The exchange rates used to restate the Group's foreign currency-denominated assets and liabilities as of December 31, 2010 and 2009 follow:

	2010	2009
US Dollar - Philippine Peso	₱43.84 to US\$1.00	₱46.20 to US\$1.00
Japanese Yen - Philippine Peso	₱0.54 to ¥1.00	₱0.51 to ¥1.00
UK Pounds - Philippine Peso	₱68.03 to £1.00	₱74.19 to £1.00
Pacific Franc - Philippine Peso	-	₱0.56 to XPF1.00

The following table demonstrates the sensitivity to a reasonably possible change in foreign exchange rates, with all variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities) and equity on December 31, 2010 and 2009 (amounts in thousands).

2010

	Basis pts	Effect on profit	Effect on equity
In Peso per U.S. Dollar			
Increase	2	(₱14,492)	(₱10,144)
Decrease	(2)	14,492	10,144
In Peso per Japanese Yen			
Increase	2	5,772	4,040
Decrease	(2)	(5,772)	(4,040)



2009

	Basis pts	Effect on profit	Effect on equity
In Peso per U.S. Dollar			
Increase	2	(₱373,504)	(₱261,453)
Decrease	(2)	373,504	261,453
In Peso per Japanese Yen			
Increase	2	5,478	3,835
Decrease	(2)	(5,478)	(3,835)
In Peso per UK Pounds			
Increase	8	1,432	1,002
Decrease	(8)	(1,432)	(1,002)
In Peso per Pacific Franc			
Increase	2	68,328	47,830
Decrease	(2)	(68,328)	(47,830)

The movement in sensitivity analysis is derived from current observations on fluctuations in foreign currency exchange rates.

The Group recognized ₱177.72 million and ₱52.57 million foreign exchange gain for the years ended December 31, 2010 and 2009, respectively, arising from the translation of the Group's cash and cash equivalents, trade receivables and long-term debt.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Group's exposure to credit risk arises from default of the counterparties which include certain financial institutions, real estate buyers, subcontractors, suppliers and various electric companies. Credit risk management involves dealing only with recognized, creditworthy third parties. It is the Group's policy that all counterparties who wish to trade on credit terms are subject to credit verification procedures. The Treasury Department's policy sets a credit limit for each counterparty. In addition, receivable balances are monitored on an ongoing basis. As of December 31, 2010 and 2009, the Group's exposure to bad debts is not significant.

Real estate contracts

Credit risk is managed primarily through credit reviews and an analysis of receivables on a continuous basis. The Group also undertakes supplemental credit review procedures for certain installment payment structures. The Group's stringent customer requirements and policies in place contributes to lower customer default. Customer payments are facilitated through various collection modes including the use of postdated checks. The credit risk for real estate receivable is also mitigated as the Group has the right to cancel the sales contract and takes possession of the subject house without need for any court action in case of default in payments by the buyer. This risk is further mitigated because the corresponding title to the subdivision units sold under this arrangement is transferred to the buyers only upon full payment of the contract price.

Electricity sales

The Group earns substantially all of its revenue from the Wholesale Electricity Spot Market (WESM) and from various electric companies. WESM and the various electric companies are committed to pay for the energy generated by the power plant facilities.



Under the current regulatory regime, the generation rate charged by the Group to WESM is not regulated but is determined in accordance with the WESM Price Determination Methodology (PDM) approved by the Energy Regulatory Commission (ERC) and are complete pass-through charges to WESM. PDM is intended to provide the specific computational formula that will enable the market participants to verify the correctness of the charges being imposed. Likewise, the generation rate charged by the Group to various electric companies is not subject to regulations and are complete pass-through charges to various electric companies.

Mining

The Group evaluates the financial condition of the local customers before deliveries are made to them. On the other hand, export sales are covered by sight letters of credit issued by foreign banks subject to the Group's approval, hence, mitigating the risk on collection.

The Group generally offers 80% of coal delivered payable within thirty (30) days upon receipt of billing and the remaining 20% payable within 15 days after receipt of final billing based on final analysis of coal delivered.

Construction contracts

The credit risk for construction receivables is mitigated by the fact that the Group can resort to carry out its contractor's lien over the project with varying degrees of effectiveness depending on the jurisprudence applicable on location of the project. A contractor's lien is the legal right of the Group to takeover the projects-in-progress and have priority in the settlement of contractor's receivables and claims on the projects-in-progress and have priority in the settlement of contractor's receivables and claims on the projects in progress is usually higher than receivables from and future commitments with the project owners. Trade and retention receivables from project owners are normally high standard because of the creditworthiness of project owners and collection remedy of contractor's lien accorded contractor in certain cases.

With respect to the credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The Group transacts only with institutions or banks that have proven track record in financial soundness.

Given the Group's diverse base of counterparties, it is not exposed to large concentrations of credit risk.



The table below shows the gross maximum exposure to credit risk for the components of the statement of financial position.

	2010	2009
	(Amounts in Thousands)	
Cash and cash equivalents		
Cash in banks	₱4,782,977	₱1,899,827
Cash equivalents	5,150,135	1,348,882
Available-for-sale financial assets		
Quoted securities	49,535	34,251
Unquoted securities	172,668	179,923
Receivables		
Trade		
Real estate	5,652,968	2,726,260
General construction	2,306,369	2,612,663
Coal mining	1,467,097	738,573
Electricity sales	1,772,302	489,246
Receivable from related parties	489,854	613,267
Advances to officers and employees	49,549	60,280
Other receivables	169,234	30,621
Security deposits	339,022	433,513
Refundable deposits	244,049	89,443
Total credit risk exposure	₱22,645,759	₱11,256,749

As of December 31, 2010 and 2009, the credit quality per class of financial assets that were neither past due nor impaired is as follows (amounts in thousands):

2010

	Neither past due nor impaired			Past due or Individually Impaired	Total
	Grade A	Grade B	Grade C	₱	
Cash and cash equivalents	₱9,933,112	₱-	₱-	₱-	₱9,933,112
Available-for-sale financial assets					
Quoted	49,535	-	-	-	49,535
Unquoted	-	172,668	-	-	172,668
Receivables					
Trade:					
Real estate	1,589,169	1,227,004	1,001,593	1,835,202	5,652,968
General construction	1,092,909	-	-	1,217,874	2,310,783
Coal mining	1,013,930	347,713	-	113,346	1,474,989
Electricity sales	1,772,302	-	-	53,524	1,825,826
Receivable from related parties	489,854	-	-	-	489,854
Advances to officers and employees	33,901	15,223	-	425	49,549
Other receivables	119,070	34,828	-	99,279	253,177
Security deposits	339,022	-	-	-	339,022
Refundable deposits	244,049	-	-	-	244,049
Total	16,676,853	1,797,436	1,001,593	3,319,650	22,795,532
Allowance for:					
General construction	-	-	-	4,414	4,414
Mining	-	-	-	7,892	7,892
Electricity sales	-	-	-	53,524	53,524
Others	-	-	-	83,943	83,943
Total allowance	-	-	-	149,773	149,773
Net amount	₱16,676,853	₱1,797,436	₱1,001,593	₱3,169,877	₱22,645,759



2009

	Neither past due nor impaired			Past due or Individually	Total
	Grade A	Grade B	Grade C	Impaired	
Cash and cash equivalents	₱3,248,709	₱-	₱-	₱-	₱3,248,709
Available-for-sale financial assets					
Quoted	34,251	-	-	-	34,251
Unquoted	-	179,923	-	-	179,923
Receivables					
Trade:					
Real estate	1,304,587	34,337	369,480	1,079,989	2,788,393
General construction	1,858,260	19,297	-	1,013,097	2,890,654
Coal mining	459,685	145,754	-	146,703	752,142
Electricity sales	489,246	-	-	-	489,246
Receivable from related parties	613,267	-	-	-	613,267
Advances to officers and employees	19,609	978	35,133	4,560	60,280
Other receivables	1,725	14,988	12,364	86,432	115,509
Security deposits	433,513	-	-	-	433,513
Refundable deposits	89,443	-	-	-	89,443
Total	8,552,295	395,277	416,977	2,330,781	11,695,330
Allowance for:					
Real estate	-	-	-	62,133	62,133
General construction	-	-	-	277,991	277,991
Mining	-	-	-	13,569	13,569
Others	-	-	-	84,888	84,888
Total allowance	-	-	-	438,581	438,581
Net amount	₱8,552,295	₱395,277	₱416,977	₱1,892,200	₱11,256,749

Cash and Cash Equivalents

Cash and cash equivalents are short-term placements and working cash fund placed, invested or deposited in foreign and local banks belonging to top ten (10) banks in the Philippines in terms of resources and profitability. These financial assets are classified as Grade A due to the counterparties' low probability of insolvency.

AFS Financial Assets

The Group's AFS financial assets are classified as Grade B because these assets are susceptible to untoward consequences due to the current financial positions of counterparties.

Receivables

Included under Grade A are accounts considered to be of high value and are covered with coal supply, power supply, and construction contracts. The counterparties have a very remote likelihood of default and have consistently exhibited good paying habits. Grade B accounts are active accounts with minimal to regular instances of payment default, due to collection issues. These accounts are typically not impaired as the counterparties generally respond to credit actions and update their payments accordingly. The Group determines financial assets as impaired when probability of recoverability is remote and in consideration of lapse in period which the asset is expected to be recovered.

For real estate receivables, advances to officers and employees and other receivables, Grade A are classified as financial assets with high credit worthiness and probability of default is minimal. While receivables under Grade B and C have favorable and acceptable risk attributes, respectively, with average credit worthiness.



Receivable from related parties are considered Grade A due to the Group's positive collection experience.

Receivables are aged and analyzed on a continuous basis to minimize credit risk associated with these receivables. Receivable balances are monitored on an ongoing basis to ensure timely execution of necessary intervention efforts, such as raising the case to the Group's legal department. Regular monitoring of receivables resulted to manageable exposure to bad debts.

Security and Refundable Deposits

Security and refundable deposits are classified as Grade A since these are to be refunded by the lessor and utility companies at the end of lease term and holding period, respectively, as stipulated in the agreements.

As of December 31, 2010 and 2009, the aging analysis of the Group's receivables presented per class follows (amounts in thousands):

2010

	Past due but not impaired					Impaired Assets	Total
	<30 days	30-60 days	61-90 days	91-120 days	>120 days		
Receivables							
Trade							
Real estate	₱234,228	₱136,374	₱108,226	₱1,049,508	₱306,866	₱-	₱1,835,202
General construction	350,748	160,697	272,061	429,954	-	4,414	1,217,874
Coal mining	-	91,602	-	13,852	-	7,892	113,346
Electricity sales	-	-	-	-	-	53,524	53,524
Due from related parties	-	-	-	-	-	-	-
Advances to officers and employees	425	-	-	-	-	-	425
Other receivables	-	6,607	-	8,729	-	83,943	99,279
Security deposits	-	-	-	-	-	-	-
Refundable deposits	-	-	-	-	-	-	-
Total	₱585,401	₱395,280	₱380,287	₱1,502,043	₱306,866	₱149,773	₱3,319,650

2009

	Past due but not impaired					Impaired Assets	Total
	<30 days	30-60 days	61-90 days	91-120 days	>120 days		
Receivables							
Trade							
Real estate	₱34,903	₱31,512	₱36,938	₱33,922	₱880,581	₱62,133	₱1,079,989
General construction	324,970	152,274	257,862	-	-	277,991	1,013,097
Coal mining	122,776	-	10,358	-	-	13,569	146,703
Electricity sales	-	-	-	-	-	-	-
Due from related parties	-	-	-	-	-	-	-
Advances to officers and employees	-	-	-	-	4,560	-	4,560
Other receivables	1,544	-	-	-	-	84,888	86,432
Security deposits	-	-	-	-	-	-	-
Refundable deposits	-	-	-	-	-	-	-
Total	₱484,193	₱183,786	₱305,158	₱33,922	₱885,141	₱438,581	₱2,330,781

The repossessed lots and residential houses are transferred back to inventory under the account Real estate for sale and held for development and are held for sale in the ordinary course of business. The total of these inventories is ₱154.75 million and ₱148.42 million as of December 31, 2010 and 2009, respectively. The Group performs certain repair activities on the said repossessed assets in order to put their condition at a marketable state. Costs incurred in bringing the repossessed assets to its marketable state are included in their carrying amounts.



The Group did not accrue any interest income on impaired financial assets.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Group seeks to manage its liquidity profile to be able to service its maturing debts and to finance capital requirements. The Group maintains a level of cash and cash equivalents deemed sufficient to finance operations.

A significant part of the Group's financial assets that are held to meet the cash outflows include cash equivalents and accounts receivables. Although accounts receivables are contractually collectible on a short-term basis, the Group expects continuous cash inflows through continuous production and sale of coal and power generation. In addition, although the Group's short-term deposits are collectible at a short notice, the deposit base is stable over the long term as deposit rollovers and new deposits can offset cash outflows.

Moreover, the Group considers the following as mitigating factors for liquidity risk:

- It has available lines of credit that it can access to answer anticipated shortfall in sales and collection of receivables resulting from timing differences in programmed inflows and outflows.
- It has very diverse funding sources.
- It has internal control processes and contingency plans for managing liquidity risk. Cash flow reports and forecasts are reviewed on a weekly basis in order to quickly address liquidity concerns. Outstanding trade receivables are closely monitored to avoid past due collectibles.
- The Group regularly evaluates its projected and actual cash flows. It also continuously assesses conditions in the financial markets for opportunities to pursue fund-raising activities. Fund-raising activities may include bank loans and capital market issues both on-shore and off-shore which is included in the Group's corporate planning for liquidity management.

The following table summarizes the maturity profile of the Group's financial assets and liabilities as of December 31, 2010 and 2009, based on contractual undiscounted cash flows. The table also analyses the maturity profile of the Group's financial assets in order to provide a complete view of the Group's contractual commitments (amounts in thousands).



2010

	On Demand	Within 1 year	1-2 years	2-3 years	3-4 years	Total
Loans and Receivable						
Cash and cash equivalents	₱8,782,977	₱1,150,135	₱-	₱-	₱-	₱9,933,112
Receivables						
Trade:						
Real estate	-	2,860,740	631,079	522,077	1,639,072	5,652,968
General construction	-	2,306,369	-	-	-	2,306,369
Coal mining	-	1,467,097	-	-	-	1,467,097
Electricity sales	-	1,772,302	-	-	-	1,772,302
Receivable from related parties	-	489,854	-	-	-	489,854
Advances to officers and employees	-	49,549	-	-	-	49,549
Other receivables	-	169,234	-	-	-	169,234
Security deposits	-	304,402	32,563	-	2,057	339,022
Refundable deposits	-	244,049	-	-	-	244,049
	8,782,977	10,813,731	663,642	522,077	1,641,129	22,423,556
AFS financial assets						
Quoted securities	-	49,535	-	-	-	49,535
Unquoted securities	-	172,668	-	-	-	172,668
	-	222,203	-	-	-	222,203
Total undiscounted financial Assets	8,782,977	11,035,934	663,642	522,077	1,641,129	22,645,759
Other Financial Liabilities						
Bank loans	-	753,534	-	-	-	753,534
Accounts payable and other						
Payables	-	8,191,563	-	-	-	8,191,563
Liabilities for purchased land	-	703,651	268,952	195,393	286,290	1,454,286
Payable to related parties	-	517,384	-	-	-	517,384
Long-term Debt						
Term loan facility						
US\$16.00 million loan with interest payable in arrears, to be repriced every 90 days	-	-	714,934	-	-	714,934
US\$14.58 million loan with interest payable semi-annually in arrears, to be repriced every 6 months	-	-	651,305	-	-	651,305
US\$10.08 million loan with interest payable in arrears, to be repriced every 30 to 180 days	-	-	490,538	-	-	490,538
US\$5.48 million loan with interest payable in arrears, to be repriced every 3 months	-	-	244,280	-	-	244,280
\$17.62 million deferred purchase payment at 4% interest p.a. over the rate 180 days	-	-	775,377	-	-	775,377
₱9.60 billion at PDST-F benchmark yield for 3-month treasury securities +1.75%	-	1,382,622	1,752,278	1,709,599	5,653,301	10,497,800
Various local bank loans						
7.5% to 10%	9,995	541,784	18,891	13,883	39,290	623,843
Various car loans						
15.56% to 27.14%	2,192	1,871	1,210	675	228	6,176
Agreement to purchase - 7.0% to 13.75%	2,049,924	948,196	586,387	652,358	2,993,030	7,229,895
Finance lease 6.00% to 6.57%	-	55,756	46,007	23,004	-	124,767
Other noncurrent liabilities	-	-	757,688	-	-	757,688
Total undiscounted financial Liabilities	2,062,111	13,096,361	6,307,847	2,594,912	8,972,139	33,033,370
Liquidity gap	₱6,720,866	(₱2,060,427)	(₱5,644,205)	(₱2,072,835)	(₱7,331,010)	(₱10,387,611)



2009

	On Demand	Within 1 year	1-2 years	2-3 years	3-4 years	Total
Loans and Receivable						
Cash and cash equivalents	₱1,913,408	₱1,348,882	₱–	₱–	₱–	₱3,262,290
Receivables						
Trade:						
Real estate	–	699,858	515,327	607,598	903,477	2,726,260
General construction	–	2,612,663	–	–	–	2,612,663
Coal mining	–	738,573	–	–	–	738,573
Electricity sales	–	489,246	–	–	–	489,246
Receivable from related parties	–	613,267	–	–	–	613,267
Advances to officers and employees	–	60,280	–	–	–	60,280
Other receivables	–	30,621	–	–	–	30,621
Security deposits	218,387	181,308	33,818	–	–	433,513
Refundable deposits	–	89,443	–	–	–	89,443
	2,131,795	6,864,141	549,145	607,598	903,477	11,056,156
AFS financial assets						
Quoted securities	–	34,251	–	–	–	34,251
Unquoted securities	–	179,923	–	–	–	179,923
	–	214,174	–	–	–	214,174
Total undiscounted financial Assets	2,131,795	7,078,315	549,145	607,598	903,477	11,270,330
Other Financial Liabilities						
Bank loans	–	1,207,116	–	–	–	1,207,116
Accounts payable and other						
Payables	–	7,621,573	–	–	–	7,621,573
Liabilities for purchased land	–	215,350	289,465	285,840	196,196	986,851
Payable to related parties	–	947,937	–	–	–	947,937
Long-term Debt						
Term loan facility	–	800,000	800,000	800,000	570,058	2,970,058
\$361,481,091 payable to PSALM, 11% compounded semi- annually	–	2,219,990	2,160,460	2,015,658	6,586,856	12,982,964
US\$15.14 million loan						
6 month USD LIBOR plus 1.5% per annum	–	61,971	–	–	–	61,971
US\$6.64 million loan						
3 month SIBOR plus 1.95% per annum	–	73,610	–	–	–	73,610
\$4.63 million deferred purchase payment, p.a. over the rate 180 days BBA LIBOR on 2 business days prior to 1st day of interest Period	–	–	1,345	510,967	–	512,312
Various letters of credits and suppliers debt with various interest rates	–	53,894	450,000	–	–	503,894
Various local bank loans						
7.88% to 14.4%	–	145,019	259,881	–	–	404,900
Agreement to purchase - 7.5% to 10%	–	955,393	885,203	888,566	1,184,755	3,913,917
Finance lease 6.00% to 6.57%	–	21,077	43,202	34,721	–	99,000
Acceptances and trust receipts payable	–	51,450	3,465	–	–	54,915
Total undiscounted financial Liabilities	–	14,374,380	4,893,021	4,535,752	8,537,865	32,341,018
Liquidity gap	₱2,131,795	(₱7,296,065)	(₱4,343,876)	(₱3,928,154)	(₱7,634,388)	(₱21,070,688)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to market risk for changes in interest rates relates primarily to the Group's long-term debt obligations. The Group's policy is to manage its interest cost using a mix of fixed and variable rate debt.



The following table demonstrates the sensitivity of the Group's profit before tax and equity to a reasonably possible change in interest rates, with all variables held constant, through the impact on floating rate borrowings.

	Change in basis points	Effect on income before income tax	Effect on equity
(Amounts in Thousands)			
2010			
Dollar floating rate borrowings	+100	(₱27,976)	(₱19,583)
	-100	27,976	19,583
Peso floating rate borrowings	+100	(₱157,233)	(₱110,063)
	-100	157,233	110,063
2009			
Dollar floating rate borrowings	+100	(₱101,788)	(₱71,252)
	-100	101,788	71,252

The assumed movement in basis points for interest rate sensitivity analysis is based on the Group's historical changes in market interest rates on unsecured bank loans.

35. Other Comprehensive Income

The Group does not recognize income tax on the components of other comprehensive income as presented in the following table (amounts in thousands):

	Other Comprehensive Income			Total	Attributable to Parent Company	Attributable to minority interests
	Net Unrealized Gain (Loss) on Available-for- Sale Financial Assets (Note 5)	Cumulative Translation Adjustment	Revaluation increment in nonfinancial assets			
As of January 1, 2010	(₱6,649)	₱25	₱80,005	₱73,381	₱72,093	₱1,288
Other comprehensive income:						
Transfer to statement of income due to disposal of a subsidiary	-	(25)	(80,005)	(80,030)	(78,742)	(1,288)
Unrealized gain on AFS financial assets (Note 5)	3,868	-	-	3,868	3,868	-
	3,868	(25)	(80,005)	(76,162)	(74,874)	(1,288)
Balances at December 31, 2010	(₱2,781)	₱-	₱-	(₱2,781)	(₱2,781)	₱-



Other Comprehensive Income						
	Net Unrealized Gain (Loss) on Available-for- Sale Financial Assets (Note 5)	Cumulative Translation Adjustment	Revaluation increment in nonfinancial assets	Total	Attributable to Parent Company	Attributable to minority interests
As of January 1, 2009	P-	P3,822	P80,005	P83,827	P82,477	P1,350
Other comprehensive income:						
Exchange differences on translating foreign operations	-	(3,797)	-	(3,797)	(3,735)	(62)
Unrealized loss on AFS financial assets (Note 5)	(6,649)	-	-	(6,649)	(6,649)	-
	(6,649)	(3,797)	-	(10,446)	(10,384)	(62)
Balances at December 31, 2009	(P6,649)	P25	P80,005	P73,381	P72,093	P1,288
As of January 1, 2008	(P35,880)	P-	P-	(P35,880)	(P35,880)	P-
Other comprehensive income:						
Transferred to statement of income	35,880	-	-	35,880	35,880	-
Recognized revaluation increment	-	-	80,005	80,005	78,717	1,288
Increase in cumulative translation adjustment	-	3,822	-	3,822	3,760	62
	35,880	3,822	80,005	119,707	118,357	1,350
Balances at December 31, 2008	P-	P3,822	P80,005	P83,827	P82,477	P1,350

36. Contingencies and Commitments

Contingencies

Provision for probable legal claims

The Group is contingently liable for lawsuits or claims filed by third parties which are either pending decision by the courts or are under negotiation, the outcomes of which are not presently determinable. In the opinion of management and its legal counsel, the eventual liability under these lawsuits or claims, if any, will not have a material effect on the consolidated financial statements. The information usually required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, is not disclosed on the grounds that it can be expected to prejudice the outcome of these lawsuits, claims and assessments.

Provision for billing disputes

On October 20, 2010, SCPC filed a Petition for dispute resolution (“Petition”) before the ERC against NPC and PSALM involving over-nominations made by NPC during the billing period January to June 2010 beyond the 169,000 kW MERALCO allocation of SCPC, as provided under the Schedule W of the APA.

In its Petition, SCPC sought to recover the cost of energy (a) sourced by SCPC from WESM in order to meet NPC’s nominations beyond the 169,000 kW MERALCO contracted demand, or (b) procured by NPC from the WESM representing energy nominated by NPC in excess of the 169,000 kW limit set in Schedule W, cost of which was charged by PSALM against SCPC. In relation to this, NPC withheld the payments of MERALCO and remitted to SCPC the collections net of the cost of the outsourced energy.

SCPC has likewise sought to recover interest on the withheld MERALCO payments collected by PSALM that is unpaid to SCPC as of due date, to be charged at the rate of 11% computed from the date of the SCPC’s extrajudicial demand until full payment by PSALM.



During the preliminary conference scheduled on November 25, 2010, the ERC's hearing officer directed the parties to explore the possibility of settling the dispute amicably. As the parties failed to arrive at a compromise during the prescribed period, hearings resumed with the conduct of preliminary conference last February 23, 2011, without prejudice to the result of any further discussions between the parties for amicable settlement. A series of hearing was conducted on March 22, 2011 and April 4, 2011, where witnesses were presented to testify on the dispute resolution. Within a period of thirty (30) days from April 4, 2011, the parties were directed to submit, simultaneously, their respective offers of evidence and memorandum. After the submission of said documents, the case will be deemed submitted for ERC's deliberation and decision.

SCPC made a provision for the total amount withheld by NPC, which amounted to ₱383.29 million (see Note 24). Though a provision has already been made, SCPC has not waived its right to collect the said amount in case the outcome of the dispute resolution would be a favorable settlement for SCPC. The provision will be reversed and an income would be recognized in the "Other income" account upon collection of the said receivable.

Lease Commitments

Operating Lease - As Lessor

The Group entered into lease agreements with third parties covering its investment property portfolio (see Note 11). The lease agreements provide for a fixed monthly rental and is renewable under the terms and condition agreed with the lessees.

As of December 31, 2010 and 2009, future minimum lease receivables under the aforementioned operating lease (in thousands) are as follows:

	2010	2009
Within one year	₱15,026	₱24,450
After one year but not more than five years	9,301	22,569
More than five years	1,555	1,974
	₱25,882	₱48,993

Operating Lease - As Lessee

The Group leases portion of its office premises and various mining and transportation equipments that are renewed under the terms and condition agreed with the lessors.

As of December 31, 2010 and 2009, future minimum lease payments under the above mentioned operating lease (in thousands) are as follows:

	2010	2009
Within one year	₱69,742	₱26,912
After one year but not more than five years	12,290	84,378
	₱82,032	₱111,290

Also as discussed in Notes 18 and 38, the Group entered into a Land Lease Agreement with PSALM for the lease of land with which the plant is situated, for the period of 25 years, renewable for other 25 years with the mutual agreement of both parties. The Group paid US\$3.19 million or its peso equivalent ₱150.57 million as payment for the 25 years of rental.



Part of the agreement, the Group has the option to buy the Optioned Assets. Optioned assets are parcels of land that form part of the leased premises which the lessor offers for the sale to the lease for which the lessor issues an Option Existence Notice (OEN).

In the event that the lessor issues an OEN and SCPC buys the option assets in consideration for the grant of the option, the land purchase price should be equivalent to the highest of the following and / or amounts: (i) assessment of the Provincial Assessors of Batangas Province; (ii) the assessment of the Municipal or City Assessor having jurisdiction over the particular portion of the leased premises; (iii) the zonal valuation of Bureau of Internal Revenue or, (iv) 21.00 per square meter (dollar). Valuation basis for 1 to 3 shall be based on the receipt of PSALM of the option to exercise notice. The exchange rate to be used should be the Philippine Dealing Exchange rate at the date of receipt of PSALM of the OEN.

On July 12, 2010, PSALM issued an OEN and granted SCPC the "Option" to purchase the Optioned Assets that form part of the leased premises. SCPC availed of the "Option" and paid the Option Price amounting to US\$0.32 million or a peso equivalent of ₱14.72 million exercisable within one year from the issuance of the OEN.

The Group was also required to deliver and submit to the lessor a performance security amounting to ₱34.83 million in the form of Stand by Letter of Credits (SBLC). The performance security shall be maintained by the Group in full force and effect continuously without any interruption until the Performance Security expiration date. The Performance Security initially must be effective for the period of one year from the date of issue, to be replaced prior to expiration every year thereafter and shall at all times remain valid.

Finance Lease - As Lessee

During 2010 and 2009, the Group has entered into finance lease agreements for some of its service vehicles and equipment used in its construction activities. The said leased assets are capitalized and depreciated over their estimated useful lives of four (4) years and five (5) years, respectively (see Note 12). Finance lease facilities amounting to ₱124.77 million and ₱99.00 million in 2010 and 2009, respectively, were approved at 6.50% and 6.28% interest.

As of December 31, 2010 and 2009, the future minimum lease payments under finance lease and the present value of the net minimum lease payments follows:

2010

	2010	2009
Within one year	₱60,810	₱26,912
After one (1) year but not more than five (5) years	71,302	82,900
Total minimum lease payments	132,112	109,812
Less finance charges	7,345	10,812
Present value of minimum lease payment	₱124,767	₱99,000

Commitment on Electricity Sales Contracts

The APA included a number of Transition Supply Contracts (TSC) to distribution utilities and large load customers located in close proximity to the Purchased Assets. The volume of energy demand for each of the customers is reflected in their respective TSC. The electricity pricing in the said TSC is tied to the NPC's Luzon Time of Use (TOU) rate approved by the ERC which is adjustable by changes in foreign exchange and fuel cost. The said tariff, even if adjustable, is subject to ERC's approval before the same could be implemented. Assignment of Sun Power



Corporation's TSC was not accepted by SCPC at the closing date due to anticipated loss once accepted. Assigned TSC were renewed on various dates in 2010, except for High Street Corporation.

Capital Commitments

For the year 2011, the Group has capital commitments on acquisition of mining equipment amounting to ₱841.07 million in relation to its income tax holiday registration with BOI.

37. Note to Consolidated Statements of Cash Flows

The Group's significant noncash investing and financing activities follow:

	2010	2009
	(Amounts in Thousands)	
Acquisition of conventional and other mining equipment on account (Note 12)	₱300,380	₱474,364
Acquisition of business (Note 32)	-	10,163,168

Discontinued operations affected the Group cash flow statements as follows (amounts in thousands):

Net cash used in operating activities	(₱1,205,765)
Net cash provided by investing activities	2,613,699
Net cash used in financing activities	(450,408)
<u>Change in cash and cash equivalents</u>	<u>₱957,526</u>

38. Other Matters

a. Electric Power Industry Reform Act (EPIRA)

In June 2001, Congress approved and passed into law the EPIRA, providing the mandate and the framework to introduce competition in the electricity market. EPIRA also provides for the privatization of the assets of NPC, including its generation and transmission assets, as well as its contract with Independent Power Producers (IPPs). EPIRA provides that competition in the retail supply of electricity and open access to the transmission and distribution systems would occur within three years from EPIRA's effective date June 2001. Prior to June 2002, concerned government agencies were to establish a wholesale electricity spot market, ensure the unbundling of transmission and distribution wheeling rates and remove existing cross subsidies provided by industrial and commercial users to residential customers. The WESM was officially launched on June 23, 2006 and began commercial operations for Luzon. The ERC has already implemented a cross subsidy removal scheme. The inter-regional grid cross subsidy was fully phased-out in June 2002. ERC has already approved unbundled rates for TRANSCO and majority of the distribution utilities.

Under EPIRA, NPC's generation assets are to be sold through transparent, competitive public bidding, while all transmission assets are to be transferred to the Transmission Company, initially a government-owned entity that is eventually be privatized. The privatization of these NPC assets has been delayed and is considerably behind the schedule set by the DOE. EPIRA also created PSALM, which is to accept transfers of all assets and assume all outstanding obligations of NPC, including its obligations to IPPs. One of PSALM's responsibilities is to



manage these contracts with IPPs after NPC's privatization. PSALM also is responsible for the privatizing at least 70% of the transferred generating assets and IPP contracts no later than three years from the effective date of the law.

The Group believes that it has complied with all the requirements of EPIRA.

In August 2005, the ERC issued a resolution reiterating the statutory mandate under the EPIRA law for the generation and distribution companies, which are not publicly listed, to make an initial public offering (IPO) of at least 15% of their common shares by June 26, 2006.

For Companies which operated after the implementation of EPIRA, the IPO shall be implemented not later than five years from the issuance of the Certificate of Compliance (COC) by the ERC. NPC received its COC on October 14, 2005. On May 10, 2006, ERC issued Resolution 21, suspending, under further notice, the implementation of the 15% issuance of common shares. The suspension continues to remain in effect as of December 31, 2010.

WESM

With the objective of providing competitive price of electricity, the EPIRA authorized the DOE to constitute an independent entity to be represented equitably by electric power industry participants and to administer and operate WESM. The WESM will provide a mechanism for identifying and setting the price of actual variations from the quantities transacted under contracts between sellers and purchasers of electricity.

In addition, the DOE was tasked to formulate the detailed rules for WESM which include the determination of electricity price in the market. The price determination methodology will consider accepted economic principles and should provide a level playing field to all electric power industry participants. The price determination methodology is subject to the approval of the ERC.

In this regard, the DOE created Philippine Electricity Market Corporation (PEMC) to act as the market operator governing the operation of the WESM. On June 26, 2006, the WESM became operational in the Luzon grid and adopts the model of a "gross pool, net settlement" electricity market.

b. **Clean Air Act**

On November 25, 2000, the IRR of the Philippine Clean Air Act (PCAA) took effect. The IRR contains provisions that have an impact on the industry as a whole and on SCPC in particular, that need to be complied with within 44 months (or July 2004) from the effectivity date, subject to approval by the DENR. The power plant of SCPC uses thermal coal and uses a facility to test and monitor gas emissions to conform with Ambient and Source Emissions Standards and other provisions of the Clean Air Act and its Implementing Rules and

Regulations. Based on SCPC's initial assessment of its power plant's existing facilities, SCPC believes that it is in full compliance with the applicable provisions of the IRR of the PCAA as of December 31, 2009. SCPC is currently complying with the provisions of the Clean Air Act and its IRR.



39. Sale of AG&P

On December 22, 2010 (closing date), the Parent Company sold AG&P to AGPPHI representing 98.19% of the AG&P's total issued and outstanding capital stock. The total consideration of ₱1.75 billion was received and a net gain of ₱36.66 million was recognized as a result of the consummation of the sale.

The operating results of AG&P from January 1, 2010 until closing date and December 31, 2009 and 2008 are presented below (in thousands):

	2010	2009	2008
Revenue from construction contracts	₱3,058,807	₱2,442,977	₱3,009,999
Finance, equity in net earnings and other income	90,204	226,810	253,675
	3,149,011	2,669,787	3,263,674
Cost of construction contracts	2,059,962	1,861,904	2,413,376
General administrative expenses	373,764	452,108	521,330
Interest and other financing charges	40,386	45,200	37,080
Benefit from income tax	34,213	13,228	98,793
	2,508,325	2,372,440	3,070,579
Income from discontinued operations	₱640,686	₱297,347	₱193,095

After tax income from discontinued operations consists of the following:

	2010	2009	2008
Gain from sale of discontinued operations	₱36,659	₱-	₱-
Net income from discontinued operations	640,686	297,347	193,095
After tax income from discontinued operations	₱677,345	₱297,347	₱193,095

The following are the net assets of AG&P as of December 22, 2010 (in thousands):

	Amount
	<i>(In Thousands)</i>
Current assets:	
Cash and cash equivalents	₱792,474
Available-for-sale financial assets	7,255
Costs and estimated earnings in excess of billings on uncompleted Contracts	74,294
Receivables	308,803
Inventories	171,432
Other current assets	32,341
Noncurrent assets:	
Investments in associates and jointly controlled entities	139,107
Investment properties	186,742
Property, plant and equipment	2,358,794
Pension asset	19,029

(Forward)



	Amount
Current liabilities:	
Accounts and other payables	(₱1,478,860)
Income tax payable	(981)
Current portion of long-term debt	(100,408)
Noncurrent liabilities:	
Long-term debt - net of current portion	(350,000)
Deferred tax liabilities	(323,731)
Share in:	
Revaluation increment	(78,717)
Minority interest	(44,750)
Cumulative translation adjustment	517
Net assets	₱1,713,341

40. Event After the Reporting Period

On January 14, 2011, PDI entered into a corporate notes facility agreement with various financial institutions as the note holders and with Banco de Oro Capital and Investment Corporation as the lead arranger and sole bookrunner. This agreement relates to the issuance of peso-denominated series A and series B fixed rate notes amounting to ₱5.00 billion for the purpose of obtaining financing to fund the acquisition of real estate properties, project development and construction costs and for other general corporate purposes of PDI.

PDI shall repay principal amounts of each of the series A and series B notes on five annual installments as percentage of principal amount as follow:

First year	1.00%
Second year	1.00
Third year	1.00
Fourth year	1.00
Final maturity	96.00
	100.00%

As part of the loan covenant, PDI is required to maintain a debt to equity ratio that does not exceed 2:1 and a current ratio of not less than 1.75:1.

Series A notes amounting to ₱2.00 billion with a fixed interest rate of 7.22% were issued on January 31, 2011. On March 17, 2011, series B notes amounting to ₱3.00 billion with a fixed interest rate of 7.80% were subsequently issued. Both notes were payable in five years.

41. Approval of Consolidated Financial Statements

The consolidated financial statements of DMCI Holdings, Inc. and Subsidiaries as of December 31, 2010 and 2009 and for each of the three years in the period ended December 31, 2009 were endorsed for approval by the Audit Committee and authorized for issue by the BOD on April 18, 2011.

