



# CONCRETE AGGREGATES CORPORATION

Don Mariano Santos Avenue, San Isidro, Angono, Rizal

Tel. No.: 651-3211 to 15    Telefax No.: 451-0192



November 12, 2009

**THE PHILIPPINE STOCK EXCHANGE, INC.**

4/F Philippine Stock Exchange Center  
Exchange Road, Ortigas Center  
Pasig City, Metro Manila

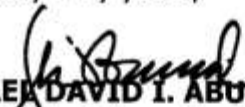
Attention: **Ms. Janet A. Encarnacion**  
Head, Disclosure Department

Gentlemen:

In compliance with the Philippine Stock Exchanges' Rules on Disclosure, please find attached hereto a copy of Concrete Aggregates Corporation's Quarterly Report for the third quarter of 2009 (SEC Form 17-Q), which we filed at the Securities and Exchange Commission today, November 12, 2009.

Thank you and best regards.

Very truly yours,

  
**MICHAEL DAVID I. ABUNDO III**  
Corporate Information Officer



111122009000401



## SECURITIES AND EXCHANGE COMMISSION

SEC Building, EDSA, Greenhills, Mandaluyong City, Metro Manila, Philippines  
Tel: (632) 726-0931 to 39 Fax: (632) 725-5293 Email: mis@sec.gov.ph

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Company Information

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**SEC Registration No.** 0000036140  
**Company Name** CONCRETE AGGREGATES CORP.  
**Industry Classification**  
**Company Type** Stock Corporation

Document Information

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# COVER SHEET

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S.E.C. Registration Number

C O N C R E T E   A G G R E G A T E S

C O R P .

(Company's Full Name)

9 T H   F L O O R   O R T I G A S   B U I L D I N G

O R T I G A S   A V E N U E ,   P A S I G   C I T Y

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

MICHAEL DAVID I. ABUNDO III

Contact Person

6311231

Company Telephone Number

1 2

Month

3 1

Day

Fiscal Year

0 6

Month

2 5

Day

Annual Meeting

S E C   F O R M   1 7 - Q   ( 3 R D   Q U A R T E R )

FORM TYPE

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

27,486,449

Total No. of Stockholders

Total Amount of Borrowings

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. use black ink for scanning purposes

Security Code \_\_\_\_\_  
SEC Number 36140  
File Number \_\_\_\_\_

**CONCRETE AGGREGATES CORP.**

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**(Company's Full Name)**

**9TH FLOOR, ORTIGAS BUILDING, ORTIGAS AVENUE, PASIG CITY**

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**(Company's Address)**

**631-1231 / Fax no.: 631-6517**

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**(Company's Telephone Number)**

**DECEMBER 31**

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**(Fiscal Year Ending)  
(Month & Day)**

**SEC FORM 17-Q: Third Quarter 2009**

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**(FORM TYPE)**

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**(Amendment Designation if Applicable)**

**September 30, 2009**

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**Period Ended Date**

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**(Secondary License Type, if any)**

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended September 30, 2009
2. SEC Identification Number 36140                      3. BIR Tax Identification No. 000-201-881
4. Exact name of registrant as specified in its charter CONCRETE AGGREGATES CORP.
5. Philippines    6. (SEC Use Only)   
Province, Country or other jurisdiction of              Industry Classification Code;  
Incorporation or organization
7. 9th Floor, Ortigas Building, Ortigas Avenue, Pasig City    1600  
Address of principal office per Amended Articles of Incorporation approved              Postal Code  
by the SEC on March 23, 2009
8. (02) 631-1231 / Fax no.: (02) 631-6517  
Registrant's telephone number, including area code
9. Don Mariano Santos Avenue, Barrio San Isidro, Angono, Rizal  
Former address
10. Securities registered pursuant to Sections 4 and 8 of the RSA
- | <u>Title of Each Class</u> | <u>Number of Shares of Common Stock<br/>Outstanding and Amount of Debt Outstanding</u> |
|----------------------------|--|
| Common Shares              | 27,466,449   |
11. Are any or all of these securities listed on the Philippine Stock Exchange?  
Yes (x)    No ( )    Classes Common "A" and Common "B"
12. Check whether the registrant:
- (a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the Revised Securities Act (RSA) and RSA Rule 11(a) – 1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding 12 months (or for such shorter period that the registrant was required to file such reports);  
Yes (x)    No ( )
- (b) has been subject to such filing requirements for the past 90 days.  
Yes (x)    No ( )

## FINANCIAL INFORMATION

### Item 1. Financial Statements

Please see the following attached documents:

- Unaudited Balance Sheet Statement, as of September 30, 2009
- Unaudited Statement of Income, as of September 30, 2009
- Unaudited Statement of Changes in Stockholder's Equity, as of September 30, 2009
- Unaudited Statement of Cash Flows, as of September 30, 2009
- Aging of Accounts Receivables, as of September 30, 2009
- Statement of Management's Responsibility
- Notes to Financial Statements

### Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The year 2008 saw Concrete Aggregates Corporation (CAC) undergo changes which significantly impacted its operations and, consequently, its financial condition. Foremost among these changes is the selection and appointment of a third party as the operator of the company's quarry in Angono, Rizal. As discussed in previous reports and disclosures, the Board of Directors of CAC, during a regular meeting held on June 18, 2007, authorized the conduct of a bidding to select an operator of its Angono quarry for a period of fifteen (15) years. Three companies qualified to participate in the bidding of which two submitted formal bids on November 16, 2007. On November 29, 2007, the company's Board of Directors declared that the consortium of Republic Cement Corporation and Lafarge Holdings (Philippines), Inc. (the "Consortium") won the bid for the right to operate the company's Angono quarry.

The declaration of the Consortium as the winning bidder was affirmed by the company's stockholders during a special meeting held last January 18, 2008, including the execution of all agreements necessary to implement the foregoing. Upon securing stockholders' approval, the company and the Consortium entered into an Agreement on January 18, 2008, which set forth the actions to be taken by each party as well as the agreements to be executed by them in order to carry out their intentions.

In compliance with the January 18, 2008 Agreement, the company incorporated Batong Angono Aggregates Corp. (BAAC). Thereafter, the company and BAAC entered into an Operating Agreement on January 23, 2008, which became effective as of June 1, 2008. On June 2, 2008, the parties completed all the specified actions in the January 18, 2008 Agreement including the execution of the Asset Purchase Agreement, Trademark License Agreement and Transition Services Agreement by CAC and BAAC as well as the execution by CAC and the Consortium of a Share Purchase Agreement. With the execution of the Share Purchase Agreement, the Consortium became the owner of 100% of the outstanding capital stock of BAAC.

Pursuant to the foregoing transactions, the company formally turned over the operation of its Angono quarry to BAAC on June 1, 2008. Under the Operating Agreement, BAAC was granted the right to operate the Angono quarry for fifteen (15) years subject to the conditions indicated in the agreement, CAC's Mineral Production Sharing Agreements (MPSAs) and its Environmental Compliance Certificate (ECC).

For the third quarter of 2009, the company recorded ₱8 million in royalty income. ₱3 million came from the 2.5% royalty on the value of aggregates sold by BAAC while ₱5 million came from the three month amortization of the advance royalty payments received from BAAC in June 2008. As such, Year-to-date 2009 total royalty income of the company amounted to ₱25.76 million of which ₱10.76

million came from the 2.5% royalty on the value of aggregates sold by BAAC while the remaining ₱15 million came from the amortization of the advance royalty payment.

The company has no significant liquidity or credit risks. The company's current income is more than enough to meet debt servicing and other liabilities. Additionally, there are cash inflows which the company expects to obtain in the near future. The Financial Risk Management Objectives and Policies of the company are discussed in #22 of the Notes to the Financial Statements.

## **Operating Results**

### **Revenues**

For the third quarter of 2009, the company earned ₱8 million in royalties or ₱25.76 million year-to-date for 2009. No revenues from aggregates sales were realized due to the transfer of the quarrying operations to BAAC starting June 1, 2008.

### **Cost of sales**

No cost of sales was incurred during the third quarter of 2009 due to the previously mentioned transaction with BAAC.

### **Selling expenses**

As with cost of sales, no selling expenses were incurred by the company during the third quarter of 2009.

### **General and administrative expenses**

General and administrative expenses amounting to ₱10.31 million were incurred in the third quarter of 2009 or ₱23.00 million year-to-date. This amount represents an 80% decrease from the amount incurred during the three quarters of 2008 and is composed mostly of depreciation, salaries and wages of the company's remaining employees, professional fees, director's bonus, and the real property taxes paid on the various real estate properties of the company. This represents a decrease from last year's ₱550.00 million extraordinary income recognized from the company's completed transaction with BAAC.

### **Other income (expenses)**

Other income for the third quarter amounted to ₱15.43 million or ₱51.92 year-to-date for 2009 which is composed mostly of accretion income and incidental interest income pertaining to the Longos property sold by the company to Ortigas & Company, Limited Partnership (OCLP) and gain on sale of various machineries and equipment.

### **Net income after tax**

Year-to-date net income after tax resulted in a profit of ₱35.12 million. Likewise, the drop as compared to last year's figure was caused by the previously mentioned transaction with BAAC.

## **Financial Condition**

### **Cash**

Cash balance amounting to ₱50.34 million increased by ₱38.08 million or 311% as compared to the figures posted in December 31, 2008. The increase was due to the collection of installment receivables from OCLP and additional royalties paid by BAAC.

### **Receivables**

Receivables net of allowances and provisions is at ₱44.70 million or a decrease of ₱77.09 million from 2008's year-end balance due to OCLP's and BAAC's payments of installment and trade receivables, respectively.

#### Other current assets

Other current assets amount to ₱21.07 million or a decrease of ₱21.63 million from 2008's year-end balance of ₱42.71 million. This is due to the application of the creditable taxes against the three quarters of 2009's tax liabilities.

#### Deferred Income Tax Assets

Deferred income tax asset currently at ₱81.77 million represents an increase of ₱8.47 million from last year's year-end balance. The increase was brought about by the additional advance royalty payments made by BAAC.

#### Other noncurrent assets

Other noncurrent assets currently at ₱11.75 million are composed of the Mine Rehabilitation Fund, which is legally mandated to be maintained and other deposits.

#### Trade accounts payable

Trade accounts payable in the amount of ₱10.19 million represents a decrease of ₱3.07 million from last year's year-end balance. The decrease was brought about by the settlement of various accounts by the company upon receipt of the cash inflows mentioned earlier.

#### Accrued expenses and other accounts payables

Accrued expenses and other payables amounting to ₱7.01 million decreased by ₱46.72 million from 2008 year-end figures. The decrease was mostly because of the payment of management fees by the company to OCLP.

#### Unearned Royalty Fees

This pertains to the portion of the advance royalty payment received from BAAC not yet earned as of the third quarter of 2009 which is at ₱273.33 million. This represents an increase of ₱53 million from 2008's year-end balance and is due to the recognition of the additional advance royalty from BAAC.

#### Stockholders' Equity

Stockholders' equity is at ₱839.55 million or ₱35.12 million higher from last year's year-end balance brought about by the company's net income after tax for the three quarters of 2009.

Book value per share is at ₱30.57 per share as of September 30, 2009 as compared to ₱29.28 per share in December 31, 2008.

- i. Due to the company's sound financial condition, there are no foreseeable trends, events or uncertainties that may have a material impact on its long term or short term liquidity.
- ii. There are no events that will trigger any direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.
- iii. There are no off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.
- iv. Funding will be sourced from internally-generated cash flow, and also from borrowings or available credit facilities from other local and international commercial banks, if warranted.
- v. At the moment, there are no material commitments for capital expenditures other than those performed in the ordinary course of trade or business.



vi. The causes for any material changes in the unaudited financial statements from the three quarters of 2008 as compared to the three quarters of 2009 are explained in the Management Discussion and Analysis, as well as in the accompanying Notes to Financial Statements.

vii. There is no known significant element of income or loss that did not arise from the company's continuing operations, except as disclosed above and in the attached unaudited financial statements.

viii. Accounts that registered material changes of 5% or more and the causes thereof are as follows:

Accounts	Jan-Sept 2009	Jan-Sept 2008	Increase (Decrease)	Remarks
Sales	0	₱200,733,259	(200,733,259)	The decrease is attributable to the cessation of selling activities due to the transfer of quarrying operations to BAAC effective in June 1, 2008.
Royalties	25,756,410	0	25,756,410	₱10.76 million came from the 2.5% royalty on the value of aggregates sold by BAAC and ₱15 million from the six month amortization of the advance royalty payments received from BAAC in June 2008.
Cost of sales	0	133,827,907	(133,827,907)	The decrease is similarly a consequence of the cessation of selling activities mentioned above.
Administrative expenses	23,002,194	112,544,542	(89,542,348)	The decrease is likewise a consequence of the cessation of selling activities mentioned above. 2009 year-to-date expenses were mostly due to depreciation, professional fees, salaries of the company's remaining employees, and real property taxes on the various land.
Interest income (expense)	(1,622,658)	7,452,336	9,074,994	₱1.22 million interest expense came from the company's BPI loan and ₱0.4 million from the loan from OCLP.
Other income (expense)	51,924,806	550,001,589	(498,076,783)	Other income for 2009 came mostly from the ₱39.95 and ₱2.60 million interest and accretion income on the installment receivable on the sale of the Longos property and ₱9.37 million from the sale of equipments and scrap items, . The extraordinary income registered in 2008 came from the Company's completed transaction with BAAC.

<b>Accounts</b>	<b>Jan-Sept 2009</b>	<b>Jan-Sept 2008</b>	<b>Increase (Decrease)</b>	<b>Remarks</b>
Cash and cash equivalents	<b>50,343,662</b>	12,260,617	38,083,045	The increase was due to collections from OCLP and BAAC for installment and trade receivables, respectively.
Receivables	<b>44,695,821</b>	77,086,596	(32,390,775)	The decrease was due to collections from OCLP and BAAC for installment and trade receivables, respectively.
Other current assets	<b>21,072,883</b>	42,710,058	(21,637,175)	The decrease was due to the application of the creditable taxes against the first half of 2009's tax liabilities.
Deferred Income Tax Assets	<b>81,771,598</b>	73,303,374	8,468,224	The increase was due to the income tax paid on the additional advance royalty payments made by BAAC.
Other non-current assets	<b>11,747,415</b>	11,747,014	401	This is composed of the company's Mine Rehabilitation Fund and other deposits.
Short Term Loans	<b>0</b>	50,000,000	(50,000,000)	Cash inflows from OCLP and BAAC payments as well as the proceeds from sale of various equipments and scrap materials were used to settle these obligations.
Trade accounts payable	<b>10,191,112</b>	13,256,140	(3,065,028)	The decrease was due to the settlement of various accounts owing to the major cash inflows mentioned earlier.
Accrued expenses and other payables	<b>7,008,965</b>	53,726,985	(46,718,020)	The decrease was due to the settlement of advances from OCLP.
Unearned royalty fees	<b>273,333,333</b>	220,333,333	53,000,000	The increase in the current and non-current portion of the advance royalty payment received by the company from BAAC was due to the recognition of the remaining ₱68 million advanced royalty payment.

**Key Performance Indicators**

The Company has identified the following key performance indicators affecting its operation:

<b>MEASURES</b>	<b>September 30, 2009</b>	<b>December 31, 2008</b>	<b>Manner of Calculation</b>
Current Ratio	5.23	0.96	Current Assets ÷ Current Liabilities
Debt / Equity Ratio	0.35	0.42	Total Liabilities ÷ Total Stockholders' Equity
Gross Profit Rate	NA	33%	Gross Margin ÷ Sales
Operating Profit Rate	NA	13%	Operating Profit ÷ Sales
Net Income Rate	NA	26%	Net Income ÷ Sales
Return on Assets	4%	37%	Annualized Net Income ÷ Total Assets
Return on Equity	6%	53%	Annualized Net Income ÷ Total Stockholders' Equity

**SIGNATURE**

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



**Cesar D. Buenaventura**  
Accounting Manager/Authorized Officer  
November 12, 2009

**CONCRETE AGGREGATES CORP.****BALANCE SHEETS****September 30, 2009****(With comparative figures for December 31, 2008)**

	Unaudited September 2009	Audited December 2008
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	P50,343,662	P12,260,617
Receivables - net	44,695,821	77,086,596
Inventories	--	--
Other current assets - net	21,072,883	42,710,058
	<b>116,112,366</b>	<b>132,057,271</b>
Noncurrent assets held for sale – net	--	--
<b>Total Current Assets</b>	<b>116,112,366</b>	<b>132,057,271</b>
<b>Noncurrent Assets</b>		
Investment properties - net	67,990,476	69,923,059
Property, plant and equipment - net	84,820,103	89,680,394
Deferred income tax assets – net	81,771,598	73,303,374
Net retirement plan assets	--	--
Installment receivable	767,644,061	765,038,654
Other noncurrent assets	11,747,415	11,747,014
<b>Total Noncurrent Assets</b>	<b>1,013,973,654</b>	<b>1,009,692,494</b>
<b>TOTAL ASSETS</b>	<b>P1,130,086,020</b>	<b>P1,141,749,765</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current Liabilities</b>		
Short-term loans	P-	P50,000,000
Trade payables	10,191,112	13,256,140
Current portion of unearned royalty fees	5,000,000	20,000,000
Accrued liabilities and other payables	7,008,965	53,726,985
<b>Total Current Liabilities</b>	<b>22,200,077</b>	<b>136,983,125</b>
Unearned income	268,333,333	200,333,333
<b>Total Liabilities</b>	<b>290,533,410</b>	<b>337,316,468</b>
<b>Stockholders' Equity</b>		
Capital stock - P10 par value		
Authorized - 50,000,000 shares		
Issued and outstanding – 27,466,449 shares (held by 645 stockholders)	274,664,490	274,664,490
Additional paid-in capital	1,069,304	1,069,304
Unrealized gain(loss) on appreciation in value of available-for-sale investments, net of related deferred income tax	149,030	149,030
Retained earnings	563,669,786	528,550,483
<b>Total Stockholders' Equity</b>	<b>839,552,610</b>	<b>804,433,307</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>P1,130,086,020</b>	<b>P1,141,749,765</b>

*See accompanying Notes to the Company's Financial Statements.*

**CONCRETE AGGREGATES CORP.****STATEMENTS OF INCOME****FOR THE THIRD QUARTER ENDING SEPTEMBER 30, 2009 (Unaudited)****(With comparative figures for September 30, 2008)**

	<b>Unaudited July to Sept 2009</b>	Unaudited July to Sept 2008	<b>Unaudited January to Sept 2009</b>	Unaudited January to Sept 2008
<b>REVENUES</b>				
Sales	--	--	--	200,733,259
Royalty Income	<b>8,003,896</b>	--	<b>25,756,410</b>	--
	<b>8,003,896</b>	--	<b>25,756,410</b>	200,733,259
<b>COST OF SALES</b>	--	--	--	132,928,380
<b>GROSS PROFIT</b>	<b>8,003,896</b>	--	<b>25,756,410</b>	67,804,879
General and administrative expenses	<b>(10,314,903)</b>	(64,431,135)	<b>(23,002,194)</b>	(112,544,542)
Selling expenses	--	--	--	(11,152,663)
Interest and other financing charges	<b>(42,779)</b>	(649,781)	<b>(1,622,658)</b>	(649,781)
Discontinued Operations	<b>(1,554,817)</b>	--	<b>(3,880,732)</b>	--
Interest income	--	7,127,030	--	8,102,117
Others – net	<b>15,429,043</b>	20,416,960	<b>51,924,805</b>	550,001,589
<b>INCOME (LOSS) BEFORE INCOME TAX</b>	<b>11,520,440</b>	(37,533,925)	<b>49,175,632</b>	501,561,600
<b>PROVISION FOR INCOME TAX</b>	<b>2,988,788</b>	(93,159,236)	<b>14,056,328</b>	8,496,923
<b>NET INCOME (LOSS)</b>	<b>8,531,652</b>	55,625,310	<b>35,119,304</b>	493,064,676
<b>Basic/Diluted Earnings (Loss) per share</b>	<b>0.36</b>	2.03	<b>1.28</b>	17.95

*See accompanying Notes to the Company's Financial Statements.*

**CONCRETE AGGREGATES CORP.****STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY  
FOR THE THIRD QUARTER ENDING SEPTEMBER 30, 2009 (Unaudited)  
(With comparative figures for September 30, 2008)**

	Capital Stock	Additional Paid-in Capital	Unrealized Gain on Appreciation in Value of Available-for- Sale Financial Assets	Retained Earnings (Deficit)	Total
Balances at January 1, 2008 (Audited)	274,664,490	1,069,304	292,042	900,961,915	1,176,987,751
Amortization of present value of Installment receivables				3,166,136	3,166,136
Net Income from January 1, 2008 to Sept 30, 2008	–	–	–	493,064,676	496,064,676
Dividends declared during June 2008				(799,822,995)	(799,822,995)
<b>BALANCES AT SEPT 30, 2008</b>	<b>274,664,490</b>	<b>1,069,304</b>	<b>292,042</b>	<b>597,369,733</b>	<b>873,395,569</b>
<b>Balances at January 1, 2009 (Audited)</b>	<b>274,664,490</b>	<b>1,069,304</b>	<b>149,030</b>	<b>528,550,483</b>	<b>804,443,308</b>
<b>Net Income from January 1, 2009 to Sept 30, 2009</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>35,119,304</b>	<b>35,119,304</b>
<b>BALANCES AT SEPT 30, 2009</b>	<b>274,664,490</b>	<b>1,069,304</b>	<b>(173,640)</b>	<b>563,669,787</b>	<b>839,552,611</b>

*See accompanying Notes to the Company's Financial Statements.*

**CONCRETE AGGREGATES CORP.****STATEMENTS OF CASH FLOWS****FOR THE THIRD QUARTER ENDING SEPTEMBER 30, 2009 (Unaudited)****(With comparative figures for September 30, 2008)**

	<b>Unaudited July to Sept 2009</b>	Unaudited July to Sept 2008	<b>Unaudited January to Sept 2009</b>	Unaudited January to Sept 2008
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Net Income (loss)	<b>8,531,653</b>	55,625,310	<b>35,119,304</b>	493,064,676
Adjustments for:				
Depreciation and amortization	<b>2,083,817</b>	1,326,950	<b>6,474,622</b>	14,554,658
Interest expense		649,781		649,781
Interest income		(7,127,030)	--	(8,102,117)
Accretion Income	<b>(868,470)</b>	(868,470)	<b>(2,605,408)</b>	(3,166,136)
Gain on sale of property, plant and equipment	<b>(369,136)</b>	-	<b>(9,714,468)</b>	(67,573,502)
Gain on sale of computerization project	-	-		(162,077)
Gain on sale of investment in subsidiary		-		(410,000,000)
Operating income before working capital changes and	<b>9,377,864</b>	49,606,541	<b>29,274,050</b>	19,265,283
Provisions				
Decrease (increase) in:				
Receivables	<b>43,882,506</b>	10,908,771	<b>32,390,775</b>	29,469,052
Inventories		(106,720)	-	23,441,844
Net retirement plan assets	-	-		3,682,978
Other current assets	<b>14,075,477</b>	9,099,700	<b>21,637,175</b>	4,679,400
Deferred income tax assets – net	-	(94,144,149)	-	(94,144,149)
Increase (decrease) in:				
Trade payables	<b>(576,278)</b>	(29,827,824)	<b>(3,065,028)</b>	(9,093,611)
Current portion of unearned royalty fees	<b>(8,555,556)</b>	-	<b>(15,000,000)</b>	--
Accrued expenses and other payables	<b>450,376</b>	(125,238,221)	<b>(46,718,020)</b>	(179,577,991)
Addition (reduction) to unearned income	<b>3,555,556</b>	(3,866,667)	<b>68,000,000</b>	226,844,444
Cash generated from operations	<b>62,209,945</b>	(183,568,569)	<b>86,518,952</b>	24,567,250
Interest received		7,127,030	--	8,102,117
Net cash flows from operating activities	<b>62,209,945</b>	(176,441,539)	<b>86,518,952</b>	32,669,367
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Acquisitions of property, plant and equipment and noncurrent assets held for sale	<b>(42,000)</b>	(3,490,727)	<b>(158,948)</b>	(28,162,727)
Proceeds from sale of stock	-	-		410,000,000
Proceeds from sales of property, plant and equipment	<b>120,000</b>	-	<b>11,335,000</b>	219,339,286
Reduction (addition) to property, plant and equipment	<b>265,703</b>	--	<b>(1,143,334)</b>	--

**CONCRETE AGGREGATES CORP.****STATEMENTS OF CASH FLOWS****FOR THE THIRD QUARTER ENDING SEPTEMBER 30, 2009 (Unaudited)****(With comparative figures for September 30, 2008)**

	<b>Unaudited July to Sept 2009</b>	Unaudited July to Sept 2008	<b>Unaudited January to Sept 2009</b>	Unaudited January to Sept 2008
Reduction (addition) to deferred income tax	<b>(5,300,000)</b>	--	<b>(8,468,224)</b>	--
Reduction (addition) to non-current assets	-	-	<b>(401)</b>	(2,081,742)
Reduction (addition) to investment properties	-	697,177		2,091,531
Net cash flows from (used in) investing activities	<b>(4,956,297)</b>	(2,793,550)	<b>1,564,093</b>	601,186,348
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Payment of cash dividends to stockholders		(796,614,645)		(796,614,645)
Interest paid		(511,373)		(511,373)
Addition (reduction) to short-term loans	<b>(10,000,000)</b>	55,000,000	<b>(50,000,000)</b>	55,000,000
Net cash flows from (used in) financing activities	<b>(10,000,000)</b>	(742,126,018)	<b>(50,000,000)</b>	(742,126,018)
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>47,253,648</b>	(921,361,107)	<b>38,083,045</b>	(108,270,303)
<b>CASH AT BEGINNING OF THE PERIOD</b>	<b>3,090,014</b>	929,658,503	<b>12,260,617</b>	116,567,699
<b>CASH AT END OF THE PERIOD</b>	<b>50,343,662</b>	8,297,396	<b>50,343,662</b>	8,297,396

*See accompanying Notes to the Company's Financial Statements.*



**CONCRETE AGGREGATES CORP.****ACCOUNTS RECEIVABLE AGING (Unaudited)****FOR THE THIRD QUARTER ENDING SEPTEMBER 30, 2009**

Description	Total	1-30 days	31 to 60 days	Over 120 days	Under Litigation
A. Trade Receivables Angono Aggregates	26,941,626			26,941,626	
<b>Subtotal</b> Less: Allowance for Doubtful Accounts	<b>26,941,626</b> (26,941,626)			<b>26,941,626</b> (26,941,626)	
<b>Net Trade Receivables</b>	<b>0</b>			<b>0</b>	
B. Other Receivables					
BAAC	25,247,830	24,193,618	1,054,212		
OCLP	19,243,184	19,243,184			
Others	204,807	204,807			
<b>Net Other Receivables</b>	<b>44,695,821</b>	<b>43,641,609</b>	<b>1,054,212</b>	<b>0</b>	
<b>Total</b>	<b>44,695,821</b>	<b>43,641,609</b>	<b>1,054,212</b>	<b>0</b>	

## Statement of Management's Responsibility

The management of Concrete Aggregates Corp. (CAC) is responsible for all information and representations contained in the financial statements for the period ended September 30, 2009. The financial statements have been prepared in conformity with generally accepted accounting principles in the Philippines and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

In this regard, management maintains a system of accounting and reporting, which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized disposition and liabilities are recognized. The management likewise discloses to the company's audit committee and to its external auditor any: (i) significant deficiencies in the design or operation of internal controls that could adversely affect its ability to record, process and report financial data; (ii) material weaknesses in the internal controls; and (iii) fraud that involves management or other employees who exercise significant roles in internal controls.

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### CONCRETE AGGREGATES CORP.

### NOTES TO FINANCIAL STATEMENTS

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#### 1. Corporate Information and Business Operations

##### Corporate Information

The company began operating upon its incorporation in 1959 as Concrete Aggregates, Inc. (CAI). Since then the company has supplied the construction industry with quality processed aggregates, ready mix concrete, bituminous concrete mix and pre-stressed/pre-cast concrete. CAI subsequently merged with Build-On Aggregates Corporation (BAC) in 1973 and the resulting entity was named Concrete Aggregates Corporation (CAC). CAC has since conducted its quarrying activities in Angono, Rizal, which is a source of the best aggregates for the construction industry.

OCLP purchased a controlling interest in CAC in 1978 and took over the management of the company. In January 24, 2006, OCLP and CAC entered into a Management Agreement which calls for the general management of and overall supervision by OCLP of the affairs and business operations of the company, such as but not limited to the following: strategic planning; domestic and international sales; marketing and distribution; real property management and development; accounting; finance; employee care and human resources development; information technology and information systems; audit and business process systems and controls; legal; and administrative services, including, without limitation, to advisory and consulting services in relation to the supervision of independent auditors; the selection, retention and supervision of external legal counsel; the selection, retention and supervision of investment bankers or other financial advisors and such other consultants as OCLP may deem necessary in the conduct of its role as general managers of CAC.

The principal office of the company is at the 9th Floor, Ortigas Building, Ortigas Avenue, Pasig City.

##### Quarry Operations

As discussed earlier, CAC decided in 2007 to engage a third party to operate its quarry in Angono, Rizal through a bidding process, and on November 29, 2007, its Board of Directors declared the Consortium as the winning bidder. On January 18, 2008, the stockholders affirmed the declaration of the Consortium as the winning bidder and authorized all the transactions to be

made to effect the turnover of the quarry operations to a third party operator. Upon approval by the stockholders, the company executed an Agreement dated January 18, 2008 with the Consortium which outlined the transactions to be implemented by the parties.

Thereafter, the company incorporated BAAC and the two parties subsequently entered into an Operating Agreement on January 23, 2008, which became effective as of June 1, 2008. On June 2, 2008, the company and the Consortium completed all the specified actions in the January 18, 2008 Agreement including the execution of the Asset Purchase Agreement, Trademark License Agreement and Transition Services Agreement by CAC and BAAC as well as the execution by CAC and the Consortium of a Share Purchase Agreement. With the execution of the Share Purchase Agreement, the Consortium became the owner of 100% of BAAC.

The company formally turned over its quarry operations to BAAC on June 1, 2008. Under the Operating Agreement, BAAC was granted the right to operate the Angono quarry for fifteen (15) years subject to the conditions indicated in the agreement, CAC's MPSAs and the ECC. In return, BAAC shall make periodic royalty payments to the company at a specified rate.

#### Authorization for Issue of Financial Statements

The parent company financial statements as of and for the year ended December 31, 2008 were authorized for issue in accordance with a resolution of the company's Board of Directors on April 13, 2009

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## **2. Basis of Preparation**

The financial statements have been prepared on a historical cost basis, except for available-for-sale investments that have been measured at fair value. The financial statements are presented in Philippine Peso (Peso), which is the company's functional currency and rounded to the nearest peso except when otherwise indicated.

#### Statement of Compliance

The parent company or separate financial statements of the company, which are prepared for submission to the Philippine SEC and the Bureau of Internal Revenue (BIR), have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). The company also prepares and issues consolidated financial statements for the same period as the separate financial statements presented in compliance with PFRS, and are available in the company's website.

#### **Changes in Accounting Policies**

The accounting policies adopted are consistent with those of the previous financial year except that the company has adopted the following Philippine Interpretations based on International Financial Reporting Interpretation Committee (IFRIC) interpretations which became effective on January 1, 2008 and amendments to an existing Philippine Accounting Standard (PAS) that became effective on July 1, 2008. Adoption of these Interpretations and Amendments did not have any effect on the company's financial statements.

- Philippine Interpretation IFRIC 11, *Group and Treasury Share Transactions*, requires arrangements whereby an employee is granted rights to an entity's equity instruments to be accounted for as an equity-settled scheme by the entity even if (a) the entity chooses or is required to buy those equity instruments (e.g., treasury shares) from another party, or (b) the shareholder(s) of the entity provide the equity instruments needed. It also provides guidance on how subsidiaries, in their separate financial statements, account for such schemes when their employees receive rights to the equity instruments of the parent company. As the company currently has no such transactions, the interpretation did not have any impact on the parent company financial statements.

- Philippine Interpretation IFRIC 12, *Service Concession Arrangements*, covers contractual arrangements arising from entities providing public services. The adoption of this interpretation has no impact on the parent company financial statements.
- Philippine Interpretation IFRIC 14, *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*, provides guidance on how to assess the limit on the amount of surplus in a defined benefit scheme that can be recognized as an asset under PAS 19, *Employee Benefits*. The adoption of this standard has no impact on the parent company financial statements.
- Amendments to PAS 39, *Financial Instruments: Recognition and Measurement*, and PFRS 7, *Financial Instruments: Disclosures – Reclassification of Financial Assets*, allows reclassification of certain financial instruments held-for-trading to either held-to-maturity (HTM), loans and receivables or AFS investments categories as well as certain instruments from investments to loans and receivables. The company has no financial instruments held-for-trading, thus, the amendments did not have any impact on the parent company financial statements.

## **Summary of Significant Accounting Policies**

### 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 change in value.

### Financial Instruments

#### *Date of recognition*

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

#### *Initial recognition and classification of financial instruments*

All financial assets and financial liabilities are recognized initially at fair value. Except for securities at FVPL, the initial measurement of financial assets includes transaction costs. The company's financial assets are further classified into the following categories: financial assets at FVPL, loans and receivables, held-to-maturity (HTM) investments, and available-for-sale (AFS) financial assets. The company also classifies its financial liabilities as financial liabilities at FVPL and other financial liabilities. The classification depends on the purpose for which the investments were acquired or whether they are quoted in an active market. The company determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

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

As of September 30, 2009 and December 31, 2008, the company has no financial assets and financial liabilities at FVPL and HTM investments.

#### *Determination of fair value*

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

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

#### *Day 1 Profit*

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

#### *Loans and receivables*

Loans and receivables are nonderivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are carried either at amortized cost in the balance sheet. Amortization is determined using the effective interest method. Loans and receivables are included in current assets if maturity is within twelve months from the balance sheet date. Otherwise, these are classified as noncurrent assets.

As of September 30, 2009 and December 31, 2008, this category includes the company's cash and cash equivalents, receivables, installment receivable, mine rehabilitation fund and others.

#### *AFS investments*

AFS investments are nonderivatives that are either designated in this category or not classified in any of the other categories. AFS assets are carried at fair value in the balance sheet. Changes in the fair value of such assets are accounted for in equity until the investment is derecognized or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the statement of income. These financial assets are classified as noncurrent assets unless the intention is to dispose such assets within twelve months from the balance sheet date.

As of September 30, 2009 and December 31, 2008, included in this category are the company's investments in golf club shares and investments in shares of stock relative to the company's electric and telephone subscription.

#### *Other financial liabilities*

This category pertains to financial liabilities that are not held for trading or not designated as at FVPL upon the inception of the liability. These include liabilities arising from operations (e.g., payables, accruals).

The liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the effective interest method of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs.

As of September 30, 2009 and December 31, 2008, this category includes the company's trade payables, accrued liabilities and other payables and short-term bank loans.

#### Impairment of Financial Assets

The company assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

#### *Loans and receivables*

If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of loss is measured as a difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced through the use of an allowance account. The amount of loss is recognized in the consolidated statement of income.

The company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and collectively for financial assets that are not individually significant. Objective evidence includes observable data that comes to the attention of the company about loss events such as but not limited to significant financial difficulty of the counterparty, a breach of contract, such as a default or delinquency in interest or principal payments, probability that the borrower will enter bankruptcy or other financial reorganization. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in the group of financial assets with similar credit risk and characteristics and that group of financial assets is collectively assessed for impairment. 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 of impairment.

Loans and receivables, together with the related allowance, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event that occurred after the impairment was recognized, the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of reversal is recognized in the parent company statement of income. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral, if any, has been realized or has been transferred to the company. If in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance for impairment losses account. If a future write-off is later recovered, the recovery is recognized in the parent company statement of income under "Other revenue" account. Any subsequent reversal of an impairment loss is recognized in the parent company statement of income under "Provision for (reversal of) impairment losses" account, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

In relation to receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced either directly or through the use of an allowance account. Impaired debts are derecognized when they are assessed as uncollectible.

#### *AFS financial assets*

If an AFS investment is impaired, the cumulative loss that had been recognized directly in equity (resulting from decline in fair value) shall be removed from equity and recognized in the consolidated statement of income even though the investment has not been derecognized. The amount of the cumulative loss that is removed from equity and recognized in the consolidated statement of income shall be the difference between the acquisition cost (net of any principal repayment and amortization) and current fair value, less any impairment loss on that financial asset previously recognized in the consolidated statement of income.

In case of equity securities classified as AFS financial asset, objective evidence would include a significant or prolonged decline in the fair value of the financial assets below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgment. The company treats "significant" generally as 20% or more of the original cost of investment, and "prolonged" as greater than 6 months. In addition, the Company evaluates other factors, including normal volatility in share price for unquoted equities.

In the case of debt instruments classified as AFS investments, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Future interest income is based on the reduced carrying amount and is accrued based on the rate of interest used to discount future cash flows for the purpose of measuring impairment loss. Such accrual is recorded as part of "Interest income" in the parent company statement of income. If, in subsequent years, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the parent company statement of income.

#### Derecognition of Financial Assets and Financial Liabilities

##### *Financial Assets*

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

- The rights to receive cash flows from the asset have expired;
- The company 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 company 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 risks and rewards of the asset, but has transferred control of the asset.

Where the company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the company'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 original carrying amount of the asset and the maximum amount of consideration that the company could be required to repay.

##### *Financial Liabilities*

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

When 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 modification is treated as a derecognition of the carrying value of the original liability and the recognition of a new liability at fair value, and any resulting difference is recognized in the consolidated statement of income.

### Embedded Derivatives

An embedded derivative is separated from the host financial or nonfinancial contract and accounted for as a derivative if all of the following conditions are met:

- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristic of the host contract;
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- the hybrid or combined instrument is not recognized at FVPL.

The company assesses whether embedded derivatives are required to be separated from host contracts when the Company first becomes party to the contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

The company has no embedded derivatives as of September 30, 2009 and December 31, 2008.

### Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements whereby the related assets and liabilities are presented gross in the consolidated balance sheet.

### Inventories

Inventories are valued at the lower of cost and net realizable value (NRV). Costs incurred in bringing each inventory to its present location and conditions are accounted for as follows:

Mine products	-	determined using the moving average method; cost includes direct labor and a proportion of manufacturing overhead cost based on actual production but excluding borrowing cost
Spare parts, fuel and supplies	-	purchase cost using the moving average method

The NRV for mine products is the estimated selling price in the normal course of business less the estimated costs of completion and estimated costs necessary to make the sale. The NRV for fuel is current replacement cost. The NRV for spare parts and supplies is the estimated scrap value.

### Investment Properties

Investment properties are measured initially at cost, including transaction costs. 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. Subsequent to initial recognition, investment properties, except land, are carried at cost less accumulated depreciation and amortization, and any impairment losses. Land is carried at cost less any impairment in value.

Depreciation and amortization of investment properties is computed using the straight-line method over the asset's useful life, regardless of utilization. The estimated useful lives of the assets are as follows:



	Number of Years
Land improvements	10
Building	10

Investment properties are removed from the accounts (i.e., derecognized) when they have been either disposed of or when the investment properties are permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or losses on the retirement or disposal of investment properties are credited or charged to the consolidated statement of income.

Transfers are made to investment properties when, and only when, there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or completion of construction or development. Transfers are made from investment properties when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sell.

Transfers between investment property, owner occupied property and inventories do not change the carrying amount of the property transferred and they do not change the cost of that property for measurement or disclosure purposes.

#### Property, Plant and Equipment

Property, plant and equipment are carried at cost less accumulated depreciation and amortization and any impairment in value.

The initial cost of property, plant and equipment consists of their purchase price and any directly attributable costs of bringing the assets to their working condition and location for their intended use and any estimated cost of dismantling and removing the property, plant and equipment item and restoring the site on which it is located to the extent that the company had recognized the obligation of that cost. Expenditures incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance costs, are normally charged to income in the period 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 standards of performance, the expenditures are capitalized as additional costs of the property, plant and equipment. When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation and amortization and any impairment loss are removed from the accounts and any resulting gain or loss is recognized in the consolidated statement of income.

Amortization of quarry development costs is computed using the units of production method based on estimated recoverable reserves. The units of production method uses an extraction rate per unit which is computed by dividing the quarry development cost by the estimated quantity of recoverable reserves to be extracted. The extraction rate per unit is multiplied by the quantity extracted during the period to obtain the amortization for the period.

Depreciation and amortization of other items of property, plant and equipment is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

	Number of Years
Buildings and improvements	20
Plant site improvements	3 to 20
Machinery and equipment	3 to 10
Transportation and rolling equipment	3 to 5
Furniture and fixtures	1 to 2
Tools and implements	1 to 2

Depreciation and amortization of other items of property, plant and equipment begins when it becomes available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation and amortization ceases at the earlier of the date that the item is classified as held for sale (or included in a disposal company that is classified as held for sale) in accordance with PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*, and the date the item is derecognized.

The estimated recoverable reserves, useful lives, and depreciation and amortization method are reviewed periodically to ensure that the estimated recoverable amount, method and periods of depreciation and amortization are consistent with the expected pattern of economic benefits from the items of property, plant and equipment.

#### Impairment of Nonfinancial Assets

The carrying values of property, plant and equipment and other noncurrent assets are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, the assets or cash-generating units are written down to their estimated recoverable amounts which is the greater of net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Any impairment loss is recognized in the consolidated statement of income.

Previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, but not, however, to an amount higher than the carrying amount that would have been determined (net of any depreciation and amortization) had there been no impairment loss recognized for the asset in prior years. A reversal of an impairment loss is recognized in the consolidated statement of income.

#### Revenue Recognition

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

#### *Sales*

Sales are recognized when the goods are delivered to and accepted by the customer.

#### *Royalty Fees*

Royalty fees are recognized as the fees accrue in accordance with the substance of the relevant agreement.

#### *Interest Income*

Interest income is recognized as the interest accrues, taking into account the effective interest yield on the asset.

#### Borrowing Costs

Borrowing costs are expensed as incurred.

#### Retirement Benefits Costs

Retirement benefits costs are actuarially determined using the projected unit credit method. The projected unit credit method considers each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. Retirement expense includes current service cost, interest cost, expected return on plan assets, amortization of unrecognized past service costs, recognition of actuarial gains or losses and effect of any curtailment or settlement. Upon introduction of a new plan or improvement of an existing plan,

past service costs are recognized on a straight-line basis over the average period until the amended benefits become vested. To the extent that the benefits are already vested immediately, past service cost is immediately expensed. Actuarial gains or losses are recognized as income or expense when the cumulative unrecognized actuarial gains and losses at the end of the previous reporting year exceeded 10% of the higher 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 cost, on the other hand, is recognized as an expense on a straight-line basis over the average period until the benefits become vested. If the benefits are already vested, past service cost is recognized immediately. Gains or losses on the curtailment or settlement of retirement benefits are recognized when the curtailment or settlement occurs.

The defined retirement benefit liability (net retirement benefits liabilities) is the aggregate of the present value of the defined benefit obligation and actuarial gains and losses not recognized reduced by the past service cost not yet recognized and the fair value of the plan assets out of which the obligations are to be settled directly. If such aggregate is negative, the asset is measured at the lower of such aggregate or the aggregate cumulative unrecognized net actuarial losses and past service cost 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.

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for the benefits. The company recognizes termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

#### 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. A reassessment is made after inception of the lease only if one of the following applies:

- (a) There is a change in contractual terms, other than a renewal or extension of the arrangement;
- (b) A renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;
- (c) There is a change in the determination of whether fulfillment is dependent on a specified asset; or
- (d) There is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c) or (d) above, and at the date of renewal or extension period for scenario (b).

#### *Company is the Lessee*

Leases where the company retains substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases are charged to income on a straight-line basis over the lease term.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognized.

#### *Company is the Lessor*

Assets leased out under operating leases which include freehold land and freehold building are included in the investment property account in the consolidated balance sheet. Rental income (net of any incentives given to lessees) is recognized on a straight-line basis over the lease term.

#### Foreign Currency Transactions

Transactions in foreign currencies are initially recorded using the applicable functional currency exchange rate at the date of the transaction. Outstanding monetary assets and liabilities denominated in foreign currencies are restated using the applicable functional currency closing exchange rate at the balance sheet date. Foreign exchange gains or losses arising from foreign currency transactions and balances are recognized in the consolidated statement of income.

#### Income Tax

##### *Current income tax*

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

##### *Deferred income tax*

Deferred income tax is recognized on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences and carryforward benefits of unused tax credits from excess of minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and unused tax losses from net operating loss carryover (NOLCO), to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences and the carryforward benefits of unused excess MCIT over RCIT and NOLCO can be utilized.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax assets to be utilized.

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

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

#### Basic/Diluted Earnings (Loss) Per Share

Basic earnings (loss) per share is computed by dividing net income (loss) for the year by the weighted average number of common shares outstanding during the year.

Diluted earnings per share is calculated by dividing the net income or loss for the year attributable to common stockholders by the weighted average number of shares outstanding during the year and adjusted for the effects of all potential dilutive common shares, if any.

In determining both the basic and diluted earnings per share, the effect of stock dividends, if any, is accounted for retroactively.

### Provisions and Contingencies

Provisions are recognized when the company has a present obligation (legal or constructive) as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations; and a reliable estimate can be made of the amount of the obligation.

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

### Events After the Balance Sheet Date

Post year-end events that provide additional information about the company's position at reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to consolidated financial statements when material.

## **New Accounting Standards, Interpretations and Amendments to Existing Standards Effective Subsequent to December 31, 2008**

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

### *Effective in 2009*

- PFRS 1, *First-Time Adoption of PFRS – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*, allows an entity, in its separate financial statements, to determine the cost of investments in subsidiaries, jointly controlled entities or associates (in its opening PFRS financial statements) a one of the following amounts: (a) cost determined in accordance with PAS 27; (b) at the fair value of the investment at the date of transition to PFRS, determined in accordance with PAS 39; or (c) previous carrying amount (as determined under generally accepted accounting principles) of the investment at the date of transition to PFRS. This Standard will not have a material impact on the parent company financial statements.
- PFRS 2, *Share-Based Payment - Vesting Condition and Cancellations*, clarifies the definition of a vesting condition and prescribes the treatment for an award that is effectively cancelled. It defines a vesting condition as a condition that includes an explicit or implicit requirement to provide services. It further requires nonvesting conditions to be treated in a similar fashion to market conditions. This Standard is not expected to have a significant impact on the parent company financial statements.
- PFRS 8, *Operating Segments*, replaces PAS 14, *Segment Reporting*, and adopts a full management approach to identifying, measuring and disclosing the results of an entity's operating segments. This standard is only applicable to an entity that has debt or equity instruments that are traded in a public market of that files (or is in the process of filing) its financial statements with a securities commission or similar party. This Standard will not have an impact on the parent company financial statements.

- Amendments to PAS 1 (Revised), *Presentation of Financial Statements*, introduce a new statement of comprehensive income that combines all items of income and expenses recognized in the profit or loss together with 'other comprehensive income'. Entities may choose to present all items in one statement, or to present two linked statements, a separate statement of income and a statement of comprehensive income. This amendment also requires additional requirements in the presentation of the balance sheet and owner's equity as well as additional disclosures to be included in the financial statements. The company is still evaluating whether it will have one or two statements.
- PAS 23, *Borrowing Costs*, requires capitalization of borrowing costs when such costs relate to a qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. In accordance with the transitional requirements in the standard, the company will adopt this as a prospective change. Accordingly, borrowing costs will be capitalized on qualifying assets with a commencement date after January 1, 2009. No changes will be made for borrowing costs incurred to this date that have been expensed. The company does not expect this revised Standard to have any impact on the parent company financial statements.
- Amendments to PAS 27, *Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*, prescribe changes in respect of the holding companies, separate financial statements including (a) the deletion of 'cost method', making the distinction between pre-acquisition and post-acquisition profits no longer required; and (b) in cases of reorganizations where a new parent is inserted above an existing parent of the group (subject to meeting specific requirements), the cost of the subsidiary is the previous carrying amount of its share of equity items in the subsidiary rather than its fair value. All dividends will be recognized in profit or loss. However, the payment of such dividends requires the entity to consider whether there is an indicator of impairment. These Amendments will not have a material impact on the parent company financial statements.
- Amendments to PAS 32, *Financial Instruments: Presentation*, and PAS 1, *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation*, specify, among others, that puttable financial instruments will be classified as equity if they have all of the following specified features: (a) the instrument entitles the holder to require the entity to repurchase or redeem the instrument (either on an ongoing basis or on liquidation) for a prorata share of the entity's net assets, (b) the instrument is in the most subordinate class of instruments, with no priority over the claims to the assets of the entity on liquidation, (c) all instruments in the subordinate class have identical features, (d) the instrument does not include any contractual obligation to pay cash or financial assets other than the holder's right to a pro rata share of the entity's net assets, and (e) the total expected cash flows attributable to the instrument over its life are based substantially on the profit or loss, a change in recognized net assets, or a change in the fair value of the recognized and unrecognized net assets of the entity over the life of the instrument. The company does not expect this Standard to have a significant impact on the parent company financial statements.
- Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes*, requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted and therefore part of the fair value of the consideration received is allocated to the award credits and realized in income over the period that the award credits are

redeemed or expired. The company does not expect this Interpretation to have any impact on the parent company financial statements.

- Philippine Interpretation IFRIC 16, *Hedges of a Net Investment in a Foreign Corporation*, provides guidance on identifying foreign currency risks that qualify for hedge accounting in the hedge of a net investment; where within the group the hedging instrument can be held in the hedge of a net investment; and how an entity should determine the amount of foreign currency gains or losses, relating to both the net investment and the hedging instrument, to be recycled on disposal of the net investment. The company does not expect this Interpretation to have any impact on the parent company financial statements.

#### *Improvement to PFRSs*

In May 2008, the International Accounting Standards Board issued its first omnibus of amendments to certain standards, primarily with a view to removing inconsistencies and clarifying wordings. There are separate transitional provisions for each standard:

- PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*, specifies that when a subsidiary is held for sale, all of its assets and liabilities will be classified as held for sale under PFRS 5, even when the entity retains a non-controlling interest in the subsidiary after the sale.
- PAS 1, *Presentation of Financial Statements*, clarifies that assets and liabilities classified as held for trading are not automatically classified as current in the balance sheet.
- Amendment to PAS 16, *Property, Plant and Equipment*, replaces the term, 'net selling price' with 'fair value less costs to sell', to be consistent with PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*, and PAS 36, *Impairment of Assets*. It also clarifies that items of property, plant and equipment held for rental that are routinely sold in the ordinary course of business after rental, are transferred to inventory when rental ceases and they are held for sale. Proceeds of such sales are subsequently shown as revenue. Cash payments on initial recognition of such items, the cash receipts from rents and subsequent sales are all shown as cash flows from operating activities.
- PAS 19, *Employee Benefits*, revises the definition of 'service costs' to include reductions in benefits related to past services ('negative past service costs') and to exclude reductions in benefits related to future services that arise from plan amendments. Amendments to plans that result in a reduction in benefits related to future services are accounted for as a curtailment. It also revises the definition of 'return on plan assets' to exclude plan administration costs if they have already been included in the actuarial assumptions used to measure the defined benefit obligation. It also revises the definition of 'short-term' and 'other long-term' employee benefits to focus on the point in time at which the liability is due to be settled. It also deletes the reference to the recognition of contingent liabilities to ensure consistency with PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*.
- PAS 23, *Borrowing Costs*, revises the definition of borrowing costs to consolidate the types of items that are considered components of 'borrowing costs', i.e., components of the interest expense calculated using the effective interest rate method. This revised standard disallows the alternative treatment of borrowing costs, which permits the recognition of borrowing costs as expense.

- PAS 28, *Investment in Associates*, clarifies that if an associate is accounted for at fair value in accordance with PAS 39, only the requirement of PAS 28 to disclose the nature and extent of any significant restrictions on the ability of associate to transfer funds to the entity in the form of cash or repayment of loans applies. It also defines an investment in an associate as at single asset for the purpose of conducting the impairment test. Therefore, any impairment test is not separately allocated to the goodwill included in the investment balance.
- PAS 36, *Impairment of Assets*, provides that when discounted cash flows are used to estimate 'fair value less cost to sell', additional disclosure is required about the discount rate, consistent with disclosures required when the discounted cash flows are used to estimate 'value-in-use'.
- PAS 38, *Intangible Assets*, provides that, expenditure on advertising and promotional activities is to be recognized as an expense when the company either has the right to access the goods or has received the services. Advertising and promotional activities now specifically include mail order catalogues. It also deletes references to there being rarely, if ever, persuasive evidence to support an amortization method for finite life intangible assets that results in a lower amount of accumulated amortization than under the straight-line method, thereby effectively allowing the use of the unit of production method.
- PAS 39, *Financial Instruments: Recognition and Measurement*, provides changes in circumstances relating to derivatives – specifically derivatives designated or de-designated as hedging instruments after initial recognition – are not reclassifications. It also clarifies when financial assets are reclassified as a result of an insurance company changing its accounting policy in accordance with paragraph 45 of PFRS 4, *Insurance Contracts*, such is a change in circumstance, not a reclassification. It further removes the reference to a 'segment' when determining whether an instrument qualifies as a hedge. It requires use of the revised effective interest rate (rather than the original effective interest rate) when remeasuring a debt instrument on the cessation of fair value hedge accounting.
- PAS 40, *Investment Properties*, revises the scope (and the scope of PAS 16) to include property that is being constructed or developed for future use as an investment property. Where an entity is unable to determine the fair value of an investment property under construction, but expects to be able to determine its fair value on completion, the investment under construction will be measured at cost until such time that fair value can be determined or construction is complete.

#### *Effective in 2010*

- Revised PFRS 3, *Business Combination*, and PAS 27, *Consolidated and Separate Financial Statements*, introduce a number of changes in the accounting for business combinations that will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs, and future reported results. The revised PAS 27 requires, among others, that (a) change in ownership interests of a subsidiary (that do not result in loss of control) will be accounted for as an equity transaction and will have no impact on goodwill nor will it give rise to a gain or loss; (b) losses incurred by the subsidiary will be allocated between the controlling and non-controlling interests (previously referred to as 'minority interests'); even if the losses exceed the non-controlling equity investment in the subsidiary; and (c) on loss of



control of a subsidiary, any retained interest will be remeasured to fair value and this will impact the gain or loss recognized on disposal. The changes introduced by the revised PFRS 3 must be applied prospectively and PAS 27 must be applied retrospectively with a few exceptions. This will affect acquisitions and transactions with non-controlling interests.

- Philippine Interpretation IFRIC 17, *Distributions of Noncash Assets to Owners*, covers accounting for all nonreciprocal distribution of noncash assets to owners. It provides guidance on when to recognize a liability, how to measure it and the associated assets and when to derecognize the asset and liability and the consequences of doing so.
- Philippine Interpretation IFRIC 18, *Transfers of Assets from Customers*, applies to the accounting for transfers of items of property, plant and equipment by an entity that receive such transfers from its customer, wherein the entity must then use such transferred asset either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services, or to do both.
- Amendments to PAS 39, *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*, addresses only the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. The amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item.

#### *Effective in 2012*

Philippine Interpretation IFRIC 15, *Agreement for the Construction of Real Estate*, covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. This interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, *Construction Contracts*, or involves rendering of services in which case revenue is recognized based on stage of completion.

Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis, will also be accounted for based on stage of completion.

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### **3. Significant Accounting Judgments, Estimates and Assumptions**

The preparation of the consolidated financial statements in accordance with PFRS requires management to make judgments, estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The judgments, estimates and assumptions are based on management's evaluation of relevant facts and circumstances as of date of the consolidated financial statements. Actual results could differ from these estimates and assumptions used. Such estimates will be adjusted accordingly when the effects become reasonably determinable.

#### Judgments

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

#### *Classification of financial instruments*

The company classifies a financial instrument, or its component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated balance sheet. Classification of financial instruments is reviewed at each balance sheet date.

#### *Recognition of royalty fees*

The company recognizes the lump-sum portion of the royalty fee on a straight-line basis over the effectivity period of its Operating Agreement with BAAC. Management believes that the Company will earn this lump-sum royalty over the duration of BAAC's quarrying operations. Royalty fees recognized for the period June 1 to December 31, 2008 amounted to P11.67 million and P15 million from January 1, 2009 to September 30, 2009.

#### *Operating leases*

The company has entered into property leases, where it has determined that all the risks and rewards incidental and related to those properties are substantially retained by the lessors. As such, these lease agreements are accounted for as operating lease.

#### Estimates and Assumptions

The key estimates and assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet 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:

#### *Estimation of allowance for doubtful accounts*

The company maintains allowance for doubtful accounts based on the result of the individual and collective assessment under PAS 39, *Financial Instruments: Recognition and Measurement*. Under the individual assessment, the company is required to obtain the present value of estimated cash flows using the receivables original effective interest rate. Impairment loss is determined as the difference between the receivables, carrying balance and the computed present value. If no future cash flows is expected, impairment loss is equal to the carrying balance of the receivables. Factors considered in individual assessment are payment history, inactive accounts, past due and term. The collective assessment would require the company to classify its receivables based on the credit risk characteristics (customer type, payment history, past-due status and term) of the customers. Impairment loss is then determined based on historical loss experience of the receivables grouped per credit risk profile. 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 the individual and collective assessments are based on management's judgment and estimate. Therefore, the amount and timing of recorded expense for any period would differ depending on the judgments and estimates made for the year.

#### *Determination of net realizable values of inventories*

The company's estimates of the net realizable values of inventories are based on the most reliable evidence available at the time the estimates are made, of the amount that the inventories are expected to be realized. These estimates consider the fluctuations of price or cost directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period. A new assessment is made at net realizable value in each subsequent period. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is a clear evidence of an increase in net realizable value because of change in economic circumstances, the amount of the write down is reversed so that the new carrying amount is the lower of the cost and the revised net realizable value.

#### *Impairment of AFS investments*

The company treats AFS financial assets as impaired when there has been a significant or prolonged decline in fair value below its cost or where other objective evidence of impairment exists. The determination of what is 'significant' or 'prolonged' requires judgment. The company treats 'significant' generally as 20% or more and 'prolonged' as greater than 6 months for quoted equity securities. In addition, the company evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted securities. As of September 30, 2009 and December 31, 2008, there is no indication of impairment. The carrying value of the company's AFS financial assets amounted to ₱1.18 million as of September 30, 2009 and December 31, 2008.

#### *Impairment of noncurrent non-financial assets.*

The company determines whether its assets are impaired, at least on an annual basis. This requires an estimation of recoverable amount which is higher of an asset's or cash-generating unit's fair value less cost to sell and value in use. Estimating the value-in-use requires the company to make an estimate of the expected future cash flows from the cash-generating unit and also to choose an appropriate discount rate in order to calculate the present value of those cash flows. Estimating the fair value less cost to sell is based on the information available to reflect the amount that the company could obtain as of the balance sheet date. In determining this amount, the company considers the outcome of recent transactions for similar assets within the same industry. The total carrying value of the company's property, plant and equipment as of September 30, 2009 and December 31, 2008 amounted to ₱84.82 million and ₱89.68 million, respectively. The total carrying value of the company's investment properties amounted to ₱67.99 million and ₱69.9 million as of September 30, 2009 and December 31, 2008, respectively.

As of September 30, 2009 and December 31, 2008, the management's assessment showed no sign of impairment indicators.

#### *Estimation of useful lives of property, plant and equipment and investment properties*

Useful lives of property, plant and equipment and investment properties are estimated based on the period over which these assets are expected to be available for use. The estimated useful lives of property, plant and equipment and investment properties are reviewed periodically and are updated if expectations differ from previous estimates due to asset utilization, internal technical evaluation, technological changes, environmental and anticipated use of the assets tempered by related industry benchmark information. It is possible that future results of operation could be materially affected by changes in these estimates brought about by changes in factors mentioned. Any reduction in the estimated useful lives of property, plant and equipment and investment property would increase the company's recorded cost of sales and general and administrative expenses and decrease noncurrent assets.

There is no change in the estimated useful lives of property, plant and equipment and investment properties as of September 30, 2009 and December 31, 2008.

#### *Estimation of recoverable mine reserves and resources*

Mine reserves and resources are based on the interpretation of geological data obtained from sampling techniques and feasibility studies. Estimated reserves are subject to revision, either upward or downward, based on new information, such as from block grading and production activities or from changes in economic factors including mine development plans. There is no change in the company's estimated recoverable mine reserves.

#### *Estimation of asset retirement obligation*

The determination of asset retirement obligation requires estimation of the cost of dismantling, installation and restoring leased properties to their original condition. Based on the company's evaluation, management believes that there is no asset retirement obligation to be recognized in the financial statements as of September 30, 2009 and December 31, 2008.

*Estimation of allowance for sales volume discrepancies*

The company recognizes revenue from sale of mine products at the time these are delivered to the customer. Revenue is measured based on the applicable quoted price and delivered quantity of mine products using the company's weighing scale which may differ from the quantity received and acknowledged by the customers. The company accordingly estimates an allowance for sales volume discrepancies. No allowance for volume discrepancies was provided for the three quarters of 2009 and 2008.

*Estimation of retirement benefits costs*

The determination of the company's obligation and cost for retirement benefits is dependent on management's selection of certain assumptions used by actuaries in calculating such amounts. Actual results that differ from assumptions are accumulated and amortized over future periods and therefore, generally affect the company's recognized expense and recorded obligation in such future periods. While management believes that the assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in management assumptions may materially affect the company's retirement obligations. Net retirement plan assets as of December 31, 2008 amounted to P3.68 million which was discontinued as of July 2009.

*Recognition of deferred income tax assets*

The company reviews the carrying amounts of deferred income tax assets at each balance sheet date and reduces deferred income tax assets to the extent that it is no longer probable that sufficient future taxable income will be available to allow all or part of the deferred income tax assets to be utilized. As of September 30, 2009 and December 31, 2008, the company has recognized deferred income tax assets amounting to P81.77 million and P73.30 million, respectively.

*Provisions and contingencies*

The estimate of probable costs of resolution of possible claims has been developed in consultation with external counsels handling the company's defense in these matters and is based upon an analysis of potential results. The company is a party to certain lawsuits or claims arising from the ordinary course of business. However, the company's management and legal counsel believe that the eventual liabilities under these lawsuits or claims, if any, will not have a material effect on the consolidated financial statements. Accordingly, no provision for probable losses arising from contingencies was recognized in the consolidated financial statements as of September 30, 2009 and December 31, 2008.

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4. **Cash and cash equivalents**

	<b>Unaudited September 2009</b>	Audited December 2008
Cash on hand and in bank	<b>P5,343,662</b>	P12,260,617
Short term investment	<b>45,000,000</b>	--
	<b>P50,343,662</b>	P12,260,617

Cash in banks earns interest at the respective banks' deposit rates.

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5. **Receivables**

	<b>Unaudited September 2009</b>	Audited December 2008
Current portion of installment receivable (Note 17)	<b>P19,243,184</b>	P75,286,193
Due from BAAC	<b>25,247,830</b>	1,558,445
Others – net of allowance for doubtful accounts	<b>204,807</b>	244,958

**₱44,695,821**      ₱77,086,596

The receivables from BAAC represent the balance on the ₱68 million additional advance royalty and is subject to a 9.25% interest per annum.

**6. Other current assets**

	<b>Unaudited September 2009</b>	Audited December 2008
Creditable withholding tax	<b>₱16,726,251</b>	₱33,957,893
Advances to suppliers	<b>263,268</b>	263,268
Input Taxes	<b>3,028,330</b>	4,532,986
Prepaid Expenses	<b>1,025,034</b>	252,933
Others	<b>30,000</b>	3,702,978
	<b>₱21,072,883</b>	₱42,710,058

**7. Investment Properties - net**

**Unaudited September 30, 2009**

	Land	Land improvement	Condo Unit	Total
<b>Cost</b>	₱65,835,055	₱15,202,640	₱19,341,883	₱100,379,578
<b>Additions</b>		158,948		158,948
<b>Accumulated Depreciation:</b>				
Beginning of year	-	13,279,283	17,177,237	30,456,520
Depreciation and amortization for the year	-	1,071,169	1,020,361	2,091,530
Sale	-	-	-	-
End of year	-	14,350,452	18,197,598	32,548,052
<b>Ending balance</b>	<b>₱65,835,055</b>	<b>₱1,011,136</b>	<b>₱1,144,285</b>	<b>₱67,990,476</b>

**Audited December 31, 2008**

	Land	Land improvement	Condo Unit	Total
<b>Cost</b>	₱65,835,055	₱15,202,640	₱19,341,883	₱100,379,578
<b>Accumulated Depreciation:</b>				
Beginning of year	-	11,851,058	15,816,753	27,667,811
Depreciation and amortization for the year	-	1,428,225	1,360,484	2,788,709
Sale	-	-	-	-
End of year	-	13,279,283	17,177,237	30,456,520
<b>Ending balance</b>	<b>₱65,835,055</b>	<b>₱1,923,357</b>	<b>₱2,164,646</b>	<b>₱69,923,058</b>

## 8. Property, Plant and Equipment

<b>PROPERTY, PLANT &amp; EQUIPMENT, September 30, 2009</b>										
	Land	Quarry Land	Quarry Land Development Costs	Buildings & Improvement	Plant Site Improvements	Machinery & Equipment	Transportation & Rolling Equipment	Furniture & Fixtures	Tools & Implements	Total
<b>Cost</b>										
Beginning of year	42,285	16,209	-	28,143	30,168	3,401	20,701	876	-	141,783
Additions	-	-	-	128	-	17	40	-	-	185
Disposals	-	-	-	-	-	-	(14,175)	-	-	(14,175)
End, Sept 30, 3009	42,285	16,209	-	28,271	30,168	3,418	6,566	876	-	127,793
<b>Accumulated depreciation &amp; amortization</b>										
<b>Beginning of year</b>										
	-	-	-	10,174	18,382	3,401	19,771	375	-	52,103
Depreciation & amortization for the year	-	-	-	1,119	2,739	-	217	308	-	4,383
Disposals	-	-	-	-	-	-	(13,513)	-	-	(13,513)
End, Sept 30, 3009	-	-	-	11,293	21,121	3,401	6,475	683	-	42,973
<b>Net Book Value</b>	42,285	16,209	-	16,978	9,047	17	91	193	-	84,820

<b>PROPERTY, PLANT &amp; EQUIPMENT, December 31, 2008</b>										
	Land	Quarry Land	Quarry Land Development Costs	Buildings & Improvement	Plant Site Improvements	Machinery & Equipment	Transportation & Rolling Equipment	Furniture & Fixtures	Tools & Implements	Total
<b>Cost</b>										
Beginning of year	42,285	16,209	-	25,933	29,909	10,922	24,727	306	-	150,291
Additions	-	-	22,620	2,210	259	245	1,580	1,910	102	28,926
Disposals	-	-	(22,620)	-	-	(7,766)	(5,606)	(1,340)	(102)	(37,434)
End, 12/31	42,285	16,209	-	28,143	30,168	3,401	20,701	876	-	141,783
<b>Accumulated depreciation &amp; amortization</b>										
<b>Beginning of year</b>										
	-	-	-	8,774	14,620	1,695	24,173	280	-	49,542
Depreciation & amortization for the year	-	-	604	1,400	3,762	3,054	3,236	1,559	72	13,687
Disposals	-	-	(604)	-	-	(1,348)	(7,638)	(1,464)	(72)	(11,126)
End, December 31	-	-	-	10,174	18,382	3,401	19,771	375	-	52,103
<b>Net Book Value</b>	42,285	16,209	-	17,969	11,786	-	930	501	-	89,680

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**9. Other Noncurrent Assets**

	<b>Unaudited September 2009</b>	Audited December 2008
Mine rehabilitation fund	<b>₱5,246,654</b>	₱5,246,654
Available-for-sale investments	<b>1,181,970</b>	1,181,970
Others – net	<b>5,318,791</b>	5,318,390
	<b>₱11,747,415</b>	₱11,747,014

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Pursuant to the requirements of Republic Act (RA) No.7942, otherwise known as “The Philippine Mining Act of 1995,” the company maintains a mine rehabilitation fund (MRF) with Land Bank of the Philippines. The MRF shall be used for the physical and social rehabilitation of areas affected by the company’s quarrying activities, and for research in the social, technical and preventive aspects of the mine rehabilitation.

AFS investments include investment in golf shares and investment in shares of stocks related to the company’s electrical and telephone subscription.

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**10. Accrued Expenses and Other Payables**

	<b>Unaudited September 2009</b>	Audited December 2008
Accrued expenses	<b>₱6,223,906</b>	₱6,873,263
Due to related parties	<b>293,791</b>	43,437,660
Others	<b>491,268</b>	3,416,065
	<b>₱7,008,965</b>	₱53,726,988

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**11. Cost of Sales**

	<b>Unaudited January to September 2009</b>	Unaudited January to September 2008
Production cost:		
Extraction cost	<b>₱-</b>	₱45,081,749
Repairs and maintenance		19,448,129
Fuel, oil and lubricants		11,279,111
Personnel costs		11,003,117
Water, light and power		9,456,422
Rent		9,359,396
Depreciation and amortization		7,924,835
Security and janitorial services		7,911,278
Taxes and licenses		5,284,806
Amortization of development costs		603,765
Insurance		241,668
Others		3,194,760
		130,789,036
Add mine products inventory at beginning of year	-	2,139,344
Total goods available for sale		132,928,380
Less mine products inventory at end of year		
	<b>₱-</b>	<b>₱132,928,380</b>

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**12. General and Administrative Expenses**

	<b>Unaudited January to September 2009</b>	Unaudited January to September 2008
Professional fees	<b>₱3,116,365</b>	₱13,727,802
Personnel costs	<b>1,029,732</b>	5,595,245
Securities and janitorial services	<b>343,596</b>	6,847,374
Taxes and licenses	<b>2,741,943</b>	56,207,553
Depreciation	<b>6,474,622</b>	5,405,961
Repairs and maintenance	<b>391,902</b>	4,350,184
Transportation and communication	<b>253,597</b>	1,056,785
Fuel, oil and lubricants	<b>210,849</b>	2,342,595
Power, light and water	<b>77,527</b>	485,396
Supplies	<b>100,080</b>	476,606
Others	<b>8,261,981</b>	16,049,041
	<b>₱23,002,194</b>	₱112,544,542

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**13. Selling Expenses**

	<b>Unaudited January to September 2009</b>	Unaudited January to September 2008
Rent	<b>₱-</b>	₱5,105,367
Personnel costs		2,380,955
Entertainment, amusement and recreation		939,753
Advertising and promotions		624,802
Transportation and communication		372,419
Repairs and maintenance		339,233
Insurance		290,251
Fuel, oil and lubricants		249,776
Depreciation		119,619
Supplies		40,617
Others		689,871
	<b>₱-</b>	₱11,152,663

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**14. Capital Stock**

Type of Common Shares	Number of Authorized Shares	Number of Issued and Outstanding Shares	Amount
Class A	40,000,000	22,077,771	₱220,777,710
Class B	10,000,000	5,388,678	53,886,780
	50,000,000	27,466,449	₱274,664,490

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Class A and Class B common shares have the same rights and privileges. Class A common shares shall be issued solely to Filipino citizens, while Class B common shares may be issued to Filipino and non-Filipino citizens.

**Retained Earnings**

On June 6, 2008, the Company's Board of Directors authorized the declaration of cash dividends amounting to ₱799.8 million (or ₱29.12 per share) in favor of stockholders of record as of June 24, 2008. Payment of these dividends began on July 15, 2008.



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## 15. Related Party Transactions

- a. The company's parent company, OCLP, purchased in 2007 the Company's twelve (12) hectares of land located in Longos, Bagumbayan, Quezon City for P1.13 billion with P260 million downpayment and the remaining balance payable in forty (40) equal quarterly payments starting April 2009 at 6% interest per annum on the principal. As of December 31, 2007, the outstanding balance due from OCLP amounting to P870 million was initially recorded at fair value of P835.3 million with the Day 1 loss charged to retained earnings. Interest income on installment receivable recognized for Year-to-date 2009 and for the year ending December 31, 2008 amounted to P38.3 million and P52.2 million, respectively.

As of September 30, 2009, the outstanding balance of installment receivables amounted to P787 million, of which P19.24 million is presented under "Receivables" account.

- b. The company entered into a management agreement with OCLP on January 24, 2006 under which the company shall pay OCLP a monthly fee of P700,000.00 from commencement of the agreement up to December 31, 2005, subject to an annual escalation fee of 5% or the average inflation rate for the immediately preceding year, whichever is higher, plus an additional fee of 5% of incremental audited net income after tax, starting on January 1, 2006 with the 2005 audited net income as base year. OCLP waived the company's payment of management fee for the first two months of the implementation of the contract. The management fee was subsequently reduced to P100,000.00 per month by agreement of the parties. Total management fee recognized Year-to-date 2009 and December 31, 2008 amounted to P1.08 million and P26.6 million, respectively. The outstanding balance due to OCLP amounted to P43.44 million as December 31, 2008 that includes of a P35 million loan at 7.50% interest rate extended last August 2008 to pay for the second quarter income taxes.
- c. The company has a banking relationship with a related party. The total cash deposit maintained with the related party amounted to P3.09 million and P11.3 million as of September 30, 2009 and December 31, 2008, respectively.
- d. The company currently does not employ key management personnel as of September 30, 2009. All of the company's key management personnel are employees of OCLP who are seconded to the Company pursuant to the Management Agreement executed by both parties. Key management compensation amounted to P4.2 million as of December 31, 2008.

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## 16. Basic/Diluted Earnings (Loss) Per Share

Basic diluted earnings (loss) per share amounts are calculated as follows:

	<b>Unaudited January to September 2009</b>	Unaudited January to September 2008
Net income (loss)	<b>P35,119,304</b>	P493,064,676
Divided by weighted average number of common shares outstanding during the year	<b>27,466,449</b>	27,466,449
Basic/diluted earnings (loss) per share	<b>P1.28</b>	P17.95

The company does not have dilutive potential common shares as of September 30, 2009 and December 31, 2008. Therefore, the basic and diluted earnings (loss) per share are the same as of those dates.

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## 17. Contingencies

The company is involved in various legal proceedings incidental to its normal business activities. The company's management and legal counsel are of the opinion that the amount of the ultimate liability with respect to these matters would not have a material adverse effect on the financial position, results of operations or liquidity of the company. Hence, no provision has been made as of September 30, 2009.

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## 18. Financial Risk Management Objectives and Policies

The company's principal financial instruments comprise of cash and cash equivalents, installment receivable, AFS financial assets and short-term bank loans. The main purpose of these financial instruments is to ensure adequate funds for the company's operations. The company has other financial assets and financial liabilities such as receivables, trade payables and accrued liabilities and other payables, which arise directly from its operations.

Financial risk management by the company is governed by policies and guidelines approved by the BOD. Company policies and guidelines cover credit risk and liquidity risk. The objective of financial risk management is to contain, where appropriate, exposures in these financial risks to limit any negative impact on the company's financial performance and financial position.

### *Interest Rate Risk*

The risks caused by changes in interest rates are minimal since the company's only interest bearing financial assets pertains to cash and cash equivalents, which is subject to market rate of interest and installment receivable, which are subject to repricing of interest. Thus, the reasonably possible changes will have minimal impact on the parent company statement of income for the period ended September 30, 2009 and December 31, 2008.

### *Credit risk*

The company trades only with recognized, creditworthy third parties. It is the company's policy that all customers that wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on a continuous basis with the result that the company's exposure to bad debts is not significant.

With respect to credit risk arising from other financial assets of the company, which comprise mainly of cash and cash equivalents, the company's exposure to credit risk arises from the default of the counterparties, with a maximum exposure equal to the carrying values of these instruments.

### *Liquidity Risk*

The company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and extension of suppliers' credit. The strong credit worthiness of the company gives it the ability to save funds as the need arises. The company presently has a credit facility with a local bank that allows it to borrow the needed funds from time to time.

The company monitors its risk to a shortage of funds by overseeing the liquidity and funding requirements of its operations. The company holds various deposits in the company's bank accounts that can be used to meet its liquidity needs. Also, the company has undrawn loan commitments facilities as to which all conditions precedent had been met.

The company's objective is to maintain a balance between continuity of funding and flexibility through the use of available instruments.

## 19. Capital Management

The primary objective of the company's capital management is to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for stockholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

## 20. Fair Values of Financial Assets and Financial Liabilities

The carrying values and estimated fair values of the company's financial assets and liabilities as of September 30, 2009 and December 31, 2008 are presented below:

	Unaudited January to September 2009		Audited December 2008	
	Carrying Values	Fair Values	Carrying Values	Fair Values
Financial assets:				
Loans and receivables:				
Cash and cash equivalents	<b>P50,343,662</b>	<b>P50,343,662</b>	P12,260,617	P12,260,617
Receivables:				
Due from BAAC	<b>25,247,830</b>	<b>25,247,830</b>	1,558,445	1,558,445
Others	<b>204,807</b>	<b>204,807</b>	244,958	244,958
Installment receivable	<b>786,887,246</b>	<b>788,528,863</b>	840,321,847	896,027,858
Mine rehabilitation fund	<b>5,246,654</b>	<b>5,246,654</b>	5,246,654	5,246,654
Others	<b>5,318,792</b>	<b>5,318,792</b>	9,021,368	9,021,368
	<b>873,248,991</b>	<b>874,890,608</b>	868,653,889	924,359,900

	Unaudited January to September 2009		Audited December 2008	
	Carrying Values	Fair Values	Carrying Values	Fair Values
AFS financial assets:				
Quoted equity instruments	<b>859,300</b>	<b>859,300</b>	859,300	859,300
Unquoted equity instruments	<b>322,670</b>	<b>322,670</b>	322,670	322,670
	<b>1,181,970</b>	<b>1,181,970</b>	1,181,970	1,181,970
	<b>P874,470,961</b>	<b>P876,072,578</b>	P869,835,859	P925,541,870

Financial liabilities:				
Other financial liabilities:				
Bank Loan	<b>P0</b>	<b>P0</b>	P50,000,000	P50,000,000
Trade payables	<b>10,191,112</b>	<b>10,191,112</b>	13,256,140	13,256,140
Accrued liabilities and other payables:				
Accrued liabilities	<b>6,715,174</b>	<b>6,715,174</b>	6,873,263	6,873,263
Due to related parties	<b>293,791</b>	<b>293,791</b>	44,351,369	44,351,369
	<b>P17,200,077</b>	<b>P17,200,077</b>	P114,480,772	P114,480,772

The carrying amounts of cash and cash equivalents, receivables, short-term bank loans, trade payables and accrued liabilities and other payables, approximate their fair values due to the relatively short-term maturities of these financial instruments.

The fair values of the AFS financial assets are the quoted market bid price at the close of business. AFS financial assets with no available market prices are carried at cost less allowance for any impairment since the fair values are not readily determinable.

The fair value of the installment receivables is the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at prevailing market interest rate. The discount rate ranges from 5.54% to 7.75%.

**“ANNEX 68.1-K”  
Balance Sheet**

**Trade and Other Payables**

**(iv) Accrued Expenses and Other Payables**

The components of the company’s Accrued Expenses are as follows:

	<b>Unaudited September 2009</b>	Audited December 2008
Accrued expenses	<b>₱216,536</b>	₱852,779
Withholding taxes payable	<b>107,376</b>	2,502,352
Output VAT payable	<b>124,308</b>	-
Due to OCLP	<b>1,513,443</b>	43,437,661
Due to CAC Marketing	<b>(1,219,652)</b>	913,709
Other Payables	<b>6,266,954</b>	6,020,487
<b>TOTAL</b>	<b>₱7,008,965</b>	₱53,726,988

**“ANNEX 68.1-L”  
Income Statement**

**Sales**

<b>Products</b>	<b>Unaudited January to September 2009</b>		<b>Unaudited January to September 2008</b>	
	<b>Volume in cubic meters</b>	<b>Amount</b>	Volume in cubic meters	Amount
Aggregate 3/4	-	-	252,165	93,043,273
Aggregate 3/8	-	-	93,965	31,295,309
Coarse sand S-1/S-2	-	-	83,495	23,254,492
Aggregate G-1/G-2	-	-	68,303	18,194,030
Other materials	-	-	110,341	5,933,288
Base course, sub-base and CTB	-	-	4,809	29,012,867
<b>Total</b>	<b>₱-</b>	<b>₱-</b>	<b>613,078</b>	<b>₱200,733,259</b>

**“ANNEX 68.1-M”  
SCHEDULES**

**Schedule B**

**Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)**

	<b>Unaudited September 2009</b>	Audited December 2008
Advances to officers and employees Indebtedness exceeding ₱100,000		
Others	<b>₱ 1,299,136</b>	₱354,468
Allowance for doubtful accounts	<b>(354,468)</b>	(354,468)
Advances to officers and employees – net	<b>944,668</b>	-
Installment receivable – OCLP	<b>786,887,246</b>	840,321,847
<b>Total</b>	<b>₱787,831,914</b>	<b>₱840,321,847</b>

**Schedule C**

**Non-Marketable Equity Securities, Other Long Term Investments in Stocks, and Other Investments**

This account consists of investments in shares of stocks of wholly owned subsidiaries accounted for under equity method. These accounts were classified as non-current assets.

The details of this account are summarized as follows:

**Investment in Stocks classified as Other Non-Current Assets:**

	<b>Unaudited September 2009</b>	Audited December 2008
CIAC	<b>₱-</b>	₱-
CMSC	<b>913,709</b>	913,709
<b>Total</b>	<b>₱913,709</b>	<b>₱913,709</b>

**Schedule D**

**Indebtedness of Unconsolidated Subsidiaries and Related Parties**

The wholly owned subsidiaries and related parties indebtedness to the company as of September 30, 2009 and December 31, 2008 are as follows:

	<b>Unaudited September 2009</b>	Audited December 2008
Installment receivable – OCLP	<b>₱786,887,246</b>	₱840,321,847
<b>Total</b>	<b>₱786,887,246</b>	<b>₱840,321,847</b>

## **Schedule G**

### **Indebtedness to Related Parties**

	<b>Unaudited September 2009</b>	Audited December 2008
Due from OCLP	<b>₱ 1,513,443</b>	₱ 43,437,660
Due to CAC Marketing and Services Corporation	<b>(1,219,652)</b>	913,709
Total	<b>₱ 293,391</b>	<b>₱44,351,369</b>

## **Schedule I**

### **Capital Stock**

The details of authorized and paid-up capital stock are as follows:

Type of Common Shares	Number of Authorized Shares	Number of Issued and Outstanding Shares	Amount
Class A	40,000,000	22,077,771	₱220,777,710
Class B	10,000,000	5,388,678	53,886,780
	50,000,000	27,466,449	₱274,664,490

Class "A" and Class "B" common shares have the same rights and privileges. Class "A" common shares shall be issued solely to Filipino citizens, while Class "B" common shares may be issued to Filipino and non-Filipino citizens.

As of September 30, 2009, there are 22,077,771 listed and outstanding Class A common shares of which 5,997,747 are floating shares whereas there are 5,388,678 listed and outstanding Class B common shares of which 402,975 are floating shares. The latest closing price for Class A common shares was recorded at ₱45.00 (as of October 1, 2009) while Class B common shares have never been traded since their listing date.

## **Other Required Disclosures**

### **Related Party Transactions**

	<b>Unaudited September 2009</b>	Audited December 2008
Installment receivable – OCLP	<b>₱786,887,246</b>	₱840,321,847
Interest receivable – OCLP		–
Due to/from OCLP	<b>1,513,443</b>	(43,437,660)
Due to/from CMSC	<b>(1,219,652)</b>	(913,709)