



CONCRETE AGGREGATES CORPORATION

Don Mariano Santos Avenue, San Isidro, Angono, Rizal
Tel. No.: 651-3211 to 15 Telefax No.: 451-0192



May 15, 2008

THE PHILIPPINE STOCK EXCHANGE, INC.

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

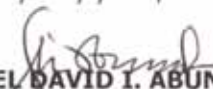
Attention: **Atty. Pete M. Malabanan**
Head, Disclosure Department

Gentlemen:

In compliance with Philippine Stock Exchanges' Rules on Disclosure, please find attached hereto a copy of Concrete Aggregates Corporation's Quarterly Report for the first quarter of 2008 (SEC Form 17-Q), which we filed at the Securities and Exchange Commission today, May 15, 2008.

Thank you and best regards.

Very truly yours,


MICHAEL DAVID I. ABUNDO III
Corporate Information Officer

PSE Security Code _____
SEC Number 36140
File Number _____

CONCRETE AGGREGATES CORP.

(Company's Full Name)

DON MARIANO SANTOS AVENUE, SAN ISIDRO, ANGONO, RIZAL

(Company's Address)

Telephone Nos.: 651-3211 to 15 / 451-1102
Facsimile no.: 651-3211 to 15

(Company's Telephone Number)

DECEMBER 31

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

SEC FORM 17-Q: 1st Quarter 2008

(FORM TYPE)

(Amendment Designation if Applicable)

March 31, 2008

Period Ended Date

(Secondary License Type, if any)

FINANCIAL INFORMATION

Item 1. Financial Statements

Please see the following attached documents:

- Unaudited Balance Sheet Statement, as of March 31, 2008
- Unaudited Statement of Income, as of March 31, 2008
- Unaudited Statement of Changes in Stockholder's Equity, as of March 31, 2008
- Unaudited Statement of Cash Flows, as of March 31, 2008
- Aging of Accounts Receivables, as of March 31, 2008
- Statement of Management's Responsibility
- Notes to Financial Statements

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

The Company registered a significant 28% or ₱25.63 million growth on sales during the first quarter of year 2008 versus 2007. This was due largely to the increasing demand on aggregates for ready mix concrete production brought about by the booming construction business. This increase in sales and the effective management of operating costs helped the Company register a net income of ₱30.18 million during the first quarter of 2008.

Meanwhile, the Company anticipates a further upsurge in sales due to the increasing demand on housing units and office spaces fueled by OFW remittances, the continuing rise of business process outsourcing companies, and the line-up of government projects in the pipeline such as the South Luzon Expressway and the Northrail Projects, among others. In addition, the Company's latest aggregates-based vibro sand product has already gained market acceptance.

Operating Results

Sales

Sales revenue for the three month period increased by as much as 28% or ₱25.63 million from last year's performance of ₱91.36 million to this year's ₱116.99 million. The increase was brought about by the upsurge in sales of 3/4, 3/8, and base course aggregates due to the increasing demand for ready mix concrete and asphalt materials. Another contributor was the increasing sale of blue sand vibro coupled with the price increases made effective January 2008.

Cost of sales

Cost of sales is 25% higher than last year's ₱62.78 million. This was the effect of higher production volume compared to last year, thereby increasing its variable costs such as extraction fees by ₱2.41 million, repairs and maintenance supplies by ₱5.71 million, fuel and oil by ₱4.75 million, and security, janitorial and other services by ₱2.02 million.

Selling expenses

Year to date selling expenses is lower by ₱0.17 million due to the decrease in actual cost incurred in advertising expenses.

General and administrative expenses

General and administrative expenses increased by 18% or ₱2.23 million. This is due to increases in professional fees by ₱0.81 million, repairs and maintenance supplies by ₱0.66 million, security, janitorial and other services by ₱0.56 million, and taxes and licenses by ₱0.34 million.

Income from hauling, fuel and spare parts - net

The Year-to-date other income on hauling net of cost is at ₱2.87 million, a 32% increase from last year. Income from fuel net of cost to date is lower by 60% compared to 2007 due to a lower profit mark-up in 2008 as against 2007. Income from sale of spare parts net of cost decreased by ₱0.16 million in 2008.

Other income (expenses)

For the first quarter of 2008, there was a recognized interest income from overnight and short term placement amounting to ₱0.79 million; the sale of depreciated equipment and scrap materials amounted to ₱1.67 million, and interest on the long term installment receivable pertaining to the Longos property sold to OCLP amounted to ₱11.65 million.

Net income after tax

The Company's net operation for the first quarter resulted in a profit of ₱30.18 million net of provision for income taxes; an increase of 215% or ₱20.61 million as compared to the first quarter of 2007. This was brought about by higher sales revenue, which was due to higher sales volume, increase in prices, interest income and the sale of equipment and scrap materials.

Financial Condition

Cash

Cash balance amounting to ₱69.10 million decreased by 41% or ₱47.46 million as compared to last year due to the payment of capital gains tax amounting to ₱67.80 million on the sale of Longos property. The decrease was leveled off by the strong collection of outstanding receivables and cash collections during the period and the deferrals of payables under review due for processing.

Receivables

Receivables, net of allowances and provisions, amounting to ₱63.94 million represents an increase of 25% as opposed to last year's balance of ₱51.16 million. There was a slight increase in sales revenue that sets out the increase in accounts receivable trade. The substantial increase, which amounts to ₱11.65 million, pertains to the interest from the installment receivable from OCLP.

Inventories

Inventories (finished goods and warehouse inventory) in the amount of ₱18.42 million for this year is 35% or ₱10.00 million lower than last year's balance of ₱28.43 million due to higher volume of sales during the first quarter of the year. In addition, there was a noted decrease in spare parts and maintenance supplies due to increase in repairs and maintenance expense.

Other current assets

Other current assets, currently at ₱18.72 million, is higher by 67% or ₱7.51 million as compared to last year. Part of the increase are costs on the set-up of Batong Angono Aggregates Corp. (BAAC). In addition, there was an increase in prepayments/deferrals on taxes and licenses such as business taxes and issuance of spare parts and maintenance supplies.

Noncurrent assets held for sale

Some of the property, plant and equipment pertaining to assets that is expected to be transferred to Lafarge Consortium were reclassified to assets held for sale.

Investment properties

The decrease in investment properties is due to accounted depreciation charges made during the first quarter of 2008.

Property, plant and equipment

Property, plant and equipment (net) amounting to ₱103.18 million increased by 2% or ₱2.43 million as compared to last year's balance of ₱100.75 million basically due to capitalized expenses on development and improvement on the plant.

Other noncurrent assets

Other non-current assets increased by ₱16.25 million due to the investment made by the Company on BAAC, a wholly owned subsidiary.

Trade accounts payable

Trade accounts payable amounting to ₱26.91 million represents an increase of 32% as compared to last year's balance of ₱20.41 million. The increase was brought about by the additional recorded expenses to suppliers and haulers on increased production costs.

Accrued expenses and other accounts payable

Accrued expenses and other accounts payable amounting to ₱175.97 million is a decrease of ₱61.15 million from last year's figures. The decrease was due to the payment of capital gains tax on the sale of Longos property.

Stockholders' Equity

Stockholders' Equity increased from last year's balance of ₱1.18 billion to this year's first quarter balance of ₱1.21 billion due to the net contribution of 2008 operations by ₱30.18 million.

Book value per share is at ₱43.52 per share as of March 31, 2008 as compared to ₱42.85 per share in December 31, 2007.

- i. Due to the Company's sound financial condition, except as discussed in Note 1 under Quarry Operations, 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 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.
- v. At the moment, there are yet no material commitments for capital expenditures other than those performed in the ordinary course of trade or business.
- vi. At the moment, the management is currently monitoring its production volume capacity as there is an increasing demand for aggregates usually during the summer season.
- vii. The causes for any material changes in the unaudited financial statements from the first quarter of year 2007 to the first quarter of year 2008 are explained in the Management Discussion and Analysis, as well as in the accompanying Notes to Financial Statements.
- viii. 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.
- ix. Accounts that registered material changes of 5% or more and the causes thereof are as follows:

Accounts	2008	2007	Increase (Decrease)	Remarks
Sales	₱116,993,510	₱91,361,063	25,632,447	The increase is attributable to improvement in sales volume and the increase in selling prices that were effective in January 2008.
Cost of sales	78,693,075	62,782,410	15,910,665	The increase in cost is due to increase in production volume thereby increasing its related variable direct costs such as repairs and maintenance supplies, fuel and oil, and surge pile transfers.

Accounts	2008	2007	Increase (Decrease)	Remarks
Administrative expenses	17,966,446	14,571,070	3,395,376	This was due to increases in professional fees, repairs and maintenance supplies, security, janitorial and other services, and taxes and licenses during the first quarter of 2008.
Interest income (expense)	786,567	(2,222,240)	3,008,807	In November 2007, all outstanding bank loans were paid. Also, the Company earned interest income from overnight and short term placements.
Other income (expense)	16,560,183	3,715,900	12,844,284	The increase was due to interest earned from the installment receivable from OCLP.
Cash and cash equivalents	69,102,386	116,567,699	(47,465,313)	The decrease was due to payment of capital gains tax on sale of Longos property leveled off by strong collection scheme in monitoring of receivables.
Receivables	63,944,332	51,161,810	12,782,522	This was due to higher sales revenue resulting to the increase in trade accounts receivable. In addition, there was an accrual of interest from installment receivable pertaining to Longos sale.
Inventories	18,425,275	28,429,839	(10,004,564)	This was due to higher sales volume than production volume thereby consuming the beginning inventory. In addition, there was a noted decrease in spare parts and maintenance supplies issuance during the year.
Other current assets	18,717,372	11,211,799	7,505,573	The increase was due to expenses by the Company on the set-up of BAAC.
Noncurrent assets held for sale-net	119,535,237	124,810,553	(5,275,316)	This was due to assets that is expected to be transferred to Lafarge Consortium were reclassified to assets held for sale.

Accounts	2008	2007	Increase (Decrease)	Remarks
Trade accounts payable	26,907,142	20,407,579	6,499,563	The increase was brought about by the additional recorded expense to suppliers and haulers and increased production costs.
Accrued expenses and other payables	175,968,234	237,119,732	(61,151,498)	The decrease was due to the payment of capital gains tax on the sale of Longos property.

Key Performance Indicators

The Company has identified the following Key Performance Indicators affecting its operation:

MEASURES	2008	2007	Manner of Calculation
Current Ratio	1.43	1.29	Current Assets ÷ Current Liabilities
Debt / Equity Ratio	0.17	0.22	Total Liabilities ÷ Total Stockholders' Equity
Gross Profit Rate	33%	31%	Gross Margin ÷ Sales
Operating Profit Rate	18%	15%	Operating Profit ÷ Sales
Net Income Rate	26%	10%	Net Income ÷ Sales
Return on Assets	9%	3%	Annualized Net Income ÷ Total Assets
Return on Equity	10%	3%	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 thereunto duly authorized.

CONCRETE AGGREGATES CORPORATION



ELEANOR B. TRUMATA

Accounting Manager/Authorized Officer

May 15, 2008

CONCRETE AGGREGATES CORP.
(A Subsidiary of Ortigas & Company, Limited Partnership)

BALANCE SHEETS

MARCH 31, 2008

(With comparative figures for December 31, 2007)

	Unaudited March 2008	Audited December 2007
ASSETS		
Current Assets		
Cash and cash equivalents	₱69,102,386	₱116,567,699
Receivables - net	63,944,332	51,161,810
Inventories	18,425,275	28,429,839
Other current assets - net	18,717,372	11,211,799
	170,189,365	207,371,147
Noncurrent assets held for sale – net	119,535,237	124,810,553
Total Current Assets	289,724,602	332,181,700
Noncurrent Assets		
Investment properties - net	72,014,590	72,711,767
Property, plant and equipment - net	103,181,809	100,748,885
Deferred income tax assets - net	74,869,499	74,869,499
Net retirement plan assets	3,682,978	3,682,978
Installment receivable	835,261,220	835,261,220
Other noncurrent assets	31,309,012	15,059,013
Total Noncurrent Assets	1,120,319,108	1,102,333,362
TOTAL ASSETS	₱1,410,043,710	₱1,434,515,062
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Trade payables	₱26,907,142	₱20,407,579
Accrued liabilities and other payables	175,968,234	237,119,732
Total Current Liabilities	202,875,376	257,527,311
Stockholders' Equity		
Capital stock - ₱10 par value		
Authorized - 50,000,000 shares		
Issued and outstanding – 27,466,449 shares (held by 629 stockholders)	274,664,490	274,664,490
Additional paid-in capital	1,069,304	1,069,304
Unrealized gain on appreciation in value of available-for-sale investments, net of related deferred income tax	292,042	292,042
Retained earnings	931,142,498	900,961,915
Total Stockholders' Equity	1,207,168,334	1,176,987,751
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	₱1,410,043,710	₱1,434,515,062

See accompanying Notes to the Company's Financial Statements.

CONCRETE AGGREGATES CORP.
(A Subsidiary of Ortigas & Company, Limited Partnership)

STATEMENTS OF INCOME
FOR THE 1ST QUARTER ENDING MARCH 31, 2008 (Unaudited)
(With comparative figures for March 31, 2007)

	Unaudited January to March 2008	Unaudited January to March 2007
SALES	₱116,993,510	₱91,361,063
COST OF SALES	78,693,075	62,782,410
GROSS PROFIT	38,300,435	28,578,653
General and administrative expenses	(17,966,446)	(14,571,070)
Selling expenses	(5,764,060)	(5,932,446)
Interest and other financing charges	–	(2,254,901)
Interest income	786,567	32,661
Others – net	16,560,183	3,715,900
INCOME (LOSS) BEFORE INCOME TAX	31,916,679	9,568,856
PROVISION FOR INCOME TAX	1,736,096	–
NET INCOME (LOSS)	₱30,180,583	₱9,568,856
Basic/Diluted Earnings (Loss) per share	1.10	0.35

See accompanying Notes to the Company's Financial Statements.

CONCRETE AGGREGATES CORP.
(A Subsidiary of Ortigas & Company, Limited Partnership)

STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE 1ST QUARTER ENDING MARCH 31, 2008 (Unaudited)
(With comparative figures for March 31, 2007)

	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, 2007 (Audited)	274,664,490	1,069,304	1,214,057	(69,920,623)	207,027,228
Net Income from January 1, 2007 to March 31, 2007	-	-	-	9,568,827	9,568,827
BALANCES AT MARCH 31, 2007	274,664,490	1,069,304	1,214,057	(60,351,796)	216,596,055

Balances at January 1, 2008 (Audited)	274,664,490	1,069,304	292,042	900,961,915	1,176,987,751
Net Income from January 1, 2008 to March 31, 2008	-	-	-	30,180,583	30,180,583
BALANCES AT MARCH 31, 2008	274,664,490	1,069,304	292,042	931,142,498	1,207,168,334

See accompanying Notes to the Company's Financial Statements.

CONCRETE AGGREGATES CORP.
(A Subsidiary of Ortigas & Company, Limited Partnership)

STATEMENTS OF CASH FLOWS
FOR THE 1ST QUARTER ENDING MARCH 31, 2008 (Unaudited)
(With comparative figures for March 31, 2007)

	Unaudited January to March 2008	Unaudited January to March 2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income (loss)	₱30,180,583	₱9,568,856
Adjustments for:		
Depreciation and amortization	6,738,268	4,748,838
Interest expense	–	2,254,907
Interest income	(786,567)	(32,661)
Gain on sale of property, plant and equipment	(1,339,286)	–
Operating income before working capital changes and Provisions	34,792,998	16,539,940
Decrease (increase) in:		
Receivables	(12,782,522)	(1,168,199)
Inventories	10,004,564	2,387,301
Other current assets	(7,505,573)	(2,058,741)
Increase (decrease) in:		
Trade payables	6,499,563	(13,702,804)
Accrued expenses and other payables	(61,151,497)	(2,074,539)
Cash generated from operations	(30,142,467)	(77,042)
Interest paid	–	(2,254,907)
Interest received	786,567	32,661
Net cash flows from operating activities	(29,355,900)	(2,299,288)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of property, plant and equipment and noncurrent assets held for sale	(3,198,699)	(9,635,258)
Proceeds from sales of property, plant and equipment	1,339,286	–
Reduction (addition) to non-current assets	(16,250,000)	185,285
Reduction (addition) to investment properties	–	(3,021,638)
Net cash flows from (used in) investing activities	(18,109,413)	(12,471,611)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds of short-term bank loans	–	15,000,000
Net cash flows from (used in) financing activities	–	15,000,000
NET INCREASE (DECREASE) IN CASH	(47,465,313)	229,101
CASH AT BEGINNING OF YEAR	116,567,699	16,358,873
CASH AT END OF THE QUARTER	₱69,102,386	₱16,587,974

See accompanying Notes to the Company's Financial Statements.

**CONCRETE AGGREGATES CORP.
ACCOUNTS RECEIVABLE AGING (Unaudited)
FOR THE 1ST QUARTER ENDING MARCH 31, 2008**

Description	Total	Current	1 - 30 Days	31 - 60 Days	61 - 90 Days	91 - 120 Days	Over 120 Days	Under Litigation
AGING SCHEDULE								
A. Trade Receivables								
Angono Aggregates	49,992,104	26,053,567	10,837,506	937,641	(137,418)	25,840	12,274,968	-
Pangasinan Aggregates	2,241,979	-	-	-	-	-	2,241,979	-
Subtotal	52,234,083	26,053,567	10,837,506	937,641	(137,418)	25,840	14,516,947	-
Less: Allowance For Doubtful Accounts	14,791,869	-	-	249,082	-	25,840	14,516,947	-
Net Trade Receivable	37,442,214	26,053,567	10,837,506	688,559	(137,418)	-	-	-
B. Non-trade Receivables								
Discontinued Division								
ReadyMix	12,124,268	-	-	-	-	-	12,124,268	-
Asphalt Mix	17,258,025	-	-	-	-	-	17,258,025	-
Hollow Blocks	1,089,281	-	-	-	-	-	1,089,281	-
Prestress	7,976,809	-	-	-	-	-	7,976,809	-
Construction	17,313,353	-	-	-	-	-	17,313,353	-
Quality Control	89,606	-	-	-	-	-	89,606	-
Sub-total	55,851,342	-	-	-	-	-	55,851,342	-
Other Non-trade Receivables	27,625,856	26,502,118	-	-	-	-	1,123,738	-
Sub-total	83,477,198	26,502,118	-	-	-	-	56,975,080	-
Less: Allowance for Doubtful Accounts	56,975,080	-	-	-	-	-	56,975,080	-
Net Non-trade Receivables	26,502,118	26,502,118	-	-	-	-	-	-
NET RECEIVABLES	63,944,332	52,555,685	10,837,506	688,559	(137,418)	-	-	-

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 March 31, 2008. 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.

CONCRETE AGGREGATES CORP.

NOTES TO FINANCIAL STATEMENTS

1. Corporate Information and Business Operations

Corporate Information

Concrete Aggregates Corp. (the Company) was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on August 23, 1968. The Company is listed in the Philippine Stock Exchange and is primarily engaged in quarrying, crushing and selling basalt concrete aggregates. The Company's quarrying operations in its property in Barangay San Isidro, Angono, Rizal is allowed by virtue of Mineral Production Sharing Agreements (MPSA) and Environmental Clearance Certificates (ECC) issued by the government.

The Company's wholly owned subsidiaries, namely, CAC Insurance Agency Corp. (CIAC) and CAC Marketing and Services Corp. (CMSC) are both incorporated in the Philippines and are currently dormant companies. The Company and its subsidiaries' ultimate parent is Ortigas & Company, Limited Partnership (OCLP).

The Company has a management agreement with its parent company and majority stockholder, OCLP.

The registered office address of the Company, CIAC and CMSC, [collectively referred to as the Group], is Don Mariano Santos Avenue, Barangay San Isidro, Angono, Rizal.

The consolidated financial statements of the Company as of and for the year ended December 31, 2007 were authorized for issue in accordance with a resolution of the Board of Directors (BOD) on April 11, 2008.

Quarry Operations

On November 29, 2007, the Company's BOD declared the consortium of Republic Cement Corporation and Lafarge Holdings (Philippines), Inc. (the Consortium) as the winning bidder in the bidding for the purpose of selecting a third party to operate its quarry in Angono, Rizal, which offered to pay the Company the amount of ₱670 million on the Closing Date of the transaction. In addition, the Company will be paid royalty fees during the term of the Operating Agreement. On January 18, 2008, the Company's stockholders approved the declaration made by the BOD and the transactions and contracts to be entered into by the Company in connection with the bidding out of the right to operate its quarry.

Upon the approval on January 18, 2008 by the Company's Stockholders of the declaration, the Consortium entered into a Memorandum of Agreement with the Company, providing among others, that at the Closing Date, which will be at the end of the period of ninety (90) days (or such other period as may be agreed upon) counted from the date of execution of the Memorandum of Agreement:

- a. The Company shall have incorporated a New Company (NewCo) and have subscribed to all of NewCo's authorized capital stock;
- b. The Company and NewCo will execute an Asset Purchase Agreement by virtue of which the Company shall sell to NewCo, and the NewCo shall purchase from the Company, certain operating assets on an "As Is, Where Is" basis;
- c. The Company and NewCo will execute an Operating Agreement which gives NewCo the right to engage in quarrying operations within the property owned by the Group in Angono, Rizal; and,
- d. The Company and the Consortium will execute a Share Purchase Agreement for the sale of the Company and the purchase of the Consortium of 100% of the outstanding capital stock of NewCo.

The Operating Agreement will be executed, after the execution of the Memorandum of Agreement and upon incorporation of NewCo, by and between the Company and NewCo giving NewCo the right to engage in quarrying operations within the quarry land owned by the Company (the Property) and within the parameters of the MPSA between the Company and the Department of Environment and Natural Resources (DENR), and the ECC issued by the DENR to the Company. The Operating Agreement shall specify, among others:

- a. The minimum extraction rate of aggregates per annum;
- b. The right to conduct quarrying operations within the Property for a period of fifteen (15) years from the date of the closing of the transactions (unless sooner terminated in accordance with the provisions of the agreement), which period may also be extended upon agreement of the parties; and,
- c. Termination of the Operating Agreement upon breach of any of its provisions.

As operator under the Operating Agreement, NewCo, in coordination with the Company, shall be obliged to comply with any and all terms and conditions and such other requirements under the MPSA entered into by, and the ECC issued to, the Company, including any amendments or supplements thereto. The Company shall cooperate with the Consortium in any future application to increase the annual extraction rate in excess of what has been or is to be approved by the DENR, provided that this is consistent with the mining plan submitted to, and accepted by, the Company.

On January 23, 2008, the Company executed the Operating Agreement with Batong Angono Aggregates Corp. (BAAC), the actual name of NewCo which was formed by the Company.

The Asset Purchase Agreement will be executed on Closing Date by and between the Company and NewCo by virtue of which the Company shall sell to NewCo, and NewCo shall purchase from the Company, the Assets on an "As Is, Where Is" basis. The "As Is, Where Is" condition of the Assets shall be reckoned on a date to be agreed upon by the parties. The Asset Purchase Agreement will include customary representations, warranties and covenants.

The Share Purchase Agreement will be executed on Closing Date by and between the Consortium and the Company by virtue of which the Company shall sell and the Consortium shall purchase the Shares comprising 100% of the outstanding capital stock of NewCo. This agreement will include customary representations, warranties, covenants, and payment in full of the purchase price in same day funds upon Closing Date.

The Transaction Service Agreement and Trademark License Agreement will be executed on Closing Date for the provision of service by certain key personnel belonging to the Company's Parent Company, OCLP, for a specified period of time as well as the use of Company-owned trademarks and service marks under terms and conditions agreed upon by the parties.

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, which is the Company's functional currency and rounded to the nearest peso except when otherwise indicated.

Statement of Compliance

The financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRS).

Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Company has adopted the following new standard and amendments to previously issued standards and Philippine Interpretation of International Financial Reporting Interpretation Committee (IFRIC) interpretations during the year. Adoption of these standards, amendments and interpretations did not have a material effect on the Company's financial statements except for the additional disclosures where required.

- PFRS 7, *Financial Instruments: Disclosures*, introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, as well as sensitivity analysis to market risk. It replaces disclosure requirements in Philippine Accounting Standard (PAS) 32, *Financial Instruments: Disclosures and Presentation* and PAS 30, *Disclosure in the Financial Statements of Banks and Similar Financial Institutions*. It is applicable to all entities that report under PFRS.

The Company adopted the amendment to the transition provisions of PFRS 7, as approved by the Financial Reporting Standards Council, which gives transitory relief with respect to the presentation of comparative information for the new risk disclosures about the nature and extent of risks arising from financial instruments. Accordingly, the Company does not need to present comparative information for the disclosures required by paragraphs 31 to 42 of PFRS 7, unless the disclosure was previously required under PAS 32. Adoption of PFRS 7 resulted in additional disclosures, which are included throughout the consolidated financial statements. These disclosures include presenting the different classes of loans and receivables, rollforward of allowance for impairment losses, credit quality of financial assets and aging of past due but not impaired financial assets.

- Amendments to PAS 1, *Presentation of Financial Statements: Capital Disclosures*, require the following additional disclosures: (a) an entity's objectives, policies and processes for managing capital; (b) quantitative data about what the entity regards as capital; (c) whether the entity has complied with any capital requirements; and (d) if it has not complied, the consequences of such noncompliance. The disclosures required by this amendment were included in the consolidated financial statements.
- Philippine Interpretation IFRIC 7, *Applying the Restatement Approach under PAS 29, Financial Reporting in Hyperinflationary Economies*, provides guidance on how to apply PAS 29 when an economy first becomes hyperinflationary. As the Company currently has no such transactions, the interpretation did not have any effect on its consolidated financial statements.
- Philippine Interpretation IFRIC 8, *Scope PFRS 2*. This Interpretation requires PFRS 2 to be applied to any arrangements where equity instruments are issued for consideration which appears to be less than fair value. As the Company currently has no such transactions, the interpretation did not have any effect on its consolidated financial statements.
- Philippine Interpretation IFRIC 9, *Reassessment of Embedded Derivatives*, establishes that the date to assess the existence of an embedded derivative is the date an entity first becomes a party to a contract, with assessment only if there is a change to the contract that significantly modifies the cash flows. As the Company currently has no such transactions, the interpretation did not have any effect on its consolidated financial statements.
- Philippine Interpretation IFRIC 10, *Interim Financial Reporting and Impairment*, prohibits the reversal of impairment losses on goodwill and available-for-sale equity investments recognized in the interim financial reports even if impairment is no longer present at the annual balance sheet date. As the Company currently has no such transactions, the interpretation did not have any effect on its consolidated 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 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 March 31, 2008 and December 31, 2007, 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 March 31, 2008 and December 31, 2007, this category includes the Company's cash in banks and short term investments, trade receivables, advances to officers and employees, advances to suppliers, other receivables, and installment receivable.

AFS financial assets

AFS financial assets 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 March 31, 2008 and December 31, 2007, 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 March 31, 2008 and December 31, 2007, 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 occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the consolidated statement of income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

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.

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.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Company's continuing involvement is the amount of the transferred asset that the Company may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Company's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

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.

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	6 to 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.

For a transfer from investment property to owner occupied property, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. If the property occupied by the Company as an owner-occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

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:

	<u>Number of Years</u>
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 are recognized when the goods are delivered to and accepted by the customer.

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.

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.

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 to 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.

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.

Future Changes in Accounting Policies

The following are the new and amended accounting standards and interpretations that will become effective subsequent to 2007:

- PFRS 8, *Operating Segments* (effective for annual periods beginning on or after January 1, 2009), requires a management approach to reporting segment information. PFRS 8 will replace PAS 14, *Segment Reporting*, and is required to be adopted only by entities whose debt or equity instruments are publicly traded, or are in the process of filing with the Philippine SEC for purposes of issuing any class of instruments in a public market. The Company is currently in the process of assessing the impact of this PFRS but is not yet in a position to state whether it could have a significant impact on the consolidated financial statements.

- Amendments to PAS 1, *Presentation of Financial Statements*, (effective for annual periods beginning on or after January 1, 2009), introduces new disclosures to aggregate information in the financial statements on the basis of shared characteristics. It requires the following presentations: (a) all changes in equity arising from transactions with owners are to be presented separately from non-owner changes in equity, (b) income and expenses are to be presented in one statement (a statement of comprehensive income) or in two statements (a separate income statement and a statement of comprehensive income), separately from owner changes in equity, (c) components of other comprehensive income to be displayed in the statement of comprehensive income and, (d) total comprehensive income to be presented in the consolidated financial statements. The Company is currently in the process of assessing the impact of this Amendment but is not yet in a position to state whether it could have a significant impact on the consolidated financial statements.
- Amendments to PAS 23, *Borrowing Costs* (effective for annual periods beginning on or after January 1, 2009), 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 of 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.
- Philippine Interpretation IFRIC 11, *Group and Treasury Share Transaction* (effective for annual periods beginning on or after March 1, 2007), 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 the subsidiary's employees receive rights to the equity instruments of the parent company. The Company currently does not have any stock option plan and therefore, does not expect this Interpretation to have any impact on its consolidated financial statements.
- Philippine Interpretation IFRIC 12, *Service Concession Arrangements* (effective for annual periods beginning on or after January 1, 2008), covers contractual arrangements arising from entities providing public services. The Company is not a party to any concession arrangement and, thus, expects that this Interpretation will not have any impact on its consolidated financial statements.
- Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes*, (effective for annual periods beginning on or after July 1, 2008). This Interpretation requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted and therefore part of the fair value of the consideration received is allocated to the award credits and deferred over the period that the loyalty award credits are redeemed. The Company expects that this Interpretation will have no impact on the consolidated financial statements as no such programs currently exist.

- Philippine Interpretation IFRIC 14, *The Limit on a Defined Benefit Asset Minimum Funding Requirements and their Interaction* (effective for annual periods beginning on or after January 1, 2008), 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 Company expects that this Interpretation will have no impact on the financial position or performance of the Company as all defined benefit schemes are currently in deficit.

The Company continues to assess the impact on the consolidated financial statements of the foregoing standard, amendments and interpretations. The revised disclosures in the consolidated financial statements provided by the above standard, amendments and interpretations, where applicable, will be included in the consolidated financial statements when these are adopted upon their effectivity.

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.

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:

Determination of the Company's functional currency

Management considers the Philippine Peso as the currency that most faithfully represents the economic effect of the underlying transactions, events and conditions. The Philippine Peso is the currency of the primary economic environment in which the Company operates. It is the currency in which the Company measures its performance, reports its results and influences the sale of goods.

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.

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.

Allowance for doubtful accounts amounted to ₱76,766,948 as of March 31, 2008 and December 31, 2007, respectively. The amount of receivables, net of allowance for doubtful accounts, amounted to ₱63,944,332 and ₱51,161,810 as of March 31, 2008 and December 31, 2007, respectively.

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. Inventories stated at net realizable value amounted to ₱2,823,927 as of December 31, 2007.

Impairment of AFS financial assets

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 March 31, 2008 and December 31, 2007, there is no indication of impairment. The carrying value of the Company's AFS financial assets amounted to ₱1,821,875 as of March 31, 2008 and December 31, 2007, respectively.

Impairment of investment property and property, plant and equipment

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 March 31, 2008 and December 31, 2007 amounted to ₱103,181,809 and ₱100,748,885, respectively. The total carrying value of the Company's investment properties amounted to ₱72,014,590 and ₱72,711,767 as of March 31, 2008 and December 31, 2007, respectively.

As of March 31, 2008 and December 31, 2007, 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 March 31, 2008 and December 31, 2007.

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 March 31, 2008 and December 31, 2007.

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 in March 31, 2008 and in 2007.

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 March 31, 2008 and December 31, 2007 amounted to ₱3,682,978.

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 March 31, 2008 and December 31, 2007, the Company has recognized deferred income tax assets amounting to ₱74,869,499.

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 March 31, 2008.

4. Cash and cash equivalents

	Unaudited March 2008	Audited December 2007
Cash on hand and in bank	₱69,102,386	₱16,567,699
Short term investment	-	100,000,000
	₱69,102,386	₱116,567,699

Cash in banks earns interest at the respective banks' deposit rates. Short-term investments are made for varying periods depending on the immediate cash requirements of the Group and earn interest at the respective short-term investments rates.

5. Receivables

	Unaudited March 2008	Audited December 2007
Trade - net of allowance for doubtful accounts of ₱14,791,869 in 2008 & 2007, respectively.	₱37,442,214	₱42,586,693
Advances to officers and employees - net of allowance for doubtful accounts of ₱1,123,738 in 2008 & 2007, respectively.	429,461	409,252
Receivables of discontinued Engineering and Construction Division - net of allowance for doubtful accounts of ₱55,851,342 and ₱60,851,342 in 2008 and 2007, respectively.	-	-
Others	26,072,657	8,165,865
	₱63,944,332	₱51,161,810

Trade receivables are due within 30 to 45 days and do not bear interest.

6. Inventories

	Unaudited March 2008	Audited December 2007
Mine products - at cost	₱7,675,743	₱13,008,658
Spare parts, fuel, and supplies	10,749,532	15,421,181
	₱18,425,275	₱28,429,839

7. Other current assets

	Unaudited March 2008	Audited December 2007
Due to/from related parties	₱6,719,072	₱807,221
Prepaid Taxes & Licenses	2,795,165	700,330
Advances to suppliers	2,172,939	1,242,509
Input Taxes	1,881,994	2,902,690
Prepaid Insurance	640,915	804,741
Creditable withholding tax	101,542	927,008
Others	4,405,745	3,827,300
	₱18,717,372	₱11,211,799

10. Property, Plant and Equipment
 Unaudited March 31, 2008.

	Land	Quarry Land	Quarry Development Cost	Buildings and Improvements	Plant Site Improvements	Machinery and Equipment	Transportation and Rolling Equipment	Furniture and Fixtures	Tools and Implements	Total
Cost										
Beginning of year	₱42,285	₱16,209	-	₱25,933	₱29,909	₱15,743	₱29,795	₱555	-	₱160,430
Additions	-	-	409	308	-	28	1,544	812	97	3,199
Reclassification to noncurrent assets held for sale	-	-	-	-	-	-	(2,308)	-	-	(2,308)
End of year	42,285	16,209	409	26,241	29,909	15,771	29,031	1,367	97	161,321
Accumulated Depreciation and Amortization										
Beginning of year	-	-	-	8,775	14,619	6,516	29,242	529	-	59,681
Depreciation and amortization for the year	-	-	367	341	5	-	52	-	-	766
Reclassification to noncurrent assets held for sale	-	-	-	-	-	-	(2,308)	-	-	(2,308)
End of year	-	-	367	9,115	14,624	6,516	26,986	529	-	58,139
Net Book Value	₱42,285	₱16,209	₱42	₱17,126	₱15,285	₱9,255	₱2,045	₱837	₱97	₱103,182

Audited December 31, 2007:

	Land	Quarry Land	Quarry Development Cost	Buildings and Improvements	Plant Site Improvements	Machinery and Equipment	Transportation and Rolling Equipment	Furniture and Fixtures	Tools and Implements	Total
	(Amounts in thousands)									
Cost										
Beginning of year	₱42,285	₱16,209	₱66,318	₱24,363	₱29,879	₱134,716	₱50,612	₱15,519	₱2,069	₱381,971
Additions	-	-	18,029	1,570	30	23,353	21,535	3,626	279	68,421
Reclassification to noncurrent assets held for sale	-	-	(84,347)	-	-	(142,326)	(42,351)	(18,589)	(2,348)	(289,961)
End of year	42,285	16,209	-	25,933	29,909	15,743	29,795	555	-	160,430
Accumulated Depreciation and Amortization										
Beginning of year	-	-	3,352	7,562	9,524	127,683	43,093	12,598	1,960	(205,771)
Depreciation and amortization for the year	-	-	1,534	1,213	5,095	4,314	4,118	2,690	96	19,062
Reclassification to noncurrent assets held for sale	-	-	(4,886)	-	-	(125,480)	(17,969)	(14,760)	(2,056)	(165,151)
End of year	-	-	-	8,775	14,619	6,516	29,242	529	-	59,681
Net Book Value	₱42,285	₱16,209	₱-	₱17,159	₱15,290	₱9,226	₱554	₱26	₱-	₱100,749

8. Noncurrent Assets Held for Sale - net

Unaudited March 31, 2008

	Quarry Development Cost	Machinery and Equipment	Transportation and Rolling Equipment	Furniture and Fixtures	Tools and Implements	Total
(Amounts in thousand)						
Cost						
Beginning of year	₱84,347	₱142,326	₱42,351	₱18,589	₱2,348	₱289,961
Additions	-	-	-	-	-	-
End of year	₱84,347	₱142,326	₱42,351	₱18,589	₱2,348	₱289,961
Accumulated Depreciation and Amortization						
Beginning of year	4,886	125,480	17,969	14,760	2,056	165,151
Depreciation and amortization for the year	-	2,826	1,638	764	47	5,275
End of year	4,886	128,306	19,607	15,524	2,103	(170,426)
Net Book Value	₱79,461	₱14,020	₱22,744	₱3,065	₱245	₱119,535

Audited December 31, 2007

	Quarry Development Cost	Machinery and Equipment	Transportation and Rolling Equipment	Furniture and Fixtures	Tools and Implements	Total
(Amounts in thousand)						
Cost						
Beginning of year	₱84,347	₱142,326	₱42,351	₱18,589	₱2,348	₱289,961
Accumulated Depreciation and amortization	4,886	125,480	17,969	14,760	2,056	165,151
Net Book Value	₱79,461	₱16,846	₱24,382	₱3,829	₱292	₱124,810

9. Investment Properties - net

Unaudited March 31, 2008

	Land	Land improvement	Building	Total
Cost				
Beginning of year	₱65,835	₱15,203	₱19,342	₱100,380
Additions				
Sale	-	-	-	-
End of year	65,835	15,203	19,342	100,380
Accumulated Depreciation:				
Beginning of year	-	11,851	15,817	27,668
Depreciation and amortization for the year	-	357	340	697
Sale	-	-	-	-
End of year	-	12,208	16,157	28,365
Ending balance	₱65,835	₱2,995	₱3,185	₱72,015

Audited December 31, 2007

	Land	Land improvement	Building	Total
Cost				
Beginning of year	₱68,806	₱15,203	22,442	106,451
Additions				
Sale	(2,971)	-	(3,101)	(6,072)
End of year	₱65,835	₱15,203	₱19,341	₱100,379
Accumulated Depreciation:				
Beginning of year	-	10,423	17,506	27,929
Depreciation and amortization for the year	-	1,428	1,411	2,839
Sale	-	-	(3,101)	(3,101)
End of year	-	11,851	15,816	27,667
Ending balance	₱65,835	₱3,352	₱3,525	₱72,712

In 2007, the Company agreed to sell various parcels of land with buildings thereon located in Longos, Bagumbayan, Quezon City with a total carrying value of ₱3.0 million (land: ₱3.0 million; building: nil) to OCLP for ₱1.13 billion and resulted to a gain of ₱1.0 billion. Certain parcels of land with carrying value of ₱1.4 million as of December 31, 2006 are mortgaged as collateral to secure the Company's bank loans.

Certain parcels of land (classified as property, plant and equipment, property available for sale, and investment properties) acquired up to July 5, 1996 with total carrying value of ₱127.3 million as of December 31, 2006 were appraised in 2003 by an independent firm of appraisers. The appraised value of these parcels of land amounted to ₱2.1 billion as of the date of appraisal. The fair value of land is based on sales and listings, which are adjusted for the time of sale, location and general characteristics of similar parcel of land located in the area.

10. Other Noncurrent Assets

	Unaudited March 2008	Audited December 2007
Investment in subsidiaries	₱17,881,586	₱1,631,586
Mine rehabilitation fund	5,218,901	5,218,901
Available-for-sale investments	1,821,875	1,821,875
Computerization costs	988,438	988,438
Others – net	5,398,213	5,398,213
	₱31,309,013	₱15,059,013

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 relative to the Company's electrical and telephone subscription.

Other inventories pertain to those of the Company's discontinued Engineering and Construction Division which were fully provided with allowance for probable losses.

11. Accrued Expenses and Other Payables

	Unaudited March 2008	Audited December 2007
Accrued expenses	₱113,797,660	₱177,741,312
Due to a stockholder	51,163,287	50,272,267
Output taxes	7,866,416	5,150,071
Others	3,140,870	3,956,082
	₱175,968,233	₱237,119,732

12. Cost of Sales

	Unaudited January to March 2008	Unaudited January to March 2007
Production cost:		
Extraction cost	₱27,400,768	₱24,987,010
Repairs and maintenance	15,127,364	9,417,208
Fuel, oil and lubricants	6,778,572	2,029,946
Personnel costs	5,919,669	4,159,681
Water, light and power	5,589,761	6,386,809
Depreciation and amortization	4,760,181	2,339,065
Security and janitorial services	4,236,622	2,218,977
Taxes and licenses	3,719,900	3,704,555
Rent	3,370,936	3,438,774
Amortization of development costs	366,969	641,393
Insurance	108,375	67,492
Others	1,821,638	1,329,053
	79,200,755	60,719,963
Add mine products inventory at beginning of year	2,139,344	2,731,828
Total goods available for sale	81,340,099	63,451,791
Less mine products inventory at end of year	2,647,024	669,381
	₱78,693,075	₱62,782,410

13. General and Administrative Expenses

	Unaudited January to March 2008	Unaudited January to March 2007
Professional fees	₱5,566,135	₱3,612,556
Personnel costs	2,479,620	2,419,597
Securities and janitorial services	2,465,575	1,951,878
Taxes and licenses	2,082,742	1,789,423
Depreciation	1,543,951	1,568,198
Repairs and maintenance	1,241,317	537,261
Transportation and communication	660,336	245,247
Fuel, oil and lubricants	205,238	126,535
Power, light and water	259,859	454,526
Supplies	137,655	156,522
Others	1,327,018	1,709,327
	₱17,969,446	₱14,571,070

14. Selling Expenses

	Unaudited January to March 2008	Unaudited January to March 2007
Rent	₱2,582,178	₱3,229,744
Personnel costs	1,216,480	1,165,897
Entertainment, amusement and recreation	486,300	116,449
Advertising and promotions	420,278	619,374
Transportation and communication	281,434	120,728
Repairs and maintenance	226,692	108,721
Fuel, oil and lubricants	85,461	122,557
Depreciation	67,167	203,307
Supplies	55,251	97,315
Insurance	20,469	24,093
Others	322,350	124,261
	₱5,764,060	₱5,932,446

15. Personnel Costs

	Unaudited January to March 2008	Unaudited January to March 2007
Salaries and wages	₱7,099,408	₱5,598,460
Others	2,516,361	2,146,715
	₱9,615,769	₱7,745,175

16. 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

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.

17. Related Party Transactions

- a. In 2007, the Company agreed to sell its twelve (12) hectares of land located in Longos, Bagumbayan, Quezon City to OCLP for ₱1.13 billion with ₱260 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 ₱870 million was initially recorded at fair value of ₱835.26 million with the Day 1 difference charged to retained earnings. Title over the land shall transfer to OCLP upon full payment of the downpayment. Meanwhile, the Company has the right to rescind the contract on OCLP's third default arising from its failure to pay within the second grace period as stated in the contract.
- 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 ₱700,000 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. Total management fee recognized during the first quarter of year 2008 amounted to ₱2.52 million. The outstanding balance due to OCLP amounted to ₱50.25 million and ₱50.27 million as of March 31, 2008 and December 31, 2007, respectively.
- c. The Company has a banking relationship with a related party. The total cash deposit maintained with the related party amounted to ₱31.65 million and ₱10.01 million as of March 31, 2008 and December 31, 2007, respectively.
- d. The compensation of key management personnel of the Company amounted to ₱1.69 million and ₱8.20 million as of March 31, 2008 and December 31, 2007, respectively.

18. Basic/Diluted Earnings (Loss) Per Share

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

	Unaudited January to March 2008	Unaudited January to March 2007
Net income (loss)	₱30,180,583	₱9,568,856
Divided by weighted average number of common shares outstanding during the year	27,466,449	27,466,449
Basic/diluted earnings (loss) per share	₱1.10	₱0.35

The Company does not have dilutive potential common shares as of March 31, 2008 and December 31, 2007. Therefore, the basic and diluted earnings (loss) per share are the same as of those dates.

19. Long-term Mine Extraction Contract

On December 13, 2005, the Company entered into a mine extraction contract with Omengan Construction and Development Corporation (OCDC) for the latter to provide drilling, blasting, hauling, and delivery services for the Company's quarrying operations. The contract provides, among others, the supply of equipment complement to implement the extraction work, loading of aggregates and tailings handling for the Company. In addition, OCDC shall assist the Company in performing community service such as dredging of rivers and waterways, loading of filling materials for donation to various communities, grading of parks and playgrounds, etc., for which the Company shall pay equipment rental to OCDC at the agreed rate per metric ton of materials delivered to the crushers or any designated dumpsite. The term of the contract shall be for a period of five years, to start retroactively from May 5, 2004 and shall end on May 4, 2009.

In connection with the contract, in first quarter of 2008 and in year 2007, total extraction costs amounted to ₱27.40 million and ₱102.40 million, freight and handling charges amounted to ₱2.18 million and ₱10.50 million, and total rental charges amounted to ₱3.78 million and ₱13.00 million, respectively. These are included as part of cost of sales and selling expenses in the statements of income.

20. 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 March 31, 2008.

21. 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 is subject to a fixed rate of interest. Also, the Company has no outstanding loans as of March 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. The Company has no outstanding loans in the banks as of March 31, 2008.

22. 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 March 31, 2008 and December 31, 2007 are presented below:

	Unaudited January to March 2008		Audited December 2007	
	Carrying Values	Carrying Values	Carrying Values	Fair Values
Financial assets:				
Loans and receivables:				
Cash and cash equivalents	₱69,102,386	₱69,102,386	₱116,023,738	₱116,023,738
Receivables:				
Trading and others	63,944,332	63,944,332	42,586,693	42,586,693
Advances to officers and employees	429,461	429,461	409,252	409,252
Others	13,050,000	13,050,000	8,165,865	8,165,865
Installment receivable	835,261,220	835,261,220	835,261,220	835,261,220
Mine rehabilitation fund	5,218,901	5,218,901	5,218,901	5,218,901
	973,956,300	973,956,300	1,007,665,669	1,007,665,669

	Unaudited January to March 2008		Audited December 2007	
AFS financial assets:				
Quoted equity instruments	1,515,205	1,515,205	1,515,205	1,515,205
Unquoted equity instruments	306,670	306,670	306,670	306,670
	1,821,875	1,821,875	1,821,875	1,821,875
	₱975,778,175	₱975,778,175	₱1,009,487,544	₱1,009,487,544
Financial liabilities:				
Other financial liabilities:				
Trade payables	₱26,907,142	₱26,907,142	₱20,407,579	₱20,407,579
Accrued liabilities and other payables:				
Accrued liabilities	113,797,660	113,797,660	177,741,312	177,741,312
Due to a stockholder	51,163,287	51,163,287	50,272,267	50,272,267
Others	3,140,870	3,140,870	3,956,082	3,956,082
Short-term bank loans	-	-	-	-
	₱202,875,375	₱202,875,375	₱252,377,240	₱252,377,240

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%.

23. Segment Information

The Company processes and sells only one product line. Its operating business is neither organized nor managed by geographical segment.

24. Capital Management

The primary objective of the Group'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 shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

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

The Group's capital consists of total stockholders' equity as follows:

	2008	2007
Capital stock	₱274,664,490	₱274,664,490
Additional paid-in capital	1,069,304	1,069,304
Retained earnings (deficit)	931,142,499	900,961,915
	₱1,176,695,709	₱1,176,695,709

25. Key Performance Indicators

The Company has identified the following Key Performance Indicators affecting its operation:

Measures	2008	2007	Highlights
Current Ratio: Current assets ÷ Current liabilities	1.43	1.29	The marginal improvement in current ratio is due to the settlement of short term bank loans last Nov 2007 and the significant increase in sales for the first quarter. In addition, there is significant improvement in processing of payments to suppliers.
Debt / Equity Ratio: Total liabilities ÷ Total Stockholders' Equity	0.17	0.22	This is due to the payment of loans and improvement in the processing of payment to suppliers.
Gross Profit Rate: Gross Margin ÷ Sales	33%	31%	This is due to increase in sales volume, increase in prices, and relatively at average cost levels.
Operating Profit Rate: Operating Profit ÷ Sales	18%	15%	The continual improvement in sales associated with the effective management of operating costs triggered the increase in operating profit rate.
Net Income Rate: Net Income ÷ Sales	26%	10%	This year's increase in net income rate is attributable to the improvement in sales, maintained average cost level, price increase made effective in January 2007 and effective management of operating costs.

Measures	2008	2007	Highlights
Return on Assets: Net Income ÷ Total Assets	9%	3%	The ₱18.39 million net income posted during the first quarter of 2008 set off favorably the Company's return on assets.
Return on Equity: Net Income ÷ Total Stockholder's Equity	10%	3%	This is also due to higher net income posted in the first quarter of 2008 as opposed to last year's first quarter net income.

"ANNEX 68.1-K"
Balance Sheet

Trade and Other Payables

(iv) Accrued Expenses

The components of the Company's Accrued Expenses are as follows:

	Unaudited March 2008	Audited December 2007
Others	₱35,174,679	₱34,163,126
Payroll & retirement	26,400,000	28,810,882
Taxes and licenses	25,698,916	91,897,897
Equipment rental – operations	4,294,636	1,297,243
Electricity	1,801,684	2,029,455
Loading & hauling charges	745,987	3,395,620
Extraction cost	19,681,759	16,147,089
TOTAL	₱113,797,661	₱177,741,312

"ANNEX 68.1-L"
Income Statement

Sales

Products	Unaudited January to March 2008		Unaudited January to March 2007	
	Volume in cubic meters	Amount	Volume in cubic meters	Amount
Aggregate 3/4	145,922	53,042,189	132,040	43,249,773
Aggregate 3/8	58,955	19,456,257	54,519	13,908,065
Coarse sand S-1/S-2	52,534	14,177,079	45,800	11,331,995
Aggregate G-1/G-2	37,732	₱9,976,106	50,328	₱11,208,326
Other materials	2,320	3,982,082	10,165	1,542,027
Base course, sub-base and CTB	62,198	16,359,797	44,725	10,120,877
Total	359,661	₱116,993,510	337,577	₱91,361,063

"ANNEX 68.1-M"
SCHEDULES

Schedule B

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

	Unaudited March 2008	Audited December 2007
Advances to officers and employees Indebtedness exceeding ₱100,000		
Armendi, Arlinda	₱135,832	₱115,166
Macaspac, Antonio	234,846	234,846
Montoya, Romeo	169,745	169,745
Others	1,012,776	1,040,698
Allowance for doubtful accounts	(1,123,738)	(1,123,738)
Advances to officers and employees - net	429,461	436,717
Installment receivable - OCLP	835,261,220	835,261,220
Interest receivable - OCLP	13,050,000	-
Due from BAAC	5,911,850	-
Due from CIAC	807,221	807,221
Total	₱855,459,752	₱836,505,158

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:

	Unaudited March 2008	Audited December 2007
CIAC	₱161,237	₱161,237
CMSC	1,470,348	1,470,348
BAAC	16,250,000	-
Total	₱17,881,585	₱1,631,585

Schedule D

Indebtedness of Unconsolidated Subsidiaries and Related Parties

The wholly owned subsidiaries and related parties indebtedness to the Company as of March 31, 2008 and December 31, 2007 are as follows:

	Unaudited March 2008	Audited December 2007
Installment receivable – OCLP	₱835,261,220	₱835,261,220
Interest receivable – OCLP	13,050,000	
Due from BAAC	5,911,850	-
Due from CIAC	807,221	807,221
Total	₱855,030,291	₱836,068,441

Schedule G

Indebtedness to Related Parties

	Unaudited March 2008	Audited December 2007
Due to OCLP	₱50,249,578	₱50,272,267
Due to CMSC	913,709	913,709
Total	₱51,163,287	₱51,185,976

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 March 31, 2008, there are 22,077,771 listed and outstanding Class A common shares of which 5,997,741 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 ₱35.00 while Class B common shares have never been traded since their listing date.

Other Required Disclosures

Related Party Transactions

	Unaudited March 2008	Audited December 2007
Installment receivable - OCLP	₱835,261,220	₱835,261,220
Interest receivable – OCLP	13,050,000	-
Due from BAAC	5,911,850	-
Due from CIAC	807,221	807,221
Due to OCLP	(50,249,578)	(50,272,267)
Due to CMSC	(913,709)	(913,709)
