



**CONCRETE AGGREGATES CORPORATION**

May 13, 2010

**THE PHILIPPINE STOCK EXCHANGE, INC.**

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


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

Gentlemen:

In compliance with the Philippine Stock Exchanges' Rules on Disclosure, please find attached hereto a copy of Concrete Aggregates Corporation's Quarterly Report for the first quarter of 2010 (SEC Form 17-Q), which we filed at the Securities and Exchange Commission today, May 13, 2010.

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.**

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**(Company's Full Name)**

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

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**(Company's Address)**

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

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**(Company's Telephone Number)**

**DECEMBER 31**

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

**SEC FORM 17-Q: 1st Quarter 2010**

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**(FORM TYPE)**

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**(Amendment Designation if Applicable)**

**March 31, 2010**

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**Period Ended Date**

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**(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, 2010
- Unaudited Statement of Income, as of March 31, 2010
- Unaudited Statement of Changes in Stockholder's Equity, as of March 31, 2010
- Unaudited Statement of Cash Flows, as of March 31, 2010
- Aging of Accounts Receivables, as of March 31, 2010
- Statement of Management's Responsibility
- Notes to Financial Statements

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

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

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

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

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

For the first quarter of 2010, the company recorded ₱5.06 million in royalty income representing the 2.5% royalty on the value of aggregates sold by BAAC. On the other hand, revenue for the first quarter of 2009 amounted to ₱7.9 million which was composed of ₱4.03 million from the 2.5% royalty on the value of aggregates sold by BAAC and ₱3.87 million representing the three month amortization of the lump sum royalty payments received from BAAC. Net income after tax for the first quarter of 2010 was ₱7.73 million while net income after tax for the same period in 2009 was ₱17 million. The decrease was mostly due to the absence of any amortization on the lump sum

royalty fee paid by BAAC and to the lower interest income received from the installment sale of the Longos property to Ortigas & Company, Limited Partnership (OCLP) due to the decrease in the principal amount receivable after payments made by OCLP in 2009.

The company currently has no significant liquidity or credit risks. Its ₱162 million current assets are more than enough to cover its ₱24 million current liabilities. In addition, the company's recurring income is also more than enough to meet its administrative expenses and expenses for maintenance of its idle assets. Furthermore, there are several future cash inflows which the company expects to receive in the near future mostly from the receivables from OCLP on the Longos property sale. The company's Financial Risk Management Objectives and Policies are discussed in #22 of the Notes to the Financial Statements.

## **Operating Results**

### **Revenues**

The company earned ₱5.06 million in royalties during the first quarter of 2010. No revenues from aggregates sales were realized due to the transfer of the quarry operations to BAAC beginning June 1, 2008.

### **Cost of sales**

Because of the absence of aggregates sales, the company did not incur any cost of sales during the first quarter of 2010.

### **Selling expenses**

The company likewise did not incur selling expenses during the same period due to the absence of aggregates sales.

### **General and administrative expenses**

The company's general and administrative expenses for the first quarter of 2010 decreased by 32% from last year's figure to ₱3.94 million mostly due to the decline in the depreciation expense caused by the impairment of all assets leased to BAAC and the decrease of 2010 business taxes relative to the decrease in revenues in 2009 as compared to revenues in 2008. Expenses incurred in 2010 came mostly from depreciation, salaries and wages of the company's remaining employees, professional fees, and payment of real property tax on the company's various real estate properties.

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

The company's other income of ₱8.66 million for the first quarter of 2010 was composed of the ₱0.42 million interest income from deposits, ₱2.12 million income from the sale of two parcels of land in Cebu and ₱5.97 million interest and accretion income pertaining to the Longos property sold to OCLP.

### **Net income after tax**

Operations for the first quarter of 2010 resulted in a net profit of ₱7.73 million after making provisions for income taxes. Net profit for the same period in 2009 was ₱17 million. As stated above, such decrease was caused by the decline in the interest income from the installment sale of the Longos property to OCLP and the absence of any amortization on the lump sum royalty fee paid by BAAC.

## **Financial Condition**

### **Cash**

Cash balance in the amount of ₱117.72 million represents an increase of 31% compared to the company's cash balance as of December 31, 2009. The increase was caused by BAAC's payment of the third installment on the balance on the lump sum royalty.

#### Receivables

Receivables as of the end of the first quarter of 2010, net of allowances and provisions, amounted to ₱28.11 million and decreased by 51% compared to the ₱56.85 million receivables as of December 31, 2009. The decrease was caused by the previously mentioned third installment payment by BAAC on the lump sum royalty.

#### Other current assets

The company's other current assets decreased by 5% to ₱15.79 million compared to ₱16.58 million as of December 31, 2009. This was due to the application of the creditable taxes to the company's tax liabilities in the first quarter of 2010.

#### Investment Properties

Investment properties as of March 31, 2010 amounted to ₱68.27 million representing an increase of ₱0.06 million from the December 31, 2009 balance due to the improvements of the Sto. Tomas property less the depreciation costs and the cost of the Cebu property sold during the first quarter of 2010.

#### Property, Plant and Equipment

Property, plant and equipment (net) as of March 31, 2010 amounting to ₱64.30 million representing an increase of 1% or ₱0.84 million compared to the December 31, 2009 balance of ₱63.46 million basically due to the purchase of transportation equipment less depreciation for the first quarter of 2010.

#### Deferred Income Tax Assets

The company's deferred income tax asset currently at ₱8.07 million was due to the write-off of trade receivables.

#### Installment Receivable – Non-current portion

This pertains to the non-current portion of the installment receivable from the sale of the Longos property to OCLP. The ₱0.87 million increase was due to the realized amortization of the Day 1 loss charged to retained earnings.

#### Other noncurrent assets

The company's other noncurrent assets, currently at ₱8.05 million, are composed of Available for Sale Investments, Mine Rehabilitation Fund and other deposits.

#### Trade accounts payable

Trade accounts payable amounting to ₱14.56 million represents a decrease of 34% as compared to the balance as of December 31, 2009 of ₱21.92 million, brought about by the release of previously unclaimed dividend checks.

#### Accrued expenses and other accounts payable

Accrued expenses and other payables amounting to ₱9.55 million represents a decrease of 6% from last year's figures due to the settlement of various 2009 professional fees in the first quarter of 2010.

#### Stockholders' Equity

Stockholders' equity as of the end of the first quarter of 2010 was ₱505.16 million. The ₱7.73 million increase in stockholders' equity from the amount as of December 31, 2009 came from the company's net income after tax for the first quarter of 2010.

Book value per share was at ₱18.39 per share as of March 31, 2010 compared to ₱18.11 per share in December 31, 2009.

- i. Due to the company's sound financial condition, and the transfer of its quarry operations to BAAC, there are no foreseeable trends, events or uncertainties that may have a material impact on its long term or short term liquidity.

- ii. There are no events that will trigger any direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.
- iii. There are no off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.
- iv. Funding will be sourced from internally-generated cash flow, and also from borrowings or available credit facilities from local and international commercial banks, if warranted.
- 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. The causes for any material changes in the unaudited financial statements from the first quarter and as of year ending 2009 as compared to the first quarter of year 2010 are explained in the Management Discussion and Analysis, as well as in the accompanying Notes to Financial Statements.
- vii. There is no known significant element of income or loss that did not arise from the company's continuing operations, except as disclosed above and in the attached unaudited financial statements.
- viii. Accounts that registered material changes of 5% or more and the causes thereof are as follows:

<b>Accounts</b>	<b>2010</b>	<b>2009</b>	<b>Increase (Decrease)</b>	<b>Remarks</b>
Royalties	<b>5,055,386</b>	7,904,415	(2,849,029)	The decrease was due to the absence of the amortization on the lump sum royalty fees received from BAAC.
Administrative expenses	<b>3,944,936</b>	7,169,296	(3,224,360)	The decrease was mostly caused by the decline in the depreciation expense caused by the impairment of all assets leased to BAAC and the decrease of 2010 business taxes relative to the decrease in revenues in 2009 as compared against 2008.
Other income (expense)	<b>8,655,592</b>	23,369,563	(14,713,971)	Mostly composed of the ₱0.42 million interest income from deposits, ₱2.12 million income from the sale of 2 lots in Cebu and ₱5.97 million interest and accretion income pertaining to the Longos property sold to OCLP. The latter decreased as compared to last year due to the lower balance of receivables related to this transaction.
Cash and cash equivalents	<b>117,716,953</b>	90,151,063	27,565,890	The increase was caused by BAAC's payment on the third installment on the lump sum royalty balance.
Receivables	<b>28,111,274</b>	56,854,539	(28,743,264)	The decrease was likewise caused by BAAC's payment on the third installment on the lump sum royalty

Accounts	2010	2009	Increase (Decrease)	Remarks
				balance.
Other current assets	<b>15,789,134</b>	16,584,077	(794,943)	The decrease was due to the application of the creditable taxes to the tax liabilities for the first quarter of 2010.
Trade accounts payable	<b>14,562,612</b>	21,924,812	(7,362,200)	The decrease was due to the release of previously unclaimed dividend checks.
Accrued expenses and other payables	<b>9,554,829</b>	10,125,486	(570,657)	The decrease was due to the payment of various 2009 professional fees in the first quarter of 2010.

**Key Performance Indicators**

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

<u>Measures</u>	<u>March 31, 2010</u>	<u>December 31, 2009</u>
Current Ratio	6.70	5.10
Debt/Equity Ratio	0.05	0.06
Return on Assets	18%	41%
Return on Equity	18%	41%

<u>Measures</u>	<u>March 31, 2010</u>	<u>March 31, 2009</u>
Operating Profit Rate	22%	9%
Net Income Rate	153%	216%

Current Ratio = Current Assets ÷ Current Liabilities  
 Debt/Equity Ratio = Total Liabilities ÷ Total Stockholders' Equity  
 Return on Assets = Annualized Net Income ÷ Total Assets  
 Return on Equity = Annualized Net Income ÷ Total Assets

**SIGNATURE**

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

**Cesar D. Buenaventura**  
 Accounting Manager/Authorized Officer  
 May 13, 2010

**CONCRETE AGGREGATES CORP.**  
**CONSOLIDATED BALANCE SHEETS**  
**MARCH 31, 2010**

(With comparative figures for December 31, 2009)

	Unaudited March 2010	Audited December 2009
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	P117,716,953	P90,151,064
Receivables - net	28,111,274	56,854,539
Other current assets - net	15,789,134	16,584,077
<b>Total Current Assets</b>	<b>161,617,361</b>	<b>163,589,680</b>
<b>Noncurrent Assets</b>		
Investment properties - net	68,267,806	68,210,185
Property, plant and equipment - net	64,302,064	63,457,011
Deferred income tax assets – net	8,065,725	8,065,725
Installment receivable	218,967,981	218,099,512
Other noncurrent assets	8,053,724	8,053,724
<b>Total Noncurrent Assets</b>	<b>367,657,300</b>	<b>365,886,157</b>
<b>TOTAL ASSETS</b>	<b>P 529,274,661</b>	<b>P529,475,837</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current Liabilities</b>		
Trade payables	14,562,612	P21,924,813
Accrued liabilities and other payables	9,554,829	10,125,486
<b>Total Current Liabilities</b>	<b>24,117,441</b>	<b>32,050,299</b>
<b>Total Liabilities</b>	<b>24,117,441</b>	<b>32,050,299</b>
<b>Stockholders' Equity</b>		
Capital stock - P10 par value		
Authorized - 50,000,000 shares		
Issued and outstanding – 27,466,449 shares (held by 639 stockholders)	274,664,490	274,664,490
Additional paid-in capital	1,069,304	1,069,304
Unrealized gain(loss) on appreciation in value of available-for-sale investments, net of related deferred income tax	152,140	152,140
Retained earnings	229,271,286	221,539,604
<b>Total Stockholders' Equity</b>	<b>505,157,220</b>	<b>497,425,538</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>P529,274,661</b>	<b>P529,475,837</b>

See accompanying Notes to the Company's Financial Statements.

**CONCRETE AGGREGATES CORP.**

**CONSOLIDATED STATEMENTS OF INCOME  
FOR THE 1<sup>ST</sup> QUARTER ENDING MARCH 31, 2010 (Unaudited)  
(With comparative figures for March 31, 2009)**

	<b>Unaudited January to March 2010</b>	Unaudited January to March 2009
<b>REVENUES</b>		
<b>Royalty Income</b>	<b>₱5,055,386</b>	₱7,904,415
<b>GROSS PROFIT</b>	<b>5,055,386</b>	7,904,415
General and administrative expenses	<b>(3,944,936)</b>	(7,169,296)
Others – net	<b>8,655,592</b>	23,369,563
<b>INCOME (LOSS) BEFORE INCOME TAX</b>	<b>9,766,042</b>	24,104,682
<b>PROVISION FOR INCOME TAX</b>	<b>2,034,360</b>	6,970,864
<b>NET INCOME (LOSS)</b>	<b>₱7,731,682</b>	₱17,133,818
<b>Basic/Diluted Earnings (Loss) per share</b>	<b>0.28</b>	0.62

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

**CONCRETE AGGREGATES CORP.**

**CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY  
FOR THE 1<sup>ST</sup> QUARTER ENDING MARCH 31, 2010 (Unaudited)  
(With comparative figures for March 31, 2009)**

	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, 2009 (Audited)	274,664,490	1,069,304	(173,640)	528,550,483	804,110,638
Net Income from January 1, 2009 to March 31, 2009	—	—	—	17,133,818	17,133,818
<b>BALANCES AT MARCH 31, 2009</b>	<b>274,664,490</b>	<b>1,069,304</b>	<b>(173,640)</b>	<b>545,684,301</b>	<b>821,244,456</b>
Balances at January 1, 2010 (Audited)	274,664,490	1,069,304	(152,140)	221,539,604	497,425,538
Net Income from January 1, 2010 to March 31, 2010	—	—	—	7,731,682	7,731,682
<b>BALANCES AT MARCH 31, 2010</b>	<b>274,664,490</b>	<b>1,069,304</b>	<b>(152,140)</b>	<b>229,271,286</b>	<b>505,157,220</b>

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

**CONCRETE AGGREGATES CORP.**

**CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE 1<sup>ST</sup> QUARTER ENDING MARCH 31, 2010 (Unaudited)  
(With comparative figures for March 31, 2009)**

	<b>Unaudited January to March 2010</b>	Unaudited January to March 2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net Income (loss)	<b>₱7,731,682</b>	₱17,133,818
Adjustments for:		
Depreciation and amortization	<b>522,377</b>	2,221,134
Interest income	<b>(415,632)</b>	--
Accretion Income	<b>(868,469)</b>	(868,469)
Gain on sale of property, plant and equipment	<b>(2,260,375)</b>	(9,345,332)
Operating income before working capital changes and provisions	<b>4,709,583</b>	9,141,151
Decrease (increase) in:		
Receivables	<b>28,743,265</b>	17,796,526
Other current assets	<b>794,943</b>	11,261,699
Increase (decrease) in:		
Trade payables	<b>(7,362,201)</b>	(5,467,189)
Current portion of unearned royalty fees	<b>--</b>	(3,866,667)
Accrued expenses and other payables	<b>(570,657)</b>	(32,317,746)
Cash generated from operations	<b>26,314,933</b>	(3,452,226)
Interest received	<b>415,632</b>	--
Net cash flows from operating activities	<b>26,730,565</b>	(3,452,226)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sales of property, plant and equipment	<b>2,350,000</b>	11,215,000
Reduction (addition) to property, plant and equipment	<b>(1,002,783)</b>	(1,329,375)
Reduction (addition) to investment property	<b>(511,893)</b>	--
Reduction (addition) to deferred income tax	<b>--</b>	(4,665,545)
Reduction (addition) to non-current assets	<b>--</b>	--
Addition (reduction) to unearned income	<b>--</b>	20,560,748
Net cash flows from (used in) investing activities	<b>835,324</b>	25,780,828
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payment of short term loan		(30,000,000)
Net cash flows from (used in) financing activities	<b>--</b>	(30,000,000)
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>27,565,889</b>	(7,671,398)
<b>CASH AT BEGINNING OF YEAR</b>	<b>90,151,064</b>	12,260,617
<b>CASH AT END OF THE QUARTER</b>	<b>₱117,716,953</b>	₱4,589,219

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

**CONCRETE AGGREGATES CORP.**  
**ACCOUNTS RECEIVABLE AGING (Unaudited)**  
**FOR THE 1<sup>ST</sup> QUARTER ENDING MARCH 31, 2010**

Description	Total	1-30 days	Over 120 days	Under Litigation
A. Trade Receivables				
Angono Aggregates	25,764,682		25,764,682	
Subtotal	25,764,682		25,764,682	
Less: Allowance for Doubtful Accounts	(25,764,682)		(25,764,682)	
Net Trade Receivables	0		0	
B. Other Receivables				
BAAC	4,352,086	4,352,086		
OCLP	1,635,144		1,635,144	
Others	1,634,890		1,634,890	
C. Current Portion of Installment Receivables	20,489,154		20,489,154	
<b>Total</b>	<b>28,111,274</b>	<b>4,352,086</b>	<b>23,759,188</b>	

### **Statement of Management's Responsibility**

The Management of Concrete Aggregates Corp. (CAC) is responsible for all information and representations contained in the financial statements for the period ended March 31, 2010. The financial statements have been prepared in conformity with Philippine Financial Reporting Standards (PFRS) 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.  
(A Subsidiary of Ortigas and Company, Limited Partnership)  
AND SUBSIDIARIES**

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**1. Corporate Information, Business Operations and Authorization for Issue of Financial Statements**

Corporate Information

Concrete Aggregates Corp. (the Company) was incorporated in the Philippines and registered with the 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) collectively referred to as a Group, are both incorporated in the Philippines and are currently dormant companies. The Company's parent is Ortigas & Company, Limited Partnership (OCLP).

The Company has a management agreement with its parent and majority stockholder, OCLP (see Note 15b).

The registered office address of the Company is located at 9<sup>th</sup> Floor, Ortigas Building, Ortigas Avenue, Pasig City.

Business Operations

On June 1, 2008, the consortium of Republic Cement Corporation and Lafarge Holdings (Philippines), Inc. (the Consortium) through Batong Angono Aggregates Corporation (BAAC) took over the Company's quarrying operations by virtue of the Company's Memorandum of Agreement with the Consortium dated January 18, 2008 and its Operating Agreement with BAAC dated January 23, 2008. In return, the Company shall receive lump sum and basic royalty fees in accordance with the terms of its Operating Agreement with BAAC (see Note 17a for details of the agreements).

### Authorization for Issue of Financial Statements

The consolidated financial statements of the Company and its subsidiaries as of and for the year ended December 31, 2009 were authorized for issue in accordance with a resolution of the Company's Board of Directors on March 25, 2010.

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## 2. **Basis of Preparation and Summary of Significant Accounting Policies**

### Basis of Preparation

The consolidated financial statements have been prepared on an accrual basis using historical cost, except for available-for-sale (AFS) investments, which have been measured at fair value. The Group presents all items of income and expenses in a single consolidated statement of comprehensive income. Two comparative periods are presented for the consolidated balance sheet when the Group applies an accounting policy retrospectively, makes a retrospective restatement of items in its consolidated financial statements, or reclassifies items in the consolidated financial statements. The consolidated 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 consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRS) approved by the Financial Reporting Standards Council and the SEC. The accounting policies adopted are consistent with those of the previous year, unless otherwise stated.

### Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Group as of December 31 of each year. The financial statements of subsidiaries are prepared for the same reporting year as the Company using consistent accounting policies.

All intragroup balances, transactions, income and expenses and profits and losses resulting from intra-group transactions that are recognized in assets are eliminated in full. However, intragroup losses that indicate impairment are recognized in the consolidated financial statements.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. Control is achieved where the Group has the power to govern the financial and operating policies of the subsidiary so as to benefit from its activities. Consolidation of subsidiaries ceases when control is transferred out of the Group. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

### Changes in Accounting Policies and Disclosures

#### *Effective in 2009*

The Group adopted the following new revisions and amendments to PFRS that are relevant to the Group:

Those that have significant impact on the 2009 consolidated financial statements:

- PAS 1 (Revised 2007), *Presentation of Financial Statements* – Requires an entity to present all items of income and expense recognized in the period in a single statement of comprehensive income or in two statements: a separate statement of income and a comprehensive income. Income and expense recognized in profit or loss is presented in the statement of income in the same way as the previous version of PAS 1. The statement of comprehensive income includes the profit or loss for the period and each component of income and expense recognized outside of profit or loss or the “non-owner changes in

equity,” which are no longer allowed to be presented in the statements of changes in equity, classified by nature (e.g., gains or losses on AFS assets or translation differences related to foreign operations). A statement showing an entity’s financial position at the beginning of the previous period is also required when the entity retrospectively applies an accounting policy or makes a retrospective restatement, or when it reclassifies items in its financial statements. The Group has elected to present a single statement of comprehensive income.

The adoption of PAS 1 (Revised 2007) resulted in a revised financial statement presentation but did not have a measurement impact.

- PFRS 7 (Amendment), *Financial Statements Disclosures* – The amendments require additional disclosures for financial statements that are measured at fair value in the statement of financial position. These fair value measurements are categorized into a three-level fair value hierarchy, which reflects the extent to which they are based on observable market data. A separate quantitative maturity analysis must be presented for derivative financial liabilities that shows the remaining contractual maturities, where these are essential for an understanding of the timing of cash flows.

Those that, although relevant to the Group, have no significant impact on the 2009 consolidated financial statements:

- PAS 23 (Revised 2007), *Borrowing Cost* – Under the revised PAS 23, all borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying assets shall be capitalized as part of the cost of the asset. The option of immediately expensing borrowing costs that qualify for asset recognition has been removed.
- 2008 Annual Improvements to PFRS:
  - PAS 1 (Amendment) – *Presentation of Financial Statements*
  - PAS 8 – *Accounting Policies, Changes in Accounting Estimates and Errors*
  - PAS 10 – *Events after the Reporting Period*
  - PAS 16 (Amendment) – *Property, Plant and Equipment*
  - PAS 18 – *Revenue*
  - PAS 36 (Amendment) – *Impairment of Assets*
  - PAS 39 (Amendment) – *Financial Instruments: Recognition and Measurement*
  - PAS 40 (Amendment) – *Investment Property*
  - PFRS 8 – *Operating Segments*, replaces PAS 14, *Segment Reporting*

The following new revisions, amendments and interpretations to PFRS in 2009 are not relevant to the Group based on its current operations:

- PAS 32 – *Financial Instruments: Presentation (Amendment)*, and PAS 1, *Presentation of Financial Statements (Amendment) – Puttable Financial Instruments and Obligations Arising on Liquidation*
- PFRS 1 – *First-Time Adoption of PFRS - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
- PFRS 2 – *Share-based Payment – Vesting Condition and Cancellations*
- Philippine Interpretation IFRIC 13 – *Customer Loyalty Programmes*
- Philippine Interpretation IFRIC 16 – *Hedges of a Net Investment in a Foreign Operation*
- Philippine Interpretation IFRIC 18 – *Transfers of Assets from Customers*
- 2008 Annual Improvements to PFRS:
  - PAS 19 (Amendment) – *Employee Benefits*
  - PAS 20 (Amendment) – *Accounting for Government Grants and Disclosure of Government Assistance*
  - PAS 27 (Amendment) – *Consolidated and Separate Financial Statements*
  - PAS 28 (Amendment) – *Investment in Associates*
  - PAS 29 (Amendment) – *Financial Reporting in Hyperinflationary Economies*
  - PAS 31 (Amendment) – *Interest in Joint Ventures*
  - PAS 34 – *Interim Financial Reporting*

- PAS 38 (Amendment) – *Intangible Assets*
- PAS 41 (Amendment) – *Agriculture*
- PFRS 2 (Amendment) – *Share-based Payment*
- PFRS 5 (Amendment) – *Non-current Assets Held-for-Sale and Discontinued Operations*

#### *Effective Subsequent to 2009*

There are new PFRs, revisions, amendments, annual improvements and interpretations to existing standards that are effective for periods subsequent to 2009. Management has initially determined the following to be relevant to the Group's financial statements and will be adopted on their effectivity dates in accordance with the transition provisions.

- 2009 Annual Improvements to PFRS. The FRSC has adopted the *Improvements to Philippine Financial Reporting Standards 2009*. Most of these amendments became effective for annual periods beginning on or after July 1, 2009, or January 1, 2010. Among those improvements, only the following amendments were identified to be relevant to the Group's financial statements:
  - PAS 1 (Amendment), *Presentation of Financial Statements* (effective from January 1, 2010). The amendment clarifies the current and non-current classification of a liability that can, at the option of the counterparty, be settled by the issue of the entity's equity instruments. The Group will apply the amendment in its 2010 financial statements but expects to have no material impact in the Group's financial statements.
  - PAS 7 (Amendments), *Statement of Cash Flows* effective from January 1, 2010. The amendment clarifies that only an expenditure that results in a recognized asset can be classified as a cash flow from investing activities. The amendment will not have a material impact on the financial statement since only recognized assets are classified by the Group as cash flow from investing activities.
  - PAS 17 (Amendment), *Leases* effective from January 1, 2010. The amendment clarifies that when a lease includes both land and building elements, an entity assesses the classification of each element as finance or an operating lease separately in accordance with the general guidance on lease classification set out in PAS 17. Management has initially determined that this will not have material impact on the financial statement since the Group does not enter into a lease agreement that includes both land and building.
  - PAS 18 (Amendment) *Revenue* effective from January 1, 2010. The amendment provides guidance on determining whether an entity is acting as principal or as an agent. Management will apply this amendment prospectively in its 2010 financial statements.

The following interpretations, which are yet to become mandatory, are not relevant to the Group based on its current operations:

- PAS 24 (Amendment) – *Related Party Disclosures*
- PAS 27 (Revised) – *Consolidated and Separate Financial Statements*
- PAS 32 (Amendment) – *Classification of Right Issues*
- PAS 39 (Amendment) – *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*
- PFRS 1 (Amendment) – *First-time Adoption of International Financial Standards (Revised 2008) and Additional Exemptions for First-time Adopters*
- PFRS 2 (Amendment) – *Group Cash-settled Share Based Payment Transactions*
- PFRS 3 (Revised 2008) – *Business Combinations*
- Philippine Interpretation IFRIC 14 – *Prepayments of a Minimum Funding Requirement – Amendment to IFRIC 14*
- Philippine Interpretation IFRIC 15 – *Agreement for the Construction of Real Estate*

- Philippine Interpretation IFRIC 17 – *Distributions of Non-Cash Assets to Owners Philippine*
- Philippine Interpretation IFRIC 19 – *Extinguishing Financial Liabilities with Equity Instruments*

### Financial Instruments

#### *Date of Recognition*

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

#### *Initial Recognition and Classification of Financial Instruments*

All financial assets and financial liabilities are recognized initially at fair value. Except for securities at fair value through profit or loss (FVPL), the initial measurement of financial assets include transaction costs. The Group's financial assets are further classified into the following categories: financial assets at FVPL, loans and receivables, held-to-maturity investments (HTMI), and AFS investments. The Group 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 Group determines the classification of its financial assets at initial recognition and, where allowed and appropriate, reevaluates this designation at each financial year-end.

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

As of March 31, 2010 and December 31, 2009, the Group has no financial assets and financial liabilities at FVPL and HTMI.

#### *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, option pricing models and other valuation models.

#### *Day 1 Profit/Loss*

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 Group recognizes the difference between the transaction price and fair value (a Day 1 profit/loss) in the consolidated statement of comprehensive 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 consolidated statement of comprehensive income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the 'Day 1' profit/loss 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 cost or

amortized cost in the consolidated balance sheet. Amortization is determined using the effective interest rate method. Loans and receivables are included in current assets if maturity is within 12 months from the balance sheet date. Otherwise, these are classified as noncurrent assets.

As of March 31, 2010 and December 31, 2009, this category includes the Group's cash and cash equivalents, receivables and installment receivable. Cash includes cash on hand and current and savings deposits with 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 from dates of acquisition and that are subject to an insignificant risk of change in value.

#### *AFS Investments*

AFS investments are nonderivatives that are either designated in this category or not classified in any of the other categories. AFS investments are carried at fair value in the consolidated 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 consolidated statement of comprehensive income. These financial assets are classified as noncurrent assets unless the intention is to dispose such assets within twelve months from the consolidated balance sheet date.

As of March 31, 2010 and December 31, 2009, included in this category are the Group's investments in golf club shares and investments in shares of stock related to the Group's electric and telephone subscription carried under other noncurrent assets.

#### *Other Financial Liabilities*

This category pertains to financial liabilities that are neither held for trading nor designated as at FVPL upon the inception of the liability. These include liabilities arising from operations.

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, 2010 and December 31, 2009, this category includes the Group's trade payables, accrued liabilities and other payables and bank loan.

#### Impairment of Financial Assets

The Group 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 Group 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 Group 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 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 a 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 by adjusting the allowance account. The amount of the reversal is recognized in the consolidated statement of comprehensive income. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans, together with the associated allowance, are written off when there is no realistic prospect of future recovery and all collateral, if any, has been realized or has been transferred to the Group. If in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance for impairment losses account. If a future write-off is later recovered, the recovery is recognized in the consolidated statement of comprehensive income under the Other Revenue account. Any subsequent reversal of an impairment loss is recognized in the consolidated statement of comprehensive income under the Provision for (Reversal of) Impairment Losses account, to the extent that the carrying value of the asset does not exceed its amortized cost at 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 Group will not be able to collect all of the amounts due under the original terms of the invoice. Impaired debts are derecognized when they are assessed as uncollectible.

#### *AFS Investments*

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 comprehensive 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 comprehensive 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 comprehensive income.

In case of equity securities classified as AFS investments, 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 Group treats "significant" generally as 20% or more of the original cost of investment, and "prolonged" as greater than one year. In addition, the Group evaluates other factors, including normal volatility in share price for unquoted equities.

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

#### Derecognition of Financial Assets and Financial Liabilities

##### *Financial Assets*

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

- the right to receive cash flows from the asset have expired;

- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Group has transferred its right 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 Group 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 Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

#### *Financial Liabilities*

A financial liability is derecognized when the obligation under the liability is discharged, 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 comprehensive 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 Group assesses whether embedded derivatives are required to be separated from host contracts when the Group first becomes a party to the contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

The Group has no embedded derivatives as of March 31, 2010 and December 31, 2009.

#### 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 condition 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 its 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 loss. Land is carried at cost less any impairment in value.

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

	Years
Land improvements	10
Condominium unit	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 their disposal. Any gains or losses on the retirement or disposal of investment properties are recognized in the consolidated statement of comprehensive income.

Transfers are made to investment property 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 property when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sell.

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

#### Property, Plant and Equipment

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

The initial cost of property, plant and equipment consists of their purchase price and any directly attributable costs of bringing the assets to their working condition and location for their intended use, and any estimated cost of dismantling and removing the property, plant and equipment item and restoring the site on which it is located to the extent that the Group 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 expense 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 comprehensive 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 items of property, plant and equipment is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

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

Depreciation and amortization of items of property, plant and equipment begin 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 cease at the earlier of the date that the item is classified as held for sale (or included in a disposal group 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, investment properties 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 (CGU) are written down to their estimated recoverable amounts, which is the greater of fair value less cost to sell 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 CGU to which the asset belongs. Any impairment loss is recognized in the consolidated statement of comprehensive 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 comprehensive income.

#### Revenue Recognition

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

### *Royalty Fees*

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

### *Sales*

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

### *Interest Income*

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

### Borrowing Costs

Borrowing costs are expensed as incurred, unless there are qualifying assets that require capitalization of borrowing costs.

### 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. 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 present value of the defined benefit obligation and the fair value of plan assets at that date. These gains or losses are recognized over the expected average remaining working lives of the employees participating in the plan. Gains or losses on the curtailment or settlement of retirement benefits are recognized when the curtailment or settlement occurs.

The defined retirement benefit liability 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 Group 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).

*Group is the Lessee*

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases are recognized in the consolidated statement of comprehensive 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.

*Group is the Lessor*

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

Foreign Currency Transactions

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

Income Taxes

*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 have been 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 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 deferred income tax 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 income or loss for the year attributable to common stockholders by the weighted average number of shares outstanding during the year and adjusted for the effects of all potential dilutive common shares, if any.

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

#### Provisions and Contingencies

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

#### Events After the Balance Sheet Date

Post year-end events that provide additional information about the Group's position at balance sheet 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.

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

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

#### Judgments

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

#### Classification of Financial Instruments

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

#### *Recognition of Lump Sum Royalty Fee*

The Company previously recognized in 2008 the lump sum portion of the royalty fee on a straight-line basis over the effectivity period of its Operating Agreement with the Consortium/BAAC (see Note 17a). At that time, management believed that the Company will earn this lump-sum royalty over the duration of the Consortium/BAAC's quarrying operations. However, upon subsequent review and fulfillment of conditions contained in the Amendment to the Agreement (see Note 17) and confirmation with the Consortium/BAAC regarding their acceptance on the fulfillment of such conditions, management is of the view that the unamortized lump sum portion of the royalty amounting to ₱288.33 million should be recognized as earned in 2009. Presently, no more conditions exist that will affect the full recognition of the unamortized portion as income for the year.

#### *Operating Leases*

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

#### 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 Group maintains allowance for doubtful accounts based on the result of the individual and collective assessment under PAS 39. Under the individual assessment, the Group is required to obtain the present value of estimated cash flows using the receivable's 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 Group to classify its receivables based on the credit risk characteristics (customer type, payment history, past-due status and term) of the customers. Impairment loss is then determined based on historical loss experience of the receivables grouped per credit risk profile. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for the individual and collective assessments are based on management's judgment and estimate. Therefore, the amount and timing of recorded expense for any period would differ depending on the judgments and estimates made for the year.

#### *Determination of NRV of Inventories*

The Group's estimates of the NRV 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 of NRV 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 NRV because of the change in economic circumstances, the amount of write-down is reversed so that the new carrying amount is the lower of the cost and the revised NRV.

In 2008, all remaining inventories of the Group were included in the Asset Purchase Agreement with BAAC on June 1, 2008 as discussed in Note 17b.

#### *Impairment of AFS Investments*

The Group treats AFS investments 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 Group treats 'significant' generally as 20% or more and 'prolonged' as greater than one year for quoted equity securities. In addition, the Group evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted securities.

*Impairment of Noncurrent Non-Financial Assets*

The Group determines whether there are indicators of impairment on its investment properties, and property, plant and equipment, at least on an annual basis. This requires an estimation of recoverable amount which is higher of an asset's or CGU's fair value less cost to sell and value-in-use. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the CGU 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 Group could obtain as of the balance sheet date. In determining this amount, the Group considers the outcome of recent transactions for similar assets within the same industry.

As of March 31, 2010 and December 31, 2009, management's assessment did not disclose any impairment indicators.

*Estimation of Useful Lives of Investment Properties and Property, Plant and Equipment*

Useful lives of investment properties and property, plant and equipment are estimated based on the period to be available for use. The estimated useful lives of investment properties and property, plant and equipment 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 investment properties and property, plant and equipment would increase the Group's recorded cost of sales and general and administrative expenses and decrease noncurrent assets.

There is no change in the estimated useful lives of investment properties and property, plant and equipment as of March 31, 2010 and December 31, 2009.

*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. The estimated recoverable reserves are used in the calculation of depreciation, amortization and testing for impairment, the assessment of life of the mine, stripping ratios and for forecasting the timing of the payment of mine rehabilitation costs. 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 in 2007.

On June 1, 2008, the Company turned over quarrying operations of its mine reserves and is now receiving royalty from the new operator.

*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 Group's evaluation, management believes that there is no asset retirement liability to be recognized in the financial statements as of March 31, 2010 and December 31, 2009.

*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 2008 and 2007. Since June 1, 2008, the Company no longer sells mine products.

*Estimation of Retirement Benefits Obligation and Costs*

The determination of the Group's obligation and cost for retirement benefits is dependent on management's selection of certain assumptions used by actuaries in calculating such amounts. The assumptions for retirement benefits costs include among others, discount rates, expected rate of return of plan assets and rates of salary increase. In accordance with PFRS, actual results that differ from assumptions are accumulated and amortized over future periods and therefore, generally affect the Group'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 Group's retirement obligations.

Net retirement plan assets amounting to ₱3.68 million presented under "Receivables" was subsequently returned to the Group in 2009.

*Recognition of Deferred Income Tax Assets*

The Group 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 profits will be available to allow all or part of the deferred income tax assets to be utilized.

*Provisions and Contingencies*

The estimate of probable costs of resolution of possible claims has been developed in consultation with external counsel handling the Group's defense in these matters and is based upon an analysis of potential results. The Group is a party to certain lawsuits or claims arising from the ordinary course of business. However, the Group's management and the 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, 2010 and December 31, 2009.

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**4. Cash and Cash Equivalents**

This account consists of:

	<b>Unaudited March 2010</b>	Audited December 2009
Cash on hand	<b>₱208,769</b>	₱208,769
Current and savings deposits with banks	<b>7,092,552</b>	14,942,295
Time deposit	<b>110,415,632</b>	75,000,000
	<b>₱117,716,953</b>	₱90,151,064

Current and savings deposits with banks earn interest at the respective bank deposit rates. The time deposit is made for varying periods of up to three months depending on the immediate cash requirements of the Group and earns interest at 3.20% in 2009. Interest income arising from savings and time deposits amounted to ₱0.42 million and ₱0.80 million for the quarter ending March 31, 2010 and for the year ending December 31, 2009, respectively.

Current and savings deposits with banks include deposit to a related party amounting to ₱5.60 million in March 31, 2010 and ₱12.69 million in 2009 as discussed in Note 15c.

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## 5. Receivables

The breakdown of this account follows:

	Unaudited March 2010	Audited December 2009
Current portion of installment receivable	P20,489,154	P27,118,010
Due from OCLP	1,635,144	2,019,098
Due from BAAC:		
Lump sum royalty	--	22,666,667
Basic royalty	3,822,086	2,785,145
Others	530,000	530,000
Others – net of allowance for doubtful accounts	1,634,890	1,735,619
	<b>P28,111,274</b>	<b>P56,854,539</b>

The current and noncurrent portion of installment receivable pertains to the sale in 2007 of 12 hectares of land (classified as investment property) to OCLP, the Company's majority stockholder. The sale resulted in a gain of P1 billion. See Note 15a for further details on the sale.

## 6. Other Current Assets

This account is composed of the following:

	Unaudited March 2010	Audited December 2009
Creditable income tax	P13,327,673	P13,919,778
Input value-added tax	158,324	2,385,319
Prepaid expenses	2,303,137	278,980
	<b>P15,789,134</b>	<b>P16,584,077</b>

The movements in creditable income tax are presented below:

	Unaudited March 2010	Audited December 2009
Balance at January 1	13,919,778	P33,957,893
Tax withheld by customers	1,442,255	5,672,286
Current provision for income tax	(2,034,360)	(25,710,401)
Balance at March 31	<b>P13,327,673</b>	<b>P13,919,778</b>

## 7. Investment Properties

The changes in this account are summarized as follows:

### Unaudited March 31, 2010

	Land	Land Improvements	Condominium Unit	Total
<b>Cost</b>				
January 1	P66,619,230	P15,502,873	P19,341,883	<b>P101,463,986</b>
Additions	–	511,895	–	<b>511,895</b>
Disposal	(89,627)			<b>(89,627)</b>
March 31	66,529,603	16,014,768	19,341,883	<b>101,886,254</b>
<b>Accumulated Depreciation and Amortization</b>				
January 1	–	14,716,080	18,537,721	<b>33,253,801</b>
Additions	–	24,526	340,121	<b>364,647</b>

March 31	–	14,740,606	18,877,842	<b>33,620,448</b>
<b>Net Book Value</b>	<b>₱66,529,603</b>	<b>₱1,274,162</b>	<b>₱464,041</b>	<b>₱68,267,806</b>

Audited December 31, 2009

	Land	Land Improvements	Condominium Unit	Total
Cost				
January 1	₱65,835,055	₱15,202,640	₱19,341,883	₱100,379,578
Additions	784,175	300,233	–	1,084,408
December 31	66,619,230	15,502,873	19,341,883	101,463,986
Accumulated Depreciation and Amortization				
January 1	–	13,279,283	17,177,237	30,456,520
Additions	–	1,436,797	1,360,484	2,797,281
December 31	–	14,716,080	18,537,721	33,253,801
<b>Net Book Value</b>	<b>₱66,619,230</b>	<b>₱786,793</b>	<b>₱804,162</b>	<b>₱68,210,185</b>

As of December 31, 2009, the fair value of the land based on latest zonal valuation is ₱408.8 million; while the fair value of the condominium unit based on management's internal valuation is ₱6.2 million. Income from investment properties amounted to ₱0.34 million in January to March 2010 and ₱1.6 million in 2009, while expenses consisting mostly of real property taxes and security services amounted to ₱1.59 million in January to March 2010 and ₱8.7 million in 2009.

**8. Property, Plant and Equipment**

Depreciation and amortization expense on investment properties, property, plant and equipment and computerization costs were recognized in the consolidated statements of comprehensive income as follows:

	<b>Unaudited March 2010</b>	Audited December 2009
Investment properties	<b>₱364,647</b>	₱2,797,281
Property and equipment	<b>157,730</b>	1,069,230
	<b>₱522,377</b>	₱3,866,511

Movements in the property, plant and equipment accounts are as follows:

**Unaudited as of March 31, 2010**

	Land	Quarry Land	Buildings and Improvements	Plant Site Improvements	Machinery And Equipment	Transportation and Rolling Equipment	Furniture and Fixtures	Total
(Amounts in thousands)								
<b>Cost</b>								
January 1	₱42,285	₱16,209	₱7,816	₱259	₱3,418	₱6,216	₱835	₱77,038
Additions	—	—	—	—	291	712	—	1,003
Disposals	—	—	—	—	—	—	—	—
December 31	42,285	16,209	7,816	259	3,709	6,928	835	78,041
<b>Accumulated Depreciation and Amortization</b>								
January 1	—	—	4,661	136	3,404	6,182	704	13,581
Additions	—	—	90	—	1	6	61	158
Disposals	—	—	—	—	—	—	—	—
December 31	—	—	4,751	136	3,405	6,188	765	13,739
<b>Net Book Value</b>	<b>₱42,285</b>	<b>₱16,209</b>	<b>₱3,065</b>	<b>₱123</b>	<b>₱304</b>	<b>₱740</b>	<b>₱70</b>	<b>₱64,302</b>

**Audited as of December 31, 2009**

	Land	Quarry Land	Buildings and Improvements	Plant Site Improvements	Machinery And Equipment	Transportation and Rolling Equipment	Furniture and Fixtures	Total
(Amounts in thousands)								
<b>Cost</b>								
January 1	₱42,285	₱16,209	₱7,688	₱259	₱3,401	₱20,701	₱835	₱91,378
Additions	—	—	128	—	17	—	—	145
Disposals	—	—	—	—	—	(14,485)	—	(14,485)
December 31	42,285	16,209	7,816	259	3,418	6,216	835	77,038
<b>Accumulated Depreciation and Amortization</b>								
January 1	—	—	2,797	50	3,401	19,771	334	26,353
Additions	—	—	358	86	3	252	370	1,069
Disposals	—	—	—	—	—	(13,841)	—	(13,841)
December 31	—	—	3,155	136	3,404	6,182	704	13,581
<b>Net Book Value</b>	<b>₱42,285</b>	<b>₱16,209</b>	<b>₱4,661</b>	<b>₱123</b>	<b>₱14</b>	<b>₱34</b>	<b>₱131</b>	<b>₱63,457</b>

## 9. Other Noncurrent Assets

This account consists of:

	<b>Unaudited March 2010</b>	Audited December 2009
AFS investments:		
Quoted equity investments	<b>₱792,410</b>	₱792,410
Unquoted equity investments	<b>322,670</b>	322,670
	<b>1,115,080</b>	1,115,080
Mine rehabilitation fund	<b>5,246,654</b>	5,246,654
Miscellaneous deposits	<b>1,691,990</b>	1,691,990
	<b>₱8,053,724</b>	₱8,053,724

AFS investments include investments in golf club shares and investments in shares of stocks related to the Company's electrical and telephone subscription.

As of December 31, 2009 and 2008, the fair value changes of ₱0.07 million and ₱0.01 million relating to the Group's investment in Eastridge Golf Club shares were considered impaired. As such, an impairment loss was recognized in the consolidated statements of comprehensive income. In addition, the fair value changes of ₱0.46 million in 2008 recognized in the consolidated statements of changes in equity were transferred to the consolidated statements of comprehensive income through impairment loss in 2009 due to significant decline in value.

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 the 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. Under the Company's Operating Agreement with BAAC (see Note 17a), BAAC shall have the exclusive right to manage, operate and provide additional MRF as may be required by applicable laws and regulations; provided that the MRF will remain in the name of the Company as the contracting party to the MPSA.

Miscellaneous deposits pertain to cash deposits in escrow fund set aside for settlement of labor cases filed by former employees.

## 10. Trade Payables

Trade payables generally have credit terms of 15 to 30 days.

## 11. Accrued Liabilities and Other Payables

This account consists of:

	<b>Unaudited March 2010</b>	Audited December 2009
Accrued liabilities	<b>₱7,878,222</b>	₱8,707,898
Payable to government agencies	<b>317,898</b>	116,379
Others	<b>1,358,709</b>	1,301,209
	<b>₱9,554,829</b>	₱10,125,486

## 12. General and Administrative Expenses

This consists of:

	Unaudited March 2010	Audited December 2009
Professional fees	P656,975	P9,790,685
Taxes and licenses	869,359	8,054,631
Security and utilities	912,346	4,270,070
Depreciation and amortization	522,377	3,866,511
Personnel costs	371,437	3,335,976
Repairs and maintenance	63,321	934,826
Entertainment, amusement and recreation	4,602	916,922
Transportation and communication	30,831	716,504
Insurance	55,296	314,294
Fuel, oil and lubricants	41,842	288,055
Supplies	16,832	142,625
Power, light and water	20,896	121,314
Others	378,822	2,068,973
	<b>P3,944,936</b>	<b>P34,821,386</b>

## 13. Personnel Costs

Details of the above account are shown below.

	Unaudited March 2010	Audited December 2009
Salaries and wages	P153,557	P1,148,000
Other benefits	217,880	2,187,976
	<b>P371,437</b>	<b>P3,335,976</b>

## 14. Equity

Capital Stock – P10 par value

Type of Common Shares	Number of Authorized Shares	Number of Issued and Outstanding Shares	Amount
Class A	40,000,000	22,077,771	P220,777,710
Class B	10,000,000	5,388,678	53,886,780
	50,000,000	27,466,449	P274,664,490

As of March 31, 2010 and December 31, 2009, issued and outstanding capital stock of the Group are held by 639 and 645 stockholders, respectively.

In 1973, upon securing the approval of the Philippine SEC, the Group's common shares were officially listed and offered to the public through the local exchange on April 2, 1973.

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, 2010, there are 22,077,771 listed and outstanding Class A common shares, of which 5,997,747 are floating shares, whereas there are 5,388,678 listed and outstanding Class B common shares, of which 403,066 are floating shares. The latest closing price for Class A common shares as of May 11, 2010 was recorded at ₱30.50, while Class B common shares have never been traded since their listing date.

### Retained Earnings

#### a. Dividends Declaration

Cash dividends were declared as authorized by the Company's Board of Directors to stockholders as follows:

Date Declared	Stockholders of Record as of	Paid On	Amount Per Share	Amount
November 4, 2009	November 18, 2009	November 23, 2009	₱19.11	₱524,883,838
June 6, 2008	June 24, 2008	July 15, 2008	29.12	799,822,995

#### b. Subsequent Retained Earnings Appropriation

On March 25, 2010, the Company's Board of Directors authorized the appropriation of ₱70 million from unappropriated retained earnings for the development of land located in Sto. Tomas, Batangas to a leisure farm.

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## 15. Related Party Transactions

- a. The Company's majority stockholder, OCLP, purchased in November 2007 the Company's twelve (12) hectares of land located in Longos, Bagumbayan, Quezon City 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. The installment receivable from OCLP amounting to ₱870 million was initially recorded at its fair value of ₱835.26 million, with the Day 1 loss of ₱34.7 million charged to retained earnings.

On November 23, 2009, the Company received from OCLP the amount of ₱525 million, representing installments collected in advance of due dates.

Interest income on installment receivable recognized amounted to ₱5.10 million for the quarter ending March 31, 2010 and ₱50.53 million in 2009.

- b. In 2005, the Company entered into a Management Agreement with OCLP. The agreement provides for a monthly fee of ₱0.70 million from the commencement of the agreement up to December 31, 2005, subject to annual escalation rate 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. Starting June 2008, the monthly management fee is ₱0.10 million, inclusive of VAT, plus an additional fee of 5% of incremental audited net income after tax.

On December 4, 2009, an Amendment to the Management Agreement was executed taking into consideration the Operating Agreement entered into by the Company resulting in a

scaling down of its business operations. The amendments state that the Company shall pay OCLP the following:

- A monthly fee of ₱0.10 million effective June 1, 2008, subject to annual escalation at the rate of 5% or the average inflation rate for the immediately preceding year, whichever is higher.
- A supervision fee amounting to 12.5% of the total proceeds of the sale in case OCLP actively participates in the development of real property owned by Company.

The additional fee of 5% of incremental audited net income after tax has been waived.

Total management fee recognized for the first quarter of 2010 amounted to ₱0.27 million and ₱0.75 million in 2009, included as part of the Professional Fees account in the consolidated statements of comprehensive income.

- The Company has a banking relationship with a related party. The total cash deposit maintained with the related party amounted to ₱5.59 million and ₱12.69 million as of March 31, 2010 and December 31, 2009, respectively.
- The compensation of key management personnel of the Group amounted to ₱0.08 million for the first quarter of 2010 and ₱0.98 million in 2009.

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

Basic/diluted earnings per share amounts are calculated as follows:

	<b>Unaudited January to March 2010</b>	Unaudited January to March 2009
Net income	<b>₱7,731,682</b>	₱17,133,818
Divided by weighted average number of common shares outstanding during the year	27,466,449	27,466,449
<b>Basic/diluted earnings per share</b>	<b>₱0.28</b>	<b>₱0.62</b>

The Group does not have dilutive potential common shares as of March 31, 2010 and December 31, 2009. Therefore, the basic and diluted earnings per share are the same as of those dates.

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#### 17. Significant Agreements

##### Agreement

On January 18, 2008, the Consortium entered into an Agreement (Agreement) with the Company, providing among others, that by or on 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 Agreement:

- The Company shall have incorporated a New Company (NewCo) and have subscribed to all of the NewCo's authorized capital stock;

- The Company and the NewCo shall have executed an Operating Agreement which gives NewCo the right to engage in quarrying operations within the property owned by the Company in Angono, Rizal;
- 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;
- The Company and the Consortium will execute a Share Purchase Agreement for sale by the Company and the purchase by the Consortium of 100% of the outstanding stock of NewCo;
- The Company and NewCo will execute a Trademark License Agreement granting NewCo a royalty-free, non-assignable and non-transferable license to use certain trademarks and servicemarks of the Company inside and outside the Philippines; and
- The Company and NewCo will execute a Transition Services Agreement which sets out the transition assistance services by certain key personnel for a specified period of time.

a. Operating Agreement

On January 23, 2008, the Company executed an Operating Agreement with BAAC, the actual name of NewCo which was formed by the Company. During the term of the Operating Agreement, BAAC shall, among others:

- Extract aggregates at least at the minimum extraction rate, which means 1.6 million metric tons (MMT) (or 1.06 million cubic meters) per annum at the ECC maximum extraction limit of 2.7 MMT (or 1.8 million cubic meters) per annum at the time the Operating Agreement was executed and after the second anniversary date of the approval by the Department of Environment and Natural Resources (DENR) of the Company’s application for increase of the maximum extraction limit from 2.7 MMT to 5.25MMT (or 3.6 million cubic meters), means 2.6 MMT per annum (or 1.74 million cubic meters).
- Conduct quarrying operations for a period of fifteen (15) years: (i) in accordance with the MPSA between the Company and the DENR, the ECC issued by the DENR, applicable laws and regulations and applicable industry standards; and (ii) in accordance with the existing development plan of the Company.

MPSA refers to the Mineral Production Sharing Agreement No.032-95-IV (1<sup>st</sup> MPSA) and No.055-96-IV (2<sup>nd</sup> MPSA) entered into with the Government of the Republic of the Philippines through DENR.

- Pay the Company royalty with the following terms:
  - i. two-and-a-half percent (2.5%) of the value of the aggregates sold;
  - ii. a lump-sum amount of ₱300 million after the approval by the DENR of the increase in the maximum extraction rate from 2.7 MMT to 5.25 MMT per annum; and
  - iii. the royalty amount to be adjusted/indexed annually to the weighted average price of the aggregates sold on an arms’ length pricing.
- Maintain the MPSA in good standing, as well as complete and accurate records relating to the quarrying operations.

As of March 25, 2010, the Company has received the ₱300 million lump sum amount in accordance with the agreed payment terms as follows:

	In Millions
Upon approval by the DENR of the Operating Agreement with respect to the 1 <sup>st</sup> MPSA on April 3, 2008 – collected on June 2, 2008	₱232.00
Balance in three equal installments upon approval by the DENR of the Operating Agreement with respect to the 2 <sup>nd</sup> MPSA on January 13, 2009:	
First installment	22.67
Second installment	22.67
<hr/> Total received as of December 31, 2009	<hr/> 277.34
Third installment – collected on January 15, 2010	22.66
	<hr/> <b>₱300.00</b> <hr/>

Out of the ₱232 lump sum payment received in 2008, the amount of ₱11.67 million was recognized as royalty fee for that year and the balance of ₱220.33 million, of which ₱20 represents current portion in 2008, was recognized as unearned lump sum royalty fee to be amortized over the life of the Operating Agreement. Due to subsequent fulfillment of conditions contained in the Amendment to the Agreement as discussed below and in Note 3, the total unearned lump sum royalty fee at the end of 2008 of ₱220.33 million and the ₱68 million lump sum royalty balance was recognized as royalty fee in 2009, instead of being amortized over the life of the Operating Agreement.

Basic royalty fee of 2.5% of the value of the aggregates sold amounted to ₱5.05 million in March 2010 and ₱14.36 million in 2009.

b. Asset Purchase Agreements

On June 2, 2008 and effective June 1, 2008, the Company entered into an Asset Purchase Agreement with BAAC, in which the Company agreed to sell, transfer and convey to BAAC, and BAAC agreed to purchase and acquire from the Company, all the Company's rights, title and interest in and to certain operating assets, which includes properties and equipment, on an "As Is Where Is" basis for ₱217.6 million.

The Company received ₱214.4 million pursuant to the Asset Purchase Agreement. The amount of purchase price was adjusted to reflect the actual return of certain assets to the Company, originally part of the pool of assets per Operating Agreement.

On October 29, 2008, the Company and BAAC executed a Second Asset Purchase Agreement which provided for the terms of sale on an "As Is Where Is" basis, of additional quarry equipment for ₱3.6 million, and inventories and finished goods for ₱24.6 million.

The two Asset Purchase Agreements resulted to a gain of ₱66.5 million in 2008.

c. Share Purchase Agreement

On June 2, 2008 and effective June 1, 2008, a Share Purchase Agreement was executed by and between the Consortium and the Company, in which the Company agreed to sell, transfer and convey to the Consortium, and the Consortium agreed to purchase and acquire from the Company, all the rights, title and interest of the Company in BAAC for ₱628 million. The sale resulted to a gain of ₱369 million, net of related capital gains and other business taxes, in 2008.

d. Trademark License Agreement

On June 2, 2008, in relation to the Operating Agreement, the Company and BAAC entered into a Trademark License Agreement granting BAAC a license to use the following trademarks and servicemarks for the period and under the terms and conditions set out in the said agreement:

- “Concrete Aggregates Corporation and Device”;
- “Blue Sand”;
- “Blue Sand and Device”;
- “Blue Rock”;
- “Blue Rock and Device”; and
- “Blue Sand Vibro and Device”

e. Transition Services Agreement

A Transition Services Agreement was executed by the Company and BAAC on June 2, 2008, which sets out the transition assistance services by certain key personnel for a specified period of time from the Closing Date.

Amendment to the Agreement

On June 2, 2008, the Company and the Consortium executed an Amendment to the Agreement dated January 18, 2008 providing among others:

- In the event that approval by the DENR, through Mines and Geosciences Bureau, of the Operating Agreement with respect to second MPSA has not yet been obtained as of June 1, 2008, the Consortium shall withhold the amount of ₱68 million from the lump sum amount of ₱300 million.
- The Consortium shall pay the amount of ₱68 million upon receipt of written notice from the Company of such DENR approval.

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**18. Contingencies**

The Group is involved in various legal proceedings incidental to its normal business activities. The Group’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, financial performance or liquidity of the Group.

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**19. Financial Risk Management Objectives and Policies**

The Group’s principal financial instruments are comprised of cash and cash equivalents, installment receivable, AFS investments and bank loan. The main purpose of these financial instruments is to ensure adequate funds for the Group’s operations. The Group 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 Group is governed by policies and guidelines approved by the Board of Directors. Group policies and guidelines cover interest rate risk, 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 Group's financial performance and financial position.

*Interest Rate Risk*

The risks caused by changes in interest rates are minimal since the Group's only interest bearing financial asset pertains to cash and cash equivalents, which is subject to market rate of interest, and installment receivable and bank loan, which are subject to re-pricing of interest. Thus, the reasonably possible changes will have minimal impact on the consolidated statements of comprehensive income for the years ended December 31, 2009, 2008 and 2007.

*Credit Risk*

The Group trades only with recognized, creditworthy third parties. It is the Group'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 Group's exposure to bad debts is not significant.

With respect to credit risk arising from other financial assets of the Group, which comprise mainly of cash and cash equivalents, the credit risk is considered negligible since the counterparties are reputable banks with high quality external credit ratings.

*Liquidity Risk*

The Group'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 Group gives it the ability to save funds as the need arises. The Group presently has a credit facility with a local bank that allows it to borrow the needed funds from time to time.

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

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

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## **20. 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 to shareholders and benefits to 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.

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## **21. Categories and Fair Values of Financial Assets and Liabilities**

### **a. Comparison of Carrying Values and Fair Values**

The carrying values and estimated fair values and classifications of the Group's financial assets and liabilities are presented below:

	<b>March 31, 2010</b>		<b>December 31, 2009</b>	
	Carrying Values	Carrying Values	Carrying Values	Carrying Values
<b>Financial Assets</b>				
Loans and receivables:				
Cash and cash equivalents	<b>₱117,716,953</b>	<b>₱117,716,953</b>	₱90,151,064	₱90,151,064
Receivables:				
Due from BAAC	<b>4,352,086</b>	<b>4,352,086</b>	25,981,812	25,981,812
Due from OCLP	<b>1,635,144</b>	<b>1,635,144</b>	2,019,098	2,019,098
Other receivables – net	<b>1,634,890</b>	<b>1,634,890</b>	1,735,619	1,735,619
Installment receivable	<b>239,457,135</b>	<b>239,457,135</b>	245,217,522	245,217,522
Mine rehabilitation fund	<b>5,246,654</b>	<b>5,246,654</b>	5,246,654	5,246,654
Miscellaneous deposits	<b>1,691,990</b>	<b>1,691,990</b>	1,691,990	1,691,990
	<b>371,734,852</b>	<b>371,734,852</b>	372,043,759	372,043,759
AFS investments:				
Quoted equity investments	<b>792,410</b>	<b>792,410</b>	792,410	792,410
Unquoted equity investments	<b>322,670</b>	<b>322,670</b>	322,670	322,670
	<b>1,115,080</b>	<b>1,115,080</b>	1,115,080	1,115,080
	<b>₱372,849,932</b>	<b>₱372,849,932</b>	₱373,158,839	₱373,158,839
<b>Financial Liabilities</b>				
Other financial liabilities:				
Trade payables	<b>14,562,612</b>	<b>14,562,612</b>	₱21,924,813	₱21,924,813
Accrued liabilities and other payables:				
Accrued liabilities	<b>8,196,120</b>	<b>8,196,120</b>	8,707,898	8,707,898
Others	<b>1,358,708</b>	<b>1,358,708</b>	1,301,209	1,301,209
	<b>₱24,117,440</b>	<b>₱24,117,440</b>	₱31,933,920	₱31,933,920

The carrying values of cash and cash equivalents, receivables, installment receivables, mine rehabilitation fund, miscellaneous deposits and others, trade payables, accrued liabilities and other payables and bank loan, approximate their fair values due to relatively short-term maturities of these financial instruments.

The fair values of the AFS investments are quoted market bid price at the close of business. AFS investments 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 receivable 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% in 2009 and 2008.

b. Fair Value of Hierarchy

The table below presents the hierarchy of fair value measurements used by the Company for its AFS investments.

	<b>2009</b>
Level 1	<b>₱393,110</b>
Level 2	<b>399,300</b>
Level 3	<b>322,670</b>
	<b>₱1,115,080</b>

The different levels have been defined as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs)

**“ANNEX 68.1-M”  
SCHEDULES**

**Schedule A - Marketable Securities - (Current Marketable Equity Securities and Other Short-term Cash Investments)**

Name of Issuing entity and association of each issue (1)	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet (2)	Valued based on market quotation at balance sheet date (3)	Income received and accrued
Not Applicable				

**Schedule B -**

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

This consists of advances to officers and employees and receivables from parent company and subsidiaries.

	<b>Unaudited March 2010</b>	Audited December 2009
Advances to Officers and Employees		
Indebtedness exceeding ₱100,000.00	<b>1,136,516</b>	1,084,476
Others		67,001
Allowance for doubtful accounts	<b>(354,468)</b>	(354,468)
Advances to Officers and Employees - net	<b>819,009</b>	797,009
Receivables - Installment Receivable (current)	<b>20,489,154</b>	27,118,010
Installment receivable – OCLP	<b>218,967,981</b>	218,099,512
Total Receivable from Officers, Employees and Related Parties	<b>₱241,058,192</b>	₱246,811,540

**Schedule C - Non-Current 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.

The details of investment in stocks are summarized as follows:

	<b>Unaudited March 2010</b>	Audited December 2009
CAC Insurance Agency Corporation	<b>₱161,237</b>	₱161,237
CAC Marketing and Services Corporation	<b>1,213,763</b>	1,213,763
TOTAL	<b>₱1,375,000</b>	₱1,375,000

**Schedule D - Indebtedness of Unconsolidated Subsidiaries and Related Parties**

Indebtedness to the company of its wholly owned subsidiaries and related parties were already consolidated to the financial statements of the parent company as follows:

	<b>March 31, 2010</b>	Audited December 31, 2009
Installment Receivable – current portion	<b>₱20,489,154</b>	₱27,118,010
Installment Receivable – non current portion	<b>218,967,981</b>	218,099,512
<b>Total</b>	<b>₱239,457,135</b>	₱245,217,522

Schedule E - Intangible Assets - Other Assets

Description (1)	Beginning balance	Additions at cost (2)	Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions)	Ending balance
Not Applicable						

Schedule F. Long Term Debt

Title of Issue and type of obligation(1)	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet (2)	Amount shown under caption "Long-Term Debt" in related balance sheet (3)
Not Applicable			

**Schedule G - Indebtedness to Related Parties (Long Term Loans from Related Companies)**

	<b>March 31, 2010</b>	2009
Due to CAC Marketing and Services	<b>₱913,709</b>	₱913,709
<b>Total Indebtedness to Related Parties</b>	<b>₱913,709</b>	₱913,709

**Schedule H - Guarantees of Securities of Other Issuers**

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding (2)	Amount owned by person for which statement is filed	Nature of guarantee (3)
Not Applicable				

**Schedule I - Capital Stock**

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

	Authorized		Paid-up	
	Number of shares	Amount	Number of Outstanding Shares	Amount
Common Class "A" at ₱10 par value each	40,000,000	₱400,000,000	22,077,771	₱220,777,710
Common Class "B" at ₱10 par value each	10,000,000	100,000,000	5,388,678	53,886,780
	50,000,000	₱500,000,000	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, 2010, there are 22,077,771 listed and outstanding Class A common shares of which 5,997,747 are floating shares whereas there are 5,388,678 listed and outstanding Class B common shares of which 403,066 are floating shares. The latest closing price for Class A common shares was recorded at ₱30.50 (as of May 11, 2010) while Class B common shares have never been traded since their listing date.