COVER SHEET

1 9 0 7 3

SEC Registration Number

FIRST PHILIPPINE HOLDINGS CORPORATION AND SUBSIDIARIES

(Company's Full Name)

6th Floor, Benpres Building, Exchange Road corner Meralco Avenue, Pasig City

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

Ms. Perla R. Catahan

(Contact Person)

631-80-24

(Company Telephone Number)

1 2	3 1	17-Q	May 4th Mon
Month	*Day*	(Form Type)	*Month* *Day*
(Fiscal Year)			(Annual Meeting)

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

13,113	₱21,927 million	₱54,271 million
Total No. of Stockholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

S T A M P S

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended **June 30, 2009**

2. Commission identification number …**19073**….. 3. BIR Tax Identification No. **000-288-698-000**

4. Exact name of issuer as specified in its charter

   FIRST PHILIPPINE HOLDINGS CORPORATION

5. Province, country or other jurisdiction of incorporation or organization **Metro Manila, Philippines**

6. Industry Classification Code: [ ] (SEC Use Only)

7. Address of issuer's principal office — Postal Code
   6th Floor, Benpres Building, Meralco Avenue, corner Exchange Road, Pasig City — **1600**

8. Issuer's telephone number, including area code
   632-631-8024 to 30

9. Former name, former address and former fiscal year, if changed since last report
   N/A

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
Common Shares	**590,448,831**
Preferred Shares	**43,000,000**

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

    Yes [**X**] No [ ]

    If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

    The registrant's common equity is being traded at the Philippine Stock Exchange.

12. Indicate by check mark whether the registrant:

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

Yes [**X**] No [ ]

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

Yes [**X**] No [ ]

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements.

The unaudited interim financial statements of the registrant are incorporated herein by reference to the enclosed document. They are prepared in compliance with the Philippine Financial Reporting Standards (PFRS) as issued by the Financial Reporting Standards Council and adopted by the Philippine SEC.

References to PFRS standards include the application of Philippine Accounting Standards (PAS), Philippine Financial Reporting Standards (PFRS), and Philippine Interpretations of the International Financial Reporting Interpretations Committee (IFRIC).

Earnings per share is presented in the face of unaudited statements of income for the six months ended June 30, 2009 and 2008. The accompanying notes to financial statements describes the basis of computation thereof.

The interim financial statements followed the same accounting policies and methods of computations as used in the December 31, 2008 annual financial statements under Summary of Significant Accounting Policies.

The nature and amount of items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size or incidents are described in Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Issuances, repurchases, and repayments of debt and equity securities are described in Item 2 Other Financial Information.

Last July 9, 2009. The Board of Directors of First Philippine Holdings Corp. ("FPHC") declared and approved cash dividends on the ₱4.3 billion Series B Preferred Shares. Shareholders of record of Series B Preferred Shares as of July 24, 2009 were entitled to the cash dividends, which were to be payable on July 31, 2009. The gross cash dividends paid was ₱187,546,650 based on the annual rate of 8.7231%. The preferred cash dividend per share is ₱4.3615500.

Last July 14, 2009, First Philippine Utilities Corporation, a wholly-owned subsidiary of FPHC executed a Share Purchase Agreement ("SPA") with Pilipino Telephone Corporation covering the sale for Philippine Pesos Twenty Billion Seventy Million (₱20,070,000,000.00) of a total of Two Hundred Twenty Three Million (223,000,000) common shares or approximately Twenty Percent (20%) of the outstanding capital stock of MERALCO.

Last July 21, 2009, FPHC completed a pro rata early redemption payment to the Noteholders of its Floating Rate Corporate Notes due October 2012 for the Dollar Tranche Notes and October 2014 for the Peso Tranche Notes. FPHC paid down 50% of the debt or a total amount of about ₱6.9 billion to the relevant Noteholders.

Last August 13, 2009, FPHC made a deposit for future stock subscriptions in the total amount of ₱5.3 billion in the power generation subsidiary, First Gen Corporation.

There are no seasonality or cyclicality of interim operations during the period.

There are no changes in contingent liabilities or contingent assets since the last annual balance sheet date.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following management's discussion and analysis of the Company's financial condition and results of operations should be read in conjunction with the accompanying unaudited consolidated financial statements and the related notes as at June 30, 2009, June 30, 2008 and (audited) December 31, 2008 and for the period ended June 30, 2009 and 2008. This discussion includes forward-looking statements, which may include statements regarding future results of operations, financial condition or business prospects, which are subject to significant risks, uncertainties and other factors and are based on FPHC's current expectations, some of which are beyond FPHC's control and are difficult to predict. These statements involve risks and uncertainties and our actual results may differ materially from those anticipated in these forward-looking statements.

JUNE 30, 2009 COMPARED TO JUNE 30, 2008

Results of Operations

On May 12, 2009, Prime Terracota Holdings Corp. (Prime Terracota) approved the issuance of Class "B" preferred shares at par value to the Lopez Inc. Retirement Fund (LIRF) and Quialex Realty Corporation (QRC). Prime Terracota is the effective 60% voting/40% economic owner of Energy Development Corporation (EDC) through its subsidiary Red Vulcan Holdings Corporation (Red Vulcan). Prior to its issuance of preferred shares to LIRF and QRC, Prime Terracota was a wholly-owned subsidiary of First Gen Corporation (First Gen). With the issuance of the preferred shares, First Gen's voting interest in Prime Terracota is now reduced to 45%, with the balance taken up by LIRF (40%) and QRC (15%). This transaction has triggered the deconsolidation of Prime Terracota, Red Vulcan, EDC and First Gen Hydro Power Corp. (FGHPC) in First Gen's consolidated financial statements as of June 30, 2009. Given this, the financials of Prime Terracota and its subsidiaries, namely: Red Vulcan, EDC and FG Hydro, were fully deconsolidated effective on the date when First Gen has lost its control. Thereafter, First Gen's investment in Prime Terracota shall be accounted for using the equity method in the consolidated financial statements of First Gen since it still retains significant influence over Prime Terracota through its 45% voting interest.

Revenue

FPHC's consolidated revenues for the first half ending June 30, 2009 amounted to ₱30.0 billion. This is better by 3% (₱967 million) compared to the previous year's ₱29.1 billion.

The following table sets out the contribution of each of the components of revenues as a percentage of the Company's total revenue for June 30, 2009 and 2008:

	For the period ended June 30				**Increase (decrease)**	
	2009		**2008**		**Amount**	**%**
	(amounts in MM ₱, except percentages)					
Sale of electricity	**₱ 24,733**	**82%**	₱ 25,574	88%	₱(841)	-3%
Sale of merchandise	**1,930**	**6%**	904	3%	1,026	113%
Equity in net earnings of associates	**1,354**	**5%**	1,066	4%	288	27%
Share in project revenue of joint venture	**1,148**	**4%**	723	2%	425	59%
Contracts and services	**775**	**3%**	678	2%	97	14%
Sale of real estate	**86**	**-%**	114	1%	(28)	-25%
Total	**₱ 30,026**	**100%**	₱ 29,059	100%	₱ 967	3%

The company's revenues comprise of:

Sale of electricity

Sale of electricity accounts for 82% of total revenue in 2009 and 88% in 2008. Revenue from sale of electricity went down by 3% (₱841 million) to ₱24.7 billion due to the decrease in the US dollar sale of electricity by 16% to $517 million as a result of, among others, lower fuel charges, variable O&M and capacity charges. However, this was slightly offset by the higher weighted average forex rate this period against last year used to translate these dollar sales to peso.

Sale of Merchandise

Revenue from sale of merchandise is derived from the sale of power and distribution transformers and other manufactured products. Sale of merchandise contributed 6% to total revenues in 2009 and 3% in 2008. Sale of merchandise grew by 113% (₱1.0 billion) to ₱1.9 billion, due mainly to the revenue contribution of First Philippine Electric Corp.'s (First Philec) new businesses, First Philec Solar Corp. (FPSC) and First Philec Manufacturing Technologies Corp. (FPMTC).

Equity in net earnings of associates

This represents the Company's share in the consolidated net income of, among others, Meralco, Prime Terracota, First Private Power Corporation, Rockwell Land Corporation and First Sumiden Circuits, Inc.

Equity in net earnings of associates increased significantly, by 27% (₱288 million) to ₱1.4 billion. The increase was due to the higher income posted by Meralco. The latter posted a net income of ₱3.2 billion, better by 19% against the ₱2.7 billion posted last year. Moreover, following the deconsolidation of Prime Terracota, First Gen recognized equity in net earnings in the consolidated net earnings of EDC covering the period May and June 2009, this amounted to $5.3 million (₱251.7 million). This was tempered by the interest and administrative expenses of Red Vulcan and Prime Terracota, as well as the net loss of FGHPC for the two-months' period.

Share in project revenue of joint venture

First Balfour Inc. (FBI) entered into several unincorporated construction and engineering joint venture agreements. The share in project revenue of joint venture amounted to ₱1.1 billion in 2009, higher by 59% (₱425 million) against last year. The increase was primarily due to revenue contribution of the LRT 1 Northlink project.

Contracts and services

Revenue from contracts and services is primarily derived from construction contracts, engineering projects and pipeline shipment of fuel and other petroleum products. Revenue from contracts and services accounts for 3% of total revenues in 2009 and 2% in 2008.

Revenues from contracts and services increased by 14% (₱97 million) to ₱775 million, due to higher construction revenues from FBI and higher volume of white oil pumped, in the case of First Philippine Industrial Corp. (FPIC).

Revenue from real estate

Revenue from sale of real estate is derived from sale of industrial lots and ready-built factories (RBF) of First Philippine Industrial Park (FPIP) in Batangas. Sale of real estate contributed less than 1% to total revenues in 2009 and about 1% in 2008. Sale of real estate contracted by 25% (₱28 million) to ₱86 million as a result of lower industrial lots sold from 4.27 hectares in 2009 against 5.27 hectares in 2008. The higher revenues from RBF's this year, alleviated the effect in revenues of the soft industrial lots market.

Costs and expenses

FPHC's consolidated cost and expenses totaled ₱24.0 billion. This is slightly lower (less than 1%) compared to the previous year's ₱24.1 billion.

The following table sets out the contribution of each of the components of cost and expenses as a percentage of the Company's total cost and expenses for June 30, 2009 and 2008:

	For the period ended June 30				Increase (decrease)	
	2009		2008		Amount	%
	(amounts in MM ₱, except percentages)					
Operations and maintenance	**₱ 18,906**	**79%**	₱ 20,248	84%	₱ (1,342)	-7%
General and administrative expense	**1,816**	**8%**	1,993	8%	(177)	-9%
Merchandise sold	**1,749**	**7%**	758	3%	991	131%
Share in project costs of joint venture	**1,000**	**4%**	657	3%	343	52%
Contracts and services	**450**	**2%**	355	1%	95	27%
Real estate sold	**44**	**-%**	52	1%	(8)	-15%
Total	**₱ 23,965**	**100%**	₱ 24,063	100%	₱ (98)	0%

The Company's costs and expenses comprise of:

Operations and maintenance

Power plant operations and maintenance (O&M) expenses include, among others, fuel charges, pipeline charges, fixed and variable O&M charges, start-up costs and Net Dependable Capacity bonuses paid to Siemens Operations as O&M contractor for Santa Rita and San Lorenzo. Cost of power plant operations and maintenance accounts for 79% of total cost and expenses in 2009 and 84% in 2008.

Cost of power plant operations and maintenance decreased by 7% (₱1.3 billion) to ₱18.9 billion due mainly to the decrease in fuel cost.

General and administrative expenses

General and administrative expenses include depreciation and amortization, salaries and wages, taxes and license fees, insurance premiums and professional fees, repairs and maintenance, transportation and travel, rentals, and office supplies, among others. General and administrative expenses account for 8% of total cost and expenses in 2009 and in 2008. General and administrative expenses decreased by 9% (₱177 million) to ₱1.8 billion due to, among others, lower staff cost and professional fees for First Gen and last year's underwriting, professional and other fees related to the issuance of perpertual preferred shares issued by FPHC.

Merchandise sold

Cost of merchandise sold pertains to costs which are related to the manufacture of products. Cost of merchandise sold accounts for 7% of total cost and expenses in 2009 and 3% in 2008. Cost of merchandise sold increased by 131% (₱991 million) to ₱1.7 billion, due to the manufacturing cost associated with FPSC and FPMTC.

Share in project costs of joint venture

The corresponding share in project costs of joint venture amounted to ₱1.0 billion, higher by 52% (₱343 million), due to the construction development of the LRT 1 Northlink project.

Contracts and services

Cost of contracts and services pertains to contract costs, which include all direct materials, labor costs and indirect costs related to contract performance. Provision for estimated losses on uncompleted contracts, likewise, form part of the cost of contracts and services. Such provision is recognized in the period in which the loss is determined. Cost of contracts and services accounts for 2% of total cost and expenses for 2009 and 1% in 2008. Cost of contracts and services increased by 27% (₱95 million) to ₱450 million as a consequence of higher revenue from construction contracts of FBI.

Real Estate sold

Cost of real estate sold is determined on the basis of the acquisition cost of the land plus its full development costs, which include estimates of costs for future development work. Cost of real estate sold, which accounts for less than 1% of total cost and expenses, amounted to ₱44 million against ₱52 million last year, due to the drop in land sales.

Finance costs

Finance costs comprise principally of interest expense on debt facilities of the Parent (through the Special Purpose Vehicles) and Power Generation Group. Finance costs increased by 28% (₱816 million) to ₱3.8 billion, due to costs associated with the refinancing of First Gas Power Corp. (FGPC) in November 2008, and issuance of Unified Holdings Corp. (Unified) of ₱5.4 billion in corporate notes.

Finance Income

Finance income increased by 110% (₱285 million) to ₱543 million due to higher income from short-term cash investments as a result of higher cash balance.

Foreign exchange gain (loss)

Foreign exchange gain or loss arose primarily from the restatement of dollar-denominated transactions. Foreign exchange loss amounted to ₱76 million only, way below the previous year's ₱1.2 billion loss, due to lower volatility of the Philippine peso vis-à-vis the US Dollar.

Other income (net)

Other income represents management fees and others (like rent, dividends and miscellaneous income). Other income decreased significantly, by 98% (₱457 million) to ₱7 million, due to previous year's mark-to-market gain on derivative transactions.

Income before income tax

As a result of the foregoing, income before income tax improved by 80% (₱1.2 billion) to ₱2.8 billion from ₱1.5 billion during the same period last year.

Provisions for (Benefit from) Income Tax

The Group reported a provision for income tax of ₱1.0 billion for the period, lower by 22% (₱296 million) against last year. Of the total provision, ₱1.1 billion pertains to current provision for income tax, which

went up by 10% (₱98 million) owing to higher taxable income of the group – in spite of the lower corporate income tax rate of 30% this year. Deferred benefit from income tax amounted to ₱84 million, a reversal of the previous year's deferred provision for income tax (P310 million) pertaining to FGPC.

Income from discontinued operations

Following the deconsolidation of Prime Terracota and its subsidiaries, operating results of EDC from the period beginning January 1, 2009 up to April 30, 2009 were treated as income from discontinued operations. Income from EDC amounted to ₱2.1 billion for the period, vis-à-vis ₱2.6 billion in 2008 (covering the period January to June 2008). Moreover, income from discontinued operations last year includes income of ₱584 million from First Philippine Infrastructure Inc. (FPII) – which was sold in November 2008.

Net income

Net income for the first half was at ₱3.9 billion, better by 14% (₱480 million) against last year due to the combined effects of higher income posted by Meralco and lower foreign exchange loss and provision for income tax. These negated the higher finance costs and absence of income from FPII.

Net income attributable to Equity holders of the Parent

Net income attributable to the Parent Company amounted to ₱896 million, a reversal of the previous year's loss of ₱230 million, again due to the increase in net income posted by Meralco and lower foreign exchange losses.

Minority Interest

PFRS requires changes in the presentation of minority interests in the consolidated balance sheets and consolidated statements of income. Minority Interests is now presented as a footnote in the Statement of income and as part of Equity in the consolidated Balance Sheets.

Minority interest decreased by 18% (₱646 million) to ₱3.0 billion as a result of the deconsolidation of EDC and FGHPC.

Earnings per share for Net income attributable to Equity holders of the Parent

Basic earnings per share is at ₱1.201, better against the previous year's ₱0.552 loss per share due to the higher income.

Total Comprehensive Income for the Period

Total comprehensive income increased by 18% (₱457 million) to ₱3.0 billion due to the combined effects of the following: (1) net income increased by 14% to ₱3.9 billion; (2) net foreign exchange gains of ₱45 million arising from the translation into Philippine peso of subsidiaries (First Gen) using the US dollar as its functional currency, bringing down the negative cumulative translation adjustments to ₱923 million; and, (3) gain on available for sale financial assets of ₱18 million is down by ₱68 million (79%) versus ₱86 million, brought about by the sale of the financial assets.

JUNE 30, 2009 COMPARED TO JUNE 30, 2008

Financial Condition

As of June 30, 2009 FPHC Group's unaudited consolidated assets totaled ₱147.2 billion, lower by 39% (₱93.0 billion) against the previous year's level, mainly due to the deconsolidation of Prime Terracota and its subsidiaries, namely, Red Vulcan, EDC and FGHPC. As earlier mentioned, on May 12, 2009, Prime Terracota Holdings Corp. (Prime Terracota) approved the issuance of Class "B" preferred shares at par value to the Lopez Inc. Retirement Fund (LIRF) and Quialex Realty Corporation (QRC). Prime Terracota is the effective 60% voting/40% economic owner of Energy Development Corporation through its subsidiary Red Vulcan Holdings Corporation (Red Vulcan). Prior to its issuance of preferred shares to LIRF and QRC, Prime Terracota was a wholly-owned subsidiary of First Gen. With the issuance of the preferred shares, First Gen's voting interest in Prime Terracota is now reduced to 45%, with the balance taken up by LIRF (40%) and QRC (15%). This transaction triggered the deconsolidation of Prime Terracota, Red Vulcan, EDC and FGHPC in First Gen's consolidated financial statements as of June 30, 2009. Given this, the financials of Prime Terracota and its subsidiaries, namely: Red Vulcan, EDC and FG Hydro, were fully deconsolidated effective on the date when First Gen has lost its control. Thereafter, First Gen's investment in Prime Terracota shall be accounted for using the equity method in the consolidated financial statements of First Gen since it still retains significant influence over Prime Terracota through its 45% voting interest.

Cash and cash equivalents increased by 14%

Cash consists of cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value. The increase in cash and cash equivalents by 14%, or ₱2.2 billion, to ₱18.0 billion was due mainly from cash from operations, and proceeds from borrowings and sale of the tollways business.

Trade and other receivables – net decreased by 50%

This account consists of trade receivables, cost of estimated earnings in excess of billings on uncompleted contract of FBI and others. Trade receivables are non-interest bearing and are generally on 30 days' terms. Trade and other receivables decreased by 50%, or ₱7.5 billion, to ₱7.4 billion due to the deconsolidation of EDC and FGHPC - trade and other receivables of EDC amounted to ₱6.8 billion last year, while FGHPC's amounted to ₱123.6 million.

Long-term receivables, including current portion, decreased by 99%

This account consists of EDC's concession receivables arising from its service contract agreement with the Philippine government, receivables from Meralco for annual deficiency arising from FGPC and FGP's gas take-or-pay (TOP) receivables and others. Total long-term receivables (both current and non-current) amounted to ₱506 million, lower by 99%, or ₱35.7 billion, against the previous year's level (₱36.2 billion), again due to the deconsolidation of EDC. The ₱506 million balance pertain to receivables from Meralco on the gas TOP.

Inventories – decreased by 27%

Inventories decreased by 27%, or ₱1.5 billion, to ₱4.1 billion mainly due to spare parts and supplies inventory pertaining to EDC. This amounted to ₱1.7 billion last year.

Available for sale (AFS) financial assets decreased by 100%

This account consists of quoted and unquoted equity and proprietary membership share investments of EDC. The absence of AFS financial assets as of June 30, 2009 was again due to deconsolidation – last year's AFS financial assets of EDC amounted to ₱658 million.

Other current assets decreased by 23%

This account includes prepaid expenses and taxes, advances to contractors, royalty fees, share in current assets of joint venture and others. Other current assets decreased by 23%, or ₱982 million, to ₱3.3 billion due to the absence of other current assets of FPII (sold in November of 2008), other current assets of which amounted to ₱1.1 billion last year.

Noncurrent assets held for sale decreased by 100%

Noncurrent assets held for sale consist of the land and other properties owned by EDC in Fort Bonifacio that will be sold to PNOC. The total lot area of the land is 29,291 square meters with a carrying value of ₱1.7 billion as of June 30, 2008. This was presented as part of non-current assets held for sale since EDC's view is that the sale will be concluded in 2009 given the intent of PNOC. The absence of noncurrent assets held for sale was also due to the deconsolidation of EDC.

Investments at equity and deposits increased by 135%

With the reduction in the voting interest of First Gen in Prime Terracota, First Gen's investment in Prime Terracota is now accounted for using the equity method in the consolidated financial statements. This necessitates the adjustment in the investments at equity and deposits account taking into consideration accumulated equity, dividend income and others. The increase in investments at equity and deposits by 135% (₱38.5 billion) to ₱66.9 billion was mainly driven by the carrying value of First Gen's investment in Prime Terracota (EDC's Parent) amounting to $1.0 billion.

Property, plant and equipment – net decreased by 14%

Property, plant and equipment (net) decreased by 14%, or ₱5.2 billion, to ₱31.1 billion due to the deconsolidation of EDC (of which fixed assets amounted to ₱2.0 billion last year) as well as the deconsolidation of FGHPC (of which fixed assets amounted to ₱3.9 billion last year).

Goodwill decreased by 99%

Goodwill decreased by 99%, or ₱45.3 billion, to ₱304 million, due to the deconsolidation of EDC and FGHPC. Previous year's goodwill is attributable to three of First Gen's subsidiaries, namely, EDC, FGPC and FGHPC. With the deconsolidation of EDC and FGHPC, only that of FGPC's goodwill remains.

Intangible assets decreased by 99%

This account includes: water rights from the Pantabangan reservoir for the generation of electricity, construction cost (pipeline rights) of the natural gas pipeline facility connecting the natural gas supplier's refinery to FGP's power plant including incidental transfer costs incurred in connection with the transfer of ownership of the pipeline facility to the natural gas supplier, and intangible assets recognized under the Service Concession Agreements pertaining to EDC and FPII. Intangible assets decreased by 99%, or ₱30.4 billion, to ₱442 million due to disposal through the sale of FPII and deconsolidation of EDC and FGHPC.

Pension asset increased by 37%

Pension assets increased by 37%, or ₱128 million, to ₱476 million due to the contribution in excess of pension cost.

Deferred tax assets decreased by 99%

Deferred tax assets decreased by 99%, or ₱6.4 billion, to ₱63 million due to the deconsolidation of EDC.

Other noncurrent assets increased by 13%

Other noncurrent assets increased by 13%, or ₱1.4 billion, to ₱12.2 billion due to additional advances to BG Energy Holdings Ltd. (BG). This was reduced by, among others, the deconsolidation of EDC (other noncurrent assets last year amounted to ₱3.1 billion) and sale of FPII (of which other noncurrent assets last year amounted to ₱1.3 billion).

Loans payable decreased by 99%

Loans payable decreased by 99%, or ₱18.2 billion, to ₱246 million. The decrease was due to the full settlement of First Gen's Bridge Loan amounting to $410.1 million. The ₱246 million loans payable pertains to First Philec's short-term loans.

Trade payables and other current liabilities decreased by 9%

Trade payables and other current liabilities decreased by 9%, or ₱1.4 billion, to ₱13.7 billion. The decrease was due to the deconsolidation of EDC and sale of FPII. The other units, namely, First Philec and FBI, all reported higher trade payables resulting from the increase in their respective business activities.

Income tax payable decreased by 84%

Income tax payable decreased by 84%, or P1.1 billion, to ₱213 million due to the deconsolidation of EDC and sale of FPII (where previous year's income tax payable amounted to ₱622.4 million) and lower taxes payable pertaining to FGPC.

Obligations to Gas Seller, including current portion, decreased by 78%

Obligation to Gas Sellers totaled ₱451 million, lower by 78% or ₱1.6 billion compared to the previous year. The decrease was due to payments made in accordance with the Payment Deferral Agreement (PDA) between First Gen and the Gas Sellers.

Deferred payment facility with PSALM, including current portion, decreased by 100%

Deferred payment facility to PSALM was reduced to zero as a result of the deconsolidation of FGHPC. The amount stands for the obligation to Power Sector Assets and Liabilities Management Corporation (PSALM) under the Asset Purchase Agreement (APA) for the purchase of the 112 MW Pantabangan-Masiway Hydro Electric Power Plant payable in 14 semi-annual installments at 12% interest compounded annually.

Long-term debt, including current portion, decreased by 35%

Long-term debt, including current portion decreased by 35%, or ₱30.7 billion, to ₱58.1 billion, due to the deconsolidation of EDC, (resulting in reduction of EDC and Red Vulcan's loans totaling US$942.7 million last year), sale of FPII and principal payments on FPHC and FGP's loans. These were augmented by the fund raising activities during the intervening period: (1) net increase in FGPC's loans after its $544.0 million refinancing in November 2008; and, (2) Unified Holdings raised ₱5.6 billion in corporate notes in March 2009.

Royalty fee payable decreased by 100%

This account pertains to the royalty fees due to the Department of Energy (DOE) and Local Government Units under the service contracts entered into by EDC with DOE. Royalty fee payable was reduced to zero as a result of the deconsolidation of EDC.

Obligations to power plant contractors decreased by 100%

This account pertains to the balance of the obligations to the power plant contractors in connection with the construction of the geothermal power plants in some of EDC's geothermal service contract areas. Obligations to power plant contractors was, likewise, reduced to zero as a result of the deconsolidation of EDC.

Bonds payable increased by 10%

Bonds payable increased by 10%, or ₱1.7 billion, to ₱17.9 billion due to the increase in carrying amount of the $260 million, US Dollar denominated Convertible Bonds (CBs) of First Gen traded at the Singapore Stock Exchange Securities Trading Limited.

Derivative liabilities increased by 562%

The derivative liabilities of ₱1.4 billion pertains to the recognition of derivative liability in relation to the hedged portion of the loans availed in November 2008.

Deferred tax liabilities decreased by 81%

Deferred tax liabilities decreased by 81%, or ₱4.8 billion, to ₱1.1 billion due to the deconsolidation of EDC.

Retirement benefit liability decreased by 80%

Retirement benefit liability decreased by 80%, or ₱1.1 billion, to ₱268 million mainly due to the deconsolidation of EDC.

Total equity attributable to equity holders of the Parent decreased by 15%

Total equity attributable to equity holders of the Parent decreased by 15%, or ₱5.1 billion, to ₱27.7 billion. The following major items brought about the net increase in equity attributable to equity holders of the Parent:

(1) Unrealized fair value gains on available for sale investments of a subsidiary (EDC) decreased by 60% to ₱45 million. Likewise, share in unrealized fair value gains on available for sale investments of an associate (Meralco) decreased by 37% to ₱12 million. The decrease was due to the sale of AFS investments.

(2) Negative Cumulative translation adjustment (CTA) increased by 85%, or ₱6.1 billion, to ₱13.2 billion. Upon adoption of PAS 21, The Effects of Changes in Foreign Exchange Rates, the functional and presentation currency of the First Gen Group, First Sumiden Realty Inc., First Private Power Corp., and First Sumiden Circuits, Inc. was changed from Philippine peso to U.S. Dollar on a retroactive basis and prior year consolidated financial statements were restated. The capitalized foreign exchange differences arising from the U.S. Dollar-denominated obligations were eliminated in the translation process without negatively affecting the retained earnings. For the purposes of consolidating the accounts of First Gen to the First Holdings Group consolidated financial statements, the accounts of First Gen were translated to Philippine peso, which is the Parent Company's presentation currency. Any exchange differences from retranslation was taken

directly as cumulative translation adjustments. Share in cumulative translation adjustments of associates, went down by 104%, or ₱176 million, to a negative CTA of ₱7.0 million.

(3) In 2008, First Holdings Group changed its accounting for acquisition of minority interest from parent entity concept method to entity concept method to be aligned with the preferred method of accounting as provided for under PFRS 3 (R) and to be consistent with the accounting policy adopted by First Gen Group, its major operating subsidiary. Under this method, the difference between the fair value of the consideration and the net book value of the net assets acquired is presented as equity. The change was accounted for retrospectively and 2007 consolidated financial statements have been restated. The change resulted in the reversal of gain on dilution amounting to ₱2.7 billion recognized in the 2006 consolidated statement of income related to the dilution of First Holdings' interest in First Gen Group as a result of the latter's public offering of its common shares. This was recorded as an adjustment to Equity Reserve account in the consolidated Balance Sheet. The 34% decrease, or ₱893 million, to ₱1.8 billion was a result of First Gen's divestment of its 60% interest in FGHPC.

(4) Retained earnings increased by 8%, or ₱2.1 billion, to ₱30.4 billion due to the income earned during the intervening period.

Minority interest decreased by 55%

Minority interest decreased by 55%, or ₱26.8 billion, to ₱21.8 billion due to the deconsolidation of EDC, as well as from the sale of FPII in 2008.

PFRS requires changes in the presentation of minority interests in the consolidated balance sheets and consolidated statements of income. Minority interest is now presented as a footnote in the Statement of income and as part of Equity in the consolidated financial statements.

JUNE 30, 2009 COMPARED TO DECEMBER 31, 2008

Financial Condition

As of June 30, 2009 FPHC Group's unaudited consolidated assets totaled ₱147.2 billion. This is lower by 35% compared with the audited December 31, 2008 balance of ₱227.0 billion. As earlier mentioned, on May 12, 2009, Prime Terracota Holdings Corp. (Prime Terracota) approved the issuance of Class "B" preferred shares at par value to the Lopez Inc. Retirement Fund (LIRF) and Quialex Realty Corporation (QRC). Prime Terracota is the effective 60% voting/40% economic owner of Energy Development Corporation through its subsidiary Red Vulcan Holdings Corporation (Red Vulcan). Prior to its issuance of preferred shares to LIRF and QRC, Prime Terracota was a wholly-owned subsidiary of First Gen. With the issuance of the preferred shares, First Gen's voting interest in Prime Terracota is now reduced to 45%, with the balance taken up by LIRF (40%) and QRC (15%). This transaction triggered the deconsolidation of Prime Terracota, Red Vulcan, EDC and FGHPC in First Gen's consolidated financial statements as of June 30, 2009.

Short-term cash investments decreased by 100%

This account consists of short-term placements made for period of more than three months. The ₱1.9 billion short-term placements of FPHC in December were terminated.

Trade and other receivables – net decreased by 24%

This account consists of trade receivables, cost of estimated earnings in excess of billings on uncompleted contract of FBI and others. Trade receivables are non-interest bearing and are generally on 30 days' terms.

Trade and other receivables decreased by 24%, or ₱2.3 billion, to ₱7.4 billion mainly due to the deconsolidation of EDC. Trade and other receivables of EDC amounted to ₱5.4 billion in December 2008. The decrease was tempered by the increase in trade receivables of First Gen.

Long-term receivables, including current portion, decreased by 99%

This account consists of EDC's concession receivables arising from its service contract agreement with the Philippine government, receivables from Meralco for annual deficiency arising from FGPC and FGP's gas take-or-pay receivables and others. Total long-term receivables (both current and non-current) amounted to ₱506 million, lower by 99%, or ₱33.8 billion, against the year-end level (₱34.3 billion), again due to the deconsolidation of EDC. The ₱506 million balance pertain to receivables from Meralco on the Gas TOP.

Inventories – decreased by 28%

Inventories decreased by 28%, or ₱1.6 billion, to ₱4.1 billion due to mainly due to spare parts and supplies inventory pertaining to EDC.

Available for sale (AFS) financial assets decreased by 100%

This account consists of quoted and unquoted equity and proprietary membership share investments of EDC. The absence of AFS financial assets as of June 30, 2009 was again due to deconsolidation – year-end AFS financial assets of EDC amounted to ₱674 million.

Derivative assets and derivative liabilities decreased by 100% and 53%, respectively

The December 31 balance of derivative assets of ₱614 million and (current portion of) derivative liability of ₱54 million pertains to EDC's forward contracts to hedge a portion of Miyazawa I loan. The deconsolidation of EDC brought about the reduced balance.

The non-current portion of derivative liabilities, amounting to ₱1.4 billion, pertains to the recognition of derivative liability in relation to the hedged portion of the loans availed in November 2008.

Other current assets – decreased by 13%

Other current assets decreased by 13%, or ₱473 million, to ₱3.3 billion due to the deconsolidation of EDC. Prepayments made by FPH and FBI tempered the decrease.

Noncurrent assets held for sale decreased by 100%

Noncurrent assets held for sale consist of the land and other properties owned by EDC in Fort Bonifacio that will be sold to PNOC. The total lot area of the land is 29,291 square meters with a carrying value of ₱1.8 billion as of December 31, 2008. This was presented as part of non-current assets held for sale since EDC's view is that the sale will be concluded in 2009 given the intent of PNOC. The absence of noncurrent assets held for sale as of June 30, 2008 was due to the deconsolidation of EDC.

Investments at equity and deposits increased by 144%

With the reduction in the voting interest of First Gen in Prime Terracota, First Gen's investment in Prime Terracota is now accounted for using the equity method in the consolidated financial statements. This necessitates the adjustment in the investments at equity and deposits account taking into consideration accumulated equity, dividend income and others. The increase in investments at equity and deposits by 144% (₱39.5 billion) to ₱66.9 billion was mainly driven by the carrying value of First Gen's investment in Prime Terracota (EDC's Parent) amounting to $1.0 billion.

Property, plant and equipment decreased by 17%

Property, plant and equipment (net) decreased by 17%, or ₱6.5 billion, to ₱31.1 billion due to the deconsolidation of EDC (fixed assets amounted to ₱1.9 billion as of year-end) as well as the sell down to 40% of First Gen Hydro Power Corp. (fixed assets amounted to ₱4.1 billion as of year-end).

Goodwill decreased by 99%

Goodwill decreased by 99%, or ₱45.3 billion, to ₱304 million, due to the deconsolidation of EDC and FGHPC. Previous year's goodwill is attributable to three of First Gen's subsidiaries, namely, EDC, FGPC and FGHPC. With the deconsolidation of EDC and FGHPC, only that of FGPC's goodwill remains.

Intangible assets decreased by 97%

This account includes: water rights from the Pantabangan reservoir for the generation of electricity, construction cost (pipeline rights) of the natural gas pipeline facility connecting the natural gas supplier's refinery to FGP's power plant including incidental transfer costs incurred in connection with the transfer of ownership of the pipeline facility to the natural gas supplier, and intangible assets recognized under the Service Concession Agreements pertaining to EDC and FPII. Intangible assets decreased by 97%, or ₱15.7 billion, to ₱442 million due to disposal through the sale of FPII, and deconsolidation of EDC and FGHPC.

Pension assets decreased by 11%

Pension assets decreased by 11%, or ₱57 million, to ₱476 million due to the amortization of pension asset.

Deferred tax assets decreased by 99%

Deferred tax assets decreased by 99%, or ₱8.3 billion, to ₱63 million mainly due to the deconsolidation of EDC.

Loans payable decreased by 97%

Loans payable decreased by 97%, or ₱9.3 billion, to ₱246 million, due to the full settlement of First Gen's Bridge Loan. The ₱246 million loans payable pertains to First Philec's short-term loans.

Income tax payable increased by 36%

Income tax payable increased by 36%, or ₱56 million, to ₱213 million due to the increase in income tax payable for the calendar year.

Obligations to Gas Seller decreased by 74%

Obligation to Gas Sellers totaled ₱451 million, lower by 74% or ₱1.3 billion, compared to the year-end level. The decrease was due to payments made in accordance with the Payment Deferral Agreement (PDA) between First Gen and the Gas Sellers.

Deferred payment facility with PSALM, including current portion, decreased by 100%

Deferred payment facility to PSALM was reduced to zero as a result of the deconsolidation of FGHPC. The amount stands for the obligation to Power Sector Assets and Liabilities Management Corporation (PSALM) under the Asset Purchase Agreement (APA) for the purchase of the 112 MW Pantabangan-Masiway Hydro Electric Power Plant payable in 14 semi-annual installments at 12% interest compounded annually.

Long-term debt, including current portion, decreased by 40%

Long-term debt, including current portion decreased by 40%, or ₱38.8 billion, to ₱58.1 billion due to the deconsolidation of EDC, (resulting in reduction of EDC and Red Vulcan's loans totaling US$904.6 million last December). These were augmented by the ₱5.6 billion in corporate notes raised by Unified Holdings in March 2009.

Royalty fee payable decreased by 100%

This account pertains to the royalty fees due to the Department of Energy (DOE) and Local Government Units under the service contracts entered into by EDC with DOE. Royalty fee payable was reduced to zero as a result of the deconsolidation of EDC.

Obligations to power plant contractors decreased by 100%

This account pertains to the balance of the obligations to the power plant contractors in connection with the construction of the geothermal power plants in some of EDC's geothermal service contract areas. Obligations to power plant contractors was, likewise, reduced to zero as a result of the deconsolidation of EDC.

Deferred tax liabilities decreased by 82%

Deferred tax liabilities decreased by 82%, or ₱5.1 billion, to ₱1.1 billion due to unrealized foreign exchange gains on translation adjustments of the foreign currency denominated loans.

Retirement benefit liability decreased by 81%

Retirement benefit liability decreased by 81%, or ₱1.2 billion, to ₱268 million due to the deconsolidation of EDC.

Other noncurrent liabilities increased by 16%

Other noncurrent liabilities increased by 16%, or ₱599 million, to ₱4.4 billion due to the recognition of additional unearned revenues pertaining to payments of Meralco on the gas take-or-pay obligations.

Unrealized fair value gains on available for sale investments increased by 67%

Unrealized fair value gains on available for sale investments increased by 67%, or ₱18 million, to ₱45 million due to the movement in EDC's accumulated unrealized gain on AFS investments.

Negative Cumulative Translation adjustments increased by 8%

Negative Cumulative translation adjustment (CTA) increased by 8%, or ₱923 million, to ₱13.2 billion. Upon adoption of PAS 21, The Effects of Changes in Foreign Exchange Rates, the functional and presentation currency of the First Gen Group, First Sumiden Realty Inc., First Private Power Corp., and First Sumiden Circuits, Inc. was changed from Philippine peso to U.S. Dollar on a retroactive basis and prior year consolidated financial statements were restated. The capitalized foreign exchange differences arising from the U.S. Dollar-denominated obligations were eliminated in the translation process without negatively affecting the retained earnings. For the purposes of consolidating the accounts of First Gen to the First Holdings Group consolidated financial statements, the accounts of First Gen were translated to Philippine peso, which is the Parent Company's presentation currency. Any exchange differences from retranslation was taken directly as cumulative translation adjustments.

Minority interest decreased by 47%

Minority interest decreased by 47%, or ₱19.5 billion, to ₱21.8 billion due to the deconsolidation of EDC.

PFRS requires changes in the presentation of minority interests in the consolidated balance sheets and consolidated statements of income. Minority interest is now presented as a footnote in the Statement of income and as part of Equity in the consolidated financial statements.

Key Performance Indicators

The following are the key performance indicators for the Company:

	June 30	
	2009	2008
Financial ratios		
Return on average stockholders' equity (%)	**2.0%**	(0.5%)
Long-term debt (net) to total equity ratio	**1.07**	0.95
Long-term debt (net) to equity attributable to equity holders of the parent ratio	**1.57**	1.99
Current ratio	**1.83**	0.86
Earnings (Loss) Per Share (diluted)	**₱1.19**	(₱0.545)
Book value per share (common)	**₱70.78**	₱68.83

Return on average equity increased from -0.5% in 2008 to 2% this year as the Company's net income went up by ₱1.125 billion (490%). The net income for the period increased due to higher net income of Meralco and lower general and administrative expenses and foreign exchange losses. The Company posted a net loss of ₱230 million in the first half of 2008.

The ratio of Long-term debt (excluding current portion but including Bonds) to Total Equity slightly increased from 0.95 in 2008 to 1.07. Long-term debt (excluding current portion) decreased by ₱16.8 billion (19%) and Stockholders' Equity went down by ₱25.6 billion (27%) due to deconsolidation of EDC. Long-term debt (excluding current portion but including Bonds) to Equity Attributable to Equity Holders of the Parent decreased from 1.99 in 2008 to 1.57.

Current ratio went up from 0.86 in 2008 to 1.83 this year due to decrease in current liabilities by ₱36.6 billion (67%). Payment of loan decreased the current liabilities, specifically current portion of long term debt.

Earnings per common share (diluted) went up from -₱0.545 in 2008 to ₱1.19 as the Company's net earnings increased from ₱230 million loss last year to ₱896 million.

Book value per common share went up from ₱68.83 in 2008 to ₱70.78 this year. The increase was brought about by the earnings in 2009 which helped improved the net asset value of the Company.

	Formula
Return on Average Stockholders' Equity - reflects how much the firm has earned on the funds invested by the shareholders	$\frac{\text{Net Income}}{\text{Average SHE}}$
Long-term Debt to Equity Ratio - measures the company's financial leverage	$\frac{\text{Long-term Debt}}{\text{Stockholders' Equity}}$

Current Ratio -
indicator of company's ability to pay short-term obligations — Current Assets / Current Liabilities

Earnings Per Share -
the portion of company's profit allocated to each outstanding share of common stock — Net Income / No. of Shares Outstanding

Book Value Per Share -
measure used by owners of common shares in a firm to determine the level of safety associated with each individual share after all debts are paid — Stockholders' Equity / No. of Shares Outstanding

KEY PERFORMANCE INDICATORS:

FIRST GEN (Consolidated)

First Gen Consolidated	**2009**	2008
Current ratio	1.81	0.69
Return on assets	3.64%	2.32%
Long-term debt plus noncurrent liabilities / Equity ratio (times)	2.11	1.48
Debt ratio	70.78%	67.99%
Debt-to-equity ratio (times)	2.42	2.12

FIRST GEN (Parent Company)

	2009	2008
Current ratio	0.50:1	0.09:1
Long-term debt to equity ratio (times)	0.76	0.72
Debt ratio	48.46%	60.84%
Return on assets (%)	1.66%	0.84%
Revenue to total assets (%)	3.79%	4.29%

- Favorable variance in Current ratio was due mainly to the decrease in current liabilities because of the payment of bridge loans.
- Favorable variance in Debt ratio was due mainly to the decrease in liabilities due to payment of bridge loans.
- Favorable variance in Return on assets was due to increase in net income due to unrealized foreign exchange gain in 2009 as compared to unrealized foreign exchange losses recognized in 2008.

FIRST GAS POWER CORPORATION

FGPC (Santa Rita)	2009	2008
Current ratio	1.75	1.39
Return on assets	3.89%	4.82%
Long-term debt plus noncurrent liabilities / Equity ratio (times)	3.02	0.69
Debt ratio	78.98%	56.42%
Debt-to-equity ratio (percentage)	73:27	37:63

- Increase in Current ratio was brought about by lower current liabilities due primarily to lower current portion of long-term debt as a result of the refinancing project, lower payable to SPEX due to lower plant dispatch and gas prices, and the full payment of the gas take-or-pay obligations. These were partially offset by lower current assets as a result utilization of prepaid taxes and consumption of liquid fuel.

- Unfavorable variance in Return on assets ratio was due to higher total assets as compared to last year primarily due to the recognized advances to shareholders.

- Unfavorable variance in Long-term debt to Equity ratio was due to higher long-term debt as result of the refinancing project coupled with the recognition of a derivative liability arising from the mark-to-market valuation of the availed interest rate swap. The decrease in total equity was due mainly to lower income earned, higher cash dividend distribution and the corresponding cumulative translation adjustment arising from the recognized derivative liability, which further added to the unfavorable variance.

- Increase in Debt ratio was due mainly to the higher long-term debt, partially offset by higher total assets primarily due to the advances to shareholders as discussed above.

- Debt-to-Equity ratio has significantly dropped due mainly to the substantial increase in long-term debt and decrease in total equity as discussed above.

FGP CORP.

FGP (San Lorenzo)	2009	2008
Current ratio	1.47	1.59
Return on assets	5.79%	6.12%
Long-term debt plus noncurrent liabilities / Equity ratio (times)	0.97	1.07
Debt ratio	60.01%	61.18%
Debt-to-equity ratio (times)	1.50	1.58

- Unfavorable variance in Current ratio was mainly due on the following: [i] lower cash balance due to higher cash dividends payment and payment of liquid fuel purchased last April 2009; [ii] application of prepaid taxes against the 2008 and 2009 VAT payables.

- Unfavorable variance in Return on assets was primarily brought about by lower net income during the period offset by the decrease in total assets due to the following: [i] decrease in cash balance due to payment of cash dividends and purchased liquid fuel; [ii] decrease in the gas-take-or-pay receivables from Meralco due to the scheduled payments; [iii] decrease in Prepaid gas account as a result of the full recovery

of banked gas pertaining to CDIP gas during the latter part of 2008; [iv] depreciation and amortization of fixed assets and pipeline rights; and [v] application of prepaid taxes.

- Favorable variance in Long-term debt to Equity ratio was mainly due to the scheduled loan payments offset by the decrease in retained earnings resulting from lower net income earned due to the expiration of FGP's income tax holiday and higher cash dividend payment during the period.

- Favorable variance in Debt ratio was mainly due to decrease in loans brought about by scheduled loan payments. This was offset by the decrease in cash and prepaid gas, depreciation and amortization of fixed assets and pipeline rights and the prepaid taxes which were applied against various tax payments.

- Favorable variance in total Debt to Equity ratio was brought about by decrease in loans offset by the decrease in retained earnings resulting from lower net income earned and higher cash dividend payments during the period.

FG BUKIDNON

	As of and for the periods ended June 30	
(in PHP thousands)	**2009 (Unaudited)**	**2008 (Unaudited)**
Operating revenues	20,814	19,188
Operating income	10,033	8,889
Net income	7,425	5,724
Total Assets	138,102	125,314
Total Current Liabilities	7,224	8,650
Other Liabilities	7,235	6,207
Total Equity	123,643	110,457

FG Bukidnon's revenues, operating income and net income for the first half of 2009 increased compared to the same period of 2008 due to relatively higher plant dispatch, minimal plant outages and better level of water supply.

Total assets as of June 30, 2009 increased due to accumulation of cash from operations.

Total liabilities as of June 30, 2009 slightly decreased due to lower payables to suppliers, partially offset by accrual of asset retirement obligation and the set-up of retirement liability.

Total equity likewise increased mainly due to the net income earned during the period.

FG Bukidnon	**2009**	2008
Current ratio	6.00	2.99
Return on assets	5.38%	4.56%
Debt ratio	10.47%	11.86 %
Debt-to-equity ratio (times)	0.12	0.13

EDC (through Red Vulcan)

On October 5, 2007, First Gen incorporated Red Vulcan as a wholly-owned subsidiary. On November 22, 2007, Red Vulcan was declared the winning bidder for Philippine National Oil Company and EDC Retirement Fund's remaining interests in EDC, which consisted of 6.0 billion common shares and 7.5 billion preferred shares. Such common shares represent 40% economic interest in EDC while the combined common shares and preferred shares represent 60% of the voting rights in EDC. Red Vulcan paid the full purchase price of ₱58.5 billion on November 29, 2007 (Acquisition Date).

Following is the condensed parent company financial information of EDC:

	As of and for the periods ended June 30	
(In PHP millions)	**2009 (Unaudited)**	**2008 (Unaudited)**
Revenues	9,965.4	8,749.9
Foreign exchange gains (losses)	1,187.8	(3,715.3)
Income before income tax	3,913.0	3,410.8
Net income	2,459.1	2,314.8
Total current assets	11,728.5	14,472.1
Total noncurrent assets	54,090.0	50,257.7
Total current liabilities	19,727.8	12,832.5
Total noncurrent liabilities	14,584.2	19,614.0
Total equity	31,506.5	32,283.3

** EDC was acquired by First Gen, through Red Vulcan, in November 2007.*

EDC's parent company total assets as of June 30, 2009 of ₱65,818.5 million was 1.7% or ₱1,088.7 million higher than the June 30, 2008 level of ₱64,729.8 million.

EDC's parent company net income for the period increased by 6.2% to ₱2,459.1 million as compared to ₱2,314.8 million as of June 2008. Total revenues for the period ended June 30, 2009 was higher by ₱1,215.5 million in comparison to same period last year's ₱8,749.9 million primarily due to increased inflation indices for the steam and electricity by ₱0.1088/kWh and ₱0.2696/kWh, respectively and an increase in revenue from the drilling services rendered in Lihir, Papua New Guinea by ₱55.8 million.

During the period, there was an increase in operating expenses for the implementation of steam augmentation projects in various steam fields, maintenance of field facilities, work-over of geothermal wells and an increase in interest expense and financing charges mainly due to the availment of the IFC loan in January 2009 and other short-term loans. The net income for the period includes the effect of unrealized foreign exchange gains of ₱798.8 million from the translation to Philippine peso of the Japanese Yen and U.S. dollar-denominated loans using the June 30, 2009 closing rates as compared to same period last year's unrealized foreign exchange loss of ₱3,269.3 million.

EDC (Parent company only)	**2009**	2008*
Current ratio	0.59:1	1.13:1
Debt-to-Equity ratio	0.90:1	0.79:1
Net Debt-to-Equity ratio	0.81:1	0.74:1
Return on assets (%)	3.7	3.6
Return on equity (%)	7.9	6.9

** EDC was acquired by First Gen, through Red Vulcan, in November 2007.*

FG Hydro

June 2009 vs. June 2008 Results

	As of and for the periods ended June 30	
(in PHP thousands)	**2009 (Unaudited)**	**2008 (Unaudited)**
Operating revenues	747,126	927,139
Operating income	467,109	608,141
Net income	225,823	290,706
Total current assets	320,873	415,747
Total noncurrent assets	6,657,278	6,536,375
Total current liabilities	796,176	477,868
Other liabilities	2,245,818	2,566,348
Total equity	3,936,157	3,907,906

FG Hydro generated revenues of ₱747.1 million for the six-month period ended June 30, 2009, which was 19.4% lower than revenues of ₱927.1 million for the same period in 2008. The unfavorable variance was mainly on account of the combined effects of lower dispatch due to lower irrigation requirements and lower spot prices in the WESM driven by the lower demand levels during the period. Lower unrealized foreign exchange losses of ₱41.3 million for the six-month period ended June 30, 2009, compared with forex losses of ₱227.5 million for the same period in 2008, partly offset the unfavorable variance. Overall, FG Hydro posted a net income of ₱225.8 million for the first half of 2009 compared with ₱290.7 million reported income for the same period in 2008.

Total assets for the same period stood at ₱6,978.2 million, slightly higher than the 2008 level of ₱6,952.1 million. The favorable variance was mainly due to higher capital expenditures resulting from the on-going Pantabangan refurbishment and upgrade project, though partly offset by depreciation and amortization charges and lower cash balances during the period.

As of June 30, 2009, total liabilities stood at ₱3,042.0 million, slightly lower than the 2008 level of ₱3,044.2 million. The decrease in liabilities was mainly due to the continuous pay down of the PSALM liability partly offset by the ₱224.6 million rise in advances from parent company and the unfavorable effect of higher ₱/$ exchange rate in 2009 as compared to 2008 (i.e. from end of first half exchange rate of ₱44:9$1 in June 2008 to ₱48.13:$1 in June 2009.

Total equity as of June 30, 2009 of ₱3,936.2 million is slightly higher compared to June 2008 level of ₱3.907.9 million.

FG Hydro (Pantabangan-Masiway)	2009	2008
Current ratio	0.40:1	0.87:1
Return on assets	3.24%	4.18%
Long-term debt plus noncurrent liabilities / Equity ratio (times)	0.69	0.75
Debt ratio	43.59%	43.79%
Debt-to-equity ratio (times)	0.77	0.78

Key Performance Indicators	Details
Current Ratio	Calculated by dividing current assets over current liabilities. This ratio measures the company's ability to pay short term obligations.
Return on Assets	Calculated by dividing net income over total assets. This ratio measures how the company utilizes its resources to generate profits.
Long-term Debt Plus Noncurrent Liabilities / Equity Ratio (times)	Calculated by dividing long-term debt and noncurrent liabilities over total equity. This ratio measures the company's financial leverage.
Debt Ratio	Calculated by dividing total liabilities over total assets. This ratio measures the percentage of funds provided by the creditors to the projects.
Total Debt-to-Equity Ratio	Calculated by dividing total liabilities over total equity. This ratio measures the percentage of funds provided by the creditors.
Net Debt-to-Equity Ratio	Calculated by dividing the total interest-bearing debts less cash & cash equivalents over total equity. This measures the company’s financial leverage and stability. A negative net debt-to-equity ratio means that the total cash and cash equivalents exceeds interest-bearing liabilities.
Total Debt-to-Equity Ratio (percentage)	Calculated by dividing total long term-debt divided by total long term-debt plus total equity. This ratio measures the percentage of funds provided by the creditors.

Other Financial Information

(i) Any known trends, demands, commitments, events or uncertainties that will have a material impact on the issuer's liquidity.

Last July 9, 2009. The Board of Directors of First Philippine Holdings Corp. ("FPHC") declared and approved cash dividends on the ₱4.3 billion Series B Preferred Shares. Shareholders of record of Series B Preferred Shares as of July 24, 2009 were entitled to the cash dividends, which were to be payable on July 31, 2009. The gross cash dividends paid was ₱187,546,650 based on the annual rate of 8.7231%. The preferred cash dividend per share is ₱4.3615500.

Last July 14, 2009, First Philippine Utilities Corporation, a wholly-owned subsidiary of FPHC executed a Share Purchase Agreement ("SPA") with Pilipino Telephone Corporation covering the sale for Philippine Pesos Twenty Billion Seventy Million (₱20,070,000,000.00) of a total of Two Hundred Twenty Three Million (223,000,000) common shares or approximately Twenty Percent (20%) of the outstanding capital stock of MERALCO.

Last July 21, 2009, FPHC completed a pro rata early redemption payment to the Noteholders of its Floating Rate Corporate Notes due October 2012 for the Dollar Tranche Notes and October 2014 for the Peso Tranche Notes. FPHC paid down 50% of the debt or a total amount of about ₱6.9 billion to the relevant Noteholders.

Last August 13, 2009, FPHC made a deposit for future stock subscriptions in the total amount of ₱5.3 billion in the power generation subsidiary, First Gen Corporation.

(ii) Any events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.

The registrant's current financing arrangements include standard provisions relating to events of default. Any breach of the loan covenants or material adverse change may result in an event of default.

(iii) All material 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.

The company did not enter into any material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships with unconsolidated entities or other persons during the reporting period.

(iv) Any material commitments for capital expenditures, the general purpose of such commitments, and the expected sources of funds for such expenditures should be described.

There are no material commitments for capital expenditures except as otherwise disclosed or discussed herein.

(v) Any known trends, events or uncertainties that have had or that are reasonably expected to have a material impact on net sales or revenues or income from continuing operations.

There are no known trends, events or uncertainties that have had or that are reasonably expected to have a material impact on net sales or revenues or income from continuing operations except as otherwise disclosed or discussed herein.

(vi) Any significant elements of income or loss that did not arise from the registrant's continuing operations.

During the period, there are no significant elements of income or loss that did not arise from the registrants' continuing operations.

PART II--OTHER INFORMATION

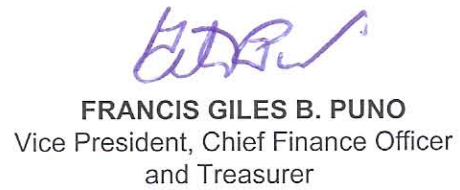
The Company has no other information that needs to be disclosed other than disclosures made under SEC Form 17-C or as discussed herein.

SIGNATURES

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

Issuer....... **FIRST PHILIPPINE HOLDINGS CORPORATION**

ELPIDIO L. IBANEZ
President and Chief Operating Officer



FRANCIS GILES B. PUNO
Vice President, Chief Finance Officer and Treasurer

Date: August 19, 2009

COVER SHEET

1 9 0 7 3

SEC Registration Number

F I R S T P H I L I P P I N E H O L D I N G S C O R P O R A T I O N A N D S U B S I D I A R I E S

(Company's Full Name)

6 t h F l o o r , B e n p r e s B u i l d i n g , E x c h a n g e R o a d c o r n e r M e r a l c o A v e n u e , P a s i g C i t y

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

Ms. Perla R. Catahan

(Contact Person)

631-80-24

(Company Telephone Number)

1 2 *Month* **3 1** *Day*

(Fiscal Year)

C F S - U N A U D I T E D

(Form Type)

May 4 t h M o n

Month *Day*

(Annual Meeting)

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

13,113

Total No. of Stockholders

Total Amount of Borrowings

₱21,927 million Domestic

₱54,271 million Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

S T A M P S

Remarks: Please use BLACK ink for scanning purposes.

First Philippine Holdings Corporation and Subsidiaries

Unaudited Consolidated Financial Statements
June 30, 2009 and 2008

FIRST PHILIPPINE HOLDINGS CORPORATION AND SUBSIDIARIES
UNAUDITED CONSOLIDATED BALANCE SHEETS

	June 30		Increase/(Decrease)	
	2009	2008 (As Restated - Note 2)	Amount	Percent (%)
	(In Millions)			
ASSETS				
Current Assets				
Cash and cash equivalents	**P18,017**	P15,782	P2,235	14%
Trade and other receivables - net	**7,410**	14,950	(7,540)	-50%
Current portion of long-term receivables	**506**	4,165	(3,659)	-88%
Inventories	**4,058**	5,522	(1,464)	-27%
Available-for-sale financial assets	**-**	658	(658)	-100%
Other current assets	**3,252**	4,234	(982)	-23%
	33,243	45,311	(12,068)	-27%
Noncurrent assets held for sale	**-**	1,673	(1,673)	-100%
Total Current Assets	**33,243**	46,984	(13,741)	-29%
Noncurrent Assets				
Long term receivables - net of current portion	**-**	32,073	(32,073)	-100%
Investments at equity and deposits	**66,927**	28,463	38,464	135%
Investment properties - net	**2,551**	2,515	36	1%
Property, plant and equipment - net	**31,051**	36,217	(5,166)	-14%
Goodwill	**304**	45,627	(45,323)	-99%
Intangible assets	**442**	30,807	(30,365)	-99%
Pension asset	**476**	348	128	37%
Deferred tax assets	**63**	6,432	(6,369)	-99%
Other noncurrent assets - net	**12,172**	10,772	1,400	13%
Total Noncurrent Assets	**113,986**	193,254	(79,268)	-41%
	P147,229	P240,238	(P93,009)	-39%

LIABILITIES AND EQUITY				
Current Liabilities				
Loans payable	**P246**	P18,453	(P18,207)	-99%
Trade payables and other current liabilities	**13,696**	15,073	(1,377)	-9%
Income tax payable	**213**	1,305	(1,092)	-84%
Current portion of:				
Obligation to Gas Sellers	**451**	1,654	(1,203)	-73%
Deferred payment facility with Power Sector Assets and Liabilities Management Corporation (PSALM)	**-**	360	(360)	-100%
Long-term debt	**3,597**	15,835	(12,238)	-77%
Royalty fee payable	**-**	1,878	(1,878)	-100%
Obligation to power contractors	**-**	217	(217)	-100%
Total Current Liabilities	**18,203**	54,775	(36,572)	-67%

(Forward)

	June 30		Increase/(Decrease)	
	2009	2008 (As Restated - Note 2)	Amount	Percent (%)
	(In Millions)			
Noncurrent Liabilities				
Bonds payable	**P17,861**	P16,166	P1,695	10%
Long-term debt - net of current portion	**54,494**	72,969	(18,475)	-25%
Derivative liabilities - net of current portion	**1,357**	205	1,152	562%
Deferred payment facility with PSALM - net of current portion	**-**	2,543	(2,543)	-100%
Obligation to gas sellers - net of current portion	**-**	421	(421)	-100%
Deferred tax liabilities	**1,147**	5,939	(4,792)	-81%
Retirement benefit liability	**268**	1,357	(1,089)	-80%
Other noncurrent liabilities	**4,414**	4,499	(85)	-2%
Total Noncurrent Liabilities	**79,541**	104,099	(24,558)	-24%
Equity Attributable to Equity Holders of the Parent				
Common stock	**5,904**	5,902	2	0%
Preferred stock	**6,300**	6,300	-	0%
Subscriptions receivable	**(4)**	(4)	-	0%
Parent company preferred shares held by a consolidated subsidiary	**(2,000)**	(2,000)	-	0%
Capital in excess of par value	**3,650**	3,628	22	1%
Unrealized fair value gains on available-for-sale investments	**45**	112	(67)	-60%
Share in unrealized fair value gains on available-for-sale investments of an associate	**12**	19	(7)	-37%
Cumulative translation adjustments	**(13,159)**	(7,098)	(6,061)	85%
Share in cumulative translation adjustments of associates	**(7)**	169	(176)	-104%
Equity reserve	**1,760**	2,653	(893)	-34%
Excess of acquisition cost over carrying value of minority intere	**(5,234)**	(5,234)	-	0%
Retained earnings	**30,388**	28,260	2,128	8%
Total Equity Attributable to Equity Holders of the Parent	**27,655**	32,707	(5,052)	-15%
Minority Interests	**21,830**	48,657	(26,827)	-55%
Total Equity	**49,485**	81,364	(31,879)	-39%
	P147,229	P240,238	(P93,009)	-39%

FIRST PHILIPPINE HOLDINGS CORPORATION AND SUBSIDIARIES
UNAUDITED CONSOLIDATED BALANCE SHEETS

	(Interim) June 30 2009	(Audited) December 31 2008	Increase/(Decrease) Amount	Percent (%)
	(In Millions)			
ASSETS				
Current Assets				
Cash and cash equivalents	**P18,017**	P17,949	P68	0%
Short-term investments	**-**	1,850	(1,850)	-100%
Trade and other receivables - net	**7,410**	9,709	(2,299)	-24%
Current portion of long-term receivables	**506**	4,060	(3,554)	-88%
Inventories	**4,058**	5,651	(1,593)	-28%
Available-for-sale financial assets	**-**	674	(674)	-100%
Derivative asset	**-**	614	(614)	-100%
Other current assets	**3,252**	3,725	(473)	-13%
	33,243	44,232	(10,989)	-25%
Noncurrent assets held for sale	**-**	1,809	(1,809)	-100%
Total Current Assets	**33,243**	46,041	(12,798)	-28%
Noncurrent Assets				
Long term receivables - net of current portion	**-**	30,203	(30,203)	-100%
Investments at equity and deposits	**66,927**	27,394	39,533	144%
Investment properties - net	**2,551**	2,588	(37)	-1%
Property, plant and equipment - net	**31,051**	37,526	(6,475)	-17%
Goodwill	**304**	45,621	(45,317)	-99%
Intangible assets	**442**	16,100	(15,658)	-97%
Pension asset	**476**	533	(57)	-11%
Deferred tax assets	**63**	8,374	(8,311)	-99%
Other noncurrent assets - net	**12,172**	12,627	(455)	-4%
Total Noncurrent Assets	**113,986**	180,966	(66,980)	-37%
	P147,229	P227,007	(P79,778)	-35%
LIABILITIES AND EQUITY				
Current Liabilities				
Loans payable	**P246**	P9,572	(P9,326)	-97%
Trade payables and other current liabilities	**13,696**	13,196	500	4%
Income tax payable	**213**	157	56	36%
Current portion of:				
Obligation to Gas Sellers	**451**	1,744	(1,293)	-74%
Deferred payment facility with Power Sector Assets and Liabilities Management Corporation (PSALM)	**-**	455	(455)	-100%
Long-term debt	**3,597**	26,464	(22,867)	-86%
Royalty fee payable	**-**	1,688	(1,688)	-100%
Obligation to power contractors	**-**	112	(112)	-100%
Derivative liabilities	**-**	54	(54)	-100%
Total Current Liabilities	**18,203**	53,442	(35,239)	-66%

(Forward)

	(Interim) **June 30**	(Audited) December 31	Increase/(Decrease)	
	2009	2008	Amount	Percent (%)
	(In Millions)			
Noncurrent Liabilities				
Bonds payable	**P17,861**	P17,249	P612	4%
Long-term debt - net of current portion	**54,494**	70,402	(15,908)	-23%
Derivative liabilities - net of current portion	**1,357**	2,845	(1,488)	-52%
Deferred payment facility with PSALM - net of current portion	**-**	2,457	(2,457)	-100%
Deferred tax liabilities	**1,147**	6,205	(5,058)	-82%
Retirement benefit liability	**268**	1,445	(1,177)	-81%
Other noncurrent liabilities	**4,414**	3,815	599	16%
Total Noncurrent Liabilities	**79,541**	104,418	(24,877)	-24%
Equity Attributable to Equity Holders of the Parent				
Common stock	**5,904**	5,903	1	0%
Preferred stock	**6,300**	6,300	-	0%
Subscriptions receivable	**(4)**	(4)	-	0%
Parent company preferred shares held by a consolidated subsidiary	**(2,000)**	(2,000)	-	0%
Capital in excess of par value	**3,650**	3,650	-	0%
Unrealized fair value gains on available-for-sale investments	**45**	27	18	67%
Share in unrealized fair value gains on available-for-sale investments of an associate	**12**	12	-	0%
Cumulative translation adjustments	**(13,159)**	(12,236)	(923)	8%
Share in cumulative translation adjustments of associates	**(7)**	(7)	-	0%
Equity reserve	**1,760**	1,760	-	0%
Excess of acquisition cost over carrying value of minority intere	**(5,234)**	(5,234)	-	0%
Retained earnings	**30,388**	29,680	708	2%
Total Equity Attributable to Equity Holders of the Parent	**27,655**	27,851	(196)	-1%
Minority Interests	**21,830**	41,296	(19,466)	-47%
Total Equity	**49,485**	69,147	(19,662)	-28%
	P147,229	P227,007	(P79,778)	-35%

FIRST PHILIPPINE HOLDINGS CORPORATION AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF INCOME

	Period Ended June 30		Increase/(Decrease)	
	2009	2008 (As Restated - Note 2)	Amount	Percent (%)
	(In Millions, Except Per Share Data)			
REVENUE				
Sale of electricity	**P24,733**	P25,574	(P841)	-3%
Contracts and services	**775**	678	97	14%
Share in revenue of joint venture	**1,148**	723	425	59%
Equity in net earnings of associates	**1,354**	1,066	288	27%
Sale of merchandise	**1,930**	904	1,026	113%
Sales of real estate	**86**	114	(28)	-25%
	30,026	29,059	967	3%
COSTS AND EXPENSES				
Operations and maintenance	**18,906**	20,248	(1,342)	-7%
Contracts and services	**450**	355	95	27%
Share in cost of joint venture	**1,000**	657	343	52%
Merchandise sold	**1,749**	758	991	131%
Real estate sold	**44**	52	(8)	-15%
General and administrative expenses	**1,816**	1,993	(177)	-9%
	23,965	24,063	(98)	0%
	6,061	4,996	1,065	21%
FINANCE COSTS	**(3,774)**	(2,958)	816	28%
FINANCE INCOME	**543**	258	285	110%
FOREIGN EXCHANGE GAIN (LOSS)	**(76)**	(1,227)	1,151	94%
OTHER INCOME	**7**	464	(457)	-98%
INCOME BEFORE INCOME TAX	**2,761**	1,533	1,228	80%
PROVISION FOR (BENEFIT FROM) INCOME TAX				
Current	**1,109**	1,011	98	10%
Deferred	**(84)**	310	(394)	127%
	1,025	1,321	(296)	-22%
NET INCOME FROM CONTINUING OPERATIONS	**1,736**	212	1,524	719%
NET INCOME FROM DISCONTINUED OPERATIONS	**2,125**	3,169	(1,044)	-33%
NET INCOME	**P3,861**	P3,381	P480	14%
Attributable To				
Equity holders of the Parent	**P896**	(P230)	P1,126	-490%
Minority interests	**2,965**	3,611	(646)	-18%
	P3,861	P3,381	P480	14%
Earnings Per Share for Net Income Attributable to the Equity Holders of the Parent				
Basic	**P1.201**	(P0.552)	P1.753	-318%
Diluted	**P1.190**	(P0.545)	P1.735	-318%
Earnings Per Share from Continuing Operations				
Basic	**P0.109**	(P2.399)	P2.508	-105%
Diluted	**P0.108**	(P2.370)	P2.478	-105%
Earnings Per Share from Discontinued Operations				
Basic	**P1.091**	P1.846	(P0.755)	-41%
Diluted	**P1.082**	P1.825	(P0.743)	-41%

FIRST PHILIPPINE HOLDINGS CORPORATION AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Period Ended June 30		Increase/(Decrease)	
	2009	2008 (As Restated - Note 2)	Amount	Percent (%)
	(In Millions, Except Per Share Data)			
NET INCOME	**P3,861**	P3,381	P480	14%
OTHER COMPREHENSIVE INCOME				
Exchange differences on foreign currency translation	**(923)**	(968)	45	-5%
Available-for-sale financial assets	**18**	86	(68)	-79%
	(905)	(882)	(23)	3%
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**P2,956**	P2,499	P457	18%

FIRST PHILIPPINE HOLDINGS CORPORATION AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF INCOME

	Three Months Ended June 30		Increase/(Decrease)	
	2009	2008 (As Restated - Note 2)	Amount	Percent (%)
	(In Millions, Except Per Share Data)			
REVENUE				
Sale of electricity	**P11,439**	P13,352	(P1,913)	-14%
Contracts and services	**434**	364	70	19%
Share in revenue of joint venture	**659**	415	244	59%
Equity in net earnings of associates	**979**	716	263	37%
Sale of merchandise	**891**	457	434	95%
Sales of real estate	**86**	114	(28)	-25%
	14,488	15,418	(930)	-6%
COSTS AND EXPENSES				
Operations and maintenance	**8,527**	10,664	(2,137)	-20%
Contracts and services	**267**	185	82	44%
Share in cost of joint venture	**556**	364	192	53%
Merchandise sold	**805**	391	414	106%
Real estate sold	**44**	52	(8)	-15%
General and administrative expenses	**956**	1,220	(264)	-22%
	11,155	12,876	(1,721)	-13%
	3,333	2,542	791	31%
FINANCE COSTS	**(1,876)**	(1,566)	310	20%
FINANCE INCOME	**270**	118	152	129%
FOREIGN EXCHANGE GAIN (LOSS)	**(6)**	(996)	990	99%
OTHER INCOME	**13**	323	(310)	-96%
INCOME BEFORE INCOME TAX	**1,734**	421	1,313	312%
PROVISION FOR (BENEFIT FROM) INCOME TAX				
Current	**642**	527	115	22%
Deferred	**(287)**	293	(580)	198%
	355	820	(465)	-57%
NET INCOME FROM CONTINUING OPERATIONS	**1,379**	(399)	1,778	-446%
NET INCOME FROM DISCONTINUED OPERATIONS	**246**	1,554	(1,308)	-84%
NET INCOME	**P1,625**	P1,155	P470	41%
Attributable To				
Equity holders of the Parent	**P718**	(P495)	P1,213	-245%
Minority interests	**907**	1,650	(743)	-45%
	P1,625	P1,155	P470	41%

FIRST PHILIPPINE HOLDINGS CORPORATION AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three Months Ended June 30		Increase/(Decrease)	
	2009	2008 (As Restated - Note 2)	Amount	Percent (%)
	(In Millions, Except Per Share Data)			
NET INCOME	**P1,625**	P1,155	P470	41%
OTHER COMPREHENSIVE INCOME				
Exchange differences on foreign currency translation	**(974)**	(1,360)	386	-28%
Available-for-sale financial assets	**18**	(42)	60	-143%
	(956)	(1,402)	446	-32%
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**P669**	(P247)	P916	-371%

FIRST PHILIPPINE HOLDINGS CORPORATION AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to Equity Holders of the Parent															Minority Interest	Total Equity
	Common Stock Issued	Common Stock Subscribed	Subscription Receivable Common Stock	Preferred Stock	Subscription Receivable Preferred Stock	Parent Company Preferred Shares Held by a Consolidated Subsidiary	Capital in Excess of Par Value	Unrealized Fair Value Gains on Available-for-Sale Investments	Share in Unrealized Fair Value Gains on Available-for-Sale Investments of an Associate	Cumulative Translation Adjustment	Share in Cumulative Translation Adjustment of Associates	Equity Reserve	Excess of Acquisition Cost Over Carrying Value of Minority Interest	Retained Earnings	Total		
							(In Millions)										
(Interim)																	
Balance at January 1, 2009	P5,898	P5	(P4)	P6,300	P0	(P2,000)	P3,650	P27	P12	(P12,236)	(P7)	P1,760	(P5,234)	P29,680	P27,851	P41,296	P69,147
Net gains on cash flow hedge	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Foreign currency translation adjustments	-	-	-	-	-	-	-	-	-	(643)	-	-	-	-	(643)	(506)	(1,149)
Fair value gains on available-for-sale investments	-	-	-	-	-	-	-	18	-	-	-	-	-	-	18	9	27
Total income and expense for the year recognized directly in equity	-	-	-	-	-	-	-	18	-	(643)	-	-	-	-	(625)	(497)	(1,122)
Net income	-	-	-	-	-	-	-	-	-	-	-	-	-	896	896	2,965	3,861
Total recognized income and expense for the year	-	-	-	-	-	-	-	18	-	(643)	-	-	-	896	271	2,468	2,739
Issuances	1	(1)	-	-	-		-	-	-	-	-	-	-	-	-	-	-
Subscriptions and related premium	-	1	-	-	-	-	-	-	-	-	-	-	-	-	1	-	1
Share-based payments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4	4
Acquisitions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Impact of discontinued operations	-	-	-	-	-	-	-	-	-	(280)	-	-	-	-	(280)	(20,815)	(21,095)
Cash dividends - Preferred - ₱4.36155 a share	-	-	-	-	-	-	-	-	-	-	-	-	-	(188)	(188)	(1,123)	(1,311)
	1	-	-	-	-	-	-	-	-	(280)	-	-	-	(188)	(467)	(21,934)	(22,401)
Balance at June 30, 2009	P5,899	P5	(P4)	P6,300	P0	(P2,000)	P3,650	P45	P12	(P13,159)	(P7)	P1,760	(P5,234)	P30,388	P27,655	P21,830	P49,485
(Interim)																	
Balance at January 1, 2008	P5,889	P5	(P4)	P5,000	(P3,000)	(P2,000)	P3,627	P26	P19	(P7,470)	P130	P0	P0	P31,237	P33,459	P53,235	P86,694
Effect of change in accounting policy for acquisition of minority interest	-	-	-	-	-	-	-	-	-	-	-	2,653		(2,653)	-	-	-
Effect of purchase price allocation through business combination	-	-	-	-	-	-	-	-	-	1,379	-	-	-	-	1,379	1,086	2,465
As restated	5,889	5	(4)	5,000	(3,000)	(2,000)	3,627	26	19	(6,091)	130	2,653	-	28,584	34,838	54,321	89,159
Net gains on cash flow hedge	-	-	-	-	-	-	-	-	-	-	39	-	-	-	39	-	39
Foreign currency translation adjustments	-	-	-	-	-	-	-	-	-	(1,007)	-	-	-	-	(1,007)	454	(553)
Fair value gains on available-for-sale investments	-	-	-	-	-	-	-	86	-	-	-	-	-	-	86	44	130
Total income and expense for the year recognized directly in equity	-	-	-	-	-	-	-	86	-	(1,007)	39	-	-	-	(882)	498	(384)
Net income	-	-	-	-	-	-	-	-	-	-	-	-	-	(230)	(230)	3,611	3,381
Total recognized income and expense for the year	-	-	-	-	-	-	-	86	-	(1,007)	39	-	-	(230)	(1,112)	4,109	2,997
Issuances	8	(8)	-	4,300	-	-	-	-	-	-	-	-	-	-	4,300	-	4,300
Redemption of shares	-	-	-	(3,000)	3,000	-	-	-	-	-	-	-	-	-	-	-	-
Subscriptions and related premium	-	8	-	-	-	-	1	-	-	-	-	-	-	-	9	-	9
Share-based payments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash dividends - Preferred - ₱2.23 a share	-	-	-	-	-	-	-	-	-	-	-	-	-	(94)	(94)	(3,795)	(3,889)
Acquisition of minority interest	-	-	-	-	-	-	-	-	-	-	-	-	(5,234)	-	(5,234)	(5,978)	(11,212)
	8	-	-	1,300	3,000	-	1	-	-	-	-	-	(5,234)	(94)	(1,019)	(9,773)	(10,792)
Balance at June 30, 2008	P5,897	P5	(P4)	P6,300	P0	(P2,000)	P3,628	P112	P19	(P7,098)	P169	P2,653	(P5,234)	P28,260	P32,707	P48,657	P81,364

FIRST PHILIPPINE HOLDINGS CORPORATION AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to Equity Holders of the Parent															Minority Interest	Total Equity
	Common Stock		Subscription Receivable Common Stock	Preferred Stock	Subscription Receivable Preferred Stock	Parent Company Preferred Shares Held by a Consolidated Subsidiary	Capital in Excess of Par Value	Unrealized Fair Value Gains on Available-for-Sale Investments	Share in Unrealized Fair Value Gains on Available-for-Sale Investments of an Associate	Cumulative Translation Adjustment	Share in Cumulative Translation Adjustment of Associates	Equity Reserve	Excess of Acquisition Cost Over Carrying Value of Minority Interest	Retained Earnings	Total		
	Issued	Subscribed															
								(In Millions)									
(Interim)																	
Balance at January 1, 2009	P5,898	P5	(P4)	P6,300	P0	(P2,000)	P3,650	P27	P12	(P12,236)	(P7)	P1,760	(P5,234)	P29,680	P27,851	P41,296	P69,147
Net gains on cash flow hedge	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Foreign currency translation adjustments	-	-	-	-	-	-	-	-	-	(643)	-	-	-	-	(643)	(506)	(1,149)
Fair value gains on available-for-sale investments	-	-	-	-	-	-	-	18	-	-	-	-	-	-	18	9	27
Total income and expense for the year recognized directly in equity	-	-	-	-	-	-	-	18	-	(643)	-	-	-	-	(625)	(497)	(1,122)
Net income	-	-	-	-	-	-	-	-	-	-	-	-	-	896	896	2,965	3,861
Total recognized income and expense for the year	-	-	-	-	-	-	-	18	-	(643)	-	-	-	896	271	2,468	2,739
Issuances	1	(1)	-	-	-		-	-	-	-	-	-	-	-	-	-	-
Subscriptions and related premium	-	1	-	-	-	-	-	-	-	-	-	-	-	-	1	-	1
Share-based payments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4	4
Acquisitions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Impact of discontinued operations	-	-	-	-	-	-	-	-	-	(280)	-	-	-	-	(280)	(20,815)	(21,095)
Cash dividends - Preferred - ₱4.36155 a share	-	-	-	-	-	-	-	-	-	-	-	-	-	(188)	(188)	(1,123)	(1,311)
	1	-	-	-	-	-	-	-	-	(280)	-	-	-	(188)	(467)	(21,934)	(22,401)
Balance at June 30, 2009	P5,899	P5	(P4)	P6,300	P0	(P2,000)	P3,650	P45	P12	(P13,159)	(P7)	P1,760	(P5,234)	P30,388	P27,655	P21,830	P49,485
(Audited)																	
Balance at January 1, 2008	P5,889	P5	(P4)	P5,000	(P3,000)	(P2,000)	P3,627	P26	P19	(P7,470)	P130	P0	P0	P31,237	P33,459	P53,235	P86,694
Effect of change in accounting policy for acquisition of minority interest	-	-	-	-	-	-	-	-	-	-	-	2,653		(2,653)	-	-	-
Effect of purchase price allocation through business combination	-	-	-	-	-	-	-	-	-	1,379	-	-	-	-	1,379	1,086	2,465
As restated	5,889	5	(4)	5,000	(3,000)	(2,000)	3,627	26	19	(6,091)	130	2,653	-	28,584	34,838	54,321	89,159
Net gains on cash flow hedge	-	-	-	-	-	-	-	-	-	-	(137)	-	-	-	(137)	-	(137)
Foreign currency translation adjustments	-	-	-	-	-	-	-	-	-	(6,145)	-	-	-	-	(6,145)	(2,124)	(8,269)
Impact of sale of First Gen Hydro Corporation to EDC	-	-	-	-	-	-	-	-	-	-	-	(893)	-	-	(893)	(456)	(1,349)
Fair value gains on available-for-sale investments	-	-	-	-	-	-	-	1	(7)	-	-	-	-	-	(6)	4	(2)
Total income and expense for the year recognized directly in equity	-	-	-	-	-	-	-	1	(7)	(6,145)	(137)	(893)	-	-	(7,181)	(2,576)	(9,757)
Net income	-	-	-	-	-	-	-	-	-	-	-	-	-	1,192	1,192	4,263	5,455
Total recognized income and expense for the year	-	-	-	-	-	-	-	1	(7)	(6,145)	(137)	(893)	-	1,192	(5,989)	1,687	(4,302)
Issuances	9	(9)	-	4,300	-	-	-	-	-	-	-	-	-	-	4,300	2	4,302
Redemption of shares	-	-	-	(3,000)	3,000	-	-	-	-	-	-	-	-	-	-	(55)	(55)
Subscriptions and related premium	-	9	-	-	-	-	1	-	-	-	-	-	-	-	10	-	10
Share-based payments	-	-	-	-	-	-	22	-	-	-	-	-	-	-	22	-	22
Cash dividends - Preferred - ₱2.23 a share	-	-	-	-	-	-	-	-	-	-	-	-	-	(96)	(96)	(5,902)	(5,998)
Acquisition of minority interest	-	-	-	-	-	-	-	-	-	-	-	-	(5,234)	-	(5,234)	(5,978)	(11,212)
Minority interest of disposed subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(6,820)	(6,820)
Minority interest arising from sale of interest in subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,041	4,041
	9	-	-	1,300	3,000	-	23	-	-	-	-	-	(5,234)	(96)	(998)	(14,712)	(15,710)
Balance at December 31, 2008	P5,898	P5	(P4)	P6,300	P0	(P2,000)	P3,650	P27	P12	(P12,236)	(P7)	P1,760	(P5,234)	P29,680	P27,851	P41,296	P69,147

FIRST PHILIPPINE HOLDINGS CORPORATION AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Period Ended June 30	
	2009	2008 (As Restated - Note 2)
	(In Millions)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax from continuing operations	**P2,761**	P1,533
Income before income tax from discontinued operations	**3,151**	4,540
Adjustments for:		
Finance costs	**3,774**	2,958
Depreciation and amortization	**1,504**	1,782
Equity in net earnings of associates	**(1,354)**	(1,066)
Finance income	**(543)**	(258)
Net unrealized foreign exchange loss (gain)	**76**	1,277
Operating income before working capital changes	**9,369**	10,766
Decrease (increase) in:		
Trade and other receivable	**(2,855)**	(1,038)
Inventories	**492**	(89)
Long-term receivables	**2,118**	703
Other current assets	**165**	17
Increase (decrease) in trade payable and other current liabilities	**5,148**	(2,369)
Interest paid	**(2,637)**	(2,799)
Interest received	**581**	411
Income tax paid	**(813)**	(1,826)
Net cash provided by operating activities	**11,568**	3,776
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to:		
Property, plant and equipment and investment property	**(93)**	(1,118)
Decrease (increase) in:		
Short-term investments	**1,850**	-
Available-for-sale investments	**(57)**	520
Other noncurrent assets	**472**	(1,739)
Investments and deposits	**(555)**	(1,609)
Dividends received from associates	**632**	510
Net cash provided (used in) investing activities	**2,249**	(3,436)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of borrowings from banks and other financial institutions	**(6,849)**	(9,580)
Proceeds from:		
Borrowings from banks and other financial institutions	**5,157**	10,222
Additional subscriptions to and issuances of shares of capital stock	**1**	4,309
Payment of cash dividends	**(188)**	(96)
Payment of obligation to Gas Sellers	**(1,266)**	(672)
Payment of dividends to minority shareholders of subsidiaries	**(1,123)**	(3,795)
Increase(decrease) in:		
Royalty payable	**(79)**	35
Obligation to power plant contractors	**(77)**	(138)
Other noncurrent liabilities	**(1,424)**	627
Net cash provided by financing activities	**(5,848)**	912

(Forward)

	Period Ended June 30	
	2009	2008 (As Restated - Note 2)
	(In Millions)	
CASH BALANCE FROM DISCONTINUED OPERATIONS	**(P7,933)**	P0
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**32**	(293)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**68**	959
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**17,949**	14,823
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**P18,017**	P15,782

1. Corporate Information

First Philippine Holdings Corporation (the Parent Company or FPHC) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on June 30, 1961. Under its amended articles of incorporation, its principal activities consist of investments in real and personal properties including, but not limited to, shares of stocks, notes, securities and entities in the power generation, real estate development, roads and tollways operations, manufacturing and construction, financing and other service industries. FPHC and its subsidiaries are collectively referred to as the "First Holdings Group" or the "Company". Except for (a) FGHC International Limited (FGHC International), (b) FPH Fund Corporation (FPH Fund) and (c) FPH Ventures Corporation (FPH Ventures), all other subsidiaries are incorporated in the Philippines.

FGHC International, FPH Fund and FPH Ventures are registered in the Cayman Islands.

FPHC is 43.07%-owned by Benpres Holdings Corporation (Benpres), also a publicly-listed, Philippine-based entity, majority of which is owned by the Lopez family. The remaining shares are held by various unrelated shareholder groups and individuals.

The common shares of FPHC were listed beginning May 3, 1963 and have since been traded in the Philippine Stock Exchange (PSE).

The registered office address of FPHC is 6th Floor, Benpres Building, Exchange Road, corner Meralco Avenue, Pasig City.

2. Summary of Significant Accounting Policies

Basis of Preparation
The accompanying consolidated financial statements have been prepared on a historical cost convention, except for revaluation of derivative financial instruments, financial assets at fair value through profit or loss (FVPL) and available-for-sale (AFS) financial assets which have been measured at fair value.

The consolidated financial statements are presented in Philippine peso, FPHC's functional and presentation currency. All values are rounded to the nearest million peso, except when otherwise indicated.

Statement of Compliance
The accompanying consolidated financial statements are prepared in compliance with Philippine Financial Reporting Standards (PFRS) as issued by the Financial Reporting Standards Council and adopted by the Philippine SEC.

References to PFRS standards include the application of Philippine Accounting Standards (PAS), Philippine Financial Reporting Standards (PFRS), and Philippine Interpretations of the International Financial Reporting Interpretations Committee (IFRIC).

Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following Philippine Interpretations during the year when these become effective and as these are applicable. Except as otherwise indicated, the Company does not expect the adoption of these new and amended standards and interpretations to have significant impact on its consolidated financial statements.

- PFRS 1, “First-time Adoption of Philippine Financial Reporting Standards - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate”

  The amended PFRS 1 allows an entity, in its separate financial statements, to determine the cost of investments in subsidiaries, jointly controlled entities or associates (in its opening PFRS financial statements) as one of the following amounts: a) cost determined in accordance with PAS 27 “Consolidated and Separate Financial Statements”; b) at the fair value of the investment at the date of transition to PFRS, determined in accordance with PAS 39; or c) previous carrying amount (as determined under generally accepted accounting principles) of the investment at the date of transition to PFRS.

- PFRS 2, “Share-based Payment - Vesting Condition and Cancellations”

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

- PFRS 8, “Operating Segments”

  PFRS 8 will replace PAS 14, “Segment Reporting,” and adopts a full management approach to identifying, measuring and disclosing the results of an entity’s operating segments. The information reported would be that which management uses internally for evaluating the performance of operating segments and allocating resources to those segments. Such information may be different from that reported in the consolidated balance sheet and consolidated statement of income and the Company will provide explanations and reconciliations of the differences.

- Amendments to PAS 1, “Presentation of Financial Statements”

  These amendments introduce a new statement of comprehensive income that combines all items of income and expenses recognized in the profit or loss together with “other comprehensive income.” Entities may choose to present all items in one statement, or to present two linked statements, a separate statement of income and a statement of comprehensive income. These amendments also prescribe additional requirements in the presentation of the consolidated balance sheet and equity as well as additional disclosures to be included in the consolidated financial statements.

- PAS 23, “Borrowing Costs”

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

- Amendments to PAS 27, “Consolidated and Separate Financial Statements - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate”

These amendments prescribe changes in respect of the holding companies' separate financial statements including (a) the deletion of "cost method," making the distinction between pre- and post-acquisition profits no longer required; and (b) in cases of reorganizations where a new parent is inserted above an existing parent of the group (subject to meeting specific requirements), the cost of the subsidiary is the previous carrying amount of its share of equity items in the subsidiary rather than its fair value. All dividends will be recognized in profit or loss. However, the payment of such dividends requires the entity to consider whether there is an indicator of impairment.

- Amendment to PAS 32, "Financial Instruments: Presentation" and PAS 1, "Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation"

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

- Philippine Interpretation IFRIC 13, "Customer Loyalty Programmes"

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

- Philippine Interpretation IFRIC 16, "Hedges of a Net Investment in a Foreign Operation"

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

<u>Basis of Consolidation</u>

The consolidated financial statements include the financial statements of FPHC, its subsidiaries (entities which it controls) and share in the results of operations and net assets of joint ventures and associates. Control is normally evidenced when the Parent Company owns, either directly or indirectly, more than 50% of the voting rights of an entity's capital stock.

Subsidiaries are consolidated from the date control is transferred to the First Holdings Group and continue to be consolidated until the date such control ceases.

The financial statements of subsidiaries are prepared using the same reporting period of FPHC. The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events with similar circumstances. All intra-group balances, income and expenses and unrealized gains and losses resulting from intra-group transactions are eliminated in full.

Minority interests represent the portion of profit or loss and net assets not held by First Holdings Group and are presented separately in the consolidated statements of income and within equity in the consolidated balance sheets, separately from equity attributable to equity holders of FPHC. This includes the equity interests in First Gen and subsidiaries (collectively referred to as "First Gen Group"),

FPII and subsidiaries (collectively referred to as "FPII Group"), Batangas Cogen, FPIC, FPUC, FPHC Realty, and FPIP and subsidiaries not held by the First Holdings Group.

Acquisition of minority interests is accounted for using the entity concept method, whereby, the difference between the consideration and the net book value of the share in the net assets acquired is recognized as an equity transaction.

The proportionate amount of the fair values of identifiable assets and liabilities upon acquisition of a consolidated subsidiary and any subsequent changes in equity of a consolidated subsidiary attributable to a minority shareholder's interest are shown separately as "minority interests" in the consolidated balance sheet. A minority shareholder's interest in the results of operations of a subsidiary is shown as "minority interests" in the consolidated statement of income. Losses applicable to a minority shareholder in a consolidated subsidiary in excess of the minority shareholder's equity in the subsidiary are charged against the minority interest to the extent that the minority shareholder has binding obligation to, and is able to, make good of the losses.

When subsidiaries are sold, the difference between the selling price and the net assets plus cumulative translation differences and goodwill is recognized in the consolidated statement of income.

Voluntary Change With Respect to Accounting for Minority Interests
In 2008, First Holdings Group changed its method of accounting for acquisition of minority interests from the parent entity concept method to the entity concept method to be aligned with the preferred method of accounting as provided for under the Revised PFRS 3, "Business Combination." Under this method, the difference between the fair value of the consideration and the net book value of the net assets acquired is presented as an equity adjustment. The change was accounted for retrospectively and prior years' consolidated financial statements have been restated. The change resulted in the reversal of the gain on dilution of ₱2,653 million recognized in the 2006 consolidated statement of income. Such amount relates to the dilution of First Holdings Group's interest in First Gen Group as a result of the latter's public offering of its common shares. This was recorded as an adjustment to the "Equity reserve" account in the 2007 consolidated balance sheet.

The following involve minority interests transactions, accounted based on the foregoing:

- On January 23, 2008, FPHC completed the acquisition of Union Fenosa Internacional, S.A.'s 40% ownership in FPUC (formerly First Philippine Union Fenosa, Inc) for ₱11,212 million (US$250 million). The excess of the fair value of the consideration and the net book value of the net assets of FPUC of ₱5,234 million was recorded as part of equity reserve account, which is a component of equity.

- As a result of the sale of a 60% interest of First Gen in FG Hydro to EDC (an effective interest of 24.23% of the Parent Company was sold), an equity reserve amounting to ₱893 million was recorded as component of equity account in the consolidated balance sheet.

Business Combination and Goodwill
Business combinations are accounted for using the purchase accounting method. This involves recognizing identifiable assets (including previously unrecognized intangible assets) and liabilities (including contingent liabilities but excluding future restructuring) of the acquired business at fair value with any difference recognized as goodwill.

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over First Holdings Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the consolidated statement of income. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. For impairment testing, goodwill acquired in a business combination is allocated from the acquisition date, to each of First Holdings Group's cash-generating units or group of cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of First Holdings Group are assigned to those units or groups of units.

Each unit or group of units to which goodwill is allocated (a) represents the lowest level within First Holdings Group at which goodwill is monitored for internal management purposes and, (b) is not larger than a segment based on the primary or secondary reporting format determined in accordance with PAS 14, "Segment Reporting."

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed and the portion of the cash-generating unit retained.

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

a) The carrying amount of an identifiable asset, liability or contingent liability that is recognized or adjusted as a result of completing the initial accounting shall be calculated as if its fair value at the acquisition date had been recognized from that date.

b) Goodwill or any gain recognized shall be adjusted from the acquisition date by an amount equal to the adjustment to the fair value at the acquisition date of the identifiable asset, liability or contingent liability being recognized or adjusted.

c) Comparative information presented for the periods before the initial accounting for the combination is completed shall be presented as if the initial accounting had been completed from the acquisition date. This includes any additional depreciation, amortization or other profit or loss effect recognized as a result of completing the initial accounting.

d) Where goodwill forms part of a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation in determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

When subsidiaries are sold, the difference between the selling price and the net assets plus cumulative translation adjustments and goodwill is recognized in the consolidated statement of income.

The goodwill from investments in subsidiaries is included as a noncurrent asset item in the consolidated balance sheet. The goodwill on investment in an associate is included in the carrying amount of the related investment.

<u>Interest in a Joint Venture</u>
The First Holdings Group has an interest in a joint venture, which is a jointly controlled entity, whereby the venturers have a contractual arrangement that establishes joint control over the economic activities of the entity. The First Holdings Group recognizes its interest in the joint venture using proportionate consolidation. First Holdings Group includes separate line items for its share of the assets, liabilities, income and expenses of the jointly controlled entities in its financial statements. The financial statements of the joint venture are prepared for the same reporting period as the parent company. Adjustments are made where necessary to bring the accounting policies in line with those of the group.

Adjustments are made in the First Holdings Group's consolidated financial statements to eliminate the First Holdings Group's share of intragroup balances, income and expenses and unrealized gains and losses on transactions between the First Holdings Group and its jointly controlled entity. Losses on transactions are recognized immediately if the loss provides evidence of a reduction in the net realizable

value of current assets or an impairment loss. The joint venture is proportionately consolidated until the date on which the First Holdings Group ceases to have joint control over the joint venture.

Investments in Associates

The First Holdings Group's investments in associates are accounted for under the equity method. An associate is an entity over which the First Holdings Group has significant influence and which is neither a subsidiary nor a joint venture, generally accompanying a shareholding of between 20% and 50% of the voting rights. The investments in associates are carried in the consolidated balance sheet at cost plus post-acquisition changes in the First Holdings Group's share of net assets of the associates (including share in cumulative translation adjustments) less any impairment in value.

The First Holdings Group's share in its associate's post-acquisition profits or losses is recognized in the consolidated statement of income, and its share of post-acquisition movements in the associate's equity reserves is recognized directly in equity. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

When the First Holdings Group's share in net losses of an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the First Holdings Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of an associate.

Unrealized gains arising from transactions with its associates are eliminated to the extent of the First Holdings Group's interest in the associate. Unrealized losses are eliminated similarly but only to the extent that there is no evidence of impairment of the asset transferred. The First Holdings Group's investments in associates include goodwill on acquisition, which is treated in accordance with the accounting policy for goodwill.

After application of equity method, First Holdings Group determines whether it is necessary to recognize any impairment losses on its investment in its associates. First Holdings Group determines at each balance sheet date whether there is any objective evidence that the investment in associate is impaired. If this is the case, First Holdings Group calculates the amount of impairment as being the difference between the fair value of the associate and the carrying value of investments.

The reporting dates of the associates and First Holdings Group are identical and the associates' accounting policies conform to those used by First Holdings Group for like transactions and events in similar circumstances. In instances where such policies differ, the financial information of such associates are adjusted to conform with the Parent Company's accounting before the First Holdings Group recognizes its share in the change in such associates' net assets.

Financial Instruments

Date of Recognition. Financial instruments within the scope of PAS 39 are recognized in the consolidated balance sheet when the First Holdings Group becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized using the settlement accounting date. Derivatives are recognized on trade date basis.

Initial Recognition of Financial Instruments. All financial instruments are initially recognized at fair value. The initial measurement of financial instruments includes transaction costs, except for financial assets at FVPL. The First Holdings Group classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, loans and receivables, or AFS financial assets. Financial liabilities are classified as either financial liabilities at FVPL or other financial liabilities at amortized cost. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. The First Holdings Group determines the classification of financial assets on initial recognition and, where allowed and appropriate, re-evaluates this designation at every reporting date.

Determination of Fair Value. The fair value of financial instruments traded in active markets at the 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 ask prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

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

"Day 1" Profit. Where the transaction in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the First Holdings Group recognizes the difference between the transaction price and fair value ("Day 1" profit) in the consolidated statement of income. In cases where there was use of data, which is not observable, the difference between the transaction price and model value is only recognized in the consolidated statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the First Holdings Group determines the appropriate method of recognizing the "Day 1 profit" amount.

Financial Assets or Liabilities at FVPL. Financial assets or liabilities at FVPL include financial assets and liabilities held for trading purposes and financial assets and liabilities designated upon initial recognition as at FVPL.

Financial assets and liabilities are classified as held for trading if they are acquired for the purpose of selling and repurchasing in the near term.

Derivatives are also classified under financial assets and liabilities at FVPL unless they are designated as hedging instruments in an effective hedge.

Financial assets or liabilities may be designated by management on initial recognition as at FVPL when the following criteria are met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis;

- The assets or liabilities are part of a group of financial assets, liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or

- The financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

Financial assets and liabilities at FVPL are recorded in the consolidated balance sheet at fair value. Subsequent changes in fair value are recognized in the consolidated statement of income. Interest earned or incurred is recorded in interest income or expense, respectively, while dividend income is recorded in "other income" when the right to receive payment has been established.

The Parent Company's investment in shares of stock of SiRF Technology Holdings, Inc. (SiRF), included in "other current assets," is also designated as financial assets at FVPL.

HTM Investments. HTM investments are quoted non-derivative financial assets with fixed or determinable payments and fixed maturities for which the First Holdings Group's management has the positive intention and ability to hold to maturity. Where the First Holdings Group sells other than an insignificant amount of HTM investments, the entire category is deemed tainted and reclassified as AFS

financial assets. After initial measurement, these investments are subsequently measured at amortized cost using the effective interest method, less impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in the consolidated statement of income when the HTM investments are derecognized and impaired, as well as through the amortization process. The effects of restatement on foreign currency-denominated HTM investments are also recognized in the consolidated statement of income.

The First Holdings Group has no HTM investments as of June 30, 2009 and 2008.

Loans and Receivables. Loans and receivables are financial assets with fixed or determinable payments and fixed maturities and that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified or designated as AFS financial assets or financial assets at FVPL. Loans and receivables are included in current assets if maturity is within 12 months from the balance sheet date. Otherwise, these are classified as non-current assets.

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

Classified under loans and receivables are cash and cash equivalents, short-term investments, trade and other receivables, concession receivables, receivable from Manila Electric Company (MERALCO) for annual deficiency, other long-term receivables, restricted cash deposits (included in “Other noncurrent assets” account), and advances to a minority shareholder of First Gen (included in “Other noncurrent assets” account).

AFS Financial Assets. AFS financial assets are those non-derivative financial assets, which are designated as AFS or are not classified in any of the three preceding categories. They are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. AFS financial assets are included in current assets if management intends to sell these financial assets within 12 months from balance sheet date. Otherwise, these are classified as noncurrent assets.

After initial measurement, AFS financial assets are subsequently measured at fair value. AFS financial assets are measured at fair value with gains and losses being recognized as a separate component of equity until the investments are derecognized or until the investments are determined to be impaired at which time the cumulative gain or loss previously reported in equity are included in the consolidated statement of income. Accounting of the movement in equity is presented in the consolidated statement of changes in equity.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be measured reliably and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, are measured at cost.

Classified under AFS financial assets are quoted and unquoted equity investments, government debt securities and investments in proprietary membership shares.

Other Financial Liabilities. Financial liabilities are classified in this category if these are not held for trading or not designated as at FVPL upon the inception of the liability. These include liabilities arising from operations or borrowings.

Other financial liabilities are initially recognized at fair value less directly attributable transaction costs, and have not been designated as at FPVL. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any related issue costs, discount or premium. Gains and losses are recognized in the consolidated statement of income when the liabilities are derecognized, as well as through amortization process.

Classified under other financial liabilities are loans payable, trade payables and other current liabilities, due to stockholders and affiliates, bonds payable, long-term debt, obligations to Gas Sellers, royalty fee payable, deferred payment facility with Power Sector Assets and Liabilities Management Corporation (PSALM) and obligations to power plant contractors.

Derivative Financial Instruments

First Holdings Group enters into derivative and hedging transactions, primarily interest rate swaps, currency forwards and range bonus forwards, as needed, for the sole purpose of managing the risks that are associated with First Holdings Group's borrowing activities or as required by the lenders in certain cases. Such derivative financial instruments (including bifurcated embedded derivatives) are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to the consolidated statement of income for the current year under mark-to-market gain or loss on derivatives.

As of June 30, 2009 and 2008, there are no derivatives that are designated as fair value hedges.

At the inception of a hedge relationship, the First Holdings Group formally designates and documents the hedge relationship to which the First Holdings Group opts to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Cash Flow Hedges. Cash flow hedges are hedges of the exposure to variability of cash flows that are attributable to a particular risk associated with a recognized asset, liability or a highly probable forecast transaction and could affect profit or loss. The effective portion of the gain or loss on the hedging instrument is recognized directly in equity under the cumulative translation adjustments, while the ineffective portion is recognized in the consolidated statement of income.

Amounts taken to equity are transferred to the consolidated statement of income when the hedged transaction affects profit or loss, such as when hedged financial income or expense is recognized or when a forecast sale or purchase occurs. Where the hedged item is the cost of a non-financial asset or liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction is no longer expected to occur, amounts previously recognized in equity are transferred to the consolidated statement of income. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognized in equity remain in equity until the forecast transaction occurs. If the related transaction is not expected to occur, the amount is recognized in the consolidated statement of income.

Embedded Derivatives. Embedded derivatives are bifurcated from their host contracts, when the following conditions are met: (a) the entire hybrid contracts (composed of both the host contract and the embedded derivative) are not accounted for as financial assets at FVPL; (b) when their economic risks and characteristics are not closely related to those of their respective host contracts; and (c) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative.

First Holdings Group assesses whether embedded derivatives are required to be separated from host contracts when First Holdings 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.

Embedded derivatives that are bifurcated from the host contracts are accounted for either as financial assets or financial liabilities at FVPL. Changes in fair values are included in the consolidated statement of income.

FGP, FGPC and FPH Fund
FGP, FGPC and FPH Fund each have existing interest rate swap agreements to manage their respective floating interest rate exposures on their foreign currency-denominated obligations. Accrual of interest on the "receive" and "pay" legs of the interest rate swap is recorded as adjustments to interest expense on the related foreign currency-denominated obligations.

As of June 30, 2009 and 2008, First Holdings Group has no derivatives that are designated as fair value hedges.

Derecognition of Financial Assets and Liabilities

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

- the rights to receive cash flows from the asset expire;
- the First Holdings 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 First Holdings Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained the risk and rewards of the asset but has transferred the control of the asset.

Where the First Holdings Group has transferred its rights to receive cash flows from an asset or has entered into a "pass-through" arrangement, 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 First Holdings 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 First Holdings Group could be required to repay.

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

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

Financial Assets Carried at Amortized Cost. For loans and receivables carried at amortized cost, the First Holdings Group first assesses whether an objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If there is objective evidence that impairment exists for individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment.

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

If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimate future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the assets is reduced through use of allowance account and the amount of loss is recognized in the consolidated statement of income. If in case the receivable has proven to have no realistic prospect of future recovery, any allowance provided for such receivable is written off against the carrying value of the impaired receivable. Interest income continues to be recognized based on the original effective interest rate of the asset.

If, in subsequent period, the amount of the estimated 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, to the extent that the carrying value of the assets does not exceed its amortized cost at the reversal date. Any subsequent reversal of an impairment loss is reduced by adjusting the allowance account. If a future write-off is later recovered, any amount formerly charged is credited to the consolidated statement of income.

In relation to trade 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 First Holdings Group will not be able to collect all the amounts due under the original terms of the invoice. The carrying amount of trade receivable is reduced through use of allowance account. Impaired debts are derecognized when assessed as uncollectible. Likewise, for other receivables, it is also established that accounts outstanding less than one year should have no provision but accounts outstanding over one year should have a 100% provision, which was arrived at after assessing individually significant balances. Provision for individually non-significant balances was made on a portfolio or group basis after performing the regular review of the age and status of the individual accounts and portfolio/group of accounts relative to historical collections, changes in payment terms and other factors that may affect ability to collect payments.

AFS Financial Assets. For AFS financial assets, the First Holdings Group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired.

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

In the case of debt instruments classified as AFS, 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. If, in subsequent period, the fair value of a debt instrument increased and the increase can be objectively related to an event occurring after the impairment loss was recognized in

the consolidated statement of income, the impairment loss is reversed through the consolidated statement of income.

Offsetting Financial Instruments
Financial assets and liabilities are offset and the net amount 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 arrangements, and the related assets and liabilities are presented at gross amounts in the consolidated balance sheet.

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

Trade and Other Receivables
Trade and other receivables, categorized as loans and receivables, are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the First Holdings Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the consolidated statement of income. When a trade receivable is uncollectible, it is written off against the allowance account for trade and other receivables. Subsequent recoveries of amounts previously written off are recognized as income in the consolidated statement of income.

Inventories
Inventories, excluding land held for sale and development costs, are valued at the lower of cost or net realizable value.

Costs incurred in bringing each item of inventories to its present location and conditions are accounted for as follows:

Finished goods and work in-process	–	Determined on the weighted average basis; cost includes materials and labor and a proportion of manufacturing overhead costs based on normal operating capacity but excluding borrowing costs;
Transponders and magnetic cards	–	Cost as determined based on the first-in-first-out method;
Real estate	–	Costs include expenditures for development and improvements of the land;
Fuel inventories	–	Weighted average cost of actual fuel consumed;
Raw materials	–	Purchase cost based on weighted average cost method;
Spare parts and supplies	–	Purchase cost on moving average basis.

Land held for sale and the related development costs are valued at the lower of cost, which include expenditures for development and improvements, or net realizable value.

The net realizable value is determined as follows:

Real estate for sale and work in-process	–	Selling price in the ordinary course of business, less the estimated costs of completion, marketing and distribution
Finished goods, transponders and magnetic cards	–	Estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale
Fuel inventories	–	Cost charged to the MERALCO, under the respective Power Purchase Agreements (PPAs) of FGPC and FGP with MERALCO, which is based on weighted average cost of actual fuel
Raw materials, spare parts and supplies	–	Current replacement cost

The fuel inventories are those of FGPC and FGP.

Property, Plant and Equipment

Property, plant and equipment, except land, are carried at cost less accumulated depreciation, amortization and any impairment in value. Land is carried at cost (initial purchase price and other cost directly attributable to such property) less any impairment in value.

The initial cost of property, plant and equipment, except land, comprises its purchase price including import duties, borrowing costs (during the construction period) and other costs directly attributable in bringing the asset to its working condition and location for its intended use. Cost also includes the cost of replacing the part of such property, plant and equipment when the recognition criteria are met and the estimated cost of dismantling and removing the asset and restoring the site.

Expenditures incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance, are normally charged to current operations 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 standard of performance, the expenditures are capitalized as additional costs of property, plant and equipment.

The First Holdings Group identified the significant parts of its power plant assets to comply with the provisions of PAS 16, "Property, Plant and Equipment." Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

Depreciation and amortization are computed using the straight-line method over the following estimated useful lives of the assets:

Buildings, other structures and improvements	5 to 25 years
Transportation equipment	3 to 20 years
Machinery and equipment	2 to 25 years
Leasehold improvements	5 years or lease term, whichever is shorter

The useful lives and depreciation and amortization method are reviewed at each financial year-end to ensure that the periods and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

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

Construction in progress represents properties under construction and is stated at cost. This includes cost of construction, equipment and other direct costs. Borrowing costs that are directly attributable to the construction of the property, plant and equipment are capitalized during the construction period. Construction in progress is not depreciated until such time that the relevant assets are substantially completed and available for use.

Noncurrent Assets Held for Sale

Assets are classified as noncurrent assets held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is met only when the sale is highly probable and the assets are available for immediate sale in its present condition. Management must be committed to the sale that should be expected to qualify for recognition as a completed sale within one year from the date of classification except when there is delay of the sale caused by events or circumstances beyond First Holdings Group control. Noncurrent assets classified as held for sale are measured at the lower of carrying value and fair value less costs to sell, any difference is recognize in the consolidated statements of income. Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortized.

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 stated at cost less accumulated depreciation and any impairment losses.

Depreciation is computed using the straight-line method over the estimated useful lives of five to 20 years. The investment properties' estimated useful lives and depreciation method adopted for investment properties are reviewed and adjusted, as appropriate, at each financial year-end.

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

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 ending of construction or development. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of the Company's occupation or commencement of development with a view to sale.

Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as of the date of acquisition. The intangible asset pertaining to the right of EDC to charge users of the public service in connection with the service concession and related arrangements was recognized initially at the fair value of the construction services. Following initial recognition, intangible assets are carried at cost less accumulated amortization and any impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized. Instead, related expenditures are reflected in the consolidated statement of income in the year the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized using the straight-line method over the estimated useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and method for an intangible asset with a finite useful life is reviewed at least each financial period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the said intangible asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated statement of income in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash generating unit level. Such intangibles are not amortized. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

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

Service Concession Arrangements

Public-to-private service concession arrangements where: (a) the grantor controls or regulates services the Company must provide with the infrastructure, to whom it must provide them, and at what price; and (b) the grantor controls through ownership, beneficial entitlement or otherwise any significant residual interest in the infrastructure at the end of the term of the arrangement are accounted for under the provisions of Philippine Interpretation IFRIC 12, "Service Concession Arrangements." Infrastructures used in a public-to-private service concession arrangement for its entire useful life (whole-of-life assets) are within the scope of this Interpretation if the conditions in (a) are met. This Interpretation applies to both: (a) infrastructure that the Company constructs or acquires from a third party for the purpose of the service arrangement; and (b) existing infrastructure to which the grantor gives the Company access for the purpose of the service arrangement.

Infrastructures within the scope of this Interpretation are not recognized as property, plant and equipment of the First Holdings Group. Under the terms of contractual arrangements within the scope of this Philippine Interpretation, the Company acts as a service provider. The First Holdings Group constructs or upgrades infrastructure (construction or upgrade services) used to provide a public service and operates and maintains that infrastructure (operation services) for a specified period of time.

The First Holdings Group recognizes and measures revenue in accordance with PAS 11, "Construction contracts" and PAS 18, "Revenues" for the services it performs. If the Company performs more than one service (i.e., construction or upgrade services and operation services) under a single contract or arrangement, consideration received or receivable shall be allocated by reference to the relative fair values of the services delivered, when the amounts are separately identifiable.

When the First Holdings Group provides construction or upgrades services, the consideration received or receivable by the Company is recognized at its fair value. The First Holdings Group accounts for revenue and costs relating to construction or upgrade services in accordance with PAS 11. Revenue from constructions contracts is recognized based on the percentage-of-completion method, measured by reference to the percentage of costs incurred to date to estimated total costs for each contract. The Company accounts for revenue and costs relating to operation services in accordance with PAS 18.

The First Holdings Group recognizes a financial asset to the extent that it has an unconditional contractual right to receive cash or another financial asset from or at the direction of the grantor for the construction services. The Company recognizes an intangible asset to the extent that it receives a right (a license) to charge users of the public service.

When the First Holdings Group has contractual obligations it must fulfill as a condition of its license (a) to maintain the infrastructure to a specified level of serviceability or (b) to restore the infrastructure to a specified condition before it is handed over to the grantor at the end of the service arrangement, it recognizes and measures these contractual obligations in accordance with PAS 37, "Provisions, Contingent Liabilities and Contingent Assets," i.e., at the best estimate of the expenditure that would be required to settle the present obligation as at the balance sheet date.

In accordance with PAS 23, "Borrowing Costs," borrowing costs attributable to the arrangement are recognized as an expense in the period in which they are incurred unless the First Holdings Group has a contractual right to receive an intangible asset (a right to charge users of the public service). In this case, borrowing costs attributable to the arrangement are capitalized during the construction phase of the arrangement in accordance with the allowed alternative treatment provided under PAS 23.

Prepaid Gas

Prepaid gas (included in the "Other noncurrent assets" account in the consolidated balance sheet) consists of payments to Gas Sellers for unconsumed gas, net of adjustment. The prepaid gas is recoverable in the form of future gas deliveries in the order that it arose and can be consumed within a 10-year period. Prepaid gas arising from the respective Settlement Agreements (SAs) and Payment Deferral Agreements (PDAs) of FGPC and FGP may be recovered until December 2014. If it should be determined at some future date that the likelihood of any amount of gas usage or delivery is remote, then the relevant amount deemed no longer realizable will be written off in the consolidated statement of income.

Evaluation and Exploration Assets

All costs incurred in the geological and geophysical activities such as costs of topographical, geological and geophysical studies; rights of access to properties to conduct those studies; salaries and other expenses of geologists, geophysical crews, or others conducting those studies are charged to expense in the year such are incurred.

If the results of initial geological and geophysical activities reveal the presence of geothermal resource that will require further exploration and drilling, subsequent exploration and drilling costs are accumulated and deferred under the "Evaluation and exploration assets" account included in "other noncurrent assets" account in the consolidated balance sheet.

These costs include the following:

a. costs associated with the construction of temporary facilities;
b. costs of drilling exploratory and exploratory-type stratigraphic test wells, pending determination of whether the wells can produce proven reserves; and
c. costs of local administration, finance, general and security services, surface facilities and other local costs in preparing for and supporting the drilling activities, incurred during the drilling of exploratory wells.

If the results of the tests on the drilled exploratory wells reveal that these wells cannot produce proven reserves, the capitalized costs are charged to expense, except when management decides to use the unproductive wells, for recycling or waste disposal.

Once the technical feasibility and commercial viability of the project to produce proven reserves are established, the exploration and evaluation assets shall be reclassified to either intangible asset or concession receivable at its fair value at the date of reclassification.

Research and Development Costs

Research costs are expensed as incurred. Development expenditure incurred on an individual project is carried forward when its future recoverability can reasonably be regarded as assured. Any expenditure carried forward is amortized in line with the expected future sales from the related project. Otherwise, development costs are expensed as incurred.

The carrying value of development costs is reviewed for impairment annually when the asset is not yet in use, or more frequently when an indication of impairment arises during the reporting year.

Debt Issuance Costs

Expenditures incurred in connection with availments of long-term debt and issuances of bonds are deferred and amortized using effective interest method over the term of the loans and bonds. Debt issuance costs are netted against the related long-term debt and bonds payable allocated correspondingly to the current and noncurrent portions.

Borrowing Costs

Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds, including exchange differences arising from foreign currency borrowings used to finance the project to the extent that they are regarded as an adjustment to interest costs, net of interest income.

Borrowing costs are generally expensed as incurred. Borrowing costs are capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset until such time that the asset is substantially ready for its intended use or sale, which necessarily takes a substantial period of time. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognized in the consolidated statement of income.

Provisions and Contingencies

Provisions are recognized when the First Holdings Group has a present obligation (legal or constructive): (a) as a result of a past event, (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and (c) a reliable estimate can be made of the amount of the obligation. Where the First Holdings Group expects some or all of the provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is recognized in the consolidated statement of income, net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an accretion included under “Finance cost” account in the consolidated statement of income.

The First Holdings Group recognized provisions arising from legal and/or constructive obligation associated with the cost of dismantling and removing an item of property, plant and equipment and restoring the site where it is located. The obligation occurs either when the asset is acquired or as a consequence of using the asset for the purpose of generating electricity during a particular period. A corresponding asset is recognized in property, plant and equipment. Dismantling costs are provided at the present value of expected costs to settle the obligation using estimated cash flows. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the dismantling liability. The unwinding of the discount is expensed as incurred and recognized in the consolidated statement of income as accretion expense. The estimated future costs of dismantling are reviewed annually and adjusted, as appropriate. Changes in the dismantling provision that result from a change in the current best estimate of cash flows required to settle the obligation or a change in the discount rate are added to (or deducted from) the amount recognized as the related asset.

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

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits associated with the transaction will flow to the First Holdings Group and the amount of revenue can be measured reliably.

The following specific recognition criteria must also be met before revenue is recognized:

Sale of Electricity. Revenue from sale of electricity (in the case of FGP and FGPC) is based on the respective PPA of FGP and FGPC, which qualify as leases on the basis that FGP and FGPC sell all of their output to MERALCO. These agreements call for a take-or-pay arrangement where payment is made principally on the basis of the availability of the power plants and not on actual deliveries of electricity generated. These arrangements are determined to be operating leases since a significant portion of the risks and benefits of ownership of the assets are retained by FGP and FGPC.

Revenue from sale of electricity is composed of fixed capacity fees, fixed and variable operating and maintenance fees, fuel, wheeling and pipeline charges, sales tax and supplemental fees. The portion related to the fixed capacity fees and fixed operating and maintenance fees is considered as operating lease component and such fees are recognized on a straight-line basis, based on the actual net dependable capacity tested/proven, over the terms of the respective PPAs. Variable operating and

maintenance fees, fuel, wheeling and pipeline charges and supplemental fees are recognized monthly based on the actual energy delivered.

Revenue from sale of electricity covered with service concession arrangements is consummated whenever the electricity generated is transmitted to the transmission line of the buyer for a consideration. Sale of electricity is based on base price per kilo-Watt hour (kWh) of electricity delivered, subject to inflation adjustments and net of the portion representing collection of concession receivables and related finance income.

Revenue from Sale of Steam. Sale of steam is recognized when steam generated or its by-product passes to the flow meters installed at the interface point for conversion by the buyer into electricity. Sale of steam is recognized based on the sales price per kWh of gross or net generation and guaranteed take-or-pay at certain percentage plant factor, subject to inflation adjustments and net of the portion representing collection of concession receivables and related finance income.

Revenue from Drilling Services. Revenue is recognized as drilling services are rendered.

Revenue from Construction Contracts. Revenue is recognized based on the percentage of completion method of accounting using surveys of work performed by an internal quantity surveyor to measure the stage of completion.

Contract costs include all direct materials, labor costs and indirect costs related to contract performance. Changes in job performance, job conditions and estimated profitability including those arising from contract penalty provisions and final contract settlements, which may result in revisions to estimated costs and gross margins, are recognized in the period in which the revisions are determined. Claims for additional contract revenues are recognized when negotiations have reached an advanced stage such that it is probable that the customer will accept the claim; and the amount that will be accepted by the customer can be measured reliably. Variation orders are included in contract revenue when it is probable that the customer will approve the variation and the amount of revenue arising from the variation; and the amount of revenue can be reasonably measured reliably.

Costs and estimated earnings in excess of amounts billed on uncompleted contracts accounted for under the percentage of completion method are classified as current assets under the "Costs and estimated earnings in excess of billings on uncompleted contracts" account in the consolidated balance sheet. Retentions receivables are included under the "Trade and other receivables" account in the consolidated balance sheets.

Sale of Services and Park Charges. Revenues from pipeline services and park charges are recognized when services are rendered, while revenue for water distribution and waste water treatment are recognized on an accrual basis using the monthly meter reading of the customers' water consumption and waste water discharge respectively. Adjustments of billings for pipeline services over and above the base charges are recorded at the time of settlement with shippers. These are included under the "Contracts and services" account in the revenue section of the consolidated statements of income.

Sale of Real Estate. Revenue from and cost of sale of completed real estate projects is accounted for using the full accrual method. The percentage of completion method is used to recognize income from sales of projects where the Company has material obligations under the sales contract to complete the project after the property is sold. Under the percentage of completion method, revenue and costs are measured principally on the basis of the ratio of actual costs incurred to date over the estimated total costs of the project.

Equity in Net Earnings. The First Holdings Group recognizes its share in the net income of associates proportionate to the equity in the voting shares of such associates in accordance with the equity method of accounting for investments.

Interest Income. Interest income is recognized as the interest accrues (using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the

financial instrument to the net carrying amount of the financial asset), taking into account the effective yield on the asset.

Dividends. Dividend income is recognized when the shareholders' right to receive the payment is established.

Rent of Investment Properties. Rental income from operating lease arrangements is recognized on a straight-line basis over the term of the lease.

Guarantee Fees. Guarantee fees are recognized in accordance with the terms of the agreement.

Unearned Revenue

Unearned revenue (included in "Other noncurrent liabilities" account in the consolidated balance sheet) represents payments by MERALCO for unconsumed gas in connection with the respective SAs and PDAs of FGP and FGPC, which may be availed of until December 2014, in case the actual gas consumed by the power plants in generating electricity to MERALCO exceeds their respective take-or-pay quantities at any given year.

Foreign Currency Transactions and Translations

The consolidated financial statements are presented in Philippine peso, which is the First Holdings Group's functional and presentation currency. All subsidiaries and associates evaluate their primary economic and operating environment and, determine their functional currency and items included in the financial statements of each entity are initially measured using that functional currency. Transactions in foreign currencies are initially recorded in the functional currency rate prevailing on the period of the transaction. Monetary assets and liabilities denominated in foreign currency are restated at the functional currency closing rate of exchange prevailing at the balance sheet date. All differences are recognized in the consolidated statement of income. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Except for First Gen Group, FSRI, First Sumiden Circuits, Inc. (FSCI), FPPC, First Philec Solar, FGH International, FPH Fund and FPH Venture, which have identified the US dollar as their functional currency, all other subsidiaries consider the Philippine peso as their functional currency. As of the reporting date, the assets and liabilities of the First Gen Group, FSRI, FSCI, FPPC, First Philec Solar, FGH International, FPH Fund and FPH Venture are translated into the presentation currency of Parent Company at the closing rate at the balance sheet date and, their statements of income are translated using the weighted average exchange rate for the year. The exchange differences arising on the translation are taken directly to the "Cumulative Translation Adjustments" account in the equity section of the consolidated balance sheet. Upon disposal of any of these subsidiaries, the deferred cumulative amount recognized in equity relating to that particular subsidiary will be recognized in the consolidated statement of income.

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 will 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).

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. In cases where the Company acts as a lessee, operating lease payments are recognized as expense in the consolidated statement of income on a straight-line basis over the lease term. However, in cases where the Company is a lessor, the initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same bases as rental income. Contingent rents are recognized as revenue in the year in which they are earned.

Retirement Costs and Other Post-Retirement Benefits

The Parent Company and certain of its subsidiaries have distinct funded, noncontributory defined benefit retirement plans. EDC also provides for post-retirement medical and life insurance benefits to its permanent employees, which are unfunded. The plans cover all permanent employees, each administered by their respective retirement committee.

The cost of providing benefits under the defined benefit plans is determined using the projected unit credit method. Under this method, the current service cost is the present value of retirement benefits obligation in the future with respect to services rendered in the current period. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are credited to or charged against income when the net cumulative unrecognized actuarial gains and losses for each individual plan at the end of the previous reporting year exceeded 10% of the higher of the defined benefit obligation and the fair value of plan assets at that date. These gains or losses are recognized over the expected average remaining working lives of the employees participating in the plans.

Past service cost is recognized as an expense, unless the changes to the retirement plans are conditional on the employees remaining in service for a specified period of time (the vesting period). In such instance, the past service costs are amortized on a straight-line basis over the average period until the benefits become vested.

The defined benefit asset or liability is comprised of the present value of the defined benefit obligation and actuarial gains and losses not recognized, reduced by past service cost not yet recognized, and the fair value of plan assets out of which the obligations are to be settled directly. Plan assets are assets that are held by a long-term employee benefit fund. Plan assets are not available to the creditors of the Company nor can be paid directly to the Company. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using the interest rate on government bonds that have terms to maturity approximating the terms of the related retirement obligation. The value of any plan assets recognized is restricted to the sum of any past service costs not yet recognized and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

If the asset is measured at the aggregate of 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, net actuarial losses of the current period and past service costs for the current period are recognized immediately to the extent that they exceed any reduction in the present value of those economic benefits. If there is no change or an increase in the present value of the economic benefits, the entire net actuarial losses of the current period and past service costs for the current period are recognized immediately. Similarly, net actuarial gains of the current period after the deduction of past service cost of the current period exceeding any increase in the present value of the economic benefits stated in the foregoing are recognized immediately if the asset is measured at the aggregate of 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. If there is no change or a decrease in the present value of the economic benefits, the entire net actuarial gains of the current period after the deduction of past service cost of the current period are recognized immediately.

Impairment of Nonfinancial Assets

Property, Plant and Equipment, Intangible Assets, Prepaid Gas and Prepaid Major Spare Parts. At each reporting date, the First Holdings Group assesses whether there is any indication that its non-financial assets (specifically, property, plant and equipment, investment properties, goodwill, intangible assets and investment accounted for using the equity method) may be impaired. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the First Holdings Group makes a formal estimate of an asset's recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent from other assets or groups of assets, in which case the recoverable amount is assessed as part of the cash-generating unit to which it belongs. Where the carrying amount of an asset (or cash-generating unit) exceeds its recoverable amount, the asset (or cash-generating unit) is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset (or cash-generating unit). An impairment loss is charged to operations in the year in which it arises.

For nonfinancial assets, excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of income. After such reversal, the depreciation is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Goodwill. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount of the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated, an impairment loss is recognized immediately in the consolidated statement of income. Impairment loss relating to goodwill cannot be reversed for subsequent increases in its recoverable amount in future periods. First Holdings Group performs its annual impairment test of goodwill as of December 31 of each year.

Investment in Associates. First Holdings Group determines whether it is necessary to recognize an impairment loss on its investment in associates. First Holdings Group determines at each balance sheet date whether there is any objective evidence that the investment in an associate is impaired. If this is the case, First Holdings Group calculates the amount of impairment as being the difference between the recoverable amount of the associates and its carrying value and recognizes the amount in the consolidated statement of income.

Treasury Shares
Own equity instruments, which are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in the consolidated statement of income on the purchase, sale, re-issue or cancellation of the First Holding's Group own equity instruments.

Share-based Payment Transactions
Certain employees (including senior executives) of FPHC, First Gen Group and an associate (BPPC) receive remuneration in the form of share-based payment transactions. Under such circumstance, the employees render services in exchange for shares or rights over shares ("equity-settled transactions").

Equity-settled Transactions. The cost of equity-settled transactions with employees is measured by reference to the fair value of the stock options at the date the option is granted. The fair value is determined using the Black-Scholes-Merton Option Pricing Model. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares ("market conditions"), if applicable.

The cost of equity-settled transactions is recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date"). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the consolidated statements of income for a period represents the movement in cumulative expense recognized as of the beginning and end of that period.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, an expense, as a minimum is recognized as if the terms had not been modified. An expense is recognized for any increase in the value of the transactions as a result of the modification, as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were modifications of the original award, as described in the foregoing.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share (see Note 4).

Income Tax

Current Income Tax. Tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the tax authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted as at the balance sheet date.

Deferred Tax. Deferred tax is provided in full, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements as at the balance sheet date. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination, which at the time of the transaction affects neither accounting nor taxable profit. Deferred income tax is determined using the tax rates (and tax laws) that have been enacted or substantially enacted as at the balance sheet date and are expected to be applied when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax credits from excess minimum corporate income tax (MCIT) over the regular income tax, and unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits from MCIT and unused NOLCO can be utilized. Deferred income tax, however, is not recognized:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax liabilities are not provided on non-taxable temporary differences associated with investments in domestic subsidiaries and an associate.

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

Deferred tax assets and liabilities are measured at the tax rates that are applicable to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantially enacted as at the balance sheet date.

Current and deferred tax assets and liabilities relating to items recognized directly in equity are recognized in equity and not in the consolidated statement of income.

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

Cash Dividends on Preferred and Common Shares

Cash dividends on preferred and common shares are recognized as liability and deducted from equity when approved by the respective shareholders of the Parent Company and subsidiaries. Dividends for the year that are approved after the balance sheet date are dealt with as an event after the balance sheet date.

Earnings per Share (EPS) Attributable to the Equity Holders of the Parent Company

Basic EPS is calculated by dividing the net income (less preferred dividends, if any) for the year attributable to common shareholders by the weighted average number of common shares outstanding during the year, after giving retroactive effect to any stock dividends or stock splits declared during the year.

Diluted EPS is calculated in the same manner, adjusted for the effects of any: (a) preferred dividends; and assuming that, where applicable (b) at the beginning of the year or at the time of issuance during the year, all outstanding stock options are exercised and debt instruments with potential common stock equivalent are converted to common shares and appropriate adjustments to net income are effected for the related expenses and income. Outstanding stock options will have dilutive effect under the treasury stock method only when the average market price of the underlying common share during the period exceeds the exercise price of the option.

Where the EPS effect of the assumed exercise of outstanding options has anti-dilutive effect, diluted EPS is presented the same as basic EPS with a disclosure that the effect of the exercise of the instruments is anti-dilutive.

Segment Reporting
For purposes of financial reporting, the First Holdings Group is organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products or services. Such business segments are the bases upon which the Company reports its primary segment information. Financial information on business segments is presented in Note 4 to the consolidated financial statements. The First Holdings Group has one geographical segment and derives principally all its revenues from domestic operations.

Future Changes in Accounting Policies
The First Holdings Group did not early adopt the following standards and amendments that have been approved but are not yet effective:

Effective in 2010

- Revised PFRS 3, "Business Combinations" and PAS 27, "Consolidated and Separate Financial Statements:

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

- Amendment to PAS 39, "Financial Instruments: Recognition and Measurement -Eligible Hedged Items"

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

Effective in 2012

- Philippine Interpretation IFRIC 15, "Agreement for Construction of Real Estate"

  This Interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. This Interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, Construction Contracts, or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis, will also be accounted for based on stage of completion.

New and revised disclosure requirements will be included in the consolidated financial statements when the First Holdings Group adopts these standards, amendments and interpretations on their respective effectivity dates.

Significant Accounting Judgments and Estimates

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

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

The First Holdings Group believes that the following represents a summary of these significant judgments and estimates and related impact on and associated risks to the consolidated financial statements:

Judgments

Determination of Functional Currency. Except for the First Gen Group, FSRI, FPPC, First Philec Solar, FSCI, FGHC International, FPH Fund and FPH Ventures, the Parent Company and all other subsidiaries and associates have determined that their functional currency is the Philippine peso. The Philippine peso is the currency of the primary economic environment in which the Parent Company and all other subsidiaries and associates, except for those entities earlier mentioned, operate. The Philippine Peso is also the currency that mainly influences the sale of goods and services as well as the costs of selling such goods and providing such services. The First Gen Group, FSRI, FSCI, FGHC International, First Philec Solar, FPH Fund and FPH Ventures have determined the US dollar to be their functional currency. Thus, the accounts of First Gen, FSRI, FGHC International, First Philec Solar, FPH Fund and FPH Ventures were translated to Philippine peso for the purposes of consolidation to the First Holdings Group's accounts.

Operating Lease Commitments - First Holdings Group as Lessor. The respective PPAs of FGP and FGPC qualify as leases on the basis that FGP and FGPC sell all of their output to MERALCO. These agreements call for a take-or-pay arrangement where payment is made principally on the basis of the availability of the power plants and not on actual deliveries of electricity generated. These lease arrangements are determined to be operating leases where a significant portion of the risks and benefits of ownership of the assets are retained by FGP and FGPC. Accordingly, the power plant assets are recorded as part of the cost of property, plant and equipment and the fixed capacity fees billed and fixed operating and maintenance fees billed to MERALCO and NPC are recorded as operating revenues on straight-line basis over the applicable terms of the PPAs.

Operating Lease Commitments - First Holdings Group as Lessee. The First Holdings Group has entered into commercial property leases for certain of its investment properties. The First Holdings Group has determined that it retains all the significant risks and rewards of ownership of the property and thus, accounts for such agreements as operating leases.

Service Concession Arrangements. In applying Philippine Interpretation IFRIC 12, the First Holdings Group has made a judgment that the Geothermal Service Contracts (GSCs) of EDC with the Philippine Government through Department of Energy (DOE) in the following contract areas: Tongonan, Leyte; Southern Negros; Bacon-Manito (BacMan) in Albay and Sorsogon; and Mt. Apo, North Cotabato qualify under the financial asset model; while EDC's service contract for the Northern Negros Project, and the expansion development of Tanawon project in the Bacon-Manito service contract area qualifies under the intangible asset model. The Project Agreement of BPPC with the National Power Corporation (NPC) qualifies under the financial asset model.

Deferred Revenue on Stored Energy. Under EDC's addendum agreements with the NPC, EDC has commitment to NPC for certain volume of stored energy that NPC may lift for a specified period,

provided that the EDC is able to generate such energy over and above the nominated energy for each given year in accordance with the related PPAs. EDC has made a judgment based on historical information that the probability of future liftings by NPC from the stored energy is remote and accordingly has not deferred any portion of the collected revenues.

Fair Value of Financial Instruments. Where the fair values of financial assets and financial liabilities recorded in the consolidated balance sheet cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of liquidity and model inputs such as correlation and volatility for longer dated financial instruments.

Estimates
The key assumptions concerning the future and other key sources of estimation uncertainty at the consolidated 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:

Fair Value of Financial Assets and Liabilities. Certain financial assets and financial liabilities are required to be carried at fair value, which requires the use of accounting estimates and judgment. While significant components of fair value measurement are determined using verifiable objective evidence (i.e., foreign exchange rates, interest rates and volatility rates), the timing and amount of changes in fair value would differ with the valuation methodology used. Any change in the fair value of these financial assets and financial liabilities would directly affect consolidated profit and loss and consolidated equity.

Impairment of Goodwill. The First Holdings Group performs impairment review on goodwill on an annual basis or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. This requires an estimation of the value in use of the cash-generating units to which goodwill is allocated. Estimating the value in use requires us to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Estimating Allowance for Impairment Losses on Receivables. The First Holdings Group reviews its loans and receivables at each reporting date to assess whether an allowance for impairment should be recorded in the consolidated statement of income. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes in the allowance.

The First Holdings Group maintains an allowance for doubtful accounts at a level that management considers adequate to provide for potential uncollectibility of its trade and other receivables, and its receivables arising from service concession arrangements. The First Holdings Group evaluates specific balances where management has information that certain amounts may not be collectible. In these cases, the First Holdings Group uses judgment, based on available facts and circumstances, and a review of the factors that affect the collectibility of the accounts including, but not limited to, the age and status of the receivables, collection experience, past loss experience and, in the case of the receivables arising from service concession arrangements, the expected net cash inflows from the concession. The review is made by management on a continuing basis to identify accounts to be provided with allowance. These specific reserves are re-evaluated and adjusted as additional information received affects the amount estimated. In addition to specific allowance against individually significant receivables, the First Holdings Group also makes a collective impairment allowance against exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. This collective allowance is based on historical default experience.

In addition to specific allowance against individually significant receivables, First Holdings Group also makes a collective impairment allowance against exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. Collective assessment of impairment is made on a portfolio or group basis after performing a regular review of age

and status of the portfolio/group of accounts relative to historical collections, changes in payment terms, and other factors that may affect ability to collect payments.

Estimating Net Realizable Value of Inventories. Inventories are presented at the lower of cost or net realizable value. Estimates of net realizable value are based on the most reliable evidence available at the time the estimates are made, of the amount the inventories are expected to realize. A review of the items of inventories is performed at each balance sheet date to reflect the accurate valuation of inventories in the consolidated financial statements.

Impairment of Investments at Equity and Deposits. An impairment review is performed on investments at equity and deposits whenever impairment indication exists. This requires an estimation of the value in use of the associates. Estimating the value in use requires estimates of the expected future cash flows from the associates and to make use of a suitable discount rate to calculate the present value of those future cash flows.

Impairment of AFS Financial Assets. The First Holdings Group considers AFS financial assets as impaired when there has been a significant or prolonged decline in the fair value of such investments below their cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgment. The First Holdings Group treats "significant" generally as 20% or more and "prolonged" as greater than six months. In addition, First Holdings Group evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities.

Present Value of Retirement Obligation. The determination of the First Holdings Group's retirement cost is dependent on certain assumptions which the management provided to the actuary to use as basis to calculate such amount. The actuarial valuation involves making assumptions on discount rates, expected returns on plan assets, future salary increases, mortality rates and future retirement increases, rates of compensation increase. In accordance with PAS 19, past service costs, experience adjustments, and effects of the changes in actuarial assumptions are deemed to be amortized over the average remaining working lives of employees. While the assumptions are reasonable and appropriate, significant differences in the First Holdings Group's actual experience or significant changes in the assumptions may materially affect the retirement benefit obligation. Further, due to the long-term nature of the plan, such estimates are subject to significant uncertainty.

The expected rate of return on plan assets was based on the average historical premium of the fund assets. The assumed discount rates were determined using the market yields on Philippine government bonds with terms consistent with the expected employee benefit payout as at the balance sheet date.

Recognition of Deferred Tax Assets. The carrying amounts of deferred tax assets at each balance sheet date are reviewed and reduced to the extent that there are no longer sufficient taxable profits available to allow all or part of the deferred tax assets to be utilized. The First Holdings Group's assessment of the recognition of deferred tax assets on deductible temporary differences, carryforward benefits of MCIT and NOLCO is based on the forecasted taxable income of the following reporting period. This forecast is based on the First Holdings Group's past results and future expectations on revenues and expenses.

Estimating Revenue and Cost of Real Estate Sales. The Company's revenue and cost recognition policies require management to make use of estimates and assumptions that may affect the reported amounts of revenues and costs. The Company's revenue from real estate contracts recognized based on the percentage of completion method are measured principally on the basis of the ratio of actual costs incurred to date over the estimated total costs of the project. The total estimated cost of the project is determined by the Company's engineers and technical staff. At each balance sheet date, these estimates are reviewed and revised to reflect the current conditions, when necessary.

Estimating Useful Lives of Property, Plant and Equipment and Intangible Assets. The First Holdings Group estimated the useful lives of the property, plant and equipment and intangible assets based on the periods over which the assets are expected to be available for use and on the collective assessment of industry practices, internal technical evaluation and experience with similar assets and arrangements. The estimated useful lives of property, plant and equipment and intangible assets are reviewed periodically and updated, if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits in the use of these property, plant and equipment and intangible assets. However, it is possible that future results of operations could be materially affected by changes in the estimates brought about by changes in the aforementioned factors. The amounts and timing of recording the depreciation and amortization for any year, with regard to the property, plant and equipment and intangible assets, would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of the property, plant and equipment and intangible assets would increase the recorded depreciation and amortization and decrease the noncurrent assets. For purposes of determining the estimated useful life of the intangible asset arising from service concession arrangements, EDC, in particular, included the renewal period on the basis of the constitutional and contractual provisions and its historical experience of obtaining approvals of such renewals at no significant cost. For intangible assets pertaining to the identified contracts arising from the acquisition of EDC, the carrying value is amortized over the remaining term of the contracts.

There is no change in the estimated useful lives of property, plant and equipment and intangible assets during the period.

Impairment of Other Non-financial Assets (i.e., Investment Properties, Prepaid Gas and Prepaid Major Spare Parts). The First Holdings Group assesses impairment on these non-financial assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the First Holdings Group consider important, which could trigger an impairment review include the following:

- Significant under-performance relative to expected historical or projected future operating results;

- Significant changes in the manner of use of the acquired assets or the strategy for overall business; and

- Significant negative industry and economic trends.

The First Holdings Group recognizes an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is computed using the value-in-use approach. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the assets belong.

There is no impairment loss recognized in the consolidated financial statements for the quarters ended June 30, 2009 and 2008.

Exploration and Evaluation Costs. Exploration and evaluation costs are capitalized in accordance with PFRS 6, “Exploration for and Evaluation of Mineral Resources.” Capitalization of these costs is based, to a certain extent, on management’s judgment of the degree to which the expenditure may be associated with finding specific geothermal reserve. First Holding Group determines impairment of projects based on the technical assessment of its resident scientists in various disciplines or based on management’s decision not to pursue any further commercial development of its exploration projects.

Asset Retirement Obligations. Under certain Environmental Compliance Certificate (ECC) issued by the Department of Environmental and Natural Resources, the First Holdings Group, specifically, FGP and FGPC, has legal obligations to dismantle the power plant assets at the end of their useful lives. FG Bukidnon, on the other hand, has contractual obligation under the lease agreements with PSALM to dismantle its power plant assets at the end of the useful lives. The asset retirement obligations recognized represent the best estimate of the expenditures required to dismantle the power plants at the end of their useful lives. Such cost estimates are discounted using a pre-tax rate that reflects the current market assessment of the time value of money and the risks specific to the liability. Each year, the asset retirement obligation is increased to reflect the accretion of discount and to accrue an estimate for the effects of inflation, with the charges being recognized in the "Finance Costs" account, presented in the consolidated statement of income. While it is believed that the assumptions used in the estimation of such costs are reasonable, significant changes in these assumptions may materially affect the recorded expense or obligations in future periods.

Legal Contingencies and Regulatory Assessments. The First Holdings Group is involved in various legal proceedings and regulatory assessments. The First Holdings Group has developed estimates of probable costs for the resolution of possible claims in consultation with the external counsels handling the Company's defense for various legal proceedings and regulatory assessments and is based upon an analysis of potential results.

The First Holdings Group, in consultation with its external legal counsel, does not believe that these proceedings will have a material adverse effect on the consolidated financial statements. However, it is possible that future results of operations could be materially affected by changes in the estimates or the effectiveness of management's strategies relating to these proceedings.

3. Segment Information

Operating segments are components of the First Holdings Group that engage in business activities from which they may earn revenues and incur expenses, whose operating results are regularly reviewed by the enterprise's chief operating decision maker to make decisions about how resources are to be allocated to the segment and assess their performances, and for which discrete financial information is available. First Holdings Group operating businesses are organized and managed separately according to the nature of the products and services, with each segment representing a strategic business unit that offers different products and serves different markets.

The First Holdings Group conducts the majority of its business activities in the following areas:

- Power generation and power-related activities;
- Roads and tollways operations (discontinued operations);
- Manufacturing; and
- Investment holdings, construction, real estate development, securities transfer services and financing, which are aggregated as "Others."

The operations of these business segments are in the Philippines.

Segment revenue, segment expenses and segment performance include transfers between business segments. The transfers are accounted for at competitive market prices charged to unrelated customers for similar products. Such transfers are eliminated in consolidation.

Financial information about the business segments follows:

	Power Generation and Power-Related Activities	Manufac-turing	Investment Holdings, Construction, Real Estate Development and Others	Eliminations	Consolidated
Revenue:					
External sales	**₱24,733**	**₱2,256**	**₱1,683**	**₱–**	**₱28,672**
Inter-segment sales	**–**	**–**	**20**	**(20)**	**-**
Total revenue	**24,733**	**2,256**	**1,703**	**(20)**	**28,672**
Segment results:	**4,739**	**188**	**(233)**	**13**	**4,707**
Equity in earnings of associates	**158**	**17**	**1,179**	**–**	**1,354**
Finance costs	**(2,916)**	**(31)**	**(827)**	**–**	**(3,774)**
Finance income	**387**	**6**	**150**	**–**	**543**
Provision for income tax	**926**	**66**	**33**	**–**	**1,025**
Net income from continuing operations	**1,434**	**124**	**178**	**–**	**1,736**
Net income from discontinued operations	**2,125**	**–**	**–**	**–**	**2,125**
Other information:					
Segment assets	**98,339**	**5,108**	**79,773**	**(36,054)**	**147,166**
Investment in associates	**39,719**	**215**	**61,489**	**(34,496)**	**66,927**
Property, plant and equipment - net	**28,168**	**2,026**	**857**	**–**	**31,051**
Intangible assets - net	**442**	**–**	**–**	**–**	**442**
Total consolidated assets	**98,339**	**5,131**	**79,813**	**(36,054)**	**147,229**
Segment liabilities	**68,454**	**3,129**	**26,240**	**(1,226)**	**96,597**
Total consolidated liabilities	**69,601**	**3,129**	**26,240**	**(1,226)**	**97,744**
Depreciation and amortization	**1,292**	**142**	**70**	**–**	**1,504**

4. **EPS Computation**

The following table presents information necessary to compute EPS:

	2009	2008
	(In Millions, Except Number of Shares and Per Share Data)	
Net income attributable to equity holders of the Parent	**₱896**	(₱230)
Less dividends on preferred shares	**188**	96
(a) Net income (loss) available to common shares	**₱708**	(₱326)
From Continuing Operations	**64**	(1,414)
From Discontinuing Operations	**644**	1,088
Number of shares:		
Common shares outstanding at beginning of year	**589,860,204**	588,912,212
Effect of common share issuances during the period	**78,412**	523,637
(b) Adjusted weighted average number of common shares outstanding – basic	**589,938,616**	589,435,849
Effect of dilutive potential common shares	**4,995,564**	7,051,865
(c) Adjusted weighted average number of common shares outstanding – diluted	**594,934,180**	596,487,714
EPS:		
Basic (a/b)	**₱1.201**	(₱0.552)
From Continuing Operations	**0.109**	(2.399)
From Discontinuing Operations	**1.091**	1.846
Diluted (a/c)	**1.190**	(0.545)

5. Financial Risk Management Objectives and Policies

First Holdings Group's principal financial liabilities are comprised of trade payables, bonds payable, loans payable and long-term debt, among others. The main purpose of these financial liabilities is to raise financing for First Holdings Group's growth and operations. First Holdings Group has various financial assets and liabilities such as cash and cash equivalents, short-term investments, trade receivables, AFS financial assets, trade payables and other liabilities which arise directly from its operations.

As a matter of policy, First Holdings Group does not trade its financial instruments. However, First Holdings Group enters into derivative and hedging transactions, primarily interest rate swaps, currency forward and range bonus forwards as needed, for the sole purpose of managing the risks that are associated with First Holdings Group's borrowing activities and as required by the lenders in certain cases. First Holdings Group has an Enterprise Wide Risk Management Program which is aimed to identify risks based on the likelihood of occurrence and impact to the business, formulate risk management strategies, assess risk management capabilities and continuously monitor the risk management efforts.

The main risks arising from First Holdings Group's financial instruments are interest rate risk, foreign currency risk, credit risk, credit concentration risk and liquidity risk. The BOD reviews and approves policies for managing each of these risks as summarized below.

Interest Rate Risk

The First Holdings Group's exposure to the risk for changes in market interest rates relates primarily to the First Holdings Group's long- term debt obligations with floating interest rates. First Holdings Group believes that prudent management of its interest cost will entail a balanced mix of fixed and variable rate debt. On a regular basis, the Finance team of First Holdings Group monitors the interest rate exposure and presents it to management by way of a compliance report. To manage the exposure to floating interest rates in a cost-efficient manner, prepayment, refinancing or entering into derivative instruments such as interest rate swaps are undertaken as deemed necessary and feasible.

Foreign Currency Risk

First Holdings Group's, except First Gen Group, FSRI, FSCI, FPPC, First Philec Solar, FGH International, FPH Fund and FPH Venture, exposure to foreign currency risk arises mainly from cash, short-term investments and long-term liabilities denominated in U.S. dollar. Any depreciation of the U.S. dollar against the Philippine peso posts material foreign exchange losses relating to cash and short-term investments, trade and other receivables, deposit and due to related parties while any appreciation of the U.S. dollar and other currencies posts material foreign exchange losses relating to long-term deposits. To better manage the foreign exchange risk, stabilize cash flows, and further improve the investment and cash flow planning, First Holdings Group may consider entering into derivative contracts and other hedging products as necessary. However, these hedges do not cover all the exposure to foreign exchange risk.

The foreign-currency denominated assets and liabilities, which pertain to the U.S. dollar, are then translated to Philippine peso being the functional and presentation currency for statutory reporting purposes. In translating these foreign currency-denominated monetary assets and liabilities into Philippine peso, the exchange rates used were ₱48.13 to US$1.00 and ₱44.90 to US$1.00, the Philippine peso U.S. dollar exchange rates as of June 30, 2009 and 2008, respectively.

Equity Price Risk

Equity price risk is the risk that the fair value of traded equity instruments decrease as the result of the changes in the levels of equity indices and the value of the individual stocks.

As of June 30, 2009 and 2008, First Holdings Group's exposure to equity price risk is minimal.

Credit Risk

The First Holdings Group trades only with recognized, creditworthy third parties and/or transacts only with institutions and/or banks which have demonstrated financial soundness. It is the First Holdings Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances and the level of allowance are monitored and reviewed on a continuous basis. The result of such review revealed that the First Holdings Group's exposure to bad debts is not significant.

With respect to credit risk arising from the other financial assets of the First Holdings Group, which comprise mostly of cash and cash equivalents, short-term investments, trade and other receivables, concession receivables, receivable from MERALCO and AFS financial assets, the First Holdings Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Credit Concentration Risk

The First Holdings Group, through First Gen's operating subsidiaries FGP and FGPC, earns a substantial portion of its revenues from MERALCO. MERALCO is committed to pay for the capacity and energy generated by the San Lorenzo and the Santa Rita power plants under the existing long-term PPAs which are due to expire in September 2027 and August 2025, respectively. While the PPAs provide for the mechanisms by which certain costs and obligations including fuel costs, among others, are treated as "pass-through" to MERALCO or are otherwise recoverable from MERALCO, it is the intention of First Gen, FGP and FGPC to ensure that the pass-through mechanisms, as provided for in their respective PPA, are followed.

Under the current regulatory regime, generation rate charged by FGP and FGPC to MERALCO are not subject to regulations and are complete pass-through charges to MERALCO'S customers.

EDC's geothermal and power generation business trades with only one major customer which is NPC, a government-owned-and-controlled corporation. Any failure on the part of NPC to pay its obligations to EDC would significantly affect EDC's business operations. As a manner of practice, EDC monitors closely its collections with NPC and charges interest on delayed payments following the provision in the respective SSAs and PPAs.

First Holdings Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of the receivables from MERALCO, in the case of FGP and FGPC, and receivables from NPC in the case of EDC.

Liquidity Risk

First Holdings Group's exposure to liquidity risk refers to the lack of funding needed to finance its growth and capital expenditures, service its maturing loan obligations in a timely fashion, and meet its working capital requirements. To manage this exposure, First Holdings Group maintains internally generated funds and prudently manages the proceeds obtained from fund raising in the debt and equity markets. On a regular basis, First Holdings Group's treasury department monitors the available cash balances. First Holdings Group maintains a level of cash and cash equivalents deemed sufficient to finance the operations.

In addition, First Holdings Group has short-term cash investments and had available credit lines with certain banking institutions. FGP and FGPC, in particular, maintain a Debt Service Revenue Account to sustain the debt service requirements for the next payment period. As part of its liquidity risk management, First Holdings Group regularly evaluates its projected and actual cash flows. It also continuously assesses the financial market conditions for opportunities to pursue fund raising activities.

Capital Management

The primary objective of First Holdings Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business, comply with its financial loan covenants and maximize shareholder value.

First Holdings Group manages its capital structure and makes adjustments to it, in light of changes in business and economic conditions. To maintain or adjust the capital structure, First Holdings Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the period ended June 30, 2009 and 2008.

First Holdings Group monitors capital using a debt-to-equity ratio, which is total long-term debt divided by total equity. Total equity includes the equity attributable to the equity holders of the parent and minority interests. First Holding Group's practice is to keep the debt-to-equity ratio not more than 2.50:1.

The Parent Company and certain of its subsidiaries are obligated to perform certain covenants with respect to maintaining specified debt-to-equity and minimum debt-service-coverage ratios, as set forth in their respective agreements with the creditors. As of June 30, 2009 and 2008, First Holding Group is in compliance with those covenants.

FIRST PHILIPPINE HOLDINGS CORPORATION & SUBSIDIARIES
AGING OF TRADE AND OTHER RECEIVABLES
JUNE 30, 2009
(Amount in millions)

	TOTAL	1 Month	2 - 3 Mos.	4 - 6 Mos.	7 Mos. to 1 Year	1 - 2 Years	3 - 5 Years	5 years - Above	Past due accounts & Items in Litigation
Trade	6,560	5,881	548	6	21	-	104	-	-
Others	925	105	604	129	8	22	57	-	-
	7,485	5,986	1,152	135	29	22	161	-	-
Allowance for doubtful accounts	75	-	-	-	-	19	56	-	-
	7,410	5,986	1,152	135	29	3	105	-	-

FIRST PHILIPPINE HOLDINGS CORPORATION AND SUBSIDIARIES
TRADE PAYABLES AND OTHER CURRENT LIABILITIES
JUNE 30, 2009 and 2008
(Amount in millions)

	2009	2008
The Company	947	1,001
First Generation Holdings Corporation and Subsidiaries	7,114	10,658
Securities Transfer Services, Inc.	12	7
First Balfour, Inc.	2,070	1,485
First Philippine Industrial Park, Inc.	66	95
First Philippine Industrial Corporation	145	130
First Philippine Electric Corporation	1,323	568
First Philippine Infrastructure, Inc.	-	1,111
First Philippine Realty Corporation	14	13
First Philippine Union Fenosa, Inc.	2,000	-
Batangas Cogen Corporation	2	2
First Philippine Realty Development Corporation	3	3
	13,696	15,073

FIRST PHILIPPINE HOLDINGS CORPORATION AND SUBSIDIARIES
LONG-TERM DEBT
JUNE 30, 2009 and 2008
(Amount in millions)

	2009		2008	
	Current	**Long-Term**	**Current**	**Long-Term**
The Company	-	18,384	-	17,878
FGHC International Limited	241	963	225	1,347
FPH Fund Corporation	1,117	-	159	2,550
First Philippine Infrastructure, Inc.	-	-	614	7,839
First Balfour, Inc.	-	8	-	13
First Philippine Electric Corporation	6	289	-	-
First Gen Corporation	2,233	34,850	14,837	43,342
	3,597	54,494	15,835	72,969