COVER SHEET

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SEC Registration Number

D M C I H O L D I N G S , I N C .

(Company's Full Name)

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P A S O N G T A M O E X T . M A K A T I C I T Y

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

HERBERT M. CONSUNJI	888-3000
Contact Person	Company Telephone Number

(Last Wednesday of July)

1 2	3 1	**SEC Form 17-Q First Quarter Interim Report 2007**	0 7	2 6
Month	Day	FORM TYPE	Month	Day
Fiscal Year			Annual Meeting	

N.A.

Secondary License Type, If Applicable

C F D	
Dept Requiring this Doc	Amended Articles Number / Section

Total Amount of Borrowings

Total No. of Stockholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

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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 quarter ended **March 31, 2007**

2. SEC Identification No. AS095-002283 3. BIR Tax Identification No. 004-703-376

DMCI Holdings, Inc.
4. Exact name of issuer as specified in its charter

5. Philippines 6. [ ] (SEC Use Only)

Province, Country or other jurisdiction of incorporation or organization

Industry Classification Code:

7. 3rd Floor, Dacon Building, 2281 Pasong Tamo Ext., Makati city 1231
Address of principal office Postal Code

8. Tel. (632) 888-3000 Fax (632) 816-7362
Issuer's telephone number, including area code

9. Not applicable
Former name, former address, and former fiscal year, if changed since last report.

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

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Shares, Php 1.00 Par	1,127,747,000
Preferred Shares, Php 1.00 Par	4,480
Common Shares, Php 1.00 Par	150,000,000

(1,127,747,000 Common shares are exempt under Section 6 (a) (4) of the RSA, and 74,719,200 underlying Common shares exempt under Section 6 (a)-7 of the RSA.)

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

Yes [X] No [ ]

If yes, state the name of such stock exchange and the classes of securities listed therein:

Philippine Stock Exchange — Class "A" Shares
Preferred Shares

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 Financial Statements for the quarter and period ended March 31, 2007 **are contained herein.**

MANAGEMENT DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION FOR THE PERIOD ENDED MARCH 31, 2007.

I. RESULTS OF OPERATIONS

DMCI Holdings, Inc. (the "Company") reported a consolidated income after minority of P289 million for the first quarter of 2007 compared to P241 million in 2006. The 20% increase was mainly due to the first time contributions of the newly acquired water business, and the continuing improvements in the real estate segment. The progress however, was tapered by the adverse circumstances in the coal sector.

WATER

Late in 2006, the Company, along with Metro Pacific Investments Corp. (MPIC) won in the bid to acquire Maynilad Water Services, Inc. (Maynilad). The Company initially invested the amount of P3 billion pesos for a 50% share in DMCI-MPIC Water Company, Inc. (DMWC) which subsequently holds 84% ownership in Maynilad. Since the Company owns only half of DMWC and jointly controls both DMWC and Maynilad with MPIC, investments in the water business were recorded under the equity method. Net share in earnings of DMWC (which consolidates Maynilad) amounted to P137 million, accounting much of the increase in the Company's consolidated income.

Maynilad, the water concession that distributes water to the west side of Metro Manila, reported an unaudited net income of P440 million for the first quarter of 2007. Revenues from water services for the period amounted to P1.8 billion. Maynilad projects these amounts to increase in succeeding quarters with the summer season ending and the school period beginning, causing higher water consumption from households.

Notable interest expense for the period due to parent company level loans that were acquired for the acquisition of Maynilad, contributed heavily on the elevation of consolidated interest and financing costs. These loans, however, were fully paid during the quarter.

The Company expects that the water segment will provide substantial contributions to consolidated operations with not just the prospects in Maynilad in the water services sector but also engineering opportunities for the Company's construction segment through construction, engineering and technical requirements for Maynilad's water system improvement projects and other capital expenditures. With this, the Company believes that the acquisition of the water business was a sound and strategic move which will be an integral part of its expansion into more recurring businesses while staying true to its core competence and original skills as engineers and contractors.

REAL ESTATE

The Company's real estate business, headed by 100% owned real estate company DMCI Project Developers, Inc. (PDI), continued to experience better business for the quarter compared to last year. Sustained demand for housing within Metro Manila, improved selling and marketing activities, plus the proven build quality of the Company's residential projects helped post higher 1st quarter housing net income from P59 million reported in 2006 to P109 million in 2007.

The Company's residential community projects continued to be a success as consistent sales from existing projects and take-up from new projects provided better revenues for the period compared to last year.

Existing projects East Ortigas Mansions and Mayfield Park Residences continued to provide consistent notable recognized revenues for the quarter totaling P153 million. Bonifacio Heights, a relatively newer joint venture project with the Armed Forces of the Philippines (AFP), located in the Fort Bonifacio area of which are exclusively available for AFP personnel, contributed P135 million in recognized sales for the quarter, almost the same amount with last year. Moreover, Mahogany Place Subdivision, now within its 2nd and 3rd phase of development, factored significant revenues amounting to P80 million for the period accounting for a marginal increase from last year.

With existing projects almost nearing fully-sold status, the Company have actively launched new projects, namely Raya Gardens Condominiums ("Raya"), a combination of high rise and medium rise development located in Barangay Merville, Paranaque; Rosewood Pointe ("Rosewood"), a project utilizing the proven medium rise template done in the same design and aesthetics as Mayfield Park Residences, located in Taguig;; and The Manors at Celebrity Place ("Celebrity"), a mixed town house-medium rise community project located adjacent to the Celebrity Sports Plaza in Loyola Heights, Quezon City. These projects started dispensing notable revenues for the quarter: Raya - P192 million, Rosewood – P68 million, Celebrity – P55 million, and are expected to contribute further.

Other projects to be launched are: Alta Vista, and condotel project located in pristine Boracay Island; Tivoli Gardens, another residential community development located in the Makati-Mandaluyon area; and Riverfront Residences, a joint venture housing project with Equitable PCI Bank located in the Pasig-Marikina boundary; and Cypress Towers, another joint venture project with Crown Equities, Inc. located along C-5 road in Taguig. These newly introduced residential projects are expected to provide the continuing sales and revenues for the Company's real estate business.

2006 marked the significant opportunities in the international community thru the Overseas Filipino Workers (OFWs). Approximately 30% of total sales were bought by the international market. Marketing abroad is now a critical pursuit for expansion and growth.

General and administrative costs were significantly increased due to amplified marketing and selling activities for the quarter compared to last year. This trend is projected to continue as expansion and strengthening of its real estate operations will be pursued by the Company. Increase in marketing costs within the housing business accounted for much of the increase in consolidated general and administrative costs of the Company.

With expansion looming in the near future, the Company's is strongly considering an initial public stock offering as an option to drive its residential development business to even greater heights.

CONSTRUCTION

The construction segment, operated by wholly-owned construction subsidiary D.M. Consunji, Inc. (DMCI), posted an increase in first quarter operations from a net loss of P4 million in 2006 to a net income of P12 million in 2007. For the period, DMCI deferred the recognition of costs already incurred but revenues have yet to be billed and finalized, a treatment that was not implemented in the same period last year. Moreover, change orders were at a minimum since most projects in the period are new ones and as such additional works to complete the project have yet to be installed.

Continuous work from key projects: the Subic-Tarlac Express-Deck Fabrication (74% complete), the KAMANAVA Floodway civil works (64% complete), and the One Adriatico Place residential high-rise building (84% complete) helped tallied a total P178 million in first quarter construction revenues. Initial works on new projects, Shangrila Boracay and Robinson Cybergate Tower, with a total contract amount of P1.5 billion, added P165 million in revenues. Though DMCI reported lower revenues on a quarter-to-

quarter basis, significant revenues from these new projects are expected to kick-in in subsequent periods when construction activity will increase.

Revenues from the other non-traditional construction operations, specifically from the special business units, namely the Equipment Management business unit, the Ready Mix Concrete business unit, and the Formwork Management business unit were also helpful in providing revenues with minimal costs for the construction business. Utilizing and optimizing the specific core competencies and opportunities brought within DMCI construction resources remains an opportunity in the industry.

General and administrative expenses went up as requirements from the new projects and some initial cost recording were experienced in the period. DMCI still expects its overhead to be at low levels for the whole year consistent to the Company's cost reduction guidance, more so with the construction industry becoming more diversified and competitive.

The entry of the Company into the water utility business will also prove helpful to the construction business per se as notable portions of the engineering requirements involved in the improvement of the water utility will be done by DMCI. (see discussion in the Water business)

As the construction business is maturing and proving to be a challenge nowadays with its retail-competitive nature, the Company is still confident that it can maintain its foothold as one of the leading providers of construction services with the heritage as proud Filipino contractors to the country and the global community.

POWER & COAL

The Company's coal mining business, operated by 58%-owned, publicly listed Semirara Mining Corp (SMC), reported significantly lower business results for the first quarter of 2007 compared to 2006 as net contributions from the coal segment was recorded at P70 million, compared to P173 million in 2006. This was due to lowered coal prices and the spill-over of high stripping cost inventory from 2006. SMC is confident that subsequent periods will be better as the strip ratios are expected to be lower as the high cost 2006 inventory will be fully sold and depleted then the lower stripping cost 2007 production coal will kick in. In addition, the hopeful prospects in the coal exports and increasing local demand for the first quarter would initiate SMC's direction toward realized progress and growth.

Below is SMC's management discussion and analysis of financial condition and results of operations lifted from the Semirara Mining Corp.'s first quarter 2007 Financial Report (SEC Form 17-Q) for a more detailed discussion:

SEMIRARA MINING CORP.

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE PERIOD ENDING MARCH 31, 2007

2007 FIRST QUARTER OPERATION

First quarter operations reflected total material movement of 8,717,362 bank cubic meters (bcm). With a strip ratio of 10.31:1, run-of-mine (ROM) coal produced was 790,844 metric tons (MTs), comprised of 623,508 MTs of clean coal and 167,336 MTs of washable coal. The resulting net product coal is 716,670 MTs. The effects of the increased capacity impacted on the operations during the first quarter. The improved coal production in the current period is in consonance with the increasing demand for coal, which correspondingly allowed higher coal extraction.

A remarkable accomplishment during the quarter is the completion and full operation of the second line of conveyors, which increased the capacity of the crusher and conveyor system. As a cost reduction measure, the conveyor lines shortened the hauling distance of waste materials, and more importantly, minimized the use of trucks, thus saving on fuel consumption.

In its continued efforts to improve shareholders' value, the Company continued the confirmatory drillings started last year under the supervision of Australian consultants to measure coal reserves in accordance with the Joint Ore Reserve Committee (JORC) standards of Australia, which is an internationally recognized body for establishing mineable reserves. As at the end of 2006, 26.89 million MTs of coal were classified as indicated reserves, while another 14.16 million MTs were categorized as inferred resources. The goal is to confirm these reserves as mineable to augment the 49.84 million MTs already classified as measured and mineable resources in the Panian pit. Meanwhile, although the other mine in Himalian is still unopened, confirmatory drillings have also been ramped up for data collection.

With the advent of the successful trial shipments to export markets, the Company is preparing for full blast export operations. Currently, dredging activities are undertaken in the pier to accommodate 50 thousand tonner vessels for export deliveries.

Meanwhile, in anticipation of the increased export sales, ending inventory is maintained at a comfortable level of 644,422 MTs.

Coal sales during the period was recorded at 663,018 MTs at an average heating value of 9,661 BTU.

2007 FIRST QUARTER FINANCIAL CONDITION

Coal deliveries of 663,018 MTs brought in Coal Revenues of P1.277 billion, while coal handling operations earned another P26.037 million for the Company. The resulting total Revenues was recorded at P1.303 billion. Meanwhile, Cost of Sales, which included Coal Handling Costs of P13.54 million, amounted to P1.058 billion, resulting to Gross Profit generation of P245.146 million, recording a gross Profit Ratio of 19%.

Cost of Coal Sold, inclusive of Shipping, Loading and Hauling Costs registered at P1.045 billion. This translates to a weighted average Cost of Coal Sold of P1,576/MT, which is a direct consequence of of higher cost of beginning inventory at P1,678/MT tempered by lower current period production cost at P1,321/MT. The Strip Ratio which averaged 10.31:1 for the first quarter is 29% higher than the Panian mine life average Strip Ratio of 8:1 although lower than the Q4 2006 Strip Ratio of 16:1.

Government Share was kept at the minimum level of 3% of Coal Revenues at P38.323 million. Meanwhile, General and Administrative Expenses totaled to P24.650 million. The resulting Net Operating Income amounted to P182.174 million.

Other Income of P16.147 million is recognized for the interest earned by the Company from its short-term placements and investment, offset by various bank charges which include opening charges of Letter of Credit applications. Interest and Financing Charges amounting to P41.271 million reflected the cost of loans availed and outstanding for working capital and funding of Capital Expenditures. Meanwhile, the continued strengthening of the Peso against the US dollar enabled the Company to book Foreign Exchange Gains on its foreign loans amounting to P14.773 million, P2.587 million was Realized, while P12.185 million accounted for Unrealized gains.

The resulting Net Income Before Tax amounted to P171.823 million. After full Income Tax Provision of P51.882 million, Net Income After Tax was recorded at P119.940 million.

At the end of the period Total Current Assets was posted at P3.568 billion. Ending Cash and Cash Equivalents amounted to P667.739 million, reflecting a net increase of P157.300 million from Beginning Cash Balance of P510.439 million. Of the amount, short-term placements amounted to P624.192 million.

Receivables of P938.386 million is mainly trade related with Trade Receivables accounting for P893.708 million as a result of higher Sales in March. On the other hand, Inventories registered at P1.713 billion, of which Coal Inventories amounted to P938.606 million representing 644,422 MTs of coal at P1,456/MT; while Materials, Fuel and Other Supplies totaled to P774.204 million. Prepaid Expenses and Other Current Assets were posted at P222.476 million. The increase of P34.5 million from last year's balance constitutes, P26.13 million additional VAT withheld by NPC and regular creditable withholding tax of P10.11 million, offset by amortization of Prepaid Insurance amounting to P1.74 million.

Since the capacity expansion program was already in place in 2006, there was no major increase in Property, Plant and Equipment (PPE). Net decrease in PPE is P298.62 million, net effect of P376.90 million depreciation cost offset by various projects cost additions of P78.28 million during the quarter, bringing down PPE, to P2.716 billion as at the end of the current quarter. Other Non-Current Assets mainly consisting of Mining Rights and Software Costs closed at P92.428 million reclassified from PPE account in last year's audited figures to conform with international accounting standards on proper presentation of these accounts. The resulting Total Non-Current Assets was posted at P2.809 billion. Altogether, Assets of the Company added up to P6.377 billion as of 31 March 2007.

The Company's Total Liabilities closed at P2.275 billion, of which P1.433 billion represented Current Liabilities, while the balance of P842.166 million were Non-Current Liabilities.

Accounts Payable and Other Payables amounted to P517.360 million, rising mainly due to the P333 million accrual for cash dividends payable to be paid on 30 April 2007. Current Portion of Long-Term Debt reflected a balance of P819.135 million. Income Tax Payable on 15 April 2007 was lodged as a Current Liability. Meanwhile, remaining balance of Customer's Deposit amounting to P14.049 million, represented undelivered coal to NPC for around 11,800 MTs under MOA 1.

The balance of the Long-Term Debts of the Company incurred to finance its Capital Expenditures in the previous periods amounted to P703.812 million. Pension Liability set up for Company employees maintained a balance of P53.421 million. Meanwhile, the Company also maintained in its books a provision for Asset Retirement Obligation amounting to P11.139 million for legal obligations with the Department of Energy and Natural Resources upon the abandonment of the mine pits. Finally, Deferred Tax Liability of P73.794 million was also recognized in the Company's books.

The period's Net Income After Tax of P119.941 million cushioned the impact of the dividend declaration on Stockholder's Equity which closed at P4.101 billion.

2007 COMPARATIVE REPORT

I. PRODUCTION

First quarter operations reflected a 24% drop in total material movement from 11,500,530 bcm of materials moved in 1Q 2006 as mining operations were focused on coal extraction, unlike last year when stripping of overburden was given priority as operations controlled coal inventory to match the decrease in sales. Consequently, total overburden stripped recorded a 26% or 2,901,511 bcm drop in volume from 11,053,984 bcm stripped last year.

The improved strip ratio of 10.31:1 from 17.68:1 in the previous period recorded a corresponding increase by 27% in run-of-mine (ROM) coal produced to 790,844 metric tons (MTs) from 625,165 MTs output in the same period last year. Moreover, Net Product Coal amounting to 716,670 MTs likewise posted a 27% improvement from last year's volume of 563,553 MTs.

The improvement in coal demand, as export market is now open for Semirara coal, allowed the build up in ending coal inventory by 59% compared with Q1 2006 level of 405,766 MTs. This stance is taken to ensure that operations can efficiently serve all coal orders, both from local buyers and export markets.

Meanwhile, with the continuous proper maintenance program, machine availabilities were maintained at 86% for hauling units and 82% for loading units, but actual utilization was only 56% for hauling units due to lesser number of units utilized (shorter cycle time) to support overburden dumping which was concentrated using the 2 in-pit line system. Total hauling capacity was not fully utilized during the quarter since mine operation temporarily slowed down during the first two months to control cost at breakeven level with coal revenue. Actual utilization of loading units though is higher at 70%.

II. MARKETING

As the Calaca plants of the National Power Corporation (NPC) were given more dispatch in the current period, sales to the power stations posted an 18% increase from 304,730 MTs sold during the first three months of 2006 to 360,787 MTs in the corresponding current period. Current NPC sales pushed up its market share to 54% of total sales, as compared to its share in the previous comparative period of 51%, remarkably over a bigger pie.

In March this year, the Company was able to establish new relations with Asia Pacific Energy Corp., a 52MW cogeneration power plant in Pampanga that supplies power to industrial users, including a paper company. Meanwhile, Toledo Power Corp. in Cebu remained a reliable Semirara coal user. Sales to power plants marked a 13% improvement over Q1 2006 level of 369,595 MTs.

Sales to the cement industry registered a 15% dip from last year's Q1 volume of 226,927 to 192,756 MTs this quarter. One of the Company's major cement plant client is currently correcting some operational problems in its systems, which slowed down its consumption of Semirara Coal.

In the meantime, sales to other industries outside power and cement plants showed promising potentials with more small operators converting from bunker or diesel to coal. Total sales to other industrial users amounted to 24,448 Mts, 6.98x Q1 2005 volume of 3,504.

In 28 February 2007, the Company sent off its maiden export shipment to China carrying 28,835 MTs of coal. This was an exceptionally important milestone for the Company since the noted success in the use of Semirara coal in China marked an abrupt expansion of its market potentials, which was previously sadly limited to a few domestic users. The timely success in its first export attempt enabled the Company to fine tune its strategies to take advantage of the increasing demand in the regional market. Currently, the Company is finalizing coal supply contracts with foreign buyers. The interest of some of the biggest players in the global coal trade further boosted management's conviction that Semirara coal has a promising niche in the international market.

Total sales in the current period recorded a 10% growth at 663,018 MTs over Q1 2006 volume of 600,026. Meanwhile, composite average price registered at P1,926.68/MT, marking a 13% drop from the previous period's average price of P2,224.83/MT. The decline is attributed to the strengthening of the peso against the US dollar, the lower agreed prices during the early part of the quarter with other customers, and the lower import parity price for Calaca which was carried over form the previous period. Since there are no other major local players in the coal industry, domestic prices of coal is benchmarked to international prices, which is in US dollar. Moreover, the Company has adopted strategic pricing for new clients to penetrate new markets effectively.

III. FINANCE

A. Sales and Profitability

Despite the increased sales volume, Coal Revenues decreased by 6% from P1.356 billion in Q1 2006 to P1.277 billion in Q1 2007 as average composite price posted a 13% decrease. This largely explained the decline in profitability for the first quarter of 2007.

Meanwhile Total Cost of Sales showed a 10% rise over the Q1 2006 level of P958.681 million. This is attributed to the slight increase in Cost of Coal Sold per MT from P1,571 in the previous period to P1,576 in the current quarter and the higher volume sold.

Gross Profit decline to 19% of Revenue as a direct result of the lower price amounting to P245.146 million, 42% lower than Q1 2006 performance of P426.133 million.

The 6% drop in Government Share is explained by the corresponding drop in Coal Revenues, which is the basis of Government Share computation. Higher General and Administrative Expenses included traveling expenses related to marketing efforts to penetrate the export market and other possible business opportunities for Semirara Mining synergistic with present operation and resources.

Other Income account decreased compared to Q1 2006 balance which reflected interest income from placements of the remainder of the offering proceeds which were later on was used to further pay down debts.

The 31% plunge in Interest and Financing Charges from P59.733 million in Q1 2006 to P41.271 million in the current period is due to the combined effects of the decline in interest rates and the permanent retirement of its debts.

Although the Company continued to recognize Foreign Exchange Gains amounting to P14.773 million, this posted a 72% decrease from Q1 2006 total Forex gains of P52.559 million since the strengthening of the Peso in this period against the US dollar was at a slower pace. At the start of 2006, US dollar to PHP was recorded at $53.09:P1 and improved to $52.530:P1 at the end of the Q1. Meanwhile, the exchange rate opened at $49.03:P1 in 2007 and closed at $48.287:P1 at the end of the current quarter.

The reduction in Net Income Before Tax by 55% from P378.265 million in Q1 2006 to P171.823 million in the current period correspondingly brought down Income Tax Provision to P51.882 million from P108.062 million recognized in Q1 2006. The resulting Net Income After Tax showed a 56% decline from Q1 2006 level of P270.204 million to P119.941 million this quarter.

Consequently, Earnings per Share dropped by 56% from P0.9735 in Q1 2006 to P0.4321 as at the end of the current quarter. Increased Depreciation and Amortization Expense cushioned the decline in EBITDA to 17% from P694.423 million as at Q1 2006 to P573.409 million this period.

B. Solvency and Liquidity

Net Cash Generated from Operations in the current period amounted to P124.349 million. The 82% decrease in the account was primarily caused by the increase in Receivables by P398.048 million, as opposed to yearend 2006 decrease in the account by P608.232 million due to higher coal sales in the last month of the current quarter. On the other hand, Inventories decreased by P127.599 million as against audited 2006 increase in the account as at the end of the period as a result of lower unit cost of coal which is a function of increased production. Meanwhile, Accounts and Other Payables posted a sizeable increase with the provision for cash dividends of P333 million. The increase in Customer's Deposits was tempered as more deliveries were made to comply with coal supply agreements. No changes in the Asset Retirement Obligation and Pension Liability accounts were recorded.

Interest Paid of P41.511 million is slightly offset by Interest Received amounting to P9.250 million. The resulting Nest Cash Provided by Operating Activities amounted to P92.088 million.

The liquidation of P300 million invested in an affiliate which earned prime rate for the Company and the decrease in purchases of additional PPE accounted for the positive cashflow from investing activities.

On the other hand, additional payment of maturing long-term debts amounting to P330.773 million is partly offset by loan availments amounting to P176.054 million, effecting the recognition of Net Cash Used in Financing Activities of P154.719 million.

As a result of the movements in the aforementioned accounts, the Company was able to generate Cash and Cash Equivalents of P157.300 million during the period, which combined with the beginning balance of P510.439 million resulted to an ending balance of P667.739 million.

The Company sustained a healthy liquidity as Current Ratio remains strong at 2.49x from 2.53x as at yearend 2006. In spite of the dividend declaration, the Company's solvency condition remained strong with the realization of earnings for the period, registering a Total Debt-to-Equity ratio of 0.55:1, albeit slightly weaker than yearend 2006 level of 0.51:1.

IV. PERFORMANCE INDICATORS:

1. ***Average Selling Price*** *– The decrease in composite price of the Company is attributed to two major factors: 1) The continued strengthening of the peso against the US dollar. Since domestic coal prices are largely influenced by the imported price of coal which is on US dollar terms, weaker US dollar means correspondingly lower price for Semirara coal. 2) Short-term tactical pricing for new markets to broaden acceptance. This particularly applies to non-traditional users in the local market, and the trial shipments to the export market.*

2. ***Debt-to-Equity Ratio*** *- One of the best indicators of the Company's strength is its Debt-to-Equity Ratio which measures the sufficiency of capitalization to cover debts. A strong Debt-to-Equity ratio ensures that the Company has access to inexpensive funds for flexibility in its operations.*

3. ***Capital Expenditures*** *– Currently, as the Company has already completed its capacity expansion program in 2006, no major Capital Expenditures are expected to be incurred. However, the recent market development broadens opportunities for Semirara coal. Hence, when the need arises to again ramp up capacity for the Company to take advantage of the new market prospects, management is ready to accordingly adjust its operations. Support facilities, particularly the loading port will need minor adjustments to accommodate bigger vessels for exports.*

4. ***Expanded Market*** *- The successful maiden export of the Company led to more interest from the global market. Another shipment, this time to India in the succeeding quarter subsequently followed the delivery to China. Clearly the Company has fully achieved its diversification efforts. Not too long ago, the only established market for the Company is the NPC Calaca plant #2 in Batangas. Now, apart from penetrating other local users, it has further broadened its market base to include the vast global market. The broad acceptance*

of Semirara coal in the South and Southeast Asian region could support the premise of usability of Semirara coal to our potential users in the local market, further adding to the bright prospects of the Company.

5. ***Improved coal quality*** *– The expansion of the Company's market to include foreign coal users augured well for Semirara coal as it signified that it has completely shed off the stigma of being a low-grade and hardly usable coal. This can be largely attributed to the continuous efforts to improve quality by installing additional processes such as coal washing and drying.*

II. FINANCIAL CONDITION

The Company's financial condition for the period improved as total assets as of first quarter 2007 increased by 4% from end 2006 balances.

Cash flow showed a net P1 billion of cash and was used for consolidated operations while a net P1 billion of cash was also raised in financing activities. This shows the Company's fund raising activities done in the first quarter of 2007 as a follow-up capital issuance for the water business.

Total receivables (current and non-current) went up as a result of heightened sales in the real estate sector, sustained coal take-up, and regular construction business among others.

The real estate business continues to record improving sales and as such is eating up into existing inventory. The Company is starting to build new projects and accelerate work on its existing ones, providing a significant rise in inventory. Some long term investment properties were also reclassified to real estate inventory, as these properties were determined in mid 2006 to be used for development in the near future, adding to the increase in inventories and reduction in investment properties. Coal from the 2006 high cost inventory accounted for a large amount of the increase in inventories.

Investments were up as a result of the Company's new investment in the water sector which was recorded late in 2006.

Some equipment disposals, more in the construction and coal businesses were done in the quarter. Depreciation also helped in the 4% reduction of the property, plant and equipment item.

Accounts & other payables increased marginally as a result of regular credit and payment transactions done in normal business.

Long term liabilities (including current portion) decreased as the Company's business repaid and/or refinanced most its high interest debts. SMC's expansion was financed mainly by long term loans but expects to prepay most of its loans within the year from internally generated cash. In addition, the Company acquired local bank financing to fund half of its P3 billion initial investment in the Maynilad acquisition in late 2006 but was subsequently paid within the first quarter of 2007.

Stockholders equity increased as the Company had to raise funds to pay off and retire the loans it acquired to acquire Maynilad. The Company issued an additional 168 million shares at an average price of P7/share to an existing shareholder and is planning to issue more for additional fund requirements in the water sector.

Current ratio decreased from 2.41 as of end 2006 to 2.45 at the end of the period significantly affected by the cash raised from the issuance of new shares. Current debt repayment capability is healthy and well within industry averages. Debt to equity ratio slightly increased from 0.77 to 0.65 indicating a slight increase in stockholders position for the Company's stockholders vs. its creditors, this is a result of the additional issuance of capital of which the Company is planning to even increase that will generally further reduce debt to equity ratios. The Company notes that the debt to equity ratio is below 1,

indicating a strong owner base leverage. The debt to equity ratio was also within industry averages as the Company strives to maintain its financial risk position relative to the interest of its stockholders (current ratio average per industry: Mining-1.78, Construction-1.29; Real Estate-1.84; debt to equity ratio average: Construction-2.05; Mining/Quarrying-2.08; Real Estate-0.32; reference: Business World Top 1000 Corporations in the Philippines. 2005, Volume19).

KEY INDICATORS

The Company and its Subsidiaries (the "Group") has the following as its key performance indicators:

a) Change in Coal Sales
b) Change in Real Estate Sales
c) Change in Construction Revenues
d) Change in Net Income
e) Change in Current Ratio
f) Change in Debt to Equity Ratio

CHANGE IN COAL SALES

With the emergence of coal mining as a significant business of the Company, it is imperative that the Company discuss thoroughly its coal business through its now 58% owned coal mining subsidiary, SMC. A clear indicator of performance in the coal mining business is any change in Coal Sales. This will show how this period's coal mining business fared with respect to the same period in the previous year/s (*see Part I. Results of Operations-Coal Mining for a detailed discussion*).

CHANGE IN REAL ESTATE SALES

The real estate business is currently becoming another significant contributor for the Company operations. Any change will indicate an improvement or deterioration in the Company's real estate business for the period. Currently the Company is intently looking at the changes in its real estate operations as an indication of performance (*see Part I. Results of Operations-Real Estate for a detailed discussion*).

CHANGE IN CONSTRUCTION REVENUE

The Company, for the past years of its existence, has always been known as the listed vessel for its construction business. In this regard, it is prudent that the Company note operational performance in its construction business. The initial performance indicator of the Company's construction business is any increment in its Construction Revenues. Any change will indicate an improvement or deterioration in the Company's construction business for the period (*see Part I. Results of Operations-Construction for a detailed discussion*).

CHANGE IN NET INCOME

The results of consolidated operations of the Company can be seen with the increment in net income for the period compared to the same period of the previous year/s. Bottom line analysis takes into consideration all business that the Company is engaged in. The Company calculates any decrease and increase in net income and studies the results of its operational business segments and provides discussions as a general on the main reasons why the change in net income (*see Part I. Results of Operations-1st paragraph for a detailed discussion*).

CURRENT RATIO

Liquidity is an essential character of any organization, and the Company, including the Group as a whole, should indicate acceptable levels of liquidity. The initial test of liquidity is the current ratio, which will display a company's ability to satisfy current obligations with current resources. Current ratio is arrived by dividing the current assets over the current liabilities. The Company uses this test and compares it with industry balances to determine its ability to satisfy current obligations with respect to its competitors (*see Part II. Financial Condition for a detailed discussion*).

DEBT TO EQUITY RATIO

As a stockholder/investor, financial position and stability would be an important aspect. The Company tests its financial position through the debt to equity ratio. This test indicates the Company's ownership of creditors vs. owners/investors. In addition, debt to equity ratio maintenance is a requirement set by creditors as a standard for extending credit. Debt to equity ratio is computed by dividing the total liabilities over total stockholders equity (*see Part II. Financial Condition for a detailed discussion*).

PART II--OTHER INFORMATION

1. This interim financial report is in compliance with generally accepted accounting principles;
2. The same accounting policies and methods of computation are followed in the interim financial statements as compared with the most recent annual financial statements;
3. The company's operation is a continuous process. It is not dependent on any cycle or season;
4. There were no dividends declared and paid of whatever nature;
5. There were no subsequent events that have not been reflected in the financial statements for the period that the company have knowledge of;
6. There are no contingent accounts in the balance sheet of the corporation;
7. Except for interest payments on loans, which the Company can fully service, the only commitment that would have a material impact on liquidity are construction guarantees. These are usually required from contractors in case of any damage / destruction to a completed project.
8. Any known trends or any known demands, commitments, events or uncertainties that will result in or that will have a material impact on the registrant's liquidity. - **NONE**
9. The Company recognizes that the continuing slump in the property sector would keep both real estate sales and construction revenues moderate. Nonetheless, the Group's venture into middle-income housing development is expected to significantly contribute to revenues and income.

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 DMCI Holdings, Inc.

Signature and Title **Herbert M. Consunji**
Vice President & Chief Finance Officer

Signature and Title **Aldric G. Borlaza**
Finance Officer

Ma. Luisa C. Austria
Accounting Officer

Date May 21, 2007

DMCI HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

For the period ended March 31, 2007 and December 31, 2006

(Amounts in Thousands of Philippine Pesos,

Except Par Value and Number of Shares)

	MARCH 2007	AUDITED 2006
ASSETS		
Current Assets		
Cash and cash equivalents	1,310,580	1,251,911
Available-for-sale investments	70,182	259,592
Receivables - net	4,371,300	3,714,849
Costs and estimated earnings in excess of billings on uncompleted contract	0	17,016
Inventories - net	4,948,589	4,714,825
Prepaid expenses and other current assets	263,591	379,057
Total Current Assets	10,964,241	10,337,250
Noncurrent Assets		
Noncurrent receivables - net	842,625	687,641
Investments in associates, jointly controlled entities and others - net	3,780,357	3,266,773
Investment properties - net	1,972,732	2,279,059
Property, Plant and Equipment - net	3,150,078	3,295,499
Deferred tax assets	0	219,868
Pension assets	0	0
Other non-current assets - net	762,158	486,279
Total Noncurrent Assets	10,507,949	10,235,119
Total Assets	21,472,190	20,572,369
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Bank Loans	55,480	53,811
Accounts and other payables	3,078,524	3,015,060
Current portion of long-term debt	1,243,746	1,122,685
Billings in Excess of Costs on Uncompleted Contracts	0	20,566
Income Tax Payable	84,396	43,892
Total Current Liabilities	4,462,145	4,256,014
Noncurrent Liabilities		
Long-Term Debt - net of current portion	2,237,768	3,476,921
Payables to related parties	416,109	473,163
Deferred Tax Liability	260,951	263,768
Deferred revenues	1,000,001	0
Pension Liabilities	55,070	47,171
Other Noncurrent Liabilities	15,889	395,142
Total Noncurrent Liabilities	3,985,788	4,656,165
Total Liabilities	8,447,933	8,912,179
Equity		
Equity attributable to equity holders of the parent:		
Paid-up capital (Note 3)	5,820,076	4,659,283
Retained earnings	5,393,272	5,103,728
Cumulative translation adjustment	39,873	39,873
Preferred shares held in treasury (Note 3)	0	(1,100)
	11,253,221	9,801,784
Minority Interest	1,771,036	1,858,406
Total Equity	13,024,257	11,660,190
	21,472,190	20,572,369

DMCI HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS
For the period ended March 31, 2007 and 2006 and for the quarter ended
March 31, 2007 and 2006
(Amounts in Thousands of Philippine Pesos)

	For the period		For the quarter	
	2007	**2006**	**2007**	**2006**
SALE OF GOODS AND SERVICES (Note 5)	2,604,168	2,714,105	2,604,168	2,714,105
COSTS OF SALES & SERVICES (Note 5)	1,956,028	2,075,797	1,956,028	2,075,797
GROSS PROFIT	648,140	638,308	648,140	638,308
OPERATING EXPENSES	(258,590)	(152,126)	(258,590)	(152,126)
EQUITY IN NET EARNINGS (LOSSES) OF ASSOCIATES, JOINTLY CONTROLLED ENTITIES AND OTHERS	137,309	(2,117)	137,309	(2,117)
FINANCE INCOME	19,047	33,471	19,047	33,471
FINANCE COSTS	(135,945)	(113,318)	(135,945)	(113,318)
OTHER INCOME	64,858	72,025	64,858	72,025
INCOME BEFORE INCOME TAX	474,819	476,243	474,819	476,243
PROVISION FOR INCOME TAX	137,127	136,706	137,127	136,706
NET INCOME	**337,692**	**339,537**	**337,692**	**339,537**
ATTRIBUTABLE TO				
Equity holders of the parent	289,544	241,034	289,544	241,034
Minority Interest	48,148	98,503	48,148	98,503
	337,692	339,537	337,692	339,537
Earnings per Common share				
Basic*	0.12	0.11	0.12	0.11
Diluted	0.00	-	0.00	-

*Net Income less dividends divided by the total outstanding shares of 2,255,494,000

DMCI HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE PERIOD ENDED MARCH 31, 2007 AND 2006

	MARCH 2007	MARCH 2006
CAPITAL STOCK		
Cumulative and convertible		
Preferred stock - P1 par value		
Authorized - 100,000,000 shares		
Issued - 2,400,000 shares	2,400,000	2,400,000
Retirement of preferred shares	(2,395,520)	(2,392,470)
	4,480	7,530
Reclassification of preferred stock to	-	(7,530)
liability	4,480	-
Common stock - P1 par value		
Authorized - 5,900,000,000 shares		
Issued - 2,255,494,000 shares	2,255,494,000	2,255,494,000
Additional Subscription	168,000,000	
	2,423,494,000	2,255,494,000
ADDITIONAL PAID-IN CAPITAL		
Balance at the beginning	2,403,783,826	2,827,839,006
Retirement of Preferred Shares	(1,099,000)	(406,099,980)
Additional Paid-in Capital of new		
subscribed shares	993,893,100	
	3,396,577,926	2,421,739,026
Reclassification of preferred shares-APIC		
to liability	-	(48,286,623)
	3,396,577,926	2,373,452,403
RETAINED EARNINGS (DEFICIT)		
Balance at beginning of the period	5,103,727,748	4,193,977,659
Net income(loss) for the period	289,543,997	241,034,385
Accrued dividends declared	-	-
Balance at end of the period	5,393,271,745	4,435,012,044
Cumulative Translation Adjustment	39,872,880	2,402,067
PREFERRED SHARES HELD IN TREASURY		
Balance at beginning of the period	(1,100,000)	(187,210,650)
Acquisitions for the period	-	(502,801)
Redemption/Retirement of preferred shares	1,100,000	187,210,650
Balance at end of the period	-	(502,801)
TOTAL STOCKHOLDERS' EQUITY	**11,253,221,031**	**9,065,857,713**

DMCI HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended March 31, 2007 and 2006

(Amounts in Thousands of Philippine Pesos)

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (Loss)/ Income	289,544	241,034
Adjustments to reconcile net income (loss) to net cash:		
Equity in net losses (earnings) of affiliates	(137,309)	2,117
Depreciation, depletion and amortization	185,458	96,387
Income (Loss) applicable to Minority Interest	(48,148)	(98,503)
Changes in assets and liabilities:		
Decrease / (Increase) in :		
Receivables- net	(811,435)	(899,299)
Inventories - net	(233,764)	(563,081)
Prepaid expenses and other current assets	115,466	2,266
Increase/ (Decrease) in :		
Accounts payable and accrued expenses	63,464	197,144
Current portion of long-term debt	121,061	25,734
Non current liabilities	(670,377)	567,671
Billings in excess of cost of uncompleted contracts	(3,550)	304,501
Income Tax Payable	40,504	8,930
Net cash provided by operating activities	(1,089,086)	(115,099)
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) in:		
Available for sale investments	189,410	(7,104)
Investments - net	(207,257)	314,656
Real estate held for sale and development	0	0
Property, plant and equipment - net	145,421	(262,489)
Deferred charges and other assets - net	(56,011)	(5,936)
Net cash provided by investing activities	71,563	39,127
CASH FLOWS FROM FINANCING ACTIVITIES		
Net availments (payments) of:		
Notes payable	1,669	1,535
Additional subscription of common shares		
Capital Stock at P 1.00 par value	168,000	0
Additional paid-in capital	993,893	0
Redemption of preferred shares		
Capital Stock at P 1.00 par value	(1)	0
Additional paid-in capital	(1,099)	0
Redemption of preferred shares from treasury	1,100	186,708
Accrual of Dividends paid:		
Preferred Shares	0	0
Net increase (decrease) in minority interest	(87,370)	(1,387)
Net cash provided by financing activities	1,076,192	186,856
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	58,669	110,884
CASH AND CASH EQUIVALENTS, BEGINNING	1,251,911	1,949,711
CASH AND CASH EQUIVALENTS, ENDING	1,310,580	2,060,595

1. Corporate Information

DMCI Holdings, Inc. (the Company/DMCI-HI) is incorporated in the Philippines. The Company's registered office address is 3rd Floor, Dacon Building, 2281 Don Chino Roces Avenue, Makati City.

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

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

	Effective Percentages of Ownership	
	2006	2005
General Construction:		
D.M. Consunji, Inc. (DMCI) [1]	**100.00**	100.00
DMCI International, Inc. (DMCII) [2]	**100.00**	100.00
OHKI-DMCI Corporation (OHKI) [2]	**100.00**	100.00
DMCI-Laing Construction, Inc. (DMCI-Laing) [2]	**60.00**	60.00
Beta Electric Corporation (Beta Electric) [2]	**50.77**	50.77
Raco Haven Automation Philippines, Inc. (Raco) [2]	**50.14**	50.14
Coal Mining:		
Semirara Mining Corporation (Semirara)	**58.31**	62.92
Infrastructure and Real Estate Development:		
DMCI Project Developers, Inc. (PDI)	**100.00**	100.00
Constress Philippines, Inc. (Constress) [3]	–	100.00
Hampstead Gardens Corporation (Hampstead) [3]	**100.00**	100.00
Riviera Land Corporation (Riviera) [3]	**96.38**	96.38
Manufacturing:		
Semirara Cement Corporation (SemCem) *	**100.00**	100.00
Oriken Dynamix Company, Inc. (Oriken) [2]	**89.00**	89.00
Wire Rope Corporation of the Philippines (Wire Rope)	**61.70**	61.70
Marketing Arm:		
DMCI Homes, Inc. (DMCI Homes) [3]	**100.00**	100.00
Utilities:		
DMCI Power Corporation	**100.00**	–
DMCI-MPIC Water Company, Inc.**	**50.00**	–

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

** Owns 84% of Maynilad Water Services, Inc.

[1] Also engaged in real estate development

[2] DMCI's subsidiaries

[3] PDI's subsidiaries

On November 2, 2005, the BOD approved the merger of the PDI with Constress Philippines, Inc., with the PDI as the surviving corporation. On March 7, 2006, the SEC has approved the said merger. The merger was accounted for at cost similar to a pooling of interest since the entities that were merged are under common control.

2. Changes in Accounting Policies

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

The Group has adopted the following new and amended Philippine Financial Reporting Standards (PFRS) and Philippine Interpretations during the year. Adoption of these revised standards and interpretations did not have any effect on the financial statements of the Group. These, however, give rise to additional disclosures in the consolidated financial statements.

Philippine Accounting Standards (PAS) 19, Amendment - Employee Benefits

- PAS 21, *Amendment - The Effects of Changes in Foreign Exchange Rates*
- PAS 39, *Amendments - Financial Instruments: Recognition and Measurement*
- PFRS 6, *Exploration for and Evaluation of Mineral Resources*
- PIC Q&A 2006-1, *PAS 18, Appendix, paragraph 9-Revenue Recognition for Sales of Property Units under Pre-completion Contracts*
- Philippine Interpretation - International Financial Reporting Interpretations Committee (IFRIC) 4 - *Determining whether an Arrangement Contains a Lease*
- Philippine Interpretation IFRIC 5 - *Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds*
- Philippine Interpretation IFRIC 6 - *Liabilities arising from Participating in a Specific Market-Waste Electrical and Electrical Equipment*

The principal effects of these changes are as follows:

PAS 19 - *Employee Benefits*
As of January 1, 2006, the Group adopted the amendments to PAS 19. As a result, additional disclosures are made providing information about trends in the assets and liabilities in the defined benefit plans and the assumptions underlying the components of the defined benefit cost. This change has resulted in additional disclosures being included in the consolidated financial statements (Note 22) but has not had a recognition or measurement impact, as the Group chose not to apply the new option offered to recognize actuarial gains and loss outside of the consolidated statement of income.

PAS 21 - *The Effects of Changes in Foreign Exchange Rates*
As of January 1, 2006, the Group adopted the amendments to PAS 21. Under this amendment, all exchange differences arising from a monetary item that forms part of the Group's investment in a foreign operation are recognized in a separate component of equity in the consolidated financial statements regardless of the currency in which the monetary item is denominated. This change did not impact the consolidated financial statements as there are no investments in foreign operation.

PAS 39 - *Financial Instruments: Recognition and Measurement*
Amendment for financial guarantee contracts - amended the scope of PAS 39 to require financial guarantee contracts that are not considered to be insurance contracts to be

recognized initially at fair value and to be remeasured at the higher of the amount determined in accordance with PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognized less, when appropriate, cumulative amortization recognized in accordance with

PAS 18, *Revenue*. The effect of the adoption of the amendment was not significant to the consolidated financial statements.

Amendment for hedges of forecast intragroup transactions - amended PAS 39 to permit the foreign currency risk of a highly probable intragroup forecast transaction to qualify as the hedged item in a cash flow hedge, provided that the transaction is denominated in a currency other than the functional currency of the entity entering into that transaction and that the foreign currency risk will affect the consolidated statement of income. As the Group has no such transactions, the amendment did not have any effect on the consolidated financial statements.

Amendment for the fair value option - amended PAS 39 to restrict the use of the option to designate any financial asset or any financial liability to be measured at fair value through the consolidated statement of income. The Group had not previously used this option; hence, the amendment will not have any effect on the consolidated financial statements.

As allowed under PFRS 1, PAS 32 and PAS 39 were adopted from January 1, 2005. The effect of adopting these standards, were charged against retained earnings as of January 1, 2005.

The adoption of the fair value measurement of AFS investments and the adoption of the provision of PAS 39 on the classification and related measurement of financial assets and liabilities on the consolidated financial statements resulted in the recognition of unrealized gain on AFS investments shown as a separate equity item amounting to ₱2.40 million as of January 1, 2005. In addition, installment receivable was discounted in compliance with PAS 39 and resulted to ₱41.46 million decrease in retained earnings.

PFRS 6, *Exploration for and Evaluation of Mineral Resources*
This standard requires a company to develop its own accounting policy for the recognition and measurement of exploration and evaluation of assets without specifically considering the requirements of paragraphs 11 and 12 of PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors.* Thus, a company adopting PFRS 6 may continue to use the accounting policies applied immediately before adopting the PFRS. This includes continuing to use recognition and measurement practices that are part of those accounting policies. The standard also specifies the circumstances in which the companies recognized exploration and evaluation assets should test such assets for impairment in accordance with PAS 36, *Impairment of Assets.* The standard also requires companies engaged in the exploration for and evaluation of mineral resources to disclose information about exploration and evaluation assets, the level at which such assets are assessed for impairment and any impairment losses recognized. The adoption of this standard did not have a material impact on the Group's consolidated financial statements as the Group is not presently engaged in any exploration for and evaluation of mineral resources. The adoption, however, resulted to the reclassification of the costs of acquisition of the mining rights from "Property, plant and equipment" to "Mining rights acquisition cost" account shown under the "Other noncurrent assets" account in the consolidated balance sheet.

PIC Q&A 2006-1, *PAS 18, Appendix, paragraph 9-Revenue Recognition for Sales of Property Units under Pre-completion Contracts*, which states that the law in different countries may determine the point in time at which the entity transfers the significant risks and rewards of ownership and that the examples in the Appendix need to be read in the context of the laws relating to the sale of goods in the country in which the transaction takes place. In the Philippines, equitable interest may vest in the buyer before a condominium building is complete and before legal title passes since the concept of equitable interest is recognized in Presidential Decree 957, known as the *Condominium and Subdivision Buyers' Protective Decree*. Although the sale of property units under pre-completion contracts is not within the scope of PAS 11, *Construction Contracts*, the method of determining the stage of completion and revenue recognition as provided in that Standard may be referred to for guidance in determining revenue as the acts are performed.

The effect of the adoption of the interpretation was not significant to the consolidated financial statements.

Philippine Interpretation IFRIC 4 - *Determining Whether an Arrangement Contains a Lease*
The Group adopted IFRIC 4 as of January 1, 2006, which provides guidance in determining whether a lease contained an arrangement to which lease accounting must be applied. This change in accounting policy did not impact the consolidated financial statements.

The following Philippine Interpretations and accounting standards have been issued but effective for financial statements after January 1, 2006. The Group did not early adopt these Philippine Interpretations and accounting standards.

- Philippine Interpretation IFRIC 8, *Scope of PFRS 2 (effective for financial years beginning on or after June 1, 2006).* This IFRIC Interpretation clarifies that PFRS 2, *Share-based Payment,* will apply to any arrangement when equity instruments are granted or liabilities (based on a value of the Group's equity instruments) are incurred by the Group, when the identifiable consideration appears to be less than the fair value of the instruments given. The adoption of this Philippine Interpretation will not impact the consolidated financial statements as the Group has no share-based payments.

- Philippine Interpretation IFRIC 9, *Reassessment of Embedded Derivatives (effective for financial years beginning on or after June 1, 2006).* This Philippine Interpretation requires an entity to assess whether a contract contains an embedded derivative at the date an entity first become a party to the contract and prohibits reassessment unless there is change to the contract that significantly modifies the cash flows. The Group will reassess to determine whether or not embedded derivatives were assessed at the date of transition to PFRS rather than at the date of entering into the contract. This Philippine Interpretation requires the Group to revisit and revise accounting for embedded derivatives.

- Philippine Interpretation IFRIC 10, *Interim financial Reporting and Impairment (effective for annual periods beginning on or after November 1, 2006).* This Philippine Interpretation addresses an inconsistency between PAS 34, *Interim Financial Reporting* and the impairment requirements relating to goodwill in PAS 36, *Impairment of Assets* and equity instruments classified as available for sale in PAS 39, *Financial Instruments: Recognition and Measurement*. The interpretation states that the specific requirements of PAS 36 and PAS 39 take precedence over the general requirements of PAS 34 and, therefore, any impairment loss recognized for these assets in an interim period may not

be reversed in subsequent interim periods. The Group will assess the impact of this Philippine Interpretation.

- PFRS 7, *Financial Instruments - Disclosures (effective for annual periods beginning on or after January 1, 2007).* PFRS 7 includes all of the disclosure requirements relating to financial instruments and will replace the disclosure section of PAS 32, *Financial Instruments: Disclosure and Presentation* and all of PAS 30, *Disclosures in the Financial Statements of Banks and Similar Financial Institutions*. PAS 32 will then contain only presentation requirements for financial instruments. The most significant additional disclosure requirements of PFRS 7 (compared to PAS 32 and PAS 30) are as follows:
(a) qualitative risk disclosures are to include information on the processes that an entity uses to manage and measure its risks, (b) quantitative data about the exposure to each type of risk (including credit risk, liquidity risk and market risk) arising from financial instruments,
(c) information about the credit quality of financial assets that are neither past due nor impaired, (d) an analysis of financial assets that are past due or impaired, including a description of collateral held as security and its fair value, (e) a market risk sensitivity analysis which includes the effect of a reasonably possible change in the risk variables, along with the methods and assumptions used in preparing the analysis. The Group will assess whether the processes and systems in place are capable of collecting these information and making any necessary changes. The Group will reassess to determine whether documented policies are comprehensive and complete. The amendment requires presentation of comparative information in the consolidated financial statements.

- Amendments to PAS 1, *Presentation of Financial Statements - Capital Disclosure.* This amendment, which is effective for annual periods beginning on or after January 1, 2007, requires entities to disclose information that enables readers to evaluate the entity's objectives, policies and processes for managing capital. The disclosures are based on information provided internally to key management personnel, and will include: (a) the objectives, procedures and policies used to manage capital, (b) a description of what the entity manages as capital, the nature of any externally imposed capital requirements (if any) and how it meets objectives for managing capital, (c) quantitative information about what the entity manages as capital and any changes from the prior period, (d) whether the entity complied with externally imposed capital requirements and the consequences of any non-compliance, (if applicable). The Group will consider what information is currently used internally and how this is to be incorporated into the disclosures.

- Philippine Interpretation IFRIC 7, *Applying the Restatement Approach under PAS 29, Financial Reporting in Hyperinflationary Economies (effective for annual periods beginning on or after January 1, 2007).* This Philippine Interpretation requires entities to apply PAS 29, *Financial Reporting in Hyper-inflationary Economies*, in the reporting period in which an entity first identifies the existence of hyperinflation in the economy of its functional currency as if the economy had always been hyperinflationary. This Philippine Interpretation is not applicable to the Group.

- Philippine Interpretation IFRIC 11, *PFRS2 - Group and Treasury Share Transactions (effective for annual periods beginning on or after March 1, 2007).* This Philippine Interpretation requires arrangements whereby an employee is granted rights to equity instruments to be accounted for as an equity-settled scheme by the Group even if: (a) the Group chooses or is required to buy those equity instruments (e.g. treasury shares) from another party, or (b) the shareholders of the Group provide the equity instruments needed. The adoption of this Philippine Interpretation will not impact the consolidated financial statements.

- Philippine Interpretation IFRIC 12, *Service Concession Arrangements (effective for annual periods beginning on or after January 1, 2008).* This Philippine Interpretation outlines an approach to account for contractual arrangements arising from entities providing public services. It provides that the operator should not account for the infrastructure as property, plant and equipment, but recognize a financial asset and/or an intangible asset. The Group will assess the impact of this Philippine Interpretation since the Group will now be involved in providing public services with the acquisition of water and power distribution facilities.

- PFRS 8, *Operating Segments (effective for annual periods beginning on or after January 1, 2009)*. This amendment was issued as part of the convergence project with the US Financial Accounting Standards Board. This new standard replaces PAS 14, *Segment Reporting* and adopts a management approach to segment reporting as required in the US Standard SFAS 131, *Disclosures about Segments of an Enterprise and Related Information*. The information reported would be that which management uses internally for evaluating the performance of operating segments and allocating resources to those segments. This information may be different from that reported in the consolidated balance sheet and consolidated statement of income and entities will need to provide explanations and reconciliations of the differences. As the information required to be disclosed will likely be readily available as it is already used internally, the Group will reassess to determine whether additional processes should be put into place to reconcile information to the consolidated balance sheet and consolidated statement of income.

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3. Summary of Significant Accounting Policies

Revenue Recognition

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

Construction Contracts

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

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

The asset, *"Costs and estimated earnings in excess of billings on uncompleted contracts,"* represents total costs incurred and estimated earnings recognized in excess of amounts billed. The liability, *"Billings in excess of costs and estimated earnings on uncompleted contracts,"* represents billings in excess of total costs incurred and estimated earnings recognized. Contract retentions are presented as part of *"Construction receivable"* under the *"Receivables"* account in the consolidated balance sheet.

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

Real estate sales are accounted for under the percentage-of-completion method when: (a) equitable interest and/or legal title to the subject property is transferred to the buyer; (b) the seller is obliged to perform significant acts after the subject properties are sold; (c) the amount of revenue can be measured reliably; (d) the costs incurred or to be incurred can be measured reliably; and (e) it is probable that the economic benefits will flow to the entity. Under this method, the revenue and cost of sale is recognized as the acts are performed.

If any of the criteria under the full accrual method or the percentage-of-completion method is not met, the deposit method is applied until all the conditions for recording a sale are met. Pending recognition of sale, cash received from buyers are presented under the *"Customers' deposits"* account which is shown as part of the *"Accounts and Other Payables"* account in the liabilities section of the consolidated balance sheet.

Interest income
Revenue is recognized as interest accrues (using the effective interest method that 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).

Coal sales
Revenue from coal sales is recognized upon delivery when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably.

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

Dividend income
Revenue is recognized when the Group's right to receive payment is established.

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

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

Financial Instruments
Financial assets within the scope of PAS 39 are classified as either financial assets at fair value through profit and loss (FVPL), loans and receivables, held-to-maturity (HTM) investments and AFS financial assets, as appropriate. Financial liabilities are classified into financial liabilities at FVPL and other financial liabilities carried at cost. When financial assets are recognized initially, these are measured at fair value, plus, in the case of investments measured not at FVPL, directly attributable costs. The Group considers whether a contract contains an embedded derivative when the entity first becomes a party to it. The embedded derivatives are separated from the host contract which is not measured at FVPL when analysis shows that the economic characteristics and risks of embedded derivatives are not closely related to those of the host contract.

The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end.

All regular way purchases and sales of financial assets are recognized on the trade date, which is the date that the Group commits to purchase the asset. Regular way purchases or sales - are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Financial assets and financial liabilities at fair value through profit and loss (FVPL)
Financial assets and financial liabilities at FVPL include financial assets and liabilities held for trading, financial assets and financial liabilities designated upon initial recognition as at FVPL, and derivative instruments.

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. Included in this classification are debt and equity securities which have been acquired principally during trading purposes.

Financial assets and liabilities may be designated at initial recognition as FVPL if the following criteria are met: (a) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognizing gains or losses on them on a different basis; or (b) the assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (c) the financial asset contains an embedded derivative that would need to be separately recorded. As of December 31, 2006 and 2005, no financial assets have been designated as at FVPL.

HTM investments
HTM investments are quoted non-derivative financial assets which carry fixed or determinable payments and fixed maturities which the Group has the positive intention and ability to hold to maturity. After initial measurement, HTM investments are measured at amortized cost. This cost is computed as the amount initially recognized minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initially recognized amount and the maturity amount, less allowance for impairment. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. Gains and losses are recognized in the consolidated statement of income when the investments are derecognized or impaired, as well as through the amortization process. As of December 31, 2006 and 2005, no financial assets have been designated as at HTM investments.

Loans and Receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are subsequently carried at amortized cost using the effective interest method less any allowance for impairment. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in the consolidated statement of income when the loans and receivables are derecognized or impaired, as well through the amortization process. The Group's loans and receivables consist mainly of receivable from customers and related parties.

AFS Investments
AFS investments are those non derivative financial assets that are designated as AFS or are not classified in any of the three preceding categories. After initial measurement, AFS are measured at fair value with unrealized gains or losses being recognized directly in equity in the unrealized gain on AFS investments. When the investment is disposed of, the cumulative gain or loss previously recorded in equity is recognized in the consolidated statement of income. Interest earned or paid on the investments is reported as interest income or expense using the effective interest rate. Dividends earned on investments are recognized in the consolidated statement of income when the right to receive has been established. The Group considers its quoted and unquoted securities, mutual funds, private bonds and government securities as its AFS
investments (Note 7).

Fair Value
The fair value of investments that are actively traded in organized financial markets is determined be reference to quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using arm's length market transactions; references to the current market value of another instrument, which is substantially the same; discounted cash flow analysis or other valuation models.

Interest Bearing Loans and Borrowings
All loans and borrowings are initially recognized at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized costs using the effective interest method.

Gains and losses are recognized in the consolidated statement of income when the liabilities are derecognized as well as through the amortization process.

Derecognition of Financial Assets and Liabilities
Financial Assets
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

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

- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or

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

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

Financial Liabilities
A financial liability is derecognized when the obligation under the liability is discharged or 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 an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of income.

Offsetting

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

Impairment of Financial Assets

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

Assets carried at amortized cost

If there is objective evidence that an impairment loss on loans and receivables 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 estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial assets' original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss shall be recognized in the consolidated statement of income during the period in which it arises.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group if financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

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

In relation to 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 Group will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through the use of an allowance account. Impaired debts are derecognized when they are assessed as uncollectible.

AFS financial investments
If an AFS asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in the consolidated statement of income, is transferred from equity to the consolidated statement of income. Reversals in respect of equity instruments classified as AFS are not recognized in the consolidated statement of income. Reversals of impairment losses on the debt instruments are reversed through the consolidated statement of income; if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in the consolidated statement of income.

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

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

Materials in-transit
Cost is determined using the specific identification basis.

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

Real estate inventories
Real estate inventories, consists of housing and condominium units for sale and development and land for sale and development, are carried at the lower of cost or NRV. Real estate costs include those costs that relate to the acquisition, development, improvement and construction of the real estate projects. Borrowing costs in 2004 are capitalized while the development and construction of the real estate projects are in progress, and to the extent that these are expected to be recovered in the future. NRV is the selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale such as commissions.

Investments in Associates, Jointly Controlled Entities and Others
Investments in associates and jointly controlled entities (investee companies) are accounted for under the equity method of accounting. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venturer has an interest.

Under the equity method, the investments in the investee companies are carried in the consolidated balance sheet at cost plus post-acquisition changes in the Group's share in the net assets of the investee companies. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortized. The consolidated statement of income reflect the share of the results of the operations of the investee companies. Profit and losses resulting from transactions between the Group and the investee companies are eliminated to the extent of the interest in the investee companies.

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

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

Investment Properties

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

Investment properties are derecognized when they have either been disposed of or when the investment property is permanently withdrawn from use and no future 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 in the year in which it arises.

Expenditures incurred after the investment properties have been put into operations, such as repairs and maintenance costs, are normally charged to income in the period in which the costs are incurred.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner occupation, commencement of an operating lease to another party or completion of construction or development. Transfers are made from investment property when, and only when, there is a change in use, as evidenced by commencement or owner occupation or commencement of development with a view to sale.

For a transfer from investment property to owner occupied property, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. If the property occupied by the Group as an owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use. When the Group completes the construction or development of a self constructed investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognized in the consolidated statement of income.

Depreciation is calculated on a straight-line basis using the following estimated useful lives from the time of acquisition of the investment properties. The estimated useful lives of the property, plant and equipment follow:

	Years
Condominium units	5
Buildings and improvement	5-25

Property, Plant and Equipment

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

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

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

Depreciation and amortization of property, plant and equipment, except for mining rights, are calculated on the straight-line basis over the following estimated useful lives of the respective assets:

	Years
Land improvements	5-17
Buildings and building improvements	5-25
Construction equipment, machinery and tools	5-10
Office furniture, fixtures and equipment	3-5
Transportation equipment	4-5
Conventional and continuous mining equipment	2-13
Leasehold improvements	5-7 or remaining lease term, whichever is shorter

Depletion of mining rights is calculated based on the units-of-production method.

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

Construction in progress included in property, plant and equipment is stated at cost. This includes the cost of the construction of property, plant and equipment and other direct costs. Construction in progress is not depreciated until such time the relevant assets are completed and put into operational use.

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

Asset Retirement Obligation (ARO)

The Group is legally required to fulfill certain obligations as required under its Environmental Compliance Certificate (ECC) issued by Department of Environment and Natural Resources (DENR). When appropriate, the Group recognizes the liability for these obligations and this is included as part of the cost of property, plant and equipment.

Mine Exploration and Development Costs

Expenditures for mine exploration and development activities on mining properties are deferred as incurred. These deferred costs are charged to expense when the results of the exploration activities are determined to be negative or not commercially viable. When exploration results are positive or commercially viable, the exploration expenses and subsequent development expenses are capitalized and presented under the *"Other noncurrent assets"* account in the consolidated balance sheet. Upon the start of commercial production, such capitalized costs are accordingly transferred to the *"Property, plant and equipment"* account in the consolidated balance sheet and amortized using the unit-of-production method.

Intangible Assets

Intangible assets acquired separately are capitalized at cost and these are shown as part of the other noncurrent assets account in the consolidated balance sheet. Following initial recognition, intangible assets are measured at cost less accumulated amortization and provisions for impairment losses, if any. The useful lives of intangible assets with finite life are assessed at the individual asset level. Intangible assets with finite life are amortized over their useful life. Periods and method of amortization for intangible assets with finite useful lives are reviewed annually or earlier where an indicator of impairment exists.

Costs incurred to acquire and bring the computer software (not an integral part of its related hardware) to its intended use are capitalized as part of intangible assets. These costs are amortized over their estimated useful lives ranging from 3 to 5 years. Costs directly associated with the development of identifiable computer software that generate expected future benefits to the Group are recognized as intangible assets. All other costs of developing and maintaining computer software programs are recognized as expense when incurred.

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

Impairment of nonfinancial assets

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

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 Group makes an estimate of recoverable amount. 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 unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

Intangible assets with indefinite useful lives are tested for impairment annually as of December 31 either individually or at the cash generating unit level, as appropriate.

Borrowing Costs

Borrowing costs are generally expensed as incurred. Interest on borrowed funds used to finance the construction of a qualifying asset to the extent incurred during the period of construction is capitalized as part of the cost of the qualifying asset. The capitalization of these borrowing costs as part of the cost of the qualifying asset: (a) commences when the expenditures and borrowing costs are being incurred during the construction and related activities necessary to prepare the qualifying asset for its intended use are in progress; and (b) ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use are complete. The capitalized borrowing costs of are amortized using the straight-line method over the estimated useful life of the qualifying asset.

Treasury Shares

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

Income Tax

Current Tax

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

Deferred Income Tax

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

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

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

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

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

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

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

Under the provisions of Republic Act No. 7227, DMCII, being a Subic Bay Free Port Zone enterprise, is subject to a tax of 5% on gross income in lieu of all other taxes.

Foreign Currency Transactions

The Group's financial statements are presented in Philippine pesos, which is the functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the consolidated financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to consolidated statement of income during the period of retranslation.

Retirement Cost

The Group's pension costs are actuarially determined using the projected unit credit method. This method reflects services rendered by employees up to the date of valuation and incorporates assumptions concerning employees' projected salaries. Actuarial valuations are conducted with sufficient regularity, with option to accelerate when significant changes to underlying assumptions occur. Pension cost includes current service cost, interest cost, expected return on any plan assets, actuarial gains and losses and the effect of any curtailments or settlements.

The net pension liability recognized by the Group in respect of the defined benefit pension plan is the lower of: (a) the present value of the defined benefit obligation at the balance sheet date less the fair value of the plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs that shall be recognized in later periods; or (b) the total of any 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 future contributions to the plan. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using risk-free interest rates of government bonds that have terms to maturity approximating the terms of the related pension liability.

Leases

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

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

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

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

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

Segment Reporting
The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products. Financial information on business segments is presented in Note 33 to the consolidated financial statements.

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

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

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

4. **Preferred and Common Stock**

The changes in the number of shares follow:

	2007	2006
Preferred stock - ₱1 par value cumulative and convertible to common stock		
Authorized number of shares	**100,000,000**	**100,000,000**
Issued and outstading		
Balance at beginning of year	**5,480**	**144,480**
Cancellation/retirement of issued preferred shares	**(1,000)**	**(139,000)**
Balance at end of year	**4,480**	**5,480**
Common stock - ₱1 par value		
Authorized number of shares	**5,900,000,000**	**5,900,000,000**
Issued and outstanding	**2,423,494,000**	**2,255,494,000**
Additional subscription	**168,000,000**	
Preferred shares held in treasury		
Balance at beginning of year	**(1,000)**	**(136,950)**
Redemption of preferred shares	**-**	**(3,050)**
Cancellation/retirement of issued preferred shares	**1,000**	**139,000**
Balance at end of year	**0**	**(1,000)**

5. **Business Segments**

The following tables present sales and services, cost of sales and services, and gross profit information regarding business segments for the period and quarter ended March 31, 2007 and 2006 (amounts in thousand):

	Sales & Services			
	For the Period		For the Quarter	
	2007	2006	2007	2006
General Construction	449,698	612,194	449,698	612,194
Coal Mining	1,303,462	1,384814	1,303,462	1,384814
Infrastructure and Real Estate Development	753,072	658,828	753,072	658,828

Manufacturing and Parent Company	97,936	58,269	97,936	58,269
	2,604,168	**2,714,105**	**2,604,168**	**2,714,105**

Cost of Sales & Services

	For the period		For the Quarter	
	2007	2006	2007	2006
General Construction	379,569	593,446	379,569	593,446
Coal Mining	1,058,316	958,681	1,058,316	958,681
Infrastructure and Real Estate Development	432,066	470,497	432,066	470,497
Manufacturing and Parent Company	86,077	53,173	86,077	53,173
	1,956,028	**2,075,797**	**1,956,028**	**2,075,797**

Gross Profit

	For the period		For the Quarter	
	2007	2006	2007	2006
General Construction	70,129	18,748	70,129	18,748
Coal Mining	245,146	426,133	245,146	426,133
Infrastructure and Real Estate Development	321,006	188,331	321,006	188,331
Manufacturing and Parent Company	11,859	5,096	11,859	5,096
	648,140	**638,308**	**648,140**	**638,308**

Net Income*

	For the period		For the Quarter	
	2007	2006	2007	2006
General Construction	12,473	(3,785)	12,473	(3,785)
Coal Mining	69,937	172,930	69,937	172,930
Water Services	137,327	-	137,327	-
Infrastructure and Real Estate Development	108,944	58,558	108,944	58,558
Manufacturing and Parent Company	(39,139)	13,331	(39,139)	13,331
	289,544	**241,034**	**289,544**	**241,034**

** Net of Minority*

6. **Related Party Transactions**

In the regular course of business, the Group's significant transactions with related parties consisted primarily of the following:

(a) Comprehensive surety, corporate and letters of guarantee issued by the Company and DMCI for various credit facilities granted to and for full performance of certain obligations by certain related parties.
(b) Certain assets of the Group, associates and other related parties were placed under accommodation mortgages to secure the indebtedness of the Group, its associates and other related parties
(c) Interest and non interest-bearing cash and operating advances made by the Group to and from various associates and other related parties.

DMCI HOLDINGS, INC.
AGING OF ACCOUNTS RECEIVABLE
AS OF MARCH 31, 2007

TYPE OF ACCOUNTS RECEIVABLE	T O T A L	1 MONTH	2 -3 MONTHS	4 - 6 MONTHS	7 MONTHS TO 1 YEAR	1 - 2 YEARS	3 - 5 YEARS	5 YEARS - ABOVE	Past Due Accts & Items for Litigation
A. TRADE RECEIVABLE - CONTRACT									
D.M. Consunji, Inc.	939,830,685.47	369,837,106.17	-	2,086,443.01	151,569,389.76	135,715,997.91	198,355,968.05	82,265,780.57	-
DMCI International, Inc.	24,686,393.00						24,686,393.00		
OHKI-DMCI Corporation	2,966,841.00	2,966,841.00		-	-				
Oriken Dynamix Company, Inc.	19,978,813.20	19,978,813.20							
Beta Electric Corporation	31,453,803.32	9,902,103.51	6,291,965.02	4,973,148.43	-	-	10,286,586.36		
Raco Haven Automation	9,146,381.00	2,202,013.60	236,238.79	256,471.24	6,451,657.37				
Sub-total	1,028,062,916.99	404,886,877.48	6,528,203.81	7,316,062.68	158,021,047.13	135,715,997.91	233,328,947.41	82,265,780.57	-
DMCI Project Developers, Inc.	1,633,572,644.68	488,896,919.50	251,357,445.17	229,036,796.59	78,920,575.25	154,565,270.82	236,075,087.86	194,720,549.49	-
Semirara Mining Corporation	893,707,850.00	609,739,318.62	237,513,402.58	33,417,682.31	6,735,395.81	3,708,286.23	2,593,764.45	-	-
Wire Rope Corporation of the Philippines	47,352,131.00	16,409,977.17	11,468,647.77	6,560,016.67	2,368,858.43	4,240,478.10	5,409,519.86	-	894,633.00
Sub-total	2,574,632,625.68	1,115,046,215.29	500,339,495.52	269,014,495.57	88,024,829.49	162,514,035.15	244,078,372.17	194,720,549.49	894,633.00
RETENTION RECEIVABLE - TRADE									
D.M. Consunji, Inc.	402,858,277.53	402,858,277.53							-
Beta Electric Corporation	23,997,294.05	23,997,294.05							
Raco Haven Automation	7,927,755.37	7,927,755.37							
Sub-total	434,783,326.95	434,783,326.95	-	-	-	-	-	-	-
Total Contract/Retention Receivable - Trade	4,037,478,869.62	1,954,716,419.72	506,867,699.33	276,330,558.25	246,045,876.62	298,230,033.06	477,407,319.58	276,986,330.06	894,633.00
Less: Allowance for Doubtful Accounts	157,907,694.90								
Net Trade Receivable	**3,879,571,174.72**								

B. NON-TRADE RECEIVABLES	
ADVANCES -	
D.M. Consunji, Inc.	375,032,200.00
Oriken Dynamix Company, Inc.	3,335,208.63
Beta Electric Corporation	6,534,859.99
Racon Haven Automation	747,427.40
	385,649,696.02
DMCI Holdings, Inc.	220,014.36
DMCI Project Developers, Inc.	105,858,811.76
	106,078,826.12
Sub-total	491,728,522.14
AFFILIATES -	
D.M. Consunji, Inc.	552,921,112.43
DMCI-Laing Construction, Inc.	21,372,739.86
Beta Electric Corporation	4,180,713.52
	578,474,565.81
DMCI Project Developers, Inc.	15,041,367.43
Semirara Mining Corporation	42,929,218.00
	57,970,585.43
Sub-total	636,445,151.24

OTHER RECEIVABLES -	
D.M. Consunji, Inc.	14,864,746.00
Beta Electric Corporation	19,742,006.54
Racon Haven Automation	321,827.87
	34,928,580.41
DMCI Holdings, Inc.	5,039,932.21
DMCI Project Developers, Inc.	10,168,650.72
Semirara Mining Corporation	25,897,458.00
Riviera	130,144,902.12
	171,250,943.05
Sub-total	206,179,523.46
Total Non-trade Receivables	1,334,353,196.84
Less: Allowance for Doubtful Accounts	-
Net Non-trade Receivables	**1,334,353,196.84**
TOTAL RECEIVABLES	**5,213,924,371.56**

DMCI HOLDINGS, INC.
ACCOUNTS RECEIVABLE DESCRIPTION
March 31, 2007

Type of Receivable	Nature/Description	Collection Period
1) Contracts/Retention Receivable	Construction contract billings, sale of Goods and services pertaining to construction and related businesses of subsidiaries; real estate sales like sale of condominium units; development, improvements and construction of real estate projects; and coal mining sales	Contract Receivable - 20 to 30 days upon submission of progress billing Retention Receivable (10%) - depends on the agreement: 1) usually, 60 days after completion and acceptance of the project 2) if 50% completed, can bill 50% of retained amount as specified in the contract agreement Coal Mine Receivable - 1) Average standard term 80% of sales - 30 days upon presentation of invoice 20% of sales - 35 to 45 days term upon receipt of test results 2) Actual term - 45 to 60 days after billing Real Estate Receivable terms: Upon sale - 1) Reservation Fee - P 20,000.00 2) Balance paid through in-house or bank financing
2) Advances	Includes Advances to Suppliers, sub-contractors, and advances to employees/subject for liquidation	
3) Affiliates	Includes Advances to Subsidiaries and Affiliates	
4) Other Receivables	Includes refundable deposits, claims from some government agency like SSS, BIR and other receivables from miscellaneous billings	

Normal Operating Cycle

1.) Construction and Real Estate - positive net working capital
2) Mining - positive net working capital