SEC Number 135748
File Number_______

Metro Pacific Corporation

(Company's Full Name)

10/F MGO Bldg., Legaspi cor. Dela Rosa Sts.
Legaspi Village, 0721 Makati City

(Company's Address)

(632) 8880888

Telephone Number

______**N/A**_______

(Fiscal Year Ending)
(month & day)

Form 17-Q

Form Type

_________**N/A**___________

Designation (If applicable)

31 March 2006

Period Date Ended

____________N/A____________

(Secondary License Type and File Number)

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended ....31 March 2006

2. Commission identification number..... 135748 3. BIR Tax Identification No.. 470-000-130-700

4. Exact name of issuer as specified in its charter

.............METRO PACIFIC CORPORATION...

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

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

7. Address of issuer's principal office Postal Code
   10/F MGO Bldg., Legaspi cor. Dela Rosa Sts.,
   Legazpi Village, 0721 Makati City

8. Issuer's telephone number, including area code
   (632) 8880888

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

   N/A

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

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
Common Shares	18,603,473,157[*1]

[*1] Reported by the stock transfer agent as of 31 March 2006

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

    Yes [X] No [ ]

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

    Philippines Stock Exchange

12. Indicate by check mark whether the registrant:

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

Yes [x] No [ ]

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

Yes [x] No [ ]

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements.

Please see Exhibits I and II for the March 31 Quarterly report and Notes to the Financial Statements

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

Please refer to Exhibit III for the Management Discussion and Analysis

PART II--OTHER INFORMATION

Information not previously reported and made in this report in lieu of a report on SEC Form 11-C

None

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.

Registrant	:	Metro Pacific Corporation By
Signature	:	**Jose Ma. K. Lim**
Title	:	President
Signature	:	**Vivian S. Liban**
Title	:	Chief Finance Officer
Date	:	15 May 2006

4

METRO PACIFIC CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

For the periods ended 31 March	Three months	
(Amounts in Thousands, Except Per Share Amounts)	**2006**	**2005***
Revenues	₱ 755,415	₱ 698,271
Cost of sales	(625,717)	(671,188)
Gross profit	129,698	27,083
Operating expenses	(143,216)	(101,855)
Equity in net profits / (losses) of affiliated companies	4,204	1,020
Financing charges, net	(33,516)	(43,484)
Other income, net	61,434	49,296
Income before taxation	18,604	(67,939)
Taxation	9,491	(2,386)
Net income / (loss) for the period	₱ 28,095	₱ (70,325)
Attributable to:		
Equity holders of the parent	**₱ 23,158**	**₱ (84,361)**
Minority interests	4,938	14,036
	₱ 28,095	₱ (70,325)
Basic earnings / (loss) per share (in centavos)**	₱0.12	₱ (0.45)
Weighted average number of shares in issue (in thousands)	18,603,473	18,603,473

* *First quarter 2005 results were restated to conform with accounting pronouncements which were adopted by the Company beginning January 2005.*

***Basic earnings per share (EPS) is calculated by dividing the net income attributable to equity holders of the parent by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the Parent Company and held as treasury shares, and after giving retroactive effect to stock dividend declaration. The effect on the EPS of the conversion of stock options and convertible preferred shares is anti-dilutive since the exercise price of the option and the minimum conversion price of the preferred share are higher than the market price of the share.*

See accompanying notes to the Consolidated Financial Statements and Management Discussion and Analysis

METRO PACIFIC CORPORATION
CONSOLIDATED BALANCE SHEETS
(Unaudited)

(Amounts in Thousands)	31 March 2006	31 Dec 2005	31 March 2005*
ASSETS			
Current Assets			
Cash and cash equivalents	₱221,611	₱239,239	₱298,165
Receivables - net	1,295,823	1,222,231	1,162,032
Real estate for sale	1,652,989	1,567,057	2,053,086
Due from related parties	178,401	222,657	344,835
Available-for-sale financial assets	572,810	637,544	–
Prepayments and other current assets - net	306,279	265,495	206,872
	4,227,913	4,154,223	4,064,990
Non-current assets held for sale	151,507	151,507	–
Total Current Assets	4,379,420	4,305,730	4,064,990
Noncurrent Assets			
Investments in associates - at equity	809,565	847,882	866,613
Available-for-sale financial assets	210,120	210,120	971,142
Property and equipment - net	1,733,937	1,790,573	1,982,260
Long-term receivables - net of current portion	460,089	514,595	531,435
Investment properties - net	39,967	39,967	32,857
Deferred tax assets	151,553	152,847	106,942
Other noncurrent assets	159,584	205,871	295,282
Total Noncurrent Assets	3,564,815	3,761,855	4,786,531
	₱7,944,235	₱8,067,585	₱8,851,521

LIABILITIES AND EQUITY			
Current Liabilities			
Loans payable	₱656,799	₱718,054	₱710,192
Trade payables	606,203	609,682	614,095
Accrued expenses and other current liabilities	1,546,134	1,587,190	2,078,202
Income tax payable	33,450	32,758	32,543
Due to related parties	1,061,903	1,060,308	251,697
Provisions	576,251	631,398	–
Current portion of:			
Long-term debts	304,859	282,268	344,426
Other long-term liabilities	135,204	151,061	219,143
Total Current Liabilities	4,920,803	5,072,719	4,250,300

March 2005 results were restated to conform with accounting pronouncements which were adopted by the Company beginning January 2005.
See accompanying notes to the Consolidated Financial Statements and Management Discussion and Analysis

(Forward)

	31 March 2006	31 Dec 2005	31 March 2005*
Noncurrent Liabilities			
Provisions	₱–	₱–	₱814,323
Deferred tax liabilities	355,180	364,913	367,977
Due to related parties	16,458	17,083	810,654
Long-term debts - net of current portion	1,351,089	1,394,275	1,479,970
Other long-term liabilities - net of current portion	405,480	351,045	703,211
Total Noncurrent Liabilities	2,128,207	2,127,316	4,176,135
Equity			
Capital stock	19,055,974	19,055,974	18,884,874
Additional paid-in capital	9,690,385	9,690,384	9,691,241
Change in fair value of available-for-sale financial assets	21,153	21,153	20,974
Treasury stock	(1,033,000)	(1,033,000)	(1,033,000)
Deficit	(27,459,054)	(27,482,212)	(27,760,832)
Total Equity attributable to Equity holders of Parent	275,458	252,299	(196,743)
Outside interests	619,768	615,251	621,831
Total Equity	895,226	867,550	425,087
	₱7,944,235	₱8,067,585	₱8,851,521

March 2005 results were restated to conform with accounting pronouncements which were adopted by the Company beginning January 2005.

See accompanying notes to the Consolidated Financial Statements and Management Discussion and Analysis

METRO PACIFIC CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIODS ENDED 31 MARCH 2006 AND 2005
Unaudited

(Amounts In Thousands)	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (loss) / income before tax for the period	18,604	(67,939)
Adjustments for:		
Depreciation and amortization	82,888	103,946
Reversal of provisions - net	(58,800)	-
(Reversal of)/provisions for contingent liabilities	-	
Discount amortization	25,110	18,750
Gain from debt settlements/restructuring - net	-	(45,498)
Unrealized foreign exchange losses/(gain) – net	(630)	(2,320)
Gain on sale of property and equipment	-	-
Loss / (gain) on sale of investment in a subsidiary	-	-
Equity in net (income) / loss of associated companies	(4,204)	(1,020)
Interest income	(24,234)	(9,601)
Operating income / (loss) before working capital changes	38,734	(3,682)
Changes in working capital – net	(94,040)	3,763
Cash generated from operations		
Interest received	5,461	9,601
Income tax paid	-	-
Net cash from operating activities	(49,845)	9,682
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property and equipment	-	3,599
Acquisition of property and equipment	(26,252)	(37,957)
(Increase) / decrease in investments in and advances to affiliates	42,693	1,976
Expenses relating to sale of shares of stock	54,506	
Decrease / (increase) in long-term notes receivable	-	15,064
Decrease in development properties	-	
Decrease / (increase) in other assets	38,089	17,068
Net cash used in investing activities	109,036	(250)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from deposit on future stock subscription	-	
Interest expense	32,641	42,231
Interest paid	(652)	(16,239)
Dividends paid to minority interest	-	
Proceeds from (payments of) loans and notes payable – net	(61,878)	1,742
(Payments of) / increase in long-term debts - net	(46,305)	(13,021)
Expenses relating to issuance of shares	-	(1,395)
Decrease in Due to related party	(625)	
Net cash used in financing activities	(76,819)	13,318
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENT	(17,628)	22,750
CASH AND CASH EQUIVALENTS		
Beginning of year	239,239	275,415
End of period	221,611	298,165

See accompanying notes to the Consolidated Financial Statements and Management Discussion and Analysis

METRO PACIFIC CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIODS ENDED 31 MARCH 2006 AND 2005
(Unaudited)

	Attributed to equity holders of parent						
(Amounts In Thousands)	**Capital Stock**	**Additional Paid-in Capital**	**Deposit for Future Stock Subscriptions**	**Treasury Stock**	**Cumulative Translation Adjustment**	**Deficit**	**Total**
At December 31, 2004, as previously reported	**₱18,605,974**	**₱9,692,634**	**₱278,900**	**(₱1,033,000)**	**₱–**	**(₱27,290,771)**	**₱253,737**
Effect of adoption of PAS 16 and 19	–	–	–	–	–	(189,898)	(189,898)
Prior period adjustment (Note 3)	–	–	–	–	–	(22,694)	(22,694)
At December 31, 2004, as restated	18,605,974	9,692,634	278,900	(1,033,000)	–	(27,503,363)	41,145
Effect of adoption of PAS 39	–			–	–	(173,108)	(173,108)
At January 1, 2005	18,605,974	9,692,634	278,900	(1,033,000)	–	(27,676,471)	(131,963)
Issuance of shares during Q1 2005	278,900	(1,393)	(278,900)	–	–	–	(1,393)
Dividends paid to outside interest and others	–	–	–	–	–	–	–
Total income and expense for the year recognized directly in equity - change in fair value of AFS Financial Assets		–	–	–	20,974	–	20,974
Net loss for Q1 2005	–	–	–	–	–	(84,361)	(84,361)
Total income for Q1 2005	–	–	–	–	20,974	(84,361)	(63,387)
At March 31, 2005	**₱18,884,874**	**₱9,691,241**	**₱–**	**(₱1,033,000)**	**₱20,974**	**(₱27,760,832)**	**(₱196,744)**
Issuance of shares for the remainder of 2005	171,100	(857)	–	–	–	–	170,243
Total income and expense for the year recognized directly in equity – change in fair value of AFS Financial Assets	–	–	–	–	179	–	179
Net income (April – December 2005)	–	–	–	–	–	278,620	278,620
Total income for the year	–	–	–	–	179	278,620	278,799
At December 31, 2005	**19,055,974**	**9,690,384**	**–**	**(1,033,000)**	**21,153**	**(27,482,212)**	**252,299**
Net income for Q1 2006	–	–	–	–	–	23,158	23,158
At March 31, 2006	**₱19,055,974**	**₱9,692,634**	**₱–**	**(₱1,033,000)**	**₱21,153**	**(₱27,459,054)**	**₱275,458**

METRO PACIFIC CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(All amounts in thousands, unless indicated otherwise)

1. Corporate Information

Metro Pacific Corporation (the "Parent Company or MPC") was incorporated and registered with the Securities and Exchange Commission (SEC) on October 13, 1986. In May 1990, the Company offered its shares to the public and listed with the Philippine Stock Exchange. The Company is engaged in the business of real estate investments and property development and investment holdings in subsidiaries and associates.

The Company is majority-owned by Metro Pacific Holdings, Inc. ("MPHI") (34.96%) and Metro Pacific Resources, Inc. ("MPRI") (34.73%). MPHI is a Philippine corporation whose major stockholders are Enterprise Investment Holdings, Inc. (60%), Intalink B.V. (26.7%) and First Pacific International Limited ("FPIL") (13.3%). MPRI, on the other hand, is a 60 percent-owned subsidiary of MPHI. The remaining 40% interest in MPRI is owned by Metro Pacific Investment Limited ("MPIL"). Intalink B.V., First Pacific Investment Limited and Metro Pacific Investment Limited are foreign associated companies of First Pacific Company Limited ("First Pacific") in Hong Kong.

The registered office of the Company is located at the 10th floor, PLDT-MGO Building, Legaspi cor. Dela Rosa Streets, Legaspi Village, Makati City.

2. Status of Operations

The accompanying financial statements have been prepared assuming that the Company will continue operating as a going concern.

The Company suffered significant losses in prior years which led to its inability to meet its maturing obligations, on principal and interest, to certain third party lenders and to a related company. As shown in the accompanying consolidated financial statements, although the Company has generated net income for the quarter ended 31 March 2006 amounting to ₱23.2 million, and for the year ended December 31, 2005 amounting to ₱194.3 million, it continues to reflect a deficit of ₱27.5 billion as of March 31, 2006 due to prior year's accumulated losses (₱ 241.9 million net loss for the year ended December 31, 2004). These conditions indicate the existence of material uncertainty which may cast significant doubt as to the ability of the Company to continue operating as a going concern.

In response to the foregoing matters, the Company continues to implement measures geared towards generating liquidity to meet maturing obligations and profitability. Some of the more significant measures are:

a. Complete remaining debt rehabilitation activities which include settlement of the remaining third party debts via debt-for-asset swap, negotiation for discounts on principal and waiver of interest and penalties.

   Since the start of the debt reduction program in 2001, the Parent Company has achieved substantial progress in its debt restructuring negotiations with lenders and concluded significant debt settlement agreements with various third-party lenders. As of April 24, 2006, the Parent Company was able to reduce its interest-bearing debts from ₱11.7 billion in 2001 to ₱565.8 million (₱648.8 million as of December 31, 2005). The Parent Company also expects to settle additional debt of ₱349.3 million via asset-for-debt swap within the third quarter of 2006. Negotiations are also ongoing to settle the remaining debts totaling ₱216.5 million.

   On 27 March 2006, the BOD of the Parent Company approved a comprehensive corporate reorganization and recapitalization plan (the "Plan") involving MPC and its property developer subsidiary, Landco. The Plan is a product of the ongoing initiatives to restructure/settle the remaining outstanding obligations of MPC, to create a new vehicle that can raise funds, make long-term investments and support the continuing expansion of Landco's businesses, and to realize and/or preserve existing shareholder values.

   The Plan contemplates the revitalization and re-launch of MPC's core business values, following a capital restructuring exercise that will clean-up the balance sheet of the Parent Company. The clean-up is anticipated to result in the elimination of the deficit of ₱27.5 billion. The re-launch will be effected through Metro Pacific Investments Corporation ("MPIC"), a newly formed corporation which is presently a wholly-owned subsidiary of MPRI and MPHI, collectively the existing majority stockholders of MPC and affiliates of First Pacific Company Limited ("FPC"), but which is envisaged to be eventually owned by the existing stockholders of MPC. MPIC shall serve as the corporate vehicle to: (i) continue the real estate business of MPC; (ii) accept new investments from both existing and new investor/s; and (iii) undertake other future projects. After the migration of the existing shareholders of MPC to MPIC, MPC is expected to be a wholly owned subsidiary of MPIC and will operate as a mere holding company without any significant funding requirements.

   The Company's ability to continue as a going concern is dependent on the successful completion of the above debt rehabilitation activities and capital restructuring plan. The accompanying consolidated financial statements do not include any adjustment relating to the recoverability and classification of the Company's recorded asset amounts and the amounts and classifications of their liabilities that might be necessary should the Company be unable to continue operating as a going concern.

3. Transition to Philippine Financial Reporting Standards

The transition from previous GAAP to PFRS has been made in accordance with PFRS 1, *First time Adoption of Philippine Financial Reporting Standards*.

The Company's financial statements for the first three months of 2005 were restated to comply with presentation and disclosure requirements of PFRS with effect from January 1, 2005, as the original disclosure of first quarter results for 2005 was still based on the previous GAAP. The following tables show the effects of the transition:

Effect on Balance sheet as at March 31, 2005

Balance sheet accounts	Philippine GAAP*	Increase/Decrease due to PAS	Audit/Prior period adjustments/ Reclassifications	PRFS
Receivables – net	1,727,488	(69,494)	(495,962)	1,162,032
Real estate for sale	2,039,346	(24,270)	38,010	2,053,086
Due from related parties	39,014	(101,570)	407,391	344,835
AFS financial assets-current		440,670		440,670
Prepayments and OCA	496,947	(300)	(289,774)	206,873
Investment in associates	1,446,615	(208,080)	(371,922)	866,613
AFS financial assets-non current	0	207,608	763,534	971,142
Property and equipment- net	2,690,621	(172,273)	(536,088)	1,982,260
Long-term receivables	204,187	912	326,336	531,435
Deferred tax assets	2,547	174	104,221	106,942
Other non-current assets	417,949	(174,916)	85,106	328,139
Loans payable	716,350	(3,976)	(2,182)	710,192
Trade payable	955,689	8,219	(349,813)	614,095
Accrued expenses and other current liabilities	2,499,033	(73,821)	(347,010)	2,078,202
Due to related parties	212,404	(63,315)	102,608	251,697
Current portion of long-term liabilities and provisions	342,523	624	1,279	344,426
Deferred tax liabilities	9,997	305,170	52,810	367,977
Long-term debt, net	2,292,974	(653,421)	(159,583)	1,479,970
Other long-term liabilities and provisions, net	637,838	(79,585)	144,958	703,211
Equity attributable to the equity holders of the parent	187,538	(361,588)	(22,694)	(196,744)
Minority Interest	617,706	4,125	-	621,831

*March 2005 Balance Sheet originally submitted was not based on December 2005 audited accounts.

Effect on Profit/(loss) for the period ending March 31, 2005

	Philippine GAAP	Effect of transition	PFRS
Sales	703,194	(4,923)	698,271
Cost of sales	(663,626)	(7,562)	(671,188)
Operating expenses	(99,560)	(2,295)	(101,855)
Equity in net earnings	487	533	1,020
Financing charges	(34,607)	(8,877)	(43,484)
Income/(Loss) before taxation	(44,816)	(23,123)	(67,939)
Taxation	(9,229)	6,843	(2,386)
Net income/(loss) attributable to:			
Equity holders of the parent	(64,823)	(19,538)	(84,361)
Minority interests	(10,778)	(3,258)	(14,036)

4. Summary of Significant Accounting and Financial Reporting Policies

(a) Basis of Preparation

The consolidated financial statements have been prepared in compliance with accounting principles generally accepted in the Philippines as set forth in PFRSs.

The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments and available-for-sale financial assets that have been measured at fair value. The consolidated financial statements are presented in Philippine peso, which is the Company's functional currency, and all values are rounded off to the nearest thousands (000) except when otherwise indicated.

(b) Basis of consolidation

The consolidated financial statements of the Company include the Parent Company and its subsidiaries.

Subsidiaries are consolidated from the date on which control is transferred to the Company and cease to be consolidated from the date on which control is transferred out of the Company.

The purchase method of accounting is used for acquired businesses. Companies acquired or disposed of during the year are included in the consolidated financial statements from the date of acquisition to the date of disposal.

The Company's acquisition of its subsidiaries, being an exchange between enterprises under common control is considered as a reorganization and was accounted for at historical cost in a manner similar to pooling of interest method. Under the pooling of interest method of accounting, the results and cash flows of the Company and its subsidiaries are combined from

the beginning of the financial period in which the merger occurred and their assets and liabilities are combined at the amounts at which they were previously recorded as if they had been part of the Group for the whole of the current and preceding periods.
Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. Intercompany balances and transactions, including intercompany profits and unrealized profits and losses are eliminated.

(c) 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 are subject to an insignificant risk of change in value.

(d) Receivables

Effective January 1, 2005, installment contracts receivables (ICRs) arising from sale of real estate are initially recognized at fair value which is the cash price of the real estate sold. After the initial recognition, ICRs are measured at amortized cost using the effective interest method less any allowance for doubtful accounts. Prior to January 1, 2005, ICRs are carried at original contract amount less any allowance for uncollectible amount.

Trade receivables, except for ICRs, are recognized and carried at original invoice amount less any allowance for uncollectible amount. Other receivables are stated at face value after any allowance for doubtful accounts.

Provision is made when there is an objective evidence that the Company will not be able to collect the debts. Bad debts are written off when identified.

(e) Real Estate for Sale

Real estate for sale consists of land and buildings under construction and is carried at the lower of cost and net realizable value. Cost includes the acquisition cost of the land plus all costs directly attributable to the acquisition for projects where the Company is the landowner, and includes actual development costs incurred up to balance sheet date for projects where the Company is also the developer. When the Company is only a developer, the cost of real estate for sale pertains only to the actual development costs. Net realizable value is the selling price in the ordinary course of business less costs to complete and sell. A valuation allowance is provided for real estate for sale when the net realizable values of the properties are less than the carrying costs.

The estimated future expenditures for the development of the sold portion of the real estate for sale are presented as “Estimated liability for property development” under “Other long-term liabilities” account in the consolidated balance sheets.

(f) Inventories

Inventories (included under "Prepayments and other current assets" in the consolidated balance sheets) consisting of fuel, lubricants, materials and supplies are carried at the lower of cost and net realizable value. Cost is accounted for using the first-in, first-out method. Net realizable values of such inventories are the current replacement costs.

(g) Financial Instruments

Accounting Policies Effective January 1, 2005

Financial Assets and Financial Liabilities. Financial assets and financial liabilities are recognized initially at fair value. Transaction costs are included in the initial measurement of all financial assets and liabilities, except for financial instruments measured at fair value through profit and loss.

The Company recognizes a financial asset or a financial liability in the balance sheets when it becomes a party to the contractual provisions of the instrument and derecognizes a financial asset when it no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed to an independent third party. A financial liability (or a part of a financial liability) is derecognized when the obligation is extinguished. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity net of any related income tax benefits. Financial instruments are offset when there is a legally enforceable right to offset and intention to settle either on a net basis or to realize the asset and settle the liability simultaneously.

Financial assets are further classified into the following categories: Financial asset at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale. The Company determines the classification at initial recognition and, where allowed and appropriate, re-evaluates this designation at every reporting date.

i. Financial asset at fair value through profit or loss (FVPL)

   A financial asset is classified in this category if acquired principally for the purpose of selling or repurchasing in the near term or upon initial recognition, it is designated by the management at fair value through profit or loss. Derivatives are also categorized as held at fair value through profit or loss, except those derivatives designated and considered as effective hedging instruments. Assets classified under this category are carried at fair value in the consolidated balance sheets. Changes in the fair value of such assets are accounted for immediately in the statements of income. Financial instruments held at fair value through profit or loss is classified as current if they are expected to be realized within twelve months of the balance sheet date.

The Company’s embedded derivatives are classified under this category.

ii. Loans and receivables

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

This category includes the Company’s trade, including ICRs, intercompany and other receivables.

iii. Held-to-maturity (HTM) investments

HTM investments are non-derivative financial assets with fixed or determinable payments and fixed maturities wherein the Company has the positive intention and ability to hold to maturity. Held-to-maturity assets are carried at cost or amortized cost in the consolidated balance sheets. Amortization is determined by using the effective interest rate method. Assets under this category are classified as current assets if maturity is within twelve months of the balance sheet date and noncurrent assets if maturity is more than a year.

The Company has no HTM investments.

iv. Available-for-sale (AFS) financial assets

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

The Company's available-for-sale investments include investments in ordinary shares and golf shares.

The fair value of financial instruments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For financial instruments where there is no active market, except for investment in unquoted equity securities, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument, which is substantially the same; discounted cash flow analysis; and option pricing models. In the absence of a reliable basis for determining fair value, investments in unquoted equity securities are carried at cost net of impairment.

Impairment of Financial Assets. The Company assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

i. 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 credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of the loss shall be recognized in profit or loss.

   The Company 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 of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

   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 statements of income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

ii. Assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument 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 discounted at the current market rate of return for a similar financial asset.

iii. Available-for-sale financial assets

If an available-for-sale 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 profit or loss, is transferred from equity to the statements of income. Reversals in respect of equity instruments classified as available-for-sale are not recognized in profit. Reversals of impairment losses on debt instruments are reversed through profit or loss, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in profit or loss.

Derecognition of Financial Assets and Liabilities (Effective January 1, 2005)

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

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

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

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

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 statements of income.

<u>Derivative Financial Instruments</u>
Derivative instruments (freestanding or embedded) are initially recognized at fair value on the date in which a derivative transaction is entered into or bifurcated, and are subsequently re-measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The Company has opted not to designate its derivative transactions as accounting hedges. Consequently, gains and losses from changes in fair value of these derivatives are recognized immediately in the consolidated statements of income.

<u>Embedded Derivatives</u>
An embedded derivative is separated from the host contract and accounted for as a derivative if all of the following conditions are met: a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract; b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and c) the hybrid or combined instrument is not recognized at fair value through profit or loss.

<u>Interest-bearing Loans and Borrowings</u>
All loans and borrowings are initially recognized at fair value. After initial recognition, interest-bearing loans and borrowings are measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the consolidated statements of income when the liabilities are derecognized or impaired, as well as through the amortization process.

(h) Investments in Associates

The Company's investments in associates are accounted for under the equity method of accounting. An associate is an entity in which the Company has significant influence and which is neither a subsidiary nor a joint venture of the Company. The investments in associates are carried in the consolidated balance sheets at cost plus post-acquisition changes in the Company's share in the net assets of the associates, less any impairment in value. The consolidated statements of income reflect the Company's share in the results of operations of the associates. Unrealized gains arising from transactions with its associates are eliminated to the extent of the Company's interest in the associates, against the investments in associates. Unrealized losses are eliminated similarly but only to the extent that there is no evidence of impairment of the asset transferred.

(i) Investment Properties

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost incurred meets the recognition criteria; and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the balance sheet date. Gains or losses arising from changes in the fair values of investment properties are included in the consolidated statements of income in the year in which they arise.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the consolidated statements of income in the year of retirement or disposal.

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

(j) Property and equipment

Property and equipment, except land, are carried at cost , excluding day-to-day servicing, less accumulated depreciation and accumulated impairment in value. The initial cost of property and equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the property and equipment to its working condition and location for its intended use. Such cost includes the cost of replacing part of such property and equipment when that cost incurred meets the recognition criteria. Land is stated at cost less any impairment in value. Depreciation is computed on a straight line method over the property and equipment's useful lives.

Depreciation and amortization are computed on a straight-line basis over the following estimated useful lives of the property and equipment, or over the terms of the lease, whichever is shorter:

Land improvements	3-20 years
Buildings and improvements	5-25 years
Vessels and improvements, transportation and terminal equipment	5-30 years
Furniture, fixtures and other equipment	3-5 years

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable.

Drydocking costs, consisting mainly of main engine overhaul, steel plate replacement of the vessels' hull and related expenditures, are capitalized as part of "Vessels and improvements, transportation and terminal equipment" under the "Property and equipment" account in the consolidated balance sheets and amortized over a period of two and three years for passenger and cargo vessels, respectively. When significant drydocking expenditures are incurred prior to the end of this period, the unamortized balance of the original drydocking costs is expensed in the month of subsequent drydocking.

Vessels under refurbishment, if any, include the acquisition cost of the vessels, the cost of ongoing refurbishments and other direct costs. Construction in progress, if any, represents structures under construction and is stated at cost, less any impairment loss. This includes cost of construction and other direct costs. Vessels under refurbishment and construction in progress are not depreciated until such time that the relevant assets are completed and put into operational use.

When assets are sold or retired, the cost and related accumulated depreciation and amortization and any impairment loss are eliminated from the accounts and any resulting gain or loss is credited or charged to current operations.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the 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.

The assets' residual values, useful lives and depreciation method are reviewed and adjusted if appropriate, at each financial year end.

When each major inspection is performed, its cost is recognized in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied.

(k) Impairment of Non-Financial Assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company 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 costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount 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. Impairment losses of continuing operations are recognized in the statements of income in those expense categories consistent with the function of the impaired 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 recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statements of income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(l) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and 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 assessments 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.

(m)Revenues

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

Realized revenue from sale of real estate (included in "Revenue on property") is recognized as follows:

i. Where the Company has no obligation to develop the real estate for sale and where the collectibility of the selling price is reasonably assured, revenue is accounted for using the full accrual method.

ii. Where the Company has material obligations to complete the development of the property and where the collectibility of the selling price is reasonably assumed, revenue is computed using the percentage of completion method. Under this method, the gross profit on sale is recognized as the related obligation is fulfilled. Unrealized gross profit on sale of real estate is deferred and presented as "Deferred revenue on property sales" under "Other long-term liabilities" in the consolidated balance sheets.

iii. Installment sales of subdivision and commercial lots, where the actual collectibility of the sales price is not reasonably assured, is recognized under the installment method of accounting. Under the installment method, gross profit on sale is initially deferred and is recognized when principal payments on the related ICRs are collected. Realized income is computed based on collections multiplied by the average gross profit rate of the project. Unrealized gross profit on sale of lots is shown as "Deferred revenue on property sales" under "Other long-term liabilities" in the consolidated balance sheets. The related commission is recognized as expense in the same period when the ICR is collected.

If any of the criteria under the above methods are 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 is included under the "Unearned rental income and other deposits" which is part of the "Accrued expenses and other current liabilities" account in the consolidated balance sheets.

Cost of real estate sold, where the Company is the landowner, is determined on the basis of the cost of the land. Cost of real estate sold before the completion of the development, where the Company is the landowner/developer, are determined on the basis of the cost of the land plus actual development costs incurred and estimated costs for future development works as determined by the Company's engineers. The estimated costs to complete the development of the sold real estate are presented as "Estimated Liability for property development" under "Other long-term liabilities" account in the consolidated balance sheets.

Consultancy fees (included in "Revenue on property") derived from property and project management and business planning services offered by the Company to real estate developers are recognized at the time the services are rendered.

Revenue from shipping operations. Passage and freight revenues (presented as "Revenue on transportation") are recognized when the related services are rendered, net of percentage taxes and allowance for rebate. Customer payments for services which have not been rendered are classified as unearned revenue.

Agency fees. One-time revenue from agency arrangements with new ticket agents is recognized upon execution of the agency agreement and is included under "Other income (expense) - net" account in the consolidated statements of income.

Commission

i. Commission income from Nenaco's concessionaire for its vessels included under "Other income (expense) - net" account in the consolidated statements of income is recognized in accordance with the terms of the agreement. Advance collections are presented as “Others” under “Accrued expenses and other current liabilities” account in the consolidated balance sheets.

ii. Commission income from real estate [included in “Other income (expense) - net” account in the consolidated statements of income] is recognized upon receipt of full downpayment from real estate buyers and upon execution of the contract to sell or the deed of absolute sale. Commission is computed as a certain percentage of the net contract price of the real estate project sold.

Rent. Rent is recognized on a straight-line basis over the lease term, and is included under “Other income (expense) - net” account in the consolidated statements of income. Advance collections are presented as “Unearned rental income and other deposits” under “Accrued expenses and other current liabilities” account in the consolidated balance sheets.

For income tax purposes, rent income is taxable based on the provisions of the lease.

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

For income tax purposes, interest income is taxable as the interest accrues computed based on the terms of the agreement.

(n) Finance Leases

Company as Lessee. Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term. Operating lease payments are recognized as an expense in the consolidated statements of income on a straight-line basis over the lease term.

Company as Lessor. Leases where the Company 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.

For income tax purposes, rent expense is deductible based on the provisions of the lease contracts.

(o) Foreign currency translation

Each entity in the Company 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 in 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 the consolidated statements of income. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

(p) Borrowing costs

Borrowing costs generally are expensed as incurred. Borrowing costs are capitalized if they are directly attributable to the acquisition or construction of a qualifying asset. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded.

(q) Retirement Benefits

Certain subsidiaries have a contributory defined benefit retirement plan covering all regular and permanent employees. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method. Actuarial gains and losses are recognized as income or expense immediately in the year when it is incurred.

The past service cost is recognized as an expense on a straight-line basis over the average period until the benefits become vested. If the benefits are already vested immediately following the introduction of, or changes to, a retirement plan, past service cost is recognized immediately.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation reduced by past service cost not yet recognized and the fair value of plan assets out of which the obligations are to be settled directly. If such aggregate is negative, the asset is measured at the lower of such aggregate or the aggregate of cumulative unrecognized net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

(r) Contingencies

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

5. Explanatory comments about the seasonality or cyclicality of interim operations

Real Estate

The general decline in the real estate industry continues to persist resulting in the slowdown of sales and collection of receivables from buyers. Meanwhile, the Company's real estate subsidiaries have accumulated significant costs for the acquisition of land and for the development of various real estate projects. The recovery of these costs depends upon the improvement of the real estate business and eventual sales of the said real estate projects.

Despite the decline in the real estate industry, the real estate subsidiaries have continued to operate with relative normalcy due to stringent cost controls, marketing activities to improve collection, and matching the pace of development with fund availability.

Transportation

Passage operations normally reach their peak during the summer months and become lean for the rest of the year.

The freight segment of the business remains constant throughout the year.

6. Nature and amount of items affecting assets, liabilities ,equity, net income, or cash flows that are unusual because of the nature, size, or incidents

The following transactions affected certain balance sheet and profit and loss accounts between the period 31 March 2005 and 31 March 2006:

(a) Issuance of Sub-Series 1-C Preferred Shares

On December 31, 2004, the Company’s BOD approved the issuance of up to a total of 450 million shares Sub-Series 1-C Preferred Shares with an aggregate value of ₱450 million to MPRI (a major shareholder of the Company), in exchange for the Company’s advances from MPRI to the extent of ₱278.9 million and receipt of cash on the remaining balance amounting to ₱171.1 million. The Company presented the converted advances as "Deposit for future stock subscriptions" in the 2004 consolidated balance sheets.

On January 24, 2005, the SEC acknowledged the enabling resolution that will authorize the issuance of the shares as part of the Company's Articles of Incorporation. On the same date, the Company issued a total of 278,900,000 of Sub-Series 1-C preferred Stock to MPRI, bringing the balance of the "Deposit for future stock subscriptions" account to nil.

On June 30, 2005, the Company received from MPRI the remaining ₱171.1 million cash, and accordingly the corresponding preferred shares representing 171.1 million shares were issued to MPRI.

(b) Transition to the new Philippine Accounting Standards The impact of the transition on the balance sheet and profit and loss accounts are disclosed in Note 3.

7. Issuances, repurchases and repayments of debt between March 2005 and March 2006

Parent Company

(a) In April 2005, the Parent Company took out a new loan with a certain bank in the amount of Pesos 12.3 million, mainly representing accrued rental on 10 PPT units which had been assigned to the same creditor bank in December 2004, as partial settlement of the Parent Company's loan. The loan amount was determined primarily on the basis of income to be earned (and that should accrue to the bank) from the lease of assigned PPT units from December 2004 to various lease expiry dates. The loan bears an interest based on the 91-day T-bill rate plus 2 per cent and has a term of one year.

On October 11, 2005, the Company entered into a Memorandum of Understanding (MOU) with a certain creditor setting forth, among others, the dacion value of several properties offered by the Company to fully settle a ₱349 million unpaid loan. Since the MOU already provides the firm commitment of each party for a mutually acceptable manner and valuation of properties for settling the debt, the Company reversed the excess between the recorded liability and the amount of liability as stated in the MOU. Such excess representing waived interest and penalties amounted to ₱84.8 million and is included as part of the gain on debt settlement in the statements of income. The Company expects to complete the implementation of the settlement of the debt by the end of June 2006.

On December 14, 2005, a bank creditor agreed in writing to the waiver of the bank penalties and a portion of the interest accrued on the loan payable to the bank of ₱80 million subject to the settlement of the loan in cash on or before a specified date. The loan is secured by BLC shares with a carrying value of ₱169.8 million. Accordingly, the excess interest and penalties accrual amounting to ₱112.2 million was reversed into income and reflected as part of the gain on debt settlement in the consolidated statements of income. In February 2006, the loan was settled by cash payment.

On various dates between March 2005 and March 2006, the Company settled other short-term loans amounting to Pesos 19.4 million through the assignment of a PPT unit and shares in an affiliated company.

On March 16, 2006, the Company availed of a short-term loan in the amount of Pesos 25.0 million. This is subject to an interest rate of 10.5 per cent per annum, and payable in March 2007.

Total short-term bank loans outstanding and classified under Loans payable as of 31 March 2006 was Pesos 605.1 million.

(b) On 30 September and 29 October 1999, the Parent Company issued three-year convertible notes at par with an aggregate value of Pesos 1,390 million and Pesos 124 million, respectively. The notes were issued to creditors of Nenaco in order to refinance the latter's obligations. Between 2002 and 2005, about P1,477 million of these notes were either restructured or settled with dacion of various Parent company and subsidiary assets.

As at 31 March 2006, convertible notes outstanding was Pesos 37.2 million, and was classified under Current portion of long-term debt.

(c) The Parent Company issued convertible preferred shares on 23 July 1999 at a subscription price of Pesos 1,000 per share or an aggregate subscription price of Pesos 720 million. The shares carried a dividend rate of 10 per cent, with a premium to be paid on redemption that will equate to a cumulative yield over a full term of 15 per cent. The shares were also redeemable after three (3) years, with conversions permitted throughout the period based on a conversion price of Pesos 2.25 per share, representing a premium of 12.5 per cent over the prevailing market price. The Parent Company accrued and paid dividends of Pesos 72 million (2000 - Pesos 73 million) on the shares up to 31 December 2001, but was unable to meet its dividend obligations from 1 January 2002 onwards. Consequently, the preferred shareholders opted to exercise its put option and demand redemption of the shares, thereby warranting the reclassification of the portion of the equity represented by the preferred shares into debt in July 2002.

Between March 2005 and March 2006, the Parent company redeemed Pesos 7.6 million of the outstanding preferred shares via the assignment of Landco properties and shares in an affiliated company.

As of 31 March 2006, Pesos 57.3 million remained outstanding and formed part of Current portion of long-term debts.

(e) In March 2003, the Company assumed a long-term loan from a PPT buyer who took out the said loan to finance the acquisition of a PPT unit, and subsequently rescinded the sale. The loan was secured by a real estate mortgage over the said PPT unit.

In March 2006, the company fully repaid the outstanding portion of a long-term loan in the amount of Pesos 20.3 million, in cash.

As of 31 March 2006, the parent Company had no outstanding Long-term debts.

8. Segmental reporting

The segment assets and liabilities and results of operations of the Group's reportable segment as of and for the periods ended 31 March 2006 and 2005:

	Segment assets*			Segment liabilities *		
	March-ytd 2006	FY 2004	March-ytd 2005	March-ytd 2006	FY 2005	March-ytd 2005
Property	9,859,645	10,127,077	13,383,962	7,832,434	11,306,968	10,043,850
Transportation	2,125,020	2,054,719	2,068,060	2,118,543	2,014,485	2,048,193
Other Businesses	1,218,310	1,237,453	2,283,791	94,084	109,510	1,002,276
Eliminations	(5,410,293)	(5,504,511)	(8,771,268)	(3,351,232)	(6,595,542)	(5,035,861)
Total	7,792,682	7,914,738	8,744,579	6,693,830	6,835,122	8,058,458

**Assets and Liabilities exclude deferred tax assets/liabilities.*

	Turnover		Contribution to profit (loss)	
	March-ytd 2006	March-ytd 2005	March-ytd 2006	March-ytd 2005
Property	277,709	206,078	4,265	12,523
Transportation	477,706	492,193	(25,260)	(117,689)
Other investments, net			(88)	(3)
Corporate overheads and finance charges			(17,193)	
Other income (expenses), net**			61,434	
Total per statement of Income (loss)	755,415	698,271	23,158	(105,169)

***For presentation purposes, other income (expenses) included within contribution for the year/period have been adjusted for tax and the portion of such income (expenses) attributable to outside interests.*

The Group is organized into the following reportable segments:

Property
The Group's property segment relates primarily to the operations of Landco and the Pacific Plaza Towers Project, the high end condominium project being developed in partnership with Bases Conversion and Development Authority. Investment in and advances to BLC and advances to FBDC are included in the property segment assets.

Transportation

This segment relates primarily to the operations of Nenaco which provides inter-island passenger and freight transport services.

9. Commitments and contingent liabilities

(a) Universal Rightfield Property Holdings, Inc.

In October 2003, a complaint was filed by Universal Rightfield Property Holdings, Inc. (URPHI) against the Parent Company, LPC and MTLCI for alleged failure of the Parent Company and LPC to deliver to URPHI certain property in exchange for MTLCI shares held by URPHI pursuant to a Memorandum of Agreement dated January 15, 2001 and entered into by and among the Parent Company, LPC, DMCI-Project Developers, Inc., URPHI and MTLCI. URPHI is seeking to recover from the defendants the amount it paid to Parent Company and LPC, damages and attorney's fees totaling to ₱237 million.

URPHI was able to secure a writ of preliminary attachment covering certain property and bank deposits of the Parent Company. The property attached include 11 PPT condominium units, eight of which have already been sold, but the title of the units remained to be under the name of the Parent Company pending final collection from buyers pertaining to the sold units, since the Parent Company can replace the units initially attached with unsold units. Certain bank accounts of the Parent Company were also attached amounting to ₱10.2 million. As of December 31, 2005, the carrying cost of the attached unsold PPT condominium units of ₱45 million and the bank accounts attached are shown as part of "Other noncurrent assets" in the consolidated balance sheets.

In 2005, an agreement to settle the case involving dacion of the garnished PPT units and bank accounts and assignment of proceeds from the sale of the BLC shares was entered into by the Parent Company. Completion of such transaction is expected after the sale of BLC shares in 2006. The Parent Company, as of December 31, 2005, has already properly accrued in its books a liability totaling ₱289 million (separately recorded as part of "Current accrued expenses and other current liabilities - Subscription payable" to the extent of ₱150 million, and as part of "Provisions" for the remaining ₱139 million. The latter was reduced by ₱65.3 million on the basis of the final amount of claims agreed between parties.

Subsequently, in January and February 2006, cash payments to URPHI were made and the assignment of 3 PPT units was effected, respectively, further reducing MPC's liability (Provisions) by ₱55.1 million. As of March 2006, total liability relating to URPHI amounted to ₱168.5 million, ₱150 million of which wass recorded as part of accrued expenses and other current liabilities, and ₱18.5 million as part of Provisions.

(b) Ayala Land, Inc. and Greenfield Development, Inc.

Under the agreement signed between the Parent Company, ALI and GDC on April 17, 2003 relating to the repayment of the Larouge loan, certain obligations/warranties by the Parent Company will remain outstanding for certain period ranging from one and three years and covered by security arrangements. Under the agreement, the Parent Company shall indemnify ALI and GDC to the extent of the Parent Company's derivative share in BLC/FBDC for certain secured indemnity obligations and other obligations resulting from any breach of warranties and representations.

The security offered for the above obligations includes:

i. Pledge of 5% interest of the Parent Company in BLC;

ii. Additional pledge of 1.6% interest in BLC subject to the release of certain BLC shares from an existing pledgee which has a prior lien; and

iii. Second mortgage on the Parent Company's NCBD property, subject to the approval of the first mortgagee.

ALI and GDC have formally advised the Parent Company in their letter dated September 19, 2003 that they are allocating the first two pledges above for possible payment of secured indemnity obligations enumerated in their letter. Total estimated indemnity is ₱1.1 billion. However, the Parent Company has provided for only ₱324 million (included under "Provisions" account in the consolidated balance sheets) as management believes that this will be the likely exposure of the Company. The provision was reduced by ₱6.5 million, representing advance payments made by an affiliate for global settlement expenses. The above warranties will expire in 2006.

(c) SAEI-EEI Construction Corporation ("SECC")

This was an action for damages filed by MPC and the Bases Conversion Development Authority ("BCDA") before the Construction Industry Arbitration Commission ("CIAC") against SAEI-EEI Construction Corporation ("SECC") in the amount of ₱955.6 million on account of delay in the completion of the PPT Condominium Project, and for defective, incomplete and improperly completed work done thereon. [Hereinafter MPC and BCDA are collectively termed the “PPT Group”)].

In response to the aforesaid action, SECC filed a counterclaim for collection of the total amount of ₱2.03 billion and caused the annotation of *lis pendens* on certain Condominium Certificates of Title over the PPT units.

On October 7, 2002, the CIAC rendered a Decision (the “CIAC Decision”) ordering SECC and its surety Malayan Insurance Corporation (“MICO”) to pay the PPT Group the amount of ₱107.9 million, representing the balance of the award to the PPT Group after offsetting the amount due to SECC. Various aspects of the CIAC Decision were then appealed by each of the PPT Group, SECC and MICO to the Court of Appeals (CA) and, in one instance, up to the Supreme Court (SC). A total of four (4) appeals resulted from the CIAC Decision.

On April 26, 2005, the PPT Group, SECC and MICO executed a Compromise and Settlement Agreement (with retroactive effect on 31 March 2005) for the complete and final settlement of their claims, differences and causes of action, present or future, arising out of or in connection with all of the above cases, as well as all claims, differences and causes of action, present or future, arising out of or in connection with the contract for the construction of the PPT Condominium Project, including all surety bonds, surety agreements and Parent Company guarantees issued to secure the obligations under the said contract. To implement the compromise and settlement, the PPT Group, SECC and MICO filed with the SC and/or CA Joint Motions to Dismiss with Prejudice the various appeals from the aforesaid CIAC Decision.

On May 30, 2005, insofar as the appeal pending with it, the CA granted the parties’ aforesaid Joint Motion to Dismiss with Prejudice. Similarly, on June 8, 2005, June 15, 2005 and August 15, 2005, insofar as the appeals pending with it, the SC also granted the same Joint Motions to Dismiss with Prejudice.

Pursuant to the Compromise and Settlement Agreement mentioned above, MPC derecognized in 2005 certain PPT units and corresponding recorded liability to SECC as the risk and rewards over the PPT units has been transferred to SECC effective March 31, 2005.

(d) Income and Other Internal Revenue Taxes

The recurring losses incurred by Nenaco resulted in serious liquidity problems. As a result, Nenaco defaulted in the payment of certain of its tax liabilities, among which were corporate income, value-added, common carriers’, fringe benefits and documentary stamp taxes. In addition, the Nenaco was unable to remit to the Bureau of Internal Revenue (BIR) taxes withheld at source from its suppliers. As specified in the Rehabilitation Plan, such liabilities are excluded from the Debt Settlement Plan.

In the first quarter of 2004, Nenaco initiated a compromise settlement with the BIR covering the foregoing taxes due, except with respect to withholding and fringe benefits tax, which, although not subject to a compromise, qualified for an abatement. The total amount of the compromise settlement and abatement is ₱241.4 million. The compromise settlement consists of the payment by Nenaco of a percentage of the basic taxes due while the abatement consists of payment by the Nenaco of 100% of the withholding and fringe benefits taxes due based on the provisions of the National Internal Revenue Code. The compromise settlement and abatement amounting to ₱148.0 million and ₱93.4 million, respectively, were favorably recommended by the Head and Members of the Technical Working Group of the BIR and duly approved by the Commissioner of Internal Revenue on July 30, 2004. In August 2004, initial payments by Nenaco of ₱29.6 million out of the total compromise tax due of ₱148.0 million, and ₱93.4 million representing abatement were made. The balance of the compromise settlement, amounting to ₱118.4 million, including accrued interest, was paid in full in August 2005.

<u>Tsuneishi Heavy Industries, Inc. (Tsuneishi)</u>
On February 9, 2004, Tsuneishi filed a complaint with the RTC of Cebu against Nenaco with a prayer for the issuance of a Writ of Preliminary Attachment for unpaid liabilities of Nenaco totaling ₱36 million in connection with drydocking and repairs services rendered. Thereafter, on March 19, 2004, Tsuneishi served a Writ of Attachment and Levy against a vessel of Nenaco, St. Peter the Apostle, which caused the temporary grounding of such vessel since the Philippine Ports Authority would no longer issue any clearance for the vessel to sail. On March 29, 2004, Nenaco filed a petition for suspension of payment and corporate rehabilitation with the RTC of Manila, to which a Stay Order was issued. Tsuneishi, on April 6, 2004, amended its complaint to make an admiralty case and included a further claim of ₱69 million for drydocking and repair charges for the grounded vessel. The RTC of Cebu ordered all law enforcement agencies and institutions to sheriff five NENACO vessels, namely: M/S St. Peter the Apostle, M/S Princess of Negros, M/S San Sebastian, M/S Nossa Senhora de Fatima and M/S St. Joseph the Worker. A series of business interruptions occurred although Nenaco was able to obtain the ultimate clearance of the Marine Transport Authority.

In order to protect its interest, Tsuneishi, on April 29, 2004, obtained a TRO from the CA stopping the implementation of the Stay Order and a clarificatory order, which in effect prevented Nenaco's vessels from sailing. On May 5, 2004 though, the SC issued a TRO stopping the CA and Tsuneishi from implementing the TRO dated April 29, 2004.

Also on February 9, 2004, Tsuneishi asked the SC to allow the seizure of six vessels of Nenaco to pay for the ₱121 million liability of Nenaco to Tsuneishi and to enforce its maritime lien under the Ship Mortgage decree of 1978. Further, in a recent court filing, Tsuneishi asked for the reversal of the CA decision which upheld the Stay Order issued by the RTC of Manila suspending all claims or actions against Nenaco pending rehabilitation proceedings. However, Tsuneishi insisted that a maritime lien is not affected by bankruptcy or reorganization. On March 19, 2004, an admiralty court ordered the seizure of six of the Nenaco's vessels.

However, with the Stay Order, the RTC of Manila insisted that any attachment or seizure order would be illegal. On October 6, 2004, the CA said the stay order issued by the RTC of Manila stands as it merely suspends all claims or actions against Nenaco pending rehabilitation proceedings.

The total claim of Tsuneishi amounted to ₱120.8 million as of December 31, 2005 and is included under the "Restructured debt" which is part of "Long-term debts" account in the consolidated balance sheets.

Others
Nenaco has contingent liabilities arising from labor cases filed by former employees for alleged illegal transfer, suspension and dismissal which are pending before the courts and are presently being contested. In the opinion of management, based on the advice of legal counsel, the ultimate disposition of these contingencies will not have any significant effects on the financial condition, results of operations or cash flows of the Company as of and for the year ended December 31, 2005.

10. Aging of Trade receivables

0-30 days	344,885
31-60 days	104,501
61-90 days	67,553
91-120 days	96,478
121 days to 1 year	90,072
Over 1 year	139,099
Total	842,587

MANAGEMENT DISCUSSION AND ANALYSIS

TOP 5 PERFORMANCE INDICATORS

The following indicators can already be derived from current disclosures. However, Metro Pacific offers this breakdown to further articulate performance indicators.

	Three months 2005	Three months 2004

1) **SALES** - increase or growth in Peso sales or revenues generally indicates improvement of performance; and vice versa

	Three months 2005	Three months 2004
LANDCO	189,689	184,525
NENACO	477,706	492,193
PACIFIC PLAZA TOWERS	85,516	19,448
OTHERS	2,504	2,105
CONSOLIDATED	755,415	698,271

2) **GROSS PROFIT RATE** (Gross Margin divided by Sales or Revenues) – Sustained/Enhanced GP rate(s) indicates cost/operating efficiencies given no movement(s) in property prices/shipping rates; or the company's ability to recover losses from increasing development/vessel operating costs through price/rate adjustments, the stimulation of property sales activity, and the improvement of passenger/freight volumes.

	Three months 2005	Three months 2004
LANDCO	46.83%	42.54%
NENACO	8.01%	-10.60%
PACIFIC PLAZA TOWERS	.13%	- 6.83%
CONSOLIDATED	-17.17%	3.88%

3) **NET INCOME**
.

	Three months 2005	Three months 2004
LANDCO	5,204	17,753
NENACO	(25,526)	(78,525)
PACIFIC PLAZA TOWERS	2,073	4,072
CONSOLIDATED after minority interest	23,158	(84,361)

4) **CURRENT RATIO** (Current Assets divided by Current Liabilities) - This is an indicator of the company's ability to cover all short term (due in 12 months) liabilities with assets that can be converted easily into cash.

	As of March 2006	**As of Dec 2005**	**As of March 2005**
LANDCO	1.13	1.20	1.28
NENACO	0.44	0.49	0.37
MPC Parent*	0.61	0.31	0.39
CONSOLIDATED	0.89	0.85	1.02

*improvement in MPC Parent current ratio due to the clean up of liability accounts

5) **DEBT-TO-EQUITY RATIO** (Total Liabilities divided by Total Equity, incl Minority Interest)
This ratio indicates the percentage of business assets that have been financed by creditors, and the percentage financed by stockholders.

	As of March 2006	**As of Dec 2005**	**As of March 2005**
LANDCO Group	3.06	3.12	3.06
NENACO	(8.47)	(8.93)	(8.40)
MPC Parent*	5.18	(2.88)	10.93
CONSOLIDATED	7.87	8.30	19.82

**improvement of MPC Parent's debt-to-equity ratio from December 2005 to March 2006 is attributed to positive equity as of March 2006. The improved equity is principally the result of a significant dividend income from a subsidiary, which was recorded in 2006 in relation to the clean-up of MPC's liability with the same subsidiary.
**deterioration of MPC Parent's debt-to-equity from March 2005 to December 2005 is largely due to the negative equity as of December 2005. The negative equity resulted from the various provisions recognized at year-end 2005.

OPERATING RESULTS

Metro Pacific Corporation's (“MPC” or “the Company”) reported an unaudited consolidated net income of Pesos 23.2 million for the first quarter of 2006 compared with a net loss of Pesos 84.4 million for the same period in 2005. This improvement is attributed principally to higher gross profit contributions from the Company’s two subsidiaries, and the reversal of an impairment provision against prepaid taxes at the parent Company level.

Consolidated revenues increased by 8 per cent to Pesos 755.4 million from Pesos 698.3 million, reflecting higher revenues from the Pacific Plaza Towers (“PPT”) project and Landco. Nenaco posted a slight decrease of 3 per cent in revenues.

Consolidated cost of sales dropped 7 per cent to Pesos 625.7 million from Pesos 671.2 million, attributed mainly to the reduction in Nenaco’s vessel and terminal operating expenses.

The decrease in financing charges by 23 per cent to Pesos 33.5 million versus Pesos 43.5 million indicates reduced interest expense incurred by the parent Company because of lower debt levels, as well as higher interest income at Landco.

Equity in net profits of affiliates rose 312 per cent to Pesos 4.2 million from 1.0 million in 2005.

Operating expenses rose from Pesos 101.9 million to Pesos 143.2 million, an increase of 41 per cent, principally due to the increase in Landco’s business development expenses, as well as the consolidation of new projects.

Other income for the first quarter of 2006 reflects exceptional gains arising from the reversal of a Pesos 58.8 million provision against creditable withholding tax as the company projects to utilize the benefit of such an asset with the expected generation of taxable income in the future. In 2005, other income of Pesos 49.3 million represented Nenaco’s one-time gain from the restructuring of a capital lease on its equipment.

Basic earning per share of 0.12 centavo in 2006 (2005: loss of 0.45 centavo per share) reflects the turn-around to a consolidated net income after tax of Pesos 23.2 million for the first quarter 2006 from a restated net loss of Pesos 84.4 million for the same period in 2005. The 2005 figures were adjusted for the new Philippine Financial Reporting standards (PFRS) which was adopted by the Company effective January 1, 2005.

REVIEW OF OPERATIONS

Landco posted a net income Pesos 5.2 million for the first quarter of 2006 compared with Pesos 17.8 million for the same period last year. The decline in income level resulted primarily from an increase in Landco's business development expenses, as well as incremental expenses from new projects such as Playa Calatagan, Montelago and Forest Lake Memorial Parks, Inc.

On the other hand, Landco's revenues grew by 3 per cent to Pesos 189.7 million from Pesos 184.5 million in 2005 as revenues from the new project Playa Calatagan were realized.

In addition, Landco benefited from the improved performance of its affiliates, and higher interest income.

Pacific Plaza Towers contributed a net income of Pesos 2.1 million for the first three months of the year, compared with the net income of Pesos 4.1 million in 2005.

The drop in net income is attributed mainly to lower revenues from leased units (lower by 50 per cent versus the same period last year), due to fewer units available for lease as the project is already 96 per cent sold.

Negros Navigation reported a net loss of Pesos 25.5 million for the first quarter of 2006 versus a net loss of Pesos 78.5 million for the same period in 2005. This improvement resulted principally from the 20 per cent reduction in operating costs, fuel and lube costs, drydocking amortization and depreciation expenses. Nenaco had written down the carrying value of two vessels to their net realizable value in 2005. In addition, Nenaco's general and administrative spending dropped by 17 per cent in 2006.

Nenaco's revenues for the first three months of Pesos 477.7 million sustained a slight shortfall of 3 per cent versus last year's Pesos 492.2 million. Passage and freight volumes and vessel trips dropped 29 per cent, 10 per cent and 32 per cent, respectively in 2006 as certain vessels were laid over for commercial reasons. Volume shortfall however was partly offset by the increase in average price per passenger by 15 and 8 per cent, and higher revenue contribution from Nenaco's hotel and restaurant subsidiary Negrense, which commenced operations only in February 2005.

Nenaco incurred slightly higher interest expense following the availment of additional advances from the parent Company.

FINANCIAL CONDITION

March 2006 vs December 2005

<u>Assets</u>

Consolidated assets as of 31 March 2006 decreased marginally by 2 per cent to Pesos 7.9 billion from the year-end 2005 level of Pesos 8.1 billion.

The following asset accounts posted significant (5 per cent) decreases from year-end 2005:

a) Cash and cash equivalents (7 per cent) – due to the decline in the Parent company and Landco's cash levels;
b) Due from related parties, net (20 per cent) – mainly due to the reduction in Landco's advances to various affiliates (Due from), as well as, additional advances availed by Landco from its affiliates (Due to);
c) Available-for-sale financial assets/Investment in Bonifacio Land Corporation (10 per cent) – due to the sale of BLC shares to various third parties, the proceeds from which were utilized to retire a parent Company debt;
d) Investment in associates (5 per cent) – due to the assignment of shares in an affiliate to a creditor for debt settlement;
e) Long-term receivables (11 per cent) – solely due to the reduction in Landco's receivables; and
f) Other non-current assets (22 per cent) - the release/assignment of 3 garnished PPT units to third party for the settlement of parent Company liabilities, as well as the release/utilization of garnished parent Company bank accounts; and.

On the other hand, the following assets posted significant increases:

a) Receivables (6 per cent) – mainly due to the increase in Nenaco's receivables on freight revenues, receivables from suppliers relating to an advance payment made for the drydocking of a vessel, and receivables from primary agents;
b) Prepayments and other current assets (15 per cent) – due to the reversal of the provision against the parent Company's creditable withholding tax; and
c) Real estate for sale (5 per cent) – due to new projects added to Landco's inventory of properties for sale.

<u>Liabilities & Equity</u>

Total liabilities as of 31 March 2006 dropped slightly by 2 per cent to Pesos 7.1 billion from the year-end 2005 level of Pesos 7.2 billion. This is attributed to decreases in the following liability accounts:

a) Loans and notes payable (9 per cent) – due to the settlement of a parent Company loan of Pesos 80 million, utilizing the proceeds from the sale of BLC shares. The repayment was partly offset by the availment of a new loan in the amount of Pesos 25 million;
b) Provisions (9 per cent) – settlement of parent Company's third party liability through the assignment of PPT units;
c) Current portion of long-term liabilities (11 per cent) - payment of parent Company's output tax upon collection of receivables; and

d) Long-term debts (3 per cent) – net decrease is mainly due to the reclassification of a portion of Landco's Long-term debts to current. The decrease was partly offset by the amortization of the discount on Nenaco's restructured debt.

On the other hand, Other long-term liabilities went up by 16 per cent due to the increase in Landco's estimated liability for property development and deferred income. In addition, as a result of the reclassification mentioned in item d above, Current portion of long term debt rose 8 per cent.

Equity attributable to equity holders of the parent as of 31 March 2006 improved by 9 per cent to Pesos 275.4 million from the year- end 2005 level of Pesos 252.3 million, primarily as a result of the first quarter income of Pesos 23.2 million.

March 2006 vs March 2005

<u>Assets</u>

Consolidated assets as of 31 March 2006 dropped 10 per cent to Pesos 7.9 billion from last year's restated level of Pesos 8.8 billion, reflecting the decreases in the following asset accounts:

a) Cash (26 per cent) – decline in the parent Company and Landco's cash levels;
b) Real estate for sale (20 per cent) – sale and dacion of Landco properties/PPT units;
c) Due from related parties (48 per cent) – mainly due to the reduction in Landco's advances to various affiliates (Due from), as well as, additional advances availed by Landco from its affiliates (Due to);
d) Investments in associates (7 per cent)
    - provisions made against investments in certain parent Company affiliates at year-end 2005; and
    - dacion of an affiliate company's shares to creditors for settlement of parent Company's debt.
e) Available-for-sale financial assets- non-current (78 per cent) – mainly due to the reclassification of investment in BLC to Available-for-sale-financial assets – current;
f) Property and equipment (14 per cent)
    - reclassification of 2 Nenaco vessels with carrying value of Pesos 151.5 million, which are intended for disposal within the second quarter of 2006, from Property and equipment prior as of March 2005 to Non-current assets held for sale at year-end 2006; and
    - continued depreciation (Nenaco/Landco) and amortization of drydocking costs (Nenaco) at subsidiary level.
g) Long-term receivables (13 per cent) – reclassification of Steniel's vendor note to current portion of receivables. As of March 2005, the amount of the note was Pesos 93.8 million.

In December 2005, allowance against the said note was increased to Pesos 43.8, resulting in the current amount of Pesos 50 million classifed in the current portion of receivables;

h) Investment properties (22 per cent) – additions to investment properties

i) Other non-current assets (46 per cent)
   - the release/assignment of 3 garnished PPT units to third party for the settlement of parent Company liabilities, as well as the release/utilization of garnished parent Company bank accounts; and
   - the write-off of Nenaco's deferred charges

On the other hand, the following assets posted increases:

a) Available-for-sale financial assets – current (100 per cent) – reclassification of Investment in BLC to current at year-end 2005 from non-current as of March 2005. Investment in BLC was reduced by the write-down of investment in BLC by Pesos 127 million at year-end 2005, on the basis of the current market value of BLC shares, as well as the sale of Pesos 65 million worth of shares to certain third parties in February 2006;
b) Receivables (12 per cent) – due to the build-up in Landco's receivables, and increase in Nenaco's freight receivables, receivables from suppliers and primary agents;
c) Non-current assets held for sale (100 per cent) - reclassification of 2 Nenaco vessels with carrying value of Pesos 151.5 million and earmarked for disposal within the second quarter of 2006, to Non-current assets held for sale at year-end 2005 from Property and equipment as of March 2005;
d) Prepayments and other current assets (48 per cent) - due to the reversal of the provision against the parent Company's creditable withholding tax, and increase in CWT from additional PPT sales; and
e) Deferred tax asset (42 per cent) – mainly due to the increase in Landco's deferred tax asset resulting from the carryforward of PAS 32/39 adjustments.

<u>Liabilities & Equity</u>

Total liabilities as of 31 March 2006 dropped 16 per cent from last year's level. This is attributed to decreases in the following liability accounts:

a) repayment of Pesos 215 million of parent Company short- and long-term loans, partly offset by loan availments of Pesos 35 million, and Nenaco's amortization of the discount on its restructured debts;
b) Accrued expenses and other current liabilities (26 per cent)
   - settlement agreement reached/consummated on PPT's payable to its contractor and joint-venture partner in the PPT project via the assignment of PPT units and Landco property;
   - full settlement of Nenaco's prior years' tax liabilities; and

- repayment of accrued interest, premiums and dividends on MPC parent Company loans/preferred shares retired/redeemed between March 2006 and March 2005

The above were offset by additional PAS 32/39 adjustments on Landco liabilities between March 2005 and 2006;

c) Provisions – non-current (100 per cent) – reclassification of provisions from non-current as of March 2005 to current as of end-2005, as warranties relating to various debt settlements expired in 2005, while other claims are expected to be settled in the short term. The reduction in Parent company provisions is mainly due to the reversal of various liabilities totaling Pesos 241 million, as final settlement amounts of certain claims were agreed during 2005 or actual settlements were consummated within the first quarter of 2006.

d) Due to a related party – non-current (98 per cent) – reclassification of the account from non-currrent as of March 2005 to current as of end-2005, with settlement projected to materialize in the short-term;

e) Current portion of long-term liabilities and provisions (38 per cent)
- settlement of parent Company's output tax payable (current) upon collection of receivables; and
- reduction in Landco's estimated liability for property development; and;

f) Other long-term liabilities and provisions (42 per cent)
- mainly due to the reduction in Landco's deferred income on real estate sales; and
- settlement of parent Company's output tax payable (deferred).

As a result of items c and d above, the non-current portion of Due to related parties and Provisions decreased significantly.

Total equity attributable to the equity holders of the parent rose improved significantly to Pesos 275.4 million from negative Pesos 196.7 million, and this was the net result of:

a) the issuance of Pesos 171 million worth of preferred shares in June 2005;
b) income of Pesos 302 million between March 2005 and March 2006; and

Material events and uncertainties known to Management that would address the past and would have an impact on future

a) Any known trends, demands, commitments, events or uncertainties, that will have a material impact on the issuer's liquidity.
b) Events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation; and

c) All material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.

For items a-c, please refer to Notes 2, 3, 6 and 9 of the Notes to the Financial Statements.

d) Any material commitments for capital expenditures, the general purpose of such commitments and the expected sources of funds for such expenditure.

None.

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

Please refer to Note 2 and 3 of the Notes to the Financial Statements.

REPUBLIC OF THE PHILIPPINES)
MAKATI CITY, METRO MANILA) S.S.

SECRETARY'S CERTIFICATE

I, ANTONIO A. PICAZO, of legal age, Filipino, with office address at Penthouse, Liberty Center, 104 H.V. dela Costa Street, Salcedo Village, Makati City, Metro Manila, being the Corporate Secretary of METRO PACIFIC CORPORATION (the "Corporation"), do hereby certify that the contents of the Acrobat pdf file, which is required for submission to the Philippine Stock Exchange (PSE), containing the SEC Form 17-Q of the Corporation for the quarter ended 31 March 2006, are the same as those contained in the hard copies of the said report filed with the Securities and Exchange Commission (SEC) and the PSE.

This Secretary's Certificate is issued in compliance with the requirements of PSE.

MAY 09 2006

IN WITNESS WHEREOF, I have hereunto set my signature on this ____ day of May 2006 in Makati City, Metro Manila.

ANTONIO A. PICAZO
Corporate Secretary

MAY 09 2006

SUBSCRIBED AND SWORN to before me this ___ day of May 2006 in Makati City, Metro Manila. Affiant exhibiting to me his Comm. Tax Cert. No. 20565109 issued on February 20, 2006 at Makati City.

Doc. No. 80;
Page No. 17;
Book No. II;
Series of 2006.

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