2009
ANNUAL
REPORT

ETON

Eton Properties Philippines, Inc.

Building dreams. Building homes. Building with pride.

Table of Contents

COMPREHENSIVE STATEMENT OF INCOME

(In Million Pesos)	2009	2008
Revenue	2,138.64	89.89
Costs and Expenses	1,903.74	266.16
Income before Tax	234.90	(176.27)
Benefit from Income Tax	53.30	50.50
Net Income (loss)	288.21	(125.77)
Other Comprehensive Income	6.01	(4.98)
Total Comprehensive Income (loss)	**294.22**	**(130.75)**

FINANCIAL POSITION

(In Million Pesos)	As of December 31, 2009	As of December 31, 2008
Current Assets	7,469.0	1,895.7
Non-Current Assets	3,499.7	900.0
Total Assets	**10,968.7**	**2,795.7**
Current Liabilities	5,271.4	2,400.6
Non-Current Liabilities	1,055.3	0.5
Total Liabilities	6,326.7	2,401.1
Equity	4,641.9	394.6
Total Liabilities and Equity	**10,968.7**	**2,795.7**

To my fellow Shareholders,

Thank you for your continuing trust and support to Eton Properties. Indeed, 2009 has been a very difficult year. It will go down in history as one of the worst recessions that challenged businesses across the globe. But despite the difficult times, I am delighted to report that throughout this period, Eton Properties emerged stronger. Due to prudence and good husbanding of resources, your company was able to take advantage of opportunities that came with the crisis.

In its first three years of operation, Eton launched a total of 29 projects. It is now considered one of the leading property developers in the Philippines. I am particularly proud of our company's achievements in so short a time.

Eton's remarkable progress was fuelled by passion, commitment and dynamism – a strong belief that it has something exceptionally good to offer its customers. Of course, passion and commitment can only get our company so far. To survive and succeed in the long term, it must always ensure and maintain the quality of its products and services.

In 2009, construction of Eton's various projects went full blast. Amidst the crisis, your company worked hard to meet timetables and deliver projects to waiting customers. As a responsible developer, Eton continued its research and development efforts. As market conditions began to show signs of recovery in the second quarter of 2009, Eton was the first company to launch new and innovative projects that were well received by the market.

Quality and craftsmanship make Eton's development projects stand out. As clients take delivery of their homes and/or offices, they do so with the assurance of comfort, safety and peace of mind due, in large measure, to Eton's strong brand name. By 2010, your company eagerly looks forward to turning over a number of projects to our delighted customers.

Eton has long established itself as an international property developer with landmark projects in Hong Kong and China. The ETON trademark created by our foreign counterparts is an inspiring feat we aspire to replicate here in the Philippines. Taking to heart the Filipino dream of home ownership, we endeavor to affix our seal of excellence on every Eton project, living up to our credo, "Building with Pride".

On this note, allow me once more to thank our shareholders, board of directors, company officers and staff for making 2009 a fruitful year for Eton!

Mabuhay!

DR. LUCIO C. TAN
Chairman

Dear Shareholders:

We are very proud to report that in just three years from inception, Eton Properties Philippines has grown into one of the country's leading property developers. Your young and vibrant company has established itself in the industry and is now a well known brand.

A LOOK BACK AT 2009

Eton achieved robust financial results last year while strengthening its capabilities as an organization. We ended the year with a strong balance sheet and a diverse portfolio of distinctive projects. Eton achieved the following milestones in 2009:

• Launched an impressive portfolio of 29 outstanding projects: 8 high-rise residential condominiums, 6 mid-rise condominiums, 6 horizontal developments, 2 office projects and 7 commercial developments – making your company one of the major players in Philippine real estate and successfully completing its transition into a full range property developer.

• Completed the following projects: 2 office projects – Eton Cyberpod Corinthian and Eton Cyberpod Centris,1 commercial center - Centris Station and 1 mid-rise condominium - the Bianca Cluster in North Belton Communities in Quezon City .

The early part of 2009 was characterized by sagging business and consumer confidence. Throughout this period, Eton continued to focus on selling out existing inventories and holding off project launches until market conditions improved. We concentrated our efforts on the construction activities of our launched projects so as to deliver the projects on schedule to our customers. The company proactively continued its product research and development efforts to attain a push-button readiness in the launching of new projects – taking advantage of the extensive land bank of the Lucio Tan group of companies.

The company introduced 5 new projects in 2009. By the second quarter of 2009, Eton became the first company to launch innovative projects at the first signs of economic recovery. It launched 68 Roces - a pioneering residential project for the high end market in Quezon City , 2 high-rise condominiums - Tower 2 of One Archers Place and 8 Adriatico in Manila and 1 middle-income subdivision, West Wing Residences at North Belton Communities. The initiative was rewarded by brisk sales and a renewed market interest to invest in real estate. By September 2009, the company launched another middle-income residential project in Sta Rosa, Laguna, the West Wing Residences at Eton City .

We are likewise pleased to report that none of our projects were affected by the massive flooding brought about by Typhoon Ondoy and Pepeng in September 2009. The high elevation of our project sites protected our investments and established elevation as an important criterion for future projects.

FINANCIAL PERFORMANCE

Eton posted a sharp turnaround in 2009 registering a net income of P294M from a net loss of P130.7M the previous year. Total revenues jumped 2,279 percent to P2.1B in 2009 from P89M in 2008 resulting from the substantial construction of its initial residential projects The Eton Residences Greenbelt, Eton Baypark Manila, One Archers Place, South Lake Village at Eton City and The Manors at North Belton Communities and the start of operations of its commercial centers and business process outsourcing offices. The company expects continued increase in earnings growth by end of 2010 with the substantial construction of Eton Parkview Greenbelt, Belton Place and Eton Emerald Lofts. The increase in revenues arose from the continuing recognition of income from projects undergoing construction. The company likewise posted a 284% increase in assets from P2.7B in 2008 to P10.7B in 2009.

OUTLOOK FOR 2010

2010 is seen to be a very good year for the real estate industry with the holding of national elections that are peaceful and orderly. History has shown that economic growth immediately followed all post-martial law national elections. This and continuously growing OFW remittances, low interest rates and the recovering global economy all point to a very positive outlook for the property industry. These factors provide great leverage for Eton as it remains confident that its current inventory as well as its line up of new projects will be met with favorable market acceptance.

The year 2010 marks a milestone for the company as we turnover to our customers the first of our high-rise residential projects: Tower One of One Archers Place in May 2010 and Eton Baypark Manila in December of the same year.

We take an aggressive stance in 2010, motivated by the improvement in sales we experienced in 2009 and the renewed market interest to invest in real estate. Having reached the status of a responsible and prudent full range property developer, we intend to grow the business further by expanding in the following key business areas:

RESIDENTIAL

For 2010, we have finalized plans to launch a new high-rise project in Makati named Eton Tower Makati. Another is a residential enclave in North Belton Communities called West Wing Villas which will feature bigger mid-income American-inspired house and lots with wider open spaces. We have also begun planning the development of the first residential condominiums in our 12-hectare Quezon City township development, Eton Centris.

COMMERCIAL CENTERS AND OFFICES

Developments at Eton Centris will include an events venue, named The Elements at Centris, to complement the Centris Walk lifestyle and dining strip. Next, development at Eton City will see the rise of a commercial strip featuring convenience-type retail outlets, fast food restaurants and a range of casual dining establishments.

Eton has initiated plans to construct a second BPO building in Eton Centris due to the strong take-up of the first BPO building and continued interest from major BPO companies. These continuing new commercial and office developments will help increase Eton's recurring lease income.

Eton in 2010 will continue to live up to its status of a responsible full range property developer offering a unique line up of innovative projects encompassing residential, commercial and office projects. Our determination and dedication to craft excellent developments is fueled by our burning desire to fulfill the Filipino dream of home ownership.

I would like to extend my sincerest gratitude to our Board of Directors for their unwavering support and the management team and our employees for their unstinting dedication and perseverance, our sister companies for their consistent support and invaluable contribution to Eton's success. 2009 has been a fruitful year for Eton and we thank you for your hard work in making our company an established leader in the Philippine real estate industry.

DANILO E. IGNACIO
President & COO

The Eton Residences Greenbelt

Eton Baypark Manila

Eton Emerald Lofts

Belton Place

Eton Parkview Greenbelt

8 Adriatico

One Archers Place

THE ETON RESIDENCES GREENBELT

ETON BAYPARK MANILA

ETON EMERALD LOFTS

ETON PARKVIEW GREENBELT

BELTON PLACE MAKATI

one Archers PLACE

8 ADRIATICO

The Eton approach to residential development is to focus on strategic business areas where financial and commercial activities are centralized. Three of its first high-rise projects are located in Makati, the financial capital of the country. The Eton Residences Greenbelt and Eton Parkview Greenbelt both enjoy the dynamic Greenbelt lifestyle, being just a few steps away from the Greenbelt Shopping Complex. Belton Place is located just a few steps away from Sen. Gil Puyat and Ayala Avenues.

Centrally located within the confines of Ortigas Center is Eton Emerald Lofts. One Archers Place is situated along Taft Avenue and is directly adjacent to the De La Salle University. Eton Baypark Manila is along Roxas Boulevard. 8 Adriatico, launched in December of 2009, will-rise at the corner of Padre Faura and Adriatico Streets in Manila.

Eton City, the flagship project of Eton Properties, is a first-of-its-kind development in the country. The multi-billion peso project in Sta Rosa, Laguna takes inspiration from next-generation lakeside cities such as The Palm in Dubai and The Pearl in Qatar.

Soon to emerge as the "Makati of the South", Eton City occupies close to 1,000 hectares of prime land. It is carefully master planned to include residential enclaves, a world class business district and a broad range of commercial and resort-type recreation facilities. 2010 will see the start of development of a commercial strip with retail outlets and casual dining establishments.

Found within Eton City is the upscale South Lake Village, the country's first residential enclave featuring 18 residential islands surrounded by a 35-hectare man-made lake.

Eton City is also home to Riverbend and West Wing Residences, two residential communities targeting the middle income market.

photo taken as of March 20, 2010

South Lake Village AT ETON CITY

RiverBend @ETON CITY

WEST WING RESIDENCES AT ETON CITY

Eton Centris is a sprawling 12 hectare township development at the corner of EDSA and Quezon Avenue with a direct connection to the MRT Station. This mixed-use complex integrates world-class business, residential, retail and recreational components in one choice setting. Initial developments include Eton Cyberpod Centris, Centris Walk and Centris Station.

2010 will see the launch of its first high rise residential condominium and a special events venue, *The Elements at Centris*.

Eton aims to establish new trends in commercial center development by introducing distinct features and services in strategic locations offering convenience and accessibility. These are community driven developments designed as focal points for the company's residential and township developments, completing the work-live-play concept.

2009 witnessed the full-blast construction of its first four commercial projects: Centris Station and Centris Walk which are both located at the sprawling Eton Centris complex at the corner of EDSA and Quezon Avenue, E-Life at Eton Cyberpod Corinthian near the corner of EDSA and Ortigas Avenue, and the Green Podium at One Archers Place along Taft Avenue, Manila.

Centris Station was inaugurated in December 2009. Anchored by SM Hypermarket and a host of retail stores and fast food chains, the two-level commercial center is directly connected to the MRT public transport system. E-Life, positioned as Ortigas' one-stop lifestyle hub for electronic gadgets, supplies and peripherals will open in March of 2010.

CENTRIS STATION

CENTRIS Walk

GREEN PODIUM at One Archers Place

e-life at Cyberpod Corinthian


ETON
CYBERPOD
CENTRIS
ETON
CYBERPOD
CORINTHIAN

The Business Process Outsourcing (BPO) industry in the Philippines has achieved massive expansion over the years. It has become the major career destination of today's young job seekers and has greatly contributed to the nation's economic growth. Having captured a significant share of the global BPO market, the Philippines is on its way to being the world's top destination for offshore outsourcing services.

Eton offers ideal locations and facilities to the fast growing BPO sector through its carefully master planned BPO office developments. The year 2009 saw the full blast construction and brisk take-up of its first four (4) office buildings, namely One Cyberpod Centris and Buildings 1 to 3 of Eton Cyberpod Corinthian – all boasting of strategic locations along major thoroughfares and immediate access to various public transport systems.

The low-rise campus design of each building caters to the demanding work setting of BPO companies. A ground floor retail hub complements the 24/7 operations of the outsourcing trade. All of Eton's Cyberpod offices have received PEZA accreditation, allowing tenants to enjoy preferential tax incentives.

To address the continuously increasing need of BPO companies for office space, Eton endeavors to develop new office projects in key cities in the country. Planning and development for the second office building in Eton Centris in Quezon City will commence in 2010.

Setting new standards in affordable living.

West Wing Residences at North Belton Communities

Fully-owned subsidiary Belton Communities, Inc. aims to redefine standards in affordable living with project developments tapping the middle-income market. Its first project, North Belton Communities in Quezon City, is a 13.8 hectare multi-enclave development that will feature mid-rise condominiums, townhouses and house-and-lot units.

The first enclave is The Manors, featuring 14 clusters of 5-storey mid-rise condominiums catering to the middle market.

The second enclave is West Wing Residences, a 2.2 hectare residential subdivision featuring houses inspired by contemporary American architecture. The community will have its own lifestyle amenities such as a clubhouse, swimming pool, multi-purpose court and playground.

The Manors at North Belton Communities

Soon to rise within North Belton Communities is a commercial center operated by SM Prime Holdings, Inc., the country's largest mall operator. Future residents of The Manors and West Wing Residences will enjoy the convenience of living just a few steps away from an SM mall.

Belton Communities' second project is West Wing Residences at Eton City – a charming community of homes inspired by modern contemporary architecture. It will rise within Eton City – the almost 1,000 hectare township project of Eton Properties in Sta. Rosa, Laguna.

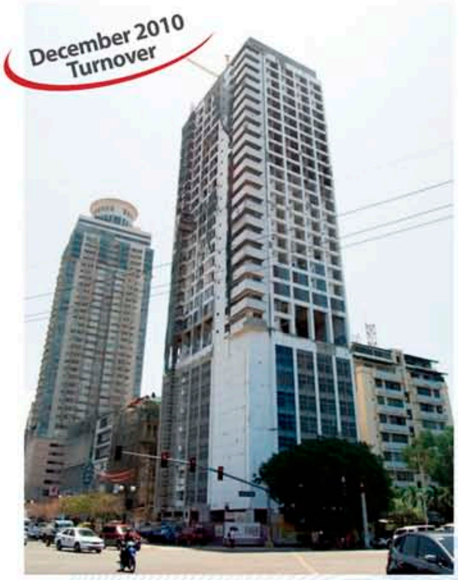
2010 will see the launch of West Wing Villas, a new enclave in North Belton Communities that will cater to the upper middle income market.

West Wing Residences at Eton City

THE ETON RESIDENCES
GREENBELT

- Topping Off: April 2010
- Turnover: September 2011

ETON BAYPARK MANILA



- Topping Off: November 2009

ETON PARKVIEW
GREENBELT

- Turnover: December 2011

one Archers Place
Manila

- Tower 1 Topping Off: October 2009
- Tower 2 Turnover: December 2011

BELTON PLACE
MAKATI

- Turnover: December 2011

CENTRIS Walk
Quezon City

- Opens July 2010

ETON EMERALD LOFTS
Pasig City

- Turnover: December 2011

Right at the heart of Manila, a true architectural treasure will rise directly beside Robinsons Place Manila – occupying one of the choicest locations in Manila's tourist district.

Stylish and distinctive, the high rise development will stand out for superior architectural excellence, and remarkable design geared for ideal comfortable living. Following good feng shui principles, 8 Adriatico's living areas are designed around homeowners' maximum comfort and enjoyment. Each unit's modern design and the building's inspiring amenities make for fulfilling stay-home moments. Moreover, its good elevation (it is 45 ft above sea level) will enable it to remain unaffected by heavy flooding.

8 Adriatico also offers exciting amenities for well-rounded city living: a lap pool for adults, a kiddie pool and a well-equipped gym for health buffs. Other luxuries include a modern function room for gatherings and special occasions and a retail hub featuring top lifestyle brands.

These distinct luxury residences of Eton Properties Philippines, Inc. will soon rise along the business and entertainment district along Roces Avenue in Quezon City. A unique sanctuary set in sensuous surroundings, 68 Roces presents a one-of-a kind neighborhood that is upscale and secure.

Once completed, 68 Roces will offer top-notch security, all packed in a modern city enclave that anyone would be proud to call his own. As an exclusive community, 68 Roces will offer 24-hour security, road-lined perimeter and vehicle-free pedestrian walkways to be incorporated in the development's unique master plan. A state-of-the-art CCTV system will be installed at the main entrance gate and the areas separating walls from the nearest residential units. A high wall with electrified fence would also be put up, thus making it an even safer haven for unit owners and their families.

Whether staying at home or immersing in leisure activities, residents can enjoy dining out in restaurants along Tomas Morato and Timog Avenues, or simply going out in the company of friends in the triendiest spots close to home. Young and old alike can try out the newest offerings of nearby Eton Centris, spend the whole day basking in the cool waters of the children's and adults' pools, or enjoy fun-filled gatherings at the enclave's uniquely designed clubhouse. The younger set can play to their heart's content in the children's play area or bask in the sun within the development's beautifully-landscaped gardens.

Aside from the modern-inspired clubhouse as well as wet and dry kiddie playgrounds, a Green Pathway measuring 2.5 meters wide, which will run throughout the development, will also be put in place. Residents can use the extra space as a play area, or a jogging trail.

WEST WING
RESIDENCES
AT NORTH BELTON COMMUNITIES

West Wing Residences is a 2.2 hectare residential community situated within the 13.8 hectare North Belton Communities. Located along Quirino Highway in Novaliches, Quezon City, West Wing Residences offers two and three-bedroom townhouses inspired by contemporary American architecture. Two and three-bedroom house and lots for larger families offer more space to grow.

Featuring wide open spaces and lush greens that invite natural lighting and ventilation, the development will have its own lifestyle amenities such as a clubhouse, swimming pool, multi-purpose court and playground.

Soon to rise within North Belton Communities is a commercial center to be operated by the country's leading mall operator, SM Prime Holdings, Inc. Future residents of West Wing Residences will enjoy the comfort of living just a few steps away from an SM commercial center. Likewise, the project's proximity to major malls, schools, hospitals, and offices afford would-be residents a world of convenience.

WEST WING
RESIDENCES
AT ETON CITY

Rising within Eton City is a new home setting for the Filipino family. West Wing Residences at Eton City offers two, three and four bedroom house and lot units inspired by modern contemporary architecture.

The enclave features a comforting panorama of wide open spaces and lush greens. The winning combination of prime location, exciting amenities and round-the-clock security make it an ideal place to call home for growing families.

West Wing Residences enjoys a fitting location near the future Central Business District of Eton City providing dining, shopping and entertainment venues for the whole family. It is easily accessible through the Eton City interchange along the South Luzon Expressway.

DOMINGO T. CHUA WILSON T. YOUNG REYNALDO A. MACLANG DANILO E. IGNACIO LUCIO K. TAN, JR.

DR. LUCIO C. TAN

DR. LUCIO C. TAN
Chairman

Chairman of Eton City, Inc., Belton Communities, Inc., Philippine Airlines, Inc., Asia Brewery Inc., Fortune Tobacco Corp., PMFTC Inc., The Charter House, Inc., Grandspan Development Corp., Himmel Industries Inc., Lucky Travel Corp., PAL Holdings, Inc., Tanduay Holdings, Inc., Tanduay Distillers, Inc., Tanduay Brands International, Inc., Asian Alcohol Corp., Absolut Chemicals, Inc., Progressive Farms, Inc., Manufacturing Services & Trade Corp., REM Development Corp., Foremost Farms, Inc., Basic Holdings Corp., Dominium Realty & Construction Corp., Shareholdings, Inc., Sipalay Trading Corp., and Fortune Tobacco International Corp.; Director of Philippine National Bank, majority stockholder of Allied Banking Corp., and Century Park Hotel

HARRY C. TAN
Vice Chairman And Chief Executive Officer

Vice Chairman of Tanduay Holdings, Inc., Eton City, Inc., Belton Communities, Inc., Pan Asia Securities, Inc., and Lucky Travel Corp.; Managing Director of The Charter House, Inc.; Director/Chairman for Tobacco Board of Fortune Tobacco Corp., Director/ President of Century Park Hotel, and Landcom Realty Corp., Director of Allied Banking Corp., Asia Brewery Inc., Basic Holdings Corp., Philippine Airlines Inc., PAL Holdings, Inc., Foremost Farms, Inc., Himmel Industries, Inc., Asian Alcohol Corp., Absolut Chemicals, Inc., Progressive Farms, Inc., Manufacturing Services & Trade Corp., PMFTC Inc., REM Development Corp., Grandspan Development Corp., Dominium Realty & Construction Corp., Fortune Tobacco International Corp., Shareholdings, Inc., Sipalay Trading Corp., Tanduay Brands International, Inc., and Tanduay Distillers, Inc.

DANILO E. IGNACIO
President, Chief Operating Officer and Director

President, Chief Operating Officer and Director, Belton Communities, Inc., Eton City, Inc., Eton Properties Sales Corporation; Former President, Philam Properties Corporation; Former General Manager, Robinsons Land Corporation High Rise Buildings Division; Former Vice President, Citibank N.A.; Former Chairman of the Board of Trustees, De La Salle Canlubang

JUANITA TAN LEE
Director & Treasurer

Director of PAL Holdings, Inc. and Air Philippines Corp.; Director/Corporate Secretary of Asia Brewery, Inc., Dominium Realty and Construction Corp., and Shareholdings, Inc.; Corporate Secretary of Asian Alcohol Corp., Absolut Chemicals, Inc., The Charter House, Inc., Far East Molasses Corp., Foremost Farms, Inc., Fortune Tobacco Int'l Corp., Grandspan Development Corp., Himmel Industries, Inc., Landcom Realty Corp., Lucky Travel Corp., Manufacturing Services & Trade Corp., Marcuenco Realty & Development Corp., Progressive Farms, Inc., REM Development Corp., Tanduay Distillers, Inc., Tanduay Brands International Inc., Tobacco Recyclers Corp., Total Bulk Corp., Zebra Holdings, Inc.; Corporate Secretary of Fortune Tobacco Corp. and PMFTC Inc.; Assistant Corporate Secretary of Basic Holdings Corp. and Tanduay Holdings, Inc.

LUCIO K. TAN, JR.
Director

Director/President of Tanduay Distillers, Inc., Director/EVP of Fortune Tobacco Corp.; Director of Eton City, Inc., Belton Communities, Inc., AlliedBankers Insurance Corp., Philippine Airlines, Inc., Philippine National Bank, PAL Holdings, Inc., Tanduay Holdings, Inc., MacroAsia Corporation, PMFTC Inc., Lucky Travel Corp., Air Philippines Corp., Tanduay Brands International, Inc, Asian Alcohol Corp., Absolut Chemicals, Inc., Asia Brewery, Inc., Foremost Farms, Inc., Himmel Industries, Inc., Progressive Farms, Inc., The Charter House, Inc., REM Development Corporation, Grandspan Development Corporation, Dominium Realty & Construction Corp., Manufacturing Services & Trade Corp., Fortune Tobacco International Corp., and Shareholdings, Inc.

MICHAEL G. TAN
Director

Director/President of Tanduay Holdings, Inc.; Director/Chief Operating Officer of Asia Brewery, Inc., Director of Eton City, Inc., Allied Banking Corporation, AlliedBankers Insurance Corp., Air

HARRY C. TAN MICHAEL G. TAN JUANITA T. TAN LEE WILFRIDO E. SANCHEZ MA. CECILIA L. PESAYCO ANTONINO L. ALINDOGAN, JR.

Philippines Corp., PMFTC, Inc., Grandway Konstruct, Inc., Lucky Travel Corp., Philippine Airlines, Inc., Philippine Airlines Foundation, Inc., PAL Holdings, Inc., Tanduay Brands International, Inc., Absolut Chemicals, Inc. and Shareholdings, Inc.

DOMINGO T. CHUA
Director

Chairman of Allied Banking Corp., Air Philippines Corp. and PNB Securities, Inc.; Vice Chairman of PNB General Insurers Co., Inc.; Managing Director/ Treasurer of Himmel Industries, Inc.; Director/ Treasurer of Dominium Realty & Construction Corp., Asia Brewery, Inc., Manufacturing Services & Trade Corp., Grandspan Development Corp., Foremost Farms, Inc., The Charter House, Inc., Progressive Farms, Inc., Fortune Tobacco Corp., Fortune Tobacco International Corp., Lucky Travel Corp., Tanduay Holdings, Inc., Tanduay Distillers, Inc., Tanduay Brands International, Inc., Absolut Chemicals, Inc., Asian Alcohol Corp.; Director of Eton City, Inc. and Belton Communities, Inc.; Director of Pan Asia Securities Corp., Allied Commercial Bank, Allied Bankers Insurance Corp., Maranaw Hotels & Resort Corp., Eurotiles Industrial Corp., PAL Holdings, Inc. and PNB Life Insurance Inc.; Former Director of Philippine National Bank

REYNALDO A. MACLANG
Director

Director of Allied Banking Corp., Allied Savings Bank and Allied Leasing and Finance Corp.; Former Director of PNB Life Insurance Inc.; Former President of Allied Banking Corp.

WILSON T. YOUNG
Director

Managing Director/Deputy CEO of Tanduay Holdings, Inc.; Director/President of Tanduay Brands International, Inc.; Chief Operating Officer of Tanduay Distillers, Inc., Asian Alcohol Corp., Absolut Chemicals, Inc. and Total Bulk Corp.; Director of Flor De Caña Shipping, Inc., Air Philippines Corp., PAL Holdings, Inc. and Victorias Milling Co., Inc.; Vice Chairman of the Board of Trustees of UERM Medical Center and Member Board of Trustees of the University of the East

ANTONINO L. ALINDOGAN, JR.
Independent Director

Chairman of the Board of An-Cor Holdings, Inc.; Independent Director of Philippine Airlines, Inc., Rizal Commercial Banking Corp., PAL Holdings, Inc., House of Investments, Inc.; President of C55, Inc.; Former Member of the Monetary Board of Bangko Sentral ng Pilipinas; Former Chairman of the Board of Directors of Development Bank of the Philippines (DBP); Former Consultant for Microfinance of DBP

WILFRIDO E. SANCHEZ
Independent Director

Tax Counsel of Quiason Makalintal Barot Torres Ibarra & Sison Law Offices; Vice Chairman of Center for Leadership & Change, Inc.; Director of Adventure International Tours, Inc., Amon Trading Corp., EEI Corporation, Grepalife Asset Management Corp., Grepalife Fixed Income Fund Corp., House of Investments, JVR Foundation, Inc., Kawasaki Motor Corp., Magellan Capital Holdings, Corp., PETNET, Inc., PETPLANS, Inc., Rizal Commercial Banking Corporation, Transnational Diversified Corp., Transnational Diversified Group, Inc., Transnational Financial Services, Inc. and Universal Robina Corp.

MA. CECILIA L. PESAYCO
Corporate Secretary

Corporate Secretary of Eton City, Inc., Belton Communities, Inc., Allied Banking Corp., Allied Savings Bank, Tanduay Holdings, Inc., PAL Holdings, Inc., Air Philippines Corp., Flor De Caña Shipping, Inc. and East Silverlane Realty and Development Corp.

Emmanuel D. Pablo
Vice President
for Brokers Network

Cesarine Janette Cordero
Vice President
for Business Development,
Offices Divsion

Jonathan F. Caro
Vice President
for Business Development

Jose Ma. Antonio M. Hechanova
Vice President and
Commercial Centers
Business Head

Mary Eleanor A. Mendoza
Vice President for Business Development, Leisure Division

Cecille M. Magugat
Vice President for Operations

Christine L. Ong
Vice President for Treasury

Jesus S. Recasata
Vice President for International Marketing

Rolando R. Amparado
Vice President for Technical Services

Statement of Management's Responsibility for Financial Statements

The management of Eton Properties, Inc. and Subsidiaries is responsible for all information and representations contained in the financial statements as for the years ended December 31, 2009 and 2008. The financial statements have been prepared in conformity with Philippine Financial Reporting Standards and reflect amounts that are based on the best estimates and informed judgement of management with an appropriate consideration to materiality.

In this regard, management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are recognized. The management likewise discloses to the company's audit committee and to its external auditor: (i) all significant deficiencies in the design or operation of internal controls that could adversely affect its ability to record, process, and report financial data; (ii) material weaknesses in the internal controls; and (iii) any fraud that involves management or other employees who exercise significant roles in internal controls.

The Board of Directors reviews the financial statements before such statements are approved and submitted to the stockholders of the company.

Sycip Gorres Velayo & Co., the independent auditors appointed by the stockholders, has examined the consolidated financial statements of the Company and Subsidiaries in accordance with Philippines Standards on Auditing and has expressed its opinion on the fairness of presentation upon completion of such examination, in its report to the Board of Directors and stockholders.

Signed under oath by the following:

LUCIO C. TAN
Chairman

Danilo E. Ignacio
President Chief Operating Officer

Norson C. Adiong
Assistant Vice-President

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Eton Properties Philippines, Inc.

We have audited the accompanying consolidated financial statements of Eton Properties Philippines, Inc. and Subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2009 and 2008, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended December 31, 2009 and 2008 and eight months ended December 31, 2007, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Eton Properties Philippines, Inc. and Subsidiaries as of December 31, 2009 and 2008, and their financial performance and their cash flows for the years ended December 31, 2009 and 2008, and eight months ended December 31, 2007 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Jessie D. Cabaluna

Jessie D. Cabaluna
Partner
CPA Certificate No. 36317
SEC Accreditation No. 0069-AR-2
Tax Identification No. 102-082-365
PTR No. 2087369, January 4, 2010, Makati City

April 7, 2010

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
Eton Properties Philippines, Inc.
12th Floor, Allied Bank Center
6754 Ayala Avenue, Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Eton Properties Philippines, Inc. and Subsidiaries included in this Form 17-A and have issued our report thereon dated April 7, 2010. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to Financial Statements and Supplementary Schedules are the responsibility of the Group's management and are presented for purposes of complying with the Securities Regulation Code Rules 68.1 and SEC memorandum Circular No. 11, Series of 2008 are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state in all material respects the financial data required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Jessie D. Cabaluna
Partner
CPA Certificate No. 36317
SEC Accreditation No. 0069-AR-2
Tax Identification No. 102-082-365
PTR No. 2087369, January 4, 2010, Makati City

April 7, 2010

ETON Properties Philippines, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2009	**2008**
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 4, 23 and 26)	**₱667,540,923**	₱484,962,506
Trade and other receivables (Notes 5, 23 and 26)	**296,039,740**	343,751,127
Real estate inventories (Notes 6 and 30)	**5,294,413,790**	311,296,480
Advances to landowners (Note 7)	**350,000,000**	350,000,000
Prepayments and other current assets (Notes 8 and 26)	**861,095,363**	405,643,820
Total Current Assets	**7,469,089,816**	1,895,653,933
Noncurrent Assets		
Receivables - net of current portion (Notes 5, 23 and 26)	**384,326,537**	–
Available-for-sale financial asset (Notes 9 and 26)	**229,664,972**	210,286,093
Investment properties - net (Notes 10 and 30)	**2,542,380,222**	6,685,733
Property and equipment - net (Notes 11 and 30)	**47,273,634**	543,263,658
Deferred tax assets - net (Note 21)	**257,148,753**	110,891,136
Other noncurrent assets - net (Notes 12 and 26)	**38,810,984**	28,871,248
Total Noncurrent Assets	**3,499,605,102**	899,997,868
	₱10,968,694,918	₱2,795,651,801
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts and other payables (Notes 13, 23 and 26)	**₱3,056,606,518**	₱243,236,623
Income tax payable	**83,704,362**	1,777,935
Current portion of loans payable (Notes 15 and 26)	**30,000,000**	–
Current portion of deposits and other liabilities (Notes 16 and 26)	**23,725,283**	–
Current portion of deferred credits (Note 16)	**2,339,431**	–
Customers' deposits (Note 14)	**2,075,033,658**	2,155,623,202
Total Current Liabilities	**5,271,409,252**	2,400,637,760
Noncurrent Liabilities		
Loans payable - net of current portion (Notes 15 and 26)	**1,009,202,331**	–
Deposits and other liabilities - net of current portion (Notes 16 and 26)	**31,172,388**	–
Deferred credits - net of current portion (Note 16)	**14,032,378**	–
Pension liabilities (Note 24)	**941,889**	470,935
Total Noncurrent Liabilities	**1,055,348,986**	470,935
Total Liabilities	**6,326,758,238**	2,401,108,695
Equity (Note 17)		
Paid-up capital	**₱731,691,029**	₱731,691,029
Deposits on future stocks subscriptions (Note 30)	**3,953,169,000**	–
Unrealized gain on available-for-sale financial asset (Note 9)	**25,397,167**	19,382,440
Deficit	**(68,312,561)**	(356,522,408)
Treasury shares	**(7,955)**	(7,955)
Total Equity	**4,641,936,680**	394,543,106
	₱10,968,694,918	₱2,795,651,801

See accompanying Notes to Consolidated Financial Statements.

ETON PROPERTIES PHILIPPINES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008,
AND EIGHT MONTHS ENDED DECEMBER 31, 2007

	December 31, 2009 (One Year)	December 31, 2008 (One Year)	December 31, 2007 (Eight Months)
REVENUE			
Real estate sales	**₱1,956,837,898**	₱–	₱–
Marketing fee (Note 23)	**49,351,282**	–	–
Rental income (Notes 10, 16 and 22)	**12,826,649**	–	–
Foreign exchange gain	**9,348,167**	45,182,415	–
Interest and other income (Notes 4, 5, 9 and 18)	**110,279,263**	44,710,321	20,700,274
	2,138,643,259	89,892,736	20,700,274
COSTS AND EXPENSES			
Cost of real estate sales (Note 6)	**1,493,742,661**	–	–
Selling expenses (Note 19)	**228,863,185**	125,090,528	106,760,636
General and administrative expenses (Note 20)	**168,934,008**	133,353,232	57,084,106
Foreign exchange loss	**–**	–	50,612,423
Finance and other charges (Notes 16 and 22)	**12,197,472**	7,713,620	641,564
	1,903,737,326	266,157,380	215,098,729
INCOME (LOSS) BEFORE INCOME TAX	**234,905,933**	(176,264,644)	(194,398,455)
BENEFIT FROM INCOME TAX (Note 21)	**53,303,914**	50,500,643	47,646,386
NET INCOME (LOSS)	**288,209,847**	(125,764,001)	(146,752,069)
OTHER COMPREHENSIVE INCOME (LOSS)			
Unrealized gain (loss) on available-for-sale financial asset (Note 9)	**6,014,727**	(4,975,131)	(9,351,281)
TOTAL COMPREHENSIVE INCOME (LOSS)	**₱294,224,574**	(₱130,739,132)	(₱156,103,350)
Earnings (Loss) Per Share (Note 25)			
Basic/diluted earnings (loss) per share	**₱0.1788**	(₱0.0963)	(₱0.0147)

See accompanying Notes to Consolidated Financial Statements.

ETON PROPERTIES PHILIPPINES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008, AND EIGHT MONTHS ENDED DECEMBER 31, 2007

	Common Shares - ₱1 Par Value (Note 17)									
	Issued and Outstanding	**Subscribed**	**Total**	**Subscriptions Receivable**	**Total Paid-up Capital**	**Deposits on Future Stock Subscriptions** (Note 17)	**Unrealized Gain on Available-for-Sale Financial Assets** (Note 9)	**Deficit**	**Treasury Shares**	**Total**
Balances as at May 1, 2007	₱373,798,267	₱931,550,434	₱1,305,348,701	(₱923,657,672)	₱381,691,029	₱–	₱33,708,852	(₱84,006,338)	(₱7,955)	₱331,385,588
Net loss	–	–	–	–	–	–	–	(146,752,069)	–	(146,752,069)
Other comprehensive income	–	–	–	–	–	–	(9,351,281)	–	–	(9,351,281)
Balances as at December 31, 2007	₱373,798,267	₱931,550,434	₱1,305,348,701	₱923,657,672)	₱381,691,029	₱–	₱24,357,571	(₱230,758,407)	(₱7,955)	₱175,282,238
Balances as at January 1, 2008	₱373,798,267	₱931,550,434	₱1,305,348,701	(₱923,657,672)	₱381,691,029	₱–	₱24,357,571	(₱230,758,407)	(₱7,955)	₱175,282,238
Net loss	–	–	–	–	–	–	–	(125,764,001)	–	(125,764,001)
Collections applied to subscriptions receivable	–	–	–	350,000,000	350,000,000	–	–	–	–	350,000,000
Other comprehensive income	–	–	–	–	–	–	(4,975,131)	–	–	(4,975,131)
Balances as at December 31, 2008	₱373,798,267	₱931,550,434	₱1,305,348,701	(₱573,657,672)	₱731,691,029	₱–	₱19,382,440	(₱356,522,408)	(₱7,955)	₱394,543,106
Balances as at January 1, 2009	**₱373,798,267**	**₱931,550,434**	**₱1,305,348,701**	**(₱573,657,672)**	**₱731,691,029**	**₱–**	**₱19,382,440**	**(₱356,522,408)**	**(₱7,955)**	**₱394,543,106**
Net income	–	–	–	–	–	–	–	288,209,847		288,209,847
Other comprehensive income	–	–	–	–	–	–	6,014,727	–	–	6,014,727
Land acquisition through issuance of shares	–	–	–	–	–	3,953,169,000	–	–	–	3,953,169,000
Balances as at December 31, 2009	**₱373,798,267**	**₱931,550,434**	**₱1,305,348,701**	**(₱573,657,672)**	**₱731,691,029**	**₱3,953,169,000**	**₱25,397,167**	**(₱68,312,561)**	**(₱7,955)**	**₱4,641,936,680**

See accompanying Notes to Consolidated Financial Statements.

ETON PROPERTIES PHILIPPINES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008, AND EIGHT MONTHS ENDED DECEMBER 31, 2007

	December 31, 2009 (One Year)	December 31, 2008 (One Year)	December 31, 2007 (Eight Months)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax	**₱234,905,933**	(₱176,264,644)	(₱194,398,455)
Adjustments for:			
Interest income (Notes 5, 10 and 18)	**(101,186,882)**	(44,211,489)	(20,252,908)
Foreign exchange loss (gain) (Note 18)	**(9,348,167)**	(45,182,415)	50,612,423
Depreciation (Notes 10, 11, 12 and 20)	**28,045,330**	15,777,041	3,836,148
Provision for retirement (Note 24)	**470,954**	470,935	–
Loss on disposal of property and equipment	**208,344**	–	–
Operating income (loss) before working capital changes	**153,095,512**	(249,410,572)	(160,202,792)
Increase in:			
Trade and other receivables	**(336,465,684)**	(320,302,308)	(15,672,862)
Real estate inventories	**(743,809,811)**	(198,318,739)	(112,859,146)
Advances to landowners	**–**	(350,000,000)	–
Prepayments and other current assets	**(441,026,142)**	(391,258,332)	(27,223,813)
Increase (decrease) in:			
Accounts and other payables	**1,868,369,895**	131,491,359	102,107,006
Security deposits	**48,259,478**	–	–
Advance rentals	**23,010,002**	–	–
Customers' deposits	**(80,589,544)**	1,454,051,390	672,441,058
Net cash generated from operations	**490,843,706**	76,252,798	458,589,451
Interest received	**101,037,416**	53,717,867	8,146,622
Income tax paid	**(11,027,276)**	(8,480,471)	(4,595,148)
Net cash provided by operating activities	**580,853,846**	121,490,194	462,140,925
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Investment properties (Notes 10 and 30)	**(1,403,452,594)**	–	–
Property and equipment (Note 11)	**(5,238,996)**	(509,756,551)	(45,159,272)
Software	**(140,843)**	(698,165)	–
Increase in other noncurrent assets	**(24,629,342)**	(9,625,750)	(3,933,633)
Cash used in investing activities	**(1,433,461,775)**	(520,081,466)	(49,092,905)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from loans (Note 15)	**1,039,202,331**	–	–
Collection of subscriptions receivable	**–**	350,000,000	–
Cash provided by financing activities	**1,039,202,331**	350,000,000	–
NET EFFECT OF EXCHANGE RATE CHANGES IN CASH AND CASH EQUIVALENTS	**(4,015,985)**	16,520,854	(17,915,661)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**182,578,417**	(32,070,418)	395,132,359
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**484,962,506**	517,032,924	121,900,565
CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note 4)	**₱667,540,923**	₱484,962,506	₱517,032,924

See accompanying Notes to Consolidated Financial Statements.

ETON PROPERTIES PHILIPPINES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

Eton Properties Philippines, Inc. (the Parent Company), was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on April 2, 1971 under the name "Balabac Oil Exploration & Drilling Co., Inc." to engage in oil exploration and mineral development projects in the Philippines. On May 12, 1988, the Parent Company's registration and licensing as a publicly-listed company was approved by the SEC.

On August 19, 1996, the Parent Company's Articles of Incorporation (the Articles) was amended to: (a) change the Parent Company's primary purpose from oil exploration and mineral development to that of engaging in the business of a holding company; and (b) include real estate development and oil exploration as among its secondary purposes.

On February 21, 2007, the Parent Company's Board of Directors (BOD) adopted the following amendments:

(a) Change the corporate name to Eton Properties Philippines, Inc.;
(b) Change the primary purpose to hold, develop, manage, administer, sell, convey, encumber, purchase, acquire, rent or otherwise deal in and dispose of, for itself or for others, residential, including, but not limited to, all kinds of housing projects, commercial,industrial, urban or other kinds of real property, improved or unimproved; to acquire, purchase, hold, manage, develop and sell subdivision lots; to erect, construct, alter, manage, operate, lease buildings and tenements; and to engage or act as real estate broker;
(c) Increase the number of directors from eleven (11) to fifteen (15); and
(d) Change of financial year-end from April 30 to December 31.

The above amendments were subsequently adopted by the Parent Company's shareholders on April 19, 2007 and approved by the SEC on June 8, 2007.

The Parent Company is 55% owned by Paramount Land Equities Inc. (Paramount) as of December 31, 2009 after the asset-for-share swap (see Note 17). The shareholdings of Saturn Holdings, Inc. in the Parent Company dropped to 44% in 2009 from 94% in 2008. The Parent Company's registered business address is at 12th Floor, Allied Bank Center, 6754 Ayala Avenue, Makati City.

The primary purpose of the Subsidiaries is the same as the purpose of the Parent Company.

The consolidated financial statements of Eton Properties Philippines, Inc. and Subsidiaries (the Group) as of December 31, 2009 and 2008 and for the years ended December, 31, 2009 and 2008 and for the eight months ended December 31, 2007 were approved by the Audit Committee on April 7, 2010.

2. Summary of Significant Accounting Policies

Basis of Preparation
The consolidated financial statements have been prepared using the historical cost basis, except for an available-for-sale (AFS) financial asset that has been measured at fair value. The consolidated financial statements are presented in Philippine Peso (P), which is the Group's functional currency.

Statement of Compliance
The consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

Basis of Consolidation
The consolidated financial statements comprise the financial statements of the Group as of December 31, 2009 and 2008 and for the years ended December 31, 2009 and 2008 and for the eight months ended December 31, 2007. The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company, using consistent accounting policies.

All intra-company balances and transactions, including income, expenses and dividends, are eliminated in full. Profits and losses resulting from intra-company transactions that are recognized in assets are eliminated in full.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

The consolidated financial statements represent the consolidation of the financial statements of the Parent Company and the following subsidiaries as of December 31, 2009 and 2008:

	Country of Incorporation	Effective Percentage of Ownership
Belton Communities, Inc. (BCI)	Philippines	100
Eton City, Inc. (ECI)	Philippines	100

BCI was organized and registered with SEC on November 5, 2007. On February 18, 2008, the BOD of BCI approved the increase of its capital stock from 20,000 shares to 100,000,000 shares at P1 par value and the subscription of the Parent Company for 24,995,000 shares or 25% of the authorized capital stock, with 75% of BCI's capital stock still unsubscribed. BCI is still in the process of applying for the increase in its capital stock to the SEC.

ECI was organized and registered with SEC on October 8, 2008.

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous year except for the adoption of the following standards and interpretations mandatory for financial years beginning on or after January 1, 2009. Other than the revised Philippine Accounting Standards (PAS) 1, amendments to PFRS 7, PFRS 8 and PAS 23, adoption of these standards did not have any significant effect to the consolidated financial statements:

New Standards and Interpretations

- PAS 1, *Presentation of Financial Statements (Revised)*
- PFRS 8, *Operating Segments*
- PAS 23, *Borrowing Costs (Revised)*
- Philippine Interpretation International Financial Reporting Interpretation Committee (IFRIC) 13, *Customer Loyalty Programmes*
- Philippine Interpretation IFRIC 16, *Hedges of a Net Investment in a Foreign Operation*
- Philippine Interpretation IFRIC 18, *Transfers of Assets from Customers*

Amendments to Standards

- PFRS 7, *Financial Instruments: Disclosures, Amendments - Improving Disclosures about Financial Instruments*
- PAS 32, *Financial Instruments: Presentation and PAS 1 Amendments - Puttable Financial Instruments and Obligations Arising on Liquidation*
- PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards and PAS 27, Consolidated and Separate Financial Statements, Amendments - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
- PFRS 2, *Share-based Payment, Amendment - Vesting Condition and Cancellations*
- Philippine Interpretation IFRIC 9, *Reassessment of Embedded Derivatives and* PAS 39, *Financial Instruments: Recognition and Measurement, Amendments - Embedded Derivatives*

Standards or interpretations that have been adopted and that are deemed to have an impact on the consolidated financial statements or performance of the Group are described below:

- PAS 1, *Presentation of Financial Statements (Revised)*
  The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented in a reconciliation of each component of equity. In addition, the standard introduces the statement of comprehensive income, which presents all items of recognized income and expense, either in a single statement, or in two linked statements. The revision also includes changes in titles of some of the financial statements to reflect their function more clearly, although not mandatory for use in the financial statements. The Group has opted to present a single statement of comprehensive income and the Group changed the title of consolidated balance sheet to consolidated statement of financial position.

- PAS 23, Borrowing *Costs (Revised)*
  This standard requires capitalization of borrowing costs when such costs relate to a qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. In accordance with the transitional requirements in the standard, the Group adopted this amended Standard as a prospective change, and capitalized borrowing costs on qualifying assets with a commencement date on or after January 1, 2009. Total borrowing costs capitalized on qualifying assets amounted to ₱26.09 million in 2009 (see Note 15).

- PAS 40, *Investment Property*
  It revises the scope (and the scope of PAS 16) to include property that is being constructed or developed for future use as an investment property. Where an entity is unable to determine the fair value of an investment property under construction, but expects to be able to determine its fair value on completion, the investment under construction will be measured at cost until such time as fair value can be determined or construction is complete. Construction-in-progress in 2008 pertaining to uncompleted cost of the buildings held for leasing were reclassified to investment properties in 2009.

- PFRS 7, *Financial Instruments: Disclosures, Amendments - Improving Disclosures about Financial Instruments*
  This Amendment requires additional disclosure about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level hierarchy, by class, for all financial instrument recognized in fair value. In addition, a reconciliation between the beginning and ending balance for level 3 fair value measurements is now required, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and financial assets used for liquidity management. The fair value measurement disclosures and liquidity risk disclosures which are not significantly impacted by the amendments are presented in Note 26.

- PFRS 8, *Operating Segments*
  This Standard adopts a full management approach to identifying, measuring and disclosing the results of an entity's operating segments. The information reported would be that which management uses internally for evaluating the performance of operating segments and allocating resources to those segments. Additional disclosures about each of these segments are shown in Note 27, including revised comparative information. Except for the additional disclosures, adoption of this Standard did not have any effect on the consolidated financial position or performance of the Group.

  Improvements to PFRSs 2008 and 2009
  The omnibus amendments to PFRSs issued in 2008 and 2009 were issued primarily with a view of removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The amendments to the following standards below did not have any significant impact on the accounting policies, consolidated financial position or performance of the Group:

- PAS 18, *Revenue*
  The amendment adds guidance (which accompanies the standard) to determine whether an entity is acting as a principal or as an agent. The features indicating an entity is acting as a principal are whether the entity:
    - has primary responsibility for providing the goods or service;
    - has inventory risk;
    - has discretion in establishing price; and
    - bears the credit risk

The Group has assessed its revenue arrangements against these criteria and concluded that it is acting as principal in all arrangements.

- PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*
- PAS 1, *Presentation of Financial Statements*
- PAS 16, *Property, Plant and Equipment*
- PAS 19, *Employee Benefits*
- PAS 20, *Accounting for Government Grants and Disclosures of Government Assistance*
- PAS 23, *Borrowing Costs*
- PAS 27, *Consolidated and Separate Financial Statements*
- PAS 28, *Investment in Associates*
- PAS 29, *Financial Reporting in Hyperinflationary Economies*
- PAS 31, *Interests in Joint Ventures*
- PAS 36, *Impairment of Assets*
- PAS 38, *Intangible Assets*
- PAS 39, *Financial Instruments: Recognition and Measurement*
- PAS 40, *Investment Property*
- PAS 41, *Agriculture*

<u>New Accounting Standards, Interpretations and Amendments to Existing Standards</u>
<u>Effective Subsequent to December 31, 2009</u>
The Group will adopt the following standards and interpretations enumerated below when these become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended PFRS and Philippine Interpretations to have a significant impact on its consolidated financial statements.

New Standards and Interpretations

- Revised PFRS 3, *Business Combinations and Amended PAS 27*
  The revised standards are effective for annual periods beginning on or after July 1, 2009. The revised PFRS 3 introduces significant changes in the accounting for business combinations occurring after this date. Changes affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs and future reported results. The amended PAS 27 requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes in the revised PFRS 3 and amended PAS 27 will affect future acquisitions or loss of control of subsidiaries and transactions with non-controlling interests. The revised PFRS 3 will be applied prospectively while the amended PAS 27 will be applied retrospectively with a few exceptions.

- Philippine Interpretation IFRIC 17, *Distribution of Non-cash Assets to Owners*
  This Interpretation is effective for annual periods beginning on or after July 1, 2009 with early application permitted. It provides guidance on how to account for non-cash distributions to owners. The interpretation clarifies when to recognize a liability, how to measure it and the associated assets, and when to derecognize the asset and liability.

- Philippine Interpretation IFRIC 15, *Agreements for Construction of Real Estate*
  This Interpretation, effective for annual periods beginning on or after January 1, 2012, covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The Interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, Construction Contracts, or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion.

  The adoption of this Philippine Interpretation may significantly affect the determination of the revenue from real estate sales and the corresponding costs, and the related trade receivables, deferred tax liabilities and retained earnings accounts. The Group is in the process of quantifying the impact of adoption of this Interpretation and will disclose the impact when it becomes effective in 2012.

  Amendments to Standards

- PAS 39 Amendment - *Eligible Hedged Items*
  The amendment to PAS 39 is effective for annual periods beginning on or after July 1, 2009. It clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. This also covers the designation of inflation as a hedged risk or portion in particular situations.

- PFRS 2 Amendments - *Group Cash-settled Share-based Payment Transactions*
  The amendments to PFRS 2 are effective for annual periods beginning on or after January 1, 2010. The amendments clarify the scope and the accounting for group cash-settled share-based payment transactions.

Improvements to 2009 PFRSs
The omnibus amendments to PFRSs issued in 2009 were issued primarily with a view to removing inconsistencies and clarifying wordings. The amendments are effective for annual periods beginning financial years January 1, 2010 except otherwise stated. The Group has not yet adopted the following amendments and anticipates that these changes will have no material effect on the consolidated financial statements.

- PFRS 2, *Share-based Payment*: clarifies that the contribution of a business on formation of a joint venture and combinations under common control are not within the scope of PFRS 2 even though they are out of scope of the revised PFRS 3. The amendment is effective for financial years on or after July 1, 2009.

- PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations:* clarifies that the disclosures required in respect of non-current assets and disposal groups classified as held for sale or discontinued operations are only those set out in PFRS 5. The disclosure requirements of other PFRSs only apply if specifically required for such non-current assets or discontinued operations.

- PFRS 8, *Operating Segments:* clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker.

- PAS 1: clarifies that the terms of a liability that could result, at anytime, in its settlement by the issuance of equity instruments at the option of the counterparty do not affect its classification.

- PAS 7, *Statement of Cash Flows:* explicitly states that only expenditure that results in a recognized asset can be classified as a cash flow from investing activities.

- PAS 17, *Leases:* removes the specific guidance on classifying land as a lease. Prior to the amendment, leases of land were classified as operating leases. The amendment now requires that leases of land are classified as either 'finance' or operating' in accordance with the general principles of PAS 17. The amendments will be applied retrospectively.

- PAS 36: clarifies that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in PFRS 8 before aggregation for reporting purposes.

- PAS 38: clarifies that if an intangible asset acquired in a business combination is identifiable only with another intangible asset, the acquirer may recognize the group of intangible assets as a single asset provided the individual assets have similar useful lives. The amendment also clarifies that the valuation techniques presented for determining the fair value of intangible assets acquired in a business combination that are not traded in active markets are only examples and are not restrictive on the methods that can be used.

- PAS 39: *clarifies the following:*
  - that a prepayment option is considered closely related to the host contract when the exercise price of a prepayment option reimburses the lender up to the approximate present value of lost interest for the remaining term of the host contract;
  - that the scope exemption for contracts between an acquirer and a vendor in a business combination to buy or sell an acquiree at a future date applies only to binding forward contracts, and not derivative contracts where further actions by either party are still to be taken; and
  - that gains or losses on cash flow hedges of a forecast transaction that subsequently results in the recognition of a financial instrument or on cash flow hedges of recognized financial instruments should be reclassified in the period that the hedged forecast cash flows affect profit or loss.

- Philippine Interpretation IFRIC 9, *Reassessment of Embedded Derivatives:* clarifies that it does not apply to possible reassessment at the date of acquisition, to embedded derivatives in contracts acquired in a business combination between entities or businesses under common control or the formation of joint venture.

- Philippine Interpretation IFRIC 16, *Hedges of a Net Investment in a Foreign Operation:* states that, in a hedge of a net investment in a foreign operation, qualifying hedging instruments may be held by any entity or entities within the group, including the foreign operation itself, as long as the designation, documentation and effectiveness requirements of PAS 39 that relate to a net investment hedge are satisfied.

<u>Cash and Cash Equivalents</u>
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 from dates of acquisition, and are subject to an insignificant risk of change in value.

<u>Financial Instruments</u>
Date of recognition
The Group recognizes a financial asset or a financial liability in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

Initial recognition of financial instruments
All financial instruments are initially recognized at fair value. Except for financial assets and financial liabilities at fair value through profit or loss (FVPL), the initial measurement of financial assets includes transaction costs. The Group classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, Available-for-sale (AFS) financial assets, and loans and receivables. The Group classifies its financial liabilities into financial liabilities at FVPL and other financial liabilities. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date. The Group's financial assets are of the nature of loans and receivables and AFS financial asset while its financial liabilities are of the nature of other financial liabilities.

Determination of fair value
The fair value for financial instruments traded in active markets at the financial reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and asking price for short positions), without any deduction for transaction costs. When current bid and asking prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

Day 1 difference
Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a Day 1 difference) in profit or loss under "Interest and other income" and "Other charges" accounts, unless it qualifies for recognition as some other type of asset. In cases where unobservable data is used, the difference between the transaction price and model value is only recognized in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the 'Day 1' difference amount.

Embedded Derivative
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 FVPL.

Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required. The Group determines whether a modification to cash flows is significant by considering the extent to which the expected future cash flows associated with the embedded derivative, the host contract or both have changed and whether the change is significant relative to the previously expected cash flow on the contract.

There are no significant embedded derivatives separated as of December 31, 2009 and 2008.

Loans and receivables
Loans and receivables are nonderivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. These are not entered into with the intention of immediate or short-term resale and are not designated as AFS financial assets or financial assets at FVPL. This accounting policy relates to the consolidated statement of financial position captions "Cash and cash equivalents", "Trade and other receivables", except for Advances to contractors, "Refundable deposits" under "Prepayments and other current assets" and "Deposits in escrow bank" and "Refundable deposits" under "Other noncurrent assets".

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

AFS financial assets
AFS financial assets are those which are designated as such or do not qualify to be classified as financial assets at FVPL, HTM investments, or loans and receivables.

Financial assets may be designated at initial recognition as AFS if they are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions.

After initial measurement, AFS financial assets are measured at fair value. The unrealized gains and losses arising from the fair valuation of AFS financial assets are excluded from reported earnings and are reported as "Unrealized gain on available-for-sale financial asset" in the consolidated statement of comprehensive income.

When the security is disposed of, the cumulative gain or loss previously recognized in other comprehensive income is recognized in profit or loss under "Interest and other income" account or "Other charges" account. Where the Group holds more than one investment in the same security, these are deemed to be disposed of on a first-in first-out basis. Interest earned on holding AFS financial assets are reported as interest income using the effective interest rate. Dividends earned on holding AFS financial assets are recognized in profit or loss under "Interest and other income" when the right of payment has been established. The losses arising from impairment of such investments are recognized in profit or loss.

Other financial liabilities
Other financial liabilities pertain to issued financial instruments that are not classified or designated at FVPL and contain contractual obligations to deliver cash or other financial assets to the holder or to settle the obligation other than the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate.

This accounting policy relates to the consolidated statement of financial position captions "Accounts and other payables", "Deposits and other liabilities", excluding "Advance rentals", "Loans payable" and other obligations that meet the above definition (other than liabilities covered by other accounting standards, such as income tax payable).

Derecognition of Financial Instruments

Financial asset

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

a. the right to receive cash flows from the asset have expired;
b. the Group retains the right to receive cash flows from the asset, but has assumed as obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
c. the Group has transferred its right to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained the risks and rewards of the asset but has transferred the control of the asset.

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

Financial liability

A financial liability is derecognized when the obligation under the liability is discharged, cancelled, or has expired. 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 profit or loss.

Impairment of Financial Assets

The Group assesses at each financial reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and receivables

For loans and receivables carried at amortized cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognized are not included in a collective assessment for impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred). The carrying amount of the asset is reduced through use of an allowance account and the amount of loss is charged to profit or loss. Interest income continues to be recognized based on the original effective interest rate of the asset. Receivables, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in a subsequent year, the amount of the estimated impairment loss decreases because of 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 profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics as past-due status and term.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

AFS financial assets
For AFS financial assets, the Group assesses at each financial reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired.

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

Offsetting Financial Instruments
Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Real Estate Inventories
Real estate inventories are carried at the lower of cost and net realizable value (NRV). NRV is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale. Cost includes those costs incurred for development and improvement of the properties including borrowing costs.

Investment Properties
Investment properties consist of properties that are held to earn rentals and are not occupied by the companies in the Group.

Investments properties, except for land, are carried at cost less accumulated depreciation and any impairment in value. Land is carried at cost less any impairment in value. The cost of an investment property, except for land, includes its construction cost and any directly attributable costs of bringing the asset to its working condition and location for its intended use including borrowing costs. Additions, betterments and major replacements are capitalized while minor repairs and maintenance are charged to expense as incurred.

Depreciation of investment properties commences once these are available for use and is computed on a straight-line basis over the estimated useful life of 5 to 20 years. The useful life and depreciation method are reviewed annually based on expected asset utilization to ensure that the period of depreciation is consistent with the expected pattern of economic benefits from the investment properties.

Investment property is derecognized when either it has 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 profit or loss in the year of retirement or disposal.

Transfers are made to investment property when there is a change in use, evidenced by ending of owner-occupation or commencement of an operating lease to another party. Transfers are made from investment property when and only when there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale. Transfers between investment property, owner-occupied property and inventories do not change the carrying amount of the property transferred and they do not change the cost of that property for measurement or disclosure purposes.

Property and Equipment and Software
Property and equipment
Property and equipment are carried at cost less accumulated depreciation and amortization and any impairment in value. Land is carried at cost less any impairment in value. The initial cost of property and equipment comprises its construction cost or purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use, including borrowing costs.

Construction-in-progress is stated at cost less any impairment in value. This includes cost of construction and other direct costs. Construction-in-progress is not depreciated until such time that the relevant assets are completed and put into operational use.

Major repairs are capitalized as part of property and equipment only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the items can be measured reliably. All other repairs and maintenance are charged against current operations as incurred.

Depreciation and amortization of property and equipment commence once the property and equipment are available for use and are computed on a straight-line basis over the estimated useful life of the property and equipment as follows:

	Years
Transportation equipment	5
Furniture and fixtures	5
Equipment	3
Leasehold improvements	5 or term of the lease, whichever is shorter

The assets' estimated useful lives and depreciation and amortization method are reviewed periodically to ensure that these are consistent with the expected pattern of economic benefits from the items of property and equipment.

When assets are retired, or otherwise disposed of, the cost and the related accumulated depreciation and amortization and any impairment in value are removed from the accounts and any resulting gain or loss is recognized in profit or loss.

Software
Software, which is included under "Other noncurrent assets" in the consolidated statements of financial position, is measured on initial recognition at cost. Following initial recognition, software and licenses are carried at cost less accumulated amortization and any accumulated impairment losses. Amortization is calculated using the straight-line method over its estimated useful life of 5 years.

Impairment of Nonfinancial Assets
The Group assesses at each financial reporting date whether there is an indication that its nonfinancial assets (e.g property and equipment, investment properties and software) may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is calculated as the higher of the asset'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 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 assessment of the time value of money and the risks specific to the asset. Impairment losses are recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

An assessment is made at each financial reporting date as to whether there is an 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 and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss. After such a reversal, the depreciation and amortization 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.

Customers' Deposits
Customers' deposits represent payments from buyers which have not reached the minimum required percentage. When the level of required payment is reached by the buyer and there has been substantial completion of the project, sales are recognized and these deposits and downpayments will be applied against the related receivables. This account also includes excess of collections over the recognized receivables based on percentage of completion.

Security Deposits
Security deposits included in "Deposits and other current and noncurrent liabilities" account in the liabilities section of the consolidated statement of financial position are measured initially at fair value and are subsequently measured at amortized cost using effective interest method.

The difference between the cash received and its fair value is deferred (included in the "Deferred credits account" in the consolidated statement of financial position) and amortized using the straight-line method under the "Rental income" account in the consolidated statement of comprehensive income.

Capital Stock and Additional Paid-in Capital
Capital stock is measured at par value for all shares issued. When the Group issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued.

When the shares are sold at premium, the difference between the proceeds and the par value is credited to "Additional paid-in capital" account. When shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. In case the shares are issued to extinguish or settled the liability of the Group, the shares shall be measured either at the fair value of the shares issued or fair value of the liability settled, whichever is more reliably determinable.

Direct costs incurred related to equity issuance, such as underwriting, accounting and legal fees, printing costs and taxes are chargeable to "Additional paid-in capital" account. If additional paid-in capital is not sufficient, the excess is charged against the retained earnings.

Revenue and Cost Recognition
The Group assesses its revenue arrangements against specific criteria in order to determine if it is active as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements.

Real estate sales
Real estate revenue and cost from completed projects is accounted for using the full accrual method. Under this method, the income is recognized when collectability of the sales is reasonably assured and the earnings process is virtually complete. The percentage of completion method is used to recognize income from sales of real estate where the Group has material obligations under the sales contract to complete the project after the property is sold. Under this method, revenue is recognized as the related obligations are fulfilled, measured principally on the basis of the estimated completion of a physical proportion of the contract work.

Any excess of collections over the recognized receivables are included in the "Customers' deposits" account in the liabilities section of the consolidated statement of financial position.

When a sale of real estate does not meet the requirements for income recognition, the sale is accounted for under deposit method. Under this method, revenue is not recognized and receivable from buyer is not recorded. The real estate inventories continue to be reported on the Group's consolidated statement of financial position as "Real estate inventories" and the related liabilities as deposits under "Customers' deposits".

Cost of Real Estate Sales
Cost of real estate inventories held before the completion of the development is determined on the basis of acquisition cost of the land plus its full development cost, which includes estimated cost for future development works, as determined by the Group's in-house technical staff. Commissions pertaining to precompleted units are deferred and are recognized in profit or loss based on percentage of work done.

Rental income
Rental income under noncancellable and cancellable leases on investment properties is recognized in profit or loss on a straight-line basis over the lease term and the terms of the lease, respectively, or based on a certain percentage of the gross revenue of the tenants, as provided under the terms of the lease contract.

Marketing fee
Marketing fee is recognized when services are rendered.

Interest income
Interest is recognized as it accrues using the effective interest method.

Expense Recognition
Expenses are recognized when decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably. Operating expenses are recognized when incurred.

Borrowing Costs
Beginning 2009 as the Group has started to borrow funds for its development activities and in accordance with the transitional provisions of the amended PAS 23. Interest and other financing costs incurred during the construction period on borrowings used to finance property development are capitalized as part of development costs (included in "Real estate inventories" and "Property and equipment" accounts in the consolidated statement of financial position). Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Capitalization of borrowing costs ceases when substantially all the activities necessary to prepare the asset for its intended use or sale are complete. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded. Capitalized borrowing cost is based on applicable weighted average borrowing rate for those coming from general borrowings and the actual borrowing costs eligible for capitalization for funds borrowed specifically.

Basic/Diluted Earnings (Loss) Per Share
Basic earnings (loss) per share is computed by dividing net income (loss) for the year by the weighted average number of shares outstanding during the year.

Diluted earnings per share is calculated by dividing the net income for the year by the weighted average number of shares outstanding during the year, adjusted for the effects of all dilutive potential common shares, if any.

The Group does not have any instrument with dilutive effect, hence, the basic and diluted earnings per share are of the same amount.

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

The liability recognized in the consolidated statement of financial position in respect of the defined benefit pension plans is the present value of the defined benefit obligation at the financial reporting date less the fair value of the plan assets adjusted by any unrecognized actuarial gains or losses. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by using risk-free interest rates of long-term government bonds that have terms to maturity approximating the terms of the related pension liabilities or applying a single weighted average discount rate that reflects the estimated timing and amount of benefit payments.

Actuarial gains and losses is recognized as income or expense if the cumulative unrecognized actuarial gains and losses at the end of the previous reporting period exceeded the greater of 10% of the present value of defined benefit obligation or 10% of the fair value of plan assets. These gains and losses are recognized over the expected average remaining working lives of the employees participating in the plans.

Foreign Currency Transactions
Transactions denominated in foreign currencies are initially recorded based on the exchange rates prevailing at transaction dates. Monetary assets and liabilities denominated in foreign currency are stated at the prevailing Philippine Dealing and Exchange (PDEx) Corporation rate at financial reporting date. Exchange gains or losses arising from foreign currency transactions are credited to or charged against current operations.

Commissions
Commissions paid to sales or marketing agents on the sale of pre-completed real estate units are deferred when recovery is reasonably expected and are charged to expense in the period in which the related revenue is recognized as earned. Accordingly, when the percentage of completion method is used, commissions are likewise charged to expense in the period the related revenue is recognized.

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

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

Deferred tax liabilities are recognized for all taxable temporary differences, with certain exceptions. Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable income will be available against which the deductible temporary differences and carryforward benefits of unused tax credits and and NOLCO can be utilized.

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

Deferred tax assets and liabilities are measured at the tax rate that is expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the financial reporting date. Movements in the deferred tax assets and liabilities arising from changes in tax rates are charged or credited to the income for the period.

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

Provisions
Provisions are recognized when: (a) the Group has a present obligation (legal or constructive) as a result of a past event; (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation. Where the Group expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. Provisions are reviewed at each financial reporting date and adjusted to reflect the current best estimate.

Treasury Shares
Treasury shares are carried at cost and are presented as deduction from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration is recognized as additional paid-in capital.

Leases
The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

(a) There is a change in contractual terms, other than a renewal or extension of the arrangement;
(b) A renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;
(c) There is a change in the determination of whether fulfillment is dependent on a specified asset; or
(d) There is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c) or (d) above, and at the date of renewal or extension period for scenario (b).

Group as lessor
Leases where the Group does not transfer substantially all the risks and benefits of the ownership of the asset are classified as operating leases. Fixed lease payments for noncancellable lease are recognized in profit or loss on a straight-line basis over the lease term. Any difference between the calculated rental income and amount actually received is recognized as deferred rent in the consolidated statement of financial position. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the rental income. Variable rent is recognized as income based on the terms of the lease contract.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognized under "Interest and other income".

Group as lessee
Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Fixed lease payments for noncancellable lease are recognized as an expense in profit or loss on a straight-line basis over the lease term while the variable rent is recognized as an expense based on terms of the lease contract.

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

Events After the Financial Reporting Date
Post year-end events that provide additional information about the Group's position at the financial reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

3. Significant Accounting Judgments and Estimates

The preparation of the accompanying consolidated financial statements in accordance with PFRS requires management to make judgments and estimates that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial information and the reported amounts of income and expenses during the period.

Significant judgments and estimates used in the preparation of the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements. Future events may occur which can cause the assumptions used in arriving at those judgments and estimates to change. The effects of any changes will be reflected in the consolidated financial statements as they become reasonably determinable.

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

Revenue recognition
Selecting an appropriate revenue recognition method for a particular real estate sale transaction requires certain judgments based on, among others:

- Buyer's commitment on the sale which may be ascertained through the significance of the buyer's initial investment; and
- Stage of completion of the project.

Classification of financial instruments
The Group classifies a financial instrument, or its component parts, on initial recognition and re-evaluates this designation at every financial reporting date as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated statements of financial position.

Operating lease commitments - the Group as lessor
The Group has entered into commercial property leases on its investment properties. The Group has determined that it retains all significant risks and rewards of ownership of these properties which are leased out on operating leases.

Operating lease commitments - the Group as lessee
The Group has entered into a lease contract with a related party for the lease of its office buildings. The Group has determined that all significant risks and rewards of ownership of these properties are retained by the lessor.

In determining whether a lease contract is cancellable or not, either acting as a lessor or a lessee, the Group considered among others, the probability of the cancellation and the significance of the penalty, including economic consequences, to the Group.

Distinction between investment properties and owner-occupied properties
The Group determines whether a property qualifies as investment property. In making its judgment, the Group considers whether the property generates cash flow largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to property but also to the other assets used in the production or supply process.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions cannot be sold separately as of the financial reporting date, the property is accounted for as investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgment.

Impairment of AFS Financial Asset
In determining the fair values of its AFS financial asset, management evaluates the presence of significant or prolonged decline in the fair value below its cost or whether other objective evidence of impairment exists. Any indication of deterioration in these factors can have a negative impact on their fair value. The Group treats "significant" generally as 20% more of the original cost of investment, and "prolonged" as greater than 12 months.

Based on management's assessment, no impairment loss needs to be recognized on the AFS financial asset for the years ended December 31, 2009 and 2008 and eight months ended December 31, 2007.

Management's Use of Estimates
The key assumptions concerning the future and other key sources of estimation uncertainty at the financial reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Revenue and cost recognition
The Group's revenue recognition policies require management to make use of estimates and assumptions that may affect the reported amounts of revenue and costs. The Group's revenue from real estate recognized based on the percentage of completion is measured principally on the basis of the estimated completion of a physical proportion of the contract work.

Estimating allowance for impairment losses
The Group maintains allowance for impairment losses at a level based on the results of the individual and collective assessments under PAS 39. Under the individual assessment, the Group is required to obtain the present value of estimated cash flows using the receivable's original effective interest rate. Impairment loss is determined as the difference between the receivable's carrying balance and the computed present value. Factors considered in individual assessment are payment history, past due status

and term. The collective assessment would require the Group to group its receivables based on the credit risk characteristics (customer type, payment history, past-due status and term) of the customers. Impairment loss is then determined based on historical loss experience of the receivables grouped per credit risk profile.

Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for the individual and collective assessments are based on management's judgments and estimates. Therefore, the amount and timing of recorded expense for any period would differ depending on the judgments and estimates made for the year. The carrying value of the Group's trade and other receivables amounted to ₱680.37 million and ₱343.75 million as of December 31, 2009 and 2008, respectively (see Note 5).

Estimating net realizable value for real estate inventories
Real estate inventories are stated at lower of cost and NRV. NRV is assessed with reference to market conditions and prices existing at the financial reporting date and is determined by the Group having taken suitable external advice and in the light of recent market transactions.

As of December 31, 2009 and 2008, real estate inventories amounted to ₱ 5,294.41 million and ₱311.30 million, respectively (see Note 6).

Estimating useful lives of investment properties and property and equipment
The Group estimates the useful lives of its investment properties and property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of the investment properties and property and equipment are reviewed at least annually and are updated if expectations differ from previous estimates due to physical wear and tear and technical or commercial obsolescence on the use of these assets. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in factors mentioned above. A reduction in the estimated useful lives of investment properties and property and equipment would increase depreciation and amortization expense and decrease noncurrent assets.

The carrying value of the Group's investment properties and property and equipment amounted to ₱2,542.38 million and ₱47.27 million, respectively, as of December 31, 2009 and ₱6.69 million and ₱543.26 million, respectively, as of December 31, 2008, respectively (see Notes 10 and 11).

Evaluation of impairment of nonfinancial assets
The Group reviews investment properties, property and equipment and software for impairment of value. This includes considering certain indications of impairment such as significant changes in asset usage, significant decline in assets' market value, obsolescence or physical damage of an asset, significant underperformance relative to expected historical or projected future operating results and significant negative industry or economic trends.

As described in the accounting policy, the Group estimates the recoverable amount as the higher of the net selling price and value in use. In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Group is required to make estimates and assumptions that can materially affect the consolidated financial statements.

The Group believes that the carrying amounts of its assets approximate the recoverable amounts and, as such, no impairment loss was recognized in 2009 and 2008.

The carrying values of the Group's nonfinancial assets follow:

	2009	2008
Investment properties (Note 10)	**₱2,542,380,222**	₱6,685,733
Property and equipment (Note 11)	**47,273,634**	543,263,658
Software (Note 12)	**536,192**	800,397
	₱2,590,190,048	₱550,749,788

Recognizing deferred tax assets
The Group reviews the carrying amounts of deferred taxes at each financial reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. However, there is no assurance that the Group will generate sufficient taxable profit to allow all or part of deferred tax assets to be utilized. The Group looks at its projected performance in assessing the sufficiency of future taxable income. See Note 21 for the related balances.

Estimating pension obligation
The determination of the Group's obligation and cost for pension is dependent on selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 24 and include among others, discount rate

and salary increase rate. While the Group believes that the assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions materially affect retirement obligations. See Note 24 for the related balances.

Fair value of financial instruments
Where the fair values of financial assets and liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, they are determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimates are used in establishing fair values. These estimates may include considerations of liquidity, volatility and correlation. Certain financial assets were initially recorded at their fair values by using the discounted cash flow technique. See Note 26 for the related balances.

4. Cash and Cash Equivalents

This account consists of:

	2009	2008
Cash on hand and in banks	**₱420,436,185**	₱295,570,479
Cash equivalents	**247,104,738**	189,392,027
	₱667,540,923	₱484,962,506

Cash in banks earn interest at the prevailing bank deposit rates. Cash equivalents are short-term, highly liquid investments that are made for varying periods of up to three (3) months depending on the immediate cash requirements of the Group, and earn interest at the prevailing short-term investment rates ranging from 1.75% to 5.13% and from 2.5% to 4.35% in 2009 and 2008, respectively.

5. Trade and Other Receivables

This account consists of:

	2009	2008
Contracts receivable	**₱405,533,035**	₱–
Advances to contractors	**270,181,364**	292,126,010
Advances to related parties (Note 23)	**61,324,139**	43,263,337
Accrued interest receivable (Note 9)	**18,985,271**	4,611,361
Advances to officers and employees	**4,078,365**	3,451,489
Others	**57,599**	298,930
	760,159,773	343,751,127
Less unamortized discount on noninterest-bearing receivables	**79,793,496**	–
	680,366,277	343,751,127
Less noncurrent portion	**384,326,537**	–
	₱296,039,740	₱343,751,127

Contracts receivables comprise interest and noninterest-bearing buyer accounts. Interest-bearing accounts are collectible in monthly installments over a period of 5 to 15 years and bear annual interest rates ranging from 13.00% to 16.00% computed on the diminishing balance of the principal. Noninterest-bearing accounts are generally collectible on or before the various turn-over dates of the projects not beyond 2011.

In 2009, the Group entered into various sale and purchase agreements with Banco de Oro (BDO) where the Group assigned its contracts receivables with a buy-back agreement. The Group continues to recognize the carrying value of the receivables amounting to ₱1,000.36 million as at December 31, 2009.

Advances to contractors are recouped upon every progress billing payment depending on the percentage of accomplishment. Based on management assessment, the activities to which these advances pertain to will be completed within one year.

Advances to related parties, which are granted for working capital purposes, are noninterest-bearing and collectible on demand.

Accrued interest receivable pertains to interest earned from cash equivalents and AFS financial asset.

Advances to officers and employees pertain to unliquidated cash advances, which are due within one year. It is recoverable through direct salary deduction.

Other receivables are due and demandable.

As at December 31, 2009, contracts receivables include noninterest-bearing receivables amounting to ₱302.94 million. Movement in unamortized discount arising from these noninterest-bearing receivables as at December 31, 2009 follows:

Balance at beginning of year	₱–
Day 1 loss	146,287,321
Accretion	(66,493,825)
Balance at end of year	₱79,793,496

6. Real Estate Inventories

This account consists of subdivision land and residential units for sale which are carried at cost amounting to ₱5,294.41 million and ₱311.30 million as of December 31, 2009 and 2008, respectively.

In 2009, the Group acquired land with an appraised value of ₱3,953.17 million in exchange for the issuance of 1.60 billion shares (Notes 17 and 30). Portion of the cost of the land where the Group's buildings held for leasing is situated amounting to ₱658.86 million is recognized under "Investment properties" (Note 10). The remaining ₱3,294.31 million was considered part of real estate inventories.

Inventories recognized as cost of sales in 2009 amounted to ₱1,493.74 million. No part of inventories is recognized as cost of sales in 2008 since the Group has not yet recognized revenue from its pre-selling transactions.

7. Advances to Landowners

This represents payments to landowners for real estate that are intended for future development amounting to ₱350.00 million. Based on the Memorandum of Agreement (MOA) between the Group and various landowners, the parties agreed for the development of several parcels of land into a residential subdivision project. The amount will be deducted from the share of the landowners from the project which shall be determined and confirmed by the parties within one year.

In 2009, the parties have agreed to renegotiate the terms of the agreement and further committed to finalize the terms within the year.

8. Prepayments and Other Current Assets

This account consists of:

	2009	2008
Input value-added tax (VAT)	**₱694,421,794**	₱282,839,210
Prepaid expenses	**160,577,177**	121,953,550
Deferred rent	**5,037,289**	–
Refundable deposits	**1,054,514**	851,060
Others	**4,589**	–
	₱861,095,363	₱405,643,820

Input VAT will be applied against the Group's output VAT liability.

Prepaid expenses principally consist of commission which will be charged to expense in the period in which the related revenue is recognized.

9. Available-for-Sale Financial Asset

The movements in this account follow:

	2009	2008
Balance at beginning of year	**₱210,286,093**	₱186,994,598
Other comprehensive income (loss)	**6,014,727**	(4,975,131)
Amortization of discount	**145,747**	1,190,890
Foreign exchange adjustments	**13,218,405**	27,075,736
Balance at end of year	**₱229,664,972**	₱210,286,093

The AFS financial asset pertain to investment in US Dollar-denominated, Philippine-government bonds carried at fair value, which earned interest amounting to ₱21.96 million and ₱17.16 million, in 2009 and 2008, respectively. The cumulative changes in fair value recognized in the "Unrealized gain on AFS financial asset" amounted to ₱25.40 million and ₱19.38 million as of December 31, 2009 and 2008, respectively. The fair value of the investment is based on its quoted market price as of December 31, 2009 and 2008. The AFS financial asset will mature on March 17, 2015 and interest is received semi-annually.

There were no disposals of AFS financial asset as of December 31, 2009 and 2008.

Accrued interest receivable on the AFS financial asset amounted to ₱4.54 million and ₱4.53 million as of December 31, 2009 and 2008, respectively.

The rollforward analysis of unrealized gain on AFS financial asset follows:

	2009	2008
Balance at beginning of year	**₱19,382,440**	₱24,357,571
Other comprehensive income (loss)	**6,014,727**	(4,975,131)
Balance at end of year	**₱25,397,167**	₱19,382,440

10. Investment Properties

The rollforward analysis of this account follows:

	2009			
	Land	**Residential Unit**	**Building**	**Total**
Cost				
At January 1	**₱4,413,100**	**₱7,620,000**	**₱–**	**₱12,033,100**
Additions	658,861,500	**–**	**1,403,452,594**	**2,062,314,094**
Reclassification	**–**	**–**	**483,034,967**	**483,034,967**
At December 31	**663,274,600**	**7,620,000**	**1,886,487,561**	**2,557,382,161**
Accumulated Depreciation				
At January 1	**–**	**5,347,367**	**–**	**5,347,367**
Depreciation	**–**	**2,272,633**	**7,381,939**	**9,654,572**
At December 31	**–**	**7,620,000**	**7,381,939**	**15,001,939**
Net Book Value at December 31	**₱663,274,600**	**₱–**	**₱1,879,105,622**	**₱2,542,380,222**

	2008		
	Land	Residential Unit	Total
Cost			
At January 1 and December 31	₱4,413,100	₱7,620,000	₱12,033,100
Accumulated Depreciation			
At January 1	–	4,291,263	4,291,263
Depreciation	–	1,056,104	1,056,104
At December 31	–	5,347,367	5,347,367
Net Book Value at December 31	₱4,413,100	₱2,272,633	₱6,685,733

In 2009, additions to land pertain to the allocated portion of land acquired in an asset-for-share swap, where the buildings held for leasing is situated (Notes 6, 17 and 30).

The aggregate fair value of the Group's investment properties as of December 31, 2009 and 2008 amounted to ₱2,571.64 million and ₱35.95 million, respectively.

The fair value of the investment properties has been determined based on valuations performed by independent professionally qualified appraisers. The fair value represents the amount at which the assets could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction at the date of valuation, in accordance with generally accepted valuation principles in the Philippines. The fair value of the investment property was arrived at by the Market Data Approach. In this approach, the value of the building and improvements is based on sales and listings of comparable property registered within the vicinity. The properties used as basis of comparison are situated within the immediate vicinity of the subject property.

Buildings in Eton Cyberpod Corinthian and Eton Centris projects were completed in 2009 and leasing operations started immediately thereafter. In 2009, rental income and direct operating expenses arising from the investment properties amounted to ₱12.83 million and ₱8.94 million, respectively.

11. Property and Equipment

The rollforward analysis of this account follows:

	2009				
	Transportation Equipment	**Furniture, Fixtures and Equipment**	**Leasehold Improvements**	**Construction-in-Progress**	**Total**
Cost					
At January 1	**₱38,017,977**	**₱33,487,909**	**₱7,200,693**	**₱483,809,967**	**₱562,516,546**
Additions	**–**	**1,400,680**	**–**	**3,838,316**	**5,238,996**
Reclassification	**–**	**–**	**–**	**(483,034,967)**	**(483,034,967)**
Disposals	**(569,643)**	**(15,897)**	**–**	**–**	**(585,540)**
At December 31	**37,448,334**	**34,872,692**	**7,200,693**	**4,613,316**	**84,135,035**
Accumulated Depreciation and Amortization					
At January 1	**7,745,065**	**10,264,195**	**1,243,628**	**–**	**19,252,888**
Depreciation and amortization	**7,751,729**	**8,788,455**	**1,445,525**	**–**	**17,985,709**
Disposals	**(361,299)**	**(15,897)**	**–**	**–**	**(377,196)**
At December 31	**15,135,495**	**19,036,753**	**2,689,153**	**–**	**36,861,401**
Net Book Value at December 31	**₱22,312,839**	**₱15,835,939**	**₱4,511,540**	**₱–**	**₱47,273,634**

	2008				
	Transportation Equipment	Furniture, Fixtures and Equipment	Leasehold Improvements	Construction-in-Progress	Total
Cost					
At January 1	₱19,789,286	₱9,461,886	₱2,665,111	₱20,843,712	₱52,759,995
Additions	18,228,691	24,026,023	4,535,582	462,966,255	509,756,551
At December 31	38,017,977	33,487,909	7,200,693	483,809,967	562,516,546
Accumulated Depreciation and Amortization					
At January 1	1,927,411	2,728,032	63,807	–	4,719,250
Depreciation and amortization	5,817,654	7,536,163	1,179,821	–	14,533,638
At December 31	7,745,065	10,264,195	1,243,628	–	19,252,888
Net Book Value at December 31	₱30,272,912	₱23,223,714	₱5,957,065	₱483,034,967	₱543,263,658

The Group's construction-in-progress pertains to uncompleted buildings in Eton Cyberpod Corinthian and commercial area in Eton Centris which are intended for leasing.

In 2009, construction costs pertaining to buildings held for leasing which are still under construction amounting to ₱483.03 million were transferred to "Investment properties" in accordance with the Group's adoption of the amendments of PAS 40 (see Note 10).

12. Other Noncurrent Assets

This account consists of:

	2009	2008
Refundable deposits	**₱28,408,512**	₱17,528,474
Deposits in escrow bank	**9,843,450**	9,843,450
Software - net	**536,192**	800,397
Others	**22,830**	698,927
	38,810,984	₱28,871,248

The rollforward analysis of the Group's software follows:

	2009	2008
Cost		
Balance at January 1	**₱1,012,607**	₱314,442
Additions	**140,843**	698,165
Balance at December 31	**1,153,450**	1,012,607
Accumulated Amortization		
Balance at January 1	**212,210**	24,911
Amortization	**405,048**	187,299
Balance at December 31	**617,258**	212,210
Net Book Value at December 31	**₱536,192**	₱800,397

Refundable deposits consist principally of amount paid to utility provider for service application and guarantee deposit to Makati Commercial Estate Association (MACEA) for plans processing, monitoring fee and development charge of the Group's projects, which will be refunded upon termination of the service contract and completion of the projects' construction, respectively.

Deposits in escrow bank pertain to the escrow funds required by several Escrow Agreements entered into by the Group with the Housing and Land Use Regulatory Board pursuant to the provisions of the temporary licenses to sell issued by the latter to the Group for some of its projects. The Escrow Agreements include, among others, the opening of an escrow account with Allied Banking Corporation (ABC) where sales proceeds from projects which the temporary licenses to sell pertain to shall be deposited. Such escrow accounts shall only be released upon the Group's compliance with all the requirements for the issuance of a Certificate of License to Sell and Certificate of Registration of the projects. Total deposits to the escrow bank amounted to ₱9.84 million as of December 31, 2009 and 2008, respectively.

13. Accounts and Other Payables

This account consists of:

	2009	2008
Accounts payable	**₱1,141,602,085**	₱44,519,445
Payable to a related party (see Note 23)	**945,000,000**	–
Payable to contractors	**415,220,249**	134,956,962
Accrued taxes	**414,265,829**	3,804,593
Retentions payable	**81,131,625**	35,389,566
Accrued expenses	**58,009,694**	23,250,265
Advances from related a party (see Note 23)	**830,870**	838,369
Others	**546,166**	477,423
	₱3,056,606,518	₱243,236,623

Accounts payable and payable to contractors are noninterest-bearing and are normally settled on 30 to 60 days term.

Accrued expenses consist of various expense accruals for rental, utilities and professional fees, which are all payable within one year.

Advances from related parties, accrued taxes, retentions payable and other payables are noninterest-bearing and are normally settled within one year or the normal operating cycle, whichever is longer.

14. Customers' Deposits

The Group requires buyers of residential units to pay a certain percentage of the total selling price before the two parties enter into a sale transaction. In relation to this, the customers' deposits represent payments from buyers which have not reached the minimum required percentage. When the level of required payment is reached by the buyer and there has been substantial completion of the project, sales are recognized and these deposits and downpayments will be applied against the related receivables. This account also includes excess of collections over the recognized receivables based on percentage of completion.

As of December 31, 2009 and 2008, customers' deposits amounted to ₱2,075.03 million and ₱2,155.63 million, respectively.

15. Loans Payable

As at December 31, 2009, this account consists of:

Notes payable	₱739,202,331
Bank loans	300,000,000
	1,039,202,331
Less current portion	30,000,000
	₱1,009,202,331

Notes payable include various sale and purchase agreements with Banco de Oro whereby the Group assigned its contracts receivable with a provision that the latter shall buy back the receivables in case these become overdue for three consecutive months and the corresponding contract to sell (CTS) has not been converted by the bank into an end-user loan, when the Group fails to complete the construction of the projects within a committed date of completion, or when the Group fails to deliver the Condominium Certificate of Title (CCTs) or Transfer Certificate of Title (TCTs) within 360 days from committed date of completion. The risk of noncollection remains with the Group due to the buyback arrangement. The Group continues to recognize the carrying value of the receivables amounting to ₱1,000.36 million and nil as of December 31, 2009 and 2008, respectively. These notes bear interest based on PDST-F fixed for one year plus 1.5% net of GRT, which range from 6.34% to 6.92%, subject to annual repricing. Interest is due monthly in arrears during the first two years of the term and thereafter, interest shall be collected with the principal covering the term of three years or the term of the CTS, whichever comes first.

On December 10, 2009, the Group also entered into a term loan agreement with ABC to finance additional working capital requirement. The loan amounting to ₱300.00 million bears fixed interest rate of 6.66%. Principal repayments are due annually for at least 10% of the total principal amount with final repayment in 2012.

In 2009, interest on loans payable amounting to ₱26.09 million is capitalized as part of the cost of real estate inventories.

16. Deposits and Other Liabilities

At December 31, 2009, this account consists of:

Security deposits	₱31,887,669
Advance rentals	23,010,002
	54,897,671
Less current portion	23,725,283
	₱31,172,388

Security deposits pertain to the amount the tenants have paid from the inception of the lease that will be refundable at the end of the lease term.

Advance rentals pertain to deposits from tenants, which will be applied to receivables either at the beginning or at the end of lease term, depending on the lease contract.

Movement in the unamortized discount of security deposits as at December 31, 2009 follows:

Balance at beginning of the year	₱–
Additions	17,457,337
Accretion for the year	(1,085,528)
Balance at end of the year	16,371,809
Less current portion	2,339,431
	₱14,032,378

Deferred credits represent the excess of the principal amount of the security deposits over its fair value. Amortization of deferred credit is included in "Rental income" in the consolidated statements of comprehensive income.

17. Equity

The details of the number of shares follow:

	2009	2008
Authorized capital stock	**5,000,000,000**	5,000,000,000
Issued	**373,798,267**	373,798,267
Subscribed	**931,550,434**	931,550,434
Asset-for-share swap	**1,600,000,000**	–
Treasury	**(10,000)**	(10,000)
Outstanding	**2,905,338,701**	1,305,338,701

On October 6, 2009, the Group's BOD approved the acquisition of an approximately 12-hectare property owned by Paramount where the Group's Eton Centris project is situated, valued at ₱3,953.17 million in exchange for the issuance of 1.6 billion shares to Paramount at ₱2.50 per share, making the latter the controlling stockholder with a 55% stake (see Notes 6, 11 and 31). On October 22, 2009, the Group and Paramount executed the Deed of Conveyance pertaining to the asset-for-share swap.

As of April 7, 2010, the asset-for-share swap is still pending approval with the SEC.

Capital Management
The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating, complies with externally imposed capital requirements and healthy capital ratios in order to support its business and maximize stockholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to stockholders, return capital to stockholders or issue new shares. No changes were made in the objectives, policies or processes for the years ended December 31, 2009 and 2008 and the eight months ended December 31, 2007. The Group considers its total equity as capital and the Group is not subject to externally imposed capital requirements.

18. Interest and Other Income

This account consists of:

	December 31, 2009 (One Year)	December 31, 2008 (One Year)	December 31, 2007 (Eight Months)
Interest income from:			
Contracts receivable	**₱66,493,824**	₱–	₱–
AFS financial asset	**21,964,125**	17,160,293	9,234,445
Cash and cash equivalents	**12,728,933**	27,051,196	11,018,463
Other income	**9,092,381**	498,832	447,366
	₱110,279,263	₱44,710,321	₱20,700,274

19. Selling Expenses

This account consists of:

	December 31, 2009 (One Year)	December 31, 2008 (One Year)	December 31, 2007 (Eight Months)
Advertising and promotions	**₱122,858,961**	₱124,869,296	₱106,760,636
Commissions	**105,884,132**	–	–
Others	**120,092**	221,232	–
	₱228,863,185	₱125,090,528	₱106,760,636

20. General and Administrative Expenses

This account consists of:

	December 31, 2009 (One Year)	December 31, 2008 (One Year)	December 31, 2007 (Eight Months)
Salaries and wages	**₱63,866,462**	₱58,589,814	₱22,647,616
Depreciation and amortization (Notes 10, 11 and 12)	**28,045,330**	15,777,041	3,836,148
Outside services (Note 23)	**21,391,431**	9,442,422	2,075,767
Communication, light and water	**11,712,710**	9,177,948	1,365,206
Entertainment, amusement and recreation	**13,815,217**	6,944,441	4,294,184
Travel and transportation	**9,783,684**	12,324,810	5,634,878
Professional fees	**6,885,532**	7,416,234	7,261,789
Office supplies	**3,386,901**	3,577,960	3,062,315
Employee benefits (Note 23)	**2,230,613**	2,807,425	1,406,750
Taxes and licenses	**1,519,379**	1,158,812	1,320,597
Others	**6,296,749**	6,136,325	4,178,856
	₱168,934,008	₱133,353,232	₱57,084,106

21. Income Tax

The Group's benefit from income tax consists of:

	December 31, 2009 (One Year)	December 31, 2008 (One Year)	December 31, 2007 (Eight Months)
Current	**(₱86,015,091)**	(₱1,777,935)	₱–
Final	**(6,938,612)**	(8,480,471)	(2,683,352)
Deferred	**146,257,617**	60,759,049	50,284,738
	₱53,303,914	₱50,500,643	₱47,601,386

A reconciliation of the benefit from income tax at the applicable statutory income tax rates to the benefit from income tax as shown in the consolidated statements of comprehensive income follow:

	December 31, 2009 (One Year)	December 31, 2008 (One Year)	December 31, 2007 (Eight Months)
Benefit from (provision for) income tax at the statutory income tax rate	**(₱70,471,780)**	₱61,692,625	₱68,039,459
Adjustments for:			
Income tax holiday	**114,823,370**	–	–
Application of unrecognized NOLCO	**7,948,005**	296,324	(23,293,600)
Interest income subjected to final tax at lower rate	**3,469,305**	6,993,550	4,450,166
Nondeductible expenses	**(2,464,986)**	–	(1,502,964)
Nontaxable interest income	**–**	–	182,031
Capital gains subject to capital gains tax	**–**	–	(228,706)
Effect of change in tax rate	**–**	(18,481,856)	–
Benefit from income tax	**₱53,303,914**	₱50,500,643	₱47,646,386

The Group's recognized net deferred income tax assets as of December 31, 2009 and 2008 relate to the following:

	2009	2008
Deferred tax assets for the tax effects of:		
Difference between tax and book basis of accounting for real estate transactions	**₱252,857,527**	₱55,757,355
Unamortized discount on contracts receivable	**23,203,370**	–
NOLCO	**3,952,210**	89,926,077
Pension expense	**282,567**	141,281
Excess MCIT over RCIT	**–**	1,777,935
	280,295,674	**147,602,648**
Deferred tax liabilities for the tax effects of:		
Prepaid commissions	**20,265,059**	23,156,787
Unrealized foreign exchange gain	**2,804,450**	13,554,725
Unamortized discount on security deposits over deferred credits	**77,412**	–
	23,146,921	36,711,512
	₱257,148,753	₱110,891,136

The deductible temporary differences pertaining to NOLCO for which no deferred income tax assets were recognized in the consolidated statements of financial position amounted to nil and ₱26.53 million as of December 31, 2009 and 2008, respectively. Deferred tax assets have not been recognized because management believes that the Group may not have sufficient taxable profit available to allow all or part of the deferred income tax assets to be utilized in the near future.

As of December 31, 2009, NOLCO and MCIT that can be claimed as deduction from future taxable income are as follows:

<u>NOLCO</u>

Year Incurred	Amount	Used	Balance	Expiry Year
2007	₱169,707,548	₱156,577,161	₱–	2010
2008	156,539,399	143,365,367	13,174,032	2011
	₱326,246,947	₱299,942,528	₱13,174,032	

<u>MCIT</u>

Year Incurred	Amount	Used	Balance	Expiry Year
2008	₱1,777,935	₱1,777,935	₱–	2011

<u>Republic Act (RA) No. 9337</u>
RA No. 9337, *An Act Amending National Internal Revenue Code*, provides that the regular corporate income tax rate shall be reduced from 35% to 30% starting January 1, 2009. It further provides that nondeductible interest expense shall be reduced from 42% to 33% of interest income subjected to final tax beginning January 1, 2009.

22. Operating Leases

Group as lessor
The Group entered into lease agreements with third parties covering its investment property portfolio. These leases generally provide for either (a) fixed monthly rent, or (b) minimum rent or a certain percentage of gross revenue, whichever is higher. The Group records rental income on a straight-line basis over the base, non-cancellable lease terms. Any difference between the calculated rental income and amount actually received is recognized as "Deferred rent" (see Note 8).

Future minimum rentals receivable under noncancellable operating leases as of December 31, 2009 follow:

Within one year	₱208,739,375
After one year but not more than five years	697,355,218
More than five years	909,367,143
	₱1,815,461,736

Group as lessee
The Group entered into several renewable lease agreements with terms ranging from 1 to 3 years with a related party, which generally provides for a fixed monthly rent, for the lease of its office space (see Note 23).

23. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party in making financial and operating decisions or the parties are subject to common control or common significant influence (referred herein as affiliates). Related parties may be individuals or corporate entities.

The significant related party transactions and account balances of the Group are as follows:

a.) The Group's "Cash and cash equivalents" are deposited with its affiliates, ABC and Philippine National Bank (PNB). The outstanding balances of these accounts amounted to ₱179.42 million ₱136.31 million as of December 31, 2009 and 2008, respectively, for ABC and ₱81.24 million ₱1.42 million, respectively, for PNB.

b.) Rental expense charged to operations and included under "Outside services" represents the Group's use of ABC's common area amounting to ₱5.24 million and ₱5.62 million in 2009 and 2008, respectively.

c.) The Group in the ordinary course of business enters into transactions with its affiliates principally consisting of advances for working capital requirements. These are noninterest-bearing and are due and demandable

The effects of the foregoing transactions are shown under the appropriate accounts in the financial statements as follows:

	2009	2008
Advances to related parties (see Note 5)		
ABC	**₱29,211,647**	₱–
PNB	**26,061,791**	–
Eton Properties Sales Corp.	**5,987,700**	40,743,070
Basic Holdings Corp	**63,001**	–
Belton Sales Corp.	**–**	2,520,267
	₱61,324,139	₱43,263,337
Advances from related a party (see Note 13)		
Fortune Tobacco Corp.	**830,870**	838,369

Advances to related parties reported as part of "Trade and other receivables" in the consolidated statement of financial position include advances made by the Group for the allowances of agents and brokers as of December 31, 2009 and 2008.

The Group also entered into separate joint venture agreements with ABC and PNB for the development and sale of units in various projects. The joint venture agreement also provides that the Group shall be the exclusive marketing and sales agent of the related projects under joint venture. In 2009, marketing fee revenue recognized by the Group in the consolidated statements of comprehensive income amounted to ₱49.35 million.

<u>Payable to a Related Party</u>
The Group entered into a Deed of Conditional Sale with PAL, an affiliate, in connection with the acquisition of a land owned by the latter at a purchase price of ₱945.00 million. The Group shall exclusively finance and develop the property into a high-rise, mixed-use condominium building (the Project). As part of the agreement, the Group shall assign and deposit CTS and CCTs as security for the payment of the purchase price, which shall be released and returned to the Group upon full settlement. The agreement further states that the related party shall receive the following: (a) a certain amount of cash payable on various dates beginning on or before 2011 (b) ownership rights and interest of certain office premises and several parking lots of the Project.

Compensation of key management personnel
The compensation of the Group's key management personnel pertain to short-term benefits amounting to ₱42.32 million and ₱7.75 million for the years ended December 31, 2009 and 2008, respectively.

24. Retirement Plan

The Group has an unfunded, noncontributory defined benefit type of retirement plan covering substantially all of their employees. The normal retirement benefit is equal to seventeen and a half (17.5) days final basic salary for every year of service with a fraction of six months considered as one year. The latest actuarial valuation was made on March 17, 2010.

The components of pension expense (included in "Salaries and wages" under General and administrative expense") in the Group's consolidated statements of comprehensive income are as follows:

	2009	2008
Current service cost	**₱294,071**	₱294,071
Interest cost on benefit obligation	**176,883**	176,864
Total pension expense	**₱470,954**	₱470,935

The pension liabilities recognized in the consolidated statements of financial position follow:

	2009	2008
Present value of defined benefit obligation	**₱4,088,869**	₱470,935
Unrecognized net actuarial losses	**(3,146,980)**	–
	₱941,889	₱470,935

Changes in the present value of the defined benefit obligation are as follows:

	2009	*2008*
Balance at January 1	**₱470,935**	₱–
Current service cost	**294,071**	176,864
Interest cost	**176,883**	294,071
Actuarial loss	**3,146,980**	–
Balance at December 31	**₱4,088,869**	₱470,935

The Group expects to make contributions of ₱5.15 million to its retirement fund in 2010.

The assumptions used to determine pension benefits for the Group for the year ended December 31, 2009 and 2008 follow:

	2009	2008
Discount rate	**10.87%**	37.56%
Salary increase rate	**10%**	7.00%

Amounts for the current and the previous periods are as follows:

	2009	2008
Present value of defined benefit obligation	**₱941,889**	₱470,935
Deficit	**941,889**	470,935
Experience adjustments on plan liabilities	**78,273**	–

25. Basic/Earnings (Loss) Per Share

The following table presents information necessary to compute the basic/diluted earnings (loss) per share:

	December 31, 2009 (One Year)	December 31, 2008 (One Year)	December 31, 2007 (Eight Months)
Net income (loss)	**₱288,209,847**	(₱125,764,001)	(₱19,196,210)
Divided by weighted average number of common shares outstanding during the period (see Note 17)	**1,612,198,016**	1,305,338,701	1,305,338,701
Basic/diluted earnings (loss) per share	**₱0.1788**	(₱0.0963)	(₱0.0147)

The basic/diluted earnings per share are the same as there were no dilutive potential common shares outstanding.

26. Financial Instruments

Fair Value Information

The following is a comparison by category of the carrying values and fair values of the financial instruments that are carried in the Group's consolidated statements of financial position:

	December 31, 2009		December 31, 2008	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Loans and Receivables				
Cash and cash equivalents	**₱667,540,923**	**₱667,540,923**	₱484,962,506	₱484,962,506
Trade and other receivables				
Contracts receivable	**325,739,539**	**332,038,469**	–	–
Advances to related parties	**61,324,139**	**61,324,139**	43,263,337	43,263,337
Accrued interest receivable	**18,985,271**	**18,985,271**	4,611,361	4,611,361
Advances to officers and employees	**₱4,078,365**	**₱4,078,365**	₱3,451,489	₱3,451,489
Others	**57,599**	**57,599**	298,930	298,930
Deposits in escrow bank	**9,843,450**	**9,843,450**	9,843,450	9,843,450
Refundable deposits	**29,463,026**	**28,577,510**	18,379,534	17,998,030
Total loans and receivables	**1,117,032,312**	**1,122,445,726**	583,361,574	582,427,133
AFS Financial Asset				
Quoted debt security	**229,664,972**	**229,664,972**	210,286,093	210,286,093
Total Financial Assets	**₱1,347,751,798**	**₱1,353,165,212**	₱793,647,667	₱792,713,226
Other Financial Liabilities				
Accounts and other payables				
Accounts payable	**₱1,141,602,085**	**₱1,141,602,085**	₱44,519,445	₱44,519,445
Payable to a related party	**945,000,000**	**945,000,000**	–	–
Contractors payable	**415,220,249**	**415,220,249**	134,956,962	134,956,962
Retentions payable	**81,131,625**	**81,131,625**	35,389,566	35,389,566
Accrued expenses	**57,656,493**	**57,656,493**	23,250,265	23,250,265
Advances from a related Party	**830,870**	**830,870**	838,369	838,369
Others	**546,166**	**546,166**	477,423	477,423
Loans payable	**1,039,202,331**	**1,093,242,717**	–	–
Security deposits	**31,887,669**	**32,049,626**	–	–
Total Other Financial Liabilities	**₱3,713,077,488**	**₱3,767,279,831**	₱239,432,030	₱239,432,030

The following methods and assumptions are used to estimate the fair values of each class of financial instruments:

Cash and cash equivalents, trade and other receivables except noncurrent portion of contracts receivable and deposits in escrow bank - Carrying amounts approximate fair values due to the relatively short-term maturities of these instruments.

Contracts receivables and refundable deposits - The fair values of contracts receivable and refundable deposits are based on the discounted value of future cash flows using the applicable rates for similar types of instruments. The discount rates used ranged from 6.55% to 7.62% as at December 31, 2009 and 5.86% to 6.73% as at December 31, 2008.

AFS financial asset - Fair values are based on quoted prices published in markets.

Other financial liabilities - The fair value of noncurrent unquoted instruments (loans payable and security deposits) are estimated using the discounted cash flow methodology based on the discounted value of future cash flows using the applicable risk free rates for similar types of instruments. The discount rates used ranged from 5.84% to 8.61% as at December 31, 2009. The fair values of accounts and other payables approximate the carrying amounts due to the short-term nature of these transactions.

Fair Value of Financial Instruments

The Group uses the following hierarchy for determining and disclosing the fair value of the financial instruments by valuation technique:

Level 1: quoted (unadjusted prices) in active markets for identical assets and liabilities
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

As of December 31, 2009 and 2008, the Group's AFS financial asset is classified under Level 1. There were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurements.

Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise cash and cash equivalents, AFS financial asset and loans payable. The main purpose of these financial instruments is to finance the Group's operations. The Group has various financial assets and financial liabilities such as receivables, refundable deposits and accounts and other payables, which arise directly from its operations.

It is, and has been throughout the year under review, the Group's policy that no trading of financial instruments shall be undertaken.

Management closely monitors the cash fund and financial transactions of the Group. Cash funds are normally deposited with affiliated banks, and financial transactions are normally dealt with related parties. These strategies, to an extent, mitigate the Group's interest rate and credit risks.

Exposure to credit, liquidity, interest rate, and foreign currency risks arise in the normal course of the Group's business activities. The main objectives of the Group's financial risk management are as follows:

- to identify and monitor such risks on an ongoing basis;
- to minimize and mitigate such risks; and
- to provide a degree of certainty about costs

The BOD reviews and approves the policies for managing these risks which are described below.

Credit risk

Credit risk is the risk that the Group will incur a loss because its counterparties failed to discharge their contractual obligations. The Group has no significant concentrations on credit risk.

The Group's credit risks are primarily attributable to contracts receivable and other financial assets. To manage credit risks, the Group maintains defined credit policies and monitors its exposure to credit risks on a continuous basis.

Credit risk is managed primarily through credit reviews and an analysis of receivables on a continuous basis. In addition, the credit risk for contracts receivable is mitigated as the Group has the right to cancel the sales contract without the risk for any court action and take possession of the subject property in case of refusal by the buyer to pay on time the contract receivable due. This risk is further mitigated because the corresponding title to the property sold under this arrangement is transferred to the buyers only upon full payment of the contract price.

As of December 31, 2009 and 2008, maximum exposure to credit risk for the components of the consolidated statements of financial position follows:

	2009	2008
Cash and cash equivalents (excluding cash on hand)	**₱667,490,923**	₱484,912,506
Trade and other receivables		
Contracts receivable	**325,739,539**	–
Advances to related parties	**61,324,139**	43,263,337
Accrued interest receivable	**18,985,271**	4,611,361
Advances to officers and employees	**4,078,365**	3,451,489
Others	**57,599**	298,930
Deposits in escrow bank	**9,843,450**	9,843,450
Refundable deposits	**29,463,026**	18,379,534
AFS financial asset	**229,664,972**	210,286,093
	₱1,346,647,284	₱775,046,700

Given the Company's diverse base of counterparties, it is not exposed to large concentrations of credit risk. The aging analysis of past due but not impaired receivables and advances to related parties presented per class is as follows:

2009

	Neither Past Due nor Impaired	Past Due but not Impaired				Impaired	Total
		30-60 days	61-90 days	Over 90 days	Total		
Trade and other receivables							
Contracts receivable	**₱228,009,487**	**₱21,137,132**	**₱8,500,820**	**₱68,092,100**	**₱97,730,052**	-	**₱325,739,539**
Advances to related parties	**61,324,139**	-	-	-	-	-	**61,324,139**
Accrued interest receivable	**18,985,271**	-	-	-	-	-	**18,985,271**
Advances to officers and employees	**4,078,365**	-	-	-	-	-	**4,078,365**
Others	**57,599**	-	-	-	-	-	**57,599**
Deposits in escrow bank	**9,843,450**	-	-	-	-	-	**9,843,450**
Refundable deposits	**29,463,026**	-	-	-	-	-	**29,463,026**
	₱351,761,337	**₱21,137,132**	**₱8,500,820**	**₱68,092,100**	**₱97,730,052**	**₱-**	**₱449,491,389**

2008

	Neither Past Due nor Impaired	Past Due but not Impaired				Impaired	Total
		30-60 days	61-90 days	Over 90 days	Total		
Trade and other receivables							
Advances to related parties	₱43,263,337	₱-	₱-	₱-	₱-	₱-	₱43,263,337
Accrued interest receivable	4,611,361	-	-	-	-	-	4,611,361
Advances to officers and employees	3,451,489	-	-	-	-	-	3,451,489
Others	298,930	-	-	-	-	-	298,930
Deposits in escrow bank	9,843,450	-	-	-	-	-	9,843,450
Refundable deposits	18,379,534	-	-	-	-	-	18,379,534
	₱79,848,101	₱-	₱-	₱-	₱-	₱-	₱79,848,101

The table below shows the credit quality of the Group's financial assets as at December 31, 2009 and 2008:

2009

	Neither past due nor impaired				Past due but not Impaired	Impaired	Total
	High Grade	Medium Grade	Low Grade	Total			
Cash and cash equivalents	**₱667,540,923**	**₱–**	**₱–**	**₱667,540,923**	**₱–**	**₱–**	**₱667,540,923**
Trade and other receivables							
Contracts receivable	**178,229,559**	**49,172,158**	607,771	**228,009,488**	**97,730,051**	–	**325,739,539**
Advances to related parties	**61,324,139**	–	–	**61,324,139**	–	–	**61,324,139**
Accrued interest receivable	**18,985,271**	–	–	**18,985,271**	–	–	**18,985,271**
Advances to officers and employees	**4,078,365**	–	–	**4,078,365**	–	–	**4,078,365**
Others	**57,599**	–	–	**57,599**	–	–	**57,599**
Deposits in escrow bank	**9,843,450**	–	–	**9,843,450**	–	–	**9,843,450**
Refundable deposits	**29,463,026**	–	–	**29,463,026**	–	–	**29,463,026**
AFS financial asset	**229,664,972**	–	–	**229,664,972**	–	–	**229,664,972**
	₱1,199,187,304	**₱49,172,158**	**₱607,771**	**₱1,248,967,233**	**₱97,730,051**	**₱–**	**₱1,346,697,284**

2008

	Neither past due nor impaired						
	High Grade	Medium Grade	Low Grade	Total	Past due but not impaired	Impaired	Total
Cash and cash equivalents	₱484,962,506	₱–	₱–	₱484,962,506	₱–	₱–	₱484,962,506
Trade and other receivables							
Contracts receivable	–	–	–	–	–	–	–
Advances to related parties	43,263,337	–	–	43,263,337	–	–	43,263,337
Accrued interest receivable	4,611,361	–	–	4,611,361	–	–	4,611,361
Advances to officers and employees	3,451,489	–	–	3,451,489	–	–	3,451,489
Others	298,930			298,930			298,930
Deposits in escrow bank	9,843,450			9,843,450			9,843,450
Refundable deposits	18,379,534	–	–	18,379,534	–	–	18,379,534
AFS financial asset	210,286,093	–	–	210,286,093	–	–	210,286,093
	₱775,096,700	**₱–**	**₱–**	**₱775,096,700**	**–**	**₱–**	**₱775,096,700**

The credit quality of the financial assets was determined as follows:

Cash and cash equivalents, deposits to escrow bank, refundable deposits and AFS financial asset - based on the nature of the counterparty and the internal rating system of the Group.

Trade and other receivables - high grade pertains to receivables with no default in payment; medium grade pertains to receivables with up to 3 defaults in payment; and low grade pertains to receivables with more than 3 defaults in payment.

Liquidity risk

Liquidity risk is defined as risk that the Group would not be able to settle or meet its obligations on time or at a reasonable price. The Group maintains sufficient cash and marketable securities in order to fund its operations.

In mitigating liquidity risk, management measures and forecasts its cash commitments, matches debt maturities with the assets being financed, maintains a diversity of funding sources with its unhampered access to bank financing and the capital markets develop viable funding alternatives through its marketable securities and its customers' deposits arising from the Group's pre-selling activities.

The table summarizes the maturity profile of the Group's financial instruments at December 31, 2009 and 2008 based on contractual undiscounted payments:

	2009			
	< 1 year	**>1 to < 5 years**	**> 5 years**	**Total**
Cash and cash equivalents (Note 4)	**₱667,540,923**	**₱–**	**₱–**	**₱667,540,923**
Trade and other receivables	**410,184,913**	**–**	**–**	**410,184,913**
Other noncurrent assets	**1,054,514**	**38,251,962**	**–**	**39,306,476**
AFS financial asset	**–**	**–**	**229,664,972**	**229,664,972**
	₱1,078,780,350	**₱38,251,962**	**₱229,664,972**	**₱1,346,697,284**
Accounts and other payables				
Accounts payables	**₱1,141,602,085**	**₱–**	**₱–**	**₱1,141,602,085**
Payable to a related party	**945,000,000**	**–**	**–**	**945,000,000**
Contractors payable	**415,220,249**	**–**	**–**	**415,220,249**
Retentions payable	**81,131,625**	**–**	**–**	**81,131,625**
Accrued expenses	**57,656,493**	**–**	**–**	**57,656,493**
Advances from a related party	**830,870**	**–**	**–**	**830,870**
Others	**546,166**	**–**	**–**	**546,166**
Loans payable	**30,000,000**	**1,009,202,331**	**–**	**1,039,202,331**
Security deposits	**31,887,669**	**–**	**–**	**31,887,669**
	₱2,703,875,157	**₱1,009,202,331**	**–**	**₱3,713,077,488**

	2008			
	< 1 year	>1 to < 5 years	> 5 years	Total
Cash and cash equivalents (Note 4)	₱484,962,506	₱–	₱–	₱484,962,506
Trade and other receivables	52,625,117	–	–	52,625,117
Other noncurrent assets	28,222,984			28,222,984
AFS financial asset	–	–	210,286,093	210,286,093
	₱565,810,607	–	₱210,286,093	₱776,096,700
Accounts and other payables				
Accounts payables	₱44,519,445	₱–	₱–	₱44,519,445
Advances from related parties	838,369	–	–	838,369
Contractors payable	134,956,962	–	–	134,956,962
Retentions payable	35,389,566	–	–	35,389,566
Accrued expenses	23,250,265	–	–	23,250,265
Others	477,423	–	–	477,423
	₱239,432,030	–	₱–	₱239,432,030

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates both to the investment in a dollar-denominated government securities and to its notes payable. The Group's policy is to manage its interest cost using a mix of fixed and variable rate loans.

The table below demonstrates the sensitivity analysis of the Group's profit or loss due to a reasonably possible change in interest rate as at December 31, 2009, with all other variables held constant.

	Changes in basis points (bps)	Effect on income before income tax
AFS financial asset dollar-denominated		
Government securities	+100	(₱10,588,208)
	-100	11,201,929

	Changes in bps	Effect on income before income tax
Notes payable	+100	(₱7,392,023)
	-100	7,392,023

Foreign currency exchange risk
Foreign currency exchange risk is the risk to earnings or capital arising from changes in foreign exchange rates. The Group's foreign exchange exposure arises from holding foreign currency denominated cash and cash equivalents and AFS financial asset. The Group relies on its ability to generate dollar-based revenue from its foreign customers to mitigate this risk. The Group does not enter into derivatives to hedge the exposure.

The following table shows the Group's foreign currency-denominated monetary assets and liabilities and their peso equivalents as at December 31, 2009 and 2008:

	December 31, 2009		December 31, 2008	
	US Dollar Value	**Peso Equivalent**	US Dollar Value	Peso Equivalent
Cash and cash equivalents	**$3,120,005**	**₱144,237,143**	$2,706,830	₱128,628,562
AFS financial asset	**4,975,411**	**229,664,972**	4,425,212	210,286,093
	$8,095,416	**₱373,902,115**	$7,132,042	₱338,914,655

As at December 31, 2009 and 2008, the applicable exchange rates were ₱46.20 and ₱47.52 to US$1, respectively. The Group recognized net foreign exchange gain amounting to ₱9.35 million and ₱45.18 million in 2009 and 2008, respectively.

The following table represents the impact on the Group's income before income tax brought about by a reasonably possible change in Peso to Dollar exchange rate (holding all other variables constant) as of December 31, 2009 and 2008 until its next financial reporting date:

	Effect on loss before income tax	
Increase (decrease) in exchange rate	**2009**	2008
₱1.00	**(₱8,095,416)**	(₱7,132,042)
(1.00)	**8,095,416**	7,132,042

27. Segment Information

The industry segments where the Group operates follow:

- Residential developments - sale of residential lots and condominium units;
- Leasing activities - development of BPO buildings and lease to third parties;
- Others - other investment activities.

Considering the nature of segments as presented above, there were no intersegment revenues generated during 2009 and 2008.

2009

	Residential developments	Leasing Activities	Others	Consolidated
Sales to external customers	**₱1,956,837,898**	**₱12,826,649**	**₱**	**₱1,969,664,547**
Less operating expenses	**1,493,742,661**	**8,941,019**		**1,502,683,680**
Operating profit	**463,095,237**	**3,885,630**	**–**	**466,980,867**
Interest and other income	**–**	**2,501,307**	**117,126,123**	**119,627,430**
Marketing fee	**–**	**–**	**49,351,282**	**49,351,282**
Other charges	**(388,867,505)**	**–**	**(12,197,472)**	**(401,064,977)**
Benefit from income tax	**53,315,245**	**–**	**-**	**53,315,245**
Net income	**₱127,542,977**	**₱6,386,937**	**₱154,279,933**	**₱288,209,847**

	Residential developments	Leasing Activities	Others	Consolidated
Other Information				
Segment assets	**₱7,939,500,972**	**₱2,542,380,222**	**₱229,664,972**	**₱10,711,546,166**
Deferred tax assets	**257,148,753**	**–**	**–**	**257,148,753**
Total segment assets	**₱8,196,649,725**	**₱2,542,380,222**	**₱229,664,972**	**₱10,968,694,919**
Segment liabilities	**₱6,255,488,758**	**₱71,269,480**	**₱–**	**₱6,326,758,238**
Segment additions to property and equipment and investment properties	**₱5,238,996**	**₱1,403,452,594**	**–**	**₱1,408,691,590**
Depreciation and amortization	**₱18,390,758**	**₱9,654,572**	**–**	**₱28,045,330**

2008

	Residential Developments	Leasing Activities	Others	Consolidated
Interest and other income	₱–	₱–	₱89,892,736	₱89,892,736
Other charges	(258,443,760)	–	(7,713,620)	(266,157,380)
Benefit from income tax	50,500,643	–	–	50,500,643
Net loss	(₱207,943,117)	₱–	₱82,179,116	(₱125,764,001)
Other Information				
Segment assets	₱1,984,753,872	₱489,720,700	₱210,286,093	₱2,684,760,665
Deferred tax assets	110,891,136	–	–	110,891,136
Total segment assets	₱2,095,645,008	₱489,720,700	₱210,286,093	₱2,795,651,801
Segment liabilities	₱2,401,108,695	₱–	₱–	₱2,401,108,695
Segment additions to property and equipment and investment properties	₱46,790,296	₱462,966,255	₱–	₱509,756,551
Depreciation and amortization	₱14,720,937	₱1,056,104	₱–	₱15,777,041

28. Registration with Philippine Economic Zone Authority (PEZA)

The Group's projects Eton Cyberpod Corinthian and Eton Centris are registered with PEZA on August 27, 2008 and September 19, 2008, respectively, as non-pioneer "ecozone developer/operator". The locations are created and designated as Information Technology Park. As provided in the registration agreement, the Group will not be entitled to PEZA incentives under RA 7916, as amended.

29. Registration with Board of Investments (BOI)

The Group has several projects including three BOI registered projects namely, Belton Place (BP), Eton Emerald Lofts (EEL) and One Archers Place (OAP).

BP is registered with BOI as new developer of low-cost housing project on a Non-Pioneer status under the Omnibus Investments Code of 1987 (Executive Order No. 226) on September 15, 2008. This registration entitled the Group for four years ITH from November 2008 or actual commercial operations or selling, whichever is earlier but in no case earlier than the date of registration. The ITH shall be only limited to the revenue generated from this project. Revenue with selling price exceeding ₱3.00 million shall not be covered by ITH.

Likewise, on September 23, 2008, another two projects of the Group, namely OAP and EEL are registered with BOI as a new developer of low-cost housing project on a Non-Pioneer status. These two projects shall enjoy the same benefits as BP.

30. Notes to Consolidated Statements to Cash Flows

Principal noncash transactions entered into by the Group in 2009 follow:

- Acquisition of land from Paramount through issuance of shares which increased investment properties, real estate inventories and deposits on future stock subscriptions by ₱658.86 million, ₱3,294.31 million and ₱3,953.17 million, respectively (Notes 6, 10 and 17)
- Reclassification of the cost of completed buildings intended for leasing amounting to ₱483.03 million from construction-in-progress under property and equipment to investment properties (Notes 10 and 11).
- In 2009, the Group entered into a Deed of Conditional Sale with a related party for the acquisition of land, which formed part of real estate inventories for a purchase price of ₱945.00 million payable beginning 2011 (Notes 6 and 23).

29 distinctive projects in 3 years...

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