A BROWN COMPANY, INC.

Growing Together

2009 ANNUAL REPORT

COVER STORY

The cover features a shot of a family walking hand-in-hand towards the main entrance of one of A Brown's properties - the path that will lead to a secured, peaceful and happy home and bright future. Similarly, as the company operates and pursues its business goals, it remains with its commitment to grow and achieve success in partnership with its stakeholders and employees to fulfill its vision of providing enlightened and happier communities to the Filipino nation.

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A Brown Company Inc. is involved in the business of energy, real estate development, recreation and leisure, agribusiness and other services.

Our Vision

An enterprise working towards enlightened and happier communities.

Our Mission Statement

The Brown Group fosters the personal and collective expression and development of one's talent, skills and values, marked by a steadfast commitment to Family Spirit and Love for Work, founded on Personal Integrity.

The Brown Group commits to the responsible and creative utilization and management of resources for the development of products and services for love of the common good.

The Brown Group represents for its stakeholders a means to be of service to generate profit and to achieve growth... and for its workers in particular, the channel to attain their full potential.

The Brown Group provides an environment that deliberately encourages the pursuit of excellence in all of its endeavor.

Joint Message of the Chairman and the President

As we look back to 2009, we can recall the global financial turbulence that sent even the biggest economies - the United States and Japan included - to their worst recessions in decades.

The fallout from this financial and economic calamity did not spare the Philippines. Our housing markets registered a slowdown. Today, we are seeing the gradual return of stability on the global market as major economies continue to recover though recent shocks have affected the European markets. The Philippine economy continues to be resilient, given the strong inflow of remittances from overseas Filipino workers that fuel domestic consumption.

WALTER W. BROWN
Chairman of the Board

ROBERTINO E. PIZARRO
Director and President

More importantly, the economic crisis has served to highlight the value of our strategic business direction and emphasize the stability of your company.

Your company increased its consolidated assets by P 2.3 billion - from P 3.352 billion at the end of year 2008 to P5.661 billion at the end of year 2009, with a significant increase of 178% in current assets.

On top of this, your company posted a net income of P 102.9 million in 2009, compared to a net income of P 11.6 million the previous year.

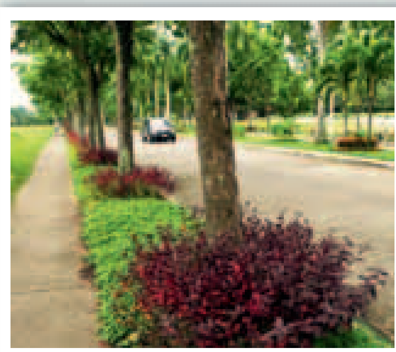
One of the important highlights of our investments is the fact that Monte Oro Grid Resources Corporation (MOGRC) in which we have 15% interest, took over the operation of the country's power transmission network, together with State Grid Corporation of China and Calaca High Power Corp. Monte Oro Grid however, sold its participation recently thus improving our liquidity and further allowing us to participate in power, another high growth area.

PROSPECTS FOR 2010: CONTINUED GROWTH IN REAL ESTATE

We look forward to 2010 and onward with optimism based on given projections of a sustained strong demand in the housing market - especially in the category of affordable homes. This demand is driven by OFW money supported by attractive credit terms extended by banks to qualified borrowers.

Being at the forefront in real estate development in Mindanao, we will continue to expand our portfolio of 302 hectares of developed land and around 200 to 400 hectares which we have intended for future development.

Xavier Estates in Cagayan de Oro City will develop an additional 22 hectares which will be Phase 5. By the second quarter of 2010, we will commence the development of the land we acquired in Butuan City in 2009. We are also venturing into mass housing developments in Cagayan de Oro City and Tanay, Rizal.



On our existing projects, we are expecting the completion of Phase 1 of our Xavierville Homes project by the second quarter of 2010, while Phase 2 will be completed around the third quarter of 2010. Phase 4 of Xavier Estates with an area of 46.8 hectares is also scheduled for completion by middle of this year.

Also in Cagayan de Oro City, we are anticipating the completion of Teakwood Hills' Phase 1 by September 2010, and its Phase 2 by May 2012. Meanwhile, our Valencia Estates in Bukidnon is expected to be finished by August 2010.

PALM OIL

Similarly, we are looking at very good prospects for our palm oil business. A study made by the University of Asia and the Pacific showed that palm oil's domestic demand will continue to increase annually by 5% until 2015. Growing at an average of 82,500 metric tons in 2000, it is projected to reach 171,700 metric tons in 2015.

Today, the Philippine market is about 130,000 tons, only half of which is supplied locally.

We are happy to note that the capacity of our palm oil mill has been increased to 8 tons per hour and we are intensifying our sourcing for fresh fruit bunches to attain maximum capacity of the mill operation. With the increased capacity of the oil palm mill, land preparation for the plantation has stepped up.

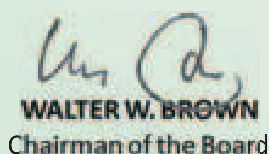
We are also currently programming the aggressive expansion of our palm oil plantation. In fact, we are targeting an expansion of up to 2,000 hectares in the next five years in Kalabugao, Impasug-ong, Bukidnon and another 5,000 to 10,000 hectares is being considered.

As a result of the sale of our indirect interest in the transmission business, we are considering investment in the power generation sector which is an area of considerable growth potential.

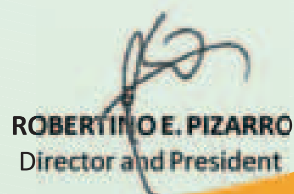
We are confident that the gains and experience your company has achieved in past years will provide the strong foundation for our expansion into stable and economically viable businesses.

On the day to day basis, we continue **to focus on improving revenue generation, reducing costs and increasing efficiency in order to continuously build value for our shareholders and our broader community of stakeholders which is necessary to sustain the growth and stability of our company.**

We take this occasion to thank our stakeholders, employees, shareholders, suppliers and business associates for their continued support which has been and continue to be the major reason for our determination to build a strong and stable company.



WALTER W. BROWN
Chairman of the Board



ROBERTINO E. PIZARRO
Director and President

The year 2009 saw the global economy in chaos that was triggered by the subprime mortgage crisis in the United States. Biggest economies dropped into their deepest recessions in decades while smaller economies that depended on them for trading activities and overseas employment also took a hit.

In fact, the Philippine housing market faced a decline as consumers reacted to the crisis by keeping their cash on hand, postponing big expenditures including investments in real property.

But despite the difficulties in the local economy, your company continued to be a leader in first-class real estate development, particularly in Mindanao. We have also made progress in our efforts to strategically diversify our businesses by venturing into oil palm nursery and seedlings distribution, palm oil milling, operation of hotels, and real estate brokerage.

XAVIER ESTATES. A perfectly master-planned community offering luxury, elegance, prestige, convenience and security.
It boast of the following amenities:

- *tree-lined streets and landscaped roadway*
- *high pressure sodium streetlamps*
- *own rotary garbage truck and maintenance crew*
- *own fire truck*
- *centralized water supply system*
- *parks and playground*
- *jogging and bicycle paths*
- *forest park and bird sanctuary*

Within the Estates, is a fully air-conditioned chapel, a preparatory and elementary school, convenience stores, gasoline station and the Xavier Sports and Country Club, the first and only country club with proprietary membership.

Real Estate

In the real estate front, demand remains strong for properties within our 203.82-hectare Xavier Estates the pioneer in premier mixed use development in Northern Mindanao located along Airport Road in Cagayan de Oro City.

Our sales increased to 144 lots from 135 lots sold in 2008. To date, a total of 2,330 lots have been sold or 88% of the inventory.

Construction of the Xavier Estates perimeter fence was completed and construction started for Phase 4E covering an area of 4.6 hectares. It is now 38% completed and is expected to be finished by 2010.

We are looking forward to the planned development of an additional 20 hectares within Xavier Estates which will be Phase 5. This is a combination of a relatively flat and gentle rolling terrain overlooking the Cagayan de Oro River and will consist of 295 affordable house and lot packages with a price range of P 2 to 2.5 million.

Adjacent to Xavier Estates, we continue construction in our economic housing development - **Xavierville Homes Subdivision.** In fact, Phase 1 is scheduled for completion by the 2nd quarter of 2010 while its Phase 2 will be completed around the 3rd quarter of 2010.

Phase 1 has an area of 1.8 hectares for a total of 131 saleable lots. To date, 56 lots were sold and 35 house and lot packages or 69% of the inventory.

TEAKWOOD HILLS. This new and idyllic enclave in Cagayan de Oro City has a breathtaking endless view of the mountains and the sea.

Development is also underway at our three-phase **Teakwood Hills Subdivision** project located in Barangay Agusan, Cagayan de Oro City. By end-2009, over-all development was at 40%, covering 52.8 hectares with an additional 5.6 hectares reserved for future expansion.

Phase 1 (which covers 10.56 hectares) is now 92% complete and is projected to be finished by September 2010. Phase 2 (which covers 11.5 hectares) is 34% complete and is well on the way for its scheduled completion by May 2012. Development in the subdivision's Phase 3 (which covers 12 hectares) will commence in October 2011 and is expected to be completed by December 2014.

Major activities on site include the construction of the subdivision's road network, as well as the drainage and water distribution systems for Phase 1 and portions of Phase 2. Works are also in full swing for the completion of the homeowners' clubhouse, the infinity swimming pool and basketball courts, which are set to be finished by May 2010. By 3rd quarter of 2010, two model houses will be available for viewing.

In Bukidnon, we continue to progress with our development of our **Valencia Estates** in Barangay Lumbo, Valencia City. Officially launched on October 2008, Valencia Estates is a 12.39-hectare project with an estimated 367 saleable lots ranging from 150 to 371 square meters each.

Horizontal development is now at 70.30% and is expected to be finished by end of 2nd quarter in 2010. By year-end of 2009, 73 lots were sold or 19% of the inventory. The construction of the clubhouse with swimming pool will start by May 2010.

In Butuan City, we have undertaken preparations for another residential development which is estimated to cover around 30 hectares of land. This new project is scheduled to start by the 2nd quarter of 2010.

Following our completion of our 2.6-hectare **East Cove Village** in Cainta, Rizal, we already have 32 homeowners in the mini-subdivision with one additional house undergoing construction.

Valencia Estates' amenities are patterned after the excellent standards of a plush subdivision with a road network of 15 meters for the main road, 10 meters for the service roads complete with sodium street lamps; a basketball court and a clubhouse with a swimming pool. It also has open spaces and playground, perimeter fence and a 24-hour security service.

Palm Oil

Our subsidiary **A Brown Energy and Resources Development, Inc.** registered a net loss of P 6 million compared to P 3 million losses in 2008.

The loss is attributed to the decreased price per metric ton of palm oil as a result of general decline in commodity prices and a significant increase in the prices of fertilizers. In fact, these factors negated the 28% increase in quantity sold we achieved in 2009 compared to the previous year.

However, we remain optimistic about the prospects of the palm oil business given the continuously growing demand for the product and the gradual economic recovery. This trend is validated by results of a study conducted by the University of Asia and the Pacific which showed that palm oil's domestic demand is projected to grow by an annual rate of 5% until 2015.

Palm oil is now the largest segment of world vegetable oil and accounts for about 31% of the market, ahead of soybean oil at 28% and rapeseed oil at 19%. It is also the most productive producer of oil at 4 tons per hectare, about 8 times that of rapeseed, sunflower and soybean.

Here in our country, demand for palm oil is about 130,000 tons and only half of this is supplied locally.

As part of its efforts to increase efficiency and boost production, ABERDI has upgraded its mini-mill in Impasugong, Bukidnon from a processing capacity of 1.5 metric tons per hour to a maximum of 8 metric tons per hour. With the expansion, the mill can process a maximum of 80 tons of fresh fruit bunches per day at 10 hours operation by 2010.

On top of this, we are targeting to expand our palm oil plantations in Kalabugao and Impasug-ong in Bukidnon by 2000 hectares in 3-5 years time. Expansion for 5000 to 10,000 hectares will be in Opol, Misamis Oriental for its superior climactic condition and better peace and order. This is managed by **Nakeen Corporation,** along with 27.4 hectare Dalirig plantation.

With this increase in capacity of the oil palm mill, land preparation for the plantations has also improved, as well as the encouragement and education of the landowners of other agricultural estate to engage into palm oil plantation business.

Hotels

Starting October 1, 2009, our subsidiary Brown Resources Corp. assumed the operation of the chalets/hotel business which registered total assets worth P 55 million in 2009 compared t o P 56 million the previous year.

Net income from the chalets/hotel business increased to P 934,000 for the year in review compared to 2008 net income of P 298,000 mainly due to a recognition of a net income from hotel operations amounting to P 1.7 million.

Energy

One of the major highlights of 2009 was the participation of our subsidiary **Monte Oro Resources & Energy Inc.,** through its wholly-owned subsidiary Monte Oro Grid Resources Corporation (MOGRC) in the operations of our country's only transmission network.

The National Grid Corporation of the Philippines the consortium formed by MOGRC with the State Grid Corporation of China and CALACA High Power Corporation took over the transmission operations on January 15, 2009.

All of these accomplishments truly reflected that it has been such a remarkable year for the company and that 2009 opened our doors for even more brighter and exciting outcomes for the years ahead.

Growing with the local folks of Bukidnon

In the mountainous village of Kalabugao in Bukidnon, farmers either had to guide farm animals through a 12-kilometer rough road or shell out P250 per person for a "habal-habal" ride to reach the town of Damay where they can sell their produce.

Today, more and more farmers are driving their own motorcycles and are transporting farm produce more conveniently to nearby markets.

Thanks to A Brown Company, Inc. (ABCI) which transformed the 12-kilometer dirt road into a macadam in 2005, the remote village is now more accessible and much more progressive than before.

Through its wholly-owned subsidiary Nakeen Corporation, ABCI has been instrumental in slowly transforming the lives of the people not only in Kalabugao but also in the villages of Kaanibungan and Impasug-ong where the company operates its palm oil plantations.

These plantations provide jobs and created business opportunities for villagers. In fact, there are now 25 *sari-sari* stores when there used to be only 3, and the number of households in these areas have increased from 101 in 2005 to 168 in 2010.

ABCI also extended help where it is much needed providing a new roof and repairing the wall of the local church, constructing a perimeter fence for the school, and putting up an intake box for potable water in the area.

Together with the German Doctors Hospital, the company likewise conducts monthly medical missions where free medicines are distributed to local residents. In times of medical emergency, ABCI also provides vehicles to bring patients to the hospital.

On top of these, ABCI also constructed a wooden bridge, a concrete spillway, and a waiting shed bringing more convenience to local residents. It also donated a water reservoir and sand for the church construction.

Company assistance even extends to the annual celebration of the native ritual called "Singampo," which ABCI regularly sponsors.

ABCI also provides livelihood support by providing sure buyers for "amakan" weaved by local villagers, augmenting their meager income. "Amakan" is a mat usually made from bamboo skin and is commonly used as walling material for "bahay-kubo" or the traditional Filipino houses in the rural areas.

By providing a better road, offering jobs, creating business opportunities and extending livelihood assistance to its local communities, ABCI gives residents of Kalabugao, Kaanibungan and Impasug-ong not only a glimpse of progress but a real chance at a better future for their families.

STEWARDS OF THE ENVIRONMENT. ABCI is also committed to taking care of Mother Earth. It joined the DENR-sponsored tree-planting activity on July 25, 2009 at Tablon, Cagayan de Oro City.

HEROES. Employees of ABCI regularly donates blood to the Philippine National Red Cross a simple act of heroism that can save life.

AUDIT COMMITTEE REPORT
April 23, 2010

The Board of Directors
A Brown Company, Inc.

Further to our compliance with applicable corporate governance laws and rules, we confirm for 2009 that:

- The Audit Committee is chaired by an independent director as determined by the board of directors
- In the performance of our oversight responsibilities, we have reviewed and discussed the audited financial statements of A Brown Company, Inc. and Subsidiaries, or ABCI Group, as of and for the year ended December 31, 2009 with ABCI Group's management, which has the primary responsibility for the financial statements, and with Constantino Guadalquiver and Co., CPAs, the ABCI Group's independent auditor, who is responsible for expressing an opinion on the conformity of the ABCI Group's audited financial statements with generally accepted accounting principles;
- We have discussed with Constantino Guadalquiver and Co., CPAs the matters required to be discussed by the Statement on Auditing Standards No. 61 (Communication with Audit Committees) as modified or supplemented;
- We have received written disclosures and the letter from Constantino Guadalquiver and Co., CPAs required by the Independence Standards Board Standard No. 1 (Independence Discussion with Audit Committees) and have discussed with Constantino Guadalquiver and Co., CPAs its independence from the ABCI Group and the ABCI Group's management;
- We have discussed with the ABCI Group's internal audit group and Constantino Guadalquiver and Co., CPAs the overall scope and plans for their respective audits. We also met with the ABCI Group's internal audit group and representatives from Constantino Guadalquiver and Co., CPAs to discuss the results of their examinations, their evaluations of the ABCI Group's internal controls and the overall quality of the ABCI Group's financial reporting;
- Based on the reviews and discussions referred to above, in reliance on the ABCI Group's management and Constantino Guadalquiver and Co., CPAs and subject to the limitations of our role, we recommended to the Board of Directors and the Board has approved, the inclusion of the ABCI Group's audited financial statements as of and for the year ended December 31, 2009 in the ABCI Group's Annual Report to the Stockholders and to the Philippine Stock Exchange, Inc. and the Securities and Exchange Commission on Form 17-A; and
- Based on a review of Constantino Guadalquiver and Co., CPA's performance and qualifications, including consideration of management's recommendation, we approved the appointment of Constantino Guadalquiver and Co., CPAs as the ABCI Group's independent auditor.

ELPIDIO M. PARAS
Chairman

ANNABELLE P. BROWN
Member

ROLANDO T. DY
Member

April 23, 2010

The Securities and Exchange Commission
SEC Building, EDSA, Greenhills
Mandaluyong City

STATEMENT OF MANAGEMENT'S RESPONSIBILITY

The management of A Brown Company, Inc. and its subsidiaries is responsible for all information and representations contained in the consolidated financial statements for the years ended December 31, 2009 and 2008. The consolidated financial statements have been prepared in conformity with Philippine Financial Reporting Standards and reflect amounts that are based on the best estimates and informed judgment of the 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 its external auditors: (i) all significant deficiencies in the design or operation of internal auditors that could adversely affect its ability to record, process and report financial data; (ii) material weaknesses in the internal controls; (iii) any fraud that involves management or 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.

Constantino Guadalquiver & Co., the independent auditors appointed by the stockholders has examined the financial statements of the company in accordance with Philippine 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.

WALTER W. BROWN
Chairman of the Board

ROBERTINO E. PIZARRO
Chief Executive Officer/President

MA. MILAGROS M. YU
Chief Financial Officer

29 APR 2010

SUBSCRIBED AND SWORN to before me this _____ day of ______, affiants exhibiting to me their Community Tax Certificates, as follows:

Names	Community Tax Certificate No.	Date issued	Placed Issued
Walter W. Brown	27543449	01/25/2010	Quezon City
Robertino E. Pizarro	23479445	01/13/2010	Cag. de Oro City
Ma. Milagros M. Yu	23488010	01/13/2010	Cag. de Oro City

EMMANUE[illegible]. PASAL
Notary Public for Pasig City, San Juan
[illegible]
[illegible] 2011)
Commission [illegible] 31, 2011
2704 East Tower, PSE [illegible] Exchange Road
Ortigas Center, [illegible] Pasig City
PTR No. 5914388 / [illegible]
[illegible]
Roll No. 44279

Doc. No. 459
Page No. 93
Book No. VI
Series of 2010.

Constantino Guadalquiver & Co.
SEC Accreditation No. 003-FR-1
PRC-BOA Accreditation No. 0213

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Salcedo Village, Makati City, Philippines
Telephone (+632) 848-1051
Fax (+632) 728-1014
E-mail address:mail@cgco.com.ph

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
A Brown Company, Inc. and Subsidiaries
3301-A West Tower, Philippine Stock Exchange Centre
Exchange Road, Ortigas Center, Pasig City, Philippines

We have audited the accompanying consolidated financial statements of A Brown Company, Inc. and Subsidiaries, which comprise the consolidated statement of financial position as of December 31, 2009, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes. The financial statements of A Brown Company, Inc. and Subsidiaries as of and for each of the two years in the period ended December 31, 2008 were audited by other auditors whose report dated April 30, 2009 expressed an unqualified opinion on those statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 the consolidated 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 consolidated financial statements based on our audit. We conducted our audit 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 consolidated 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 auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated 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 A Brown Company, Inc. and Subsidiaries as of December 31, 2009, and their financial performance and their cash flows for the year then ended in accordance with Philippine Financial Reporting Standards.

CONSTANTINO GUADALQUIVER & CO.

By:

ROGELIO M. GUADALQUIVER
Partner
CPA Certificate No. 0013608
PTR No. 2099168, January 11, 2010, Makati City
TIN 123-305-015-000
BIR Accreditation No. 08-001507-1-2009
SEC Accreditation No.(Partner) 0017-AR-1
SEC Accreditation No. (Firm) 003-FR-1
PRC-BOA Accreditation No. 0213

April 23, 2010

A BROWN COMPANY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2009
WITH COMPARATIVE FIGURES IN 2008
(Amounts in Philippine Pesos)

	2009	2008
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 4, 29 and 30)	**P 35,507,497**	P 32,192,478
Current portion of accounts receivable – net (Notes 5, 17, 29 and 30)	**411,358,911**	260,126,405
Notes receivable (Notes 16, 18, 29 and 30)	**1,921,938,216**	–
Loans receivable (Notes 6, 29 and 30)	**24,002,191**	–
Due from related parties (Notes 18, 29 and 30)	**16,601,288**	19,502,589
Real estate held for sale (Notes 7, 10 and 17)	**1,047,184,625**	821,316,077
Prepayments and other current assets (Notes 8, 16, 29 and 30)	**179,696,912**	174,668,438
Total Current Assets	**3,636,289,640**	1,307,805,987
Noncurrent Assets		
Noncurrent portion of accounts receivable (Notes 5, 29 and 30)	**191,908,766**	232,625,351
Loans receivable (Notes 6, 29 and 30)	**–**	59,002,191
Available-for-sale investments (Notes 9, 29 and 30)	**1,202,814,946**	1,043,016,222
Land and improvements (Note 11)	**101,312,303**	98,169,244
Investment properties – net (Note 10)	**262,238,061**	374,770,517
Property and equipment – net (Notes 12 and 17)	**135,601,774**	118,213,463
Biological assets (Note 13)	**78,229,944**	49,182,049
Leasehold rights (Notes 14 and 35)	**5,184,011**	5,470,604
Pension asset (Note 25)	**1,743,555**	177,836
Deferred tax assets (Note 27)	**35,447,399**	52,852,303
Other noncurrent assets	**10,958,357**	11,161,286
Total Noncurrent Assets	**2,025,439,116**	2,044,641,066
	P 5,661,728,756	P 3,352,447,053
LIABILITIES AND EQUITY		
Current Liabilities		
Loans payable (Notes 16, 18, 29 and 30)	**P 1,921,938,216**	P -
Current portion of long-term debt (Notes 17, 29 and 30)	**174,298,084**	108,509,753
Accounts payable and accrued expenses (Notes 15, 29 and 30)	**403,116,660**	327,230,412
Deposit from customers (Notes 29 and 30)	**37,991,403**	41,040,301
Due to related parties (Notes 18, 29 and 30)	**112,260,057**	115,295,056
Income tax payable	**98,344**	175,320
Dividends payable (Notes 29, 30 and 32)	**187,637**	187,637
Subscription payable (Notes 9, 29 and 30)	**224,273,366**	224,273,366
Total Current Liabilities	**2,874,163,767**	816,711,845

(Forward)

(Carryforward)

	2009	2008
Noncurrent Liabilities		
Long-term debt – net of current portion (Notes 17, 29 and 30)	**P 571,359,990**	P 582,932,178
Deferred tax liabilities (Note 27)	**72,057,857**	71,506,161
Total Noncurrent Liabilities	**643,417,847**	654,438,339
Total Liabilities	**3,517,581,614**	1,471,150,184
Equity (Note 31)		
Equity attributable to equity holders of Parent Company		
Share capital (Note 19)	**1,308,630,618**	1,308,619,854
Additional paid-in capital (Note 19)	**35,074,804**	35,074,804
Deposit for future stocks subscriptions (Note 34)	**187,829,539**	187,829,539
Net unrealized gain on available-for-sale investments	**229,329,272**	69,380,548
Retained earnings	**379,609,123**	276,556,191
	2,140,473,356	1,877,460,936
Noncontrolling interests	**3,673,786**	3,835,933
	2,144,147,142	1,881,296,869
	P 5,661,728,756	P 3,352,447,053

See accompanying Notes to Consolidated Financial Statements.

A BROWN COMPANY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2009
WITH COMPARATIVE FIGURES IN 2008 AND 2007
(Amounts in Philippine Pesos)

	2009	2008	2007
REVENUES			
Sales (Note 20)	P **216,314,057**	P 202,532,711	P 235,663,077
Financial income (Notes 4, 5, 6, 16, 18 and 21)	**202,791,149**	41,241,827	29,720,928
Rental income (Notes 18 and 26)	**10,211,358**	9,960,732	12,033,234
Gain on sale of investment properties (Note 10)	**168,666,493**	5,188,410	–
Gain on sale of available-for-sale investments (Note 9)	**1,654,091**	7,404,002	11,060,000
Others (Note 22)	**25,209,623**	27,258,592	15,584,176
	624,846,771	293,586,274	304,061,415
COST AND EXPENSES			
Cost of sales and services (Note 23)	**117,443,465**	98,529,261	105,503,945
Finance costs (Notes 16 and 17)	**236,342,887**	51,978,453	36,909,544
General and administrative expense (Note 24)	**113,822,280**	90,383,573	74,443,637
Marketing expenses	**27,667,800**	16,091,432	18,581,313
Provision for impairment loss (Note 10)	**1,528,600**	2,232,193	3,247,467
Litigation loss (Note 36)	**–**	34,357,350	–
	496,805,032	293,572,262	238,685,906
INCOME BEFORE INCOME TAX	**128,041,739**	14,012	65,375,509
INCOME TAX EXPENSE (BENEFIT) (Note 27)			
Current	**7,194,354**	3,762,316	4,009,878
Deferred	**17,956,600**	(15,406,187)	17,005,766
	25,150,954	(11,643,871)	21,015,644
NET INCOME	P **102,890,785**	P 11,657,883	P 44,359,865
NET INCOME ATTRIBUTABLE TO:			
Equity holders of the Parent Company	P **103,052,932**	P 11,650,264	P 45,632,464
Noncontrolling interests	**(162,147)**	7,619	(1,272,599)
	P **102,890,785**	P 11,657,883	P 44,359,865
BASIC AND DILUTED EARNINGS PER SHARE (Note 28)			
Attributable to:			
Equity holders of the Parent Company	P **0.07867**	P 0.00889	P 0.03484

See accompanying Notes to Consolidated Financial Statements.

A BROWN COMPANY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2009
(WITH COMPARATIVE FIGURES IN 2008 AND 2007)
(Amounts in Philippine Pesos)

	2009	2008	2007
NET INCOME	P 102,890,785	P 11,657,883	P 44,359,865
OTHER COMPREHENSIVE INCOME (LOSS)			
Unrealized gain (loss) on available-for-sale investments	159,948,724	(385,892,869)	(60,549,119)
COMPREHENSIVE NET INCOME (LOSS)	P 262,839,509	(P 374,234,986)	(P 16,189,254)
Attributable to:			
Equity holders of the Parent Company	P 263,001,656	(P 374,242,605)	(P 14,916,655)
Noncontrolling interests	(162,147)	7,619	(1,272,599)
	P 262,839,509	(P 374,234,986)	(P 16,189,254)

See accompanying Notes to Consolidated Financial Statements

A BROWN COMPANY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2009
WITH COMPARATIVE FIGURES IN 2008 AND 2007
(Amounts in Philippine Pesos)

	2009	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax and minority interest	**P 128,041,739**	P 14,012	P 65,375,509
Adjustments for:			
Finance costs (Notes 16 and 17)	**236,342,887**	51,978,453	36,909,544
Financial income (Notes 4, 6, 16, 18 and 21)	**(202,791,149)**	(41,241,827)	(29,720,928)
Gain on sale of:			
Investment properties (Note 10)	**(168,666,493)**	(5,188,410)	–
Available-for-sale investments (Note 9)	**(1,654,091)**	(7,404,002)	(11,060,000)
Property and equipment (Notes 12 and 22)	**(7,999)**	(1,321,189)	(156,534)
Depreciation and amortization (Notes 10, 12 and 24)	**20,016,518**	20,849,839	26,552,334
Provisions for:			
Retirement expense (Note 25)	**2,076,345**	1,635,204	1,076,129
Impairment losses (Note 10)	**1,528,600**	2,232,193	3,247,467
Probable losses (Note 5)	**–**	1,603,512	2,291,936
Unrealized foreign exchange loss (Note 4)	**72,424**	–	–
Litigation loss (Note 36)	**–**	34,357,350	–
Noncontrolling interests in net loss of subsidiaries	**–**	–	1,272,599
Write-off of receivable	**–**	(82,064)	–
Operating income before working capital changes	**14,958,781**	57,433,071	95,788,056
Decrease (increase) in:			
Accounts receivable (Note 5)	**2,587,587**	(123,540,929)	(16,010,404)
Real estate held for sale (Note 7)	**(187,522,074)**	(82,885,029)	(63,701,756)
Prepayments and other current assets (Note 8)	**991,642**	(115,087,651)	(6,117,707)
Other noncurrent assets	**202,929**	(1,266,112)	(3,890,241)
Increase (decrease) in:			
Accounts payable and accrued expenses (Note 15)	**39,805,323**	(68,955,553)	(53,485,175)
Deposit from customers	**(3,048,898)**	(4,679,495)	5,344,498
Cash used in operations	**(132,024,710)**	(338,981,698)	(42,072,729)
Interest received	**165,609,432**	41,241,827	29,720,928
Income tax paid	**(13,291,445)**	(23,936)	–
Contributions to plan assets	**(3,642,064)**	(1,820,618)	(1,412,803)
Net cash provided by (used in) operating activities	**16,651,213**	(299,584,425)	(13,764,604)

(Forward)

(Carryforward)

	2009	2008	2007
CASH FLOWS FROM INVESTING ACTIVITIES			
Loan to a related party (Notes 16 and 18)	**(1,921,938,216)**	–	–
Proceeds from disposal of:			
Investment properties (Note 10)	**148,315,349**	13,069,770	–
Available-for-sale investments (Note 9)	**1,804,091**	90,069,600	12,360,000
Property and equipment (Note 12)	**7,999**	2,543,685	192,011
Additions to:			
Property and equipment (Note 12)	**(19,698,504)**	(47,626,491)	(44,637,544)
Land and improvements (Note 11)	**(3,143,059)**	–	–
Investment properties (Note 10)	**(619,592)**	–	–
Available-for-sale investments (Note 9)	–	(614,113,980)	–
Decrease (increase) in:			
Loans receivable	**35,000,000**	30,000,000	(89,002,191)
Biological assets	**(28,761,302)**	(17,640,479)	(18,446,000)
Investment properties	–	462,944	(4,817,719)
Net cash used in investing activities	**(1,789,033,234)**	(543,234,951)	(144,351,443)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from loan availment (Note 16)	**1,921,938,216**	–	–
Finance cost paid (Notes 16 and 17)	**(200,261,962)**	(46,509,608)	(36,369,402)
Proceeds from long-term debt (Note 17)	**117,788,331**	412,989,826	231,584,950
Payments of long term debt (Note 17)	**(63,572,188)**	(76,805,345)	(85,084,442)
Increase (decrease) in due to related parties -net (Note 18)	**(133,697)**	109,975,178	(2,923,482)
Collections of stock subscription receivables (Note 19)	**10,764**	251,711,040	–
Receipts on future stock subscriptions of shares (Note 34)	**–**	187,829,539	50,555,832
Increase in additional paid-in capital	**–**	–	17,970,792
Payments of dividend payable	**–**	–	(45,664,541)
Reissuance of treasury stock	**–**	–	16,740,162
Increase in noncontrolling interests of subsidiaries	**–**	–	2,673,155
Net cash provided by financing activities	**1,775,769,464**	839,190,630	149,483,024
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(72,424)**	–	–
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**3,315,019**	(3,628,746)	(8,633,023)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**32,192,478**	35,821,224	44,454,247
CASH AND CASH EQUIVALENTS AT END OF YEAR (Notes 4, 29 and 30)	**P 35,507,497**	P 32,192,478	P 35,821,224

See accompanying Notes to Consolidated Financial Statements.

A BROWN COMPANY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2009
WITH COMPARATIVE FIGURES IN 2008 AND 2007
(Amounts in Philippine Pesos)

	2009	2008	2007
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT COMPANY			
SHARE CAPITAL - P 1 par value			
Authorized – 1,320,000,000 shares			
Subscribed – 1,309,926,933 shares (net of subscriptions receivable of P 1,296,315 in 2009, P 1,307,079 in 2008 and P 253,018,119 in 2007)	**P 1,308,630,618**	P 1,308,619,854	P 1,056,908,814
ADDITIONAL PAID-IN CAPITAL	**35,074,804**	35,074,804	35,074,804
DEPOSIT FOR FUTURE STOCK SUBSCRIPTIONS (Note 34)	**187,829,539**	187,829,539	–
NET UNREALIZED GAIN ON AVAILABLE-FOR-SALE INVESTMENTS			
Balance at beginning of year	**69,380,548**	455,273,417	515,822,536
Net unrealized gain (loss) during the year	**159,948,724**	(385,892,869)	(60,549,119)
Balance at end of year	**229,329,272**	69,380,548	455,273,417
RETAINED EARNINGS			
Balance at beginning of year	**276,556,191**	264,905,927	219,273,463
Net income during the year	**103,052,932**	11,650,264	45,632,464
Balance at end of year	**379,609,123**	276,556,191	264,905,927
	2,140,473,356	1,877,460,936	1,812,162,962
TREASURY SHARES, AT COST			
Balance at beginning of year – 21,140,636 shares	–	–	(16,740,162)
Reissuance of 21,140,636 treasury shares	–	–	16,740,162
Balance at end of year	–	–	–
NONCONTROLLING INTERESTS			
Balance at beginning of year	**3,835,933**	3,828,314	1,185
Increase in noncontrolling interests	–	–	5,099,728
Net income (loss) during the year	**(162,147)**	7,619	(1,272,599)
Balance at end of year	**3,673,786**	3,835,933	3,828,314
	P 2,144,147,142	P 1,881,296,869	P 1,815,991,276

See accompanying Notes to Consolidated Financial Statements.

A BROWN COMPANY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in Philippine Pesos)

1. Corporate Information

A Brown Company, Inc. (Parent Company) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on December 31, 1966 as Bendana Brown Pizarro and Associates, Inc. to primarily engage in the business of property development and to invest in shares of stocks of listed companies. On October 1, 1992, the Parent Company amended its articles of incorporation to change its registered name to EPIC Holdings Corporation, which was further amended on July 1, 1993 to its current registered name. On February 8, 1994, the Parent Company was listed in the Philippine Stock Exchange.

The Parent Company's principal activity is development of land into commercial and residential subdivision, sale of lots and residential houses and the provision of customer financing for sales. Its real estate developments are located in Cagayan de Oro City, Bukidnon and Cainta, Rizal. Its mixed-use concept of land development combines residential, commercial and leisure. The principal activities of the operating subsidiaries are as follows:

Name of Subsidiary	Principal Activity
A Brown Energy and Resources Development, Inc. (ABERDI)	Manufacturing, trading of goods on wholesale and retail basis and other services.
Brown Resources Corporation (BRC)	Management of chalet operations.
Andesite Corporation (AC), Bonsai Agri Corporation (BAC) and Nakeen Corporation (NC)	Development of land for palm oil production and sale of palm seedlings sale of crude palm oil.
Masinloc Consolidated Power, Inc. (MCPI)	Operating of power plants and/or purchase, generation, production supply and sale of power. However, as of April 23, 2010, the Company has not yet started formal operations.

The Parent Company's registered office and principal place of business is at Xavier Estates, Airport Road, Cagayan de Oro City, Philippines. On March 3, 2010, the SEC approved the change of address of the Parent Company to 3301-A West Tower, Philippine Stock Exchange Centre, Exchange Road, Ortigas Center, Pasig City.

The accompanying consolidated financial statements as of and for each of the three years in the period ended December 31, 2009 were authorized for issue by the Board of Directors on April 23, 2010.

2. Summary of Significant Accounting Policies

The principal accounting policies adopted in preparing the consolidated financial statements of the Parent Company and its subsidiaries (the Group) are as follows:

<u>Basis of Preparation</u>

The consolidated financial statements of the Group have been prepared using the historical cost basis, except for available-for-sale investments which are measured at fair values. These consolidated financial statements are presented in Philippine Peso, which is the Group's functional and reporting currency. All values are rounded to the nearest peso, except when otherwise indicated.

<u>Statement of Compliance</u>

The accompanying consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). PFRS includes statements named PFRS, Philippine Accounting Standards (PAS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations issued by the Financial Reporting Standards Council.

<u>Principles of Consolidation</u>

The consolidated financial statements consist of the financial statements of the Parent Company and its subsidiaries as of December 31 of each year. The consolidated financial

statements of the subsidiaries are prepared for the same reporting year as the Parent Company, using consistent accounting policies.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. Intercompany balances and transactions, including intercompany profits and unrealized profits and losses are eliminated.

Noncontrolling interests represent interests in certain subsidiaries not held by the Parent Company and are presented separately in the consolidated statements of income, consolidated statements of comprehensive income and consolidated statements of changes in equity and within equity in the consolidated statements of financial position, separately from equity attributable to the Parent Company.

The subsidiaries and the percentage of ownership of the Parent Company are as follows:

		Percentage of ownership	
Name of subsidiary	Nature of business	2009	2008
ABERDI	Manufacturing and trading/Service	99.9998	99.9998
AC	Agriculture	99.9500	99.9500
BAC	Agriculture	99.8792	99.8792
NC	Agriculture	99.9188	99.9188
BRC	Real estate holding/ Hotel operations	99.9993	99.9993
MCPI	Power plant operation	49.0000	49.0000

All of the above subsidiaries were incorporated in the Philippines.

ABERDI obtained control in the ownership of AC, BAC and NC. AC and BAC are still in their development stages. NC started its commercial operations as of March 1, 2007. NC manages the palm oil nursery and plantations operations. The separate financial statements of these companies are included in the consolidated financial statements as of December 31, 2009 and 2008.

In 2007, the Parent Company invested P=4.9 million in MPCI representing 49% equity holdings. However, control over the operating and financial policies of MPCI is exercised by the Parent Company through its representations in the Board. Accordingly, MPCI qualifies as a subsidiary of the Parent Company. The financial statements of MCPI as of and for each the three years ended December 31, 2009 are included in the consolidated financial statements.

The Board of Directors in their meeting on February 6, 2009, unanimously decided to wind up the affairs of MPCI, cease any and all of its operations; and close its business. Pursuant to the same, MPCI shall do all acts legally that are necessary and required. However, on October 29, 2009, the Board of Directors resolved the revocation of its previous resolution to dissolve the MPCI and any act pursuant to the dissolution.

Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the new PFRS and amendment to PAS and PFRS, which became effective on or before January 1, 2009 as follows:

- Amendments to PAS 1, Presentation of Financial Statements, which introduces a new statement of comprehensive income that combines all items of income and expenses recognized in the profit or loss together with 'other comprehensive income'. Entities may choose to present all items in one statement, or to present two linked statements, a separate statement of income and a statement of comprehensive income. This Amendment also requires additional requirements in the presentation of the statement of financial position and statement of changes in equity as well as additional disclosures to be included in the financial statements.

- Amendment to PFRS 7, Financial Instruments: Disclosures, 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 for each class of financial instrument.

- PFRS 8, Operating Segments, will replace PAS 14, Segment Reporting, and adopts a full management approach to identifying, measuring and disclosing the results of an entity's operating segments.

- Amendments to PAS 23, Borrowing Costs, require capitalization of borrowing costs when such costs relate to a qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

- Amendments to PAS 27, Consolidated and Separate

Financial Statements - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate, which has changes in respect of the holding companies' separate financial statements.

- PAS 40, Investment Properties, 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.

Adoption of the above amendments to standard and PFRS, have no material effect on the consolidated financial statements. The additional disclosures required by the new PFRS and amendment to PAS and PFRS, however, were included in consolidated financial statements, where applicable.

Also, the following new and revised PFRS, amended PAS and interpretations issued by International Financial Reporting Interpretations Committee (IFRIC) became effective in 2009 but are not relevant to the Group:

- PFRS 1, First-time Adoption of Philippine Financial Reporting Standards - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate, allows an entity, in its separate financial statements, to determine the cost of investments in subsidiaries, jointly controlled entities or associates (in its opening PFRS financial statements) as one of the following amounts: a) cost; b) at the fair value; or c) previous carrying amount (both b and c at date of transition to PFRS).

- Amendments to PFRS 2, Share-based Payment - Vesting Condition and Cancellations, clarifies the definition of a vesting condition and prescribes the treatment for an award that is effectively cancelled. It defines a vesting condition as a condition that includes an explicit or implicit requirement to provide services.

- Amendment to PAS 32, Financial Instruments: Presentation and PAS 1, Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation, specify, among others, that puttable financial instruments will be classified as equity if they have certain specified features.

- Philippine Interpretation IFRIC 9, Reassessment of Embedded Derivatives and PAS 39, Financial Instruments: Recognition and Measurement, require an entity to assess whether an embedded derivative must be separated from a host contract when the entity reclassifies a hybrid financial asset out of the fair value through profit or loss category.

- Philippine Interpretation IFRIC 13, Customer Loyalty Programmes, requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted and therefore part of the fair value of the consideration received is allocated to the award credits and realized in income over the period that the award credits are redeemed or expire.

- Philippine Interpretation IFRIC 16, Hedges of a Net Investment in a Foreign Operation, provides guidance on identifying foreign currency risks that qualify for hedge accounting in the hedge of net investment.

Improvements to Existing Accounting Standards

In May 2008, the International Accounting Standards Board (IASB) issued its first omnibus of amendments to certain standards effective on or before January 1, 2009, primarily with a view to removing inconsistencies and clarifying wordings. There are separate transitional provisions for each standard.

- PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations,* when a subsidiary is held for sale, all of its assets and liabilities will be classified as held for sale under PFRS 5, even when the entity retains a noncontrolling interest in the subsidiary after the sale.

- PAS 1, *Presentation of Financial Statements,* assets and liabilities classified as held for trading are not automatically classified as current in the statement of financial position.

- PAS 16, *Property, Plant and Equipment,* replaces the term 'net selling price' with 'fair value less costs to sell', to be consistent with PFRS 5, Noncurrent Assets Held for Sale and Discontinued Operations and PAS 36, Impairment of Assets.

- PAS 19, *Employee Benefits,* revises the definition of 'past service costs' to include reduction in benefits related to past services ('negative past service costs') and to exclude reduction in benefits related to future services that arise from plan amendments. Amendments to plans that result in a reduction in benefits related to future services are accounted for as a curtailment.

- PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, provides that loans granted in the future with no or low interest rates will not be exempt from the requirement to impute interest.

- PAS 23, *Borrowing Costs,* revises the definition of

borrowing costs to consolidate the types of items that are considered components of 'borrowing costs', i.e., components of the interest expense calculated using the effective interest rate method.

- PAS 28, *Investments in Associates,* if an associate is accounted for at fair value in accordance with PAS 39, only the requirement of PAS 28 to disclose the nature and extent of any significant restrictions on the ability of the associate to transfer funds to the entity in the form of cash or repayment of loans applies.

  An investment in an associate is a single asset for the purpose of conducting the impairment test. Therefore, any impairment test is not separately allocated to the goodwill included in the investment balance.

- PAS 29, *Financial Reporting in Hyperinflationary Economies,* revises the reference to the exception that assets and liabilities should be measured at historical cost, such that it notes property, plant and equipment as being an example, rather than implying that it is a definitive list.

- PAS 31, *Interests in Joint Ventures,* if a joint venture is accounted for at fair value in accordance with PAS 39, only the requirements of PAS 31 to disclose the commitments of the venturer and the joint venture, as well as summary financial information about the assets, liabilities, income and expense will apply.

- PAS 36, *Impairment of Assets,* when discounted cash flows are used to estimate 'fair value less costs to sell', additional disclosure is required about the discount rate, consistent with disclosures required when the discounted cash flows are used to estimate 'value in use'.

- PAS 38, *Intangible Assets,* expenditure on advertising and promotional activities is recognized as an expense when the Group either has the right to access the goods or has received the services. Advertising and promotional activities now specifically include mail order catalogues.

- PAS 39, *Financial Instruments: Recognition and Measurement,* changes in circumstances relating to derivatives, specifically derivatives designated or de-designated as hedging instruments after initial recognition are not reclassifications.

- PAS 41, *Agriculture,* removes the reference to the use of a pre-tax discount rate to determine fair value, thereby allowing use of either a pre-tax or post-tax discount rate depending on the valuation methodology used.

Future Changes in Accounting Policies

The Group did not early adopt the following amendment to PFRS, standards and Philippine Interpretations that have been approved but are not yet effective:

Effective in 2010

- Amendment to PFRS 2, *Share-based Payment: Group Cash-settled Share-based Payment Transactions.*
- Revised PFRS 3, *Business Combinations and PAS 27, Consolidated and Separate Financial Statements.*
- Amendment to PAS 39, *Financial Instruments: Recognition and Measurement – Eligible Hedged Items.*
- Philippine Interpretation IFRIC 17, *Distributions of Non-Cash Assets to Owners.*
- Philippine Interpretation IFRIC 18, *Transfers of Assets from Customers.*

Improvements to Existing Standards

In April 2009, IASB issued amendments to certain standards, primarily with a view to removing inconsistencies and clarifying wordings. There are separate transitional provisions for each standard.

- PFRS 2, Scope of *PFRS 2* and Revised PFRS 3
- PFRS 5, *Disclosures of Noncurrent Assets (or disposal Companys) Classified as Held for Sale or Discontinued Operations*
- PFRS 8, *Disclosure of Information About Segment Assets*
- PAS 1, *Current/Noncurrent Classification of Convertible Instruments*
- PAS 7, *Classification of Expenditures on Unrecognised Assets*
- PAS 17, *Classification of Leases of Land and Buildings*
- PAS 18, *Determining Whether an Entity is Acting as a Principal or as an Agent*
- PAS 36, *Unit of Accounting for Goodwill Impairment Test*
- PAS 38, A*dditional Consequential Amendments Arising from Revised PFRS 3 - Measuring the fair value of an intangible asset acquired in a business combination*
- PAS 39, *Treating Loan Prepayment Penalties as Closely Related Embedded Derivatives* - Scope exemption for business combination contracts - Cash flow hedge accounting
- Philippine Interpretation IFRIC 9, *Scope of Philippine Interpretation IFRIC 9 and Revised PFRS 3*
- Philippine Interpretation IFRIC 16, *Amendment to the Restriction on the Entity that Can Hold Hedging Instruments*

Effective in 2012

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*

Effective in 2013

- PFRS 9, *Financial Instruments*

The Group is currently assessing the relevance and impact of the above standards, amendment to standards and interpretations. The revised disclosures on the financial statements required by the above standards and interpretations will be included in the Group's consolidated financial statements when these are adopted.

Revenue Recognition

Revenue is recognized to the extent that is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably. The following specific recognition criteria must also be met before revenue is recognized:

- *Sale of real estate*

  Sale of real estate is recognized in full provided the profit is determinable, and the earning process is virtually complete. Specifically, revenue recognition is applied to sale if construction development is almost complete, sufficient cumulative downpayment has been received, and that collectibility of sales price is reasonably assured.

  The percentage of completion method is used to recognize revenue from sales of projects where the Group has material obligations 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. Pending recognition of sale when conditions for recording a sale are not met, cash received from buyers are presented under "Deposit from customers" in the liability section of the consolidated statements of financial position. Any excess of collections over the recognized receivables are also included in the said account.

- *Sale of crude palm oil.* Revenue is recognized upon delivery or shipment of goods to customers at invoice.

- *Sale of seedlings and fresh fruit bunch.* Revenue is recognized when goods are delivered to the buyer.

- *Water service income.* Revenue is recognized when services are rendered and normally when billed.

- *Hotel operations.* Revenue is recognized when the services are rendered and when goods are delivered to the buyer.

- *Interest income.* Interest income is recognized as the interest accrues, taking into account the effective yield on the asset. Interest income from bank deposits is recognized on a time proportion basis on the principal outstanding and at the rate applicable.

- *Rental income.* Rental income on leased properties arising from operating leases or investment properties is accounted for on a straight-line basis over the lease term.

- *Other income.* Revenue is recognized as other income accrues.

Cost and Expense Recognition

Contract costs include all direct materials and labor costs and those indirect costs related to contract performance. Expected losses on contracts are recognized immediately when it is probable that the total contract costs will exceed total contract revenue. Changes in contract performance, contract conditions and estimated profitability, including those arising from contract penalty provisions, and final contract settlements which may result in revisions to estimated costs and gross margins are recognized in the year in which the changes are determined.

Expenses are recognized in the consolidated statements of income upon utilization of the assets or services or at the date they are incurred.

Preoperating Expenses

Preoperating expenses are expensed as incurred.

Cash and cash equivalents

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

Receivables

Receivables are stated at their face value, after allowance for doubtful accounts. Any estimate for doubtful accounts is made when collection is no longer probable.

Financial Assets and Liabilities

Date of recognition
The Group recognizes a financial asset or a financial liability when it becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting.

Initial recognition
Financial assets and financial liabilities are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The fair value of the consideration given or received is determined by reference to the transaction price or other market prices. If such market prices are not reliably determinable, the fair value of the consideration is estimated as the sum of all future cash payments or receipts, discounted using the prevailing market rate of interest for similar instruments with similar maturities. The initial measurement of financial instruments, except for those designated at fair value through profit and loss (FVPL), includes transaction costs.

Determination of fair value
Fair value is determined by preference to the transaction price or other market prices. If such market prices are not reliably determinable, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value model where the fair value of the consideration is estimated as the sum of all future cash payments or receipts, discounted using the prevailing market rates of interest for a similar instruments with similar maturities. Other valuation techniques include comparing to similar instruments for which market observable prices exist; recent arm's length market transaction; option pricing model and other relevant valuation models.

Financial Assets
The Group determines the classification at initial recognition and, where allowance is appropriate, re-evaluates this designation every reporting date. The classification depends on the purpose for which the investments are acquired and whether they are quoted in an active market. Subsequent to initial recognition, the Group classifies its financial assets in the following categories:

- *Financial asset at fair value through profit or loss (FVPL)*
  A financial asset is classified in this category if acquired principally for the purpose of selling or repurchasing in the near term or upon initial recognition, it is designated by the management as at FVPL. Derivatives are also categorized as held at fair value through profit or loss, except those derivatives designated as effective hedging instruments. Assets classified in this category are carried at fair value in the consolidated statements of financial position. Changes in the fair value of such assets are accounted for in consolidated statements of income. Financial instruments held at fair value through profit or loss are classified as current if they are expected to be realized within 12 months from the end of financial reporting period.

  As of December 31, 2009 and 2008, the Group has no financial asset at FVPL.

- *Loans and receivables*
  Loans and receivables are non-derivative financial assets with fixed or determinable payments and are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. Such assets are carried at cost or amortized cost in the consolidated statements of financial position. Amortization is determined using the effective interest method. Loans and receivables are included in current assets if maturity is within 12 months from the end of financial reporting period. Otherwise, these are classified as non-current assets.

  The Group's cash and cash equivalents, accounts receivable, notes receivable, loans receivable, due from related parties and refundable deposits are included in this category (see Notes 4, 5, 6, 8, 16, 18 and 29).

- *Held-to-maturity investments*
  Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities wherein the Group has the positive intention and ability to hold to maturity. Held-to-maturity investments are carried at cost or amortized cost in the consolidated statements of financial position. Amortization is determined by using the effective interest method. Assets under this category are classified as current assets if maturity is within 12 months from the end of financial reporting period and as non-current assets if maturity is more than a year from the end of financial reporting period.

  As of December 31, 2009 and 2008, the Group has no held-to-maturity investments.

- *Available-for-sale financial assets*
  Available-for-sale financial assets are those non-derivative financial assets that are designated as

available-for-sale or are not classified in any of the three preceding categories. After initial recognition, available-for-sale financial assets are measured at fair value with gains or losses being recognized as separate component of equity until the investment is derecognized or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the consolidated statements of income.

The fair value of investments that are actively traded in organized financial market is determined by reference to quoted market bid prices at the close of business on the end of financial reporting period. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include reference to recent arm's length market transaction, reference to the current market value of another instrument which is substantially the same, discounted cash flows analysis and option pricing models.

The Group's investment in shares of stocks in golf, sports and country clubs, listed and non-listed companies are included in this category (see Note 9).

Financial Liabilities

- *Financial liability at FVPL*
  Financial liabilities are classified in this category if these result from trading activities or derivatives transaction that are not accounted for as accounting hedges, or when the Group elects to designate a financial liability under this category.

  As of December 31, 2009 and 2008, the Group has no financial liabilities at FVPL.

- *Other financial liabilities*
  This category pertains to financial liabilities that are not held for trading or not designated as at FVPL upon the inception of the liability. These include liabilities arising from operations (e.g. payables, accruals) or borrowing (e.g., long-term debt).

  The financial liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the effective interest rate method of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs.

  The Group's accounts payable and accrued expenses, loans payable, dividends payable, due to related parties, deposit from customers, subscriptions payable and long-term debt are included in this category (see Notes 9, 15, 16, 17, 18 and 29).

Impairment of Financial Assets

The Group assesses at each end of financial reporting period whether a financial asset or group of financial assets is impaired.

- *Assets carried at amortized cost.* If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of the loss shall be recognized in the Group's consolidated statements of income.

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

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

- *Assets carried at cost.* If there is objective evidence that an impairment loss has been incurred in an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a

derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

- *Available-for-Sale Financial Assets.* If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in the consolidated statement of income, is transferred from consolidated equity to the consolidated statement of income. Reversals in respect of equity instruments classified as available-for-sale financial assets are not recognized in the consolidated statement of income. For available-for-sale financial assets, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired. In the case of equity investments classified as available-for-sale financial assets, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the consolidated statement of income, is removed from consolidated equity and recognized in the consolidated statement of income. Impairment losses on equity investments are not reversed through the consolidated statement of income; increases in their fair value after impairment are recognized directly in consolidated equity.

Derecognition of Financial Assets and Liabilities

Financial Assets

A financial asset is derecognized when (1) the rights to receive cash flows from the financial instruments expire, (2) the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement, or (3) the Group has transferred its rights to receive cash flows from the asset and either has transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

Financial Liabilities

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired. Where the 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 consolidated statements of income.

Classification of Financial Instrument between Debt and Equity

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest relating to a financial instrument or a component that is a financial liability is reported as expenses.

A financial instrument is classified as debt if it provides for a contractual obligation to: (a) deliver cash or another financial asset to another entity; or (b) exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or (c) satisfy the obligation other than by exchange of a fixed amount of cash or other financial asset for a fixed number of own equity shares.

If the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statements 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. This is not generally the case with master netting agreements, and the related assets

and liabilities are presented gross in the consolidated statements of financial position.

Real Estate Held for Sale and Land and Improvements

Real estate held for sale, and land and improvements consisting of properties held for future development are valued at the lower of cost and net realizable value (NRV). Cost includes the acquisition cost of the land plus all costs incurred directly attributable to the development and improvement of the properties. NRV is the estimated selling price in the ordinary course of business, less estimated cost of completion and estimated costs necessary to make the sale.

Inventories

Finished goods are valued at the lower of cost and net realizable value.

Costs incurred in bringing inventory to its present conditions are accounted for as follows:

- Finished goods and goods in process – cost includes direct materials and labor and proportion of manufacturing overhead costs based on normal operating capacity but excluding borrowing costs. Cost is determined by the moving average method.

- Materials and supplies – at cost using the first-in-first out method.

Prepayments and Other Current Assets

Prepayments are expenses paid in advance and recorded as asset before they are utilized. This account comprises the following:

- Input Tax. Input tax is recognized when an entity in the Group purchases goods or services from a Value Added Tax (VAT)-registered supplier. This account is offset, on a per entity basis, against any output tax previously recognized.

- Prepaid Commission and Other Expenses. Prepaid commission and other expenses are apportioned over the period covered by the payment and charged to the appropriate account in the consolidated statements of income when incurred.

- Creditable Withholding Tax. Creditable withholding tax is deducted from income tax payable in the same year the revenue was recognized.

Prepayments and other assets that are expected to be realized for no more than 12 months after the reporting period are classified as current asset. Otherwise, these are classified as other noncurrent asset.

Investment Properties

Investment properties consist of properties held to earn rental income, for capital appreciation or both. These are initially recorded at cost, including transaction cost. The carrying amount includes the cost of replacing part of an existing property at the time the cost are incurred if the recognition criteria are met, and excludes the costs of day-to-day servicing of investment properties. Subsequent to initial recognition, investment properties are carried at cost less accumulated depreciation and any impairment in value.

Depreciation and amortization are computed on a straight-line method over estimated useful lives ranging from 2 to 20 years. The useful lives and depreciation method are reviewed periodically to ensure that the period and the method of depreciation are consistent with the expected pattern of economic benefits from the use of the properties for lease.

Investment properties are derecognized when these are disposed of or when the investment property is permanently withdrawn from use and there is no future economic benefit expected to arise from the continued use of the properties. Any gain or loss on the retirement or disposal of said properties are recognized in the consolidated statements of income in the year of retirement or disposal.

Intangibles

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is recognized at fair value at acquisition date. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets are not capitalized and expenditure is reflected in the consolidated statements of income in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. The intangible asset recognized and determined by the Group has finite useful lives and represents leasehold right.

Intangible assets with finite lives are amortized over the straight-line method over their useful economic lives of three (3) to twenty (20) years and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortization period and method for an intangible asset with a finite useful life is reviewed at least

annually. Changes in expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is capitalized as part of the "Biological assets" account in the in the consolidated statements of financial position consistent with the function of the intangible asset.

Property and Equipment

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

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

Depreciation and amortization are computed using the straight-line method over the following estimated useful lives, except for leasehold improvements, which are amortized over their estimated lives or term of the lease, whichever is shorter:

Category	Estimated useful life
Land improvements	1 to 10 years
Building and improvements	10 to 20 years
Machinery and equipment	2 to 10 years
Furniture, fixture and equipment	2 to 9 years
Transportation equipment	2 to 5 years
Tools and other equipment	2 to 5 years
Leasehold improvements	2 to 5 years
Other fixed assets	3 to 5 years

The useful life and depreciation and amortization methods are reviewed periodically to ensure the period and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

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

Construction in progress represents structures under construction and is stated at cost. This includes cost of construction and other direct costs. Construction in progress is not depreciated until such time the relevant assets are completed and ready for operational use.

Biological Assets

The Group's biological assets include growing palm oil seedlings, which are grouped according to their physical state, transformation capacity and location/areas.

These are carried at accumulated cost net of impairment losses. The cost and expenses incurred up to the start of the productive stages are accumulated and amortized over the estimated produce of the palm trees. The Group uses the cost method of valuation since fair value cannot be measured reliably. The Group's biological assets have no active market and no active market for similar assets is available in the Philippine industry.

The carrying values of the biological assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The Group's agricultural produce consists of those harvested from the biological assets and is measured at fair value less point-of-sale costs at the point of harvest. The fair value is based on the quoted price in the market at any given time.

Impairment of Nonfinancial Assets

The carrying values of assets such as investment properties, property and equipment, leasehold rights and biological assets are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If any such indication exists, and if the carrying value exceeds the estimated recoverable amount, the assets or cash generating units are written down to their recoverable amounts. The recoverable amount of the asset is the greater of net selling price or value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's-length transaction less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount

rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is charged to operations in the period in which it arises unless the asset is carried at a revalued amount in which case the impairment is charged to the revaluation increment of the said asset.

An assessment is made at each end of financial reporting period to determine whether there is any indication that an impairment loss previously recognized for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's 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 recoverable amount of an asset, however, not to an amount higher than the carrying amount that would have been determined (net of any depreciation), 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 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.

Employee benefits

Short-term benefits
Short-term employee benefits are recognized as expense in the period when the economic benefits are given. Unpaid benefits at the end of the accounting period are recognized as accrued expense while benefits paid in advance are recognized as prepayment to the extent that it will lead to a reduction in future payments. Short-term benefits given by the Group to its employees include salaries and wage, social security contributions, short-term compensated absences, bonuses and non-monetary benefits.

Retirement benefits
Retirement benefit cost is actuarially determined using projected unit credit method. Actuarial gains or losses are recognized as income or expense when the net cumulative unrecognized actuarial gains and losses for the plan at the end of the previous reporting year exceeded 10% of the higher of the present value of the defined benefit obligation and the fair value of the plan assets at that date. These gains and losses are recognized over the expected average remaining working lives of the employees participating in the plan.

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

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

If the asset is measured at the aggregate of cumulative unrecognized net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan, net actuarial losses of the current period and past service cost of the current period are recognized immediately to the extent that these exceed any reduction in the present value of those economic benefits. If there is no change or increase in the present value of the economic benefits, the entire net actuarial losses or the current period and past service cost of the current period and past service cost of the current period are recognized immediately. Similarly, net actuarial gains of the current period after the deduction of past service cost of the current period exceeding any increase in the present value of the economic benefits stated above are recognized immediately if the asset is measured at the aggregate of cumulative unrecognized net actuarial losses and past service cost and the present value of economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan. If there is no change or decrease in the present value of the economic benefits, the entire net actuarial gains of the current period after the deduction of past service cost of the current period are recognized immediately.

The Group has defined benefit pension plan, which requires contributions to be made to a separately administered fund. The cost of providing benefits under the defined benefit plan is determined by using the projected unit credit actuarial valuation method. Actuarial gains and losses are recognized as income or expense when the net cumulative unrecognized actuarial gamins and losses for each individual plan at the end of the previous reporting year exceeded 10% of the higher of the defined benefit obligation and the fair value of plan

assets at that date. These gains or losses are recognized over the expected average remaining working lives of the employees participating in the plan.

Termination benefits
Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever the employee accepts voluntary redundancy in exchange for these benefits.

Compensated absences
Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the end of the financial reporting period.

Operating Lease

Group as a lessee
Leases of assets under which the lessor effectively retains all the risks and reward of ownership are classified as operating lease. Operating lease payments are recognized as expense in the consolidated statements of income on a monthly basis based on the contractual agreement. Associated costs such as repairs and maintenance and business taxes are expense when incurred.

Group as a lessor
Leases where the Group does not transfer substantially all the risks and benefits of the ownership of the assets are classified as operating leases. Operating lease receipts are recognized in the consolidated statements of income on a straight line basis over the lease term.

Borrowing Cost

Borrowing costs that are directly attributable to the acquisition or construction of a qualifying asset while the asset, which includes intangibles and property and equipment, is being constructed are capitalized as part of the cost of that asset. Capitalization of borrowing cost should commence when: (i) expenditures for the asset and borrowing costs are being incurred; and (ii) activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization ceases when the asset is substantially ready for its intended use or sale. If active development is interrupted for an extended period, capitalization is suspended. When construction occurs piecemeal and use of each part is possible as construction continues, capitalization of each part ceases upon substantial completion of that part. For borrowing associated with a specific asset, the actual rate on that borrowing is used. Otherwise, a weighted average cost of borrowing is used.

All other borrowing costs are expensed as incurred.

Foreign Currency Transactions

The consolidated financial statements are presented in Philippine Pesos, which is the Group's functional and presentation currency. Items included in the consolidated financial statements of each entity are measured using the functional currency. Transactions in foreign currencies are initially recorded in the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are restated at the functional currency rate of exchange as of the financial reporting date. Gains or losses arising from these transactions and translations are recognized in the consolidated statements of income. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Income Tax

Income taxes represent the sum of the tax currently due and deferred tax.

The tax currently due is based on taxable income for the year. Taxable income differs from income as reported in the consolidated statements of income because it excludes items of income or expenses that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current income tax is calculated using tax rates that have been enacted or substantively enacted at the end of financial reporting period.

Deferred tax is provided, using the liability method. Deferred tax assets and liabilities are recognized for future tax consequence attributable to differences between the financial reporting bases of assets and liabilities and their related tax bases. Deferred tax assets are recognized for all deductible temporary differences, carryforward benefit of unused tax credits from excess minimum corporate income tax (MCIT) and carry forward benefit of unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized. Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets and liabilities are measured using the tax rate that is expected to apply to the period when the asset is realized or the liability is settled.

The carrying amount of deferred tax assets is reviewed at each end of financial reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized.

Related Party Transactions

Transactions between related parties are based on terms similar to those offered to non-related parties. Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions and the parties are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

Provisions

A provision is recognized when the Group has a present obligation (legal or constructive) as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to passage of time is recognized as a borrowing cost.

Contingencies

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. A contingent asset is not recognized in the consolidated financial statements but disclosed when an inflow of economic benefit is probable.

Equity

Share capital is determined using the nominal value of shares that have been issued.

Additional paid-in capital includes any premiums received on the initial issuance of capital stock. Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital, net of any related income tax benefits.

Net unrealized gain on available-for-sale investment accounts for the excess of the fair market value over the carrying amounts of these investments. When fluctuation is deemed permanent, the gain or loss resulting from such fluctuation will be reversed and charged to consolidated statements of income in the year that the permanent fluctuation is determined.

Treasury shares are stated at the cost of re-acquiring such shares.

Retained earnings include all current and prior period results as disclosed in the consolidated statements of income.

Noncontrolling Interests

Noncontrolling interest represents the interest in a subsidiary, which is not owned, directly or indirectly through subsidiaries, by the Group. If losses applicable to the minority interest in a subsidiary exceed the minority interest's equity in the subsidiary, the excess, and any further losses applicable to the minority interest, are charged against the majority interest except to the extent that the minority has a binding obligation to, and is able to, make good the losses. If the subsidiary subsequently reports profits, the majority interest is allocated all such profits until the minority interest's share of losses previously absorbed by the majority interest has been recovered.

Earnings per share

Basic earnings per share is determined by dividing net income for the year by weighted average number of common shares outstanding during the year (after retroactive adjustment for any stock dividends declared in the current year). Diluted earnings per share is computed as aforementioned.

Segment reporting

For management purposes, the Group is organized into five (5) major operating businesses which comprise the bases on which the Group reports its primary segment information. Financial information on business segments is presented in Note 33. The Group has no geographical segments as all of the companies primarily operate only in the Philippines.

Segment revenue, expenses and performance include transfers between business segments. The transfers are accounted for at competitive market prices charged to unaffiliated customers for similar products and services. The measurement policies the Group used for segment reporting are the same as those used in the consolidated financial statements. There have been no changes from prior periods in the measurement methods used to determine profit and loss. No asymmetrical allocations have been applied between segments.

Inter-segment assets, liabilities, revenue, expenses and results are eliminated in the consolidated financial statements.

Events After End of Financial Reporting Period

Post year-end events that provide additional information about the Group's position at the end of financial reporting period, if any, are reflected in the consolidated financial statements. However, 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, Estimates and Assumptions

The preparation of the Group's consolidated financial statements in conformity with PFRS requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The estimates and assumptions used in the accompanying consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of date of the consolidated financial statements. Actual results could differ from such estimates. The following is a summary of these significant estimates and judgments and the related impact and associated risks on the consolidated financial statements.

- *Real Estate Revenue and Cost Recognition*
  In determining whether economic benefits will flow to the Group and the revenue can be reliably measured, the Group assesses certain judgments based on buyers' commitment on sale which may be ascertained through the significance of the buyer's initial down payment, and stage of completion of the project development. Total costs of property development are based on cost estimates made by the Group's technical personnel made in concurrence with management. These estimated costs are reviewed at least annually and are updated if expectations differ from previous estimates. Changes are mainly due to adjustments in development plan, materials and labor prices.

  Also, 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 sales are recognized based on the percentage-of-completion and the completion rate is measured principally on the basis of the estimated completion of a physical proportion of the contract work, and by reference to the actual costs incurred to date over the estimated total costs of projects. Revenue and costs from sale of real estate are shown in Notes 20 and 23, respectively.

- *Classification of Financial Instruments*
  The Group classifies a financial instrument, or its component parts, on initial recognition financial liability or an equity instrument in accordance with the substance of the contractual definitions of a financial asset, a financial liability or an equity instrument. The substance rather than its legal form, governs its classification in the consolidated statements of financial position.

- *Determination of Fair Value of Financial Instruments*
  The Group carries certain financial assets and liabilities at fair value, which requires extensive use of accounting estimates and judgment. While significant components of fair value measurement were determined using verifiable objective evidence, the amount of changes in fair value would differ if the Group utilized different valuation methodologies and assumptions. Any changes in fair value of these financial assets and liabilities would affect income and loss and equity.

  The summary of the carrying values and fair values of the Group's financial instruments as of December 31, 2009 and 2008 is shown in Note 29.

- *Estimation of Allowances for Doubtful Accounts*
  Recoverability of specific receivables including amounts due from related parties is evaluated based on the best available facts and circumstances, the length of the Group's relationship with its debtors, the debtors' payment behavior and known market factors. These specific reserves are reevaluated and adjusted as additional information received affects the amount estimated to be uncollectible.

  The Group's allowance for doubtful accounts amounted to P 19.9 million and P 21.2 million as of December 31, 2009 and 2008, respectively (see Note 5). The carrying values of accounts receivables, loans receivable, notes receivable and amounts due from related parties as of December 31, 2009 and 2008 are shown in Notes 5, 6, 16 and 18, respectively.

- *Estimation of Impairment of Financial Assets*
  The computation for the impairment of available-for-sale financial assets requires an estimation of the present value of the expected future cash flows and the selection of an appropriate discount rate. An impairment issue arises when there is an objective evidence of impairment, which involves significant judgment. In making this judgment, the Group evaluates the financial health of the issuer, among others. In the case of available-for-

sale equity instruments, the Group expands its analysis to consider changes in the issuer's industry and sector performance, legal and regulatory framework, changes in technology, and other factors that affect the recoverability of the Group's investments.

No impairment losses on financial assets were recognized as of December 31, 2009 and 2008.

- *Estimation of Useful Lives of Certain Assets*
  The Group estimates the useful lives of investment properties, property and equipment and intangible assets based on the period over which the assets are expected to be available for use. The estimated useful lives of these assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, the estimation of the useful lives of these assets is based on collective assessment of internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by any changes in factors mentioned. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of investment properties and property and equipment would increase recorded operating expenses and decrease noncurrent assets. There were no significant changes on the estimated useful lives of assets.

  The carrying value of the Group's investment properties, depreciable property and equipment, and leasehold rights amounted to P 262.2 million, P 135.6 million and P 5.2 million, respectively as of December 31, 2009, and P 374.8 million, P 118.2 million and P 5.5 million, respectively as of December 31, 2008 (see Notes 10, 12 and 14).

  As of December 31, 2009 and 2008, the Group's property and equipment have no residual values.

- *Impairment of Nonfinancial Assets*
  The Group reviews investment properties, property and equipment, biological assets, leasehold rights and other assets 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, plans in the real estate projects, 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 may affect investment properties, landheld for future development, property and equipment, biological assets and other assets.

  The Group's allowance for impairment loss pertaining to an investment property amounted to P 9.2 million and P 7.6 million as of December 31, 2009 and 2008, respectively (see Note 10). Provision for impairment loss recognized in the consolidated statements of income amounted to P 1.5 million in 2009, P 2.2 million in 2008 and 3.2 million in 2007.

  The carrying amounts of investment properties, property and equipment, biological assets and leasehold rights are disclosed in Notes 10, 12, 13 and 14, respectively.

- *Estimation of Pension and Other Retirement Benefits*
  The determination of the Group's obligation and cost for pension and other retirement benefits is dependent on management's selection of certain assumptions used by actuaries in calculating such amounts.

  The assumptions for pension costs and other retirement benefits are described in Note 25, and include among others, expected returns on plan assets and rates of compensation increase. In accordance with PFRS, actual results that differ from our assumptions are accumulated and amortized over future periods and therefore, generally affect the Group's recognized expense and recorded obligation in such future periods. While management believes that the assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in management assumptions may materially affect the Group's pension and other retirement obligations.

  Retirement benefit costs amounted to P=2.1 million in 2009, P=1.6 million in 2008 and P=1.1 million in 2007. Pension assets amounted to P=1.7 million and P=0.2 million as of December 31, 2009 and 2008, respectively (see Note 25).

- *Estimation of Deferred Income Tax Assets and Deferred Tax Liabilities*

Significant judgment is required in determining provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The Group's deferred income tax assets in December 31, 2009 and 2008 amounted to P 35.4 million and P 52.9 million as of December 31, 2009 and 2008, respectively (see Note 27). The Group's deferred tax liabilities amounted to P 72.1 million and P 71.5 million as of December 31, 2009 and 2008, respectively (see Note 27).

- *Estimation of Provisions for Contingencies*
  The Group is a party to certain lawsuits involving recoveries of sum of money arising from the ordinary course of business.

  The estimate of the probable costs for the resolution of possible claims has been developed in consultation with outside counsel handling the Group's defense in these matters and is based upon an analysis of potential results. These are recognized in the books only when the claims are finally settled or when judgment is rendered.

  The Group has recognized a loss on litigation amounting to P 34.4 million in 2008 (see Notes 15 and 36).

- *Distinction Between Investment Property and Owner-Occupied Property*
  The Group determines whether a property qualifies as investment property. In making its judgment, the Group considers whether the property generates cash flows 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 supply process.

  Some properties are held to earn rentals or for capital appreciation and other properties are held for use in rendering of services or for administrative purposes. If these portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in providing 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 in making its judgment.

- *Estimation of Production of Biological Assets*
  Management's determination of the yield rate of biological assets requires use of estimates by considering expected standard output using applicable practices of similar plantations in certain foreign countries as reference, the area of the plantation of biological assets and expected harvesting period of 20 years. The carrying values of biological assets amounted to P 78.2 million and P 49.2 million as of December 31, 2009 and 2008, respectively.

- *Classification of Leases*
  The Group has entered into various lease agreements as either a lessor or a lessee. Critical judgment was exercised by management to distinguish each lease agreement as either an operating or finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements. Currently, all of the Group's lease agreements are determined to be operating leases.

  Rental income and expense for 2009 and 2008 are shown in Notes 24 and 26, respectively.

4. Cash and Cash Equivalents

This account consists of:

	2009	2008
Cash on hand	P 295,593	P 1,273,422
Cash in banks	13,979,073	28,519,056
Cash equivalents	21,232,831	2,400,000
	P 35,507,497	P 32,192,478

Cash in banks pertain to savings and current account that generally earn interest rates based on prevailing bank deposit rates of approximately 0.25% to 1% per annum in 2009 and 2008, respectively.

Included in the Group's cash in bank is a dollar denominated account with Peso equivalent amounting to P 201,175 and P 243,223 as of December 31, 2009 and 2008, respectively. The Group's foreign currency denominated cash account is translated to Peso equivalents using an exchange rate of P 46.356/$1.00 and P 47.485/$1.00 as of December 31, 2009 and 2008, respectively.

Cash equivalents include short-term money market placements placed by the Parent Company in a local bank amounting to P 14.1 million and P 2.4 million as of December 31, 2009 and 2008, respectively. These have a maturity of less than 90 days with an annual interest of 3.5%.

Cash equivalents also include short-term money market placements of subsidiaries amounting to P 7 million initially placed in a local bank on September 4, 2009 with maturity of 1 month thereof. This was subsequently renewed for another month in October 4, 2009, November 4, 2009 and December 4, 2009 with annual interest ranging from 3.5% to 4%.

Financial income recognized in the consolidated statements of income on cash in banks and cash equivalents amounted to P 0.6 million in 2009, P 1.1 million in 2008 and
P 1.4 million in 2007 (see Note 21).

5. Accounts Receivable

This account consists of:

	2009	2008
Contract receivables on sale of real estate	**P 318,324,504**	P 319,518,133
Trade receivable	**9,851,117**	4,746,585
Accrued interest receivable (Note 6)	**44,353,548**	7,171,832
Receivables from affiliated companies	**39,201,524**	35,965,938
Advances to officers and employees	**5,753,832**	6,970,853
Others	**205,644,274**	139,594,237
Total receivables	**623,128,799**	513,967,578
Allowance for doubtful accounts	**(19,861,122)**	(21,215,822)
	603,267,677	492,751,756
Noncurrent portion of receivables:		
Contract receivables on sale of real estates	(191,908,766)	(190,175,351)
Others	–	(42,450,000)
	(191,908,766)	(232,625,351)
	P 411,358,911	P 260,126,405

Contract receivables on sale of real estate represent amounts due and collectible in monthly installment over a period of 5 to 15 years, and bear interest ranging from 0% to 16% in 2009, 2008 and 2007. The transfer certificates of title remain in the possession of the Group until full payment has been made by the customers.

Also, contract receivables on sale of real estate with an outstanding balance of P 85.2 million and P 148.9 million as of December 31, 2009 and 2008, respectively, are collateralized to the loans obtained from Rizal Commercial Banking Corporation (see Note 17).

Receivables from affiliated companies pertain to unsecured and noninterest cash advances for operational expenses which have no definite terms of payment.
Accrued interest receivable includes interest from contract receivables, notes receivable and loans receivable.

Other receivables are interest free. Furthermore, these include receivables from various companies for the sale of available-for-sale investments in 2008 amounting to P 84.9 million which are payable within 2 years and interest free. It also includes receivable from sale of investment property in 2009 which amounted to P 74.7 million.

Other receivables amounting to P 19.9 million and P 21.2 million as of December 31, 2009 and 2008, respectively, were impaired and fully provided for. Movements in the allowance for doubtful accounts is shown below:

	2009	2008
Balance at January 1	**P 21,215,822**	P 19,694,374
Write-off	**(1,354,700)**	(82,064)
Provisions (Note 24)	**–**	1,603,512
Balance at December 31	**P 19,861,122**	P 21,215,822

6. Loans Receivable

This represents the balance of unsecured P 100 million loan granted to a certain borrower on November 7, 2007. The loan, which earns interest at 8.5% per annum, matured on November 8, 2008 but was extended until April 1, 2011 with an interest rate of 11% per annum starting April 2009, which is subject for annual review. However, an agreement was subsequently reached that the loans and accrued interest will be settled in 2010.

7. Real Estate Held for Sale

Real estate held for sale represents land and development costs of various projects in Cagayan de Oro City, Valencia City, Bukidnon and Cainta, Rizal detailed as follows:

	2009	2008
Land	**P 556,959,464**	P 382,959,035
Development Cost	**490,225,161**	438,357,042
	P 1,047,184,625	P 821,316,077

Real estate held for sale with carrying value of P 295 million in 2009 and P 214.3 million in 2008 are collateralized to the loans obtained from BPI, UCPB and CBC (see Note 17).

The Group reclassified the land and development cost of P 36.5 million in 2009 and P 62.9 million in 2008, in Valencia City, Bukidnon into real estate held for sale previously accounted for as investment properties (see Note 10).

8. Prepaid Expenses and Other Current Assets

This account consists of:

	2009	2008
Reserve for payment of long-term debt (Note 16)	**P 110,000,000**	P 110,000,000
Creditable withholding taxes	**38,286,962**	32,408,727
Prepaid expenses	**17,637,555**	11,044,068
Value-added input taxes	**7,795,137**	8,960,064
Refundable deposits	**4,085,278**	5,922,071
Inventories	**1,891,980**	4,036,147
Others	**–**	3,000,954
	179,696,912	175,372,031
Less allowance for impairment loss	**–**	703,593
	P 179,696,912	P 174,668,438

Reserved for payment of long-term debt of P 110.0 million is used as debt service reserve account relative to the Parent Company's loan availment for re-lending to Monte Oro Grid Resources Corporation (MOGRC), an affiliate, as discussed in Notes 16 and 18.

9. Available-for-Sale Investments

The rollforward analysis of the net carrying value of this account is shown below:

	2009			
	Golf, Sports and Country Clubs	Non-listed Company	Listed Companies	Total
Carrying value:				
Balance at beginning of year	P 274,140,001	P 708,322,288	P 60,553,933	P 1,043,016,222
Disposal	(150,000)	–	–	(150,000)
Unrealized gain	7,130,000	–	152,818,724	159,948,724
Balance at end of year	P 281,120,001	P 708,322,288	P 213,372,657	P 1,202,814,946

	2008			
	Golf, Sports and Country Clubs	Non-listed Company	Listed Companies	Total
Carrying value:				
Balance at beginning of year	P 663,280,000	P 94,208,300	P 139,972,409	P 897,460,709
Additions	–	614,113,988	–	614,113,988
Disposal	(82,643,045)	–	–	(82,643,045)
Derecognition	–	–	(22,561)	(22,561)
Unrealized loss	(306,496,954)	–	(79,395,915)	(385,892,869)
Balance at end of year	P 274,140,001	P 708,322,288	P 60,553,933	P 1,043,016,222

Available-for-sale (AFS) investments are stated at fair value. The changes in the fair value are recognized directly in equity, through the consolidated statements of comprehensive income and consolidated statements of changes in equity.

The fair values of AFS investments in listed companies have been determined directly by reference to published prices in active market. Fair values of unquoted equity instruments are determined at the present value of estimated future cash flows. Fair values of golf, sports and country club shares are based on prevailing market prices.

The related subscriptions payable on the above investment in listed companies amounted to P 224.3 million in 2009 and 2008. Subsequent payments up to April 23, 2010 amounted to P 140.0 million.

The Group's realized gain on sale of AFS amounted to P 1.7 million in 2009, P 7.4 million in 2008 and P 11.1 million in 2007.

The non-listed investment in Monte Oro Resources and Energy, Inc. (MOREI) represents 15% equity holdings. The Group has no power to govern the financial and operating policies of MOREI.

10. Investment Properties

This account consists of:

	2009	2008
Investment in real estate held for capital appreciation – net	**P 176,334,406**	P 270,125,107
Properties held under lease	**85,903,655**	104,645,410
	P 262,238,061	P 374,770,517

Investment properties had been stated at cost. Investment properties have a fair market value of about P 832.1 million as of December 31, 2009 and P 1.18 billion as of December 31, 2008, as determined by an independent firm of appraisers. The excess of the fair market value over the carrying amount of the asset is not recognized in the consolidated financial statements.

The rollforward analysis of properties held for capital appreciation as of and for the year ended December 31, 2009 follows:

	Land	Building	Total
Cost:			
Balance at beginning of year	P 247,235,302	P 30,532,806	P 277,768,108
Disposal	(54,483,107)	–	(54,483,107)
Adjustment	(1,264,736)	–	(1,264,736)
Reclassification	(36,514,258)	–	(36,514,258)
Balance at end of year	154,973,201	30,532,806	185,506,007
Allowance for impairment loss:			
Balance at beginning of year	–	7,643,001	7,643,001
Additions	–	1,528,600	1,528,600
Balance at end of year	–	9,171,601	9,171,601
Net book value	P 154,973,201	P 21,361,205	P 176,334,406

In 2009, the Group sold one of its properties in Palawan with carrying amount of P 54.4 million to a domestic corporation. Realized gain on sale from this transaction amounted to P 168.7 million. Capital gains tax paid amounted to P 13.4 million.

The Group derecognized in its books total land cost amounting to P 1.3 million in 2009. The adjustment is due to a court decision in 2009 voiding the contract between the Group and the seller of the land.

Total land development costs of P 36.5 million in 2009 and P 62.9 million in 2008 were reclassified to real estate held for sale (see Note 7).

The provision for impairment loss of P 1.5 million in 2009 and 2008, represents the write-down of an unfinished building to its estimated recoverable amount, stated at fair market value.

Direct operating expenses relative to investment properties which are not earning income are as follows:

	2009	2008	2007
Taxes and licenses	**P 6,378,619**	P 306,374	P 376,887
Security	**1,433,098**	747,028	872,957
Repairs and maintenance	**470,284**	118,974	83,436
Utilities	**204,517**	–	4,049
Insurance	**106,417**	4,042	29,892
	P 8,592,935	P 1,176,418	P 1,367,221

The details of the properties held under lease follows:

	2009		
	Land	Building and improvements	Total
Cost:			
Balance at beginning of year	P 17,579,024	P 149,144,871	P 166,723,895
Additions	–	619,592	619,592
Reclassification	–	(15,215,937)	(15,215,937)
Balance at end of year	17,579,024	134,548,526	152,127,550
Accumulated depreciation:			
Balance at beginning of year		62,078,485	62,078,485
Additions		7,756,708	7,756,708
Reclassification		(3,611,298)	(3,611,298)
Balance at end of year		66,223,895	66,223,895
Net book value	P 17,579,024	P 68,324,631	P 85,903,655

	2008		
	Land	Building and improvements	Total
Cost:			
Balance at beginning of year	P 17,579,024	P 148,883,214	P 166,462,238
Additions	–	261,657	261,657
Balance at end of year	17,579,024	149,144,871	166,723,895
Accumulated depreciation:			
Balance at beginning of year		53,153,983	53,153,983
Additions		8,924,502	8,924,502
Balance at end of year		62,078,485	62,078,485
Net book value	P 17,579,024	P 87,066,386	P 104,645,410

Building and improvements with a carrying value of P 11.6 million as of December 31, 2008 were reclassified to property and equipment in 2009. The reclassified building and improvements pertain to the Chalets located at Xavier Estates, Cagayan de Oro City which were previously leased to Xavier Sports and Country Club, Inc., an affiliate. Starting October 2009, the Group took over the operations of the Chalets from the affiliate. Income from hotel operations recognized by the Group amounted to P 2.1 million in 2009 (see Note 20).

Rental income generated from investment properties held under lease amounted to P 10.2 million in 2009, P 9.96 million in 2008 and P 12.0 million in 2007.

Direct operating expenses relative to investment properties held under lease are as follows:

	2009	2008	2007
Depreciation (Notes 23 and 24):			
General and administrative expense	**P 6,195,753**	P 6,244,305	P 8,177,635
Cost of services - other direct cost	**1,560,955**	2,680,197	779,925
	7,756,708	8,924,502	8,957,560
Taxes and licenses	**1,136,758**	887,656	759,180
Repairs and maintenance	**541,572**	20,118	138,759
Utilities	**224,640**	28,338	26,103
Insurance	**159,308**	98,286	39,573
	P 9,818,986	P 9,958,900	P 9,921,175

11. Land and Improvements

This account represents land held for future development and improvements consisting of various properties in Tanay, Initao, and Cagayan de Oro City.

Included in this account are costs of land improvements amounting to P 11,708,722 and P 8,565,663 as of December 31, 2009 and 2008, respectively. The rollforward analysis of this account is shown below:

	Land	Improvements	Total
December 31, 2008	P 89,603,581	P 8,565,663	P 98,169,244
Additions	–	3,143,059	3,143,059
December 31, 2009	P 89,603,581	P 11,708,722	P 101,312,303

12. Property and Equipment

The net carrying value of this account is as follows:

	2009	2008
Land	P 21,743,425	P 21,743,425
Land improvements	1,434,773	1,568,859
Building and improvements	19,655,870	9,646,241
Machinery and equipment	68,946,320	68,603,520
Furniture and fixtures	609,319	520,882
Transportation equipment	7,987,075	9,241,509
Tools and other equipment	270,906	70,758
Leasehold improvements	3,463	11,036
Other fixed assets	2,551,145	2,573,386
Construction in progress	12,399,478	4,233,847
	P 135,601,774	P 118,213,463

Rollforward analysis of this account is shown below:

	2009			
	Balance at beginning of year	Additions/ Depreciations	Reclassification/ Disposals	Balance at end of year
Cost:				
Land	P 21,743,425	P –	P –	P 21,743,425
Land improvements	1,568,859	35,941	–	1,604,800
Building and improvements	47,719,902	926,279	15,215,937	63,862,118
Machinery and equipment	121,805,667	5,146,452	–	126,952,119
Furniture and fixtures	15,689,666	673,090	(37,450)	16,325,306
Transportation equipment	23,876,010	2,581,196	(122,751)	26,334,455
Tools and other equipment	1,539,043	307,533	(24,885)	1,821,691
Leasehold improvements	1,092,139	16,273	–	1,108,412
Other fixed assets	8,179,347	1,846,109	–	10,025,456
Construction in progress	4,233,847	8,165,631	–	12,399,478
	247,447,905	19,698,504	15,030,851	282,177,260
Accumulated depreciation and amortization:				
Land improvements	–	170,027	–	170,027
Building and improvements	38,073,661	2,521,289	3,611,298	44,206,248
Machinery and equipment	53,202,147	4,803,652	–	58,005,799
Furniture, fixtures and equipment	15,168,784	584,653	(37,450)	15,715,987
Transportation equipment	14,634,501	3,835,630	(122,751)	18,347,380
Tools and other equipment	1,468,285	107,385	(24,885)	1,550,785
Leasehold improvements	1,081,103	23,846	–	1,104,949
Other fixed assets	5,605,961	1,868,350	–	7,474,311
	129,234,442	13,914,832	3,426,212	146,575,486
Net Book Value	P 118,213,463	P 5,783,672	P 11,604,639	P 135,601,774

	2008			
	Balance at beginning of year	Additions/ Depreciations	Disposals	Balance at end of year
Cost:				
Land	P 21,743,425	P –	P –	P 21,743,425
Land improvements	1,568,859	–	–	1,568,859
Building and improvements	47,719,902	–	–	47,719,902
Machinery and equipment	105,415,078	16,390,589	–	121,805,667
Furniture and fixtures	15,012,140	677,526	–	15,689,666
Transportation equipment	21,651,232	6,837,448	(4,612,670)	23,876,010
Tools and other equipment	1,506,861	32,182	–	1,539,043
Leasehold improvements	1,092,139	–	–	1,092,139
Other fixed assets	7,625,855	554,831	(1,339)	8,179,347
Construction in progress	–	4,233,847	–	4,233,847
	223,335,491	28,726,423	(4,614,009)	247,447,905

(Forward)

(Carryforward)

	2008			
	Balance at beginning of year	Additions/ Depreciations	Disposals	Balance at end of year
Accumulated depreciation and amortization:				
Building and improvements	35,871,926	2,201,735	–	38,073,661
Machinery and equipment	44,847,878	8,354,269	–	53,202,147
Furniture and fixtures	14,540,527	628,257	–	15,168,784
Transportation equipment	15,583,273	2,441,405	(3,390,177)	14,634,501
Tools and other equipment	1,434,126	34,159	–	1,468,285
Leasehold improvements	1,051,062	30,041	–	1,081,103
Other fixed assets	4,691,627	915,671	(1,337)	5,605,961
	118,020,419	14,605,537	(3,391,514)	129,234,442
Net Book Value	P 105,315,072	P 14,120,886	(P 1,222,495)	P 118,213,463

Land and some of machineries and equipment with total carrying value of P 3.4 million and P 9.9 million, respectively, are collateralized to the loans obtained from UCPB (see Note 17).

The Group's management had reviewed the carrying values of the property and equipment as of December 31, 2009 and 2008 for any impairment. Based on the evaluation, there are no indications that the property and equipment might be impaired.

Furthermore, there is no property whose title is restricted from use of the Group in both years.

The depreciation and amortization charges were presented as part of the following accounts:

	2009	2008	2007
General and administrative expenses (Note 24)	**P 9,311,640**	P 8,485,110	P 7,627,753
Cost of sales and services	**2,948,170**	2,081,439	2,019,081
Real estate held for sale	**1,655,022**	4,038,988	8,033,951
	P 13,914,832	P 14,605,537	P 17,680,785

13. Biological Assets

These represent accumulated costs incurred in preparing, cultivating and planting of palm oil trees. The movements in biological assets are as follows:

	2009	2008
Balance at beginning of year	**P 49,182,049**	P 31,541,570
Production during the year	**30,955,780**	19,403,448
Sale during the year	**(1,907,885)**	(1,762,969)
Balance at end of year	**P 78,229,944**	P 49,182,049

14. Leasehold Rights

This account pertains to amounts paid by the Group for the rights to use a parcel of land in Impasug-ong, Bukidnon and develop it as an oil palm commercial plantation relative to the Development Contract entered into with Kapunungan Sa Mga Mag-uuma Sa Kaanibungan (KASAMAKA) (see Note 35).

Rollforward analysis of this account is shown below:

	2009	2008
Balance at beginning of year	**P 6,016,972**	P 4,195,908
Additions during the year	**51,755**	1,821,064
	6,068,727	6,016,972
Less accumulated amortization	**(884,716)**	(546,368)
Balance at end of year	**P 5,184,011**	P 5,470,604

Rollforward analysis of the accumulated amortization as of December 31, 2009 and 2008 is shown below:

	2009	2008
Balance at beginning of year	**P 546,368**	P 151,868
Amortization during the year	**338,348**	394,500
Balance at end of year	**P 884,716**	P 546,368

Amortization of leasehold rights is capitalized as part of the production costs of the Group's biological assets.

15. Accounts Payable and Accrued Expenses

This account consists of:

	2009	2008
Accounts payable	**P 287,883,446**	P 214,456,630
Accrued interest payable	**41,816,144**	5,735,219
Contracts payable	**27,888,774**	29,279,101
Accrued expenses	**15,088,939**	8,172,272
Retention payable	**6,411,480**	5,946,827
Litigation liability (Note 36)	**–**	30,921,615
Accrued project liability	**–**	19,822,608
Others	**24,027,877**	12,896,140
	P 403,116,660	P 327,230,412

The above accounts payable and accrued expenses do not include any advances from directors, officers, employees, principal stockholders and related parties which are not arising in the ordinary course of business.

Details of Accounts payable and accrued expenses - others are as follows:

	2009	2008
Withholding tax payable	**P 12,219,016**	P 4,361,567
Unearned rental income	**2,939,632**	–
Output VAT payable	**2,832,709**	3,701,670
Deposit from subscribers	**1,300,659**	1,300,000
SSS, HDMF, PHIC premium payable	**299,998**	301,456
Others	**4,435,863**	3,231,447
	P 24,027,877	P 12,896,140

Withholding tax payable includes withholding tax amounting to P 10.6 million and P 3.4 million as of December 31, 2009 and 2008, respectively, for the recognized litigation loss as discussed in Note 36.

16. Loans Payable

On January 7, 2009, Banco De Oro (BDO) granted the Parent Company P 2 billion loan for relending to Monte Oro Grid Resources Corporation (MOGRC), a wholly owned subsidiary of MOREI, to finance part of MOGRC's equity contribution in National Grid Consolidated Power (NGCP). To induce BDO to extend the financing, the Parent Company and its stockholders agreed to provide certain collateral securities in trust for the benefit of the banks. The loan bears annual interest based on a 3-month Philippine Dealing System Treasury-Fixing (PDST-F) rate plus spread per annum.

Relative to the payments of the loan, the Parent Company opened a debt service reserve account equal to the aggregate amount of interest payments due and payable on all outstanding advances for six (6) months calculated at a minimum interest rate of 11% per annum. The debt service reserve account is included under Prepayments and Other Current Assets account in Note 8.

MOGRC which is wholly owned by MOREI was subsequently acquired by a certain company in March 2010. Relative to this transaction, the notes receivable from MOGRC was fully settled and the loans payable to BDO was fully paid.

Interest expense related to the loan amounted to P 173.4 million in 2009, which is also the same as the interest earned relative to the on-lending agreement with MOGRC (see Notes 18 and 21).

17. Long-term Debt

This account consists of loans obtained from the following:

	2009	2008
Financial institutions:		
United Coconut Planters Bank (UCPB)	**P 358,430,980**	P 348,898,400
Bank of the Philippine Islands (BPI)	**130,761,485**	112,415,698
Rizal Commercial Banking Corp. (RCBC)	**97,214,327**	139,057,637
Unionbank (UBP)	**50,000,000**	–
China Banking Corp. (CBC)	**17,251,282**	18,570,196
	653,658,074	618,941,931
Affiliated companies (Note 18)		
North Kitanglad Agricultural Corporation (NKAC)	**54,000,000**	44,000,000
Retail International Corporation (RIC)	**24,500,000**	14,500,000
Lunokan Agricultural Corporation (LAC)	**4,000,000**	4,000,000
Shellac Holdings Corporation (SHC)	**3,500,000**	2,000,000
	86,000,000	64,500,000
Others/Individual	**6,000,000**	8,000,000
	745,658,074	691,441,931
Less current portion due within 1 year	**(174,298,084)**	(108,509,753)
	P 571,359,990	P 582,932,178

The loans from UCPB which were availed of in various dates of 2008 and 2009 are collateralized by real estate mortgage over the Parent Company's real estate held for sale with total carrying value of P 127.2 million in 2009 and P 173.5 million in 2008 (see Note 7). In addition to that, the Group also mortgaged, land and some of its machineries and equipment with carrying value of P 3.4 million and P 9.9 million, respectively, in 2009 (see Note 12). The loans bear interest rates ranging from 7.5% to 9.97% per annum.

The loans from RCBC represent availments from an approved credit facility with interest at 10.25% to 11.50% per annum. These are collateralized by deeds of assignment on accounts receivable with a total value of P 85.2 million in 2009 and P 148.9 million in 2008 and will continue to be in full force until revoked or terminated by RCBC upon the occurrence of certain events stipulated in the agreement (see Note 5).

The loans from BPI were obtained on various dates within 2004 to 2007 and will mature ten (10) years after loan release dates, the last of which will be in 2017. These bear interest at the rates ranging from 10.75% to 11.50% per annum. These are collateralized by real estate mortgages over the real estate held for sale of the Parent Company with a total carrying value of P 102.5 million in 2009 and P 36.2 million in 2008 (see Note 7).

The loan from CBC represents a 10-year loan approved on November 5, 2007 and will mature on November 5, 2017. This bears interest at 8.5% per annum. The loan is repayable monthly in accordance with an amortization schedule and is collateralized by real estate mortgage over real estate held for sale of the Parent Company with a carrying value of P 8.8 million in 2009 and P 4.6 million in 2008 (see Note 7).

The loan from UBP pertains to the term loan availed by the Parent Company in May 2009 amounting to P 50 million. The loan bears annual interest rate of 10% and will mature one (1) year from the date of availment. The loan is secured by real estate held for sale with carrying value of P 56.5 million as of December 31, 2009.

The maturity dates, and interest rates per annum of the unsecured loans obtained from the affiliated companies follow:

Affiliated companies	Maturity date	Interest rate
NKAC	June 16, 2011/January 5, 2012	10%-12%
RIC	May 11, 2011/January 5, 2012	10%-12%
LAC	January 5, 2012	10%-12%
SHC	February 5, 2012	10%-12%

Loans from a certain individual bear interest of 10% to 12% per annum which are payable in lump-sum amount in 2012.

The following table presents the long-term debt by contractual maturity as of December 31, 2009 and 2008:

	2009	2008
Due within 1 year	**P 174,298,084**	P 108,509,753
Due beyond 1 year, not later than 5 years	**490,935,626**	537,139,738
Due beyond 5 years	**80,424,364**	45,792,440
	P 745,658,074	P 691,441,931

The finance cost relative to the foregoing loans were presented as part of the following accounts:

	2009	2008	2007
Finance costs	**P 62,872,986**	P 51,978,453	P 36,909,544
Biological assets (Note 13)	**7,516,667**	–	–
Construction in progress	**1,849,315**	–	–
	P 72,238,968	P 51,978,453	P 36,909,544

18. Related Party Transactions

The Group and certain related parties, in the normal course of business, have entered into transactions with each other principally consisting of interest-bearing notes receivable and payable, reimbursement of expenses and purchases of services at prices and terms comparable to those charged by outside suppliers or billed to other customers. Related party transactions also include noninterest-bearing and unsecured cash advances and intercompany charges with no specific repayment terms, and are payable on demand.

a. The significant transactions with related parties representing lease of properties, either as a lessor or lessee, with affiliates as discussed in Note 26 include the following:

Related party	Year	Rental income	Rental expense
Xavier Sports and Country Club, Inc.	2009	P 571,677	P 959,570
	2008	844,663	875,608
	2007	2,220,461	491,775
PBJ Corporation	2009	163,636	–
	2008	163,636	–
	2007	163,636	–

b. The outstanding balances of due to/due from related parties as of December 31, 2009 and 2008 follow:

	2009	2008
Due from affiliates:		
Minpalm Agri Corporation	**P 3,448,672**	P 2,482,217
PBJ Corporation	**1,120,138**	1,128,304
Other related parties	**12,032,478**	15,892,068
	P 16,601,288	P 19,502,589

	2009	2008
Due to affiliates:		
MOREI	**P 109,960,000**	P 110,000,000
Other related parties	**2,300,057**	5,295,056
	P 112,260,057	P 115,295,056

Amounts owed by related parties consist of advances for operating purposes which are noninterest-bearing and are due and demandable.

Due from related parties excludes other receivables from affiliated companies for noninterest-bearing cash advances included under Accounts receivable in Note 5. The related receivable balance under accounts receivable amounted to P 39.2 million and P 36.0 million as of December 31, 2009 and 2008, respectively.

c. The Parent Company entered into an on-lending agreement in 2009 with MOGRC, a wholly owned subsidiary of MOREI, wherein the proceeds of the loan availed by the Parent Company from BDO was loaned to MOGRC. The agreement has the same terms with the loan obtained from BDO (see Note 16). In view of the settlement of the loan in 2010 as discussed in Note 16, the payable to MOREI was also settled.

The amount due to MOREI of P 110.0 million was obtained relative to the debt service reserve account as discussed in Note 8.

d. Included in long-term debt are interest-bearing and unsecured loans availed from affiliated companies at various dates bearing fixed interest of 10% and 12% per annum which amounted to P 86 million and P 64.5 million as of December 31, 2009 and 2008, respectively. The loans will mature in various dates in 2010 to 2012. Finance costs amounted to P 9.6 million in 2008 and P 1.1 million in 2007 (see Note 17). Finance cost which is capitalized as part of biological assets amounted to P 7.5 million in 2009.

e. Compensation of key management personnel by benefit type follows:

	2009	2008	2007
Salaries and wages	**P 4,532,756**	P 4,117,204	P 4,438,469
Short-term employee benefits	**1,281,674**	1,726,626	3,056,389
Post-employment benefits	**2,825,524**	1,708,349	–
	P 8,639,954	P 7,552,179	P 7,494,858

19. Share Capital

The details of the number of shares of authorized and subscribed capital stock follows:

	2009	2008
Authorized	**1,320,000,000**	1,320,000,000
Subscribed:		
Subscribed and issued	**1,306,584,933**	1,306,270,933
Subscribed but not issued	**3,342,000**	3,656,000
Issued and outstanding	**1,309,926,933**	1,309,926,933

Movements in the numbers of subscribed shares represents transfers of shares from subscribed but not issued to subscribed and issued of 314,000 shares in 2009 and 302,690,000 shares in 2008.

Movements of the amount of subscribed capital stock and additional paid in capital during the years 2009 and 2008 follow:

2009

	Share Capital			
	Subscribed and issued	Subscribed but not issued	Total	Additional paid in capital
Balance as at December 31, 2008	P 1,306,270,933	P 2,348,921	P 1,308,619,854	P 35,074,804
Collections of unpaid subscriptions	–	10,764	10,764	–
Transfer of paid-up shares	314,000	(314,000)	–	–
Balance as at December 31, 2009	P 1,306,584,933	P 2,045,685	P 1,308,630,618	P 35,074,804

2008

	Share Capital			
	Subscribed and issued	Subscribed but not issued	Total	Additional paid in capital
Balance as at December 31, 2007	P 1,003,580,933	P 53,327,881	P 1,056,908,814	P 35,074,804
Collections of unpaid subscriptions	–	251,711,040	251,711,040	–
Transfer of paid-up shares	302,690,000	(302,690,000)	–	–
Balance as at December 31, 2008	P 1,306,270,933	P 2,348,921	P 1,308,619,854	P 35,074,804

The Parent Company had an Employees' Stock Option Plan (ESOP) that entitled full-time and regular employees as well as its subsidiaries to subscribe up to 17,675,000 shares of the unissued shares, subject to not more than 5% of the capital stock which expired on August 31, 2000. The plan was effective for a period of 5 years from and after the date of approval by the SEC on August 31, 1995. As of December 31, 2009 and 2008, a total of 7,926,000 shares had been subscribed by the employees. A total of 9,749,000 shares, however, were left unexercised by the concern beneficiaries upon termination of the plan on August 31, 2000.

Relative to this, the Parent Company had no existing dilutive shares resulting from ESOP as of December 31, 2009 and 2008.

20. Sales

This account consists of:

	2009	2008	2007
Real estate	**P 182,032,707**	P 167,965,710	P 219,623,189
Crude palm oil	**23,534,743**	25,366,308	9,164,150
Water service income	**8,145,938**	7,523,843	6,639,828
Hotel operations (Note 10)	**2,089,795**	–	–
Palm seedlings and kernel nuts	**510,874**	1,676,850	235,910
	P 216,314,057	P 202,532,711	P 235,663,077

21. Financial Income

This account consists of:

	2009	2008	2007
Interest from:			
Notes and loans receivable (Notes 6, 16 and 18)	**P 173,497,984**	P 6,056,388	P 1,113,764
Sales of real estate (Note 5)	**28,668,420**	34,016,047	27,128,144
Cash in banks and cash equivalents (Note 4)	**582,464**	1,116,026	1,402,588
Others	**42,281**	53,366	76,432
	P 202,791,149	P 41,241,827	P 29,720,928

22. Other Income

This account consists of:

	2009	2008	2007
Income from forfeited accounts	**P 15,088,657**	P 12,463,704	P 1,724,249
Surcharge income	**4,044,022**	5,563,950	3,878,634
Others	**6,076,944**	9,230,938	9,981,293
	P 25,209,623	P 27,258,592	P 15,584,176

Other income includes sale of by-products derived from the production of crude palm oil and disposal of fully depreciated equipment.

23. Cost of Sales and Services

This account consists of:

	2009	2008	2007
Land development costs	**P 53,158,282**	P 38,856,300	P 51,333,602
Land	**35,917,741**	26,951,087	41,061,010
Crude palm oil	**20,610,415**	22,378,726	6,310,771
Water services	**2,470,328**	2,239,074	2,012,889
Palm seedlings and kernel nut	**344,197**	1,110,486	89,097
Fresh fruit bunch	**–**	3,340,686	1,001,526
Other direct cost (Note 10)	**4,942,502**	3,652,902	3,695,050
	P 117,443,465	P 98,529,261	P 105,503,945

Other direct cost includes depreciation charges of the Group's investment properties.

24. General and Administrative Expenses

This account consists of:

	2009	2008	2007
Personnel cost (Notes 18 and 25)	**P 29,098,338**	P 19,353,779	P 18,693,863
Depreciation and amortization (Notes 10 and 12)	**15,507,393**	14,729,415	15,805,388
Taxes and licenses	**28,795,613**	18,082,172	9,686,733
Repairs and maintenance	**6,439,538**	6,034,514	4,633,270
Entertainment, amusement and recreation	**3,840,303**	1,634,706	1,612,795
Utilities and supplies	**3,304,792**	3,966,665	2,734,442
Rental (Notes 18 and 26)	**1,716,578**	1,127,026	524,119
Provision for doubtful accounts (Note 5)	**–**	1,603,512	2,291,936
Others	**25,119,725**	23,851,784	18,461,091
	P 113,822,280	P 90,383,573	P 74,443,637

Significant components of other operating expenses follow:

	2009	2008	2007
Security services	P 6,340,583	P 5,825,551	P 5,415,045
Transportation and travel	4,828,924	4,342,165	3,604,294
Professional fees	4,302,075	4,061,511	3,131,029
Board meetings	983,434	1,017,217	507,025
Insurance	430,466	666,282	1,301,328
Training and seminar	207,912	67,014	149,464
Subscription and dues	162,256	56,994	49,938
Realized forex loss	72,424	4,393,154	–
Bank charges	35,050	210,332	348,383
Litigation fees	–	28,250	140,969
Notarization	–	25,264	25,652
Miscellaneous	7,756,601	3,161,050	3,787,964
	P 25,119,725	P 23,851,784	P 18,461,091

Miscellaneous expense includes facilitation fees and bank charges.

25. Retirement Benefits Costs

The Group has a funded non-contributory retirement plan covering all regular and full time employees effective July 1, 2002 (anniversary date was amended to take effect every January 1, retroactive 2003). Contribution and cost are determined in accordance with the actuarial studies made for the plan.

The Group's annual contributions to their respective plans consist principally of payments covering the current service cost for the year and the required funding relative to the guaranteed minimum benefits as applicable. Actuarial valuations are made with sufficient regularity.

The principal actuarial assumptions used to determine retirement benefits were as follows:

	2009	2008
Discount rate, beginning of year	**10.97%**	8.45%
Discount rate, end of year	**9.43%**	10.97%
Expected rate of return on plan assets, beginning of year	**3.25%**	5.00%
Salary increase rate , beginning of year	**5.00%**	5.00%
Salary increase rate, end of year	**5.00%**	5.00%

The amounts recognized in the consolidated statements of financial position as of December 31, 2009 and 2008 were determined as follows:

	2009	2008
Present value of funded retirement benefit obligations	**P 7,582,794**	P 10,092,844
Less fair value of plan assets	**6,960,435**	3,837,581
Underfunded obligation	**622,359**	6,255,263
Adjustments for:		
Unrecognized transitional obligation	**(114,619)**	(137,057)
Unrecognized actuarial gain	**(2,251,295)**	(6,296,042)
Pension asset recognized in consolidated statements of financial position	**(P 1,743,555)**	(P 177,836)

The rollforward of present value of defined benefit obligation follows:

	2009	2008
Balance at beginning of year	**P 10,092,844**	P 5,327,963
Actuarial loss (gain) on obligation	**(3,474,425)**	3,972,692
Interest cost	**1,091,422**	450,213
Benefits paid	**(814,325)**	(689,543)
Current service cost	**687,278**	1,031,519
Balance at end of year	**P 7,582,794**	P 10,092,844

The rollforward of fair value of plan assets follows:

	2009	2008
Balance at beginning of year	**P 3,837,581**	P 2,551,644
Expected return on plan assets	**125,921**	127,582
Contributions	**3,642,064**	1,820,619
Benefits paid	**(814,325)**	(689,543)
Actuarial gain on plan assets	**169,194**	27,279
Balance at end of year	**P 6,960,435**	P 3,837,581

The overall expected rate of return on plan assets is determined based of the market prices prevailing on the date applicable to the period over which the obligation is to be settled.

The actual return on plan assets amounted to P 227,219 in 2009 and P 154,861 in 2008.

The amounts recognized in the consolidated statements of income included in Personnel cost under General and administrative expenses in Note 24 were determined as follows:

	2009	2008	2007
Current service cost	**P 687,278**	P 1,031,519	P 633,572
Interest cost	**1,091,422**	459,765	290,722
Amortization of:			
Actual loss	**248,303**	96,277	68,395
Transition obligation	**175,263**	175,263	137,057
Expected return on plan assets	**(125,921)**	(127,582)	(53,617)
Amount recognized in the consolidated statements of income (Note 24)	**P 2,076,345**	P 1,635,242	P 1,076,129

The Group's contribution to the retirement fund amounted to P 3,642,064 in 2009 and P 1,412,802 in 2008. Moreover, the movements of the net pension asset recognized in the consolidated statements of financial position are as follows:

	2009	2008
Net pension asset (liability) at beginning of year	**P 177,836**	(P 7,541)
Expense recognized in the consolidated statements of income	**(2,076,345)**	(1,635,242)
Actual contributions	**3,642,064**	1,820,619
Net pension asset at end of year	**P 1,743,555**	P 177,836

26. Lease Agreement

Group as a Lessor

The Group leased its various properties under operating lease with various lessees. The term of the lease agreements is for one to five years and is renewable upon the agreement of both parties. The agreements will expire in various dates in 2010 up to 2014.

The agreements account the lessees for all major and minor repairs, business taxes, and charges for water, light, telephone, other utilities expense.

Estimated future minimum rental receipts follow:

	2009	2008
Due within one year	**P 6,842,842**	P 5,887,572
Due beyond one year, not later than five years	**2,263,538**	12,407,305
	P 9,106,380	P 18,294,877

Breakdown of rental income under these operating leases are as follows:

	2009	2008	2007
Related parties (Note 18)	**P 735,313**	P 1,008,299	P 2,384,097
Nonrelated parties	**9,476,045**	8,952,433	9,649,137
	P 10,211,358	P 9,960,732	P 12,033,234

Group as a Lessee

The Group entered into an operating lease agreements with a related and nonrelated party for its office space in Cagayan de Oro City and Metro Manila. The term of the lease agreements is for one year and is renewable upon the agreement of both parties.

Estimated future minimum rental payments for 2010 amount to P 1,743,516.

Breakdown of rent expense for lease of office space is as follows:

	2009	2008	2007
Related party (Note 18)	**P 959,570**	P 875,608	P 491,775
Nonrelated party	**757,008**	251,418	32,344
	P 1,716,578	P 1,127,026	P 524,119

27. Income Taxes

a. The current income tax expense is composed of MCIT and regular corporate income tax. Components of current income tax reported in the consolidated statements of income follows:

	2009	2008	2007
MCIT	**P 6,688,155**	P 3,588,843	P 168,512
Regular corporate income tax	**506,199**	173,473	3,841,366
	P 7,194,354	P 3,762,316	P 4,009,878

b. The components of deferred tax accounts represent the future tax consequence of the following:

	2009	2008
Deferred tax assets		
Tax effects of:		
NOLCO	**P 14,960,578**	P 12,320,763
Allowance for doubtful accounts	**5,958,337**	6,486,252
Allowance for impairment losses on investment properties	**2,751,480**	2,292,900
Unamortized past service cost	**797,792**	–
Unrealized foreign exchange loss	**21,727**	–
Allowance for impairment losses on AFS investments	**–**	27,705,570
Others	**514,290**	230,516
MCIT	**10,443,195**	3,816,302
	P 35,447,399	P 52,852,303
Deferred tax liabilities		
Tax effects of:		
Deferred income on sale of real estate	**P 71,861,930**	P 71,273,364
Deferred rental income	**109,396**	146,266
Retirement liability	**86,531**	86,531
	P 72,057,857	P 71,506,161

The Group did not recognize the deferred income tax asset on NOLCO amounting to P 2.7 million as of December 31, 2009 since management believes that this could not be utilized prior to its expiration. NOLCO amounting to P 52.6 million as of December 31, 2009, can be carried forward and claimed as deduction against regular taxable income for the next three (3) years as follows:

Date Incurred	Amount	Expired/Applied	Balance	Expiry Date
December 31, 2006	P 12,936,143	(P 12,936,143)	P –	December 31, 2009
December 31, 2007	5,424,691	–	5,424,691	December 31, 2010
December 31, 2008	19,430,322	–	19,430,322	December 31, 2011
December 31, 2009	27,734,552	–	27,734,552	December 31, 2012
	P 65,525,708	(P 12,936,143)	P 52,589,565	

The carry forward benefits of MCIT totaling P 10.4 million as of December 31, 2009, can be claimed as deduction from regular corporate income tax for the next three (3) years as follows:

Date Incurred	Amount	Expired/Applied	Balance	Expiry Date
December 31, 2006	P 60,740	(P 60,740)	P –	December 31, 2009
December 31, 2007	168,512	–	168,512	December 31, 2010
December 31, 2008	3,588,843	–	3,588,843	December 31, 2011
December 31, 2009	6,688,155	–	6,688,155	December 31, 2012
	P 10,506,250	(P 60,740)	P 10,445,510	

The Group did not recognize the carry forward benefits of MCIT amounting to P 2,316 since management believes that this could not be utilized prior to its expiration.

c. The reconciliation between the income tax expense computed at the statutory tax rate and the income tax expense shown in consolidated statements of income follows:

	2009	2008	2007
Income tax expense computed at statutory tax rate	**P 38,412,523**	P 4,905	P 22,881,429
Income tax effects of:			
Gain on sale of asset already subjected to capital gains tax	**(51,096,175)**	(2,591,401)	(3,871,000)
Write-off of expired NOLCO and other deferred tax assets	**31,578,908**	940,024	–
Nondeductible representation and entertainment expense	**609,049**	211,965	16,418
Allowance for impairment written-off	**211,078**	–	12,323
Interest income subjected to final tax	**(174,740)**	(336,657)	(481,823)
Excess of contribution over provision on plan asset	**(99,551)**	(124,944)	–
Unrecognized NOLCO	**47,624**	922	890,958
Nondeductible interest expense	**39,993**	165,019	246,378
Nondeductible taxes and other expenses	**25,702**	755,903	353,866
Accounts written – off	**–**	(28,722)	–
Others	**5,535,803**	(194,331)	–
Expired MCIT	**60,740**	–	943,377
Change in tax rate	**–**	(10,446,554)	23,718
	P 25,150,954	(P 11,643,871)	P 21,015,644

d. On May 24, 2005, the President of the Philippines signed into law Republic Act No. 9337 (RA 9337), which became effective November 1, 2005, and introduced the following changes, among others:

- Change in the regular corporate income tax from 32% in 2004 to 35% starting November 1, 2005 up to December 31, 2008, and 30% starting January 1, 2009 and onwards; and,

- Reduction of the interest expenses allowed as a deductible expense by an amount equivalent to a certain percentage of the interest income subjected to final tax from 38% in 2004 to 42% starting November 1, 2005 and 33% starting January 1, 2009.

e. RA No. 9504 that was enacted in 2008 amended various provisions in the existing 1997 National Internal Revenue Code. Among the forms introduced by the said RA was the option granted to Corporations to avail of the optional standard deduction at 40% of gross income in lieu of the itemized deduction scheme. The Group opted for the itemized deduction scheme for its income tax reporting in 2009 and 2008.

28. Earnings per Share (EPS)

Basic EPS is computed as follows:

	2009	2008	2007
Net income attributable to equity holders of Parent Company	**P 103,052,932**	P 11,650,264	P 45,632,464
Divided by weighted average number of shares subscribed	**1,309,926,933**	1,309,926,933	1,309,926,933
Basic earnings per share	**P 0.07867**	P 0.00889	P 0.03484

The Group has no dilutive earning per share (see Note 19).

29. Financial Instruments

Set out below is a comparison by category of carrying values and estimated fair values of Group's financial instruments as of December 31, 2009 and 2008:

	2009	
	Carrying value	Fair value
Financial assets:		
Cash and cash equivalents	P 35,507,497	P 35,507,497
Accounts receivable	603,267,677	603,267,677
Notes receivable	1,921,938,216	1,921,938,216
Loans receivable	24,002,191	24,002,191
Due from related parties	16,601,288	16,601,288
Refundable deposits	4,085,278	4,085,278
AFS investments	1,202,814,946	1,202,814,946
	P 3,808,217,093	P 3,808,217,093

	2009	
	Carrying value	Fair value
Financial liabilities:		
Accounts payable and accrued expenses	P 403,116,660	P 403,116,660
Deposit from customers	37,991,403	37,991,403
Due to related parties	112,260,057	112,260,057
Dividends payable	187,637	187,637
Loans payable	1,921,938,216	1,921,938,216
Long-term debt	745,658,074	745,658,074
Subscription payable	224,273,366	224,273,366
	P 3,445,425,413	P 3,445,425,413

	2008	
	Carrying value	Fair value
Financial assets:		
Cash and cash equivalents	P 32,192,478	P 32,192,478
Accounts receivable	492,751,756	492,751,756
Loans receivable	59,002,191	59,002,191
Due from related parties	19,502,589	19,502,589
Refundable deposits	5,922,071	5,922,071
AFS investments	1,043,016,222	1,043,016,222
	P 1,652,387,307	P 1,652,387,307
Financial liabilities:		
Accounts payable and accrued expenses	P 327,230,412	P 327,230,412
Deposit from customers	41,040,301	41,040,301
Due to related parties	115,295,056	115,295,056
Long-term debt	691,441,931	691,441,931
	P 1,175,007,700	P 1,175,007,700

Fair value is defined as the amount at which the financial instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced liquidation or sale. Fair values are obtained from quoted market prices, discounted cash flow models, recent arm's length market transaction, option pricing models and other relevant valuation models, as appropriate.

The carrying value of cash and cash equivalents, accounts receivable, loans receivable, notes receivable, due from related parties, refundable deposits, accounts payable and accrued expenses, deposits from customers, due to related parties and loans payable approximate their fair values due to the relatively short-term maturities of the financial instruments or short-term nature of transactions.

Fair Value Hierarchy

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

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities. Certain available for sale investments in listed companies with a carrying value of P 213.4 million and P 60.6 million as of December 31, 2009 and 2008, respectively, are valued based on published prices.

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

30. Financial Risk Management Objectives and Policies

The Group is exposed to a variety of financial risks, which resulted from its operating, investing and financing activities. The Group's principal financial instruments comprise of cash and cash equivalents, receivables, investment in equity securities, and bank loans. The main purpose of investing these financial instruments (assets) is to maximize interest yield and for capital appreciation. The main purpose of bank loans is to finance the Group's operations. The Group has various other financial assets and liabilities such as trade receivables, trade payables and accrued liabilities, which arise directly from operations. The Group's policies and guidelines cover credit risk, liquidity risk and interest rate risk. The objective of financial risk management is to contain, where appropriate, exposures in these financial risks to limit any negative impact on the Group's results and financial position. The Group actively measures, monitors and manages its financial risk exposures by various functions pursuant to the segregation of duties principles.

The main risks arising from the use of financial instruments are credit risk, liquidity risk, interest rate risk, equity price risk and foreign currency risk. The Group's Board of Directors reviews and agrees with policies for managing each of these risks. These are summarized below:

- *Credit risk*
  Credit risk refers to the risk that a counterparty will default and/or fail to honor its financial or contractual obligations, resulting in financial loss to the Group. The Group only transacts with recognized and creditworthy counterparties, like investing in creditworthy equities such as those listed in the Philippine Stock Exchange. Moreover, the Group follows strict credit policies and procedures in granting of credit to customers, which are regularly reviewed and updated to reflect changing risk conditions, which includes credit evaluation, administration, monitoring and collection guidelines. The Group, likewise, monitors exposures through continuing assessment of creditworthiness of customers, and monitoring of the aged schedules of receivables.

  Real estate buyers are subject to standard credit check procedures, which are calibrated based on payment scheme offered.

  Generally, the maximum credit risk exposure of the financial assets is the carrying amounts of the Group's financial assets as summarized below:

	2009	2008
Cash and cash equivalents	P 35,507,497	P 32,192,478
Accounts receivable	603,267,677	492,751,756
Notes receivable	1,921,938,216	–
Loans receivable	24,002,191	59,002,191
Due from related parties	16,601,288	19,502,589
Refundable deposits	4,085,278	5,922,071
Available-for-sale investments	1,202,814,946	1,043,016,222
	P 3,808,217,093	P 1,652,387,307

The Group's cash and cash equivalents have been invested with various creditworthy banks, thus limiting exposure to credit risk, in regard to its liquid assets. The Parent Company's contract receivable consists of significant number and various customers/lot buyers. Customers of the Group have been subjected to credit evaluation prior to sale. Moreover, ownership of the shares and title of the real estate sold on installment to various customers/lot buyers are only transferred, upon full payment of the agreed total contract price.

Available-for-sale investments include investment in shares that are actively traded in the stock market. The Group uses other publicly available financial information to monitor its investments.

Accounts receivables which have been used as collateral for the loans obtained by the Group amounted to P 85,175,050 and P 148,852,296 as of December 31, 2009 and 2008, respectively.

With respect to credit risk arising from other financial assets, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying value of these instruments.

Below is the quality per class of financial assets:

	2009			
	Neither past due nor impaired	Past due but not impaired	Impaired	Total
Cash and cash equivalents	P 35,507,497	P –	P –	P 35,507,497
Accounts receivable	579,171,432	24,096,245	19,861,122	623,128,799
Notes receivable	1,921,938,216	–	–	1,921,938,216
Loans receivable	24,002,191	–	–	24,002,191
Due from related parties	16,601,288	–	–	16,601,288
Refundable deposits	4,085,278	–	–	4,085,278
AFS investments	1,202,814,946	–	–	1,202,814,946
	P 3,784,120,848	P 24,096,245	P 19,861,122	P 3,828,078,215

	2008			
	Neither past due nor impaired	Past due but not impaired	Impaired	Total
Cash and cash equivalents	P 32,192,478	P –	P –	P 32,192,478
Accounts receivable	406,800,727	85,951,029	21,215,822	513,967,578
Loans receivable	59,002,191	–	–	59,002,191
Due from related parties	19,502,589	–	–	19,502,589
Refundable deposits	5,922,071	–	–	5,922,071
AFS investments	1,043,016,222	–	–	1,043,016,222
	P 1,566,436,278	P 85,951,029	P 21,215,822	P 1,673,603,129

Below is the aging analysis of past due but not impaired receivables:

	2009			
	Less than 30 days	30 to 60 days	More than 60 days	Total
Accounts receivable	P 3,550,670	P 1,773,660	P 18,771,915	P 24,096,245

	2008			
	Less than 30 days	30 to 60 days	More than 60 days	Total
Accounts receivable	P 3,828,707	P 1,848,988	P 80,273,334	P 85,951,029

As of December 31, 2009 and 2008, financial assets with nominal value of P 19.8 million and P 21.2 million, respectively, were impaired and were fully provided for with allowance for doubtful accounts (see Note 5).

Below is the credit quality by class of financial assets as of December 31, 2009 and 2008, gross of allowance for impairment losses.

2009

	Neither past due nor impaired					
	High Grade	Standard Grade	Substandard Grade	Past due but not impaired	Impaired	Total
Loans and receivable						
Cash and cash equivalents	P 35,507,497	P –	P –	P –	P –	P 35,507,497
Accounts receivable (Note 5)	237,281,500	308,191,660	33,698,272	24,096,245	19,861,122	623,128,799
Notes receivable	1,921,938,216	–	–	–	–	1,921,938,216
Loans receivable	24,002,191	–	–	–	–	24,002,191
Due from related parties	16,601,288	–	–	–	–	16,601,288
Refundable deposits	4,085,278	–	–	–	–	4,085,278
Total loans and receivables	2,239,415,970	308,191,660	33,698,272	24,096,245	19,861,122	2,625,263,269
AFS investments (Note 9)						
Equity securities	1,202,814,946	–	–	–	–	1,202,814,946
	P 3,442,230,916	P 308,191,660	P 33,698,272	P 24,096,245	P 19,861,122	P 3,828,078,215

2008

	Neither past due nor impaired					
	High Grade	Standard Grade	Substandard Grade	Past due but not impaired	Impaired	Total
Loans and receivable						
Cash and cash equivalents	P 32,192,478	P –	P –	P –	P –	P 32,192,478
Accounts receivable	301,636,075	59,834,786	45,329,866	85,951,029	21,215,882	513,967,638
Loans receivable	59,002,191	–	–	–	–	59,002,191
Due from related parties	19,502,589	–	–	–	–	19,502,589
Refundable deposits	5,922,071	–	–	–	–	5,922,071
Total loans and receivables	418,255,404	59,834,786	45,329,866	85,951,029	21,215,882	630,586,967
AFS investments (Note 9)						
Equity securities	1,043,016,222	–	–	–	–	1,043,016,222
	P 1,461,271,626	P 59,834,786	P 45,329,866	P 85,951,029	P 21,215,882	P 1,673,603,189

High grade cash and cash equivalents are short-term placements and working capital cash fund placed, invested, or deposited in local banks belonging to the top ten (10) banks in the Philippines in terms of resources and profitability.

Other high grade accounts are accounts considered to be high value. The counterparties have a very remote likelihood of default and have consistently exhibited good paying habits. Standard grade accounts are active accounts with minimal to

regular instances of payment default, due to ordinary/common collection issues. These accounts are typically not impaired as the counterparties generally respond to credit actions and update their payments accordingly. Substandard grade accounts are accounts which have a probability of impairment based on historical trend. These accounts show propensity to default in payment despite regular follow-up and extended payment terms.

- *Liquidity risk*
  Liquidity risk refers to the risk that the Group will not be able to meet its financial obligations as they fall due. The Group ensures that investments have ample liquidity to finance operations and capital requirements and yield good returns. The Group manages liquidity by maintaining adequate reserves. Moreover, banking facilities and reserve bank lines and facilities are secured to fill in temporary mismatch of funds for new investments or projects.

  As of December 31, 2009 and 2008, the available credit lines with banks and outstanding balances are as follows:

	2009	
	Available credit line	Unpaid
RCBC	P 400,000,000	P 97,214,327
UCPB	350,000,000	358,430,980
BPI	225,000,000	130,761,485
UBP	100,000,000	50,000,000
CBC	20,000,000	17,251,282
	P 1,095,000,000	P 653,658,074

	2008	
	Available credit line	Unpaid
UCPB	P 350,000,000	P 348,898,400
RCBC	400,000,000	139,057,637
BPI	125,000,000	112,415,698
CBC	20,000,000	18,570,196
	P 895,000,000	P 618,941,931

Furthermore, long-term debts are used for financing when the business requirement calls for it to ensure adequate liquidity for its operations. Additional funding requirements may be obtained from related parties.

The following table presents the Group's non-derivative financial assets and liabilities by contractual maturity and settlement dates as of December 31, 2009 and 2008. These have been based on the undiscounted cash flows and on the earliest date on which the Group will earn and/or will be required to pay.

	2009		
	Due within one year	Due beyond one year	Total
Financial assets:			
Cash and cash equivalents	P 35,507,497	P –	P 35,507,497
Accounts receivable	411,358,911	191,908,766	603,267,677
Notes receivable	1,921,938,216	–	1,921,938,216
Loans receivable	24,002,191	–	24,002,191
Due from related parties	16,601,288	–	16,601,288
Refundable deposits	4,085,278	–	4,085,278
AFS investments	–	1,202,814,946	1,202,814,946
	P 2,413,493,381	P 1,394,723,712	P 3,808,217,093

Financial liabilities:			
Accounts payable and accrued expenses	P 403,116,660	P –	P 403,116,660
Deposit from customers	37,991,403	–	37,991,403
Due to related parties	112,260,257	–	112,260,257
Dividends payable	187,637	–	187,637
Loans payable	1,921,938,216		1,921,938,216
Long-term debt	174,298,084	571,359,990	745,658,074
Subscription payable	224,273,366	–	224,273,366
	P 2,874,065,623	P 571,359,990	P 3,445,425,613

	2008		
	Due within one year	Due beyond one year	Total
Financial assets:			
Cash and cash equivalents	P 32,192,478	P –	P 32,192,478
Accounts receivable	260,126,405	232,625,351	492,751,756
Loans receivable	–	59,002,191	59,002,191
Due from related parties	19,502,589	–	19,502,589
Refundable deposits	5,922,071	–	5,922,071
AFS investments	–	1,043,016,222	1,043,016,222
	P 317,743,543	P 1,334,643,764	P 1,652,387,307
Financial liabilities:			
Accounts payable and accrued expenses	P 327,230,412	P –	P 327,230,412
Deposit from customers	41,040,301	–	41,040,301
Due to related parties	115,295,056	–	115,295,056
Long-term debt	108,509,753	582,932,178	691,441,931
	P 592,075,522	P 582,932,178	P 1,175,007,700

- *Interest rate risk*

  The Group is exposed to interest rate fluctuations on their cash in bank and cash equivalents, contract receivables on sale of real estate and long-term debt. Other financial assets and liabilities which principally arise in the ordinary course of its operations, are generally short-term and noninterest-bearing.

  Historically, the rate fluctuations relative to its cash in bank and cash equivalents are minimal. Interest rates in 2009 and 2008 ranged from 0.25% to 3.0%.

  The contract receivables on sale of real estate are managed within the parameters approved by management. Currently, these have been offered at approved fixed rates. Interest rates, which are highly controllable by the Parent Company, ranged from 0% to 16% in 2009 and 2008, depending on the terms and length of payment in years. Any changes in the interest rate have been subjected to thorough review and approval of the management.

  Its long-term debt, on the other hand, carries fixed interest rates of 8.6% to 12.0% in 2009 and 2008.

- *Equity Price Risk*

  Equity price risk is the risk that the fair values of equities decrease as a result of changes in the levels of equity indices and the value of individual stocks. Changes in fair value of Available-for-sale equity instruments due to a reasonably possible change in equity indices, with all other variables held constant will increase equity by P 12.0 million and P 10.4 million, respectively, as of December 31, 2009 and 2008, if equity prices will increase by 1%. An equal change in the opposite direction would have decreased equity by the same amount.

- *Foreign Currency Risk*

  The Group's exposure to foreign currency risk is very minimal.

  The Group's policy is to maintain a level of foreign currency-denominated cash in bank that would not significantly affect the Group's financial position and results of operations due to movements in foreign exchange rates.

  The following table demonstrates the sensitivity to a reasonable possible change in the Philippine Peso – US dollar exchange rate, with all variable held constant, the Group's income before tax and the Group's equity on December 31, 2009.

Reasonably Possible Changes in US Dollar – Philippine Peso Exchange Rate	Effect on Income before tax	Effect on Equity
6.61%	P 13,298	P 9,308
(6.61%)	(13,298)	(9,308)

  The Group's exposures to foreign currency rates vary during the year depending on the dollar denominated cash deposited in banks. Nonetheless, the analysis above is considered to be representative of the Group's currency risk.

31. Capital Management

The primary objective of the Group's capital management is to ensure its ability to continue as a going concern and maintains healthy ratios in order to support its business and maximize shareholders' value.

The Group considers the following accounts as its capital:

	2009	2008
Capital stock	**P 1,308,630,618**	P 1,308,619,854
Additional paid-in capital	**35,074,804**	35,074,804
Deposit for future subscription	**187,829,539**	187,529,539
Unappropriated retained earnings	**379,609,123**	276,556,191
	P 1,911,144,084	P 1,807,780,388

The Group manages capital on the basis of the debt-to-equity ratio which is calculated as total debt divided by total equity. Total debt is equivalent to all components of liability net of the loans payable to BDO with outstanding balance of P 1.9 billion as of December 31, 2009 which was re-lent to MOGRC rather than used to finance the Group's business operations.

The debt-to-equity ratios as at December 31, 2009 and 2008 follow:

	2009	2008
Total debt	**P 1,595,643,398**	P 1,471,150,184
Total equity	**2,144,147,142**	1,881,296,869
Debt-to-equity ratio	**0.74:1.00**	0.78:1.00

The Group had not been subjected to externally imposed capital requirements in 2009 and 2008. No changes were made in the objectives, policies, and processes during the years ended December 31, 2009 and 2008.

32. Dividend Declaration

On December 27, 2006, the BOD declared cash dividends equal to P 0.05 per share or a total of P 49.4 million to shareholders of record as of January 15, 2007 payable on February 8, 2007. Relative to this, dividend payable of P 45.9 million (net of withholding tax) was recognized in the December 31, 2006 consolidated statements of financial position. As of December 31, 2009 and 2008, P 187,637 remained unpaid.

There are no income tax consequences as a result of the cash dividend declared by the Parent Company.

33. Business Segment Information

In identifying the operating segments, management generally follows the Group's principal activities or business operations, which represent the main products and services provided by the Group as follows:

Real estate	Development of land into commercial and residential subdivision, sale of lots and residential houses and the provision of customer financing for sales
Service/ Manufacturing /Trading	Providing water supply and servicing Manufacturing of crude palm oil Selling of goods on wholesale and retail basis
Hotel	Management of hotel operations
Agriculture	Development of land for palm oil production and sale of palm seedlings and sale of crude palm oil
Power	Operating of power plants and/or purchase, generation, production supply and sale of power. However, there was no formal operations yet in 2009 and 2008.

The Group generally accounts for inter-segment sales and transfers as if the sales and transfers were to third parties at current market prices.

The following tables regarding business segments presents assets and liabilities as of December 31 and revenue and profit information for each of the three years in the period ended December 31, 2009 (in thousands).

2009

FINANCIAL INFORMATION ABOUT BUSINESS SEGMENTS

	Real estate	Service/ Manufacturing/ Trading	Hotel	Agriculture	Power Operations	Total	Adjustments and eliminations	Consolidated
Revenues								
External revenues	P 189,342	P 32,191	P 4,992	P –	P –	P 226,525	P –	P 226,525
Inter-segment revenues	163	150	1,811	1,458	–	3,582	(3,582)	–
Total revenues	189,505	32,341	6,803	1,458	–	230,107	(3,582)	226,525
Operating expenses	216,435	36,174	5,632	5,413	390	264,044	(3,582)	260,462
Operating profit (loss)	(26,930)	(3,833)	1,171	(3,955)	(390)	(33,937)	–	(33,937)
Gain on sale of investment property	168,666	–	–	–	–	168,666	–	168,666
Gain on sale of AFS investment	1,654	–	–	–	–	1,654	–	1,654
Financial income	202,641	28	51	2	70	202,792	–	202,792
Financial expenses	(236,343)	–	–	–	–	(236,343)	–	(236,343)
Other income	23,410	1,703	91	–	6	25,210	–	25,210
Income tax expense (benefit)	(21,724)	(4,238)	(378)	1,189	–	(25,151)	–	(25,151)
Net income	P 111,374	(P 6,340)	P 935	(P 2,764)	(P 314)	P 102,891	P –	P 102,891

(forward)

Carry forward

Net income attributable to:								
Equity holders of Parent Company								P 103,053
Noncontrolling interest								(162)
								P 102,891
Other information								
Segment assets	P 5,548,089	P 153,563	P 62,743	P 90,236	P 7,223	P 5,861,854	(P 235,574)	P 5,626,280
Deferred tax assets	28,093	2,555	–	4,800	–	35,448	–	35,448
Total assets	5,576,182	156,118	62,743	95,036	7,223	5,897,302	(235,574)	5,661,728
Segment liabilities	3,325,963	32,342	14,791	103,840	5	3,476,941	(31,417)	3,445,524
Deferred tax liabilities	72,058	–	–	–	–	72,058	–	72,058
Total liabilities	3,398,021	32,342	14,791	103,840	5	3,548,999	(31,417)	3,517,582
Segment additions to property and equipment and investment properties	7,929	10,381	838	550	–	19,698	–	19,698
Depreciation and amortization	(12,765)	(3,179)	(3,215)	(858)	–	(20,017)	–	(20,017)
Impairment loss	1,529	–	–	–	–	1,529	–	1,529

2008

FINANCIAL INFORMATION ABOUT BUSINESS SEGMENTS

	Real estate	Service/ Manufacturing/ Trading	Hotel	Agriculture	Power Operations	Total	Adjustments and eliminations	Consolidated
Revenues								
External revenues	P 174,475	P 34,567	P 3,451	P –	P –	P 212,493	P –	P 212,493
Inter-segment revenues	181	–	1,747	1,996	–	3,924	(3,924)	–
Total revenues	174,656	34,567	5,198	1,996	–	216,417	(3,924)	212,493
Costs and expenses	195,080	40,378	5,252	5,165	22	245,897	(3,924)	241,973
Operating loss	(20,424)	(5,811)	(54)	(3,169)	(22)	(29,480)	–	(29,480)
Gain on sale of AFS investment	7,404	–	–	–	–	7,404		7,404
Financial income	43,553	6,069	64	111	45	49,842	(8,600)	41,242
Financial expenses	(50,946)	(5,222)	–	(4,410)	–	(60,578)	8,600	(51,978)
Other income	30,736	1,606	383	101	–	32,826	–	32,826
Income tax expense (benefit)	9,052	105	(94)	2,580	–	11,643	–	11,643
Net income	P 19,375	(P 3,253)	P 299	(P 4,787)	P 23	P 11,657	P –	P 11,657
Net income attributable to:								
Equity holders of Parent Company								P 11,650
Noncontrolling interest								7
								P 11,657
Other information								
Segment assets	P 3,246,907	P 207,030	P 75,499	P 61,547	P 8,564	P 3,599,547	(P 299,952)	P 3,299,595
Deferred tax assets	42,661	6,581	–	3,610	–	52,852	–	52,852
Total assets	3,289,568	213,611	75,499	65,157	8,564	3,652,399	(299,952)	3,352,447
Segment liabilities	1,311,563	90,995	28,152	71,197	1,033	1,502,940	(103,296)	1,399,644
Deferred tax liabilities	71,378	–	128	–	–	71,506	–	71,506
Total liabilities	1,382,941	90,995	28,280	71,197	1,033	1,574,446	(103,296)	1,471,150
Segment additions to property and equipment and investment properties	10,523	18,687	1,448	4,797	–	35,455	–	35,455
Depreciation and amortization	(14,390)	(3,066)	(2,829)	(565)	–	(20,850)	–	(20,850)
Impairment loss	1,529	703	–	–	–	2,232	–	2,232

2007

	FINANCIAL INFORMATION ABOUT BUSINESS SEGMENTS							
	Real estate	Service/ Manufacturing/ Trading	Hotel	Agriculture	Power Operations	Total	Adjustments and eliminations	Consolidated
Revenues								
External revenues	P 226,846	P 16,040	P 4,810	P –	P –	P 247,696	P –	P 247,696
Inter-segment revenues	173	–	1,827	1,494	–	3,494	(3,494)	–
Total revenues	227,019	16,040	6,637	1,494	–	251,190	(3,494)	247,696
Costs and expenses	176,505	16,666	5,132	4,440	2,527	205,270	(2,095)	203,175
Operating profit (loss)	50,514	(626)	1,505	(2,946)	(2,527)	45,920	(1,399)	44,521
Gain on sale of AFS investment	11,060	–	–	–	–	11,060	–	11,060
Financial income	29,676	814	–	–	36	30,526	–	30,526
Financial expenses	(35,766)	(1,080)	–	(64)	–	(36,910)	–	(36,910)
Other income	13,521	1,120	1,534	3	–	16,178	1,399	17,577
Income tax expense (benefit)	(19,948)	(1,022)	(1,064)	1,018	–	(21,016)	–	(21,016)
Net income	P 49,057	(P 794)	P 1,975	(P 1,989)	(P 2,491)	P 45,758	P –	P 45,758
Net income attributable to: Equity holders of Parent Company								P 45,632
Noncontrolling interest								(1,273)
								P 45,758
Other information								
Segment assets	P 2,786,898	P 193,554	P 59,074	P 44,058	P 8,519	P 3,092,103	(P 313,282)	P 2,778,821
Deferred tax assets	36,388	6,188	–	1,028	–	43,604		43,604
Total assets	2,823,286	199,742	59,074	45,086	8,519	3,135,707	(313,282)	2,822,425
Segment liabilities	912,224	173,873	11,948	45,312	1,011	1,144,368	(216,625)	927,743
Deferred tax liabilities	77,456	–	207	–	–	77,663		77,663
Total liabilities	989,680	173,873	12,155	45,312	1,011	1,222,031	(216,625)	1,005,406
Segment additions to property and equipment and investment properties	11,200	32,463	–	974	–	44,637	–	44,637
Depreciation and amortization	(22,749)	(397)	(2,713)	(693)	–	(26,552)	–	(26,552)
Impairment loss	1,529	–	–	1,719	–	3,248	–	3,248

The Group's external revenues as shown in the preceding tables are analyzed as follows for each major product and service category:

	2009	2008	2007
Real estate:			
Sale of lot – real estate held for sale	**P 82,032,707**	P 167,965,710	P 219,623,189
Rental – investment properties	**7,309,317**	6,509,520	7,223,124
	189,342,024	174,475,230	226,846,313
Service/Manufacturing and trading:			
Crude palm oil	**23,534,743**	25,366,308	9,164,150
Water service	**8,145,939**	7,523,843	6,639,828
Palm seedlings and kernel nuts	**510,873**	1,676,850	235,910
	32,191,555	34,567,001	16,039,888
Hotel operations:			
Rental	**2,727,229**	3,451,212	4,810,110
Hotel operations	**2,264,606**	–	–
	4,991,835	3,451,212	4,810,110
	P 226,525,414	P 212,493,443	P 247,696,311

Revenues from external customers have been identified based on the principal products and services. The Group's external revenues in each of the segment do not depend on a single customer.

34. Amendments to the Articles of Incorporation

The Board of Directors in its special meetings held on May 26 and June 10, 2008 approved the following amendments in its articles of incorporation. The amendments were confirmed by the shareholders representing not less than 2/3 of the outstanding capital stock in the annual shareholders' meeting on July 11, 2008.

a. Amendment to paragraph 3: "That the place where the principal office of the Corporation is to be established in Pasig City, Metro Manila".

   The change in principal office was approved by SEC on March 3, 2010.

b. Amendment to paragraph 7: "That the amount of the capital stock of this Corporation is P 15,320,000,000 and the said capital stock is divided into 15,320,000,000 shares with the par value of P 1.00 each, provided that shareholders shall have no preemptive right to subscribed unissued shares unless otherwise approved by the Board of Directors".

   Pending approval from SEC for the increased in its capitalization, the Parent Company received a total of P 187,829,539 as deposits for future stock subscription. As of April 23, 2010, the pertinent documents necessary to be submitted to the SEC for approval had not yet been forwarded to the latter.

c. Moreover, the Board of Directors on its meeting on March 26, 2007 and May 30, 2007, approved the following:

   Amendment to paragraph 5 of the secondary purpose of the Articles of Incorporation, to read as follows:

   "5. To engage in the power business, including but not limited to power generation, power trading and power supply, and for this purpose, to bid for or acquire power generation and power related assets, facilities, concessions and contracts, and to enter into other transactions or agreements relating to power, by itself or through joint ventures or partnerships, directly or through its subsidiaries or affiliates and to purchase, hold use, sell, transfer, mortgage, exchange, or dispose of real and personal properties of every kind and description, including all commercial papers and securities or obligations of domestic/foreign corporation or associations without being a stockholder or dealer and to pay or exchange therefore, stocks, bonds or other evidences of indebtedness or securities for this or any other corporation and to exercise any and all rights and obligations as owner or holder thereof, provided it shall not function as a trust corporation."

   As of April 23, 2010, the pertinent documents necessary to be submitted to the SEC for approval had not yet been forwarded to the latter.

35. Other Matter

A Brown Energy and Resources Development, Inc. (ABERDI) entered into a Development Contract (DC) with Kapunungan Sa Mga Mag-uuma Sa Kaanibungan (KASAMAKA) at the Municipality of Impasug-ong, Bukidnon concerning the development of Oil Palm Commercial Plantation.

KASAMAKA had been granted with Community Based Forest Management Agreement (CBFMA) No. 55093, by the Department of Environment and Natural Resources (DENR) on December 22, 2000 covering an area of 2,510.8 hectares. Under the CBFMA, KASAMAKA is mandated to develop, manage and protect the allocated community forest project area. Moreover, it is allowed to enter into agreements or contracts with private or government entities for the development of the whole or portion of CBFMA area.

The project's objectives are to establish approximately 894 hectares into a commercial palm plantation within five years (2006-2011). However, the Company may intercrop suitable agricultural crops in the plantation and raise livestock, the harvest and produce of which shall belong to the Group.

The responsibilities of KASAMAKA in regard to the project are as follows:

- To provide the land area of 894 hectares within the CBFMA area for oil palm plantation;

- To provide manpower needs of the Developer in all developmental activities such as land preparation,

planting, weeding, fertilization, harvesting, maintenance and others.

On the other hand, the responsibility of ABERDI in regard to the project is to provide technical and financial resources to develop the 894 hectares into palm oil plantation for a period of 20 years up to 2026. The responsibilities to the contract were transferred to Nakeen Corporation (NC).

Relative to the Agreement, the Group paid for leasehold rights on the land that are applicable up to year 2026 (see Note 14).

36. Litigation

On December 15, 2008, the First Division of the Supreme Court issued a resolution, denying with finality the motion for reconsideration filed by the Parent Company on October 15, 2008 concerning the case involving a claim for sum of money, specific performance and damage by a certain individual in November 2001. As a result, the Parent Company recognized an estimated litigation loss of P 34.4 million, inclusive of 12% legal interest computed from default until judgment is fully satisfied based on the Court of Appeals amended decision on July 23, 2008 and claimant.

On July 15, 2009, pursuant to the assailed Order of the trial court dated June 25, 2009, the Parent Company paid the claimant the amount of P 22.4 million. The said payment was made with the intention of putting closure to the case. The difference between the amount of litigation liability and the amount of settlement has been recorded by the Parent Company as withholding tax on compensation pursuant to the BIR ruling that the nature of the claim is compensation income.

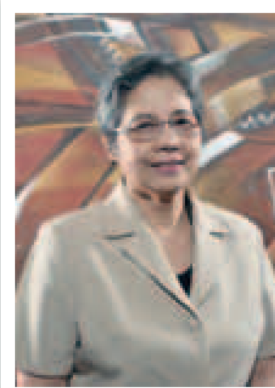
37. Events after the End of Financial Reporting Period

As discussed in Note 16, in March 2010, the notes receivable from MOGRC was fully settled and the loans payable to BDO was fully paid, both at P 1.9 billion.

BOARD OF DIRECTORS

WALTER W. BROWN
Chairman of the Board

Dr. Brown is also currently the President of Monte Oro Resources and Energy, Inc., President of Atok-Big Wedge Co., Inc., Chief Executive Officer of Forum Energy Plc., and Director of ISM Communications Corp. He has also held executive posts in various mining and oil companies, both local and international.

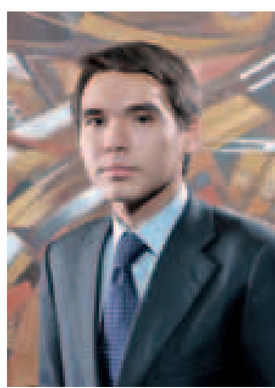


ANNABELLE P. BROWN
Director and Chairwoman of the Executive Committee

She is concurrently the President of PBJ Corporation, Director of Brown Resources Corporation, Treasurer/Director of Bendaña-Brown Holdings Corporation, Pine Mountain Properties Corp. and Xavier Sports and Country Club.

GERARDO DOMENICO V. LANUZA
Director

He also sits as Vice President of Campos, Lanuza & Co., Inc. and Director of Philippine Realty and Holdings Corp.



ELPIDIO M. PARAS
Independent Director

He is also the President and CEO of Parasat Cable TV, Inc., UC-1 Corporation, Arriba Telecontact, Inc. and Paramedix, Inc.

DR. ROLANDO T. DY
Independent Director

Dr. Dy is currently the Dean of the School of Management, University of Asia and the Pacific and Executive Director of the Center for Food and Agri Business. He had served as a consultant for various organizations including ADB, AusAid, FAO, GTZ, Growth with Equity in Mindanao Program/USAID, Japan Bank for International Cooperation, and the World Bank.

ANTONIO S. SORIANO
Director

Atty. Soriano is the Senior Managing Partner of Soriano, Araña, Seriña, Saarenas & Sarceno Law Office and is the Corporate Secretary of various organizations including: RISE Foundation, Inc., ICS Development Corporation, PACEMAN General Services, Kagayhaan-Davao Resources Management Corporation, and the Kagayhaan-Cagayan de Oro City Resources Management Corporation.

ROBERTINO E. PIZARRO
Director and President

He is also the President of ABCI's many subsidiaries: ABERDI, Brown Resources Corporation, NAKEEN Corporation, Xavier Sports and Country Club, Andesite Corporation, Bonsai Agricultural Corporation and Minpalm Agriciltural Co., Inc. He also sits as the Secretary of Oil Palm Industries Association of Northern Mindanao (OPIANOM).

JASON C. NALUPTA,
Corporate Secretary

He is a Partner at Tan Venturanza Valdez specializing on corporate, securities, and business laws. Atty. Nalupta earned his Juris Doctor degree, as well as his Bachelor of Science degree in Management (major in Legal Management), from the Ateneo de Manila University in 1996 and 1992, respectively. Atty. Nalupta was admitted to the Philippine Bar in 1997.

Seated left to right: **Walter W. Brown**, Chairman of the Board; **Annabelle P. Brown**, Director and Chairwoman of the Executive Committee; **Robertino E. Pizarro**, Director and President;
Standing Left to right: **Gerardo Domenico V. Lanuza**, Director; **Dr. Rolando T. Dy**, Independent Director; **Atty. Antonio S. Soriano**, Director; **Atty. Jason C. Nalupta**, Corporate Secretary; **Engr. Elpidio M. Paras**, Independent Director.

COMMITTEES OF THE BOARD

EXECUTIVE COMMITTEE
Chairman: Annabelle P. Brown
Members: Robertino E. Pizarro
Walter W. Brown

AUDIT COMMITTEE
Chairman: Elpidio M. Paras
Members: Rolando T. Dy
Annabelle P. Brown

NOMINATION COMMITTEE
Chairman: Elpidio M. Paras
Members: Robertino E. Pizarro
Antonio S. Soriano

COMPENSATION COMMITTEE
Chairman: Elpidio M. Paras
Members: Annabelle P. Brown
Antonio S. Soriano

GOVERNANCE COMMITTEE
Chairman: Rolando T. Dy
Members: Elpidio M. Paras
Antonio S. Soriano

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