



107302010000677

**SECURITIES AND EXCHANGE COMMISSION**

SEC Building, EDSA, Greenhills, Mandaluyong City, Metro Manila, Philippines
Tel: (632) 726-0931 to 39 Fax: (632) 725-5293 Email: mls@sec.gov.ph

Barcode Page

The following document has been received:

Receiving Officer/Encoder : Joy P. Cabasis
Receiving Branch : SEC Head Office
Receipt Date and Time : July 08, 2010 10:20:53 AM
Received From : Head Office

Company Representative

Doc Source

Company Information

SEC Registration No. AS94004462
Company Name FIL-ESTATE LAND INC.
Industry Classification
Company Type Stock Corporation

Document Information

Document ID 107302010000677
Document Type INFORMATION STATEMENT
Document Code 20-IS
Period Covered July 08, 2010
No. of Days Late 0
Department CFD
Remarks

COVER SHEET

A S 0 9 4 - 0 0 4 4 6 2

S.E.C. Registration Number

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

(Company's Full Name)

7 T H F l o o r R e n a i s s a n c e T o w e r s

M e r a l c o A v E n u e P a s i g C i t y

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

ROBERTO S. ROCO

Contact Person

637-20-48 OR 633-62-39

Company Telephone Number

0 9

Month

3 0

Day

fiscal year

SEC FORM 20-IS Definitive Information Statement

FORM TYPE

Month

Day

annual meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/ Section

Total Amount of Borrowings

P100M

Domestic

P1.557B

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

FIL-ESTATE LAND, INC.

7th Floor, Renaissance Center
Meralco Avenue, Pasig City
Metro Manila, Philippines

NOTICE

AND

INFORMATION STATEMENT

For the
Annual Stockholders' Meeting on
August 26, 2010 at 8:30 A.M.
Crowne Plaza Galleria Manila
4th Flr. Ruby B Room
Ortigas Avenue cor. ADB Avenue
Quezon City



NOTICE OF ANNUAL STOCKHOLDERS' MEETING

Notice is hereby given that the Annual Stockholders' Meeting of **FIL-ESTATE LAND, INC.** for its stockholders of record as of 02 July 2010 will be held on **26 August 2010 at 8:30 a.m.** at the **Ruby B Room, 4th Flr. Crowne Plaza Galleria Manila, Ortigas Ave., corner ADB Ave., Quezon City.**

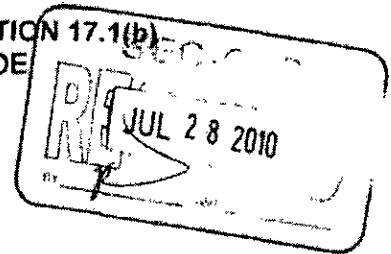
The Agenda for the meeting shall be as follows:

1. Call to Order
2. Proof of Notice and Certification of Quorum
3. Approval of the Minutes of the Annual Stockholders' Meeting held on 23 November 2009
4. Financial Report
5. Report of the Chairman
6. Approval of the Annual Report and the Audited Financial Statements
7. Ratification of Acts and Resolutions of the Executive Committee, Board of Directors and Corporate Officers
8. Election of Directors
9. Appointment of Auditors
10. Other Matters
11. Adjournment

GILBERT T. REYES

Corporate Secretary

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 20-1S
INFORMATION STATEMENT PURSUANT TO SECTION 17.1(b)
OF THE SECURITIES REGULATION CODE



1. Check the appropriate box:
☐ Preliminary Information Statement
☐ Amended Information Statement
☒ Definitive Information Statement
2. Name of Registrant as specified in its charter FIL-ESTATE LAND, INC.
3. Metro Manila, Philippines
Province, country or other jurisdiction of incorporation or organization
4. SEC Identification Number AS094-4462
5. BIR Tax Identification Code 430-000-426-523
6. 7th Floor, Renaissance Towers, Meralco Avenue, Pasig City
Address of principal office Postal Code
7. Registrant's telephone number, including area code (632) 633-39-47
8. 26 August 2010; 8:30 A. M.; Ruby B Room, Crowne Plaza Galleria Manila,
Ortigas Ave., cor. ADB Ave., Quezon City
Date, time and place of the meeting of security holders
9. Approximate date on which the Information Statement is first to be sent or given to security holders 02 August 2010
10. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):
- | Title of Each Class | Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding |
|----------------------|--|
| <u>Common shares</u> | <u>3,350,000,000</u> |
11. Are any or all of registrant's securities listed on a Stock Exchange?
Yes X No _____
- If yes, disclose the name of such Stock Exchange and the class of securities listed therein:
Philippine Stock Exchange - Common Stock

**WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE
REQUESTED NOT TO SEND US A PROXY**

PART 1

INFORMATION REQUIRED IN INFORMATION STATEMENT

A. GENERAL INFORMATION

Item 1. Date, time and place of meeting of security holders.

- | | | | |
|-----|---|---|--|
| (a) | Date | - | 26 August 2010 |
| | Time | - | 8:30 A. M. |
| | Place | - | Ruby B Room, Crowne Plaza Galleria Manila
Ortigas Ave., cor. ADB Ave.,
Quezon City |
| | Principal Office | - | 7 th Floor, Renaissance Towers
Meralco Avenue, Pasig City |
| (b) | Approximate date
IS first to be sent - | | 02 August 2010 |

Item 2. Dissenters' Right of Appraisal

The appraisal right is available in the following instances stated in the Corporation Code, to wit:

- (1) any amendment to the Articles of Incorporation which has the effect of changing or restricting the rights of any stockholder or class of shares, or authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence. (Sec. 81);
- (2) any sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets (Sec. 81);
- (3) any merger or consolidation of the Corporation with or into another entity (Sec. 81);
and
- (4) any investment of corporate funds in any other corporation or business or for any purpose other than the primary purpose for which the Corporation was organized (Sec. 42).

The procedure for the exercise by a dissenting stockholder of his appraisal right is as follows (Section 82 of the Corporation Code):

- (1) A stockholder voted against a proposed action of the Corporation.
- (2) The dissenting stockholder shall make a written demand on the Corporation within thirty (30) days after the date on which the vote was taken for payment of the fair value of his shares. The failure of the stockholder to make the demand within the thirty (30)-day period shall be deemed a waiver of his appraisal right;

- (3) If the proposed corporate action is implemented or affected, the Corporation shall pay to such stockholder member, upon surrender of the corresponding certificates of stock within ten (10) days after demanding payment for his shares, the fair market value thereof; and
- (4) Upon payment of the agreed or awarded price, the stockholder shall transfer his shares to the Corporation.

However, the present meeting is being called in order to approve the following matters, namely:

- (1) approval of the minutes of the previous annual stockholders' meeting;
- (2) approval of the audited financial statements as of 30 September 2009;
- (3) ratification of corporate acts of the Board of Directors and the Executive Committee;
- (4) election of members of the Board of Directors; and
- (5) appointment of the External Auditor of the Corporation for the fiscal year 2010.

Therefore, the matters to be taken up during the meeting do not call for the availability and the exercise of the shareholder's appraisal right.

Item 3. Interest of Certain Persons In or Opposition to Matters to be Acted Upon

None of the directors, officers, nominee for director or associate of any of the foregoing, have any substantial interest, direct or indirect, by security holdings or otherwise, which will be acted upon during the meeting, other than election to office.

None of the directors of the Corporation has informed the Corporation that he intends to oppose any action to be taken by the Corporation at the stockholders' meeting.

B. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting Securities and Principal Holders

- (a) As resolved by the Board of Directors, stockholders of record of the Corporation as of 02 July 2010 shall be entitled to vote during the meeting on 26 August 2010. The outstanding capital stock of the Corporation as of 02 July 2010 is 3,350,000,000 common shares, each with par value of P1.00.

Under Article V, Section 6 of the By-Laws of the Corporation, at every meeting of the stockholders of the Corporation, every stockholder entitled to vote shall be entitled to one vote for each share of stock standing in his name in the books of the Corporation; provided the shares have not been declared delinquent. However, in case of election of directors, Article V, Section 7 of the By-Laws of the Corporation provides that each stockholder entitled to vote may cast the vote to which the number of shares he owns entitles him for as many persons as the number of directors to be elected, multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he may see fit, provided, that the whole number of votes cast by him shall not exceed the number of shares owned by him multiplied by the whole number of directors to be elected.

The Chairman shall appoint two tellers to supervise the election of Directors who shall hold office during the year following the date of their election. No candidate for the office of Director may hold office of the teller.

(b) Security Ownership of Certain Record and Beneficial Owners and Management

(1) **Security Ownership of Certain Record and Beneficial Owners**

Security ownership of certain record and beneficial owners owning more than 5% of any class of the Corporation's voting securities as of 02 July 2010 are as follows:

Title of Class	Name, address of record owner and relationship with issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held ("r" or "b")	Percent (Based in total shares)
Common shares	Fil-Estate Management, Inc. 6/F Renaissance Tower, Meralco Avenue, Pasig City	Robert John L. Sobrepeña – Chairman (Direct and Indirect)	Filipino	1,883,378,007 [®]	56.22%
Common shares	PCD Nominee Corporation (Filipino) 6/F MKSE Bldg. Ayala Avenue, Makati City	Various shareholders (Direct)	Filipino	1,127,594,342 [®]	33.66%

Mr. Robert John L. Sobrepeña is one of the controlling stockholders of Fil-Estate Management, Inc. He is also the Chairman of the Board of the Corporation.

Fil-Estate Management, Inc. appoints the Chairman of the Board to represent and vote on all matters.

Based on information provided by PCD, there are no beneficial owners owning more than 5% of the outstanding capital stock of the Company.

There are no securities placed under voting trust or similar agreement.

(2) Security Ownership of Management

As of 02 July 2010, the Directors, Executive Officers and Nominees of the Corporation are the beneficial owners of the following number of shares:

Title of Class	Name of Beneficial Owner	Amount and nature of Beneficial Ownership	Citizenship	Percent of Class
Common	Robert John L. Sobrepeña	1,617,485 ® (direct)	Filipino	0.048%
	Ferdinand T. Santos	30,017 ® (direct)	Filipino	0.000%
	Noel M. Cariño	23 ® (direct)	Filipino	0.000%
	Enrique A. Sobrepeña Jr.	10 ® (direct)	Filipino	0.000%
	Christopher Michael Nacson	1 ® (direct)	British	0.000%
	Alice Odchigue-Bondoc	4,001 ® (direct)	Filipino	0.000%
	Roberto S. Roco	266,448 ® (direct)	Filipino	0.008%
	Rafael P. Perez de Tagle Jr.	46,800 ® (direct)	Filipino	0.001%
	Francisco Gonzales	5,849,597 ® (direct)	American	0.000%
	Total	7,814,382		0.232%

(3) Changes in Control Since the Last Fiscal Year

There has been no change in the controlling majority stockholder of the Corporation nor has there been any arrangement with any party which may result in a change of control since the last fiscal year.

There are no persons who hold more than 5% of a class under a voting trust or similar agreement.

Item 5. Directors and Executive Officers

(1) Directors and Nominees

The following have been nominated as members of the Board of Directors for the ensuing fiscal year:

Robert John L. Sobrepeña
Ferdinand T. Santos
Noel M. Cariño
Enrique A. Sobrepeña
Francisco Gonzales (Independent Director)
Rafael Perez de Tagle, Jr.
Dominador Gregorio III (Independent Director)

None of the above named nominees has declined to stand for re-election or election to the Board of Directors. The Company has complied with the requirements on the Nomination and Election of Independent Directors set forth in SRC Rule 38, as amended. The said requirements have been incorporated in the By-Laws of the Company under Article III, Section 2 and Article V, Section 7.

The above nominees appear on the Final List of Candidates issued by the Company's Nominations Committee. The Nominations Committee is chaired by Francisco Gonzales, and has Atty. Ferdinand Santos, Rafael Perez De Tagle Jr. and Atty. Gilbert Reyes as members.

(2) Directors and Executive Officers

The following are the incumbent Directors and Executive Officers of the Corporation, and their respective citizenship, positions and period of service:

Position	Name	Citizenship	Director or Officer Since	Years of Service up to present
Chairman of the Board	Robert John L. Sobrepeña	Filipino	1994	16 yrs.
Co-Chairman, President and Chief Executive Officer	Ferdinand T. Santos	Filipino	1994	16 yrs.
Vice-Chairman	Noel M. Cariño	Filipino	1994	16 yrs.
Director	Enrique A. Sobrepeña	Filipino	1994	16 yrs.
Independent Director	Francisco Gonzales	Filipino	2010	0.5yrs.
Independent Director	Christopher Michael Nacson	British	2010	0.5yrs.
VP for Good Governance	Alice Odchigue-Bondoc	Filipino	2003	7 yrs.
Director and SVP for Business Development	Rafael P. Perez de Tagle Jr.	Filipino	1994	16 yrs.
SVP and Chief Finance Officer	Roberto S. Roco	Filipino	1995	15 yrs.
VP for Government Compliance	Nicholas A. Aquino	Filipino	1994	14 yrs.
VP for Labor and Litigation	Roy V. Movido	Filipino	2001	9 yrs.

Term of Office: The term of office of the Directors is one (1) year from the date of their election.

(3) Independent Directors

Under its Manual on Corporate Governance submitted to the Securities and Exchange Commission (SEC), the Corporation is required to have at least two (2) independent directors (as defined under the Manual of Corporate Governance) or such number of independent directors as shall constitute at least twenty percent (20%) of the members of the Board of Directors of the Corporation, whichever is lesser. The By-laws of the Corporation provides for seven (7) directors. Taking into account the number of directors required in the Corporation's By-laws, the Corporation has to elect two (2) independent director.

The By-Laws of the Corporation also provides that the nomination of directors, including independent directors, shall be conducted by the Nomination Committee at least thirty (30) days prior to the date of annual stockholder's meeting. All recommendations shall be signed by the stockholders making the nomination and should have the written acceptance and conformity of the nominees.

The Nomination Committee shall pre-screen the qualifications and prepare a final list of candidates for directors, specifying the nominated independent directors. For this purpose, the Nomination Committee shall promulgate such screening policies and parameters to enable it to effectively review the qualifications of the nominees.

The Nomination Committee shall prepare a Final List of Candidates in accordance with Part IV(A) and (C) of SRC Rule 12 and other applicable rules, or any subsequent amendments thereof. The Final List of Candidates shall be made available to the Securities and Exchange Commission and to all stockholders through the filing and distribution of the information statement or proxy statement in accordance with applicable rules. The name of the stockholder who nominated the candidate for director or independent director shall be identified in such report. Only nominees whose names appear on the Final List of Candidates, or during the annual stockholders' meeting, shall not be allowed [As amended by the Board of Directors on 18 July 2003 and by the stockholders on 30 July 2003]

The Corporation's Nomination Committee, in accordance with the guidelines in the Manual on Corporate Governance, the Code of Corporate Governance (SEC Memorandum Circular No. 5, Series of 2002 and the Guidelines in the Nomination and Election of Independent Director (SRC, Rule 38) has

selected Mr. Francisco Gonzales and Mr. Dominador Gregorio III as candidates for independent directors of the Corporation. Mr. Gonzales was nominated by Fil-Estate Management Inc.(FEMI). There is, however, no existing Deed of Trust or under any contract or arrangement with FEMI attached to the said nomination. Mr. Gregorio has been nominated by LIM Asia Multi-Strategy Fund Inc. He is not an officer, director or employee of the said fund nor is he under any contract or arrangement with the Fund.

The Nomination Committee has determined that Mr. Francisco Gonzales and Mr. Dominador Gregorio III met the qualifications for independent directors and were recommended for such positions for the forthcoming fiscal year.

FRANCISCO GONZALES, Filipino, 66 years old, with business experience for the past five (5) years as the President of Romago Incorporated, Asia Pacific Golf Corporation, Fabriduct & Metal Systems, Inc., Electro Mechanical Products International and G&P of Marula, Inc. He is also a Director and Membership Committee Chairman of The Manila Southwoods Golf & Country Club, Inc., Forest Hills Golf & Country Club Inc., and Sherwood Hills Golf Club Inc. Mr. Gonzales replaced Mr. Van Drasek as the Chairman of the Audit, Nomination and Executive Compensation Committee.

DOMINADOR T. GREGORIO III, Filipino, 50 years old, is currently an Executive Director at FS Asia Advisory Inc. (formerly Ferrier Hodgson Philippines), since 2009. Just prior to that, "Butch" was a Partner and Head of the Financial Advisory Services Group of Deloitte, in Almaty in Kazakhstan. From 2003 til 2007, he was Chief Operating Officer and Managing Director of Ernst & Young Transaction Advisory Services Inc., Philippines. Butch had also previously spent seven (7) years with Citicorp Real Estate Inc., in the U.S. He was former Chairman of the Corporate Finance Committee of FINEX, and is also a member of MAP, PICPA and SIRCRO. He has a MBA from the Wharton School and an MA in International Studies, from the Lauder Institute of Management and International Studies, University of Pennsylvania. He graduated from the University of the Philippines with a BS in Business Administration and Accountancy, Cum Laude in 1983. He is a CPA.

Pursuant to SEC Memorandum Circular No. 16 (Series of 2002), the Corporation's Nomination Committee promulgated the following guidelines to govern the conduct of the nomination for independent directors.

1. The Committee shall ascertain that all candidates for nominees meet the qualifications of an independent director pursuant to the Code of Corporate Governance and applicable issuances from the SEC.
2. Each of the Committee members shall choose possible nominees from candidates nominated by shareholders. The nominees must meet the following minimum qualifications:
 - (i) He shall have at least one (1) share of stock of the corporation;
 - (ii) He shall be at least a college graduate or he shall have been engaged or exposed to the business of the corporation for at least five (5) years;
 - (iii) He shall possess integrity / probity; and
 - (iv) He shall be assiduous.

Business Experience of the Executive Officers of the Corporation and Nominees for Directors

The business experience during the past five (5) years of Executive Officers of the Corporation and the Nominees for Directors are as follows:

ROBERT JOHN L. SOBREPEÑA, Filipino, 55 years old, has been the Chairman of the Board of Fil-Estate Land, Inc. since 1999 and the Chief Executive Officer since 1994. He is one of the three founding members of the Fil-Estate Group of Companies. Currently, he is also the Chairman of the Board of various companies such as Fil-Estate Management Inc., Fil-Estate Corporation, Fil-Estate Properties Inc., Fil-Estate Ecocentrum Corp., Fil-Estate Golf & Development Inc., Fil-Estate Urban & Development Corporation, Fil-Estate Realty Corporation, Fil-Estate Marketing Association, Inc., Fil-Estate Network, Inc., Camp John Hay Development Corporation, Camp John Hay Hotel,

Inc., Sherwood Hills Development, Inc., Club Leisure Management, Inc., Manila Southwoods Golf & Country Club, Sherwood Hills Golf & Country Club, Camp John Hay Golf Club, Summit Estate Realty & Development Corporation, Pacific Touch Group Ltd., Metro Rail Transit Holdings, Inc., Metro Rail Transit Holdings II, Inc., Metro Rail Transit Corporation, MRT Development Corporation, and Monumento Rail Transit Corporation. He also serves as Vice Chairman of Fil-Estate Sales, Inc., Fairways & Bluewaters Development Corporation, and the Fairways and Bluewaters Resort Golf & Country Club. A member of the American Chamber of Commerce and the Rotary Club of Manila, he earned his Bachelor's Degree in Psychology and Marketing from the De La Salle University in 1978.

FERDINAND T. SANTOS, Filipino, 59 years old, is currently the Co-Chairman of the Board of the company since 1999. He has been with Fil-Estate Land, Inc. since its incorporation in 1994. He is one of the three founding members of the Fil-Estate Group of Companies. He serves as the Vice Chairman of Fil-Estate Properties Inc., Fil-Estate Marketing Association, Inc., and Fil_Estate Network Inc. He is also the President of Fil-Estate Management Inc., Fil-Estate Development Inc., Fil-Estate Properties Inc., Fil-Estate Golf & Development Inc., MRT Development Corporation, St. Benedict Realty & Development Inc., Royal Jade Memorial Inc., and Mt. Zion Memorial Inc. He graduated from Arellano University with Bachelor of Arts degree in 1970 and took his Bachelor of Laws at San Beda College where he graduated Valedictorian and Magna Cum Laude in 1974. He was a topnotcher in the 1974 Philippine Bar (2nd Place).

NOEL M. CARIÑO, Filipino, 55 years old, has more than 35 years of experience in sales and marketing. He's a marketing man par excellence. He became the youngest Branch Manager of V.V. Soliven, the top real estate marketing company during the 70's era for breaking sales records a few months after he joined the said company. Co-Founded the Fil-Estate Realty Corporation in 1981 which earned its first P15 million during its first 15 days of operation. Currently the Chairman of Fil-Estate Realty Sales Associates Inc., Fairways and Bluewaters Resort Golf & Country Club and the Caliraya Springs Golf & Country Club. He served as Vice-Chairman of the Company since 1994 and is one of the three founders of the Fil-Estate Group of Companies. He is also the Chairman of the Board of the War Against Poverty Foundation, the founder and adviser of several non-government organizations including Bangon Lakas Pilipino, Makapinay, Kumpas and Makabago.

ENRIQUE A. SOBREPEÑA, Filipino, 84 years old, has served as Director of the Company since 1994. He is also President and Chief Executive Officer of College Assurance Plan Phils, Inc., Comprehensive Annuity Plans and Pension Corporation, CAP Life Insurance Corporation, CAP Technologies, Inc., CAP Realty, Inc., and CAP General Insurance Corporation. His other significant positions include: Director of Bank of Commerce, BANCommerce Investment Corporation, Camp John Hay Development Corporation, Metro Rail Transit Development Corporation and CAP Foundation for Socio-Economic Cooperation, Inc. He graduated with Bachelor of Arts at Siliman University in 1949 and Bachelor of Laws at University of Manila in 1952. He was awarded Doctor of Humanities, Honoris Causa by University of the City of Manila in 2001 and Doctor of Business Administration, Honoris Causa by University of Baguio in 2002.

FRANCISCO GONZALES, Filipino, 66 years old, with business experience for the past five (5) years as the President of Romago Incorporated, Asia Pacific Golf Corporation, Fabriduct & Metal Systems, Inc., Electro Mechanical Products International and G&P of Marula, Inc. He is also a Director and Membership Committee Chairman of The Manila Southwoods Golf & Country Club, Inc., Forest Hills Golf & Country Club Inc., and Sherwood Hills Golf Club Inc. Mr. Gonzales replaced Mr. Van Drasek as the Chairman of the Audit, Nomination and Executive Compensation Committee.

DOMINADOR T. GREGORIO III, Filipino, 50 years old, is currently an Executive Director at FS Asia Advisory Inc. (formerly Ferrier Hodgson Philippines), since 2009. Just prior to that, "Butch" was a Partner and Head of the Financial Advisory Services Group of Deloitte, in Almaty in Kazakhstan. From 2003 til 2007, he was Chief Operating Officer and Managing Director of Ernst & Young Transaction Advisory Services Inc.,

Philippines. Butch had also previously spent seven (7) years with Citicorp Real Estate Inc., in the U.S. He was former Chairman of the Corporate Finance Committee of FINEX, and is also a member of MAP, PICPA and SIRCRO. He has a MBA from the Wharton School and an MA in International Studies, from the Lauder Institute of Management and International Studies, University of Pennsylvania. He graduated from the University of the Philippines with a BS in Business Administration and Accountancy, Cum Laude in 1983. He is a CPA.

RAFAEL PEREZ DE TAGLE, JR., Filipino, 55 years old, is currently the President and Chief Operating Officer of Fil-Estate Urban Development Corporation, a wholly owned subsidiary of the company. He is also a member of the Board of the company and of various companies for the last five (5) years such as MRT Development Corporation, Metro Rail Transit Corporation, Fil-Estate Corporation, Fil-Estate Ecocentrum Corporation, Camp John Hay Development Corporation, CAP General Insurance, Sherwood Hills Golf Club, Camp John Hay Golf Club, Warbird Security & Investigation Agency, Inc. Magna Ready Mix Concrete Corporation and the Manila Southwoods Golf & Country Club. Has a degree in Arts major in Economics from De La Salle University in 1976.

Key Executive Officers

ROBERTO S. ROCO, Filipino, 57 years old, is Senior Vice President and Chief Finance Officer and is a Director of the Fil-Estate Ecocentrum Corporation. Mr. Roco was formerly the Executive Vice President and Chief Operating Officer of Smith Bell & Co., Inc. He also held concurrent positions in various Smith Bell companies.

ALICE ODCHIGUE-BONDOC, Filipino, age 42, is the Vice President for Good Governance, Compliance Officer and Assistant Corporate Secretary of the Company. She is also a Director of Fil-Estate Corporation and Camp John Hay Leisure, Inc. She concurrently holds various positions in the Fil-Estate Group of Companies. She took her Bachelor of Science in Business Management major in Legal Management at Ateneo de Manila University and graduated Honorable Mention and Departmental Awardee of the Department of Legal Management in 1987. She holds a Doctor of Jurisprudence degree from the Ateneo de Manila University School of Law and graduated Second Honors-Silver Medal Awardee in 1992.

NICHOLAS A. AQUINO, Filipino, 60 years old, is Vice President for Licensing and Permits. Prior to joining the Company, he was an associate lawyer of the Salvador, Manguera, Gofio Law Offices and also the Director for Legal Affairs of the National Food Authority.

ROY V. MOVIDO, Filipino, 42 years old, is Vice President for Legal Affairs-Litigation and Labor. He is likewise the Corporate Secretary and Legal Counsel of Fairways and Bluewater Resort Golf and Country Club and Caliraya Spring Golf Club, Inc. He graduated from the Ateneo de Manila University School of Law with a degree of Doctor of Jurisprudence.

GILBERT RAYMUND T. REYES, Filipino, 52 years old, has been the Corporate Secretary of the Corporation since 2003. He is a founding partner of the Poblador Bautista & Reyes Law Offices. He graduated Bachelor of Science in Biology at the University of the Philippines. He finished his Bachelor of Laws (magna cum laude) at the University of the Philippines in 1983.

(4) Significant Employees

The Corporation considers its entire work force as significant employees. The Corporation relies on the contribution of all employees to achieve its corporate objectives.

(5) Family Relationships

Atty. Enrique A. Sobrepeña is the father of Robert John L. Sobrepeña.

Other than the ones disclosed, there are no other family relationships known to FELI.

(6) Involvement in Certain Legal Proceedings

There are no events or legal proceedings occurring in the last five years up to the latest date that are material to an evaluation of the ability or integrity of any director or person nominated to become a director or executive officer of the Corporation.

The Corporation is not aware of any litigation or conviction to which any of its Directors and Officers is a party, whether pending or threatened.

There is no pending litigation or claim by or against, or contingent liability of them that will materially and adversely affect the Corporation's balance sheets nor any judgment or settlement rendered by a government agency or any other party either in favor or against the Corporation.

Likewise, the Corporation has not filed any bankruptcy petition. Neither is it subject to any bankruptcy order or judgment.

(7) Certain Relationships and Related Transactions

Transactions with Related parties as of September 30, 2009 & 2008 are as follows:

- a. In 2008, FEUDC and FELI (as guarantor) entered into a Memorandum of Agreement (MOA) with CJHDEVCO wherein FEUDC will assume the specific development obligations of CJHDEVCO in exchange for suites units and receivables. CJHDEVCO is to contribute its leasehold rights. The funds were sourced by FEUDC from the loan from Lim Asia Arbitrage Fund.

In consideration for extending its guarantee on the completion of FEUDC of the project, CJHDEVCO assigned to FELI development rights over certain lots and right to be reimbursed for advances made to the property owner. Real estate for sale, receivable and guarantee income recognized for this transaction as of and for the year ended September 30, 2008 amounted to ₱235.8 million (see Note 10 of the Audited Financial Statements), ₱50 million and ₱285.8 million, respectively. Valuation of the assets received was based on current market prices.

- c. In 2008, FELI granted a two-year loan to CJHDEVCO amounting to ₱32.4 million which bear interest of 16% per annum. Principal is payable in four (4) equal semi-annual amortizations beginning December 24, 2008 and interest is payable quarterly in arrears beginning September 24, 2008 based on the outstanding principal balance. The loan is secured by assignment of leasehold rights over three (3) lot pads. Receivable including accrued interest recognized on this loan amounted to ₱39.1 million and ₱33.8 million as of September 30, 2009 and 2008 while interest income recognized amounted to ₱5.3 million and ₱1.4 million for the years ended September 30, 2009 and 2008.
- d. Availment of loans from a stockholder amounting to ₱233.8 million in 2009. The loan balance amounted to ₱468.5 million and ₱234.7 million as of September 30, 2009 and 2008, respectively (see Note 18 of the Audited Financial Statements).

- e. Assignment of certain real estate owned by FEPI in payment for loan of FEMI to a local bank in 2009 and 2008. Value of properties assigned amounted to ₱13.7 million in 2009 and ₱70.8 million in 2008 and gain recognized amounted to ₱12.1 million in 2009 and ₱52 million in 2008 which was reported under "Gain on dacion en pago" account in the statements of consolidated income.
- f. Payment of commissions to affiliated marketing companies, which act as the exclusive marketing arms of the subsidiaries. Commission is based on the total contract price of the real estate and golf club and resort shares sold multiplied by a fixed rate. Commission expense amounted to ₱28.1 million in 2009, ₱22.7 million in 2008, and ₱30.6 million in 2007.
- g. Lease of office premises by the Group as lessor to related parties. Annual rental income amounted to about ₱6 million in 2009, 2008 and 2007.

(8) Parent Company

Fil-Estate Management, Inc., the parent company of the Corporation, is the owner of **56.22%** of the outstanding capital stock of the Corporation.

Item 6. Compensation of Directors and Executive Officers

(1) General

Article III, Section 8 of the Corporation's By-laws provides that:

"Section 8. Compensation - By resolution of the Board, each director shall receive a reasonable per diem allowance for his attendance at each meeting of the Board. As compensation, the Board shall receive and allocate an amount of not more than five (5%) percent of the net income before income tax of the corporation during the preceding year. Such compensation shall be determined and apportioned among the directors in such manner as the Board may deem proper."

(2) Summary Compensation Table

NAME	POSITION	SALARY	BONUS	Other Annual Compensation	TOTAL
Robert John L. Sobrepeña	Chairman of the Board				
Ferdinand T. Santos	Co-Chairman, President & CEO				
Noel M. Carino	Vice Chairman				
Roberto S. Roco	SVP and Chief Finance Officer				
Alice Odchigue-Bondoc	Vice President				
Nicholas A. Aquino	Vice President				
Roy V. Movido	Vice President				
Total Group Compensation	Year 2010*	P4.8M	-	-	P4.8M
	2009	P4.8M	-	-	P4.8M
	2008	P4.8M	-	-	P4.8M

Officers for the rank of AVP and up

Position	YEAR		
	2010*	2009	2008
AVP and up (Gross Salary of FELI, FEPI, FEGDI) Directors	P20.6M	P20.6M	P20.6M
Total	P20.6M	P20.6M	P20.6M

* forecasted

The total annual compensation paid to all senior personnel from AVP and up are all payable in cash. The total annual compensation includes the basic salary and 13th month pay. The company has no other arrangement with regard to the remuneration of its existing officers aside from the compensation received as herein stated.

(3) Compensation of Directors & Executive Officers

The directors receive a per diem of P20,000 per attendance at board meetings.

The company since 1995 has not accrued or provided for certain executive compensation as this matter is still subject to study and will be implemented upon approval of the Board of Directors.

Item 7. Independent Public Accountants

Constantino Guadalquiver & Co. (CG & Co.) was the auditor of the Group for the fiscal year ended 30 September 2009.

Pursuant to the General Requirements of SRC Rule 68, Par. 3 (Qualifications and Reports of Independent Auditors), the Group has engaged CG & Co. as the external auditor of the Corporation since 2003, and Mr. Rogelio M. Guadalquiver has been the Partner In-charge for two years.

In adherence to good corporate governance practice which requires the substitution of external auditors every five (5) years, KL Siy & Associates is being recommended for election as the new external auditor of the company at the scheduled annual stockholders' meeting.

The audit committee is chaired by Mr. Francisco Gonzales with Robert John L. Sobrepeña, Ferdinand T. Santos, Roberto Roco as members.

C. ISSUANCE AND EXCHANGE OF SECURITIES

Item 8. Authorization or Issuance of Securities other than for Exchange

The Corporation currently has an authorized capital stock of P5 Billion common shares with a par value of P1.00 each.

Item 9. Modification or Exchange of Securities

There is no modification or exchange of securities for the current year.

D. OTHER MATTERS

Item 15. Action with Respect to Reports

- (a) Ratification and approval of the minutes of the annual stockholders' meeting held on 23 November 2009 with the following points:
- (b) Approval of the Financial Statements for the fiscal year ended 30 September 2009
- (c) Ratification of all the acts and resolutions of the Board of Directors, Executive Committee specifically:
 - (i) Approval of projects and investments;
 - (ii) Treasury matters related to opening of accounts and bank transactions;
 - (iii) Appointment of legal counsels for cases arising from the ordinary course of business;
 - (iv) Approval of agreements relating to settlement of debt obligations;
 - (v) Approval of sale transactions of real and personal properties; and
 - (vi) Election of Independent Directors for fiscal year 2010.
- (d) Election of the Members of the Board of Directors, including Independent Director, for the ensuing fiscal year.
- (e) Election of External Auditors

Item 16. Matters Not Required To Be Submitted

Only matters which require stockholders' approval will be taken up during the special meeting. No action will be taken with respect to any matter which is not required to be submitted to a vote of security holders.

Item 17. Amendment of Charter, By-laws or Other Documents

No proposal which will result to the amendment of Charter, By-laws or Other Documents of the company was acted upon during the year.

Item 18. Other Proposed Action

No other action is to be taken with respect to any matter not specifically referred to above.

Item 19. Voting Procedures

(a) *Approval and Ratification of the minutes of the annual stockholders' meeting held on November 23, 2009.*

- 1. Vote required: A majority of the outstanding common shares present in person or by proxy constituting a quorum.
- 2. Method by which votes shall be counted: Each outstanding common share shall be entitled to one (1) vote.

(b) *Approval of the Audited Financial Statements of preceding year*

- 1. Vote required: A majority of the outstanding common shares present in person or by proxy constituting a quorum.
- 2. Method by which votes shall be counted: Each outstanding common share shall be entitled to one (1) vote.

(c) Ratification of the Acts of the Executive Committee and the Board of Directors

1. Vote required: A majority of the outstanding common shares present in person or by proxy constituting a quorum.
2. Method by which votes shall be counted: Each outstanding common share shall be entitled to one (1) vote.

(d) Election of Directors

1. Vote required: The seven (7) candidates receiving the highest number of votes shall be declared elected.
2. Method by which votes shall be counted: The election of Directors shall be by ballot when requested by voting stockholder, and each stockholder entitled to vote may cast the vote to which the number of shares he owns entitles him for as many persons as the number of Directors to be elected, multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he may see fit, provided that the whole number of votes cast by him shall not exceed the number of shares owned by him multiplied by the whole number of directors to be elected.

(e) Election of Independent External Auditor

1. Vote required: A majority of the outstanding common shares present in person or by proxy in a meeting where there is a quorum.
2. Method by which votes shall be counted: Each outstanding common share shall be entitled to one (1) vote.

All above matters for voting shall be by viva voce and voting by ballot shall be dispensed with upon assent of a majority of the outstanding shares. However, should there be a voting by ballot, a Committee shall be created to supervise the same in the presence of an external auditor. However, if the matter for voting relates to the election of Directors, if requested by a voting stockholder, voting shall be by ballot with the Chairman appointing two tellers to supervise the election of Directors as provided in the Company's By-Laws.

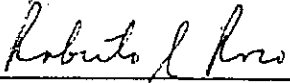
The By-Laws of the Corporation also provides that the Corporate Secretary shall act as inspector at the election of directors and, as such, to determine the number of shares of stocks outstanding and entitled to vote, the shares of stock represented at the meeting, the existence of a quorum, the validity and effect of proxies, and to receive votes, ballots or consents, hear and determine all challenges and questions arising in connection with the right to vote, count and tabulate all votes, ballots or consents, determine the result, and to do such acts as are proper to conduct the election or vote. The Secretary may assign the exercise or performance of any or all of the foregoing duties, powers and functions to any other person or persons, subject always to his supervision and control.

SIGNATURES

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Pasig on 28 July 2010.

FIL-ESTATE LAND, INC.

By:

A handwritten signature in black ink, appearing to read "Roberto S. Roco", written over a horizontal line.

Roberto S. Roco
SVP and Chief Finance Officer

FIL-ESTATE LAND, INC.

MANAGEMENT REPORT

For the
2010 Annual Meeting of the Stockholders
Pursuant to SRC Rule 20 (4)

Item 8. Financial and Other Information

Audited Financial Statements

The consolidated financial statements as of 30 September 2009 are attached hereto including the interim financial statements as of March 31, 2010. The statement of Management Responsibility, Schedules Required under Part IV (c) of Rule 48 are included in the Annual Report (Form 17-A).

Changes in and Disagreements with Accountants on Accounting and Financial Disclosures

The accounting policies adopted are consistent with those of the previous year, except for the adoption of new accounting standards and amendments which became effective in 2008 as follows:

- Amendment to Philippine Interpretation IFRIC 11, *PFRS 2 – Group Treasury Share Transactions* (effective for annual periods beginning on or after March 1, 2007) requires arrangements whereby an employee is granted rights to an entity's equity instruments to be accounted for as an equity-settled scheme by the entity even if (a) the entity chooses or is required to buy those equity instruments (e.g. treasury shares) from another party, or (b) the shareholders of the entity provide the equity instruments needed. It also provides guidance on how subsidiaries, in their separate financial statements, account for such schemes when the subsidiary's employees receive rights to the equity instruments of the parent. The Group currently does not have any stock option plan and therefore, does not have a significant impact in its consolidated financial statements.
- Amendment to the Philippine Interpretation IFRIC 14, *PAS 19, The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction* (effective for annual periods beginning on or after January 1, 2008) addresses three issues (1) how entities should determine the limit places by PAS 19 Employee Benefits on the amount of a surplus in a pension plan they can recognize as an asset; (2) how a minimum funding requirement affects that limit; and (3) when a minimum funding requirement creates an onerous obligation that should be recognized as a liability in addition to that otherwise recognized under PAS 19. The adoption of this interpretation did not have significant impact on the financial statements for currently the Group does not maintain a fund asset.

The Group has not adopted the following Philippine Interpretations since these are not relevant to the Group which became effective in 2008:

- Philippine Interpretation IFRIC 12, *Service Concession Arrangements* (effective for annual periods beginning on or after January 1, 2008) addresses how service concession operators should apply existing PFRS to account for the obligations they undertake and rights they receive in service concession arrangements. It covers contractual arrangements arising from private entities providing public services.
- Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes* (effective for annual periods beginning on or after July 1, 2008) addresses how companies that grant their customer loyalty awards credit (often called "points"), when buying goods or services, should account for their obligation to provide free or discounted goods or services if and when the customers redeem the points. Under this IFRIC, companies must estimate the value of points and defer this amount of revenue as a liability until they have fulfilled their obligations to supply awards.
- Philippine Interpretation IFRIC 16, *Hedges of a Net Investment in a Foreign Operation* (effective for annual periods beginning on or after October 1, 2008) applies to an entity that hedges the foreign currency risk arising from its net investments in foreign operations and that apply hedge accounting in accordance with PAS 39. It clarifies the following issues: (a) whether risk arises from foreign currency exposure to the functional currencies of the foreign operation and the presentation currency of the parent entity's consolidated financial statements; (b) which entity within a group can hold a hedging instrument in a hedge of a net investment in a foreign operation must also hold the hedging instrument; (c) how an entity

should determine the amounts to be reclassified from equity to profit or loss for both the hedging instrument and the hedged item when the entity disposes of the investment. The main expected change in practice is to eliminate the possibility of an entity applying hedge accounting for a hedge of the foreign exchange differences between the functional currency of a foreign operation and the presentation currency of the parent's consolidated financial statements. The IFRIC recognizes the difficulty that entities would face in preparing adequate documentation from the inception of the hedge relationship and therefore requires prospective application of the guidance.

Future Changes in Accounting Policies

The Group has not applied the following new and amended PFRS and Philippine Interpretations which are not yet effective for the fiscal year ended September 30, 2009. Except for the adoption of Philippine Interpretation IFRIC 15, Agreement for Construction of Real Estate, the following new and amended PFRS and Philippine Interpretations will not significantly impact the consolidated financial statements:

Effective in 2009 for adoption on fiscal year ending September 30, 2010

- Amendment to PAS 1, *Presentation of Financial Statements, Revised*, will become effective for financial years beginning on or after January 1, 2009. In accordance with the amendment to PAS 1, the statement of changes in equity shall include only transactions with owners, while all non-owner changes will be presented in equity as a single line with details included in a separate statement. Owners are defined as holders of instruments classified as equity.

In addition, the amendment to PAS 1 provides for the introduction of a new statement of comprehensive income that combines all items of income and expense recognized in the statement of income together with 'other comprehensive income'. The revisions specify what is included in other comprehensive income, such as gains and losses on available-for-sale assets, actuarial gains and losses on defined benefit pension plans and changes in the asset revaluation reserve. Entities can 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. The Company does not expect this amendment to have a significant impact on the financial statements.

- Amendment to PAS 23, *Borrowing Costs*, will become effective for financial years beginning on or after January 1, 2009. The standard has been revised to require capitalization of borrowing costs when such costs relate to a qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. The adoption of this amendment will not have an impact on the financial statements because it was the Group's policy to capitalize borrowing costs.

- Amendments to PAS 32 – *Financial Instrument: Presentation*, and PAS 1, *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation (Amendments)*, (effective for annual periods beginning on or after January 1, 2009) have been amended to allow a limited scope exception for puttable financial instruments to be classified as equity if they fulfill a number of specified criteria.

- Amendments to PFRS 1, *First-time Adoption of PFRS- Cost of Investment in a Subsidiary, Jointly Controlled Entity or Associate*, (effective for annual periods beginning on or after January 1, 2009) 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 items) as one of the following amounts: a) cost determined in accordance with PAS 27; b) at the fair value of the investment at the date of transition to PFRS, determined in accordance with PAS 39; or c) previous carrying amount (as determined under generally accepted accounting principles) of the investment at the date of transition to PFRS.

- PFRS 2, *Share-based Payment Vesting Condition and Cancellations*, (effective for annual periods beginning on or after January 1, 2009) has been revised to clarify the definition of a vesting condition and prescribes the treatment for an award that is effectively cancelled. It defined a vesting condition as a condition that includes an explicit or implicit requirement to provide services. It further requires non-vesting conditions to be treated in a similar fashion to market conditions. Failure to satisfy a non-vesting condition that is within the control of either the entity or the counterparty is accounted for as cancellation. However, failure to satisfy a non-vesting condition that is beyond the control of either party does not give rise to a cancellation.

Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary, as well as the loss of control of a subsidiary. The changes introduced by the revised standards must be applied prospectively and will affect future acquisitions and transactions with minority interests.

- PFRS 3, *Business Combinations (Revised)*, and PAS 27, *Consolidated and Separate Financial Statements (Revised)*, will become effective for financial years beginning on or after July 1, 2009. The revised PFRS 3 introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs and future reported results. The revised PAS 27 requires that a change in the ownership interest of a subsidiary be accounted for as an equity transaction.
- PFRS 7, *Financial Statements: Disclosures* (effective for annual periods beginning on or after January 1, 2009) requires additional disclosures about the 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 three (3) level fair value hierarchy, by class, for all financial instruments recognized at fair value. In addition, reconciliation between the beginning and ending balance for level three (3) fair value measurements is now required, as well as significant transfers between levels in the fair value hierarchy.
- PFRS 8, *Operating Segment* (effective for annual periods beginning on or after January 1, 2009) replaces PAS 14, *Segment Reporting* and adopts a management approach to segment reporting. The information reported would be that which management uses internally for evaluating the performance of operating segments and allocating resources to those segments. This information may be different from that reported in the consolidated balance sheets and consolidated statements of income and entities will need to provide explanations and reconciliations of the differences. The disclosures are similar to information used internally by management and are significantly similar to previous years' presentation.
- PAS 39, *Financial Instruments: Recognition and Measurement – Eligible Hedged Items (Amendment)*, will become effective for financial years beginning on or after July 1, 2009. The amendment addresses the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. It clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. The amendment will not have any impact on the financial statements as the Group has not entered into any such hedges.

- Philippine Interpretation IFRIC 17, *Distribution of Non-cash Assets to Owners* (effective for annual period beginning on or after July 1, 2009) covers accounting for two types of non-reciprocal distributions of assets by an entity to its owners acting in their capacity as owners. The two types of distribution are:
 - a. distributions of non-cash assets (e.g., items of property, plant and equipment, businesses as defined in PFRS 3, ownership interests in another entity or disposal groups as defined in PFRS 5); and
 - b. distributions that give owners a choice of receiving either non-cash assets or a cash alternative.

This Philippine Interpretation addresses only the accounting by an entity that makes a non-cash asset distribution. It does not address the accounting by shareholders who receive such a distribution.

- Philippine Interpretation IFRIC 18, *Transfers of Assets from Customers* (effective for annual period beginning on or after July 1, 2009) covers accounting for transfers of items of property, plant and equipment by entities that receive such transfers from their customers. Agreements within the scope of this Interpretation are agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services, or to do both. This Philippine Interpretation also applies to agreements in which an entity receives cash from a customer when that amount of cash must be used only to construct or acquire an item of property, plant and equipment and the entity must then use the item of property, plant and equipment either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services, or to do both.

Effective in 2010 for adoption on fiscal year ending September 30, 2011

- Amendment to PFRS 2, *Share-based Payment: Group Cash-settled Share-based Payment Transactions*, will become effective for financial years beginning on or after January 1, 2010. This amendment clarifies the scope and the accounting for the Group cash-settled share based payment transactions. This amendment will have no impact on the consolidated financial statements of the Group, as the Group is not involved in any similar transactions.

Effective in 2012 for adoption on fiscal year ending September 30, 2012

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

The adoption of this Interpretation will be accounted for retrospectively and will result to the restatement of prior period financial statements. The adoption of this Interpretation may significantly affect the determination of the net income and the related Receivables from sales of real estate, deposit on real estate sales, deferred tax liabilities and Retained earnings accounts.

The Group is currently assessing the impact of these 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.

Improvements to Existing Accounting Standards

The following are the IASB issued omnibus of amendments to its standards, issued in May 2008 and April 2009, effective January 1, 2010, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption did not result to significant effects on the financial statements.

- PFRS 5, *Non-current 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 non-controlling interest in the subsidiary after the sale.
- PFRS 7, *Financial Instruments: Disclosures*, removes the reference to "total interest income" as a component of finance costs.
- PAS 1, *Presentation of Financial Statements*, provides that assets and liabilities classified as held for trading in accordance with PAS 39, *Financial Instruments: Recognition and Measurement*, are not automatically classified as current in the balance sheet.
- PAS 7, *Statements of Cash Flows*, provides expenditure that results in recognizing an asset can be classified as a cash flow from investing activities.
- PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, clarifies that only the implementation guidance that is an integral part of a PFRS is mandatory when selecting accounting policies.
- PAS 10, *Events after the Balance Sheet Date*, clarifies that dividends declared after the end of reporting period are not obligations.
- PAS 16, *Property, Plant and Equipment*, replaces the term "net selling price" with "fair value less costs to sell". It further clarifies that items of property, plant and equipment held for rental that are routinely sold in the ordinary course of business after rental are transferred to inventory when rental ceases and they are held for sale.
- PAS 18, *Revenue*, replaces the term "direct costs" with "transaction costs" as defined in PAS 39, *Financial Instruments: Recognition and Measurement*.
- PAS 19, *Employee Benefits*, revises the definition of past service costs, return on plan assets and short-term and long-term employee benefits. Amendments to plans that result in reduction in benefits related to future services are accounted for as curtailment. It deletes the reference to the recognition of contingent liabilities to ensure consistency with PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*.
- 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. The difference between the amount received and the discounted amount is accounted for as government grant. Various terms were revised to be consistent with other PFRS.
- PAS 23, *Borrowing Costs*, revises the definition of borrowing costs to consolidate the two types of items that are considered components of borrowing costs into one – the interest

expense calculated using the effective interest method calculated in accordance with PAS 39, Financial Instruments: Recognition and Measurement.

- PAS 27, *Consolidated and Separate Financial Statements*, states that when a parent entity accounts for a subsidiary in accordance with PAS 39, Financial Instruments: Recognition and Measurement, in its separate financial statements, this treatment continues when the subsidiary is subsequently classified as held for sale.
- PAS 28, *Investment in Associates*, establishes that if an associate is accounted for at fair value in accordance with PAS 39, Financial Instruments: Recognition and Measurement, 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.
- PAS 29, *Financial Reporting in Hyperinflationary Economies*, revises the reference to the exception to measure assets and liabilities at historical costs, such that it notes property, plant and equipment as being an example, rather than implying that it is a definitive list. Various terms were revised to be consistent with other PFRS.
- PAS 31, *Interest in Joint Ventures*, provides that if a joint venture is accounted for at fair value in accordance with PAS 39, Financial Instruments: Recognition and Measurement, only the requirement 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 34, *Interim Financial Reporting*, requires that earnings per share be disclosed in interim financial reports if an entity is within the scope of PAS 33, *Earnings per Share*.
- PAS 36, *Impairment of Assets*, provides that if discounted cash flows are used to estimate "fair value less costs to sell," additional disclosure is required about the discount rate, consistent with the disclosures required when the discounted cash flows are used to estimate "value in use."
- PAS 38, *Intangible Assets*, requires that expenditure on advertising and promotional activities is recognized as an expense when the Group has either the right to access the goods or has received the services.
- PAS 39, *Financial Instruments: Recognition and Measurement*, changes in circumstances relating to derivatives are not reclassification and therefore maybe either removed from, or included in, the "fair value through profit or loss" (FVPL) classification after initial recognition. It removes the reference to a segment when determining whether an instrument qualifies as a hedge. It further requires the use of the revised effective interest rate when remeasuring a debt instrument on the cessation of fair value hedge accounting.
- PAS 40, *Investment Property*, revises the scope such that property under construction or development for future use as an investment property is classified as investment property. If fair value cannot be reliably determined, the investment under construction will be measured at cost until such time that fair value can be determined or construction is complete. It revises the conditions for a voluntary change in accounting policy to be consistent with PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, and clarifies that the carrying amount of investment property held under lease is the valuation obtained, increased by any recognized liability.
- PAS 41, *Agriculture*, removes the reference to the use of pre-tax discount rate to determine fair value. It likewise removes the prohibition to take into account cash flows resulting from any additional transformations when estimating fair value. Furthermore, it replaces the term "point-of-sale costs" with "costs to sell".

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.

The Group has engaged the services of CG & Co. during the two most recent fiscal years. There were no disagreements with CG & Co. on any matter of accounting and financial disclosure.

Attendance of Accountants at the Meeting

Representatives of the Corporation's external accountants, CG & Co., for the Fiscal Year 2009, are expected to be present at the Annual Stockholders' Meeting scheduled on 26 August 2010. Said accountants will be given the opportunity to make a statement if they desire to do so and will be available to respond to appropriate questions on the Corporation's financial statements.

BUSINESS AND GENERAL INFORMATION

Fil-Estate Land, Inc. ("FELI" or the "Company") was incorporated on 18 May 1994 to consolidate the real estate interests and development activities of the Fil-Estate Group of Companies. FELI is also tasked to engage in land acquisitions and to maintain an inventory of raw land for future development by its subsidiaries. FELI went public in November 1995 when its common shares were listed in the Philippine Stock Exchange (PSE).

FELI has three wholly owned development companies, namely, Fil-Estate Properties, Inc. ("FEPI"), to engage primarily in residential subdivision and condominium development, Fil-Estate Golf and Development, Inc. ("FEGDI"), to engage primarily in golf and leisure development and Fil-Estate Urban Development Corporation (FEUDC) for the development of certain residential and commercial projects.

FELI also owns 20% of the equity of each of the five (5) marketing companies, namely Fil-Estate Realty Corporation, Fil-Estate Marketing Associates, Inc., Fil-Estate Network, Inc., Fil-Estate Sales, Inc. and Fil-Estate Realty Sales Associates, Inc. All of the Company's properties are marketed through these marketing companies.

FELI is one of the leading property development and marketing companies in the Philippines and has operated through predecessor companies since 1981. The Company engages primarily in the horizontal development of residential subdivision lots, integrated residential, golf and other leisure-related properties, and vertical development of mixed-use towers in Metro Manila.

The Company reduces its capital exposure substantially by acquiring its land bank through joint ventures with landowners. These agreements generally provide that the Company will undertake the development and marketing of the project.

PLAN OF OPERATION

The company will continue to focus on certain key markets that have continued to experience growth.

Its primary market will remain to be the socialized, low cost and affordable segments of the housing market. Demand in these segments remains strong and unmet. These markets enjoy support of Pag-ibig Financing Facilities of up to 30 years. Developmental loans are also available as well as incentives from Board of Investments (BOI) for developers of projects for these segments. Sales of residential lots up to P1.5 Million and house and lot units or condominium units up to P2.5 Million are also exempt from Value Added Tax (VAT). The company has launched The Steps in Sto. Domingo Project in Quezon City.

The tourism industry is another segment that has exhibited growth. Tourist arrivals in the top local sixteen destinations went up by 17% reaching to 5.2 million in the third quarter of 2009. Among the top 4 destinations are Boracay and Baguio. The company has launched a condotel project in Boracay and another one in Camp John Hay, Baguio.

The third segment that continues to exhibit growth is the Business Process Outsourcing (BPO) sector. As demand for office space for BPOs continues, the company intends to build a BPO campus in Southwoods Ecocentrum.

To further strengthen the efforts of the in-house marketing organization, the company shall continue to work with the banks and government financial institutions to provide end-buyer financing for the projects and shall utilize Contract to Sell (CTS) facilities to convert receivables from in-house sales into cash.

The Company's strategic direction can be summarized/encapsulated in this eight (8) point plan;

1. **Debt Refinancing** – The Company will refinance its short term foreign loans to longer-term peso denominated loans. It also plans to raise funds to settle the LIM Convertible Bonds maturing on year 2012.
2. **Pursue Project Financing for Vertical Projects** – The Company will aggressively pursue project financing for its affordable housing segments like the 8 Sto. Domingo Tower and the Steps in 8 Sto. Domingo, Quezon City and Capitol Plaza, also located in Quezon City.
3. **Liquefy Matured Assets** – Highly marketable matured assets can become a major source of funds for the company like the FEPI Lot pads in Boracay with estimated worth of around P3 – 5 Billion and the Las Piñas Parklane property with estimated worth of around P 1 Billion.
4. **Develop Projects that will yield recurring revenues** – The Company will continue to focus on developing Projects with recurring income like the Southwoods Ecocentrum BPO and Commercial Complex, the North Triangle BPO & Mixed-use Development.
5. **Finalize Joint Venture and Joint Development for the Leisure Projects** - There are major assets of the company in forms of properties and development rights like the Nasugbu Harbortown, Tagaytay Twin Lakes, Boracay Properties and Renaissance 5000 Condotel that can be contributed into joint venture arrangements with strategic partners for development.
6. **Increase affordable housing inventories** - As the company's primary target market remains to be the socialized, low cost and affordable segments of the housing market, it will continue to create inventories for said market like the Southwestern

Residential Development (next to Southwoods Phase 1&2), in Carmona Cavite, the Naic Residential Development, also in Cavite, and the Pioneer Central Park Place in Mandaluyong City.

7. Support and develop strong performing projects - The company will also focus on the development of strong performing projects like the Sta. Barbara Heights in Iloilo, Riverina residential project in San Pablo City, Laguna, Holiday Homes in Gen. Trias, Cavite and the Scout Hills Forest Cabin units in Camp John Hay, Baguio City.

8. Maximize MRT-related Development Projects – With the company's shareholdings in MRT Development Corporation, revenues from the advertising and commercial leasing operations can be upstreamed.

In the meantime, the company shall continue to reduce costs. Manpower has been further reduced from 224 in 2008 to 189 in 2009 and to 159 in 1st half of 2010, resulting in further reducing operating expenses.

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

Key Performance Indicators

LEVERAGE OR LONG-RANGE SOLVENCY RATIOS

	September 30, 2009	September 30, 2008	Change Increase (Decrease)
Debt to Total Assets	37.4%	37.11%	0.29%
Equity to Total Assets	62.6%	62.89%	(0.29%)
Debt to Equity	59.76%	59.01%	0.75%

Debt to Total Assets

It shows the creditors contribution to the total resources of the organization. The increase was due to loan availed by the company's subsidiary.

Equity to Total Assets

It shows the extent of owners' contribution to the total resources of the organization. There is a slight decrease compared to last year due mainly to loss incurred during the year.

Debt to Equity

It relates the exposure of the creditors to that of the owners. To date, the creditors' exposure is slightly higher than that of the owners. The increase was brought about by additional loans availed during the year.

ACTIVITY RATIOS

	September 30, 2009	September 30, 2008	Change Increase (Decrease)
Assets Turnover	2.50%	1.43%	1.07%
Equity Turnover	3.99%	2.27%	1.73%

Assets Turnover

It measures the level of capital investment relative to sales volume. The slight increase was due to increase in sales realized during the year.

Equity Turnover

It tests the productivity of the owners' investments. The slight increase was due to increase in sales realized during the year.

PROFITABILITY RATIOS

	September 30, 2009	September 30, 2008	Change Increase (Decrease)
Earnings per Share	₱ (0.040)	₱ 0.028	₱ (0.0068)
Book Value per Share	₱ 2.825	₱ 2.874	₱ (0.049)

Earnings per Share (EPS)

It indicates the earnings for each of the common shares held. The EPS for the year decreased by ₱ 0.0068 because of the net loss incurred during the year.

Book Value per Share

It shows the value of each common share based on the recorded net assets. The book value per share slightly decreased due to net loss incurred during the year.

Others

Events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation;

Omnibus Agreement with LIM Asia Arbitrage:

On March 5, 2007, the Fil-Estate Urban Development Corporation (borrower), a subsidiary together with FELI (guarantor) entered into Omnibus Agreement ("agreement") with LIM Asia Arbitrage Fund, Inc. (LIM Asia, lender) for a US\$10.5 million loan facility (to be registered with Bangko Sentral ng Pilipinas) and a US\$2 million loan facility. The facility is being extended for five (5) years from the signing date.

Under the agreement, the following are the conditions of the security for the drawdown under the facility:

1. The chattel mortgage the guarantor shall execute pursuant to the agreement, to constitute a chattel mortgage over 100% of the total issued and outstanding shares of the capital stock of the borrower to be registered with the Chattel Mortgage Registry and delivered to the trustee (HSBC).
2. A signed and irrevocable proxy from the guarantor as the owner of the shares in favor of the lender to be held by the trustee. The proxy shall be delivered by the trustee to the lender upon the lender's notice to the trustee of there being an event of default. The proxy must provide for full voting rights over the 100% of the borrower's shares to be given to the lender.

3. Signed and undated irrevocable resignation notices of all borrower's directors to be held by the trustee and delivered to the lender upon the lender's notice to the trustee of there being an event of default which remains unremedied after the lapse of the applicable remedy period.

Each drawdown shall specify a project for which the fund shall be used.

Moreover, FEUDC, as the borrower, will not, unless the lender otherwise agree in writing;

- a. Merge or consolidate with any other entity or take any step with a view to dissolution, liquidation or winding up;
- b. Purchase or redeem any of its issued shares or reduce its share capital;
- c. Declare or pay any dividends or make any other income distribution to its stockholders;
- d. Establish or acquire any subsidiary or affiliate;
- e. Undertake any business activity other than transactions contemplated by the Finance documents;
- f. Change the nature of its business;
- g. Grant any loan or advance, guarantee;
- h. Incur any other indebtedness;
- i. Enter into any agreement or obligation which might mutually and adversely affect its financial consolidation.

Drawdown Pursuant to the Omnibus Agreement with LIM Asia Arbitrage:

The P230 million loans payable were obtained by FEUDC pursuant to Omnibus Agreement with LIM Asia Arbitrage Fund Ltd. (LIM Asia).

The P100 million loan was coursed through loan line facility provided by Hongkong and Shanghai Bank Corporation (HSBC). The loan was obtained on May 25, 2007 and is due for payment on November 25, 2008, with interest rate at 10% per annum for 18-month term payable in four equal installments quarterly in advance from the date of drawdown with a six month initial grace period. The loan is secured by a security deed and cash deposits amounting to USD\$2.5 million held under lien with HSBC Institutional Trust Services Asia Limited Hong Kong placed by LIM Asia. The said loan was secured to fund Cathedral Heights Townhouse Project (CHTP). The peso loan was renewed for another 12 months upon maturity and is due for payment in October 2009. In 2009, the maturity was further extended up to May 2010.

The P130 million loan was obtained on August 3, 2007 and is due for payment 24 months from date of drawdown, with interest at 10% per annum payable in four equal installments, quarterly in advance from the date of drawdown with a six month initial grace period. The said loan was secured to fund Boracay Villas project. The drawdown was made in US Dollars and is likewise payable in US Dollars.

Drawdown security in favor of LIM Asia are as follows:

1. Real estate mortgage and security interest over townhouse units of the Project;
2. Assignment by way of security of all the rights, title, interest and benefits (but not the obligations) of FEUDC in or arising from the following:
 - a. Facility account of the drawdown;
 - b. Project documents (Assigned Contracts);
 - c. Insurance claims and proceeds;
 - d. Receivables due on previous sales of CHTP amounting to P37.1 million shall be assigned to the secured account;

- e. All receipts, sales revenue, receivables and all existing and future revenues generated from sale of all other units which are not subject to encumbrance constituted as core security under the Omnibus Agreement;
- f. All licenses, approvals, consents and contracts relating to the Project to the full extent allowed under applicable laws and regulations.

As of fiscal year ended 30 September 2009, there are no material events and uncertainties known to management that would have an impact on the future operations such as:

- a. Material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period;
- b. Known trends, demands, commitments, events or uncertainties that would have impact on the Company;
- c. Material commitments for capital expenditures, the general purpose of such commitment and the expected sources of funds for such expenditures;
- d. Known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on the net sales/revenues/income from continuing operations;
- e. Significant elements of income or loss that did not arise from the Company's continuing operations;
- f. Causes for any material changes from period to period in one or more line item of the Company's financial operations; and
- g. Seasonal aspects that had a material effect on the financial condition or results of the operations

RESULTS OF OPERATIONS

2009 vs 2008

Consolidated revenues decreased to **P642 million**, down by 29% from the previous year's revenues primarily due to the effect of the non-recurring guarantee income received from CJH DevCo as guarantor for its wholly owned subsidiary, FEUDC, for the completion of the CJH Suites and Forest Cabins which was recognized the previous year.

The Company incurred a **Net Loss of P134 Million** in 2009. Losses were incurred as a result of a decrease in service and rental income, gain on sale of assets, guarantee income and an increase in operating and financial expenses. The company has developed strategies to recover from losses incurred. Several projects were completed or is near completion during the year and is expected to bear fruit the coming years like the Cathedral Heights Townhouse Project in Quezon City, the Villas Maria & Margarita Condotel Project in Boracay, Camp John Hay Suites & Forest Cabins in Camp John Hay, Baguio City.

Service and Rental Income went down by **P45 Million** to **P121 Million** due to reduced income from golf course maintenance contracts.

Interest income from the amortization of due from other realty and development companies, temporary investment of unutilized funds and unrealized foreign exchange gains were the major contributors of increased **Financial Income** of the Company which accounted for **P200 million** of the total consolidated revenues or an increase of 69% from previous year's level of **P131 million**.

Equity in Net Earnings of Associates and Joints Ventures of **P15 million** was recognized during the year compared to Net Loss of Associates and Joint Ventures of **P11 million** the previous year.

Other income generated by the company increased by **P52 million** to **P129 million** primarily due to gain on dacion en pago transactions.

Financial expenses went up to **P281 million** from **P244 million** the previous year due to unrealized and realized foreign exchange losses, interest expense on convertible bonds and increase in amortization of due to other realty and development companies.

Cost of services is at **P73 million**, with a **30%** reduction from previous year's level of **P105 million** due to decrease in maintenance contracts.

2008 vs 2007

Consolidated revenues increased to **P906 million**, up by **35%** from the previous year largely due to guarantee income received from CJH DevCo as guarantor for its wholly owned subsidiary, FEUDC, for providing funds for the completion of the CJH Suites and Forest Cabins.

The Company performed better in 2008 as it posted a **Net Income** of **P92.5 Million**, **59% higher** than the **P58.3 Million** level the year before. The increased in income was primarily due to guarantee income, and increase in financial income and service and rental income.

Service and Rental Income went up by **P21 Million** to **P167 Million** due to increase in income generated from golf course maintenance contracts.

Gross profit on Sale of Real Estate went down to **P202 Million** from **P280 Million** the previous year despite an increase in **Sales of Real Estate** by **10%** or **P39 million**. The decline was due to adjustments on realization of profit related to the sales during the period

Interest income from temporary investment of unutilized funds and unrealized foreign exchange gains were the major contributors of increased **Financial Income** of the Company which accounted for **P131 million** of the total consolidated revenues or an increase of **35%** from previous year's level of **P97 million**.

Operating expenses increased slightly, up by **3%** or **12.5 million** to **P405 million**.

Financial expenses went up to **P244 million** from **P75 million** the previous year due to unrealized and realized foreign exchange losses, interest payments in relation on outstanding loans and increase in discount charges in valuation of payables.

Cost of services is at **P105 million**, with a **14%** reduction from previous year's level of **P122 million**. The decrease is due to reduction in the purchase of materials and labor for golf course maintenance.

Equity in Net Losses of Associates and Joints Ventures decreased by **6%** at **P10.9 million** as compared to **P11.6 million** level last fiscal year due to net income realized for the period by Associates and Joint Ventures.

2007 vs 2006

The Company performed better in 2007 as it posted a **Net Income** of **P58.30 Million**, **193% higher** than the **P19.90 Million** level the year before. Incremental profit was derived from improved sales of Real Estate & Golf Club and Resort Shares and increased revenue generated from service and rental income, a huge increase in other income, and a decrease in financial expenses.

Service and Rental Income went up by **P19.9 Million** or **16%** to **P145.8 Million** caused by higher income on golf course maintenance contracts.

Certain assets of a subsidiary were sold during the year resulting to a **P113 Million** gain.

Interest payments made by buyers on account of Installment sales were the major contributor of **Financial Income** of the Company as it increased by **7%**.

Losses incurred by some associates during the year were the main reason on the decrease in **Equity in Net Earnings of Subsidiaries, Associates and Joint Ventures**.

Sale of certain assets by the Company during the year resulted to a **P26.4 Million** or **354%** increase in **Other Income**.

Operating expenses of **P392 Million** showed a **P39.4 Million** or **11%** increase from the previous year's level attributed mostly to higher professional fees paid for outside services, increase in payment of taxes and licenses, depreciation and amortization, repairs and maintenance and other operating expenses.

Reduction of 23% in **Financial Expenses** was mainly caused by the retirement of certain loans.

Other expenses incurred were higher by **P5.1 Million** or **405%** as compared to the previous year of **P1.2 Million** mainly due to loss on refunds to buyers recognized during the year.

FINANCIAL CONDITION

2009

Consolidated Assets as of September 30, 2009 totaled **P15.1 billion**, slightly lower than the **P15.3 billion** the previous year.

Cash and Cash Equivalents decreased by **41%** from **P329 million** to **P193 million** due to utilization of funds for the completion of various projects and operating expenses.

Receivables-net went up by **P293 million** to **P1.038 billion** from previous year's level of **P745 million**. The increase in Installment Contract Receivables and advances to contractors and suppliers contributed to the **39%** increase in receivables as of end September 2009.

Due from related parties decreased from **P1.011 billion** to **P868 million** due to payments and or offsetting arrangements made by related parties.

Due from other realty and development companies decreased from **P674 million** to **P525 million** primarily due to receivables which were carried at amortized cost and is therefore subjected to yearly amortization.

Landheld for future development amounted to **P1.8 billion**.

Investment Properties held for lease were up by **P2.8 million** to **P48.3 million**.

Deferred Tax Assets decreased by 6% or **29 million** on account of realized gross profit on sale of Real Estate and Golf Club and Resort Shares during the year.

Deferred charges and other non current assets stood at **P53 million**, up from previous year's level of **P46 million**.

Bonds Payable amounted to **P1.17 billion** on account of the issuance of a five (5)-year and one day fixed rate convertible bonds with a total face value of **US\$25 million**. Proceeds from the issuance of the convertible bonds were received in November 2007 and January 2008.

Loans in the amount of **P234 million** was availed by a subsidiary for the completion of projects in Camp John Hay, Baguio City.

Accounts payable and other current liabilities decreased by 23% or **P380 million** from **P1.6 billion** in 2008 to **P1.3 billion** in 2009. Payment to contractors and suppliers for various ongoing projects attributed to the decrease in accounts payable.

Due to related parties stood at **P451 million**, as compared to **P323 million** the previous year mainly due advances made by related parties on behalf of the company.

Due to other realty and development companies decreased by **P81 million** from the **P374 million** level due to retirement of some payables.

Other Non-current Liabilities amounted to **P69 million**, up from the **P57 million** level the previous year.

2008

The Company maintains a prudent financial strategy as it faces a more competitive and challenging environment. The Company's consolidated balance sheet reflects a stable financial growth. **Consolidated Assets** as of September 30, 2008 totaled **P15.2 billion** compared from **P14 billion** the previous year, registering an 8% increase.

Cash and Cash Equivalents increased by 62% from **P203 million** to **P329 million** due to remaining unutilized proceeds of convertible bonds that was temporarily invested in money market placements.

Receivables-net went up by **P144 million** to **P1.031 billion** from previous year's level of **P887 million**. Increase in Installment Contract Receivables and various advances to contractors and suppliers contributed to the 16% increase in receivables as of end September 2008.

Due from related parties increased from **P912 million** to **P1.33 billion** largely due to 45% increase in due from various joint venture partners.

Due from other realty and development companies amounted to **P881 million** or an increase of 19% from previous year of **P739 million**. The increase is due to advances made to these related parties on certain transactions.

Landheld for future development amounted to **P1.9 billion**.

Investment Properties went down by **P6.5 million** due to depreciation and amortization.

Deferred Tax Assets decreased by 16% or **88 million** on account of realized gross profit on sale of Real Estate and Golf Club and Resort Shares during the year.

Bonds Payable amounted to **P1.17 billion** on account of the issuance of a five (5)-year and one day fixed rate convertible bonds with a total face value of **US\$25 million**. Proceeds from the issuance of the convertible bonds were received in November 2007 and January 2008.

Loans in the amount of **P134 million** was availed from a stockholder and a **P100 million** peso loan was renewed for another 12 months to mature on October 2009.

Accounts payable and other current liabilities increased by 6% or **P87 million** from **P1.43 billion** in 2007 to **P1.51 billion** in 2008 due to various supplies and services made by suppliers and contractors.

Due to related parties stood at **P296 million**, with an increase of 27% as compared to **P234 million** from previous year. The increase can be traced on various sales of inventories and payment to third parties on behalf of the related parties.

Deposit on real estate sales went down by **P148 million** or 9% as recognition of real estate sales were made during the year.

Due to other realty and development companies decreased by **P55 million** from the **P516 million** level the previous year due to remittance of share on sale of real estate to various joint venture partners.

Deferred Tax Liabilities went down by **16%** or **P51 million** as tax effects on capitalized interest and deferred commissions were reduced.

Other Non-current Liabilities amounted to **P57 million**, an **11% (6.9 million)** decrease from the **P64 million** last year.

2007

FELI's consolidated Total Assets as of September 30, 2007 stood at **P14.5 billion**, a **1.74%** growth from the end-September 2006 level of **P14.25 billion**.

Cash and cash equivalents of **P203 million** was **477%** higher than the **P35 million** level as of September 30, 2006. This can be traced to the remaining proceeds from the **P230 million** loan of a subsidiary in relation to the Omnibus Agreement with Lim Asia Arbitrage Fund, Inc.

Receivables-net increased by **P122 million** or **16%** higher than the **P774 million** level as of September 30, 2006 due sale of real estate inventories, advances to contractors and suppliers.

Prepaid expenses & other current assets went down to **P298 million** from **P387 million** or a **23%** decrease from last year's level. This can be traced on various input tax credits applied during the year.

Due from other Realty and Development Companies amounted to **P738 million** or an increase of **36%** from the **P543 million** level as of end-September 2006.

Land Held for Future Development stood at **P1.9 billion** from the **P2.05 billion** level from the previous year. The slight decrease was due to the sale of certain land held by the Company for future development.

Investment Properties amounted to **P43.3 million**, lower by **25% (P58.1 million)** year on year due to depreciation and amortization.

Deferred Charges and other Assets of **P92 million** was **423%** higher than the previous year level of **P17.6 million** mainly due to the increase in commissions deferred for the period as a result of the change in the method of recognition of revenues and expenses.

Due to Related Parties-net decreased from **P1.025 billion** to **P660 million** or a **36%** reduction year on year on the account of retirement of certain payables.

Deferred Income on Real Estate Sales was at **P1.53 billion**, a **7% (P110 million)** lower than the previous' year amount of **P1.64 billion** due to recognition of sales during the year.

Loans payable stood at **P229 million** on account of the loan obtained by a subsidiary pursuant to the Omnibus Agreement entered into with Lim Asia Arbitrage Fund, Inc.

Due to Other Realty & Development Companies increased by **P102 million (25%)** to **P516 million** from last year's level of **P413 million**.

Other Non-current Liabilities amounted to **P64 million**, an **11% (6.1 million)** increase from the **P58.1 million** last year.

Capital Stock was **13% (P347 million)** higher at **P3.066 billion** from the **P2.72 billion** end September 2006 level due to additional subscriptions during the reporting period.

Interim Period - Second Quarter 2010 (October 2009- March 2010)

RESULTS OF OPERATIONS

Revenues for the six-month period amounted to **P 311 million**. The Company's sales of real estate and golf club and resort shares of **P 123 million** came mainly from sale of condominium units in Sto Domingo, Quezon City, condotel units and forest cabins in Camp John Hay, Baguio City, residential subdivision lots in Manila Southwoods in Cavite, Forest Hills in Antipolo City, Riverina in San Pablo City, Goldridge Estate in Guiguinto Bulacan, Puerto Del Mar in Lucena City, Plaridel Heights in Bulacan, Holiday Homes in Gen. Trias Cavite City, Bentley Park in Antipolo City, Monte Cielo De Naga in Bicol, Puerto Real De Iloilo in Iloilo City and golf club and resort shares in Fairways and Bluewaters in Boracay. Income from rentals and contract services of various golf course maintenance contracts amounted to **P 49.8 million**. Balance of revenues were contributed by Financial Income (**P60.3 million**) and Other Income (**P77.9 million**)

Increase in Net Income

The company posted a **P32.1 million** Net Income for the six-month period ended March 31, 2010, as compared to a **P60.6 million** net loss incurred the year before primarily due to decrease in cost and expenses by **P140 million** and an increase of **P32 million** in other income.

As a result, Earnings per share moved up to **P 0.0096** from the previous year's **P (0.01809)**.

Major Movements of Income Statement Accounts are as follows:

- **43% Decrease in Sale of Real Estate and Golf Club and Resort Shares** – Sale of real estate and golf and resort shares went down by **P92 million or 43%** as compared to the previous year's level due to lower sales volume generated during the year.
- **16% Decrease in Service and Rental Income** – Service and rental income for the period ending March 31, 2010 down by **P9.6 million to P49 million** from the **P 59.4 million** level as less income was generated from golf course maintenance contracts.
- **331% Decrease in Equity in Net Earnings of Subsidiaries, Associates and Joint Ventures** – Share in equity in net earnings of subsidiaries, associates and joint ventures was a loss of **P2.55 million** from previous year's gain of **P1.1 million**.
- **77% Increase in Financial Income** – Financial income is up by **P26.3 million to P60.3 million** mainly due to amortization of deferred interest on receivables carried at amortized cost.
- **66% Increase in Other Income** – The increase in other income by **P32 million** is mainly due to unrealized foreign exchange gain on restatement of dollar denominated loans and Convertible Bonds .

- **46% Decrease in Cost of Real Estate and Golf Club and Resort Shares Sold** - As a result of decreased Sales, Cost of Sales also went down by **P48.9 million (46%)** to **P56.3million** from last year's level of **P105.3 million**.
- **16% Increase in Cost of Services** - Cost of Services is up by **P2.5 million (16%)** to **P18 million** from last year's level of **P15.7 million** due to inflation and increase in prices of materials for golf course maintenance.
- **36% Decrease in General & Administrative Expense** – With the Company's continued effort to cut costs, General and Administrative Expenses dropped to **P115.7 million** from **P181.6 million** the previous year or a decrease of **36%**.
- **150% Increase in Commission Expense** – Commissions paid during the period up by **P7.4 million** from the previous year's level of **P4.9 million** on account of sales volume generated.
- **49% Increase in Financial Expense** – Financial expense during the period went up to **P48.6 million** from the previous year's level of **P32.4 million**. Interest expense on loans accounted for **P30 million** of the financial expenses.
- **76% Decrease in Other Expenses** – Other expenses went down by **P52 million** to **P16 million** as compared to **P67.9 million** level the previous year as lesser losses on refunds were recognized during the year.

FINANCIAL CONDITION

Consolidated Total Assets as of March 31, 2010 is **P14.91 billion**, down by **1.32%** as of end September 2009. Following is a brief discussion of the movements of assets and liabilities of the company during the period:

- **Cash and cash equivalents** decreased by **P115 million (59%)** to **P77 million** from the end of September 2009 level of **P193 million** due to utilization of funds for the settlement of payables and other obligations of the company.
- **Receivables – net** went down by **P192 million (18%)** to **P1.078 billion** from the end September 2009 level of **P1.270 billion** on account of various settlement of receivables and advances by buyers, contractors and suppliers .
- **Real Estate and golf shares and resort shares for sale** – stood at **P7.09 billion** as of end March 2010.
- **Due from Related Parties** decreased by **14%** to **P742.5 million** from the **P868 million** level as of end September 2009 due to settlement or offsetting arrangements made by affiliates.

- **Due from other realty and development companies** – moved up by **P278 million** from **P525 million** as of September 30, 2009 primarily due to receivables which were carried at amortized cost and is therefore subjected to yearly amortization.
- **Land held for future development** – remains at **P1.8 billion**.
- **Investment Properties – Net** went down by **P11.73 million** to **P 36.6 million** due to depreciation and amortization.

Bonds payable stood at **P1.130 billion** down by **P59.3 million** from the September 30, 2009 level of **P1.189 billion** as a result of the movements in foreign currency exchange rates.

Loans payable decreased to **P460 million** from the **P468 million** level as of end September 2009.

Accounts payable and other liabilities decreased to **P1.16 billion** from the **P1.3 billion** level as of end September 2009 mainly due to retirement of company's payables.

Retained Earnings moved up to **P4.557 billion** attributed mainly to the **P32.1 million** net income for the 2nd quarter ending March 31, 2010.

AUDIT AND AUDIT-RELATED FEES

For the audit of the Corporation's financial statements provided by the external auditors in connection with statutory and regulatory filings for the last two fiscal years, the aggregate audit fee was approximately P 2.7 million in 2009 and P2.8 million in 2008.

No other assurance and related services have been rendered by the external auditors to the Corporation other than the items discussed above.

Item 9. Market for Registrant's Common Equity and Related Stockholder Matters

(1) Stock Prices

Fil-Estate Land, Inc. common shares are listed in the Philippine Stock Exchange. Share prices have been retroactively adjusted to reflect the effects of stock dividends paid by the Company up to 30 September 2009.

Year	Philippine Stock Exchange Average Closing Price per Share (P)	
	High	Low
2010		
First Quarter	0.35	0.33
Second Quarter	0.42	0.40
As of July 27, 2010	0.39	0.38

2009

First Quarter	0.25	0.24
Second Quarter	0.24	0.18
Third Quarter	0.33	0.24
Fourth Quarter	0.37	0.29

2008

First Quarter	1.07	1.03
Second Quarter	0.82	0.79
Third Quarter	0.55	0.53
Fourth Quarter	0.42	0.41

2007

First Quarter	0.72	0.70
Second Quarter	0.86	0.82
Third Quarter	0.93	0.89
Fourth Quarter	1.18	1.12

The market capitalization of FELI as of 27 July 2010 based on the closing price at P0.39 per share of FELI's shares at that date, was approximately P1.306 billion.

(2) Holders

The number of shareholders of record as of 02 July 2010 was approximately 4,832.

TOP 20 STOCKHOLDERS AS OF RECORD DATE 02 JULY 2010

No.	Stockholder	No. of Shares	% of Ownership
1	Fil-Estate Management, Inc.	1,883,378,007	56.22%
2	PCD Nominee Corporation (Filipino)	1,127,594,342	33.66%
3	PCD Nominee Corporation (Foreign)	88,968,285	2.66%
4	Jaime Borromeo	61,874,000	1.85%
5	Angping & Associates Securities, Inc.	13,775,750	0.41%
6	Roberto N. Del Rosario	13,449,150	0.40%
7	Dynaland Properties & Developers, Inc.	11,700,002	0.35%
8	CAP Pension Trust Fund	9,263,280	0.28%
9	Greenfield Development Corporation	8,640,000	0.26%
10	John T. Lao	7,035,100	0.21%
11	Lucio W. Yan	5,755,000	0.17%
12	Maximino S. Uy &/OR Lim Hue Hua	5,478,400	0.16%
13	Richard L. Lao	4,617,990	0.14%
14	Southern Heights Land Dev't. Corporation	4,219,815	0.13%
15	Cedar Commodities, Inc.	4,000,000	0.12%
16	Romeo G. Roxas	3,716,000	0.11%
17	Avesco Marketing	3,512,106	0.10%
18	Catalina Pua Li Lao	3,452,670	0.10%
19	Wilbur Chan	3,055,835	0.09%
20	RBL Fishing Corporation	2,924,998	0.09%

(3) Dividends

The retained earnings account as of 30 September 2009 is restricted from being declared as dividends to the extent of the undistributed net earnings of subsidiaries, associates and joint ventures amounting to P4.5 billion in 2009 and P4.6 billion in 2008. No declaration of cash dividends was made in the last four (4) years.

(4) Sales of Unregistered or Exempt Securities

For the fiscal year 2009, commencing October 1, 2008 up to September 30, 2009, there are no transactions relating to sales of unregistered or exempt securities.

Discussion on Compliance with Leading Practice on Corporate Governance

The Corporation had adopted the Self-Rating System on Corporate Governance being implemented by the Securities and Exchange Commission through SEC Memorandum Circular No. 5, Series of 2003 to assess compliance with leading practices on corporate governance. The Compliance Officer meets with the directors and top-level management from time to time to evaluate compliance with the Corporation's Manual on Corporate Governance.

In order to comply fully with the adopted leading practice on good corporate governance, the Compliance Officer is present at all meetings of the Board of Directors and closely coordinates with the Chairman and the President to ensure full compliance with the adopted leading practices on good corporate governance. The Compliance Officer furnishes the Board of Directors and top-level management with copies of new rules, regulations, circulars and orders of the Securities and Exchange Commission and the Philippine Stock Exchange to continuously update its Directors and top-level management with new requirements for compliance with leading practices on corporate governance. In addition, the Compliance Officer requires and encourages its Directors and top-level management to attend seminars on good corporate governance.

There are no material deviations to date from the Corporation's Manual of Corporate Governance. The Board has no immediate plans to adopt new policies for corporate governance.

Undertaking to Provide Annual Report

The Corporation undertakes to provide each stockholder without charge a copy of its Annual Report on SEC Form 17-A upon written request addressed to either of:

Mr. Roberto S. Roco
Corporate Information Officer
5th Floor Renaissance Tower
Meralco Ave., Pasig City

Banco de Oro Unibank, Inc.
Stock Transfer Department
Makati Ave. Cor. H.V. dela Costa St.
Makati City

COVER SHEET

A S 0 9 4 - 0 0 4 4 6 2
SEC. Registration Number

F I L - E S T A T E L A N D , I N C .

(Company's Full Name)

7 T H F L O O R R E N A I S S A N C E T O W E R S
M E R A L C O A V E N U E , P A S I G C I T Y
(Business address: No. Street City / Town / Province)

ATTY. ALICE ODCHINGUE-BONDOC
Contact Person

6 3 7 - 0 1 0 0
Company Telephone Number

0 9 3 0
Month Day

A A F S
FORM TYPE

0 3 1st Thursday
Month Day

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. of Stockholders

Total amount of borrowings
Domestic Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS



February 5, 2010

Securities and Exchange Commission
SEC Building, EDSA, Greenhills
Manadaluayong City

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

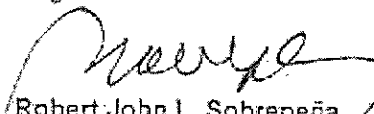
The management of Fil-Estate Land, Inc. and Subsidiaries is responsible for all information and representations contained in the consolidated financial statements as of September 30, 2009 and 2008 and for each of the three years in the period ended September 30, 2009. The consolidated financial statements have been prepared in accordance 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 controls 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 other employees who exercise significant roles in internal controls.

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

Constantino Guadalquivir & Co. (CG&Co.), the independent auditors appointed by the stockholders, has examined the consolidated financial statements of the Company and its subsidiaries in accordance with Philippine Financial Reporting Standards and has expressed its opinion on the fairness of presentation upon completion of such examination, in the attached report to the stockholders and Board of Directors.

Signed under oath by the following.


Robert John L. Sobrepeña
Chairman of the Board


Atty. Ferdinand T. Santos
President & CEO


Roberto S. Roco
Chief Finance Officer

SUBSCRIBED AND SWORN to before me this 05 FEB 2010 day of _____, 2010
affiants exhibiting to me their Community Tax Certificates as follows:

<u>NAMES</u>	<u>C.T. Cert. No.</u>	<u>Date of issue</u>	<u>Place of Issue</u>
Robert John L. Sobrepeña	01406526	01-11-2010	Manila
Atty. Ferdinand T. Santos	Passport No. XX 4896095	10-07-2009	until 10-06-2014
Robert S. Roco	Passport No. SS-0216976	01-04-2008	until 01-04-2011

Doc. No. 57
Page No. 6
Book No. VII
Series of 2010

ALAN B. QUINTANA
NOTARY PUBLIC
PASIG, S.M. TAN, PATEROS, TAGUIG
APPT. NO. 10 UNTIL DEC. 31, 2010
2F RENAISSANCE/MERALCO AVE., PASIG
ATTORNEY'S ROLL NO. 39468
IBP NO. 305061 PASIG 14.10
PIR NO. 3906331 PASIG 14.10



Constantino Guadalquivir & Co.
Certified Public Accountants

Constantino Guadalquivir & Co.
SEC Accreditation No. 003-PR-1
PRC-BOM Accreditation No. 0213

15th Floor Citibank Tower
8741 Paseo de Roxas Street
Sulaco Village, Makati City, Philippines
Telephone: (+632) 848 1051
Fax: (+632) 728 1014
E-mail address: mgd@cgud.com.ph

INDEPENDENT AUDITORS' REPORT

The Stockholders and Board of Directors
Fil-Estate Land, Inc.
6th Floor Renaissance Tower
Meralco Avenue, Pasig City

We have audited the accompanying consolidated financial statements of Fil-Estate Land, Inc. and Subsidiaries, which comprise the consolidated balance sheets as at September 30, 2009 and 2008, and the consolidated statements of income, changes in equity and cash flows for each of the three years in the period ended September 30, 2009 and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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




an independent member of
BAKER TILLY
INTERNATIONAL

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Fil-Estate Land, Inc. and Subsidiaries as of September 30, 2009 and 2008, and of their financial performance and their cash flows for each of the three years in the period ended September 30, 2009, in accordance with Philippine Financial Reporting Standards.

CONSTANTINO GUADALQUIVER & CO.

By:



ROGELIO M. GUADALQUIVER

Partner

CPA Certificate No. 13608

PTR No. 2099168, January 11, 2010, Makati City

TIN 123-305-015-000

BIR Accreditation No. 06-001507-2-2006

SEC Accreditation No. (Partner) 0017-AP-1

SEC Accreditation No. (Firm) 003-FR-1

PRC-BOA Accreditation No. 0213

February 5, 2010

FIL-ESTATE LAND, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2009 AND 2008
(Amounts in Thousands)

	2009	2008
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 7 and 30)	P 192,968	P 328,920
Receivables - net (Notes 8, 9 and 30)	1,038,712	745,280
Real estate and golf club and resort shares for sale - net (Notes 2, 8, 10, 17 and 36)	5,215,417	5,243,740
Due from related parties - net (Notes 8 and 30)	867,559	1,011,135
Prepaid expenses and other current assets (Note 11)	304,033	306,623
Total Current Assets	7,618,689	7,635,698
Noncurrent Assets		
Receivables - net (Notes 8, 9 and 30)	231,731	227,934
Real estate and golf club and resort shares for sale - net (Notes 2, 8, 10 and 17)	1,896,490	1,896,490
Due from other realty and development companies (Notes 2, 12 and 30)	524,948	674,056
Land held for future development (Notes 2 and 13)	1,848,012	1,857,130
Investments in associates and joint ventures (Notes 2, 8 and 13)	1,851,234	1,824,547
Investment properties - net (Notes 14 and 33)	48,391	45,546
Property and equipment - net (Note 15)	619,071	645,930
Deferred tax assets (Note 27)	425,593	454,733
Other noncurrent assets - net (Notes 16 and 30)	53,110	46,211
Total Noncurrent Assets	7,498,580	7,672,577
	P 15,117,269	P 15,308,275
LIABILITIES AND EQUITY		
LIABILITIES		
Current Liabilities		
Loans payable (Notes 8, 18 and 30)	P 266,254	P 134,673
Accounts payable and other current liabilities (Notes 19, 25 and 30)	1,307,480	1,687,676
Due to related parties - net (Notes 8, 17 and 30)	451,069	322,564
Deposit on real estate sales (Note 30)	1,426,491	1,384,639
Liabilities arising from land acquisitions (Note 30)	187,996	187,996
Total Current Liabilities	3,639,290	3,717,548
Noncurrent Liabilities		
Bonds payable (Notes 17 and 30)	1,189,800	1,172,925
Loans payable (Notes 8, 18 and 30)	202,256	100,000
Due to other realty and development companies (Notes 20 and 30)	292,943	373,605
Deferred tax liabilities (Note 27)	260,352	259,370
Other noncurrent liabilities (Notes 13 and 30)	69,942	57,318
Total Noncurrent Liabilities	2,015,293	1,963,218
Total Liabilities	5,654,583	5,680,766

(Forward)

(Carryforward)

	2009	2008
EQUITY		
Equity Attributable to Equity Holders of Parent Company		
Capital stock (Note 29) P	3,066,878	P 3,066,878
Additional paid in capital	1,597,739	1,597,739
Revaluation reserve		
Unrealized loss on available-for-sale investments (Note 16)	(1,444)	(4,967)
Equity share in associate's revaluation reserve	696	696
Retained earnings (Note 32)		
Appropriated for project development	3,680,000	3,680,000
Unappropriated	845,858	979,812
	9,189,727	9,320,158
Minority Interest	272,959	307,351
	9,462,686	9,627,509
	P 15,117,269	P 15,308,275

See accompanying Notes to Consolidated Financial Statements.

FIL-ESTATE LAND, INC. AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF INCOME****FOR THE YEARS ENDED SEPTEMBER 30, 2009, 2008 AND 2007***(Amounts in Thousands, Except Earnings per Share)*

	2009	2008	2007
REVENUES			
Financial income (Notes 7, 22 and 30) P	200,585	P 131,174	P 97,266
Gross profit on sales of real estate (Note 21)	175,103	173,079	210,502
Service and rental income (Notes 8, 14, 33 and 34)	121,525	166,928	145,852
Equity in net earnings of associates and joint ventures (Note 13)	14,755	-	-
Guarantee income (Note 8)	-	285,762	-
Gain on sale of assets (Notes 10 and 13)	14,413	71,387	113,370
Other income (Notes 8, 19 and 22)	115,424	77,760	103,696
	641,805	906,090	670,686
COSTS AND EXPENSES			
Operating expenses (Notes 8, 14, 15, 24 and 25)	413,028	405,300	392,794
Financial expenses (Notes 17, 26 and 30)	281,165	244,222	74,800
Cost of services (Notes 14, 15 and 23)	73,337	105,398	122,494
Equity in net losses of associates and joint ventures (Note 13)	-	10,913	11,596
Other expenses	509	80	6,360
	768,039	765,913	608,044
INCOME (LOSS) BEFORE INCOME TAX AND MINORITY INTEREST	(126,234)	140,177	62,642
INCOME TAX EXPENSE (BENEFIT) (Note 27)			
Current	11,942	29,184	13,817
Deferred	30,145	37,032	(5,318)
	42,087	66,216	8,499
INCOME (LOSS) BEFORE MINORITY INTEREST	(168,321)	73,961	54,143
MINORITY INTEREST	34,367	18,533	4,165
NET INCOME (LOSS) P	(133,954)	P 92,494	P 58,308
Basic and Diluted Earnings (Loss) Per Share (Note 23) P	(0.040)	P 0.028	P 0.020

See accompanying Notes to Consolidated Financial Statements.

FIL-ESTATE LAND, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED SEPTEMBER 30, 2009, 2008 AND 2007
(Amounts in Thousands, Except Par Value)

	2009	2008	2007
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT COMPANY			
CAPITAL STOCK - P1 par value (Note 29)			
Issued	P 2,800,000	P 2,800,000	P 2,800,000
Subscribed	550,000	550,000	550,000
Subscriptions receivable	(283,122)	(283,122)	(283,122)
	3,066,878	3,066,878	3,066,878
ADDITIONAL PAID IN CAPITAL	1,597,739	1,597,739	1,597,739
REVALUATION RESERVE			
Unrealized loss on available-for-sale investments (Note 16)	(1,444)	(4,967)	(4,365)
Equity share in an associate's revaluation reserve (Note 13)	696	696	677
	(748)	(4,271)	(3,688)
RETAINED EARNINGS (Note 32)			
Appropriated for project development	3,680,000	3,680,000	3,680,000
Unappropriated			
Balance at beginning of year	979,812	887,318	829,010
Net income (loss)	(133,954)	92,494	58,308
Balance at end of year	845,858	979,812	887,318
	4,525,858	4,659,812	4,567,318
	9,189,727	9,320,158	9,228,247
MINORITY INTEREST			
Balance at beginning of year	307,351	325,761	323,908
Net loss	(34,367)	(18,533)	(4,165)
Revaluation reserve - unrealized loss on available-for-sale investments	(25)	123	(9)
Adjustments	-	-	6,027
	272,959	307,351	325,761
	P 9,462,686	P 9,627,509	P 9,554,008

See accompanying Notes to Consolidated Financial Statements.

FIL-ESTATE LAND, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2009, 2008 AND 2007
(Amounts in Thousands)

	2009	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax and minority interest	P (126,234) P	140,177 P	62,642
Adjustments for:			
Financial expense	260,751	108,778	74,800
Financial income	(190,026)	(113,173)	(97,266)
Depreciation and amortization (Notes 14, 15 and 23)			
Property and equipment	30,220	33,629	52,437
Investment property	4,915	6,508	19,982
Provisions for:			
Impairment loss (Notes 9, 10 and 24)	17,704	8,349	4,971
Retirement benefits (Note 25)	380	9,440	9,209
Pension income (Note 25)	(7,167)	-	-
Unrealized foreign exchange loss (gain) - net	15,365	114,577	(539)
Equity in net losses (earnings) of associates and joint ventures (Note 13)	(14,755)	10,913	11,596
Loss on refunds (Note 21)	5,616	-	-
Dividend income	(203)	(1,080)	(5,168)
Guarantee income (Note 8)	-	(285,762)	-
Gain on sale of assets (Note 15)	(14,413)	(71,387)	(113,370)
Operating (loss) income before working capital changes	(17,847)	(39,031)	19,294
Decrease (increase) in:			
Receivables - net (Note 9)	(296,936)	(150,569)	(118,665)
Real estate and golf club and resort shares for sale (Note 10)	(18,236)	(354,886)	(55,041)
Prepaid expenses and other current assets (Note 11)	(1,598)	(12,516)	86,023
Increase (decrease) in accounts payable and other current liabilities (Note 19)	(405,152)	81,329	112,627
Net cash generated from (used in) operations	(739,769)	(475,673)	44,238
Interest paid	(25,735)	(25,889)	(9,878)
Interest received	9,514	36,529	21,782
Income tax paid	(7,754)	(7,572)	(10,050)
Dividend income received	79	1,080	5,019
Net cash provided by (used in) operating activities	(763,665)	(471,525)	51,111
<i>(Forward)</i>			

(Carryforward)

	2009	2008	2007
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of assets	P 26,424	P 72,202	P 300,000
Decrease (increase) in:			
Due from other realty and development companies (Note 12)	(15,594)	(13,059)	(127,312)
Investments in associates and joint ventures (Note 13)	(14,047)	(5,285)	3,358
Land held for future development	9,118	(2,664)	(35,199)
Other noncurrent assets (Note 16)	(3,424)	27,386	(74,447)
Acquisitions of:			
Investment properties (14)	(7,760)	-	-
Property and equipment (Note 15)	(3,647)	(5,725)	(33,659)
Increase (decrease) in liabilities arising from land acquisitions	-	(1,467)	3,061
Net cash provided by (used in) investing activities	(8,930)	71,388	35,802
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase (decrease) in:			
Due to / from related parties - net (Note 8)	255,299	(280,170)	(164,698)
Due to other realty and development companies	88,559	(94,190)	39,747
Deposit on real estate sales and other noncurrent liabilities	58,242	(164,625)	(103,756)
Proceeds from:			
Loans payable (Note 18)	232,463	-	230,000
Bonds payable	-	1,054,113	-
Capital stock subscription	-	-	79,990
Net cash provided by financing activities	634,563	515,128	81,283
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	2,080	10,634	(110)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(135,952)	125,625	168,086
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	328,920	203,295	35,209
CASH AND CASH EQUIVALENTS AT END OF YEAR (Notes 7 and 35)	P 192,968	P 328,920	P 203,295

See accompanying Notes to Consolidated Financial Statements.

FIL-ESTATE LAND, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

Fil-Estate Land, Inc. ("the Parent Company") was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on May 18, 1994. The Company's parent is Fil-Estate Management, Inc. (FEMI), also incorporated in the Philippines.

The Parent Company's principal activity is investment holdings in subsidiaries and associates. The principal activities of the operating subsidiaries are as follows:

<u>Name of Subsidiary</u>	<u>Principal Activity</u>
Fil-Estate Properties, Inc., La Compañía De Sta. Barbara, Inc., Sto. Domingo Place Development Corporation and Fil-Estate Urban Development Corporation	Development/construction and sale of residential subdivision and commercial lots, condominium buildings, townhouses and resort.
Fil-Estate Golf and Development, Inc. and Sherwood Hills Development, Inc.	Development/construction and sale of golf manor, residential lots and golf courses.
Golforce, Inc.	Maintenance and construction of golf courses.
Fil-Power Construction Equipment Leasing Corporation	Lessor of development and construction equipment.
Fil-Estate Ecocentrum Corporation	Development and sale of commercial lots and business park and owner of "Splash Island" amusement park.

The registered business address of the Parent Company is 6th Floor, Renaissance Towers, Meralco Avenue, Pasig City.

The consolidated financial statements for the years ended September 30, 2009 and 2008 were authorized for issue by the Board of Directors on February 5, 2010.

2. Operating Condition

The economic condition and the resultant decline in the real estate industry directly resulting from the effects of the 1997-98 Asian financial crisis affected the operations of the Parent Company and Subsidiaries (Group) in the past. As a result, the Group has accumulated significant costs and advances for the development and construction of various real estate projects and acquisition of land held for future development. The recovery of these costs and advances depends upon the continuous development of the projects and eventual sales thereof, which the Group believes can be successfully implemented. The financial statements do not include adjustments relating to these uncertainties.

In view of the quality of the Group's projects and landbank, the extensive in-house marketing network and the alliances that have been forged with partners, investors and bankers, management is confident that the projects will be completed and the sales objectives will be achieved.

3. Basis of Preparation

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 currency, rounded to the nearest thousand except when otherwise indicated.

Statement of Compliance

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

Basis of Consolidation

The consolidated financial statements consist of the financial statements of the Parent Company and its subsidiaries as of September 30 of each year. The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company using consistent accounting policies. These subsidiaries and the percentage of ownership of the Parent Company are as follows:

Name of Subsidiary	Percentage of Ownership
Fil-Estate Properties Inc. (FEPI)	100.0
Aklan Holdings Corporation (Aklan)**	100.0
Blue Sky Airways, Inc.**	100.0
Fil-Estate Industrial Park, Inc. (FEIP)*	78.9
Fil-Estate Subic Development Corporation*	100.0
Fil-Power Concrete Blocks Corporation (FPCBC)*	100.0
Fil-Power Construction Equipment Leasing Corporation (FPCELC)	100.0
Golden Sun Airways, Inc.**	100.0
La Compañia De Sta. Barbara, Inc.	100.0
MCX Corporation (MCX)**	100.0
Pioneer L-5 Realty Corporation**	100.0
Prime Airways, Inc.**	100.0
Sherwood Hills Development, Inc. (SHDI)	55.0
Sto. Domingo Place Development Corporation	100.0
Fil-Estate Golf and Development, Inc. (FEGDI)	100.0
Golforce, Inc. (Golforce)	100.0
Fil-Estate Ecocentrum Corporation (FEEC)	56.0
Philippine Aquatic Leisure Corporation**	100.0
Fil-Estate Urban Development Corporation (FEUDC)	100.0

* *Preoperating companies*

** *Dormant companies*

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.

The equity and net income attributable to minority interests of the consolidated subsidiaries are shown separately in the consolidated balance sheets and consolidated statements of equity and consolidated statements of income, respectively.

All significant intercompany accounts and transactions are eliminated.

Minority Interests

Minority interest represents the interest in a subsidiary, which is not owned, directly or indirectly through subsidiaries, by the Parent Company. 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.

Minority interests represent the interests in FEIP, SHDI and FEEC not held by the Group.

4. Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous year except for the adoption of new accounting standards and amendments which became effective in 2008 as follows:

- Amendment to Philippine Interpretation IFRIC 11, *PFRS 2 - Group Treasury Share Transactions* (effective for annual periods beginning on or after March 1, 2007) requires arrangements whereby an employee is granted rights to an entity's equity instruments to be accounted for as an equity-settled scheme by the entity even if (a) the entity chooses or is required to buy those equity instruments (e.g., treasury shares) from another party, or (b) the shareholders of the entity provide the equity instruments needed. It also provides guidance on how subsidiaries, in their separate financial statements, account for such schemes when the subsidiary's employees receive rights to the equity instruments of the parent. The Group currently does not have any stock option plan and therefore, does not have a significant impact in its consolidated financial statements.
- Amendment to Philippine Interpretation FRIC 14, PAS 19, *The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction* (effective for annual periods beginning on or after January 1, 2008) addresses three issues (1) how entities should determine the limit places by PAS 19 Employee Benefits on the amount of a surplus in a pension plan they can recognize as an asset; (2) how a minimum funding requirement affects that limit; and (3) when a minimum funding requirement creates an onerous obligation that should be recognized as a liability in addition to that otherwise recognized under PAS 19. The adoption of this interpretation did not have significant impact on the financial statements for currently, the Group does not maintain a fund asset.

The Group has not adopted the following Philippine Interpretations since these are not relevant to the Group which became effective in 2008:

- Philippine Interpretation IFRIC 12, *Service Concession Arrangements* (effective for annual periods beginning on or after January 1, 2008) addresses how service concession operators should apply existing PFRS to account for the obligations they undertake and rights they receive in service concession arrangements. It covers contractual arrangements arising from private entities providing public services.
- Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes* (effective for annual periods beginning on or after July 1, 2008) addresses how companies that grant their customer loyalty award credits (often called "points"), when buying goods or services, should account for their obligation to provide free or discounted goods or services if and when the customers redeem the points. Under this IFRIC, companies must estimate the value of the points and defer this amount of revenue as a liability until they have fulfilled their obligations to supply awards.
- Philippine Interpretation IFRIC 16, *Hedges of a Net Investment in a Foreign Operation* (effective for annual periods beginning on or after October 1, 2008) applies to an entity that hedges the foreign currency risk arising from its net investments in foreign operations and that apply hedge accounting in accordance with PAS 39. It clarifies the following issues: (a) whether risk arises from foreign currency exposure to the functional currencies of the foreign operation and the presentation currency of the parent entity's consolidated financial statements; (b) which entity within a group can hold a hedging instrument in a hedge of a net investment in a foreign operation must also hold the hedging instrument; (c) how an entity should determine the amounts to be reclassified from equity to profit or loss for both the hedging instrument and the hedged item when the entity disposes of the investment. The main expected change in practice is to eliminate the possibility of an entity applying hedge accounting for a hedge of the foreign exchange differences between the functional currency of a foreign operation and the presentation currency of the parent's consolidated financial statements. The IFRIC recognizes the difficulty that entities would face in preparing adequate documentation from the inception of the hedge relationship and therefore requires prospective application of the guidance.

Future Changes in Accounting Policies

The Group has not applied the following new and amended PFRS and Philippine Interpretations which are not yet effective for the fiscal year ended September 30, 2009. Except for the adoption of Philippine Interpretation IFRIC 15, Agreement for Construction of Real Estate, the following new and amended PFRS and Philippine Interpretations will not significantly impact the consolidated financial statements:

Effective in 2009 for adoption on fiscal year ending September 30, 2010

- Amendment to PAS 1, *Presentation of Financial Statements, Revised*, effective for annual periods beginning on or after January 1, 2009. In accordance with the amendment to PAS 1, the statement of changes in equity shall include only transactions with owners, while all non-owner changes will be presented in equity as a single line with details included in a separate statement. Owners are defined as holders of instruments classified as equity.

In addition, the amendment to PAS 1 provides for the introduction of a new statement of comprehensive income that combines all items of income and expense recognized in the statement of income together with 'other comprehensive income'. The revisions specify what is included in other comprehensive income, such as gains and losses on available-for-sales assets, actuarial gains and losses on defined benefit pension plans and changes in the asset revaluation reserve. Entities can 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. The Group does not expect this amendment to have a significant impact on the financial statements.

- PAS 23, *Borrowing Costs*, (effective for annual periods beginning on or after January 1, 2009), has been revised to require capitalization of borrowing costs when such costs relate to a qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. In accordance with the transitional requirements in the Standard, this change in accounting for borrowing costs shall be accounted for prospectively. Accordingly, borrowing costs will be capitalized on qualifying asset with a commencement date after January 1, 2009. The adoption of this amendment will have no impact on the financial statements because it was the Group's policy to capitalize borrowing costs.
- Amendments to PAS 32, *Financial Instrument: Presentation*, and PAS 1, *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation (Amendments)*, (effective for annual periods beginning on or after January 1, 2009) have been amended to allow a limited scope exception for puttable financial instruments to be classified as equity if they fulfill a number of specified criteria.
- Amendments to PFRS 1, *First-time Adoption of PFRS- Cost of Investment in a Subsidiary, Jointly Controlled Entity or Associate*, (effective for annual periods beginning on or after January 1, 2009) 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 items) as one of the following amounts: a) cost determined in accordance with PAS 27; b) at the fair value of the investment at the date of transition to PFRS, determined in accordance with PAS 39; or c) previous carrying amount (as determined under generally accepted accounting principles) of the investment at the date of transition to PFRS.
- PFRS 2, *Share-based Payment Vesting Condition and Cancellations*, (effective for annual periods beginning on or after January 1, 2009) has been revised to clarify the definition of a vesting condition and prescribes the treatment for an award that is effectively cancelled. It defined a vesting condition as a condition that includes an explicit or implicit requirement to provide services. It further requires non-vesting conditions to be treated in a similar fashion to market conditions. Failure to satisfy a non-vesting condition that is within the control of either the entity or the counterparty is accounted for as cancellation. However, failure to satisfy a non-vesting condition that is beyond the control of either party does not give rise to a cancellation.

Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary, as well as the loss of control of a subsidiary. The changes introduced by the revised standards must be applied prospectively and will affect future acquisitions and transactions with minority interests.

- PFRS 3, *Business Combinations (Revised)*, and PAS 27, *Consolidated and Separate Financial Statements (Revised)*, will become effective for financial years beginning on or after July 1, 2009. The revised PFRS 3 introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs and future reported results. The revised PAS 27 requires that a change in the ownership interest of a subsidiary be accounted for as an equity transaction.
- PFRS 7, *Financial Statements: Disclosures* (effective for annual periods beginning on or after January 1, 2009) requires additional disclosures about the 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 three (3) level fair value hierarchy, by class, for all financial instruments recognized at fair value. In addition, reconciliation between the beginning and ending balance for level three (3) fair value measurements is now required, as well as significant transfers between levels in the fair value hierarchy.
- PFRS 8, *Operating Segment* (effective for annual periods beginning on or after January 1, 2009) replaces PAS 14, *Segment Reporting* and adopts a management approach to segment reporting. The information reported would be that which management uses internally for evaluating the performance of operating segments and allocating resources to those segments. This information may be different from that reported in the consolidated balance sheets and consolidated statements of income and entities will need to provide explanations and reconciliations of the differences. The disclosures are similar to information used internally by management and are significantly similar to previous years' presentation.
- PAS 39, *Financial Instruments: Recognition and Measurement – Eligible Hedged Items (Amendment)*, will become effective for financial years beginning on or after July 1, 2009. The amendment addresses the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. It clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. The amendment will not have any impact on the financial statements as the Group has not entered into any such hedges.
- Philippine Interpretation IFRIC 17, *Distribution of Non-cash Assets to Owners* (effective for annual period beginning on or after July 1, 2009) covers accounting for two types of non-reciprocal distributions of assets by an entity to its owners acting in their capacity as owners. The two types of distribution are:
 - a. distributions of non-cash assets (e.g., items of property, plant and equipment, businesses as defined in PFRS 3, ownership interests in another entity or disposal groups as defined in PFRS 5); and
 - b. distributions that give owners a choice of receiving either non-cash assets or a cash alternative.

This Philippine Interpretation addresses only the accounting by an entity that makes a non-cash asset distribution. It does not address the accounting by shareholders who receive such a distribution.

- Philippine Interpretation IFRIC 18, *Transfers of Assets from Customers* (effective for annual period beginning on or after July 1, 2009) covers accounting for transfers of items of property, plant and equipment by entities that receive such transfers from their customers. Agreements within the scope of this Interpretation are agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services, or to do both. This Philippine Interpretation also applies to agreements in which an entity receives cash from a customer when that amount of cash must be used only to construct or acquire an item of property, plant and equipment and the entity must then use the item of property, plant and equipment either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services, or to do both.

Effective in 2010 for adoption on fiscal year ending September 30, 2011

- Amendment to PFRS 2, *Share-based Payment: Group Cash-settled Share-based Payment Transactions*, will become effective for financial years beginning on or after January 1, 2010. This amendment clarifies the scope and the accounting for the Group cash-settled share based payment transactions. This amendment will have no impact on the consolidated financial statements of the Group, as the Group is not involved in any similar transactions.

Effective in 2012 for adoption on fiscal year ending September 30, 2012

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

The adoption of this Interpretation will be accounted for retrospectively and will result to the restatement of prior period financial statements. The adoption of this Interpretation may significantly affect the determination of the net income and the related Receivables from sales of real estate, deposit on real estate sales, deferred tax liabilities and retained earnings accounts.

The Group is currently assessing the impact of these 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.

Improvements to Existing Accounting Standards

The following are the IASB issued omnibus of amendments to its standards, issued in May 2008 and April 2009, effective January 1, 2010, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption did not result to significant effects on the financial statements.

- PFRS 5, *Non-current 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 non-controlling interest in the subsidiary after the sale.
- PFRS 7, *Financial Instruments: Disclosures*, removes the reference to "total interest income" as a component of finance costs.
- PAS 1, *Presentation of Financial Statements*, provides that assets and liabilities classified as held for trading in accordance with PAS 39, *Financial Instruments: Recognition and Measurement*, are not automatically classified as current in the balance sheets.
- PAS 7, *Statements of Cash Flows*, provides expenditure that results in recognizing an asset can be classified as a cash flow from investing activities.
- PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, clarifies that only the implementation guidance that is an integral part of a PFRS is mandatory when selecting accounting policies.
- PAS 10, *Events after the Balance Sheet Date*, clarifies that dividends declared after the end of reporting period are not obligations.
- PAS 16, *Property, Plant and Equipment*, replaces the term "net selling price" with "fair value less costs to sell". It further clarifies that items of property, plant and equipment held for rental that are routinely sold in the ordinary course of business after rental are transferred to inventory when rental ceases and they are held for sale.
- PAS 18, *Revenue*, replaces the term "direct costs" with "transaction costs" as defined in PAS 39, *Financial Instruments: Recognition and Measurement*.
- PAS 19, *Employee Benefits*, revises the definition of past service costs, return on plan assets and short-term and long-term employee benefits. Amendments to plans that result in reduction in benefits related to future services are accounted for as curtailment. It deletes the reference to the recognition of contingent liabilities to ensure consistency with PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*.
- 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. The difference between the amount received and the discounted amount is accounted for as government grant. Various terms were revised to be consistent with other PFRS.
- PAS 23, *Borrowing Costs*, revises the definition of borrowing costs to consolidate the two types of items that are considered components of borrowing costs into one – the interest expense calculated using the effective interest method calculated in accordance with PAS 39, *Financial Instruments: Recognition and Measurement*.

- PAS 27, *Consolidated and Separate Financial Statements*, states that when a parent entity accounts for a subsidiary in accordance with PAS 39, Financial Instruments: Recognition and Measurement, in its separate financial statements, this treatment continues when the subsidiary is subsequently classified as held for sale.
- PAS 28, *Investment in Associates*, establishes that if an associate is accounted for at fair value in accordance with PAS 39, Financial Instruments: Recognition and Measurement, 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.
- PAS 29, *Financial Reporting in Hyperinflationary Economies*, revises the reference to the exception to measure assets and liabilities at historical costs, such that it notes property, plant and equipment as being an example, rather than implying that it is a definitive list. Various terms were revised to be consistent with other PFRS.
- PAS 31, *Interest in Joint Ventures*, provides that if a joint venture is accounted for at fair value in accordance with PAS 39, Financial Instruments: Recognition and Measurement, only the requirement 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 34, *Interim Financial Reporting*, requires that earnings per share be disclosed in interim financial reports if an entity is within the scope of PAS 33, *Earnings per Share*.
- PAS 36, *Impairment of Assets*, provides that if discounted cash flows are used to estimate "fair value less costs to sell," additional disclosure is required about the discount rate, consistent with the disclosures required when the discounted cash flows are used to estimate "value in use."
- PAS 38, *Intangible Assets*, requires that expenditure on advertising and promotional activities is recognized as an expense when the Group has either the right to access the goods or has received the services.
- PAS 39, *Financial Instruments: Recognition and Measurement*, changes in circumstances relating to derivatives are not reclassification and therefore maybe either removed from, or included in, the "fair value through profit or loss" (FVPL) classification after initial recognition. It removes the reference to a segment when determining whether an instrument qualifies as a hedge. It further requires the use of the revised effective interest rate when remeasuring a debt instrument on the cessation of fair value hedge accounting.
- PAS 40, *Investment Property*, revises the scope such that property under construction or development for future use as an investment property is classified as investment property. If fair value cannot be reliably determined, the investment under construction will be measured at cost until such time that fair value can be determined or construction is complete. It revises the conditions for a voluntary change in accounting policy to be consistent with PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, and clarifies that the carrying amount of investment property held under lease is the valuation obtained, increased by any recognized liability.

- PAS 41, *Agriculture*, removes the reference to the use of pre-tax discount rate to determine fair value. It likewise removes the prohibition to take into account cash flows resulting from any additional transformations when estimating fair value. Furthermore, it replaces the term "point-of-sale costs" with "costs to sell".

5. Summary of Significant Accounting Policies

Revenue and Cost Recognition

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

Sale of Real Estate and Golf Club and Resort Shares

The percentage of completion method is used to recognize income from sale of residential/commercial condominium buildings, townhouses, and golf club and resort shares if the Group has material obligations under the sales contract, to complete or provide improvements after the property is sold. Under this method, the gain on sale is recognized as the related obligations are fulfilled, measured principally on the basis of the estimated completion of the physical portion of the contract work. Any excess of collections over the recognized receivables are included in the "deposit on real estate sales" account in the consolidated balance sheets.

Gain from sale of completed residential and commercial lots, and resort shares, where a sufficient down payment has been received, the collectibility of sales price is reasonably assured, the refund period has expired, the receivables are not subordinated and the seller is not obligated to complete improvements, is accounted for under the full accrual method.

Contract costs include all direct materials and labor 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.

The related commission is recognized as expense in the same period when the gain on sale of real estate and golf club and resort shares is recognized. The amount of commission pertaining to deposit on real estate sales is shown as part of "Prepaid expenses and other current assets" account in the consolidated balance sheets.

Service

Service income is recognized when services are rendered in accordance with existing maintenance agreements.

Rent

Rental income is recognized under the accrual method based on the terms of the existing lease agreements.

Interest

Interest income is recognized on a time proportion basis that reflects the effective yield on the asset.

Dividend

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

Other Income

Other income is recorded when earned.

Cost and Expenses

Cost and expenses are recognized in the statements of income upon utilization of the service or at the date they are incurred. Expenditure for warranties is recognized and charged against the associated provision when the related revenue is recognized. Finance costs are reported on an accrual basis.

Cash and Cash Equivalents

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

Financial Assets and Liabilities

Financial assets and liabilities are recognized initially at fair value. Transaction costs, if any, are included in the initial measurement of all financial assets and liabilities, except for financial instruments measured at fair value through profit or loss. Fair value is determined by reference to the transaction price or other market prices. If such market prices are not readily determinable, 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 similar instruments with similar maturities.

The Group recognizes a financial asset or financial liability in the consolidated balance sheet when it becomes a party to the contractual provisions of the instrument. All regular way purchases and sales of financial assets are recognized on the trade date, i.e., the date the Group commits to purchase the assets. Regular way purchases or sales are purchases or sales of financial asset that require the delivery of assets within the period generally established by regulation or convention in the market place.

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

a. Financial Assets or Financial Liabilities at Fair Value Through Profit or Loss (FVPL)

A financial asset or financial liability 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 fair value through profit or loss.

Assets or liabilities classified under this category are carried at fair value in the consolidated balance sheets. Changes in the fair value of such assets and liabilities are accounted for in earnings.

As of September 30, 2009 and 2008, the Group has no investments at FVPL.

b. Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that 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. This category includes installment contracts and other receivables and short-term cash investments (with maturities of more than 90 days). Loans and receivables are carried at cost or amortized cost in the consolidated balance sheets. Amortization is determined using the effective interest rate method and is included in the "Financial income" account in the consolidated statements of income (see Note 22). Loans and receivables are included in current assets if maturity is within 12 months from the balance sheet date. Otherwise, these are classified as noncurrent assets.

c. 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 balance sheets. Amortization is determined by using the effective interest rate method. Assets under this category are classified as current assets if maturity is within 12 months from the balance sheet date and noncurrent assets if the maturity is more than a year.

As of September 30, 2009 and 2008, the Group has no held-to-maturity investments.

d. Available-for-sale Financial Assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. Available-for-sale financial assets are carried at fair value in the consolidated balance sheets. Changes in the fair value of such assets are accounted for in equity. These financial assets are classified as noncurrent assets unless the intention is to dispose such assets within 12 months from the balance sheet date.

Available-for-sale financial assets as of September 30, 2009 and 2008 amounted to ₱14.2 million and ₱3.8 million, respectively (Note 16).

e. Financial Liabilities

Financial liabilities are non-derivative financial liabilities with fixed or determinable payments that are not quoted in an active market. They arise when the Group owes money, goods or services directly to a creditor with no intention of trading the payables. This category includes loans, trade and other payables and related party payables. Financial liabilities are carried at cost or amortized cost in the consolidated balance sheets. Amortization is determined using the effective interest rate method and is included in the "Financial expenses" account in the consolidated statements of income (see also Note 26). Financial liabilities are included in current liabilities if maturity is within 12 months from the balance sheet date.

Impairment of Financial Assets

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

Assets Carried at Amortized Cost. If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future 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.

Financial Assets Available-for-Sale. If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in profit or loss, is transferred from equity to the statements of income. Reversals in respect of equity instruments classified as available-for-sale are not recognized in profit. Reversals of impairment losses on debt instruments are reversed through profit or loss; if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in profit or loss.

Derecognition of Financial Assets and Liabilities

Financial Assets

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

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

Where the Group has transferred its rights to receive cash flows from the asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of 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 has expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in consolidated statements of income.

Offsetting Financial Instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheets if, and only if, there is 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, where the related assets and liabilities are presented gross in the consolidated balance sheets.

Real Estate and Golf Club and Resort Shares for Sale and Land Held for Future Development

Real estate and golf club and resort shares for sale and land held for future development are valued at the lower of cost and net realizable value. Cost includes the acquisition cost of the land plus all costs directly attributable to the acquisition for projects where the Group is the landowner, and includes actual development cost incurred up to balance sheet date for projects where the Group is the developer. Interest on loans (borrowing costs) incurred during the development phase is also capitalized as part of the development cost of real estate properties.

Net realizable value is the selling price in the ordinary course of business less cost to complete and to market. A valuation allowance is provided for real estate and golf club and resort shares for sale and land held for future development when the net realizable values of the properties are less than the carrying costs.

Prepaid Expenses

Prepaid expenses are costs such as deferred commissions which are paid in advance of actually incurring them and regularly recurring in the normal course of the business. Prepaid expenses are amortized as the benefits of the payments are received by the Group.

Investments

a. Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity.

Investments in associates of the Parent Company and FEPI in which ownership interest ranges between 20% and 50% or where the Parent Company and FEPI exercise significant influence mainly through representation in the board and participation in the policy-making processes. These associates are as follows:

<u>Name of Associate</u>	<u>Percentage of Ownership</u>
MRT Development Corporation	30.9
Fil-Estate Marketing Companies	
Fil-Estate Marketing Associate, Inc. (FEMAI)	20.0
Fil-Estate Network, Inc. (FENI)	20.0
Fil-Estate Realty Corporation (FERC)	20.0
Fil-Estate Realty Sales Associate, Inc. (FERSAI)	20.0
Fil-Estate Sale, Inc. (FESI)	20.0
Nasugbu Properties, Inc. (NPI)*	36.2

* *Preoperating stage*

Investments in associates are accounted for using the equity method and are recognized initially at cost. The consolidated financial statements include the Group's share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

If the Group's share of losses of an associate equals or exceeds the cost of investment, the Group discontinues recognizing its share of further losses. If the associate subsequently reports income, the Group resumes including its share of such income after its share of income equals the share of losses not recognized. However, additional losses and liability is recognized to the extent that the Group has incurred legal or constructive obligations or made payments in behalf of the associate. The excess of accumulated equity in net losses over cost of investment and advances in associates is presented under "Other noncurrent liabilities" account in the consolidated balance sheets (see Note 13).

Profits and losses resulting from upstream and downstream transactions between the Group and associates are recognized in the Group's financial statements only to the extent of unrelated interests in the associate. The Group's share in the associate's profits and losses resulting from these transactions are eliminated.

The Group's share of changes in revaluation reserve recognized directly in associate's equity are recognized directly in equity and disclosed in the consolidated statements of changes in equity.

b. Joint Ventures

The Group follows the equity method in valuing their investments in joint ventures. The share of the Group from these projects is up to more than 50%. These joint ventures are as follow:

<u>Name of Joint Ventures</u>	<u>Percentage of Ownership</u>
High-rise Projects	
Capitol Plaza	70
Paragon Plaza	50
West Tower	50
Belvedere	50
Renaissance 5000	20 of 50
Renaissance 3000	80 of 16
Laurel (Batangas) Property	15.38 of 46.25

Investments in associates and joint ventures are carried in the Group's consolidated balance sheets at cost increased or decreased by post-acquisition changes in the Group's share in the net assets of the investees, less any impairment in value. Dividends received are not considered income but are deducted from the investment account.

c. Other investments are carried at cost less presumably any permanent decline in value of investment.

Investment Properties

Investment property consists of assets that are held to earn rentals, and that are not occupied by the companies in the Group. Investment properties, except for land, are carried at cost less accumulated depreciation and amortization and any impairment in value. Land is carried at cost less any impairment in value.

The assets' residual values, useful lives and method of depreciation are reviewed and adjusted, if appropriate, at each balance sheet date.

Depreciation of investment properties, except land, is computed using the straight-line method over its useful life, regardless of utilization. The estimated useful lives of investment properties are as follows:

	<u>Number of years</u>
Land improvements	20
Buildings and improvements	10 to 20
Slides, pools and improvements	10

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

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

Property and Equipment

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

The initial cost of property and equipment comprises its purchase price or construction cost and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance, are normally charged to income in the period the costs are incurred.

In situations where it can be clearly demonstrated that the expenditure 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 is computed using the straight-line method over the following estimated useful lives:

	Number of years
Buildings and other improvements	10 - 50
Construction and maintenance equipment	5
Office furniture, fixtures and equipment	3 - 5
Water system	20
Transportation equipment	5
Slides, pool and improvements	10

Leasehold improvements are amortized over the lives of the improvements or the term of the lease whichever is shorter.

The useful life, depreciation and amortization method 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.

When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation and amortization are removed from the accounts and any resulting gain or loss is credited or charged to consolidated statements of income.

Impairment of Non-Financial Assets

An assessment is made at each balance sheet date to determine whether there is any indication of impairment of any assets, or 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. An asset's recoverable amount is computed as the higher of the asset's value in use or its net selling price.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. 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.

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 and amortization), had no impairment loss been recognized for the asset in prior years.

Income Taxes

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

The tax currently payable is based on taxable income for the year. Taxable income differs from income as reported in the 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 balance sheet date.

Deferred income tax is provided, using the balance sheet liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax 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 balance sheet date and reduced to the extent that it is not probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized.

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

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

Borrowing Costs

Borrowing costs are generally expensed as incurred. Borrowing costs incurred during the construction period on loans and advances used to finance construction and property development are capitalized as part of construction and development costs (included under "Real estate and golf club and resort shares for sale" account in the consolidated balance sheets).

The capitalization of borrowing costs as part of the cost of the properties commences when the expenditures and borrowing costs for the properties are incurred and activities that are necessary to prepare the properties for their intended use are in progress and ceases when substantially all these activities are completed.

Commission Expense

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

Foreign Currency Transactions and Translations

The accounting records of the Group are maintained in Philippine pesos. Foreign currency transactions during the year are translated into the functional currency at exchange rates which approximate those prevailing on transaction dates.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statements of income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. 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.

Related Party Transactions

Transactions between related parties are based on terms similar to those offered to non-related parties. Parties are considered 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.

Retirement Benefit Costs

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

The liability recognized in the consolidated balance sheets in respect of the defined benefit pension plan is the present value of the defined benefit obligation at the balance sheet date less the fair value of the plan assets. The defined benefit obligation is calculated by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using risk-free interest rates that have terms to maturity approximating the terms of the related pension liability.

Actuarial gains and losses that exceed 10% of the greater of the present value of the Group's defined benefit obligation and the fair value plan assets are amortized over the expected average remaining working lives of the participating employees.

Operating Leases

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

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

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

Leases of assets under which the risks and rewards of ownership are effectively retained by the lessor are classified as operating lease. Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

Equity

Capital stock is determined using the nominal value of shares that have been issued.

Revaluation reserve comprises of gains and losses due to the revaluation of available-for-sale financial assets and equity share in associate's revaluation reserve.

Retained earnings include all current and prior period results as reported in the statement of income. The appropriated portion represents the amount which is not available for distribution.

Earnings Per Share (EPS)

Basic EPS is computed by dividing net income for the year attributable to common stockholders by the weighted average number of common shares issued and outstanding during the year adjusted for any subsequent stock dividends declared.

Diluted EPS is computed by dividing net income for the year by the weighted average number of common shares issued and outstanding during the year after giving effect to assumed conversion of potential common shares.

In determining both the basic and diluted earnings per share, the effect of stock dividends, if any, is accounted for retroactively.

Segment Reporting

The Group's operating business are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on business segments is presented in Note 33 to the consolidated financial statements. The Group's asset-producing revenues are located in the Philippines (i.e., one geographical location). Therefore, geographical segment information is no longer presented.

Provisions

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

Contingencies

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

Events after the Balance Sheet Date

Post year-end events that provide additional information about the Group's position at the balance sheet date, if any, are reflected in the financial statements. However, post year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

6. Significant Accounting Judgments and Estimates

The preparation of the Group's consolidated financial statements in conformity with PFRS requires management to make judgments, estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Future events may occur which will cause the assumptions used in arriving at those estimates to change. The effects of any change in judgments and estimates are reflected in the consolidated financial statements, as they become reasonably determinable. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In the opinion of management, these consolidated financial statements reflect all adjustments necessary to present fairly the results for the periods presented. Actual results could differ from such estimates.

PAS 1 requires disclosures about key sources of estimation and judgments management has made in the process of applying accounting policies. The following presents a summary of these significant estimates and judgments:

Revenue and Cost Recognition

The Group's revenue recognition policies require management to make use of estimates and assumptions that may affect the reported amounts of revenue and costs. The Group's revenue from real estate 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. As of September 30, 2009 and 2008, Receivable from sales of real estate and golf club and resort shares amounted to ₱628.1 million and ₱532.2 million, respectively while realized gross profit on sales of real estate properties amounted to ₱175.1 million, ₱173.1 million and ₱210.5 million in 2009, 2008, and 2007, respectively (see Notes 9 and 21).

Estimation of Allowance for Impairment Losses

Provisions are made for accounts specifically identified to be doubtful of collection. The level of this allowance is evaluated by management based on past collection history and other factors that affect the collectibility of the accounts. Allowance for impairment losses for Receivables amounted to ₱205.4 million as of September 30, 2009 and 2008 (see Note 9). Allowance for impairment losses for Due from related parties amounted to ₱17.9 million as of September 30, 2009 and 2008 (see Note 8).

Impairment of Available-for-sale Investments

The determination when an investment is other-than-temporarily impaired requires significant judgment. In making this judgment, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost, and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flows. Analyses of the carrying value of the available-for-sale investments as of September 30, 2009 and 2008 are presented in Note 16.

Distinction between Investment Properties and Owner-Occupied Properties

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

Some properties comprise a portion that is held to earn rental or for capital appreciation and another portion that is held for use in the supply of services or for administrative purposes. If portion can be sold separately (or leased out separately under finance lease), the Group accounts for such portion separately. If the portion cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the supply of services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgment.

Estimating Useful Lives of Property and Equipment and Investment Property

The useful life of each of the Group's property and equipment and investment property is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of industry practice, internal technical evaluation and experience with similar assets. The estimated useful life of each asset is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the asset. It is possible, however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above. A reduction on the estimated useful life of any investment property and property and equipment would increase the recorded operating expenses and decrease noncurrent assets.

The carrying amounts of property and equipment as of September 30, 2009 and 2008 amounted to ₱619.1 million and ₱645.9 million, respectively (see Note 15). The carrying amounts of investment properties as of September 30, 2009 and 2008 amounted to ₱48.4 million and ₱45.5 million, respectively (see Note 14).

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.

Classification of Financial Instruments

The Group classifies a financial instrument, or its component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the Group's consolidated balance sheet.

The Group determines the classification at initial recognition and reevaluates this designation at every reporting date.

Financial Assets and Liabilities

PFRS requires that certain financial assets and liabilities be carried at fair value, which requires the use of extensive accounting estimates and judgments. While significant components of fair value measurement are determined using verifiable objective evidence (i.e. interest rates, volatility rates), the timing and amount of changes in fair value would differ with the valuation methodology used. Any change in the fair value of these financial assets and liabilities would directly affect income and equity (see Note 30).

Evaluation of Impairment of Non-Financial Assets

PFRS requires that an impairment review be performed when certain impairment indicators are present. Determining the net recoverable value of property and equipment and other non-financial assets require the estimation of cash flows expected to be generated from the continued use and ultimate disposition of such assets. While it is believed that the assumptions used in the estimation of fair values reflected in the financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse impact on the results of operations.

There were no provision for impairment losses in 2009, 2008 and 2007. As of September 30, 2009 and 2008, the carrying values of investment properties and property and equipment are disclosed in Notes 14 and 15, respectively.

Estimation of Retirement Benefit Cost

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, rates of compensation increase. In accordance with PFRS, actual results that differ from actuarial 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.

As of September 30, 2009 and 2008, pension liability amounted to ₱57.3 million and ₱64.1 million, respectively. Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in Note 25 to consolidated financial statements.

Deferred Income Tax Assets and 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 (see Note 27).

Contingencies

The Group is currently involved in legal and administrative proceedings. The Group's estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling defense in these matters and is based upon an analysis of potential results. The Group currently does not believe these proceedings will have a material effect on its financial position and results of operations. It is possible, however, that future results of operation could be materially affected by changes or in the effectiveness of strategies relating to these proceedings (see Note 34).

7. Cash and Cash Equivalents

This account consists of:

	2009	2008
	<i>(In Thousands)</i>	
Cash on hand	₱18,598	₱1,147
Cash in banks	86,687	280,569
Cash equivalents	87,683	47,204
	₱192,968	₱328,920

Cash in banks earn interest at their respective bank deposit rates. Cash equivalents pertain to time deposits with local banks for terms ranging from 7 to 31 days and earn interest at 1.0% to 4.25% gross. Interest income, recognized in the statements of consolidated income under Financial income account, on cash in banks and cash equivalents amounted to ₱6.2 million in 2009, ₱19.4 million in 2008 and ₱2.1 million in 2007 (see Note 22).

8. Related Party Transactions

Outstanding balances of related party transactions as of September 30, 2009 and 2008 are as follows:

Related Party	Relationship	2009	2008	2009	2008
<i>(In Thousands)</i>					
		Due from related parties		Due to related parties	
Joint venture projects	Projects	₱104,898	₱277,563	₱132,631	₱124,078
Golf Clubs	Affiliates	238,653	241,095	1,744	1,442
Fil-Estate Marketing Companies	Associates	141,793	135,293	17,988	20,485
FEMI	Major stockholder	47,156	99,125	-	-
Fil-Estate Development, Inc. (FEDI)	Affiliate	142,816	87,292	-	-
Others- net	Affiliates	192,243	170,767	298,706	176,559
		₱867,559	₱1,011,135	₱451,069	₱322,564

Due from related parties are shown net of allowance for impairment loss amounting to ₱17.9 million in 2009 and 2008.

Outstanding balances of related parties are unsecured except for the loan granted to Camp John Hay Development Corporation (CJHDEVCO). There are no guarantees given or received on these outstanding related party balances.

Transactions with related parties follow:

- On January 11, 2007, the stockholders approved the subscriptions of FEMI to the proposed increase in authorized capital stock of FELI by the conversion of its liability to FEMI to the extent of ₱550 million which was approved by the SEC on June 14, 2007 (See Note 29).
- In 2008, FEUDC and FELI (as guarantor) entered into a Memorandum of Agreement (MOA) with CJHDEVCO wherein FEUDC will assume the specific development obligations of CJHDEVCO in exchange for suites units and receivables. CJHDEVCO is to contribute its leasehold rights. The funds were sourced by FEUDC from the loan from Lim Asia Arbitrage Fund.

In consideration for extending its guarantee on the completion of FEUDC of the project, CJHDEVCO assigned to FELI development rights over certain lots and right to be reimbursed for advances made to the property owner. Real estate for sale, receivable and guarantee income recognized for this transaction as of and for the year ended September 30, 2008 amounted to ₱235.8 million (see Note 10), ₱50 million and ₱285.8 million, respectively. Valuation of the assets received was based on current market prices.

- c. In 2008, FELI granted a two-year loan to CJHDEVCO amounting to ₱32.4 million which bear interest of 16% per annum. Principal is payable in four (4) equal semi-annual amortizations beginning December 24, 2008 and interest is payable quarterly in arrears beginning September 24, 2008 based on the outstanding principal balance. The loan is secured by assignment of leasehold rights over three (3) lot pads. Receivable including accrued interest recognized on this loan amounted to ₱39.1 million and ₱33.8 million as of September 30, 2009 and 2008 while interest income recognized amounted to ₱5.3 million and ₱1.4 million for the years ended September 30, 2009 and 2008.
- d. Availment of loans from a stockholder amounting to ₱233.8 million in 2009. The loan balance amounted to ₱468.5 million and ₱234.7 million as of September 30, 2009 and 2008, respectively (see Note 18).
- e. Assignment of certain real estate owned by FEPI in payment for loan of FEMI to a local bank in 2009 and 2008. Value of properties assigned amounted to ₱13.7 million in 2009 and ₱70.8 million in 2008 and gain recognized amounted to ₱12.1 million in 2009 and ₱52 million in 2008 which was reported under "Other Income" account in the consolidated statements of income.

Also in 2008, FEPI together with other related parties and joint venture partners entered into an assignment of FEPI's certain properties with a local government unit for the settlement of their tax obligations. This resulted to recognition of advances from related parties, gain on dacion en pago and operating expense amounting to ₱16.8 million, ₱17.4 million and ₱22.7 million, respectively.

- f. Payment of commissions to affiliated marketing companies, which act as the exclusive marketing arms of the subsidiaries. Commission is based on the total contract price of the real estate and golf club and resort shares sold multiplied by a fixed rate. Commission expense amounted to ₱28.1 million in 2009, ₱22.7 million in 2008, and ₱30.6 million in 2007.
- g. Assumption of liability of a certain related party to a local creditor bank and payment by way of dacion en pago of share in a joint venture project in 2007. This resulted to due from affiliate of ₱36.1 million, decrease in investment in joint venture by ₱34.6 million and other income of ₱1.5 million.
- h. Granting of noninterest-bearing advances to certain officers and employees (Note 9).
- i. Lease of office premises by the Group as lessor to related parties. Annual rental income amounted to about ₱6 million in 2009, 2008 and 2007.

- j. The remuneration of key management amounted to ₱13.0 million, ₱12.6 million, and ₱14.2 million in 2009, 2008 and 2007, respectively, representing compensation, short-term and post employment benefits as follow:

	2009	2008	2007
	<i>(In Thousands)</i>		
Short-term benefits			
Salaries and wages	₱4,779	₱4,779	₱5,740
Bonus and 13 th month pay	4,683	4,683	6,677
	9,462	9,462	12,417
Post-employment benefits	3,547	3,179	1,784
	₱13,009	₱12,641	₱14,201

9. Receivables

This account consists of:

	2009	2008
	<i>(In Thousands)</i>	
Trade		
Sale of real estate and golf club and resort shares	₱628,099	₱532,187
Rental and other trade receivables	198,707	104,365
	826,806	636,552
Other Receivables		
Landowners	257,495	190,552
Contractors and suppliers	194,687	159,733
Officers and employees (Note 8)	54,600	63,731
Others	142,261	128,052
	649,043	542,068
Total receivables	1,475,849	1,178,620
Less allowance for impairment loss	205,406	205,406
	₱1,270,443	₱973,214
Current	₱1,038,712	₱745,280
Noncurrent	231,731	227,934
	₱1,270,443	₱973,214

Included in Other receivables in 2009 and 2008 is ₱33.9 million receivable for the sale of land.

The rollforward of the allowance for impairment loss as of September 30, 2009 and 2008 is shown below:

	2009	2008
	<i>(In Thousands)</i>	
At beginning of year	₱205,406	₱197,057
Provision for impairment loss (Note 24)	-	8,349
Balance at end of year	₱205,406	₱205,406

Since the title to the real estate properties remains with the Group until the receivables are fully collected, the Group did not provide an allowance for impairment to the extent of the expected market value of the property sold to the buyer (see Note 30) on certain past due accounts.

The fair values of other short term receivables are not individually determined as the carrying amounts are reasonable approximation of their fair values.

10. Real Estate and Golf Club and Resort Shares for Sale

This account consists of:

	2009	2008
	<i>(In Thousands)</i>	
At cost:		
Real estate for sale (Notes 2, 8, 18 and 36)	₱4,970,349	₱5,000,985
Less allowance for impairment loss (Note 24)	17,704	-
	4,952,645	5,000,985
Resort and golf club shares for sale	2,161,036	2,141,019
Less allowance for decline in market value of golf club shares for sale	1,774	1,774
	2,159,262	2,139,245
	₱7,111,907	₱7,140,230
Current	₱5,215,417	₱5,243,740
Noncurrent	1,896,490	1,896,490
	₱7,111,907	₱7,140,230

The recovery of noncurrent real estate and golf club shares for sale depends on the continues development of the projects and ultimate sales thereof (see Note 2). As of September 30, 2009 and 2008, the estimated cost of the Group to complete the noncurrent real estate for sale and resort and golf club shares amounted to ₱3.0 billion and ₱45.7 million, respectively.

11. Prepaid Expenses and Other Current Assets

This account consists of:

	2009	2008
	<i>(In Thousands)</i>	
Input tax – net	₱174,165	₱53,628
Creditable withholding tax	78,778	78,119
Deferred commission	32,270	156,458
Supplies inventory	10,127	8,505
Others	8,693	9,913
	₱304,033	₱306,623

12. Due from Other Realty and Development Companies

This represents advances to several real estate property owners ("property owners") and charges in connection with various project agreements entered into by the Group. The term of the agreements provides that the Group undertakes the development and subdivision of the properties. The agreements further stipulate that the Group and the property owners will be paid upon collection of sales proceeds from their share in the developed real estate properties using a certain pre-agreed sharing ratio. Collections of the advances from the said property owners are generally received upon sale of the property owners' share in the projects.

On October 13, 2008, certain property owners, FEPI and FEGDI ("the developers") decided to rescind the Land Investment Trust Agreement (LITA) entered by the parties on April 29, 1997. In consideration therewith, the owners will reimburse the developers the amount of ₱7.2 million representing the full amount advanced by the developers. The said reimbursement shall be paid in the following manners: ₱6.75 million upon the execution of the Deed of Rescission and the balance shall be paid by the owners to the developers within one (1) year without interest by installment or by lump sum. The payment was applied against "Due from Other Realty and Development Companies" in the consolidated balance sheets amounting to ₱5 million and the excess amounting to ₱1.75 million was recognized under "Other Income" in the consolidated statements of income for the year ended September 30, 2009.

13. Investments in Associates and Joint Ventures

The details of investments in associates and joint ventures are shown below:

	2009	2008
	<i>(In Thousands)</i>	
At equity		
Associates:		
Acquisition costs	₱1,229,611	₱1,229,611
Accumulated equity in net losses		
Balance at beginning of year	(188,366)	(178,192)
Equity in loss for the year	(696)	(10,572)
Charged to (reversal from) noncurrent liability	(61)	398
Balance at end of year	(189,123)	(188,366)
Share in revaluation increment		
Balance at beginning of year	696	677
Share for the year	-	19
Balance at end of year	696	696
	1,041,184	1,041,941
Joint Ventures		
Capital contributions		
Balance at beginning of year	497,682	500,161
Additions during the year	14,987	8,338
Return of investment	(2,053)	(10,817)
Balance at end of year	510,616	497,682

	2009	2008
	<i>(In Thousands)</i>	
Accumulated equity in net earnings		
Balance at beginning of year	249,233	249,574
Equity in net earnings (loss) for the year	15,451	(341)
Balance at end of year	264,684	249,233
	775,300	746,915
Total Investments in Associates and Joint Ventures	1,816,484	1,788,856
Other Investments at cost – net	34,750	35,691
	₱1,851,234	₱1,824,547

The detailed carrying values of the investments in associates and joint ventures accounted for under equity method follows:

	2009	2008
	<i>(In Thousands)</i>	
Associates:		
NPI	₱1,007,725	₱1,007,724
Fil-Estate Marketing Companies	33,459	34,217
	1,041,184	1,041,941
Joint Ventures:		
High-rise Projects	674,074	645,689
Laurel (Batangas) Property	101,226	101,226
	775,300	746,915
	₱1,816,484	₱1,788,856

Significant condensed financial information with regard to the Group's associates and joint ventures is shown below:

	Associates		Joint Ventures	
	2009	2008	2009	2008
	<i>(In Thousands)</i>			
Current Assets	₱692,619	₱716,856	₱2,683,511	₱2,648,155
Noncurrent Assets	1,785,179	1,735,996	87,127	97,408
Current Liabilities	700,648	665,221	507,856	519,727
Noncurrent Liabilities	2,530,109	2,531,927	404,956	371,354
Equity	(752,959)	(744,296)	1,857,826	1,854,482
Revenues	81,265	156,156	25,529	7,986
Net Profit/ (Loss)	4,889	(93,673)	7,301	4,975

Unrecognized losses of an associate representing excess of share in accumulated losses over cost of investments and advances amounted to ₱160.4 million and ₱70.3 million as of September 30, 2009 and 2008, respectively.

The Group recognized its obligations representing excess of share in accumulated losses of an associate over cost of investments and advances under "Other noncurrent liabilities" account amounting to ₱26.7 million and ₱26.4 million as of September 30, 2009 and 2008, respectively.

The estimated cost of the Group to complete the joint venture projects amounted to ₱1.25 billion as of September 30, 2009.

Memorandum of Agreement on Capitol Plaza

On February 14, 2007, FEPI entered into Memorandum of Agreement with the landowner of Capitol Plaza to fully satisfy the obligations of FEPI amounting ₱256.7 million as developer of the project by swapping other properties of FEPI with the allocated share of the landowner. Pursuant to the agreement, FEGDI and FEPI entered into Deed of Conveyance with the said landowner covering the transfer of certain properties amounting to ₱128.5 million as partial settlement of the obligation.

Sale of shares of stock of NTDCC

On December 15, 2004, FEPI sold its 30.9% ownership in NTDCC to Ayala Land, Inc. for a total consideration of ₱600.1 million consisting of 100% ownership on MCX and Aklan and cash. The related gain on sale which amounted to ₱91.6 million is shown as "gain on sale of investment" in the 2005 consolidated statements of income. In 2007, Aklan and MCX separately entered into a deed of absolute sale with a certain property developer for the sale of parcels of land recognized as land held for future development in the 2006 consolidated balance sheets. The purchase price consists of ₱300 million cash and ₱136.9 million property component consisting of condominium, townhouse and subdivision units. This resulted to gain on sale amounting to ₱111.8 million recognized under "gain on sale of assets" account in the 2007 consolidated statements of income.

Sharing Distribution Agreement between FEPI, NPI, Carmona Realty and Development Corporation (CRDC) and CLDC

On December 23, 2008, the parties agreed on the transfer of certain number of hectares of land of the Nasugbu Harbour Town Projects from CLDC jointly under the name of NPI and CRDC with 77% and 23% ownership, respectively. Joint landowners, NPI and CRDC shall enter into a joint venture agreement (JVA) with FEPI and the sharing among the parties shall be FEPI at 52%, NPI at 38%, CRDC at 9% and Penta Capital Management Corporation (PENTA) at 1%. In addition, CRDC shall also contribute to the development of certain hectares of lot with sharing of CRDC at 45% and the Group at 55%.

As of September 30, 2009, the land was already transferred in the name of NPI and CRDC.

14. Investment Properties

The rollforward analysis of this account follows:

	2009		
	Balance at September 30, 2008	Transfer/ Depreciation	Balance at September 30, 2009
	<i>(In Thousands)</i>		
Cost:			
Land	₱24,687	₱7,760	₱32,447
Land improvements	139,705	-	139,705
Buildings and improvements	26,721	-	26,721
Slides, pools and improvements	195,147	-	195,147
	386,260	7,760	394,020
<i>(Forward)</i>			

(Carryforward)

2009			
	Balance at September 30, 2008	Transfer/ Depreciation	Balance at September 30, 2009
	<i>(In Thousands)</i>		
Accumulated depreciation			
Land improvements	123,202	2,636	125,838
Buildings and improvements	26,102	398	26,500
Slides, pools and improvements	191,410	1,881	193,291
	340,714	4,915	345,629
Net Book Values	₱45,546	₱2,845	₱48,391
2008			
	Balance at September 30, 2007	Transfer/ Depreciation	Balance at September 30, 2008
	<i>(In Thousands)</i>		
Cost:			
Land	₱24,687	₱-	₱24,687
Land improvements	139,705	-	139,705
Buildings and improvements	26,721	-	26,721
Slides, pools and improvements	195,147	-	195,147
	386,260	-	386,260
Accumulated depreciation			
Land improvements	120,230	2,972	123,202
Buildings and improvements	25,370	732	26,102
Slides, pools and improvements	188,606	2,804	191,410
	334,206	6,508	340,714
Net Book Values	₱52,054	(₱6,508)	₱45,546

FEEC and FEPI have existing lease agreements with certain lessees for the lease of investment properties for a term ranging from five (5) to twenty five (25) years and with annual escalation rates of 5% to 7% (see Note 34).

Consolidated rental income from investment properties amounted to ₱17.1 million and ₱50.2 million and ₱16.9 million for 2009, 2008 and 2007, respectively. Direct operating expenses related to the investment property included in the "Cost of Services" account in the consolidated statements of income (see Note 23) follow:

	2009	2008	2007
	<i>(In Thousands)</i>		
Depreciation (Note 24)	₱4,915	₱6,508	₱19,982
Salaries	2,561	2,268	2,862
Real property taxes	609	367	367
Repairs and maintenance	-	2,798	942
Contracted services	7	89	-
	₱8,092	₱12,030	₱24,153

Aggregate fair market value of the investment properties approximates ₱1.5 billion as of September 30, 2009 which is substantially based on appraised values conducted by independent firm of appraisers.

15. Property and Equipment

The rollforward analysis of this account follows:

2009				
	Balance at September 30, 2008	Additions/ Depreciation	Disposals	Balance at September 30, 2009
	(In Thousands)			
Cost:				
Land	₱20,904	₱-	₱-	₱20,904
Buildings and other Improvements	701,249	810	-	702,059
Construction and maintenance equipment	391,030	140	(136)	391,034
Office furniture, fixtures and equipment	54,847	2,250	(463)	56,634
Water system	150,599	-	-	150,599
Transportation equipment	63,579	447	(132)	63,894
	1,382,208	3,647	(731)	1,385,124
Accumulated depreciation and amortization:				
Buildings and other improvements	₱198,585	₱18,450	₱-	₱217,035
Construction and maintenance equipment	378,605	3,307	(136)	381,776
Office furniture, fixtures and equipment	49,368	1,827	(463)	50,732
Water system	48,440	6,408	-	54,848
Transportation equipment	61,280	514	(132)	61,662
	736,278	30,506	(731)	766,053
Net Book Values	₱645,930	(₱26,859)	(₱-)	₱619,071
2008				
	Balance at September 30, 2007	Additions/ Depreciation	Disposals	Balance at September 30, 2008
	(In Thousands)			
Cost:				
Land	₱21,704	₱-	₱800	₱20,904
Buildings and other Improvements	700,356	893	-	701,249
Construction and maintenance equipment	394,816	487	4,273	391,030
Office furniture, fixtures and equipment	52,207	2,926	286	54,847
Water system	150,599	-	-	150,599
Transportation equipment	63,484	1,419	1,324	63,579
Slides, pools and other equipment	642	-	642	-
	1,383,808	5,725	7,325	1,382,208
(Forward)				

(Carryforward)

	2008			
	Balance at September 30, 2007	Additions/ Depreciation	Disposals	Balance at September 30, 2008
	(In Thousands)			
Accumulated depreciation and amortization:				
Buildings and other Improvements	179,901	18,684	-	198,585
Construction and maintenance equipment	376,144	6,715	4,254	378,605
Office furniture, fixtures and equipment	47,863	1,795	290	49,368
Water system	42,385	6,055	-	48,440
Transportation equipment	62,224	380	1,324	61,280
Slides, pools and other equipment	642	-	642	-
	709,159	33,629	6,510	736,278
Net Book Values	₱674,649	(₱27,904)	₱815	₱645,930

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

	2009	2008	2007
	(In Thousands)		
Shown under consolidated statements of Income:			
Cost of services (Note 23)	₱5,740	₱7,225	₱4,647
Operating expenses (Note 24)	24,480	26,404	47,790
	30,220	33,629	52,437
Shown under consolidated balance sheets in real estate for sale	286	-	2,859
	₱30,506	₱33,629	₱55,296

16. Other Noncurrent Assets

This account consists of deposits, available-for-sale investments and other noncurrent assets.

Available-for-sale investments pertain to investments in golf club shares. The fair values of available-for-sale investments were determined based on published prices in the active market.

Cost and fair values are shown below:

	2009	2008
	(In Thousands)	
At cost:		
Balance at beginning of year	₱9,377	₱9,377
Additions during the year	6,897	-
Balance at end of year	16,274	9,377
At fair values	14,192	3,820
Unrealized loss	₱2,082	₱5,557

	2009	2008
	<i>(In Thousands)</i>	
Unrealized loss on AFS are recognized under equity net of deferred tax as follows:		
Attributable to equity holders of Parent Company	₱1,444	₱4,967
Attributable to minority interest	323	298
	₱1,767	₱5,265

Movement of unrealized loss follow:

	2009	2008
	<i>(In Thousands)</i>	
Balance at beginning of year	₱5,557	₱4,787
Additions (recovery) during the year	(3,475)	770
Balance at end of year	₱2,082	₱5,557

17. Bonds Payable

On September 14, 2007, FELI (issuer) entered into Bonds Issuance Facility Agreement (facility agreement) with Lim Asia Arbitrage Fund, Inc. (LAAF, original bondholder), The Hong Kong and Shanghai Banking Corporation Limited (trustee), Banco de Oro - EPCI, Inc. - Trust Banking Group (paying agent, transfer agent or conversion agent) and Lim Advisors Limited (arranger) wherein FELI intends to issue a five - year and one day fixed rate convertible bonds with a total face value of up to US\$25 million, convertible to common shares of the capital stock of the issuer on terms and conditions provided.

Significant provisions of the agreement follow:

1. The convertible bonds are not intended for public distribution and sale in the Philippines and will not be registered with the SEC prior to issue date. The convertible bonds will be sold on a private placement basis to the original bondholder with a restriction that they cannot be offered or sold, on a secondary basis, to more than 19 bondholders who are not qualified buyers at any given twelve-month period.
2. The aggregate amount of initial convertible bonds and additional convertible bonds to be issued by the issuer shall not exceed US\$25 million.
3. The original bondholder hereby grants to the issuer convertible bonds facility of up to the aggregate principal amount of US\$12.5 million.
4. The issuer shall have the option to issue up to US\$12.5 million face value of additional convertible bonds, carrying the same terms and conditions as the initial issue, at any time prior to December 31, 2007, and which may be subscribed by the arranger or any third party (the Greenshoe Option).
5. The convertible bonds are priced at 100% of the face value to achieve a desired yield to maturity equivalent to 14% per annum, inclusive of all interest payments.
6. The issuer shall redeem all outstanding convertible bonds on maturity date by paying in full the principal maturity amount including accrued interest due on maturity date.

7. Interest is at 4% per annum.
8. Each of the bondholders may convert any of the principal of the convertible bonds into conversion shares at a conversion price of ₱1.50 per share subject to adjustments as provided on any business day commencing six months from the issue date until the maturity date (or such earlier date as the convertible bonds are cancelled or redeemed) at the sole discretion of the bondholders. The number of conversion shares to which a bondholder is entitled shall be fixed at the time of the issue date of the convertible bonds based on the conversion exchange rate.
9. Certain affirmative and negative covenants.
10. In event of default, the remedy period shall be 30 calendar days from the date of occurrence of the event of default and may be extended at discretion of the bondholders, however, no remedy period shall apply in respect suspension of payment and insolvency default. At any time after the remedy period, if any such event of default shall be continuing and has not been waived by the majority bondholders, the trustee upon written direction of the majority bondholders shall, by written notice to the issuer, declare the issuer in default and require issuer to redeem the unpaid amount of the convertible bonds in full plus 2% plus accrued interest and failing redemption, the bondholders shall have the right to petition the appropriate courts in the Philippines for the appointment of a receiver subject to and in accordance with applicable Philippine law.

The parties entered into a supplemental agreement on January 14, 2008 to allow FELI to extend the period for the exercise of the Greenshoe Option at any time prior to January 20, 2008 to allow the subscription of a new subscriber, Lim Asia Special Situations Master Fund Limited (LASSM, new bondholder) to subscribe to the additional convertible bonds. An accession agreement was entered by LASSM on January 18, 2008 as a new bondholder and becomes a party to the facility agreement with effect on and from January 18, 2007.

Pursuant to the above Convertible Bonds Issuance Facility Agreement and the other related agreements, FELI issued five-year fixed rate convertible bonds due in 2012 on January 18, 2008 amounting to US\$12.5 million to LASSMFL and on November 8, 2007 amounting to US\$12.5 million to LAAF (see Note 29).

Interest expense incurred on the loans for the year ended September 30, 2009 and 2008 amounted to ₱76.7 million and ₱52.8 million, respectively. Amount capitalized and charged to financial expenses are as follows:

	2009	2008
Real estate and golf club shares and resort shares for sale	₱17.4 million	₱9.3 million
Financial expenses (Note 26)	59.3 million	43.5 million

18. Loans Payable

This account consists of loan from a stockholder:

	2009	2008
	(In Thousands)	
Current		
Peso loan	P100,000	P-
US dollar loan (see Note 29)	166,254	134,673
	P266,254	P134,673
Noncurrent:		
Peso loan (due November 25, 2008)	P-	P100,000
US dollar loan (due October 21, 2010 and June 30, 2011- see Note 29)	202,256	-
	P202,256	P100,000

The peso loan was renewed for another 12 months upon maturity and is due for payment in October 2009. In 2009, the maturity was further extended up to May 2010.

Omnibus Agreement with Lim Asia Arbitrage

On March 5, 2007, the FEUDC (borrower) together with FELI (guarantor) entered into Omnibus Agreement (agreement) with Lim Asia Arbitrage Fund, Inc. (Lim Asia, lender) for a US\$10.5 million loan facility (to be registered with Bangko Sentral ng Pilipinas) and a US\$2 million loan facility. The facility is being extended for five (5) years from the signing date.

Under the agreement, the following are the conditions of the security for the drawdown:

1. The chattel mortgage the guarantor shall execute pursuant to the agreement, to constitute a chattel mortgage over 100% of the total issued and outstanding shares of the capital stock of the borrower to be registered with the Chattel Mortgage Registry and delivered to the trustee (HSBC).
2. A signed and irrevocable proxy from the guarantor as the owner of the shares in favor of the lender to be held by the trustee. The proxy shall be delivered by the trustee to the lender upon the lender's notice to the trustee of there being an event of default. The proxy must provide for full voting rights over the 100% of the borrower's shares to be given to the lender.
3. Signed and undated irrevocable resignation notices of all borrower's directors to be held by the trustee and delivered to the lender upon the lender's notice to the trustee of there being an event of default which remains unremedied after the lapse of the applicable remedy period.

Each drawdown shall specify a project for which the fund shall be used.

Moreover, FEUDC, as the borrower, will not, unless the lender otherwise agree in writing;

- a. Merge or consolidate with any other entity or take any step with a view to dissolution, liquidation or winding up;
- b. Purchase or redeem any of its issued shares or reduce its share capital;
- c. Declare or pay any dividends or make any other income distribution to its stockholders;
- d. Establish or acquire any subsidiary or affiliate;
- e. Undertake any business activity other than transactions contemplated by the Finance documents;
- f. Change the nature of its business;
- g. Grant any loan or advance, guarantee;
- h. Incur any other indebtedness;
- i. Enter into any agreement or obligation which might mutually and adversely affect its financial consolidation.

Drawdown Pursuant to the Omnibus Agreement

The ₱230 million loans payable were obtained by FEUDC pursuant to Omnibus Agreement with Lim Asia Arbitrage Fund Ltd (Lim Asia).

The ₱100 million loan was coursed through loan line facility provided by Hong Kong and Shanghai Bank Corporation (HSBC). The loan was obtained on May 25, 2007 and is due for payment on November 25, 2008, with interest rate at 10% per annum for 18-month term payable in four equal installments quarterly in advance from the date of drawdown with a six month initial grace period. The loan is secured by a security deed and cash deposits amounting to USD\$2.5 million held under lien with HSBC Institutional Trust Services Asia Limited Hong Kong placed by Lim Asia. The said loan was secured to fund Cathedral Heights Townhouse Project (CHTP).

The ₱130 million loan was obtained on August 3, 2007 and is due for payment 24 months from date of drawdown, with interest at 10% per annum payable in four equal installments, quarterly in advance from the date of drawdown with a six month initial grace period. The said loan was secured to fund Boracay villas project. The drawdown was made in US dollars and is likewise payable in US Dollars (see Note 29).

On October 7, 2008, the ₱30 million loan was obtained and is due for payment 18 months from date of drawdown, with interest at 9% per annum paid in four equal installments, quarterly in advance from the date of drawdown with a six month initial grace period. The said loan was secured to fund Camp John Hay Forest Cabins (CHJFC) project. The drawdown was made in US dollars totaling \$622,859 and is likewise payable in US dollars.

On October 7, 2008, the ₱100 million loan was obtained and is due for payment 24 months from date of drawdown, with interest at 9% per annum paid in four equal installments, quarterly in advance from the date of drawdown with a six month initial grace period. The said loan was secured to fund Camp John Hay Suites (CHJS) project. The drawdown was made in US dollars totaling \$2,076,196 and is likewise payable in US dollars.

On June 30, 2009, FEUDC obtained a ₱105 million loan and is due for payment 24 months from date of drawdown, with interest at 9% per annum paid in four equal installments, quarterly in advance from the date of drawdown with a six month initial grace period. The said loan was secured to fund Camp John Hay Suites (CJHS) projects. The drawdown was made in US dollars totaling \$2,173,598 and is likewise payable in US dollars.

Drawdown security in favor of Lim Asia is as follows:

1. Real estate mortgage and security interest over townhouse units of the Project;
2. Assignment by way of security of all the rights, title, interest and benefits (but not the obligations) of FEUDC in or arising from the following:
 - a. Facility account of the drawdown;
 - b. Project documents (Assigned contracts);
 - c. Insurance claims and proceeds;
 - d. Receivables due on previous sales of CHTP amounting to ₱37.1 million shall be assigned to the secured account;
 - e. All receipts, sales revenue, receivables and all existing and future revenues generated from sale of all other units which are not subject to encumbrance constituted as core security under the Omnibus Agreement;
 - f. All licenses, approvals, consents and contracts relating to the Project to the full extent allowed under applicable laws and regulations.

Carrying values of these inventories pledged as security for the loan amounted to ₱349 million and ₱159 million as of September 30, 2009 and 2008, respectively.

Capitalized interest on the loans for the years ended September 30, 2009 and 2008 amounted to ₱8.6 million and ₱22.5 million, respectively.

19. Accounts Payable and Other Current Liabilities

This account consists of:

	2009	2008
	<i>(In Thousands)</i>	
Trade	₱1,156,499	₱1,174,519
Accrued taxes, interest, retirement and other liabilities (Note 25)	150,981	513,157
	₱1,307,480	₱1,687,676

In 2008, FELI and FEPI entered into an agreement with a local bank for settlement of accrued interest and buy back of assigned accounts receivable amounting to ₱1.8 million and ₱4.8 million, respectively. Gain recognized of ₱2.6 million is reported under "Other income" account in the consolidated statements of income.

In 2007, the Group entered into agreement with a certain Special Purpose Vehicle, assignee of a certain creditor bank and a financing company, for the settlement of the Group's liabilities totaling ₱146 million consisting of ₱3.3 million trade payables and ₱142.7 million of accrued expenses. Included in the settlement are properties owned by affiliates amounting to ₱77.4 million while gain recognized on the settlement amounted to ₱4 million shown under "Other income" account in the consolidated statements of income.

The fair values of accounts payable and current liabilities have not been disclosed due to their short duration. Management considers the carrying amounts recognized in the consolidated balance sheets to be a reasonable approximation of their fair values.

20. Due to Other Realty and Development Companies

This account mainly represents the share of joint venture (JV) partners for the sale of real estate and golf club and resort shares to be remitted to the JV partners.

21. Gross Profit on Sales of Real Estate

This account consists of:

	2009	2008	2007
	<i>(In Thousands)</i>		
Current year's sales			
Sales	₱378,029	₱218,936	₱309,817
Cost of sales	114,780	53,040	107,719
Gross profit on current year's sales	263,249	165,896	202,098
Realized gross profit on prior year's sales			
- net of refunds	(88,146)	7,183	8,404
	₱175,103	₱173,079	₱210,502

22. Financial Income and Other Income

Financial income consists of:

	2009	2008	2007
	<i>(In Thousands)</i>		
Interest from:			
Receivables carried at amortized cost			
(Note 30)	₱169,222	₱65,995	₱68,891
Sales of real estate	7,183	21,146	19,122
Cash in banks and cash equivalents (Note 7)	6,168	19,360	2,083
Receivable from a related party (Note 8)	5,267	1,427	-
Others	3,619	3,183	5,168
Realized foreign exchange gain	4,197	-	-
Unrealized foreign exchange gain	3,879	13,763	539
Recovery from decline in market value of golf shares	847	5,220	1,463
Dividend income	203	1,080	-
	₱200,585	₱131,174	₱97,266

Outstanding balance of contract price on sales of real estate is collectible in monthly installments over a period ranging from one to five years. Interest of up to 21% per annum is computed daily on the diminishing balance of the principal.

Other income consists of:

	2009	2008	2007
	<i>(In Thousands)</i>		
Payables written off	₱79,559	₱9,791	₱697
Gain on dacion en pago (Notes 8 and 19)	16,110	28,662	69,822
Return of investment	-	12,830	18,832
Others	20,168	26,477	14,345
	₱115,837	₱77,760	₱103,696

23. Costs of Services

This account consists of:

	2009	2008	2007
	<i>(In Thousands)</i>		
Salaries, wages and benefits	₱38,464	₱46,358	₱50,279
Depreciation (Notes 14 and 15)	10,655	13,733	24,629
Materials and supplies	9,183	33,691	38,326
Repairs and maintenance	8,254	11,283	7,195
Others	6,781	333	2,065
	₱73,337	₱105,398	₱122,494

24. Operating Expenses

This account consists of:

	2009	2008	2007
	<i>(In Thousands)</i>		
Personnel costs (Notes 8 and 25)			
Salaries and wages	₱59,275	₱63,533	₱57,067
Others	40,902	45,473	40,706
	100,177	109,006	97,773
Outside services	71,216	58,612	87,339
Transportation and travel	44,592	14,952	14,350
Commissions	30,174	22,771	30,656
Depreciation and amortization (Note 15)	24,480	26,404	47,790
Taxes and licenses	24,310	62,628	56,978
Repairs and maintenance	18,852	8,304	10,227
Provisions for impairment loss on:			
Real estate for sale (Note 10)	17,704	-	-
Receivables	-	8,349	4,971
Entertainment, amusement and recreation	12,068	7,711	5,322
Advertising and promotion	11,661	6,343	2,551
(Forward)			

(Carryforward)

	2009	2008	2007
	(In Thousands)		
Communication, light and water	₱11,419	₱10,697	₱10,247
Dues and subscription	5,944	7,460	3,852
Relocation	5,814	18,585	2,669
Supplies	2,902	2,595	2,148
Rent	1,659	889	2,901
Insurance	1,230	1,632	22
Printing and reproduction	801	4,615	2,106
Training and seminars	533	616	1,628
Others	27,492	33,131	9,264
	₱413,028	₱405,300	₱392,794

25. Retirement Benefit Costs

The Group has an unfunded, noncontributory defined benefit plan covering all regular employees. The plan provides for lump-sum benefits equivalent to 50% to 150% of the employee's monthly salary for every year of service depending on the years of service. The normal retirement age is 60 years old but not beyond 65 years old with completion of at least five (5) years of faithful and continuous service with the Group. However, an employee who rendered at least 15 years of service and opts for an early retirement is likewise entitled to the same benefits.

The latest actuarial valuation of the Group dated February 4, 2010 pertains to retirement valuation as of September 30, 2009.

The assumptions used to determine pension benefits for the Group for the years ended September 30, 2009 and 2008 are as follows:

	2009	2008
Discount rate	8%	8%
Salary increase rate	5%	8%

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

	2009	2008
	(In Thousands)	
Balance at beginning of year	₱59,959	₱61,008
Current service cost	2,725	4,545
Interest cost	4,812	4,862
Curtailment gain	(13,227)	-
Net actuarial loss (gain)	(10,407)	(10,456)
	₱43,862	₱59,959

Amount recognized in the consolidated balance sheets as of September 30, 2009 and 2008 were determined as follows:

	2009	2008
	<i>(In Thousands)</i>	
Benefit obligation	₱43,862	₱59,959
Unrecognized net actuarial loss	13,426	4,118
Net retirement liability (recognized as accrued expense under "accounts payable and other current liabilities")	₱57,288	₱64,077

Amount recognized in the consolidated statements of income for the years ended September 30, 2009, 2008 and 2007 was determined as follows:

	2009	2008	2007
	<i>(In Thousands)</i>		
Current service cost	₱2,725	₱4,545	₱3,142
Interest cost	4,812	4,862	6,067
Curtailment gain	(13,227)	-	-
Net actuarial loss (gain) recognized for the year	(1,097)	33	-
	(₱6,787)	₱9,440	₱9,209

Average remaining working lives of the Group's employees covered by the plan ranges from 10 to 15 years.

26. Financial Expenses

Financial expense consists of:

	2009	2008	2007
	<i>(In Thousands)</i>		
Unrealized foreign exchange loss	₱19,244	₱128,340	₱-
Interest expense on:			
Liabilities carried at amortized cost (Note 30)	164,703	39,204	55,966
Bonds payable (Note 17)	59,291	43,483	-
Refunds	24,947	-	-
Other liabilities	10,000	-	-
Loans payable	1,098	9,181	18,806
Others	714	-	-
Realized foreign exchange loss	1,111	16,833	-
Finance charges and others	57	7,181	28
	₱281,165	₱244,222	₱74,800

27. Income Tax

Components of the deferred tax assets and deferred tax liability account in the consolidated balance sheets are as follows:

	2009	2008
	(In Thousands)	
Deferred tax assets:		
Tax effects of:		
Unrealized gross profit on sale of real estate and golf club and resort shares	₱223,754	₱204,411
Deferred income	138,478	138,478
Allowance for impairment losses	25,008	65,990
NOLCO	33,532	43,841
Unrealized foreign exchange loss – net	33,222	34,373
Accrued retirement benefits	17,194	19,284
Unrealized loss on AFS	315	291
Decline in value of golf club shares	-	177
Others	5,311	322
Carryforward benefit of MCIT	380	283
	477,194	507,450
Deferred tax assets not recognized	51,601	52,717
	₱425,593	₱454,733

	2009	2008
	(In Thousands)	
Deferred tax liabilities:		
Tax effects of:		
Capitalized interest	₱201,942	₱202,512
Deferred commissions and others	57,242	56,858
Fair value adjustment on	1,168	-
	₱260,352	₱259,370

The current income tax expense is composed of MCIT, normal tax and capital gains tax. Components of current income tax reported in the statement of income follows:

	2009	2008	2007
Regular corporate income tax	₱1,799	₱20,746	₱12,186
Capital gains tax	1,483	8,356	1,500
Minimum corporate income tax	8,660	82	131
	₱11,942	₱29,184	₱13,817

The carry forward benefits of MCIT totaling ₱0.38 million as of September 30, 2009, can be claimed as deduction from regular corporate income tax as follows:

Date Incurred	Amount	Expired/Applied	Balance	Expiry Date
<i>(In Thousands)</i>				
September 30, 2006	₱70	(₱70)	₱-	September 30, 2009
September 30, 2007	131	(76)	55	September 30, 2010
September 30, 2008	82	(62)	20	September 30, 2011
September 30, 2009	305	-	305	September 30, 2012
	₱588	(₱208)	₱380	

NOLCO amounting to ₱111.8 million as of September 30, 2009, can be carried forward and claimed as deduction against regular taxable income as follows:

Date Incurred	Amount	Expired/Applied	Balance	Expiry Date
<i>(In Thousands)</i>				
September 30, 2006	₱52,329	(₱52,329)	₱-	September 30, 2009
September 30, 2007	37,137	(7,685)	29,452	September 30, 2010
September 30, 2008	56,670	(12,583)	44,087	September 30, 2011
September 30, 2009	38,232	-	38,232	September 30, 2012
	₱184,368	(₱72,597)	₱111,771	

Reconciliation of statutory income tax rate and effective income tax rates follows:

	2009	2008	2007
Statutory income tax rates	(31.25)	35.00	35.00
Tax effects of:			
Non-deductible expenses	28.18	11.90	16.46
Interest income subject to a lower final tax rate and others	(19.44)	5.80	1.00
Gain from sale of golf club and resort shares subject to capital gains tax	(15.40)	(4.84)	(3.87)
Equity in net losses (earnings) of associates and joint ventures not subject to tax	(3.65)	1.86	6.48
Effect of change in tax rates	2.55	33.67	-
Deferred tax assets written off	1.14	1.91	(0.35)
Non-taxable income	(0.66)	(28.86)	(93.41)
Deferred tax asset not recognized	72.07	-	-
Increase (decrease) in valuation allowance	(0.10)	(9.20)	52.26
	33.44	47.24	13.57

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

- Increase in the corporate income tax rate from 32% to 35% with a reduction thereof to 30% beginning January 1, 2009; and
- Grant of authority to the Philippine President to increase the 10% value added tax (VAT) rate to 12%, subject to compliance with certain economic conditions. The 12% VAT took effect February 1, 2006.

On November 26, 2008, Republic Act No. 9504 (RA 9504) entitled "An Act Amending Section 34 of the National Internal Revenue Code of 1997, as amended, and for other purposes" (Act) was passed into law effective July 6, 2008. The Act deals, among others, with optional standard deduction (OSD), allowing individuals and corporations to deduct 40% of gross income in computing their taxable income starting July 6, 2008 and onwards in lieu of itemized deduction.

28. Earnings Per Share

Computation of basic earnings per share is as follows:

	2009	2008	2007
(a) Net income (loss) <i>(In thousands)</i>	(P133,954)	P92,494	P58,308
(b) Weighted average number of shares <i>(In thousands)</i>	3,350,000	3,350,000	2,911,250
Basic earnings (loss) per share (a/b)	(P0.040)	P0.028	P0.020

Computation of diluted earnings per share in 2007 follows:

(a) Net income <i>(In thousands)</i>	P58,308
(b) Weighted average number of shares adjusted for potential common shares <i>(In thousands)</i>	2,920,266
Diluted earnings per share (a/b)	P0.020

The Company has no dilutive potential common shares as of September 30, 2009 and 2008.

29. Capital Stock

Increase in Capital Stock

On October 20, 2006, the Parent Company entered into a Subscription Agreement with foreign investors to subscribe into the 79,989,955 unissued and unsubscribed shares of the Parent Company at par value of P1 per share.

On January 11, 2007 special stockholders' meeting, the stockholders approved the increase in the Parent Company's authorized capital stock from P2.8 billion divided into 2.8 billion shares to P5 billion divided into 5 billion shares, all with a par value of P1 per share.

Of the total increase in capitalization by P2.2 billion, the P550 million representing 25% of the total increase shall be subscribed by FEMI from settlement of its advances to FELI. The said advances form part of "Due to related parties" account under the consolidated balance sheets as of September 30, 2006 which amounted to P266.9 million. Subscription receivable amounted to P283.1 million (see Note 8).

The increase in authorized capital stock was approved by the SEC on June 14, 2007.

On July 17, 2007, the Board of Directors passed a resolution further increasing the authorized capital stock from ₱5 billion to ₱10 billion which was approved and ratified by the stockholders in the Parent Company's annual stockholders meeting held on August 28, 2007. The planned increase of the capital stock to ₱10 billion shall be presented to SEC for final approval.

The details of the number of shares follow:

	2009	2008	2007
	<i>(In Thousands)</i>		
Authorized	5,000,000	5,000,000	5,000,000
Issued	2,800,000	2,800,000	2,800,000
Subscribed	550,000	550,000	550,000
Outstanding	3,350,000	3,350,000	3,350,000

Movement of Capital Stock

Rollforward analysis of capital stock follows:

	2009	2008	2007
	<i>(Amounts in Thousands)</i>		
Issued:			
Balance at beginning of year	₱2,800,000	₱2,800,000	₱2,720,010
Issuance during the year	-	-	79,990
Balance at end of year	2,800,000	2,800,000	2,800,000
Subscribed:			
Balance at beginning of year	550,000	550,000	-
Additions during the year	-	-	550,000
Balance at end of year	550,000	550,000	550,000
Subscription receivable:			
Balance at beginning of year	283,122	283,122	-
Additions during the year	-	-	550,000
Conversion of advances	-	-	266,878
Balance at end of year	283,122	283,122	283,122
	₱3,066,878	₱3,066,878	₱3,066,878

Stock Rights Offering

On January 10, 2007, the Board of Directors approved a resolution to allow FELI shareholders other than FEMI to subscribe to the equivalent shares that will upon full subscription, allow shareholders to maintain their pro-rata percentage of ownership. FELI offered for subscription 577 million new common shares (offer shares) in favor of stockholders other than FEMI as of the record date of January 10, 2008 at one (1) rights share for every 2.5158 shares held at an exercise price of ₱1.00 per offer share and offer period shall commence on January 25, 2008 and end at noon of February 1, 2008. The special offer of shares to stockholders of record other than FEMI is being undertaken as part of FELI's capital raising activities and to accommodate the request of minority shareholders to subscribe to additional FELI shares in proportion to the subscriptions earlier made by FEMI. FEMI undertakes not to subscribe to the offer shares during the offer period.

However, after the offer period, only a total of 43.2 million shares were subscribed; thus consistent with the regulations of the SEC and Philippine Stock Exchange on Stock Rights Offering, FELI refunded payments made by stockholders who subscribed to the stock rights offer.

Underlying Common Shares for the Convertible Bonds

On December 12, 2007, the PSE approved FELI's application to list additional 772,266,667 common shares with a par value of ₱1.00 per share to cover the underlying common shares for the convertible bonds with a total value of US\$25 million at a conversion price of ₱1.50 per share.

Warrant Instrument

On February 8, 2007, FELI as part of consideration for the private placement subscriptions made by Lim Asia Arbitrage Fund (LAAF) and Lim Asia Alternative Real Estate Fund (LAAREF) and their agreement to provide a financial facility for ongoing and future real estate projects (see Note 17), the Board of Directors authorized the issuance of 136 million warrants relating to 136 million unissued shares of the common stock of the Company with an exercise price of ₱1.00 subject to adjustment as provided in the Warrant Instrument.

There is no value assigned to the warrant issued since the interest rate of the construction loan granted is higher than the prevailing market rates at the time of availment of the loans.

30. Financial Assets and Liabilities

The Group's financial assets and liabilities are recognized initially at fair value. Subsequent to initial recognition, assets and liabilities are either valued at amortized cost using the effective interest rate method or at fair value depending on the classification.

The Group does not engage in the trading of financial assets for speculative purposes.

The following tables set forth the carrying values and estimated fair values of the Group's financial assets and liabilities recognized as of September 30, 2009 and 2008:

	2009		2008	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	<i>(In Thousands)</i>			
Current Financial Assets				
Cash and cash equivalents	₱192,968	₱192,968	₱328,920	₱328,920
Receivables	1,038,712	1,038,712	745,280	745,280
Due from related parties	867,559	867,559	1,011,135	1,011,135
Total current financial assets	2,099,239	2,099,239	2,085,335	2,085,335
Noncurrent Financial Assets				
Receivables	231,731	231,731	227,934	227,934
Due from other realty and development companies	524,948	524,948	674,056	674,056
Available-for-sale investments	14,192	14,192	3,820	3,820
Total noncurrent financial assets	770,871	770,871	905,810	905,810

	2009		2008	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(In Thousands)			
Current Financial Liabilities				
Loans payable	₹266,254	₹266,254	₹134,673	₹134,673
Accounts payable and other current liabilities	1,307,480	1,307,480	1,687,676	1,687,676
Due to related parties	451,069	451,069	322,564	322,564
Deposit on real estates sales	1,426,491	1,426,491	1,384,639	1,384,639
Liabilities arising from land acquisition	187,996	187,996	187,996	187,996
Total current financial liabilities	3,639,290	3,639,290	3,717,548	3,717,548
Noncurrent Financial Liabilities				
Bonds payable	1,189,800	1,189,800	1,172,925	1,172,925
Loans payable	202,256	202,256	100,000	100,000
Due to other realty and development companies	292,943	292,943	373,605	373,605
Other noncurrent liabilities	69,942	69,942	57,318	57,318
Total noncurrent liabilities	1,754,941	1,754,941	1,703,848	1,703,848

Interest income – net relating to the financial assets and liabilities amounted to ₹4.5 million (net of interest expense of ₹164.7 million) ₹26.8 million (net of interest expense of ₹39.2 million), ₹12.9 million (net of interest expense of ₹56.0 million) in 2009, 2008 and 2007, respectively.

Methods and Assumptions Used to Estimate the Fair Value

Due to the short-term nature of the transactions, the fair value of current financial assets and liabilities approximates the amount of consideration at the time of initial recognition.

Market values have been used to determine the fair value of listed available-for-sale financial assets.

Fair value of other noncurrent financial assets and liabilities is estimated as the present value of all future cash flows discounted using the prevailing market rate of interest for instruments with similar tenor and terms ranging from 6.27% to 12.33%.

Financial Risk Management Objectives and Policies

The Group's financial instruments comprise of cash, short-term bank deposits and investments and bank loans.

Exposures to credit and liquidity risks arise in the normal course of the Group's business activities. The main objectives of the Group's financial risk management are as follows:

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

Credit Risk

The investment of the Group's cash resources is managed so as to minimize risk while seeking to enhance yield. The Group's holding of cash and marketable securities expose the Group to credit risk of the counterparty if the counterparty is unwilling or unable to fulfill its obligations, and the Group consequently suffers financial loss. Credit risk management involves entering into financial instruments only with counterparties with acceptable credit standing. The treasury policy sets aggregate credit limits of any one counterparty and annually reviews the exposure limits and credit ratings of the counterparties.

The Group has credit management policies in place to ensure that rental contracts are entered into with customers who have sufficient financial capacity and good credit history.

The Group also has no significant concentrations of credit risk on its rental receivable. It has policies in place to ensure that rental contracts are made with customers with appropriate credit history.

Sales to buyers of real estate which are collectible on installment are relatively risk-free. Sales to real estate buyers are documented under Contract to Sell agreements which allow cancellation of the sale and forfeiture of payments made in the event of default by buyers.

Receivable balances are being monitored on a regular basis to ensure timely execution of necessary intervention efforts.

Below is the quality per class of receivables as of September 30, 2009 and 2008 (see Note 9):

2009			
	Neither past due nor impaired	Past due	Total
	(In Thousands)		
Receivable from sales of real estate	P46,699	P581,400	P628,099
Others	19,796	827,954	847,750
	<u>P66,495</u>	<u>P1,409,354</u>	<u>P1,475,849</u>
2008			
	Neither past due nor impaired	Past due	Total
	(In Thousands)		
Receivable from sales of real estate	P918	P531,269	P532,187
Others	108,763	537,670	646,433
	<u>P109,681</u>	<u>P1,068,939</u>	<u>P1,178,620</u>

Receivables which are neither past due nor impaired are current receivables. Below is the aging analysis of past due receivables as of September 30, 2009 and 2008:

2009					
	Less than 30 days	30 to 60 days	61 to 90 days	More than 90 days	Total
	<i>(In Thousands)</i>				
Receivable from sales of real estate	P-	P932	P-	P580,468	P581,400
Other receivables	2,302	1,519	1,514	822,620	827,954
	<u>P2,302</u>	<u>P2,451</u>	<u>P1,514</u>	<u>P1,403,088</u>	<u>P1,409,354</u>

2008					
	Less than 30 days	30 to 60 days	61 to 90 days	More than 90 days	Total
	<i>(In Thousands)</i>				
Receivable from sales of real estate	P36,636	P21,467	P4,783	P468,383	P531,269
Other receivables	37,902	13,363	6,780	479,625	537,670
	<u>P74,538</u>	<u>P34,830</u>	<u>P11,563</u>	<u>P948,008</u>	<u>P1,068,939</u>

The credit risk is concentrated to affiliates and other realty companies. However, the Receivables from sales of real estate and golf club and resort shares is not exposed to large concentration given the Group's diverse base of counterparty.

Liquidity Risk

The Group monitors its cash flow position, debt maturity profile and overall liquidity position in assessing its exposure to liquidity risk.

The Group has reduced bank debt and payables to suppliers, contractors and other creditors via asset swap arrangements utilizing the Group's real estate and golf and resort shares inventory. Agreements have been obtained from banks for the settlement of the remaining debt also via asset swap arrangements.

As a matter of policy, no new bank debt shall be secured unless for project development purposes which are expected to provide sufficient cash flows to ensure repayment.

The aging analysis of payables (Note 19) as of September 30, 2009 and 2008 are as follows:

2009					
	Less than 30 days	30 to 60 days	61 to 90 days	More than 90 days	Total
	<i>(In Thousands)</i>				
Trade	P35,135	P19,006	P23,713	P1,078,645	P1,156,499
Others	29,397	158	30,742	90,684	150,981
	<u>P64,532</u>	<u>P19,164</u>	<u>P54,455</u>	<u>P1,169,329</u>	<u>P1,307,480</u>

	2008				Total
	Less than 30 days	30 to 60 days	61 to 90 days	More than 90 days	
	(In Thousands)				
Trade	P133,757	P4,748	P1,235	P1,034,779	P1,174,519
Others	232,075	1,065	1,400	278,617	513,157
	P365,832	P5,813	P2,635	P1,313,396	P1,687,676

Interest rate risk

The Group's interest rate risk management policy centers on reducing the overall interest expense and exposure to changes in interest rates. Changes in market interest rates relate primarily to the Group's interest bearing debt obligations with floating interest rate as it can cause a change in the amount of interest payments.

The Group follows prudent policies in managing its exposures to interest rate fluctuation, and constantly monitors its exposure to fluctuation in interest rates to estimate the impact of interest rate movements on its interest expense.

Borrowings of the Group are usually at fixed rates. Thus, no interest rate sensitivity analysis is presented.

Maturity profile of noncurrent interest-bearing financial instruments as of September 30, 2009 and 2008 follows:

	2009					Total
	1 - 2 years	2 - 3 years	3 - 4 years	4 - 5 years	More than 5 years	
	(In Thousands)					
Noncurrent financial assets						
Due from other realty and development companies	P-	P328,680	P34,262	P385,777	P-	P748,719
Noncurrent financial liabilities						
Due to other realty and development companies	P-	P100,216	P-	P366,871	P-	P467,087
	2008					Total
	1 - 2 years	2 - 3 years	3 - 4 years	4 - 5 years	More than 5 years	
	(In Thousands)					
Noncurrent financial assets						
Due from other realty and development companies	P559,437	P321,771	P-	P-	P-	P881,208
Noncurrent financial liabilities						
Due to other realty and development companies	P242,911	P217,680	P-	P-	P-	P460,591

Foreign exchange risk

Most of the Group's transactions are carried out in Philippine pesos, its functional currency. The currency exchange rates arise from the Group's interest-bearing cash equivalents and loans denominated in US dollars.

The exchange rate exposure is mitigated by a provision in the loan agreement that allows prepayment of the US dollar loan in whole or in part without penalty in the event of an exchange fluctuation. Moreover, the group seeks to manage the effect of its foreign exchange exposure by purchasing US dollars and generating revenues in foreign currency that will result to a natural hedge.

The Group's foreign currency denominated monetary assets and liabilities as of September 30, 2009 and 2008 and their peso equivalents at closing rate follow:

	2009		2008	
	In US Dollars	Peso Equivalent	In US Dollars	Peso Equivalent
	<i>(In Thousands)</i>			
Current financial assets				
Cash and cash equivalents	\$1,696	₱80,730	\$2,522	₱118,303
Current financial liabilities				
Loans payable	3,493	166,254	2,870	134,673
Accrued interest	500	23,796	504	23,622
Noncurrent financial liabilities				
Loans payable	4,250	202,256	-	-
Bonds payable	25,000	1,189,800	25,000	1,172,925
Net foreign currency denominated financial liability	\$31,547	₱1,501,376	\$25,852	₱1,212,917

The US dollar balances were restated to Philippine peso at a rate of ₱47.592/USD and ₱46.917/USD as of September 30, 2009 and 2008, respectively.

The following table demonstrates the sensitivity to a reasonable possible change in the Philippine peso - US dollar exchange rate, with all variables held constant, the Group's income before tax (due to changes in fair value of monetary assets and liabilities) and the Group's equity on September 30, 2009.

Reasonably Possible Changes in US Dollar - Philippine Peso Exchange rates	Effect on income	
	before tax	Effect on equity
	<i>(In Thousands)</i>	
1%	(₱15,014)	(₱10,510)
(1%)	15,014	₱10,510

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's currency risk.

31. Capital Risk Management

The Company's objective in managing capital is to maintain a strong credit rating and healthy capital ratios in order to support its business and maintain stockholders' confidence and to sustain future development of the business.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions.

Gearing ratio as of September 30, 2009 and 2008 are as follows:

	2009	2008
Interest bearing loans and borrowings	₱468,510	₱234,673
Bonds payable	1,189,800	1,172,925
Less cash	192,968	328,920
Net debt	1,465,342	1,078,678
Total Capital	9,190,475	9,324,107
Capital and net debt	₱10,655,817	₱10,402,785
Gearing ratio (Net debt/ Capital and Net debt)	13.8%	10.1%

The Group has complied with its covenant obligations, including maintaining the required gearing ratio for both years.

32. Retained Earnings

The retained earnings is restricted from being declared as dividends to the extent of the undistributed net earnings of subsidiaries, associates and joint ventures amounting to ₱4.4 billion in 2009 and ₱4.5 billion in 2008.

33. Segment Information

The industry segments where the Group operates are as follows:

- a. Sales of real estate and golf club and resort shares – development/construction and sale of residential subdivision and commercial lots, condominium buildings and townhouses in various locations, development of golf manor and sale of golf shares thereof.
- b. Service and rental – maintenance of golf courses, lease to affiliates and third parties of office space, commercial lots and business park.

Segment Assets and Liabilities

The following tables present revenue and income information for the years ended September 30, 2009, 2008 and 2007, and segment assets and liabilities information as of the years then ended regarding business segments.

2009					
	Sales of Real Estate and Golf Club and Resort Shares	Service and Rental	Total	Inter-segment Adjustments	Consolidated
	<i>(In Thousands)</i>				
Revenue	₱378,029	₱121,525	₱499,554	₱-	₱499,554
Cost of sales and services	114,780	73,337	188,117	-	188,117
Gross profit	263,249	48,188	311,437	-	311,437
Realized gross loss - net	(88,146)		(88,146)	-	(88,146)
Realized gross profit	₱175,103	₱48,188	₱223,291	₱-	₱223,291
Segment assets	₱14,812,355	₱304,914	₱15,117,269	-	₱15,117,269
Segment liabilities	5,557,021	97,562	5,654,583	-	5,654,583
Segment additions to:					
Property and equipment (Note 15)	₱3,647	₱-	₱3,647	₱-	₱3,647
Investment property (Note 14)	-	7,760	7,760	-	7,760
Equity in net earnings of associates and joint ventures (Note 13)	14,755	-	14,755	-	14,755
2008					
	Sales of Real Estate and Golf Club and Resort Shares	Service and Rental	Total	Inter-segment Adjustments	Consolidated
	<i>(In Thousands)</i>				
Revenue	₱218,936	₱166,928	₱385,864	₱-	₱385,864
Cost of sales and services	53,040	105,398	158,438	-	158,438
Gross profit	165,896	61,530	227,426	-	227,426
Realized gross profit - net	7,183	-	7,183	-	7,183
Realized gross profit	₱173,079	₱61,530	₱234,609	₱-	₱234,609
Segment assets	₱14,988,068	₱320,207	₱15,308,275	₱-	₱15,308,275
Segment liabilities	5,573,212	107,554	5,680,766	-	5,680,766
Segment additions to:					
Property and equipment (Note 15)	₱5,725	₱-	₱5,725	₱-	₱5,725
Investment property (Note 14)	-	-	-	-	-
Equity in net losses of associates and joint ventures (Note 13)	(10,913)	-	(10,913)	-	(10,913)

2007

	Sales of Real Estate and Golf Club and Resort Shares	Service and Rental	Total	Inter- segment Adjustments	Consolidated
<i>(In Thousands)</i>					
Revenue	₱309,817	₱145,852	₱455,669	₱-	₱455,669
Cost of sales and services	107,719	122,494	230,213	-	230,213
Gross profit	202,098	23,358	225,456	-	225,456
Realized gross profit - net	8,404	-	8,404	-	8,404
Realized gross profit	₱210,502	₱23,358	₱233,860	₱-	₱233,860
Segment assets	₱14,184,652	₱316,268	₱14,500,920	₱-	₱14,500,920
Segment liabilities	4,837,123	109,789	4,946,912	-	4,946,912
Segment additions to:					
Property and equipment (Note 15)	₱33,880	₱-	₱-	₱-	₱33,880
Investment property (Note 14)	-	5,215	5,215	-	5,215
Equity in net losses of associates and joint ventures (Note 13)	(11,596)	-	(11,596)	-	(11,596)

Segment Cash Flows

Cash flows of the Group pertain primarily to sales of real estate and golf club and resort shares. Cash flows for service and rental operations follow:

	2009	2008	2007
<i>(In Thousands)</i>			
Service and Rental:			
Cash flows from (used in):			
Operating	₱16,016	₱13,842	₱19,053
Investing	(5,508)	(2,716)	580
Financing	(575)	3,579	-

Included under cash flows from operating activities are the following non-cash items:

	2009	2008	2007
<i>(In Thousands)</i>			
Service and Rental:			
Depreciation of:			
Investment property (Note 14)	₱4,915	₱6,508	₱21,248
Property and equipment (Note 15)	4,647	4,647	6,283

34. Commitments and Contingencies

Operating Lease Commitment – Group as Lessor

The Group is a lessor under several operating leases covering real estate properties for commercial use and property and equipment. The leases have terms ranging from 1 year to 25 years, with renewal options and certain contracts with annual escalations rates of 5% to 7%. These agreements resulted to consolidated rental income of ₱29.2 million, ₱72.0 million, and ₱29.4 million for the years ended September 30, 2009, 2008 and 2007, respectively, recognized under "Service and rental income" account of the consolidated statements of income.

Future minimum lease receivable under these operating leases as of September 30, 2009 and 2008 are as follows:

	2009	2008
	(In Thousands)	
Within one year	₱26,622	₱11,415
After one year but not more than to five years	85,859	69,344
After five years	241,711	171,902

Contingencies

The Group is a party to certain lawsuits or claims arising from the ordinary course of business and from several of its joint venture agreements. The Group's management and legal counsels believe that the eventual liabilities under these lawsuits or claims, if any, will not have a material effect on the consolidated financial statements, and thus, no provision has been made for these contingent liabilities.

35. Notes to Statements of Cash Flows

Non-cash investing and financing activities consist of:

	2009	2008	2007
	(In Thousands)		
Receivable from a related party arising from settlement of loan (Note 8)	₱13,744	₱54,011	₱18,050
Settlement of liabilities in exchange for real estate for sale	3,704	46,008	37,792
Real estate for sale and receivable as consideration for guarantee (Note 8)	-	285,762	-
Payable to related parties arising from settlement of loan	-	16,382	95,512
Conversion of due to related parties to capital stock (Note 28)	-	-	266,878
Exchange of real estate for sale with investment in joint venture (Note 13)	-	-	128,533
Exchange of investment in joint venture with real estate for sale	-	-	80,889
Receivable from related parties in exchange for real estate for sale	-	-	71,198

36. Events After the Balance Sheet Date

On October 9, 2009, FELI and FEPI (collectively referred to as "landowners") and Fairways and Bluewater Resort Golf & Country Club, Inc. (the Club) entered into an agreement on the partial assignment and acceptance of parcels of land developed as resort golf and country club with an aggregate land area of approximately 90 hectares in exchange for 8,706 fully paid shares of stock of the Club.

Under the agreement, the landowners shall partially contribute to the Club parcels of land with an aggregate area of 489,153 square meters and the Club shall deliver to the landowners 4,736 shares of stock of the Club. The landowners undertake to deliver the remaining portion of the parcels of land to the Club as soon as the same has been segregated and ready for transfer. Likewise, the Club undertakes to issue the remaining portion of the shares of stock to the landowners upon transfer of the remaining portion of the property in favor of the Club.



Constantino Guadalquiver & Co.
Certified Public Accountants

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

15th Floor Citibank Tower
8291 Paseo de Roxas Street
Salcedo Village, Makati City, Philippines
Telephone (+632) 848-1031
Fax (+632) 728-1014
E-mail address: muji@cgco.com.ph

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY SCHEDULE

The Stockholders and Board of Directors
Fil-Estate Land, Inc.
6th Floor Renaissance Tower
Meralco Avenue, Pasig City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Fil-Estate Land, Inc. and Subsidiaries as of and for the year ended September 30, 2009 and have issued our report thereon dated February 5, 2010. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Schedule of Retained Earnings Available for Dividend Declaration is presented for purpose of complying with SEC Memorandum Circular No. 11, Series of 2008 and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state in all material respect the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

CONSTANTINO GUADALQUIVER & CO.

By:

ROGELIO M. GUADALQUIVER
Partner
CPA Certificate No. 13608
PTR No. 2099168, January 11, 2010, Makati City
TIN 123-305-015-000
BIR Accreditation No. 08-001507-2-2006
SEC Accreditation No. (Partner) 0017-AR-1
SEC Accreditation No. (Firm) 003-FR-1
PRC-BOA Accreditation No. 0213

February 5, 2010.

FIL-ESTATE LAND, INC.
6th Floor, Renaissance Towers, Meralco Avenue, Pasig City
Reconciliation of Retained Earnings Available for Dividend Declaration
For the year ended September 30, 2009

	<u><i>In Thousands</i></u>
Unappropriated Retained Earnings, as adjusted to available for dividend distribution, beginning	P 693,640
Net loss during the year	(37,925)
<i>Adjustment</i> Add: Non-actual losses Unrealized foreign exchange loss-net	<u>16,071</u>
Net loss actually earned during the period	<u>(21,854)</u>
TOTAL RETAINED EARNINGS, END AVAILABLE FOR DIVIDEND DECLARATION	<u><u>P 671,786</u></u>



Constantino Guadalquiver & Co.
Certified Public Accountants

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

15th Floor Citibank Tower,
8741 Paseo de Roxas Street
Salcedo Village, Makati City, Philippines
Telephone (+632) 849-1051
Fax (+632) 728-1014
E-mail address: mad@cgcoc.com.ph

**INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY SCHEDULES**

The Stockholders and Board of Directors
Fil-Estate Land, Inc.
6th Floor Renaissance Tower
Meralco Avenue, Pasig City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Fil-Estate Land, Inc. and Subsidiaries included in this Form 17-A and have issued our report thereon dated February 5, 2010. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68 and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state in all material respect the financial data required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

CONSTANTINO GUADALQUIVER & CO.

By:

ROGELIO M. GUADALQUIVER
Partner
CPA Certificate No. 13608
PTR No. 2099168, January 11, 2010, Makati City
TIN 123-305-015-000
BIR Accreditation No. 08-001507-2-2006
SEC Accreditation No. (Partner) 0017-AR-1
SEC Accreditation No. (Firm) 003-FR-1
PRC-BOA Accreditation No. 0213

February 5, 2010

COVER SHEET

A	S	0	9	4	-	0	0	4	4	6	2
---	---	---	---	---	---	---	---	---	---	---	---

S.E.C. Registration Number

[illegible]

(Company's Full Name)

	7	T	H		F	l	o	o	r		R	e	n	a	i	s	s	a	n	c	e		T	o	w	e	r	s	
	M	e	r	a	l	c	o		A	v	e	n	u	e		P	a	s	i	g		C	i	t	y				

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

ROBERTO S. ROCO

Contact Person

637-20-48 OR 633-62-39

Company Telephone Number

0	9	3	0
---	---	---	---

Month

Day

fiscal year

SEC Form 17-Q

SEC Form 17-Q

FORM TYPE

--	--	--	--

Month

Day

annual meeting

[illegible]

Secondary License Type, If Applicable

[illegible]

Dept. Requiring this Doc.

Amended Articles Number/ Section

Total Amount of Borrowings

[illegible]

Borrowings

Domestic

Foreign

To be accomplished by SEC Personnel concerned

[illegible]

File Number

LCU

[illegible]

Document I.D.

Cashier

STAMPS

STAMPS

SEC Number **ASO94004462**
File Number _____

FIL-ESTATE LAND, INC.
(Company's Full Name)

6/F Renaissance Towers, Meralco Avenue, Pasig City
(Company's Address)

(632) 637-0100
(Tel. No.)

SEPTEMBER 30, 2010
(Fiscal Year Ending)

SEC FORM 17-Q (2nd QUARTER)
(Form Type)

March 31, 2010
(Period ended date)

REGISTERED AND LISTED
(Secondary License Type and File Number)

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended: **March 31, 2010**
2. Commission identification number.....: **ASO94004462**
3. BIR Tax Identification No.....: **043-000-426-523-V**
4. Exact name of issuer as specified in its charter
FIL-ESTATE LAND, INC.

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

6. Industry Classification Code: (SEC Use Only)

7. Address of issuer's principal office
Renaissance Tower, Meralco Avenue, Pasig City
Postal Code
1600

8. Issuer's telephone number, including area code
Tel. No. (632) 637-0100

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

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

Title of each class	Number of shares of common stock outstanding and amount of debt outstanding
Common stock	3,350,000,000
Loans payable	₱ 460,436,000
Bonds payable	₱ 1,130,500,000

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

Yes ☒ No ☐

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

Philippine Stock Exchange (PSE) **Common stock**

12. Indicate by check mark whether the registrant:

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

Yes ☒ No ☐

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

Yes ☒ No ☐

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements.

Please refer to attached Annex A-1 for the Consolidated Statements of Financial Position as of March 31, 2010 and September 30, 2009; Annex A-2 for the Consolidated Statements of Income, Annex A-3 for the Comprehensive Income for the six-month period ended March 31, 2010 and March 31, 2009; Annex A-4 for Consolidated Statements of Changes in Stockholders' Equity for the six-month period ended March 31, 2010 and March 31, 2009; Annex A-5 for the Consolidated Statements of Cash Flows for the six-month period ended March 31, 2010 and March 31, 2009 and Annex B for the Aging of Receivables for the second Quarter ended March 31, 2010..

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

Refer to attached Analysis of Operations.

PART II--OTHER INFORMATION

Not Applicable.

SIGNATURES

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

Principal Financial/Accounting Officer/
Controller/Authorized Representative

Mr. Roberto S. Roco

Title

Chief Financial Officer

Signature

Roberto S. Roco

Date

5/24/10

FIL-ESTATE LAND, INC. AND SUBSIDIARIES
MANAGEMENT DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS
FOR THE 2ND QUARTER ENDED MARCH 31, 2010

REVIEW OF RESULTS OF OPERATIONS

Revenues for the six-month period amounted to **P 311 million**. The Company's sales of real estate and golf club and resort shares of **P 123 million** came mainly from sale of condominium units in Sto Domingo, Quezon City, condotel units and forest cabins in Camp John Hay, Baguio City, residential subdivision lots in Manila Southwoods in Cavite, Forest Hills in Antipolo City, Riverina in San Pablo City, Goldridge Estate in Guiguinto Bulacan, Puerto Del Mar in Lucena City, Plaridel Heights in Bulacan, Holiday Homes in Gen. Trias Cavite City, Bentley Park in Antipolo City, Monte Cielo De Naga in Bicol, Puerto Real De Iloilo in Iloilo City and golf club and resort shares in Fairways and Bluewaters in Boracay. Income from rentals and contract services of various golf course maintenance contracts amounted to **P 49.8 million**. Balance of revenues were contributed by Financial Income (**P60.3 million**) and Other Income (**P77.9 million**)

Increase in Net Income

The company posted a **P32.1 million** Net Income for the six-month period ended March 31, 2010, as compared to a **P60.6 million** net loss incurred the year before.

As a result, **Earnings per share** moved up to **P 0.0096** from the previous year's **P (0.01809)**.

Major Movements of Income Statement Accounts are as follows:

- **43% Decrease in Sale of Real Estate and Golf Club and Resort Shares** – Sale of real estate and golf and resort shares went down by **P92 million or 43%** as compared to the previous year's level.
- **16% Decrease in Service and Rental Income** – Service and rental income for the period ending March 31, 2010 down by **P9.6 million** to **P49 million** from the **P 59.4 million** level as less income was generated from golf course maintenance contracts.
- **331% Decrease in Equity in Net Earnings of Subsidiaries, Associates and Joint Ventures** – Share in equity in net earnings of subsidiaries, associates and joint ventures was a loss of **P2.55 million** from previous year's gain of **P1.1 million**.

- **77% Increase in Financial Income** – Financial income is up by **P26.3 million** to **P60.3 million** mainly due to amortization of deferred interest on receivables carried at amortized cost.
- **66% Increase in Other Income** – The increase in other income by **P32 million** is mainly due to unrealized foreign exchange gain on restatement of dollar denominated loans and Convertible Bonds .
- **46% Decrease in Cost of Real Estate and Golf Club and Resort Shares Sold** - As a result of decreased Sales, Cost of Sales also went down by **P48.9 million (46%)** to **P56.3million** from last year's level of **P105.3 million**.
- **16% Increase in Cost of Services** - Cost of Services is up by **P2.5 million (16%)** to **P18 million** from last year's level of **P15.7 million**.
- **36% Decrease in General & Administrative Expense** – With the Company's continued effort to cut costs, General and Administrative Expenses dropped to **P115.7 million** from **P181.6 million** the previous year or a decrease of 36%.
- **150% Increase in Commission Expense** – Commissions paid during the period up by **P7.4 million** from the previous year's level of **P4.9 million**.
- **49% Increase in Financial Expense** – Financial expense during the period went up to **P48.6 million** from the previous year's level of **P32.4 million**. Interest expense on loans accounted for **P30 million** of the financial expenses.
- **76% Decrease in Other Expenses** – Other expenses went down by **P52 million** to **P16 million** as compared to **P67.9 million** level the previous year.

REVIEW OF FINANCIAL CONDITION

Consolidated Total Assets as of March 31, 2010 is **P14.91 billion**. Following is a brief discussion of the movements of assets and liabilities of the company during the period:

- **Cash and cash equivalents** decreased by **P115 million (59%)** to **P77 million** from the end of September 2009 level of **P192 million**.
- **Receivables – net** went down by **P192 million (18%)** to **P1.078 billion** from the end September 2009 level of **P1.270 billion**.

- **Real Estate and golf shares and resort shares for sale** – stood at **P7.09 billion** as of end March 2010.
- **Due from Related Parties** decreased by 14% to **P742.5 million** from the **P868 million** level as of end September 2009.
- **Due from other realty and development companies** – moved up by **P278 million** from **P525 million** as of September 30, 2009.
- **Land held for future development** – remains at **P1.8 billion**.
- **Investment Properties – Net** went down by **P11.73 million** to **P 36.6 million** due to depreciation and amortization.

Bonds payable stood at **P1.130 billion** down by **P59.3 million** from the September 30, 2009 level of **P1.189 billion** as a result of the movements in foreign currency exchange rates.

Loans payable decreased to **P460 million** from the **P468 million** level as of end September 2009.

Accounts payable and other liabilities decreased to **P1.16 billion** from the **P1.3 billion** level as of end September 2009.

Retained Earnings moved up to **P4.557 billion** attributed mainly to the **P32.1 million** net income for the 2nd quarter ending March 31, 2010.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's financial instruments comprise of cash, short-term bank deposits and investments and bank loans.

Exposures to credit and liquidity risk arise in the normal course of the Group's business activities. The main objectives of the Group's financial risk management are as follows:

1. To identify and monitor such risks on an ongoing basis;
2. To minimize and mitigate such risks; and
3. To provide a degree of certainty about costs.

Credit Risk

The investment of the Group's cash resources is managed so as to minimize risk while seeking to enhance yield. The Group's holding of cash and marketable securities expose the Group to credit risk of the counterparty if the counterparty is unwilling or unable to fulfill its obligations, and the Group consequently suffers financial loss. Credit risk management involves entering into financial instruments only with counterparties with acceptable credit standing. The treasury policy sets aggregate credit limits of any one counterparty and annually reviews the exposure limits and credit ratings of the counterparties.

The Group has credit management policies in place to ensure that rental contracts are entered into with customers who have sufficient financial capacity and good credit history.

The Group also has no significant concentrations of credit risk on its rental receivable. It has policies in place to ensure that rental contracts are made with customers with appropriate credit history.

Sales to buyers of real estate which are collectible on installment are relatively risk-free. Sales to real estate buyers are documented under Contract to Sell agreements which allow cancellation of the sale and forfeiture of payments made in the event of default by buyers.

Receivable balances are being monitored on a regular basis to ensure timely execution of necessary intervention efforts.

Liquidity Risk

The Group monitors its cash flow position, debt maturity profile and overall liquidity position in assessing its exposure to liquidity risk.

The Group has reduced bank debt and payables to suppliers, contractors and other creditors via asset swap arrangements utilizing the Group's real estate and golf and resort shares inventory. Agreements have been obtained from banks for the settlement of the remaining debt also via asset swap arrangements.

As a matter of policy, no new bank debt shall be secured unless for project development purposes which are expected to provide sufficient cash flows to ensure repayment.

Interest Rate Risk

The Group's interest rate risk management policy centers on reducing the overall interest expense and exposure to changes in interest rates. Changes in market interest rates relate primarily to the Group's interest bearing debt obligations with floating interest rate as it can cause a change in the amount of interest payments.

The Group follows prudent policies in managing its exposures to interest rate fluctuation, and constantly monitors its exposure to fluctuation in interest rates to estimate the impact of interest rate movements on its interest expense.

Borrowings of the Group are usually at fixed rates. Thus, no interest rate sensitivity analysis is presented.

Foreign Exchange Risk

Most of the Group's transactions are carried out in Philippine pesos, its functional currency. The currency exchange rates arise from Group's interest-bearing cash equivalents and loans denominated in US dollars.

The exchange rate exposure is mitigated by a provision in the loan agreement that allows prepayment of the US Dollar loan in whole or in part without penalty in the event of an exchange fluctuation. Moreover, the group seeks to manage the effect of its foreign exchange exposure by purchasing US dollars and generating revenues in foreign currency that will result to a natural hedge.

Capital Risk Management

The Company's objective in managing capital is to maintain a strong credit rating and healthy capital ratios in order to support its business and maintain stockholders' confidence and to sustain future development of the business.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions.

Gearing ratio as of March 31, 2010 and 2009 are as follows:

	2010	2009
Interest bearing loans and borrowings	460,436	371,808
Bonds payable	1,130,500	1,172,925

Less: Cash	77,493	205,465
Net Debt	1,513,443	1,339,268
Total Capital	9,503,927	9,551,345
Capital and Net Debt	11,017,370	10,890,613
Gearing Ratio	14%	12%

The Company has complied with its covenant obligations, including maintaining the required gearing ratio for both years.

KEY PERFORMANCE INDICATORS

LEVERAGE OR LONG-RANGE SOLVENCY RATIOS

	March 31, 2010	September 30, 2009	Change
Debt to Total Assets	36.29%	37.40%	(1.11%)
Equity to Total Assets	63.71%	62.60%	1.11%
Debt to Equity	56.96%	59.76%	(2.79%)

Debt to Total Assets - It shows the creditors' contribution to the total resources of the organization. The slight decrease was brought about by the retirement of payables and the effect of movements in foreign currency exchange rates.

Equity to Total Assets - It shows the extent of owners' contribution to the total resources of the organization. The slight increase was brought about by the net income during the period.

Debt to Equity - It relates the exposure of creditors to that of the owners. The decrease was due to the effect of movements in foreign currency exchange rates during the period.

ACTIVITY RATIOS

	March 31, 2010	March 31, 2009	Change
Assets Turnover	0.83%	1.42%	(0.59%)
Equity Turnover	1.30%	2.25%	(0.96%)

Assets Turnover – It measures the level of sales in relation to assets. There is a slight decrease due to lower sales during the period as compared to the comparative period of the previous year.

Equity Turnover - It tests the productivity of owners' investments. Movement is due to lower sales and net loss incurred during the last fiscal year.

PROFITABILITY RATIOS

	March 31, 2010	March 31, 2009	Change
Earnings Per Share (EPS)	₱0.0096	₱(0.018)	₱0.0277
Book Value Per Share	₱2.837	₱2.851	₱ (0.0142)

Earnings Per Share - It shows the income earned from each share of common stock outstanding. The EPS for the year increased by ₱0.0277 due to net income reported for the period.

Book Value Per Share - It shows the value of each common share based on the recorded assets values.

OTHERS

As of the second quarter ended March 31, 2010, there are no material events and uncertainties known to management that would address the past and would have an impact on the future operations of the following:

- Known trend, demands, commitments, events or uncertainties that would have a material impact on the Company.
- Material commitments for capital expenditures, the general purpose of such commitments and the expected sources of funds for such expenditures.
- Known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on the net sales/revenues/income from continuing operations.
- Significant elements of income or loss that did not arise from the Company's continuing operations.
- Causes for any material changes from period to period in one or more line items of the Company's financial operations.
- Seasonal aspects that had a material effect on the financial condition or results of the operations.

FIL-ESTATE LAND, INC. AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
FOR THE SECOND QUARTER ENDED MARCH 31, 2010

a. Accounting policies and methods of computation

Basis of Preparation

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 currency, rounded to the nearest thousand except when otherwise indicated.

Statement of Compliance

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

Basis of Consolidation

The consolidated financial statements consist of the financial statements of the Parent Company and its subsidiaries as of March 31, 2010. The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company using consistent accounting policies. These subsidiaries and the percentage of ownership of the Parent Company are as follows:

<u>Name of Subsidiary</u>	<u>Percentage of Ownership</u>
Fil-Estate Properties Inc. (FEPI)	100.0
Aklan Holdings Corporation (Aklan)	100.0
Blue Sky Airways, Inc.**	100.0
Fil-Estate Industrial Park, Inc. (FEIP)*	78.9
Fil-Estate Subic Development Corporation*	100.0
Fil-Power Concrete Blocks Corporation (FPCBC)*	100.0
Fil-Power Construction Equipment Leasing Corporation (FPCELC)	100.0
Golden Sun Airways, Inc.**	100.0
La Compañia De Sta. Barbara, Inc.	100.0
MCX Corporation (MCX)	100.0
Pioneer L-5 Realty Corporation	100.0
Prime Airways, Inc.**	100.0
Sherwood Hills Development, Inc. (SHDI)	55.0
Sto. Domingo Place Development Corporation	100.0
Fil-Estate Golf and Development, Inc. (FEGDI)	100.0
Golforce, Inc. (Golforce)	100.0
Fil-Estate Ecocentrum Corporation (FEEC)	56.0
Philippine Aquatic Leisure Corporation**	100.0
Fil-Estate Urban Development Corporation (FEUDC)	100.0

* *Preoperating companies*

** *Dormant companies*

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.

The equity and net income attributable to minority interests of the consolidated subsidiaries are shown separately in the consolidated balance sheets and consolidated statements of equity and consolidated statements of income, respectively.

All significant intercompany accounts and transactions are eliminated.

Minority Interests

Minority interest represents the interest in a subsidiary, which is not owned, directly or indirectly through subsidiaries, by the Parent Company. 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.

Minority interests represent the interests in FEIP, SHDI and FEEC not held by the Group.

Statement of Changes in Accounting Policies

The accounting policies and methods of computations adopted in the interim financial statements are consistent with those adopted in the September 30, 2009 Audited Financial Statements that includes the adoption of new accounting standards and amendments which became effective in 2008 as follows:

- Amendment to Philippine Interpretation IFRIC 11, *PFRS 2 - Group Treasury Share Transactions* (effective for annual periods beginning on or after March 1, 2007) requires arrangements whereby an employee is granted rights to an entity's equity instruments to be accounted for as an equity-settled scheme by the entity even if (a) the entity chooses or is required to buy those equity instruments (e.g., treasury shares) from another party, or (b) the shareholders of the entity provide the equity instruments needed. It also provides guidance on how subsidiaries, in their separate financial statements, account for such schemes when the subsidiary's employees receive rights to the equity instruments of the parent. The Group currently does not have any stock option plan and therefore, does not have a significant impact in its consolidated financial statements.
- Amendment to Philippine Interpretation IFRIC 14, PAS 19, *The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction* (effective for annual periods beginning on or after January 1, 2008) addresses three issues (1) how entities should determine the limit places by PAS 19 Employee Benefits on the amount of a surplus in a pension plan they can recognize as an asset; (2) how a minimum funding requirement affects that limit; and (3) when a minimum funding requirement creates an onerous obligation that should be recognized as a liability in addition to that otherwise recognized under PAS 19. The adoption of this interpretation did not have

significant impact on the financial statements for currently, the Group does not maintain a fund asset.

The Group has not adopted the following Philippine Interpretations since these are not relevant to the Group which became effective in 2008:

- Philippine Interpretation IFRIC 12, *Service Concession Arrangements* (effective for annual periods beginning on or after January 1, 2008) addresses how service concession operators should apply existing PFRS to account for the obligations they undertake and rights they receive in service concession arrangements. It covers contractual arrangements arising from private entities providing public services.
- Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes* (effective for annual periods beginning on or after July 1, 2008) addresses how companies that grant their customer loyalty award credits (often called "points"), when buying goods or services, should account for their obligation to provide free or discounted goods or services if and when the customers redeem the points. Under this IFRIC, companies must estimate the value of the points and defer this amount of revenue as a liability until they have fulfilled their obligations to supply awards.
- Philippine Interpretation IFRIC 16, *Hedges of a Net Investment in a Foreign Operation* (effective for annual periods beginning on or after October 1, 2008) applies to an entity that hedges the foreign currency risk arising from its net investments in foreign operations and that apply hedge accounting in accordance with PAS 39. It clarifies the following issues: (a) whether risk arises from foreign currency exposure to the functional currencies of the foreign operation and the presentation currency of the parent entity's consolidated financial statements; (b) which entity within a group can hold a hedging instrument in a hedge of a net investment in a foreign operation must also hold the hedging instrument; (c) how an entity should determine the amounts to be reclassified from equity to profit or loss for both the hedging instrument and the hedged item when the entity disposes of the investment. The main expected change in practice is to eliminate the possibility of an entity applying hedge accounting for a hedge of the foreign exchange differences between the functional currency of a foreign operation and the presentation currency of the parent's consolidated financial statements. The IFRIC recognizes the difficulty that entities would face in preparing adequate documentation from the inception of the hedge relationship and therefore requires prospective application of the guidance.

Future Changes in Accounting Policies

The Group has not applied the following new and amended PFRS and Philippine Interpretations which are not yet effective for the fiscal year ended September 30, 2009. Except for the adoption of Philippine Interpretation IFRIC 15, *Agreement for Construction of Real Estate*, the following new and amended PFRS and Philippine Interpretations will not significantly impact the consolidated financial statements:

Effective in 2009 for adoption on fiscal year ending September 30, 2010

- Amendment to PAS 1, *Presentation of Financial Statements, Revised*, effective for annual periods beginning on or after January 1, 2009. In accordance with the amendment to PAS 1, the statement of changes in equity shall include only transactions with owners, while all non-owner changes will be presented in equity as a single line

with details included in a separate statement. Owners are defined as holders of instruments classified as equity.

In addition, the amendment to PAS 1 provides for the introduction of a new statement of comprehensive income that combines all items of income and expense recognized in the statement of income together with 'other comprehensive income'. The revisions specify what is included in other comprehensive income, such as gains and losses on available-for-sales assets, actuarial gains and losses on defined benefit pension plans and changes in the asset revaluation reserve. Entities can 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. The Group does not expect this amendment to have a significant impact on the financial statements.

- PAS 23, *Borrowing Costs*, (effective for annual periods beginning on or after January 1, 2009), has been revised to require capitalization of borrowing costs when such costs relate to a qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. In accordance with the transitional requirements in the Standard, this change in accounting for borrowing costs shall be accounted for prospectively. Accordingly, borrowing costs will be capitalized on qualifying asset with a commencement date after January 1, 2009. The adoption of this amendment will have no impact on the financial statements because it was the Group's policy to capitalize borrowing costs.
- Amendments to PAS 32, *Financial Instrument: Presentation*, and PAS 1, *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation (Amendments)*, (effective for annual periods beginning on or after January 1, 2009) have been amended to allow a limited scope exception for puttable financial instruments to be classified as equity if they fulfill a number of specified criteria.
- Amendments to PFRS 1, *First-time Adoption of PFRS- Cost of Investment in a Subsidiary, Jointly Controlled Entity or Associate*, (effective for annual periods beginning on or after January 1, 2009) 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 items) as one of the following amounts: a) cost determined in accordance with PAS 27; b) at the fair value of the investment at the date of transition to PFRS, determined in accordance with PAS 39; or c) previous carrying amount (as determined under generally accepted accounting principles) of the investment at the date of transition to PFRS.
- PFRS 2, *Share-based Payment Vesting Condition and Cancellations*, (effective for annual periods beginning on or after January 1, 2009) has been revised to clarify the definition of a vesting condition and prescribes the treatment for an award that is effectively cancelled. It defined a vesting condition as a condition that includes an explicit or implicit requirement to provide services. It further requires non-vesting conditions to be treated in a similar fashion to market conditions. Failure to satisfy a non-vesting condition that is within the control of either the entity or the counterparty is accounted for as cancellation. However, failure to satisfy a non-vesting condition that is beyond the control of either party does not give rise to a cancellation.

Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred

by the subsidiary, as well as the loss of control of a subsidiary. The changes introduced by the revised standards must be applied prospectively and will affect future acquisitions and transactions with minority interests.

- PFRS 3, *Business Combinations (Revised)*, and PAS 27, *Consolidated and Separate Financial Statements (Revised)*, will become effective for financial years beginning on or after July 1, 2009. The revised PFRS 3 introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs and future reported results. The revised PAS 27 requires that a change in the ownership interest of a subsidiary be accounted for as an equity transaction.
- PFRS 7, *Financial Statements: Disclosures* (effective for annual periods beginning on or after January 1, 2009) requires additional disclosures about the 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 three (3) level fair value hierarchy, by class, for all financial instruments recognized at fair value. In addition, reconciliation between the beginning and ending balance for level three (3) fair value measurements is now required, as well as significant transfers between levels in the fair value hierarchy.
- PFRS 8, *Operating Segment* (effective for annual periods beginning on or after January 1, 2009) replaces PAS 14, *Segment Reporting* and adopts a management approach to segment reporting. The information reported would be that which management uses internally for evaluating the performance of operating segments and allocating resources to those segments. This information may be different from that reported in the consolidated balance sheets and consolidated statements of income and entities will need to provide explanations and reconciliations of the differences. The disclosures are similar to information used internally by management and are significantly similar to previous years' presentation.
- PAS 39, *Financial Instruments: Recognition and Measurement – Eligible Hedged Items (Amendment)*, will become effective for financial years beginning on or after July 1, 2009. The amendment addresses the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. It clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. The amendment will not have any impact on the financial statements as the Group has not entered into any such hedges.
- Philippine Interpretation IFRIC 17, *Distribution of Non-cash Assets to Owners* (effective for annual period beginning on or after July 1, 2009) covers accounting for two types of non-reciprocal distributions of assets by an entity to its owners acting in their capacity as owners. The two types of distribution are:
 - a. distributions of non-cash assets (e.g., items of property, plant and equipment, businesses as defined in PFRS 3, ownership interests in another entity or disposal groups as defined in PFRS 5); and
 - b. distributions that give owners a choice of receiving either non-cash assets or a cash alternative.

This Philippine Interpretation addresses only the accounting by an entity that makes a non-cash asset distribution. It does not address the accounting by shareholders who receive such a distribution.

- Philippine Interpretation IFRIC 18, *Transfers of Assets from Customers* (effective for annual period beginning on or after July 1, 2009) covers accounting for transfers of items of property, plant and equipment by entities that receive such transfers from their customers. Agreements within the scope of this Interpretation are agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services, or to do both. This Philippine Interpretation also applies to agreements in which an entity receives cash from a customer when that amount of cash must be used only to construct or acquire an item of property, plant and equipment and the entity must then use the item of property, plant and equipment either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services, or to do both.

Effective in 2010 for adoption on fiscal year ending September 30, 2011

- Amendment to PFRS 2, *Share-based Payment: Group Cash-settled Share-based Payment Transactions*, will become effective for financial years beginning on or after January 1, 2010. This amendment clarifies the scope and the accounting for the Group cash-settled share based payment transactions. This amendment will have no impact on the consolidated financial statements of the Group, as the Group is not involved in any similar transactions.

Effective in 2012 for adoption on fiscal year ending September 30, 2012

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

The adoption of this Interpretation will be accounted for retrospectively and will result to the restatement of prior period financial statements. The adoption of this Interpretation may significantly affect the determination of the net income and the related Receivables from sales of real estate, deposit on real estate sales, deferred tax liabilities and retained earnings accounts.

The Group is currently assessing the impact of these 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.

Improvements to Existing Accounting Standards

The following are the IASB issued omnibus of amendments to its standards, issued in May 2008 and April 2009, effective January 1, 2010, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption did not result to significant effects on the financial statements.

- PFRS 5, *Non-current 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 non-controlling interest in the subsidiary after the sale.
- PFRS 7, *Financial Instruments: Disclosures*, removes the reference to "total interest income" as a component of finance costs.
- PAS 1, *Presentation of Financial Statements*, provides that assets and liabilities classified as held for trading in accordance with PAS 39, *Financial Instruments: Recognition and Measurement*, are not automatically classified as current in the balance sheets.
- PAS 7, *Statements of Cash Flows*, provides expenditure that results in recognizing an asset can be classified as a cash flow from investing activities.
- PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, clarifies that only the implementation guidance that is an integral part of a PFRS is mandatory when selecting accounting policies.
- PAS 10, *Events after the Balance Sheet Date*, clarifies that dividends declared after the end of reporting period are not obligations.
- PAS 16, *Property, Plant and Equipment*, replaces the term "net selling price" with "fair value less costs to sell". It further clarifies that items of property, plant and equipment held for rental that are routinely sold in the ordinary course of business after rental are transferred to inventory when rental ceases and they are held for sale.
- PAS 18, *Revenue*, replaces the term "direct costs" with "transaction costs" as defined in PAS 39, *Financial Instruments: Recognition and Measurement*.
- PAS 19, *Employee Benefits*, revises the definition of past service costs, return on plan assets and short-term and long-term employee benefits. Amendments to plans that result in reduction in benefits related to future services are accounted for as curtailment. It deletes the reference to the recognition of contingent liabilities to ensure consistency with PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*.
- 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. The difference between the amount received and the discounted amount is accounted for as government grant. Various terms were revised to be consistent with other PFRS.

- PAS 23, *Borrowing Costs*, revises the definition of borrowing costs to consolidate the two types of items that are considered components of borrowing costs into one – the interest expense calculated using the effective interest method calculated in accordance with PAS 39, *Financial Instruments: Recognition and Measurement*.
- PAS 27, *Consolidated and Separate Financial Statements*, states that when a parent entity accounts for a subsidiary in accordance with PAS 39, *Financial Instruments: Recognition and Measurement*, in its separate financial statements, this treatment continues when the subsidiary is subsequently classified as held for sale.
- PAS 28, *Investment in Associates*, establishes that if an associate is accounted for at fair value in accordance with PAS 39, *Financial Instruments: Recognition and Measurement*, 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.
- PAS 29, *Financial Reporting in Hyperinflationary Economies*, revises the reference to the exception to measure assets and liabilities at historical costs, such that it notes property, plant and equipment as being an example, rather than implying that it is a definitive list. Various terms were revised to be consistent with other PFRS.
- PAS 31, *Interest in Joint Ventures*, provides that if a joint venture is accounted for at fair value in accordance with PAS 39, *Financial Instruments: Recognition and Measurement*, only the requirement 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 34, *Interim Financial Reporting*, requires that earnings per share be disclosed in interim financial reports if an entity is within the scope of PAS 33, *Earnings per Share*.
- PAS 36, *Impairment of Assets*, provides that if discounted cash flows are used to estimate "fair value less costs to sell," additional disclosure is required about the discount rate, consistent with the disclosures required when the discounted cash flows are used to estimate "value in use."
- PAS 38, *Intangible Assets*, requires that expenditure on advertising and promotional activities is recognized as an expense when the Group has either the right to access the goods or has received the services.
- PAS 39, *Financial Instruments: Recognition and Measurement*, changes in circumstances relating to derivatives are not reclassification and therefore maybe either removed from, or included in, the "fair value through profit or loss" (FVPL) classification after initial recognition. It removes the reference to a segment when determining whether an instrument qualifies as a hedge. It further requires the use of the revised effective interest rate when remeasuring a debt instrument on the cessation of fair value hedge accounting.
- PAS 40, *Investment Property*, revises the scope such that property under construction or development for future use as an investment property is classified as investment property. If fair value cannot be reliably determined, the investment under construction

will be measured at cost until such time that fair value can be determined or construction is complete. It revises the conditions for a voluntary change in accounting policy to be consistent with PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, and clarifies that the carrying amount of investment property held under lease is the valuation obtained, increased by any recognized liability.

- PAS 41, *Agriculture*, removes the reference to the use of pre-tax discount rate to determine fair value. It likewise removes the prohibition to take into account cash flows resulting from any additional transformations when estimating fair value. Furthermore, it replaces the term "point-of-sale costs" with "costs to sell".

Revenue and Cost Recognition

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

Sale of Real Estate and Golf Club and Resort Shares

The percentage of completion method is used to recognize income from sale of residential/commercial condominium buildings, townhouses, and golf club and resort shares if the Group has material obligations under the sales contract, to complete or provide improvements after the property is sold. Under this method, the gain on sale is recognized as the related obligations are fulfilled, measured principally on the basis of the estimated completion of the physical portion of the contract work. Any excess of collections over the recognized receivables are included in the "deposit on real estate sales" account in the consolidated balance sheets.

Gain from sale of completed residential and commercial lots, and resort shares, where a sufficient down payment has been received, the collectibility of sales price is reasonably assured, the refund period has expired, the receivables are not subordinated and the seller is not obligated to complete improvements, is accounted for under the full accrual method.

Contract costs include all direct materials and labor 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.

The related commission is recognized as expense in the same period when the gain on sale of real estate and golf club and resort shares is recognized. The amount of commission pertaining to deposit on real estate sales is shown as part of "Prepaid expenses and other current assets" account in the consolidated balance sheets.

Service

Service income is recognized when services are rendered in accordance with existing maintenance agreements.

Rent

Rental income is recognized under the accrual method based on the terms of the existing lease agreements.

Interest

Interest income is recognized on a time proportion basis that reflects the effective yield on the asset.

Dividend

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

Other Income

Other income is recorded when earned.

Cost and Expenses

Cost and expenses are recognized in the statements of income upon utilization of the service or at the date they are incurred. Expenditure for warranties is recognized and charged against the associated provision when the related revenue is recognized. Finance costs are reported on an accrual basis.

Cash and Cash Equivalents

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

Financial Assets and Liabilities

Financial assets and liabilities are recognized initially at fair value. Transaction costs, if any, are included in the initial measurement of all financial assets and liabilities, except for financial instruments measured at fair value through profit or loss. Fair value is determined by reference to the transaction price or other market prices. If such market prices are not readily determinable, 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 similar instruments with similar maturities.

The Group recognizes a financial asset or financial liability in the consolidated balance sheet when it becomes a party to the contractual provisions of the instrument. All regular way purchases and sales of financial assets are recognized on the trade date, i.e., the date the Group commits to purchase the assets. Regular way purchases or sales are purchases or sales of financial asset that require the delivery of assets within the period generally established by regulation or convention in the market place.

Financial assets and financial liabilities are classified into the following categories: Financial asset or financial liability at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets and other liabilities. The Group

determines the classification at initial recognition and, where allowed and appropriate, re-evaluates this designation at every reporting date.

a. Financial Assets or Financial Liabilities at Fair Value Through Profit or Loss (FVPL)

A financial asset or financial liability 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 fair value through profit or loss.

Assets or liabilities classified under this category are carried at fair value in the consolidated balance sheets. Changes in the fair value of such assets and liabilities are accounted for in earnings.

As of March 31, 2010 and September 30, 2009, the Group has no investments at FVPL.

b. Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that 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. This category includes installment contracts and other receivables and short-term cash investments (with maturities of more than 90 days). Loans and receivables are carried at cost or amortized cost in the consolidated balance sheets. Amortization is determined using the effective interest rate method and is included in the "Financial income" account in the consolidated statements of income. Loans and receivables are included in current assets if maturity is within 12 months from the balance sheet date. Otherwise, these are classified as noncurrent assets.

c. 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 balance sheets. Amortization is determined by using the effective interest rate method. Assets under this category are classified as current assets if maturity is within 12 months from the balance sheet date and noncurrent assets if the maturity is more than a year.

As of March 31, 2010 and September 30, 2009, the Group has no held-to-maturity investments.

d. Available-for-sale Financial Assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. Available-for-sale financial assets are carried at fair value in the consolidated balance sheets. Changes in the fair value of such assets are accounted for in equity. These financial assets are classified as noncurrent assets unless the intention is to dispose such assets within 12 months from the balance sheet date.

e. Financial Liabilities

Financial liabilities are non-derivative financial liabilities with fixed or determinable payments that are not quoted in an active market. They arise when the Group owes money, goods or services directly to a creditor with no intention of trading the payables. This category includes loans, trade and other payables and related party payables. Financial liabilities are carried at cost or amortized cost in the consolidated balance sheets. Amortization is determined using the effective interest rate method and is included in the "Financial expense" account in the consolidated statements of income. Financial liabilities are included in current liabilities if maturity is within 12 months from the balance sheet date.

Impairment of Financial Assets

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

Assets Carried at Amortized Cost. If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future 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.

Financial Assets Available-for-Sale. If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in profit or loss, is transferred from equity to the statements of income. Reversals in respect of equity instruments classified as available-for-sale are not recognized in profit. Reversals of impairment losses on debt instruments are reversed through profit or loss; if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in profit or loss.

Derecognition of Financial Assets and Liabilities

Financial Assets

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

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

Where the Group has transferred its rights to receive cash flows from the asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of 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 has expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in consolidated statements of income.

Offsetting Financial Instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheets if, and only if, there is 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, where the related assets and liabilities are presented gross in the consolidated balance sheets.

Real Estate and Golf Club and Resort Shares for Sale and Land Held for Future Development

Real estate and golf club and resort shares for sale and land held for future development are valued at the lower of cost and net realizable value. Cost includes the acquisition cost of the land plus all costs directly attributable to the acquisition for projects where the Group is the landowner, and includes actual development cost incurred up to balance sheet date for projects where the Group is the developer. Interest on loans (borrowing costs) incurred

during the development phase is also capitalized as part of the development cost of real estate properties.

Net realizable value is the selling price in the ordinary course of business less cost to complete and to market. A valuation allowance is provided for real estate and golf club and resort shares for sale and land held for future development when the net realizable values of the properties are less than the carrying costs.

Prepaid Expenses

Prepaid expenses are costs such as deferred commissions which are paid in advance of actually incurring them and regularly recurring in the normal course of the business. Prepaid expenses are amortized as the benefits of the payments are received by the Group.

Investments

a. Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity.

Investments in associates of the Parent Company and FEPI in which ownership interest ranges between 20% and 50% or where the Parent Company and FEPI exercise significant influence mainly through representation in the board and participation in the policy-making processes. These associates are as follows:

Name of Associate	Percentage of Ownership
MRT Development Corporation	30.9
Fil-Estate Marketing Companies	
Fil-Estate Marketing Associate, Inc. (FEMAI)	20.0
Fil-Estate Network, Inc. (FENI)	20.0
Fil-Estate Realty Corporation (FERC)	20.0
Fil-Estate Realty Sales Associate, Inc. (FERSAI)	20.0
Fil-Estate Sale, Inc. (FESI)	20.0
Nasugbu Properties, Inc. (NPI)*	36.2

* *Preoperating stage*

Investments in associates are accounted for using the equity method and are recognized initially at cost. The consolidated financial statements include the Group's share of the

income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

If the Group's share of losses of an associate equals or exceeds the cost of investment, the Group discontinues recognizing its share of further losses. If the associate subsequently reports income, the Group resumes including its share of such income after its share of income equals the share of losses not recognized. However, additional losses and liability is recognized to the extent that the Group has incurred legal or constructive obligations or made payments in behalf of the associate. The excess of accumulated equity in net losses over cost of investment and advances in associates is presented under "Other noncurrent liabilities" account in the consolidated balance sheets (see Note 10).

Profits and losses resulting from upstream and downstream transactions between the Group and associates are recognized in the Group's financial statements only to the extent of unrelated interests in the associate. The Group's share in the associate's profits and losses resulting from these transactions are eliminated.

b. Joint Ventures

The Group follows the equity method in valuing their investments in joint ventures. The share of the Group from these projects is up to more than 50%. These joint ventures are as follows:

Name of Joint Ventures	Percentage of Ownership
High-rise Projects	
Capitol Plaza	70
Paragon Plaza	50
West Tower	50
Belvedere	50
Renaissance 5000	20 of 50
Renaissance 3000	80 of 16
Laurel (Batangas) Property	15.38 of 46.25

Investments in associates and joint ventures are carried in the Group's balance sheets at cost increased or decreased by post-acquisition changes in the Group's share in the net assets of the investees, less any impairment in value. Dividends received are not considered income but are deducted from the investment account.

- c. Other investments are carried at cost less presumably any permanent decline in value of investment.

Investment Properties

Investment property consists of assets that are held to earn rentals, and that are not occupied by the companies in the Group. Investment properties, except for land, are carried at cost less accumulated depreciation and amortization and any impairment in value. Land is carried at cost less any impairment in value.

The assets' residual values, useful lives and method of depreciation are reviewed and adjusted, if appropriate, at each balance sheet date.

Depreciation of investment properties, except land, is computed using the straight-line method over its useful life, regardless of utilization. The estimated useful lives of investment properties are as follows:

	Number of years
Land improvements	20
Buildings and improvements	10 to 20
Slides, pools and improvements	10

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

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

Property and Equipment

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

The initial cost of property and equipment comprises its purchase price or construction cost and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance, are normally charged to income in the period the costs are incurred.

In situations where it can be clearly demonstrated that the expenditure 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 is computed using the straight-line method over the following estimated useful lives:

	Number of years
Buildings and other improvements	10 – 50
Construction and maintenance equipment	5
Office furniture, fixtures and equipment	3 – 5
Water system	20
Transportation equipment	5
Slides, pool and improvements	10

Leasehold improvements are amortized over the lives of the improvements or the term of the lease whichever is shorter.

The useful life, depreciation and amortization method 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.

When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation and amortization are removed from the accounts and any resulting gain or loss is credited or charged to statements of income.

Impairment of Non-Financial Assets

An assessment is made at each balance sheet date to determine whether there is any indication of impairment of any assets, or 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. An asset's recoverable amount is computed as the higher of the asset's value in use or its net selling price.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. 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.

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 and amortization), had no impairment loss been recognized for the asset in prior years.

Income Taxes

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

The tax currently payable is based on taxable income for the year. Taxable income differs from income as reported in the 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 balance sheet date.

Deferred income tax is provided, using the balance sheet liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax 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 balance sheet date and reduced to the extent that it is not probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized.

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

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

Borrowing Costs

Borrowing costs are generally expensed as incurred. Borrowing costs incurred during the construction period on loans and advances used to finance construction and property development are capitalized as part of construction and development costs (included under "Real estate and golf club and resort shares for sale" account in the consolidated balance sheets).

The capitalization of borrowing costs as part of the cost of the properties commences when the expenditures and borrowing costs for the properties are incurred and activities that are necessary to prepare the properties for their intended use are in progress and ceases when substantially all these activities are completed.

Commission Expense

Commissions paid to sales or marketing agents on the sale of pre-completed real estate units are deferred when recovery is reasonable expected and are charged to expense in the period in which the related revenue is recognized as earned. Accordingly, when the percentage of completion method is used, commissions are likewise charged to expense in the period the related revenue is recognized. Commission expense is included under operating expenses account in the consolidated statements of income.

Foreign Currency Transactions and Translations

The accounting records of the Group are maintained in Philippine pesos. Foreign currency transactions during the year are translated into the functional currency at exchange rates which approximates those prevailing on transaction dates.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statements of income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. 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.

Related Party Transactions

Transactions between related parties are based on terms similar to those offered to non-related parties. Parties are considered 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.

Retirement Benefit Costs

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

The liability recognized in the consolidated balance sheets in respect of the defined benefit pension plan is the present value of the defined benefit obligation at the balance sheet date less the fair value of the plan assets. The defined benefit obligation is calculated by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using risk-free interest rates that have terms to maturity approximating the terms of the related pension liability.

Actuarial gains and losses that exceed 10% of the greater of the present value of the Group's defined benefit obligation and the fair value plan assets are amortized over the expected average remaining working lives of the participating employees.

Operating Leases

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

conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

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

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

Leases of assets under which the risks and rewards of ownership are effectively retained by the lessor are classified as operating lease. Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

Equity

Capital stock is determined using the nominal value of shares that have been issued.

Revaluation reserve comprises of gains and losses due to the revaluation of available-for-sale financial assets and equity share in associate's revaluation reserve.

Retained earnings include all current and prior period results as reported in the statement of income. The appropriated portion represents the amount which is not available for distribution.

Earnings Per Share (EPS)

Basic EPS is computed by dividing net income for the year attributable to common stockholders by the weighted average number of common shares issued and outstanding during the year adjusted for any subsequent stock dividends declared.

Diluted EPS is computed by dividing net income for the year by the weighted average number of common shares issued and outstanding during the year after giving effect to assumed conversion of potential common shares.

In determining both the basic and diluted earnings per share, the effect of stock dividends, if any, is accounted for retroactively.

Segment Reporting

The Group's operating business are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on business segments is presented in the consolidated financial statements. The Group's asset-producing revenues are located in the Philippines (i.e., one geographical location). Therefore, geographical segment information is no longer presented.

Provisions

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

Contingencies

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

Events after the Balance Sheet Date

Post year-end events that provide additional information about the Group's position at the balance sheet date, if any, are reflected in the financial statements. However, post year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

- b. Seasonality or cyclicity of interim operations
Not applicable.
- c. Nature and amount of items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size and incidence.
Not applicable.
- d. Nature and amount of changes in estimates
The preparation of the Group's consolidated financial statements in conformity with PFRS requires management to make judgments, estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Future events may occur which will cause the assumptions used in arriving at those estimates to change. The effects of any change in judgments and estimates are reflected in the consolidated financial statements, as they become reasonably determinable. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In the opinion of management, these consolidated financial statements reflect all adjustments necessary to present fairly the results for the periods presented. Actual results could differ from such estimates.

PAS 1 requires disclosures about key sources of estimation and judgments management has made in the process of applying accounting policies. The following presents a summary of these significant estimates and judgments:

Revenue and Cost Recognition

The Group's revenue recognition policies require management to make use of estimates and assumptions that may affect the reported amounts of revenue and costs. The Group's revenue from real estate 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.

Estimation of Allowance for Impairment Losses

Provisions are made for accounts specifically identified to be doubtful of collection. The level of this allowance is evaluated by management based on past collection history and other factors that affect the collectibility of the accounts.

Impairment of Available-for-sale Investments

The determination when an investment is other-than-temporarily impaired requires significant judgment. In making this judgment, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost, and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flows.

Distinction between Investment Properties and Owner-Occupied Properties

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

Some properties comprise a portion that is held to earn rental or for capital appreciation and another portion that is held for use in the supply of services or for administrative purposes. If a portion can be sold separately (or leased out separately under finance lease), the Group accounts for such portion separately. If the portion cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the supply of services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgment.

Estimating Useful Lives of Property and Equipment and Investment Property

The useful life of each of the Group's property and equipment and investment property is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of industry practice, internal technical evaluation and experience with similar assets. The estimated useful life of each asset is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the asset. It is possible, however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above. A reduction on the estimated useful life of any investment property and property and equipment would increase the recorded operating expenses and decrease noncurrent assets.

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.

Classification of Financial Instruments

The Group classifies a financial instrument, or its component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the Group's consolidated balance sheet.

The Group determines the classification at initial recognition and reevaluates this designation at every reporting date.

Financial Assets and Liabilities

PFRS requires that certain financial assets and liabilities be carried at fair value, which requires the use of extensive accounting estimates and judgments. While significant components of fair value measurement are determined using verifiable objective evidence (i.e. interest rates, volatility rates), the timing and amount of changes in fair value would differ with the valuation methodology used. Any change in the fair value of these financial assets and liabilities would directly affect income and equity.

Evaluation of Impairment of Non-Financial Assets

PFRS requires that an impairment review be performed when certain impairment indicators are present. Determining the net recoverable value of property and equipment and other non-financial assets require the estimation of cash flows expected to be generated from the continued use and ultimate disposition of such assets. While it is believed that the assumptions used in the estimation of fair values reflected in the financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse impact on the results of operations.

Estimation of Retirement Benefit Cost

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 of the September 30, 2009 Audited Financial Statement, and include among others, rates of compensation increase. In accordance with PFRS, actual results that differ from actuarial 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.

Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in Note 25 to consolidated financial statements as of September 30, 2009.

Deferred Income Tax Assets

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.

Contingencies

The Group is currently involved in legal and administrative proceedings. The Group's estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling defense in these matters and is based upon an analysis of potential results. The Group currently does not believe these proceedings will have a material effect on its financial position and results of operations. It is possible, however, that future results of operation could be materially affected by changes or in the effectiveness of strategies relating to these proceedings.

- e. Issuances, repurchases, and repayments of debt and equity securities
None.
- f. Dividends paid separately for ordinary shares and other shares
Not applicable.
- g. Segment revenue and segment results for business segments or geographical segments, whichever is the enterprise's primary basis of segment reporting.

The following table present revenue and income information for the second quarter ended March 31, 2010 and 2009.

March 31, 2010

(Amount in thousands)

	Sales of Real Estate and Golf Club and Resort Shares	Service and Rental	Total
Revenue	P123,140	P49,875	P173,015
Cost of sales and services	56,347	34,737	91,084
Gross profit	66,793	15,138	81,931
Realized gross profit – net	166	-	166
Realized gross profit	P66,959	P15,138	P82,097

March 31, 2009*(Amount in thousands)*

	Sales of Real Estate and Golf Club and Resort Shares	Service and Rental	Total
Revenue	P215,291	P59,481	P274,772
Cost of sales and services	105,317	31,843	137,160
Gross profit	109,974	27,638	137,612
Realized gross profit – net	313	-	313
Realized gross profit	P110,287	P27,638	P137,925

- h. Material events subsequent to the end of the interim period that have not been reflected in the financial statements for the period.

There have been no material events that happened subsequent to the interim period that need disclosure herein.

- i. Effect of changes in the composition of the enterprise during the interim period, including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings, and discontinuing operation.

Not applicable.

- j. Changes in contingent liabilities or contingent assets since the last annual balance sheet date.

The Company is a party to certain lawsuits or claims arising from the ordinary course of business and from several of its joint venture agreements. The Group's management and legal counsels believe that the eventual liabilities under these lawsuits or claims, if any, will not have a material effect on the consolidated financial statements, and thus, no provision has been made for these contingent liabilities.

- k. Existence of material contingencies and any other events or transactions that are material to an understanding of current interim period.

There have been no material contingencies and any other events or transactions that are material to an understanding of current interim period.

- l. Any events that will trigger direct or contingent financial obligations that is material to the company, including any default or acceleration of an obligation.

The Company, in line with its objective of raising funds via capital build up and other fund raising exercises entered into an Omnibus Agreement and Bonds Issuance Facility Agreement with a certain Lender;

Omnibus Agreement with LIM Asia Arbitrage:

On March 5, 2007, the Fil-Estate Urban Development Corporation (borrower), a subsidiary together with FELI (guarantor) entered into an Omnibus Agreement ("agreement") with LIM Asia Arbitrage Fund, Inc. (LIM Asia, lender) for a US\$10.5 million loan facility (to be

registered with Bangko Sentral ng Pilipinas) and a US\$2 million loan facility. The facility is being extended for five (5) years from the signing date.

Under the agreement, the following are the conditions of the security for the drawdown under the facility:

1. The chattel mortgage the guarantor shall execute pursuant to the agreement, to constitute a chattel mortgage over 100% of the total issued and outstanding shares of the capital stock of the borrower to be registered with the Chattel Mortgage Registry and delivered to the trustee (HSBC).
2. A signed and irrevocable proxy from the guarantor as the owner of the shares in favor of the lender to be held by the trustee. The proxy shall be delivered by the trustee to the lender upon the lender's notice to the trustee of there being an event of default. The proxy must provide for full voting rights over the 100% of the borrower's shares to be given to the lender.
3. Signed and undated irrevocable resignation notices of all borrower's directors to be held by the trustee and delivered to the lender upon the lender's notice to the trustee of there being an event of default which remains unremedied after the lapse of the applicable remedy period.

Each drawdown shall specify a project for which the fund shall be used.

Moreover, FEUDC, as the borrower, will not, unless the lender otherwise agrees in writing;

- a. Merge or consolidate with any other entity or take any step with a view to dissolution, liquidation or winding up;
- b. Purchase or redeem any of its issued shares or reduce its share capital;
- c. Declare or pay any dividends or make any other income distribution to its stockholders;
- d. Establish or acquire any subsidiary or affiliate;
- e. Undertake any business activity other than transactions contemplated by the Finance documents;
- f. Change the nature of its business;
- g. Grant any loan or advance, guarantee;
- h. Incur any other indebtedness;
- i. Enter into any agreement or obligation which might mutually and adversely affect its financial consolidation.

Drawdown Pursuant to the Omnibus Agreement

The ₱100 million loan was sourced through loan line facility provided by Hong Kong and Shanghai Bank Corporation (HSBC). The loan was obtained on May 25, 2007 and is due for payment on November 25, 2008, with interest rate at 10% per annum for 18-month term payable in four equal installments quarterly in advance from the date of drawdown with a six month initial grace period. The loan is secured by a security deed and cash deposits amounting to USD\$2.5 million held under lien with HSBC Institutional Trust Services Asia Limited Hong Kong placed by Lim Asia. The said loan was secured to fund Cathedral Heights Townhouse Project (CHTP).

The ₱130 million loan was obtained on August 3, 2007 and is due for payment 24 months from date of drawdown, with interest at 10% per annum payable in four equal installments, quarterly in advance from the date of drawdown with a six month initial grace period. The said loan was secured to fund Boracay villas project. The drawdown was made in US dollars and is likewise payable in US Dollars (see Note 29).

On June 30, 2009, FEUDC obtained a ₱105 million loan and is due for payment 24 months from date of drawdown, with interest at 9% per annum paid in four equal installments, quarterly in advance from the date of drawdown with a six month initial grace period. The said loan was secured to fund Camp John Hay Suites (CJHS) projects. The drawdown was made in US dollars totaling \$2,173,598 and is likewise payable in US dollars.

Drawdown security in favor of Lim Asia is as follows:

1. Real estate mortgage and security interest over townhouse units of the Project;
2. Assignment by way of security of all the rights, title, interest and benefits (but not the obligations) of FEUDC in or arising from the following:
 - a. Facility account of the drawdown;
 - b. Project documents (Assigned contracts);
 - c. Insurance claims and proceeds;
 - d. Receivables due on previous sales of CHTP amounting to ₱37.1 million shall be assigned to the secured account;
 - e. All receipts, sales revenue, receivables and all existing and future revenues generated from sale of all other units which are not subject to encumbrance constituted as core security under the Omnibus Agreement;
 - f. All licenses, approvals, consents and contracts relating to the Project to the full extent allowed under applicable laws and regulations.

Fixed Rate Convertible Bonds

On September 14, 2007, the Company (Issuer) entered into Bonds Issuance Facility Agreement (facility agreement) with Lim Asia Arbitrage Fund, Inc. (LAAF, original bondholder), The Hongkong and Shanghai Banking Corporation Limited (trustee), Banco De Oro-EPCI, Inc. –Trust Banking Group (paying agent, transfer agent or conversion agent) and Lim Advisors Limited (arranger) wherein the Company intends to issue a five (5)-year and one day fixed rate convertible bonds with a total face value of up to US\$25million, convertible to common shares of the capital stock of the issuer on terms and conditions provided. As of December 31, 2009, the Company fully issued the US\$25million convertible bonds.

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

There have been no material off-balance sheet transactions and other relationships of the company with unconsolidated entities or other persons created during the reporting period.

FIL-ESTATE LAND, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Amounts in Thousands)

	Interim March 31 2010	Audited September 30 2009
ASSETS		
Current Assets		
Cash and cash equivalents	P 77,493	P 192,968
Receivables - net	845,957	1,038,712
Real estate and golf club shares and resort shares for sale - net	5,193,966	5,215,417
Due from related parties	742,588	867,559
Deferred charges and other assets	356,701	357,143
	<u>7,216,705</u>	<u>7,671,799</u>
Noncurrent Assets		
Receivables - net	231,731	231,731
Real estate and golf club shares and resort shares for sale - net	1,896,490	1,896,490
Due from other realty and development companies	802,944	524,948
Land held for future development	1,848,012	1,848,012
Investments in associates and joint ventures	1,851,821	1,851,234
Investment Properties-net	36,661	48,391
Property and equipment - net	607,791	619,071
Deferred tax assets	425,593	425,593
	<u>7,701,043</u>	<u>7,445,470</u>
	<u>P 14,917,748</u>	<u>P 15,117,269</u>
LIABILITIES AND EQUITY		
LIABILITIES		
Current Liabilities		
Loans payable	258,180	266,254
Accounts payable and other liabilities	1,165,460	1,307,480
Due to Related Parties	370,667	451,069
Deposit on Real Estate Sales	1,427,225	1,426,491
Liabilities arising from land acquisitions	187,996	187,996
	<u>3,409,527</u>	<u>3,639,290</u>
Noncurrent Liabilities		
Bonds payable	1,130,500	1,189,800
Loans payable	202,256	202,256
Due to other realty and development companies	341,243	292,943
Deferred Tax Liabilities	260,352	260,352
Other noncurrent liabilities	69,942	69,942
	<u>2,004,293</u>	<u>2,015,293</u>
Total Liabilities	<u>P 5,413,820</u>	<u>P 5,654,583</u>
EQUITY		
Equity Attributable to Equity Holders of Parent Company		
Capital stock	3,066,878	3,066,878
Additional paid in capital	1,597,739	1,597,739
Revaluation reserve		
Unrealized loss on available-for-sale investments	(1,444)	(1,444)
Equity share in associate's revaluation reserve	696	696
Retained earnings		
Appropriated for project development	3,680,000	3,680,000
Unappropriated	877,975	845,858
	<u>4,557,975</u>	<u>4,525,858</u>
	<u>9,221,844</u>	<u>9,189,727</u>
Minority Interest	<u>282,083</u>	<u>272,959</u>
	<u>P 9,503,927</u>	<u>P 9,462,686</u>
	<u>P 14,917,748</u>	<u>P 15,117,269</u>

FIL-ESTATE LAND, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(Amounts in Thousands)

	For the second quarter ended March 31 (October to March)		For the three months ended Mar 31 (January to March)	
	2010	2009	2010	2009
REVENUES				
Sale of real estate and golf club and resort shares	P 123,140	P 215,291	P 73,718	P 63,920
Service and rental	49,875	59,481	25,546	29,028
Realized gross profit on sale of real estate and golf club and resort shares - net	166	313	17	305
Equity in net earnings (losses) of subsidiaries, associates and joint ventures	(2,555)	1,106	(3,747)	33
Financial Income	60,337	33,994	29,166	16,742
Others	80,358	48,355	33,454	34,067
	311,323	358,541	158,155	144,096
COST AND EXPENSES				
Cost of real estate and golf club and resort shares sold	56,347	105,317	37,904	21,140
Cost of services	34,737	31,843	16,428	16,125
General and administrative	115,761	181,643	56,344	94,974
Commissions	12,361	4,947	9,004	3,864
Financial Expense	48,694	32,498	23,477	74,500
Others	16,046	67,958	6,843	(41,335)
	283,947	424,207	150,001	169,268
INCOME(LOSS) BEFORE INCOME TAX AND MINORITY INTEREST	27,376	(65,666)	8,154	(25,173)
INCOME TAX EXPENSE				
Current	573	734	158	306
Deferred	(213)	(8)	(514)	(466)
	361	726	(356)	(159)
INCOME (LOSS) BEFORE MINORITY INTEREST	27,016	(66,392)	8,510	(25,013)
MINORITY INTEREST	5,101	5,788	2,721	1,827
NET INCOME (LOSS)	P 32,117	P (60,604)	P 11,231	P (23,186)
Earnings Per Share	P 0.0096	P (0.01809)	P 0.00335	P (0.00692)

FIL-ESTATE LAND, INC. AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME***(Amounts in Thousands)*

	For the second quarter ended March 31 (October to March)		For the three months ended Mar 31 (January to March)	
	2010	2009	2010	2009
NET INCOME FOR THE PERIOD	P 32,117	P (60,604)		
OTHER COMPREHENSIVE INCOME				
Unrealized loss on available-for-sale investments			P -	P -
Equity share in associate's revaluation reserve			-	-
	-	-	-	-
TOTAL COMPREHENSIVE INCOME (LOSS)	P 32,117	P (60,604)	P -	P -

FIL-ESTATE LAND, INC. AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY***(Amounts in Thousands)*

	Common Stock [P1 par value]	Subscribed Common Stock Net of Subscription Receivable	Additional Paid-in Capital	Retained Earnings	Revaluation Reserve on Available-for-sale Investments	Equity Share in Associates Revaluation Reserve	Minority Interests	TOTAL
For the 2nd Quarter Ended March 31, 2010								
Balances as of September 30, 2009	P 2,800,000	P 266,878	P 1,597,739	P 4,525,858	P (1,444)	P 696	P 282,083	P 9,471,810
Comprehensive Income								
Net Income for the year				32,117				32,117
Dividends								
Balances as of March 31, 2010	P 2,800,000	P 266,878	P 1,597,739	P 4,557,975	P (1,444)	P 696	P 282,083	P 9,503,927
For the 2nd Quarter Ended March 31, 2009								
Balances as of September 30, 2008	P 2,800,000	P 266,878	P 1,597,739	P 4,659,812	P (5,258)	P 696	P 292,082	P 9,611,949
Comprehensive Income								
Net Income for the year				(60,604)				(60,604)
Dividends								
Balances as of March 31, 2009	P 2,800,000	P 266,878	P 1,597,739	P 4,599,208	P (5,258)	P 696	P 292,082	P 9,551,345

FIL-ESTATE LAND, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

	For the period March 31	
	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax and minority interest	27,376	34,550
Adjustments for:		
Interest expense	(30,011)	2,813
Interest income	(29,233)	(5,685)
Amortization of deferred interest - Receivables	(31,074)	-
Amortization of deferred interest - Payables	18,683	-
Equity in net losses of associates and joint ventures	(2,555)	(1,514)
NET CASH PROVIDED BY OPERATING ACTIVITIES	(46,813)	30,163
CASH FLOWS USED IN FINANCING & INVESTING ACTIVITIES	(68,662)	331,182
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENT	(115,475)	361,345
CASH AND CASH EQUIVALENT AT BEGINNING OF PERIOD	192,968	203,295
CASH AND CASH EQUIVALENT AT END OF PERIOD	77,493	564,640

FIL-ESTATE LAND, INC. & SUBSIDIARIES**AGING OF RECEIVABLES****AS OF SECOND QUARTER ENDED MARCH 31, 2010***(Amount in Thousands)*

	TOTAL	Currently Maturing	Not Yet Due
ICR	805,037	293,979	511,057
Less: Unrealized gross profit on sales of real estate, golf club and resort shares	33,143		
Net ICR	771,894		
Receivables from:			
Contractors and Suppliers	226,689		
Landowners and others	64,079		
Others	260,580		
	551,348		
Total receivables	1,323,242		
Less: Allowance for impairment loss	245,554		
	1,077,688		

Descriptions*Installment contract receivables** **Nature/Description**

derived from the installment sale of real estate properties and golf club shares held as inventory for sale

* **Collection Period**

ranges from 5 to 15 years depending on terms of sales