

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 **30 September 2009**
2. Commission Identification Number: **ASO94-006430**
3. BIR Tax Identification No. **003-942-108**
4. **EMPIRE EAST LAND HOLDINGS, INC.**  
Exact name of issuer as specified in its charter
5. **Metro Manila**  
Province, Country or other jurisdiction of incorporation or organization
6. (SEC Use Only)  
Industry Classification Code
7. **21st Floor, The World Centre**  
**330 Sen. Gil J. Puyat Avenue**  
**Makati City, Philippines 1227**  
Address of issuer's principal office
8. **(632) 867-8351 to 59**  
Issuer's telephone number, including area code
9. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of Class	Number of Shares of Common Stock Outstanding
<b>Common</b>	<b>10,495,236,253</b>

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

Yes [X]    No [ ]

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

**The shares of common stock of the Company are listed on the Philippine Stock Exchange.**

11. Indicate by check mark whether the issuer:

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

Yes [X]                      No [ ]

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

Yes

No

#### PART I - FINANCIAL INFORMATION

##### Item 1. Financial Statements

Interim financial statements are attached as Exhibits 1 to 6 hereof and incorporated herein by reference:

Exhibit 1 - Comparative Balance Sheets as of December 31, 2008 and September 30, 2009

Exhibit 2 - Comparative Income Statements as of September 30, 2008 and September 30, 2009

Exhibit 3 - Comparative Statements of Changes in Equity as of September 30, 2009 and September 30, 2008

Exhibit 4 - Comparative Statements of Cash Flows as of September 30, 2009 and September 30, 2008

Exhibit 5 - Notes to Financial Statements

Exhibit 6 - Aging of Accounts Receivable as of September 30, 2009

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

Please refer to Exhibit 7 hereof.

#### PART II - OTHER INFORMATION

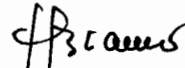
The Company is not in possession of information which has not been previously reported in a report on SEC Form 17-C and with respect to which a report on SEC Form 17-C is required to be filed.

#### SIGNATURE

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.

**EMPIRE EAST LAND HOLDINGS, INC.**  
Issuer

By:



**EVELYN G. CACHO**

Vice President for Finance (Principal Financial Officer) and Duly Authorized Officer  
November 13, 2009

## EXHIBIT 1

**EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**

	<i>(In Thousands)</i>	
	<b>Unaudited 30-Sep-09</b>	<b>Audited 31-Dec-08</b>
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	P 1,529,630	P 1,634,997
Trade and other receivables - net	2,723,629	2,838,198
Property development costs	2,217,306	1,890,850
Advances to related parties	839,045	814,059
Prepayments and other current assets	<u>395,061</u>	<u>226,362</u>
Total Current Assets	<u>7,704,672</u>	<u>7,404,466</u>
<b>NON-CURRENT ASSETS</b>		
Trade and other receivables - net	2,614,987	2,773,143
Advances to related parties	53,701	53,702
Property development costs	8,283,752	9,129,030
Advances to landowners and joint ventures	2,813,619	2,331,377
Available-for-sale financial assets	660,480	239,424
Land for future development	3,042,683	3,008,581
Investment property - net	256,973	709,346
Property and equipment - net	155,661	154,476
Other non-current assets	<u>219,298</u>	<u>219,901</u>
Total Non-current Assets	<u>18,101,155</u>	<u>18,618,980</u>
<b>TOTAL ASSETS</b>	<b><u>P 25,805,827</u></b>	<b><u>P 26,023,446</u></b>

## LIABILITIES AND EQUITY

### CURRENT LIABILITIES

Interest-bearing loans and borrowings	P	536,293	P	1,423,572
Trade and other payables		1,372,013		868,508
Income tax payable		273		7,995
Deferred gross profit on real estate sales		46,420		128,014
Customers' deposits		1,947,472		1,645,361
Advances from related parties		233,187		262,502
Reserve for property development		246,343		310,157
Other current liabilities		<u>169,389</u>		<u>181,039</u>
 Total Current Liabilities		 <u>4,551,390</u>		 <u>4,827,148</u>

### NON-CURRENT LIABILITIES

Interest-bearing loans and borrowings		1,066,075		1,388,612
Trade and other payables		19,687		19,687
Reserve for property development		648,490		644,632
Deferred tax liabilities		1,198,657		1,190,076
Deferred gross profit on real estate sales		290,049		166,213
Advances from related parties		13,524		262,951
Retirement benefit obligation		<u>67,062</u>		<u>68,524</u>
 Total Non-current Liabilities		 <u>3,303,544</u>		 <u>3,740,695</u>

Total Liabilities		<u>7,854,934</u>		<u>8,567,843</u>
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### EQUITY

Equity attributable to parent company's shareholders		17,093,657		16,603,287
Minority interest		<u>857,236</u>		<u>852,316</u>
 Total Equity		 <u>17,950,892</u>		 <u>17,455,603</u>

<b>TOTAL LIABILITIES AND EQUITY</b>	<b>P</b>	<b><u>25,805,827</u></b>	<b>P</b>	<b><u>26,023,446</u></b>
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## EXHIBIT 2

**EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME**

	<i>(In Thousands)</i>			
	Unaudited		Unaudited	
	July-Sept 30 2009	Jan-Sept 2009	July- Sept 30 2008	Jan-Sept 2008
<b>REVENUES</b>				
Real estate sales	231,339	755,966	354,652	673,890
Realized gross profit on prior years' sales	41,622	106,028	13,758	31,712
Interest Income	171,276	352,633	156,821	386,159
Commissions & other income	130,473	404,846	305,083	535,292
	<u>574,710</u>	<u>1,619,473</u>	<u>830,314</u>	<u>1,627,053</u>
<b>COSTS &amp; EXPENSES</b>				
Cost of real estate sales	163,849	550,893	279,540	515,459
Deferred gross profit	43,895	148,355	38,831	52,971
Finance costs	98,627	128,331	90,750	203,651
Operating expenses	243,685	692,209	323,892	652,296
Tax expense	958	25,452	31,657	61,306
	<u>551,013</u>	<u>1,545,239</u>	<u>764,670</u>	<u>1,485,683</u>
<b>NET INCOME</b>	<u>23,697</u>	<u>74,234</u>	<u>65,644</u>	<u>141,370</u>
<b>Attributable to:</b>				
Parent company's shareholders	18,786	69,314	65,274	140,145
Minority interest	4,910	4,919	370	1,225
	<u>23,697</u>	<u>74,234</u>	<u>65,644</u>	<u>141,370</u>
<b>Earnings Per Share</b>				
Basic		0.0066		0.0130
Diluted		0.0064		0.0130

**EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES**  
**COMPARATIVE STATEMENTS OF CHANGES IN EQUITY**

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	<i>( In Thousands )</i>	
	Unaudited 30-Sep-2009	Unaudited 30-Sep-2008
CAPITAL STOCK	10,908,215	10,908,216
ADDITIONAL PAID-IN CAPITAL	4,281,565	4,281,565
TREASURY SHARES	(102,107)	(102,107)
REVALUATION RESERVES	(209,970)	(395,730)
RETAINED EARNINGS	2,215,953	2,066,242
MINORITY INTEREST	857,236	184,304.00
TOTAL EQUITY	P 17,950,892	P 16,942,490

## EXHIBIT 4

**EMPIRE EAST LAND HOLDINGS, INC. & SUBSIDIARIES**  
**COMPARATIVE CONSOLIDATED STATEMENTS OF CASH FLOWS**

	<i>( In Thousands )</i>			
	<b>Unaudited 30-Sep-09</b>		<b>Unaudited 30-Sep-08</b>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Income before tax	P	99,685	P	202,675
Adjustments for:				
Depreciation and amortization		51,248		70,265
Finance costs		128,331		203,651
Interest & other income	(	354,654)	(	386,159)
Equity in net losses of subsidiary		-		15,560
Operating income before working capital changes	(	75,390)		105,992
Net Changes in Operating Assets & Liabilities				
Increase in current & non-current assets		549,164	(	2,540,797)
Increase in current & other non-current liabilities		556,004		1,278,939
Increase (decrease) in reserve for property development	(	59,956)		108,730
Cash used in operations		969,822	(	1,047,136)
Interest paid	(	128,331)	(	203,651)
Cash paid for income taxes	(	24,594)	(	23,122)
Net Cash Used in Operating Activities		816,897	(	1,273,909)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		287,552	(	167,916)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		(	1,209,816)	2,213,525
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	(	105,367)		771,700
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>		1,634,997		942,700
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	P	1,529,630	P	1,714,400

**EMPIRE EAST LAND HOLDINGS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

- 1) The financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). The accounting policies and method of computation have been consistently followed by the Company (and its subsidiaries) and are consistent with those used in the most recent annual audited financial statements.
- 2) Cash and cash equivalents account is composed of cash on hand/in banks amounting to P174.2 million and short-term placements of P1.35 billion.
- 3) Current Trade and Other Receivables account of P2.7 billion mostly includes receivables from sales transactions. The P2.6 billion non-current portion of Trade and Other Receivables are those amounts which are not expected to be realized/collected within the one-year period.
- 4) Property Development Cost account amounting to P10.5 billion represents various development/construction related expenses.
- 5) Advances to Related Parties and to Landowners and Joint Venture totaling P3.7 billion pertain to property acquisition, joint venture and other business related transactions.
- 6) Available-for-Sale Financial Assets account amounting to P660.5 million pertains to investments in equity securities of subsidiary.
- 7) Land for Future Development of P3.04 billion refers to the properties acquired by the company. Most properties, which are specifically located in Metro Manila and Calabarzon areas, are intended for immediate and future development. This account also includes other expenses related to acquisition.
- 8) Investment Property account of P256.97 million pertains to land and building and improvements of the Company, being leased-out to third parties and certain land held for capital appreciation. This account is presented in the interim financial statements net of depreciation.



- 9) Property and Equipment account of P155.7 million is composed of fixed assets that are being depreciated over its estimated useful lives using a straight-line method. This account is presented in the interim financial statements net of depreciation.
- 10) Interest-bearing loans and borrowings account with a balance of P1.6 billion mostly includes loans obtained from commercial banks/financial institution and trade receivables discounted with recourse.
- 11) Current Liabilities account is composed of current portion of deferred gross profit amounting to P46.42 million, customers' deposits/advances of P1.95 billion and other payables/accruals amounting to P1.77 billion. Other non-current liabilities include non-current portion of deferred tax, unearned revenue and other payables totaling to P1.59 billion.
- 12) Reserve for Property Development of P894.8 million pertains to the remaining costs needed to complete the development/construction of the sold units.
- 13) Increase in Equity by P495.29 million is the total of six-month period Net Income of P74.23 million and fair value gains/revaluation of marketable equity securities of subsidiary amounting to P421.06 million.
- 14) Revenues include the following – real estate sales of P755.97 million, P106.03 million realized portion of the previous years gross profit, interest income of P352.63 million derived mostly from buyers in-house financing, commissions and other income totaling to P404.84 million.
- 15) There were no changes in estimates of amounts reported in prior interim periods or prior financial years that have material effect in the current interim period.
- 16) There were no material contingencies and any other events/transactions that have material impact on the current interim period.

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES

As of September 30, 2009

Amounts in thousands

1) Aging of Accounts Receivable

Type of Receivables	Total	Current Not Yet Due	1 Month	2-3 Mos.	4-6 Mos.	Above 7 Mos.	Past due accounts & Items in Litigation
a) Trade Receivables	3,775,512	3,768,268	5,640	1,321	283	-	-
b) Other Receivables	1,563,104	1,563,104	-	-	-	-	-
<b>Net Receivables</b>	<b>5,338,616</b>						

2) Accounts Receivable Description

Type of Receivables

Nature/Description

Collection Period

a) Trade Receivables

Sale of residential units/lots

maximum of 15 years

b) Other Receivables

Advances to contractors/suppliers

1 to 2 years

3) Normal Operating Cycle:

3 to 15 years

**EMPIRE EAST LAND HOLDINGS, INC.**

**MANAGEMENT'S DISCUSSION OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

**RESULTS OF OPERATION**

Review of September 30, 2009 versus September 30, 2008

During the nine-month period, the consolidated net income amounted to P74.23 million, 47.5% lower than the previous year's net income of P141.37 million. Consolidated revenues, composed of real estate sales, interest income, commissions and other revenues posted a decrease of .47% from P1.63 to P1.62 billion.

Real Estate Sales

The Group registered Real Estate Sales of P756 million for nine months ended September 30, 2009 compared with P674 million in 2008. The sales generated were derived from various projects namely, California Gardens Square, Little Baguio Terraces, Pioneer Woodlands, San Lorenzo Place, The Cambridge Village, Laguna Bel Air 4, Sta. Rosa Heights and Suntrust Adriatico Gardens.

The Cost of Sales amounting to P550.9 million in 2009 and P515.4 million in 2008, as a percentage of Real Estate Sales, was 72.87% and 76.49% respectively. The change was primarily due to the different composition of products sold for each year.

Gross Profit was P205.07 million during the nine months of 2009 and P158.43 million in 2008, or 27.13% and 23.51% of Real Estate Sales, respectively. The gross profit margin varies depending on the product mix and the competitiveness of prices of each product. Realized Gross Profit as a percentage of Real Estate Sales was recorded at 22% and 20% amounting to P162.74 million and P137.17 million in 2009 and 2008, respectively.

Other Revenues

For 2009 and 2008, the other revenue contributor was interest income amounting to P352.63 million and P386.16 million respectively, derived mostly from accounts under in-house financing and which accounts for 22% and 24% of total revenues. Additional sources of revenue were commissions of a subsidiary, rentals from

office-warehouse units in Central Business Park complex and residential/commercial spaces in various projects, and those obtained from other sources.

### Operating Expenses

Operating expenses increased from P652.3 million in 2008 to P692.2 million in 2009. Corporate overhead increased due to the additional expenses in promoting sales, additional manpower employed to support the operations, general increase in prices of commodities and expenses of the new subsidiary.

## **FINANCIAL CONDITION**

### Review of September 30, 2009 versus December 31, 2008

Total resources of the Company as of September 30, 2009 and December 31, 2008 amounted to P25.8 billion and P26.02 billion respectively. Cash and Cash Equivalents decreased from P1.63 billion to P1.53 billion due to payments to contractors and suppliers, acquisition of property and other expenses related to transfer of titles. The Company remained liquid with Total Current Assets of P7.7 billion in 2009 and P7.4 billion in 2008, which accounted for 30% and 28% of the Total Assets for years 2009 and 2008 respectively, while its Total Current Liabilities amounted to P4.56 billion in September 30, 2009 as compared with P4.83 billion in December 31, 2008.

Equity increased from P17.45 billion in the previous year to P17.95 billion as of September 30, 2009 due to net income realized for the nine-month period and the changes in revaluation reserves.

In 2009, the Group sourced its major cash requirements from internally generated funds. While in 2008, cash was sourced mostly from internally generated funds and partly from the discounting of its installment contract receivable.

The Group utilized its funds for loan repayments, property acquisition, construction and development of projects, and settlement of various payables and other operating expenses.

Material Changes in the 2009 Interim Financial Statements  
(increase/decrease of 5% or more in the 2009 Financial Statements)

Balance Sheets

- 6% decrease in Cash and Cash Equivalents  
Due to payment to contractors and suppliers, acquisition of property and other expenses related to transfer of titles
- 75% increase in Prepayments and Other Current Assets  
Due to increase in prepaid taxes and input vat
- 21% increase in Advances to Landowners and Joint Ventures  
Primarily due to a new joint venture project
- 176% increase in Available-for-sale Financial Asset  
Primarily due to increase in fair market value of investment
- 64% decrease in Investment Property  
Mainly due to settlement of certain loan via dacion
- 43% decrease in Interest-bearing Loans and Borrowings  
Mainly due to repayments of loans/full settlement of certain loan
- 57% increase in Trade and Other Payables  
Mainly due to payables of a subsidiary
- 97% decrease in Income Tax Payable  
Due to payment of previous year's tax liability
- 14% increase in Deferred Gross Profit on Real Estate Sales  
Mainly due to unearned gross profit on sales of new projects
- 18% increase in Customers' Deposit  
Primarily due to increase in reservation sales of new projects

- 53% decrease in Advances from related parties  
Mainly due to payment of advances of a subsidiary
- 6% decrease in Reserve for Property Development  
Mainly due to increase in completion of projects
- 6% decrease in Other Current Liabilities  
Mainly due to settlement of some payables to suppliers and contractors

#### Income Statements

- 12% increase in Real Estate Sales  
Primarily due to sales of new projects
- 234% increase in Realized Gross Profit on Prior Year Sales  
Mainly due to increase in sales and construction accomplishment of on-going projects
- 9% decrease in Interest Income  
Primarily due to different terms of payment with either 0% interest or lesser application to interest
- 24% decrease in Commission and Other Income  
Due to decrease in commission and other income of a subsidiary
- 7% increase in Cost of Sales  
Primarily due to increase in sales
- 180% increase in Deferred Gross Profit on Current Year Sales  
Primarily due to pre-selling of new projects
- 37% decrease in Finance Cost  
Due to settlement of some loan obligations
- 6% increase in Operating Expenses  
Due to increase in marketing/administrative expenses related to new projects and expenses of subsidiaries
- 58% decrease in Tax Expense  
Mainly due to decrease in taxable income

For the year 2009, the projected capital expenditures (construction/development) of roughly P1.5 billion is expected to be funded mostly by collections.

Fluctuations in foreign exchange rate had no adverse effect on the Company's financial conditions since the Company has very minimal importations of construction-related materials and have no foreign denominated loans.

There are no other material changes in the Company's financial position and condition (5% or more) that will warrant a more detailed discussion. Likewise, there are no material events and uncertainties known to the management that would have material impact on reported financial information and normal operations of the Company.

The nature of all revenues and expenses disclosed in the income statement are business related transactions and arose from the Company's continuing operations. Also, no prior period adjustment was made during any period covered by the balance sheet.

There are no 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 are no events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.

The Company is aggressively marketing its products specially the new projects. It continuously offers competitive prices, more lenient payment schemes under in-house financing and has strong tie-ups with reputable banks for the financing requirements of its buyers.

## **TOP FIVE (5) KEY PERFORMANCE INDICATORS**

For 2009, the following are top key performance indicators of the Company and its majority-owned subsidiaries:

### **1) Availability of Cash**

The Company has adequate resources to fund the construction of its upcoming projects and acquisition of additional properties.

## **2) Ability to repay loan obligations**

The loan obligations were promptly settled. The Company maintains a good credit standing with creditor banks and has considerable credit facilities which can be utilized for urgent capital requirements.

## **3) Increase in reservation sales**

The reservation sales increased due to aggressive selling of new projects. The Company's new projects are connected to mass transit system and are conveniently located in business districts of Metro Manila.

## **4) Continuous development of projects**

The Company continuously undertakes construction and development activities and is committed to deliver its projects within the projected timetable.

## **5) Landbanking**

The Company has been acquiring interests in properties either through outright acquisitions or joint venture arrangements with landowners.

## **ASSESSMENT OF FINANCIAL RISKS**

The Group is exposed to a variety of financial risks, which result from both its operating and investing activities. Risk management is carried out by a central treasury department under policies approved by the BOD, and focuses on actively securing the Group's short to medium-term cash flows by minimizing the exposure to financial markets.

The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed to are described below.

### **1) Foreign Currency Sensitivity**

Most of the Group's transactions are carried out in Philippine pesos, its functional currency. Foreign exchange risk arises from the Group's U.S.



dollar-denominated cash and cash equivalents.

To mitigate the Group's exposure to foreign currency risk, non-Philippine peso cash flows are closely monitored.

The Group's U.S.-dollar denominated financial assets, translated into Philippine pesos amounted to P81 million as of September 30, 2009.

At September 30, 2009, if the peso had strengthened by 1.33% against the U.S. dollar with all other variables held constant, income before tax for the year would have been P1.08 million lower, mainly as a result of foreign exchange loss on translation of U.S. dollar-denominated cash and cash equivalents.

On the other hand, if the peso had been weaker by the same percentage, with all other variables held constant, income before tax would have been higher by the same amount.

The 1.33% movement in the value of peso against U.S. dollar was estimated based on the market volatility in exchange rates. The sensitivity analysis is based on the Group's foreign currency financial instruments held at the balance sheet date.

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

## **2) Interest Rate Sensitivity**

As the Group has no significant interest-bearing assets, the Company's income and operating cash flows are substantially independent of changes in market interest rates. The Company's interest rate risk arises only from cash and cash equivalents, which are subject to variable interest rates. Financial assets and liabilities at variable rates expose the group to cash flow interest rate risk. All other financial assets and liabilities have fixed rates.

At September 30, 2009, if general interest rates on dollar and peso-denominated financial assets had been higher by 0.60%, with all other

variables held constant, income before tax for the year would have been P9.19 million higher, mainly as a result of higher interest income on floating rate deposits.

The movements in interest rates used in the sensitivity analysis are considered reasonably possible and are based on observation of interest rate fluctuations for the past three months using a 95%-confidence level. The calculations are based on the Company's financial instruments held at each balance sheet date, with effect estimated from the beginning of the year.

### 3) Credit Risk

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown on the face of the balance sheet, as summarized below:

	<u>As of Sept. 30, 2009</u>	<u>As of Sept. 30, 2008</u>
Cash and cash equivalents	P 1,529,629,582	P 1,714,402,144
Trade and other receivables - net	5,338,616,271	6,038,799,708
Advances to landowners and joint venture	2,813,619,206	1,709,603,641
Advances to related parties	<u>892,746,354</u>	<u>1,771,226,500</u>
	<u>P10,574,611,413</u>	<u>P11,234,031,993</u>

The credit risk for liquid funds is considered negligible, since the counter parties are reputable banks with high quality external credit ratings. In respect of trade and other receivables, the Group is not exposed to any significant credit risk exposure to any single counter party or any group of counter parties having similar characteristics.

The Group continuously monitors defaults of customers and other counter parties, identified either individually or by group, and incorporate this information into its credit risk controls. The Company's policy is to deal only with creditworthy counter parties. In addition, for a significant proportion of sales, advance payments are received to mitigate credit risk.

The Group's management considers that all the above financial assets that are not impaired for each of the reporting dates under review are of good

credit quality, including those that are past due.

#### 4) Liquidity Risk

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash outflows due in a day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a 6-month and one-year period are identified monthly.

The Group maintains cash to meet its liquidity requirements for up to 60-day periods. Excess cash are invested in time deposits or short-term marketable securities. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.

As at September 30, 2009, the Group's financial liabilities have contractual maturities which are presented below:

	Current		Non-current	
	Within 6 Months	6 to 12 Months	1 to 5 Years	Later than 5 Years
Interest-bearing loans and borrowings	P 536,292,744	P -	P1,066,075,056	P -
Trade and other payables	1,372,013,142	-	19,686,755	-
Advances from related parties	233,186,977	-	13,523,648	-
Other current liabilities	<u>146,038,061</u>	<u>23,350,811</u>	<u>-</u>	<u>-</u>
	<u>P2,287,530,924</u>	<u>P 23,350,811</u>	<u>P 1,099,285,459</u>	<u>P -</u>

This compares to the maturity of the Group's financial liabilities in the previous reporting period as follows:

	Current		Non-current	
	Within 6 Months	6 to 12 Months	1 to 5 Years	Later than 5 Years
Interest-bearing loans and borrowings	P1,832,312,535	P -	P 1,040,501,378	P -
Trade and other payables	1,336,977,188	-	25,918,670	-
Advances from related parties	583,930,718	-	-	-
Other current liabilities	<u>237,173,654</u>	<u>23,350,811</u>	<u>-</u>	<u>-</u>
	<u>P3,990,394,095</u>	<u>P 23,350,811</u>	<u>P 1,066,420,048</u>	<u>P -</u>

The above contractual maturities reflect the gross cash flows, which may differ from the carrying values of the liabilities at the balance sheet dates.

#### **5) Other Market Price Risk**

The Group is exposed to equity securities price risk because of investments held by the Group and classified on the balance sheet as available-for-sale financial assets. The Group is not exposed to commodity price risk.

At September 30, 2009, if the quoted stock price for the securities had decreased by 20%, with all other variables held constant, equity would have been lower by about P46.58 million. The 20% estimated change in quoted market price is computed based on volatility of local index for holdings first listed at Philippine Stock Exchange.

On the other hand, if the quoted market price for these securities had increased by the same amount, with all other variables held constant, equity for the year would have been higher by the same figure.

The investments in listed equity securities are considered long-term, strategic investments. In accordance with the Group's policies, no specific hedging activities are undertaken in relation to these investments. The investments are continuously monitored and voting rights arising from these equity instruments are utilized in the Group's favor.

### **FINANCIAL INSTRUMENTS EVALUATION**

Financial assets include cash and financial instruments. The Group classifies its financial assets, other than hedging instruments, into the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired. The designation of financial assets is re-evaluated at every reporting date at which date a choice of classification or accounting treatment is available, subject to compliance with specific provisions of applicable accounting standards.

*Cash and cash equivalents* are defined as cash on hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

Regular purchase and sales of financial assets are recognized on their trade date. All financial assets that are not classified as at fair value through profit or loss are initially recognized at fair value, plus transaction costs. Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the income statement.

The foregoing categories of financial instruments are more fully described below.

### **1) Financial Assets at Fair Value through Profit or Loss**

This category includes financial assets that are either classified as held for trading or are designated by the entity to be carried at fair value through profit or loss upon initial recognition. A financial asset is classified in this category if acquired principally for the purpose of selling it in the near term or if so designated by management. Derivatives are also categorized as 'held for trading' unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realized within 12 months from the balance sheet date.

Subsequent to initial recognition, the financial assets included in this category are measured at fair value with changes in fair value recognized in profit or loss. Financial assets originally designated as financial assets at fair value through profit or loss may not be subsequently be reclassified.

### **2) 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. They are included in current assets, except for maturities greater than 12 months after the balance sheet date which are classified as non-current assets.

Loans and receivables are subsequently measured at amortized cost using the effective interest method, less any impairment losses. Any change in their value is recognized in profit or loss. Impairment loss is provided when there is objective evidence that the Company will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the impairment loss is determined as the difference between the assets' carrying amount and the present value of estimated cash flows.

The Company's loans and receivables are presented as Trade and Other Receivables, Advances to Landowners and Joint Ventures, and Advances to Related Parties in the balance sheets.

### **3) Held-to-maturity Investments**

This category includes non-derivative financial assets with fixed or determinable payments and a fixed date of maturity. Investments are classified as held-to-maturity if the Group has the positive intention and ability to hold them until maturity. Investments intended to be held for an undefined period are not included in this classification. They are included in non-current assets in the consolidated balance sheets, except those maturing within 12 months of the balance sheet date.

Held-to-maturity investments are measured at amortized cost using the effective interest method. In addition, if there is objective evidence that the investment has been impaired, the financial asset is measured at the present value of estimated cash flows. Any changes to the carrying amount of the investment are recognized in profit or loss.

### **4) Available-for-sale Financial Assets**

This category includes non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. They are included in non-current assets unless management intends to dispose of the investment within 12 months from the balance sheet date.

All financial assets within this category are subsequently measured at fair value, unless otherwise disclosed, with changes in value recognized in equity, net of any effects arising from income taxes. Gains and losses

arising from securities classified as available-for-sale are recognized in the consolidated income statement when they are sold or when the investment is impaired.

In the case of impairment, any loss previously recognized in equity is transferred to the consolidated income statement. Impairment losses recognized in the consolidated income statements on equity securities are not reversed through the consolidated income statements. Losses recognized in prior year consolidated income statements resulting from the impairment of debt instruments are reversed through the consolidated income statement.

For investment that are actively traded in organized financial markets, fair value is determined by reference to quoted market bid prices in the stock exchange at the close of business on the balance sheet date. For investments where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the investment.

Non-compounding interest and other cash flows resulting from holding financial assets are recognized in consolidated profit or loss when received, regardless of how the related carrying amount of financial assets is measured.

De-recognition of financial assets occurs when the rights to receive cash flows from the financial instruments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

The Group has no investment in foreign securities as of balance sheet date. The markets of the Group's Available-for-sale Financial Assets are active.