AS093-7946
S.E.C. Registration Number

ALLIANCE GLOBAL GROUP, INC.
(Company's Full Name)

7/F 1880 EASTWOOD AVENUE EASTWOOD CITY CYBERPARK BAGUMBAYAN QUEZON CITY
(Business Address: No. Street City/ Town/ Province)

DINA INTING
Contact Person

709-2038 to 41
Company Telephone Number

12 31
Month Day
Fiscal Year

SEC FORM 17-A
FORM TYPE

09 3rd Tues.
Month Day

N.A.
Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

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AS093-7946
SEC Reg. No.

ALLIANCE GLOBAL GROUP, INC.

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

**ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF THE CORPORATION CODE OF THE PHILIPPINES**

1. *For the fiscal year ended* **December 31, 2009**

2. *SEC Identification Number* **AS093046**

3. *BIR Tax Identification No*. **003-831-302-000**

4. *Exact name of issuer as specified in its charter* **ALLIANCE GLOBAL GROUP, INC.**

5. **METRO MANILA, PHILIPPINES**
   Province, country or other jurisdiction of incorporation or organization

6. (*SEC Use Only)*
   Industry classification code

7. **7th Floor, 1880 Eastwood Avenue, Eastwood City CyberPark**
   188 E. Rodriguez Jr. Avenue, Bagumbayan, 1110 Quezon City
   Address of principal office

8. **(632) 7092038 to 41**
   Registrant's telephone number, including area code

9. *Securities registered pursuant to Sections 8 and 12 of the SRC, or secs. 4 and 8 of the RSA*

Title of Each Class	*Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding* ***As of March 31, 2010***
Common	**9,719,727,979** (Net of 550,100,000 shares acquired under the buy-back program of the Company)

10. *Are any or all of these securities listed on Philippine Stock Exchange.* **Yes.**

11. *(a) AGI has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 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.*
    (b) AGI has been subject to such filing requirements for the past ninety (90) days.

12. *The aggregate market value of the voting stock held by non-affiliates of AGI, based on the closing price of its common stock of Five Pesos and Seventy Centavos (P5.70) on the Philippine Stock Exchange on April 28, 2010, is P21,948,395,513.*

PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

a. Organization and Business Development In The Past Three Years

a.1. ***The Company***

Alliance Global Group, Inc. ("AGI" or "the Company") was incorporated in the Philippines on October 12, 1993 and began operations in 1994 as a glass-container manufacturer after it acquired a glass manufacturing plant in Canlubang, Laguna. It first listed its shares on the Philippine Stock Exchange ("PSE") in April 1999 and, after securing approval from the Securities and Exchange Commission ("SEC") a few months later, broadened its primary purpose into that of a holding company. Given a wider scope of business, AGI immediately diversified into the food and beverage and real estate development and services business, and, a few years later, into the quick service restaurant ("QSR") business.

On March 17, 2005, AGI entered the QSR business when it purchased 49% equity in *Golden Arches Development Corporation,* the local franchisee of McDonald's and one of the country's largest QSR chains, from McDonald's Restaurant Operations, Inc. ("MRO"), a subsidiary of McDonald's Corporation, both foreign corporations incorporated in the USA.

On February 16, 2007, AGI made two major acquisitions to beef up its business portfolio into a powerhouse of three winning brands as focal points. AGI acquired 100% of *Emperador Distillers, Inc,* a leading brandy manufacturer, from The Andresons Group, Inc. ("TAGI") and other individual stockholders. This marked the entry of AGI into the distilled spirits manufacturing business. The flagship label, Emperador Brandy, is acclaimed as the largest selling brandy in the country and in the world in terms of volume. AGI bolstered its presence in the real estate industry by acquiring, in a share-swap transaction with Mr. Andrew Tan, TAGI and Yorkshire Holdings, Inc., an additional 25% interest in *Megaworld Corporation* ("Megaworld")*,* which increased AGI's equity to 46%. Megaworld is the largest mid-income residential developer and the largest business process outsourcing ("BPO") office developer and landlord in the country.

In 2008, AGI further increased its effective ownership interest in Megaworld by 2%. In May 2009, it gained another 9% when AGI and subsidiaries subscribed to Megaworld's pre-emptive stock rights offering. By end-2009, AGI held 56.7% effective interest in Megaworld.

Also in 2008, the Company stepped into a new territory, the tourism-oriented business of leisure and entertainment through Travellers International Hotel Group, Inc. ("Travellers"). Travellers received on June 2, 2008 the first Provisional License issued by the Philippine Amusement and Gaming Corporation ("PAGCOR") to participate in the latter's tourism and leisure master plan in Bagong Nayong Pilipino Entertainment City Manila project ("Entertainment City"), a special ecozone of fully integrated resort complex set to rise in 90-hectare reclamation area along Manila Bay, and in a portion of Newport City

Cybertourism Zone, a 25-hectare integrated tourism development located across the Ninoy Aquino International Airport Terminal 3 in Pasay City. AGI partnered with Malaysia-based Genting Group, one of the largest leisure and entertainment companies in the world, and, in August 2008, inked a 50%-50% deal with Genting Hong Kong Limited ("GHL") (formely Star Cruises Limited) to build these projects. GHL is the leading cruise liner in Asia-Pacific and the third largest cruise operator in the world. GHL is listed in Hong Kong Stock Exchange.

Travellers' first project is a 24x7 lifestyle zone in Newport City called Resorts World Manila ("RWM"). It is an integrated tourism estate that would feature 3 hotels, an iconic shopping mall, high-end cinemas and a multi-purpose performing arts theater. RWM opened a portion of its gaming and entertainment facilities on August 28, 2009 and Marriott Hotel in October 2009. The entire project is expected to be completed by 2011.

AGI was recognized as the No. 1 Most Admired ASEAN Enterprise for large-size companies under the growth category at the 2008 ASEAN Business and Investment Summit in Bangkok, Thailand. AGI was cited for its initiatives in its core businesses, including tourism. The ASEAN Business Awards aims to recognize successful ASEAN companies which have contributed to the growth of the Asean economy and showcase promising enterprises with the potential of becoming global players.

a.2. ***Business segments and subsidiaries***

The Company's operating businesses are categorized into three segments, each managed separately and each representing a strategic business unit that offers different products and serves different markets. Discussed below are the profiles of the significant subsidiaries that fall into AGI's business segments: (Note: For a more comprehensive list, please refer to Note 1 to the Consolidated Financial Statements found elsewhere with this report)

Food and Beverage (F&B)

This segment covers the Company's investments in (1) distilled spirit manufacturing, marketing and distribution, presently under the labels of Emperador Brandy, Generoso brandy land The Bar flavored alcoholic beverage; (2) operations of the foreign-based subsidiaries that handle the manufacture and international distribution of food products; (3) glass container manufacturing business that produces flint glass containers primarily for internal requirements; and (4) distribution of consumer products under international labels. Emperador Distillers Inc. front runs this segment.

- *Emperador Distillers, Inc.* ("EDI"), a wholly-owned domestic subsidiary, is a leading manufacturer of distilled spirits. EDI was incorporated on June 6, 2003 and started its commercial operations immediately after it acquired the brandy manufacturing assets and related brands of Consolidated Distillers of the Far East, Inc. ("Condis") in January 2007. It has P2 billion authorized, fully subscribed and paid up capital.
- *Anglo Watsons Glass, Inc*. ("AWG"), a wholly-owned domestic subsidiary incorporated on July 22, 1999, handles the glass container manufacturing business. It substantially caters to the requirements of EDI at present. It has

P400 million authorized capital, P100 million of which was subscribed and paid up.

- *Alliance Global Brands, Inc*. ("AGB"), a wholly-owned domestic subsidiary incorporated on December 22, 1999, handles marketing and distribution of internationally-known and branded consumer food products. It has a wholly-owned foreign-based subsidiary, *McKester Pik-Nik International Limited* (MPIL), that in turn wholly owns a US corporation that produces and markets the Pik-Nik potato snack products internationally. Through the MPIL group, AGI first gained entry into the global market. Another wholly-owned domestic subsidiary of AGB, *Tradewind Estates, Inc*. ("TEI"), leases the manufacturing plant and equipment to, and provides the manpower requirement of EDI. AGB has P5 billion authorized capital and P1.25 billion subscribed and paid-up capital.

Real Estate (RE)

This segment involves the Company's investment in and development of real estate, lease of properties, and hotel development and operations.

- *Megaworld Corporation* ("MEG" or "Megaworld"), a publicly-listed real estate domestic company incorporated on August 24, 1989 and founded by Mr. Andrew L. Tan, is owned 57% by AGI as of end-2009. Megaworld is one of the country's leading real estate conglomerates that specializes in the development of large-scale, mixed-use planned communities under the "live-work-play-learn" concept. Megaworld is the country's largest mid-income residential developer and the largest BPO office developer and landlord. It also owns and operates The Richmonde Hotel in Ortigas Center through a wholly-owned subsidiary, *Prestige Hotels & Resorts, Inc*. Megaworld has P30.2 billion authorized capital stock and P25.8 billion paid-up capital (both common and preferred stock).

- *Travellers International Hotel Group, Inc.* ("Travellers") is a domestic company incorporated on December 17, 2003 to engage in the business of hotels, restaurants, leisure parks, entertainment centers, gaming activities and other related business. Travellers has P10 billion authorized capital stock, all of which is subscribed and fully paid up. In August 2008, AGI concluded a deal with GHL whereby GHL eventually acquired 50% (direct and indirect) interest in Travellers. Travellers received the first Provisional License issued by the PAGCOR to participate in the development of a portion of the Newport City Project and the Bagong Nayong Pilipino Entertainment City Manila Project. At end-2009, AGI and subsidiaries collectively hold 50% ownership interest in Travellers, with 47% effective voting rights.

Quick Service Restaurant (QSR)

This segment represents the Company's investment in the McDonald's brand, in accordance with a master franchise agreement with McDonald's USA. Golden Arches Development Corporation represents this segment.

- *Golden Arches Development Corporation* ("GADC") is a domestic corporation engaged in the operations and franchising of quick service restaurant business

under the McDonald's brand and in accordance with the franchise agreement with McDonald's Corporation, a company incorporated in Delaware and with principal offices in Chicago, Illinois, USA. GADC was incorporated on July 16, 1980. It has P99.44 million authorized and paid up common capital stock, 49% of which is held by AGI and the rest by its founder, Mr. George Yang and his family.

- *Golden Arches Realty Corporation (*"GARC"*)* leases to GADC parcels of land where McDonald's restaurants and warehouses are situated. It was incorporated on June 25, 2001 and, at present, has P1 million authorized capital stock and P816,400 issued and outstanding, 49% of which is held by AGI.

The Company and its subsidiaries have not been involved in any bankruptcy, receivership or similar proceedings. Likewise, there were no other material reclassifications, merger, consolidation, or purchase or sale of a significant amount of assets not in the ordinary course of business.

b. ***Business Description***

AGI is a holding company presently engaged in the food and beverage business (manufacturing and trading of consumer products), real estate (investment in and development of real estate, lease of properties, hotel operations and tourism-oriented businesses), and quick service restaurant (McDonald's). Through its subsidiaries and associates, the Company focuses on providing and developing products and services that cater to the needs, demands and aspirations of the country's growing middle-income sector. The Company believes that it is well positioned to benefit from consumer demand driven by the expected growth of this sector.

In 2009-10, RE is expected to be the prime contributor to revenues and net income. Within the next four years, the tourism-oriented projects under Travellers is expected to contribute a sizable portion of profit to the Group.

b.1. ***Principal products or services and their markets***

F&B. Brandy is currently being manufactured under the Emperador and Generoso labels. Emperador, at 72 proof, targets the relatively mature consumers 25 years old and above and is marketed in 1.75 liters, 750 ml and 375 ml bottles. Generoso, a lighter and sweeter brandy at 65 proof, is marketed to appeal to women and young drinkers aged 18 to 25 years. Generoso comes in 700 ml and 375 ml bottles. Emperador has been in the market for 19 years while Generoso was introduced in late 2006 only. A lighter brandy at 55 proof of extra smooth full body in 750 ml bottles, aptly labelled as Emperador Light, graced the market in December 2009. Emperador has won recognition as a trusted brand. In the Millionaires Club 2007, an annual supplement that came out with the June 2007 issue of Drinks International (UK), Emperador was recognized as the number one selling brandy in the world in terms of volume sold. Reader's Digest awarded Emperador as a Most Trusted Brand in 2004, 2006 and 2007.

A flavored alcoholic beverage under the brand name “The Bar” was soft launched in November 2008 with two variants in lemon-and-lime gin and orange vodka. It had its grand launch in April 2009. A few months after, another variant, the apple vodka, was launched. The Bar, with its fruity flavors, targets the dynamic and active young drinkers. It is offered at a more affordable price as compared to the premium-priced brandy products. This fruity drink is 50.6 proof and comes in 700 ml bottle.

Flint glass containers in the form of bottles and jars are produced based on customers' specifications. Flints are plain transparent glass that could be processed into a variety of shapes and sizes for use in wines, liquors, juices, soft drinks, food preserves, sauces and flavorings. At present, glass containers are produced and supplied primarily to EDI.

Pik-Nik is an all-American fresh-fried potato snack line than includes Shoestring Potatoes, Fabulous Fries, Ketchup Fries, and other delicious potato snacks manufactured and distributed internationally from USA. Pik-Nik is the market leader in shoestring potato snack in the USA and is made with no preservatives or artificial ingredients. The products are packed in resealable, foil-lined canisters so they stay fresh and crunchy right to the bottom of the can. These canisters, along with the specialized ingredients and production process, give the products excellent shelf life. Pik-Nik has been in the market for 70 years since it was first introduced in the USA in the 1930s in San Jose, California. Now, it is being sold both in the USA and abroad, including the Philippines.

R.E. The real estate portfolio includes residential condominium units, subdivision lots and townhouses as well as office and leisure and retail spaces and hotel spaces. Megaworld's present focus is on large-scale mixed-used communities called “townships” that integrate lifestyle convenience of having high quality residences in close proximity to office, commercial, educational, and leisure and entertainment facilities. In addition, there are property-related activities such as project design, construction oversight and property management. Megaworld has been named by Superbrands as one of the Philippines' leading brands in terms of consumer loyalty and preference. In 2007-2006, it has reaped awards for its commitment to corporate governance, management and investor relations from Asia Money Polls, IR Magazine (Singapore), Finance Asia, and Euromonitor. Euromoney counted Megaworld among Asian countries with convincing and coherent strategy in 2006 and awarded it as Philippines' No. 2 best managed company in 2007.

These are the six township projects at present and, for each development, the strategy is to lease all commercial and retail properties and sell all residential units:

1. Eastwood City, the first mixed-use project development on approximately 15 hectares of land in Quezon City, Metro Manila that integrates corporate, residential, education/training, leisure and entertainment components. It centered on the development of Eastwood City Cyberpark, the first PEZA-approved information technology (“IT”) park in the country to provide offices with the infrastructure to support BPO and other technology-driven businesses. Once the entire residential zone is completed, it is expected to contain 19 high rise towers designed according to a specific theme and style, including residential condominiums and Grade A office buildings, dining and restaurant hubs, and beauty and lifestyle centers.

2. Forbes Town Center is a community township project on 5 hectares of land in Bonifacio Global City in Taguig, Metro Manila adjacent to the Manila Golf Glub, Manila Polo Club, and the prestigious Forbes Park residential subdivision. The first building in this project was launched in 2002. Once completed, it will have 13 residential condominium towers complemented by a leisure and entertainment zone consisting of bars, restaurants, specialty shops and cinemas.
3. McKinley Hill is a community township being developed on approximately 50 hectares of land in Fort Bonifacio, Taguig, Metro Manila. Development started in 2005 and, once completed, it is expected to consist of office, including the McKinley Hill Cyberpark which is a PEZA-designated IT special ecozone, and several embassies, residential, retail, educational, including 3 international schools, and entertainment and recreational properties.
4. Newport City is a 25-hectare community township project in Villamor Air Base, Pasay City, Metro Manila, including a 17.5-hectare portion which is part of a joint venture with BCDA. Its proximity to NAIA Terminal 3 and the Villamor golf course is its advantage. The Newport City integrates the live-work-play concept similar to Eastwood City and is targeted towards tenants and buyers from multinational BPO companies, cargo logistics services, and airline related business. Pre-selling began in 2005 for the first residential cluster. A PEZA special economic zone cyberpark is expected to be established at Newport City. The 7.8 leisure and entertainment zone RWM is in Newport City.
5. Manhattan Garden City is the first major transit-oriented residential development project and is expected to consist of 20 residential towers on a 5.7-hectare property at the Araneta Center in Cubao, Quezon City. The concept for this project is based on integrating a residential community with a major Metro Manila transportation hub that links two light rail transport lines, the MRT-3 and LRT-2. The amenities of the Araneta Center, such as the Gateway Mall, will be available to residents of Manhattan Garden City. The first residential tower commenced presales in the third quarter of 2006.
6. Cityplace is a mixed-used development to be built on a 2.5-hectare lot in Binondo, Metro Manila. The development rights were acquired from the city government of Manila. It is expected to have residential condominium units, a shopping center, BPO office space and a boutique hotel for business travelers. The development is also expected to include new green parks, a public car parking facility, new bypass roads and pedestrian overpasses to make the project environment and pedestrian-friendly.

Through Travellers, the Company has ventured into tourism-oriented development and will invest at least US$1.55 billion in two large-scale tourism projects, namely, Resorts World Bayshore City ("Bayshore City"), a 40-hectare site in PAGCOR's Entertainment City, and RWM, a 7.8-hectare complex at Newport City. At the Bayshore City, there will be about 3,000 hotel rooms as well as leisure, retail and entertainment facilities plus an iconic structure to symbolize the rich culture and heritage of the Philippines. At completion, RWM will feature a 24x7 world-class entertainment and leisure facilities within a live-work-play community where there will be a themed shopping and entertainment center and three hotels – the country's first all-suites Maxims with 172 suites, the five-star Marriott with 342 rooms, and the budget Remington with 1,060 rooms. The gaming facilities and restaurants in RWM opened on August 28, 2009 while Marriott Hotel in October 2009

QSR. McDonald's is one of the best-known global brands. All McDonald's restaurants in the Philippines are operated either by GADC or by independent entrepreneurs under a sub-franchise agreement or by affiliates under joint venture agreements with GADC. The McDonald's System in the USA is adopted and used in the domestic restaurant operations, with prescribed standards of quality, service and cleanliness. Compliance with these standards is intended to maintain the value and goodwill of the McDonald's brand worldwide.

McDonald's restaurants retail a limited menu of uniform and quality products, emphasizing prompt and courteous service in a clean, wholesome atmosphere. The menu includes the McDonald's beef burgers variants (Burger McDo, Big Mac, Quarter Pounder, Cheese and Double cheese), chicken (Chicken McDo, McNuggets, McChicken sandwich), French fries, milk shakes, sundaes, beverages, and breakfast offerings. Products that cater to Philippine consumer preferences are also served, such as chicken with rice, spaghetti, and a Philippine breakfast menu. The Philippine menu is designed to appeal to a diverse target market across all ages. Demographically, the target markets are A, B, and broad C.

The new McDonald's large fries and beef burger with rice started selling in May and November 2009, respectively.

b.2. ***Foreign sales***

F&B. Pik-Nik products are being sold locally in USA and exported to other countries at a ratio of approximately 60%-40%. The domestic volume in the USA expanded by 16% in 2008 and by 6% in 2009 because of new accounts and increased distribution in Texas, Midwest and Southeast. Its international volume grew by 15% in 2008 because of penetration in new areas in Asia, Middle East, and Latin America.

R.E. RE products are also being marketed internationally (see b.3. below) in North America, Europe, Asia and the Middle East through various brokers. The percentage of foreign sales' contribution was 10% and 8.9% in 2009 and 2008, respectively. In 2009, 45% of foreign sales came from Europe and in 2008, 26% each came from Asia and Middle East.

b.3 ***Distribution Methods***

F&B. The brandy products are being marketed and distributed through sales offices nationwide that supply to wholesalers, traders, grocery outlets, convenient stores, and neighborhood stores. Direct sales units comprising cash vans and saturation units are being used.

The glass containers are delivered to the customers through the services of regular freight handlers who supply trucks for the exclusive use of AWG. Pik-Nik products are distributed principally through commissioned forward houses.

R.E. Property units are pre-sold prior to project completion, and often prior to start of construction, at various payment schemes, with down payment plans ranging from 50% to no money down. A typical payment scheme includes progressive payments over the

period in advance of property construction, including a balloon payment to coincide with buyers' expected cash flows. Each project has an in-house marketing and sales division which is staffed by a trained group of property consultants who exclusively market the projects. There are also outside agents. Both internal and external agents work on a commission basis, but in-house personnel have an additional allowance. Marketing services staff are also employed to provide auxiliary services for sales and promotional activities. An international marketing division based in Manila oversees a global network of sales offices which market the projects to overseas Filipino professionals and retirees throughout Asia, Europe, North America, the Middle East and Australia. Brokers in the different overseas markets sell the projects overseas through their respective marketing networks.

QSR. McDonald's products are sold through McDonald's restaurants nationwide. There are 296 restaurants nationwide as of end-2009, 56% of which are owned by GADC while 44%, franchised. The highest concentration is in NCR, followed by Southern Tagalog region. In selected areas, McDonald's products could be ordered and delivered round the clock through its "Dial8 McDo" telephone service.

b.4. ***New product or service***

F&B. In addition to the two existing variants, The Bar launched the apple vodka in October 2009 and the strawberry vodka in April 2010. Emperador Light was introduced in the market in December 2009.

QSR. New McDonald's product variations and promotions are introduced every now and then which normally last for about 3-6 months only, and this is part of the normal business promotions. In 2009, pineapple pie, crunchy chicken fillet and hamdesal were introduced plus strawberry cheesecake and buko pandan mcflurry were offered for a limited period.

*b.5****. Competition***

In general, the Company believes that the high quality of all the products it sells/offers can effectively compete with other companies in their respective areas of competition.

F&B. The Philippine spirits industry is dominated by brandy, gin and rum. Popularity of these spirits is strangely delineated geographically - gin in the northern provinces, rum in Viz-Min areas and brandy in Metro Manila and urban centers nationwide. Brandy has recorded the highest consistent sales growth among all the spirits in the industry. The growing brandy consumption has even encouraged the two traditional gin and rum giants to field their own brandy labels -- Gran Matador from San Miguel Corporation, and Barcelona and Guerrero from Tanduay Distillers, Inc. There is another local brandy, Napoleon, from another long-established local company, Destileria Limtuaco & Co., Inc. Don Pedro is an imported label that is being blended locally. There are also imported labels in the domestic market, like Fundador, Soberano, Carlos I, but they are significantly more expensive than the locally-produced products. Emperador and Generoso hold the lion share in the brandy market and was acclaimed as the number 1 selling brandy by volume in the world in 2006 (please see b.1. of this section). EDI capitalizes primarily on the premium image and reputable quality of its brands and positions them in the market

with such taglines as “Sa totoong tagumpay” for Emperador and “Masayang dalhin” for Generoso.

Pik-Nik has surpassed French’s and Popeye potato sticks in most grocery outlets in the USA. Pik-Nik is now the best selling brand in the USA with the best selling sku – the Original shoestring potato in 9 oz cans. French’s, the biggest branded competitor for Pik-Nik in the USA, folded and exited in September 2008. Other US-brands are available, like Lays and Pringles in chips form, although the latter is not from natural potato. A local brand, Oishi, has fielded string potato snacks from potato starch in the local market.

R.E. The real estate market in Metro Manila is principally split between the BPO office market and the residential market. Megaworld competes against a number of residential and commercial developers and real estate services companies to attract purchasers and tenants for its properties in Metro Manila. The principal bases of competition in the real estate development business are location, product, price, financing, completion, quality of construction, brand and service. Megaworld believes it has several competitive advantages in each of these categories due to the prime locations of its properties, innovative projects, a reputation for high quality designs, affordable pre-sales financing, after-sales service and a consistent track record of completion. Megaworld considers Ayala Land, Inc. (“ALI”) to potentially be its only significant competitor in community township developments, and Robinsons Land Corporation, ALI and SM Prime Holdings, Inc. in office and retail leasing business,

QSR. McDonald’s restaurants compete with a large and diverse group of restaurant chains and individual restaurants that range from independent local operators to well-capitalized national and international companies, delicatessens, cafes, supermarkets and convenience stores. Jollibee Foods Corporation and KFC Corporation are considered as the principal competitors. Jollibee, a home-grown brand with far greater number of restaurants nationwide than McDonald’s, offers Filipino-influenced dishes of chicken, burgers, spaghetti, and other Filipino dishes. KFC is a global brand from USA whose most popular product is its Original Recipe fried chicken served with side dishes. Other competitors include Wendy’s, Kenny Rogers, Shakey’s and Pizza Hut. Since 2005, GADC has opened 86 new restaurants and initiated marketing campaigns such as new product launches, promotions, emotive television commercials, and discount coupons. GADC competes on the basis of taste, food quality and price of products, convenience of location, and customer service.

b.6. ***Sources and availability of raw materials***

F&B. The raw materials for producing brandy are generally sourced from foreign suppliers, except for the distilled spirit or alcohol which is supplied mainly by Condis. The brandy concentrate and flavoring extracts are purchased from several high quality European suppliers. Metal closures, or caps, and labels are imported from Europe and China. Brand new bottles are manufactured and supplied by AWG. Carton boxes are sourced locally and recently supplied by Dowell Container and Packaging Corporation, Boxboard Container Corporation, and Twinpack Container Corporation. EDI has not experienced and does not anticipate any significant difficulty in obtaining adequate supplies of distilled spirit, flavoring, bottles or packaging material at satisfactory prices under its supply arrangements and believes its relationships with suppliers are good.

When AWG is unable to manufacture enough glass bottles to meet EDI's requirements, AWG sources glass bottles from foreign manufacturers.

AWG is not dependent upon one or a limited number of suppliers for essential raw materials. It generally orders raw materials to meet its projected supply requirements for one year. It sources silica sand mainly from Vietnam; soda ash from China and Magadi (Africa); and limestone, feldspar and cullets from domestic suppliers. These raw materials are mainly purchased from Connell Bros Co., SiO2 Resources Corporation, Arvin International Marketing, Inc., EB Torres Enterprises and Jesma Trading .

Pik-Nik uses only fresh potatoes from California and Oregon, pure vegetable oil, the finest seasonings and never any preservatives. The suppliers of potatoes for Pik-Nik have one-year contracts.

R.E. Megaworld has its own architectural and engineering teams comprised of approximately 150 personnel and also engages independent firms to carry out the design of its development projects. Megaworld has a team of project managers who work closely with outside contractors in supervising the construction phase of each project. Megaworld's contracts with its construction companies typically contain warranties for quality and requirements for timely completion of the construction process. In the event of delay or poor quality of work, the relevant contractor or supplier may be required to pay a penalty. Megaworld also has established relationships with a number of architectural firms in the Philippines, such as Recio+Casas Architects and W.V. Coscolluella & Associates, and international firms such as Skidmore, Owings & Merrill in New York and Klages, Carter, Vail in California. Megaworld's principal raw materials are steel and cement which are commodities that are readily available in the market from a number of sources.

QSR. Suppliers for the McDonald's products are sourced using the McDonald's global supply chain, which allows the purchase of food, beverages and restaurant supplies at competitive prices and quality consistent with McDonald's products worldwide. McDonald's has quality assurance laboratories around the world to ensure that its standards are consistently met. In addition, McDonald's works closely with suppliers to encourage innovation, assure best practices and drive continuous improvement. GADC also contracts the services of third parties for its food supplies. GADC procures the services of a supply distribution center operated by Havi Food Services Philippines, Inc. that provides purchasing, warehousing, delivery, food preparation and other logistical support for the requirements of all of the McDonald's restaurants in the Philippines. GADC develops product specifications and continually monitors supplies to ensure compliance with McDonald's standards.

b.7. ***Customer dependence***

The Company's businesses are not dependent upon a single or a few customers, the loss of which would not have a material adverse effect on the Company and its subsidiaries taken as a whole.

b.8. ***Transactions with and/or dependence on related parties***

The Company and its subsidiaries, in the ordinary course of business, engage in transactions with affiliates. The Company's policy with respect to related party transactions is to ensure that these are entered on terms comparable to those available from unrelated third parties. Inter-company transactions between and among the Company and its subsidiaries are eliminated in consolidation and thus are no longer reflected in the consolidated financial statements. These primarily consisted of the following:

- Cash advances for financial requirements. Entities within the Group obtain advances from the parent and/or other entities and associates for working capital or investment purposes. There are also certain expenses that are paid in behalf of other entities.
- Lease of manufacturing facilities. AGI leases the glass manufacturing plant property to AWGI, and TEI leases the brandy manufacturing plant property to EDI.
- Lease of parcels of land. GARC leases out these lots to GADC.
- Lease of office spaces. MEG leases out office and parking spaces to AGI, subsidiaries, and affiliates.
- Purchase and sale of real estate, services and rentals. Real estate properties are bought or sold based on price lists in force with non-related parties. Services are usually on a cost-plus basis allowing a margin ranging 20%-30%.
- Supply of glass bottles. AWGI supplies the new bottle requirements of EDI.
- Receivables from subsidiaries/franchisees. GADC supplies restaurant equipment, food, paper and promotional items to all franchisees, including affiliated restaurants, at normal market prices through a third party service provider.

Major related party transactions have been disclosed in Note 28 to the consolidated financial statements appearing elsewhere in this report.

b.9. ***Licenses, trademarks, franchises***

F&B. EDI owns registered trademarks which are of material importance to the success of its business since they have the effect of developing brand identification and maintaining consumer loyalty. EDI's principal trademark is Emperador Brandy, which it purchased from Condis in 2007, in addition to associated patents, copyrights and goodwill and bottle designs for its brandy products. EDI's trademark for Emperador Brandy is for 10 years expiring in 2015 and renewable thereafter for a period of 10 years. Generoso is deemed registered, awaiting issuance of its certificate of registration by the Intellectual Property Office. The trademark The Bar was acquired from The Bar Bottlers Corporation in 2008.

The existing trademarks for Pik-Nik products are licensed and registered to the Company for 10 to 20-year periods and expire in 2015 but are renewable thereafter.

R.E. Megaworld owns the registered trademark over its name and logo which will expire in 2015 and is renewable for 10-year periods thereafter. However, although the brand is important, Megaworld does not believe that its operations or its subsidiaries' operations depend on its trademarks or any patent, license franchise, concession or royalty agreement.

QSR. GADC has nonexclusive rights as a franchisee to use and adopt the McDonald's intellectual property in the Philippines, including trademarks, service marks, patents, copyrights, trade secrets and other proprietary information, some of which, including the trademarks for "McDonald's," the golden arches logo, Ronald McDonald and "Big Mac." The license agreement contains provisions regulating GADC's use of such trademarks in accordance with McDonald's Corporation's franchise system. GADC's license agreement with McDonald's was renewed in March 2005 for a period of 20 years. It provides for a royalty fee based on a certain percentage of net sales from the operations of all Company's restaurants, including those operated by the franchisees. Individual sublicense arrangements granted to franchisees generally include a lease and a license to use the McDonald's System for a period of 3 to 20 years, with a co-terminus provision with the master franchise.

b.10. ***Government approval of principal products or services***

F&B. The production, sale, distribution and advertisement of food products, locally manufactured and imported, are regulated by the Bureau of Food and Drugs (BFAD) to ensure the pure and safe supply and good quality of food available in the country and to protect the health of the citizens. R.A. 3720 covers both locally manufactured and imported products and establishes standards as well as quality measures for food. A comprehensive enforcement framework was set up, which is deemed as necessary to ensure a pure and safe supply of food in the country.

The Company has duly complied with the statutes and regulations implemented by the BFAD and has not received any notice of violation of these regulations from the BFAD. In connection with its obligations under these rules and regulations, AGI has instituted rigorous quality control procedures to ensure that its products meet or exceed the prescribed standards and measures.

R.E. A barangay clearance and development permit from the local government unit must be secured before commencing land development works. Before the start of structural construction activities, a building permit must be secured from the local government unit. A certificate of registration and a license to sell, both from HLURB, must be secured before launching any selling activities. All subdivision and condominium plans for residential, commercial, industrial and other development projects are required to be filed with and approved by the HLURB and the relevant local government unit of the area where the project is situated. Approval of such plans is conditional on, among other things, the developer's financial, technical and administrative capabilities. Alterations of approved plans, which affect significant areas of the project, such as infrastructure and public facilities, also require the prior approval of the relevant government body or agency.

Subdivision or condominium units may be sold or offered for sale only after a license to sell has been issued by the HLURB. As a requisite for the issuance of a license to sell by the HLURB, developers are required to file with the HLURB surety bond, real estate mortgage or cash bond to guarantee the construction and maintenance of the roads, gutters, drainage, sewerage, water system, lighting systems, and full development of the subdivision or condominium project and compliance with the applicable laws, rules and regulations. Real estate dealers, brokers and salesmen are also required to register with

the HLURB before they can sell lots or units in a registered subdivision or condominium project.

Project permits and licenses to sell may be suspended, cancelled or revoked by the HLURB, by itself or upon a verified complaint from an interested party, for reasons such as non-delivery of title to fully-paid buyers or involvement in fraudulent transactions. A license or permit to sell may only be suspended, cancelled or revoked after a notice to the developer has been served and all parties have been given an opportunity to be heard in compliance with the HLURB's rules of procedure and other applicable laws.

The Group complies with all regulations applicable to the development and sale of its projects.

QSR. There are no special government approvals necessary for new food products apart from the standard Department of Trade and Industry permits.

*b.11. **Effect of existing or probable government regulations***

F&B. In addition to VAT, the distilled spirits for domestic sales or consumption are subject to excise tax. The brandy products which are produced from locally processed distilled spirits from the juice, syrup or sugar of the cane are currently levied an excise tax of ₱13.59 per proof liter. [A proof liter is a liter of proof spirits, which are liquors containing one-half of their volume of alcohol with a specific gravity of 0.7939 at 15ºC]. The excise tax rate had increased by 8% from P11.65 in January 2007 and increases by 8% every two years until January 1, 2011 when a new excise tax law is expected to be enacted.

R.E. There are essentially two different types of residential subdivision developments, which are distinguished by different development standards issued by the HLURB. The first type of subdivision, aimed at low-cost housing, must comply with BP 220, which allows for a higher density of building and relaxes some construction standards. Other subdivisions must comply with PD 957, which set out standards for lower density developments. Both types of development must comply with standards regarding the suitability of the site, road access, necessary community facilities, open spaces, water supply, the sewage disposal system, electrical supply, lot sizes, the length of the housing blocks and house construction. Under current regulations, a developer of a residential subdivision is required to reserve at least 30% of the gross land area of such subdivision for open space for common uses, which include roads, parks, playgrounds and recreational facilities.

Further, Republic Act No. 7279 requires developers of proposed subdivision projects to develop an area for socialized housing equivalent to at least 20% of the total subdivision area or total subdivision project cost, at the option of the developer; within the same or adjacent regions, whenever feasible, and in accordance with the standards set by the HLURB. Alternatively, the developer may opt to buy socialized housing bonds issued by various accredited government agencies or enter into joint venture arrangements with other developers engaged in socialized housing development. Meg has benefited from providing low-income housing or projects of such types which are financially assisted by the government. These policies and programs may be modified or discontinued in the future. The Government may also adopt regulations which may have the effect of increasing the cost of doing business for real estate developers.

Effective November 2005, sales of residential lots with a gross selling price of ₱1.5 million or less, and residential house and lots with a gross selling price of ₱2.5 million or less, are not subject to VAT.

Certain investment properties are registered with PEZA, and this provides significant benefits to tenants. PEZA requirements for registration of an IT park or building differ depending on whether it is located in or outside Metro Manila. These requirements include clearances or certifications issued by the city or municipal legislative council, the DAR, the National Water Resources Board, and the DENR. The PEZA is a government corporation that operates, administers, and manages designated special economic zones ("Ecozones") around the country. Ecozones are areas earmarked by the government for development into balanced agricultural, industrial, commercial, and tourist/recreational regions. An Ecozone may contain any or all of the following: industrial estates, export processing zones, free trade zones, and tourist/recreational centers. PEZA-registered enterprises located in an Ecozone are entitled to fiscal and non-fiscal incentives such as income tax holidays and duty free importation of equipment, machinery and raw materials.

b.12. ***Research and development***

The regular research and development activities of the group for the past three years have not amounted to a significant percentage of revenues. There are no new products or design being developed that would require a material amount of the group's resources.

b.13. ***Compliance with environmental laws***

All development projects and industries located in areas surrounding the Laguna Lake are subject to regulatory and monitoring powers of the Laguna Lake Development Authority (LLDA). Since the glass plant and the brandy manufacturing complex are located in this area, permits to operate are being renewed with LLDA on a yearly basis.

Development projects that are classified by law as environmentally critical or projects within statutorily defined environmentally critical areas are required to obtain an Environmental Compliance Certificate ("ECC") prior to commencement. As a requisite for the issuance of an ECC, an environmentally critical project is required to submit an Environmental Impact Statement ("EIS") to the EMB while a project in an environmentally critical area are generally required to submit an Initial Environmental Examination ("IEE") to the proper DENR regional office. In the case of an environmentally critical project within an environmentally critical area, an EIS is required. The construction of major roads and bridges are considered environmentally critical projects for which EISs and ECCs are mandatory. While the EIS or an IEE may vary from project to project, as a minimum, it contains all relevant information regarding the project's environmental effects. The entire process of organization, administration and assessment of the effects of any project on the quality of the physical, biological and socio-economic environment as well as the design of appropriate preventive, mitigating and enhancement measures is known as the EIS System. The EIS System successfully culminates in the issuance of an ECC. The issuance of an ECC is a Government certification that the proposed project or undertaking will not cause a significant negative environmental impact; that the proponent has complied with all the requirements of the EIS System and that the proponent is committed

to implement its approved Environmental Management Plan in the EIS or, if an IEE was required, that it shall comply with the mitigation measures provided therein.

Project proponents that prepare an EIS are required to establish an Environmental Guarantee Fund ("EGF") when the ECC is issued for projects determined by the DENR to pose a significant public risk to life, health, property and the environment or where the project requires rehabilitation or restoration. The EGF is intended to meet any damages caused by such a project as well as any rehabilitation and restoration measures. Project proponents that prepare an EIS are required to include a commitment to establish an Environmental Monitoring Fund ("EMF") when an ECC is eventually issued. In any case, the establishment of an EMF must not be later than the initial construction phase of the project. The EMF shall be used to support the activities of a multi-partite monitoring team which will be organized to monitor compliance with the ECC; and applicable laws, rules and regulations.

Aside from the EIS and IEE, engineering geological and geo-hazard assessment are also required for ECC applications covering subdivisions, housing and other land development and infrastructure projects.

The Company and its subsidiaries have not incurred material costs to comply with environmental laws.

b.14. ***Number of employees***

As of December 31, 2009, the group has a total workforce of 16,878 personnel categorized by business segment as follows:

Real Estate	804
Food and Beverage	
Distilled spirits business	983
Others	150
Quick Service Restaurant	14,941
Total	16,878

The Group intends to hire additional employees if the present workforce becomes inadequate to handle operations. Approximately 2,795 new employees are anticipated to be hired within the ensuing 12 months. Megaworld and GADC anticipate hiring 50 and 2,720 employees within the next 12 months, respectively. None of the Company's or its subsidiaries' employees are represented by a labor union or covered by a collective bargaining agreement, other than production employees of AWG.

AWG's collective bargaining agreement, which expired on January 20, 2010, was renewed in April 2010 for another five years. The agreement provides for fixed rate wage increases, sick leave, vacation leave, union business leave, medical and dental services, bereavement benefits, separation pay, as well as other benefits such as family planning and employee welfare services. The employees also agree to follow certain grievance procedures and to refrain from strikes during the term of the agreement.

Megaworld maintains a tax-qualified, non-contributory retirement plan that is being administered by a trustee covering all regular full-time employees. GADC has a funded, defined contribution retirement plan covering all regular full-time employees wherein employees are allowed to make voluntary contribution.

Employees of sub-franchisees do not form part of GADC's workforce except for certain members of the sub-franchisee management staff. Regular employees of GADC are beneficiaries of a bonus program, determined by, among others, the level of profits, performance appraisals and the employee's position and salary level.

b.15. ***Major Business Risks***

Risks are integral part of business. Opportunity for advancement cannot be achieved without taking risks. This is why the Company and its subsidiaries adopted a policy whereby risks are identified before they cause significant trouble for the business. They carefully prepare structured/strategic plans to anticipate the inherent risks in their activities and set up methods to mitigate the effects of these risks. Risks are prioritized based on their impact to business, and probability of occurrence. There is a monitoring system that keeps track of the indicators and the actions/corrections undertaken. Feedbacks, both internal and external, are important for current and emerging risks.

The Group's risk management is coordinated with the Board of Directors and focuses on actively securing short-to medium-term cash flows by minimizing the exposure to financial markets. Long-term financial investments are managed to generate lasting returns. The Group does not actively engage in the trading of financial assets for speculative purposes.

The major risks that the present business face include:

- *Hazards and natural or other catastrophes*. The Company and its subsidiaries' assets are always exposed to losses or impairment through fire and natural or man-made disasters and accidents that may materially disrupt operations and result in losses. In particular, damage to Megaworld structures resulting from such natural catastrophes could also give rise to claims against Megaworld from third parties or for physical injuries or loss of property, while any damage to EDI's sole manufacturing and bottling facility could materially and adversely affect the ability of EDI to produce brandy in sufficient quantities, if at all. EDI and GADC also run the risk of contamination through tampering of ingredients, bottles or products that could result in product recall or food poisoning which in turn could create negative publicity that could adversely affect sales.

  Safety precautionary measures have been undertaken and installed within the operating system. Adequate insurance policies are likewise taken to cover from these risks. However, there are losses for which the Company cannot obtain insurance at a reasonable cost or at all. Any material uninsured loss or loss materially in excess of insured limits could materially and adversely affect the Company's business, financial condition and results of operations, while remaining liable for any project costs or other financial obligations related to the business.

- *Regulatory developments*. The Philippine property, food and beverage and quick

service restaurant industries are highly regulated. For example, in the property development industry, Megaworld is required to obtain a number of permits and approvals for its development plans at both the national and local levels. In the alcohol industry, there are restrictions on advertising, marketing and sales of alcoholic beverages to consumers and restrictions governing the operation of EDI's brandy manufacturing facilities. In the quick service restaurant industry, GADC is subject to retail trade and other industry specific regulations. The group's results of operations could be affected by the nature and extent of any new legislation, interpretation or regulations, including the relative time and cost involved in procuring approvals for projects. If the group fails to meet safety, health and environmental requirements, it may also be subject to administrative, civil and criminal proceedings initiated by the Government, as well as civil proceedings by environmental groups and other individuals, which could result in substantial fines and penalties against the Company, as well as orders that could limit or halt its operations. The group, thus, keeps abreast of current happenings and immediately institute measures to contain any adverse effect on the group.

- *Supply of raw materials and packaging materials*. Materials used in production demand high quality and specialty. The raw materials that EDI and GADC use, such as distilled spirit, brandy flavoring, chicken, beef and paper, are largely commodities and are subject to price volatility caused by changes in supply and demand, weather conditions, fuel costs for transportation and production, agricultural uncertainty and government controls. Megaworld sources construction materials such as lumber, steel and cement and may also experience shortages or increases in prices. Rising price changes will result in unexpected increases in production or construction costs and decreases in gross margins if such increased costs cannot be passed on to consumers or buyers. If these costs are passed on, any increase in prices could materially affect demand for and the relative affordability of such products. Purchasing, therefore, keeps posted about supply sufficiency in the market and always looks out for new potential sources.

- *Consumer tastes, trends and preferences*. Consumer preferences may shift due to a variety of factors, including changes in demographic and social trends, leisure activity patterns and a downturn in economic conditions, which may reduce customers' willingness to purchase premium branded products or properties. In addition, concerns about health effects due to negative publicity regarding alcohol or fast food consumption, negative dietary effects, project location, regulatory action or any litigation or customer complaint against companies in the industry may have an adverse effect on results of operations. Any significant changes in consumer preferences and failure to anticipate and react to such changes could result in reduced demand for consumer products or projects and erosion of its competitive and financial position. Likewise, the launch and ongoing success of new products is uncertain as is their appeal to customers. Product innovation and responsiveness to changing consumer tastes and trends, therefore, have been important aspects of the group's ability to sell their products.

- *Competition.* Each of the Company's primary business operations is subject to intense competition. Some competitors may have substantially greater financial and other resources than EDI, Megaworld or GADC, which may allow them to

undertake more aggressive marketing and to react more quickly and effectively to changes in the markets and in consumer preferences. In addition, the entry of new competitors into any of the Company's primary business segments may reduce the Company's sales and profit margins.

- *Interests of joint development partners*. Megaworld obtains a significant portion of its land bank through joint development agreements with landowners, as part of its overall land acquisition strategy and intends to continue to do so. A joint venture involves special risks where the venture partner may have economic or business interests or goals inconsistent with or different from those of Megaworld's.

- *Property portfolio concentration risks.* Substantially all of appraised value of Megaworld's assets are located in Metro Manila. The current projects are all located within Metro Manila and, in particular, within relatively short distances from the main business districts in Makati City and the Ortigas Center. A decrease in the property values or wealth in Metro Manila would have a material adverse effect on the business and results of operations of Megaworld. Megaworld, therefore, has looked out for locations outside Metro Manila and has acquired land in Iloilo in the Visayas region.

- *Land for future development*. Megaworld's business is dependent, in large part, on the availability of large tracts of land suitable for development. As it and its competitors attempt to locate sites for development, it may become more difficult to locate parcels of suitable size in locations and at prices that are acceptable.

- *Philippine economic/political conditions*. The Company has derived substantially all of its revenues and operating profits from the Philippines and its businesses are highly dependent on the Philippine economy. Demand for, and prevailing prices of, developed land, house and lot units are directly related to the strength of the Philippine economy, the overall levels of business activity in the Philippines and the amount of remittances received from OFWs. The Company's branded consumer food and beverage products and quick service restaurant products are discretionary purchases by consumers, and demand for these products tend to decline during economic downturns when customers' disposable income declines. The Company's results of operations are expected to vary from period to period in accordance with fluctuations in the Philippine economy which is in turn influenced by a variety of factors, including political developments among others. Political instability in the Philippines could negatively affect the general economic conditions and operating environment in the Philippines, which could have a material impact on the Company's business, financial condition and results of operation.

  While the Philippine economy has generally registered positive economic growth in the period since 1999, with an all-time high of 7.3% in 2007, it continues to face a significant budget deficit, limited foreign currency reserves, a volatile peso exchange rate and a relatively weak banking sector. There can be no assurance that current or future Governments will adopt economic policies conducive to sustaining economic growth.

A further discussion on financial risk management objectives and policies is presented in the notes to the financial statements.

Item 2. Properties

The following are the principal properties owned or leased by the group, including those reserved for future developments:

Description	Location	Owned/Leased/Limitations on Ownership
Lots & Facilities		
Brandy manufacturing facility	Santa Rosa, Laguna	Owned
Glass manufacturing plant	Canlubang Industrial Estate, Calamba, Laguna	Owned
Warehouse Town – a warehouse complex	Caloocan City	Owned
Several parcels for McDonald's use	Various locations	Owned
Lot – Citiwood Heights	EDSA, Quezon City	Owned
Lot	Iloilo	Owned
Condominium Units &Subdivision Lots		
Marina Square Suites	Manila	Owned
Paseo Parkview Suites	Makati City	Joint Venture Ownership
8 Wack Wack Road	Mandaluyong City	Joint Venture Ownership
Golf Hills Terrace	Quezon City	Joint Venture Ownership
Corinthian Hills	Quezon City	Owned
McKinley Hill Village (Phase 1)	McKinley Hill, Taguig City	Joint Venture Ownership
Eastwood Lafayette 3	Eastwood City, Quezon City	Owned
Eastwood Excelsior	Eastwood City, Quezon City	Owned
One Orchard Road	Eastwood City, Quezon City	Owned
Greenbelt Radissons	Makati City	Owned
Greenbelt Parkplace	Makati City	Joint Venture Ownership
Greenbelt Excelsior*	Makati City	Joint Venture Ownership
Greenbelt Chancellor	Makati City	Owned
One Central*	Makati city	Owned
Grand Eastwood Palazzo	Eastwood City, Quezon City	Owned
Eastwood Parkview	Eastwood City, Quezon City	Owned
Eastwood Le Grand*	Eastwood City, Quezon City	Owned
Forbeswood Heights	Forbes Town,Taguig City	Joint Venture Ownership
The Bellagio*	Forbes Town,Taguig City	Joint Venture Ownership
El Jardin Del Presidente 2*	Quezon City	Owned
The Venice*	Taguig City	Owned
Eight Forbes Town*	Taguig City	Joint Venture Ownership
Newport City*	Pasay City	Joint Venture Ownership
City Place Binondo*	Manila	Owned
Rental Properties [1]		
The World Centre	Makati City	Owned
Paseo Center	Makati City	Owned
Forbes Town Center	Forbes Town,Taguig City	Joint Venture Ownership
IBM Plaza (Paseo Center)	Makati City	Owned
IBM Plaza (Eastwood)	Eastwood City, Quezon City	Owned
Eastwood Corporate Plaza	Eastwood City, Quezon City	Owned
Eastwood Fashion Square	Eastwood City, Quezon City	Owned
Eastwood City Style Center	Eastwood City, Quezon City	Owned

Description	Location	Owned/Leased/Limitations on Ownership
Home Center	Eastwood City, Quezon City	Owned
Eastwood City Walk 1 and 2	Eastwood City, Quezon City	Owned
ICITE	Eastwood City, Quezon City	Owned
Techno Plaza 1	Eastwood City, Quezon City	Owned
1800 Eastwood Avenue	Eastwood City, Quezon City	Owned
Eastwood Incubation Center	Eastwood City, Quezon City	Owned
Citibank Square	Eastwood City, Quezon City	Owned
CyberMall	Eastwood City, Quezon City	Owned
California Garden Square	Mandaluyong City	Owned
Eastwood Parkview Mall	Quezon City	Owned
McKinley Corporate Plaza	Taguig City	Owned
McKinley Parking Building	Taguig City	Owned
8 Park Avenue	Taguig City	Owned
Two World Square	Taguig City	Owned
Three World Square	Taguig City	Owned
Hotels		
Richmonde Hotel (2)	Pasig City	Owned
Marriott Hotel(3)	Pasay City	Owned

Notes:
(1) Lease terms and rental rates vary depending on the property and the lessee.
(2) The Richmonde Hotel is operated by a subsidiary of Megaworld.
(3) Marriott Hotel is part of RWM.
* Under development.

In addition, there are various operating lease agreements for McDonald's restaurant sites, offices and other facilities. These non-cancelable lease agreements are for initial terms of 5-40 years and, in most cases, provide for rental escalations, additional rentals based on certain percentages of sales and renewal options for additional periods of 5-25 years.

Item 3. Legal Proceedings

There are no material litigations or claims pending or, to the best knowledge of the Company, threatened against the Company or any of its subsidiaries or affiliates or any of their properties.

Item 4. Submission of Matters to a Vote of Security Holders

There are no matters submitted to a vote of security holders during the fourth quarter of the fiscal year covered by this report.

PART II - OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Issuer's Common Equity and Related Stockholder Matters

a. *Market Information*

The Company's common shares are traded on the Philippine Stock Exchange. The closing price of the said shares as of March 31, 2010 was P5.50. The trading prices of the said shares for each quarter within the last two years and subsequent interim period are set forth below:

	2008				2009				2010
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
High	5.60	4.30	4.65	3.90	2.02	3.45	5.30	5.00	5.60
Low	3.50	3.00	2.46	1.48	1.24	1.48	2.65	3.90	4.05

(*Source: PSE Research Dept.)*

b. *Shareholders*

As of March 31, 2010, the Company had 1,105 stockholders holding 9,719, 727,979 common shares and the Top Twenty Stockholders were as follows:

Rank	*Stockholder*	*No. of Shares Held*	*Per Cent to Total*
1	The Andresons Group, Inc.	3,943,616,194	40.469
2	PCD Nominee Corporation (Non-Filipino)	1,969,120,361	31.30
3	PCD Nominee Corporation (Filipino)	1,848,883,738	8.345
4	Alliance Global Group, Inc.*	550,100,000	5.583
5	Altavision Resources, Inc.	451,574,334	4.634
6	Andrew L. Tan	341,684,350	3.506
7	Yorkshire Holdings, Inc.	255,773,508	2.624
8	Asiagroup Holdings, Inc.	220,004,000	2.257
9	Globaland Holdings, Inc.	220,004,000	2.257
10	Grand Bel Air Holdings, Inc.	220,004,000	2.257
11	Le Bristol Holdings, Inc.	216,100,000	2.217
12	California Orchard Growers Investments, Inc.	120,000,000	1.231
13	Eastwood Property Holdings, Inc.	112,600,000	1.155
14	Gilmore Property Marketing Associates, Inc.	105,281,765	1.080
15	Andresons Global, Inc.	30,088,596	0.308
16	Forbes Town Properties & Holdings, Inc.	10,000,000	0.097
17	Apex Management & Development Group, Inc.	6,500,000	0.066
18	Ana Go &/or Go Kim Pa	4,500,000	0.046
19	Arafor Trading and Development Corporation	1,000,000	0.010
20	Kausugan Development Corporation	1,000,000	0.010

Please refer to *Item 11* for stockholders holding 5% or more. PCD Nominee Corporations are comprised of several nominees holding less than 5% ownership each, except for two which are included in *Item 11.*

* Represent shares acquired through the buy-back program of the Company, and not included in the total number of shares outstanding of 9,719,727,979.

In July 2008, the Company was authorized to buy-back its shares from the market. The buy-back program was undertaken to create and enhance shareholder value, since market prices at this time did not reflect the true value of the shares. The Company has confidence in the long-term value of its businesses, including its latest venture in tourism-oriented projects. The program commenced on July 10, 2008 and continued for 18 months. The Company intended to buy back up to P3 billion worth of shares. As of end-2009, it had bought 550.10 million shares worth P1.63 billion under its buy-back program.

c. **Dividends in the Two Most Recent Years**

The declaration of dividends depends upon the Company's earnings, cash flow and financial condition, among other factors. The Company may declare dividends out of its unrestricted retained earnings only. Unrestricted retained earnings represent the net accumulated earnings of the Company, with its capital unimpaired which are not appropriated for any other purpose. The Company may pay dividends in cash, by the distribution of property, or by the issue of shares of stock. Dividends paid in cash are subject to the approval by the Board of Directors. Dividends paid in the form of additional shares are subject to the approval by both the Board of Directors and at least two-thirds (2/3) of the outstanding capital stock of the stockholders at a stockholders' meeting called for such purpose. There has been no declaration of dividends in the two most recent years.

d. ***Recent Sales or Issuance of Unregistered or Exempt Securities Within the Past Three Years***

On February 16, 2007, the Company exchanged 4,059,465,979 shares (valued at P4.137 per share which represents a 6% premium over the volume weighted average price of the Company's shares with the PSE for a period of 30 trading days prior to the transaction) with 5,248,128,361 shares of Megaworld (valued at P3.20 per share which represents the closing market price on that date) owned by The Andresons Group, Inc., Yorkshire Holdings, Inc. and Andrew L. Tan. At the time of the transaction, Yorkshire Holdings, Inc. was a stockholder of the Company holding more than 10% equity share while Andrew L. Tan, the Chairman of the Company, is also the Chairman of the two selling companies. A BIR Ruling was obtained on February 20, 2007 confirming the tax-free nature of the exchange of the shares under Sec. 40(C)(2) of the NIRC. The issuance of the shares was exempted from the registration requirements of the SRC under Section 10.1(e), the sale having been made exclusively to existing stockholders where no commission or remuneration is paid or given in connection with the sale. The Company notified SEC about the stock offer by filing SEC Form 10.1 on March 2, 2007.

From February 23, 2007 to 12:00 noon of March 1, 2007, in connection with the increase in authorized capital stock, the Company offered 2,205,181,000 common shares with a par value of P1.00 per share, to be taken from the increase in authorized capital stock of the Company, on a pre-emptive rights basis at P1.50 per share, or a total price of around P3.3 billion. Shares not taken up by existing stockholders were purchased by five existing stockholders. Fifty percent of the total subscription price was collected from the subscribers at the time of subscription, and the other half collected either on April 23, 2007 or June 7, 2007. The issuance of the shares was exempted from the registration requirements of the SRC under Section 10.1(e), the sale having been made to exclusively to existing stockholders where no commission or remuneration is paid or given in

connection with the sale. The Company notified SEC about the stock offer by filing SEC Form 10.1 on January 10, 2007. The said shares were listed in PSE on March 9, 2007.

In June 2007, the Company together with Yorkshire Holdings, Inc. as the Selling Shareholder offered for sale 1,800,000,000 new shares, taken from the unissued portion of authorized capital stock, and 1,330,435,000 common shares, respectively, as part of the follow-on public offering undertaken by the Company. 2,504,348,000 of the Offer Shares were offered and sold outside the Philippines and the United States to non-U.S. persons as part of the International Offer while 626,087,000 of the Offer Shares were offered and sold initially to PSE Brokers as part of the Domestic Offer. BDO Capital acted as the Domestic Lead Underwriter while UBS AG, acting through its business group, UBS Investment Bank, acted as Sole Global Coordinator and Sole Bookrunner. The Selling Shareholder likewise granted the Stabilizing Agent an option, which had been exercised in whole, to purchase up to 469,565,000 shares at the Offer Price on the same terms and conditions as the Offer Shares to cover any Over-allotments. The Offer Price for the Offer Shares was P5.75 per share. The SEC approved the Registration Statement filed by the Company for the Offer Shares and the Over-allotment shares on June 6, 2007. The 1,800,000,000 new shares were listed in the PSE on June 18, 2007.

Item 6. Management's Discussion and Analysis

a. *Key Performance Indicators*

Presented below are the top five (5) key performance indicators of the Company and subsidiaries:

	2009	2008	2007
Revenue growth	7.57%	18.58%	221.47%
Sales growth	8.46%	8.73%	212.63%
Net income growth	11.50%	21.32%	466.71%
Attributable to equity holders of parent	22.70%	18.72%	302.01%
Net income rate	17.53%	16.91%	16.53%
Attributable to equity holders of parent	12.35%	10.82%	10.81%
Return on investment	3.74%	3.49%	3.68%
Current ratio	3.1:1	3.5:1	4.3:1

- Sales/revenues growth – measures the percentage change in sales/revenues over a designated period of time. Performance is measured both in terms of amount and volume, where applicable.
- Net income growth – measures the percentage change in net income over a designated period of time.
- Net income rate– computed as percentage of net income to revenues - measures the operating efficiency and success of maintaining satisfactory control of costs
- Return on investment [or capital employed]– the ratio of net income to total assets - measures the degree of efficiency in the use of resources to generate net income.
- Current ratio – computed as current assets divided by current liabilities – measures the ability of the business to meet its current obligations. To measure immediate

liquidity, quick assets [cash, marketable securities, accounts receivables] is divided by current liabilities.

*b. **Discussion and Analysis of Operation***

The following discussion and analysis must be read in conjunction with the submitted audited consolidated financial statements and the related notes thereto.

*b.1. **Results of operations**:*

For the Year Ended December 31, 2009 vs. 2008

AGI marked another record year as it closed the year with consolidated net income of P6.8 billion, up by 11.5% from P6.1 billion reported a year ago. Net income after non-controlling interest was 22.7% higher year-on-year, as it hit P4.8 billion this year from P3.9 billion in the previous year.

Revenues increased by 7.6% to P38.8 billion from P36.1 billion a year ago, primarily due to 7.12% growth in sales of consumer goods, 35.9% in rendering of services and 69.7% in realized gross profit on prior year's real estate sales. Segment-wise, RE made the highest contribution (46%) this year, followed by QSR (25%) and F&B (16%). RE current sales, in particular, represent 32.4% of total revenues while consumer product sales contributed 39.2% to total revenues. RE rental income comprised 11.2% of total revenues.

RE revenues came from sale of residential lots, condominium, and office units; from rental/lease of office/commercial spaces; hotel operations and finance and other income. The 1.2% increase in RE current sales were attributable to the following projects: Tuscany, Morgan Suites and The Venice Luxury Residences in McKinley Hill; Parkway and Parkview in Manhattan City; Bellagio and Forbeswood Parklane in Forbes Town Center; Le Grand in Eastwood City; Pine Crest and Parkside Villas in Newport City. Property rental income went up by 54% due to high occupancy rates in both the BPO office spaces and retail developments, and partly due to escalation of rental prices.

F&B sales improved by 2.9% and this was attributed to the slight slide in sales of alcoholic drinks by about 1.4% year-on-year. The demand for the alcoholic drinks, being premium items, was affected by competition and inflation. Nevertheless, there is a growing demand for the new product, The Bar. Pik-Nik sales, on the other hand, climbed by 24.1% this year, with its domestic (i.e., U.S.) and international sales showing 18.5% and 3.7% increases year-on-year.

QSR revenues grew by 13.9% from a year ago. Sales in particular, went up by 13.4% and revenue from franchised restaurants by 22.9%. The improvement came from the expansion of its store chain. Seventeen stores were opened while eight were closed.during the year, bringing the total number of stores nationwide to 296 by yearend. Product promotions were launched during the year to add selection variety and entice consumer patronage. These included Mcsaver meals, Ice Age 3 vertigration and Coke glass promos.

Finance and other income, which formed 15.4% of total revenues, grew by 2.1%. Interest income, fair value gains and gain on sale of investment in Travellers were included in this account. (Please refer to Note 24 to consolidated financial statements.)

Costs and expenses went up by 5.8% due to 38.0%, 20.4% and 11.7% rise in finance costs and other charges, selling expenses and deferred gross profit on RE sales. Foreign currency losses of P3.2 billion appeared to be the biggest component of finance costs and other charges, however, P1.02 billion gains were reported as part of fair value gains under finance and other income. Selling expenses rose because of higher QSR and RE sales which translated into higher commissions and advertising expenses in RE and higher royalty fees in QSR business. Costs of goods and general and administrative expenses were maintained at almost last year's level while costs of real estate sales improved by 2%. (Please refer to notes 22, 23 and 25 to the consolidated financial statements.)

Income tax expense totaled P2.0 billion this year from P1.6 billion a year ago. The 23% increase came principally from RE business.

For the Year Ended December 31, 2008 vs. 2007

AGI ended the year 2008 with consolidated net income of P6.1 billion – 21.3% better than the P5.0 billion recorded a year ago. Net income after non-controlling interest improved by 18.7% year-on-year to P3.9 billion from P3.3 billion a year ago. Such were attributed to the strong results from RE led by Megaworld and investment gains. Megaworld closed the year with P3.8 billion net income net of minority interest, thereby contributing P1.8 billion to equity holders of AGI this year, up from P1.2 billion (net of preacquisition income) a year ago.

Revenues increased by 18.6% to P36.1 billion from P30.4 billion a year ago. RE contributed the highest (51%) this year, followed by QSR (28%) and F&B (21%). RE revenues came from sale of residential lots, condominium, and office units; from rental of office spaces; and hotel operations. RE sales, in particular, which comprised 34.4% of revenues grew by 17.2% to P12.4 billion from P10.6 billion in 2007. RE sales came mainly from the following projects: Bellagio 1, 2 and 3 and 8 Forbestown Road in Fort Bonifacio; Eastwood Le Grand 1, 2 and 3 in Eastwood City; Cityplace in Manila; Greenbelt Chancellor in Makati City; McKinley Hill and Newport City in Taguig City. With high occupancy rates in both the BPO office spaces and retail developments plus completion of additional leasing property and escalation rates, rental income went up by 40% to P1.3 billion from P932 million a year ago.

Our consumer products, being premium items, continued to be affected by the rising prices and watchful consumer spending.

Brandy sales slipped by 19% to P5.6 billion from P6.8 billion a year ago. This was primarily attributed to increased competition and inflation. Pik-Nik sales, on the other hand, improved by 22% this year due to penetration of new outlets/markets, with its domestic (i.e. USA) and international sales gaining 23% and 19%, respectively, over last year. Pik-Nik was able to increase its prices in some areas/market towards end of April.

Revenues from McDonald's grew by 13% to P8.4 billion from P7.4 billion a year ago. This improvement came from the expansion of its store chain. Twelve company-operated stores were opened from a year ago, bringing the total number to 173 by year-end. Stores, including sub-franchised ones, totalled 287 nationwide as compared to 273 a year ago. Product promotions continued to add variety and enticed consumer patronage. Launches this year included the Back for more treats, Fave savers couponing, Chicken mcsavers offers, Olympic coke glasses, Sundae season, and Cheeseburger Xmas campaign. Sales prices of selected products have been increased slightly beginning second quarter.

Cost of sales and services went up primarily because RE sales went up. The rising costs of raw materials, fuel and electricity put pressure on the gross profit (GP) margin. Costs of imported materials were also affected by the depreciating peso, particularly on the consumer products. Nevertheless, management was able to implement control measures to ease the pressures so that GP margin for this year was registered at 29% as compared to 30% a year ago. GP margins from RE improved to 36% from 33% while those of F&B and QSR dropped slightly to 26% and 19% from 36% and 22%, respectively. GP from the brandy products was at 26% this year from 33% last year. While McDonald's had instituted selective price increases from second quarter and Pik-Nik in April, Emperador and Generoso were able to make modest price increase in July and September, respectively, only. There were minimal development costs of the new flavoured alcoholic beverage product, The Bar, that were charged to gross profit.

The top three cost components in the manufacture of brandy were raw materials (87%), depreciation (1%) and rent (1%). In the QSR, these were food and paper (47%), rental and utilities (22%), personnel costs (15%), and depreciation and amortization (5%).

Operating expenses went up by 12% as these got affected by the rising cost of fuel, electricity and commodities. Selling expenses went up to P1.71 billion from P1.42 billion a year ago due to higher sales this year which translated to higher commissions and advertising expenses in RE and higher royalty fees in QSR. The aggressive marketing campaign this year for the brandy products resulted in increase in advertising, freight out, travel, fuel and oil. Administrative expenses went up by 7% to P2.4 billion from P2.3 billion a year ago primarily because of increase in prices of supplies, salaries adjustments, and rent escalations.

Finance and other income, net of *finance costs and charges*, amounted to P2.9 billion from P1.7 billion a year ago. During the year, the group realized gains on sale of equity investments; these, reduced by fair value losses on financial assets, amounted to P1.1 billion.

Tax expense totaled P1,6 billion for the year, as compared to P1.3 billion a year ago as a result of contraction in F&B and QSR income.

b.2. ***Liquidity and Capital Resources***

Consolidated total assets amounted to 128 billion at yearend 2009 from P112 billion at beginning of the year, primarily because of increased activity in the RE segment.

For most of the balance sheet accounts, there is a corresponding note to the consolidated financial statements where details, breakdown or composition of the accounts could be found. Please refer to those notes accompanying the consolidated financial statements. In summary:

Cash and cash equivalents increased by P3.5 billion – from P27.6 billion at the beginning of the year to end at P31.1 billion. Cash flows from operating, financing and investing activities during the year were presented in the consolidated statements of cash flows.

Financial assets at fair value through profit or loss increased by P303.7 million due to positive value of foreign currency options at year-end.

Available-for-sale financial assets decreased to P967 million from P3.9 billion as a result of sale made in 2009.

Investments in and advances to associates and other related parties went up significantly from the recording of investment in Travellers at equity when it became an associate in 2009. Net assets of Travellers that were consolidated in the beginning balances were removed and the investment was set up at cost plus equity share in Travellers' profit or loss. Investment in Travellers taken up at equity amounted to P11.9 billion at year-end. (Please refer to Note 12.2 to the consolidated financial statements). Furthermore, Megaworld acquired interest in another associate for P1.6 billion in 2009.

Property, plant and equipment went down to P4.9 billion from P13.6 billion was attributable to the P8.4 billion net book value of property and equipment of Travellers at the beginning of the year and were no longer reported at year-end.

Other current assets contracted to P931 million from P1.1 billion due to lower input vat balance by end-2009. Other non-current assets went down to P811 million from P1.2 billion a year ago because the P476 million advances to supplier of an aircraft was no longer included in the year-end balance, as a result of deconsolidation of Travellers.

The decreases in land for future development, customers' deposit, deferred income tax liabilities and advances from related parties and the increases in property development costs, advances to landowners and joint venture, investment property, reserves for property development, deferred income on real estate sales, non-current receivables and other non-current liabilities, all of which are related to the RE segment, are attributed to pumping up of development and lease activities in this segment.

Land for future development is reclassified to Property development costs at the start of development of the project and it is in this latter account where all development costs accumulate prior to sales. Advances to landowners and joint ventures represent mutually

agreed-upon amounts paid to landowners for pre-development expenses; these advances are repaid upon completion of the project. Reserves for property development represent the estimated costs of property sold before completion of development. Investment property include properties held for lease such as buildings and condominium units, carried at cost net of accumulated depreciation.

Trade and other payables went up to P11.0 billion from P7.01 billion due to the increased development in RE projects, including the Travellers' project handled by the Group.

Interest-bearing loans and borrowings rose to P10.6 billion from P10.1 billion because of fresh loans taken by Megaworld during the year for its various RE projects. Also, as a fund raising for its projects, Megaworld issued P5 billion fixed rate unsecured bonds in November 2009; this increased bonds payable to P8.6 billion from P3.7 billion.

The increase in redeemable preferred shares represents the accretion of interest in the carrying value which amounted to P331 million as of end-2009.

The acquisition of additional ownership interest in Megaworld in its preemptive rights offering in 2009 resulted in dilution gain of P1.2 billion recognized from minority interest.

The changes in equity components are presented in detail in the consolidated statements of changes in equity.

Treasury shares are AGI shares acquired but not cancelled which are presented at their acquisition cost. These include the shares held by AGI under its buy-back program. AGI shares held by certain subsidiaries are also considered as treasury shares. The fair value gains (losses) on the shares held by subsidiaries were eliminated in full and were not recognized in the consolidated financial statements.

The increase in revaluation reserves of P2.0 billion represent the reversal of accumulated fair value losses at beginning of year. This means the fair values of available-for-sale financial assets improved during the year.

The consolidated balance sheets showed strong liquidity. Current assets as of December 31, 2009 and 2008 amounted to P60.8 billion and P55.2 billion, respectively, while current liabilities for the same respective years-end remained low at P19.9 billion and P15.7 billion, respectively. Thus, current ratios were at 3.1:1 and 3.5:1 as of respective year-ends. Debt-to-equity ratios were kept very low at 0.9:1 and 0.8:1 in 2009 and 2008, respectively, while interest-bearing-debt-to-equity ratios were 0.37:1 and 0.31:1 at the end of these respective periods.

*b.3. **Prospects for the future:***

AGI remains focused on its business programs despite the global economic slowdown. The higher cost of commodities, volatility of foreign currency rates and softening of consumer spending may have affected the business environment, but AGI is committed to facing these challenges head-on. Management will continue to adopt prudent measures to ensure financial sustainability and look for new opportunities that will enhance the overall profitability of the group while maintaining established markets.

b.4. ***Others***

There are no other known trends or demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the Company's liquidity increasing or decreasing in any material way. The Company does not have nor anticipate having any cash flow or liquidity problems within the next twelve months. AGI and its subsidiaries are not in default or breach of any note, loan, lease or other indebtedness or financing arrangement requiring it to make payments.

There are no other known events that will trigger direct or contingent financial obligation that is currently considered material to the Company, including any default or acceleration of an obligation. There are no other material off-balance sheet transactions, arrangements, obligations, and other relationships with unconsolidated entities or other persons created during the reporting period.

There are no other known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations. There are also no known events that will cause material change in the relationship between costs and revenues.

There are no other significant elements of income or loss that did not arise from continuing operations.

The business has no seasonal aspects that had a material effect on the financial condition and results of operations of the Group.

Item 7. Financial Statements

The audited consolidated financial statements, together with Statement of Management's Responsibility & Auditors' Report, and supplementary schedules are attached.

The consolidated financial statements have been prepared in compliance with the Philippine Financial Reporting Standards (PFRS), on the historical cost basis except for the measurement of certain financial assets and liabilities. The preparation of the consolidated financial statements in compliance with PFRS requires management to make judgments, estimates and assumptions that affect the amounts reported in the financial statements and related notes. The estimation and judgments are based upon management's evaluation of relevant facts and circumstances of the financial statements. Actual results may ultimately vary from those estimates.

The consolidated financial statements are presented in Philippine pesos, the Group's functional currency, and all values represent absolute amounts except when otherwise indicated.

Item 8. Information on Independent Accountant and other Related Maters

a. External Audit Fees and Services

a.1. ***Audit and audit-related services***

Punongbayan & Araullo ("P&A") has been appointed as the principal accountant since 2003. In compliance with SEC Rule 68 paragraph 3 (b) (iv) (Rotation of External Auditors), and as adopted by the Company, external auditors or engagement partners are rotated or changed every five years. Ms. Dalisay B. Duque was the lead engagement partner from 2003 to 2007 and Mr. Jessie C. Carpio in 2008. For 2009 audit engagement, it is Mr. Leonardo D. Cuaresma, Jr. who acts as the lead partner.

The respective fees billed by P&A for each of the last two fiscal years totaled P1,070,000 and P700,000 for the audit of 2009 and 2008 annual financial statements or services that are normally provided in connection with statutory and regulatory filings or engagements.

a.2. ***Tax fees and all other fees***
There were no separate tax fees billed and no other products and services provided by P&A for the last two fiscal years.

a.3. ***Audit Committee's approval***
All the above services have been approved by the Audit Committee through the internal policies and procedures of approval. The Committee is composed of Alejo L. Villanueva as Chairman and Sergio R. Ortiz-Luis, Jr. and Andrew L. Tan as members.

b. Changes in and disagreements with accountants on accounting and financial disclosure

P&A, as principal auditors, issued an unqualified opinion on the consolidated financial statements. As such, there had been no disagreements with them on any accounting principles or practices, financial disclosures, and auditing scope or procedure.

PART III - CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers

a. Directors, executive officers and significant employees:

Name, Age Citizenship	*Position Held, Term of Office*	*Present Directorship(s) in other companies*	*Business experience for the past five (5) years*
ANDREW L. TAN, 60 Filipino	Chairman of the Board, Sep 2006 – present; Director/Vice Chairman of the Board, Aug 2003 - Sep 2006	***Chairman/President***, Megaworld Corporation; Megaworld Land, Inc.; Mactan Oceanview Properties & Holdings, Inc.; Megaworld Newport Property Holdings, Inc.; Richmonde Hotel Group International Limited; Megaworld Globus Asia, Inc.; Philippine International Properties, Inc.; Megaworld Homes, Inc.; The Bar Beverage, Inc.; Emperador Brandy, Inc.; Yorkshire Holdings, Inc.; ***Chairman***, Emperador Distillers, Inc.; Alliance Global Brands, Inc.; Consolidated Distillers of the Far East, Inc.; Eastwood Cyber One Corporation; Empire East Land Holdings; Inc.; Forbes Town Properties & Holdings, Inc.; Gilmore Property Marketing Associates, Inc.; Megaworld Cayman Islands, Inc.; Megaworld Central Properties, Inc.; Megaworld Foundation, Inc.; Megaworld Newport Property Holdings, Inc., Raffles & Company, Inc.; Sonoma Premier Land, Inc.; Sherman Oak Holdings, Inc.; Suntrust Properties, Inc.; The Andresons Group, Inc.; Townsquare Development Inc.; Travellers International Hotel Group, Inc., ***Vice Chairman/Treasurer***, Golden Arches Development Corporation; Golden Arches Realty Corporation, ***Director,*** Andresons Global, Inc.; Asian Travellers, Ltd.; Choice Gourmet Banquet, Inc.; Emperador International Limited; Venezia Universal Limited	Real estate; distillery; marketing
SERGIO R. ORTIZ-LUIS, JR., 66 Filipino	Independent Director/Vice-Chairman of the Board, Sept. 2007-present;	***President,*** Employers Confederation of the Philippines (ECOP); Philippine Exporters Confederation, Inc., (PHILEXPORT); ***Commissioner***, Social Security System; ***Honorary Chairman***, Philippine Chamber of Commerce &	Organizational Development

		Industry; ***Chairman***, Integrated Concepts & Solutions, Inc.; ***Vice Chairman***, Export Development Council; ***Director***, Waterfront Philippines, Inc.; Manila Exposition Complex, Inc.; Universal LRT Corp.; Holy Angel Memorial.	
KINGSON U. SIAN, 48 Filipino	Director & President, Feb 20, 2007-present	***Senior Vice President & Executive Director***, Megaworld Corporation; ***Chairman & President,*** Asia Finest Hotels & Resorts, Inc.; Megaworld Resort Estates, Inc.; Prestige Hotels & Resorts, Inc. ***Director/President,*** Eastwood Cyber One Corporation; Eastwood Locator's Assistance Center, Inc.; Forbestown Properties Holdings, Inc.; Travellers International Hotel Group, Inc.,.; ***Director***, Asia E-Commerce, Inc.; Citywalk Building Administration, Inc.; Eastwood Corporate Plaza Building Administration, Inc.; Eastwood City Estates Association, Inc.; Forbes Town Commercial Center Administration, Inc.; ICITE Building Administration, Inc.; Paseo Center Building Administration, Inc.; Techno Plaza One Building Administration, Inc.; World Café, Inc. ***Senior Vice President & Chief Executive Officer,*** Megaworld Land, Inc	Real estate marketing; business development
WINSTON S. CO, 52 Filipino	Director, up to present; Vice-chairman, Nov1999-Aug2003;Chairman, 1998-October 1999	***Chairman & President***, New Town Land Partners, Inc., ***Chairman***, Anglo Watsons Glass, Inc.; ***Director/President***, Emperador Distillers, Inc.; ***Director***, Alliance Global Brands, Inc.; Forbes Town Properties & Holdings, Inc.; McKester Pik-Nik International Limited; Raffles & Company, Incorporated; The Bar Beverage, Inc.; ***Senior Vice President***, The Andresons Group, Inc.	Finance and marketing
KATHERINE L. TAN, 58 Filipino	Director/Treasurer Feb 20, 2007-present	***Chairman & President,*** Andresons Global, Inc. Choice Gourmet Banquet, Inc., ***Director/President***, Consolidated Distillers of the Far East, Inc.; Raffles and Company, Inc., The Andresons Group, Inc., ***Director/Treasurer***, Alliance Global Brands, Inc.; Emperador Brandy, Inc., Emperador Distillers, Inc.; Newtown Land Partners, Inc.; Yorkshire Holdings, Inc.; ***Director,*** Emperador International Limited; Kenrich Corporation; McKester Pik-Nik International Limited; Megaworld Corporation; Megaworld Cayman Islands, Inc.; Venezia Universal Limited; The Bar	Finance; marketing

		Beverage, Inc.,	
ALEJO L. VILLANUEVA, JR., 68 Filipino	Independent Director, 2001-present	***Director,*** Empire East Land Holdings, Inc., First Capital Condominium Corporation	Training, organizational development, consultancy
RENATO M. PIEZAS, 42 Filipino	Director, 2002-present	***Director and Corporate Secretary***, Anglo Watsons Glass, Inc.; ***Corporate Secretary***, Eastin Holdings, Inc., Forbestown Properties & Holdings, Inc., Oceantown Properties, Inc., and Yorkshire Holdings, Inc.	Marketing and business development
DINA D. INTING, 50, Filipino	First Vice President - Finance, January 1996 –present	***Director/Corporate Secretary***, Alliance Global Brands, Inc. up to March 25, 2007	Financial management and comptrollership
DOMINIC V. ISBERTO, 35, Filipino	Corporate Secretary, September 14, 2007-present	***Corporate Secretary***, Eastwood City Estates Association, Inc.	Legal documentation and corporate affairs mgmt
ROLANDO D. SITATELA, 49, Filipino	Asst. Corporate Secretary, August 30, 2002-present	***Director***, Asia Finest Cuisine, Inc.; ***Corporate Secretary***, ERA Real Estate Exchange, Inc.; ERA Real Estate, Inc.; Oceanic Realty Group International, Inc., Suntrust Home Developers, Inc.	Legal documentation and corporate affairs mgmt

Directors are elected annually by the stockholders to serve until the election and qualification of their successors. Two independent directors, Messrs. Sergio Ortiz-Luis, Jr. and Alejo Villanueva, Jr., were elected in the last annual stockholders' meeting on October 15, 2009.

The Company does not have significant employees, i.e., persons who are not executive officers but expected to make significant contribution to the business.

b. Family Relationships

Chairman Andrew L. Tan is married to Treasurer/Director Katherine L. Tan. Their sons, Kevin Andrew L. Tan and Kendrick Andrew L. Tan, are currently serving as directors of Anglo Watsons Glass, Inc., Newtown Land Partners, Inc., and Yorkshire Holdings, Inc. Kevin Andrew L. Tan is also a director and Corporate Secretary of Alliance Global Brands, Inc. and a director of Emperador Distillers, Inc. while Kendrick Andrew L. Tan is the Corporate Secretary of Emperador Distillers, Inc.

c. Involvement in Legal Proceedings

The Company has no knowledge of any of the following events that occurred during the past five (5) years up the date of this report that are material to an evaluation of the ability or integrity of any director or executive officer:

- Any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;

- Any conviction by final judgment in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;
- Being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities; and
- Being found by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign Exchange or other organized trading market or self regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended, or vacated.

Item 10. Executive Compensation

Name and Principal Position
Andrew L. Tan, Chairman (CEO)
Kingson U. Sian, President (COO)
Katherine L. Tan, Treasurer
Dina D. Inting, FVP-Finance
Dominic V. Isberto, Corporate Secretary
Rolando D. Siatela, Asst. Corporate Secretary

The officers receive fixed salary on a monthly basis from the respective subsidiaries or businesses they principally handle. Hence, for years 2009 and 2008, no compensation was received from AGI, the holding company, and neither will there be for 2010, except for an allowance for Mr. Kingson Sian which started in February 2007. In a board resolution passed in November 2007, members of the Company's Board of Directors receive per diem allowance for attendance in board meetings. Prior to this date, there were no compensation paid to directors for serving as such.

There were no warrants or stock options held by the CEO, the named executive officers, and all officers and directors as a group.

Item 11. Security Ownership of Certain Beneficial Owners and Management

(1) Security Ownership of Record and Beneficial Owners owning more than 5% of the Company's outstanding common stock as of March 31, 2010:

Title of Class	Name and Address of Record Owner &Relationship w/ Issuer	Name of Beneficial Owner & Relationship w/ Record Owner	Citizenship	No. of Shares	Percent Owned
Common	THE ANDRESONS GROUP, INC. 7/F 1880 Eastwood Avenue, Eastwood City Bagumbayan, Quezon City, It is solely a stockholder of the issuer; its chairman is also AGI's chairman.	Mr. Andrew L. Tan, Chairman of the Board, is the principal stockholder.	Filipino	3,943,616,194[1]	40.46%
Common	HONGKONG AND SHANGHAI BANKING CORP LTD (Non-Filipino) [2] 30/F Discovery Suites, ADB Avenue., Ortigas Center, Pasig City. No relationship with Issuer.	Rose Tantoco, Senior Vice President, or Nilo Dicen, Vice President, of Securities Services, is authorized to appoint proxy to vote the shares.	Non-Filipino	955,957,120	9.83%
Common	DEUTSCHE BANK MANILA – Clients [2] 23/F Ayala Tower One, Ayala Ave., Makati City No relationship with issuer.	Soledad Velasco, Head – Securities and Custody Operations, or Carlos Dela Torre, Deputy Head, is authorized to appoint proxy to vote for the shares.	Non-Filipino	526,888,400	5.42%
Common	HONGKONG AND SHANGHAI BANKING CORP LTD (Non-Filipino) [2] 30/F Discovery Suites, ADB Avenue., Ortigas Center, Pasig City. No relationship with Issuer.	Rose Tantoco, Senior Vice President, or Nilo Dicen, Vice President, of Securities Services, is authorized to appoint proxy to vote the shares.	Filipino	510,514,716	5.25%

[1] Includes shares lodged with PCD
[2] Participants of the PCD Nominee Corporation. According to them, no one client or account beneficially owned 5% or more of AGI shares.

(2) Security Ownership of Management as of March 31, 2010:

Title	Name of Beneficial Owner	Citizenship	Amount	Percent
Common	Andrew L. Tan *(Chairman of the Board)*	Filipino	341,684,350	3.5064%
Common	Sergio R. Ortiz-Luis, Jr. *(Director)*	Filipino	1	.00000%
Common	Winston S. Co *(Director)*	Filipino	2,728	.00003%
Common	Kingson U. Sian *(Director)*	Filipino	1,100	.00000%
Common	Katherine L. Tan *(Director)*	Filipino	1	.00000%
Common	Alejo L. Villanueva, Jr *(Director)*.	Filipino	1	.00000%
Common	Renato M. Piezas *(Director)*	Filipino	1,100	.00001%
Common	Dina D. Inting *(FVP-Finance)*	Filipino	2,758	.00003%
Directors and Executive Officers as a Group			341,692,039	3.5064%

Item 12. Certain Relationships and Related Transactions

Except for the material related party transactions already stated in item 1 and item 5 of this report and in the notes to the consolidated financial statements of the Company, there have been no material transaction during the last two years nor is there any material transaction currently proposed to which the Company was or is to be a party in which any director or executive officer of the Company or stockholder of more than ten percent of the Company's voting shares, and any member of the immediate family (including spouse, parents, children, siblings, and in-law) of any such director or officer or stockholder of more than ten percent of the Company's voting shares had or is to have a direct or indirect material interest.

PART IV – CORPORATE GOVERNANCE

Item 13. Corporate Governance

The Company adopted a Manual on Corporate Governance to institutionalize the rules and principles of good corporate governance in the entire organization in accordance with the Code of Corporate Governance promulgated by SEC. A copy of the Manual was submitted to SEC and PSE in 2002.

Pursuant to the Manual, three Board committees -namely, Nomination, Compensation and Remuneration, and Audit- were created in 2003 to aid in complying with the principles of good corporate governance. A Compliance Officer, directly reporting to the Chairman of the Board, was appointed on February 3, 2003 to monitor compliance with the provisions and requirements of the Manual, and who issues a certification every January 30 on the extent of compliance for the last completed year. A Self-Rating System on Corporate Governance was implemented and submitted to SEC and PSE in July 2003.

Among measures undertaken by the Company in order to fully comply with the provisions of the leading practices on good corporate governance adopted in its Manual on Corporate Governance are monitoring and evaluation of the internal control system for corporate governance. No sanctions have been imposed on any director, officer or employee on account of non-compliance. The Company is committed to good corporate governance and continues to improve and enhance its evaluation system for purposes of determining the level of compliance by the Company with its Manual on Corporate Governance.

PART V - EXHIBITS AND SCHEDULES

Item 14. Exhibits and Reports on SEC Form 17-C

(b) Reports on SEC Form 17-C Filed During the Last Six Months of the Report Period (February 1 to December 31, 2009)

Date	Disclosures
12 February 2009	Subscription to Megaworld Rights – Re allocation of Proceeds
4 May 2009	Press Release re: 2008 Financial Results
22 May 2009	Press Release re: First Quarter Financial Results
11 June 2009	Change of office address and contact numbers
10 August 2009	Notice of Annual Stockholders' Meeting
15 October 2009	a. Results of Annual Stockholders' Meeting b. Results of Organizational Meeting of the Board of Directors c. Press Release re: AGI launches 30B Integrated Tourism Estate
20 November 2009	Press Release re: January to September Income

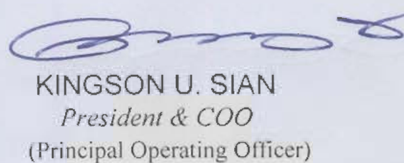
SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized.

Alliance Global Group, Inc.
Issuer

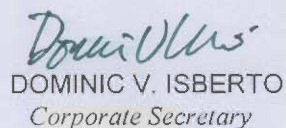
By:

ANDREW L. TAN
Chairman & CEO
(Principal Executive Officer)

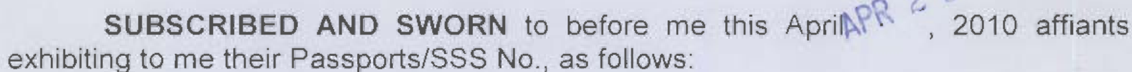


KINGSON U. SIAN
President & COO
(Principal Operating Officer)

DINA D. INTING
FVP – Finance
(Principal Financial Officer & as Principal Accounting Officer &Comptroller)



DOMINIC V. ISBERTO
Corporate Secretary



SUBSCRIBED AND SWORN to before me this April APR 29 2010, 2010 affiants exhibiting to me their Passports/SSS No., as follows:

NAMES	PASSPORT/SSS NO.	DATE OF ISSUE	PLACE OF ISSUE
Andrew L. Tan	XX0777629	March 19, 2008 to 2013	Manila
Kingson U. Sian	XX1996220	September 10, 2008 to 2013	Manila
Dominic V. Isberto	ZZ223532	March 22, 2007 to 2012	Manila
Dina D. Inting	SSS 03-5204775-3		

Notary Public

CONRAD P. CERENO
NOTARY PUBLIC
UNTIL DECEMBER 31, 2010
IBP NO. 803148 / Quezon City Chapter / 01/04/2010
PTR NO. 2094572 / Makati City / 01/08/2010
ROLL NO. 52415

Doc No. 43
Page No. 10
Book No. 3
Series of 2010.

Punongbayan & Araullo

Member firm within Grant Thornton International Ltd

Consolidated Financial Statements and Independent Auditors' Report

Alliance Global Group, Inc. and Subsidiaries

December 31, 2009, 2008 and 2007

ALLIANCE GLOBAL GROUP, INC.
7th Floor, 1880 Eastwood Avenue
Eastwood City CyberPark
188 E. Rodriguez Jr. Avenue
Bagumbayan, 1110 Quezon City
Tel. Nos. 7092038-41
Fax Nos. 7091966

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The management of *Alliance Global Group, Inc.* is responsible for all information and representations contained in the consolidated financial statements as at December 31, 2009 and 2008 and for each of the three years in the period ended December 31, 2009. The financial statements have been prepared in conformity with Philippine Financial Reporting Standards and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

In this regard, management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition, and liabilities are recognized. The management likewise discloses to the Company's audit committee and to its external 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; and (iii) any fraud that involves management or other employees who exercise significant roles in internal controls.

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

Punongbayan & Araullo, the independent auditors appointed by the stockholders, has examined the consolidated financial statements of the Company and its subsidiaries in accordance with Philippine Standards on Auditing and has expressed its opinion on the fairness of presentation upon the completion of such examinations, in its report to the Board of Directors and the stockholders.

Chairman of the Board : ANDREW L. TAN

President : KINGSON U. SIAN

First Vice President for Finance: DINA D. INTING

SUBSCRIBED AND SWORN to before me this APR 29 2010, affiants exhibiting to me their Passport/SSS No., as follows:

Names	PassportNo./SSS No.	Date	Place of Issue
Andrew L. Tan	XX0777629	March 19, 2008 to 2013	Manila
Kingson U. Sian	XX1996220	September 10, 2008 to 2013	Manila
Dina D. Inting	SSS 03-5204775-3		

Notary Public

CONRAD P. CERENO
NOTARY PUBLIC
UNTIL DECEMBER 31, 2010
IBP NO. 803148 / Quezon City Chapter / 01/04/2010
PTR NO. 2094572 / Makati City / 01/08/2010
ROLL NO. 52415

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Page No. 10;
Book No. 2;
Series of 2010

Punongbayan & Araullo

Report of Independent Auditors

20th Floor, Tower 1
The Enterprise Center
6766 Ayala Avenue
1200 Makati City
Philippines

T +63 2 886-5511
F +63 2 886-5506; +63 2 886-5507
www.punongbayan-araullo.com

The Board of Directors and Stockholders
Alliance Global Group, Inc. and Subsidiaries
7th Floor, 1880 Eastwood Avenue
Eastwood City CyberPark
188 E. Rodriguez, Jr. Avenue
Bagumbayan, Quezon City

We have audited the accompanying consolidated financial statements of Alliance Global Group, Inc. and subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2009 and 2008, and the consolidated statements of comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2009, and notes to consolidated financial statements comprising of a summary of significant accounting policies and other explanatory notes. We did not audit the financial statements of certain subsidiaries which statements reflect total assets representing 12% and 9% as of December 31, 2009 and 2008, respectively, and total net income constituting 34%, 32% and 6% for the years ended December 31, 2009, 2008 and 2007, respectively, of the respective consolidated totals. The financial statements of those subsidiaries were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as they relate to the data included for the subsidiaries, is based solely on the reports of the other auditors.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits and the reports of other auditors. 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.

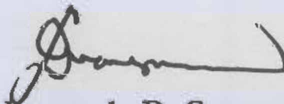
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or 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.

Opinion

In our opinion, based on our audits and the reports of other auditors, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Alliance Global Group, Inc. and subsidiaries as of December 31, 2009 and 2008, and of their consolidated financial performance and cash flows for each of the three years in the period ended December 31, 2009 in accordance with Philippine Financial Reporting Standards.

PUNONGBAYAN & ARAULLO



By: Leonardo D. Cuaresma, Jr.
Partner
CPA Reg. No. 0058647
TIN 109-227-862
PTR No. 2087612, January 4, 2010, Makati City
Partner's SEC Accreditation No. 0007-AR-2
BIR AN 08-002511-7-2008 (Nov. 25, 2008 to 2011)

Firm BOA/PRC Cert. of Reg. No. 0002
February 12, 2010 to December 31, 2012
Firm SEC Accreditation No. 0002-FR-2

April 28, 2010

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2009 AND 2008
(Amounts in Philippine Pesos)

	Notes	2009	2008
A S S E T S			
CURRENT ASSETS			
Cash and cash equivalents	5	**P 31,145,329,040**	P 27,601,662,533
Trade and other receivables - net	6	**15,088,937,770**	14,105,701,833
Financial assets at fair value through profit or loss	7	**2,138,671,132**	1,834,995,456
Inventories - net	8	**7,790,351,318**	7,728,981,610
Property development costs	2	**3,720,702,927**	2,821,399,894
Other current assets	9	**930,915,341**	1,072,517,869
Total Current Assets		**60,814,907,528**	55,165,259,195
NON-CURRENT ASSETS			
Trade and other receivables	6	**13,538,300,935**	6,743,211,901
Advances to landowners and joint ventures	10	**1,208,026,496**	335,048,101
Land for future development	2	**1,269,561,000**	1,809,743,589
Available-for-sale financial assets	11	**966,756,842**	3,948,179,674
Investments in and advances to associates and other related parties	12	**23,748,923,803**	10,150,187,651
Property, plant and equipment - net	13	**4,953,385,820**	13,571,870,591
Investment property - net	14	**9,381,736,357**	7,434,161,121
Intangible assets - net	15	**11,378,085,052**	11,483,665,796
Deferred tax assets - net	27	**265,760,166**	266,133,009
Other non-current assets - net	9	**811,272,952**	1,183,607,967
Total Non-current Assets		**67,521,809,423**	56,925,809,400
TOTAL ASSETS		**P 128,336,716,951**	P 112,091,068,595

	Notes	2009	2008
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Interest-bearing loans and borrowings	17	**P 2,266,848,820**	P 2,927,396,421
Trade and other payables	16	**11,014,010,815**	7,011,242,229
Customers' deposits	2	**967,358,726**	1,032,291,104
Income tax payable		**237,832,123**	183,529,706
Reserve for property development	2	**2,468,349,023**	2,078,799,883
Deferred income on real estate sales	2	**1,515,687,720**	1,180,849,892
Other current liabilities	20	**1,398,259,397**	1,309,337,179
Total Current Liabilities		**19,868,346,624**	15,723,446,414
NON-CURRENT LIABILITIES			
Interest-bearing loans and borrowings	17	**8,337,348,304**	7,143,988,135
Bonds payable	18	**8,608,407,826**	3,696,290,569
Customers' deposits	2	**913,800,498**	990,510,257
Advances from related parties	28	**661,008,979**	871,199,221
Retirement benefit obligation	26	**356,762,247**	353,601,480
Reserve for property development	2	**2,023,028,273**	1,743,300,891
Deferred tax liabilities - net	27	**2,672,496,931**	1,896,389,575
Redeemable preferred shares	19	**330,916,959**	294,718,643
Deferred income on real estate sales	2	**1,217,863,024**	1,014,902,786
Other non-current liabilities	20	**1,245,831,397**	1,080,590,749
Total Non-current Liabilities		**26,367,464,438**	19,085,492,306
Total Liabilities		**46,235,811,062**	34,808,938,720
EQUITY			
Equity attributable to owners of the parent company:			
Capital stock	29	**10,269,827,979**	10,269,827,979
Additional paid-in capital	29	**27,157,647,455**	27,157,647,455
Treasury shares	29	**(4,334,613,117)**	(3,487,548,482)
Revaluation reserves		**29,487,721**	(1,997,417,235)
Accumulated translation adjustments	2	**(73,570,226)**	59,561,516
Dilution gain	29	**1,196,566,827**	45,023,383
Retained earnings		**17,059,492,891**	12,263,183,145
		51,304,839,530	44,310,277,761
Non-controlling interest		**30,796,066,359**	32,971,852,114
Total Equity		**82,100,905,889**	77,282,129,875
TOTAL LIABILITIES AND EQUITY		**P 128,336,716,951**	P 112,091,068,595

See Notes to Consolidated Financial Statements.

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007
(Amounts in Philippine Pesos)

	Notes	2009	2008	2007
REVENUES				
Sale of goods	2	**P 15,230,594,412**	P 14,218,216,295	P 14,556,248,321
Real estate sales	2	**12,574,801,962**	12,430,321,088	10,606,609,442
Finance and other income	24	**5,977,105,798**	5,854,200,603	2,672,163,507
Rendering of services	21	**2,908,585,719**	2,139,809,355	1,714,399,806
Realized gross profit on prior years' real estate sales	2	**1,277,434,472**	752,681,262	472,578,943
Interest income on real estate sales	6	**714,213,230**	612,320,924	382,487,377
Share in net profits of associates and a joint venture - net	12	**160,724,354**	101,830,925	46,857,739
		38,843,459,947	36,109,380,452	30,451,345,135
COSTS AND EXPENSES				
Cost of goods sold	22	**11,132,470,997**	11,033,176,102	10,310,489,182
Cost of real estate sales	22	**7,940,756,662**	8,082,125,043	7,238,595,819
Finance costs and other charges - net	25	**3,941,301,749**	2,855,805,536	973,181,411
General and administrative expenses	23	**2,503,256,614**	2,494,331,694	2,288,369,124
Selling expenses	23	**2,061,700,540**	1,712,010,259	1,419,403,015
Deferred gross profit on real estate sales	22	**1,815,065,914**	1,624,410,655	1,072,330,683
Cost of services	22	**656,764,678**	595,136,687	645,413,338
		30,051,317,154	28,396,995,976	23,947,782,572
INCOME BEFORE TAX AND PREACQUISITION INCOME		**8,792,142,793**	7,712,384,476	6,503,562,563
TAX EXPENSE	27	**1,984,145,570**	1,606,782,802	1,295,243,438
INCOME BEFORE PREACQUISITION INCOME		**6,807,997,223**	6,105,601,674	5,208,319,125
PREACQUISITION INCOME	15	**-**	-	(175,815,400)
NET INCOME		**6,807,997,223**	6,105,601,674	5,032,503,725
OTHER COMPREHENSIVE INCOME				
Net unrealized fair value gains (losses) on available-for-sale financial assets	11	**1,750,608,063**	(2,164,354,170)	241,913,309
Reclassification adjustments for gains (losses) included in profit or loss on available-for-sale financial assets		**276,543,393**	(51,926,367)	(46,907,126)
Translation adjustments	2	**(159,173,728)**	599,390,970	(728,544,017)
Income tax relating to component of other comprehensive income	27	**25,795,486**	(11,728,077)	246,987,259
		1,893,773,214	(1,628,617,644)	(286,550,575)
TOTAL COMPREHENSIVE INCOME		**P 8,701,770,437**	P 4,476,984,030	P 4,745,953,150
Net income attributable to:				
Owners of the parent company		**P 4,796,309,746**	P 3,908,833,964	P 3,292,586,616
Non-controlling interest		**2,011,687,477**	2,196,767,710	1,739,917,109
		P 6,807,997,223	P 6,105,601,674	P 5,032,503,725
Total comprehensive income attributable to:				
Owners of the parent company		**P 6,690,082,960**	P 2,280,216,320	P 3,006,036,041
Non-controlling interest		**2,011,687,477**	2,196,767,710	1,739,917,109
		P 8,701,770,437	P 4,476,984,030	P 4,745,953,150
Earnings Per Share for the Net Income Attributable to Owners of the Parent Company - Basic and Diluted	30	**P 0.4921**	P 0.3858	P 0.3768

See Notes to Consolidated Financial Statements.

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007
(Amounts in Philippine Pesos)

	Notes	2009	2008	2007
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY				
Capital Stock	29			
Balance at beginning of year		**P 10,269,827,979**	P 10,269,827,979	P 2,205,181,000
Additional issuance during the year		**-**	-	8,064,646,979
Balance at end of year		**10,269,827,979**	10,269,827,979	10,269,827,979
Additional Paid-in Capital	29			
Balance at beginning of year		**27,157,647,455**	27,157,647,455	5,232,877,999
Additional issuance during the year		**-**	-	21,924,769,456
Balance at end of year		**27,157,647,455**	27,157,647,455	27,157,647,455
Subscriptions Receivable	29			
Balance at beginning of year		**-**	-	(986,612,492)
Collections during the year		**-**	-	986,612,492
Balance at end of year		**-**	-	-
Treasury Shares - at cost	29			
Balance at beginning of year		**(3,487,548,482)**	(1,395,127,506)	-
Net purchases of treasury shares		**(847,064,635)**	(2,092,420,976)	(1,395,127,506)
Balance at end of year		**(4,334,613,117)**	(3,487,548,482)	(1,395,127,506)
Revaluation Reserves				
Balance at beginning of year		**(1,997,417,235)**	218,863,302	12,261,215
Fair value gains (losses) - net	11	**2,026,904,956**	(2,216,280,537)	195,006,183
Revaluation reserve of a newly acquired subsidiary		**-**	-	11,595,904
Balance at end of year		**29,487,721**	(1,997,417,235)	218,863,302
Share in Net Unrealized Gain on Available-for-Sale Financial Assets of an Associate	11			
Balance at beginning of year		**-**	-	11,595,904
Transferred to revaluation reserve		**-**	-	(11,595,904)
Balance at end of year		**-**	-	-
Accumulated Translation Adjustments	2			
Balance at beginning of year		**59,561,516**	(528,101,377)	(46,544,619)
Currency translation adjustments during the year		**(133,131,742)**	587,662,893	(481,556,758)
Balance at end of year		**(73,570,226)**	59,561,516	(528,101,377)
Balance carried forward		**P 33,048,779,812**	P 32,002,071,233	P 35,723,109,853

	Note	2009	2008	2007
Balance brought forward		**P 33,048,779,812**	P 32,002,071,233	P 35,723,109,853
Dilution Gain (Loss)	29			
Balance at beginning of year		**45,023,383**	45,023,383	(307,137,911)
Dilution gain recognized during the year		**1,151,543,444**	-	352,161,294
Balance at end of year		**1,196,566,827**	45,023,383	45,023,383
Retained Earnings				
Appropriated for capital expenditures				
Balance at beginning of year		**446,297,286**	-	-
Appropriation during the year		**-**	446,297,286	-
Balance at end of year		**446,297,286**	446,297,286	-
Unappropriated				
Balance at beginning of year		**11,816,885,859**	8,354,349,181	5,061,762,565
Net income for the year		**4,796,309,746**	3,908,833,964	3,292,586,616
Appropriation during the year		**-**	(446,297,286)	-
Balance at end of year		**16,613,195,605**	11,816,885,859	8,354,349,181
Total Retained Earnings		**17,059,492,891**	12,263,183,145	8,354,349,181
		51,304,839,530	44,310,277,761	44,122,482,417
NON-CONTROLLING INTEREST				
Balance at beginning of year		**32,971,852,114**	21,650,983,047	865,182,993
Non-controlling interest in disposed investments		**(3,315,484,644)**	-	(9,459,333,774)
Share in consolidated net income		**2,011,687,477**	2,196,767,710	1,739,917,109
Effects of decrease in ownership interest		**(1,139,542,163)**	-	-
Non-controlling interest in additional investments		**537,698,405**	10,093,255,886	20,849,428,265
Dividend from investee		**(280,405,180)**	(263,980,746)	(304,258,042)
Treasury shares retirement (additions)		**10,260,350**	(706,580,033)	(575,976,918)
Deposit for future subscription to shares of stock of a subsidiary		**-**	1,406,250	-
Exercise of stock rights		**-**	-	8,535,929,664
Collection of subscriptions receivable		**-**	-	93,750
Balance at end of year		**30,796,066,359**	32,971,852,114	21,650,983,047
TOTAL EQUITY		**P 82,100,905,889**	P 77,282,129,875	P 65,773,465,464
Total comprehensive income attributable to:				
Owners of the parent company		**P 6,690,082,960**	P 2,280,216,320	P 3,006,036,041
Non-controlling interest		**2,011,687,477**	2,196,767,710	1,739,917,109
		P 8,701,770,437	P 4,476,984,030	P 4,745,953,150

See Notes to Consolidated Financial Statements.

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007
(Amounts in Philippine Pesos)

	Notes	2009	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before tax and preacquisition income		**P 8,792,142,793**	P 7,712,384,476	P 6,503,562,563
Adjustments for:				
Fair value losses (gains) - net	24, 25	**(2,262,564,790)**	1,757,177,853	25,135,673
Interest income	24	**(1,896,421,610)**	(2,545,342,840)	(2,248,315,582)
Gain on sale of investment in shares of stock	24	**(1,581,815,465)**	(2,809,732,873)	(220,000,000)
Depreciation and amortization	22, 23	**1,004,790,281**	829,750,950	737,176,477
Unrealized foreign currency losses - net	25	**882,727,051**	181,514,868	218,782,843
Interest expense	25	**715,198,019**	912,102,027	729,136,629
Share in net profits of associates and a joint venture	12	**(160,724,354)**	(101,830,925)	(46,857,739)
Amortization of trademarks	23	**101,257,277**	100,632,276	91,672,730
Dividend income	24	**(44,247,127)**	(49,680,085)	(12,295,840)
Net losses (gains) from disposal of property, plant and equipment and restaurant closings	13	**36,835,105**	35,504,331	(2,663,842)
Gain on sale of investment in available-for-sale financial assets	24	**(18,050,807)**	(2,306,450)	(5,749,349)
Impairment losses	14	**17,223,697**	43,871,277	40,000,000
Operating income before working capital changes		**5,586,350,070**	6,064,044,885	5,809,584,563
Increase in trade and other receivables		**(7,955,887,344)**	(5,998,086,863)	(4,544,051,224)
Increase in inventories		**(49,201,137)**	(1,001,370,701)	(4,064,111,933)
Decrease (increase) in property development costs		**(899,303,033)**	(84,024,319)	283,966,144
Decrease (increase) in financial assets at fair value through profit or loss		**2,009,125,111**	(1,324,696,825)	(635,179,356)
Increase in prepayments and other current assets		**(182,715,694)**	(233,107,252)	(375,499,167)
Increase in trade and other payables		**3,926,825,499**	1,978,101,236	889,200,740
Increase in reserve for property development		**669,276,522**	1,228,583,888	874,879,989
Increase (decrease) in other liabilities		**240,075,185**	(211,184,377)	804,734,970
Increase in deferred income on real estate sales		**537,798,066**	871,380,840	243,038,738
Increase in retirement benefit obligations		**3,160,767**	120,972,012	123,427,892
Decrease in customers' deposits		**(141,642,137)**	(369,415,856)	(1,544,157,165)
Cash generated from (used in) operations		**3,743,861,875**	1,041,196,668	(2,134,165,809)
Cash paid for taxes		**(1,101,202,177)**	(1,276,179,878)	(688,734,402)
Net Cash From (Used in) Operating Activities		**2,642,659,698**	(234,983,210)	(2,822,900,211)
Balance carried forward		**P 2,642,659,698**	(P 234,983,210)	(P 2,822,900,211)

	Notes	2009	2008	2007
Balance brought forward		**P 2,642,659,698**	(P 234,983,210)	(P 2,822,900,211)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale of investment	24	**4,024,413,366**	2,994,450,000	320,000,000
Reductions (additions) to:				
Property, plant and equipment and investment property	13, 14	**(2,781,962,534)**	(11,108,125,580)	(1,899,619,555)
Available-for-sale financial assets	12	**1,214,965,229**	(1,739,300,115)	(4,317,273,779)
Interest received		**2,056,942,231**	1,111,400,509	741,967,590
Payments made for the subsribed common stocks of an associate		**(1,583,687,182)**	(1,967,194,514)	(655,952,266)
Net decrease (increase) in investments in and advances to associates and other related parties		**971,113,556**	(256,459,630)	480,934,484
Net decrease (increase) in advances to land owners and joint ventures		**(872,978,395)**	(165,664,462)	12,721,508
Net decrease in land for future development		**540,182,589**	390,037,313	408,504,530
Decrease (increase) in other non-current assets		**115,206,575**	96,917,788	(743,409,996)
Cash dividends received	25	**44,247,127**	49,680,085	12,295,840
Proceeds from sale of property, plant and equipment		**30,108,230**	10,676,527	277,673,381
Acquisition of trademarks	15	**-**	(12,500,000)	(1,000,072,767)
Payments for leasehold rights	15	**-**	(3,500,000)	-
Net Cash From (Used in) Investing Activities		**3,758,550,792**	(10,599,582,079)	(6,362,231,030)
CASH FLOWS FROM FINANCING ACTIVITIES				
Net increase (decrease) in interest-bearing loans and borrowings		**5,559,668,323**	6,752,829,014	(1,087,928,398)
Interest paid		**(1,033,901,036)**	(621,518,550)	(667,093,993)
Acquisition of treasury shares		**(847,064,635)**	(2,092,420,976)	(1,143,508,487)
Net increase (decrease) in advances from related parties		**(210,190,242)**	224,115,240	469,975,686
Proceeds from issuance of capital stock		**-**	10,094,000,000	21,111,389,798
Collections of subscriptions receivable		**-**	-	986,612,492
Net Cash From Financing Activities		**3,468,512,410**	14,357,004,728	19,669,447,098
NET INCREASE IN CASH AND CASH EQUIVALENTS		**9,869,722,900**	3,522,439,439	10,484,315,857
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**27,601,662,533**	24,066,590,081	1,289,597,395
BEGINNING BALANCE OF CASH AND CASH EQUIVALENTS OF ACQUIRED SUBSIDIARIES		**-**	12,633,013	12,292,676,829
CASH AND CASH EQUIVALENTS OF A DECONSOLIDATED SUBSIDIARY		**(6,326,056,393)**	-	-
CASH AND CASH EQUIVALENTS AT END OF YEAR		**P 31,145,329,040**	P 27,601,662,533	P 24,066,590,081

Supplemental Information on Noncash Investing and Financing Activities:

In the normal course of business, the Group enters into noncash transactions such as exchanges or purchases on account of real estate and other assets. Other noncash transactions include transfers of property from Land for Future Development to Property Development Costs or Investment Property as the property goes through its various stages of development (see Note 14).

As of December 31, 2009, the effective ownership interest of the Group in Travellers International Hotel Group, Inc. (Travellers) decreased from 52.2% in 2008 to 45.6% in 2009. Travellers became an associate and was deconsolidated from the Group in 2009 (see Note 12.2).

In 2009, McKester Pik-nik International Limited (MPIL) sold its entire interest in Premium Travellers Limited amounting to U.S.$50.0 million (approximately P2.4 billion). As of December 31, 2009, of the total proceeds from sale, U.S.$20.0 million was already received by MPIL and the remaining U.S.$30.0 million was recorded as part of Others under Trade and Other Receivables in the 2009 consolidated statement of financial position (see Notes 6 and 24).

There are other noncash activities that are not reflected in the consolidated statements of cash flows as disclosed in Notes 9, 10, 12, 13 and 14.

See Notes to Consolidated Financial Statements.

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2009, 2008 AND 2007
(Amounts in Philippine Pesos)

1. CORPORATE INFORMATION

Alliance Global Group, Inc. (the Company or AGI) was incorporated in the Philippines on October 12, 1993, and is authorized to carry out a general mercantile and commercial business of holding, importing and exporting, manufacturing, buying and distributing products of all classes and descriptions, either as principal or distributor, selling and disposing of real and personal properties, including debt and equity securities of any corporation.

Currently, the Company operates primarily as a holding company with ownership interests in the following subsidiaries, associates and a jointly controlled entity (collectively referred to as the Group):

Subsidiaries/Associates/Jointly Controlled Entity	Explanatory Notes	Percentage of Effective Ownership 2009	2008	2007
Subsidiaries				
Real Estate				
Megaworld Corporation (Megaworld)	(a)	**57%**	48%	46%
Travellers International Hotel Group, Inc. (Travellers)	(b)	**-**	52%	100%
New Town Land Partners, Inc. (NTLPI)	(c)	**100%**	100%	100%
First Centro, Inc. (FCI)		**100%**	100%	100%
Adams Properties, Inc. (Adams)	(d, u)	**60%**	60%	-
Megaworld Resort Estates, Inc. (MREI)	(e, u)	**78%**	73%	72%
Megaworld Land, Inc. (MLI)	(f)	**57%**	48%	46%
Prestige Hotels and Resorts, Inc.	(f)	**57%**	48%	46%
Mactan Oceanview Properties and Holdings, Inc.	(f)	**57%**	48%	46%
Megaworld Cayman Islands, Inc. (MCII)	(f)	**57%**	48%	46%
Richmonde Hotel Group International (RHGI)	(f)	**57%**	48%	46%
Eastwood Cyber One Corporation (ECOC)	(f)	**57%**	48%	46%
Forbes Town Properties and Holdings, Inc.	(f)	**57%**	48%	46%
Megaworld Newport Property Holdings, Inc.	(f)	**57%**	48%	46%
Oceantown Properties, Inc.	(f)	**57%**	48%	46%
Piedmont Property Ventures, Inc.	(f, u)	**57%**	48%	-
Stonehaven Land, Inc.	(f, u)	**57%**	48%	-
Streamwood Property Inc.	(f, u)	**57%**	48%	-
Megaworld-Daewoo Corporation	(f)	**34%**	29%	28%
Megaworld Central Properties, Inc.	(f)	**29%**	24%	23%
Megaworld Globus Asia, Inc.	(f)	**28%**	24%	23%
Townsquare Development, Inc. (TDI)	(f, g)	**47%**	44%	72%
Gilmore Property Marketing Associates Inc. (GPMAI)	(f, g)	**47%**	44%	72%
Philippine International Properties, Inc.	(f, u)	**28%**	24%	23%
Oceanic Realty Group International, Inc.	(h)	**100%**	100%	66%
ERA Real Estate Exchange, Inc. (EREEI)	(h)	**100%**	100%	-
First Oceanic Property Management, Inc. (FOPMI)	(h)	**100%**	100%	100%
Citylink Coach Services, Inc.	(i)	**100%**	100%	100%

Subsidiaries/Associates/Jointly Controlled Entity	Explanatory Notes	Percentage of Effective Ownership **2009**	2008	2007
Subsidiaries				
APEC Assets Limited (APEC)	(o, t)	**-**	52%	-
Bright Leisure Management, Inc.	(o, t)	**-**	52%	-
GrandVenture Management Services, Inc.	(o, t)	**-**	52%	-
GrandServices, Inc.	(o, u)	**-**	52%	-
Food and Beverage				
Emperador Distillers, Inc. (EDI)		**100%**	100%	100%
Anglo Watsons Glass, Inc. (AWGI)		**100%**	100%	100%
Tradewind Estates, Inc. (TEI)	(c)	**100%**	100%	100%
Great American Foods, Inc. (GAFI)	(j)	**100%**	100%	100%
McKester America, Inc. (MAI)	(j)	**100%**	100%	100%
The Bar Beverage, Inc. (TBBI)	(k, u)	**100%**	100%	-
Quick Service Restaurant				
Golden Arches Development Corporation (GADC)		**49%**	49%	49%
Golden Arches Realty Corporation (GARC)	(l)	**49%**	49%	49%
Clark Mac Enterprises, Inc.	(l)	**49%**	49%	49%
Advance Foods Concepts Manufacturing, Inc.	(l)	**37%**	37%	49%
Davao City Food Industries, Inc.	(l)	**37%**	37%	37%
Golden Laoag Foods Corporation	(l)	**38%**	38%	34%
First Golden Laoag Ventures	(l)	**34%**	34%	34%
Retiro Golden Foods, Inc.	(l)	**34%**	34%	34%
Corporate and Others				
Alliance Global Brands, Inc. (AGBI)		**100%**	100%	100%
Mckester Pik-Nik International Limited (MPIL)	(c)	**100%**	100%	100%
Emperador International Ltd. (EIL)	(k)	**100%**	100%	100%
Venezia Universal Ltd. (Venezia)		**100%**	100%	100%
Premium Travellers, Ltd. (PTL)	(m)	**-**	100%	-
Travellers Group, Ltd. (TGL)	(n, u)	**100%**	100%	-
Associates				
Travellers	(b)	**46%**	-	-
APEC	(o, t)	**46%**	-	-
Bright Leisure Management, Inc.	(o, t)	**46%**	-	-
GrandVenture Management Services, Inc.	(o, t)	**46%**	-	-
GrandServices, Inc.	(o, u)	**46%**	-	-
Sonoma Premiere Land, Inc. (SPLI)	(p)	**56%**	54%	85%
Alliance Global Properties, Ltd. (AGPL)	(q)	**25%**	-	-
Empire East Land Holdings, Inc. (EELHI)	(r)	**27%**	23%	27%
Suntrust Home Developers, Inc. (SHDI)	(r)	**24%**	20%	20%
Palm Tree Holdings and Development Corporation (PTHDC)	(r)	**23%**	19%	18%
Jointly Controlled Entity				
Golden City Food Industries, Inc. (GCFII)	(s)	**24%**	24%	24%

Explanatory notes:

(a) Formerly an associate of AGI that became a subsidiary on February 16, 2007; AGI's percentage of ownership includes direct and indirect interests of FCI and NTLPI of 3.40% and 20.21% in 2009 and 2.04% and 20.08% in 2008, respectively (see Note 15).

(b) A subsidiary of AGI in 2008 and 2007 and, consequently, became an associate in 2009 when AGI's voting rights was reduced by 3%. Effective ownership interest was reduced to 46% as of December 31, 2009 (see Note 12.2).

(c) Wholly owned subsidiaries of AGBI.
(d) Became a subsidiary in 2008 by way of an increase in ownership interest held during that year; holds 25% ownership interest in Travellers in 2009 and 2008.
(e) Subsidiary acquired in 2007; AGI directly owns 49% plus effective indirect interest by AGI through Megaworld of 29.07% in 2009 and 24.25% in 2008.
(f) Subsidiaries of Megaworld; Percentage ownership represents effective interest of AGI through Megaworld which increased in 2009.
(g) Formerly wholly owned subsidiaries of MREI. Reduced ownership interest of MREI to 60% in 2008 which resulted to 47% and 44% indirect interest of the Company as of December 31, 2009 and 2008, respectively.
(h) Wholly owned subsidiaries of FCI.
(i) Wholly owned subsidiary of FOPMI.
(j) Wholly owned subsidiaries of MPIL.
(k) Wholly owned subsidiaries of EDI.
(l) Subsidiaries of GADC; Percentage ownership represents effective interest of AGI.
(m) Holding entity that owns 7.4% of Travellers' stockholdings; Sold to a third party in 2009 (see Note 12.2)
(n) Subsidiary acquired in December 2008.
(o) Wholly owned subsidiaries of Travellers.
(p) Formerly named Galleria Corsinni Holdings, Inc.; Consolidated with EELHI due to its management's control of the financial and operating policies of SPLI.
(q) Newly acquired associate of Megaworld in 2009 through 44.34% ownership interest of RHGI.
(r) Associates of Megaworld.
(s) Incorporated joint venture of GADC.
(t) Has not yet started commercial operations as of December 31, 2008.
(u) Has not yet started commercial operations as of December 31, 2009.

Except for MPIL, GAFI, MAI, EIL, Venezia, RHGI, MCII, TGL, PTL, AGPL and APEC, the foregoing companies were incorporated in the Philippines and operate within the country. MPIL, EIL, RHGI, Venezia, TGL, PTL and APEC were incorporated and operate in the British Virgin Islands; MCII and AGPL in the Cayman Islands; and GAFI and MAI in the United States of America (USA).

The Company's shares and those of Megaworld, EELHI and SHDI are listed in the Philippine Stock Exchange (PSE).

The Company's registered office and primary place of business, is located at the 7th Floor, 1880 Eastwood Avenue, Eastwood City CyberPark, 188 E. Rodriguez, Jr. Avenue, Bagumbayan, Quezon City. Previous to June 2009, it was at the 20th Floor, IBM Plaza, also in Eastwood City CyberPark.

The consolidated financial statements for the year ended December 31, 2009 (including comparatives for the years ended December 31, 2008 and 2007) were authorized for issue by the Board of Directors on April 28, 2010.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarized below. The policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of Preparation of Consolidated Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

The consolidated financial statements of the Group have been prepared in accordance with the Philippine Financial Reporting Standards (PFRS). PFRS are adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board.

The consolidated financial statements have been prepared using the measurement bases specified by PFRS for each type of asset, liability, income and expense. These consolidated financial statements have been prepared on the historical cost basis, except for the measurement of certain financial assets and liabilities. The measurement bases are more fully described in the accounting policies that follow.

(b) Presentation of Financial Statements

The consolidated financial statements are presented in accordance with Philippine Accounting Standards (PAS) 1 (Revised 2007), *Presentation of Financial Statements*. The Group presents all items of income and expenses in one statement of comprehensive income. Two comparative periods are presented for the statement of financial position when the Group applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements or reclassifies items in the financial statements. In 2009, as there were no retrospective application of accounting policy, retrospective restatement and reclassification in the financial statements, only one comparative period was presented in the consolidated statement of financial position.

(c) Functional and Presentation Currency

These consolidated financial statements are presented in Philippine pesos, the Company's functional and presentation currency. Except for MPIL, GAFI, MAI, EIL, Venezia, RHGI, MCII, TGL, PTL, AGPL and APEC, whose functional currency is the U.S. dollar, all entities in the Group have Philippine peso as their functional currency (see also Note 2.18).

2.2 Adoption of New Interpretations, Revisions and Amendments to PFRS

(a) Effective in 2009 that are Relevant to the Group

In 2009, the Group adopted the following new revisions and amendments to PFRS that are relevant to the Group and effective for consolidated financial statements for the annual period beginning on or after January 1, 2009.

PAS 1 (Revised 2007)	:	Presentation of Financial Statements
PAS 23 (Revised 2007)	:	Borrowing Costs
PAS 32 and PAS 1 (Amendments)	:	Financial Instruments: Presentation and Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation
PFRS 2 (Amendment)	:	Share-based Payment
PFRS 7 (Amendment)	:	Financial Instruments: Disclosures
PFRS 8	:	Operating Segments
Various Standards	:	2008 Annual Improvements to PFRS

Discussed below are the effects on the consolidated financial statements of the new and amended standards.

(i) PAS 1 (Revised 2007), *Presentation of Financial Statements,* requires an entity to present all items of income and expense recognized in the period in a single statement of comprehensive income or in two statements: a separate income statement and a statement of comprehensive income. Income and expense recognized in profit or loss is presented in the statement of income in the same way as the previous version of PAS 1. The statement of comprehensive income includes the profit or loss for the period and each component of income and expense recognized outside of profit or loss or the "non-owner changes in equity", which are no longer allowed to be presented in the statements of changes in equity, classified by nature (e.g., gains or losses on available-for-sale assets or translation differences related to foreign operations). Two comparative periods are presented for the statement of financial position when the Group applies an accounting policy retrospectively, makes a retrospective restatement of items in its consolidated financial statements, or reclassifies items in the consolidated financial statements.

    The Group's adoption of PAS 1 (Revised 2007) did not result in any material adjustments in its consolidated financial statements as it only affects presentation aspects. The Group has elected to present one statement of comprehensive income [see Note 2.1(b)].

(ii) PAS 23 (Revised 2007), *Borrowing Costs*. Under the revised PAS 23, all borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset shall be capitalized as part of the cost of that asset. The option of immediately expensing borrowing costs that qualify for asset recognition has been removed. The Group's adoption of this revised standard did not have significant effects on the consolidated financial statements for 2009 as well as for prior and future periods, as the Group's current accounting policy is to capitalize all interest directly related to qualifying assets.

(iii) PAS 32 (Amendment), *Financial Instruments: Presentation* and PAS 1 (Amendment), *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation*. The amendment requires certain financial instruments that represent a residual interest in the net assets of an entity, which would otherwise be classified as financial liabilities, to be classified as equity, if both the financial instrument and the capital structure of the issuing entity meet certain conditions. The Group's adoption of this amendment has no impact on the 2009 consolidated financial statements.

(iv) PFRS 2 (Amendment), *Share-based Payment*. The amended standard clarifies the definition of vesting conditions and introduces the concept of non-vesting conditions, which are required to be reflected at fair value on the grant date. The adoption of this amendment did not have an impact on the consolidated financial statements.

(v) PFRS 7 (Amendment), *Financial Instruments: Disclosures*. The amendment requires additional disclosures for financial instruments that are measured at fair value in the statement of financial position. These fair value measurements are categorized into a three-level fair value hierarchy, which reflects the extent to which they are based on observable market data. A separate quantitative maturity analysis must be presented for derivative financial liabilities that shows the contractual maturities, where these are essential for an understanding of the timing of cash flows. The adoption of this amendment has resulted only in additional disclosures (see Note 33.2).

(vi) PFRS 8, *Operating Segments*. Under this new standard, a reportable operating segment is identified based on the information about the components of the entity that management uses to make decisions about operating matters. In addition, segment assets, liabilities and performance, as well as certain disclosures, are to be measured and presented based on the internal reports prepared for and reviewed by the chief decision makers. The Group identifies operating segments and reports on segment assets, liabilities, and performance based on internal management reports, therefore, adoption of this new standard did not have an impact on the Group's consolidated financial statements.

(vii) 2008 Annual Improvements to PFRS. The FRSC has adopted the *Improvements to PFRS 2008* which became effective for the annual periods beginning on or after January 1, 2009. The following are the amendments relevant to the Group, adoption of which, did not have an impact on its 2009 consolidated financial statements:

- PAS 1 (Amendment), *Presentation of Financial Statements*. The amendment clarifies that financial instruments classified as held for trading in accordance with PAS 39, *Financial Instruments: Recognition and Measurement*, are not necessarily required to be presented as current assets or current liabilities. Instead, normal classification principles under PAS 1 should be applied.

- PAS 19 (Amendment), *Employee Benefits*. The amendment includes the following:

  - Clarification that a curtailment is considered to have occurred to the extent that benefit promises are affected by future salary increases and a reduction in the present value of the defined benefit obligation results in negative past service cost.

  - Change in the definition of return on plan assets to require the deduction of plan administration costs in the calculation of plan assets return only to the extent that such costs have been excluded from measurement of the defined benefit obligation.

  - Distinction between short-term and long-term employee benefits will be based on whether benefits are due to be settled within or after 12 months of employee service being rendered.

  - Removal of the reference to recognition in relation to contingent liabilities in order to be consistent with PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, which requires contingent liabilities to be disclosed and not recognized.

- PAS 23 (Amendment), *Borrowing Costs*. The amendment clarifies the definition of borrowing costs to include interest expense determined using the effective interest method under PAS 39.

- PAS 27 (Amendment), *Consolidated and Separate Financial Statements*. When an entity prepares separate financial statements and accounts for investments in subsidiaries, jointly controlled entities and associates in accordance with PAS 39 (rather than at cost), such investments will continue to be measured using PAS 39 even if classified as held for sale in accordance with PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*. Investment measured at cost will continue to be re-measured in accordance with PFRS 5 when classified as held for sale.

- PAS 28 (Amendment), *Investment in Associates*. Where an investment in associate is accounted for in accordance with PAS 39, only certain rather than all disclosure requirements in PAS 28 need to be made in addition to disclosures required by PAS 32 and PFRS 7.

- PAS 31, *Interest in Joint Ventures*. Where an investment in joint venture is accounted for in accordance with PAS 39, only certain rather than all disclosure requirements in PAS 31 need to be made in addition to disclosures required by PAS 32 and PFRS 7.

- PAS 36 (Amendment), *Impairment of Assets*. Where fair value less cost to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value in use calculation should be made.

- PAS 38 (Amendment), *Intangible Assets*. The amendment clarifies when to recognize a prepayment asset, including advertising or promotional expenditures. In the case of supply of goods, the entity recognizes such expenditure as an expense when it has right to access the goods. Also, prepayment may only be recognized in the event that payment has been made in advance of obtaining right of access to goods or receipt of services.

- PAS 39 (Amendment), *Financial Instruments: Recognition and Measurement*. The definition of financial asset or financial liability at fair value through profit or loss as it relates to items that are held for trading was changed. A financial asset or liability that is part of a portfolio of financial instrument managed together with evidence of an actual pattern of short-term profit taking is included in such a portfolio on initial recognition.

- PAS 40 (Amendment), *Investment Property*. PAS 40 is amended to include property under construction or development for future use as investment property in its definition of investment property. This results in such property being within the scope of PAS 40; previously it was within the scope of PAS 16. Also, if an entity's policy is to measure investment property at fair value but during construction or development of an investment property the entity is unable to reliably measure its fair value, then the entity would be permitted to measure the investment property at cost until construction or development is complete. At such time, the entity would be able to measure the investment property at fair value.

- PFRS 5 (Amendment), *Non-current Assets Held-for-Sale and Discontinued Operations*. The amendment clarifies that all the assets and liabilities of a subsidiary should be classified as held for sale if the entity is committed to a sale plan involving loss of control of subsidiary, regardless of whether the entity will retain a non-controlling interest after the sale.

(b) Effective in 2009 but not Relevant to the Group

The following amendments and interpretations to published standards are mandatory for accounting periods beginning on or after January 1, 2009 but are not relevant to the Group's financial statements:

PFRS 1 and PAS 27 (Amendments)	:	PFRS 1 – First Time Adoption of PFRS and PAS 27 – Consolidated and Separate Financial Statements
Philippine Interpretations		
IFRIC 13	:	Customer Loyalty Programmes
IFRIC 16	:	Hedges of a Net Investment in a Foreign Operation

(c) Effective Subsequent to 2009

There are new PFRS, revisions, amendments, annual improvements and interpretations to existing standards that are effective for periods subsequent to 2009. Among those pronouncements, management has initially determined the following, which the Group will apply in accordance with their transitional provisions, to be relevant to its consolidated financial statements:

(i) PAS 27 (Revised), *Consolidated and Separate Financial Statements* (effective from July 1, 2009). The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the equity is re-measured to fair value, and a gain or loss is recognized in profit or loss. The Group anticipates that the adoption of this revised standard prospectively from January 1, 2010 will not have a material effect on the Group's consolidated financial statements.

(ii) PAS 32 (Amendment), *Financial Instruments: Presentation – Classification of Rights Issues* (effective from February 1, 2010). The amendment addresses the accounting for rights issues (rights, options or warrants) that are denominated in a currency other than the functional currency of the issuer. In particular, when the amendment is applied, rights (and similar derivatives) to acquire a fixed number of an entity's own equity instruments for a fixed price stated in a currency other than the entity's functional currency, would be equity instruments, provided the entity offers the rights pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. Management does not anticipate the adoption of this amendment to have a material impact on the Group's consolidated financial statements.

(iii) PFRS 3 (Revised), *Business Combinations* (effective from July 1, 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt and subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group will apply this revised standard prospectively.

(iv) Philippine Interpretation IFRIC 15, *Agreements for Construction of Real Estate*, (effective from January 1, 2012). This interpretation provides guidance on how to determine whether an agreement for the construction of real estate is within the scope of PAS 11, *Construction Contracts*, or PAS 18, *Revenue*, and accordingly, when revenue from construction should be recognized. The main expected change in practice is a shift from recognizing revenue using the percentage-of-completion method (i.e., as a construction in progress, by reference to the stage of completion of the development) to recognizing revenue at a single time (i.e., at completion upon or after deliver). The Group will adopt this interpretation in 2012 and is currently evaluating the impact of such adoption in the consolidated financial statements.

(v) Philippine Interpretation IFRIC 19, *Extinguishing Financial Liabilities with Equity Instruments* (effective from July 1, 2010). It addresses accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor to extinguish all or part of the financial liability. These transactions are sometimes referred to as "debt for equity" exchanges or swaps, and have happened with increased regularity during the financial crisis. The interpretation requires the debtor to account for a financial liability which is extinguished by equity instruments as follows:

- the issue of equity instruments to a creditor to extinguish all or part of a financial liability is consideration paid in accordance with PAS 39, *Financial Instruments: Recognition and Measurement*;

- the entity measures the equity instruments issued at fair value, unless this cannot be reliably measured;

- if the fair value of the equity instruments cannot be reliably measured, then the fair value of the financial liability extinguished is used; and,

- the difference between the carrying amount of the financial liability extinguished and the consideration paid is recognized in profit or loss.

Management has determined that the adoption of the interpretation will not have a material effect on its consolidated financial statements as management does not intend to extinguish in the subsequent periods financial liabilities through equity swap.

(vi) Philippine Interpretation IFRIC 17, *Distribution of Non-cash Assets to Owners* (effective from July 1, 2009). IFRIC 17 clarifies that a dividend payable should be recognized when the dividend is appropriately authorized and is no longer at the discretion of the entity. Also, an entity should measure the dividend payable at the fair value of the net assets to be distributed and the difference between the dividend paid and the carrying amount of the net assets distributed in profit or loss. The Group will apply the standard prospectively starting January 1, 2010 but expects it to have no significant impact in the Group's consolidated financial statements.

(vii) 2009 Annual Improvements to PFRS. The FRSC has adopted the *Improvements to PFRS 2009*. Most of these amendments became effective for annual periods beginning on or after July 1, 2009, or January 1, 2010. Among those improvements, only the following amendments were identified to be relevant to the Group's consolidated financial statements:

- PAS 1 (Amendment), *Presentation of Financial Statements* (effective from January 1, 2010). The amendment clarifies the current and non-current classification of a liability that can, at the option of the counterparty, be settled by the issue of the entity's equity instruments. The Group will apply the amendment on its 2010 financial statements but expects it to have no material impact in the Group's consolidated financial statements.

- PAS 7 (Amendment), *Statement of Cash Flows* (effective from January 1, 2010). The amendment clarifies that only an expenditure that results in a recognized asset can be classified as a cash flow from investing activities. The amendment will not have an impact on the consolidated financial statements since only recognized assets are classified by the Group as cash flow from investing activities.

- PAS 17 (Amendment), *Leases* (effective from January 1, 2010). The amendment clarifies that when a lease includes both land and building elements, an entity assesses the classification of each element as finance or an operating lease separately in accordance with the general guidance on lease classification set out in PAS 17. Management will apply the amendment on its 2010 consolidated financial statements and determined that it will not have a significant impact.

- PAS 18 (Amendment), *Revenue* (effective from January 1, 2010). The amendment provides guidance on determining whether an entity is acting as a principal or as an agent. Management will apply this amendment prospectively on its 2010 consolidated financial statements and determined that it will not have a significant impact.

(viii) PFRS 9, *Financial Instruments* (effective from January 1, 2013). PFRS 9 is the first part of Phase 1 of the project to replace PAS 39, *Financial Instruments: Recognition and Measurement*, in its entirety by the end of 2010. The main phases are (with a separate project dealing with derecognition):

- Phase 1: Classification and Measurement
- Phase 2: Impairment Methodology
- Phase 3: Hedge Accounting

PFRS 9 introduces major simplifications of the classification and measurement provisions under PAS 9. These include reduction from four measurement categories into two categories, i.e. fair value and amortized cost, and from several impairment methods into one method.

Management is yet to assess the impact that this amendment is likely to have on the consolidated financial statements of the Group. However, it does not expect to implement the amendments until 2013 when all chapters of the PAS 39 replacement have been published at which time the Group expects it can comprehensively assess the impact of the revised standard.

2.3 Consolidated Financial Statements, Investments in Associates, Interest in a Joint Venture and Non-controlling Interests

The Group's consolidated financial statements comprise the financial statements of the Company and its subsidiaries, as enumerated in Note 1, as of December 31, 2009 and 2008 and for each of the three years in the period ended December 31, 2009, after the elimination of material intercompany transactions. All intercompany balances and transactions with these companies, including income, expenses and dividends and unrealized profits and losses from intercompany transactions that are recognized in assets are also eliminated in full. In addition, shares of stock of the Company acquired by any of these subsidiaries are recognized as treasury stock and these are presented as deduction in the consolidated statement of changes in equity at cost. Any changes in their market values as recognized separately by the subsidiaries are likewise eliminated in full. Intercompany losses that indicate impairment are recognized in the consolidated financial statements.

The financial statements of subsidiaries are prepared for the same reporting period as the Company's, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group accounts for its investments in subsidiaries and associates, interest in a joint venture and transactions with non-controlling interests as follows:

(a) Investments in Subsidiaries

Subsidiaries are all entities over which the Company has the power to control the financial and operating policies. The Company mainly obtains and exercises control through voting rights.

Subsidiaries are consolidated from the date the Company obtains control until such time that such control ceases.

Control also exists when the parent owns half or less the voting power of an entity when there is power over more than half of the voting rights by virtue of an agreement with other investors; power to govern the financial and operating policies of the entity under a statute or an agreement; power to appoint or remove the majority of the members of the board of directors or equivalent governing body and control of the entity is by that board or body; or power to cast the majority votes at meetings of the board of directors or equivalent governing body and control of the entity is by that board or body.

Acquired subsidiaries are subject to application of the purchase method of accounting. This involves the revaluation at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated statement of financial position at their revalued amounts, which are also used as the bases for subsequent measurement in accordance with the Group's accounting policies.

Positive goodwill represents the excess of acquisition cost over the Group's share in the fair value of the identifiable net assets of the acquired subsidiary at the date of acquisition. Negative goodwill represents the excess of the Group's share in the fair value of identifiable net assets of the subsidiary at the date of acquisition over acquisition cost (see Note 2.10).

(b) Investments in Associates

Associates are those entities over which the Group is able to exert significant influence but not control and which are neither subsidiaries nor interests in a joint venture. Investments in associates are initially recognized at cost and subsequently accounted for using the equity method.

Acquired investments in associates are also subject to purchase accounting. However, any goodwill or fair value adjustment attributable to the share in the associates is included in the amount recognized as investment in associates. All subsequent changes to the share of interest in the equity of the associate are recognized in the carrying amount of the Group's investment. Changes resulting from the profit or loss generated by the associate are shown as Share in Net Profits (Losses) of Associates in the Group's consolidated statement of comprehensive income and therefore affect the net results of operations of the Group. These changes include subsequent depreciation, amortization or impairment of the fair value adjustments of the associate's assets and liabilities.

Changes resulting from other comprehensive income of the associates or items that have been directly recognized in the associate's equity, for example, resulting from the associate's accounting for available-for-sale financial assets, are recognized in consolidated other comprehensive income or equity of the Group, as applicable. Any non-income related equity movements of the associate that arise, for example, from the distribution of dividends or other transactions with the associate's shareholders, are charged against the proceeds received or granted. No effect on the Group's net result or equity is recognized in the course of these transactions. However, when the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments in behalf of the associate. If the associate subsequently reports profits, the Group resumes recognizing its share of those profits only after its share of the profits exceeded the accumulated share of losses that has previously not been recognized.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(c) Interest in a Joint Venture

For interest in a jointly controlled operation, the Group recognized in its consolidated financial statements its share of the assets that it controls, the liabilities and the expenses that it incurs and its share in the income from the sale of goods or services by the joint venture. No adjustment or other consolidation procedures are required since the assets, liabilities, income and expenses of the joint venture are recognized in the separate financial statements of the venturers.

For interest in a jointly controlled entity, the Group recognizes in its consolidated financial statements its interest using the equity method. Under the equity method, the interest in a jointly controlled entity is initially recognized at cost and the carrying amount is increased or decreased to recognize the Group's share in the profit or loss of the joint venture after the date of acquisition. Unrealized gains arising from transactions with jointly controlled entity are eliminated to the extent of the Group's interest in joint venture against the related investment. Unrealized losses are eliminated similarly but only to the extent that there is no evidence of impairment of the asset transferred.

(d) Transactions with Non-controlling Interests

The Group applies a policy of treating transactions with non-controlling interests as transactions with parties external to the Group. Disposals of equity investments to non-controlling interests result in gains and losses for the Group that are recorded in the consolidated statement of comprehensive income. Purchases of equity shares from non-controlling interests may result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

2.4 Financial Assets

Financial assets include cash and cash equivalents and other financial instruments. Financial assets, other than hedging instruments, are classified into the following categories: financial assets at fair value through profit or loss (FVTPL), loans and receivables, held-to-maturity investments and available-for-sale (AFS) 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.

Regular purchases and sales of financial assets are recognized on their trade date. All financial assets that are not classified as FVTPL are initially recognized at fair value plus any directly attributable transaction costs. Financial assets at FVTPL are initially recorded at fair value and transaction costs related to it are recognized in profit or loss.

For investments that are actively traded in organized financial markets, fair value is determined by reference to stock exchange quoted market bid prices at the close of business on the reporting period. 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.

(a) 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 FVTPL upon initial recognition. A financial asset is classified in this category if acquired principally for the purpose of selling in the short 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 end of the reporting period.

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 FVTPL may not be subsequently reclassified.

The Group's financial assets included in this category consist mainly of investments in marketable debt securities and derivative assets.

(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 money, goods or services are provided 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 reporting period which are classified as non-current assets.

Loans and receivables are subsequently measured at amortized cost using the effective interest method, less impairment losses. Any change in their value due to impairment is recognized in profit or loss. Impairment loss is provided when there is objective evidence that the Group 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 asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

The Group's financial assets categorized as loans and receivables include Cash and Cash Equivalents, Trade and Other Receivables, Advances to Associated and Other Related Parties and Refundable Deposits (presented under Other Non-current Assets account in the consolidated statement of financial position). 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.

(c) Available-for-sale Financial Assets

This 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 the non-current assets section in the consolidated statement of financial position unless management intends to dispose of the investment within 12 months from the reporting period.

All financial assets within this category are subsequently measured at fair value, unless otherwise disclosed, with unrealized changes in fair value recognized as other comprehensive income or loss, net of any effects arising from income taxes. Gains or losses are recognized as profit or loss in the consolidated statement of comprehensive income when they are sold or when the investment is impaired.

In the case of impairment, the cumulative gain or loss previously recognized in other comprehensive income is transferred to profit or loss in the consolidated statement of comprehensive income. If circumstances change, impairment losses on AFS equity instruments are not reversed through the profit or loss. On the other hand, if in a subsequent period the fair value of an AFS financial instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized, the impairment loss is reversed through other comprehensive income.

The Group's AFS financial assets include investments in marketable equity securities where the Group held no significant influence and whose shares are not listed in the stock exchange (except for listed shares of associates) and investments in marketable debt securities designated by management at initial recognition.

All income and expenses, including impairment losses, relating to financial assets that are recognized in profit or loss are presented as part of Finance Costs and Other Charges or Finance and Other Income in the consolidated statement of comprehensive income.

A financial asset is presented net of a financial liability when the Group: (a) currently has a legally enforceable right to set off the recognized amounts; and (b) intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Noncompounding interest, dividend income and other cash flows resulting from holding financial assets are recognized in profit or loss when earned, regardless of how the related carrying amount of financial assets is measured.

Derecognition 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.

2.5 Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined using the weighted average method, except for food, paper and promotional items which use the first-in, first-out method. Finished goods and work-in-process include the cost of direct materials and labor and a proportion of manufacturing. The cost of raw materials include all costs directly attributable to acquisition such as the purchase price, import duties and other taxes that are not subsequently recoverable from taxing authorities.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. Net realizable value of raw materials is the current replacement cost.

2.6 Real Estate Transactions

Acquisition costs of raw land intended for future development, including other costs and expenses incurred to effect the transfer of title of the property to the Group, are charged to the Land for Future Development account. These costs are reclassified to the Property Development Costs account when the development of the property starts. Related property development costs are then accumulated in this account. Borrowing costs incurred during the development of the real estate properties are also capitalized by the Group as part of the Property Development Costs account.

The cost of real estate property sold before completion of the development is determined based on the actual costs incurred to date plus estimated costs to complete the development of the property. The estimated expenditures for the development of sold real estate property, as determined by the project engineers, are charged to the cost of real estate property sold with a corresponding credit to the Reserve for Property Development account.

Property Development Costs and Residential and Condominium Units for Sale under Inventories are valued at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs to complete and the estimated costs necessary to make the sale. Considering the Group's pricing policy for real estate units for sale, cost is considerably lower than the net realizable value.

The Group recognizes the effect of revisions in the total project cost estimates in the year in which these changes become known. Any impairment loss from a real estate project is charged to operations during the period in which the loss is determined.

2.7 Property, Plant and Equipment

Property, plant and equipment, except land, are stated at cost less accumulated depreciation, amortization and any impairment in value. Land held for use in production or administration is stated at cost less any impairment losses.

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized; expenditures for repairs and maintenance are charged to expense as incurred. When assets are sold, retired or otherwise disposed of, their cost and related accumulated depreciation and impairment losses, if any, are removed from the accounts and any resulting gain or loss is reflected in current operations.

Depreciation is computed on the straight-line basis over the estimated useful lives of the assets as follows:

Buildings and improvements	5 to 40 years
Condominium units	10 to 25 years
Machinery and equipment	2 to 12 years
Transportation equipment	5 years
Fixtures and other equipment	3 to 7 years

Leasehold improvements are amortized over the life of the assets of 5 to 40 years or the term of the lease, whichever is shorter.

Construction in progress represents properties under construction and is stated at cost. Borrowing costs that are directly attributable to the construction of property, plant and equipment are capitalized during the construction period. Construction in progress is not depreciated until such time that the relevant assets are completed and ready for operational use.

Fully depreciated and amortized assets are retained in the accounts until they are no longer in use and no further charge for depreciation and amortization is made in respect of those assets. The residual values and estimated useful lives of property, plant and equipment are reviewed, and adjusted if appropriate, at each reporting period.

An asset's carrying amount is written-down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.19).

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

2.8 Asset Retirement Obligation

GADC is legally required under various lease agreements to dismantle the installations and restore the leased sites at the end of the lease term. It is also GADC's policy to remove permanent improvements or additions which contain designs and configurations inherent to GADC's business signs, trademarks, tradenames, patents, and other similar intellectual property rights belonging to McDonald's Corporation (McDonald's) upon the termination or expiration of lease contract. The present value of the restoration cost at the inception of the contract is recognized as part of the balance of the related property, plant and equipment accounts, which are being depreciated on a straight-line basis over the shorter of the useful life of the related asset or the lease term. The outstanding asset retirement obligation as at the end of the reporting period is presented as part of Other Non-current Liabilities in the consolidated statement of financial position.

2.9 Investment Property

Properties held for lease under operating lease agreements, which comprise mainly of land, buildings and condominium units, are classified as Investment Property and carried at cost net of accumulated depreciation and any impairment in value (see Note 2.19). Depreciation of investment property (excluding land) is computed using the straight-line method over the estimated useful lives of the assets ranging from 5 to 25 years or the term of the lease whichever is shorter.

Investment property is derecognized upon disposal or when permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognized in the consolidated statement of comprehensive income in the year of retirement or disposal.

2.10 Goodwill

Goodwill (included under Intangible Assets account in the consolidated statement of financial position) represents the excess of the cost of acquisition of investments over the fair value of the Group's share in the net identifiable assets of the investee at the date of acquisition (see Note 2.3). Goodwill is measured at cost less accumulated impairment losses, if any. Goodwill is reviewed for impairment at least annually or when events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss recognized for goodwill is not reversed in a subsequent period.

The excess of the Group's share in the net identifiable assets of the investee over the cost of the acquisition is treated as negative goodwill. Any negative goodwill that resulted in the acquisition is included in income in determining the investor's share of the investee's profit or loss in the period in which the investment is acquired.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arises.

2.11 Trademarks

Trademarks acquired and used in the production are accounted for under the cost model. These are included under Intangible Assets account in the consolidated statement of financial position. The cost of the trademarks is the amount of cash paid or the fair value of the other considerations given up to acquire an asset at the time of its acquisition or production. Capitalized costs are amortized on a straight-line basis over the estimated useful life of 10 years. In addition, trademarks are subject to impairment testing as described in Note 2.19.

2.12 Leasehold Rights

Leasehold rights, which are included under Intangible Assets account in the consolidated statement of financial position, are stated at cost, which includes the purchase price and other direct costs, less accumulated amortization and any impairment in value. Leasehold rights are amortized on a straight-line basis over the term of the lease.

When leasehold rights are retired or otherwise disposed of, the cost and the related accumulated amortization and any impairment in value are removed from the accounts. Any resulting gain or loss is credited to or charged against current operations.

2.13 Financial Liabilities

The categories of financial liabilities relevant to the Group are more fully described below.

(a) Financial Liabilities at FVTPL

Financial liabilities are classified in this category if they are held for trading or derivative transactions that are not accounted for as accounting hedges, or when the Group elects to designate a financial liability under this category.

The Group occasionally uses derivative financial instruments, such as foreign exchange forward contracts, to manage its risks associated with fluctuations in foreign currency. Such derivative financial instruments are initially recognized at fair value on the date on which the derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The Group's derivative instruments provide economic hedges under the Group's policies but are not designated as accounting hedges. Consequently, any gains or losses arising from changes in fair value are taken directly to net profit or loss for the period.

(b) Financial Liabilities at Amortized Costs

This category pertains to financial liabilities that are not held-for-trading or not designated as FVTPL upon inception of the liability. These include liabilities arising from operations or borrowings.

Financial liabilities, which include interest-bearing loans and borrowings, bonds payable, trade and other payables, advances from related parties, redeemable preferred shares and other liabilities, are recognized when the Group becomes a party to the contractual agreements of the instrument. All interest related charges are recognized as expense in the consolidated statement of comprehensive income under the caption Finance Costs and Other Charges.

Interest-bearing loans and borrowings and bonds payable are raised for support of long-term funding of operations. These are recognized at proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to profit or loss on an accrual basis using the effective interest method and are added to the carrying amount of the instrument to the extent that these are not settled in the period in which they arise.

Trade and other payables, advances from related parties and other liabilities are recognized initially at their fair values and subsequently measured at amortized cost, using effective interest method for maturities beyond one year, less settlement payments.

Obligations under finance lease (included as part of Other Liabilities account) are recognized at amounts equal to the fair value of the leased property or, if lower, at the present value of minimum lease payments, at the inception of the lease (see Note 2.17).

Redeemable preferred shares, which are mandatorily redeemable at the option of the holder, are recognized at fair value, net of transaction costs, on inception date and presented as liability in the consolidated statement of financial position; the liability is subsequently measured at amortized cost. The corresponding accretion of the liability and the dividends paid on those shares are charged as part of Interest Expense under Finance Costs and Other Charges in the consolidated statement of comprehensive income.

Dividend distributions to shareholders are recognized as financial liabilities when the dividends are declared by the BOD.

Financial liabilities are derecognized from the consolidated statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration.

2.14 Provisions

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. Any reimbursement expected to be received in the course of settlement of the present obligation is recognized, if virtually certain as a separate asset, not exceeding the amount of the related provision. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When time value of money is material, long-term provisions are discounted to their present values using a pretax rate that reflects market assessment and the risks specific to the obligation. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the consolidated financial statements. Similarly, possible inflows of economic benefits that do not yet meet the recognition criteria of an asset are considered contingent assets, hence, are not recognized in the consolidated financial statements. On the other hand, any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

2.15 Revenue and Expense 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. In addition, the following specific recognition criteria must also be met before revenue is recognized:

(a) *Sale of residential and condominium units* – For financial reporting purposes, revenues from transactions covering sales of residential and condominium units are recognized under the percentage-of-completion method. Under this method, realization of gross profit is recognized by reference to the stage of development of the properties, i.e., revenue is recognized in the period in which the work is performed. The unrealized gross profit on a year's sales is presented as Deferred Gross Profit on Real Estate Sales in the consolidated statement of comprehensive income; the cumulative unrealized gross profit as of the end of the year is shown as Deferred Income on Real Estate Sales (current and non-current liabilities) in the consolidated statement of financial position.

The sale is recognized when a certain percentage of the total contract price has already been collected. If the transaction does not yet qualify as sale, the deposit method is applied until all conditions for recording the sale are met. Pending the recognition of sale, payments received from buyers are presented under the Customers' Deposits account in the liabilities section of the consolidated statement of financial position.

For tax reporting purposes, a modified basis of computing the taxable income for the year based on collections from sales is used by certain subsidiaries while other subsidiary reports revenues for tax purposes based also on the percentage-of-completion method.

Any adjustments relative to sales are recorded in the current year as they occur.

(b) *Sale of undeveloped land* – Revenues on sale of undeveloped land are recognized using the full accrual method. Under the full accrual method, revenue is recognized when the risks and rewards of ownership on the undeveloped land have passed to the buyer and the amount of revenue can be measured reliably.

(c) *Sale of goods* – Revenue is recognized when the risks and rewards of ownership of the goods have passed to the buyer. This is generally when the customer has taken undisputed delivery of goods.

(d) *Franchise fees* – Revenue from franchised restaurants (including the restaurant operated by a joint venture) includes continuing rental, royalty and management fees as well as initial fees. Continuing fees are recognized in the period earned. Initial fees are recognized upon opening of a restaurant when the subsidiary has substantially performed all services required by the franchise agreement.

(e) *Rental and hotel income* – Revenue is recognized when the performance of mutually agreed tasks has been performed. Leases which do not transfer to the lessee substantially all the risks and benefits of ownership of the asset are classified as operating leases. Rental income is recognized on a straight-line basis over the lease terms.

(f) *Interest* – Revenue is recognized as the interest accrues taking into account the effective yield on the asset.

(g) *Dividends* – Revenue is recognized when the stockholders' right to receive the payment is established.

Costs and expenses are recognized in profit or loss upon utilization of the service or at the date they are incurred. All finance costs are reported in profit or loss on an accrual basis, except capitalized borrowing costs which are included as part of the cost of the related qualifying asset (see Note 2.16).

Costs of residential and condominium units sold before completion of the projects include the acquisition cost of the land, development costs incurred to date and estimated costs to complete the project, determined based on estimates made by the project engineers (see Note 2.6).

2.16 Borrowing Costs

Borrowing costs are recognized as expenses in the period in which they are incurred, except to the extent that they are capitalized. Borrowing costs that are attributable to the acquisition, construction or production of a qualifying asset (i.e., an asset that takes a substantial period of time to get ready for its intended use or sale) are capitalized as part of the cost of such asset. The capitalization of borrowing costs commences when expenditures for the asset are being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization ceases when substantially all such activities are complete.

2.17 Leases

The Group determines whether an arrangement is, or contains, a lease based on the substance of the arrangement. It makes 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) Group as Lessee

Leases which transfer to the Group substantially all risks and benefits incidental to ownership of the leased item are classified as finance leases and are recognized as assets and liabilities in the consolidated statement of financial position at the inception of the lease at amounts equal to the fair value of the leased property or, if lower, at the present value of minimum lease payments. Lease payments are apportioned between the finance costs and reduction of lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance costs are directly charged against income. Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases which do not transfer to the Group substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as expense in profit or loss on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

(b) Group as Lessor

Leases wherein the Group substantially transfers to the lessee all risks and benefits incidental to ownership of the leased item are classified as finance leases and are presented as receivable at an amount equal to the Group's net investment in the lease. Finance income is recognized based on the pattern reflecting a constant periodic rate of return on the Group's net investment outstanding in respect of the lease.

Leases which do not transfer to the lessee substantially all the risks and benefits of ownership of the asset are classified as operating leases. Lease income from operating leases is recognized as income in profit or loss on a straight-line basis over the lease term.

2.18 Functional Currency and Foreign Currency Transactions

(a) Functional and Presentation Currency

Items included in the consolidated financial statements of the Group are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Philippine pesos, which is the Company's functional and presentation currency.

(b) *Transactions and Balances*

Foreign currency transactions during the year are translated into the functional currency at exchange rates which approximate those prevailing on transaction dates.

Foreign currency 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 statement of comprehensive income.

(c) *Translation of Financial Statements of Foreign Subsidiaries and an Associate*

The operating results and financial position of MPIL, GAFI, MAI, EIL, Venezia, RHGI, MCII, TGL, PTL, AGPL and APEC which are measured using the U.S. dollars, their functional currency, are translated to Philippine pesos, the Company's functional currency as follows:

(i) Assets and liabilities for each reporting period presented are translated at the closing rate at the end of the reporting period;

(ii) Income and expenses are translated at average exchange rates over the reporting period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and,

(iii) All resulting exchange differences are recognized in other comprehensive income and in a separate component of equity under Accumulated Translation Adjustments.

When a foreign operation is sold, such exchange differences are recognized in profit or loss as part of the gain or loss on sale.

Goodwill arising on the acquisition of a foreign entity are treated as assets of the foreign entity and translated at the closing rate.

The translation of the financial statements into Philippine peso should not be construed as a representation that the U.S. dollar amounts could be converted into Philippine peso amounts at the translation rates or at any other rates of exchange.

2.19 Impairment of Non-financial Assets

The Group's investments in associates and interest in a joint venture, property, plant and equipment, investment property, land for future development and intangible assets are subject to impairment testing. For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Individual assets or cash-generating units that include goodwill and other intangible assets with an indefinite useful life or those not yet available for use are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognized for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs-to-sell, and value-in-use, based on an internal evaluation of discounted cash flow. Impairment losses recognized for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro-rata to the other assets in the cash generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist.

2.20 Employee Benefits

(a) Post-employment Defined Benefit Plan

Retirement benefit cost is actuarially determined using the projected unit credit method as computed by actuaries covering all regular full-time employees of each of the respective entities within the Group as applicable.

A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for any benefits from this kind of post-employment plan remains with an entity, even if plan assets for funding the defined benefit plan have been acquired.

The liability recognized in the consolidated statement of financial position for defined benefit plan is the present value of the defined benefit obligation (DBO) at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs. The present value of the DBO is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximate to the terms of the related post-employment liability.

Actuarial gains and losses are not recognized as an expense unless the total unrecognized gain or loss exceeds 10% of the greater of the obligation and related plan assets. The amount exceeding this 10% corridor is charged or credited to profit or loss over the employees' expected average remaining working lives. Actuarial gains and losses within the 10% corridor are disclosed separately.

Past service costs are recognized immediately in profit or loss, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortized on a straight-line basis over the vesting period.

(b) Post-employment Defined Contribution Plan

The Group also contributes to a defined contribution plan. Under a defined contribution plan, an entity has no legal or constructive obligation to pay further contributions after payment of the fixed contribution. The contributions recognized in respect of defined contribution plans are expensed as they fall due. Liabilities and assets may be recognized if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short-term nature.

(c) Termination Benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits when it is demonstrably committed to either: (i) terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or (ii) providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the reporting period are discounted to present value.

(d) Share-based Payment Transactions

Certain employees of GADC received remuneration in the form of stock options on the shares of McDonald's. The cost of the stock options was measured by reference to the fair value of the stock options, which was the compensation charged by McDonald's for participating in the plan on the date of grant.

The cost of the stock options is recognized as employee benefits in profit or loss, with a corresponding increase in liability, over a period beginning on the date of grant and ending on the date on which the qualified employees become fully entitled to the award (vesting date). The cumulative expense recognized for the stock options at each reporting date until the vesting date reflects the extent to which the vesting period has expired, without regard to the number of awards that will ultimately vest.

2.21 Income Taxes

Tax expense comprises the sum of deferred tax and current tax recognized in profit or loss plus deferred tax recognized in other comprehensive income or directly in equity, if any.

Current tax assets or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the end of the reporting period. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in profit or loss.

Deferred tax is provided, using the liability method, on temporary differences at the end of the reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carryforward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deferred tax asset can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled provided such tax rates have been enacted or substantively enacted at the end of the reporting period.

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in profit or loss. Only changes in deferred tax assets or liabilities that relate to items recognized in other comprehensive income or directly in equity are recognized in other comprehensive income or directly in equity.

2.22 Equity

Capital stock represents the nominal value of shares that have been issued.

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

Treasury shares are the Company’s own stock reacquired by the Company or its subsidiaries but not cancelled and are carried at cost.

Revaluation reserves comprise of fair value gains or losses recognized on AFS financial assets.

Accumulated translation adjustments represent the translation adjustments resulting from the conversion of foreign currency denominated financial statements of certain subsidiaries into the Group’s presentation currency (see Note 2.18).

Dilution gain or loss arises when an investor exercises its pre-emptive rights to maintain its ownership interest in an investee. This represents the difference between the book value per share in an investee versus the investee's offer price at the time the rights are exercised. This also includes the Company’s share in previous year’s profit (loss) as a result of the current increase (decrease) in equity ownership over its subsidiaries.

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

2.23 Earnings Per Share

Basic earnings per share (EPS) is computed by dividing net income attributable to equity holders of the parent company by the weighted average number of shares issued and outstanding, adjusted retroactively for any stock dividend, stock split or reverse stock split declared during the current year.

Diluted EPS is computed by adjusting the weighted average number of ordinary shares outstanding to assume conversion of dilutive potential shares.

2.24 Segment Reporting

In identifying its operating segments, management generally follows the Group's operating businesses which are recognized and managed separately according to the nature of the products marketed and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

The measurement policies the Group uses for segment reporting are the same as those used in its consolidated financial statements. There have been no changes from prior periods in the measurement methods used to determine reported segment profit or loss.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The Group's consolidated financial statements prepared in accordance with PFRS require management to make judgments and estimates that affect amounts reported in the consolidated financial statements and related notes. Judgments and estimates 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. Actual results may ultimately vary from these estimates.

3.1 Critical Management Judgments in Applying Accounting Policies

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

(a) Impairment of AFS Financial Assets

The Group follows the guidance of PAS 39 in determining when an investment is other-than-temporarily impaired. This determination 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. The fair value of the Group's AFS financial assets increased by P1.8 billion in 2009 and decreased by P2.2 billion in 2008. However, the decrease in fair value in 2008 was not considered by management as objective evidence that the said financial assets were impaired as the decrease was considered (and proved to be) temporary.

(b) Distinction Between Investment Property and Owner-occupied Property

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

(c) Operating and Finance Leases

The Group has entered into various lease agreements as either a lessor or lessee. Critical judgment is 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.

(d) Provisions and Contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition of provisions and contingencies are discussed in Notes 2.14 and 31.

3.2 Key Sources of Estimation Uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(a) Estimated Allowance for Impairment of Trade and Other Receivables

The Group maintains an allowance for impairment of receivables at a level considered adequate to provide for potential uncollectible receivables. The level of this allowance is evaluated by management on the basis of factors that affect the collectibility of the accounts. These factors include, but are not limited to, the length of the Group's relationship with the customer, the customer's payment behavior and known market factors. The Group identifies and provides for specific accounts that are doubtful of collection and reviews the age and status of the remaining receivables, and establishes a provision considering, among others, historical collection and write-off experience.

The carrying value of trade and other receivables and an analysis of allowance for impairment on such receivables are presented in Note 6.

(b) *Determining the Net Realizable Values of Inventories and Real Estate Properties and Estimated Allowance for Inventories Obsolescence*

In determining the net realizable values of inventories and real estate properties, management takes into account the most reliable evidence available at the times the estimates are made. Net realizable value of real estate properties is one of the key variables used in analyzing property development costs, investment property and land for future development for possible impairment. The Group's core business is subject to changes in market factors that directly affect the demand for inventories and real estate properties such as purchasing power of consumers, degree of competition, and other market-related factors. Future realization of inventories and real estate properties is affected by price changes in the costs incurred necessary to make a sale. Changes in the sources of estimation may cause significant adjustments to the Group's inventories and real estate properties within the next financial year.

The amounts of allowance for inventory obsolescence made by management are based on a number of factors, which include, among others, age and status of inventories and the Group's past experience. The net realizable value of inventories and an analysis of allowance for obsolescence on such inventories are presented in Note 8.

(c) *Estimated Useful Lives of Property, Plant and Equipment, Investment Property and Intangible Assets*

The Group estimates the useful lives of property, plant and equipment, investment property and intangible assets based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment, investment property and intangible assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. The carrying amounts of property, plant equipment, investment property and intangible assets are analyzed in Notes 13, 14 and 15, respectively. Actual results, however, may vary due to changes in factors mentioned above. Based on management assessment, no change in the estimated useful lives of the assets is necessary as of December 31, 2009 and 2008.

(d) *Valuation of Investment Property*

Investment Property is measured using the cost model. The fair value disclosed in Note 14 to the consolidated financial statements is determined by the Group using the discounted cash flows valuation technique since the information on current or recent prices of investment property is not available. The Group uses assumptions that are mainly based on market conditions existing at each reporting period, such as, the receipt of contractual rentals, expected future market rentals, void periods, maintenance requirements and appropriate discount rates. These valuations are regularly compared to actual market yield data, and actual transactions by the Group and those reported by the market. The expected future market rentals are determined on the basis of current market rentals for similar properties in the same location and condition.

(e) Recognition of Asset Retirement Obligation

Property, plant and equipment includes the estimated cost of dismantling and restoring leased properties (building and leasehold improvements) to their original condition for which the Group is liable. The estimated cost was initially based on a recent cost to dismantle facilities. This was adjusted to consider estimated incremental annual cost up to the end of the lease term. The estimated dismantling cost was discounted using the prevailing market rate at the inception of the lease for an instrument with maturity similar to the term of the lease.

Asset Retirement Obligation (ARO) amounted to P18.1 million and P15.5 million as of December 31, 2009 and 2008, respectively (see Note 20).

(f) Revenue Recognition Using the Percentage-of-Completion Method

The Group uses the percentage-of-completion method in accounting for its realized gross profit on real estate sales. The use of the percentage-of-completion method requires the Group to estimate the portion completed to date as a proportion of the total budgeted cost of the project.

(g) Valuation of Financial Assets Other than Trade and Other Receivables

The Group carries certain financial assets at fair value, which requires the extensive use of accounting estimates and judgment. Significant components of fair value measurement are determined using verifiable objective evidence such as foreign exchange rates, interest rates and volatility rates. However, the amount of changes in fair value would differ if the Group utilized different valuation methods and assumptions. Any change in fair value of these financial assets and liabilities would affect profit and loss and other comprehensive income. The carrying amounts of financial assets at FVTPL and AFS financial assets are disclosed in Notes 7 and 11, respectively.

(h) Realizable Amount of Deferred Tax Assets

The Group reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. An analysis of the carrying amount of deferred tax assets, which management assessed to be fully utilizable in the coming years, is presented in Note 27.1.

(i) Impairment of Non-financial Assets

Except for goodwill and intangible assets with indefinite useful lives which are reviewed annually for impairment, PFRS requires that an impairment review be performed when certain impairment indicators are present. The Group's policy on estimating the impairment of non-financial assets is discussed in detail in Note 2.19. Though management believes 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 effect on the results of operations.

Impairment losses recognized on non-financial assets are discussed in Notes 13, 14 and 15.

(j) Post-employment Defined Benefit

The determination of the Group's obligation and cost of post-employment defined benefit is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 26.2 and include, among others, discount rates, expected return on plan assets and salary increase rate. In accordance with PFRS, actual results that differ from the assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligation in such future periods.

The estimated present value of the retirement benefit obligation, fair value of plan assets and net unrecognized actuarial gains and losses are presented in Note 26.2.

4. SEGMENT INFORMATION

4.1 Business Segments

The Group is organized into three major business segments, namely food and beverage, real estate, and quick service restaurant. Entities not classified under the three main business segments are retained as part of corporate and investments. Presented below is the basis of the Group in reporting its primary segment information.

(a) The *Food and Beverage* segment includes the manufacture and distribution of distilled spirits, glass containers and potato snacks products.

(b) The *Real Estate* segment is engaged in the development of real estate, leasing of properties, hotel operations and tourism-oriented businesses.

(c) The *Quick Service Restaurant* includes operations of McDonald's restaurants in the Philippines in accordance with the franchise agreement with McDonald's Corporation, USA.

4.2 Segment Assets and Liabilities

Segment assets include all operating assets used by a segment and consist principally of operating cash, receivables, inventories, property, plant and equipment, intangibles assets and investment property. Segment liabilities include all operating liabilities and consist principally of trade and other payables, loans, customers' deposits, bonds payable and accrued liabilities.

4.3 Intersegment Transactions

Segment revenues, expenses and performance include sales and purchases between business segments. Such sales and purchases are eliminated in consolidation.

The following tables present revenue and profit information regarding business segments for the years ended December 31, 2009, 2008 and 2007 and certain asset and liability information regarding segments as at December 31, 2009, 2008 and 2007 (amounts in millions).

2009

	Segments					
	Food and Beverage	Real Estate	Quick Service Restaurant	Total	Corporate and Investments	Consolidated
REVENUES	P 6,267	P 17,873	P 9,695	P 33,835	P 5,008	P 38,843
RESULTS						
Segment results	P 853	P 5,480	P 748	P 7,081	P 1,711	P 8,792
Tax expense						(1,984)
Net income						P 6,808
ASSETS AND LIABILITIES						
Total assets	P 7,307	P 107,157	P 7,218	P 121,682	P 6,655	P 128,337
Total liabilities	P 1,288	P 35,763	P 3,696	P 40,747	P 5,489	P 46,236
OTHER SEGEMENT INFORMATION						
Capital expenditures	P 75	P 2,308	P 399	P 2,782	P -	P 2,782
Depreciation and amortization	P 323	P 377	P 403	P 1,103	P 3	P 1,106

2008

	Segments					
	Food and Beverage	Real Estate	Quick Service Restaurant	Total	Corporate and Investments	Consolidated
REVENUES	P 5,832	P 17,979	P 8,590	P 32,401	P 3,708	P 36,109
RESULTS						
Segment results	P 711	P 4,635	P 328	P 5,674	P 2,038	P 7,712
Tax expense						(1,607)
Net income						P 6,105
ASSETS AND LIABILITIES						
Total assets	P 6,756	P 94,244	P 6,627	P 107,627	P 4,464	P 112,091
Total liabilities	P 269	P 24,995	P 3,477	P 28,741	P 6,068	P 34,809
OTHER SEGEMENT INFORMATION						
Capital expenditures	P 117	P 10,188	P 793	P 11,098	P 10	P 11,108
Depreciation and amortization	P 302	P 247	P 379	P 928	P 2	P 930

2007

	Segments					
	Food and Beverage	**Real Estate**	**Quick Service Restaurant**	**Total**	**Corporate and Investments**	**Consolidated**
REVENUES	P 7,173	P 14,958	P 7,497	P 29,628	P 823	P 30,451
RESULTS						
Segment results	P 1,926	P 3,855	P 455	P 6,236	P 268	P 6,504
Tax expense						(1,295)
Income before preacquisition income						5,209
Preacquisition income						(176)
Net income						P 5,033
ASSETS AND LIABILITIES						
Total assets	P 6,704	P 66,055	P 5,958	P 78,717	P 10,653	P 89,370
Total liabilities	P 1,397	P 19,296	P 2,868	P 23,561	P 36	P 23,597
OTHER SEGEMENT INFORMATION						
Capital expenditures	P 547	P 417	P 548	P 1,512	P -	P 1,512
Depreciation and amortization	P 272	P 226	P 329	P 827	P 2	P 829

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of December 31 are as follows:

	Note	**2009**	2008
Cash on hand and in banks		**P 7,764,292,576**	P 1,544,895,567
Short-term placements	17	**23,381,036,464**	26,056,766,966
		P 31,145,329,040	P27,601,662,533

Cash accounts with the banks generally earn interest at rates based on daily bank deposit rates. Short-term placements are made for varying periods between 15 to 90 days at prevailing market rates.

A portion of short-term placements placed by RHGI with a certain bank is covered by a set-off provision. The amount of compensating loan set-off against short-term placements totaled U.S.$3.6 million (P168.7 million) as of December 31, 2008 and none in 2009.

6. TRADE AND OTHER RECEIVABLES

Trade and other receivables consist of:

	Notes	2009	2008
Current:			
Trade	28	**P 11,720,327,230**	P 13,135,749,023
Advances to employees and related parties	28.4	**905,573,601**	123,474,020
Advances to contractors and suppliers		**606,142,172**	492,497,844
Accrued interest receivable		**65,662,710**	226,183,331
Others	24	**1,881,058,864**	223,259,695
		15,178,764,577	14,201,163,913
Allowance for impairment		**(89,826,807)**	(95,462,080)
		P 15,088,937,770	P 14,105,701,833
Non-current:			
Trade		**P 13,537,274,512**	P 6,742,185,477
Others		**1,026,423**	1,026,424
		P 13,538,300,935	P 6,743,211,901

A reconciliation of the allowance for impairment at beginning and end of 2009 and 2008 is shown below.

	Notes	2009	2008
Balance at beginning of year		**P 95,462,080**	P 43,488,654
Reversals due to recovery and collection of accounts	24	**(6,753,327)**	(11,639,279)
Impairment losses during the year	23	**2,055,436**	65,396,395
Write-off of trade receivables previously provided with allowance		**(937,382)**	(1,783,690)
		P 89,826,807	P 95,462,080

Certain trade receivables from real estate customers are covered by postdated checks. The installment period of real estate sales contracts ranges from one to five years. The title to the real estate properties remains with the Group until the receivables are fully collected. These trade receivables are noninterest-bearing and are remeasured at amortized cost using the effective interest rate of 10%. Interest income from amortization amounted to P714.2 million in 2009, P612.3 million in 2008 and P382.5 million in 2007, and are presented as Interest Income on Real Estate Sales account in the consolidated statements of comprehensive income.

Certain past due accounts are not provided with allowance for impairment to the extent of the expected market value of the property sold to the customer. Impairment losses are presented as part of Other Operating Expenses - Others (see Note 23). Reversals of previously impaired receivables but subsequently recovered and collected in the reporting period shown are as part of Miscellaneous under Finance and Other Income in the consolidated statements of comprehensive income (see Note 24).

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

This account consists of the following:

	2009	2008
Investments in marketable debt securities	**P 1,468,089,528**	P 1,834,995,456
Derivative assets	**670,581,604**	-
	P 2,138,671,132	P 1,834,995,456

Investments in marketable debt securities are measured at their fair values determined directly by reference to published prices quoted in an active market as of December 31, 2009 and 2008. The changes in fair values of these financial assets are presented as part of Fair Value Gains under Finance and Other Operating Income and Fair Value Losses under Finance Costs and Other Charges in the consolidated statements of comprehensive income (see Notes 24 and 25).

A portion of the investments in marketable debt securities placed with certain banks are covered by a set-off provision. The loans set-off against marketable debt securities amounted to U.S.$37.9 million (P1.82 billion) as of December 31, 2008 and nil as of December 31, 2009.

The Derivative Assets represent foreign currency forward option contract with a certain bank maturing with certain currencies against the U.S. dollar in 2009. As of December 31, 2009, the option has a positive value of U.S.$14.5 million with changes in foreign currency value charged against profit or loss and is recorded as part of Fair Value Gains – net under Finance and Other Income in the 2009 consolidated statement of comprehensive income (see Note 24).

8. INVENTORIES

The details of inventories are shown below.

	2009	2008
At cost:		
Residential and condominium units for sale	**P 5,735,690,005**	P 5,864,958,827
Finished goods	**1,131,690,348**	705,133,429
Work-in process	**5,514,118**	10,510,172
Raw materials	**615,823,332**	711,404,434
	7,488,717,803	7,292,006,862
At net realizable value – Supplies and other consumables	**301,633,515**	436,974,748
	P 7,790,351,318	P 7,728,981,610

The carrying amounts of supplies and other consumables are net of allowance for inventory writedown of P38.1 million and P50.4 million as of December 31, 2009 and 2008, respectively. A reconciliation of the allowance for inventory writedown is shown below.

	Notes	2009	2008
Balance at beginning of year		**P 50,417,968**	P 21,769,152
Additions during the year	23	**10,247,306**	31,906,987
Reversal of write-down	24	**(22,601,674)**	(3,258,171)
Balance at end of year		**P 38,063,600**	P 50,417,968

The write-down on inventories of P10.2 million in 2009, P31.9 million in 2008 and P9.0 million in 2007 were recognized to reduce the inventories of paper and promotional items, restaurant equipment and construction materials (shown under Supplies and Other Consumables) to their net realizable value. Also, the reversals of inventory write-down amounting to P22.6 million, P3.3 million and P25.0 million in 2009, 2008 and 2007, respectively, were recognized from disposal to third parties of previously written down items. The reversals are shown as part of Miscellaneous under Finance and Other Income in the consolidated statements of comprehensive income (see Note 24).

9. OTHER ASSETS

The details of this account are shown below.

	2009	2008
Current:		
Prepayments	**P 446,803,850**	P 257,205,800
Input VAT	**237,860,048**	404,311,107
Creditable withholding tax	**195,798,817**	247,959,594
Others	**50,452,626**	163,041,368
	P 930,915,341	P 1,072,517,869
Non-current:		
Refundable deposits	**P 319,570,050**	P 265,108,476
Claims for tax refund	**112,282,175**	119,602,964
Deferred input VAT – net	**95,556,043**	132,886,594
Prepaid rent	**64,564,663**	47,816,733
Advances to a supplier	**-**	476,064,000
Others	**219,300,021**	142,129,200
	P 811,272,952	P 1,183,607,967

Non-current Advances to a Supplier pertained to payments for the production of an aircraft, assumed by APEC from Genting Management Services, Inc. in 2008. The aircraft would be used to provide air transportation services to Traveller's valued clients. Since Travellers was deconsolidated in 2009, the account was no longer presented in the 2009 consolidated statement of financial position (see Note 12.2).

10. ADVANCES TO LANDOWNERS AND JOINT VENTURES

Megaworld enters into numerous joint venture agreements for the joint development of various projects. The joint venture agreements stipulate that Megaworld's joint venturer shall contribute parcels of land and Megaworld shall be responsible for the planning, conceptualization, design, demolition of existing improvements, construction, financing and marketing of condominium to be constructed on the properties. Costs incurred for these projects are recorded under the Property Development Costs account in the consolidated statements of financial position (see Note 2.6).

Megaworld also grants non-interest bearing, secured cash advances to a number of landowners and joint ventures under agreements they entered into with landowners covering the development of certain parcels of land. Under the terms of the agreements, in addition to providing specified portion of total project development costs, Megaworld also commits to advance mutually agreed-upon amounts to the landowners to be used for pre-development expenses such as the relocation of existing occupants.

Repayment of these advances shall be made upon completion of the project development either in the form of the developed lots corresponding to the owner's share in saleable lots or in the form of cash to be derived from the sales of the landowner's share in the saleable lots and residential and condominium units.

The total amount of advances made by Megaworld, less repayments, is presented as part of the Advances to Landowners and Joint Ventures account in the consolidated statements of financial position.

The net commitment for cash advances under the joint venture agreements amount to:

	2009	2008
Total commitment for cash advances	**P 958,720,120**	P 247,730,000
Total cash advances granted	**(958,720,120)**	(247,730,000)
Net commitment	**P -**	P -

On the other hand, the net commitment for construction expenditures amounts to:

	2009	2008
Total commitment for construction expenditures	**P6,999,089,356**	P6,164,100,646
Total expenditures incurred	**(4,014,820,948)**	(3,244,787,600)
Net commitment	**P2,984,268,408**	P2,919,313,046

Megaworld's interests on jointly-controlled operations and projects range from 72% to 95% in both 2009 and 2008. The list of Megaworld's jointly controlled projects are as follows:

- McKinley Hills
- Newport City
- Manhattan Parkway Residences
- Greenbelt Excelsior
- Forbeswood Heights
- Forbeswood Parklane 1 & 2

As of December 31, 2009 and 2008, Megaworld has no other contingent liabilities with regard to these joint ventures or has assessed that the probability of loss that may arise from contingent liabilities is remote.

11. AVAILABLE-FOR-SALE FINANCIAL ASSETS

This account comprises the following:

	2009	2008
Investment in equity instruments	**P 818,456,952**	P 674,526,260
Investment in debt instruments	**148,299,890**	3,273,653,414
	P 966,756,842	P3,948,179,674

In 2009, RHGI sold certain AFS financial assets amounting to U.S.$73.2 million (P3.5 billion) which is the market value at the date of sale. The related gain on sale was recognized as part of Gain on Sale of Investment in AFS Financial Assets under Finance and Other Income in profit or loss (see Note 24).

The fair values of AFS financial assets have been directly determined by reference to published prices in an active market. The fair value gains (losses) arising from the investments in AFS financial assets are reported as Net Unrealized Fair Value Gains (Losses) on Available-for-sale Financial Assets under Other Comprehensive Income in the consolidated statements of comprehensive income which amounted to P1.8 billion gain, P2.2 billion loss and P241.9 million gain in 2009, 2008 and 2007, respectively.

12. INVESTMENTS IN AND ADVANCES TO ASSOCIATES AND OTHER RELATED PARTIES

12.1 Breakdown of Carrying Values

The details of investments in and advances to associates and other related parties and interest in a joint venture, which are carried at equity, are as follows:

	2009	2008
Investments of Megaworld in associates -		
Acquisition costs:		
EELHI	**P 5,726,128,415**	P 5,726,128,415
AGPL	**1,583,687,182**	-
SHDI	**875,445,000**	875,445,000
PTHDC	**64,665,000**	64,665,000
	8,249,925,597	6,666,238,415
Accumulated share in net profits:		
Balance at beginning of year	**1,237,848,368**	1,148,146,700
Share in net profits	**157,415,173**	101,752,743
Deductions due to sale of investment	**-**	(12,051,075)
Balance at end of year	**1,395,263,541**	1,237,848,368
	9,645,189,138	7,904,086,783
Investment of FCI in SPLI		
Acquisition cost	**200,000,000**	200,000,000
Accumulated share in net losses		
Beginning of year	**(1,507,216)**	-
Share in net losses	**(634,069)**	(1,507,216)
Balance at end of year	**(2,141,285)**	(1,507,216)
	197,858,715	198,492,784
Investment of GADC in GCFII, a joint venture – acquisition cost	**10,000,000**	10,000,000
Accumulated share in net profits:		
Beginning of year	**7,868,861**	6,283,463
Share in net profits	**1,228,049**	1,585,398
Dividends received	**(5,000,000)**	-
Balance at end of year	**4,096,910**	7,868,861
	14,096,910	17,868,861
Investment in Travellers		
Acquisition cost	**11,890,398,953**	-
Share in net profits	**2,715,201**	-
	11,893,114,154	-
Advances to associates and other related parties (see Note 28.5)	**1,998,664,886**	2,029,739,223
	P23,748,923,803	P10,150,187,651

The total share in net profits (losses) of P160.7 million in 2009 and P101.8 million in 2008 is shown as Share in Net Profits of Associates and a Joint Venture in the consolidated statements of comprehensive income.

The total accumulated Share in Net Profits of P1.4 billion and P1.2 billion as of December 31, 2009 and 2008, respectively, which forms part of the Group's Retained Earnings as of those dates, is not available for declaration as dividend.

12.2 Investment in Travellers

Travellers was established to engage in and hold investments in the business of hotels, restaurants, leisure parks, entertainment centers, gaming activities and other tourism-oriented businesses. On June 2, 2008, Travellers was issued by the Philippine Amusement and Gaming Corporation (PAGCOR) a provisional license authorizing it to participate in the development of a portion of the Newport City Project (Site B) and the Bagong Nayong Pilipino Entertainment City Manila Project (Site A), which is part of a larger scale integrated tourism project envisioned by PAGCOR.

The Company and Genting Hongkong Limited (GHL) (formerly Star Cruises Limited) agreed to pursue a strategic working arrangement with the objective of collaborating with the joint development of two large-scale tourism projects in Metro Manila.

The Company held 52.2% effective ownership interest in Travellers as of December 31, 2008, as follows: AGI (20%), Adams (15%), PTL (7.4%), FCI (5%) and Megaworld (10% or effectively 4.8%). The balance was held by GHL through its associated entities.

In February 2009, Adams' BOD approved the issuance of 225 million non-cumulative, voting and non-participating preferred shares with P0.01 par value which was subsequently approved by the Philippine Securities and Exchange Commission (SEC) in May 2009. AGI did not subscribe to the said issuance which resulted in reduction in the voting rights of the Group over Travellers by 3%. Travellers was no longer consolidated in 2009.

As of December 31, 2009, PTL was sold to GHL's associated entity which resulted in a gain of P1.6 billion shown as Gain on Sale of Investment in Shares of Stock in the 2009 statement of comprehensive income (see Note 24).

As of December 31, 2009, Travellers is an associate with effective ownership interest of 46%.

12.3 Investment in AGPL

In February 2009, RHGI acquired 44.34% ownership in AGPL. AGPL is considered as an associate due to Megaworld's significant influence, but not control, on AGPL.

12.4 Investment in EELHI and SHDI

The acquisition cost of EELHI includes nominal goodwill of P466.1 million related to additional investments made by Megaworld in 2007.

EELHI and SHDI are listed in the PSE. The total quoted or market value of investment in the listed associates amounted to P2.7 billion and P2.4 billion as of December 31, 2009 and 2008, respectively. The related book values of the investments in 2009 and 2008 were substantially in excess of cost and market values, hence, no impairment losses were deemed necessary.

12.5 Summarized Financial Information

The aggregated amounts of assets, liabilities, revenues and net income (loss) of the associates are as follows (in thousands):

	Assets	Liabilities	Revenues	Net Income (Loss)
2009:				
EELHI	P 25,401,749	P 7,459,495	P 2,171,237	P 155,035
Travellers	23,125,566	7,186,796	2,305,037	5,430
AGPL	2,786,358	8,289	242,641	182,882
PTHDC	1,142,754	1,010,292	350	22
SHDI	569,631	463,451	7,988	3,917
SPLI	522,930	29,884	2	(1,585)
GCFII	34,166	6,144	61,678	2,290
	P 53,583,154	**P 16,164,351**	**P 4,788,933**	**P 347,991**
2008:				
EELHI	P 26,224,207	P 8,774,674	P 1,979,009	P 213,260
PTHDC	1,146,438	1,012,042	4,400	2,619
SHDI	581,036	478,774	10	(74,298)
SPLI	513,325	18,694	-	(3,768)
GCFII	43,529	7,792	60,289	3,171
	P 28,508,535	P 10,291,976	P 2,043,708	P 140,984

13. PROPERTY, PLANT AND EQUIPMENT

The gross carrying amounts and accumulated depreciation, amortization and impairment at the beginning and end of 2009 and 2008 are shown below.

	Land and Land Improvements	Buildings and Leasehold Improvements	Machinery and Equipment	Transportation Equipment	Condominium Units, Fixtures and Other Equipment	Construction in Progress	Total
December 31, 2009							
Cost	P 711,585,231	P 3,636,552,458	P 3,357,590,485	P 308,059,920	P 990,527,745	P 91,461,781	P 9,095,777,620
Accumulated depreciation, amortization and impairment	(62,091,448)	(1,568,161,705)	(1,754,420,721)	(127,683,821)	(630,034,105)	-	(4,142,391,800)
Net carrying amount	**P 649,493,783**	**P 2,068,390,753**	**P1,603,169,764**	**P 180,376,099**	**P 360,493,640**	**P 91,461,781**	**P 4,953,385,820**
December 31, 2008							
Cost	P 3,454,163,026	P 4,741,595,274	P2,693,910,049	P 274,530,245	P 789,681,746	P5,270,363,731	P17,224,244,071
Accumulated depreciation, amortization and impairment	(56,562,113)	(1,719,808,588)	(1,337,631,878)	(89,842,121)	(448,528,780)	-	(3,652,373,480)
Net carrying amount	P 3,397,600,913	P 3,021,786,686	P1,356,278,171	P 184,688,124	P 341,152,966	P5,270,363,731	P13,571,870,591
January 1, 2008							
Cost	P 394,993,808	P 4,397,593,164	P2,592,913,911	P 169,706,956	P 726,218,535	P 86,092,583	P 8,367,518,957
Accumulated depreciation, amortization and impairment	(48,337,300)	(1,458,749,298)	(1,336,282,883)	(81,503,940)	(391,688,197)	-	(3,316,561,618)
Net carrying amount	P 346,656,508	P 2,938,843,866	P1,256,631,028	P 88,203,016	P 334,530,338	P 86,092,583	P 5,050,957,339

A reconciliation of the carrying amounts at the beginning and end of 2009 and 2008 of property, plant and equipment is shown below.

	Land and Land Improvements	Buildings and Leasehold Improvements	Machinery and Equipment	Transportation Equipment	Condominium Units, Fixtures and Other Equipment	Construction in Progress	Total
Balance at January 1, 2009, net of accumulated depreciation and amortization	P3,397,600,913	P 3,021,786,686	P1,356,278,171	P 184,688,124	P 341,152,966	P5,270,363,731	P 13,571,870,591
Additions	395,705	173,433,090	160,881,181	44,064,795	56,870,728	85,053,428	520,698,927
Reclassifications – net	383,358,268	(866,085,059)	466,853,468	(21,855)	51,352,499	(35,211,121)	246,200
Disposals – net	-	(45,232,956)	(12,126,772)	(1,755,115)	(50,889)	(3,937,683)	(63,103,415)
Impairment losses	-	(9,989,744)	(7,233,953)	-	-	-	(17,223,697)
Reduction in net book value due to deconsolidation of a subsidiary	(3,125,000,000)	(347,925)	(2,535,748)	(3,406,461)	-	(5,224,806,574)	(8,356,096,708)
Depreciation and amortization charges for the year	(6,861,103)	(205,173,339)	(358,946,583)	(43,193,389)	(88,831,664)	-	(703,006,078)
Balance at December 31, 2009, net of accumulated depreciation amortization and impairment	**P 649,493,783**	**P2,068,390,753**	**P1,603,169,764**	**P 180,376,099**	**P 360,493,640**	**P 91,461,781**	**P 4,953,385,820**
Balance at January 1, 2008, net of accumulated depreciation and amortization	P 346,656,508	P2,938,843,866	P1,256,631,028	P 88,203,016	P 334,530,338	P 86,092,583	P 5,050,957,339
Additions	3,125,185,825	423,336,033	380,044,605	122,334,434	63,406,319	5,233,977,916	9,348,285,132
Reclassifications – net	(66,016,607)	(57,205)	12,361,056	(821,571)	1,577,112	(49,706,768)	(102,663,983)
Disposals – net	-	(18,106,359)	(21,045,056)	(1,943,144)	(78,742)	-	(41,173,301)
Impairment losses	-	(32,562,448)	(11,308,829)	-	-	-	(43,871,277)
Depreciation and amortization charges for the year	(8,224,813)	(289,667,201)	(260,404,633)	(23,084,611)	(58,282,061)	-	(639,663,319)
Balance at December 31, 2008, net of accumulated depreciation amortization and impairment	P 3,397,600,913	P3,021,786,686	P 1,356,278,171	P 184,688,124	P 341,152,966	P5,270,363,731	P 13,571,870,591

Impairment losses of P17.2 million and P43.9 million were recognized as part of Other Operating Expenses - Others in the 2009 and 2008 consolidated statements of comprehensive income, respectively, to write down specific assets to their recoverable amounts. The recoverable amount was based on value in use and was determined at the cash-generating unit level. The cash-generating unit consists of property and equipment from GADC-owned restaurant outlets. In determining value in use for the cash-generating unit, the estimated cash flows were discounted using the pretax discount rate which reflects current market assessments of the time value of money and the risks specific to the asset.

Net book values of property and equipment in 2009 was also reduced due to deconsolidation of a subsidiary (see Note 12.2).

14. INVESTMENT PROPERTY

The gross carrying amounts and accumulated depreciation at the beginning and end of 2009 and 2008 are shown below.

	Land	Buildings	Condominium Units	Total
December 31, 2009				
Cost	P 1,571,008,989	P 5,874,427,287	P 3,224,344,697	P 10,669,780,973
Accumulated depreciation	-	(845,065,021)	(442,979,595)	(1,288,044,616)
Net carrying amount	**P 1,571,008,989**	**P 5,029,362,266**	**P 2,781,365,102**	**P 9,381,736,357**
December 31, 2008				
Cost	P 1,432,856,846	P 4,128,960,013	P 2,865,320,562	P 8,427,137,421
Accumulated depreciation	-	(690,355,147)	(302,621,153)	(992,976,300)
Net carrying amount	P 1,432,856,846	P 3,438,604,866	P 2,562,699,409	P 7,434,161,121
January 1, 2008				
Cost	P 1,568,356,846	P 4,140,508,591	P 1,112,886,197	P 6,821,751,634
Accumulated depreciation	-	(584,023,391)	(232,318,198)	(816,341,589)
Net carrying amount	P 1,568,356,846	P 3,556,485,200	P 880,567,999	P 6,005,410,045

A reconciliation of the carrying amounts at the beginning and end of 2009 and 2008 of investment property is shown below.

	Land	Buildings	Condominium Units	Total
Balance at January 1, 2009, net of accumulated depreciation	P 1,432,856,846	P 3,438,604,866	P 2,562,699,409	P 7,434,161,121
Additions	138,152,143	1,751,918,758	371,192,706	2,261,263,607
Disposals	-	(3,839,920)	-	(3,839,920)
Reclassifications – net	-	-	(12,168,571)	(12,168,571)
Depreciation charges for the year	-	(157,321,438)	(140,358,442)	(297,679,880)
Balance at December 31, 2009, net of accumulated depreciation	**P 1,571,008,989**	**P 5,029,362,266**	**P 2,781,365,102**	**P 9,381,736,357**
Balance at January 1, 2008, net of accumulated depreciation	P 1,568,356,846	P 3,556,485,200	P 880,567,999	P 6,005,410,045
Additions	-	7,406,083	1,752,434,365	1,759,840,448
Disposals	-	(2,810,999)	-	(2,810,999)
Reclassifications – net	(135,500,000)	(7,214,926)	-	(142,714,926)
Depreciation charges for the year	-	(115,260,492)	(70,302,955)	(185,563,447)
Balance at December 31, 2008, net of accumulated depreciation	P 1,432,856,846	P 3,438,604,866	P 2,562,699,409	P 7,434,161,121

Certain properties held for lease by Megaworld with a net book value of P2.0 billion as of December 31, 2007 are used as collateral for ECOC's Interest-bearing Loan (see Note 17). In 2008, ECOC asked for the partial release of the mortgage which was approved by the creditor. As of December 31, 2009 and 2008, the carrying value of investment property that remained as collateral to this loan amounted to P0.8 billion.

Rental income earned from the investment property amounted to P2.2 billion in 2009, P1.4 billion in 2008 and P1.1 billion in 2007, and shown as part of Revenues from Rendering of Services in the consolidated statements of comprehensive income (see Note 21).

The direct operating costs, exclusive of depreciation, incurred by the Group relating to the investment property amount to P108.2 million in 2009, P124.2 million in 2008 and P89.6 million in 2007. The operating lease commitments of the Group as a lessor are fully disclosed in Note 31.1.

The fair market values of these properties amounted to P36.1 billion and P22.7 billion as of December 31, 2009 and 2008, respectively. These are internally determined by calculating the present value of the cash inflows anticipated until the end of the life of the investment property. As the investment property does not have an active market, the underlying interest rates were determined by reference to the market interest rate of comparable financial instrument.

15. INTANGIBLE ASSETS

The gross carrying amounts and accumulated depreciation at the beginning and end of 2009 and 2008 are shown below.

	Goodwill	Trademarks	Leasehold Rights	Total
December 31, 2009				
Cost	P 10,621,712,819	P 1,012,572,767	P 63,609,697	P 11,697,895,283
Accumulated amortization and impairment losses	-	(293,562,284)	(26,247,947)	(319,810,231)
Net carrying amount	**P 10,621,712,819**	**P 719,010,483**	**P 37,361,750**	**P 11,378,085,052**
December 31, 2008				
Cost	P 10,621,712,819	P 1,012,572,767	P 63,959,709	P 11,698,245,295
Accumulated amortization and impairment losses	-	(192,305,007)	(22,274,492)	(214,579,499)
Net carrying amount	P 10,621,712,819	P 820,267,760	P 41,685,217	P 11,483,665,796
January 1, 2008				
Cost	P 10,621,712,819	P 1,000,072,767	P 61,459,709	P 11,683,245,295
Accumulated amortization and impairment losses	-	(91,672,730)	(30,453,041)	(122,125,771)
Net carrying amount	P 10,621,712,819	P 908,400,037	P 31,006,668	P 11,561,119,524

A reconciliation of the carrying amounts at the beginning and end of 2009 and 2008 of intangible asets is shown below.

	Goodwill	Trademarks	Leasehold Rights	Total
Balance at January 1, 2009, net of accumulated amortization and impairment losses	P 10,621,712,819	P 820,267,760	P 41,685,217	P 11,483,665,796
Additions	-	-	50,000	50,000
Disposals and reclassifications	-	-	(269,144)	(269,144)
Amortization for the year	-	(101,257,277)	(4,104,323)	(105,361,600)
Balance at December 31, 2009, net of accumulated amortization and impairment losses	**P 10,621,712,819**	**P 719,010,483**	**P 37,361,750**	**P 11,378,085,052**
Balance at January 1, 2008, net of accumulated amortization and impairment losses	P 10,621,712,819	P 908,400,037	P 31,006,668	P 11,561,119,524
Additions	-	12,500,000	3,500,000	16,000,000
Disposals and reclassifications	-	-	11,702,733	11,702,733
Amortization for the year	-	(100,632,277)	(4,524,184)	(105,156,461)
Balance at December 31, 2008, net of accumulated amortization and impairment losses	P 10,621,712,819	P 820,267,760	P 41,685,217	P 11,483,665,796

Intangible assets consist of goodwill which arose from the acquisitions of investments in shares of stock of subsidiaries and other controlled entities, as well as trademarks acquired by EDI to manufacture and sell distilled spirits and leasehold rights acquired by GADC.

The Goodwill pertains to excess of cost over fair value of net assets at the time of acquisition. Goodwill is primarily related to growth expectations, expected future profitability and expected cost of synergies. Goodwill has been allocated to cash-generating units.

Trademarks of brandy under the brand names "Emperador Brandy" and "Generoso Brandy" were acquired from Consolidated Distillers of the Far East, Inc. (Condis) in January 2007. In 2008, EDI acquired the trademark "The Bar" from The Bar Bottlers Corporation for P12.5 million. The amortization of trademarks amounted to P101.3 million, P100.6 million and P91.7 million in 2009, 2008 and 2007, respectively, and is shown as part of Other Operating Expenses in the consolidated statements of comprehensive income (see Note 23).

The amortization of leasehold rights amounted to P4.1 million, P4.5 million and P3.4 million in 2009, 2008 and 2007, respectively, and is shown as part of Depreciation and Amortization under Cost of Goods Sold and Services in the consolidated statements of comprehensive income (see Note 22).

In January 2007, NTLPI and FCI, which held 20.08% and 0.86% interest in Megaworld, respectively, at this time, subscribed to Megaworld's stock rights offering to maintain their percentages of ownership in Megaworld. The exercise of the stock rights resulted in goodwill amounting to P1.1 billion.

In February 2007, in a share swap transaction with TAGI and other related parties, AGI acquired 25% ownership interest in Megaworld for P16.8 billion (see Note 29.1). The acquisition brought the total effective ownership of the Company in Megaworld to 46%, which gave the Company the management control over the financial and operating policies of Megaworld. Thus, Megaworld is consolidated effective February 2007. A portion of the consolidated net income of Megaworld in the first quarter of 2007 amounting to P175.8 million was allocated to the period before the acquisition date of the additional investment and is presented as Preacquisition Income in the 2007 consolidated statement of comprehensive income. The acquisition of the additional interest in Megaworld was accounted for as a business combination under the purchase method of accounting. The transaction resulted in goodwill amounting to P7.6 billion.

In 2008, FCI increased its ownership interest in Megaworld by 2% bringing the total effective ownership interest of the Company in Megaworld to 48% as of December 31, 2008.

In 2009, Megaworld offered pre-emptive stock rights to eligible shareholders at a rate of one right share for every four common shares held as of May 4, 2009 for an exercise price of P1 per share. Subscribers to the stock rights were also given four additional stock warrants, at no cost, for every five stock rights subscribed. The warrants are exercisable within 24 to 60 months after issuance and entitle the holder to subscribe to one common share of Megaworld at an exercise price of P1 per share. AGI, NTLPI and FCI subscribed to this rights offering of Megaworld. This further increased the Company's effective ownership interest over Megaworld to 56.7% as of December 31, 2009. The effect of increase in equity ownership resulted to a Dilution Gain of P1.2 billion which is directly recognized in the Equity section of the 2009 consolidated statement of financial position.

Based on the Group's assessment, no impairment loss is required to be recognized on the carrying value of the Group's intangible assets as of December 31, 2009, 2008 and 2007.

The Company has no contractual commitments for the acquisition of additional trademarks or leasehold rights.

16. TRADE AND OTHER PAYABLES

This account consists of:

	Notes	**2009**	2008
Trade	28.3	**P 7,914,804,567**	P 4,508,477,782
Accrued expenses	28.1	**1,254,294,040**	850,660,184
Retention payable		**1,022,182,625**	781,371,153
Due to related parties	23, 28.1 28.4	**369,125,968**	438,667,848
Output VAT payable		**37,126,694**	233,779,901
Others		**416,476,921**	198,285,361
		P 11,014,010,815	P 7,011,242,229

The carrying amounts of trade and other payables recognized in the consolidated statements of financial position are considered by management to be a reasonable approximation of their fair values due to their short duration.

17. INTEREST-BEARING LOANS AND BORROWINGS

This account includes the outstanding balances of the following loans and borrowings:

	Note	**2009**	2008
Current:			
Foreign		**P 1,198,691,677**	P 2,024,564,562
Local		**1,068,157,143**	584,723,741
Related party	28.1	**-**	318,108,118
		P 2,266,848,820	P 2,927,396,421
Non-current:			
Local		**P 7,611,866,637**	P 6,281,668,448
Related party	28.1	**554,400,000**	570,240,000
Foreign		**171,081,667**	292,079,687
		P 8,337,348,304	P 7,143,988,135

The balances as of December 31, 2009 and 2008 of foreign borrowings include the following:

(a) Venezia was granted U.S. dollar-denominated current loans to fund the acquisition of AFS financial assets which are maintained in the same bank amounting to P1.1 billion and P1.9 billion as of December 31, 2009 and 2008, respectively.

(b) ECOC has amount payable pertaining to the balance of a long-term loan facility obtained in 2002 with an original amount of U.S.$25.0 million (approximately P1.3 billion) from a foreign financial institution. The proceeds of the loan were used in the construction of several information technology buildings at the Eastwood CyberPark which is operated by ECOC. The drawdown from the loan facility amounting to U.S.$20.0 million (P1.1 billion) was made on October 15, 2002. The loan is payable in 10 years, inclusive of a two-and-a-half year grace period on principal payment. Interest is payable every six months at LIBOR rate plus a certain spread. Collaterals for the loan consisted of a mortgage over ECOC's investment property (see Note 14) and a full guarantee from Megaworld.

(c) Loans obtained by RHGI, consisting of various secured and unsecured loans, from commercial banks denominated in Singaporean and U.S. dollars. The loans bear annual interest rates that are subject to monthly repricing. RHGI has a set-off provision on some of its loans to a commercial bank against short-term placements as of December 31, 2008 held by the same bank (see Note 5).

The total current and non-current portions of ECOC and RHGI's loans as of December 31, 2009 amounted to P114.1 million and P171.1 million, respectively and as of December 31, 2008 amounted to P116.8 million and P292.1 million, respectively.

The balances as of December 31, 2009 and 2008 of local borrowings include the following:

(a) In February 2009, Megaworld issued unsecured corporate notes to several financial institutions in the aggregate principal amount of P1.4 billion which will mature in seven years from the issue date. The principal repayments on this loan shall commence on February 2010 and interest shall be paid semi-annually based on a 9.0% annual interest rate. Also, in May 2009, Megaworld obtained an unsecured long-term loan from a local bank amounting to P500.0 million. The loan is payable for a term of seven years and interest is payable semi-annually based on a floating six-month Philippine Dealing System Treasury Fixing Rate (PDSTF-R) plus a certain spread, subject to semi-annual repricing.

(b) A P2.0 billion loan was obtained by the Company from a local bank in 2008 to partially fund the Company's shares buy-back program (see Note 29.3). The loan will mature on October 23, 2011 and bears interest based on PDSTF-R plus a certain spread. It is secured by around 2.3 billion and 4.0 billion shares of stock of Megaworld held by NTLPI as of December 31, 2009 and 2008, respectively. In the consolidated statements of changes in equity, the buy-back shares of stock form part of the Company's treasury shares. The current and non-current portions of this loan amounted to P331.5 million and P333.3 million, respectively, as of December 31, 2009 and P351.8 million and P666.7 million, respectively, as of December 31, 2008.

(c) A financing deal with a local bank was signed by Megaworld in 2008 in which Megaworld may avail of a P5.0 billion unsecured loan, divided into Tranche A (P3.5 billion) and Tranche B (P1.5 billion). The proceeds of the loan were used to fund the development of Megaworld's various real estate projects. The loan is payable in seven years with a grace period of two years, divided into 21 consecutive equal quarterly payments. Interest is payable every quarter based on the PDSTF-R plus a certain spread. Megaworld had availed of P4.5 billion out of the P5.0 billion facility in 2008 while the remaining P500.0 million was availed of in 2009.

(d) Loans were obtained by Megaworld from a local bank amounting to P950.0 million in 2003 and P403.0 million in 2006. The loans are payable for a term of 10 years inclusive of a three-year grace period on principal payments. Interest is payable every quarter based on 91-day treasury bill plus a certain spread. Collateral for the loans consisted of a mortgage over certain investment property of Megaworld (see Note 14).

The total current and non-current portions of Megaworld's loans as of December 31, 2009 amounted to P736.7 million and P7.3 billion, respectively and as of December 31, 2008 amounted to P232.0 million and P5.6 billion, respectively.

The Group complied with loan covenants, including maintaining certain financial ratios, at the reporting dates.

Total finance costs attributable to these loans amounted to P384.8 million, P528.4 million and P364.4 million as of 2009, 2008 and 2007, respectively, and are presented as part of Interest Expense under Finance Costs and Other Charges in the consolidated statements of comprehensive income (see Note 25). Interest charges capitalized in 2009 amounted to P408.0 million. Capitalization rate used in determining the amount of interest charges qualified for capitalization is 8.29%. There were no interest charges capitalized in 2008 and 2007.

18. BONDS PAYABLE

On November 18, 2009, Megaworld issued a P5.0 billion fixed rate unsecured bonds with a term of five years and six months and which bear an interest of 8.46% per annum. The bonds were issued at par and will be redeemed at 100% of the face value on maturity date. Interest charges capitalized arising from these bonds amounted to P50.5 million.

On August 4, 2006, RHGI issued five-year term bonds totalling U.S.$100 million at a discount of U.S.$1.5 million. The bonds bear interest at 7.875% per annum payable semi-annually in arrears every February 4 and August 4 of each year, starting on February 4, 2007. The bond discount and other costs incurred relating to the bond issuance were charged directly to the 2006 operations. The net proceeds from the issuance of these bonds amounted to U.S.$97 million.

Interest expense from bonds payable amounting to P291.8 million, P350.2 million and P360.2 million in 2009, 2008 and 2007, respectively, is presented as part of Finance Costs and Other Charges in the consolidated statements of comprehensive income (see Note 25).

19. REDEEMABLE PREFERRED SHARES

The preferred shares pertains to GADC's redeemable preferred shares issued in March 2005 to McDonald's Restaurant Operations, Inc. (MRO), a company incorporated in the U.S.A. and is a subsidiary of McDonald's. These preferred shares with par value per share of P61,066 each have the following features:

Class	Voting	No. of Shares Authorized and Issued	Total Par Value (undiscounted)	Additional payment in the event of GADC's liquidation
A	No	778	P 47,509,348	U.S.$1,086 per share or the total peso equivalent of U.S.$845,061
B	Yes	25,000	1,526,650,000	U.S.$1,086 per share or the total peso equivalent of U.S.$27,154,927

(a) Redeemable at the option of the holder after the beginning of the 19th year from the date of issuance for a total redemption price equivalent to the peso value on the date that the shares were issued;

(b) Has preference as to dividend declared by the BOD, but in no event shall the dividend exceed P1 per share; and,

(c) Further, the holder of preferred shares is entitled to be paid a certain amount of peso equivalent for each class of preferred shares, together with any unpaid dividends, in the event of liquidation, dissolution, receivership, bankruptcy, or winding up of GADC.

The redeemable preferred shares are recognized at fair value on the date of issuance. The fair values of the redeemable preferred shares on the date of issuance were determined as the sum of all future cash payments, discounted using the prevailing market rates of interest as of the transaction date for similar instruments with similar maturities (18 years). Based on the terms of subscription and in accordance with PAS 39, the difference between the fair values of the redeemable preferred shares on the date of issuance and the subscription amounts were recognized as a credit to profit and loss in 2005. The accretion of the redeemable preferred shares in 2009, 2008 and 2007 totaling P36.2 million, P33.5 million and P29.9 million, respectively, were recognized as part of Interest Expense under the caption of Finance Costs and Other Charges (see Note 25).

As of December 31, 2009 and 2008, the carrying value of the redeemable preferred shares amounted to P330.9 million and P294.7 million, respectively, as shown in the consolidated statements of financial position.

20. OTHER LIABILITIES

The breakdown of this account is as follows:

	Notes	**2009**	2008
Current:			
Unearned income		**P 917,778,341**	P 724,444,707
Deferred rent		**429,664,920**	203,755,106
Derivative liabilities		**50,235,997**	376,458,309
Obligation under finance lease		**525,121**	1,127,271
Others		**55,018**	3,551,786
		P 1,398,259,397	P 1,309,337,179
Non-current:			
Deferred rent		**P 671,470,237**	P 977,334,804
Security deposits	21	**73,109,578**	58,397,822
ARO	2.8	**18,071,961**	15,530,250
Payable to MRO under stock option plan	26.3	**9,474,062**	14,288,739
Obligation under finance lease		**235,488**	779,134
Others		**473,470,071**	14,260,000
		P 1,245,831,397	P 1,080,590,749

The movement in ARO is as follows:

	2009	2008
Balance at beginning of year	**P 15,530,250**	P 12,740,727
Accretions during the year	**2,353,010**	2,038,052
ARO capitalized to property, plant and equipment during the year	**741,858**	963,425
Disposals during the year	**(553,157)**	(211,954)
Balance at end of year	**P 18,071,961**	P 15,530,250

The Derivative Liability under Other Current Liabilities above represents currency forward options contract with a certain bank maturing with certain currencies against U.S. dollar in 2008. As of December 31, 2009 and 2008, the option has a negative fair value of U.S.$1.1 million and U.S.$7.9 million, respectively, with movements in fair value charged against profit or loss and is recorded as part of Fair Value Gains – net under Finance and Other Income in the consolidated statements of comprehensive income (see Note 25).

21. RENDERING OF SERVICES

The details of revenues from rendering of services are presented below.

	Notes	**2009**	2008	2007
Rental income	14, 31.1	**P2,152,477,767**	P1,444,822,212	P1,088,521,906
Revenue from franchised McDonald's restaurants –				
Royalty and management fees		**419,654,038**	362,590,339	322,643,331
Hotel operations		**216,143,646**	246,919,573	247,677,952
Management fees		**106,192,002**	85,477,231	55,556,617
Others		**14,118,266**	-	-
		P2,908,585,719	P2,139,809,355	P1,714,399,806

Individual sublicense arrangements granted to franchisees and affiliated restaurants (including a joint venture) generally include a lease and a license to use the McDonald's system in the Philippines and, in certain cases, the use of restaurant facility, generally for a period of 3 to 20 years provided, however, that should GADC's license rights from McDonald's be terminated at an earlier date or not renewed for any reason whatsoever, these sublicense agreements shall thereupon also be terminated. The franchise agreements provide for payment of initial fees, as well as continuing rental based on a certain percentage of sales to GADC. The franchisees pay for the related occupancy costs including real property taxes, insurance and maintenance. The franchisees also generally pay a refundable, noninterest-bearing security deposit (see Note 20).

22. COST OF GOODS SOLD AND SERVICES

The components of cost of goods sold and services are as follows:

	Notes	**2009**	2008	2007
Cost of Goods Sold				
Cost of inventories		**P 3,722,658,317**	P 3,655,260,512	P 3,063,781,118
Direct materials used		**3,092,609,172**	3,273,642,457	3,974,986,563
Rentals	31.2	**1,236,814,951**	1,293,684,880	1,085,279,306
Salaries and employee benefits	26	**1,134,570,022**	1,065,115,306	935,688,553
Change in work in process and finished goods	8	**583,719,384**	328,944,923	93,470,595
Depreciation and amortization	13, 14, 15	**439,377,369**	412,059,783	345,555,372
Outside services		**210,155,202**	207,918,491	19,022,809
Repairs and maintenance		**157,736,597**	150,244,543	29,174,781
Indirect materials and other consumables		**110,118,128**	151,217,677	97,267,313
Utilities		**44,208,246**	42,734,729	48,403,513
Supplies		**21,612,517**	2,270,147	9,644,768
Taxes and licenses		**1,268,407**	1,098,297	943,370
Other direct and overhead costs		**377,622,685**	448,984,357	607,271,121
		P 11,132,470,997	P 11,033,176,102	P 10,310,489,182
Cost of Real Estate Sales		**P 7,940,756,662**	P 8,082,125,043	P 7,238,595,819
Deferred Gross Profit on Real Estate Sales		**P 1,815,065,914**	P 1,624,410,655	P 1,072,330,683
Cost of Services				
Rental		**P 297,066,013**	P 245,554,744	P 222,915,059
Depreciation and amortization	13, 14	**132,025,361**	135,126,316	136,648,435
Salaries and employee benefits	26	**109,673,478**	89,241,056	89,094,281
Hotel operations		**103,017,443**	110,169,420	190,264,667
Other direct and overhead costs		**14,982,383**	15,045,151	6,490,896
		P 656,764,678	P 595,136,687	P 645,413,338

23. OTHER OPERATING EXPENSES

The details of other operating expenses are shown below.

	Notes	2009	2008	2007
Advertising and promotions	28.3	**P 898,370,092**	P 828,802,229	P 695,301,548
Salaries and employee benefits	26	**856,987,096**	654,606,964	498,173,964
Royalty		**563,926,914**	368,885,345	323,776,582
Commissions		**485,327,031**	418,773,750	369,906,854
Depreciation and amortization	13, 14	**433,387,551**	282,564,851	254,972,670
Transportation and travel		**204,589,888**	249,022,651	36,513,038
Freight and handling		**174,370,727**	171,269,292	91,268,870
Taxes and licenses		**162,489,030**	226,350,025	293,235,953
Rental		**150,625,625**	169,092,798	89,064,407
Utilities	28.3	**103,958,834**	129,460,770	57,469,220
Amortization of trademarks	15	**101,257,277**	100,632,277	91,672,730
Professional fees and outside services		**66,052,879**	53,692,965	54,793,008
Representation and entertainment		**33,801,652**	30,296,903	26,598,221
Communication and office expenses	28.3	**30,248,262**	1,027,608	26,515,980
Repairs and maintenance		**24,884,646**	40,998,981	32,611,392
Write-down of inventories	8	**10,247,306**	31,906,987	9,028,821
Insurance		**8,025,219**	4,041,012	8,073,349
Management fees	28.3	**-**	52,970,763	76,142,635
Others	6, 13, 28.3	**256,407,125**	391,945,782	672,652,897
		P 4,564,957,154	P 4,206,341,953	P 3,707,722,139

These are classified in the consolidated statements of comprehensive income as follows:

	2009	2008	2007
General and administrative expenses	**P 2,503,256,614**	P 2,494,331,694	P 2,288,369,124
Selling expenses	**2,061,700,540**	1,712,010,259	1,419,403,015
	P 4,564,957,154	P 4,206,341,953	P 3,707,722,139

GADC was granted by McDonald's the nonexclusive right to adopt and use the McDonald's System in restaurant operations in the Philippines. The license agreement, as renewed in March 2005 for another 20 years, provides for a royalty fee, presented as Royalty, based on a certain percentage of net sales from the operations of all GADC's restaurants, including those operated by the franchisees. The balance of royalty fees and other advances payable to McDonald's as of December 31, 2009 and 2008 amounted to P70.1 million and P69.1 million, respectively, and is shown as part of Due to Related Parties under Trade and Other Payables account in the consolidated statements of financial position (see Note 16).

24. FINANCE AND OTHER INCOME

The details of this account are as follows:

	Notes	2009	2008	2007
Fair value gains – net	7, 20	**P 2,262,564,790**	P -	P -
Interest income	5, 7	**1,896,421,610**	2,545,342,840	2,248,315,582
Gain on sale of investment in shares of stock	12	**1,581,815,465**	2,809,732,873	220,000,000
Dividend income		**44,247,127**	49,680,085	12,295,840
Gain on sale of investment in AFS financial assets	11	**18,050,807**	2,306,450	5,749,349
Miscellaneous	6, 8	**174,005,999**	447,138,355	185,802,736
		P 5,977,105,798	P 5,854,200,603	P 2,672,163,507

In 2009, MPIL sold its entire interest in PTL amounting to U.S.$50.0 million (approximately P2.3 billion). As of December 31, 2009, of the total proceeds from sale, U.S.$20.0 million was already received by MPIL and the remaining U.S.$30.0 million (P1.4 billion) was recorded as part of Other Receivables under Trade and Other Receivables in the 2009 consolidated statement of financial position (see Note 6). The sale resulted in the recognition by MPIL of gain amounting to U.S.$33.2 million (approximately P1.6 billion), net of U.S.$16.8 million receivables from PTL, and is presented as Gain on Sale of Investment in Shares of Stock above.

Also, on July 31, 2008, MPIL sold its entire interest in Asian Travellers Ltd. (ATL) including all the latter's obligations for a total price of U.S.$85 million (approximately P3.8 billion). MPIL recognized gain on sale of U.S.$56.4 million (approximately P2.5 billion), which is shown as part of Gain on Sale of Investment in Shares of Stock.

In 2008, FCI sold 40% of its interest in SPLI to EELHI for P500.0 million resulting in a gain on sale of investment of P300.0 million, presented as part of Gain on Sale of Investment in Shares of Stock above. In 2007, 20% of the total ownership was sold to the same related party for P320.0 million resulting also in a gain of sale of investment of P220.0 million.

In 2008 and 2007, RHGI entered into contracts wherein it sold certain European bond put option and knock out options. In consideration of these contracts, RHGI received premiums amounting to U.S.$2.1 million (P93.1 million) and U.S.$3.2 million (P149.0 million) in 2008 and 2007, respectively, which are shown as part of Miscellaneous Income above.

25. FINANCE COSTS AND OTHER CHARGES

The details of this account are as follows:

	Notes	2009	2008	2007
Foreign currency losses – net		**P 3,189,241,810**	P 181,514,868	P 218,782,843
Interest expense	17, 18, 19, 28	**715,198,019**	912,102,027	729,136,629
Underwriting fees		**21,505,376**	-	-
Fair value loss – net	7	**-**	1,757,177,853	25,135,673
Miscellaneous		**15,356,544**	5,010,788	126,266
		P 3,941,301,749	P 2,855,805,536	P 973,181,411

26. SALARIES AND EMPLOYEE BENEFITS

26.1 Salaries and Employees Benefits

Expenses recognized for salaries and employee benefits (see Notes 22 and 23) are presented below.

	Notes	2009	2008	2007
Short-term employee benefits		**P 2,067,140,328**	P 1,667,196,012	P 1,416,063,403
Post-employment defined benefit	26.2	**32,173,465**	138,628,570	102,201,360
Share-based payments	26.3	**1,916,803**	3,138,744	4,692,035
		P 2,101,230,596	P 1,808,963,326	P 1,522,956,798

These are classified in the consolidated statements of comprehensive income as follows:

	Notes	2009	2008	2007
Cost of goods sold	22	**P 1,134,570,022**	P 1,065,115,306	P 935,688,553
Cost of services	22	**109,673,478**	89,241,056	89,094,281
Other operating expenses	23	**856,987,096**	654,606,964	498,173,964
		P 2,101,230,596	P 1,808,963,326	P 1,522,956,798

26.2 Post-employment Defined Benefit

Megaworld maintains a tax-qualified, noncontributory retirement plan that is being administered by a trustee covering all regular and full-time employees. Actuarial valuations are made annually to update the retirement benefit costs and the amount of contributions. GADC has a funded, defined contribution retirement plan covering all regular and full-time employees, which allows voluntary employee contribution. The retirement plans of TEI, AWGI, EDI and FOPMI are unfunded. Actuarial valuations are generally made every two years to update the retirement benefit costs and the amount of accruals.

The parent company and other subsidiaries within the Group have not accrued any retirement benefit obligation as each entity has less than 10 employees. The Group's management believes that the non-accrual of the estimated retirement benefits will not have any material effect on the Group's consolidated financial statements.

The amounts of retirement benefit obligation are determined as follows:

	2009	2008
Present value of the obligation	**P 299,746,134**	P 197,466,214
Fair value of plan assets	**(174,808,586)**	(119,552,759)
Deficiency of plan assets	**124,937,548**	77,913,455
Unrecognized actuarial gains	**231,824,699**	275,688,025
Retirement benefits obligation	**P 356,762,247**	P 353,601,480

The movements in the present value of retirement benefit obligation recognized in the books are as follows:

	2009	2008
Balance at beginning of year	**P 197,466,214**	P 628,715,025
Current service and interest costs	**52,441,369**	146,060,473
Actuarial losses (gains)	**52,232,401**	(575,862,108)
Benefits paid by the plan	**(2,393,850)**	(1,447,176)
Balance at end of year	**P 299,746,134**	P 197,466,214

The movement in the fair value of plan assets is presented below.

	2009	2008
Balance at beginning of year	**P 119,552,759**	P 131,290,152
Contributions paid into the plan	**34,000,000**	21,533,358
Actuarial gains (losses)	**15,529,613**	(44,245,472)
Expected return on plan assets	**7,147,014**	11,680,000
Benefits paid by the plan	**(1,420,800)**	(705,279)
Balance at end of year	**P 174,808,586**	P 119,552,759

The Group expects to contribute P20.0 million to its retirement benefit plans in 2010.

The plan assets of Megaworld and GADC consist of the following:

	2009	2008
Cash and cash equivalents	**P 47,952,743**	P 35,600,841
Loans and receivables	**1,276,621**	8,961,842
Investments in:		
Unit investment trust fund	**55,606,936**	40,888,402
Other securities and debt instruments	**61,680,966**	29,191,332
Long-term equity investments	**7,458,157**	4,098,175
Preferred shares	**833,163**	812,167
	P 174,808,586	P 119,552,759

Actual returns on plan assets amounts to P22.7 million in 2009 while actual loss on plan assets amounted to P32.6 million in 2008.

The amounts of retirement benefits expense recognized as part of salaries and employee benefits in the consolidated statements of comprehensive income are as follows:

	2009	2008	2007
Current service costs	**P 29,247,718**	P 94,754,109	P 59,077,982
Interest costs	**23,193,651**	50,268,105	41,875,023
Expected return on plan assets	**(7,147,014)**	(11,680,000)	(8,879,800)
Net actuarial losses (gains) recognized during the year	**(13,120,890)**	5,286,356	10,128,155
	P 32,173,465	P 138,628,570	P 102,201,360

The amounts of retirement benefit expense are allocated as follows:

	2009	2008	2007
Cost of goods sold	**P 8,265,505**	P 1,895,674	P 51,558,669
Other operating expenses	**23,907,960**	136,732,896	50,642,691
	P 32,173,465	P 138,628,570	P 102,201,360

In determining the retirement benefit obligation, the following actuarial assumptions were used:

	2009	2008
Discount rates	**8.33% - 37.55%**	7.31% - 37.55%
Expected rate of return on plan assets	**5.90% - 10.00%**	3.10% - 6.00%
Expected rate of salary increases	**5.00% - 10.00%**	4.00% - 10.00%

Assumptions regarding future mortality are based on published statistics and mortality tables. The discount rates assumed were based on the yields of long-term government bonds, as of the valuation dates. The applicable period used approximate the average years of remaining working lives of the Group's employees.

26.3 Stock Option Benefits

The Company's stock option benefit expense pertains to the amount of compensation recognized by GADC over the vesting period of the options granted prior to 2005. GADC's participation in the stock option plan of McDonald's ceased in 2005 when GADC underwent a change in ownership structure. All options granted prior to the GADC equity restructuring in 2005 will continue to be exercisable until the expiration of the exercise period which is generally 10 to 13 years from the grant date.

The fair value of each option is estimated on the date of grant based on the billings from McDonald's. The total amount to be paid by GADC is recognized as expense over the vesting period.

Stock option benefits expense, included as part of Salaries and Employee Benefits in the consolidated statements of comprehensive income, amounted to P1.9 million in 2009, P3.1 million in 2008 and P4.7 million in 2007. The accumulated liability to MRO relating to the fair value of options vested amounted to P9.5 million and P14.3 million as of December 31, 2009 and 2008, respectively, and is included as part Other Non-current Liabilities account (see Note 20).

27. TAXES

27.1 Current and Deferred Taxes

The components of tax expense reported in the consolidated statements of comprehensive income for the years ended December 31 are as follows:

	2009	2008	2007
Reported in consolidated profit or loss			
Current tax expense:			
Regular corporate income tax (RCIT) at 30% in 2009 and at 35% in 2008 and 2007	**P 759,124,982**	P 921,328,452	P 1,050,879,038
Minimum corporate income tax (MCIT) at 2%	**245,489,292**	2,006,719	2,539,954
Final tax at 20% and 7.5%	**142,146,071**	223,358,548	184,095,901
Preferential tax rate at 5%	**15,866,373**	14,373,247	10,562,953
Capital gains tax	**-**	29,990,000	21,995,000
Others	**3,869**	460,477	491,145
	1,162,630,587	1,191,517,443	1,270,563,991
Deferred tax expense:			
Deferred tax relating to origination and reversal of temporary differences	**821,514,983**	414,561,554	24,493,101
Deferred tax resulting from reduction in RCIT rate	**-**	703,805	186,346
	821,514,983	415,265,359	24,679,447
	P 1,984,145,570	P 1,606,782,802	P 1,295,243,438
Reported in consolidated other comprehensive income			
Deferred tax expense (income) relating to origination and reversal of temporary differences	**P 25,795,486**	(P 11,728,077)	P 246,987,259

The reconciliation of tax on consolidated pretax income computed at the applicable statutory rates to consolidated tax expense is as follows:

	2009	2008	2007
Tax on consolidated pretax income at 30% in 2009 and 35% in 2008 and 2007	**P 2,414,103,573**	P 2,430,682,472	P 2,190,075,644
Adjustment for income subjected to different tax rates	**(167,652,045)**	(333,097,485)	(229,506,225)
Tax effects of:			
Income not subject to RCIT	**(286,629,231)**	(937,741,492)	(890,620,329)
Dividend income not subject to RCIT	**(136,489,843)**	(130,407,114)	(89,321,088)
Nondeductible expenses	**68,418,123**	497,034,604	256,337,781
Unrecognized deferred tax asset on net operating loss carryover (NOLCO)	**56,990,382**	71,456,929	189,532,757
Nondeductible interest expense	**54,316,902**	115,818,042	104,571,397
Tax benefit arising from unrecognized deferred tax asset	**(10,243,907)**	-	-
Additional deduction with the use of Optional Standard Deduction (OSD)	**(7,324,333)**	(5,976,408)	-
Interest income subjected to final tax	**(3,347,483)**	(2,485,647)	(3,348,438)
Gross income generated from PEZA-registered activities	**(2,189,434)**	(2,661,008)	(2,678,142)
Applied NOLCO and MCIT without deferred tax asset recognized in prior years	**(537,731)**	11,057,802	(865,272)
Reduction in RCIT rate	**-**	(119,886,417)	(1,425,780)
Net deferred tax assets derecognized	**-**	15,871,724	2,950,155
Expenses directly charged to APIC	**-**	(4,330,375)	(161,828,037)
Net deferred tax liabilities derecognized	**-**	1,790,801	-
Recognized deferred tax asset on NOLCO	**-**	-	(38,742,033)
Others	**4,730,597**	(343,626)	(29,888,952)
Tax expense reported in profit or loss	**P 1,984,145,570**	P 1,606,782,802	P 1,295,243,438

The net deferred tax assets and liabilities as of December 31 presented in the consolidated statement of financial position relate to the following:

	2009	2008
Deferred tax assets:		
Retirement benefits	**P 139,079,839**	P 128,937,499
NOLCO	**44,055,674**	39,398,544
Allowance for impairment	**30,972,584**	28,965,205
Accrued rent	**19,346,464**	47,116,443
Allowance for inventory obsolescence	**11,308,335**	14,921,776
Reversal of allowance for claims for tax refund	**1,889,808**	-
Unrealized income – net	**1,242,406**	-
MCIT	**377,203**	365,153
Unearned interest income	**-**	3,173,448
Unrealized gross profit from gross estate sales	**-**	(1,881,144)
Rent receivable	**-**	380,748
Unrealized foreign currency gains – net	**-**	(143,416)
Others	**17,487,853**	4,898,753
Deferred tax assets – net	**P 265,760,166**	P 266,133,009

	Consolidated Statements of Financial Position	
	2009	2008
Deferred tax liabilities:		
Uncollected gross profit	**P 2,294,929,189**	P 1,527,833,787
Capitalized interest	**222,651,148**	108,660,065
Difference between the tax reporting base and financial reporting base of property, plant and equipment	**128,753,934**	(19,478,257)
Accrued retirement cost for tax purposes	**(33,170,257)**	(33,095,868)
Unrealized foreign currency losses	**30,933,376**	38,329,154
Translation adjustments	**(14,313,909)**	-
Difference between the tax reporting base and financial reporting base of leased assets	**-**	172,865,496
Uncollected rental income	**-**	57,966,658
Others	**42,713,450**	43,308,540
Deferred tax liabilities – net	**P 2,672,496,931**	P 1,896,389,575

The deferred tax expense (income) reported in the consolidated statement of comprehensive income is shown below.

	Consolidated Profit or Loss			Consolidated Other Comprehensive Income		
	2009	2008	2007	**2009**	2008	2007
Deferred tax expense (income):						
Uncollected gross profit	**P 767,095,402**	P359,278,205	(P 7,890,268)	**P -**	P -	P -
Capitalized interest	**114,550,647**	(25,692,471)	(3,852,344)	**-**	-	-
Uncollected rental income	**(32,091,485)**	15,639,661	5,717,382	**-**	-	-
Difference between the tax reporting base and financial reporting base of property, plant and equipment	**(24,633,305)**	2,592,215	23,221,845	**-**	-	-
NOLCO	**(4,657,130)**	10,756,691	(38,868,290)	**-**	-	-
Retirement benefits	**(2,092,557)**	2,858,454	(39,698,021)	**-**	-	-
Accrued rent	**140,151**	9,967,934	3,632,499	**-**	-	-
Accrued retirement cost	**(74,389)**	(6,330,792)	(9,075,870)	**-**	-	-
Allowance for impairment losses	**24,859**	1,484,167	15,120,504	**-**	-	-
MCIT	**(12,050)**	595,307	(623,568)	**-**	-	-
Difference between the tax reporting base and financial reporting base of leased assets	**-**	32,345,673	61,533,948	**-**	-	-
Unrealized foreign currency gains - net	**-**	16,538,584	18,989,436	**-**	-	-
Unrealized gross profit from estate sales	**-**	(952,922)	(778,399)	**-**	-	-
Translation adjustments	**-**	-	-	**26,041,986**	(11,728,077)	246,987,259
Fair value adjustments on AFS	**-**	-	-	**(246,500)**	-	-
Others	**3,264,840**	(3,815,347)	(2,749,407)	**-**	-	-
Deferred Tax Expense (Income)	**P 821,514,983**	P 415,265,359	P 24,679,447	**P 25,795,486**	(P 11,728,077)	P246,987,259

The details of NOLCO, which can be claimed as deduction from the respective entities' future taxable income within three years from the year the loss was incurred, are shown below.

Year Incurred	Amount	Valid Until
2009	P 129,440,283	2012
2008	105,290,609	2011
2007	599,266,924	2010
	P 833,997,816	

The Group is subject to the MCIT which is computed at 2% of gross income, as defined under the tax regulations. The details of MCIT, which can be applied as deduction from the entities' respective future regular income tax payable within three years from the year the MCIT was paid, are shown below.

Year Incurred	Amount	Valid Until
2009	P 785,454	2012
2008	1,985,021	2011
2007	826,124	2010
	P 3,596,599	

The following summarizes the amount of NOLCO and other deductible temporary differences as of the end of 2009, 2008 and 2007 for which the related deferred tax assets have not been recognized by certain entities within the Group:

	2009		2008		2007	
	Amount	**Tax Effect**	Amount	Tax Effect	Amount	Tax Effect
NOLCO	**P 687,145,569**	**P 206,143,671**	P 827,972,332	P 248,391,700	P 545,304,998	P 190,856,749
Allowance for impairment on trade receivables	**32,853,901**	**9,856,170**	31,187,143	9,356,143	35,460,599	12,411,210
Accrued rent	**7,297,358**	**2,189,207**	7,262,845	2,178,854	7,211,572	2,524,050
Accrued retirement	**5,903,645**	**1,771,094**	679,757	203,927	420,000	147,000
MCIT	**3,219,396**	**3,219,396**	2,879,514	2,879,514	277,114	277,114
ARO	**670,822**	**201,247**	443,932	133,180	205,520	71,932
Allowance for inventory obsolescence	**369,149**	**110,745**	678,712	203,614	116,944	40,930
	P 737,459,840	**P 223,491,530**	P 871,104,235	P 263,346,932	P 588,996,747	P 206,328,985

27.2 Itemized or Optional Standard Deduction

In July 2008, Republic Act (RA) 9504 became effective giving corporate taxpayers an option to claim itemized standard deduction or optional standard deduction (OSD) equivalent to 40% of gross income. Once the option is made, it shall be irrevocable for the taxable year for which the option was made. The Group opted to continue to claim itemized deductions in 2009 and 2008, except for AWGI which opted to use OSD in computing RCIT from July 1 to December 31, 2009.

27.3 Change in Applicable Tax Rate

In accordance with RA 9337, RCIT rate was reduced from 35% to 30% effective January 1, 2009; and non-allowable deductions for interest expense from 42% to 33% of interest income subjected to final tax beginning January 1, 2009.

28. RELATED PARTY TRANSACTIONS

The Group's related parties include its stockholders, associates, jointly controlled entity the Company's key management personnel and others as described below.

28.1 Long-term Notes Payable to Related Parties

The breakdown of the outstanding long-term borrowings obtained from related parties as of December 31, shown under Interest-bearing Loans and Borrowings in the consolidated statements of financial position, are as follows (see Note 17):

	2009	2008
MRO	**P 554,400,000**	P 570,240,000
McDonald's Philippines Realty Corporation (MPRC), a related party owned by MRO	**-**	318,108,118
	P 554,400,000	P 888,348,118

GADC has loan agreement with MRO. The principal amount of the loan of U.S.$12.0 million will be payable in full on March 17, 2025, and bears annual interest at 10.0% or U.S.$1.2 million, payable every six months. Accrued interest payable as of December 31, 2009 and 2008 included as part of Accrued Expenses under Trade and Other Payables account in the consolidated statements of financial position amounts to P13.7 million and P14.0 million, respectively (see Note 16).

GADC also had two interest-bearing notes with MPRC amounting to P57.4 million and P366.7 million representing unpaid advances obtained in prior years from MPRC on land and equipment purchased for various stores and a warehouse and unpaid rentals and interest due to MPRC, respectively. The loans bore an interest rate of 8.4% from March 1, 2005 to March 17, 2006; thereafter, interest accrued at six-month PHIBOR rate plus 2.0%, which MPRC will reset on March 18 of each year. Total interest charged by MPRC on these loans amounted to P5.4 million, P25.8 million and P25.5 million in 2009, 2008 and 2007, respectively, and was shown as part of Interest Expense under Finance Costs and Other Charges in the consolidated statements of comprehensive income (see Note 25). As of December 31, 2008, the balance of the notes payable to MPRC amounted to P318.1 million. GADC paid the entire amount due upon maturity on March 17, 2009.

Rentals and interest payable to MPRC (included as part of Due to Related Parties under the Trade and Other Payables account in the consolidated statements of financial position – see Note 16) amounted to P6.1 million and P26.0 million as of December 31, 2009 and 2008, respectively.

28.2 Interest in a Joint Venture

GADC has a 50.0% interest in GCFII operating under a joint venture agreement. GCFII was granted by GADC the right to adopt and use the McDonald's system of restaurant operations. Receivables from GCFII, included as part of Trade Receivables under the Trade and Other Receivables account in the consolidated statements of financial position, consisting of rental, royalty fees, management fees and inventories supplied amounted to P4.7 million and P5.9 million as of December 31, 2009 and 2008, respectively (see Note 6). Outstanding balances are unsecured, interest free and settlement occurs in cash.

Megaworld also entered into numerous joint venture agreements for the joint development of various projects (see Note 10).

28.3 Sales and Purchases of Goods, Real Estate, Rendering of Services and Rentals

The following data pertain to sales and purchases of goods, real estate, rendering of services and rentals to related parties:

	Amount of Transactions			Outstanding Payables (Receivables)	
	2009	2008	2007	**2009**	2008
Purchases of goods	**P 1,780,762,139**	P 2,163,707,877	P 3,587,225,117	**P 38,822,560**	P 419,040,097
Rendering of services and rentals	**(148,894,780)**	(155,326,569)	(144,661,169)	**(81,408,167)**	(79,678,432)
Sale of goods	**-**	(2,227,253,776)	(6,852,954,507)	**-**	(694,392,911)
Purchase of services	**-**	249,097,491	516,394,088	**-**	-
Acquisition of building structure	**-**	2,000,000,000	-	**1,500,000,000**	1,500,000,000
	P 1,631,867,359	P 2,030,225,023	(P 2,893,996,471)	**P 1,457,414,393**	P 1,144,968,754

28.3.1 Purchases of Goods

EDI sources its raw materials such as alcohol, molasses, flavorings and other supplies from Condis and Andresons Global Inc., both related parties through common ownership of certain stockholders of the Company. The related unpaid balance as of December 31, 2009 and 2008 is shown as part of Trade Payables under Trade and Other Payables account in the consolidated statements of financial position (see Note 16).

28.3.2 Sale of Goods

In 2007 until June 1, 2008, all products manufactured by EDI were delivered and sold exclusively to Condis. The outstanding balance as of December 31, 2008 is shown as part of Trade Receivables under Trade and Other Receivables account (see Note 6).

28.3.3 Purchase of Services

In 2007 until June 1, 2008, Condis provided marketing, sales and logistics services to EDI. In exchange for these services, on a monthly basis EDI reimbursed actual expenses incurred by Condis plus an additional P100,000. There are no unpaid payables related to these transactions as of December 31, 2008.

28.3.4 Rendering of Services

Services rendered are usually on a cost-plus basis, allowing a margin ranging from 20% to 30%. There are no outstanding payables for services obtained from the associates as of December 31, 2009 and 2008. The outstanding balances pertain to unpaid commissions presented as part of Other Non-current Liabilities in the consolidated statements of financial position.

28.3.5 Acquisition of Building Structure

In 2008, the Company incurred a liability to TAGI, a related party through common ownership, on the acquisition of the building structure in Newport City. As of December 31, 2009 and 2008, the Company has outstanding payable amounting to P1.5 billion and is presented as part of Trade Payables under Trade and Other Payables account (see Note 16).

28.4 Due from/to Related Parties

Transactions with related parties include the following: financing of opening of letters of credit and payment of progress billing, royalty fees, rentals, interest and certain expenses in behalf of the entities within Group or other related parties. The outstanding balances of Due from/to Related Parties are presented under Trade and Other Receivables (see Note 6) and Trade and Other Payables (see Note 16) accounts, respectively, in the 2009 and 2008 consolidated statements of financial position as follows:

	2009	2008
Due from related parties		
Condis	**P 808,717,162**	P -
Officers and employees	**47,457,418**	40,243,725
Goldsquare, Inc.	**5,175,502**	-
Andreson	**-**	37,300,000
Yorkshire Holdings, Inc.	**-**	25,047
Other related parties	**44,223,519**	45,905,248
	P 905,573,601	P 123,474,020
Due to related parties		
TAGI	**P 192,000,000**	P 180,000,000
McDonald's	**70,050,307**	69,058,610
Cane and Grapes	**42,137,715**	-
EELHI	**19,741,679**	-
MPRC	**6,104,946**	26,005,282
Condis	**4,635,927**	43,985,574
Other related parties	**34,455,394**	119,618,382
	P 369,125,968	P 438,667,848

28.5 Advances to/from Associates and Other Related Parties

Entities within the Group grant advances to associates and other entities for working capital purposes. The outstanding balances of Advances to Associates and Other Related Parties which is shown as part of Investments in Associates and Interest in a Joint Venture account in the consolidated statements of financial position are as follows (these mainly represent advances granted by Megaworld) (see Note 12.1):

	2009	2008
Advances to Associates:		
PTHDC	**P1,009,986,216**	P1,009,173,481
EELHI	**378,888,334**	69,356
AGPL	**211,708,104**	-
SHDI	**-**	15,813,306
	1,600,582,654	1,025,056,143
Advances to other related parties	**398,082,232**	1,004,683,080
	P1,998,664,886	P2,029,739,223

In addition, entities within the Group pay certain expense on behalf of other entities. The outstanding balances from these transactions are presented as part of Advances from Related Parties account in the consolidated statements of financial position.

28.6 Key Management Personnel Compensation

The compensation of key management personnel is broken down as follows:

	2009	2008	2007
Short-term employee benefits	**P 183,335,624**	P 147,576,915	P 104,667,273
Retirement benefits expense (income)	**(3,958,700)**	6,848,057	7,111,500
	P 179,376,924	P 154,424,972	P 111,778,773

29. EQUITY

29.1 Capital Stock

Capital stock consists of:

	Shares			**Amount**		
	2009	2008	2007	**2009**	2008	2007
Common shares – P1 par value						
Authorized						
Balance at beginning of year	**12,950,000,000**	12,950,000,000	5,000,000,000			
Increase during the year	**-**	-	7,950,000,000			
Balance at end of year	**12,950,000,000**	12,950,000,000	12,950,000,000			
Issued and outstanding:						
Balance at beginning of year	**10,269,827,979**	10,269,827,979	2,205,181,000	**P 10,269,827,979**	P 10,269,827,979	P 2,205,181,000
Issued during the year	**-**	-	8,064,646,979	**-**	-	8,064,646,979
Balance at end of year	**10,269,827,979**	10,269,827,979	10,269,827,979	**10,269,827,979**	10,269,827,979	10,269,827,979
Treasury stock – at cost	**(1,150,469,965)**	(882,695,965)	(201,895,965)	**(4,334,613,117)**	(3,487,548,482)	(1,395,127,506)
Total outstanding	**9,119,358,014**	9,387,132,014	10,067,932,014	**P 5,935,214,862**	P 6,782,279,497	P 8,874,700,473

	Amount		
	2009	2008	2007
Subscriptions receivable:			
Balance at beginning of year	**P -**	P -	(P 986,612,492)
Collections during the year	**-**	-	986,612,492
Balance at end of year	**P -**	P -	P -

The Company's BOD and stockholders, approved the increase in the Company's authorized capital stock on November 7, 2006 and January 5, 2007, respectively, from P5 billion divided into 5 billion shares, to P12.95 billion divided into 12.95 billion shares, both with par value of P1 per share. On February 5, 2007, SEC granted approval of such increase.

In connection with the said increase, on December 6, 2006, the BOD approved the offering for subscription of 2,205,181,000 common shares from the increase in authorized capital stock by way of 1:1 stock rights offering to existing stockholders as of February 15, 2007 at an offer price of P1.50. The said offering took place between February 23 to March 1, 2007. Fifty percent of the subscription price was received upon subscription and the balance received in full on April 23 and June 7, 2007. The full amount of subscription was received as of June 30, 2007.

On February 16, 2007, in a share swap transaction, the Company issued 4,059,465,979 shares in exchange for 5,248,128,261 shares of stock of Megaworld (see Note 15).

On June 2, 2007, the Company offered 1,800,000,000 primary shares to international investors at an offer price of P5.75 per share. Such were listed and first traded on June 18, 2007.

29.2 Additional Paid-in Capital

The P21.9 billion APIC in 2007 came from the stock rights offering, share swap transaction and international offering and was net of P462.4 million direct costs pertaining to issuance, legal and underwriting fees.

29.3 Treasury Shares at Cost

In 2008, the Company's BOD authorized the buy-back of up to P3.0 billion worth of Company's shares of common stock within an 18-month period commencing on July 10, 2008. The program was undertaken to create and enhance shareholder value as the BOD believed that market prices at that time did not reflect the true value of the shares. The Company has confidence in the long-term value of its businesses. As of December 31, 2009 and 2008, the Company has bought back 550.1 million shares for P1.6 billion and 441.0 million shares for P1.5 billion under the buy-back program.

This account also includes the Company's common shares held and acquired by certain subsidiaries aggregating to P2.7 billion (600.4 million shares) and P2.0 billion (441.7 million shares) as of December 31, 2009 and 2008, respectively. The changes in market values of these shares recognized as fair value gains (losses) by subsidiaries in their respective financial statements were eliminated in full and were not recognized in the consolidated statements of comprehensive income.

29.4 Dilution Gain (Loss)

The Company's ownership interest in Megaworld was diluted when Megaworld undertook a pre-emptive stock rights offering in 2007 and international stock offering in 2006. The effect of dilution in the Company's share in Megaworld's net assets was recorded directly in the consolidated equity amounting to P352.2 million gain in 2007 and P307.1 million loss in 2006. Additional dilution gain of P1.2 billion was recognized as a result of increase in equity ownership interest over Megaworld in 2009 (see Note 15).

30. EARNINGS PER SHARE

Basic and diluted EPS were computed as follows:

	2009	2008	2007
Net income attributable to owners of the parent company	**P 4,796,309,746**	P 3,908,833,964	P 3,292,586,616
Divided by the weighted average number of subscribed and outstanding common shares	**9,747,218,938**	10,132,816,160	8,737,510,045
	P 0.4921	P 0.3858	P 0.3768

There were no dilutive potential common shares as of December 31, 2009, 2008 and 2007, hence, diluted EPS is equal to the basic EPS.

31. COMMITMENTS AND CONTINGENCIES

31.1 Operating Lease Commitments – Group as Lessor

Megaworld is a lessor under several operating leases covering real estate properties for commercial use. The leases have terms ranging from 3 to 20 years, with renewal options, and include annual escalation rates of 5% to 10%. The average annual rental covering these agreements amounts to about P2.0 billion for the consolidated balances.

Future minimum lease payments under this lease as of December 31 are as follows:

	2009	2008	2007
Within one year	**P 3,000,082,437**	P 2,001,508,184	P 1,412,736,875
After one year but not more than five years	**10,809,294,660**	7,582,583,273	4,915,438,500
More than five years	**3,410,016,874**	1,922,768,964	1,757,917,808
	P 17,219,393,971	P 11,506,860,421	P 8,086,093,183

GADC has entered into various commercial property lease agreements with its franchisees and other third parties covering restaurant sites, equipment and other facilities. These non-cancellable leases have remaining non-cancellable lease terms between 3 to 20 years. All leases include a clause for rental escalations, additional rentals based on certain percentage of sales, and renewal options for additional periods of 3 to 20 years.

Total lease income during the year amounted P629.1 million (including variable rent of P247.1 million) in 2009 and P557.0 million (including variable rent of P183.3 million) in 2008 and P470.2 million (including variable rent of P145.5 million); lease income from franchisees amounted to P562.2 million in 2009, P449.5 million in 2008 and P416.2 million in 2007, shown as part of Rental Income under Rendering of Services in the consolidated statements of comprehensive income (see Note 21).

Future minimum rentals receivable under existing sublicense agreements as of December 31 are as follows:

	2009	2008	2007
Within one year	**P 184,014,720**	P 182,700,905	P 139,700,944
After one year but not more than five years	**515,792,666**	577,371,718	412,548,641
More than five years	**318,889,205**	401,898,268	314,837,749
	P 1,018,696,591	P 1,161,970,891	P 867,087,334

31.2 Operating Lease Commitments – Group as Lessee

GADC has various operating lease agreements for restaurant sites, offices and other facilities. These lease agreements are for initial terms of five to 40 years and, in most cases, provide for rental escalations, additional rentals based on certain percentages of sales, and renewal options for additional periods of five to 25 years.

Lease expense during the year amounted to P942.8 million (including variable rent of P196.9 million) in 2009, P836.1 million (including variable rent of P156.2 million) in 2008 and P758.5 million (including variable rent of P149.4 million) in 2007, shown as part of Rentals under Cost of Goods Sold in the consolidated statements of comprehensive income (see Note 22).

Future minimum rentals payable under non-cancellable operating leases as of December 31 are as follows:

	2009	2008	2007
Within one year	**P 159,372,249**	P 212,666,563	P 204,133,941
After one year but not more than five years	**494,473,874**	647,080,821	522,253,385
More than five years	**303,950,298**	303,950,299	154,117,611
	P 957,796,421	P 1,163,697,683	P 880,504,937

31.3 Finance Lease Commitments – Group as Lessee

GADC has finance leases over Plasma/LCD display monitors on several media sites. The lease agreements provide for the turnover of ownership of the equipment to GADC at the end of the lease term. Future minimum lease payments (MLP) under finance leases together with the present value (PV) of the net MLP as of December 31, 2008 are as follows:

	Future MLP	PV of MLP
Within one year	P 669,600	P 647,578
Amount representing finance charges	(22,022)	-
	P 647,578	P 647,578

31.4 Others

There are other commitments, guarantees and contingent liabilities that arise in the normal course of operations of the Group which are not reflected in the accompanying consolidated financial statements. The management of the Group is of the opinion that losses, if any, from these items will not have any material effect on their consolidated financial statements.

32. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group has various financial instruments such as cash and cash equivalents, financial assets at FVTPL, AFS financial assets, interest-bearing loans and borrowings, bonds payable, trade receivables and payables and derivative asset and liabilities which arise directly from the Group's business operation. The financial debts were issued to raise funds for the Group's capital expenditures.

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

The Group is exposed to a variety of financial risks in relation to financial instruments. The main types of risks are market risk, credit risk and liquidity risk.

32.1 Market Risk

(a) Foreign Currency Sensitivity

Most of the Group's transactions are carried out in Philippine peso, its functional currency. The currency exchange risk arises from the U.S. dollar-denominated cash and cash equivalents, loans and bonds which have been used to fund new projects. Foreign currency denominated financial assets and liabilities, translated into Philippine peso at year-end closing rate are as follows:

	2009		2008	
	U.S. Dollars	**Pesos**	U.S. Dollars	Pesos
Financial assets	**$ 355,915,684**	**P 16,498,827,442**	$ 211,554,706	P 10,045,684,389
Financial liabilities	**(172,914,498)**	**(8,015,624,468)**	(143,551,537)	(6,816,964,755)
	$ 183,001,186	**P 8,483,202,974**	$ 68,003,169	P 3,228,719,634

The sensitivity of the consolidated income before tax for the year in regards to the Group's financial assets and the US dollar – Philippine peso exchange rate assumes +/-14% and +/-17% changes of the Philippine peso/U.S. dollar exchange rate for the years ended December 31, 2009 and 2008, respectively. These percentages have been determined based on the average market volatility in exchange rates in the previous 12 months, estimated at 95% level of confidence. The sensitivity analysis is based on the Group's foreign currency financial instruments held at each reporting period.

If the Philippine peso had strengthened against the U.S. dollar, with all other variables held constant, consolidated income before tax would have decreased by P1.2 billion and P548.9 million in 2009 and 2008, respectively. Conversely, if the Philippine peso had weakened against the U.S. dollar by the same percentage, then consolidated income before tax would have increased by the same amount.

The Group periodically reviews the trend of the foreign exchange rates and, as a practical move, increases its U.S. dollar-denominated time deposits in times when the Philippine peso is depreciating or decreases its U.S. dollar-denominated time deposits in times when the Philippine peso is appreciating.

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.

(b) Interest Rate Sensitivity

The Group interest risk management policy is to minimize interest rate cash flow risk exposures to changes in interest rates. At present, the Group is exposed to changes in market interest rates through bank borrowings and cash and cash equivalents, which are subject to variable interest rates. The Group maintains a debt portfolio unit of both fixed and floating interest rates. The long-term borrowings are usually at fixed rates. All other financial assets and liabilities are subject to variable interest rates.

The sensitivity of the consolidated income before tax for the year to a reasonably possible change in interest rates +/-3.32 for Philippine peso and +/-2.88 for US dollar in 2009 and +/-4.89% for Philippine peso and +/-6.12% for US dollar in 2008 with effect from the beginning of the year. These percentages have been determined based on the average market volatility in interest rates, using standard deviation, in the previous 12 months, estimated at 95% level of confidence.

The sensitivity analysis is based on the Group's financial instruments held at December 31, 2009 and 2008, with effect estimated from the beginning of the year. All other variables held constant, the consolidated income before tax would have increased by P0.9 billion and P1.3 billion in 2009 and 2008, respectively. Conversely, if the interest rates decreased by the same percentage, consolidated income before tax would have been lower by the same amount.

32.2 Credit Risk

Generally, the Group's credit risk is attributable to accounts receivable arising mainly from transactions with approved franchisees, installment receivables, rental receivables and other financial assets. The carrying values of these financial assets subject to credit risk are disclosed in Note 33.1.

The Group maintains defined credit policies and continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. Where available at a reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. Franchisees are subject to stringent financial, credit and legal verification process. In addition, accounts receivable are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. The Group's policy is to deal only with creditworthy counterparties. In addition, for a significant portion of sales, advance payments are received to mitigate credit risk.

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

Trade and other receivables past due but not impaired can be shown as follows:

	2009	2008
Not more than 30 days	**P 3,645,124,714**	P 2,794,528,399
31 to 60 days	**1,465,951,346**	1,241,328,317
Over 60 days	**510,489,105**	1,267,228,550
	P 5,621,565,165	P 5,303,085,266

32.3 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's objective is to maintain a balance between continuity of funding and flexibility through the use of loans, preferred shares and finance leases.

The Group maintains cash to meet its liquidity requirements for up to 60-day periods. Excess cash are invested in time deposits, mutual funds 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. In addition, the Group regularly evaluates its projected and actual cash flows. It also continuously assesses conditions in the financial markets for opportunities to pursue fund raising activities, in case any requirements arise. Fund raising activities may include bank loans and capital market issues.

As at December 31, 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
Trade and other payables	P 8,997,833,485	P 1,590,826,698	P -	P -
Interest-bearing loans and borrowings	375,836,450	1,977,105,722	6,234,174,971	2,896,850,000
Bonds payable	-	-	8,608,407,826	-
Derivative liabilities	-	50,235,997	-	-
Obligation under finance lease	-	525,121	235,488	-
Redeemable preferred shares	-	-	-	1,574,159,348
Security deposits	-	28,517,352	31,732,595	20,803,148
Payable to MRO stock option	-	7,120,911	2,353,151	-
Advances from related parties	83,664,281	266,121,538	625,936,481	-
	P 9,457,334,216	**P 3,920,453,339**	**P 15,502,840,512**	**P 4,491,812,496**

As at December 31, 2008, 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
Trade and other payables	P 5,446,788,307	P 1,461,880,973	P -	P -
Interest-bearing loans and borrowings	392,569,997	3,189,597,314	6,313,329,037	1,874,904,889
Bonds payable	-	-	4,046,528,044	-
Derivative liabilities	-	376,458,309	-	-
Obligation under finance lease	669,600	479,693	779,134	-
Redeemable preferred shares	-	-	-	1,574,159,348
Security deposits	-	13,280,422	27,718,294	23,879,995
Payable to MRO stock option	-	11,304,734	12,912,962	-
Advances from related parties	102,572,950	34,940,975	836,258,246	-
	P 5,942,600,854	P 5,087,942,420	P 11,237,525,717	P 3,472,944,232

The contractual maturities reflect the gross cash flows, which may differ from the carrying values of the liabilities at the end of the reporting period.

32.4 Other Price Risk Sensitivity

The Group's market price risk arises from its investments carried at fair value (financial assets classified as AFS financial assets). It manages its risk arising from changes in market price by monitoring the changes in the market price of the investments.

For equity securities listed in the Philippines, the observed volatility rates of the fair values of the Group's investments held at fair value and their impact on the equity as of December 31 are summarized as follows:

	Observed Volatility Rates		Impact on Equity	
	Increase	Decrease	Increase	Decrease
2009				
Investment in equity securities in property company	+61.55%	-61.55%	**P374,532,633**	**(P374,532,633)**
2008				
Investment in equity securities in:				
Property company	+106.24%	-106.24%	P 470,395,485	(P470,395,485)
Bank	+111.21%	-111.21%	291,750	(291,750)
			P 470,687,235	(P 470,687,235)

The maximum additional estimated loss in 2009 and 2008 is to the extent of the carrying value of the securities held as of these reporting dates with all other variables held constant. The estimated change in quoted market price is computed based on volatility of local index for property and bank sectors listed at PSE for the previous 12 months at 95% confidence level. There were no available market prices for Group's investment in equity securities in bank, since its trading operations halted in 2009.

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.

33. CATEGORIES AND FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

33.1 Comparison of Carrying Amounts and Fair Values

The carrying amounts and fair values of the categories of assets and liabilities presented in the consolidated statements of financial position are shown below (amounts in thousands).

	Notes	**2009**		2008	
		Carrying Values	**Fair Values**	Carrying Values	Fair Values
Financial assets					
Loans and receivables:					
Cash and cash equivalents	5	**P 31,145,329**	**P 31,145,329**	P 27,601,663	P 27,601,663
Trade and other receivables	6	**28,627,239**	**28,627,239**	20,848,914	20,848,914
Non-current refundable deposits	9	**319,570**	**319,570**	265,108	265,108
		P 60,092,138	**P 60,092,138**	P 48,715,685	P 48,715,685

	Notes	2009		2008	
		Carrying Values	**Fair Values**	Carrying Values	Fair Values
Financial assets at FVTPL:					
Investments in marketable					
debt securities	7	**P 1,468,089**	**P 1,468,089**	P 1,834,995	P 1,834,995
Derivative asset	7	**670,582**	**670,582**	-	-
		P 2,138,671	**P 2,138,671**	P 1,834,995	P 1,834,995
AFS Financial Assets:					
Debt securities	11	**P 148,300**	**P 148,300**	P 3,273,653	P 3,273,653
Equity securities	11	**818,457**	**818,457**	674,526	674,526
		P 966,757	**P 966,757**	P 3,948,179	P 3,948,179
Financial Liabilities					
Financial liabilities at FVTPL –					
Derivative laibilities	11	**P 50,236**	**P 50,236**	P 376,458	P 376,458
Financial liabilities at amortized cost:					
Current:					
Interest-bearing					
loans and borrowings	17	**P 2,266,849**	**P 2,266,849**	P 2,927,396	P 2,927,396
Trade and other payables	16	**11,014,011**	**11,014,011**	7,011,242	7,011,242
Other financial liabilities	20	**50,761**	**50,761**	377,586	377,586
		13,331,621	**13,331,621**	10,316,224	10,316,224
Non-current:					
Interest-bearing					
loans and borrowings	17	**8,337,348**	**8,337,348**	7,143,988	7,523,187
Bonds payable	18	**8,608,408**	**8,608,408**	3,696,291	3,520,290
Advance from related parties	28	**661,009**	**661,009**	871,199	871,199
Redeemable preferred shares	19	**330,917**	**330,917**	294,719	347,319
Other financial liabilities	20	**82,819**	**82,819**	73,466	73,466
		18,020,501	**18,020,501**	12,079,663	12,335,461
		P 31,352,122	**P 31,352,122**	P 22,395,887	P 22,651,685

See Notes 2.4 and 2.13 for a description of the accounting policies for each category of financial instrument. A description of the Group's risk management objectives and policies for financial instruments is provided in Note 32.

33.2 Fair Value Hierarchy

The Group adopted the amendments to PFRS 7, *Improving Disclosures about Financial Instruments*, effective January 1, 2009. These amendments require the Group to present certain information about financial instruments measured at fair value in the consolidated statements of financial position. In the first year of application, comparative information need not be presented for the disclosures required by the amendment. Accordingly, the disclosure for the fair value hierarchy is only presented for December 31, 2009.

In accordance with this amendment, financial assets and liabilities measured at fair value in the consolidated statements of financial position are categorized in accordance with the fair value hierarchy. This hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the resource or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

The breakdown of the Group's financial assets and liabilities measured at fair value in its consolidated statement of financial position as of December 31, 2009 is as follows:

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL	P 2,138,671,132	P -	P -	P 2,138,671,132
AFS financial assets	963,813,352	-	2,943,490	966,756,842
Derivative liabilities	(50,235,997)	-	-	(50,235,997)
	P 3,052,248,487	P -	P 2,943,490	P 3,055,191,977

34. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Group's capital management objective is to ensure its ability to continue as a going concern; to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk; and to maintain strong and healthy financial position to support its current business operations and drive its expansion and growth in the future.

The Group monitors capital on the basis of the carrying amount of equity as presented on the face of the consolidated statements of financial position.

The Group sets the amount of capital in proportion to its overall financing structure, i.e., equity and financial liabilities. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

It monitors capital using the debt to equity ratio as shown below.

	2009	2008
Total liabilities	**P 46,235,811,062**	P 34,808,938,720
Equity attributable to owners of the parent company	**51,304,839,530**	44,310,277,761
Debt-to-equity ratio	**0.90:1**	0.79:1

The Group has complied with its covenant obligations, including maintaining the required debt-to-equity ratio for both years.

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
INDEX TO SUPPLEMENTARY SCHEDULES
DECEMBER 31, 2009

Independent Auditors' Report on the SEC Supplementary Schedules Filed Separately from the Basic Financial Statements

Supplementary Schedules to Consolidated Financial Statements (Form 17-A, Item 7)

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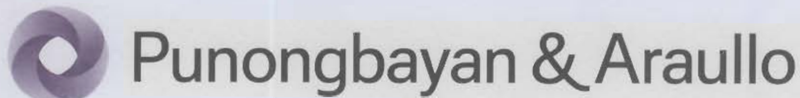

Report of Independent Auditors to Accompany SEC Schedules filed Separately from the Basic Financial Statements

20th Floor, Tower 1
The Enterprise Center
6766 Ayala Avenue
1200 Makati City
Philippines

T +63 2 886-5511
F +63 2 886-5506; +63 2 886-5507
www.punongbayan-araullo.com

The Board of Directors and Stockholders
Alliance Global Group, Inc. and Subsidiaries
7th Floor, 1880 Eastwood Avenue
Eastwood City CyberPark
188 E. Rodriguez, Jr. Avenue
Bagumbayan, Quezon City

We have audited the consolidated financial statements of Alliance Global Group, Inc. (the Company) and subsidiaries and the separate financial statements of the Company for the year ended December 31, 2009, on which we have rendered our reports on March 16, 2010 and April 28, 2010, respectively. Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The applicable supplementary schedules (see table of contents) of the Company and subsidiaries as of December 31, 2009 and for the year then ended, required by the Securities and Exchange Commission, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The information in such supplementary schedules has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

PUNONGBAYAN & ARAULLO

By: **Leonardo D. Cuaresma, Jr.**
Partner
CPA Reg. No. 0058647
TIN 109-227-862
PTR No. 2087612, January 4, 2010, Makati City
Partner's SEC Accreditation No. 0007-AR-2
BIR AN 08-002511-7-2008 (Nov. 25, 2008 to 2011)

Firm BOA/PRC Cert. of Reg. No. 0002
February 12, 2010 to December 31, 2012
Firm SEC Accreditation No. 0002-FR-2

April 28, 2010

Alliance Global Group, Inc. and Subsidiaries
Schedule A - Marketable Securities - (Current Marketable Equity Securities and Other Short-Term Cash Investments)
December 31, 2009

Name of Banks		Amount		Interest Income
Cash - Short Term Placements				
Banco de Oro	P	7,710,838,863	P	260,158,928
Citibank		3,677,418,829		354,816,715
ING Bank		3,500,000,000		142,314,488
MBTC		2,797,383,196		23,655,006
RCBC		2,145,102,038		54,531,984
Union Bank		1,210,289,235		30,109,683
CBC		329,336,921		12,050,824
Security Bank		250,000,000		4,504,193
BPI		223,701,876		42,766,220
Deutsche		139,108,793		17,701,947
HSBC - HK		124,294,588		932,671
Planters Bank		227,628,933		5,367,022
UBP		118,493,385		245,503
PS Bank		117,048,585		2,690,084
Bank of Commerce		82,452,699		2,729,756
Asiatrust		93,742,414		2,104,878
GE Money Bank		92,177,921		2,968,938
Allied Bank		91,899,500		-
Maybank		50,211,884		1,630,991
Other		399,906,804		5,484,297
Total Cash Equivalents	P	23,381,036,464	P	966,764,128
Financial Assets at Fair Value Through Profit or Loss				
HSBC HK	P	1,400,353,418	P	-
ING		738,317,714		-
		2,138,671,132		-
Total	**P**	**25,519,707,596**	**P**	**966,764,128**

Alliance Global Group, Inc. and Subsidiaries
Schedule B - Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)
December 31, 2009

			Deductions		Ending Balance		
Name and Designation of Debtor	*Balance at the beginning of period*	*Additions*	*Amounts collected*	*Amounts written off*	*Current*	*Not current*	*Balance at the end of period*
Advances to Officers and Employees:							
Lourdes G. Clemente SVP - Finance and Admin, Megaworld Corporation	P -	P 7,666	(P 7,666)	P -	P -	P -	P -
Garry V. De Guzman Vice President - Legal Affairs, Megaworld Corporation	510,258	167,452	(222,349)	-	455,361	-	455,361
Monica V. Solomon Vice President - Corporate Management, Megaworld Corporation	586,445	7,902	(136,513)	-	457,834	-	457,834
	-	-	-	-	-	-	-
	P 1,096,703	P 183,020	(P 366,528)	-	P 913,195	-	P 913,195
Loans to Directors:	P -	P -	P -	P -	P -	P -	P -

Alliance Global Group, Inc. and Subsidiaries
Schedule C - Non-Current Marketable Equity Securities, Other Long-Term Investments in Stock, and Other Investments
December 31, 2009
160724354 -

		Beginning Balance		*Additions*		*Deductions*		*Ending Balance*		
Name of Issuing entity and description of Investee	***Percentage of Ownership***	***Number of shares or principal amount of bonds and notes***	***Amount in Peso***	***Equity in earnings (losses) of investee for the period***	***Other***	***Distribution of earnings by investees***	***Other***	***Number of shares or principal amount of bonds and notes***	***Amount in Peso***	***Dividends received from investments not accounted for by the equity method***
Investment in Associates:										
Travellers International Hotel Group, Inc.	46.00%	6,000,000,000	P -	P 2,715,201	P 11,890,398,953	P -	P -	P -	P 11,893,114,154	-
Empire East Land Holdings, Inc.	27.00%	5,077,256,249	7,715,743,110	75,056,949	-	-	-	-	7,790,800,059	-
Alliance Global Properties, Ltd.	25.00%	-	-	81,089,829	1,583,687,182	-	-	-	1,664,777,011	-
Suntrust Home Developers, Inc.	24.00%	768,334,992	117,480,479	2,042,118	-	-	-	-	119,522,597	-
Palm Tree Holdings and Development Corp.	23.00%	47,559,995	70,863,194	(773,723)	-	-		-	70,089,471	-
Sonoma Premiere Land, Inc.	56.00%	200,000,000	198,492,784	(634,069)	-	-	-	-	197,858,715	-
		12,093,151,236	**P 8,102,579,567**	**P 159,496,305**	**P 13,474,086,135**	**P -**	**-**	**P -**	**P 21,736,162,007**	
Interest in Joint Venture and Other Long-Term Investments:										
Interest in Joint Venture										
Golden City Food Industries, Inc. (At equity)	24.0%	**-**	**P 17,868,861**	**P 1,228,049**	**P -**	**(P 5,000,000)**	**P -**	**P -**	**P 14,096,910**	
Total			**P 8,120,448,428**	**P 160,724,354**	**P 13,474,086,135**	**(P 5,000,000)**	**-**	**P -**	**P 21,750,258,917**	

Alliance Global Group, Inc. and Subsidiaries
Schedule D - Indebtedness of Unconsolidated Subsidiaries and Related Parties (Other than Affiliates)
December 31, 2009

Name of Related Parties		*Balance at beginning*		*Balance at the end of period*
Associates				
Palm Tree Holdings and Development Corporation (PTHDC)	P	1,009,173,481	P	1,009,986,216
Suntrust Home Developers, Inc.* (SHDI)		15,813,306		-
Empire East Land Holdings, Inc. (EELHI)		69,536		378,888,334
Alliance Global Properties, Ltd.		-		211,708,104
Other Related Parties:				
Suntrust Properties, Inc. (SPI)		562,067,381		25,462,573
Eastwood Property Holdings, Inc. (EPHI)		93,964,422		102,645,243
Asia's Finest Cuisine, Inc. (AFCI)		91,685,662		28,488,454
Consolidated Distiller of the Far East, Inc. (Condis)		39,635,000		-
The Andreson Group, Inc. (TAGI)		37,300,000		-
Genting Management Services, Inc. (Genting)		33,188,830		-
Goldsquare, Inc. (GI)		16,602,130		-
Eastwood Cinema (EC)		2,742,451		7,662,497
Yorkshire Holdings, Inc. (YHI)		1,900,408		-
Empire East Properties, Inc. (EEPI)		405,000		405,000
Eastwoood Locator		139,431		139,431
Others		125,052,185		233,279,034
	P	**2,029,739,223**	**P**	**1,998,664,886**

Alliance Global Group, Inc. and Subsidiaries
Schedule E - Intangible Assets - Other Assets
December 31, 2009

Description	Beginning balance	Additions at cost	Deduction: Charged to cost and expenses	Deduction: Charged to other accounts	Deduction: Other changes additions (deductions)	Ending balance
Intangible Assets						
Goodwill	P 10,621,712,819	P -	P -	P -	P -	P 10,621,712,819
Trademarks	820,267,760	-	(101,257,277)	-	-	719,010,483
Leasehold rights	41,685,217	-	(4,104,323)	(219,144)	-	37,361,750
	P 11,483,665,796	P -	(P 105,361,600)	(P 219,144)	P -	P 11,378,085,052
Other current assets						
Prepayments	P 257,205,800	P 189,598,050	P -	P -	P -	P 446,803,850
Input VAT	404,311,107	-	(166,451,059)	-	-	237,860,048
Creditable withholding tax	247,959,594	-	-	-	(52,160,777)	195,798,817
Others	163,041,368	-	-	-	(112,588,742)	50,452,626
	P 1,072,517,869	P 189,598,050	(P 166,451,059)	P -	(P 164,749,519)	P 930,915,341
Other non-current assets						
Advances to a suppliers	P 476,064,000	P -	P -	P -	(P 476,064,000)	P -
Deposits	265,108,476	54,461,574	-	-	-	319,570,050
Input VAT	132,886,594	-	(37,330,551)	-	-	95,556,043
Prepaid rent	47,816,733	16,747,930	-	-	-	64,564,663
Claim for tax refund	119,602,964	-	(7,320,787)	-	-	112,282,177
Others	142,129,200	77,170,819	-	-	-	219,300,019
	P 1,183,607,967	P 148,380,323	(P 44,651,338)	P -	(P 476,064,000)	P 811,272,952

Alliance Global Group, Inc. and Subsidiaries
Schedule F - Long-Term Debt
December 31, 2009

Title of issue and type of obligation		*Amount authorized by indenture*		*Amount shown under caption "Current portion of long-term debt" in related statement of financial position*		*Amount shown under caption "Long-Term Debt" in related statement of financial position*	
Loans:							
McDonald's Restaurant Operations, Inc.	$	12,000,000	P	-	P	554,400,000.00	a
Interest bearing loans	P	8,640,000,000		1,067,211,180		7,611,309,524	b,c
Foreign borrowings	$	25,000,000		1,198,691,677		171,081,667	d
Local borrowings				945,963		557,113	
Bonds Payable	$	100,000,000		-		8,608,407,826	e
			P	**2,266,848,820**	**P**	**16,945,756,130**	

a *Payable in full on March 17, 2025, and bears interest at 10%, payable every six months.*

b *Included in the interest-bearing loans is the P2 billion loan, obtained by the Company in 2008 to partially fund the Company's buy-back program The loan will mature on October 23, 2011, bears interest based on Philippine Dealing System Treasury Fixing rate plus a certain spread. The loan is secured by 2.3 billion and 4.0 billion shares of stock of Megaworld held by New Town Land Partners, Inc. as of December 31, 2009 and 2008, respectively.*

c *Interest-bearing loans also include loans obtained by Megaworld which includes the following:*

1.) Unsecured corporate notes to several financial institutions in the aggregate principal amount of P1.4 billion which will mature in seven years from the issue date. The principal repayments on this loan shall commence on February 2010 and interest shall be paid semi-annually based on a 9.0% annual interest rate.

2.) Unsecured long-term loan from a local bank amounting to P500.0 million

3.) A P5.0 billion unsecured loan, divided into Tranche A (P3.5 billion) and Tranche B (P1.5 billion) where proceeds of loan were used to fund the development of Megaworld's various real estate projects.

4.) Loans obtained from a local bank in 2003 and 2006 amounting to P950.0 million and P403.0 million, respectively payable for a term of 10 years.

d *The loan is payable in 10 years, inclusive of a two-and-a-half year grace period on principal payment. Interest is payable every six months at a LIBOR rate plus certain spread. Collateral for the loan consisted of a first ranking mortgage over ECOC's investment property and a full guarantee from Megaworld.*

e *On November 18, 2009, Megaworld issued a P5.0 billion fixed rate unsecured bonds with a term of five years and six months and which bear an interest of 8.46% per annum. The bonds were issued at par and will be redeemed at 100% of the face value on maturity date.*

Alliance Global Group, Inc. and Subsidiaries
Schedule I - Capital Stock
December 31, 2009

Title of Issue	*Number of shares authorized*	*Number of shares issued and outstanding as shown under the related balance sheet caption*	*Number of shares reserved for options, warrants, conversion and other rights*	*Number of shares held by*		
				Related parties	*Directors, officers and employees*	*Others*
Common shares - P1 par value	12,950,000,000	10,269,827,979	-	5,527,440,236	341,692,039	3,850,595,704
Buy-back program		550,100,000				
		9,719,727,979				

ALLIANCE GLOBAL GROUP, INC.
7th Floor Eastwood Avenue, Eastwood City CyberPark
188 E. Rodriguez, Jr. Avenue, Bagumbayan, Quezon City

Reconciliation of Parent Company Retained Earnings for Dividend Declaration
December 31, 2009

UNAPPROPRIATED RETAINED EARNINGS AT BEGINNING OF YEAR	P 1,759,408,347
Net Income Realized for the Year	
Net income per audited financial statements	466,390,022
Change in Retained Earnings for the Year	
Treasury shares	(1,630,097,879)
RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION AT END OF YEAR	**P 595,700,490**

Alliance Global Group, Inc. and Subsidiaries
AGING SCHEDULE OF TRADE AND OTHER RECEIVABLES
UNDER CURRENT ASSETS
December 31, 2009
(Amounts in Philippine Pesos)

Trade Receivables		
Current	P	9,557,199,413
1 to 30 days		3,645,124,714
31 to 60 days		1,465,951,346
Over 60 days		510,489,105
Total		15,178,764,577
Less: Allowance for Impairment		89,826,807
Balance at end of year	**P**	**15,088,937,770**