SEC Number AS094-008360
File Number ______________

UNIWIDE HOLDINGS, INC. AND SUBSIDIARIES

(Company's Full Name)

2nd Floor Uniwide Coastal Mall
CB II, Roxas Blvd., Coastal Road Junction
Reclamation Area, Parañaque CIty

(Company's Address)

879-06-86

(Telephone Number)

September 30, 2006

(Calendar Year Ended)

SEC FORM 17-Q QUARTERLY REPORT

Form Type

____

Amendment Designation (If applicable)

____

Period Ended Date

____

(Secondary License Type and File Number)

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended September 30, 2006

2. Commission identification number ASO94-OO8360 3. BIR TIN No #. 003-944-039 VAT

4. Exact name of registrant as specified in its charter: **UNIWIDE HOLDINGS, INC.**

5. Philippines
Province, Country or other jurisdiction of incorporation or organization

6. (SEC use Only)
Industry Classification Code

6. Industry Classification Code:

7 2/F Uniwide Coastal Mall CB II Roxas Blvd., Coastal Road Junction, Reclamation Area, Parañaque Ciity 1701
Address of registrant's principal office

8. (632)-879-06-86
Registrant's telephone number, including area code

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

10. Securities registered pursuant to Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common stock, ₱ 1.0 par value	2,567,117,136 shares

11. Are any or all of these securities listed on the Philippine Stock Exchange
Yes [X] No [ ]

12. Indicate by check mark whether the registrant:

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

Yes [X.] No [ ]

(b) has been subject to such filing requirements for the past 90 days.
Yes [X] No [ ]

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UNIWIDE HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2006 AND DECEMBER 31, 2005

	Unaudited	Audited
	2006	2005
ASSETS		
Cash (Note 5)	**₱2,325,988**	₱12,638,538
Receivables - net (Notes 5 and 7)	**280,198,600**	170,925,201
Investment Properties - net (Note 8)	**2,822,625,545**	2,952,252,206
Other Assets - net (Note 9)	**134,535,206**	126,462,320
	₱3,239,685,339	₱3,262,278,265
LIABILITIES AND CAPITAL DEFICIENCY		
Liabilities		
Accounts Payable and Accrued Expenses (Note 5)	**₱2,431,319,324**	₱2,144,215,729
Convertible Notes Payable (Note 2)	**47,265,558**	
Loans Payable (Notes 5 and 10)	**1,684,481,691**	1,684,481,691
Deferred Revenue and Other Liabilities - net (Note 11)	**536,902,592**	741,746,951
Due to Related Parties - net (Note 5 and15)	**153,695,893**	227,804,298
Deferred Tax Liability	**73,236,783**	73,236,783
	4,926,901,841	4,871,485,452
Capital Deficiency		
Capital stock	**2,567,117,136**	2,548,109,762
Additional paid-in capital	**2,653,477,952**	2,653,477,952
Deficit	**(6,918,542,789)**	(6,821,526,100)
Capital deficiency attributable to the Parent Company	**(1,697,947,701)**	(1,619,938,386)
Minority interest	**10,731,199**	10,731,199
Total Capital Deficiency	**(1,669,031,556)**	(1,609,207,187)
	₱3,239,685,339	₱3,262,278,265

See accompanying Notes to Consolidated Financial Statements.

UNIWIDE HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME (LOSS)

	For Nine Months Ending September 30		For the Quarter Ending September 30	
	2006	2005	**2006**	2005
OPERATING INCOME				
Rent (Note 16)	**₱100,876,854**	111,178,646	**₱32,521,808**	36,897,387
Franchise fees (Note 16)	**750,000**	1,154,132	**250,000**	235,897
	101,626,854	112,332,778	**32,771,808**	37,133,284
OPERATING EXPENSES				
(Notes 8, 9, 12, 13, 14 and 16)	**212,319,575**	230,773,411	**70,095,130**	75,695,112
LOSS FROM OPERATIONS	**(110,692,721)**	(118,440,633)	**(37,323,322)**	(38,561,828)
OTHER INCOME (CHARGES)				
Interest and other expenses (Note 1 & 10)	**(45,658)**	(19,182)	**(22,663)**	(17,007)
Provision for probable losses		(1,175,847,757)		
Gain on dacion en pago of properties net (Note 1 and 8)		857,844,287		(200)
Interest and other income (Note 7)	**13,876,498**	1,359,487	**204,747**	514,243
	0			
	13,830,840	(316,663,165	**182,084**	497,036
LOSS BEFORE INCOME TAX	**(96,861,881)**	(435,103,798)	**(37,141,238)**	(38,064,792)
PROVISION FOR INCOME TAX (Note 17)	**154,808**	235,187	**51,084**	49,115
NET LOSS	**(97,016,689)**	(435,338,985)	**(37,192,322)**	(38,113,907)
Loss Per Share (Note 18)	**₱0.038**	₱0.17	**₱0.014**	₱0.015

See accompanying Notes to Consolidated Financial Statements

UNIWIDE HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN CAPITAL DEFICIENCY SEPTEMBER 30, 2006 AND 2005

	2006	2005
CAPITAL STOCK		
Common stock - ₱1 par value		
Authorized - 5,000,000,000 shares		
Issued – 2,567,117,136 shares	**₱2,567,117,136**	₱2,548,109,762
ADDITIONAL PAID-IN CAPITAL	**2,653,477,952**	2,653,477,952
DEFICIT		
Balance of beginning of year	**6,821,526,100**	5,784,425,231
Net loss	**97,016,689**	397,225,078
Balance at end of year	**6,918,542,789**	6,181,650,309
	(₱1,697,947,701)	(₱980,062,595)

See accompanying Notes to Consolidated Financial Statements

UNIWIDE HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2006 AND 2005

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	**(₱97,016,689)**	(₱397,225,078)
Adjustments for:		
Depreciation and amortization (Note 13)	**129,626,661**	87,032,224
Operating income (loss) before changes in operating assets and liabilities	**32,609,972**	(310,192,854)
Changes in operating assets and liabilities:		
Increase in:		
Receivables	**(109,273,399)**	(54,199,147)
Investments in real estate		83,143,066
Increase (decrease) in:		
Accounts payable and accrued expenses	**287,103,595**	42,155,498
Deferred revenue and other liabilities	**(204,844,359)**	(419,540)
Net cash generated by (used in) operating activities	**5,595,809**	(239,512,977)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net change in property and equipment		233,298,816
Decrease (increase) in:		
Due from related parties	**(74,108,405)**	11,148,706
Convertible Notes Payable	**47,265,558**	
Deferred charges and other assets	**(8,072,886)**	(6,469,651)
Net cash provided by (used in) investing activities	**(34,915,733)**	237,977,871
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in:		
Subscribed Capital Stock	**19,007,374**	
Net cash provided by (used in) financing activities	**19,007,374**	
NET INCREASE (DECREASE) IN CASH	**(₱10,312,550)**	(₱1,535,106)
CASH AT BEGINNING OF YEAR	**12,638,538**	7,505,758
CASH AT END OF YEAR	**2,325,988**	₱5,970,652

See accompanying Notes to Consolidated Financial Statements.

UNIWIDE HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. **Corporate Information and Status of Operations**

Uniwide Holdings, Inc. (the Parent Company) was incorporated in the Philippines. The Parent Company and its subsidiaries are involved in real estate, leasing and franchising of the Uniwide trade name. Its registered office address is at 2nd Floor Uniwide Coastal Mall CB II, Roxas Boulevard, Coastal Road Junction, Reclamation Area, Parañaque City. The Parent Company is 54.3% owned by the Gow family through Uniwide Sales, Inc. (USI).

The Parent Company was organized in 1994 as the franchisor of USI and Uniwide Sales Warehouse Club, Inc. (USWCI) stores and as a holding company for real estate interests. The Parent Company also engages in real estate operations primarily through a subsidiary, Uniwide Sales Realty and Resources Corp. (USRRC). USRRC is involved in the acquisition, development, holding and leasing of land and buildings used as sites for the warehouse clubs and department stores. On the other hand, another subsidiary, Naic Resources & Development Corporation (NRDC), has not yet started commercial operations.

The projects and businesses of the Parent Company and its major subsidiaries, USRRC and NRDC (collectively referred to as the Group or UHI Group) and the status of their respective operations are as follows:

Project/Business	Nature	Status
The Parent Company:		
Uniwide Sales Coastal Mall (the "Coastal Mall")	Construction and operation of commercial complex in a leased parcel of land along Coastal Road, Parañaque City	90.54% completed; development has been deferred since 1998; leasehold rights with total area of 9,274.36 square meters valued at ₱184.36 million have been sold to various parties as of December 31, 2005. Under the Second Amendment to the Group's Rehabilitation Plan (SAGARP), the Coastal Mall is being offered for dacion en pago in settlement of the Parent Company's Coastal Mall creditors (Notes 8 and 12).
Franchising Business	Franchising of the retail/wholesale stores that trade under the name "Uniwide Sales" specifically USWCI and "Uniwide Sales Department Stores (USDS)"	Existing franchise agreements with USWCI, which presently operates five warehouse club and one department store (Note 16). However, in accordance with the SAGARP,

		franchise fees due from USWCI was suspended (Notes 7 and 16). In addition, the Parent Company has a franchise agreement with a third party, operating a warehouse club.
USRRC:	Nature	Status
Warehouse Club Building (WCB)	Construction of a WCB, located in Talisay City - Bacolod City in Negros Occidental	Completion of the construction of WCB, has been deferred since 1998 (Notes 8 and 12). A full allowance for impairment loss on the WCB has been provided in 2002.
Retail land sales	Commercial and residential lots located in Naic, Cavite and Cabuyao, Laguna	Majority of these properties secure the loans of UHI Group, a sister company - USWCI and First Paragon Corporation (FPC) (Uniwide Group) and are currently the subject of Memoranda of Agreement (MOAs), dacion en pago agreements or are being offered for dacion en pago in settlement of various loans incurred by the Uniwide Group (Notes 8 and 12).
Rentals of real estate and other properties	Properties located in various areas including, Cavite, General Santos City, Malolos City and Bulacan, among others	Majority of these properties are currently the subject of MOAs, dacion en pago agreements or are being offered for dacion en pago in settlement of various loans incurred by the Uniwide Group (Note 8 and 12).
Uniwide Metromall (the "Metromall")	Mall operations	In operation. The Metromall is being offered for dacion en pago in settlement of the Uniwide Group's debts (Notes 8 and 12).

Project/Business	Nature	Status
NRDC:		
Theme Park Project	Development of a Theme Park at the Dreamworld Complex in Naic, Cavite	The development of this project has been deferred in 1998. In December 2002, the Securities and Exchange Commission (SEC) approved the sale of the

theme park assets, particularly the amusement rides. The proceeds from the sale of a portion of these assets were used to settle obligations due to a financial institution with whom these assets were mortgaged. Full valuation allowance for impairment loss has been provided in 2003 for the remaining assets.

2. Rehabilitation Plan

The operations of the UHI Group has been affected by the slowdown in sales and tenant occupancy for the commercial spaces for lease and slower collection of receivables. These resulted in severe cash flow problems as the credit lines had been fully exhausted. The adverse impact on the UHI Group's finances was further exacerbated by the high levels of debt accumulated as part of an aggressive expansion that had been predicated on forecasts of continued economic prosperity, both in the region and in the Philippines.

The operations of the UHI Group deteriorated further primarily due to significant interest payments up to June 1998. Due to its liquidity problems and in order to have an orderly repayment of its loans, the UHI Group, on June 25, 1999, together with the Uniwide Group, filed a petition with the SEC for the declaration of temporary suspension of all debt payments due to liquidity problems and proper repayment of loans. The SEC approved the petition on June 29, 1999.

Original Rehabilitation Plan
The Uniwide Group's original rehabilitation plan, as submitted by the SEC-appointed Interim Receivership Committee (the Committee) on October 18, 1999 was anchored, among others, on the following principles:

- the return to the core business of retailing;
- rehabilitation through maximum debt reduction via cash settlement and/or dacion en pago of non-operating assets;
- restructuring of all loans that are secured by operating assets;
- waiver of penalties and other charges;
- freezing of interest payments as of June 30, 1999; and
- restructuring of trade suppliers' credit, contractors' credit and private lenders' credit in exchange for new credit.

Group Amended Rehabilitation Plan (GARP)
The entry of a strategic investor, pursuant to the Memorandum of Understanding (MOU) executed on February 5, 2000 between Casino Guichard-Perrachon ("Casino"), the Uniwide Group and the Gow family, necessitated the amendment of the Rehabilitation Plan. On February 14, 2000, the Committee submitted to the SEC the GARP, which was approved by SEC on April 11, 2000.

The GARP called for the total repayment of all loans through a combination of dacion en pago and cash payment with a discount. Transfer of ownership of the dacioned properties to the creditors was executed through the formation of Special Purpose Companies (SPCs) which is the most tax efficient scheme. All dacion expenses under this scheme were accounted for by the Uniwide Group. However, funding for these expenses was provided for by the creditors in exchange for an equivalent value in property. In case a creditor opted to adopt a scheme which is not considered as the most tax efficient, the creditor is accountable for any additional expenses and these would not be deducted from the dacion value.

In 2000, the Uniwide Group concluded MOAs with nine secured creditors who agreed to the dacion en pago and cash payment with a discount. Some of these MOAs are accordingly being negotiated to conform with the matters discussed in the succeeding paragraphs.

Second Amendment to the Group Rehabilitation Plan (SAGARP)
On January 3, 2001, Casino decided not to extend the signed MOU which expired on December 31, 2000. Following this development, the UHI Group, together with the Committee, resumed their discussions with the other creditor banks and other prospective investors. Thus, on October 12, 2001, the Committee filed with the SEC the SAGARP, which was approved by the SEC on December 23, 2002. The SAGARP provided for the following changes to the GARP:

- Dacion en pago of three operating stores (Cabuyao, Libis and Avenida) and Coastal Mall;
- Leaseback arrangement on Avenida Department Store, Coastal Mall and Metromall Warehouse Clubs and the Ingasco, Caloocan property for 10 years. However, based on subsequent development, Cabuyao Warehouse Club (CWC) was leased back instead of Avenida Department Store. CWC, including the leaseback arrangement, was surrendered to Rizal Commercial Banking Corporation (RCBC) in February 2006;
- Restructuring of the residual debt of ₱44.14 million with Land Bank of the Philippines (LBP) to be converted to a term loan; and
- Settlement of debt with unsecured creditors amounting to ₱2.38 billion (₱557.67 of which pertains to UHI Group) are as follows:
  - 50% of the unsecured debt shall be converted into 15-year zero coupon convertible notes; starting in year 3, the 15-year notes are convertible into Parent Company's common shares at issue price and are redeemable anytime at the option of the Uniwide Group;
  - the 50% balance shall be paid within 10 years, inclusive of a 3-year grace period, from available cash from retail operations after deducting priority payments; and
  - the portion of the obligation to the contractors with lien and/or claims on Coastal Mall shall be paid via dacion of Coastal Mall proportionately with the other creditors/claimants.

Based on the SAGARP, the Uniwide Group had ₱6.61 billion outstanding debt with secured creditors and ₱2.54 billion rehabilitation accounts with unsecured creditors as of June 30, 1999. Of such amounts, ₱2.40 billion and ₱0.65 billion of the secured and unsecured debts, respectively, were incurred by UHI Group.

In accordance with the SAGARP, properties of the Parent Company and USRRC with appraised values of ₱13.17 million will be transferred through dacion en pago arrangement to secured creditor banks to extinguish the debt of the UHI Group amounting to ₱2.88 billion and the debts of USI, USWCI and the Gow family amounting to ₱4.53 billion inclusive of interest and other charges amounting to ₱ 630.75 million and ₱253.64 million, respectively as of June 30, 1999.

Liabilities to contractors who have liens and/or claims on Coastal Mall and the mall tenants who have deposits, advances and or claims on the Coastal Mall amounting to ₱257.68 million shall be paid with common shares of stock of the SPCs which will be formed in executing the transfer through dacion en pago of the mall to all its creditors. Portion of debt with unsecured creditors will be settled through issuance of the Parent Company's convertible notes and the remaining balance will be restructured as discussed above.

For the unsecured creditors, the Uniwide Group, as of January 2006, has started issuing the restructuring agreement and convertible notes to the said creditors in accordance with the SAGARP. In a letter dated March 18, 2004, the SEC informed the Uniwide Group that the convertible notes to be issued to the unsecured creditors are exempt securities under Section 9.1 of the Securities Regulation Code.

As of September 30, 2006, ₱19.01 million of the convertible notes issued to unsecured creditors were converted into parent company's common shares at issue price, in accordance with the SEC approved rehabilitation plan.

Management believes that all secured and unsecured creditors will still continue to support the terms of payment embodied in the SAGARP.

Pursuant to the order of the SEC dated May 30, 2001, the Uniwide Group completed all the necessary documents for the partial implementation of the dacion en pago agreement to settle ₱1.58 billion in debt of USI, USWCI and the Gow family to three commercial banks. SPCs have been incorporated and most of the transaction taxes have been paid leading to the final stage of implementation. As of May 10, 2006, updates on the partial implementation of the dacion en pago agreements with these three commercial banks are as follows:

1. Transfer through dacion en pago arrangement of 23,626 square meters of residential lots in Naic, Cavite settled the ₱62.74 million debt in 2001(Note 8).

2. Assignment of common shares of stock of the SPC worth ₱172.97 million settled the ₱120.43 million debt to United Coconut Planters Bank (UCPB) of USI in November 2002. Parcels of land with a total area of 3,111 square meters located in Caloocan City had been transferred by USRRC to this SPC in 2001 in exchange for SPC shares of stock (Note 9).

3. Assignment of shares of stock of two SPCs worth ₱515.24 million settled the ₱ 475.32 million debt of USWCI and the Gow Family on April 15, 2003. Parcels of land transferred to these SPCs include Naic Phase II (Note 9) and several parcels of land of the Coastal City Development also located in Naic, Cavite with a total area of 35,186 square meters to International Exchange Bank (Note 8).

4. Assignment of shares of stock of two SPCs worth ₱1,326.50 million settled the ₱923.54 million debt of USWCI and USI on April 8, 2005. Parcels of land transferred to these SPCs include those in the Coastal City Development in Naic, Cavite and in Baclaran, Paranaque City with total area of 112,865 square meters 14,529 square meters respectively to UCPB. Gain of ₱820.06 million was recognized.

On December 13, 2001, the SEC approved the sale of the theme park assets of NRDC. The sale was consummated in 2002 and the proceeds were used to settle the ₱64.00 million obligation with Asian Alliance Holdings Corporation under an arrangement that the excess collateral amounting to ₱0.20 million be released to the Uniwide Group.

On April 29, 2002, the SEC approved the Uniwide Group's petition to:

1. Sell two of USRRC's properties located in Malolos, Bulacan with a total value of ₱ 7.12 million. The sale was consummated in 2002.

2. Transfer of 12 properties through dacion en pago arrangement as partial settlement of Uniwide Group's debts to LBP amounting to ₱634.90 million.

3. Sell Cubao properties which were subject to dacion en pago arrangement with LBP.

The dacion en pago agreements with LBP are as follows:

1. In September 2002, the Parent Company, USI and USWCI entered into a dacion en pago agreement with LBP transferring 10,156 square meters of commercial lots of UHI located in Manggahan, Pasig with a dacion value of ₱154.12 million (Note 8).

2. In September 2002, the Parent Company, USI, USWCI and the Gow Family, entered into a dacion en pago agreement transferring a 3,246 square meter residential lot owned by the Gow family with a dacion value of ₱94.78 million (Note 8).

3. In October 2002, the Parent Company, USI, USWCI and USRRC entered into a dacion en pago agreement whereby USRRC transferred a 53,757 square meter commercial lot located in Jaro, Iloilo with a dacion value of ₱178.99 million (Note 8).

4. In April 2004, the Parent Company, USI, USWCI and USRRC entered into a dacion en pago agreement whereby USRRC transferred an 11,055 square meter commercial lots located in Caloocan City with a dacion value of ₱172.46 million (Note 8).

5. In April 2004, the Parent Company, USWCI and a third party entered into a deed of absolute sale with release of mortgage transferring 960 square meter commercial lots of the Parent Company located in Cubao, Quezon City with a selling price of ₱45.00 million. The selling price was paid directly by the third party to LBP as partial settlement of USWCI's outstanding obligations (Note 8).

6. In 2005, the Parent Company, USI, USWCI and USRRC entered into a dacion en pago agreement whereby USRRC transferred a 12,780 square meter residential lots located in Naic, Cavite with a dacion value of ₱99.05 million (Note 8).

7. In 2005, the Parent Company, USI, USWCI and USRRC entered into a restructuring agreement whereby the remaining loan obligation with LBP amounting to ₱39.15 million will be settled at an interest rate of 8%, payable in 5 years with 3-year grace period on principal and 1 year grace period on interest (Note 8).

In June 2003, the Parent Company, USI, USRRC, and Gow Family executed a dacion en pago agreement with Bank of the Philippine Islands for the Uniwide Group's liabilities amounting to ₱720.08 million, ₱416.27 million and ₱172.52 million of which pertain to USRRC and the Parent Company, respectively (Note 12) covering two major properties owned by the Uniwide Group (Notes 8). The terms of the settlement were in accordance with the conditions set forth under the SAGARP except for the absence of leaseback arrangements on properties to be transferred. The agreement resulted in the full settlement of Uniwide Group's liabilities to this bank.

On July 9, 2003, the Parent Company and USRRC executed a dacion en pago agreement, pursuant to the MOA entered by the Parent Company, USWCI, USRRC, Woodworth Realty Co., Inc. (WRCI) (a related party) and the Gow Family and Equitable PCI Bank (EPCIB) on December 19, 2002 for the settlement of ₱413.78 million outstanding debt of USWCI
(Note 8). The balance of the Uniwide Group's debt with EPCIB amounting to ₱ 493.42 million, shall be settled through the assignment of share in the Metromall property in accordance with the SAGARP. The dacion agreement included the following properties of USRRC and WRCI:

1. Commercial lot located in Jaro, Iloilo with total area of 52,732 square meters and with a dacion value of ₱229.61 million (Note 9), The dacion agreement included the following properties of the Company and WRCI.

2. Parcels of land in Malolos, Bulacan with total area of 104,287 square meters and with a dacion value of ₱66.32 million;

3. Commercial lots of 7,064 square meters in Naic, Cavite with a dacion value of ₱54.75 million (Note 8); and

4. Parcel of land, including improvements in Malolos, Bulacan with total area of 120,690 square meters and with a dacion value of ₱38.62 million owned by WRCI.

The dacion with EPCIB also included the personal property of the Gow family consisting of a condominium unit in Annapolis, Greenhills with a dacion value of ₱8.29 million and a property with total area of 7,729 square meters in Pavia, Iloilo with dacion value of ₱16.19 million.

In July 2003, RCBC approved the partial settlement of USI's and USWCI's total debt to a bank creditor amounting to ₱1.24 billion of which a Deed of Absolute Assignment between the bank and USRRC were executed in partial settlement of USI's obligations amounting to ₱610.37 million. The dacion included the following properties of USRRC:

1. Parcels of land in Cabuyao, Laguna with total area of 14,640 square meters and with a dacion value of ₱120.57 million (Note 8) to RCBC; and

2. Land, building and other improvements, machinery and equipment of USWCI in Cabuyao, Laguna (Note 8) with a dacion value of ₱489.80 million. The approval also includes a 2-year leaseback option on the property at the following rates: ₱50 per square meter for the leaseable area and ₱10 per square meter for the parking and common area. The leaseback arrangement has expired on February 28, 2006.

In 2005, a Deed of Absolute Assignment involving parcels of land located in Ternate, Cavite with total area of 738,773 square meters and with dacion value of ₱160.71 million between RCBC and the USRRC was executed in partial settlement of USI's obligation amounting to
₱160.71 million.

On November 2, 2005, assignment of shares of stock of two SPCs settled the ₱70.64 million debt of the Gow family. Parcels of land transferred to these SPCs include those in Malolos, Bulacan, and in Maragondon, Cavite, with total area of 8,789 square meters and 397,321 square meters respectively to Philippine Commercial Capital, Inc. Gain of ₱ 18.39 million was recognized in 2005.

The continued losses experienced by the Uniwide Group have led to cash shortfalls. Hence, the Uniwide Group is currently adopting the following measures to resolve cash shortfalls:

- Improvement of retail inventory level to increase retail sales;
- Strict implementation of cost saving programs;
- Possible sale of nonretail-related assets;
- Negotiations with suppliers for better credit terms; and
- Maximization of the earning potential of leaseable spaces of the WCB.

As of September 30, 2006 and 2005, the Uniwide Group had a capital deficiency of ₱1.697 billion and ₱1.62 billion, respectively. These factors, among others, indicate the existence of a material uncertainty which may cast significant doubt about the Uniwide Group's ability to continue as a going concern. The ability of the Uniwide Group to continue as a going concern is dependent on the successful implementation of the SAGARP. In addition, the recovery of significant costs for the acquisition and development of the various real estate properties amounting to ₱2.14 billion and ₱2.33 billion as of December 31, 2005 and 2004, respectively is also dependent upon its ability to sell these properties at amounts sufficiently in excess of their carrying values (Notes 8 and 9). The consolidated financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amounts and classification of liabilities that might result from these uncertainties.

The consolidated financial statements have been prepared assuming the Parent Company and its subsidiaries will continue operating as a going concern, and do not include any adjustments relating to the recoverability of asset carrying amounts or the amounts of liabilities that might result from these uncertainties.

3. **Summary of Significant Accounting Policies**

Basis of Financial Statement Preparation

The accompanying consolidated financial statements of the UHI Group have been prepared in compliance with accounting principles generally accepted in the Philippines, as set forth in Philippine Financial Reporting Standard (PFRS). The consolidated financial statements have been prepared using the historical cost basis and are presented in Philippine pesos. These are the first annual financial statements of the UHI Group prepared in compliance with PFRS.

The UHI Group applied PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards*, in preparing the financial statements, with January 1, 2004 as the date of transition. The UHI Group prepared its opening PFRS financial statements at that date. The UHI Group's PFRS adoption date is January 1, 2004. The UHI Group also adopted Philippine Accounting Standards (PAS) 32 and 39 with transition date of January 1, 2005. An explanation of how the adoption of PFRS has affected the reported balance sheets and statements of income of the UHI Group is discussed in the succeeding paragraphs.

Principles of Consolidation

The consolidated financial statements include the accounts of the Parent Company and its subsidiaries, USRRC (98%-owned), NRDC (100%-owned) and Fil-Franco Realty and Resources, Inc. (FFRRI) (50%-owned and the other 50% is owned by USRRC). These subsidiaries were all incorporated in the Philippines. All significant intercompany transactions and account balances are eliminated in the process of consolidation.

A subsidiary is an entity over which the Parent company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated form the date on which control is transferred to the UHI Group. They are de-consolidated from the date that control ceases.

All intra-company balances, transactions, and profits and losses resulting from intra-group transactions, are eliminated in full.

Minority interests represent the portion of profit and loss and net assets of the subsidiary not held by the UHI Group and are presented separately in the consolidated statements of income and within the stockholders' equity in the consolidated balance sheets, separately form parent stockholders' equity.

Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. Accounting policies of subsidiary have been changed where necessary to ensure consistency with the policies adopted by the UHI Group.

<u>Changes in Accounting Policies</u>
On January 1, 2005, the following new standards became effective:

- PAS 19, *Employee Benefits*, provides for the accounting for long-term and other employee benefits. It requires the UHI Group to determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity that the amounts recognized in the financial statements do not differ materially from the amounts that would be determined at balance sheet date. The adoption of this standard did not result in any material adjustment on the consolidated financial statements.

  The UHI Group had no legal and constructive obligation for retirement. As provided in the provisions of Republic Act No. 7641, retail, service, and agricultural establishments or operations employing not more than 10 employees or workers are exempted from the coverage of the provisions for retirement. Accordingly, the adoption of this standard had no material impact on the consolidated financial statements.

- PAS 21, *The Effects of Changes in Foreign Exchange Rates*, prohibits the capitalization of foreign exchange losses. The standard also addresses the accounting for transactions in foreign currency and translating the financial statements of foreign operations that are included in those of the reporting enterprise by consolidation, proportionate consolidation and equity method. The adoption of this standard did not result in any material adjustment on the consolidated financial statements.

- PAS 32, *Financial Instruments: Disclosure and Presentation*, covers the disclosure and presentation of all financial instruments. The standard requires more comprehensive disclosures about the consolidated financial instruments, whether recognized or unrecognized in the consolidated financial statements. In accordance with this standard, new disclosures were included in the financial statements, where applicable.

- PAS 39, *Financial Instruments: Recognition and Measurement*, establishes the accounting and reporting standards for the recognition and measurement of the consolidated financial assets and financial liabilities. PAS 39 also covers the accounting for derivative instruments. The standard has expanded the definition of a derivative instrument to include derivatives (derivative-like provisions) embedded in non-derivative contracts. Under PAS 39, in determining whether a financial asset is impaired, reference is made to quoted market rates; in the absence of such quoted market rates, the discounted cash flow method is to be used. The adoption of the provision of PAS 39 on impairment of financial assets increased the Deficit as of January 1, 2005 by ₱207.73 million. The UHI Group reviewed all its outstanding contracts entered into as of January 1 and December 31, 2005 to ascertain if there are derivatives embedded in those contracts. As of the said dates, the UHI Group did not have any material embedded derivatives. The UHI Group also had no freestanding derivatives as of those dates.

- PAS 40, *Investment Property*, prescribes the accounting treatment for investment property and related disclosure requirements. This standard permits the UHI

Group to choose either the fair value model or cost model in accounting for investment property. Fair value model requires an investment property to be measured at fair value with fair value changes recognized directly in the statements of income. Cost model requires that an investment property should be measured at depreciated cost less any accumulated impairment losses. The UHI Group adopted the cost model in accounting for its investment properties. In accordance with the standard, new disclosures were included in the consolidated financial statements, where applicable.

The following revised accounting standards also became effective in 2005:

- PAS 1, *Presentation of Financial Statements*, provides a framework within which an entity assesses how to present fairly the effects of transactions and other events; provides the base criteria for classifying liabilities as current or noncurrent; prohibits the presentation of income from operating activities and extraordinary items as separate line items in statements of income; and specifies the disclosures about key sources of estimation uncertainty and judgments management has made in the process of applying the entity's accounting policies. It also requires changes in the presentation of minority interest in the balance sheets and statements of income.

- PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, removes the concept of fundamental error and the allowed alternative to retrospective application of voluntary changes in accounting policies and retrospective restatement to correct prior period errors. It defines material omission or misstatements, and describes how to apply the concept of materiality when applying accounting policies and correcting errors.

- PAS 10, *Events After the Balance Sheet Date*, provides a limited clarification of the accounting for dividends declared after the balance sheet date.

- PAS 16, *Property, Plant and Equipment*, provides additional guidance and clarification on recognition and measurement of items of property, plant and equipment. It also provides that each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately.

- PAS 17, *Leases,* provides a limited revision to clarify the classification of a lease of land and buildings and prohibits expensing of initial direct costs in the financial statements of lessors. The adoption of this standard has no material impact on the financial statements. Additional disclosures required by this standard were included in the financial statements, where applicable.

- PAS 24, *Related Party Disclosures*, provides additional guidance and clarity in the scope of the standard, the definitions and the disclosures for related parties. It also requires disclosure of the compensation of key management personnel by benefit type.

- PAS 27, *Consolidated and Separate Financial Statements*, reduces alternatives in accounting for subsidiaries in consolidated financial statements and in accounting for investments in the separate financial statements of a parent, venturer, or investor. Investments in subsidiaries are accounted for either at cost or in accordance with PAS 39 in the separate financial statements. Equity method of accounting is no longer allowed in the separate financial statements. This standard also requires strict compliance with the adoption of uniform accounting policies and requires the UHI Group to make appropriate adjustments to the subsidiary's financial statements to conform them to the UHI Group's accounting policies for reporting like transactions and other events in similar circumstances.

- PAS 28, *Investments in Associates,* reduces alternatives in accounting for associates in consolidated financial statements and in accounting for investments in the separate financial statements of an investor. Investments in associates are accounted for either at cost or in accordance with PAS 39 in the separate financial statements. Equity method of accounting is no longer allowed in the separate financial statements. This standard also requires strict compliance with adoption of uniform accounting policies and requires the investor to make appropriate adjustments to the associate's financial statements to conform them to the investor's accounting policies for reporting like transactions and other events in similar circumstances.

- PAS 36, *Impairment of Assets* requires the annual impairment test of intangible assets with an indefinite useful life or intangible asset not yet available for use and goodwill acquired in a business combination, whether or not there is an indication of impairment. The adoption of this standard did not result in any material adjustment on the financial statements of the UHI Group.

- PAS 38 *Intangible Assets*, requires the assessment of the useful life of intangible assets at individual asset level as having either a finite or indefinite life. Where an intangible asset has a finite life, it has been amortized over its useful life. Amortization years and methods for intangible assets with finite useful lives are reviewed at the earlier of annually or where an indicator of impairment exists. Intangibles assessed as having indefinite useful lives are not amortized, as there is no foreseeable limit to the year over which the asset is expected to generate net cash inflows for the UHI Group. However, intangibles with indefinite useful lives are reviewed annually to ensure the carrying value does not exceed the recoverable amount regardless of whether an indicator of impairment is present. The adoption of this standard did not result in any material adjustment on the financial statements of the UHI Group.

Cash
Cash includes cash on hand and in banks.

Financial Assets and Liabilities
Financial assets or financial liabilities are recognized initially at fair value. Transaction costs are included in the initial measurement of all financial assets and liabilities, except for financial instruments measured at fair value through profit and loss. Effective January 1, 2005, financial assets should be classified in the following categories: financial assets at fair value at profit and loss investments, available-for-sale investments, held-to-maturity, and receivables. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. Management determines the classification of its financial assets at initial recognition and reevaluates this designation at every reporting date.

Receivables
Receivables are recognized initially at original invoice amount and subsequently measured at amortized cost using the effective interest method, less provision for doubtful accounts. A provision for impairment of receivables is established when there is objective evidence that the UHI Group will not be able to collect amounts due to according to the original terms of receivables. The amount of provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The provision is recognized in the consolidated financial statements of income.

Investments in Subsidiaries
Investments in subsidiaries are accounted for under the cost method, less any impairment in value. A subsidiary is an enterprise that is controlled by the Parent Company and whose accounts are included in the UHI Group financial statements.

Investment Properties
Investment properties are carried at cost less any accumulated depreciation and impairment in value. The initial cost of investment properties include transaction costs representing nonrefundable taxes such as capital gains tax and documentary stamp tax that are for the account of the UHI Group.

Investment properties are derecognized when they have either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal. Any gain or loss on the de-recognition of an investment property is recognized in the statements of income in the year of retirement or disposal. Expenditures incurred after the investment properties have been put into operations, such as repairs and maintenance costs, are normally charged against current operations in the period in which the costs are incurred.

Depreciation is calculated on a straight-line basis using the following useful lives from the time of acquisition of the investment properties:

Land improvements for lease	20 years
Buildings and improvements	33 years
Machinery and equipments	5 years
Coastal Mall	17 years

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

Property and Equipment
Property and equipment are stated at cost less accumulated depreciation and amortization and any impairment in value. The initial cost of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operations, such as repairs and maintenance, are charged against current operations in the year the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

Depreciation and amortization are computed using the straight-line method based on the estimated useful lives of the assets as follows:

Buildings and improvements for lease	33 years
Machinery and equipments	5 years
Furniture, fixtures and leasehold improvements	5 years
Transportation equipment	5 years

Leasehold improvements are amortized over their estimated useful lives or the term of the lease, whichever is shorter.

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

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

Impairment of Assets
An assessment is made at each balance sheet date to determine whether there is objective evidence that a specific financial or non-financial asset may be impaired. If such evidence exists, any impairment loss is recognized in the statements of income.

Impairment of Financial Assets
Impairment is determined as follows:

(a) For assets carried at amortized cost, impairment is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate;

(b) For assets carried at cost, impairment is measured as the difference between the carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

The UHI Group first assesses whether objective evidence of impairment exists individually. If the UHI Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in the collective assessment of impairment. The carrying amount of the asset is reduced through allowance for impairment losses account and the amount of the loss is recognized in the statements of income. For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e., asset type, collateral type, past due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for group of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated based on the basis of the contractual cash flows of the assets and historical loss experience for assets with similar credit risk characteristics.

Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

Effects of changes in future cash flows for group of assets should reflect and be directionally consistent with changes in related observable data from period to period (for example, changes in payment status or other factors indicative of changes in the probability of losses in the group and their magnitude). The methodology and assumptions used in estimating future cash flows are reviewed regularly by the UHI Group to reduce any differences between loss estimates and actual loss experience.

When a receivable is uncollectible, it is written off against the related allowance for impairment losses. Such receivable is written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off reduce the amount of provision for impairment losses presented in the statements of income. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the financial capacity), the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in the statements of income.

Impairment of Non-Financial Assets
An impairment loss is recognized by a charge against current operations for the excess of the carrying amount of an asset over its recoverable amount. An asset's recoverable amount is the higher of the asset's value in use or its net selling price. An impairment loss is charged to operations in the year in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is charged against the revaluation increment of the said asset.

A previously recognized impairment loss is reversed by a credit to current operations (unless the asset is carried at a revalued amount in which case the reversal of the impairment loss is credited to the revaluation increment of the same asset) to the extent that it does not restate the asset to a carrying amount in excess of what would have been determined (net of any accumulated depreciation) had no impairment loss been recognized for the asset in prior years.

<u>Offsetting</u>
Financial assets and financial liabilities are only offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognized amounts and the entities intend to either settle on a net basis, or to realize the asset and settle the liability simultaneously.

<u>Revenue and Cost Recognition</u>
Revenue is recognized to the extent that it is probable that economic benefits will flow to the UHI Group and the revenue can be reliably measured. The following recognition criteria should also be met before income is recognized:

Franchise fee
Franchise fee consists of an initial non-refundable privilege fee, an annual royalty fee and a renewal fee. Initial non-refundable privilege fee collected at the start of the franchise period is recognized as income in the period the franchisee is granted the privilege to operate a USDS/USWCI or a Uniwide Family Stores (UFS). Royalty fee is accrued as this is earned based on a certain percentage of net sales of the franchisee for USDS/USWCI. Renewal fee is accrued at the effectivity date of the renewed franchise agreement.

Rental income
Rent income is recognized on a straight-line basis over the lease term.

<u>De-recognition of Financial Instruments</u>
Financial Asset
A financial asset (or, where applicable a part of a financial asset or part of a UHI Group of similar financial assets) is derecognized when:

1. The rights to receive cash flows from the asset have expired;

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

When the UHI Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the UHI Group's continuing involvement in the asset.

Financial Liability
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability and the difference in the respective carrying amounts is recognized in profit or loss.

Income Taxes
Deferred income tax is provided using the balance sheet liability method on all temporary differences at the statement of condition date between the tax bases of resources and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax credits from the excess of the minimum corporate income tax (MCIT) over the regular income tax (RCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable income will be available against which the deductible temporary differences and carry-forward of MCIT and unused NOLCO can be utilized. Deferred income tax, however, is not recognized when it arises from the initial recognition of a resource or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss.

Deferred tax liabilities are not provided on non-taxable temporary differences associated with investments in domestic subsidiaries, associates and interests in joint ventures.

Deferred income tax assets and liabilities are measured at the tax rates that are applicable to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the statement of condition date.

Borrowing Costs

Borrowing costs are generally expensed as incurred. Borrowing costs are capitalized if they are directly attributable to the acquisition or construction of a qualifying asset. The capitalization of borrowing costs commences when the expenditures and borrowing costs for the assets are being incurred and activities that are necessary to prepare the assets for their intended use are in progress. Capitalization ceases when substantially all the activities necessary to prepare the assets for their intended use are complete.

Loss Per Share
Loss per share is computed based on the weighted average number of common shares outstanding during the year, after giving retroactive effect to stock dividends declared during the year, if any.

Lease
Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as expense in the statements of income on a straight-line basis over the lease term.

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

Subsequent Events
Post year-end events up to the date of auditor's report that provide additional information about the UHI Group's position at the balance sheet date (adjusting events) are reflected in the UHI Group financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the UHI Group financial statements when material.

4. **Management's Use of Estimates**

The consolidated financial statements prepared in compliance with Philippine GAAP require the UHI Group's management to make estimates and assumptions that affect amounts reported in the financial statements and related notes. In preparing the financial statements, UHI Group's management has made the estimates and judgments of certain amounts, giving due consideration to materiality. The UHI Group's management believes the following represent a summary of these significant estimates and judgments and related impact and associated risks in the consolidated financial statements.

a. Impairment losses on receivables

The UHI Group reviews its receivables to assess impairment at each balance sheet date. In determining whether an impairment loss should be recorded in the statements of income, the UHI Group makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of receivables before the decrease can be identified with a receivable in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a UHI Group, or national or local economic conditions that correlate with defaults on assets in the UHI Group. Also, collective impairment loss, if any, is recognized on receivables which are grouped according to relevant risk characteristics. As of September 30, 2006 and December 31, 2005, the UHI Group's allowance for impairment losses on receivables amounted to ₱1.06 billion.. Allowance for impairment losses on due from related parties amounted to ₱3.40 billion in September 30, 2006 and December 31, 2005.

b. *Estimated useful lives of property and equipment and investment properties*
The UHI Group reviews periodically the useful life and depreciation and amortization method to ensure that the period and depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment (Note 9) and investment properties (Note 8).

c. *Deferred tax asset*
The carrying amount of deferred tax asset is reviewed at balance sheet date and reduced to the extent that is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. UHI Group did not recognize deferred tax asset on temporary difference of totaling ₱5.24 billion in September 30, 2006 and December 31, 2005.

d. *Cost recognition on estimated liability for property and land development*
The determination of cost of cost to complete the development of subdivision land and residential units sold before completion of the project is dependent upon certain amounts by use of estimates of contractors and technical personnel. These estimates are calculated based on current prices of labor and materials plus provisions for price escalation due to inflation and other factors. While the entities believe that the use of these estimates is reasonable and appropriate, differences in the actual cost or changes in the assumptions may affect the costs and liabilities.

5. **Fair Value Measurement**

The following table presents a comparison by category of carrying amounts and estimated fair values of the UHI Group's financial assets and liabilities as of September 30, 2006:

	Carrying Value	Fair Value
Financial Assets		
Cash and cash equivalents	**₱2,325,988**	₱2,325,988
Receivables - net (Note 7)	**280,198,600**	280,198,600
Financial Liabilities		

Accounts payable and accrued expenses	**2,431,319,324**	2,431,319,324
Convertible Notes Payables	**47,265,558**	47,265,558
Loans payable (Note 10)	**1,684,481,691**	1,684,481,691
Due to related parties	**153,695,893**	153,695,893

Due to short-term nature of transactions, the carrying amounts of financial instruments such as cash and cash equivalents receivables, accounts payable and accrued expenses and loans payable approximate their fair values.

6. **Management Objectives and Policies**

The UHI Group's principal financial instruments consist of cash and cash equivalents, trade and other receivables, accounts payable and accrued expenses, and loans payable. The main purpose of these financial statements is to finance the operations.

The main risks arising from the UHI Group's financial instruments are as follows:

Interest Rate Risk
As discussed in Note 9, under the MOAs, the creditor banks agreed to waive all interest after June 30, 1999 including penalty and other changes. As a result, the UHI Group's exposure to interest rate risk has accordingly been minimized.

Credit Risk
The carrying amounts of cash and accounts receivables represent the UHI Group's maximum exposure to credit risk in relation to financial assets. No other financial assets carry a significant exposure to credit risk. Receivables balances are monitored on an ongoing basis with the result that the entity's exposure to bad debts is not significant.

Foreign Exchange Risk
The UHI Group's foreign exchange risk is minimal.

7. **Receivables**

	September 30 2006	December 31 2005
Rental and other charges	**₱810,041,223**	₱699,150,089
Franchise fees (Note 15)	**369,782,351**	369,094,018
Leasehold rights receivables (Note 19)	**66,055,812**	66,055,812
Installment contracts receivable (Note 19)	**26,644,462**	26,853,562
Advances to contractors	**11,781,953**	11,095,474
Others	**55,296,788**	58,080,238
	1,339,602,590	1,230,329,193
Less allowance for impairment losses	**1,059,403,990**	1,059,403,992
	₱280,198,600	₱170,925,201

Leasehold rights receivables (LRRs) and installment contracts receivable (ICR) are collectible over a period of one to ten years and are secured by the mall spaces leased. Sales with less than 50% downpayment term are interest-bearing at fixed rates ranging from 12% to 24% per annum computed on the diminishing balance of the principal.

In accordance with the Assignment of Leasehold Rights executed by the Parent Company with leasehold rights buyers (assignees), the Parent Company shall give a pro-rata refund in case of delay in the turnover of the leasehold premises. These pro-rata refund to assignees amounting to ₱15.64 million and ₱14.11 million as of September 30, 2006 and 2005, respectively are recognized in the books as liabilities under “Accounts Payable and Accrued Expenses” account in the consolidated balance sheets (Note 11).

In accordance with the SAGARP, franchise fees from USWCI are suspended for three years starting on the first year of SEC’s approval (in 2003) and shall resume at 1% of net sales on the fourth year (in 2006).

8. **Investment Properties**

This account consists of:

	Land for Future Development	Land and Improvements	Buildings and Improvements of Lease	Coastal Mall	Investment in Real Estate	Total
Cost						
As of January 1, 2006	₱566,881,008	₱37,901,675	₱1,575,442,094	₱2,142,333,871	₱41,989,440	**₱4,364,548,088**
Retirements / Disposal						
As of September 30, 2006	566,881,008	37,901,675	1,575,442,094	2,142,333,871	41,989,440	**4,364,548,088**
Accumulated Depreciation And amortization						
As of January 1, 2006	–	1,745,439	495,036,649	915,513,794	–	**1,412,295,882**
Depreciation and amortization	–	–	35,255,886	94,370,775	–	**129,626,661**
Retirements / Disposal	–		–	–	–	
As of September 30, 2006	–	1,745,439	530,292,535	1,009,884,569	–	**1,541,922,543**
Net Book Value as of September 30, 2006	₱566,881,008	₱36,156,236	₱1,045,149,559	₱1,132,449,302	₱ 41,989,440	**₱2,822,625,545**
Net Book Value as of December 31, 2005	₱566,881,008	₱36,156,236	₱1,080,405,445	₱1,226,820,077	₱ 41,989,440	**₱2,952,252,206**

Investment properties represent the commercial and residential complex located in Coastal City in Naic, Cavite and Southpoint in Cabuyao, Laguna with an area of 64,495 square meters as of 2005.

On May 30, 2001, the SEC approved the settlement with three creditor banks [East Asia Capital Corporation, UCPB, International Exchange Bank (IEB)] of the liabilities of USWCI, USI and the Gow family (Note 2).

On April 15, 2003, the Uniwide Group transferred to the SPC its several parcels of land of Coastal City located in Naic, Cavite for the partial settlement of USWCI’s and the Gow family’s debt to IEB (Note 2).

On July 9, 2003, the Uniwide Group executed a dacion en pago agreement, pursuant to the MOA entered with EPCIB in December 19, 2002 (Note 2).

As of December 31, 2004, the Uniwide Group's investments in real estate with net book value of ₱122.09 million are the subject of MOAs, dacion en pago agreements or being offered for dacion en pago settlement of their loans amounting to ₱858.35 million.

In view of the material uncertainty as discussed in Note 2, impairment losses on Investment property and Property and equipment are also not determinable.

On November 2, 2005, assignment of shares of stock of two SPCs settled the ₱70.64 million debt of the Gow family. Parcels of land transferred to these SPCs include those in Malolos, Bulacan, and in Maragondon, Cavite, with total area of 8,789 square meters and 397,321 square meters respectively to Philippine Commercial Capital, Inc. Gain of ₱18.39 million was recognized in 2005.

Substantially all the property and equipment of the Parent Company and USRRC are mortgaged to creditor banks to secure the loans of the companies belonging to the Uniwide Group and the loans of the Gow family. The proceeds from these loans were used to support the operations of the Uniwide Group.

As discussed in Note 2 and in accordance with the SAGARP, properties of the Parent Company, USRRC and the Gow family with an appraised value of ₱13.32 billion (₱4.58 billion of which belongs to the Parent Company) will be transferred through a dacion en pago arrangement to secured creditor banks to extinguish the debt of UHI Group amounting to ₱2.88 billion and the debts of USI, USWCI and the Gow family, with an aggregate amount of ₱4.53 billion, inclusive of interest and other charges amounting to ₱630.75 million and ₱253.64 million, respectively, as of June 30, 1999.

Interest cost incurred on borrowed funds up to 1997 used during the construction period amounting to ₱234.10 million was capitalized as part of the Coastal Mall account. No interest cost was capitalized in 2004 because the development of the Coastal Mall has been deferred since 1998 (Note 2).

Under the SAGARP, the Coastal Mall will be transferred through dacion en pago arrangement to the Syndicate banks. Liabilities to contractors who have liens and/or claims on Coastal Mall and the mall tenants who have deposits, advances, and/or claims on the Coastal Mall amounting to ₱257.68 million shall be paid with shares in the SPC which will be formed after executing the dacion en pago arrangement with the Parent Company's creditors. This amount is booked under Accounts Payable Rehabilitation, Security/Refundable deposit, advances from CM tenants, deposit on leasehold, and construction bond.

In June 2003, Parent Company's properties with net carrying value of ₱104.54 million (net of accumulated depreciation of ₱23.72 million) were included in the pool of properties offered in settlement of Group's liabilities totaling ₱720.08 million (Notes 2 and 12).

In July 9, 2003, the Parent Company and USRRC executed a dacion en pago agreement, pursuant to the MOA entered into by the Company, USWCI, USRRC, WRCI and the Gow Family and EPCIB on December 19, 2002 for the settlement of ₱ 413.78 million outstanding debt of USWCI (Note 2).

In 2003, a secured creditor approved the partial settlement of USI's and USWCI's total debt to RCBC amounting to ₱1.24 billion (Note 2).

In April 2004, the Parent Company, USI, USWCI and USRRC entered into a dacion en pago agreement with LBP for the settlement of ₱172.46 million outstanding debt of USWCI and USI through the dacion of properties of USRRC (Note 2).

In April 2004, Parent Company's land with cost of ₱33.20 million was included in the pool of properties offered in settlement of Group's liabilities totaling ₱288.00 million. The Parent Company recognized in 2004 a gain of ₱6.23 million from the disposal of the land.

As of September 30, 2006, USRRC's property and equipment with carrying value of ₱1.12 billion is the subject of MOAs, dacion en pago agreements or being offered for dacion en pago for the settlement of the loans payable of Group amounting to ₱1.14 billion.

9. Other Assets

This account consists of:

	September 30 2006	December 31 2005
Creditable withholding tax	**₱123,717,792**	₱118,197,313
Advances to land brokers	**62,049,770**	62,049,770
Input value-added tax	**55,638,187**	47,600,085
Prepayments	**26,211,408**	27,408,973
Others	**5,516,847**	9,804,977
	273,134,004	265,061,118
Less allowance for impairment losses	**138,598,798**	138,598,798
	₱134,535,206	₱126,462,320

Advances to certain land brokers are non-interest-bearing and were used for the acquisition and consolidation of certain parcels of land as provided for under the MOU between USRRC and the land brokers. Under the terms of the MOU, such parcels of land shall be ceded, transferred and conveyed unto a joint venture to be formed by the USRRC and the land brokers. On November 19, 2004, a certain Joint Venture Agreement was mutually consented to be dissolved and terminated by USRRC and certain land broker. Consequently on the same date, a MOA for the settlement of all financial and contractual obligation by both parties to each other was signed.

10. **Loans Payable**

As of September 30, 2006 and 2005, this account consists of:

Parent Company:	
Short-term loans	₱100,000,000
Long-term loans - currently due and demandable:	
Syndicated loans from three banks, originally payable in three annual installments starting July 2000 with a two-year grace period on principal payment; interest rate fixed at 91-day treasury bill (T-bill) rate plus 3% subject to 36% default interest per annum	550,000,000
Restructured loan (originally short-term loan in 1997) payable in 12 equal quarterly amortizations starting June 30, 2000 with a two-year grace period on principal payment; interest rate fixed at 91-day T-bill rate plus 3% or 91-day Philippine Interbank Offer Rate (PHIBOR), whichever is higher	750,000,000
Restructured capitalized interest payable in four quarterly installments starting June 30, 1999; subject to same interest rate on restructured loan above	22,516,000
	1,322,516,000
	1,422,516,000
USRRC:	
Short-term loans	261,965,691
	₱1,684,481,691

The short-term loan of the Parent Company is from a local bank. This loan bears annual interest rates ranging from 14% to 30%. This is generally secured by property and equipment and investments in real estate of the Parent Company and USRRC, pledge of the Parent Company's shares of stock and continuing suretyship of the Gow family and certain related parties. The loans have been past due since December 31, 1998.

The proceeds from the Parent Company's syndicated loans were used to partially finance the construction of the Coastal Mall. The loan is secured by a Mortgage Trust Indenture to cover the real estate and chattel mortgages of the said mall which include, among others: (a) leasehold rights on the land and its existing and future improvements; (b) proceeds from the sale, lease or disposition of the properties including insurance proceeds or an appropriation of or other mode of acquisition by the Government of the Philippines; and (c) proceeds from the sale or disposition of mall spaces.

Several loan agreements contain loan covenants which, among others, require the written consent of the creditors on the Parent Company's incurrence of debt, declaration of dividends, sale of assets, consolidation or merger, guaranty of any person or other Parent Company's debt, acquisition of treasury shares and creation of future liens on its properties, establishment of a sinking fund to cover debt service requirement and restriction from engaging in any new property development other than for retail operations.

All the long-term loans of the Parent Company and USRRC are technically past due and demandable. The Parent Company and USRRC did not recognize interest and default charges for past due loans in accordance with the approved GARP, including those due to a creditor banks which has not yet signed any MOA with the Uniwide Group. The MOAs signed with creditor banks provided for the waiver of interest and default charges.

In 2003, creditor banks who have not yet signed any MOA with the Uniwide Group filed comments and motions with the SEC with regards to the SAGARP and did not object to the waiver of interest and default charges as called for by the SAGARP.

Under the SAGARP and MOAs, the value of collaterals subject to dacion en pago are based on the appraised values of the properties (consisting of original collateral or replacements deemed acceptable by all parties) as of September 30, 1999, as determined by an independent appraiser. All expenses under such arrangements shall be for the account of the Parent Company and USRRC but are already included in the valuation of the properties to be transferred and conveyed to the SPC which was formed for the purpose of allocating such properties to various creditors. The cash requirements for these expenses will be provided by the banks/creditors but in no case shall the amount thereof exceed the amount indicated as cash payment for Uniwide expenses. Under the MOAs, the creditor banks agreed to waive all interest after June 30, 1999 including all penalty and other charges. The MOAs called for the release of various liens and mortgages on other properties not subjected to the above dacion en pago agreements including joint suretyship liability of the Gow family.

Management believes that all the secured creditors as well as the unsecured creditors will agree to continue supporting the terms of payment embodied in the SAGARP.

11. **Deferred Revenue and Other Liabilities**

This account consists of:

	September 30	December 31
	2006	2005
Valuation reserve for possible contingencies	**₱379,618,415**	₱584,870,770
Deferred gross profit on sale of leasehold rights on commercial spaces (net of deferred selling costs of ₱2,563,960)	**44,905,534**	44,905,534
Advance rentals (Note 16)	**37,213,477**	37,551,567
Refundable deposits (Note 16)	**21,651,716**	21,653,246
Others	**53,513,450**	52,765,834
	₱536,902,592	₱741,746,951

The information usually required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, is not disclosed on the grounds that it can be expected to prejudice the Parent Company's position.

12. **Operating Expenses**

Operating expenses comprise the following:

	September 30	September 30
	2006	2005
Depreciation and amortization (see Note 13)	**129,626,661**	₱130,241,111
Rent (see Notes 1 and 16)	**34,223,729**	31,031,572
Taxes and licenses	**32,522,704**	34,682,588
Light and water	**7,953,521**	15,097,454
Salaries, wages and benefits (see Note 14)	**5,283,572**	6,379,179
Professional fees	**1,775,460**	1,835,702
Repairs and maintenance	**933,928**	3,228,171
Insurance	**-**	362,325
Entertainment, amusement and recreation	**-**	563,179
Travel	**-**	37,682
Miscellaneous	**-**	7,314,448
	₱212,319,575	₱230,773,411

13. **Depreciation and Amortization**

	September 30	September 30
	2006	2005
Investment properties (see Note 8)	**₱129,626,661**	₱130,241,111

14. **Salaries, Wages and Benefits**

	September 30 2006	September 30 2005
Salaries, wages and benefits	**₱5,283,572**	₱6,379,179

15. **Related Party Transactions**

The UHI Group, in the normal course of business, enters into transactions with USI and other companies considered as related parties principally involving advances, which have no definite call dates. No interest was billed by the UHI Group on amounts due from its related parties since 2000.

As of September 30, 2006 and 2005, USI's unaudited financial statements show that a substantial portion of its assets represents investments in shares of stock of the Parent Company and Asia Amalgamated Holdings Corporation, both of which incurred substantial losses during the year. Also, USI is currently experiencing difficulties in generating sufficient cash flows to meet its obligations. USI is also part of the Uniwide Group which is under receivership.

As of September 30, 2006 and as discussed in Notes 2, 8 and 9, several properties of the Parent Company and USRRC are the subject of dacion en pago arrangements with creditor banks to settle the liability of certain related parties, under the umbrella of the Uniwide Group of Companies, in accordance with SAGARP. Such settlement by the Parent Company and USRRC are booked as due from related parties.

As discussed in Note 2, UHI franchises out the "Uniwide Sales" and "Uniwide Sales Warehouse Club Stores" to USWCI. However, under the SAGARP, franchise fees payable to the Parent Company by USWCI will be suspended for three years and will resume at 1% of net sales on the fourth year of implementation (Note 7).

The Parent Company also franchised out the trade name "Uniwide Family Store" to FPC and a third party. The franchise agreements call for an initial period of five years renewable upon mutual agreement of both parties. Franchise fees include a non-refundable privilege fee of a certain amount due on the first year of the franchise term and a royalty fee based on a certain percentage of net purchases (inclusive of value-added tax thereon) or a fixed monthly amount, whichever is higher. In 2000, in view of the Parent Company's failure to supply the inventory requirements of the franchisees due to the Parent Company's current financial situation, the existing franchising structure was modified such that the franchise fees were adjusted to be based on a percentage of gross monthly sales. In accordance with the approved GARP, the franchisee affiliate, FPC, sold all of the assets of its UFS in December 1999.

On December 23, 2003, the BOD of USRRC approved the write-off of receivable from USI amounting to ₱1.51 billion. Also, the BOD of and USRRC has approved the recording of valuation allowance on receivable from the related parties within the umbrella of the Uniwide Group of Companies amounting to ₱472.14 million, retroactive December 31, 2004.

16. **Operating Lease Commitments**

The Parent Company has entered into a 20-year operating lease commencing October 1, 1994 until September 30, 2015, for a 10-hectare parcel of land, where the Coastal Mall is situated. The lease is subject to an annual escalation clause of 10%. Total rentals charged to operations amounted to ₱19.27 million for the period ending September 30, 2006.

17. **Income Taxes**

Benefit from income tax consists of:

	September 30	September 30
:	**2006**	2005
Final withholding tax	**₱154,808**	₱235,187

18. **Loss Per Share**

Loss per share is calculated as follows:

	September 30	September 30
	2006	2005
Net loss	**₱97,016,689**	₱435,338,985
Weighted average number of outstanding common shares	**2,567,117,136**	2,548,109,762
Loss per share	**₱0.038**	₱0.17

19. **Commitments and Contingencies**

In July 1996, the Parent Company, USRRC and a local bank (a former related party) executed a MOA wherein the Parent Company and USRRC sold on a without recourse basis certain LRRs and ICRs arising from the assignment of commercial spaces in Coastal Mall and USRRC's real estate projects. The Parent Company undertook the collection of the accounts until October 21, 1998 when their appointment as collection agents of the bank was revoked and cancelled. The bank has taken over the collection of the accounts.

Pursuant to the terms of the Assignment of Leasehold Rights between the Parent Company and Assignees and the Contract to Sell between USRRC and the lot buyers, the Parent Company and USRRC have the right to automatically cancel the contracts to sell, including those LRRs and ICRs that have been assigned without recourse to the bank, in the event of default in payment as defined in the contracts. Installments collected will be refunded or forfeited under the following terms:

a. If the installment payments made by the lot buyers are less than 24 monthly installments, payments will not be refunded;
b. Otherwise, USRRC should refund 50% of the total payments made under the contract. In the case of ICRs assigned to the bank, the bank is bound to pay the refunds.
c. In case of LRRs, all payments received by the Parent Company will be forfeited.

Management and its legal counsel believe that the cancellation of the contracts to sell and of assignment of leasehold rights due to the default in monthly amortization payments by lot buyers and assignees are valid. Also, management and its legal counsel believe that the Parent Company and USRRC have justifiable and defensible position under the contract to sell and assignment of leasehold rights to refute any charges against the Parent Company and USRRC arising from the cancellation of contracts. Accordingly, no provision for possible claims from these lot buyers and assignees has been set up in the consolidated financial statements, the Parent Company redesigned the commercial spaces for Coastal Mall, thus affecting some of the rights assigned to the bank. In May 1999, another MOA was executed for the exchange of certain non-habitable leasehold rights affected by such redesign with habitable ones with a total value of ₱104.80 million.

On January 8, 1997, May 8, 1996 and August 26, 1995, USRRC entered into separate joint venture agreements with the owners of certain parcels of land in Bacoor, Cavite; Banago, Bacolod City; and Talisay City, respectively. Under the terms of the joint venture agreements, the USRRC will develop the raw land to be contributed by the owners. USRRC and its joint venture partners will share 60% and 40%, respectively, of the net saleable area. The total area of these raw land contributions in Bacoor, Cavite; Banago, Bacolod City; and Talisay City, is 88,895 square meters, 111,389 square meters and 968,780 square meters, respectively. There have been no developments in Bacoor, Cavite and Banago, Bacolod City while the development on Talisay City property has been suspended since 1998.

As discussed in Note 10, on November 19, 2004, the Joint Venture Agreement was mutually consented to be dissolved and terminated by USRRC and certain land broker. Consequently on the same date, a MOA for the settlement of all financial and contractual obligation by both parties to each other was signed.

On August 24, 1996, a Design, Build and Lease Agreement for the development of Baguio City Public Market was entered into by and between USRRC and the City Government of Baguio through bidding. USRRC has been awarded the contract to develop the 31,874 square meter premises consisting of the slaughter area and marketplace. The lease agreement is effective for 30 years commencing upon the issuance of occupancy permit. Lease rental for the developed area of the said property is ₱10.00 per square meter per month to increase by 10% annually. The agreement is renewable for another 30 years upon mutual agreement of both parties. USRRC shall deposit with the Baguio City Treasurer's Office the cash equivalent of 3% of the total project cost as performance bond provided that after three months of faithful compliance, USRRC may ask the City Government of Baguio for substitution of the cash bond with a surety bond. On October 21, 1997, certain vendors' associations filed a petition for declaratory relief against the city officials of Baguio and USRRC arising from the awarding by the City Government of Baguio to USRRC of the aforementioned development project. No monetary judgment was sought by the plaintiffs. USRRC has filed a counter-claim for damages of ₱51.00 million, equivalent to the project cost plus litigation expenses. The case is still pending resolution.

Certain contracts to sell, including those contracts whose ICRs were assigned to the bank, were cancelled due to the default in monthly amortization payments by the lot buyers. Management and its legal counsel believe that USRRC has a justifiable and defensible position under the contracts to sell to refute any charges against USRRC arising from the cancellation of contracts. Accordingly, no provision has been set up or recognized in the consolidated financial statements.

On May 16, 1996, USRRC entered into an Assignment Agreement with Mansteel International Corporation (MIC). For valuable consideration, MIC transferred to USRRC all its rights, obligations and interests in and to the Memorandum Agreement and Franchise covering the Franchise to Build-Operate-and Transfer the Tarlac Transportation Terminal and Commercial Center to be constructed on a reclaimed parcel of land with an area of approximately 7 hectares along Ninoy Aquino Boulevard in Tarlac. As of December 31, 1998, the Transportation Terminal has been completed. In 2002, operation of the said terminal has been turned over to the Tarlac Government. Construction cost of the said terminal will be applied against rentals and taxes.

In September 1994, the owner of a land being leased by USI filed a complaint for damages amounting to ₱32.80 million against USI for alleged encroachment of the building and improvements owned by USRRC. Such properties erected on the land are being leased by another related party. The case is still pending with the court. Management believes that the complaint is without basis and any possible loss and/or liability that it may incur as a result of such legal action will not have any material effect on USRRC's financial position and results of operations.

The Parent Company and USRRC are parties to other lawsuits or claims arising from the ordinary course of business. Provisions for losses have been set up to cover probable losses from claims, tax assessments, pending litigation and others.

Item 6. Management Discussion and Analysis of Financial Condition and Results of Operations.

Results of Operations

Uniwide Holdings, Inc. (UW) registered a consolidated revenue of ₱101.63 million for the nine months period ended September 30, 2006; a decrease of ₱10.71 million during the same period last year. The 9.53% decline was brought about by the decrease in combined rental revenues and franchise fees. Franchise income reported for the period pertains to a franchise income from a third party franchisee.

UW's operating expenses for the period also decreased to ₱212.32 million from ₱230.77 million or an improvement of 8% from the same period in 2005. The improvement in operating expenses can be attributed to the cash savings and cost cutting measures that UW is continuously implementing, savings on professional fees, rental expenses, and personnel related expenses.

For the 3rd. quarter of 2006, UW registered a net loss ₱37.19 million compared with the ₱ 38.11 million in the same period last year. The resulting net loss for the period ended September 30, 2006 was recorded at ₱97.02 million versus the 2005 net loss of ₱435.34 million. The decrease in net loss was brought about by the booking in 2005, of the allowance for probable losses on due to due from affiliate account resulting from the dacion en pago transactions that were consummated during the period for the settlement of the Uniwide Groups' bank obligations, in accordance with the SEC approved rehabilitation plan.

Other (charges) income likewise, was registered at ₱13.83 million (net other income) from a net other charges of ₱316.66 million for the first three-quarters of 2005 or an increase of 104.37%.

Financial Position

UW's consolidated assets were registered at ₱3.24 billion as of September 30, 2006 compared to the ₱3.26 billion as of December 31, 2005. Total liabilities (including loans payable of P1.68 billion) were recorded at ₱4.93 billion.

UW's receivables increased by 63.93% from December 31, 2005 of ₱170.93 million to ₱ 280.20 million as of September 30, 2006. The increase is due to the uncollected rent from tenants and affiliates. Accounts payable and accrued expenses likewise increased by 13.39% from year December 2005 balance of ₱2.14 billion to September 30, 2006 balance of ₱2.43 billion. The decrease of ₱129.63 million or 4.39% in investment properties, are due to the depreciation of these assets. The increase of ₱19.01 million in the subscribed capital stock is due to the conversion of convertible notes issued to unsecured creditors into parent company's common shares at issue price, in accordance with the SEC approved rehabilitation plan. Other balance sheet accounts did not move significantly.

Rehabilitation Plan

On December 23, 2002, the SEC approved the SAGARP, a formal notice of which was received on January 16, 2003. With the approval of the SAGARP, SEC on May 12, 2003 issued an Order appointing Atty, Julio C. Elamparo as the Rehabilitation Receiver of Uniwide.

In a letter dated March 18, 2004, the SEC informed the Uniwide Group that it has resolved to consider the Convertible Notes to be issued to the unsecured creditors as exempt securities under Section 9.1 of the Securities Regulation Code. On July 5, 2004, the SEC approved the final version of the Convertible Notes scheduled to be issued to the unsecured creditors pursuant to the approved Second Amendment to the Group Rehabilitation Plan (SAGARP). As of January 26, 2006, UHI Group has started issuing the restructuring agreement and convertible notes to the unsecured creditors in accordance with the SAGARP. As of September 30, 2006, ₱19.01 million of the convertible notes issued to unsecured creditors were converted into parent company's common shares at issue price, in accordance with the SEC approved rehabilitation plan.

SEC's approval of the SAGARP, on December 22, 2002, marks the start of the implementation of Uniwide's Rehabilitation plan. SAGARP provides for a 15 year Rehab Plan commencing in Year 2003. The Rehab Plan outlines Uniwide's commitments and targets, the implementation if which is overseen by the SEC appointed Rehabilitation Receiver.

At this point, it is worth noting though that while Year 2 of the SAGARP assumes that all dacion arrangements have been completed and malls are managed by creditors/new owners, actual circumstances have delayed meeting these targets.

To date, UHI operates its two malls and still owns several properties from where it derives its rental income. Third party franchisees continue to provide franchise income to UHI. In July 29, 2005, the franchise agreement for Uniwide San Pedro, Laguna branch and by a third franchisee was terminated due to the sale of personal property, leasehold rights and merchandise inventories. Until dacion of the two malls and other properties have been made UHI will incur higher operating expenses as compared to the Rehab Plan budget.

Further, in April and November 2005, the Uniwide Group has completed a Deed of Absolute Assignment involving parcels of land located in Ternate, Cavite with total area of 738,773 square meters; and the assignment of shares of stock of two SPCs covering the parcels of land transferred to these SPCs in in Malolos, Bulacan, and in Maragondon, Cavite, with total area of 8,789 square meters and 397,321 square meters, respectively.

Uniwide Group is now on its fourth year of rehabilitation.

Part II – Other Information

There were no other undisclosed information, which were not covered by all the SEC 17-C previously filed.

SIGNATURES

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

UNIWIDE HOLDINGS, INC.

ANNABELLE B. BASILIO
Accounting Manager
November 14, 2006

JIMMY N. GOW
President
November 14, 2006

UNWIDE HOLDINGS, INC. & SUBSIDIARIES
CONSOLIDATED AGING OF ACCOUNTS RECEIVABLES
AS OF SEPTEMBER 30, 2006

ACCOUNTS	Outstanding Receivable 30-Sep-06	<<<<<<<<<<<<<<<<<<<< AGE OF RECEIVABLE >>>>>>>>>>>>>>>>>>>>							
		not yet due	1 month	2 - 3 months	4 - 6 months	7 mos. to 1 year	1 to 2 years	3 to 5 years above	Past due accounts & items in litigation
Type of Accounts Receivable									
a) Trade Receivable									
1) Franchise	369,782,351		76,667	153,333	230,000	448,595	935,438	367,938,318	
Less: Allowance for Doubtful account	368,722,089		-	-	-	-	783,771	367,938,318	
Net Franchise	***1,060,262***	***-***	***76,667***	***153,333***	***230,000***	***448,595***	***151,667***	***(0)***	***-***
2) Rental and others	810,041,223		16,604,571	19,130,709	31,642,430	30,342,733	29,881,949	682,438,829	
Less: Allowance for Doubtful account	635,859,161		-	-	-	-	-	635,859,161	
Net Rental	***174,182,062***	***-***	***16,604,571***	***19,130,709***	***31,642,430***	***30,342,733***	***29,881,949***	***46,579,669***	***-***
3) Leasehold Rights	66,055,812	19,402,587	87,266	85,555	83,878	82,233	80,621	33,024,944	13,208,728
Less: Allowance for Doubtful account	21,150,278							21,150,278	
Net Leasehold Rights	***44,905,534***	***19,402,587***	***87,266***	***85,555***	***83,878***	***82,233***	***80,621***	***11,874,667***	***13,208,728***
4) Installment contract	26,644,462	1,379,976	47,734	57,565	148,018	147,957	244,690	24,618,522	
Less: Allowance for Doubtful account	26,366,022		-	-	-	147,957	244,690	25,973,375	
Net Installment contract	***278,441***	***1,379,976***	***47,734***	***57,565***	***148,018***	***(0)***	***(0)***	***(1,354,853)***	***-***
Net Trade Receivable	**220,426,299**	**20,782,564**	**16,816,238**	**19,427,163**	**32,104,326**	**30,873,561**	**30,114,237**	**57,099,483**	**13,208,728**
b) Non - Trade Receivable									
1) ***Advances to contractors***	***11,781,953***							***11,781,953***	
Less: Allowance for Doubtful account	*7,306,440*							*7,306,440*	
Net Advances to contractors	***4,475,513***	***-***	***-***	***-***	***-***	***-***	***-***	***4,475,513***	***-***
2) ***Others***	***55,296,788***							***55,296,788***	
Net Non - Trade Receivable	**59,772,301**	**-**	**-**	**-**	**-**	**-**	**-**	**59,772,301**	**-**
NET RECEIVABLES	**280,198,600**	**20,782,564**	**16,816,238**	**19,427,163**	**32,104,326**	**30,873,561**	**30,114,237**	**116,871,784**	**13,208,728**
	0								

UNWIDE HOLDINGS, INC. & SUBSIDIARIES
CONSOLIDATED AGING OF ACCOUNTS RECEIVABLES
AS OF SEPTEMBER 30, 2006

TYPE OF RECEIVABLE	NATURE / DESCRIPTION	COLLECTION PERIOD
1) Franchise Receivable	This consists of the royalty fees earned from USWCI, a sister company, which presently operates seven warehouse clubs, one department store and a wholesale center. However, in accordance with the SAGARP, franchise fees from USWCI was suspended. In addition, the Parent Company entered into franchise agreement with a third party, operating two warehouse clubs.	Quarterly; Uniwide Sales Warehouse Club, Inc, the franchisee of the retail business of UHI is one of the company's under the umbrella of Uniwide Group who is declared in the state of suspension of debt payment.
2) Rental Receivable	This represents the rental income derived from leasing commercial spaces of Coastal Mall and Metromall to third party and to USWCI; and from leasing the buildings where most of the Uniwide Warehouse Clubs and Uniwide Department Stores are situated.	One month
3) Leasehold Rights Receivable	Leasehold rights receivable represents the balance of the contract price for the sale of commercial spaces at Coastal Mall, Paranaque City	Collected thru monthly amortization and payment term ranges from one to 10 years
4) Installment Contracts Receivable	This represents the balance of the contract price for the sale of residential as well as commerical subdivision lots for the Southpoint subdivision in Cabuyao Laguna and at Dreamworld City at Naic Cavite	Collected thru monthly amortization and payment term ranges from one to 10 years
5) Advances to contractorss	This represents the Grou'ps receivable from contractors arising from the unrecouped downpayment for the real estate and development projects which were shelved due to the liquidity problems of the Group.	Generally recouped as progress billings/payments are made
6) Others	Represents receivable from utility companies for the various interest bearing deposits; non-interest bearing advances to a certain joint venture partner extended by USRRC in accordane with the terms and conditions of the joint venture agreement	-

NORMAL OPERATING CYCLE: **365 DAYS**