ROBINSONS LAND
CORPORATION

LEVEL 2, GALLERIA CORPORATE CENTER, ROBINSONS GALLERIA, EDSA CORNER ORTIGAS AVE., QUEZON CITY, PHILIPPINES
TELEPHONE NO.: (632) 683-6100 • FAX NO.: (632) 632-0667

January 8, 2009

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

The Management of Robinsons Land Corporation and Subsidiaries is responsible for all information and representations contained in the consolidated financial statements as of September 30, 2008 and 2007 and for each of the three years in the period ended September 30, 2008. The consolidated financial statements have been prepared in accordance with the Philippine Financial Reporting Standards and reflect amounts that are based on the best estimates and informed judgement of management with an appropriate consideration to materiality.

In this regard, management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are recognized. The management likewise discloses to the Company's audit committee and to its external auditor: (i) all significant deficiencies in the design or operation of internal controls that could adversely affect its ability to record, process, and report financial data; (ii) material weaknesses in the internal controls; and (iii) any fraud that involves management or other employees who exercise significant roles in internal controls.

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

Sycip, Gorres, Velayo and Co. (SGV), the independent auditors appointed by the stockholders, have examined the consolidated financial statements of the Company and its subsidiaries in accordance with Philippine Financial Reporting Standards and have expressed their opinion on the fairness of presentation upon completion of such examination, in the attached report to the stockholders and the Board of Directors.

Signed under oath by the following:

JAMES L. GO
Chairman and Chief Executive Officer

CONSTANTE T. SANTOS
SVP-Corporate Controller

ATTY. JOEL G. CORDOLA
Notary Public
NOTARY PUBLIC
UNTIL DECEMBER 31, 2009
PTR No. 0806382 1/05/09 Q. C.
IBP No. 688768 ROLL No. 25103

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SEC Accreditation No. 0012-FR-1

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Robinsons Land Corporation
43rd Floor Robinsons Equitable Tower
ADB Avenue, Ortigas Center, Pasig City

We have audited the accompanying consolidated financial statements of Robinsons Land Corporation and Subsidiaries, which comprise the consolidated balance sheets as at September 30, 2008 and 2007, and the consolidated statements of income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended September 30, 2008, and a summary of significant accounting policies and other explanatory notes.

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

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

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

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Robinsons Land Corporation and Subsidiaries as of September 30, 2008 and 2007, and their financial performance and their cash flows for each of the three years in the period ended September 30, 2008 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Michael C. Sabado

Michael C. Sabado
Partner
CPA Certificate No. 89336
SEC Accreditation No. 0664-A
Tax Identification No. 160-302-865
PTR No. 1566464, January 5, 2009, Makati City

January 13, 2009

ROBINSONS LAND CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	September 30	
	2008	2007
ASSETS		
Cash and cash equivalents (Notes 7, 18, 29 and 30)	**₱519,080,453**	₱1,555,623,418
Receivables - net (Notes 8, 18, 29 and 30)	**4,352,991,997**	2,932,643,996
Subdivision land, condominium and residential units for sale - at cost (Note 9)	**1,683,394,162**	1,966,786,592
Investment properties and other investments - net (Note 10)	**27,515,824,240**	23,895,179,679
Property and equipment - net (Note 11)	**4,916,967,177**	5,189,570,520
Other assets (Notes 12, 29 and 30)	**1,322,302,757**	1,245,974,070
	₱40,310,560,786	₱36,785,778,275
LIABILITIES AND EQUITY		
Liabilities		
Accounts payable and accrued expenses (Notes 13, 18, 27, 29 and 30)	**₱5,082,110,853**	₱4,081,871,018
Income tax payable	**268,136,171**	180,817,533
Deposits and other liabilities (Notes 14, 18, 29 and 30)	**4,278,019,722**	4,868,976,063
Loans payable (Notes 10, 11, 15, 29 and 30)	**6,017,000,000**	4,560,000,000
Deferred tax liabilities - net (Note 25)	**1,678,324,516**	1,804,017,921
	₱17,323,591,262	15,495,682,535
Equity		
Equity attributable to equity holders of the Parent Company		
Capital stock (Note 17)	**₱2,746,918,457**	2,746,918,457
Additional paid-in capital (Note 17)	**8,181,576,147**	8,181,576,147
Retained earnings (Note 16)		
Unappropriated	**8,440,392,907**	6,746,220,504
Appropriated	**3,500,000,000**	3,500,000,000
	22,868,887,511	21,174,715,108
Minority Interest in a Consolidated Subsidiary	**118,082,013**	115,380,632
	22,986,969,524	21,290,095,740
	₱40,310,560,786	₱36,785,778,275

See accompanying Notes to Consolidated Financial Statements.

ROBINSONS LAND CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	Years Ended September 30		
	2008	2007	2006
REVENUE			
Real estate (Notes 18 and 19)	**₱9,551,500,240**	₱7,071,996,579	₱5,648,237,924
Hotel operations (Note 19)	**1,135,820,627**	1,106,213,500	903,538,725
Interest income (Note 24)	**494,732,616**	710,366,315	331,670,643
	11,182,053,483	8,888,576,394	6,883,447,292
COSTS AND EXPENSES			
Real estate (Notes 10, 11, 20 and 22)	**5,095,048,762**	3,180,439,198	2,356,934,651
Hotel operations (Notes 10, 11, 20, 22 and 23)	**947,524,345**	922,025,081	821,079,872
General and administrative (Notes 18, 21, 23, 27 and 28)	**1,315,483,830**	1,251,391,875	1,086,303,533
Interest expense (Note 24)	**60,603,120**	119,030,864	195,210,319
	7,418,660,057	5,472,887,018	4,459,528,375
INCOME BEFORE INCOME TAX	**3,763,393,426**	3,415,689,376	2,423,918,917
PROVISION FOR INCOME TAX (Note 25)			
Current	**586,346,265**	464,057,510	413,179,468
Deferred	**24,306,595**	504,595,109	285,743,298
	610,652,860	968,652,619	698,922,766
NET INCOME	**₱3,152,740,566**	₱2,447,036,757	₱1,724,996,151
Attributable to:			
Equity holders of Parent Company	**₱3,150,039,185**	₱2,441,338,382	₱1,718,966,320
Minority interest in a Consolidated Subsidiary	**2,701,381**	5,698,375	6,029,831
	₱3,152,740,566	₱2,447,036,757	₱1,724,996,151
Earnings Per Share (Note 26)			
Basic, profit for the year attributable to equity holders of the Parent Company	**₱1.15**	₱0.89	₱0.75
Diluted, profit for the year attributable to equity holders of the Parent Company	**₱1.15**	₱0.89	₱0.75

See accompanying Notes to Consolidated Financial Statements.

ROBINSONS LAND CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to Equity Holders of the Parent Company					
	Common Stock (Note 17)	Additional Paid-in Capital (Note 17)	Unappropriated Retained Earnings (Note 16)	Appropriated Retained Earnings (Note 16)	Attributable to Minority Interest Equity	Total Equity
As of October 1, 2007	**₱2,746,918,457**	**₱8,181,576,147**	**₱6,746,220,504**	**₱3,500,000,000**	**₱115,380,632**	**₱21,290,095,740**
Net income for the year	**–**	**–**	**3,150,039,185**	**–**	**2,701,381**	**3,152,740,566**
Cash dividends	**–**	**–**	**(1,455,866,782)**	**–**	**–**	**(1,455,866,782)**
Balances at September 30, 2008	**₱2,746,918,457**	**₱8,181,576,147**	**₱8,440,392,907**	**₱3,500,000,000**	**₱118,082,013**	**₱22,986,969,524**
As of October 1, 2006	₱2,296,918,457	₱3,397,915,263	₱5,321,241,952	₱3,500,000,000	₱109,682,257	₱14,625,757,929
Additional subscription (Note 17)	450,000,000	4,783,660,884	–	–	–	5,233,660,884
Net income for the year	–	–	2,441,338,382	–	5,698,375	2,447,036,757
Cash dividends	–	–	(1,016,359,830)	–	–	(1,016,359,830)
Balances at September 30, 2007	₱2,746,918,457	₱8,181,576,147	₱6,746,220,504	₱3,500,000,000	₱115,380,632	₱21,290,095,740
As of October 1, 2005	₱2,296,918,457	₱3,397,915,263	₱4,337,289,538	₱3,500,000,000	₱103,652,426	₱13,635,775,684
Net income for the year	–	–	1,718,966,320	–	6,029,831	1,724,996,151
Cash dividends	–	–	(735,013,906)	–	–	(735,013,906)
Balances at September 30, 2006	₱2,296,918,457	₱3,397,915,263	₱5,321,241,952	₱3,500,000,000	₱109,682,257	₱14,625,757,929

See accompanying Notes to Consolidated Financial Statements.

ROBINSONS LAND CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended September 30		
	2008	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱3,763,393,426**	₱3,415,689,376	₱2,423,918,917
Adjustments for:			
Depreciation and amortization (Notes 10, 11, 20 and 22)	**1,557,862,231**	1,402,911,884	1,265,809,016
Provision for impairment losses (Note 8)	**18,982,104**	16,299,444	4,869,390
Cost of sales of investment properties and other investments and property and equipment (Notes 10 and 11)	**27,111,946**	55,685,524	43,487,586
Interest expense (Notes 10, 11 and 24)	**60,603,120**	119,030,864	195,210,319
Interest income (Note 24)	**(494,732,616)**	(710,366,315)	(331,670,643)
Operating income before working capital changes	**4,933,220,211**	4,299,250,777	3,601,624,585
Decrease (increase) in:			
Receivables (Note 8)	**(1,064,729,477)**	(856,389,200)	(471,996,752)
Subdivision land, condominium and residential units for sale (Note 9)	**4,838,542,915**	1,200,659,576	545,650,611
Receivable from Meralco (Notes 12 and 28)	**22,194,535**	24,018,987	(89,486,447)
Prepaid expenses and value-added input tax (Note 12)	**(190,692,976)**	(214,783,848)	(269,199,818)
Increase (decrease) in:			
Accounts payable and accrued expenses (Note 13)	**1,077,650,474**	230,517,969	1,552,693,011
Net pension liabilities (Notes 13 and 27)	**(15,263,254)**	(16,407,913)	13,352,658
Customers' deposits (Note 14)	**(571,754,832)**	142,710,149	753,607,444
Cash generated from operations	**9,029,167,596**	4,809,576,497	5,636,245,292
Income taxes paid	**(499,027,627)**	(452,535,841)	(327,102,457)
Net cash provided by operating activities	**8,530,139,969**	4,357,040,656	5,309,142,835
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	**151,944,497**	479,007,332	101,881,660
Decrease (increase) in:			
Advances to lot owners (Note 12)	**(19,366,080)**	177,886,141	(250,144,403)
Advances to suppliers and contractors (Note 12)	**554,148**	166,580,641	52,428,709
Other assets (Note 12)	**110,981,686**	(166,397,319)	(69,284,601)
Receivables from affiliated companies (Notes 8 and 18)	**(31,812,509)**	6,703,810	(6,023,979)
Additions to:			
Investment properties and other investments (Note 10)	**(2,677,568,097)**	(4,638,551,015)	(2,721,182,557)
Property and equipment (Note 11)	**(6,810,597,783)**	(4,245,656,752)	(3,596,507,425)
Net cash used in investing activities	**(9,275,864,138)**	(8,220,427,162)	(6,488,832,596)
CASH FLOWS FROM FINANCING ACTIVITIES			
Availments of loans payable (Note 15)	**₱2,677,000,000**	₱3,000,000,000	₱–
Interest paid	**(274,079,654)**	(220,402,589)	(382,221,450)
Payments of loans payable (Note 15)	**(1,220,000,000)**	(110,000,000)	(330,000,000)
Increase (decrease) in payable to affiliated companies and other liabilities (Note 14)	**(19,201,509)**	(2,033,296,106)	2,421,365,892
Payments of cash dividends (Note 16)	**(1,454,537,633)**	(1,015,923,850)	(732,830,804)
Capital stock subscriptions (Note 17)	**–**	450,000,000	–
Additional paid-in capital arising from capital stock subscriptions (Note 17)	**–**	4,783,660,884	–
Net cash provided by (used in) financing activities	**(290,818,796)**	4,854,038,339	976,313,638
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(1,036,542,965)**	990,651,833	(203,376,123)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**1,555,623,418**	564,971,585	768,347,708
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 7)	**₱519,080,453**	₱1,555,623,418	₱564,971,585

See accompanying Notes to Consolidated Financial Statements.

1. **Corporate Information**

Robinsons Land Corporation (the Parent Company) is a stock corporation organized under the laws of the Philippines and has seven wholly-owned subsidiaries, namely: Robinsons Homes, Inc. (RHI); Trion Homes Development Corporation (THDC); Manila Midtown Hotels and Land Corporation (MMHLC); Robinsons Inn, Inc. (RII); Robinsons Realty and Management Corporation (RRMC); Robinsons (Cayman) Limited (RCL); and Robinsons Properties Marketing and Management Corporation (RPMMC); and a 51%-owned subsidiary, Altus Angeles, Inc. (AAI) (collectively known as the "Group").

The Group is engaged in the business of selling, acquiring, constructing, developing, leasing and disposing of real properties such as land, buildings, shopping malls, commercial centers and housing projects, hotels and other variants and mixed-used property projects. The Group is 60.01% owned by JG Summit Holdings, Inc. (JGSHI), the Group's ultimate parent company. JGSHI is one of the country's largest conglomerates, with diverse interests in branded consumer foods, agro-industrial and commodity food products, textile, telecommunications, petrochemicals, air transportation and financial services.

The Parent Company's principal executive office is located at 43rd Floor, Robinsons Equitable Tower, ADB Avenue, Ortigas Center, Pasig City.

2. **Basis of Preparation**

The consolidated financial statements have been prepared under the historical cost convention method and are presented in Philippine Pesos, the Group's functional currency. All amounts are rounded to the nearest peso unless otherwise indicated.

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

Basis of Consolidation
The consolidated financial statements comprise the financial statements of Robinsons Land Corporation and its subsidiaries (see Note 1) as at September 30, 2008 and 2007 and for each of the three (3) years in the period ended September 30, 2008. The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company, using consistent accounting policies.

All intercompany balances, transactions, income and expense and profit and loss are eliminated in full.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control and continue to be consolidated until the date such control ceases.

Minority interest represents the portion of profit or loss and net assets in subsidiaries not wholly owned and are presented separately in the consolidated statement of income and consolidated statement of changes in equity and within equity in the consolidated balance sheet, separately from the Parent Company's equity.

3. **Changes in Accounting Policies**

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of new accounting standards and amendments adopted in 2008 that are discussed below. The adoption of the new and amended standards did not have any effect on the consolidated financial statements of the Group. They did, however, give rise to additional disclosures.

- PFRS 7, *Financial Instruments - Disclosures (effective for annual periods beginning on or after January 1, 2007).* PFRS 7 includes all of the disclosure requirements relating to financial instruments and replaces the disclosures under PAS 32, *Financial Instruments: Disclosure and Presentation and* PAS 30, *Disclosures in the Financial Statements of Banks and Similar Financial Institutions.* The most significant additional disclosure requirements of PFRS 7 are as follows: (a) qualitative risk disclosures are to include information on the processes that an entity uses to manage and measure its risks; (b) quantitative data about the exposure to each type of risk (including credit risk, liquidity risk and market risk) arising from financial instruments; (c) information about the credit quality of financial assets that are neither past due nor impaired; (d) an analysis of financial assets that are past due or impaired, including a description of collateral held as security and its fair value; and (e) a market risk sensitivity analysis which includes the effect of a reasonably possible change in the risk variables, along with the methods and assumptions used in preparing the analysis. The adoption of this standard resulted in the inclusion of additional disclosures such as market risk sensitivity analysis (see Note 29), contractual maturity analysis of financial liabilities for liquidity risk (see Note 29) and aging analysis on financial assets that are either past due or impaired (see Note 8).

  The Group adopted the amendment to the transitional provisions of PFRS 7 as approved by the Financial Reporting Standards Council of the Philippines, which gives transitory relief with respect to the presentation of comparative information for the new risk disclosures about the nature and extent of risks arising from financial instruments. Accordingly, the Group did not present comparative information for the new risk disclosures of PFRS 7, unless the disclosure was previously required.

- Amendments to PAS 1, *Presentation of Financial Statements - Capital Disclosure (effective for annual periods beginning on or after January 1, 2007).* This amendment requires entities to disclose information that enables readers to evaluate the entity's objectives, policies and processes for managing capital. The disclosures are based on information provided internally to key management personnel, and will include: (a) the objectives, procedures and policies used to manage capital; (b) a description of what the entity manages as capital, the nature of any externally imposed capital requirements (if any) and how it meets objectives for managing capital; (c) quantitative information about what the entity manages as capital and any changes from the prior period; and (d) whether the entity complied with externally imposed capital requirements and the consequences of any non-compliance, (if applicable). The required new disclosures are reflected in the consolidated financial statements where applicable (see Note 17).

Future Changes in Accounting Policies

The Group has not applied the following new and amended PFRS and Philippine Interpretation which are not yet effective for the fiscal year ended September 30, 2008:

Effective in 2009

- Amendments to PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards and* PAS 27, *Consolidated and Separate Financial Statements (effective for annual periods beginning on or after January 1, 2009).* The amendments to PFRS 1 allows an entity to determine the 'cost' of investments in subsidiaries, jointly controlled entities or associates in its opening PFRS financial statements in accordance with PAS 27 or using a deemed cost. The amendment to PAS 27 requires all dividends from a subsidiary, jointly controlled entity or associate to be recognised in the income statement in the separate financial statement. The revision to PAS 27 will have to be applied prospectively. The new requirements will affect only the parent's separate financial statement and do not have an impact on the consolidated financial statements.

- PFRS 2, *Share-based Payment - Vesting Condition and Cancellations (effective for annual periods beginning on or after January 1, 2009).* The standard has been revised to clarify the definition of a vesting condition and prescribes the treatment for an award that is effectively cancelled. It defines a vesting condition as a condition that includes an explicit or implicit requirement to provide services. This Standard will not have any effect on the consolidated financial statements as no events occurred that this amendments relates to.

- PFRS 8, *Operating Segments, (effective for annual periods beginning on or after January 1, 2009).* This new standard replaces PAS 14, *Segment Reporting* and adopts a management approach to segment reporting. The information reported would be that which management uses internally for evaluating the performance of operating segments and allocating resources to those segments. This information may be different from that reported in the consolidated balance sheet and consolidated statement of income and entities will need to provide explanations and reconciliations of the differences. As the information required to be disclosed will likely be readily available as it is already used internally, the Group will reassess whether additional processes should be put in place to reconcile information to the consolidated balance sheet and consolidated statement of income.

- PAS 1 (Revised), *Presentation of Financial Statements (effective for annual periods beginning on or after January 1, 2009).* The Standard separates owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the Standard introduces the statement of comprehensive income: it presents all items of recognized income and expense, either in one (1) single statement, or in two (2) linked statements. The Group is still evaluating whether it will have one or two statements.

- PAS 23 (Revised), *Borrowing Costs (effective for annual periods beginning on or after January 1, 2009).* The definition of borrowing costs is revised to consolidate the two types of items that are considered components of 'borrowing costs' into one - the interest expense calculated using the effective interest rate method calculated in accordance with PAS 39, *Financial Instruments: Recognition and Measurement.* This Amendment will not have any effect in the consolidated financial statements as no change will be made on the accounting policy for borrowing costs.

- Amendment to PAS 32, *Financial Instruments: Presentation* and PAS 1 *Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation (effective for annual periods beginning on or after January 1, 2009).* The revisions provide a limited scope exception for puttable instruments to be classified as equity if they fulfill a number of specified features. These Amendments to the standards will have no impact on the financial position or performance of the Group, as the Group has not issued such instruments.

- Philippine Interpretation IFRIC 16, *Hedges of a Net Investment in a Foreign Operation (effective for annual periods beginning on or after October 1, 2008).* This Interpretation provides guidance on identifying foreign currency risks that qualify for hedge accounting in the hedge of net investment; where within the group the hedging instrument can be held in the hedge of a net investment; and how an entity should determine the amount of foreign currency gains or losses, relating to both the net investment and the hedging instrument, to be recycled on disposal of the net investment. This Philippine Interpretation will have no impact on the consolidated financial statements, the Group has no foreign operations.

- Philippine Interpretation IFRIC 11, PRFS 2 -*Group and Treasury Share Transactions (effective for annual periods beginning on or after March 1, 2007).* This Philippine Interpretation requires arrangements whereby an employee is granted rights to an entity's equity instruments to be accounted for as an equity-settled scheme by the Company even if: (a) the entity chooses or is required to buy those equity instruments (e.g. treasury shares) from another party; or (b) the shareholders of the entity provide the equity instruments needed. This Interpretation will have no impact on the consolidated financial statements, as no such scheme currently exists.

- Philippine Interpretation IFRIC 12, *Service Concession Arrangements (effective for annual periods beginning on or after January 1, 2008).* This Philippine Interpretation outlines an approach to account for contractual arrangements arising from entities providing public services. It provides that the operator should not account for the infrastructure as property and equipment, but recognize a financial asset and/or an intangible asset. This Philippine Interpretation covers contractual arrangements arising from private entities providing public services and is not relevant to the Group since it is not engaged in any service concession arrangements within the scope of the Interpretation.

- Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes (effective for annual periods beginning on or after July 1, 2008).* This Philippine Interpretation requires customer loyalty credits to be accounted for as a separate component of the sales transaction in which they are granted and therefore part of the fair value of the consideration received is allocated to the award credits and deferred over the period that the award credits are fulfilled. This Interpretation will have no impact on the consolidated financial statements, as no such scheme currently exists.

- Philippine Interpretation IFRIC 14, PAS 19, *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective for annual periods beginning on or after January 1, 2008).* This Philippine Interpretation provides guidance on how to assess the limit on the amount of surplus in a defined benefit scheme that can be recognized as an asset under PAS 19, *Employee Benefits*. This Interpretation will not have any effect on the consolidated financial statements.

Improvements to PFRSs

The first omnibus of amendments to PFRSs was issued primarily with a view to removing inconsistencies and clarifying wording. The following are separate transitional provisions for each standard:

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

- PAS 1, *Presentation of Financial Statements*
  Assets and liabilities classified as held for trading are not automatically classified as current in the consolidated balance sheet. The Group amended its accounting policy accordingly and analyzed whether Management's expectation of the period of realization of financial assets and liabilities differed from the classification of the instrument. This will not result in any reclassification of financial instruments between current and noncurrent in the balance sheet.

- PAS 16, *Property, Plant and Equipment*
  Items of property, plant and equipment held for rental that are routinely sold in the ordinary course of business after rental, are transferred to inventory when rental ceases and they are held for sale.

- PAS 19, *Employee Benefits*
  Revised the definition of 'past service costs', 'return on plan assets' and 'short term' and 'other long-term' employee benefits. Amendments to plans that result in a reduction in benefits related to future services are accounted for as curtailment.

  The reference to the recognition of contingent liabilities to ensure consistency with PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* was deleted.

- PAS 20, *Accounting for Government Grants and Disclosures of Government Assistance*
  Loans granted in the future with no or low interest rates will not be exempt from the requirement to impute interest. The difference between the amount received and the discounted amount is accounted for as government grant. Also, revised various terms used to be consistent with other PFRS.

- PAS 23, *Borrowing Costs*
  The definition of borrowing costs is revised to consolidate the two types of items that are considered components of 'borrowing costs' into one - the interest expense calculated using the effective interest rate method calculated in accordance with PAS 39. The Group has amended its accounting policy accordingly which will not result in any change in its financial position.

- PAS 28, *Investment in Associates*
  If an associate is accounted for at fair value in accordance with PAS 39, only the requirement of PAS 28 to disclose the nature and extent of any significant restrictions on the ability of the associate to transfer funds to the entity in the form of cash or repayment of loans applies. This amendment has no impact on the Group as it does not account for its associates at fair value in accordance with PAS 39.

  An investment in an associate is a single asset for the purpose of conducting the impairment test. Therefore, any impairment test is not separately allocated to the goodwill included in the investment balance. This amendment has no impact on the Group because this policy was already applied.

- PAS 29, *Financial Reporting in Hyperinflationary Economies*
  The reference to the exception that assets and liabilities should be measured at historical cost, such that it notes property and equipment as being an example, rather than implying that it is a definitive list was revised. Also, revised various terms used to be consistent with other PFRS.

- PAS 31, *Interest in Joint ventures*
  If a joint venture is accounted for at fair value, in accordance with PAS 39, only the requirements of PAS 31 to disclose the commitments of the venturer and the joint venture, as well as summary financial information about the assets, liabilities, income and expense will apply. This amendment has no impact on the Group because it does not account for its joint ventures at fair value in accordance with PAS 39.

- PAS 36, *Impairment of Assets*
  When discounted cash flows are used to estimate 'fair value less cost to sell' additional disclosure is required about the discount rate, consistent with disclosures required when the discounted cash flows are used to estimate 'value in use'. This amendment has no immediate impact on the consolidated financial statements of the Group because the recoverable amount of its cash generating units is currently estimated using 'value in use'.

- PAS 38, *Intangible Assets*
  Expenditure on advertising and promotional activities is recognized as an expense when the Group either has the right to access the goods or has received the services. This amendment has no impact on the Group because it does not enter into such promotional activities.

  The reference to there being rarely, if ever, persuasive evidence to support an amortization method of intangible assets other than a straight-line method has been removed. This Amendment has no impact on the Group because it does not have intangible assets.

- PAS 39, *Financial Instruments: Recognition and Measurement*
  Changes in circumstances relating to derivatives are not reclassifications and therefore may be either removed from, or included in, the 'fair value through profit or loss' classification after initial recognition. The reference in PAS 39 to a 'segment' when determining whether an instrument qualifies as a hedge was removed. Require the use of the revised effective interest rate when remeasuring a debt instrument on the cessation of fair value hedge accounting.

- PAS 40, *Investment Properties*
  The scope such that property under construction or development for future use as an investment property is classified as investment property was revised. If fair value cannot be reliably determined, the investment under construction will be measured at cost until such time as fair value can be determined or construction is complete. Also, revised of the conditions for a voluntary change in accounting policy to be consistent with PAS 8 and clarified that the carrying amount of investment property held under lease is the valuation obtained increased by any recognized liability.

- PAS 41, *Agriculture*
  The reference to the use of a pre-tax discount rate to determine fair value was removed. The prohibition to take into account cash flows resulting from any additional transformations when estimating fair value was removed. The term 'point-of-sale costs' with 'costs to sell' was also replaced.

Effective in 2010

- Revised PFRS 3, *Business Combinations* and PAS 27*, Consolidated and Separate Financial Statements (effective for annual periods beginning on or after January 1, 2009.)* The revised PFRS 3 introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs, and future reported results. The revised PAS 27 requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments were made to PAS 7, *Statement of Cash Flows,* PAS 12, *Income Taxes,* PAS 21, *The Effects of Changes in Foreign Exchange Rates,* PAS 28, *Investment in Associates* and PAS 31, *Interests in Joint Ventures*. The changes by PFRS 3 and PAS 27 will affect future acquisitions or loss of control and transactions with minority interests. The standards may be early applied. However, the Group does not intend to take advantage of this possibility.

- Amendment to PAS 39, *Financial Instruments: Recognition and Measurement - Eligible hedged items (effective for annual periods beginning on or after July 1, 2009).* This amendment addresses only the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. The amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. The Amendment will have no impact on the financial position or performance of the Group, as the Group has not entered into any such hedges.

Effective in 2012

- Philippine Interpretation IFRIC 15, *Agreement for Construction of Real Estate (effective for annual periods beginning on or after January 1, 2012).* This Interpretation, which may be early applied, covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. This Interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, *Construction Contracts* or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion.

  The adoption of this Interpretation will be accounted for retrospectively and will result to the restatement of prior period financial statements. The adoption of this Interpretation may significantly affect the determination of the net income and the related Real estate receivables, Unearned revenue, Deferred tax liabilities and Retained earnings accounts.

4. **Summary of Significant Accounting Policies**

Revenue Recognition

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

Real estate sales

Real estate sales are accounted for under the percentage-of-completion method when: (a) equitable interest and/or legal title to the subject properties is transferred to the buyer; (b) the seller is obliged to perform significant acts after the subject properties are sold; (c) the amount of revenue can be measured realiably; (d) the costs incurred or to be incurred can be measured realiably; and (e) it is probable that the economic benefits will flow to the entity. Under this method, revenue is recognized as the related obligations are fulfilled, measured principally on the basis of the estimated completion of a physical proportion of the contract work.

If any of the criteria under the percentage-of-completion method is not met, the deposit method is applied until all the conditions for recording a sale are met. Pending recognition of sale, cash received from buyers are presented under the “Deposits from real estate buyers” account which is shown as part of the “Deposits and other liabilities” account in the liabilities section of the consolidated balance sheet.

Rental income

The Parent Company leases its commercial real estate properties to others through operating leases. Rental income on leased properties is recognized on a straight-line basis over the lease term, or based on a certain percentage of the gross revenue of the tenants, as provided under the terms of the lease contract. Contingent rents are recognized as revenue in the period in which they are earned.

Revenue from hotel operations

Revenue from hotel operations are recognized when services are rendered. Revenue from banquets and other special events are recognized when the events take place. Rental income on leased areas of the hotel is recognized on a straight-line basis over the lease term.

Interest income

Interest income is recognized as the interest accrues (using the effective interest method that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

Dividend income

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

Cash and Cash Equivalents

Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three (3) months or less and that are subject to an insignificant risk of changes in value.

Financial Instruments

Financial instruments are recognized in the consolidated balance sheet when the Group becomes a party to the contractual provisions of the instrument.

The financial assets of the Group consist of loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortized cost using the effective interest rate method. Gains and losses are recognized in consolidated statement of income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Date of recognition

The Group recognizes a financial asset or a financial liability in the consolidated balance sheet when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

Initial recognition of financial instruments

Financial assets within the scope of PAS 39 are classified as either financial assets at fair value through profit or loss (FVPL), loans and receivables, held to maturity investments and available for sale financial assets (AFS), as appropriate. The Group determines the classification of the financial assets at initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

Financial assets are recognized initially at fair value of the consideration given. The fair values of the consideration given are determined by reference to the transaction price or other market prices. If such market prices are not reliably determinable, the fair value of the consideration is estimated as the sum of all future cash payments or receipts, discounted using the prevailing market rates of interest for similar instruments with similar maturities. The initial measurement of financial instruments, except for those designated at FVPL, includes transaction costs.

All loans and borrowings are initially recognized at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the consolidated statement of income when liabilities are derecognized as well as through amortization process under the "Interest expense" account.

The Groups financial asset are if the nature of loans and receivables; whereas, financial liabilities are of the nature of other financial liabilities.

The subsequent measurement bases for financial assets depend on the classification. Financial assets that are classified as loans and receivables are measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any discount, premium and transaction costs on acquisition, over the period to maturity. Amortization of discounts, premiums and transaction costs are taken directly to the consolidated statement of income.

Determination of fair value
The fair value for financial instruments traded in active markets at the consolidated balance sheet date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid and asking prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value technique, comparison to similar instruments for which market observable prices exist and other relevant valuation models.

Day 1 profit
Where the transaction price in a non-active market is different to the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a Day 1 profit) in the consolidated statement of income.

In cases where variables used is made of data which is not observable, the difference between the transaction price and model value is only recognized in the consolidated statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the 'Day 1' profit amount.

Loans and Receivables
Loans and receivables are financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not designated as AFS or financial assets at FVPL.

After initial measurement, the loans and receivables are subsequently measured at amortized cost using the effective interest rate method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortization is included in the interest income in the consolidated statement of income. The losses arising from impairment of such loans and receivables are recognized in the consolidated statement of income.

The Group's loans and receivables include Cash and cash equivalents, Receivables, Utility deposits, Advances to lot owners and Receivables from Meralco.

Other Financial Liabilities
All financial liabilities are initially recognized at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, loans payable are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in the consolidated statement of income when the liabilities are derecognized or impaired, as well as through the amortization process.

Customers' Deposits
Deposits from lessees
Deposits from lessees are measured initially at fair value. After initial recognition, customers' deposits are subsequently measured at amortized cost using effective interest method.

The difference between the cash received and its fair value is deferred (included in the "Deposits and other liabilities" in the consolidated balance sheet) and amortized using the straight-line method.

Deposits from real estate buyers
Deposits from real estate buyers represent mainly reservation fees and advance payments. These deposits will be recognized as revenue in the consolidated statement of income as the related obligations are fulfilled to the real estate buyers.

Classification of Financial Instruments Between Debt and Equity
A financial instrument is classified as debt, if it provides for a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

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

The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount, after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

Derecognition of Financial Assets and Liabilities
A financial asset (or where applicable, a part of a group of financial assets) is derecognized when:

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

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

Financial liabilities are derecognized when the obligation under the liability is discharged or cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of income.

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

A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

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

If there is an objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance for impairment loss account. The amount of the loss shall be recognized in the consolidated statement 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, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the consolidated statement of income, to the extent that the carrying value of the asset does not exceed the amortized cost at the reversal date.

Offsetting Financial Instruments
Financial assets and financial liabilities are offset and the net amount reported in the consolidated balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated balance sheet.

Free Standing and Embedded Derivatives
An embedded derivative is separated from the host financial or non-financial contract and accounted for as a derivative if all of the following conditions are met:

- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristic of the host contract;
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- the hybrid or combined instrument is not recognized at FVPL.

The Group assesses whether embedded derivatives are required to be separated from host contracts when the Group first becomes party to the contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Embedded derivatives that are bifurcated from the host contracts are accounted for as financial assets at FVPL. Changes in fair values are included in the consolidated statement of income.

As of September 30, 2008, the Group has a free standing derivatives required for bifurcation. There has been no free standing derivatives and embedded deviation as of September 30, 2007.

Subdivision Land, Condominium and Residential Units for Sale
Subdivision land, condominium and residential units for sale are carried at the lower of cost or net realizable value (NRV). Cost includes costs incurred for development and improvement of the properties and borrowing costs on loans directly attributable to the projects which were capitalized during construction. NRV is the estimated selling price in the ordinary course of business less cost of completion and estimated costs necessary to make the sale.

Investment Properties
Investment properties consist of properties that are held to earn rentals or for capital appreciation or both, and that are not occupied by the companies consolidated into the Group. Investment properties, except for land, are carried at cost less accumulated depreciation and amortization and any impairment in value. Land is carried at cost less any impairment in value. The carrying amount includes the cost of replacing part of an existing

investment property at the time that cost is incurred if the recognition criteria are met and excludes the cost of day to day servicing of an investment property. The land improvements, buildings, building improvements and theater furniture and equipment are depreciated and amortized using the straight-line method over their estimated useful lives as follow:

	Years
Land improvements	10
Buildings	20
Building improvements	10
Theater furniture and equipment	5

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 investments in land improvements, buildings and building improvements and theater furniture and equipment.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognized in the consolidated statement of income in the year of retirement or disposal.

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

For a transfer from investment property to owner occupied property or inventories, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. If an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property and equipment" account up to the date of change in use. When the Group completes the construction or development of a self-constructed investment property, any difference between the fair value of the property at that date and the previous carrying amount is recognized in the consolidated statement of income.

Property and Equipment

Property and equipment, except for land, are stated at cost less accumulated depreciation and amortization and any impairment in value. Land is carried at cost less any impairment in value. The cost of an item of property and equipment includes its purchase price and any cost attributable in bringing the asset to the intended location and working condition. Cost also includes interest and other charges on borrowed funds used to finance the acquisition or construction of property and equipment to the extent incurred during the period of construction and installation.

Expenditures incurred after the fixed assets have been put into operation, such as repairs and maintenance, are normally charged to expenses in the period in which 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 commences once the assets are available for use and is calculated on a straight-line basis over the estimated useful life of five (5) years.

Construction-in-progress (CIP) is stated at cost. This includes cost of construction and other direct costs. Borrowing costs that are directly attributable to the construction of property and equipment are capitalized during the construction period. CIP is not depreciated until such time as the relevant assets are completed and put into operational use. Assets under construction are transferred to the investment properties account or reclassified to a specific category of property and equipment when the construction and other related activities necessary to prepare the properties for their intended use are completed and the properties are available for service.

Other equipment includes china, glassware, silver and linen on stock are valued at cost less accumulated depreciation.

The useful life and depreciation method are reviewed and adjusted, if appropriate, at each financial year-end 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.

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

The assets' residual values, useful lives and methods of depreciation and amortization are reviewed and adjusted, if appropriate, at each financial year-end.

Impairment of Nonfinancial Assets

This accounting policy applies primarily to the Group's investment properties and property and equipment.

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is calculated as the higher of an asset's or cash-generating unit's fair value less cost to sell and its value in use or its net selling price and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets.

Where the carrying amount of an asset exceeds the recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset.

Impairment losses of continuing operations are recognized in the consolidated statement of income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If any such indication exists, the Group makes an estimate of recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to the recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the assets in prior years.

Income Tax
Current tax
Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amounts are those that are enacted or substantively enacted at the balance sheet date.

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

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in subsidiaries where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized except: (1) where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and (2) in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilized.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

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

Pension Expense
Pension expense is actuarially determined using the projected unit credit (PUC) valuation method. This method reflects services rendered by employees up to the date of valuation and incorporates assumptions concerning employees' projected salaries. Actuarial valuations are conducted with sufficient regularity, with option to accelerate when significant changes to underlying assumptions occur. Pension expense includes current service cost, interest cost and a portion of the net cumulative unrecognized actuarial gains and losses.

The liability recognized by the Group in respect of the defined benefit plan is the present value of the defined benefit obligation at the balance sheet date less the fair value of the plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs that shall be recognized in later periods. The present value of the defined benefit obligation is determined by discounting the estimated future cash inflows using long term government bond risk-free interest rates that have terms to maturity approximating the terms of the related pension liability.

The Group applies the corridor method whereby actuarial gains and losses are recognized as income or expenses when the cumulative unrecognized actuarial gains or losses of the plan exceed 10% of the higher of the defined benefit obligation and the fair value of plan assets. These gains and losses are recognized over the expected average remaining working lives of the employee participating in the plan.

Commission Expense
The Group recognizes commission expense when services are rendered by the broker. The commission expense is recognized upon receipt of down payment from the buyer comprising a substantial portion of the contract price and the capacity to pay and credit worthiness of buyers have been reasonably established for sales under the deferred cash payment arrangement.

Leases
The determination of whether an arrangement is, or contains a lease, is based on the substance of the arrangement at inception date, and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets, and the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one (1) of the following applies:

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

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

Group as a lessee
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 an expense in the consolidated statement of income on a straight-line basis over the lease term. Indirect costs incurred in negotiating an operating lease are added to the carrying value of the leased asset and recognized over the lease term on the same bases as the lease income. Minimum lease payments are recognized on a straight-line basis while the variable rent is recognized as an expense based the terms of the leased contract.

Group as a lessor
Leases where the Group retains substantially all the risk and benefits of ownership of the assets are classified as operating leases. Contingent rents are recognized as revenue in the period in which they are earned.

Borrowing Costs
Borrowing costs generally are expensed as incurred. Interest and other related financing charges on borrowed funds used to finance the acquisition and construction of a qualifying asset (included under Subdivision land, condominium and residential units for sale, Investment properties and Property and equipment accounts) are capitalized to the appropriate asset accounts. Capitalization of borrowing costs commences when the expenditures and borrowing costs are being incurred during the construction and related activities necessary to prepare the asset for its intended use are in progress. It is suspended during extended periods in which active development is interrupted and ceases when substantially all the activities necessary to prepare the asset for its intended use are complete. The capitalization is based on the weighted average borrowing cost.

The borrowing costs capitalized as part of investment properties and property and equipment are amortized using the straight-line method over the estimated useful lives of the assets. The borrowing cost capitalized as part of subdivision land, condominium and residential units for sale are expensed when the related assets are sold.

If after capitalization of the borrowing costs, the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded in the consolidated statement of income.

Interest expense on loans and borrowings is recognized using the effective interest method over the term of the loans and borrowings.

Provisions
Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. 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 assessments 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. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

Foreign Currency Transactions and Translations
Each entity in the Group determines its own functional currency and items included in the consolidated financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. Exchange gains or losses arising from foreign exchange transactions are credited to or charged against operations for the year.

Earnings Per Share (EPS)
Basic earnings per share is calculated by dividing net income attributable to equity holders of the Parent Company by the weighted average number of common shares outstanding during the year. Diluted EPS is computed by dividing net income for the year by the weighted average number of common shares issued and outstanding during the year after giving effect to assumed conversion of potential common shares.

Segment Reporting
The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and services and serves different markets. Financial information on business segments is presented in Note 6 to the consolidated financial statements.

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

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

5. **Significant Accounting Judgments and Estimates**

The preparation of the consolidated financial statements in compliance with PFRS requires the Group to make judgment and estimates that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in judgments and estimates are reflected in the consolidated financial statements, as they become reasonably determinable.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

Revenue and cost recognition
Selecting an appropriate revenue recognition method for a particular real estate sale transaction requires certain judgment based on, among others:

- Buyer's commitment on the sale which may be ascertained through the significance of the buyer's initial investment; and
- Stage of completion of the project.

The related balances from real estate transactions follow:

	2008	2007	2006
Revenue (Note 19)	**₱9,551,500,240**	₱7,071,996,579	₱5,648,237,924
Costs and expenses (Note 20)	**5,095,048,762**	3,180,439,198	2,356,934,651

Operating leases commitments - Group as lessee
The Group has entered into commercial property leases. Substantially, all the risks and benefits incidental to ownership of the leased item are not transferred to the Group. The future minimum rentals under non-cancelable operating lease amounted to ₱6,600 million and ₱6,351 million as of September 30, 2008 and 2007, respectively (see Note 32).

Operating lease commitments - Group as lessor
The Group has entered into commercial property leases on the investment property portfolio. The Group has determined that it retains all the significant risks and rewards of ownership of these properties and accounts for them as operating leases. The future minimum rentals under noncancelable operating lease amounted to ₱2,956 million and ₱4,111 million as of September 30, 2008 and 2007, respectively (see Note 32).

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

Some properties are held to earn rentals or for capital appreciation and other properties are held for use in rendering of services or for administrative purposes. If these portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in providing services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgment.

Distinction between subdivision land and land and land improvements
The Group determines whether a property will be classified as Subdivision land or Land and land improvements. In making this judgment, the Group considers whether the property will be sold in the normal operating cycle (Subdivision land) or whether it will be retained as part of the Group's strategic landbanking activities for development or sale in the medium or long-term (Land and land improvements).

Contingencies
The Group is currently involved in various legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the defense on these matters and is based upon an analysis of potential results. The Group currently does not believe these proceedings will have a material effect on the Group's financial position. It is possible, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings (see Note 32).

Estimates
The key estimates concerning the future and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Revenue and cost recognition
The Group's revenue recognition policies require management to make use of estimates and assumptions that may affect the reported amounts of revenue and costs. The Group's revenue from real estate sales are recognized based on the percentage-of-completion and the completion rate is measured principally on the basis of the estimated completion of a physical proportion of the contract work, and by reference to the actual costs incurred to date over the estimated total costs of the project.

Allowance for impairment losses
The Group maintains allowance for impairment losses at a level considered adequate to provide for potential uncollectible receivables. The level of this allowance is evaluated by management on the based on the factors that affect the collectibility of the accounts. These factors include, but are not limited to, the length of the Group's relationship with the tenant, the tenant's payment behavior and known market factors. The Group reviews the age and status of receivables, and identifies accounts that are to be provided with allowance on a continuous basis.

The related balances follow (see Note 8):

	2008	2007
Receivables	**₱4,401,451,172**	₱2,962,121,067
Allowance for impairment losses	**48,459,175**	29,477,071
Provision for impairment losses	**18,982,104**	19,000,000

Financial assets and liabilities
The Group carries certain financial assets and liabilities at fair value, which requires extensive use of accounting estimates and judgment. While significant components of fair value measurement were determined using verifiable objective evidence (i.e., foreign exchange rates, interest rates), the amount of changes in fair value would differ if the Group utilized different valuation methodology. Any changes in fair value of these financial assets and liabilities would affect directly the consolidated statement of income and consolidated statement of changes in equity (see Note 30).

Where the fair values of certain financial assets and financial liabilities recorded in the consolidated balance sheet cannot be derived from active markets, they are determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimates are used in establishing fair values. The judgments include considerations of liquidity and model inputs such as correlation and volatility for longer dated derivatives.

The related balances follow:

	2008		2007	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial assets	**₱5,263,670,036**	**₱4,809,480,269**	₱5,012,398,006	₱4,763,686,676
Financial liabilities	**14,961,491,648**	**13,894,921,526**	13,034,554,128	12,579,781,377

Useful lives of investment properties and property and equipment
The Group estimates the useful lives of the investment properties and property and equipment based on the period over which the assets are expected to be available for use. The Group reviews periodically the estimated useful lives of investment properties and property and equipment based on factors that include asset utilization, internal technical evaluation, technological changes, environmental and anticipated use of the assets. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned. A reduction in the estimated useful lives of investment properties and property and equipment would increase the recorded depreciation and amortization expense and decrease the related asset accounts.

The related balances follow:

	2008	2007
Investment properties and other investments (Note 10)		
Cost	**₱35,756,563,646**	₱30,808,927,918
Accumulated depreciation and amortization	**8,240,739,406**	6,913,748,239
Depreciation and amortization	**1,326,991,167**	1,212,153,698
Property and equipment (Note 11)		
Cost	**6,814,178,770**	6,872,981,573
Accumulated depreciation and amortization	**1,897,211,593**	1,683,411,053
Depreciation and amortization	**230,871,064**	190,758,186

Impairment of nonfinancial assets
Assessing investment properties and other investments and property and equipment for impairment includes considering certain indications of impairment such as significant changes in asset usage, significant decline in market value and obsolescence or physical damage of an asset. If such indications are present, and where the carrying amount of the asset exceeds the recoverable amount, the asset is considered impaired and is written down to the recoverable amount.

Determining the fair value of investment properties and other investments and property and equipment, which require the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Group to make estimates and assumptions that can materially affect the consolidated financial statements. Future event could cause the Group to conclude that investment properties and other investments and property and equipment are impaired. Any resulting impairment loss could have a material impact on the consolidated financial statements.

The related balances follow:

	2008	2007
Investment properties and other investments (Note 10)		
Cost	**₱35,756,563,646**	₱30,808,927,918
Accumulated depreciation and amortization	**8,240,739,406**	6,913,748,239
Depreciation and amortization	**1,326,991,167**	1,212,153,698
Property and equipment (Note 11)		
Cost	**6,814,178,770**	6,872,981,573
Accumulated depreciation and amortization	**1,897,211,593**	1,683,411,053
Depreciation and amortization	**230,871,064**	190,758,186

Deferred tax assets
Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that sufficient taxable income will be available against which the deductible temporary differences can be utilized. Significant management estimate is required to determine the amount of deferred tax asset that can be recognized, based upon the likely timing and level of future taxable income together with future tax planning strategies. Deferred tax assets as of September 30, 2008 and 2007 amounted to ₱316 million and ₱309 million, respectively (see Note 25).

Pension expense
The determination of obligation and cost of pension is dependent on the selection of certain assumptions used in calculating such amounts. Those assumptions, which are described in Note 27, include, among others, discount rates and salary increase rates. Actual results that differ from the Group's assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligation in such future periods. While the Group believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the pension obligations.

The related balances follow:

	2008	2007
Pension liabilities (Notes 13 and 27)	**₱15,777,396**	₱31,040,750
Pension benefit obligation (Note 27)	**101,706,300**	47,448,663
Unrecognized net actuarial losses (Note 27)	**28,360,414**	30,116,140

6. **Segment Reporting**

PAS 14, *Segment Reporting* requires that a public business enterprise report financial and descriptive information about its reportable segments. Generally, financial information is required to be reported on the basis that it is used internally for evaluating segment performance and deciding how to allocate resources to segments.

The Group evaluates performance based on net income, EBIT (earnings before interest and income tax) and EBITDA (earnings before interest, income tax, depreciation and amortization). The Group does not report its results based on geographical segments because the Group operates only in the Philippines.

The Group derives its revenue from the following reportable units:

Commercial Center Division - develops, leases and manages shopping malls/commercial centers all over the Philippines.

High-rise Buildings Division - develops, sells and/or leases offices and residential condominium spaces, as well as high-end horizontal residential projects.

Housing and Land Development Division - develops and sells middle-income and socialized housing and residential lots.

Hotel Division - owns and operates a chain of prime hotels in Pasig City, Quezon City and Cebu City and a service apartment which closed operations in August 2007.

The financial information about the operations of these business segments is summarized as follows:

2008	**Commercial Center Division**	**High-rise Buildings Division**	**Housing and Land Development Division**	**Hotel Division**	**Total**
Revenue	**₱3,697,371,463**	**₱5,640,536,655**	**₱704,344,233**	**₱1,139,801,132**	**₱11,182,053,483**
Costs and expenses	**1,013,430,178**	**3,636,047,536**	**437,549,497**	**773,770,617**	**5,860,797,828**
Earnings before depreciation and amortization	**2,683,941,285**	**2,004,489,119**	**266,794,736**	**366,030,516**	**5,321,255,656**
Depreciation and amortization (Note 22)	**1,106,835,558**	**269,688,782**	**7,584,159**	**173,753,732**	**1,557,862,231**
Income before income tax	**₱1,577,105,727**	**₱1,734,800,337**	**₱259,210,577**	**₱192,276,784**	**₱3,763,393,425**
Segment assets	**₱21,700,057,325**	**₱14,784,679,324**	**₱1,531,850,395**	**₱2,293,973,741**	**₱40,310,560,785**
Segment liabilities	**₱8,702,848,526**	**₱7,261,826,412**	**₱853,220,281**	**₱ 505,696,043**	**₱17,323,591,262**
Other segment information:					
Capital expenditures					**₱9,488,165,880**

2007	Commercial Center Division	High-rise Buildings Division	Housing and Land Development Division	Hotel Division	Total
Revenue	₱3,538,931,635	₱3,525,524,218	₱715,802,113	₱1,108,318,428	₱8,888,576,394
Costs and expenses	1,059,711,286	1,787,214,436	456,548,330	766,501,082	4,069,975,134
Earnings before depreciation and amortization	2,479,220,349	1,738,309,782	259,253,783	341,817,346	4,818,601,260
Depreciation and amortization (Note 22)	1,037,667,008	203,695,165	6,025,712	155,523,999	1,402,911,884
Income before income tax	₱1,441,553,341	₱1,534,614,617	₱253,228,071	₱ 186,293,347	₱3,415,689,376
Segment assets	₱20,085,067,259	₱12,935,533,737	₱1,346,574,628	₱2,418,602,651	₱36,785,778,275
Segment liabilities	₱6,150,841,506	₱7,821,194,942	₱1,057,578,737	₱466,067,350	₱15,495,682,535
Other segment information:					
Capital expenditures					₱8,884,207,767

2006	Commercial Center Division	High-rise Buildings Division	Housing and Land Development Division	Hotel Division	Total
Revenue	₱3,284,080,887	₱2,177,178,139	₱514,902,178	₱907,286,088	₱6,883,447,292
Costs and expenses	851,794,126	1,357,333,836	312,248,379	672,343,018	3,193,719,359
Earnings before depreciation and amortization	2,432,286,761	819,844,303	202,653,799	234,943,070	3,689,727,933
Depreciation and amortization (Note 22)	963,899,758	149,483,940	3,688,464	148,736,854	1,265,809,016
Income before income tax	₱1,468,387,003	₱670,360,363	₱198,965,335	₱86,206,216	₱2,423,918,917
Segment assets	₱18,575,474,645	₱6,464,615,265	₱1,327,026,783	₱2,244,649,502	₱28,611,766,195
Segment liabilities	₱9,161,028,148	₱3,453,897,138	₱1,119,593,709	₱251,489,271	₱13,986,008,266
Other segment information:					
Capital expenditures					₱6,317,689,982

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

Segment information of the Group does not include geographical segments since its operation is concentrated in the Philippines.

7. **Cash and Cash Equivalents**

This account consists of:

	2008	2007
Cash on hand and in banks	**₱162,876,637**	₱127,153,450
Short-term investments	**356,203,816**	1,428,469,968
	₱519,080,453	₱1,555,623,418

Cash in banks earns interest at the prevailing bank deposit rates. Short-term investments are made for varying periods of up to three (3) months depending on the immediate cash requirements of the Group, and earn interest at the prevailing short-term investment rates.

8. **Receivables**

This account consists of:

	2008	2007
Trade		
Installment contract receivables	**₱3,541,591,155**	₱2,220,262,428
Rental receivables	**252,087,471**	298,432,138
Accrued rent receivables	**235,681,052**	194,380,916
Hotel operations	**68,663,338**	68,951,642
	4,098,023,016	2,782,027,124
Affiliated companies (Note 18)	**94,757,880**	62,945,371
Others	**208,670,276**	117,148,572
	4,401,451,172	2,962,121,067
Less allowance for impairment losses	**48,459,175**	29,477,071
	₱4,352,991,997	₱2,932,643,996

The installment contract receivables aggregating ₱3,542 million and ₱2,220 million as of September 30, 2008 and 2007, included under real estate receivables, are collectible in monthly installments over a period of one to ten years and bear annual interest rates ranging from 8.20% to 9.75% computed on the diminishing balance of the principal.

Rental receivables from affiliated companies which are included in trade receivables amounted to about ₱108 million and ₱91 million as of September 30, 2008 and 2007, respectively.

The accrued rent receivables represent the portion of the lease recognized as income on a straight line basis.

Allowance for Impairment Losses on Trade Receivables
Changes in allowance for impairment losses on trade receivables follow:

2008

	Trade Receivables		
	Individual Assessment	**Collective Assessment**	**Total**
Balances at beginning of year	**₱10,477,071**	**₱19,000,000**	**₱29,477,071**
Provision for impairment losses (Note 30)	**18,982,104**	–	**18,982,104**
Balances at end of year	**₱29,459,175**	**₱19,000,000**	**₱48,459,175**

2007

	Trade Receivables		
	Individual Assessment	Collective Assessment	Total
Balances at beginning of year	₱13,177,627	₱–	₱13,177,627
Provision for impairment losses (Note 30)	–	19,000,000	19,000,000
Write offs	(2,700,556)	–	(2,700,556)
Balances at end of year	₱10,477,071	₱19,000,000	₱29,477,071

Aging Analysis
The aging analysis of the Group's receivables follows:

2008

			Past Due But Not Impaired				
	Total	**Neither Past Due Nor Impaired**	**Less than 30 days**	**30 to 60 days**	**60 to 90 days**	**Over 90 days**	**Past Due and Impaired**
Trade receivables							
Installment contract receivables	**₱3,541,591,155**	**₱3,102,754,751**	**₱97,967,424**	**₱95,629,787**	**₱49,094,434**	**₱177,144,759**	**₱19,000,000**
Rental receivables	**252,087,471**	**115,431,968**	**1,737,728**	**7,226,497**	**42,613**	**98,189,490**	**29,459,175**
Accrued rent receivables	**235,681,052**	**235,681,052**	**–**	**–**	**–**	**–**	**–**
Hotel operations	**68,663,338**	**36,027,130**	**14,231,936**	**3,643,128**	**1,522,357**	**13,238,787**	**–**
Affiliated companies (Note 18)	**94,757,880**	**94,757,880**	**–**	**–**	**–**	**–**	**–**
Others	**208,670,276**	**208,670,276**	**–**	**–**	**–**	**–**	**–**
	₱4,401,451,172	**₱3,793,323,057**	**₱113,937,089**	**₱106,499,412**	**₱50,659,404**	**₱288,573,035**	**₱48,459,175**

2007

	Total	Neither Past Due Nor Impaired	Past Due But Not Impaired: Less than 30 days	30 to 60 days	60 to 90 days	Over 90 days	Past Due and Impaired
Trade receivables	₱2,782,027,124	₱2,349,821,902	₱143,574,486	₱78,318,989	₱44,511,300	₱136,323,376	₱29,477,071
Installment contract receivables	₱2,220,262,428	1,910,519,323	117,030,417	40,654,428	36,507,041	96,551,219	19,000,000
Rental receivables	298,432,138	209,985,628	18,337,197	33,439,233	5,096,943	21,096,065	10,477,071
Accrued rent receivables	194,380,916	194,380,916	–	–	–	–	–
Hotel operations	68,951,642	34,936,035	8,206,872	4,225,328	2,907,316	18,676,091	–
Affiliated companies (Note 18)	62,945,371	62,945,371	–	–	–	–	–
Others	117,148,572	117,148,572	–	–	–	–	–
	₱2,962,121,067	₱2,529,915,845	₱143,574,486	₱78,318,989	₱44,511,300	₱136,323,376	₱29,477,071

9. **Subdivision Land, Condominium and Residential Units for Sale**

This account consists of:

	2008	2007
Condominium units	**₱1,125,841,904**	₱1,524,331,022
Residential units and subdivision land development costs	**557,552,258**	442,455,570
	₱1,683,394,162	₱1,966,786,592

The subdivision land, condominium and residential units for sale are carried at cost. There is no amount of write down recognized as expense for the years ended September 30, 2008 and 2007.

The amount of subdivision land, condominium and residential units for sale recognized as expense in the consolidated statements of income amounted to ₱3,302 million, ₱1,418 million and ₱944 million for the years ended September 30, 2008, 2007 and 2006, respectively (see Note 20).

Subdivision land, condominium and residential units for sale transferred from property and equipment aggregated to ₱3,688 million and ₱1,532 million as of September 30, 2008 and 2007 (see Note 11). These represent completed condominium units for sale that are located in Pioneer.

There are no subdivision land, condominium and residential units for sale as of September 30, 2008 and 2007 that are pledged as security to liabilities.

10. **Investment Properties and Other Investments**

The rollforward analysis of this account follows:

2008

	Land	**Land Improvements**	**Buildings and Improvements**	**Theater Furniture and Equipment**	**Others**	**Total**
Cost						
At September 30, 2007	**₱10,706,703,698**	**₱56,219,266**	**₱19,789,730,810**	**₱254,274,144**	**₱ 2,000,000**	**₱30,808,927,918**
Additions	**2,458,164,479**	**944,206**	**218,459,412**	**–**	**–**	**2,677,568,097**
Retirements/disposal	**(26,423,662)**	**–**	**–**	**–**	**–**	**(26,423,662)**
Reclassifications/transfers (Note 11)	**(868,583,212)**	**1,177,207**	**3,163,897,298**	**–**	**–**	**2,296,491,293**
At September 30, 2008	**12,269,861,303**	**58,340,679**	**23,172,087,520**	**254,274,144**	**2,000,000**	**35,756,563,646**
Accumulated depreciation and amortization						
At September 30, 2007	**–**	**35,110,787**	**6,704,099,761**	**174,537,691**	**–**	**6,913,748,239**
Depreciation and amortization (Note 22)	**–**	**4,880,398**	**1,302,613,948**	**19,496,821**	**–**	**1,326,991,167**
At September 30, 2008	**–**	**39,991,185**	**8,006,713,709**	**194,034,512**	**–**	**8,240,739,406**
Net book value as of September 30, 2008	**₱12,269,861,303**	**₱18,349,494**	**₱15,165,373,811**	**₱60,239,632**	**₱2,000,000**	**₱27,515,824,240**

	Land	Land Improvements	Buildings and Improvements	Theater Furniture and Equipment	Others	Total
Cost						
At September 30, 2006	₱6,927,627,870	₱46,986,296	₱17,013,718,563	₱254,274,144	₱2,000,000	₱24,244,606,873
Additions	3,813,758,665	8,749,479	816,042,871	–	–	4,638,551,015
Retirements/disposal	(55,685,524)	–	–	–	–	(55,685,524)
Reclassifications/transfers (Note 11)	21,002,687	483,491	1,959,969,376	–	–	1,981,455,554
At September 30, 2007	10,706,703,698	56,219,266	19,789,730,810	254,274,144	2,000,000	30,808,927,918
Accumulated depreciation and amortization						
At September 30, 2006	–	30,972,490	5,527,124,381	150,126,096	–	5,708,222,967
Depreciation and amortization (Note 22)	–	4,353,046	1,183,389,057	24,411,595	–	1,212,153,698
Reclassifications	–	(214,749)	(6,413,677)	–	–	(6,628,426)
At September 30, 2007	–	35,110,787	6,704,099,761	174,537,691	–	6,913,748,239
Net book value as of September 30, 2007	₱10,706,703,698	₱21,108,479	₱13,085,631,049	₱79,736,453	₱2,000,000	₱23,895,179,679

The investment properties consisted mainly of land held for appreciation, and shopping malls or commercial centers and office buildings that are held to earn rentals.

Depreciation and amortization expense charged to operations amounted to ₱1,327 million, ₱1,212 million and ₱1,089 million for the years ended September 30, 2008, 2007 and 2006, respectively (see Note 22).

The fair value of investment properties, which has been determined based on valuations performed by independent professional qualified appraisers as of May 31, 2005, exceeds its carrying cost. The fair value represents the amount at which the assets could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction at the date of valuation. The aggregate fair value as of the date of appraisal amounted to ₱37,100 million.

The value of the investment properties was arrived at using the *Market Data Approach*. In this approach, the value of the investment properties is based on sales and listings of comparable property registered in the vicinity. The technique of this approach requires the establishment of comparable property by reducing reasonable comparative sales and listings to a common denominator. This is done by adjusting the differences between the subject property and those actual sales and listings regarded as comparable. The properties used as basis of comparison are situated within the immediate vicinity of the subject property.

Property operations and maintenance costs arising from investment properties amounted to ₱321 million, ₱280 million and ₱251 million for the years ended September 30, 2008, 2007 and 2006 (see Note 20).

Investment properties transferred from property and equipment aggregated to ₱3,164 million and ₱1,960 million as of September 30, 2008 and 2007, respectively. These represent completed Robinsons Cybergate Center 3 Office Building and new malls in Manila (Otis) and Cabanatuan and mall expansion in Manila.

There are no investment properties and other investments as of September 30, 2008 and 2007 that are pledged as security to liabilities.

11. **Property and Equipment**

The rollforward analysis of this account follows:

2008

	Land	**Land Improvements**	**Buildings and Improvements**	**Other Equipment**	**Construction In Progress**	**Total**
Cost						
At September 30, 2007	**₱173,086,946**	**₱2,497,440**	**₱2,231,273,066**	**₱1,186,379,483**	**₱3,279,744,638**	**₱6,872,981,573**
Additions	**–**	**–**	**18,827,752**	**131,213,796**	**6,660,556,235**	**6,810,597,783**
Retirements/disposals	**–**	**–**	**(4,725,994)**	**(13,032,814)**	**–**	**(17,758,808)**
Reclassifications/transfers (Notes 9 and 10)	**–**	**698,241**	**(2,461,832)**	**2,461,832**	**(6,852,340,019)**	**(6,851,641,778)**
At September 30, 2008	**173,086,946**	**3,195,681**	**2,242,912,992**	**1,307,022,297**	**3,087,960,854**	**6,814,178,770**
Accumulated depreciation and amortization						
At September 30, 2007	**–**	**2,497,440**	**800,854,425**	**880,059,188**	**–**	**1,683,411,053**
Depreciation and amortization (Note 22)	**–**	**698,241**	**120,690,308**	**109,482,515**	**–**	**230,871,064**
Retirements/disposals			**(4,725,994)**	**(12,344,530)**		**(17,070,524)**
At September 30, 2008	**–**	**3,195,681**	**916,818,739**	**977,197,173**	**–**	**1,897,211,593**
Net book value as of September 30, 2008	**₱173,086,946**	**₱–**	**₱1,326,094,253**	**₱329,825,124**	**₱3,087,960,854**	**₱4,916,967,177**

2007

	Land	Land Improvements	Buildings and Improvements	Other Equipment	Construction In Progress	Total
Cost						
At September 30, 2006	₱170,035,106	₱2,980,931	₱2,133,093,951	₱1,091,065,206	₱2,725,034,976	₱6,122,210,170
Additions	3,051,840	–	100,267,017	95,314,277	4,047,023,618	4,245,656,752
Reclassifications/transfers (Notes 9 and 10)	–	(483,491)	(2,087,902)	–	(3,492,313,956)	(3,494,885,349)
At September 30, 2007	173,086,946	2,497,440	2,231,273,066	1,186,379,483	3,279,744,638	6,872,981,573
Accumulated depreciation and amortization						
At September 30, 2006	–	2,980,931	694,863,559	803,600,794	–	1,501,445,284
Depreciation and amortization (Note 22)	–	–	102,233,199	88,524,987	–	190,758,186
Reclassifications/transfers	–	(483,491)	3,757,667	(12,066,593)	–	(8,792,417)
At September 30, 2007	–	2,497,440	800,854,425	880,059,188	–	1,683,411,053
Net book value as of September 30, 2007	₱173,086,946	₱–	₱1,430,418,641	₱306,320,295	₱3,279,744,638	₱5,189,570,520

Depreciation and amortization expense charged to operations amounted to ₱231 million, ₱191 million and ₱177 million for the years ended September 30, 2008, 2007 and 2006, respectively (see Note 22).

Borrowing costs capitalized to property and equipment under construction amounted to about ₱331 million, ₱264 million and ₱375 million in 2008, 2007 and 2006, respectively. The average capitalization rate used to determine the amount of borrowing costs eligible for capitalization in 2008, 2007 and 2006 is 7.10%, 7.59%, and 8.67%, respectively.

Property and equipment transferred to investment property and subdivision land, condominium and residential units for sale aggregated to ₱6,852 million and ₱3,492 million in 2008 and 2007, respectively.

There are no property and equipment items as of September 30, 2008 and 2007 that are pledged as security to liabilities.

12. **Other Assets**

This account consists of:

	2008	2007
Value-added input tax	**₱725,139,318**	₱538,418,226
Advances to lot owners	**230,782,624**	211,416,544
Utility deposits	**159,797,619**	268,770,020
Prepaid expenses	**69,317,532**	65,345,648
Receivable from Meralco (Notes 28 and 29)	**43,272,925**	65,467,460
Supplies	**31,126,241**	38,420,921
Advances to suppliers and contractors	**3,743,538**	4,297,686
Others	**59,122,960**	53,837,565
	₱1,322,302,757	₱1,245,974,070

The value-added input tax is applied against value-added output tax. The remaining balance is recoverable in future periods.

Advances to lot owners consist of advance payments to land owners which will applied against the acquisition cost of the assets that will be acquired.

Utility deposits consist primarily of bid bonds and meter deposits.

Prepaid expenses consist mainly of prepayments for taxes and insurance.

Advances to suppliers/contractors consist of advance payment to supplier or contractors which will be applied against final billing.

Other assets include various types of deposits and advances.

13. **Accounts Payable and Accrued Expenses**

This account consists of:

	2008	2007
Accrued bonus, taxes and licenses and other liabilities	**₱2,194,353,395**	₱2,037,295,839
Accounts payable - trade (Note 18)	**2,099,810,450**	1,349,388,365
Accrued rent expense	**766,169,414**	659,475,015
Pension liabilities (Note 27)	**15,777,396**	31,040,750
Dividends payable	**6,000,198**	4,671,049
	₱5,082,110,853	₱4,081,871,018

Accounts payable - trade and accrued expenses are normally settled within one year.

The accrued rent expense represents the portion of the lease recognized as expense on a straight line basis.

14. **Deposits and Other Liabilities**

This account consists of:

	2008	2007
Deposits from real estate buyers	**₱1,417,602,647**	₱2,092,033,140
Deposits from lessees	**1,271,304,764**	1,168,629,103
Payables to affiliated companies (Notes 18 and 30)	**1,189,250,880**	1,163,061,617
Others	**399,861,431**	445,252,203
	₱4,278,019,722	₱4,868,976,063

The Deposits from lessees represent cash received in advance equivalent to three to six months rent which shall be refunded to lessees at the end of lease term. The Group recognized Discount on deposits from lessees amounting to ₱103 million and ₱133 million as of September 30, 2008 and 2007, respectively. The related interest expense on the discount amounted to ₱61 million and ₱119 million in 2008 and 2007, respectively. The Unearned rental income amounted to ₱94 million and ₱130 million as of September 30, 2008 and 2007, respectively. The rental income on amortization of unearned rental income amounted to ₱47 million and ₱132 million in 2008 and 2007, respectively. The Deposits from lessees was discounted using MART 1 plus 2% spread.

Deposits from real estate buyers represent cash received in advance which shall be applied against the total contract price of the subdivision land, condominium and residential units that are for sale when the contractual obligation of the real estate buyer have begun. The deposits from real estate are normally applied against the total contract price within a year from the date the deposits were made.

Included in Deposits from real estate buyers are cash collections in excess of the installment contract receivables recognized under the percentage-of-completion method which amounted to ₱381 million and ₱1,149 million as of September 30, 2008 and 2007, respectively.

15. **Loans Payable**

This account consists of:

	Principal Amount	2008	2007
Short-term Loans from Banco de Oro Unibank Inc. (BDO)	**₱677,000,000**	**677,000,000**	₱-
Loan from ING, Manila and Security Bank Corporation (SBC) under the Development Bank of the Philippines (DBP)-JBIC - 5 loan facility at fixed interest rate of 9.2% per annum + 1.5% margin payable in nine (9) semi-annual payments starting October 2005	**1,000,000,000**	**340,000,000**	560,000,000
Five-year and one day loan maturing on May 29, 2012 with fixed rate at 6.375%, interest payable semi-annually in arrears on the last day of each six-month interest period	**3,000,000,000**	**3,000,000,000**	3,000,000,000
Notes subscribed to by Land Bank of the Philippines (LBP), China Banking Corporation (CBC) , Hongkong Shanghai Banking Corporation (HSBC) and SBC under the Inverse Floating Rate Notes Facility Agreement maturing on June 6, 2013 bearing an interest rate of 15.7% less the 3-month benchmark rate (PDST-F), and a tenor of 5 years + 1 day; interest is payable quarterly, in arrears, on the last day of each 3-month interest period	**2,000,000,000**	**2,000,000,000**	-
Registered Bonds with interest repriced quarterly based on the three-month Treasury security displayed on Mart 1 page of Bloomberg plus 2% due on March 7, 2008; current rate is 11.235%	**1,000,000,000**	**-**	1,000,000,000
		₱6,017,000,000	₱4,560,000,000

<u>Short Term Loans Payable due in October 2008</u>
In July 2008, the Group obtained three (3) clean loans amounting to ₱446 million, ₱39 million and ₱192 million, respectively, from BDO. The term of the loan is three (3) months to four (4) months from issue date to be issued in one tranche. Interest on the outstanding principal shall be repaid at each interest payment date. The average interest rate shall be 6.6% per annum and shall be payable semi-annually, computed based on the outstanding balance with payments commencing on the issue date and ending on the maturity date.

Out of the total interest expense in 2008, borrowing costs capitalized to property and equipment under construction aggregated to ₱327 million, out of which ₱10 million in 2008 pertains to short term loans due in October 2008.

No debt covenants were being maintained by the Group since the loan is short-term in nature.

<u>Payable due in October 2009</u>
On October 6, 2004, the Group obtained unsecured loans each amounting to ₱500 million from ING Bank N.V. and from Security Bank Corporation (collectively, the "Lenders") under the Omnibus Facility Agreement (the "Agreement") constituting direct and unconditional obligation of the Group ranking pari-passu with all present and future unsecured and unsubordinated obligations, other than obligations in respect of which a statutory preference is established solely by operation of law, for partial financing and/or reimbursement of construction cost of the Parent Company's projects. DBP advanced

the loan granted by the Lenders to the Parent Company by virtue of various agreements. The loan is payable in nine (9) semi-annual installments beginning October 2005.

Interest on the outstanding principal amount shall be paid at each interest payment date, as follow: (i) the interest rate shall be fixed at 9.2% per annum plus an interest margin of 1.5% per annum; (ii) the Group will have a one-time option throughout the life of the loan to switch from the fixed rate of 9.2% per annum to a floating rate equivalent to the applicable DBP pass-on-rate plus an interest margin of 1.5% per annum, subject to the provision by the Group of one-week prior written notice for the exercise of such option; and (iii) in case the Group opts for a floating interest rate, the setting of rates shall be in accordance with the policies of DBP which, as of the date of Agreement, fixes January 1, April 1, July 1, and October 1 of every year as the interest setting dates. Interest shall accrue from and include the first day of an interest period, up to, and including, the last day of such interest period.

Interest period shall mean the period of six months of each year; provided, however, that in the event the Group shall have exercised its option under (ii) above to switch to a floating interest rate, interest period shall mean the period of three months of each year.

The Group settled its semi-annual amortization of obligation on this loan which aggregated to ₱220 million and ₱110 million in 2008 and 2007, respectively.

Out of the total interest expense in 2008, 2007 and 2006, borrowing costs capitalized to property and equipment under construction aggregated ₱331 million, ₱264 million and ₱375 million, respectively, out of which ₱36 million ₱65 million and ₱92 million in 2008, 2007 and 2006, respectively, pertain to bonds payable due in October 2009.

Debt Covenant
The Group is required to maintain a debt to equity ratio of not exceeding 1.5:1 and interest coverage ratio of not less that 1.5:1. The Group has complied with the debt covenant.

<u>Loans Payable due in May 2012</u>
On May 24, 2007, the Group issued ₱3,000 million Fixed rate Corporate Note Facility constituting direct, unconditional, unsubordinated, general and unsecured obligations of the Group ranking at least pari passu in all respects and rateably without preference or priority (except for any statutory preference or priority applicable in the winding-up of the Group) with all other outstanding unsecured and unsubordinated obligations of the Group. The term of the bonds is five (5) years and one (1) day from issue date.

The interest rate is at 6.375% per annum and shall be payable semi-annually, computed based on the outstanding balance with payments commencing on the issue date and ending on the maturity date.

Out of the total borrowing costs capitalized to property and equipment under construction, ₱194 million and ₱66 million in 2008 and 2007, respectively pertains to loans payable due in May 2012.

Debt Covenants
The Group is required to maintain a debt to equity ratio not exceeding 1.5:1 and interest coverage ratio of not less than 1.5:1. The Group must ensure that it will remain at least fifty-one percent (51%) owned by the JG Summit Group. The Group has complied with the debt covenants.

<u>Loans Payable due in June 2013</u>
On June 4, 2008, the Group issued ₱2,000 million Inverse Floating Rate Notes Facility constituting direct, unconditional, unsubordinated, general and unsecured obligations of the Group ranking at least pari passu in all respects and rateably without preference or priority (except for any statutory preference or priority applicable in the winding-up of the Group) with all other outstanding unsecured and unsubordinated obligations of the Group with all other outstanding unsecured and unsubordinated obligations (contingent or otherwise, present and future) of the Group. The term of the bonds is five (5) years and one (1) day from issue date.

The interest rate is at 15.70% less the 3-month Benchmark Rate on an interest determination date rounded off to the nearest 1/100 or 1% per annum and shall be payable quarterly, computed based on the outstanding balance with payments commencing on the issue date and ending on the maturity date.

Out of the total borrowing costs capitalized to property and equipment under construction, ₱62 million in 2008 pertains to bonds payable due in June 2013.

Debt Covenants
The Group is required to maintain a debt to equity ratio not exceeding 1.5:1 and interest coverage ratio of not less than 1.5:1. The Group must ensure that it will remain at least fifty-one percent (51%) owned by the JG Summit Group. The Group has complied with the debt covenants.

<u>Bonds Payable due in March 2008</u>
On March 13, 2003, the Group issued ₱1,000 million bonds constituting direct, unconditional, unsubordinated and unsecured obligations of the Group ranking pari-passu with all direct, unconditional, unsubordinated and unsecured obligations of the Group at par of 100% of face value, for general corporate purposes, such as, but not limited to the following: (i) financing various capital expenditures; (ii) debt refinancing; and (iii) funding permanent working capital. The bond is payable with a bullet payment on March 7, 2008 or shall be redeemable at par upon maturity or on a date which is five (5) years and one (1) day from issue date.

Interest on the outstanding principal sum of the bonds shall be paid at a rate determined for each quarterly interest period, accrued and payable quarterly on the dates indicated in the interest coupon of the bonds beginning December 12, 2003. The interest rate shall be the sum of the Base Rate (defined as the bid yield for the applicable 91-day Treasury Bills based on the secondary market bids as displayed on the MART 1 page of Bloomberg at approximately 11:30 a.m. on the interest rate setting date) plus a spread of two percent (2%).

Out of the total borrowing costs capitalized to property and equipment under construction, ₱28 million, ₱72 million and ₱91 million in 2008, 2007 and 2006, respectively, pertain to bonds payable due in March 2008.

Debt Covenant
The Group is required to maintain a debt to equity ratio and interest coverage ratio of not exceeding 1.5:1. The Group has complied with the debt covenant.

Total outstanding loans payable that are current as of September 30, 2008 and 2007 amounted to ₱1,017 million and ₱1,220 million, respectively. On the other hand, total outstanding loans payable that are noncurrent amounted to ₱5,000 million and ₱3,340 million as of September 30, 2008 and 2007, respectively.

Details of the Group's loans payable by maturity follow:

	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Total
2008	**₱1,017,000,000**	**₱-**	**₱-**	**₱3,000,000,000**	**₱2,000,000,000**	**₱6,017,000,000**
2007	₱1,220,000,000	₱225,000,000	₱115,000,000	₱-	₱3,000,000,000	₱4,560,000,000

16. **Retained Earnings**

Restriction
A portion of the unappropriated retained earnings representing the undistributed net earnings of subsidiaries amounting to ₱348 million, ₱243 million and ₱164 million in 2008, 2007 and 2006, respectively, are not available for dividend declaration until received in the form of dividends.

Dividends declared
The Board of Directors (BOD) declared cash dividends in favor of all its stockholders as follows:

	2008	2007	2006
Date of declaration	**April 17, 2008**	April 19, 2007	April 20, 2006
Date of payment	**June 12, 2008**	June 14, 2007	June 15, 2006
Ex-dividend rate	**May 16, 2008**	May 18, 2007	May 19, 2006
Dividend per share	**₱0.53**	₱0.37	₱0.32
Total dividends	**₱1,455,866,782**	₱1,016,359,830	₱735,013,906

Appropriation
On May 14, 2003, the BOD approved the appropriation of ₱3,500 million, out of the retained earnings, for future expansion.

17. **Capital Stock**

The details of the number of common shares and the movements thereon follow:

	2008	2007	2006
Authorized - at ₱1 par value	**3,000,000,000**	3,000,000,000	3,000,000,000
At beginning of year	**2,746,918,457**	2,296,918,457	2,296,918,457
Additional subscription	**–**	450,000,000	–
Issued and outstanding	**2,746,918,457**	2,746,918,457	2,296,918,457

On September 23, 2006, the BOD approved the primary and secondary offerings of up to 811,136,200 common shares of the Parent Company which consisted of 450,000,000 common shares from the unissued authorized capital stock of the Parent Company and 361,136,200 secondary shares held by shareholders: JGSHI, Universal Robina Corporation and JG Summit Capital Services Corporation. The offer price was ₱12 per share. An over-allotment option for the sale of additional 121,670,400 secondary shares (Optional Shares) at the same offer price and terms was likewise approved by the BOD.

The Securities and Exchange Commission (SEC) issued a pre-effective order on September 1, 2006 with respect to the registration statements filed by the Group for the purpose of the above share offering. In October 2006, all primary and secondary share offerings (including Optional Shares) were fully subscribed by both foreign and local investors. Net proceeds from the primary offering amounted to about ₱5,230 million. The amount representing excess of subscription price over the par value of the primary share offering amounting to about ₱4,784 million was credited to additional paid-in capital.

Capital Management
The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to these ratios in light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend payment to shareholders, return capital structure or issue capital securities. No changes have been made in the objective, policies and processes as they have been applied in previous years.

The Group monitors its use of capital structure using a debt-to-capital ratio which is gross debt divided by total equity. The Group includes within gross debt all interest-bearing loans and borrowings, while capital represents total equity. Following is a computation of the Group's debt-to-capital ratio as of September 30, 2008 and 2007.

	2008	2007	2006
(a) Loans payable (Note 15)	**₱6,017,000,000**	₱4,560,000,000	₱1,670,000,000
(b) Equity	**₱22,986,969,523**	₱21,290,095,740	₱14,625,757,929
(c) Debt-to-capital ratio (a/b)	**0.26:1**	0.21:1	0.11:1

The Group's policy is to limit the debt-to-capital ratio at the 1.5:1 level.

18. **Related Party Transactions**

Transactions between related parties are based on terms similar to those offered to nonrelated parties. Related party transactions are made under the normal course of business. Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions; and the parties are subject to common control or common significant influence. Related parties may be individuals or corporate entities (referred herein as affiliates).

The Group, in the normal course of business, has transactions with its major stockholder, JGSHI and its affiliated companies consisting principally of lease arrangements and advances (both interest and non interest bearing), principally for working capital, including construction costs. The Group also leases commercial properties to affiliated companies. Rental income arising from the lease of commercial properties to affiliated companies amounted to about ₱865 million, ₱799 million and ₱720 million in 2008, 2007 and 2006, respectively.

Interest expense from the ₱2,500 million loan from JGSHI, which was paid in 2007, amounted to ₱61 million and ₱142 million in 2007 and 2006, respectively. Interest expense on the ₱480 million loan from Litton Mills in 2005, paid in 2006, amounted to ₱43 million.

The Group also maintains savings and current accounts and time deposits with Robinsons Savings Bank, an affiliated local commercial bank. The balances follow:

	2008	2007
Savings and current accounts	**₱32,660,266**	₱38,856,645
Short-term investments	**285,244,392**	376,326,190
	₱317,904,658	₱415,182,835

Loans from shareholders
As of September 30, 2008 and 2007, a subsidiary has outstanding noninterest-bearing advances from Winsome Development Corporation, a minority stockholder, for working capital requirement amounting to ₱104 million (see Note 13). The advances are included in the “Accounts payable - trade” account under the, “Accounts payable and accrued expenses”, in the consolidated balance sheets.

JGSHI also provides the Group certain corporate services including debt management, corporate finance, corporate planning, procurement, human resources, legal and corporate communications.

As of September 30, 2008 and 2007, the net payable to affiliated companies amounted to ₱1,094 million and ₱1,100 million, respectively. Details are as follow:

	2008	2007
Receivable from affiliated companies (Notes 8 and 30)		
Digital Telecommunication Inc.	**₱39,890,765**	₱39,701,125
Robinsons Recreation Corporation	**11,326,607**	11,270,828
Universal Robina Corporation	**8,605,539**	9,285,655
Others	**34,934,969**	2,687,763
	94,757,880	62,945,371
Payable to affiliated companies (Notes 14 and 30)		
JGSHI	**(1,098,928,503)**	(1,077,396,857)
Westpoint Industrial Mills	**(22,950,417)**	(22,950,417)
Robinsons Inc.	**(14,593,692)**	(15,136,027)
Others	**(52,778,268)**	(47,578,316)
	(1,189,250,880)	(1,163,061,617)
Net payable to affiliated companies	**(₱1,094,493,000)**	(₱1,100,116,246)

Outstanding balances as of September 30, 2007, which are unsecured and interest free, are all due within one year. On February 14, 2006, the ₱2,500 million JGSHI loan was obtained with interest at 9% payable quarterly while the principal is payable on single balloon payment after three (3) years. The entire ₱2,500 million was fully paid as of September 30, 2007.

As of September 30, 2008 and 2007, the Group has not provided any allowance for impairment losses for amounts owed by related parties. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

Compensation of Key Management Personnel
The compensation of the Group’s key management personnel by benefit type follows (see Note 23):

	2008	2007	2006
Short term employee benefits	**₱433,704,305**	₱386,078,541	₱288,046,037
Post-employment benefits (Note 27)	**39,286,400**	16,537,631	14,291,233
	₱472,990,705	₱402,616,172	₱302,337,270

19. **Revenue**

This account consists of:

	2008	2007	2006
Real estate			
Real estate sales	**₱4,942,149,125**	₱2,896,397,480	₱2,011,660,253
Rental income	**4,375,623,429**	3,967,721,986	3,345,234,477
Others	**233,727,686**	207,877,113	291,343,194
	9,551,500,240	7,071,996,579	5,648,237,924
Hotel operations			
Rooms	**636,336,824**	626,689,474	531,801,149
Food and beverage	**439,081,026**	413,169,484	360,815,984
Others	**60,402,777**	66,354,542	10,921,592
	1,135,820,627	1,106,213,500	903,538,725
	₱10,687,320,867	₱8,178,210,079	₱6,551,776,649

20. **Costs**

This account consists of:

	2008	2007	2006
Real Estate			
Cost of sale (Note 9)	**₱3,302,412,914**	₱1,417,930,410	₱944,333,636
Depreciation and amortization (Notes 10, 11 and 22)	**1,384,108,499**	1,247,387,885	1,117,072,162
Maintenance costs (Note 10)	**147,746,528**	124,492,017	102,079,484
Others	**260,780,825**	390,628,886	193,449,369
	5,095,048,766	3,180,439,198	2,356,934,651
Hotel Operations			
Cost of sale	**137,135,734**	135,313,561	114,120,883
Property operations and maintenance costs (Note 10)	**221,020,607**	241,041,115	187,306,147
Depreciation and amortization (Notes 10, 11 and 22)	**173,753,732**	155,523,999	148,736,854
Others	**415,614,268**	390,146,406	370,915,988
	947,524,341	922,025,081	821,079,872
	₱6,042,573,107	₱4,102,464,279	₱3,178,014,523

21. **General and Administrative Expenses**

This account consists of:

	2008	2007	2006
Salaries and wages (Notes 18, 23 and 27)	**₱312,349,261**	₱263,806,354	₱228,995,635
Commission	**255,072,640**	333,517,097	274,818,004
Advertising and promotions	**241,719,505**	148,613,850	119,498,005
Taxes and licenses	**161,405,245**	167,749,893	143,767,753
Rent expense	**159,137,863**	155,603,494	145,543,680
Light, water and communication (Note 28)	**58,020,759**	71,083,536	60,329,659
Insurance	**33,958,908**	23,891,722	27,131,903
Travel and transportation	**22,449,873**	17,663,692	20,079,232
Entertainment, amusement and recreation	**20,959,647**	25,975,931	21,692,626
Provision for impairment losses (Note 8)	**18,982,104**	19,000,000	4,869,390
Supplies expense	**14,291,202**	14,239,494	11,182,307
Donation	**10,780,336**	7,854,152	10,462,367
Others	**6,356,487**	2,392,660	17,932,972
	₱1,315,483,830	₱1,251,391,875	₱1,086,303,533

Revenue Regulations No. 10-2002 define expenses to be classified as entertainment, amusement and representation (EAR) expenses and sets a limit for the amount that is deductible for tax purposes. EAR expenses are limited to 0.5% of net sales for sellers of goods or properties or 1% of net revenue for sellers of services. For sellers of both goods or properties and services, an apportionment formula is used in determining the ceiling on such expenses.

22. **Depreciation and Amortization**

Depreciation and amortization are distributed as follows:

	2008	2007	2006
Real estate (Notes 10, 11 and 20)	**₱1,384,108,499**	₱1,247,387,885	₱1,117,072,162
Hotel operations (Notes 11 and 20)	**173,753,732**	155,523,999	148,736,854
	₱1,557,862,231	₱1,402,911,884	₱1,265,809,016

23. **Personnel Expenses**

Personnel expenses consist of (see Notes 18 and 21):

	2008	2007	2006
Salaries, wages and other staff costs	**₱411,994,523**	₱361,099,065	₱254,821,472
Retirement costs (Note 27)	**39,286,400**	16,537,631	14,291,233
SSS contributions, PAG-IBIG contributions, premiums and others	**21,709,782**	24,979,476	33,224,565
	₱472,990,705	₱402,616,172	₱302,337,270

The above amounts are distributed as follows:

	2008	2007	2006
General and administrative (Note 21)	**₱312,349,261**	₱263,806,354	₱228,995,635
Hotel operations	**160,641,444**	138,809,818	73,341,635
	₱472,990,705	₱402,616,172	₱302,337,270

24. **Interest Income** - Net

This account consists of:

	2008	2007	2006
Interest income			
Installment contract receivables	**₱358,094,035**	₱490,174,138	₱230,415,102
Bank deposits	**136,638,581**	220,192,177	101,255,541
	494,732,616	710,366,315	331,670,643
Interest expense on amortization of discount on deposits (Note 14)	**(60,603,120)**	(119,030,864)	(195,210,319)
	₱434,129,496	₱591,335,451	₱136,460,324

25. **Income Taxes**

The reconciliation of statutory income tax rate to the effective income tax rate follows:

	2009	2008	2007
Statutory income tax rate	**35.00%**	35.00%	34.75%
Reductions in income tax resulting from:			
Interest income subjected to final tax	**(0.52)**	(0.53)	(0.43)
Income subjected to lower income tax rates	**(4.08)**	(3.06)	(1.58)
Tax-exempt interest income	**(0.25)**	(0.10)	(0.15)
Tax exempt real estate sales	**(0.01)**	(0.49)	(0.73)
Change in tax rate	**(7.97)**	–	0.92
Others	**(5.94)**	(2.46)	(3.95)
Effective income tax rate	**16.23%**	28.36%	28.83%

The Republic Act No. 9337 that was enacted into law in 2005 amended various provisions in the existing 1997 National Internal Revenue Code. Among the reforms introduced by the said RA was the reduction of the income tax rate from 35% to 30% beginning January 1, 2009.

Deferred income taxes as of September 30, 2008 and 2007 relate to the tax effects of the following:

	2008	2007
Deferred tax assets:		
Accrued rent expense	**₱229,850,824**	₱230,816,255
Accrued interest expense	**66,724,468**	57,115,136
Accrued retirement payable	**4,733,249**	10,864,263
Allowance for impairment loss	**14,537,753**	10,316,975
	315,846,294	309,112,629
Deferred tax liabilities:		
Unamortized capitalized interest expense	**(₱1,094,046,156)**	(₱1,169,425,074)
Excess of real estate revenue based on percentage-of-completion over real estate revenue based on tax rules	**(813,255,926)**	(823,262,945)
Receivable from Meralco	**(73,886,850)**	(22,574,704)
Accrued rent income	**(12,981,878)**	(93,970,815)
Others	**–**	(3,897,012)
Net deferred tax liabilities	**(1,994,170,810)**	(2,113,130,550)
	(₱1,678,324,516)	(₱1,804,017,921)

26. **Earnings Per Share**

Earnings per share amounts were computed as follows:

	2008	2007	2006
a. Net income attributable to equity holders of Parent Company	**₱3,150,039,184**	₱2,441,338,382	₱1,718,966,320
b. Weighted average number of common shares outstanding	**2,746,918,457**	2,746,918,457	2,296,918,457
c. Earnings per share (a/b)	**₱1.15**	₱0.89	₱0.75

There were no potential dilutive shares in 2008, 2007 and 2006.

27. **Retirement Plan**

The Group has an unfunded, noncontributory, defined benefit retirement plan covering all its regular permanent employees. The plan provides retirement, separation, disability and death benefits to its members. The latest actuarial valuation was made on September 30, 2008.

The following tables summarizes the components of pension expense (included in salaries and wages account under “General and administrative expenses”) recognized in the consolidated statements of income and the funded status and amounts recognized in the consolidated balance sheets for the plan:

Pension expense

	2008	2007
Current service cost	**₱12,653,200**	₱8,890,500
Interest cost	**7,996,600**	7,354,100
Expected return on plan assets	**(188,000)**	(19,000)
Benefits paid	**(1,697,000)**	–
Past service cost	**16,667,300**	–
Actuarial losses recognized	**3,854,300**	312,031
Total pension expense	**₱39,286,400**	₱16,537,631

Pension liabilities

	2008	2007
Benefit obligation	**₱101,706,300**	₱84,707,150
Fair value of plan assets	**(57,568,490)**	(104,000)
Unrecognized net actuarial losses	**(28,360,414)**	(53,562,400)
Pension liabilities	**₱15,777,396**	₱31,040,750

Pension benefit obligation

	2008	2007
Balance at beginning of year	**₱84,707,150**	₱75,702,051
Current service cost	**12,653,200**	8,890,500
Interest cost	**7,996,600**	7,354,100
Past service cost	**16,667,300**	–
Actuarial gains on obligation	**(13,471,444)**	1,643,849
Benefits paid	**(6,846,506)**	(8,883,350)
Balance at end of year	**₱101,706,300**	₱84,707,150

Fair value of plan assets

	2008	2007
Balance at beginning of year	**₱104,000**	₱–
Expected return on plan assets	**188,000**	19,000
Actual contributions	**54,549,754**	1,822,500
Benefits paid	**(5,149,506)**	(1,989,000)
Actuarial losses - net	**7,876,242**	251,500
Balance at end of year	**₱57,568,490**	₱104,000

The rollforward of unrecognized actuarial losses follows:

	2008	2007
Balance at beginning of year	**₱53,562,400**	₱52,482,082
Additional actuarial (gains) losses:		
From plan obligation	**(13,471,444)**	1,643,849
From plan asset	**(7,876,242)**	(251,500)
Actuarial losses recognized	**(3,854,300)**	(312,031)
Balance at end of year	**₱28,360,414**	₱53,562,400

The principal assumptions used in determining pension for the Group's plan are shown below:

	2008	2007	2006
Discount rate	**8.08% - 8.81%**	9.06% - 9.50%	12.33% - 14.47%
Rate of salary increase	**4.00% - 5.50%**	7.00%	6.00%
Expected rate of return on plan assets	**5.50%**	5.50%	–
Experience adjustment gain (loss) - net	**₱13,471,444**	(₱1,503,800)	₱7,554,500
Turnover rate	**10.98% - 35.00%**	4.00% - 30.00%	–

The Group's plan assets consist of the following:

	2008		2007		2006	
	Amount	**%**	Amount	%	Amount	%
Cash	**₱178,754**	**–**	₱104,100	100.00	₱–	–
Receivables	**63,236,763**	**109.85**	–	–	–	–
Liabilities (Notes 8 and 18)	**(5,847,027)**	**(9.85)**	–	–	–	–
	₱57,568,490	**100.00**	₱104,100	100.00	₱–	–

The Group expects to contribute about ₱12 million into the pension fund for the fiscal year ending in September 30, 2009.

Amounts for the current and previous annual periods are as follow:

Defined benefit obligation	**₱101,706,300**	₱84,707,150
Plan assets	**57,568,490**	23,550,260
Experience adjustments on:		
Plan liabilities	**13,471,444**	(1,503,800)
Plan assets	**(7,876,242)**	(251,500)

28. **Meralco Refund**

As a customer of the Manila Electric Company (Meralco), the Group is entitled to receive a refund pertaining to previous billings adjustments under Phase IV of Meralco's refund scheme. Subsequent to the approval of Meralco's amended refund scheme in 2005 by the Energy Regulatory Commission, the amount and the timing of the receipt of the refund is made certain.

Under the Meralco refund scheme, the Group may opt to refund through postdated checks or as a fixed monthly credit to bills with cash option. The Group has opted to recover the refund through fixed monthly credit to bills with cash option, starting in November 2005 until January 2011. Income from the refund amounted to ₱90 million (included as deduction in "General and administrative expenses") in 2006. The receivable was discounted using an effective interest rate of 10%.

As of September 30, 2008 and 2007, the Group's receivable from Meralco, which is included in "Other asset", amounted to ₱43 million (net of unearned interest income of ₱18 million) and ₱66 million (net of unearned interest income of ₱23 million), respectively. Interest income recognized on amortization of unearned interest income amounted to ₱5 million and ₱2 million in 2008 and 2007, respectively (see Note 24).

29. **Financial Risk Management Objectives and Policies**

The Group's principal financial instruments, other than derivatives, comprise of bonds payable, loans payable, receivables from affiliated companies, payables to affiliated companies, receivables and cash and cash equivalents. The main purpose of these financial instruments is to raise fund for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency market risk, liquidity risk, interest rate market risk and credit risk. The BOD reviews and agrees policies for managing each of these risks and they are summarized below, together with the related risk management structure.

<u>Risk Management Structure</u>
The Group's risk management structure is closely aligned with that of the Parent Company. The BOD of the Parent Company and the respective BODs of each subsidiary are ultimately responsible for of the oversight of the Group's risk management processes that involve identifying, measuring, analyzing, monitoring and controlling risks.

The risk management framework encompasses environmental scanning, the identification and assessment of business risks, development of risk management strategies, design and implementation of risk management capabilities and appropriate responses, monitoring risks and risk management performance, and identification of areas and opportunities for improvement in the risk management process.

Each BOD has created the board-level Audit Committee (AC) to spearhead the managing and monitoring of risks.

Audit Committee
The AC shall assist the Group's BOD in its fiduciary responsibility for the over-all effectiveness of risk management systems, and both the internal and external audit functions of the Group. Furthermore, it is also the AC's purpose to lead in the general evaluation and to provide assistance in the continuous improvements of risk management, control and governance processes.

The AC also aims to ensure that:

a. financial reports comply with established internal policies and procedures, pertinent accounting and audit standards and other regulatory requirements;
b. risks are properly identified, evaluated and managed, specifically in the areas of managing credit, market, liquidity, operational, legal and other risks, and crisis management.
c. audit activities of internal and external auditors are done based on plan, and deviations are explained through the performance of direct interface functions with the internal and external auditors; and
d. the Group's BOD is properly assisted in the development of policies that would enhance the risk management and control systems.

Enterprise Risk Management Group (ERMG)
To systematize the risk management within the Group, the ERMG was created to be primarily responsible for the execution of the enterprise risk management framework. The ERMG's main concerns include:

a. recommending risk policies, strategies, principles, framework and limits;
b. managing fundamental risk issues and monitoring of relevant risk decisions;
c. providing support to management in implementing the risk policies and strategies; and
d. developing a risk awareness program.

Support groups have likewise been created to explicitly manage on a day-to-day basis specific types of risks like trade receivables, supplier management, etc.

Compliance with the principles of good corporate governance is also one (1) of the objectives of the BOD. To assist the BOD in achieving this purpose, the BOD has designated a Compliance Officer who shall be responsible for monitoring the actual compliance with the provisions and requirements of the Corporate Governance Manual and other requirements on good corporate governance, identifying and monitoring control compliance risks, determining violations, and recommending penalties on such infringements for further review and approval of the BOD, among others.

Risk Management Policies
The main risks arising from the use of financial instruments are foreign currency risk, liquidity risk, interest rate risk and liquidity risk. The Group's policies for managing the aforementioned risks are summarized below.

Foreign currency risk
Foreign currency risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign currency risk arises from financial instruments that are denominated in a United States Dollar (USD) which result primarily from movement of the Philippine Peso against the USD.

The Group does not have any foreign currency hedging arrangements.

The table below summarizes the Group's exposure to foreign currency risk as of September 30, 2008 and 2007.

	2008		2007	
Assets				
Cash and cash equivalents	**$1,499,076**	**₱70,531,542**	$5,847,017	₱263,349,644
Liabilities				
Accounts payable and accrued expenses	**211,505**	**9,951,293**	355,654	16,018,658
Net foreign currency-denominated asset	**$1,287,571**	**₱60,580,249**	$5,491,363	₱247,330,986

The exchange rates used to restate the Group's US Dollar-denominated assets and liabilities as of September 30, 2008 and 2007 follow:

	2008	2007
US Dollar - Philippine Peso exchange rate	**₱47.05 to US$1.00**	₱45.04 to US$1.00

The following table sets forth the impact of the range of reasonably possible changes in the US Dollar - Philippine Peso exchange rate on the Group's income before income tax and equity for the year ended September 30, 2008 and 2007.

Reasonably Possible Changes in US Dollar-Philippine Peso Exchange Rates	Change in Income Before Income Tax	Change in Equity
2008		
2.5%	**(₱1,514,506)**	**(₱984,429)**
(2.5%)	**1,514,506**	**984,429**
2007		
1.5%	(₱3,709,965)	(₱2,411,477)
(1.5%)	3,709,965	2,411,477

The Group does not expect the impact of the volatility on other currencies to be material.

Liquidity risk
Liquidity risk is the risk arising from the shortage of funds due to unexpected events or transactions. The Group manages its liquidity profile to be able to finance the capital expenditures and service the maturing debts. To cover the financing requirements, the Group intends to use internally generated funds and proceeds from debt.

The Group seeks to manage its liquidity profile to be able to service its maturing debts and to finance capital requirements. The Group maintains a level of cash and cash equivalents deemed sufficient to finance operations. As part of its liquidity risk management, the Group regularly evaluates its projected and actual cash flows. It also continuously assesses conditions in the financial markets for opportunities to pursue fund-raising activities. Fund-raising activities may include bank loans and capital market issues both onshore and offshore.

The table below summarizes the maturity profile of the Group's financial liabilities as of September 30, 2008 and 2007, based on undiscounted contractual payments.

2008

	On Demand	1 to 3 Months	3 to 12 Months	1 to 5 Years	More Than 5 years	Total
Accounts payable and accrued expenses (Notes 13 and 30)	**₱2,175,534,001**	**₱1,992,250,626**	**₱75,384,270**	**₱624,645,997**	**₱214,295,959**	**₱5,082,110,853**
Payable to affiliated companies (included under Deposits and other liabilities account in the consolidated balance sheets) (Notes 14, 18 and 30)	**1,189,250,880**	**–**	**–**	**–**	**–**	**1,189,250,880**
Deposits from real estate buyers and lessees (including current portion) (Notes 14 and 30)	**848,355,394**	**27,074,097**	**104,847,830**	**1,708,630,090**	**–**	**2,688,907,411**
Loans payable (including current portion of loans payable and future interest payment) (Note 15)		**882,625,000**	**325,625,000**	**5,573,750,000**	**–**	**6,782,000,000**
Derivative liability	**31,706,034**	**–**	**–**	**–**	**–**	**31,706,034**
	₱4,244,846,309	**₱2,901,949,723**	**₱505,857,100**	**₱7,907,026,087**	**₱214,295,959**	**₱15,773,975,178**

2007

	On Demand	1 to 3 Months	3 to 12 Months	1 to 5 Years	More Than 5 years	Total
Accounts payable and accrued expenses (Notes 13 and 30)	₱2,271,626,842	₱1,087,601,580	₱83,894,039	₱524,146,200	₱114,602,357	₱4,081,871,018
Payable to affiliated companies (included under Deposits and other liabilities account in the consolidated balance sheets) (Notes 14, 18 and 30)	1,163,061,617	–	–	–	–	1,163,061,617
Deposits from real estate buyers and lessees (including current portion) (Notes 14 and 30)	1,243,043,647	31,772,257	135,013,532	1,850,832,807	–	3,260,662,243
Loans payable (including current portion of loans payable and future interest payment) (Note 15)	–	95,625,000	1,315,625,000	4,105,000,000	–	5,516,250,000
	₱4,677,732,106	₱1,214,998,837	₱1,534,532,571	₱6,479,979,007	₱114,602,357	₱14,021,844,878

Interest rate risk
Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk for changes in market interest rates relates primarily to the Group's long-term debt obligation with a floating interest rate.

The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts. As of September 30, 2008 and 2007, 61% and 66% of the Group's loans payable are at a fixed rate of interest.

The following presents the carrying amount, by maturity, of the Group's financial instruments that are exposed to interest rate risk.

2008

Fixed rate

	Within 1 year	1-2 years	2-3 years	Total
Fixed rate				
Short term investments (Note 7)	**₱356,203,816**	**₱–**	**₱–**	**₱356,203,816**
Loans payable (Note 15)	**–**	**–**	**5,000,000,000**	**5,000,000,000**
Floating rate				
Loans payable (Note 15)	**225,000,000**	**115,000,000**	**–**	**340,000,000**

2007

Fixed rate

	Within 1 year	1-2 years	2-3 years	Total
Fixed rate				
Short term investments (Note 7)	₱1,428,469,968	₱–	₱–	₱1,428,469,968
Loans payable (Note 15)	1,000,000,000	–	3,000,000,000	4,000,000,000
Floating rate				
Loans payable (Note 15)	220,000,000	225,000,000	115,000,000	560,000,000

Financial instruments with floating interest rate are repriced quarterly at intervals of less than one year. Other financial instruments held by the Group that are not included are non-interest bearing.

The following table sets forth the impact of the range of reasonably possible changes in the interest rates on the Group's income before income tax and equity in 2008 and 2007:

Reasonably Possible Changes in Interest Rates	Change in Income Before Income Tax
2008	
1.5%	**(₱27,322,587)**
(1.5%)	**27,322,587**
2007	
1.5%	(₱29,339,831)
(1.5%)	29,339,831

Other than the potential impact on income before income tax, there is no other effect on equity.

Credit risk
Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Parent Company is exposed to credit risk from its operating activities (primarily from cash and cash equivalents and receivables).

The Group trades only with recognized, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to impairment loss is not significant.

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

a. Credit risk exposure

The table below shows the gross maximum exposure to credit risk of the Group as of September 30, 2008 and 2007, without considering the effects of collaterals and other credit risk mitigation techniques.

	2008	2007
Cash and cash equivalents (Notes 7 and 18)	**₱519,080,453**	₱1,555,623,418
Receivables - net		
Trade receivables (Notes 8 and 18)		
Installment contract receivable	**3,522,591,155**	2,201,262,428
Rental receivables	**222,628,296**	287,955,067
Accrued rent receivable	**235,681,052**	194,380,916
Hotel operations	**68,663,338**	68,951,642
Affiliated companies (Notes 8 and 18)	**94,757,880**	62,945,371
Other receivables (Notes 8 and 18)	**208,670,276**	117,148,572
Other assets (Note 28)		
Utility deposits	**159,797,619**	268,770,020
Advances to lot owners	**230,782,624**	211,416,544
Receivable from Meralco	**43,272,925**	65,467,460
	₱5,305,925,618	₱5,033,921,438

b. Risk concentrations of the maximum exposure to credit risk

Concentrations arise when a number of counterparties are engaged in similar business activities or activities in the same geographic region or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location. Such credit risk concentrations, if not properly managed, may cause significant losses that could threaten the Group's financial strength and undermine public confidence.

Given the Group's diverse base of counterparty, it is not exposed to large concentration of credit risks.

c. Credit quality per class of financial assets

The table below shows the credit quality by class of financial assets as of September 30, 2008 and 2007.

2008

	Neither Past Due Nor Impaired				
	High Grade	**Standard Grade**	**Substandard Grade**	**Past Due or Individually Impaired**	**Total**
Cash and cash equivalents (Notes 7 and 30)	**₱519,080,453**	**₱–**	**₱–**	**₱–**	**₱519,080,453**
Receivables:					
Trade receivables (Notes 8 and 30)					
Installment contract receivables	**3,121,754,751**	**419,836,404**	**–**	**–**	**3,541,591,155**
Rental receivables	**96,431,968**	**107,196,328**	**–**	**48,459,175**	**252,087,471**
Accrued rent receivables	**235,681,052**	**–**	**–**	**–**	**235,681,052**
Hotel operations	**36,027,130**	**32,636,208**	**–**	**–**	**68,663,338**
Affiliated companies (Notes 8,18 and 30)	**94,757,880**	**–**	**–**	**–**	**94,757,880**
Other receivables (Notes 8 and 30)	**208,670,276**	**–**	**–**	**–**	**208,670,276**
Other assets (Note 12 and 30)					
Utility deposits	**159,797,619**	**–**	**–**	**–**	**159,797,619**
Advances to lot owners	**230,782,624**	**–**	**–**	**–**	**230,782,624**
Receivable from Meralco	**43,272,925**	**–**	**–**	**–**	**43,272,925**
	₱4,746,256,678	**₱559,668,940**	**₱–**	**₱48,459,175**	**₱5,354,384,793**

2007

	Neither Past Due Nor Impaired				
	High Grade	Standard Grade	Substandard Grade	Past Due or Individually Impaired	Total
Cash and cash equivalents (Notes 7 and 30)	₱1,555,623,418	₱–	₱–	₱–	₱1,555,623,418
Receivables:					
Trade receivables (Notes 8 and 30)					
Installment contract receivables	1,929,519,323	290,743,105	–	–	2,220,262,428
Rental receivables	190,985,628	77,969,439	–	29,477,071	298,432,138
Accrued rent receivables	194,380,916	–	–	–	194,380,916
Hotel operations	34,936,035	34,015,607	–	–	68,951,642
Affiliated companies (Notes 8,18 and 30)	62,945,371	–	–	–	62,945,371
Other receivables (Notes 8 and 30)	117,148,572	–	–	–	117,148,572
Other assets (Note 12 and 30)					
Utility deposits	268,770,020	–	–	–	268,770,020
Advances to lot owners	211,416,544	–	–	–	211,416,544
Receivable from Meralco	65,467,460	–	–	–	65,467,460
	₱4,631,193,287	₱402,728,151	₱–	₱29,477,071	₱5,063,398,509

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

High grade accounts, other than cash and cash equivalents, are accounts considered to be of high value. The counterparties have a very remote likelihood of default and have consistently exhibited good paying habits. Standard grade accounts are active accounts with propensity of deteriorating to mid-range age buckets. These accounts are typically not impaired as the counterparties generally respond to credit actions and update their payments accordingly. Substandard grade accounts are accounts which have probability of impairment based on historical trend. These accounts show propensity to default in payment despite regular follow-up actions and extended payment terms.

d. Impairment assessment

The Group recognizes impairment losses based on the results of the specific/individual and collective assessment of its credit exposures. Impairment has taken place when there is a presence of known difficulties in the servicing of cash flows by counterparties, infringement of the original terms of the contract has happened, or when there is an inability to pay principal or interest overdue beyond a certain threshold. These and the other factors, either singly or in tandem with other factors, constitute observable events and/or data that meet the definition of an objective evidence of impairment.

The two methodologies applied by the Group in assessing and measuring impairment include: (1) specific/individual assessment and (2) collective assessment.

Under specific/individual assessment, the Group assesses each individually significant credit exposure for any objective evidence of impairment, and where such evidence exists, accordingly calculates the required impairment. Among the items and factors considered by the Group when assessing and measuring specific impairment allowances are: (a) the timing of the expected cash flows; (b) the projected receipts or expected cash flows; (c) the going concern of the counterparty's business; (d) the ability of the counterparty to repay its obligations during financial crises; (e) the availability of other sources of financial support; and (f) the existing realizable value of collateral. The impairment allowances, if any, are evaluated as the need arises, in view of favorable or unfavorable developments.

With regard to the collective assessment of impairment, allowances are assessed collectively for losses on receivables that are not individually significant and for individually significant receivables when there is no apparent evidence or not yet objective of individual impairment. A particular portfolio is reviewed on a periodic basis, in order to determine its corresponding appropriate allowances. The collective assessment evaluates and estimates the impairment of the portfolio in its entirety even though there is no objective evidence of impairment on an individual assessment. Impairment losses are estimated by taking into consideration the following deterministic information: (a) historical losses/write offs; (b) losses which are likely to occur but has not yet occurred; and (c) the expected receipts and recoveries once impaired.

Derivative Financial Instrument
The Group's freestanding derivative financial instrument, with notional amount of ₱2,000 million, is accounted for as financial instrument at FVPL.

The Group's freestanding derivative follows:

Interest rate swaps
On May 28, 2008, the Group entered in an interest rate swap agreement with a bank, with a total notional amount of ₱2,000 million. The interest rate swap has a term of five (5) years and interest exchange is every 5th day of March, June, September and December. Under the agreement, the Group agreed with the counterparty to exchange at quarterly interval, the Group's floating rate which is based on 3M PSDT-F but not to exceed 15.70% and the counterparty's fixed interest rates. The effect of the swap agreement is to effectively fix the Group's interest rate exposure to 8.75%.

As of September 30, 2008, the estimated fair value for this interest rate swap agreement amounted to ₱32 million loss, as confirmed by bank counterparty.

30. Financial Instruments

Fair Value
Set out below is a comparison by category of carrying amounts and fair values of all of the Group's financial instruments that are carried in the financial statements.

	2008		2007	
	Carrying amount	**Fair value**	Carrying amount	Fair value
Financial assets				
Cash and cash equivalents (Note 7)	**₱519,080,453**	**₱519,080,453**	₱1,555,623,418	₱1,555,623,418
Receivables (Note 8)				
Trade				
Installment contract receivable	**3,522,591,155**	**3,056,086,567**	2,201,262,428	1,945,870,125
Rental receivables	**222,628,296**	**222,628,296**	287,955,067	287,955,067
Accrued rent receivable	**235,681,052**	**235,681,052**	194,380,916	194,380,916
Hotel operations	**68,663,338**	**68,663,338**	68,951,642	68,951,642
Affiliated companies	**94,757,880**	**94,757,880**	62,945,371	62,945,371
Others	**208,670,276**	**208,670,276**	117,148,572	117,148,572
Other assets (Note 12)				
Utility deposits	**159,797,619**	**159,797,619**	268,770,020	268,770,020
Advances to lot owners	**230,782,624**	**230,782,624**	211,416,544	211,416,544
Receivable from Meralco	**43,272,925**	**55,587,746**	65,467,460	72,148,433
	₱5,305,925,618	**₱4,851,735,851**	₱5,033,921,438	₱4,785,210,108
Financial liabilities				
Accounts payable and accrued expenses (Note 13)				
Accrued bonus, taxes and licenses and others	**₱2,194,353,395**	**₱2,194,353,395**	₱2,037,295,839	₱2,037,295,839
Accounts payable - trade	**2,099,810,450**	**2,099,810,450**	1,349,388,365	1,349,388,365
Accrued rent expense	**766,169,414**	**766,169,414**	659,475,015	659,475,015
Dividends payable	**6,000,198**	**6,000,198**	4,671,049	4,671,049
Customers' deposit (Note 14)				
Deposits from real estate buyers	**1,417,602,647**	**1,209,365,578**	2,092,033,140	2,066,820,106
Deposits from lessees	**1,271,304,764**	**1,089,971,611**	1,168,629,103	1,000,667,516
Loans payable (Note 15)	**6,017,000,000**	**5,340,000,000**	4,560,000,000	4,298,401,870
Payables to affiliated companies (Notes 14 and 18)	**1,189,250,880**	**1,189,250,880**	1,163,061,617	1,163,061,617
	₱14,961,491,748	**₱13,894,921,526**	₱13,034,554,128	₱12,579,781,377

The fair values of cash and cash equivalents, trade receivables (arising from lease of investment properties), other receivables, certain receivable and payable to affiliated companies and accounts payable and accrued expenses are approximately equal to their carrying amounts due to the short-term nature of the transaction.

The fair values of trade receivable (arising from sale of real estate properties) and loans payable are based on the discounted value of future cash flows using the applicable rates for similar types of loans and receivables. The discount rates used range from 8.2% to 10.3% in 2008 and 9.73% to 10.24% in 2007.

31. **Registration with the Board of Investments (BOI) and the Philippine Economic Zone Authority (PEZA)**

Certain operations of the Group are registered with the BOI as preferred pioneer and nonpioneer activities. As registered enterprises, these consolidated subsidiaries are subject to some requirements and are entitled to certain tax and non-tax incentives which are considered in the computation of the provision for income tax.

Cebu Midtown Hotel
The Group is duly registered with the BOI under Book 1 of the Omnibus Investments Code of 1987, otherwise known as E.O. 226 "Modernization Project of Tourist Accommodation Facility (Cebu Midtown Hotel)" on a nonpioneer status at a capacity of ninety six (96) rooms (modernization only), under Certificate of Registration No. 2004-132 dated November 26, 2004. Under the terms of its registration, the Group is entitled to income tax holiday for a period of three (3) years from the start of commercial operations.

Crowne Plaza Galleria Manila
The Group is duly registered with the BOI under Book 1 of the Omnibus Investments Code of 1987, otherwise known as E.O. 226 "New Operator of Tourist Accommodation Facility (Deluxe Class Hotel - Crowne Plaza Galleria Manila)" on a Pioneer status at a capacity of two hundred sixty five (265) rooms, under Certificate of Registration No. 2006-036 dated March 9, 2006. Under the terms of its registration, the Group is entitled to income tax holiday for a period of six (6) years from the start of commercial operations.

Gateway Garden Ridge - EDSA
The Group is duly registered with the BOI under Book 1 of the Omnibus Investments Code of 1987, otherwise known as E.O. 226 "Mass Housing" on a Nonpioneer status at a capacity of two hundred ninety two (292) units, under Certificate of Registration No. 2007-195 dated October 31, 2007. Under the terms of its registration, the Group is entitled to income tax holiday for a period of four (4) years from the start of commercial operations.

Gateway Garden Heights
The Group is duly registered with the BOI under Book 1 of the Omnibus Investments Code of 1987, otherwise known as E.O. 226 "Mass Housing" on a Nonpioneer status at a capacity of three hundred seventy three (373) units, under Certificate of Registration No. 2007-237 dated December 5, 2007. Under the terms of its registration, the Group is entitled to income tax holiday for a period of four (4) years from the start of commercial operations.

Woodsville Viverde Mansions
The Group is duly registered with the BOI under Book 1 of the Omnibus Investments Code of 1987, otherwise known as E.O. 226 "Mass Housing" on a Nonpioneer status at a capacity of three hundred sixty three (363) units, under Certificate of Registration No. 2007-204 dated November 9, 2007. Under the terms of its registration, the Group is entitled to income tax holiday for a period of four (4) years from the start of commercial operations.

East of Galleria
The Group is duly registered with the BOI under Book 1 of the Omnibus Investments Code of 1987, otherwise known as E.O. 226 "Mass Housing" on a Nonpioneer status at a capacity of four hundred fifty nine (459) units, under Certificate of Registration No. 2007-195 dated December 5, 2007. Under the terms of its registration, the Group is entitled to income tax holiday for a period of four (4) years from the start of commercial operations.

Robinsons Cyberpark
The Group is also registered with PEZA (beginning October 1, 2004) as a pioneer enterprise under the Section 6 of Republic Act No. 7916, otherwise known as "The Special Economic Zone Act of 1995, as amended, its Implementing Rules and Regulations" and PEZA Board Resolution No. 00-262 dated August 17, 2003, for creating and designating 68,596 square meters of land located at EDSA corner Pioneer Street, Mandaluyong City as an IT Park to be known as The Robinsons Cyberpark. Under the terms of its registration, the Group is entitled to certain tax and nontax incentives which include, among others, 5% special tax regime.

32. **Commitments and Contingencies**

Operating Lease Commitments - Group as Lessee
The Group entered into long-term operating leases of land with lease terms ranging from 25 to 50 years. These leases include clauses to enable escalation of rental charges on the agreed dates. Total rent expense amounted to ₱153 million and ₱143 million in 2008 and 2007, respectively. Future minimum rentals payable under noncancellable operating leases as of September 30 are as follows:

	2008	2007
Within one year	**₱43,074,198**	₱34,694,797
After one year but not more than five years	**193,571,713**	161,315,477
After more than five years	**6,363,531,642**	6,155,001,711
	₱6,600,177,553	₱6,351,011,985

Operating Lease Commitments - Group as Lessor
The Group has entered into commercial property leases on its investment property portfolio. These noncancellable leases have remaining noncancellable lease terms of between 1 and 10 years. All leases include a clause to enable upward revision of the rental charge on an annual basis based on prevailing market conditions. The lease contracts also provide for the percentage rent, which is a certain percentage of actual monthly sales or minimum monthly gross sales, whichever is higher. Total rent income amounted to ₱4,375 million, ₱3,968 million and ₱3,345 million in 2008, 2007 and 2006, respectively. Total percentage rent recognized as income for 2008, 2007, 2006 amounted to ₱1,241 million, ₱1,193 million and ₱1,151 million, respectively.

Future minimum rentals receivable under noncancellable operating leases as of September 30 are as follows:

	2008	2007
Within one year	**₱984,022,565**	₱1,747,847,370
After one year but not more than five years	**1,931,090,773**	2,038,092,305
After more than five years	**40,517,868**	324,681,209
	₱2,955,631,206	₱4,110,620,884

Capital Commitments
The Group has contractual commitments and obligations for the construction and development of investment properties and property and equipment items aggregating ₱6,100 million and ₱4,600 million as of September 30, 2008 and 2007. Moreover, the Group has contractual obligations amounting to ₱2,300 million and ₱3,100 million as of September 30, 2008 and 2007, respectively, for the completion and delivery of real estate units that have been presold.

Contingencies
The Group has various contingent liabilities arising in the ordinary conduct of business which are either pending decision by the courts or being contested, the outcome of which are not presently determinable. In the opinion of management and its legal counsel, the eventual liability under these lawsuits or claims, if any, will not have a material or adverse effect on the Group's financial position and results of operations. The information usually required by PAS 37, Provisions, Contingent Liabilities and Contingent Assets is not disclosed on the assessments. No provisions were made during the year.

33. **Plan for Merger**

On February 26, 2008, the Parent Company entered into plan of merger with wholly owned subsidiaries, RHI, THDC and MMHLC. The merger will result in enhanced operating efficiencies and economies, increased financial strength through pooling of resources and more favorable financing and credit facilities. No Parent Company shares shall be issued in exchange for the net assets of RHI, THDC and MMHLC.

The Plan of Merger is submitted to the Philippine SEC for approval.

34. **Approval of the Consolidated Financial Statements**

The accompanying consolidated financial statements were authorized for issue by the BOD on January 13, 2009.