April 15, 2009

Philippine Stock Exchange
4/F Philippine Stock Exchange
Exchange Road, Ortigas Center
Pasig City

Attention: **Noel B. Del Castillo**
OIC, Disclosure Dept.

Gentlemen:

Please find attached Annual Report of Filinvest Land, Incorporated for the calendar year ended December 31, 2008.

Truly yours,

Apollo M. Escarez
Corporate Information Officer

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-A

ANNUAL REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATIONS CODE AND SECTION 141 OF THE CORPORATION CODE OF THE PHILIPINES

For the calendar year ended **December 31, 2008**

SEC Identification Number **170957** BIR Tax ID **000-533-224**

Exact name of registrant as specified in its charter **FILINVEST LAND, INC.**

Philippines
Province, Country or other jurisdiction of incorporation or organization

173 P. Gomez St., San Juan, Metro Manila **1500**
Address of principal office Postal Code

02-727-04-31 to 39
Registrant 's telephone number, including area code

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

Securities registered pursuant to Section 8 and 12 of the SRC

Title of Each Class	Number of shares of Common Stock Outstanding	Amount of Long-Term Debt Outstanding
Common Stock, P 1.00 par value	24,249,759,506	6,972,300,000

Are any or all of these securities listed on the Philippine Stock Exchange

Yes [x] No [ ]

Check whether the issuer:

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

Yes [x] No [ ]

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

Yes [x] No [ ]

State the aggregate market value of the voting stock held by non-affiliates. ₱4.40 Billion

APPLICABLE ONLY TO ISSUERS INVOLVED IN INSOLVENCY/SUSPENSION OF PAYMENTS PROCEEDINGS DURING THE PRECEDING FIVE YEAR:

Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court of the Commission.

Not Applicable

Yes [ ] No [ ]

If any of the following documents are incorporated by reference, briefly describe them and identify the part of SEC Form 17-1 into which the document is incorporated.

a) Any annual report to security holders;
b) Any proxy or information statement filed pursuant to SRC Rule 20 and 17.1(b);
c) Any prospectus filed pursuant to SRC Rule 8.1-1

Part 1 - BUSINESS AND GENERAL INFORMATION

Item 1. BUSINESS

1. 1. Brief Description and Recent Developments

Filinvest Land, Inc. ("FLI" or the "Company") is one of the Philippines' leading real estate developers, providing a wide range of real estate products to customers, namely: socialized, affordable, middle-income and high-end residential lots and housing units, medium-rise residential buildings, condotel, industrial parks, leisure development such as farm estates, a residential resort development and a private membership club. Historically, FLI's business has focused on the development and sale of affordable and middle-income residential lots and housing units to lower and middle-income markets. In recent years, FLI has begun to develop and sell residential subdivisions and housing units across all income segments in the Philippines. FLI has also begun to develop themed residential projects with a leisure component, such as farm estates and developments anchored by sports and resort clubs. In 2006, FLI acquired three strategic investment properties, Festival Supermall and a 60% ownership interest in each of Filinvest Asia Corp. (FAC) and Cyberzone Properties, Inc. (CPI).

Festival Supermall is a four-story shopping complex situated on a total land area of 10 hectares and is located within Filinvest Corporate City, a development of Filinvest Alabang, Inc. (FAI). FLI has leased from FAI the 10 hectares of land on which the mall and its adjoining structures (such as parking lots) are situated. The lease is for a term of 50 years from October 1, 2006, renewable for another 25 years, with FLI required to pay monthly rent equivalent to 10.0% of the monthly gross rental generated by the mall. Festival Supermall was designed to allow the construction of an additional wing to the current two-wing structure on two adjacent hectares of land available for development, which would increase the mall's GFA by up to 50,000 sq.m. The lease between FAI and FLI allows FLI to construct additions or extensions to the current mall structure, which will revert to FAI upon termination of the lease. FLI will determine if or when construction for the third wing will be undertaken based on market conditions and its perception of the demand for additional retail space in the areas served by the mall.

Festival Supermall is approximately 15 kilometers south of the Makati City central business district and is near the juncture of three major road networks – the South Expressway, the old National Highway and the Alabang-Zapote Road which links the South Expressway to the Coastal Road that connects Metro Manila to Cavite province. Its location allows it to attract customers from offices located in the Filinvest Corporate City, the subdivision developments of southern Metro Manila such as the high-end Ayala Alabang subdivision, and from nearby provinces such as Batangas and Laguna.

Festival Supermall has a GFA of approximately 200,000 sq.m., with a GLA of approximately 135,163 sq.m. FLI believes that Festival Supermall is one of the largest shopping malls in the southern Metro Manila area in terms of GFA and caters to a variety of market segments.

Festival Supermall's current anchor tenants include stores operated by some of the Philippines' largest retailers, such as the J.G. Summit group of companies (Robinsons Department Store and Handyman Do It Best), SM Investments Corporation. (SaveMore Supermarket and Ace Hardware) and the Rustan's Group (Shopwise Supercenter). Festival Supermall also has a group of tenants that are well-known international and domestic retailers, restaurant chains and service companies, such as Bose, Levi's, Bench, Giordano, The Body Shop, National Bookstore, McDonald's, Jollibee and KFC.

In addition to having over 600 retail stores and outlets, Festival Supermall also features amenities such as a ten-theater movie multiplex with digital surround sound systems, a 36-lane bowling center and two themed amusement centers. The mall also has exhibit, trade and music halls which are leased out to organizers of events such as trade fairs sponsored by the Philippine Department of Trade and Industry.

FAC owns 50% of the PBCom Tower (currently the tallest office building in the Philippines), a 52 floor, Grade A, PEZA-designated I.T./office building in Ayala Avenue, Makati City, Metro Manila. FLI earns 60% of revenues from the 36,000 sqm. leasable space in this building. At present, Daksh eServices, Crescent Services, HSBC, Amex Bank and New York Life Insurance are among its major tenants. Day-to-day operations are handled by FAI, pursuant to an existing agreement.

CPI owns and operates the IT buildings in Northgate Cyberzone, a PEZA registered BPO park within Filinvest Corporate City. FLI earns 60% of revenues from leasable space in ten office buildings with a gross leasable area of 95,146 sqm as of December 2008. Among others, Northgate's major tenants are HSBC, Convergys, APAC, GenPact Services LLC, eTelecare Global Solutions, Inc., Informatics International College, YBM Philippines, Deutsche Bank, Globe Innove, Global Access Inc., and NDE Digitech and ICICI Bank Limited. Its day-to-day operations are now handled by FAI. A significant amount of leasable space is planned to be made available so as to meet some of the significant demand of the BPO industry in the next few years. Another two (2) office buildings, namely, Vector 1 and Vector 2 will be completed by the 2nd quarter of 2009.

In addition to the acquisition of these three strategic investments, FLI also entered into a joint venture agreement with Africa Israel Investments (Philippines) Inc. ("AIIPI") to jointly develop the Timberland Sports and Nature Club ("TSNC") and approximately 50 hectares of land comprising Phase 2 of FLI's Timberland Heights township project. AIIPI is an affiliate of Africa Israel Investment (Philippines) Limited, (AIIPL), which is FLI's joint venture partner in CPI. TSNC started its commercial operations in October 2008.

Going forward, FLI expects to remain focused on its core residential real estate development business. FLI is targeting significant growth in the next few years due to the expansion of its existing townships and the launching of additional projects in new areas. FLI already undertook the construction of medium-rise building projects in Metro Manila and regional cities.

However, as a result of the acquisition of its new investment properties, FLI has diversified its real estate portfolio to include retail and office investment properties that generate recurring revenues. These recurring revenues can, in turn, be used to provide internally generated funding for other projects.

The Company is not and has never been a subject of any bankruptcy, receivership, or similar proceedings.

1.2. Form and Date of Organization

FLI was incorporated in the Philippines on 24th November 1989 as Citation Homes, Inc. and later changed its name to FLI on 12th July 1993. It started commercial operations in August 1993 after Filinvest Development Corporation (FDC), the Parent Company, spun off its real estate operations and transferred all related assets and liabilities to FLI in exchange for shares of stock of FLI.

As of December 31, 2008, FDC owns 32% of Common Stock and 100% of Preferred Stock of FLI while FAI, FLI's affiliate, owns 21% of Common Stock of FLI. FDC is the holding company for real estate and other business activities of the Gotianun Family. FDC traces its origin to the consumer finance business established by Mr. Andrew Gotianun Sr., and his family in 1955. The shares of FDC and FLI are both listed in the Philippine Stock Exchange.

In February 2007, the Company achieved a record-breaking success with its follow-on offering where it listed up to 3.7 billion new common shares at the Philippine Stock Exchange. The follow-on offering was more than five times oversubscribed, raising around $204 million for both the primary and secondary offerings. The offering raised additional funds for the Company's capital expenditure budget for the fast track development of targeted projects.

1.3. Subsidiaries

FLI has four wholly-owned subsidiaries. These subsidiaries, being engaged in real estate marketing business, handle the marketing and sale of socialized, affordable, middle income, high-end and farm estate property development projects of FLI, with details as follows:

1. Property Maximizer Professional Corp. (PROMAX) incorporated on October 3, 1997
2. Property Specialists Resources, Inc. (PROSPER) incorporated on June 10, 2002 and started commercial operations in January 01, 2004.
3. HomePro Realty Marketing, Inc. (Formerly Pabahay Dream Home) incorporated on May 16, 2003 and started commercial operations on January 01, 2004.
4. Leisurepro, Inc. (Leisurepro) incorporated on April 21, 2004 and started commercial operations on January 01, 2006.

1.4. Joint Ventures

FLI has also interest in the following joint ventures:

Filinvest Asia Corporation (FAC)

FAC was incorporated on January 22, 1997 and as of the date of this report is 60.0%-owned by FLI and 40.0%-owned by Reco Herrra Pte.Ltd. (RHPL). RHPL is a corporation organized under the laws of Singapore, and is 100% beneficially-owned by Government of Singapore Investment Corporation Pte. Ltd (GIC). FAC owns 50.0% of the 52-story PBCom Tower which is strategically located at the corner of Ayala Avenue and Herrera Street in the Makati City Central Business District. FAC owns 36,000 sq.m. of leasable office space. The remaining 50.0% of PBCom Tower is owned by the Philippine Bank of Communications.

The PBCom Tower is designated as an information technology building by PEZA and, as a result, tenants occupying space in PBCom Tower are entitled to avail of certain fiscal incentives, such as a 5% tax on modified gross income in lieu of the regular corporate income tax of 35%. As of December 31, 2008, FAC's office space in PBCom Tower was substantially leased out to about 50 tenants, which include major multinational companies and BPO firms. FAC's principal tenants include:

- Citibank, which leases a total of approximately 5,139 sq.m.
- HSBC Electronic Data Processing (Philippines), Inc., which leases a total of approximately 5,008 sq.m.
- IBM Daksh Eservices, which leases a total of approximately 4,325 sq.m.
- ESS Manufacturing, which leases a total of approximately 3,367 sq.m.
- EWBC, which is an affiliate of FLI, leases a total of approximately 2,800 sq.m.
- New York Life Insurance Corp., which leases a total of approximately 1,440 sq.m.

Leases at the PBCom Tower are typically for periods ranging from three to five years, with the lease agreements generally requiring tenants to supply a three-month security deposit. Rent is paid on a fixed rate per square meter basis depending on unit size and location.

Cyberzone Properties, Inc. (CPI)

CPI was incorporated on January 14, 2000 and began commercial operations on May 1, 2001. As of the date of this report, CPI is 60.0% owned by FLI and 40.0%-owned by AIIPL. CPI is registered with the PEZA as an Economic Zone Facilities Enterprise, which entitles CPI to certain tax benefits and non-fiscal incentives such as paying a 5.0% tax on its modified gross income in lieu of payment of national income taxes. CPI is also entitled to zero percent value-added tax on sales made to other PEZA-registered enterprises.

CPI operates the Northgate Cyberzone, which is located on a 10-hectare parcel of land within Filinvest Corporate City owned by FLI. Of the 10 hectares, approximately six hectares are available for future development. CPI's current buildings are as follows:

- *Plaza A*: This is a six-story building with an approximate GLA of 11,575 sq.m. and an approximate GLA of 10,860 sq.m. Plaza A was completed in June 2006 and was substantially fully leased to GenPact Services LLC and eTelecare Global Solutions, Inc.

- *Plaza B and Plaza C*: Plaza B and Plaza C are four-story buildings, each with an approximate GLA of 7,150 sq.m. and an approximate GLA of 6,540 sq.m. Plaza B and Plaza C were both completed in 2001. Each of Plaza B and Plaza C was substantially fully leased. Tenants for Plaza B include Deutsche Bank, Globe Innove, Global Access Inc. & NDE Digitech. All of Plaza C has been leased by APAC Customer Services, Inc.

- *Plaza D*: This is a six-story building with the same specifications as Plaza A and with an approximate GLA of 11,575 sq.m. and an approximate GLA of 10,860 sq.m. Plaza D had been leased to ICICI First Source Ltd., a 100% subsidiary of Bank Limited, which is India's largest private sector bank, and Verizon Communications Phils Inc, the Philippine branch of Verizon Business solutions, a leading communications company in the United States of America.

- *Convergys Building*: This is a three-story building with an approximate GLA of 6,466 sq.m. and an approximate GLA of 5,839 sq.m. Completed in 2004, it was one of the first buildings completed in the Northgate Cyberzone and was "built-to-suit" (BTS) to meet the requirements of Convergys.

- *HSBC Building*: This is another building that was constructed on a BTS basis to meet the requirements of HSBC. Completed in 2005, the HSBC building has an approximate GLA of 18,000 sq.m.

- *IT School*: This is a three-story building with an approximate GFA of 3,297 sq.m. and an approximate GLA of 2,595 sq.m. The IT School building was leased to Informatics International College, which is a Singapore-headquartered information technology school, and YBM Philippines, which operates language schools in the Philippines.

- *Building 5132*: This is a six-story building with an approximate GFA of 10,560 sq.m. and an approximate GLA of 9,408 sq.m. Building 5132 has been fully taken up by GenPact Services LLC.

- *iHub I and iHubII*: These comprise a two-tower complex (one with six stories and the other with nine stories) with an approximate GFA of 26,009 sq.m. and an approximate

GLA of 23,715 sq.m. Two floors of iHub I are being leased by GenPact while the whole of iHubII is being leased by AIG with staggered commencement. Two floors were already occupied as of end 2008.

CPI also currently has the following projects under development:

- *Vector I and Vector 2*: These comprise a two-tower complex with 11 stories each with an approximate GFA of 39,090 sq.m. and an approximate GLA of 35,601 sq.m. Both buildings are expected to be completed in the 3rd quarter of 2009.

As of the date of this report, there is an additional six hectares of land available for the construction of additional buildings within the Northgate Cyberzone and FLI expects to be able to provide an additional 195,510 sq.m. of leasable office space to accommodate expected increases in demand from BPO companies. These companies usually require significant amounts of office space for their operations and FLI, through CPI, plans to focus on attracting their business, including custom-designed office space with call center and BPO design requirements in mind.

Before completion of a new building, CPI evaluates whether the anticipated demand for office space among BPO firms is likely to allow it to lease out space in the building while it is being constructed. For example, office space at Plaza A and Plaza D were tendered for lease after construction began on these buildings but before completion. FLI expects to continue this practice.

Office space leases at the Northgate Cyberzone are typically for periods ranging from three to five years, although HSBC has entered into a ten-year lease. The lease agreements generally require tenants to make a three-month security deposit. Rent is paid on a fixed per square meter basis, depending on unit size and location.

Filinvest AII Philippines, Inc. (FAPI)

FAPI was incorporated on September 25, 2006 as a joint venture corporation with Africa Israel Investments (Philippines), Inc (AIIPI) to develop the Timberland Nature & Sports Club and Phase 2 of Timberland Heights. FLI owns 60% of FAPI while AIIPI owns the remaining 40%.

Timberland Heights is a 677-hectare township project anchored by the Timberland Sport and Nature Club which is designed to be a world-class family country club in a mountain resort setting. Timberland Heights is situated at an elevation of 320 meters above sea level and provides panoramic views of the north of Metro Manila. The master plan for Timberland Heights includes Banyan Ridge, a middle income subdivision; Mandala Farm Estates; the Ranch, a high end subdivision; and, a 50-hectare linear greenway that straddles the entire development which will provide a large outdoor open space for residents.

1.5. Equity Investment in Filinvest Alabang, Inc.(FAI)

FAI was incorporated on 25th August 1993 and started commercial operations in October 1995. FLI has a 20.0% equity interest in FAI. The primary project of FAI is the Filinvest Corporate City (FCC), a 244-hectare development project which has been designed as a satellite city using modern, ecological, urban planning and design. The said project is under a joint venture agreement with the Government. Located at the southern end of Metro Manila and adjacent to the South Expressway, Filinvest Corporate City is surrounded by over 2,800 hectares of developed high-end and middle-income residential subdivisions and commercial developments. Other developments in FCC include residential condominiums, a driving range, sports club, office buildings, low-density retail developments and medical centers.

1.6. Business Groups, Product Categories, Target Markets and Revenue Contribution

FLI is composed of two business segments with corresponding product categories, target markets and revenue contributions as follows:

1.6.1 Real Estate Segment

FLI's main real estate activity since it started operations has been the development and sale of residential property, primarily housing units and subdivision lots.

Residential Projects

FLI is able to tap the entire residential market spectrum with the following range of housing units catering to various income segments:

- *Socialized housing*: These developments are marketed and sold under FLI's Pabahay brand and consist of projects where lots typically sell for P 120,000 or less per lot and housing units typically sell for P 400,000 or less per unit. Buyers for these projects are eligible to obtain financing from the Government-mandated Pag-IBIG Fund.

- *Affordable housing*: These developments are marketed and sold under FLI's Futura Homes brand and consist of projects where lots are typically sold at prices ranging from above P120,000 to P 750,000 and housing units from above P 400,000 to P1,500,000. Affordable housing projects are typically located in provinces bordering Metro Manila, including Bulacan, Laguna, Batangas and Cavite, and in key regional cities such as Tarlac, Cebu and Davao.

- *Middle-income housing*: These developments are marketed and sold under FLI's Filinvest Legacy brand and consist of projects where lots are typically sold at prices ranging from above P 750,000 to P 1,200,000 and housing units from above P 1,500,000 to P 4,000,000. Middle-income projects are typically located within Metro Manila, nearby provinces such as Rizal, Cavite, Pampanga and Laguna, and major regional urban centers in Cebu, Davao and Zamboanga.

- *High-end housing*: Marketed under Filinvest Premiere brand, these developments consist of projects where lots are sold at prices above P 1,200,000 and housing units for above P4,000,000. FLI's high-end projects have been located both within Metro Manila and in areas immediately outside Metro Manila.

Other Real Estate Projects

In order to achieve product and revenue diversification, FLI has added the following projects so as to cater to other market niches:

a. Entrepreneurial Communities

Because of the anticipated growth of small and medium-sized businesses as well as the Government support for entrepreneurial programs, FLI has launched two entrepreneurial communities under its "*Asenso Village*" brand. One project is in Laguna province, which forms part of the Company's Ciudad de Calamba township development, and another in Cavite province. Each Asenso Village currently consists of three phases, with its land being "dual-zoned" to allow both residential and commercial use. The Company has also cooperated with the Government by providing venues for various livelihood and small business seminars and programs conducted by government agencies in each Asenso Village. At present, sales in each Asenso Village consist of subdivision lot sales only, although FLI intends to develop housing units for each Asenso Village that incorporate living quarters and an area for buyers to set up and operate their small enterprises and home-based businesses. Subject to market conditions, FLI plans to develop additional "Asenso Villages" in other locations.

b. Townships

Townships are master-planned communities to include areas reserved for the construction of anchor facilities and amenities. FLI believes that these facilities and amenities will help attract buyers to the project and will serve as the nexus for the township's community. Anchor developments could include schools, hospitals, churches, commercial centers police stations, health centers and some other government offices; or in the case of Timberland Heights, a private membership club.

FLI has also master-planned and developed the *Ciudad de Calamba, Timberland Heights and Havila (formerly, Filinvest East County) township projects* which are respectively located along the southern, northern and eastern boundaries of Metro Manila. Each township development is designed to include a mix of residential subdivisions from the affordable to the high-end sectors.

Ciudad de Calamba

Ciudad de Calamba is a 300-hectare development located in Calamba, Laguna. This township project is a PEZA-registered special economic zone anchored by the Filinvest Technology Park-Calamba which provides both industrial-size lots and ready-built factories to domestic and foreign enterprises engaged in light to medium non-polluting industries. FLI also donated to the city government of Calamba a parcel of land located within the Ciudad de Calamba which will be used for a city health center and police station. The Company also intends to develop the Ciudad de Calamba Commercial Center as part of this township project. The master plan for Ciudad de Calamba includes a mix of affordable and middle-income subdivisions as set out below:

- *Aldea Real*, an affordable subdivision project which has a total developed area of approximately 16.9 hectares. Development for Phase 1 & 2 has been completed.

- *Montebello***,** a middle-income subdivision project which is expected to have a total developed area of approximately 12.9 hectares. Development work for Phase 1 & 2 of

Montebello has been completed and sales are ongoing. Development work for Phase 3 is still ongoing.

- *Punta Altezza***,** an affordable subdivision project consisting of 3 phases has a total developed area of approximately 9.7 hectares. Development work for Punta Altezza has been completed and the subdivision is nearly sold out.
- *Vista Hills***,** an affordable subdivision project which has a total developed area of approximately 5.2 hectares. Development work for Vista Hills has been completed and the subdivision is completely sold out.

- FLI's first **"***Asenso Village***"** entrepreneurial community development will be located within the Ciudad de Calamba and is expected to have a total developed area of approximately 20.2 hectares. Development work for this project is almost complete.

- *La Brisa Townhomes*, La Brisa, which literally means " The Breeze" in Spanish, is located at Brgy. Punta, Calamba City. With its Spanish Mediterranean theme, La Brisa is the first townhouse development at Ciudad De Calamba that offers not just an affordable and quality home to families but also a worthy investment for those who would like to establish a "House for Rent" business. La Brisa is very accessible to industrial estates operating in the vicinity, definitely a valuable venture for companies that provide housing privilege to employees.

Havila (formerly, Filinvest East County)

Havila, or formerly, Filinvest East County is a 335-hectare township along the eastern edge of Metro Manila which traverses the municipalities of Taytay, Antipolo and Angono. It is anchored by two educational institutions: San Beda College – Rizal and the Rosehill School. The master plan for Havila provides for a mix of affordable, middle-income and high-end subdivisions on rolling terrain overlooking Metro Manila at an elevation of 200 meters above sea level. This project is divided into three areas:

- *Mission Hills* is located in the municipality of Antipolo and consists of seven subdivision projects which are expected to have a total developed area of approximately 77.7 hectares. Three subdivisions (Santa Barbara, Santa Monica and Santa Catalina) are being developed as high-end projects while another three (Santa Isabel, Santa Cecilia and Santa Clara) have been developed as middle-income projects. Development works for all six subdivisions have been completed and sales for lots and/or housing units in these subdivisions are ongoing. The newest addition to the Mission Hills community, Sta. Sophia, a mid-income development was launched in July 2008.

- Three subdivision projects are being developed in the municipality of Taytay which is expected to have a total developed area of approximately 56.1 hectares. Development work for one high-end subdivision *(Highlands Pointe)* and for an affordable-segment subdivision *(Villa Montserrat)* have been completed. Development work for a middle-income subdivision *(Manor Ridge)* is also completed. Sales for these subdivision projects are ongoing and is almost sold out. The newest project in Highlands Pointe, *The Terraces* was launched in October 2008. The Terraces is a mid-income development which targets young couples starting a family.

- *Forest Farms Estate*, which is situated in the municipality of Angono, is a farm estate subdivision project which is expected to have a total developed area of 39.2 hectares. Development work for this project is almost complete.

Timberland Heights

Timberland Heights is a 677-hectare township project anchored by the Timberland Sport and Nature Club. It is located in the municipality of San Mateo, which is just across the Marikina river from Quezon City, and has been designed to provide residents with leisure facilities and resort amenities while being located near malls, hospitals and educational institutions located in Quezon City. The master plan for Timberland Heights includes a 50-hectare linear greenway that straddles the entire development, providing a large outdoor open space for residents. In addition to the Timberland Sports and Nature Club, Timberland Heights currently includes:

- Banyan Ridge, a middle-income subdivision which has a total developed area of approximately 6.4 hectares.

- Mandala Farm Estates, a farm estate subdivision which has a total developed area of approximately 39.7 hectares.

- The Ranch, a high-end subdivision which is expected to have a total developed area of approximately 5.7 hectares.

Leisure projects

FLI's leisure projects consist of its residential farm estate developments, private membership club and residential resort development.

1. Residential farm estates

In 2003, FLI began marketing its residential farm estate projects which may serve as alternative primary homes near Metro Manila to customers, such as retirees and farming enthusiasts. Customers can purchase lots (with a minimum lot size of 750 square meters) on which they are allowed to build a residential unit (using up to 25.0% of the total lot area). The remaining lot area can be used for small-scale farm development, such as fish farming or vegetable farming. Residential farm estates are sold on a lot-only basis, with buyers being responsible for the construction of residential units on their lots. To help attract buyers, FLI personnel are available on site to provide buyers with technical advice on farming as well as to maintain demonstration farms.

At present, FLI has three residential farm estates:

- *Nusa Dua Farm Estate ("Nusa Dua")* located in Cavite province just south of Metro Manila. The amenities at the Nusa Dua development include a two-storey clubhouse and a 370 square meter swimming pool.

- *Mandala Residential Farm Estate ("Mandala")* located in Rizal province as part of the FLI's Timberland Heights township project. It offers hobby farmers generous lot cuts and Asian-inspired homes that complement the mountain lifestyle. Five phases have already been opened in response to the strong market demand.

- *Forest Farms Residential Farm Estate ("Forest Farms")* located in Rizal province and which forms part of Company's Havila township project. It is an exclusive mountain retreat and nature park, nestled between the hills of Antipolo and forested area of Angono. Sales are now on-going.

2. Private membership club

FLI, through FAPI, has developed the Timberland Sports and Nature Club. This Club includes sports and recreation facilities, fine dining establishments and function rooms that can be used to host corporate and social events. The Company expects that sales of subdivision lots in the high-end subdivision components of Timberland Heights may be tied to the Timberland Sports and Nature Club, with some lot buyers also acquiring membership shares as part of the purchase price for their lots.

The Timberland Sports and Nature Club is designed to be a world-class family country club in a mountain resort setting. The club aims to become a social hub with 2,000 sqm.of full-range of indoor sports, nature oriented amenities, spa, dining, banquet and room facilities with world class standard club management on an 8-hectare elevated and rolling terrain. It started commercial operations in October 2008.

3. Residential resort development

Kembali Coast on Samal Island, Davao is a beachfront residential resort development. This 50-hectare Asian-Balinese inspired island getaway offers low-density exclusivity and comes with a 1.8 km beachline that offers unobstructed view of the sea.

d. <u>Medium Rise Buildings</u>

<u>One Oasis</u>

Among FLI's new projects are medium rise buildings ("MRB"). In August 2007, FLI acquired a property near the Ortigas Business Center for its first MRB project called One Oasis Ortigas. One Oasis Ortigas is located within a master-planned community that is expected to comprise affordable condominium units located within a 15 minute drive to the Ortigas Business Center. One Oasis Ortigas has been attracting young professionals in the Ortigas, Mandaluyong, Pasig and Makati areas of Metro Manila.

FLI is also developing MRB projects in other sites in Metro Manila as well as in Metro Davao and Cebu.

<u>Bali Oasis</u>

Bali Oasis is comprised of four MRBs located along Marcos Highway, Pasig City. Each building is only 5 storeys high with amenities that include a swimming pool, gazebos and children's play area. Bali Oasis is highly accessible via public transport system and is very close to the Santolan light railway transit system (LRT 2) and is less than 5 minutes from major commercial establishments (Sta. Lucia East Grand Mall, Robinson's Metro East and SM Marikina). Bali Oasis is very near from major schools and universities like St. Bridget's School, UP Diliman, Ateneo de Manila University and Miriam College with less than 15 minutes ride.

e. <u>Condotel</u>

Grand Cenia

FLI has started to develop the Grand Cenia Hotel and Residences, a 25-story development located along Archbishop Reyes Avenue in Banilad, Cebu, on the 4,211 sq.m. property strategically located close to the Cebu Business Park. Grand Cenia is expected to feature two products – "condotel" and residential condominium units.

The condotel units are mainly 24.5 sq.m. studio units that target business travelers, returning OFWs and expatriate Filipinos. FLI intends for owners of individual condotel units to have the option to place their units in a rental pool that a hotel management group will operate as a business hotel. FLI also plans to build 50.3 sq.m. one-bedroom units, 75.9 sq.m. two-bedroom units, and 107.4 sq.m. three-bedroom condominium units. FLI intends this product to serve professionals, retirees, expatriates, families and returning OFWs.

FLI plans for the development to feature adult and childrens' swimming pools, a deck, landscaped areas, meeting and function rooms, a business center, coffee shops and restaurants. The lower floors of the building are intended to serve as commercial areas that can be leased out to businesses and other commercial establishments as well as provide ample covered parking space for residents and tenants.

Analysis of Real Estate Sales
(In thousands)

	Years ended December 31			
	2 0 0 8		2 0 0 7	
Category	Amount	% to total	Amount	% to total
Residential Lots and House & Lot Packages				
Socialized	580,085	16.54%	158,465	5.02%
Affordable	658,960	18.79%	577,728	18.31%
Middle income	1,368,186	39.01%	1,354,669	42.93%
High end & Others	540,514	15.41%	876,615	27.78%
Industrial Lots	88,703	2.53%	19,233	0.61%
Residential Farm Lots	223,984	6.39%	126,584	4.01%
Leisure	47,129	1.34%	42,330	1.34%
Total	3,507,559	100.00%	3,155,624	100.00%

The table above shows a comparative breakdown of FLI's journalized real estate sales into various product categories for the years ended December 31, 2008 and 2007

1.6.2. Leasing Segment

In 2007, FLI's recently-acquired investment properties, which are categorized as retail and office, started to generate rental revenues for a full year operations.

Festival Supermall

The Festival Supermall is a four-storey shopping complex located within FAI's Filinvest Corporate City development near the juncture of three major road networks – the South Expressway, the old National Highway and the Alabang-Zapote. In addition to having over 600 retail stores and outlets, the Festival Supermall also features amenities such as a ten-theater movie multiplex with digital surround sound systems, a 36-lane bowling center and two themed amusement centers. The mall also has exhibit, trade and music halls which are leased out to organizers of events such as trade fairs sponsored by the Philippine Department of Trade and Industry.

PBCom Tower

The PBCom Tower, the tallest building in the Philippines, is a 52 floor, Grade A, PEZA-designated I.T. office building in Ayala Avenue, Makati City, Metro Manila. FLI owns part of the PBCom Tower thru Filinvest Asia Corporation. FLI earns 60% of revenues from the 36,000 sqm. leasable space owned by Filinvest Asia Corp. in this building.

Colliers International had been hired to provide day-to-day property management services for PBCom Tower. In addition, pursuant to a management agreement, FAI provides the following services: general management services, accounting services, operations, legal review and documentation, office rental services and recruitment and training services.

Northgate Cyberzone

Northgate Cyberzone is a PEZA registered BPO park within Filinvest Corporate City. FLI earns 60% of revenues from approximately 95,000 sqm. leasable space with HSBC, Convergys, APAC, Genpact and E telecare as major tenants, among others. Another 36,000 sqm of leasable space will be added from Vector One and Vector Two within 2009. Of the 10 hectares of land on which the Northgate Cyberzone is situated, approximately six hectares are available for future expansion.

The table below shows a breakdown of FLI's recorded gross leasing revenues for 2008 & 2007.

Leasing Revenues
(Amounts in thousands)

	Years ended December 31			
	2 0 0 8		2 0 0 7	
	Amount	% to total	Amount	% to total
Festival Supermall	732,284	64.55%	692,484	67.87%
Northgate Cyberzone	240,519	21.20%	174,778	17.13%
PB Com Tower	135,464	11.94%	122,198	11.98%
Others	26,262	2.31%	30,781	3.02%
Total	1,134,529	100.00%	1,020,241	100.00%

1.7. Marketing and Sales

1.7.1 Real Estate Segment

The Company develops customer awareness through marketing and promotion efforts and referrals from satisfied customers. The Company has a real estate marketing team and a network of sales offices located in the Philippines, Europe, Hongkong, the Middle East and Japan. FLI's marketing personnel, together with in-house sales agents and accredited agents, gather demographic and market information to help assess the feasibility of new developments and to assist in future marketing efforts for such developments.

The Company conducts advertising and promotional campaigns principally through print and broadcast media, including billboards, fliers, and brochures designed specifically for the target market. Advertising and promotional campaigns are conceptualized and conducted by FLI's marketing personnel and by third-party advertising companies. These campaigns are complemented with additional advertising efforts, including booths at shopping centers, such as Festival Supermall, and other high traffic areas, to promote open houses and other events.

The Company also believes that the OFW population, as well as expatriate Filipinos, constitute a significant portion of the demand for affordable and middle-income housing either directly or indirectly by remitting funds to family members in the Philippines to purchase property. To this end, the Company has appointed and accredited independent brokers in countries and regions with large concentrations of OFWs and expatriate Filipinos, such as Italy, Japan, the United Kingdom and the Middle East. These brokers act as the Company's marketing and promotion agents in these territories to promote the Company and its products. The Company also sponsors roadshows to promote its projects, including roadshows in Europe, targeting the OFW and Filipino expatriate markets. FLI also markets its properties on the Internet.

Sales for FLI's housing and land development projects are made through both in-house sales agents and independent brokers. Both FLI's in-house sales agents and independent brokers are compensated through commissions on sales. In-house sales agents also receive a monthly allowance and are provided administrative support by FLI, including office space and expense allowances.

In addition to in-house sales agents and independent brokers, FLI also employs representatives who staff its sales offices and provide customers with information about FLI's products, including financing and technical development characteristics. FLI also assigns each project a sales and operations coordinator who will provide customers with assistance from the moment they make their sales reservation, during the process of obtaining financing, and through the steps of establishing title on their new home. FLI also has personnel who can advise customers on financing options, collecting necessary documentation and applying for a loan. FLI also helps design down payment plans for its low-cost housing customers that are tailored to each customer's economic situation. Further, once a house is sold and delivered, FLI has customer service personnel who are available to respond to technical questions or problems that may occur after delivery of the property.

1.7.2 Leasing Segment

Various professional, multinational commercial real estate leasing agents (including, but not limited to Jones Lang LaSalle, CB Richard Ellis and Colliers) are accredited to find tenants for its PBCom Tower and Northgate Cyberzone office space. These brokers work on a non-exclusive basis and earn commissions based on the term of the lease.

1.8. Customer Financing for Real Estate Projects

The ability of customers to obtain financing for purchases of subdivision lots or housing units is a critical element in the success of FLI's housing and land development business. Customer financing is particularly important in relation to sales of FLI's socialized housing projects, where most prospective buyers require financing for up to 90.0% of the purchase price. FLI therefore assists qualified homebuyers in obtaining mortgage financing from government-sponsored mortgage lenders, particularly for its socialized housing projects, and from commercial banks. FLI also provides a significant amount of in-house financing to qualified buyers.

In-house financing

FLI offers in-house financing to buyers who chose not to avail of Government or bank financing. FLI typically finances 80.0% of the total purchase price, which is secured primarily by a first mortgage over the property being sold. The loans are then repaid through equal monthly installments over periods ranging from five to 10 years. The interest rates charged by FLI for in-house financing typically range from 11.5% per annum to 19.0% per annum, depending on the term of the loan.

Pag-IBIG Fund

A substantial number of buyers of the Company's socialized housing units finance their purchases through the Home Development Mutual Fund, or Pag-IBIG Fund. To provide a liquidity mechanism to private developers, the Pag-IBIG Fund has instituted a take-out mechanism for conditional sales, installment contract receivables and mortgages and repurchases receivables from housing loans of its members.

Mortgage loans

Mortgage loans from commercial banks are usually available to individuals who meet the credit risk criteria set by each bank and who are able to comply with each bank's documentary requirements. In addition to taking security over the property, a bank may also seek repayment guarantees from the Home Guaranty Corporation ("HGC"). To assist prospective buyers obtain mortgage financing from commercial banks, FLI also has arrangements with several banks to assist qualified customers to obtain financing for housing unit purchases.

Deferred cash purchases

In recent years, in addition to the aforementioned financing arrangements, FLI has offered so-called "deferred cash" purchases, particularly for its high-end and leisure developments. Under this arrangement, the entire purchase price is amortized in equal installments over a fixed period, which is typically 24 months. Title to the property passes to the buyer only when the contract price is paid in full or when the buyer executes a real estate mortgage in favor of the Company which can be annotated on the title to the property.

1.9. Real Estate Development

FLI's real estate development activities principally include the purchase of undeveloped land or entering into joint venture agreements covering undeveloped land, the development of such land into residential subdivisions or other types of development projects, the sale of lots, the construction and sale of housing units and the provision of financing for some sales.

The development and construction work is contracted out to a number of qualified independent contractors on the basis of either competitive bidding or the experience FLI has had with a contractor on prior project. FLI weighs each contractor's experience, financial capability, resources and track record of adhering to quality, cost and time of completion commitments. FLI maintains relationships with over 90 independent contractors and deals with them on an arm's length basis.

FLI does not enter into long-term arrangements with contractors and construction contracts typically cover the provision of contractor's services in relation to a particular project or phase of a project. FLI also provides, in certain cases financial guarantees of payment to FLI-specified suppliers for purchases of construction materials. Progress payments are made to contractors during the course of a project development upon the accomplishment of pre-determined project performance milestones. Generally, FLI retains 10% of each progress payment in the form of a guarantee bond or cash retention for up to one year from the date the contracted work is completed and accepted by FLI to meet contingency costs.

FLI is not and does not expect to be dependent upon one or a limited number of suppliers or contractors. Its agreements with its contractors are in the nature of supply of labor and materials for the development and/or construction of its various real estate projects.

During 2008, the Company launched a total of 25 new projects and phases with an estimated sales value of P 6.6 billion. This brought to 71 the number of ongoing projects FLI has as of the end of 2008. New projects include FLI's first project in Butuan City, Agusan del Norte, called Filinvest Homes Butuan, as well as a new MRB project, Bali Oasis Marcos Highway.

1.10. Competition

1.10.1. Real Estate Segment

Real estate development and selling is very competitive. The Company believes it is strongly positioned in the affordable-income to middle income residential subdivision market and in the farm estates. Success in these markets depends on acquiring well-located land at attractive prices often in anticipation of the direction of urban growth. The Company believes the name and reputation it has built in the Philippine property market contributes to its competitive edge over the other market players. On the basis of publicly available information and its own market knowledge, FLI's management believes that it is among the leading housing and land project developers in the Philippines, particularly in the socialized to middle-income housing sectors. FLI's management also believes that FLI is able to offer competitive commissions and incentives for brokers, and that FLI is able to compete on the basis of the pricing of its products, which encompasses products for different market sectors, as well as its brand name and its track record of successful completed quality projects.

The company directly competes with other major real estate companies positioned either as a full range developer or with subsidiary companies focused on a specific market segment and geographic coverage. Its direct competitors include Ayala Land Inc., Vista Land, and Landco.

The Company faces significant competition in the Philippine property development market. In particular, the Company competes with other developers in locating and acquiring, or entering into joint venture arrangements to develop, parcels of land of suitable size in locations and at attractive prices. This is particularly true for land located in Metro Manila and its surrounding areas, as well as in urbanized areas throughout the Philippines.

The Company's continued growth also depends in large part on its ability either to acquire quality land at attractive prices or to enter into joint venture agreements with land-owning partners under terms that can yield reasonable returns. Based on the Company's current development plans, the Company believes that it has sufficient land reserves for property developments for the next several years. If the Philippine economy continues to grow and if demand for residential properties remains relatively strong, the Company expects that competition among developers for land reserves that are suitable for property development (whether through acquisitions or joint venture agreements) will intensify and that land acquisition costs, and its cost of sales, will increase as a result.

1.10.2. Leasing Segment

With regard to the Company's assets dedicated to office space leasing and shopping mall operations, the Company competes with property companies such as Ayala Land Inc, and SM Prime Holdings. In office space leasing, particularly to call centers and other BPO operators, the Company competes with companies such as Robinsons Land, Inc., Ayala Land, Inc. and Megaworld Corporation.

1.11. Related-Party Transactions

The Company is a member of the Filinvest Group. The Company and its subsidiaries, in their ordinary course of business, engage in transactions with FDC and its subsidiaries. The Company's policy with respect to related-party transactions is to ensure that these transactions are entered into on terms comparable to those available from unrelated third parties.
The Company's major related-party transactions include:

- FDC has guaranteed the Company's obligations under a ₱2.25 billion credit facility extended by the International Finance Corporation. As of December 31, 2008, the Company had fully availed of this facility.
- Interest and non-interest bearing cash advances made to and received from FDC, FAI, FAPI, CPI and other affiliates in order to meet liquidity and working capital requirements. Interest rates on these cash advances are determined on an arm's-length basis and are based on market rates.
- Sharing jointly with other members of the Filinvest Group, expenses relating to common facilities and services used by each member of the Filinvest Group, such as payroll services, supplies and utilities.
- A 50-year lease agreement with FAI for the 10-hectare property on which the Festival Supermall and its related structures are located.
- FAC and CPI have each entered into contracts with FAI pursuant to which FAI provides accounting, business development and other management services to FAC and CPI.

- The Company has a contract with FSI, which provides services relating to the operation of the Festival Supermall. Under the terms of the contract, FSI is entitled to receive monthly management fees.
- Savings and current accounts and time deposits with East West Bank ("EWB"), a member of the Filinvest Group.
- EWB also leases from an FLI subsidiary, Filinvest Asia Corporation ("FAC"), a total of approximately 2,800 square meters of office space in PBCom Tower in Makati City.
- A development agreement with GCK Realty Corporation ("GCK"), in which members of the Gotianun family has shareholdings, for the development by FLI of a medium-rise condominium building on certain parcels of land owned by GCK in Barrio Camputhaw, Cebu City.
- A development agreement with Fernandez Hermanos, Inc., which is owned and managed by an officer and stockholder, Mr. Luis T. Fernandez, and his siblings, for the subdivision development of parcels of land owned by the latter company in Brgy. Matanos, Kaputian, Samal Island in the province of Davao.

1.12. Intellectual Property

The Company has applications pending for the registration of intellectual property rights for the "Filinvest" name, as well as for names of certain of its properties and for various trademarks associated with its use of the "Filinvest" and "FLI" brands. The Company has pending applications with the Intellectual Property Office for the following trademarks:

- Artisans' Business Park;
- Artisans' Village;
- Cottage Industry Center;
- Cottage Industry Community;
- Cottage Industry Village;
- Craftsmen's Village;
- Entrepinoy Village;
- Entrepreneurs' Village;
- Micro Business Community;
- MSME Business Center;
- MSME Business Community; and
- MSME Business Park.

Although these registrations are not complete, the Company believes that it has sufficient protection over the "Filinvest" name from long-term use and wide-spread recognition of the name in the market.

The Company has also registered "Filinvest Land, Inc." as a business name with the Department of Trade and Industry. A registration of a business name shall be effective for five years from the initial date of registration and must be renewed within the first three months following the expiration of the five-year period from the date of original registration.

1.13. Government and Environmental Regulations

The real estate business in the Philippines is subject to significant Government regulations over among other things, land acquisition, development planning and design, construction and mortgage financing and refinancing.

After the project plan for subdivision is prepared, FLI applies for a development permit with the local government. If the land is designated agricultural land, FLI applies with the Department of Agrarian Reform (DAR) for a Certificate of Conversion or Exemption, as may be proper. A substantial majority of FLI's existing landbank is subject to the DAR conversion process.

Approval of development plans is conditioned on, among other things, completion of the acquisition of the project site and the developer's financial, technical and administrative

capabilities. Approvals must be obtained at both the national and local levels, and the Company's results of operations are expected to continue to be affected by the nature and extent of the regulation of its business, including the relative time and cost involved in procuring approvals for each new project, which can vary from project to project.

The Company is also subject to the application of the Maceda Law, which gives purchasers of real property purchased on an installment basis certain rights regarding cancellations of sales and obtaining refunds from developers.

FLI believes that it has complied with all applicable Philippine environmental laws and regulations. Compliance with such laws, in FLI's opinion, is not expected to have a material effect on FLI's capital expenditures, earning or competitive position.

1.14. Employees and Labor

As of December 31, 2008, FLI had a total of 771 employees, including 615 permanent full-time managerial and support employees, 89 probationary employees and approximately 67 contractual and agency employees.

Management believes that FLI's current relationship with its employees is generally good and neither FLI nor any of its subsidiaries have experienced a work stoppage or any labor related disturbance as a result of labor disagreements. None of FLI's employees or any of its subsidiaries belongs to a union. FLI currently does not have an employee stock option plan.

FLI does not anticipate any substantial increase in the number of its employees in 2009.

FLI provides managers, supervisors and general staff the opportunity to participate in both in-house and external training and development programs which are designed to help increase efficiency and to prepare employees for future assignments. FLI has also provided a mechanism through which managers and staff are given feedback on their job performance, which FLI believes will help to ensure continuous development of its employees. FLI also offers employees benefits and salary packages that it believes are in line with industry standards in the Philippines and which are designed to help it compete in the marketplace for quality employees.

1.15. Major Risk Factors

The following maybe considered as major risk factors that may affect the Company, property values in the Philippines is influenced by the general supply and demand of real estate. In the event new supply exceeds demand as a result of economic uncertainty or slower growth, political instability, increased interest rates may affect the financial condition and results of operations of FLI.

Demand for, and prevailing prices of, developed land and house and lot units are directly related to the strength of the Philippine economy (including overall growth levels and interest rates), the overall levels of business activity in the Philippines and the amount of remittances received from overseas Filipino workers ("OFWs"). Demand for the Company's housing and land developments is also affected by social trends and changing spending patterns in the Philippines, which in turn are influenced by economic, political and security conditions in the Philippines. The Philippine

residential housing industry is cyclical and is sensitive to changes in general economic conditions in the Philippines such as levels of employment, consumer confidence and income, availability of financing for property acquisitions, construction and mortgages, interest rate levels, inflation and demand for housing.

The demand for the Company's projects from OFWs and expatriate Filipinos may decrease as a result of the following possibilities, i.e. reduction in the number of OFWs, the amount of their remittances and the purchasing power of expatriate Filipinos. Factors such as economic performance of the countries and regions where OFWs are deployed, changes in Government regulations such as taxation on OFWs' income, and, imposition of restrictions by the Government/other countries on the deployment of OFWs may also affect the demand for housing requirements.

The Company's principal business is the development and sale of new residential properties in the Philippines. There are risk that some projects may not attract sufficient demand from prospective buyers thereby affecting anticipated sales. Stringent government requirements for approvals and permits may take substantial amount of time and resources. In addition, the time and the costs involved in completing the development and construction of residential projects can be adversely affected by many factors, including unstable prices and supply of materials and equipment and labor, adverse weather conditions, peso depreciation, natural disasters, labor disputes with contractors and subcontractors, accidents, changes in laws or in Government priorities and other unforeseen problems or circumstances. Further, the failure by the Company to substantially complete construction of a project to its planned specifications or schedule may result in contractual liabilities to purchasers and lower returns.

The Company's cost of sales is affected by volatility in the price of construction materials such as lumber, steel and cement. While the Company, as a matter of policy, attempts to fix the cost of materials component in its construction contracts, in cases where demand for steel, lumber and cement are high or when there are shortages in supply, the contractors the Company hires for construction or development work may be compelled to raise their contract prices. As a result, rising costs for any construction materials will impact the Company's construction costs, and the price for its products. Any increase in prices resulting from higher construction costs could adversely affect demand for the Company's products and the relative affordability of such products as compared to competitors' products. This could reduce the Company's real estate sales.

The Company is exposed to risks associated with the operation of its investment properties, the development of its office space and retail leasing business and the integration of such investment properties with its core housing and land development business. The operations of the Company's commercial real estate assets, which consist of interests in leasable office space in PBCom Tower and the Northgate Cyberzone, as well as ownership of the Festival Supermall, are subject to risks relating to their respective ownership and operation. The performance of these investment properties could be affected by a number of factors, including:

1. the national and international economic climate;
2. changes in the demand for call center and other BPO operations in the Philippines and worldwide;
3. trends in the Philippine retail industry, insofar as the Festival Supermall is concerned;
4. changes in laws and governmental regulations in relation to real estate, including those governing usage, zoning, environment, taxes and government charges;

5. the inability to collect rent due to bankruptcy of tenants or otherwise;
6. competition for tenants;
7. changes in market rental rates;
8. the need to periodically renovate, repair and re-let space and the costs thereof;
9. the quality and strategy of management; and,
10. the Company's ability to provide adequate maintenance and insurance.

2.1. Land Bank

Since its incorporation, the Company has invested in properties situated in what the Company believes are prime locations across the Philippines for existing and future housing and land development projects. It is important for the Company to have access to a steady supply of land for future projects. In addition to directly acquiring land for future projects, the Company has also adopted a strategy of entering into joint venture arrangements with land owners for the development of raw land into future project sites for housing and land development projects. This allows FLI to reduce its capital expenditures for land and substantially reduces the financial holding costs resulting from owning land for development.

Under the joint venture agreements, the joint venture partner contributes the land free from any lien, encumbrance, tenants or informal settlers and the Company undertakes the development and marketing of the products. The joint venture partner is allocated either the developed lots or the proceeds from the sales of the units based on pre-agreed distribution ratio.

Potential land acquisitions and participation in joint venture projects are evaluated against a number of criteria, including the attractiveness of the acquisition price relative to the market, the suitability or the technical feasibility of the planned development. The Company identifies land acquisitions and joint venture opportunities through active search and referrals.

As of December 31, 2008, the Company had a land bank of approximately 2,511 hectares of raw land for the development of its various projects, including approximately 437 hectares of land under joint venture agreements, which the Company's management believes is sufficient to sustain several years of development and sales. Details of the Company's raw land inventory as of December 31, 2008 are set out in the table below.

Location	Company Owned	Under Joint Venture	Total Area (In Hectares)	% to Total
Luzon				
NCR	19.0	22.6	41.6	1.7%
Rizal	737.5	39.1	776.6	30.9%
Bulacan	242.5	0.0	242.5	9.7%
Cavite	425.9	144.4	570.3	22.7%
Laguna	314.7	17.8	332.5	13.2%
Batangas	161.2	51.8	213.0	8.5%
Pampanga	0.0	63.8	63.8	2.5%
Tarlac	0.0	4.5	4.5	0.2%
Sub-total	1,900.8	344.0	2,244.8	89.4%
Visayas				
Cebu	19.4	0.0	19.4	0.8%
Negros Occidental	51.0	0.0	51.0	2.0%
Sub-total	70.4	0.0	70.4	2.8%
Mindanao				
General Santos	99.6	16.6	116.2	4.6%
Davao	3.5	76.1	79.6	3.2%
Sub-total	103.1	92.7	195.8	7.8%
GRAND TOTAL	2,074.3	436.7	2,511.0	100.0%
% to Total	82.6%	17.4%	100.0%	

2.2. Current Development Projects

The following table sets out all of FLI's projects with ongoing housing and/or land development as of December 31, 2008

Category / Name of Project	Location
SOCIALIZED	
Belvedere Townhomes	Tanza, Cavite
Belmont Hills	Tanza, Cavite
Blue Isle	Sto. Tomas, Batangas
Sunrise Place	Tanza, Cavite
AFFORDABLE	
Alta Vida	San Rafael, Bulacan
Bluegrass County	Sto. Tomas, Batangas
Brookside Lane	Gen. Trias, Cavite
Crystal Aire	Gen. Trias, Cavite
Fairway View	Dasmarinas, Cavite

Palmridge	Sto. Tomas, Batangas
Springfield View	Tanza, Cavite
Summerbreeze Townhomes	Sto. Tomas, Batangas
Westwood Place	Tanza, Cavite
Woodville	Gen. Trias, Cavite
Aldea Real	Calamba, Laguna
Costas Villas (Ocean Cove 2)	Davao City
Primrose Hills	Angono, Rizal
The Glens at Park Spring	San Pedro, Laguna
Sommerset Lane	Tarlac City
Claremont Village	Mabalacat, Pampanga
Westwood Mansions	Tanza, Cavite
Tierra Vista-Phase 3	Bulacan
Aldea del Sol	Mactan, Cebu
Raintree Prime Residences	Dasmarinas, Cavite
MIDDLE-INCOME	
Corona Del Mar	Pooc, Talisay, Cebu City
Filinvest Homes- Tagum	Tagum City, Davao
NorthviewVillas	Quezon City
Ocean Cove	Davao City
Orange Grove	Matina, Pangi, Davao City
Spring Country	Batasan Hills, Quezon City
Spring Heights	Batasan Hills, Quezon City
Southpeak	San Pedro, Laguna
The Pines	San Pedro, Laguna
Villa San Ignacio	Zamboanga City
Highlands Pointe	Taytay, Rizal
Manor Ridge at Highlands	Taytay, Rizal
Ashton Fields	Calamba, Laguna
Montebello	Calamba, Laguna
Hampton Orchards	Bacolor, Pampanga
The Enclave at Filinvest Heights	Quezon City
One Oasis - Ortigas	Pasig, Metro Manila
One Oasis - Davao	Davao City
Escala (La Costanera)	Talisay, Cebu
West Palms	Puerto Princesa, Palawan
Filinvest Homes - Butuan	Butuan, Agusan Del Norte
La Mirada of the South	Binan, Laguna
Tamara Lane (formerly Imari)	Caloocan City
Viridian at Southpeak	San Pedro, Laguna
Nusa Dua (Residential)	Tanza, Cavite
Bali Oasis - (Marcos Highway)	Santolan, Pasig City
One Oasis - Cebu	Mabolo, Cebu
The Tropics - Phase 2	Cainta, Rizal
HIGH-END	
Brentville International	Mamplasan, Binan, Laguna

Prominence 2	Mamplasan, Binan, Laguna
Treviso	Quezon City
Village Front	Binan, Laguna
Mission Hills - Sta. Catalina	Antipolo Rizal
Mission Hills - Sta. Isabel	Antipolo Rizal
Mission Hills - Sta Sophia -Ph 1	Antipolo Rizal
Banyan Ridge	San Mateo, Rizal
Banyan Crest	San Mateo, Rizal
The Ranch	San Mateo, Rizal
The Arborage at Brentville Int'l.	Mamplasan, Binan, Laguna
Kembali Coast	Davao City
LEISURE - FARM ESTATES	
Forest Farms	Angono, Rizal
Mandala Residential Farm	San Mateo, Rizal
Nusa Dua	Tanza, Cavite
Laeuna De Taal	Talisay, Batangas
LEISURE – PRIVATE MEMBERSHIP CLUB	
Timberland Sports and Nature Club	San Mateo Rizal
Entrepreneurial - Micro Small & Medium Enterprise Village	
Asenso Village – Calamba	Calamba, Laguna
Asenso Village - Gen. Trias	Gen. Trias, Cavite
INDUSTRIAL	
Filinvest Technology Park	Calamba, Laguna
CONDOTEL	
Grand Cenia Hotel & Residences	Cebu City

On-going developments of the abovementioned projects are expected to require additional capital but FLI believes that it will have sufficient financial resources for these anticipated requirements.

2.3. Investment Properties

FLI's recent acquisition of major assets and equity interests in September 2006 involve three strategic investment properties, namely: Festival Supermall, PBCom Tower and Northgate Cyberzone. Please refer to Section 1.6.2 for a detailed discussion of these properties.

2.4. Property and Equipment

FLI is renting office spaces located at San Juan, Metro Manila with an aggregate floor area of 7,309 square meters for its head office and brokers' center. The terms of the leases range from 16 months to 5 years, subject to renewal upon mutual agreements between FLI and the lessors. FLI is also renting spaces for its sales offices in Alabang, Quezon City, Pasig City, Rizal, Laguna, Pampanga, Tarlac, Palawan, Cebu City, Davao City, Butuan, Tagum and Zamboanga City. The term of the leases is usually for one year, and thereafter, the term of the lease shall be on a month-to-month basis, or upon the option of both parties, a new contract is drawn. Total rental expense in 2008 amounted to ₱114.94 million. The Company does not intend to acquire properties for the next 12 months except as needed in the ordinary course of business.

Item 3. LEGAL PROCEEDINGS

FLI is subject to lawsuits and legal actions in the ordinary course of its real estate development and other allied activities. However, FLI does not believe that the lawsuits or legal actions to which it is a party will have a significant impact on its financial position or result of operations.

Following are the cases involving certain properties of FLI that may have impact on its financial position, but which it believes will be eventually resolved in its favor:

a. *FLI vs. Abdul Backy, et al.,* G.R. No. 174715, Supreme Court

This is an offshoot of a civil action for the declaration of nullity of deeds of conditional and absolute sales of certain real properties located in Tambler, General Santos City executed between FLI and the plaintiffs' patriarch, Hadji Gulam Ngilay. The Regional Trial Court ("RTC") of Las Piñas City (Br. 253) decided the case in favor of FLI. On appeal, the Court of Appeals rendered a decision partly favorable to FLI. FLI's petition for review on *certiorari* to question that portion of the decision that is unfavorable to FLI, is now pending with the Supreme Court.

b. *Emelita Alvarez, et al. vs. FDC,* DARAB Case No. IV-RI-010-95
Adjudication Board, Department of Agrarian Reform

On or about March 15, 1995 certain persons claiming to be beneficiaries under the Comprehensive Agrarian Reform Program (CARP) of the National Government filed an action for annulment/cancellation of sale and transfer of titles, maintenance of peaceful possession, enforcement of rights under CARP plus damages before the Regional Agrarian Reform Adjudicator, Adjudication Board, Department of Agrarian Reform. The property involved, located in San Mateo, Rizal, was purchased by FDC from the Estate of Alfonso Doronilla. A motion to dismiss is pending resolution.

c. *Republic of the Philippines vs. Rolando Pascual, et al.*
Civil Case No. 7059, Regional Trial Court

The National Government through the Office of the Solicitor General filed suit against Rolando Pascual, Rogelio Pascual and FLI for cancellation of title and reversion in favor of the Government of properties subject of a joint venture agreement between the said individuals and FLI. The Government claims that the subject properties covering about 73.33 hectares are not alienable and disposable being part of the forest lands. The case was dismissed by the RTC of

General Santos City (Br. 36) on November 16, 2007 for lack of merit. The Office of the Solicitor General has appealed the dismissal to the Court of Appeals.

d. *Adia vs. FLI* , CA-G.R. CV No. 87424, Court of Appeals

Various CLOA holders based in Brgy. Hugo Perez, Trece Martirez City filed a complaint with the RTC of Trece Martirez against FLI for recovery of possession with damages, claiming that in 1995 they surrendered possession of their lands to FLI so that the same can be developed pursuant to a joint venture arrangement allegedly entered into with FLI. They now seek to recover possession of said lands pending the development thereof by FLI. The RTC rendered a decision ordering FLI to vacate the subject property. FLI appealed the decision to the Court of Appeals where it is now pending.

e. *Special Task Force created by virtue of Executive Order No. 525 dated April 10, 2006 vs. Florendo, et al.,* I.S. No. 2007-001

Special Task Force created by virtue of Executive Order No. 525 dated April 10, 2006 vs. Alcasabas, et al.. I.S. No. 2007-011, Department of Justice, Manila

On the complaints of a Special Task Force created by the government for enhancement of revenue collection, the Department of Justice conducted a formal investigation of alleged capital gains tax and documentary stamp tax deficiencies due on certain raw land acquisitions of FLI in Calamba and San Pedro, Laguna in 2004. The members of the Board of Directors and three senior officers of FLI are named respondents in the complaints together with officers and personnel of the district office of the BIR. With the termination of the preliminary investigation, the cases are now submitted for resolution.

FLI is not aware of any other information as to any other legal proceedings known to be contemplated by government authorities or any other entity.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There was no matter which was submitted to a vote of security holders in 2008.

Part II – OPERATIONAL AND FINANCIAL INFORMATION

Item 5. MARKET FOR ISSUER'S COMMON EQUITY & RELATED STOCKHOLDER MATTERS

The Company's common shares were listed on the PSE in 1993. The following table shows, for the periods indicated, the high, low and period end closing prices of the shares as reported in the PSE.

Period		**High**	**Low**	**Close**
2008	4th Quarter	0.66	0.36	0.39
	3rd Quarter	0.88	0.60	0.63
	2nd Quarter	1.10	0.62	0.70
	1st Quarter	1.40	0.95	1.04
2007	4th Quarter	1.94	1.30	1.36
	3rd Quarter	2.24	1.36	1.74
	2nd Quarter	2.40	1.70	2.16
	1st Quarter	1.92	1.46	1.68

The number of shareholders of record as of December 31, 2008 was 6,390. Common shares outstanding as of December 31, 2008 were 24,249,759,506.

Top 20 Stockholders (preferred and common shares) as of December 31, 2008:

	Name	**No. of Shares**	**% to total**
1	PCD Nominee Corp. (Non-Filipino)	8,521,231,879	34.82%
2	Filinvest Development Corp.	7,760,807,891	31.71%
3	Filinvest Alabang, Inc.	5,154,840,977	21.07%
4	PCD Nominee Corp. (Filipino)	2,418,284,527	9.88%
5	Paul Gerard B. Del Rosario	44,233,000	0.18%
6	ALG Holdings, Inc.	22,874,000	0.09%
7	ALG Holdings	12,027,867	0.05%
8	Michael Gotianun	11,235,913	0.05%
9	Lucio W. Yan &/or Clara Y. Yan	10,687,500	0.04%
10	Joseph M. Yap &/or Josephine G. Yap	7,694,843	0.03%
11	Cynthia M. Manalang	6,000,000	0.02%
12	R. Magdalena Bosch	4,877,928	0.02%
13	Isa Angela F. Castaneda	4,205,858	0.02%
14	Luis L. Fernandez	4,064,940	0.02%
15	Luis L. Fernandez or Veronica P. Fernandez, ITF Marco	4,064,940	0.02%
16	Enrique P. Fernandez	4,064,940	0.02%
17	Luis Rodrigo P. Fernandez	4,064,940	0.02%
18	Veronica P. Fernandez	4,064,940	0.02%
19	Luis L. Fernandez or Veronica P. Fernandez, ITF Carlo	4,064,940	0.02%
20	Pua Yok Bing	3,788,727	0.02%

No securities were sold within the past two years which were not registered under the Revised Securities Act &/or Securities Regulation Code.

Dividends

On January 8, 2007, the Board of Directors approved an annual cash dividend payments ratio for the Company's issued shares of twenty percent (20%) of its consolidated net income of the preceding fiscal year, subject to compliance with applicable laws and regulations and the absence of circumstances which may restrict the payment of such dividends, including, but not limited to, when Company undertakes major projects and developments requiring substantial cash expenditures, or when the Company is restricted from paying cash dividends by its loan covenants, if any. The Board of Directors may at any time modify such dividend payout ratio depending on the results of operations, future projects and plans of the Company.

On June 2008, the Company paid cash dividend of P 0.02 a share or a total of P 485.72 million to all shareholders of record as of June 15, 2008.

Item 6. MANAGEMENT DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

Plan of Operations for 2009

Going forward, FLI expects to remain focused on its core residential real estate development business which now includes medium rise buildings. However, as a result of the acquisition of ownership interest in certain investment properties, FLI has diversified its real estate portfolio to include retail and office investment properties that generate recurring revenues.

The Company intends to continue pursuing an aggressive growth strategy for its real estate business by expanding its existing townships and launching additional medium-rise building projects in Metro Manila and other regional urban areas and new affordable and middle-income residential projects in 2009. FLI plans to expand its market reach in selected high growth regional centers and through new product lines and expansion of its international market network.

FLI intends to launch new projects and additional phases in 2009 with an estimated sales value of ₱ 7.41 billion, 13% more than sales value of projects launched in 2008. In addition, medium-rise buildings in other inner-city locations such as Sta. Mesa, Manila will also be launched. Preparations are now being made for a high-rise building in Makati City.

With regard to FLI's leasing business, various buildings in Northgate Cyberzone in Alabang are currently being constructed to increase the leasable spaces and leasing revenues of FLI in 2009. Continuous improvements are also being made in Festival Mall to keep up with market demands and increase its leasable area.

Results of Operations for 2008

FLI was incorporated on November 24, 1989 and began commercial operations in August 1993 after Filinvest Development Corporation ("FDC") spun off its real estate operations and transferred all related assets and liabilities to FLI in exchange for shares in FLI. FLI was listed on the PSE on October 25, 1993.

FLI's business has historically focused on the development and sale of affordable and middle-market residential lots and housing units to lower and middle-income markets throughout the Philippines. In recent years, FLI has expanded its residential business to include all income segments and themed residential projects with a leisure component, such as farm estates and developments anchored by sports and resort clubs. While FLI remains focused on its core residential real estate development business which now includes development of medium rise buildings and condotel projects, as a result of FLI's acquisition of Festival Supermall and equity interests in companies engaged in office space leasing in 2006, FLI diversified its residential real estate portfolio to include significant commercial real estate that generates recurring revenue.

In 2006, FLI acquired three strategic assets: Festival Supermall and 60% equity ownership each in Filinvest Asia Corporation ("FAC") and Cyberzone Properties, Inc. ("CPI"). Festival Supermall is one of the largest shopping malls in Metro Manila in terms of floor area with approximately 200,000 square meters. FAC's strategic asset is the 50% ownership of PBCom Tower, the tallest office building in the Philippines. CPI owns IT office buildings in the Northgate Cyberzone, a BPO office park with several multinational tenants.

Year ended December 31, 2008 compared to year ended December 31, 2007

FLI registered a net income of P 1,867.01 million in 2008, 9.5% higher than the net income in 2007 of P1,704.39 million. Last year's income included the equity in net earnings of an associate amounting to P 357.40 million which represents the Company's share in the net income of FAI with a one-time gain realized from the secondary offering of its FLI shares during the follow on offering in February 2007. Excluding the equity in net earnings of FAI, net income in 2008 would be 33.5% higher than 2007 net income.

Revenues

FLI recorded real estate sales of P 3,507.56 million in 2008, an increase of 11.2% from P3,155.62 million in 2007 principally due to higher sales of socialized, affordable and middle-income lots and housing units in 2008. Also, the Company started to book the sales of units in its medium-rise building projects in 2008 using the percentage of completion method of accounting.

Major reasons for such better real estate sales performance are the introduction of affordable units in medium-rise building projects coupled with intensive marketing activities, availability of attractive financing packages, strong OFW demand, reasonable pricing, positive market reception to various house models, and promos and incentives being offered to both buyers and sellers. Moreover, new projects were continuously launched throughout the country in 2008. Intensive build up of in-house sales force and corporate image and product branding through print, radio and television media and billboards were done in 2008.

In partnership with some financial institutions, the Company has launched attractive financing programs where the buyer is required to pay an affordable down payment over one year. The balance is payable through bank financing with term of up to 25 years for house and lot or 15 years for lot only with fixed interest over the entire term of the loan at the bank's rate at time of loan availment.

Rental income went up to P 1,134.53 million in 2008 from P1,020.24 million in 2007, or an 11.2% increase. This is brought about by higher occupancy rate in Filinvest Supermall and more leasable space in Northgate Cyberzone buildings with the completion and lease of additional buildings in 2008. Other sources of rental income include the PBCom Tower in Makati City and ready-built-factories in Filinvest Technology Park in Calamba, Laguna.

Equity in net earnings of an associate significantly decreased from P 357.39 million in 2007 to P67.57 million in 2008 or a decrease of 81.1%. As previously mentioned above, this sharp downturn is mainly due to the recognition of an extraordinary gain realized by Filinvest Alabang, Inc., an associate, from the secondary sale of FLI shares in February 2007. FAI's ordinary sources of income are the development of commercial buildings, residential condominiums and land; leasing of commercial real estate; and, managing mall and theater operations.

Expenses

Total expenses went up to P 1,620.59 million in 2008 from P 1,526.88 million in 2007 or an increase of 6.14%.

General and administrative expenses grew by P 65.59 million or by 6.7%,from P963.90 million in 2007 to P 1,028.49 million in 2008. Following are the significant movements in major expense accounts in 2008 :

- 9.8% increase in rent expense due to increase in office rental rates and mall land lease which is based on gross rental revenues earned by the mall;
- 13.4% increase in taxes and licenses brought about by higher revenues;
- 19.1% increase in transportation and travel expenses resulting from additional regional and provincial projects and higher fuel cost;
- 12.8% increase in repairs and maintenance due to higher service costs;
- 14.4% & 14.7% increase in communication, light & water expense and outside services respectively due to increase in service rates.

Selling and marketing expenses increased by 13.38% to P 483.87 million in 2008 from P426.75 million in 2007. This was primarily due to 26.8% increase in broker's commission and 27.9% increase in other selling expenses brought about by intensive selling and marketing campaign activities throughout the Philippines and overseas where additional sales offices have been set up to generate more sales.

Interest expense and bank and other financial charges decreased by 12% to P 108.23 million in 2008 from P122.99 million in 2007, primarily due to lower interest rates on outstanding loans and lower bank charges.

In 2008, there was a foreign exchange gain amounting to P 7.35 million, an improvement from a foreign exchange loss of P13.24 million in 2007. The values of some foreign-currency denominated short-term investments of FLI had increased due to the slight depreciation of the peso against the U.S. Dollar in 2008.

Provision for Income Tax

Provision for income tax decreased by 37.8% in 2008 from P 425.19 million in 2007 to P 264.66 million in 2008. FLI's provision for current income tax slightly increased to P 377.74 million in 2008 from P 330.83 million in 2007 due to higher taxable income in 2008, while provision for deferred income tax, on the other hand, decreased to negative P 113.06 million in 2008 from P94.37 million in 2007 because of restatement of remaining deferred tax liability items to the new tax rate of 30% to become effective in 2009.

Financial Condition

As of December 31, 2008, FLI's total consolidated assets stood at P 53,190.89 million, or an increase of 12.1% from P 47,469.91 million as of the end of the previous year.

41% Increase in Cash & cash equivalents
The increase came from proceeds of availments from long-term credit facilities as well as from proceeds of sale of residential projects, from leasing operations and from rediscounting of receivables. These funds were intended for the development of existing and new projects of the Company lined up for the following year.

15% Increase in Mortgage, Notes and Contract receivables
The increase was mainly due to improvement in sales booked under the in-house financing schemes being offered by the Company in 2008.

14% Increase in Other Receivables
The increase was attributed to higher receivables from contractors representing down payments made for various development / construction contracts, advances to joint venture partners for land developments and advances to homeowners association and from officers and employees for official business purposes.

20% Increase in Real Estate Inventories
The movement in this account was mainly due to development costs incurred for various existing and new projects, acquisitions of new properties in various parts of Metro Manila, Rizal, Cebu and Davao, most of which are intended for development of MRB projects.

15% decrease in Available for Sale Financial Assets
The decrease was due to the redemption of unlisted preferred shares in a public utility company which were previously acquired in connection with the development of various projects.

108% Increase in Property & Equipment
Property and equipment increased due to ongoing building construction by CPI to create additional office space to meet the growing demand from BPOs and call center locators. Building improvements and acquisition of additional equipment for the Festival Supermall structure also contributed to the increase.

22% Increase in other assets
The growth was mainly due to the increase in input and in creditable withholding taxes.

18% Increase in Accounts Payable and Accrued Expenses
The increase in this account was mainly due to deposits received from buyers and tenants, retentions from contractor's billings.

31% Increase in Income Tax payable
The increase was due to increase in taxable income brought about by increase in real estate sales and rental income.

Increase in Due to related parties
Intercompany advances were made by the Company in the ordinary course of business. This will be settled in the first quarter of 2009.

63% Increase in Pension liability
The increase was due to accrual of liability to the retirement fund for the period.

7% Decrease in Deferred Income Tax Liabilities-net
Deferred income tax assets and liabilities were restated as at December 31, 2008 to 30% in accordance with legally mandated change in income tax rates from 35% to 30% effective January 01, 2009. Deferred income tax assets & liabilities are measured at tax rates applicable in the year when the asset is realized or the liability is settled based on current tax laws.

96% Increase in Long term debt
New term loans were availed by the Company to finance the construction of various major projects which included the medium-rise residential buildings, the Grand Cenia Hotel & Residences and the BPO buildings in Northgate Cyberzone.

Acquisition of Treasury Stocks
On December 20, 2007, FLI Board of Directors approved the buyback of some of the issued shares of stock of the Company over a period of twelve (12) months up to an aggregate amount of P 1.5 billion, in view of the strong financial performance of the Company and the very large discrepancy that existed between the current share price and the net asset value of the Company. As of December 31, 2008, the Company had acquired 220,949,000 shares at total cost of P221.04 million.

29% Increase in Retained Earnings
This is brought about by the P 1.87 billion income posted during the year.

Performance Indicators:

Financial Ratios	Particulars	2008	2007	2006
Earnings per Share	Basic	0.080	0.071	0.056
Earnings per Share	Diluted	0.080	0.071	0.056
Debt to Equity Ratio	Long Term Debt & Other Liabilities / Total Stockholder's Equity	0.36 : 1	0.24 : 1	0.33 : 1
Debt Ratio	Total Liabilities / Total Assets	29%	22%	28%
Ebitda to Total Interest Paid	Ebitda / Total Interest Payment	6.14 times	5.96 times	2.15 times
Price Earnings Ratio	Closing Price of Share / Earnings per Share	4.88 times	19.15 times	30.54 times

Other Disclosures

Aside from the possible material increase in interest rate on the outstanding long-term debts, there are no known trends, events or uncertainties or any material commitments that may result to any cash flow or liquidity problems of FLI within the next 12 months. The company is not in default or breach of any note, loan, lease or other indebtedness or financing arrangements requiring it to make payments, or any significant amount in its accounts payable that have not been paid within the stated terms.

There are no known trends, events or uncertainties that have or are reasonably expected to have favorable or unfavorable impact on net sales or revenues or income from continuing operations of FLI.

Except for income generated from retail leasing, there are no seasonal aspects that have a material effect on FLI's financial conditions or results of operations.

The operating activities of FLI are carried uniformly over the calendar year, there are no significant elements of income or loss that did not arise from the company's continuing operations.

There are no known events that will trigger the settlement of a direct or contingent financial obligation that is material to the Company.

There are no off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships to the company with unconsolidated entities or other persons created during the reporting period, except those discussed.

Subsequent Events

On February 03, 2009 FLI signed an agreement with the Cebu City government to develop 50.6 hectares of the 300-hectare reclaimed property in Cebu. The agreement is divided into two contractual arrangements. One is the purchase of 10.6 hectares valued at around P 1.6 billion. The second component entails the development under a joint venture with the Cebu City government of the remaining 40 hectares to host residential condominiums and retirement villages.

Year ended December 31, 2007 compared to year ended December 31, 2006

FLI registered a net income of P 1,704.39 million in 2007, 95.5% higher than the net income in 2006 of P 871.83 million**.**

Revenues

FLI recorded real estate sales of P 3,155.62 million for the year 2007, an increase of 16.2% from P 2,716.40 million in 2006 principally due to higher sales of affordable, middle-income and regional lots and housing units in 2007. Real estate sales in 2006 included a sale of 50 hectares of land amounting to P 280.5 million, inclusive of option money received, comprising Phase 2 of Timberland Heights to FAPI, a joint venture organized by FLI and AIIPI. Discounting the effects of this transaction on sales for 2006, real estate would increase by 30%.

Major reasons for such better sales performance are intensive marketing activities, availability of affordable financing packages, strong OFW demand, attractive pricing, positive market reception to various house models, and promos and incentives being offered to both buyers and sellers. Moreover, new projects were launched throughout the country in 2007.

In tie ups with certain financial institutions, the Company has launched in 2007 its 10%-90% financing program where the buyer is required just a 10% downpayment payable over one year. The balance of 90% is through bank financing payable up to 25 years for house and lot or 15 years for lot only with fixed interest over the entire term of the loan at the bank's rate at time of loan availment, which is presently at 11.5% p.a.

Rental income soared to P 1,020.24 million in 2007 from P 306.11 million in 2006. This is brought about by the inclusion of the full year operations in 2007 of certain investment properties acquired by FLI in September 2006, namely: the Festival Supermall and 60% ownership interest in both Filinvest Asia Corp. and Cyberzone Properties Inc., 50% owner of PBCom Tower and owner of the buildings in Northgate Cyberzone, respectively. Other sources of rental income include the ready-built-factories in Filinvest Technology Park in Calamba, Laguna.

Interest income increased by 31.8% to P 358.65 million in 2007 from P 272.21 million in 2006. This was due to an increase in the amount of receivables and short-term investments held by FLI. In addition, the decrease in the number of installment contracts receivable that FLI sold during 2007 allowed the company to accrue the full amount of interest due on installment sales which were funded through in-house financing.

Equity in net earnings of an associate significantly increased from P 63.48 million to P 357.40 million. This was due to an increase in the net income of FAI in 2007, a substantial part of which arose from the sale of some of its FLI shares during the successful follow-on offering conducted by FLI in February 2007. FLI has a 20% interest in FAI which is involved primarily in the development of commercial buildings, residential condominiums and land in Filinvest Corporate City in Alabang, Muntinlupa City. FAI is also involved in leasing of commercial real estate, marketing, and, managing mall and theater operations.

Other income also increased by 47.3% to P 237.58 million in 2007 from P 161.34 million in 2006. The other revenues generated during the year by the investment properties acquired in September 2006 accounted for the increase.

Expenses
Expenses increased by 14.1% to P 1,526.88 million in 2007 from P 1,338.00 million in 2006.

General and administrative expenses increased by 51.1% to ₱963.90 million in 2007 from P637.73 million in 2006. This was primarily due to:

- a substantial increase in depreciation and amortization to P 215.43 million in 2007 from P81.77 million in 2006, as a result of the acquisition in September 2006 of the Festival Mall and 60% ownership interest in Filinvest Asia Corporation ("FAC"), which owns half of the PBCom Tower, and in Cyberzone Properties, Inc. ("CPI"), which owns the IT buildings in the Northgate Cyberzone in Filinvest Corporate City, Alabang, Muntinlupa City;

- full amortization of the computer systems put in place by FLI, amounting to P 59.57 million;

- Increase in rent expense from P 32.10 million in 2006 to P 104.65 million in 2007, as FLI pays rent to FAI for its lease of the land on which the Festival Mall stands; and,

- Increase in other expenses such as salaries, outside temporary services, and repair and maintenance cost, all incidental to the operations of the mall, and of FAC and CPI for a full year in 2007.

Selling and marketing expenses increased by 17.7% to P 426.75 million in 2007 from P 362.44 million. This was due to an increase in selling and advertising expenses relating to new product launchings, special events and advertisements and overhead, costs incurred by newly established sales offices as part of FLI's aggressive marketing campaign.

Interest expense and bank and other financial charges decreased by 63.2% to P122.99 million in 2007 from P 334.59 million in 2006, primarily due to significant reduction in outstanding loans with the various prepayments of loans; lower interest rate on the remaining outstanding loans; and, lower bank charges.

Foreign exchange loss increased to P 13.24 million in 2007 from P 3.23 million in 2006. Values of some foreign-currency denominated short term investments of FLI had decreased due to the appreciation of peso.

Provision for Income Tax
Provision for income tax increased to P 425.19 million in 2007 from P 209.81 million in 2006. FLI's provision for current income tax increased to P330.83 million in 2007 from P42.30 million in 2006 due to an increase in the company's taxable income in 2007 as compared to 2006. FLI's net deferred tax liability, on the other hand, decreased to P 94.37 million in 2007 from P 167.51 million in 2006. The decrease resulted from a lower deferred tax liability on its capitalized interest expense because of a reduction in the company's long term debt.

Year ended December 31, 2006 compared to year ended December 31, 2005

FLI registered a net income of P 871.83million in 2006, 25% higher than 2005's P 696.02 million.

Revenues
Revenues increased by 20% to P 2.42 billion in 2006 from the previous year's P 2.02 billion. Most of the revenues consist of gross profit realized from sales and interests mostly on installment contracts receivable arising from sales of lots and housing units and rentals from investment properties. For the years 2006 and 2005, gross profit amounted to P 1.62 billion and P 1.38 billion, respectively, while interests amounted to P 272.21 million and P 300.69 million, respectively. Gross profit increased by 17%. Interest income decreased slightly by 8% due to a slight decline in installment contracts receivable in 2006 compared to 2005.
Sales booked during the year increased by 13% to P 2.72 billion. Increase in sales came from almost all real estate sectors. Among the new projects that generated substantial sales volume include *Laeuna de Taal* in Talisay (leisure project/private membership club), *Aldea Real* in Calamba (affordable), *Palmridge* in Sto. Tomas (affordable), *Sta. Isabel* in Mission Hills, Antipolo (middle-income), *Villa Mercedita II* in Davao City (middle income) and *Brentville* in Mampalasan, Laguna (high-end).

High percentage of increase in sales of the industrial estate sector resulted from higher contract prices while that of the residential farm estate sector was largely due to the transfer of lots in the *Mandala Farm Estate* to Filinvest AII Philippines Inc. ("FAPI") worth ₱91.1 million, as well as the increase in the number of lots sold in the *Forest Farm* and *Nusa Dua* farm estates. Further, increase in sales of the socialized housing sector was primarily due to higher recorded sales for the *Belleview*, *Belvedere* and *Blue Isle* subdivision projects, while the sales increase in the high-end housing sector was due to higher recorded sales for *Brentville* and *Laeuna de Taal* subdivision projects as well as the transfer of *The Ranch* subdivision project in Timberland Heights to FAPI.

Major reasons cited for the good project sales performance are intensive marketing activities, availability of affordable financing packages, strong OFW demand, attractive pricing, and strong government support, as well as promos and incentives being offered to both buyers and sellers.

Rental income took a major leap in 2006 due to the acquisition of the Festival Supermall and 60% ownership interest in both the PBCom Tower and Northgate Cyberzone in September 2006. Substantial amount of rental income was recognized in the fourth quarter of 2006. In 2005, the source of rental income was from the lease to Cyberzone Properties, Inc. ("CPI") of the Northgate Cyberzone land owned by FLI. Such rental income was based on a percentage of revenues generated by CPI from leasing office space in buildings located in Northgate Cyberzone. Other sources of rental income are the ready-built factories in Filinvest Technology Park in Calamba, Laguna.

Equity in net earnings of an associate increased due to the increase in the revenues of FAI, FLI's affiliate.

However, due to movements in foreign exchange rates and a decline in the number of collections received in foreign currency, a foreign exchange loss of P 3.23 million was recorded in 2006, which is in sharp contrast to the foreign exchange gain of P 6.28 million recognized in 2005.

Expenses

Total expenses increased by 45% to P 1,334.76 million in 2006 from P 918.65 million in 2005. General and administrative expenses grew by 53% from P 417.11 million in 2005 to P 637.73 million in 2006. This was due to the following:

- a substantial increase in depreciation expense as a result of the acquisition of Festival Supermall and 60% ownership interest in the PBCom Tower and Northgate Cyberzone;
- an increase in salaries, wages and employee benefits partly resulting from an increase in the total number of project contract employees needed to service the higher volume of real estate transactions and to assist in the implementation of FLI's SAP project for a fully integrated IT and financial information system;
- an increase in business taxes, permits and license fee payments resulting from higher real estate sales and inclusion of mall leasing operations;
- an increase in communications, light and water due to higher power and water cost;
- an increase in rent expenses due to higher rental rates for FLI's office premises; and,
- an increase in other expenses primarily resulting from consultancy and maintenance charges relating to the integration of FLI's computer systems and expenses for a corporate advertising campaign in 2006.

Selling and marketing expenses increased by 30% in 2006 to P 362.44 million from 2005's P277.78 million as a result of product launchings, special events, advertisements and overhead costs incurred by newly-established sales offices as part of FLI's aggressive marketing campaign for 2006. In addition, brokers' commissions and incentives also increased due to an increase in sales reservations in 2006.

Interest expense increased by 50% to ₱334.59 million in 2006 from ₱223.76 million in 2005, primarily due to the additional debt assumed from FDC and FAI as part of the property-for-shares swap entered into by FLI with the said affiliates in 2006.

Provision for Income Tax

Provision for income tax decreased by 50% to P 209.81million in 2006 from ₱411.55 million in 2005 mainly because of adjustments made in 2005 on deferred income tax provision relating to the share in revaluation increment on land of an associate and increase in income tax rate from 32% to 35% effective November 1, 2005.

Item 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANT ON ACCOUNTING AND FINANCIAL DISCLOSURE

SyCip, Gorres, Velayo & Co(SGV) has been the duly appointed independent auditors for the years covered by this report. There has been no termination nor change in the said appointment. There has been no disagreement with FLI's independent accountants on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure.

SGV is being recommended for election as external auditor for the year 2009.

PART III – CONTROL AND COMPENSATION INFORMATION

Item 9. DIRECTORS AND PRINCIPAL OFFICERS OF THE REGISTRANT

Andrew L. Gotianun, Sr. ***Chairman Emeritus***	Mr. Gotianun, 81, Filipino, is the founder of the Filinvest group of companies and is presently serving in various capacities in the member companies of the group, including Filinvest Alabang, Inc. ("FAI") and EastWest Banking Corporation ("EWBC") where he is Chairman, and Pacific Sugar Holdings Corporation ("PSHC") where he is Chairman and President.
Mercedes T. Gotianun ***Chairperson***	Mrs. Gotianun, 80, Filipino, has been a director of FLI since 1991 and was its Chief Executive Officer from 1997 up to 2007. She is also a director of FDC and FAI. She was involved in the operations of Family Bank and Trust Co. since its founding in 1970 and was President and Chief Executive Officer of the bank from 1978 to 1984. She obtained her university degree from the University of the Philippines.
Andrew T. Gotianun, Jr. ***Vice Chairman***	Mr. Gotianun, 57, Filipino, has been a director of FLI since 1990. He is also a director of FDC and FAI. He served as director of Family Bank and Trust Co. from 1980 to 1984. He has been in the realty estate business for more than 16 years. He obtained his Bachelor of Science degree from Republican College in 1981.

Joseph M. Yap ***Director, President & Chief Executive Officer***	Mr. Yap, 58, Filipino, has been a director of FLI and FLI's President since 1997.He was appointed Chief Executive Officer in 2007. He served as First Vice President of Family Bank & Trust Co. in charge of credit and collection from 1982 to 1984. Prior to that, he held various financial management positions with Nestle in New York, Switzerland, and Manila from 1976 to 1982. He obtained his Master's Degree in Business Administration from Harvard University in 1976.
Lourdes Josephine G. Yap ***Director / Senior Executive Vice President for Business Development***	Ms. Yap, 54, Filipino, has been a director of FLI since 1990. Ms. Yap is also a director and the President of FDC and The Palms Country Club, Inc., and a director and Executive Vice-President of FAI. She obtained her Master's Degree in Business Administration from the University of Chicago in 1977.
Jonathan T. Gotianun ***Director***	Mr. Gotianun, 55, Filipino, has been a director of FLI since 1990. He is also the Chairman of FDC, the President of Davao Sugar Central Co., Inc. and Cotabato Sugar Central Co., Inc., and Vice Chairman of EastWest Banking Corporation. He served as director and Senior Vice President of Family Bank & Trust Co. until 1984. He obtained his Master's Degree in Business Administration from Northwestern University in 1976.
Efren C. Gutierrez ***Director***	Mr. Gutierrez, 72, Filipino, was a director of FLI from 1994 to 2001, and was re-elected to FLI's Board in 2006. He served as the President of FAI from 1999 to 2005. He is a director of The Palms Country Club, Inc. He obtained his Bachelor of Laws degree from the University of the Philippines.
Cirilo T. Tolosa ***Independent Director***	Mr. Tolosa, 69, Filipino, has been an independent director of FLI since 2007. He was a partner at Sycip Salazar Hernandez and Gatmaitan, retiring from the said law firm in February 2005. He is at present a partner in the law firm Tolosa Romulo Agabin and Flores. He has been the chairman of the boards of Daystar Commercial Enterprises, Inc., Daystar Development Corporation, Lou-Bel Development Corporation and GMA Lou-Bel Condominium Corporation for at least 10 years, and corporate secretary of De La Salle University System, Inc. and De La Salle Philippines, Inc. since 2003 and 2005, respectively.

Cornelio C. Gison ***Director***	Mr. Gison, 67, Filipino, was elected onto the FLI's Board in 2006. Prior to joining FLI's Board, he was Undersecretary of the Philippine Department of Finance from 2000 to 2003, and is presently a consultant of SGV & Co., a member of the Advisory Board of the Metropolitan Bank & Trust Co., and a director of the Intex Holdings Group.
Nelson M. Bona ***Chief Financial Officer & Senior Vice President***	Mr. Bona, 58, Filipino, was appointed as FLI's Chief Financial Officer in January 2007. He joined FDC in 2003 and is currently the Treasurer of FDC. He was formerly an Executive Vice President of East West Bank and the Managing Director of Millenia Broadband Communications, Inc. and Filinvest Capital, Inc.
Efren M. Reyes ***Treasurer and Senior Vice President***	Mr. Reyes, 58, Filipino, has served with the Filinvest Group in various capacities since 1980 and has been FLI's Treasurer and Senior Vice President since 1997. Prior to joining the Filinvest Group, he was an audit manager with SGV & Co. He obtained his Bachelor of Science in Business Administration (Major in Accounting) degree from the University of the East.
Pablito A. Perez ***Corporate Secretary & First Vice President***	Mr. Perez, 52, Filipino, is FLI's General Counsel and Head of its Legal Department. Before joining FLI in 2005, he was a senior partner in the law firm of the late Senator Raul S. Roco where he headed the Litigation Department. Admitted to the Philippine Bar in 1984, he holds a law degree from the San Beda College of Law and a Master of Laws degree from the University of Pennsylvania.
Antonio E. Cenon ***First Vice President***	Mr. Cenon, 58, Filipino, is a Civil Engineer by profession and has served the Company in various capacities for the past 27 years. He currently heads FLI's Rawland Technical Support Group.
Marking C. Que ***First Vice President***	Mr. Que , 48, Filipino, is currently the Chief Information Officer and Head of the Information Technology Unit. He received his Management Engineering degree from the Ateneo de Davao University. He has been with the Company for more than 6 years.
Luis T. Fernandez ***First Vice President***	Mr. Fernandez, 62, Filipino, handles Permits & Licenses and Water System Departments. Prior to joining the Company, he was the Executive Vice-President of Family Bank and Trust Co. He has been with the Company for more than 20 years.

Giovanni G. Gan ***First Vice President***	Mr. Gan, 58, Filipino, is in-charge of FLI's Operations Division. Before joining FLI, he assumed Senior Management positions in various organizations after his stint as auditor with SGV&Co. and as educator for accounting courses. He obtained his BSBA (major in accounting) degree from Phil. School of Business Administration.

The members of the Nomination Committee of FLI are Mercedes T. Gotianun (chair), Josephine G. Yap and Lamberto U. Ocampo. The head of FLI's Human Resources Department sits in the committee in an ex-officio capacity.

The Audit Committee of FLI is composed of Cirilo T. Tolosa (chair), Cornelio C. Gison, Mercedes T. Gotianun and Jonathan T. Gotianun.

Mrs. Mercedes T. Gotianun is the mother of Mr. Andrew T. Gotianun Jr., Mr. Jonathan T. Gotianun, Mr. Michael Edward T. Gotianun and Ms. Josephine G. Yap and is the mother-in-law of Mr. Joseph M. Yap, who is married to Ms. Josephine G. Yap. The Directors of the Company are elected at the annual stockholders' meeting to hold office until the next succeeding annual meeting and until their respective successors have been appointed or elected and qualified.

Officers are appointed or elected annually by the Board of Directors at its first meeting following the annual stockholders' meeting each to hold office until the corresponding meeting of the Board of Directors in the next year or until a successor shall have been elected, appointed or shall have qualified.

There is no person who is not an executive officer of the Company who is expected to make a significant contribution to the business. The Company, however, engages the regular services of consultants. At December 31, 2007, the Company had four consultants in the area of business development, marketing, planning and design and construction management.

There are no transactions during the last two years or any proposed transactions, to which the Company was or is to be a party, in which any director or officer, any nominee for election as a director, any security holder or any member of the immediate family of any of the persons mentioned in the foregoing had or is to have a direct or indirect material interest.

Involvement in Certain Legal Proceedings of Directors and Executive Officers

In February 2007, the Department of Justice issued subpoenas to the directors and certain officers of FLI on account of a complaint for alleged capital gains tax and documentary stamps tax deficiencies on the acquisition by the company of certain rawlands in San Pedro and Calamba, Laguna in 2004.

Except as disclosed above, none of the members of FLI's Board nor its executive officers are involved in any criminal, bankruptcy or insolvency investigations or proceedings for the past five years and up to December 31, 2007, nor have they been found by judgment or decree to have violated securities or commodities law and enjoined from engaging in any business, securities, commodities or banking activities.

Item 10. EXECUTIVE COMPENSATION

The aggregate compensation paid or incurred during the last two fiscal years and the estimate for this year are as follows:

Except for per diem of P25,000 being paid to independent directors for every meeting attended, there are no other arrangements to which directors are compensated, for any services provided as director, including any amounts payable for committee participation or special assignments in 2005 and ensuing year.

There is no employment contract between the Company and the above named executive officers.

There are no outstanding warrants or options held by the Company's CEO, the above named executive officers, and all officers and directors as a group.

	2009 Estimate				2008				2007			
Name & Principal Position	Salaries	Bonus	Others	Total	Salaries	Bonus	Others	Total	Salaries	Bonus	Others	Total
Andrew L. Gotianun, Sr. Chairman Emeritus Mercedes T. Gotianun Chairperson Joseph M. Yap President & CEO Andrew T. Gotianun, Jr. Vice-Chairman / Executive Vice President Efren M. Reyes Treasurer and Senior Vice President												
	P 10.8M	P 1.8M	-	P 12.6M	P 10.8M	P 1.8M	-	P 12.6M	P 10.7M	P 1.8M	-	P 12.5M
Total of officers & Directors of the Company	P 22.5M	P 3.8M	-	P 26.3M	P 21.4M	P 3.6M	-	P 25.0M	P 20.5M	P 3.4M	-	P 23.9M

Item 11. Security Ownership of Certain Beneficial Owners and Management

11.1. Security Ownership of Certain Beneficial Owners as of December 31,2008:

Title of Class of Securities	Name/Address of Record Owner and Relationship with FLI	Name of Beneficial Owner/Relationship with Record Owner	Citizenship	No. of shares Held	% of Ownership
Preferred	Filinvest Development Corporation 173 P. Gomez St. San Juan, MM	N.A.	Filipino	8,000,000,000 (B)	100%
Common	PCD Nominee Corporation (Non-Filipino), G/F, PSE Tower, Ayala Ave., Makati City	Total Shares [Hongkong Shanghai Banking Corp. / Depository]	Non-Filipino	8,521,231,879 (R)	34.82%
		[Hongkong Shanghai Banking Corp. / Depository]		[3,270,618,041] (B)	[13.48%]
		[Standard Chartered Bank/Depository]		[1,573,075,942] (B)	[6.49%]
		[Citibank N.A./Depository]		[1,360,806,003] (B)	[5.61%]
Common	Filinvest Development Corporation 173 P. Gomez St. San Juan, MM	N.A.	Filipino	7,760,807,691 (B)	31.71%
Common	Filinvest Alabang, Inc. FAI Administration Building, Alabang Zapote Road, Muntinlupa City	N.A.	Filipino	5,154,840,977 (B)	21.07%
Common	PCD Nominee Corporation (Filipino), G/F, PSE Tower, Ayala Ave., Makati City	(No single shareholder owns at least 5% of total shares)	Filipino	2,418,284,527 (R)	9.88%

Total number of shares of all record and beneficial owners as a group is 8,000,000,000 preferred shares representing 100% of the total outstanding preferred shares, and 23,855,165,074 common shares representing 97.48% of the total outstanding common shares.

11.2. Security Ownership of Management as of December 31, 2008

Class of Securities	Name and Address	Amount and Nature of Ownership	Citizenship	% of Ownership
Common	Mercedes T. Gotianum 173 P. Gomez St. San Juan MM	76 (D)	Filipino	Negligible
Common	Andrew T. Gotianum Jr. 173 P. Gomez St. San Juan MM	406,571 (D)	Filipino	"
Common	Joseph M. Yap 173 P. Gomez St. San Juan MM	1,508,906 (D)	Filipino	"
Common	Lourdes Josephine G. Yap 173 P. Gomez St. San Juan MM	76 (D)	Filipino	"
Common	Jonathan T. Gotianum 173 P. Gomez St. San Juan MM	61 (D) 650,000 (I)	Filipino	"
Common	Michael Edward T. Gotianum 173 P. Gomez St. San Juan MM	11,235,913 (D)	Filipino	"
Common	Efren C. Gutierrez 173 P. Gomez St. San Juan MM	13,083 (D)	Filipino	"
Common	Lamberto U. Ocampo 173 P. Gomez St. San Juan MM	1 (D)	Filipino	"
Common	Cornelio C. Gison c/o 173 P. Gomez St. San Juan MM	1 (D)	Filipino	"
Common	Cirilo T. Tolosa c/o 173 P. Gomez St. San Juan MM	1 (D)	Filipino	"
Common	Joseph and Josephine Yap 173 P. Gomez St. San Juan MM	7,694,843 (D)	Filipino	"
Common	Luis T. Fernandez 173 P. Gomez St. San Juan MM	4,064,940 (D)	Filipino	"

Total ownership of all directors and officers as a group is 0.1%. Interests of the above directors/executive officers in the Company's common shares are direct.

a) No person holds more than 5% of the common stock under a voting trust or similar agreement.
b) There has been no change in control of FLI since the beginning of last year.
c)

11.3. Voting Tust Holders of 5% or more

There are no persons holding 5% or more of a class of shares under any voting trust or similar agreement.

11.4. Changes in Control
There are no arrangements that may result in change in control of the Company.

Item 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The Company and its subsidiaries, in their normal course of business, have certain related party transactions with affiliates principally consisting of advances and intercompany charges.

Please refer to the Detailed Discussion on the Company's Subsidiaries, Joint Ventures, Affiliate and Related Party Transactions in Section 1.3, 1.4, 1.5 and 1.11, respectively.

PART lV - COMPLIANCE WITH LEADING PRACTICES ON CORPORATE GOVERNANCE

FLI's Manual on Corporate Governance was approved on August 29, 2002 in order to monitor and assess the FLI's compliance with leading practices on good corporate governance as specificied in its Corporate Governance Manual and Philippine SEC circulars. The Manual on Corporate Governance highlights areas for compliance improvement and sets out actions to be taken by FLI. FLI submits a certificate attesting to compliance with the Manual to the Philippine Sec and the PSE before the end of each year. FLI began submitting the certificate of compliance to the Philippine SEC and the PSE in 2003. As of December 31, 2008, there are no known material deviations from the FLI's Manual on Corporate Governance.

Furthermore, FLI has also raised its level of reporting to adopt and implement prescribed International Accounting Standards.

PART V – EXHIBITS AND SCHEDULES

Item 13. EXHIBITS AND REPORTS ON SEC Form 12-C

a) Exhibits

Exhibits as indicated in the Index to Exhibits are either not applicable to the Company or require no answer.

b) Reports on SEC Form 17-C

The following reports on SEC Form 17-C were filed during the last six-month period of 2008:

Report Date	Items Reported
14-Nov-08	Circulation of a Press Release entitled "Filinvest Land's 9 month income Up by 12%" which discussed the net income of the Company as of September 30, 2008.
21-Oct-08	Acquisition by the Company of 50,000 shares of its issued and outstanding shares at a price of Php 0.44 per share.
10-Oct-08	Acquisition by the Company of 200,000 shares of its issued and outstanding shares at a price of Php 0.46 per share.

8-Oct-08	Acquisition by the Company of 4,200,000 shares of its issued and outstanding shares at a price of Php 0.52 per share.
18-Sep-08	Acquisition by the Company of 200,000 shares of its issued and outstanding shares at a price of Php 0.62 per share.
16-Sep-08	Acquisition by the Company of 300,000 shares of its issued and outstanding shares at a price of Php 0.67 per share.
15-Sep-08	Acquisition by the Company of 1,050,000 shares and 500,000 shares of its issued and outstanding shares at a price of Php 0.68 and Php 0.69 per share respectively.
21-Aug-08	Acquisition by the Company of 220,000 shares and 400,000 shares of its issued and outstanding shares at a price of Php 0.75 and Php 0.76 per share respectively.
14-Aug-08	Circulation of a Press Release entitled "FLI's 1H08 Profit Up by 35%" which discussed the increase in net income of the Company for the first half of 2008 compared with the same period in 2007.
30-Jul-08	Appointment of SGV & Co. by the Board of Directors as the external auditor of the Corporation for the year 2008.
29-Jul-08	Acquisition by the Company of 200,000 shares of its issued and outstanding shares at a price of Php 0.77 per share.

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of San Juan, Metro Manila on April 01, 2008.

By:

Mercedes T. Gotianun
Chairperson

Joseph M. Yap
President and CEO

Nelson M. Bona
Chief Financial Officer

Atty. Ma. Michelle Tibon-Judan
AVP - Comptroller

Atty. Apollo M. Escarez
Corporate Information Officer

SUBSCRIBED AND SWORN to before me this APR 1 5 2009 affiants exhibiting to me their Community Tax Certificates, as follows:

Names	Comm. Tax Cert No.	Date of Issue	Place of Issue
Mercedes T. Gotianun	26502478	2/05/09	San Juan
Joseph M. Yap	26502480	2/05/09	San Juan
Nelson M. Bona	07250003	1/09/09	Muntinlupa
Atty. Apollo M. Escarez	22290236	4/11/08	San Juan
Atty. Ma. Michelle Tibon-Judan	22277377	2/6/08	San Juan

PARAÑAQUE CITY APR 1 5 2009
SUBSCRIBED AND SWORN to before me on this ____ affiant exhibiting to me Community No ____ issued on ____ at ____

AVELIO L. SALCEDO
NOTARY PUBLIC
UNTIL DECEMBER 31, 2010
PTR NO. 8834247/1/12/09/P - QUE.
IBP NO. 772742/1/9/09/PASAY CITY
ROLL NO. 38149

DOC NO. 131
PAGE NO. 28
BOOK NO. IV
SERIES OF 2009

FILINVEST LAND, INC.

INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

Form 17 - A, Item 7

Consolidated Financial Statements

Supplementary Schedules

FILINVEST
LAND INCORPORATED

March 19, 2009

Statement of Management's Responsibility
For Financial Statements

The management of FILINVEST LAND, INC. is responsible for all information and representations contained in the financial statements for the year ended December 31, 2008. The financial statements have been prepared in conformity with generally accepted accounting principles in the Philippines and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

In this regard, management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are recognized. The management likewise discloses to the Company's audit committee and to its 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 & Co, the independent auditors appointed by the stockholders, has examined the financial statements of the Company in accordance with generally accepted auditing standards in the Philippines and has expressed its opinion on the fairness of presentation upon completion of such examination, in its report to the Board of Directors and stockholders.

Signed under oath by the following:

MERCEDES T. GOTIANUN
Chairperson

JOSEPH M. YAP
President & Chief Executive Officer

NELSON M. BONA
Chief Financial Officer

173 P. GOMEZ ST. SAN JUAN, METRO MANILA, PHILIPPINES TEL. 727-0431 TO 39

REPUBLIC OF THE PHILIPPINES)
SAN JUAN, METRO MANILA) S.S.

SUBSCRIBED AND SWORN to me this 26th day of March 2009 in San Juan, Metro Manila, personally appeared the following who exhibited to me their respective Residence Certificate:

Name	Community Tax Cert. Number	Date of Issue	Place of Issue
Mercedes T. Gotianun	26502478	2/5/2009	San Juan
Joseph M. Yap	26502480	2/5/2009	San Juan
Nelson M. Bona	07250003	1/9/2009	Alabang, Muntinlupa

Doc No. 86
Page No. 17
Book No. III
Series of 2009.

AVELIO L. SALCEDO
NOTARY PUBLIC
UNTIL DECEMBER 31, 2010
PTR NO. 6834247M/12/09/P - QUE.
IBP NO. 772742/1/9/09/PASAY CITY
ROLL NO. 38149

FILINVEST LAND, INC. AND SUBSIDIARIES

(Company)

SCHEDULE A - MARKETABLE SECURITIES

DECEMBER 31, 2008

BALANCE SHEET DATE

(Amount in thousands)

Name of Issuing Entity and Description of Each Issue	No. of Shares or Principal Amount of Bonds and Notes	Amount Shown on the Balance Sheet	Valued based on market quotation at balance sheet date	Income received and accrued
Temporary Cash Investments				
East West Banking Corp.		2,218,042		
		2,218,042		

FILINVEST LAND, INC. AND SUBSIDIARIES
(Company)

SCHEDULE B - ACCOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS,
EMPLOYEES AND PRINCIPAL STOCKHOLDERS (OTHER THAN AFFILIATES)
FOR THE YEAR ENDED DECEMBER 31, 2008
(Amount in thousands)

Name and Designation of Debtor	Beginning	Addition	Collected	Amount Written Off	Ending Balance Current	Ending Balance Not Current
None		None		None		

Note: This schedule is not applicable because advances to officers and employees as mentioned in Note 8 of the Notes to Consolidated Financial Statements represent mainly advances for project costs, marketing activities, travel and other expenses arising from ordinary course of business.

FILINVEST LAND, INC. AND SUBSIDIARIES

(Company)

SCHEDULE C - Investment in Securities
For the Period December 31, 2008
(Amount in thousands)

	BEGINNING BALANCE		ADDITIONS		DEDUCTIONS		ENDING BALANCE		
Name of Issuing Entity and Description of Investment	No. of Shares or Principal amount of Bond and Notes	Amount in Pesos	Equity in earnings (losses) of investees for the period	Others	Distribution of earnings by investees	Others	No. of shares or principal amounts of bonds and notes	Amount in Pesos	Dividends received from investment not accounted for by the equity method
Filinvest Alabang, Inc.	120,000,000	3,754,284	67,569			0	120,000,000	3,821,853	
AFS financial assets at fair value		58,220		2,994		11,485		49,730	0
Total	0	3,812,504	67,569	2,994	0	11,485	120,000,000	3,871,583	0

FILINVEST LAND, INC. AND SUBSIDIARIES

(Company)

SCHEDULE D - Advances to Unconsolidated Subsidiaries and Affiliates

DECEMBER 31, 2008

(Amount in thousands)

Name of Affiliates	Balance at beginning of period	Balance at end of period	Remarks
Filinvest Alabang Inc.	11,988	11,453	
Filinvest Development Corp.	2,748	-	
Filinvest Africa Israel Investment Phils., Inc.	36,047	2,396	
Cyberzone Properties, Inc.	14,304	6,012	
Other	15,717	62,132	
	80,804	**81,993**	Consists mainly of various expenses such as payroll, supplies & utilities provided by the Company to its affiliates.

FILINVEST LAND, INC. AND SUBSIDIARIES
(Company)

SCHEDULE H - LONG-TERM DEBT
DECEMBER 31, 2008
BALANCE SHEET DATE
(Amount in thousands)

Title of Issue and type of Obligation	Amount Authorized by Indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-Term Debt" in related balance sheet	Remarks
Term Loans:				
Term loan from a financial institution			1,125,000	The loan is payable in 10 semi-annual installments commencing in December 2010 until June 2015 with a fixed interest rate of 11.94% until October 31, 2006 when the rate was adjusted to 10.69%, effective on such date. The interest rate was again adjusted to 7.72% on July 6, 2007. This loan is guaranteed by FDC. (1st tranche)
			1,125,000	The loan is payable in 10 semi-annual installments commencing December 2010 and ending June 2015. This loan has fixed interest rate of 7.90%. This loan in guarantedd by FDC. (2nd tranche)
Developmental loans from local banks			1,000,000	Unsecured loan obtained in October 2008 with interest rate equal to 91 days PDS Treasury Fixing (PDST-F) plus a spread of up to 1.5% per annum, payable quarterly in arrears. The principal is payable in eleven equal quarterly installments starting March 2011 up to September 2013 and lump sum full payment dut on December 2013.
			750,000	Unsecured loans obtained in August 2008 with interest rate equal to 91days PDST-F plus a spread of up to 1% per annum. The principal is payable in twelve equal quarterly installments starting November 2010 up to August 2013.
			500,000	Unsecured loan obtained in June 2008 with interest rate equal to 91days PDST-F plus a spread of up to 1.5% per annum, payable quarterly in arrears. Part of the principal is payable in 11 equal quarterly installments starting June 2010 up to March 2013 and lump sum full payment due in June 2013.
			500,000	Unsecured loan obtained in June 2008 with interest rate equal to 91days PDST-F plus a spread of up to 1.25% per annum. The principal is payable in 12 equal quarterly installments starting September 2010 up to June 2013.
			500,000	Unsecured loan obtained in November 2008 with interest rate equal to 91days PDST-F plus a spread of up to 2% per annum, payable quarterly in arrears. The principal is payable in 11 equal quarterly installments starting March 2011 up to September 2013 and lump sum full payment due on December 2013.
			500,000	Unsecured loan obtained by the Group in October 2008 with interest rate equal to 91days PDST-F plus a spread of up to 1% per annum. The principal is payable in 12 quarterly equal installments starting March 2011 up to October 2013.
			390,000	Unsecured 5-year loan obtained in September 2008 payable in 11 quarterly amortizations starting December 2010 with a balloon payment at maturity date

FILINVEST LAND, INC. AND SUBSIDIARIES
(Company)

SCHEDULE H - LONG-TERM DEBT
DECEMBER 31, 2008
BALANCE SHEET DATE
(Amount in thousands)

Title of Issue and type of Obligation	Amount Authorized by Indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-Term Debt" in related balance sheet	Remarks
				in September 2013 with interest rate equal to 91 days PDST-F plus fixed spread of 2% per annum, payable quarterly.
			277,500	Unsecured loans granted in May and December 2007 payable over 5 year period inclusive of 2 year grace period; 50% of the loan is payable in 12 equal quarterly amortizations and balance payable on final maturity . The loans carry interest equal to 90 day PDST-F rate plus fixed spread of 2% per annum payable quarterly in arrears. Current portion as of December 31,2008 amounting to P22.50 million is classified as "Notes payable" under "Accounts payable and accrued expenses" account.
			150,000	Unsecured 5-year loan obtained in March 2008, of which 50% of the principal is payable in 12 equal quarterly installments starting September 2010 and the remaining 50% balance is to be paid in lump sum at maturity in June 2013, with interest rate equal to 3-month PDST-F plus a spread of up to 2% per annum, payable quarterly in arrears.
			82,800	Loan obtained on December 15, 2006 payable in twenty equal quarterly amortizations starting in March 2008, with interest rate equivalent to 91-day T-Bill rat plus fixed spread of 2% per annum, payable quarterly in arrears and secured by a mortgage of serveral buildings located at the Northgate Cyberzone and assignment of the corresponding rentals. Current portion as of December 31, 2008 and 2007 amounting to P27.60 million is classifed as "Notes payable" under "Accounts payable and accrued expenses" account.
			72,000	Loan obtained in July 2007 payable in 20 equal quarterly amoritzations starting March 2008, with interest rate equal to 91-day T-Bill rate plus fixed spread of 2% per annum, payable quarterly in arrears and secured by a mortgage of several buildings located at the Northgate Cyberzone and assignment of the correspondings rentals. Current portion as of December 31, 2008 and 2007 amounting to P24 million is classified as "Notes payable" under "Accounts payable and accrued expenses" account.
			6,972,300	

FILINVEST LAND, INC. AND SUBSIDIARIES
(Company)

SCHEDULE I - Indebtedness to Affiliates and Related Parties
DECEMBER 31, 2008
(Amount in thousands)

Name of Affiliates	Balance at beginning of period	Balance at end of period	Remarks
Filinvest Alabang, Inc.	18,688	8,128	Consists mainly of interest bearing cash advances and share in various expenses such as payroll, supplies and utilities.
Filinvest Development Corporation		1,182	
Other	13,425	239,905	
	32,113	249,215	

FILINVEST LAND, INC. AND SUBSIDIARIES

(Company)

SCHEDULE K - CAPITAL STOCK
DECEMBER 31, 2008
BALANCE SHEET DATE
(Amount in thousands)

Title of Issue	No. of shares Authorized	Number of Shares Issued and Outstanding	No. of shares reserved for options, warrants, conversion and other rights	No. of shares held by affiliates	Directors, officers and employees	Others
Common Stock						
P1 par value	33 Billion shares	24,249,759,506		12,950,550,735	31,125,576	11,268,082,689
Preferred Stock						
P 0.01 par value	8 Billion shares	8,000,000,000		8,000,000		
Total		32,249,759,506		12,958,550,735	31,125,576	11,268,082,689

Shown in the balance sheet as follows:

	(In Thousand Pesos) Amount
Capital Stock	
Common stock	
Balance at beginning of year	24,470,708
Treasury stock	(221,041)
	24,249,667
Preferred stock	
Balance at beginning of year	80,000
Issuance of stock	-
	80,000
	24,329,667

Filinvest Land, Inc. and Subsidiaries

Consolidated Financial Statements
December 31, 2008 and 2007
and Years Ended December 31, 2008, 2007 and 2006

and

Independent Auditors' Report

SyCip Gorres Velayo & Co.

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BOA/PRC Reg. No. 0001
SEC Accreditation No. 0012-FR-1

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Filinvest Land, Inc.

We have audited the accompanying consolidated financial statements of Filinvest Land, Inc. and Subsidiaries, which comprise the consolidated balance sheets as at December 31, 2008 and 2007, and the related 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 December 31, 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 Standards. 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 polices, and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

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 judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 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 Filinvest Land, Inc. and Subsidiaries as of December 31, 2008 and 2007, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2008 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Cyril Jasmin B. Valencia

Cyril Jasmin B. Valencia
Partner
CPA Certificate No. 90787
SEC Accreditation No. 0782-A
Tax Identification No. 162-410-623
PTR No. 1566477, January 5, 2009, Makati City

March 19, 2009

FILINVEST LAND, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Amounts in Thousands of Pesos)

	December 31	
	2008	2007
ASSETS		
Cash and cash equivalents (Notes 6, 18 and 27)	**₱2,433,018**	₱1,729,721
Mortgage, notes and contracts receivables (Notes 3, 7, 15, 18 and 27)	**7,816,916**	6,789,127
Other receivables (Notes 3, 8, 18 and 27)	**1,577,338**	1,382,104
Due from related parties (Notes 17 and 27)	**81,993**	80,804
Real estate inventories (Notes 3, 9 and 18)	**20,541,998**	17,108,877
Investment in an associate (Notes 10 and 25)	**3,821,853**	3,754,284
Available-for-sale financial assets (Notes 11 and 27)	**49,730**	58,220
Investment property - net (Notes 3, 12 and 18)	**10,172,000**	10,390,065
Property and equipment - net (Notes 3, 13 and 18)	**870,020**	419,259
Goodwill (Notes 3 and 4)	**5,445,488**	5,445,488
Other assets (Notes 14 and 18)	**380,541**	311,956
	₱53,190,895	₱47,469,905
LIABILITIES AND EQUITY		
Liabilities		
Accounts payable and accrued expenses (Notes 7, 15, 18 and 27)	**₱6,266,912**	₱5,305,338
Income tax payable (Note 26)	**110,444**	84,363
Due to related parties (Notes 17, 18 and 27)	**249,215**	32,113
Pension liability (Notes 3 and 22)	**32,691**	20,056
Deferred income tax liabilities - net (Notes 18 and 26)	**1,599,818**	1,712,899
Long-term debt - net (Notes 16, 18 and 27)	**6,972,300**	3,515,864
Total Liabilities	**15,231,380**	10,670,633
Equity		
Common stock (Notes 4, 24 and 25)	**24,470,708**	24,470,708
Preferred stock (Note 24)	**80,000**	80,000
Additional paid-in capital (Notes 4 and 24)	**5,612,321**	5,612,321
Treasury stock (Note 24)	**(221,041)**	–
Revaluation reserve on available-for-sale financial assets (Note 11)	**(2,619)**	(2,619)
Share in revaluation increment on land at deemed cost of an associate (Note 10)	**1,876,422**	1,876,422
Retained earnings (Note 2)	**6,143,724**	4,762,440
Total Equity	**37,959,515**	36,799,272
	₱53,190,895	₱47,469,905

See accompanying Notes to Consolidated Financial Statements.

FILINVEST LAND, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(Amounts in Thousands of Pesos, Except Earnings Per Share Figures)

	Years Ended December 31		
	2008	2007	2006 (As restated - Note 2)
REVENUES (Note 18)			
Real estate sales	**₱3,507,560**	₱3,155,624	₱2,716,401
Cost of real estate sales	**1,585,592**	1,473,019	1,099,902
Gross profit	**1,921,968**	1,682,605	1,616,499
OTHER INCOME			
Rental income (Notes 12, 18 and 23)	**1,134,530**	1,020,241	306,111
Interest income (Notes 7 and 21)	**370,243**	358,649	272,206
Equity in net earnings of an associate (Note 10)	**67,569**	357,396	63,475
Others - net (Note 8)	**250,596**	237,577	161,343
Foreign currency exchange gain - net	**7,347**	–	–
	1,830,285	1,973,863	803,135
EXPENSES			
General and administrative (Note 19)	**1,028,491**	963,900	637,733
Selling and marketing (Note 20)	**483,867**	426,752	362,444
Interest expense (Notes 15, 16 and 21)	**108,231**	122,988	334,587
Foreign currency exchange loss - net	**–**	13,243	3,232
	1,620,589	1,526,883	1,337,996
INCOME BEFORE INCOME TAX	**2,131,664**	2,129,585	1,081,638
PROVISION FOR INCOME TAX (Notes 18 and 26)			
Current	**377,744**	330,826	42,299
Deferred	**(113,081)**	94,366	167,513
	264,663	425,192	209,812
NET INCOME (Note 25)	**₱1,867,001**	₱1,704,393	₱871,826
EARNINGS PER SHARE (Note 25)			
Basic / Diluted	**₱0.080**	₱0.071	₱0.056

See accompanying Notes to Consolidated Financial Statements.

FILINVEST LAND, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Amounts in Thousands of Pesos)

	Common Stock	Preferred Stock	Additional Paid-in Capital	Treasury Shares	Revaluation Reserve on Available-for-Sale Financial Assets	Share in Revaluation Increment on Land at Deemed Cost of an Associate	Retained Earnings	Total
				For the Year Ended December 31, 2008				
Balances as of January 1, 2008	₱24,470,708	₱80,000	₱5,612,321	₱–	(₱2,619)	₱1,876,422	₱4,762,440	₱36,799,272
Net income for the year	–	–	–	–	–	–	1,867,001	1,867,001
Dividends (Note 24)	–	–	–	–	–	–	(485,717)	(485,717)
Acquisition of treasury shares at cost (Note 24)	–	–	–	(221,041)	–	–	–	(221,041)
Balances as of December 31, 2008	**₱24,470,708**	**₱80,000**	**₱5,612,321**	**(₱221,041)**	**(₱2,619)**	**₱1,876,422**	**₱6,143,724**	**₱37,959,515**
				For the Year Ended December 31, 2007				
Balances as of December 31, 2006, as previously reported	₱20,770,708	₱–	₱3,859,745	₱–	(₱909)	₱1,876,422	₱2,801,059	₱29,307,025
Cumulative effect of change in accounting for real estate sales (Note 2)	–	–	–	–	–	–	256,988	256,988
Balances as of January 1, 2007, as restated	20,770,708	–	3,859,745	–	(909)	1,876,422	3,058,047	29,564,013
Net income for the year	–	–	–	–	–	–	1,704,393	1,704,393
Changes in fair value of available-for-sale financial assets recognized directly in equity (Note 11)	–	–	–	–	(1,710)	–	–	(1,710)
Recognized income and expense for the year	–	–	–	–	(1,710)	–	1,704,393	1,702,683
Issuance of capital stock (Note 24)	3,700,000	80,000	1,752,576	–	–	–	–	5,532,576
Balances as of December 31, 2007	₱24,470,708	₱80,000	₱5,612,321	₱–	(₱2,619)	₱1,876,422	₱4,762,440	₱36,799,272

(Forward)

	Common Stock	Preferred Stock	Additional Paid-in Capital	Treasury Shares	Revaluation Reserve on Available-for-Sale Financial Assets	Share in Revaluation Increment on Land at Deemed Cost of an Associate	Retained Earnings	Total
	For the Year Ended December 31, 2006 (As restated)							
Balances as of December 31, 2005, as previously reported	₱7,819,261	₱–	₱248,548	₱–	₱34,561	₱1,876,422	₱8,092,189	₱18,070,981
Cumulative effect of change in accounting for real estate sales (Note 2)	–	–	–	–	–	–	202,986	202,986
Balances as of January 1, 2006, as restated	7,819,261	–	248,548	–	34,561	1,876,422	8,295,175	18,273,967
Net income for the year as previously reported	–	–	–	–	–	–	817,824	817,824
Effect of change in accounting for real estate sales (Note 2)	–	–	–	–	–	–	54,002	54,002
Net income for the year, as restated	–	–	–	–	–	–	871,826	871,826
Changes in fair value of available-for-sale financial assets recognized directly in equity	–	–	–	–	(35,470)	–	–	(35,470)
Recognized income and expense for the year	–	–	–	–	(35,470)	–	871,826	836,356
Issuance of capital stock (Notes 1, 4 and 24)	5,642,493	–	3,611,197	–	–	–	–	9,253,690
Bond conversion (Note 24)	1,200,000	–	–	–	–	–	–	1,200,000
Stock dividend (Notes 24 and 25)	6,108,954	–	–	–	–	–	(6,108,954)	–
Balances as of December 31, 2006, as restated	₱20,770,708	₱–	₱3,859,745	₱–	(₱909)	₱1,876,422	₱3,058,047	₱29,564,013

See accompanying Notes to Consolidated Financial Statements.

FILINVEST LAND, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands of Pesos)

	Years Ended December 31		
	2008	2007	2006 (As restated - Note 2)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱2,131,664**	₱2,129,585	₱1,081,638
Adjustments for:			
Depreciation and amortization (Notes 12, 13 and 19)	**238,402**	239,403	81,765
Interest expense (Notes 15, 16 and 21)	**108,231**	122,988	334,587
Provision for retirement benefits (Notes 3 and 22)	**12,635**	17,599	13,013
Interest income (Notes 7 and 21)	**(370,243)**	(358,649)	(272,206)
Equity in net earnings of an associate (Note 10)	**(67,569)**	(357,396)	(63,475)
Dividend income	**(6,610)**	(4,260)	(2,219)
Operating income before changes in operating assets and liabilities	**2,046,510**	1,789,270	1,173,103
Changes in operating assets and liabilities			
Decrease (increase) in:			
Mortgage, notes and contracts receivables	**(1,027,789)**	(1,101,450)	(80,961)
Other receivables	**(191,854)**	(339,080)	(559,876)
Real estate inventories - net of raw land acquisitions	**(2,151,944)**	(898,116)	452,963
Increase (decrease) in accounts payable and accrued expenses	**1,029,074**	1,392,207	(324,281)
Net cash generated from (used in) operations	**(296,003)**	842,831	660,948
Interest received	**366,863**	357,567	272,206
Dividends received	**6,610**	4,260	2,219
Income taxes paid	**(351,663)**	(251,489)	(36,267)
Interest paid	**(403,765)**	(418,022)	(697,564)
Net cash provided by (used in) operating activities	**(677,958)**	535,147	201,542
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of raw land	**(985,643)**	(1,086,918)	(61,884)
Acquisitions of property and equipment (Note 13)	**(471,098)**	(323,772)	(12,308)
Decrease (increase) in other assets	**(60,095)**	114,818	(139,179)
Acquisitions of investment property (Note 12)	**–**	(158,519)	(45,393)
Net cash used in investing activities	**(1,516,836)**	(1,454,391)	(258,764)

(Forward)

	Years Ended December 31		
	2008	2007	2006 (As restated - Note 2)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from stock offering (Note 24)	**₱–**	₱5,532,576	₱–
Proceeds from notes payable, corporate notes and long-term debt (Notes 15 and 16)	**4,290,000**	2,394,464	1,638,000
Increase (decrease) in amounts due to related parties	**217,102**	(18,772)	50,700
Payments of notes payable, corporate notes and long term debt (Note 16)	**(901,064)**	(5,750,000)	(1,664,230)
Acquisition of treasury shares	**(221,041)**	–	–
Payment of cash dividend	**(485,717)**	–	–
Decrease (increase) in amounts due from related parties	**(1,189)**	21,978	17,412
Net cash provided by financing activities	**2,898,091**	2,180,246	41,882
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**703,297**	1,261,002	(15,340)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**1,729,721**	468,719	484,059
CASH AND CASH EQUIVALENTS AT END OF YEAR	**₱2,433,018**	₱1,729,721	₱468,719

See accompanying Notes to Consolidated Financial Statements.

FILINVEST LAND, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

Filinvest Land, Inc. (the Parent Company) is a property developer engaged mainly in the development of residential subdivisions and construction of housing units and recently, in leasing activities. It was incorporated and domiciled in the Philippines where its shares are publicly traded. The Parent Company and its Subsidiaries (collectively referred to as "the Group") offers a range of products from socialized and affordable housing to middle income and high-end housing, various types of subdivision lots, medium-rise buildings, farm estates, industrial parks, residential resort projects, a private membership Club and a condotel. The Group also leases out commercial spaces in a mall as well as office spaces in Makati City and Alabang, Muntinlupa City. The Group's registered office address is 173 P. Gomez St., San Juan City, Metro Manila.

The Group's parent company is Filinvest Development Corporation (FDC), a publicly listed entity. ALG Holdings Corporation is the Group's ultimate parent company.

On September 29, 2006, the Group entered into a series of transactions pursuant to which it acquired (1) 60% ownership interest in Filinvest Asia Corporation (FAC) from FDC; (2) 60% ownership interest in Cyberzone Properties, Inc. (CPI) from Filinvest Alabang, Inc. (FAI); and (3) Festival Supermall structure from FAI. In exchange for acquiring these assets, the Group issued a total of about 5.64 billion common shares to FDC and FAI and assumed ₱2.50 billion outstanding debts of FDC and FAI (see Note 4).

In September 2006, the Group also entered into a joint venture agreement with Africa Israel Investments (Phil.), Inc. (AIIPI) to undertake the development of Timberland Sports and Nature Club (the Club) and about 50 hectares of land comprising Phase II of Timberland Heights and the construction of two medium-rise buildings by incorporation of Filinvest AII Philippines Inc. (FAPI) (see Note 4).

The accompanying consolidated financial statements were approved and authorized for issue by the Board of Directors (BOD) on March 19, 2009.

2. Summary of Significant Accounting Policies

Basis of Preparation
The accompanying consolidated financial statements are prepared using the historical cost basis, except for available-for-sale (AFS) financial assets that are measured at fair value. Amounts are in thousand pesos except as otherwise indicated.

The Group's consolidated financial statements are presented in Philippine Peso, which is also the Parent Company and its subsidiaries, joint ventures and associate's functional currency under Philippine Financial Reporting Standards (PFRS).

Statement of Compliance
The accompanying consolidated financial statements of the Group have been presented in compliance with PFRS.

Basis of Consolidation
The consolidated financial statements include the financial statements of the Parent Company and its subsidiaries together with the Group's proportionate share in its joint ventures. The financial statements of the subsidiaries, joint ventures and associate are prepared for the same reporting period as the Parent Company using consistent accounting policies.

Subsidiaries are consolidated when control is transferred to the Group and cease to be consolidated when control is transferred out of the Group. Control is presumed to exist when the Group owns more than 50% of the voting power of an enterprise. The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. All intercompany balances and transactions, intercompany profits and expenses and gains and losses are eliminated in the consolidation.

The consolidated financial statements include the accounts of the Parent Company and the following subsidiaries:

	Percentage of Ownership	
	2008	2007
Property Maximizer Professional Corp. (Promax)	**100**	100
Homepro Realty Marketing, Inc. (Homepro)	**100**	100
Property Specialist Resources, Inc. (Prosper)	**100**	100
Leisurepro, Inc. (Leisurepro)	**100**	100

The Group's share of the assets, liabilities and net income of the following joint ventures are proportionately consolidated into the Group's consolidated financial statements:

	Percentage of Ownership	
	2008	2007
CPI	**60**	60
FAC	**60**	60
FAPI	**60**	60

Voluntary Change on Revenue Recognition Policy
In 2007, the Group decided to voluntarily change its current revenue recognition policy on sale of subdivision lots and housing units and follow the industry's practice in discontinuing the use of the installment method. The decision emphasizes that the application of full accrual method is presumed to result in financial statements that achieve a fair presentation in accordance with Philippine Accounting Standard (PAS) 18, *Revenues,* and follow the best practice in the real estate industry.

The change resulted to an increase in net income of ₱54.00 million in 2006 and increase in retained earnings of ₱256.99 million and ₱202.99 million as at January 1, 2007 and 2006, respectively.

Changes in Accounting Policies and Disclosures
The accounting policies adopted by the Group are consistent with those of the previous year except for the adoption of the following new Philippine Interpretations of International Financial Reporting Interpretations Committee (IFRIC) which became effective on January 1, 2008 and amendment to an existing PAS that became effective on July 1, 2008. Adoption of these new and amended standards and interpretations did not have any effect on the consolidated financial statements of the Group.

- Philippine Interpretation IFRIC 11, *PFRS 2 - Group and Treasury Share Transactions*
- Philippine Interpretation IFRIC 12, *Service Concession Arrangements*
- Philippine Interpretation IFRIC 14, *Philippine Accounting Standards (PAS) 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*
- Amendments to PAS 39, *Financial Instruments: Recognition and Measurement* and PFRS 7, *Financial Instruments: Disclosures - Reclassification of Financial Assets*

New Accounting Standards, Interpretations, and Amendments to Existing Standards Effective Subsequent to December 31, 2008
The Group will adopt the following standards and interpretations enumerated below when these become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended PFRS and Philippine Interpretations to have significant impact on its financial statements.

Effective in 2009

- PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate.*
  The amended PFRS 1 allows an entity, in its separate financial statements, to determine the cost of investments in subsidiaries, jointly controlled entities or associates (in its opening PFRS financial statements) as one of the following amounts: (a) cost determined in accordance with PAS 27, *Consolidated and Separate Financial Statements*; (b) at the fair value of the investment at the date of transition to PFRS, determined in accordance with PAS 39; or (c) previous carrying amount (as determined under generally accepted accounting principles) of the investment at the date of transition to PFRS.

- PFRS 2, *Share-based Payment - Vesting Condition and Cancellations*
  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. It further requires non-vesting conditions to be treated in a similar fashion to market conditions. Failure to satisfy a non-vesting condition that is within the control of either the entity or the counterparty is accounted for as cancellation. However, failure to satisfy a non-vesting condition that is beyond the control of either party does not give rise to a cancellation.

- PFRS 8, *Operating Segments*
  PFRS 8 will replace PAS 14, *Segment Reporting*, and adopts a full management approach to identifying, measuring and disclosing the results of an entity's operating segments. The information reported would be that which management uses internally for evaluating the performance of operating segments and allocating resources to those segments. Such information may be different from that reported in the consolidated balance sheet and consolidated statement of income and the Group will provide explanations and reconciliations of the differences. This standard is only applicable to an entity that has debt or equity instruments that are traded in a public market or that files (or is in the process of filing) its financial statements with a securities commission or similar party. The Group will assess the impact of this standard to its current manner of reporting segment information when the standard becomes effective.

- Amendments to PAS 1, *Presentation of Financial Statements*
  This amendment introduces a new statement of comprehensive income that combines all items of income and expenses recognized in the profit or loss together with "other comprehensive income". Entities may choose to present all items in one statement, or to present two linked statements, a separate statement of income and a statement of comprehensive income. This amendment also requires additional requirements in the presentation of the consolidated balance sheet and consolidated owner's equity as well as additional disclosures to be included in the consolidated financial statements. The Group is yet to decide on the presentation of the statement of comprehensive income whether as one statement or two linked statements. All the other required disclosures will be included in the consolidated financial statements when the standard becomes effective.

- Amendment to PAS 23, *Borrowing Costs*
  The standard has been revised to require capitalization of borrowing costs when such costs relate to a qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. The Group does not expect that the adoption of this standard will have a significant impact on the consolidated financial statements since the amendment is already consistent with the Group's current accounting policy on borrowing costs.

- Amendments to PAS 27, *Consolidated and Separate Financial Statements - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
  This amendment will be effective on January 1, 2009 which has changes in respect of the holding companies separate financial statements including (a) the deletion of 'cost method', making the distinction between pre- and post-acquisition profits no longer required; and (b) in cases of reorganizations where a new parent is inserted above an existing parent of the group (subject to meeting specific requirements), the cost of the subsidiary is the previous carrying amount of its share of equity items in the subsidiary rather than its fair value. All dividends will be recognized in profit or loss. However, the payment of such dividends requires the entity to consider whether there is an indicator of impairment.

- Amendment to PAS 32, *Financial Instruments: Presentation* and PAS 1, *Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation*
  These amendments specify, among others, that puttable financial instruments will be classified as equity if they have all of the following specified features: (a) the instrument entitles the holder to require the entity to repurchase or redeem the instrument (either on an ongoing basis or on liquidation) for a pro rata share of the entity's net assets, (b) the instrument is in the most subordinate class of instruments, with no priority over other claims to the assets of the entity on liquidation, (c) all instruments in the subordinate class have identical features (d) the instrument does not include any contractual obligation to pay cash or financial assets other than the holder's right to a pro rata share of the entity's net assets, and (e) the total expected cash flows attributable to the instrument over its life are based substantially on the profit or loss, a change in recognized net assets, or a change in the fair value of the recognized and unrecognized net assets of the entity over the life of the instrument.

- Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes*
  This interpretation requires customer loyalty award 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 realized in income over the period that the award credits are redeemed or expire.

- Philippine Interpretation IFRIC 16, *Hedges of a Net Investment in a Foreign Operation*
  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.

Improvements to PFRSs
In May 2008, the International Accounting Standards Board issued its first omnibus of amendments to certain standards, primarily with a view of removing inconsistencies and clarifying wording. These are the 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 (previously referred to "minority 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 balance sheet.

- PAS 16, *Property, Plant and Equipment*
  - The amendment replaces the term 'net selling price' with 'fair value less costs to sell', to be consistent with PFRS 5 and PAS 36, *Impairment of Asset*.

- 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. Proceeds of such sales are subsequently shown as revenue. Cash payments on initial recognition of such items, the cash receipts from rents and subsequent sales are all shown as cash flows from operating activities. The Group does not have such kind of property, plant and equipment.

- PAS 19, *Employee Benefits*
  - Revises the definition of 'past service costs' to include reductions in benefits related to past services ('negative past service costs') and to exclude reductions in benefits related to future services that arise from plan amendments. Amendments to plans that result in a reduction in benefits related to future services are accounted for as a curtailment.
  - Revises the definition of 'return on plan assets' to exclude plan administration costs if they have already been included in the actuarial assumptions used to measure the defined benefit obligation.
  - Revises the definition of 'short-term' and 'other long-term' employee benefits to focus on the point in time at which the liability is due to be settled.
  - Deletes the reference to the recognition of contingent liabilities to ensure consistency with PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*.

- PAS 20, *Accounting for Government Grants and Disclosures of Government Assistance*
  - Loans granted 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 a government grant.

- PAS 23, *Borrowing Costs*
  - Revises the definition of borrowing costs to consolidate the types of items that are considered components of 'borrowing costs', i.e., components of the interest expense calculated using the effective interest rate method.

- 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.
  - 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.

- PAS 29, *Financial Reporting in Hyperinflationary Economies*
  - Revises the reference to the exception that assets and liabilities should be measured at historical cost, such that it notes property, plant and equipment as being an example, rather than implying that it is a definitive list.

- 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.

- 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'. The required disclosure will be disclosed in the consolidated financial statements when the improvements become effective.

- 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. Advertising and promotional activities now specifically include mail order catalogues.
  - Deletes references to there being rarely, if ever, persuasive evidence to support an amortization method for finite life intangible assets that results in a lower amount of accumulated amortization than under the straight-line method, thereby effectively allowing the use of the unit of production method.

- PAS 39, *Financial Instruments: Recognition and Measurement*
  - Changes in circumstances relating to derivatives - specifically derivatives designated or de-designated as hedging instruments after initial recognition - are not reclassifications.
  - When financial assets are reclassified as a result of an insurance company changing its accounting policy in accordance with paragraph 45 of PFRS 4 *Insurance Contracts*, this is a change in circumstance, not a reclassification.
  - Removes the reference to a 'segment' when determining whether an instrument qualifies as a hedge.
  - Requires use of the revised effective interest rate (rather than the original effective interest rate) when re-measuring a debt instrument on the cessation of fair value hedge accounting.

- PAS 40, *Investment Properties*
  - Revises the scope (and the scope of PAS 16) to include property that is being constructed or developed for future use as an investment property. Where an entity is unable to determine the fair value of an investment property under construction, but expects to be able to determine its fair value on completion, the investment under construction will be measured at cost until such time as fair value can be determined or construction is complete. The Group will classify accordingly to investment property any construction-in-progress intended to be an investment property upon completion as required by this standard.

- PAS 41, *Agriculture*
  - Removes the reference to the use of a pre-tax discount rate to determine fair value, thereby allowing use of either a pre-tax or post-tax discount rate depending on the valuation methodology used.

- Removes the prohibition to take into account cash flows resulting from any additional transformations when estimating fair value. Instead, cash flows that are expected to be generated in the 'most relevant market' are taken into account.

Effective in 2010

- Revised PFRS 3, *Business Combinations* and PAS 27, *Consolidated and Separate Financial Statements*
  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, among others, that (a) change in ownership interests of a subsidiary (that do not result in loss of control) will be accounted for as an equity transaction and will have no impact on goodwill nor will it give rise to a gain or loss; (b) losses incurred by the subsidiary will be allocated between the controlling and non-controlling interests; even if the losses exceed the non-controlling equity investment in the subsidiary; and (c) on loss of control of a subsidiary, any retained interest will be remeasured to fair value and this will impact the gain or loss recognized on disposal. The changes introduced by the revised PFRS 3 and PAS 27 must be applied prospectively and will affect future acquisitions and transactions with non-controlling interests.

- Amendment to PAS 39, *Financial Instruments: Recognition and Measurement - Eligible hedged items*
  Amendment to PAS 39 will be effective on July 1, 2009, which 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.

Effective in 2012

- Philippine Interpretation IFRIC 15, *Agreement for Construction of Real Estate*
  This interpretation 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 Group expects that certain on-going real estate projects currently accounted for under stage of completion will be completed before the effectivity of this standard thus has no expected material impact to the consolidated financial statements.

Accounting Policies

Investment in an Associate
The Group's investment in an associate is accounted for under the equity method of accounting. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture.

Under the equity method, the investment in an associate is carried in the consolidated balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associate. After application of the equity method, the Group determines whether it is necessary to recognize any additional impairment loss with respect to the Group's net investment in the associate. The consolidated statement of income reflects the share of the results of operations of the associate.

Where there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity.

The reporting dates of the associate and the Group are identical and the associates' accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

Interests in Joint Ventures
The Group has interests in joint ventures which are accounted for by the proportionate consolidation of assets, liabilities, income and expenses on a line-by-line basis.

A joint venture is a contractual agreement whereby two or more parties undertake an economic activity that is subject to joint control. The Group recognizes its interest in the joint venture using proportionate consolidation. The Group combines its share of each of the assets, liabilities, income and expenses of the joint venture with similar terms, line by line, in its consolidated financial statements. The financial statements of the joint venture are prepared for the same reporting year as the Group, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

When the Group contributes or sells assets to the joint venture, any portion of gain or loss from the transaction is recognized based on the substance of the transaction. When the Group purchases assets from the joint venture, the Group does not recognize its share of the profits of the joint venture from the transaction until it resells the assets to an independent party. The joint venture is proportionately consolidated until the date on which the Group ceases to have joint control over the joint venture.

The Group also has interests in joint ventures which are jointly controlled assets. The Group recognizes in its consolidated financial statements its share in the jointly controlled assets, the liabilities that it incurred and its share in any of the liabilities it incurred jointly with the venture partner and income and expenses that it incurred.

Financial Assets and Liabilities

Financial assets and liabilities are recognized initially at fair value. The fair value of financial instruments that are actively traded in organized financial markets are determined by reference to quoted market bid prices at the close of the business at the balance sheet date. For financial instruments where there is no active market, fair value is determined using valuation techniques.

Such techniques include using recent arm's length market transactions, reference to the current market value of another instrument, which is substantially the same discounted cash flows analysis and option pricing models. Transaction costs are included in the initial measurement of all financial assets and liabilities, except for financial instruments which are measured at fair value through profit or loss (FVPL).

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. In the case of a regular way purchase or sale of financial assets, recognition is done using settlement date accounting.

The fair value for financial instruments traded in active markets at the balance sheet date is based on their quoted market prices 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 discounted cash flow methodologies, comparison to similar instruments for which market observable prices exist, option pricing models, and other relevant valuation models. In the absence of a reliable basis of determining fair value, investments in unquoted equity securities are carried at cost net of impairment, if any.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits. Financial instruments are offset when there is a legally enforceable right to offset and intention to settle either on a net basis or to realize the asset and settle the liability simultaneously.

Financial assets are further classified into the following categories: financial assets at FVPL, loans and receivables, held-to-maturity (HTM) and AFS financial assets. Financial liabilities are classified as financial liability through FVPL and other financial liabilities at amortized cost. The Group determines the category at initial recognition and re-evaluates this designation at every reporting date.

Financial Assets or Liabilities at FVPL
A financial asset or financial liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the near term or upon initial recognition, it is designated by management at FVPL. Financial assets may be designated at initial recognition as at FVPL if the following criteria are met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognizing gains or losses on the different basis;
- The assets or liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a document risk management strategy; or
- The financial assets or liabilities contain an embedded derivative that would need to be separately recorded.

Derivatives are also categorized as held at FVPL, except those derivatives designated and considered as effective hedging instruments.

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

As of December 31, 2008 and 2007, the Group has no financial assets or liabilities at FVPL.

Loans and Receivables
Loans and receivables are nonderivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. Loans and receivables are carried at cost or amortized cost in the consolidated balance sheet. Amortization is determined using the effective interest rate method and is included in "Interest income" account in the consolidated statement of income. The losses arising from impairment of such financial assets are recognized in the consolidated statement of income. Gains and losses are recognized in the consolidated statement of income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Included under this category are the Group's cash and cash equivalents, mortgage, notes and contracts receivables, due from related parties and other receivables (see Notes 6, 7, 8, 17, 18 and 27).

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

HTM Financial Assets
HTM financial assets are quoted nonderivative financial assets with fixed or determinable payments and fixed maturities wherein the Group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this category. Other long-term investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortized cost. This cost is computed as the amount initially

recognized minus principal repayments, plus or minus the cumulative amortization using effective interest rate method of any difference between the initially recognized amount and the maturity amount.

This calculation includes all fees and points paid or received between parties to the contract that are integral part of the effective interest rate, transactions costs and all other premiums and discounts. For investments carried at amortized cost, gains and losses are recognized in the consolidated statement of income when the investments are derecognized or impaired, as well as through the amortization process.

As of December 31, 2008 and 2007, the Group has no HTM financial assets.

AFS Financial Assets
AFS financial assets are nonderivatives that are either classified in this category or not classified in any of the other categories. AFS financial assets are carried at fair value in the consolidated balance sheet. Changes in the fair value of such assets are accounted for as "Revaluation reserve on available-for-sale financial assets" account under equity until the investment is derecognized or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the consolidated statement of income.

AFS financial assets also include unquoted equity investments, which are carried at cost, less any accumulated impairment in value, due to unpredictable nature of future cash flows and the lack of other suitable methods for arriving at a reliable fair value.

Included under this category are the Group's investments in quoted and unquoted shares of stocks (see Notes 11 and 27).

Other Financial Liabilities at Amortized Cost
Other financial liabilities at amortized cost pertain to issued financial instruments or their components that are not classified or designated at FVPL and contain contractual obligations to deliver cash or another financial asset to the holder or to settle 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. 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.

After initial recognition, these liabilities are subsequently measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate.

Other financial liabilities at amortized cost consist primarily of accounts payable and accrued expenses, due to related parties and long-term debt (see Notes 15, 16, 17 and 27).

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

Assets Carried at Amortized Cost
If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of the loss shall be recognized in "Impairment losses" account in the consolidated statement of income.

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

If, in a subsequent period, the amount of the impairment loss 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 its amortized cost at the reversal date.

Assets Carried at Cost
If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument 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 discounted at the current market rate of return for a similar financial asset.

AFS Financial Assets
If an AFS financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in the consolidated statement of income, is transferred from consolidated equity to the consolidated statement of income. Reversals in respect of equity instruments classified as AFS financial assets are not recognized in the consolidated statement of income.

For available-for-sale financial investments, the Group assesses at each balance sheet date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the income statement, is removed from consolidated equity and recognized in the consolidated statement of income. Impairment losses on equity investments are not reversed through the consolidated statement of income; increases in their fair value after impairment are recognized directly in consolidated equity.

Derecognition of Financial Assets and Liabilities

Financial Assets

A financial asset is derecognized when (a) the rights to receive cash flows from the asset have expired, (b) 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 (c) the Group has transferred its rights to receive cash flows from the asset and has either 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 its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of an asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial Liabilities

A financial liability is derecognized when the obligation under the liability expires, is discharged or cancelled. 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.

Real Estate Inventories

Real estate inventories consist of subdivision lots and housing units for sale, land and land development and investment in club project carried at the lower of cost and net realizable value (NRV).

The cost of subdivision lots and housing units for sale includes the acquisition cost of land and costs for development and improvement of the properties and construction costs of housing units, including capitalized borrowing costs. The cost of land and land development includes those costs incurred for development and improvement of properties, including capitalized borrowing costs. The cost of investment in club project includes development and construction costs of the club, including capitalized borrowing costs.

NRV is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

Investment Property

Investment property consists of properties that are held to earn rentals. Investment properties, except for land, are carried at cost less accumulated depreciation and any impairment in value. Land is carried at cost less any impairment, if any.

Depreciation of investment property is computed using the straight-line method over its useful life. Buildings and ready-built factories are depreciated over its estimated useful lives of 50 and 20 years, respectively.

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

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

Property and Equipment

Property and equipment are carried at cost less accumulated depreciation and amortization and any impairment in value. The initial cost of property and equipment comprises its purchase price and any directly attributable costs of bringing the assets to its working condition and location for its intended use.

Construction in progress, included in property and equipment, is stated at cost. This includes cost of construction and other direct costs. Construction in progress is not depreciated until such time as the relevant assets are completed and put into operational use.

Expenditures incurred after the property and equipment have been put into operations, such as repairs and maintenance and overhaul costs, are normally charged to income in the year 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 is computed on the straight-line basis over the estimated useful lives of the assets, as follows:

Buildings	20 years
Machinery and equipment	5 years
Transportation equipment	5 years
Furniture and fixtures	3-5 years

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

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

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

Business Combinations and Goodwill

Business combinations are accounted for using the purchase method. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at fair values at the date of acquisition, irrespective of the extent of any minority interest.

Goodwill is initially measured at cost being the excess of the cost of the business combination over the Group's share in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the income statement.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

When the Group acquires a business, embedded derivatives separated from the host contract by the acquiree are not reassessed on acquisition unless the business combination results in a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

Impairment of Non-financial Assets

The carrying values of assets (e.g., real estate inventories, investment in an associate, property and equipment and investment property) are reviewed for impairment when events or changes in circumstances indicate the carrying values may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, the assets or cash-generating units are written down to their recoverable amounts. The recoverable amount of the asset is the greater of net selling price and value in use. 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. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in the consolidated statement of income.

For assets excluding goodwill, 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 such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the income statement unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

Goodwill is tested for impairment annually as at December 31 and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than their carrying amount an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

Earnings Per Share (EPS)

Basic EPS is computed by dividing net income applicable to common stock by the weighted average number of common shares outstanding, after giving retroactive effect for any stock dividends, stock splits or reverse stock splits during the period.

Diluted EPS is computed by dividing net income by the weighted average number of common shares outstanding during the period, after giving retroactive effect for any stock dividends, stock splits or reverse stock splits during the period, and adjusted for the effect of dilutive options and dilutive convertible preferred shares. If the required dividends to be declared on convertible preferred shares divided by the number of equivalent common shares, assuming such shares are converted, would decrease the basic EPS, then such convertible preferred shares would be deemed dilutive.

Where the effect of the assumed conversion of the preferred shares and the exercise of all outstanding options have anti-dilutive effect, basic and diluted EPS are stated at the same amount. Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the Group by the weighted average number of ordinary shares outstanding during the year.

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

a. *Sale of Subdivision Lots and Housing Units*

   Real estate revenue and cost from substantially completed projects is accounted for using the full accrual method.

Collections from accounts which do not qualify for revenue recognition are treated as customer deposits included in the "Accounts payable and accrued expenses" account in the consolidated balance sheet.

b. *Sale of Club Shares*
Sale of club shares is accounted for using the percentage-of-completion method where the Group has material obligations under the sales contract to complete the project after the club share is sold. 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.

Any excess of collections over the recognized receivables are included in the "Accounts payable and accrued expenses" account in the liabilities section of the consolidated balance sheet.

Rental Income
Rental income arising from investment property is recognized in the consolidated statement of income either 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.

Management Fees
Management fees from administration and property management and other fees are recognized when services are rendered. Management fees are included in "Other income" account in the consolidated statement of income.

Interest Income
Interest is recognized as it accrues (using the effective interest rate 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. Dividend income is included in the "Other income" account in the consolidated statement of income.

Retirement Costs
Retirement costs on the Group's defined benefit retirement plan are actuarially computed using the projected unit credit 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. Retirement cost includes current service cost, interest cost, expected return on any plan assets, actuarial gains and losses and the effect of any curtailment or settlement.

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

Actuarial gains and losses are recognized as income or expense if the cumulative unrecognized actuarial gains and losses at the end of the previous reporting period exceeded the greater of 10% of the present value of defined benefit obligation or 10% of the fair value of plan assets. These gains and losses are recognized over the expected average remaining working life of the employees participating in the plans.

<u>Commission Expense</u>
Commissions paid to sales or marketing agents on the sale of pre-completed real estate units are deferred when recovery is reasonably expected and are charged to expense in the period in which the related revenue is recognized as earned. Commission expense is included in the “Selling and marketing expenses” account in the consolidated statement of income.

<u>Borrowing Costs</u>
Borrowing costs are generally expensed as incurred. Interest and other financing costs incurred during the construction period on borrowings used to finance property development are capitalized as part of development costs (included in “Real estate inventories” in the consolidated balance sheet). Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Capitalization of borrowing costs ceases when substantially all the activities necessary to prepare the asset for its intended sale are completed. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded.

<u>Treasury Shares</u>
Own equity instruments which are reacquired are carried at cost and are deducted from consolidated equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group’s own equity instruments. When the shares are retired, the capital stock account is reduced by its par value and excess of cost over par value upon retirement is debited to additional paid-in capital to the extent of the specific or average additional paid in capital when the shares were issued and to retained earnings for the remaining balance.

<u>Income Taxes</u>
Current Income 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 amount are those that are enacted or substantively enacted at the balance sheet date.

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

Deferred income tax liabilities are recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits from excess minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and unused net operating losses carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carryforward of unused tax credits from excess credits and unexpired NOLCO can be utilized.

The carrying amount of deferred income 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 income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

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

Operating Leases

Group as Lessor

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same bases as rental income.

Group as Lessee

Lease payments under operating lease are recognized as expense based on the terms of the lease contract.

Foreign Currency-Denominated Transactions

The functional and presentation currency of the Parent Company and its subsidiaries, joint ventures and associate is the Philippine Peso. Transactions denominated in foreign currencies are recorded in Philippine Peso based on the exchange rates prevailing at the transaction dates. Foreign currency denominated monetary assets and liabilities are translated to Philippine Peso at exchange rates prevailing at the balance sheet date. Foreign exchange differentials between rate at transaction date and rate at settlement date or balance sheet date of foreign currency denominated monetary assets or liabilities are credited to or charged against current operations.

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 serves different markets. Financial information on business segments is presented in Note 5 to the consolidated financial statements.

Provisions
A provision is 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. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

Contingencies
Contingent liabilities are not recognized in the consolidated financial statements. They 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.

Events after the Balance Sheet Date
Any post year-end event up to the date of the auditor's report that provides additional information about the Group's position at balance sheet date (adjusting event) is reflected in the consolidated financial statements. Any post year-end event that is not an adjusting event is disclosed, when material, in notes to the consolidated financial statements.

3. Significant Accounting Judgments and Estimates

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

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

Real Estate Revenue Recognition
Selecting an appropriate revenue recognition method for a real estate sale transaction requires certain judgments based on, among others:

a. Buyer's commitment on sale which may be ascertained through the significance of the buyer's initial downpayment; and
b. Stage of completion of the project development.

Operating Lease Commitments - The Group as Lessor
The Group has entered into various property leases on its investment property portfolio. The Group has determined that it retains all significant risks and rewards of ownership on these properties which are leased out on operating leases.

Operating Lease Commitments - The Group as Lessee
The Group has entered into various leases for its occupied offices. The Group has determined that all significant risks and rewards of ownership are retained by the respective lessors on offices it leases under operating leases.

Management's Use of Estimates
The key assumptions concerning the future and other key sources of estimation of 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:

Evaluation of Impairment of Loans and Receivables
The Group reviews loans and receivables at each reporting date to assess whether an allowance for impairment should be recorded in the consolidated statement of income. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

The Group maintains allowance for doubtful accounts based on the result of the individual and collective assessment under PAS 39. Under the individual assessment, impairment loss is determined as the difference between the receivables carrying balance and present value. Factors considered in individual assessment are payment history, past due status and term. The collective assessment would require the Group to classify its receivables based on the credit risk characteristics (customer type, payment history, past-due status and term) of the customers. Impairment loss is then determined based on historical loss experience of the receivables grouped per credit risk profile adjusted on the basis of current observable data to reflect the effects of current conditions. The methodology and assumptions used for the individual and collective assessments are based on management's judgment and estimate. Therefore, the amount and timing of recorded expense for any period would differ depending on the judgments and estimates made for the year.

As at December 31, 2008 and 2007, the loans and receivables of the Group amounted to ₱11.91 billion and ₱9.98 billion, respectively (see Notes 6, 7, 8, 17, 18 and 27).

Estimating Useful Lives of Investment Property and Property and Equipment
The Group estimates the useful lives of its investment property and property and equipment based on the years over which these assets are expected to be available for use. The estimated useful lives of investment property and property and equipment are reviewed at least annually and are updated if expectations differ from previous estimates due to physical wear and tear and technical or commercial obsolescence on the use of these assets. It is possible that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above.

As at December 31, 2008 and 2007, the carrying values of the Group's investment property amounted to ₱10.17 billion and ₱10.39 billion, respectively (see Note 12), while property and equipment amounted to ₱870.02 million and ₱419.26 million, respectively (see Note 13).

Evaluation of Impairment on Non-financial Assets
The Group reviews its real estate inventories, investment in an associate, property and equipment and investment property for impairment of value. This includes considering certain indications of impairment such as significant change in asset usage, significant decline in asset's market value, obsolescence or physical damage of an asset, plans of discounting the real estate projects, significant negative industry or economic trends. If such indications are present, and where the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and is written down to recoverable amount. The recoverable amount is the asset's net selling price, except for investments, which is the value in use. The net selling price is the amount obtainable from the sale of an asset in an arms-length transaction while value in use is the present value of estimated future cash flows expected to arise from the investments. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

As at December 31, 2008 and 2007, the carrying values of the Group's real estate inventories amounted to ₱20.54 billion and ₱17.11 billion, respectively (see Note 9).

Evaluation of Impairment on Goodwill
The Group's impairment test for goodwill is based on value in use calculations that use a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset base of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

The Group performs its annual impairment test of goodwill arising from the business combination entered into in 2006. As at December 31, 2008 and 2007, the carrying value of goodwill amounted to ₱5.45 billion.

Estimating Pension Obligation and Other Retirement Benefits
The determination of the Group's obligation and cost for pension and other retirement benefits is dependent on selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 22 and include among others, discount rates and rates of salary increase. While the Group believes that the assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions materially affect retirement obligations.

Pension liability amounted to ₱32.69 million and ₱20.06 million as at December 31, 2008 and 2007, respectively. Retirement costs included under general and administrative expenses amounted to ₱12.64 million, ₱17.60 million and ₱13.01 million in 2008, 2007 and 2006, respectively (see Note 22).

Fair Values of Financial Instruments
The preparation of consolidated financial statements in compliance with PFRS requires certain financial assets and liabilities to be carried at fair value, which requires use of extensive accounting estimates and judgments. While significant components of fair value measurement were determined using verifiable objective evidence (i.e. foreign exchange rates, interest rate and volatility rates), the amount of changes in fair value would differ due to usage of different valuation methodology. Any changes in fair value of these financial assets and liabilities would affect directly the consolidated statement of income and changes in equity (see Note 27).

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 in these matters and based upon analysis of potential results. The Group currently does not believe these proceedings will have material effect on the Group's financial position. It is possible, however, 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 28).

4. Business Combinations

As discussed in Note 1, on September 29, 2006, the Parent Company, FDC and FAI entered into a Deed of Assignment and Exchange wherein the Parent Company issued its common shares to FDC and FAI in exchange for (a) 60% equity of FDC on FAC, (b) 60% equity of FAI on CPI and (c) commercial mall (the Mall) owned by FAI. The exchange transferred to the Group the joint venture interests of FDC and FAI on FAC and CPI, respectively. Information about the acquisitions on the transaction date, with corresponding company background, follows:

The fair value of the identifiable assets and liabilities of FAC and CPI as at the date of acquisition and the corresponding carrying amounts (in thousands) immediately before the acquisition were:

	FAC		CPI	
	Fair Value	**Cost**	**Fair Value**	**Cost**
Cash and cash equivalents	₱55,333	₱55,333	₱82,837	₱82,837
Receivables	27,414	27,414	14,812	14,812
Investment property				
PBCOM Tower	1,252,200	1,198,102	–	–
Cyberzone Buildings	–	–	1,154,326	716,918
Deferred income tax assets	5,954	5,954	–	–
Due from related parties	792	792	–	–
Property and equipment - net	221	221	1,804	1,804
Other assets	63,668	63,668	42,279	42,279
Accounts payable and accrued expenses	(32,596)	(32,596)	(89,868)	(89,868)
Deposits from tenants	(51,706)	(51,706)	(43,725)	(43,725)
Due to related parties	(44)	(44)	–	–
Deferred income tax liabilities	(16,230)	–	(131,222)	–
Net assets	**1,305,006**	**₱1,267,138**	**1,031,243**	**₱725,057**
Goodwill arising from acquisitions	494,744		1,204,799	
Total Consideration	**₱1,799,750**		**₱2,236,042**	

The Parent Company acquired 60% of the common shares of FAC and CPI.

The above purchase price allocation reflects the final valuations of the properties acquired.

Acquisition of FAC
FAC is a private company involved in the sale and lease of office condominium units.

The total cost of the combination was ₱1.80 billion and comprised of the issuance of equity instruments and assumption of liabilities. The Parent Company issued 487,652,460 common shares with a fair value of ₱1.64 each, being the published price of the shares of the Parent Company at the date of exchange. Details follow (in thousands):

Shares issued, at fair value	₱799,750
Liabilities assumed, at fair value	1,000,000
Total	₱1,799,750

If the combination had taken place at the beginning of 2006, FAC would have contributed ₱19.42 million to the net profit of the Group and ₱116.38 million to the revenues from rentals.

FAC was incorporated in the Philippines on January 22, 1997. The registered office address is FAI Administration Building, Alabang-Zapote Road, Alabang, Muntinlupa City. The financial and administrative functions are being handled by FAI at a certain cost. Post acquisition, these functions are still handled by FAI.

Acquisition of CPI
CPI is a private company whose primary purpose is to acquire by purchase, lease, donation, and/or to own, use and improve, develop, subdivide, sell, mortgage, exchange, hold for investment and deal with real estate of all kinds.

The total cost of the combination was ₱2.24 billion and comprised an issue of equity instruments and an assumption of liabilities. The Parent Company issued 1,061,611,034 common shares with a fair value of ₱1.64 each, being the published price of the shares of the Parent Company at the date of exchange. Details follow (in thousands):

Shares issued, at fair value	₱1,741,042
Liabilities assumed, at fair value	495,000
Total	₱2,236,042

If the combination had taken place at the beginning of 2006, CPI would have contributed ₱52.04 million to the net profit of the Group and ₱113.38 million to the revenues from rentals.

CPI was registered with the SEC on January 14, 2000 and started commercial operations on May 1, 2001.

On June 6, 2000, CPI was registered with the Philippine Economic Zone Authority (PEZA) pursuant to the provisions of Republic Act (RA) 7916 as an Economic Zone (ECOZONE) Facilities Enterprise. As a registered enterprise, CPI is entitled to certain tax benefits and non-tax incentives such as exemption from payment of national and local taxes and in lieu thereof a special tax rate of five percent (5%) of gross income. It is also entitled to zero percent (0%) value added tax for sales made to ECOZONE enterprises.

CPI's registered office address is Northgate Cyberzone - Special Economic Zone, Filinvest Corporate City, Alabang, Muntinlupa City. It is a wholly owned subsidiary of FAI until February 7, 2006 when CPI, FAI, and a new investor, AIIPI, signed a joint venture agreement which details the terms and conditions of AIIPI's investment in CPI. AIIPI subscribed 465 million shares of CPI's capital stock for a forty (40%) ownership over a period of twenty four (24) months. FAI subscribed 550 million shares through the conversion of its advances to CPI, which resulted to 60% ownership.

On May 30, 2006, Africa Israel Properties (Philippines), Inc. was appointed as the real party in interest to the joint venture agreement in place of AIIPI, by virtue of a substitution agreement.

On February 2, 2007, SEC approved CPI's increase in authorized capital stock from 150 million to 2 billion shares.

Acquisition of the Mall

The Parent Company acquired a commercial mall which was also owned by FAI.

The fair value of the commercial mall was ₱3.97 billion as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition was ₱3.25 billion.

The total cost of the combination was ₱7.72 billion and comprised an issuance of equity instruments and assumption of liabilities. The Parent Company issued 4,093,229,943 common shares with a fair value of ₱1.64 each, being the published price of the shares of the Parent Company at the date of exchange. Details follow (in thousands):

Shares issued, at fair value	₱6,712,897
Liabilities assumed, at fair value	1,005,000
Total	₱7,717,897

If the combination had taken place at the beginning of 2006, the Mall would have contributed ₱505.80 million to the net profit of the Group and ₱668.69 million to the rental revenue from mall rentals.

The Mall is located at Filinvest Corporate City, Alabang, Muntinlupa City over a land area of 10 hectares owned by FAI. It is a four-storey shopping complex with an area of 200,000 sq.m. and 135,163 sq.m. of gross leaseable area. The Mall has supermarkets, department stores, other retail stores, cinemas and amusement parks.

Since 2004, the management of the mall is being handled by Festival Supermall, Inc. (FSI), a wholly owned subsidiary of FAI, under a management agreement between FAI and FSI. Under the terms of the agreement, FAI shall pay a management fee to FSI for the managerial services to be rendered for the operations of the Mall. Also, FAI shall bear all operating and overhead expenses related to the operations of the Mall, and all the expenses for the salaries and benefits of FSI officers and employees who are assigned to carry out the obligations under the agreement.

Upon acquisition of the Mall by the Group, the management agreement was assigned by FAI to the Group.

On September 29, 2006, the Parent Company and FAI, entered into a long-term lease contract covering the land occupied by the Mall. Under the terms of the contract, the Parent Company will pay FAI a rental of 10% of the gross rental revenues generated by the Mall. The lease is for a term of 50 years and renewable for another 25 years.

All the above business combinations resulted to goodwill of ₱5.44 billion, which comprises the fair value of expected synergies arising from acquisitions.

<u>Joint Venture with AIIPI</u>
In September 2006, the Group entered into a joint venture agreement with AIIPI to undertake the development of Timberland Sports and Nature Club (the Club) and about 50 hectares of land comprising Phase II of Timberland Heights and the construction of two medium-rise buildings by formation of FAPI.

In connection with this, the Group subscribed to shares of FAPI in exchange for a parcel of land on the Timberland Heights project, Class A Shares of the Club held by the Group and development costs of approximately ₱100 million, while AIIPI contributed ₱250 million to FAPI. The Group and AIIPI now own 60% and 40% of FAPI, respectively.

The Group and FAPI also entered into a Management Services Agreement wherein the Group shall render management services in favor of FAPI in connection with the planning and construction, operations, general and administrative, selling and marketing, property management, and other related services for a consideration as stipulated in the agreement.

5. Segment Reporting

Operating segments are components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision-maker in deciding how to allocate resources and in assessing performance. Generally, financial information is required to be reported on the basis that is used internally for evaluating segment performance and deciding how to allocate resources to segments.

The Group derives its revenues from the following reportable segments:

Real Estate
This involves acquisition of land, planning and development of large-scale fully integrated residential communities; development and sale of residential lots, housing units, medium-rise buildings, farm estates, industrial parks, residential resort projects, a private membership Club and a condotel.

Leasing
This involves the operations of the Mall and leasing of office space.

The financial information about the operations of these business segments as of and for the years ended December 31, 2008 and 2007 is summarized as follows (amounts in thousands):

2008

	Real Estate Operations	**Leasing Operations**	**Combined**	**Adjustments and Eliminations**	**Consolidated**
Revenue					
External	**₱4,038,942**	**₱1,231,334**	**₱5,270,276**	**₱–**	**₱5,270,276**
Inter-segment	**38,543**	**–**	**38,543**	**(38,543)**	**–**
	4,077,485	**1,231,334**	**5,308,819**	**(38,543)**	**5,270,276**
Equity in net earnings of an associate	**67,569**	**–**	**67,569**	**–**	**67,569**
	₱4,145,054	**₱1,231,334**	**₱5,376,388**	**(₱38,543)**	**₱5,337,845**
Net income	**₱1,309,839**	**₱557,162**	**₱1,867,001**	**₱–**	**₱1,867,001**
Segment assets	**₱36,283,229**	**₱15,925,460**	**₱52,208,689**	**₱982,206**	**₱53,190,895**
Segment liabilities	**₱13,467,669**	**₱1,735,876**	**₱15,203,545**	**₱27,835**	**₱15,231,380**
Less deferred income tax liabilities	**1,748,123**	**(7,393)**	**1,740,730**	**(140,912)**	**1,599,818**
Net segment liabilities	**₱11,719,546**	**₱1,743,269**	**₱13,462,815**	**₱168,747**	**₱13,631,562**
Cash flows from:					
Operating activities	**(₱1,520,378)**	**₱842,420**	**(₱677,958)**	**₱–**	**(₱677,958)**
Investing activities	**(1,003,822)**	**(513,014)**	**(1,516,836)**	**–**	**(1,516,836)**
Financing activities	**2,692,447**	**205,644**	**2,898,091**	**–**	**2,898,091**
Other segment information (Notes13)					
Capital expenditures	**₱59,621**	**₱411,477**	**₱471,098**	**₱–**	**₱471,098**
Depreciation and amortization	**19,586**	**751**	**20,337**	**–**	**20,337**

2007

	Real Estate Operations	Leasing Operations	Combined	Adjustments and Eliminations	Consolidated
Revenue					
External	₱3,751,850	₱1,020,241	₱4,772,091	₱–	₱4,772,091
Inter-segment	27,085		27,085	(27,085)	–
	3,778,935	1,020,241	4,799,176	(27,085)	4,772,091
Equity in net earnings of an associate	357,396	–	357,396	–	357,396
	₱4,136,331	₱1,020,241	₱5,156,572	(₱27,085)	₱5,129,487
Net income	₱1,274,984	₱429,409	₱1,704,393	₱–	₱1,704,393
Segment assets	₱35,347,204	₱11,256,486	₱46,603,690	₱866,215	₱47,469,905
Segment liabilities	₱9,297,872	₱1,416,764	₱10,714,636	(₱44,003)	₱10,670,633
Less deferred income tax liabilities	1,573,094	(7,647)	1,565,447	147,452	1,712,899
Net segment liabilities	₱7,724,778	₱1,424,411	₱9,149,189	(₱191,455)	₱8,957,734
Cash flows from:					
Operating activities	(₱172,264)	₱707,411	₱535,147	₱–	₱535,147
Investing activities	(1,961,781)	507,390	(1,454,391)	–	(1,454,391)
Financing activities	1,242,802	937,444	2,180,246	–	2,180,246
Other segment information (Note 13)					
Capital expenditures	₱39,779	₱283,993	₱323,772	₱–	₱323,772
Depreciation and amortization	21,068	1,353	22,421	–	22,421

6. Cash and Cash Equivalents

This account consists of:

	2008	2007
	(In Thousands)	
Cash on hand and in banks	**₱214,976**	₱112,527
Short-term deposits	**2,218,042**	1,617,194
	₱2,433,018	₱1,729,721

Cash in bank earns interest at the prevailing bank deposit rates. Short-term deposits are made for varying periods up to three months depending on the immediate cash requirements of the Group and earn interest at the respective short-term deposit rates.

There is no cash restriction on the Group's cash balances as at December 31, 2008 and 2007.

7. Mortgage, Notes and Contracts Receivables

This account consists of:

	2008	2007
	(In Thousands)	
Contracts receivables	**₱8,417,535**	₱7,818,916
Less deferred interest income	**1,802,437**	1,662,423
	6,615,098	6,156,493
Receivables from government and financial institutions	**1,201,818**	632,634
	₱7,816,916	₱6,789,127

Contracts receivables are collectible over varying periods within two to ten years. Receivables from real estate sales are collateralized by the corresponding real estate property.

The following table presents the breakdown of mortgage, notes and contracts receivables by maturity dates:

	2008			2007		
	Due Within One Year	**Due After One Year**	**Total**	Due Within One Year	Due After One Year	Total
			(In Thousands)			
Contracts receivables	**₱2,649,524**	**₱3,965,574**	**₱6,615,098**	₱2,553,083	₱3,603,410	₱6,156,493
Receivables from government and financial institutions	**1,201,818**	**-**	**1,201,818**	632,634	–	632,634
	₱3,851,342	**₱3,965,574**	**₱7,816,916**	₱3,185,717	₱3,603,410	₱6,789,127

Interest income recognized on contracts receivables amounted to ₱254.02 million, ₱243.33 million and ₱260.02 million in 2008, 2007 and 2006, respectively (see Note 21). Interest rates on contracts receivables range from 11.5% to 19%, 15% to 19% and 15% to 19% in 2008, 2007 and 2006, respectively.

The Group entered into various agreements with financial institutions whereby the Group sold its contracts receivables with a provision that the Group should buy back these receivables when certain conditions happen like in case these become overdue for two to three consecutive months, when the contract to sell has been cancelled, when the accounts remain outstanding after the lapse of 5-year holding period, when property covering the receivables is subject to complaint or legal action and the account's interest rate is lower than the financial institution interest rate. The proceeds from the sale were used to fund development and construction of various projects.

The Group still retains the sold receivables in the "contracts receivables" account and records the proceeds from these sales as "liabilities on receivables sold to banks" included under "accounts payable and accrued expenses" account amounting to ₱1.91 billion and ₱1.69 billion as of December 31, 2008 and 2007, respectively (see Note 15).

Interest paid on the sold receivables amounted to ₱143.95 million, ₱151.19 million, and ₱171.31 million in 2008, 2007 and 2006, respectively.

The Group has a mortgage insurance contract with Home Guaranty Corporation, a government insurance company, for a retail guarantee line over a period of 20 years starting October 1, 1988 and renewable annually. As of December 31, 2008 and 2007, the guarantee line amounted to ₱6.00 billion and ₱3.00 billion, respectively, and the contracts covered by the guarantee line amounted to ₱1.04 billion and ₱1.20 billion, respectively, including receivables sold with buy back provisions. The remaining ₱4.96 billion was not yet availed by the Group as of December 31, 2008.

8. **Other Receivables**

This account consists of:

	2008	2007
	(In Thousands)	
Advances to joint venture partners and contractors	**₱933,370**	₱787,921
Advances to officers and employees	**176,052**	200,119
Receivable from homeowners' associations	**166,347**	123,342
Receivable from tenants	**158,481**	160,200
Others	**143,088**	110,522
	₱1,577,338	₱1,382,104

Advances to joint venture partners and contractors are accounted for at amortized cost. Interest income from the accretion of the discount amounted to ₱33.34 million, ₱41.88 million and ₱36.88 million in 2008, 2007 and 2006, respectively, and are included in the "Other income" account in the consolidated statement of income.

Advances to officers and employees represent advances for project costs, marketing activities, travel and other expenses arising from the ordinary course of business which are still subject to liquidation.

9. Real Estate Inventories

This account consists of:

	2008	2007
	(In Thousands)	
Land and land development	**₱11,545,540**	₱8,437,895
Subdivision lots and housing units for sale	**8,659,583**	8,410,876
Investment in club project	**336,875**	260,106
	₱20,541,998	₱17,108,877

Borrowing costs capitalized as part of real estate inventories amounted to ₱295.53 million and ₱295.03 million in 2008 and 2007, respectively.

In 2007, land amounting to ₱3.83 billion, which consists mainly of Northgate property in Alabang and a land in Negros Occidental were transferred to investment property account. Northgate property is held for lease by CPI, who in turn leases office spaces to third parties while Negros Occidental property is currently leased to a third party (see Note 12).

10. Investment in an Associate

This account consists of:

	2008	2007
	(In Thousands)	
At equity:		
Acquisition cost	**₱800,000**	₱800,000
Accumulated equity in net earnings		
Balance at the beginning of year	**1,077,862**	720,466
Equity in net earnings for the year	**67,569**	357,396
Balance at end of year	**1,145,431**	1,077,862
	1,945,431	1,877,862
Share in revaluation increment on land at deemed cost of associate	**1,876,422**	1,876,422
	₱3,821,853	₱3,754,284

The Group has a 20% interest in FAI which is involved primarily in the development of commercial buildings, residential condominiums and land. FAI is also involved in leasing of commercial real estate, marketing, managing mall and theater operations.

Land at deemed cost of an associate consist of land held by FAI for long-term rental yields and for capital appreciation, with estimated aggregate fair value amounting to ₱18.1 billion based on a third party appraisal.

Summarized financial information of FAI is as follows:

	2008	2007
	(In Thousands)	
Total assets	**₱39,708,108**	₱37,568,034
Total liabilities	**17,194,952**	15,998,606
Revenues	**1,766,410**	1,309,641
Income from operations	**342,172**	1,798,215
Net income before equity take up on the Group	**337,844**	1,786,845

11. **Available-for-Sale Financial Assets**

This account consists of:

	2008	2007
	(In Thousands)	
Investments in shares of stock:		
Unquoted	**₱46,670**	₱55,160
Quoted	**5,679**	5,679
	52,349	60,839
Unrealized losses	**(2,619)**	(2,619)
	₱49,730	₱58,220

Unquoted investments in shares of stock include unlisted preferred shares in a public utility company which the Group will continue to carry as part of the infrastructure that it provides for its real estate development projects. These are carried at cost less impairment, if any.

Movements in the net unrealized loss on AFS financial assets are as follows:

	2008	2007
	(In Thousands)	
Balance at beginning of year	**₱2,619**	₱909
Losses directly recognized in equity	**–**	1,710
Balance at end of year	**₱2,619**	₱2,619

Based on market values as at December 31, 2008, there is no significant and permanent impairment in the value of the Group's AFS financial assets.

12. **Investment Property** - Net

The rollforward analysis of this account as of December 31 follows:

	2008		
	Land	**Buildings**	**Total**
		(In Thousands)	
Cost			
Balance at beginning and end of year	**₱3,978,790**	**₱7,002,568**	**₱10,981,358**
Accumulated depreciation			
Balance at beginning of year	**–**	**591,293**	**591,293**
Depreciation (Note 19)	**–**	**218,065**	**218,065**
Balance at end of year	**–**	**809,358**	**809,358**
Net book value	**₱3,978,790**	**₱6,193,210**	**₱10,172,000**

	2007		
	Land	Buildings	Total
		(In Thousands)	
Cost			
Balance at beginning of year	₱151,076	₱6,844,049	₱6,995,125
Additions	–	158,519	158,519
Transfers (Note 9)	3,827,714	–	3,827,714
Balance at end of year	3,978,790	7,002,568	10,981,358
Accumulated depreciation			
Balance at beginning of year	–	374,311	374,311
Depreciation (Note 19)	–	216,982	216,982
Balance at end of year	–	591,293	591,293
Net book value	₱3,978,790	₱6,411,275	₱10,390,065

Investment property consists mainly of the commercial mall and buildings acquired as part of the exchange transaction in September 2006 (see Note 4).

The aggregate fair value of the Group's investment property amounted to ₱15.54 billion and ₱18.40 billion as of December 31, 2008 and 2007, respectively, based on a third party appraisal using the market data approach for land and income approach using discounted cash flow analysis for buildings.

In the market data approach, the value of investment properties is based on sales and listings of comparable property registered within the vicinity. The technique of this approach requires establishing comparable property by reducing reasonable comparative sales and listing to a common denominator. This is done by adjusting the difference between the subject properties and those actual sales and listing regarded as comparable. The properties used as basis of comparison are situated within the immediate vicinity of the subject properties. While in the income approach, all expected cash flows from the use of the assets were projected and discounted using the appropriate discount rate reflective of the market expectations.

Rental income from investment property amounted to ₱1.17 billion, ₱1.02 billion and ₱306.11 million in 2008, 2007 and 2006, respectively, which includes rental income on buildings leased by CPI to third parties amounting to ₱240.52 million, ₱174.78 million and ₱113.34 million in 2008, 2007 and 2006, respectively. Operating expenses from investment property amounted to ₱449.13 million, ₱411.38 million and ₱114.37 in 2008, 2007 and 2006, respectively.

13. **Property and Equipment** - Net

The rollforward analysis of this account follows:

	December 31, 2008						
	Land and Buildings	**Machinery and Equipment**	**Transportation Equipment**	**Furniture and Fixtures**	**Leasehold Improvements**	**Construction in Progress**	**Total**
				(In Thousands)			
Cost							
Balance at beginning of year	**₱25,099**	**₱155,342**	**₱42,226**	**₱40,772**	**₱18,296**	**₱354,677**	**₱636,412**
Additions	**4,269**	**21,775**	**5,673**	**6,221**	**–**	**433,160**	**471,098**
Balance at end of year	**29,368**	**177,117**	**47,899**	**46,993**	**18,296**	**787,837**	**1,107,510**
Accumulated depreciation and amortization							
Balance at beginning of year	**4,018**	**130,861**	**34,793**	**30,232**	**17,249**	**–**	**217,153**
Depreciation and amortization (Note 19)	**2,685**	**11,690**	**2,998**	**2,543**	**421**	**–**	**20,337**
Balance at end of year	**6,703**	**142,551**	**37,791**	**32,775**	**17,670**	**–**	**237,490**
Net book value	**₱22,665**	**₱34,566**	**₱10,108**	**₱14,218**	**₱626**	**₱787,837**	**₱870,020**

	December 31, 2007						
	Land and Buildings	Machinery and Equipment	Transportation Equipment	Furniture and Fixtures	Leasehold Improvements	Construction in Progress	Total
				(In Thousands)			
Cost							
Balance at beginning of year	₱11,470	₱142,615	₱37,598	₱32,109	₱17,192	₱71,656	₱312,640
Additions	13,629	12,727	4,628	8,663	1,104	283,021	323,772
Balance at end of year	25,099	155,342	42,226	40,772	18,296	354,677	636,412
Accumulated depreciation and amortization							
Balance at beginning of year	1,538	116,887	32,892	26,590	16,825	–	194,732
Depreciation and amortization (Note 19)	2,480	13,974	1,901	3,642	424	–	22,421
Balance at end of year	4,018	130,861	34,793	30,232	17,249	–	217,153
Net book value	₱21,081	₱24,481	₱7,433	₱10,540	₱1,047	₱354,677	₱419,259

14. **Other Assets**

This account consists of:

	2008	2007
	(In Thousands)	
Input taxes	**₱229,250**	₱134,349
Creditable withholding taxes	**82,206**	70,035
Construction materials and supplies	**29,140**	51,956
Rental deposits	**18,681**	18,263
Prepaid expenses and others	**21,264**	37,353
	₱380,541	₱311,956

15. **Accounts Payable and Accrued Expenses**

This account consists of:

	2008			2007		
	Due Within One Year	**Due After One Year**	**Total**	Due Within One Year	Due After One Year	Total
			(In Thousands)			
Accounts payable	**₱590,515**	**₱1,294,935**	**₱1,885,450**	₱735,889	₱516,603	₱1,252,492
Advances and deposits from customers	**1,357,570**	**–**	**1,357,570**	1,002,805	–	1,002,805
Deposits from tenants	**255,771**	**140,590**	**396,361**	40,551	338,095	378,646
Deposits for registration and insurance	**105,423**	**144,537**	**249,960**	231,586	134,045	365,631
Accrued expenses	**150,728**	**–**	**150,728**	65,892	–	65,892
Liabilities on receivables sold to banks (Note 7)	**452,905**	**1,456,066**	**1,908,971**	128,072	1,566,734	1,694,806
Notes payable (Note 16)	**74,100**	**–**	**74,100**	141,600	–	141,600
Other payables	**87,512**	**156,260**	**243,772**	214,747	188,719	403,466
	₱3,074,524	**₱3,192,388**	**₱6,266,912**	₱2,561,142	₱2,744,196	₱5,305,338

"Accounts payable" includes the balance of the costs of raw land acquired by the Group and is payable upon completion of certain requirements.

"Advances and deposits from customers" includes collections from accounts which do not qualify yet for revenue recognition as real estate sales and any excess of collections over the recognized receivables on sale of club shares.

Notes payable as of December 31, 2008 pertains to the current portion of the long-term debt of the Group as of December 31, 2008 consisting of three loans with interest rate equivalent to 91-day T-Bill rate plus fixed spread of 2% per annum, payable quarterly in arrears. As of December 31, 2008 and 2007, investment properties with carrying values of ₱0.80 billion and ₱0.93 billion, respectively, are mortgaged against two of these loans.

Notes payable as of December 31, 2007 pertains to the current portion of the long-term debt of the Group as of December 31, 2007 in addition to a ₱90 million short-term loan. The said current portion of long-term debt consists of two loans with interest rate equivalent to 91-day T-Bill rate plus fixed spread of 2% per annum, payable quarterly in arrears; both loans are secured by a mortgage of several buildings located at the Northgate Cyberzone and assignment of the corresponding rentals. On the other hand, the short-term secured loan was obtained from East West Banking Corporation, an affiliated bank, through a 31-day promissory note with a floating interest rate. The loan was collateralized by a real estate mortgage over certain parcels of land. It was fully paid on its maturity date on February 20, 2008.

16. **Long-term Debt**

This account consists of:

	2008	2007
	(In Thousands)	
Term loans from a financial institution (Note 17)	**₱2,250,000**	₱2,250,000
Developmental loans from local banks	**4,722,300**	1,265,864
	₱6,972,300	₱3,515,864

a. *Term Loans from a Financial Institution*

On June 17, 2005, the Group entered into a Local Currency Loan Agreement with a financial institution whereby the Group was granted a credit line facility amounting to ₱2.25 billion. In October 2005, the Group availed ₱1.13 billion or half of the total amount granted. The loan is payable in 10 semi-annual installments commencing December 2010 and ending June 2015. This loan has a fixed interest rate of 11.94% until October 31, 2006 when the rate was adjusted to 10.69%, effective on such date. The interest rate was again adjusted to 7.72% on July 6, 2007. In July 2007, the Group availed the remaining balance of the facility amounting to ₱1.12 billion. The loan is also payable in 10 semi-annual installments commencing December 2010 and ending June 2015. This loan has a fixed interest rate of 7.90%. Both loans were guaranteed by FDC.

b. *Developmental Loans from Local Banks*
This includes loans obtained from local banks. Details as of December 31 follow (in thousands):

	2008	2007
Unsecured loan obtained in October 2008 with interest rate equal to 91days PDS Treasury Fixing (PDST-F) plus a spread of up to1.5% per annum, payable quarterly in arrears. The principal is payable in eleven (11) equal quarterly installments starting March 2011 up to September 2013 and lump sum full payment due on December 2013.	**₱1,000,000**	₱–
Unsecured loans obtained in August 2008 with interest rate equal to 91days PDST-F plus a spread of up to1% per annum. The principal is payable in twelve (12) equal quarterly installments starting November 2010 up to August 2013.	**750,000**	–
Unsecured loan obtained in June 2008 with interest rate equal to 91days PDST-F plus a spread of up to 1.5% per annum, payable quarterly in arrears. Part of the principal is payable in 11 equal quarterly installments starting June 2010 up to March 2013 and lump sum full payment due in June 2013.	**500,000**	–
Unsecured loan obtained in June 2008 with interest rate equal to 91days PDST-F plus a spread of up to 1.25% per annum. The principal is payable in 12 equal quarterly installments starting September 2010 up to June 2013.	**500,000**	–
Unsecured loan obtained in November 2008 with interest rate equal to 91days PDST-F plus a spread of up to 2% per annum, payable quarterly in arrears. The principal is payable in 11 equal quarterly installments starting March 2011 up to September 2013 and lump sum full payment due on December 2013.	**500,000**	–

(Forward)

	2008	2007
Unsecured loan obtained by the Group in October 2008 with interest rate equal to 91days PDST-F plus a spread of up to 1% per annum. The principal is payable in 12 quarterly equal installments starting March 2011 up to October 2013.	**₱500,000**	₱–
Unsecured 5-year loan obtained in September 2008 payable in 11 quarterly amortizations starting December 2010 with a balloon payment at maturity date in September 2013 with interest rate equal to 91 days PDST-F plus fixed spread of 2% per annum, payable quarterly.	**390,000**	–
Unsecured loans granted in May and December 2007 payable over 5 year period inclusive of 2 year grace period; 50% of the loan is payable in 12 equal quarterly amortizations and balance payable on final maturity. The loans carry interest equal to 90 day PDST-F rate plus fixed spread of 2% per annum payable quarterly in arrears. Current portion as of December 31, 2008 amounting to ₱22.50 million is classified as "Notes payable" under "Accounts payable and accrued expenses" account (see Note 15).	**277,500**	300,000
Unsecured 5-year loan obtained in March 2008, of which 50% of the principal is payable in 12 equal quarterly installments starting September 2010 and the remaining 50% balance is to be paid in lump sum at maturity in June 2013, with interest rate equal to 3-month PDST-F plus a spread of up to 2% per annum, payable quarterly in arrears.	**150,000**	–
Loan obtained on December 15, 2006 payable in twenty (20) equal quarterly amortizations starting in March 2008, with interest rate equivalent to 91-day T-Bill rate plus fixed spread of 2% per annum, payable quarterly in arrears and secured by a mortgage of several buildings located at the Northgate Cyberzone and assignment of the corresponding rentals. Current portion as of December 31, 2008 and 2007 amounting to ₱27.60 million is classified as "Notes payable" under "Accounts payable and accrued expenses" account (see Note 15).	**82,800**	110,400
Loan obtained in July 2007 payable in 20 equal quarterly amortizations starting March 2008, with interest rate equal to 91-day T-Bill rate plus fixed spread of 2% per annum, payable quarterly in arrears and secured by a mortgage of several buildings located at the Northgate Cyberzone and assignment of the corresponding rentals. Current portion as of December 31, 2008 and 2007 amounting to ₱24 million is classified as "Notes payable" under "Accounts payable and accrued expenses" account (see Note 15).	**72,000**	96,000
Unsecured loan obtained by the Group in March 2007 with interest rate equal to 91 day PDST-F rate plus a spread of 1.5% per annum. The principal is payable in sixteen (16) equal quarterly installments starting in June 2008. This loan was fully paid in June 2008.	**–**	500,000
Unsecured loan obtained by the Group in May 2007 with interest rate equal to 90 day PDST-F rate plus a spread of 2% per annum, payable monthly in arrears. The principal is payable in lump sum in May 2017. This loan was fully paid in August 2008.	**–**	259,464
	₱4,722,300	₱1,265,864

The agreements covering the abovementioned loans provide for restrictions and requirements with respect to, among others, declaration or making payment of dividends (except stock dividends); making distribution on its share capital; purchase, redemption or acquisition of any share of stock; incurrence or assumption of indebtedness; sale or transfer and disposal of all or a substantial part of its capital assets; restrictions on use of funds; maintaining certain financial ratios; and entering into any partnership, merger, consolidation or reorganization.

The Group has complied with these contractual agreements. There was neither default nor breach noted in 2008 and 2007.

17. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party in making financial and operating decisions, or the parties are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

FDC guarantees the Group's term loans from a financial institution with balance of ₱ 2.25 billion as of December 31, 2008 and 2007 (see Note 16).

The Group leases from FDC land and buildings located at San Juan City for its head office for a monthly rental of ₱2.59 million in 2008 and ₱2.46 million in 2007.

On September 29, 2006 the Group entered into a series of transactions with FDC and FAI. See Notes 1 and 4 for the details of these transactions.

Aside from the abovementioned transactions, the Group also enters into transactions with FDC, FAI and other related parties consisting mainly of interest-bearing and noninterest-bearing cash advances and share in various expenses such as payroll, supplies, and utilities provided by the Group.

Transactions entered into by the Group with related parties are at arm's length and have terms equivalent to the transactions entered into with third parties.

The details of the accounts with related parties are as follows (in thousand pesos):

	Rental income (expense)		Management fee income		Due from related parties		Due to related parties	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007
Parent Company								
FDC	**(₱31,032)**	(₱29,509)	**₱–**	₱–	**₱–**	₱2,748	**₱1,182**	₱–
Associate								
FAI	**(78,503)**	(72,291)	**–**	–	**11,453**	11,988	**8,128**	18,688
Joint venture								
FAPI	**–**	–	**49,046**	49,191	**2,396**	36,047	**–**	–
CPI	**38,543**	27,085	**–**	–	**6,012**	14,304	**–**	–
Other affiliates					**62,132**	15,717	**239,905**	13,425
	(₱70,992)	(₱74,715)	**₱49,046**	₱49,191	**₱81,993**	₱80,804	**₱249,215**	₱32,113

Key management personnel

Compensation of key management personnel consists of short-term employee salaries and benefits amounting to ₱12.60 million and ₱12.28 million, in 2008 and 2007, respectively.

18. **Interest in Joint Ventures**

The amounts shown below are the Group's 60% share of the assets, liabilities, income and expenses of its joint ventures (CPI, FAC and FAPI) which were acquired in September 2006 and are proportionately consolidated into the Group's financial statements as of and for the years ended December 31, 2008 and 2007 and for the three-month period ended December 31, 2006 are as follows (in thousands):

	2008	2007
Assets		
Cash and cash equivalents	**₱270,361**	₱145,329
Mortgage, notes and contracts receivables	**145,606**	86,127
Other receivables	**126,479**	114,547
Investment in club project at cost	**370,738**	260,106
Subdivision lots and housing units for sale	**227,146**	221,758
Investment property - net	**1,826,860**	1,951,541
Property and equipment - net	**777,543**	352,270
Other assets	**89,629**	82,149
	₱3,834,362	₱3,213,827
Liabilities		
Accounts payable and accrued expenses	**₱488,371**	₱376,241
Due to related parties	**272**	28,790
Deferred income tax liability - net	**(7,374)**	(9,800)
Long-term debt	**1,046,400**	648,000
	₱1,527,669	₱1,043,231

	2008	2007	2006
Revenues	**₱451,848**	₱408,996	₱99,974
Costs and expenses	**227,774**	211,885	74,737
Income before income tax	**224,074**	197,111	25,237
Provision for income tax	**44,854**	41,849	1,883
Net income	**₱179,220**	₱155,262	₱23,354

	2008	2007	2006
Cash flows from:			
Operating activities	**₱261,443**	₱241,921	₱175,756
Investing activities	**(426,071)**	(485,143)	(366,585)
Financing activities	**398,400**	132,345	417,219

The Group and its joint venture partners have joint control over the above entities despite the Group's majority share in the joint ventures' net assets. This is exhibited by the existence of special voting right of the joint venture partners in major operating and financial decisions affecting the joint ventures. In these joint ventures, the decisions require the unanimous consent of the parties sharing control.

In addition, the Group, in recent years, has preferred to enter into joint venture agreements with landowners instead of acquiring raw land. The Group's interests in these joint ventures vary depending on the value of the land against the estimated development costs. These joint venture agreements entered into by the Group only relate to the development and sale of subdivision lots, with certain specified lots allocated to the joint venture partner to be sold on a lot-only basis.

The Group's joint venture arrangements typically require the joint venture partner to contribute the land free from any lien, encumbrance and tenants or informal settlers to the project, with the Group bearing all costs related to land development and the construction of subdivision facilities. The Group and its joint venture partners then agree on the lot allocation based on joint venture sharing ratio. Sales and marketing costs are allocated to both the Group and the joint venture partner, with the joint venture agreement specifying a certain percentage of the contract price of the lots sold for the joint venture partner as the sales and marketing costs (including commissions to brokers) attributable to the sale of such lots. However, the Group is responsible for organizing and conducting actual sales and marketing activities.

19. General and Administrative Expenses

The account consists of:

	2008	2007	2006
		(In Thousands)	
Depreciation and amortization (Notes 12 and 13)	**₱238,402**	₱239,403	₱81,765
Salaries, wages and employee benefits	**206,318**	187,962	179,157
Rent	**114,944**	104,647	50,258
Mall operations	**93,755**	86,020	36,879
Taxes and licenses	**67,152**	59,238	41,256
Transportation and travel	**58,033**	48,719	40,793
Outside services	**49,535**	43,194	25,612
Entertainment, amusement and recreation (EAR)	**37,580**	34,069	27,322
Repairs and maintenance	**23,428**	20,765	30,753
Communications, light and water	**21,399**	18,705	19,682
Retirement costs (Note 22)	**12,635**	17,599	13,013
Others	**105,310**	103,579	91,243
	₱1,028,491	₱963,900	₱637,733

20. Selling and Marketing Expenses

The account consists of:

	2008	2007	2006
		(In Thousands)	
Selling, advertising and promotion	**₱171,730**	₱181,459	₱150,576
Brokers' commission	**183,524**	144,734	145,983
Others	**128,613**	100,559	65,885
	₱483,867	₱426,752	₱362,444

21. Interest

This account consists of:

	2008	2007	2006
		(In Thousands)	
Interest income on			
Contracts receivables (Note 7)	**₱254,018**	₱243,329	₱260,022
Short-term deposits and others	**116,225**	115,320	12,184
	370,243	358,649	272,206
Interest expense (Note 16)	**(108,231)**	(122,988)	(334,587)
	₱262,012	₱235,661	(₱62,381)

22. Retirement Costs

The Group has noncontributory defined benefit pension plan covering all full-time regular employees. The plan provides for lump-sum benefits equivalent to 100% of the employee's salary for every year of creditable continuous service. The normal retirement age is 60 years old, however, an employee who attains the age of 55 with 15 years of service and opts for an early retirement is entitled to benefits ranging from 70% to 90% of the normal retirement pay depending on the age upon retirement.

The Group updates the actuarial valuation every year by hiring the services of a third party professionally qualified actuary.

The components of retirement costs included in "general and administrative expenses" account in the consolidated statements of income are as follows:

	2008	2007	2006
		(In Thousands)	
Current service cost	**₱9,371**	₱8,697	₱6,789
Interest cost	**7,406**	7,424	6,224
Expected return on plan assets	**(4,342)**	(4,096)	–
Net actuarial loss recognized	**200**	5,574	–
	₱12,635	₱17,599	₱13,013

The amount of pension liability recognized in the consolidated balance sheets follows:

	2008	2007
	(In Thousands)	
Present value of benefit obligation	**₱105,572**	₱105,801
Fair value of plan assets	**76,702**	72,360
	28,870	33,441
Unrecognized net actuarial gain (loss)	**3,821**	(13,385)
	₱32,691	₱20,056

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

	2008	2007
	(In Thousands)	
Balance at beginning of year	**₱105,801**	₱106,113
Current service cost	**9,371**	8,697
Interest cost	**7,406**	7,424
Actuarial gain	**(17,006)**	(16,433)
	₱105,572	₱105,801

The Group expects to contribute ₱10 million to its defined benefit obligation in 2009.

Changes in the fair value of plan assets are as follows:

	2008	2007
	(In Thousands)	
Balance at beginning of year	**₱72,360**	₱68,264
Expected return on plan assets	**4,342**	4,096
	₱76,702	₱72,360

Analysis of actuarial gain on obligations as of December 31 follows:

	2008	2007
	(In Thousands)	
Experience adjustments on plan liabilities	**₱862**	(₱16,433)
Change in assumptions	**(16,144)**	–
	(₱17,006)	(₱16,433)

The major assumptions used to determine pension benefits for the Group for the years ended December 31, 2008 and 2007 are as follows:

	2008	2007
Discount rate	**9%**	7%
Salary increase rate	**6%**	6%
Expected return on plan assets	**6%**	6%

Major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

	2008	2007
Deposits in banks	**67.8%**	68.5%
Other assets	**32.2%**	31.5%
	100.0%	100.0%

23. Operating Leases

As lessor, future minimum rental receivables under cancelable leases as of December 31, 2008 and 2007 are as follows:

	2008	2007
	(In Thousands)	
Within one year	**₱1,440,121**	₱871,652
After one year but not more than five years	**3,033,823**	1,771,735
After five years	**168,007**	466,284
	₱4,641,951	₱3,109,671

As lessee, future minimum rental payables under cancelable leases as of December 31, 2008 and 2007 are as follows:

	2008	2007
	(In Thousands)	
Within one year	**₱37,086**	₱22,813
After one year but not more than five years	**142,593**	3,006
	₱179,679	₱25,819

Rental income recognized based on a percentage of the gross revenue of mall tenants amounted to ₱205.57 million, ₱203.64 million and ₱55.72 million in 2008, 2007 and 2006, respectively.

24. Capital Stock

The details of the Parent Company’s common and preferred shares follow:

	(In Thousands, except par value figures)					
	Common Shares			Preferred Shares		
	2008	2007	2006	**2008**	2007	2006
Authorized shares	**33,000,000**	33,000,000	33,000,000	**8,000,000**	8,000,000	8,000,000
Par value per share	**₱1**	₱1	₱1	**₱0.01**	₱0.01	₱0.01
Issued and subscribed shares	**24,470,708**	24,470,708	20,770,708	**8,000,000**	8,000,000	–
Treasury shares	**220,949**	–	–	**–**	–	–

Common Shares
On April 13, 2005, the BOD approved the increase in authorized capital stock of the Parent Company to ₱16 billion divided into 16 billion shares with a par value of ₱1.00 per share and the declaration of 25% stock dividends. The increase in authorized capital stock was approved by the SEC on January 31, 2006.

On September 25, 2006, the BOD of the Parent Company approved the additional increase in authorized common stock from 16 billion shares to 33 billion shares at ₱1 per share par value and the authorization to issue 8 billion voting, cumulative and nonredeemable preferred shares at ₱0.01 per share par value and the declaration of 25% common stock dividend. The SEC approved the foregoing resolution on December 15, 2006.

On February 6, 2007, the Group issued 3.7 billion shares on its international and domestic stock offering, raising gross primary proceeds of ₱5.53 billion. This stock offering increased the issued and subscribed shares from 20.77 billion in 2006 to 24.47 billion in 2007 as shown above.

In 2008, there was no issuance of additional common shares.

Bond Conversion
On December 12, 2005, FDC purchased the bonds previously issued by the Parent Company to a third party. Effective December 14, 2005, FDC and the Group entered into a Bond Subscription Agreement to extend the maturity of the bonds to December 2010, changed the interest rate to 12.20% per annum payable quarterly and fix the redemption price at just the bond face amount.

In May and September 2006, FDC opted to convert its ₱1.20 billion bonds into shares at conversion price of ₱1.00 per share related to the business combination transaction (see Note 4).

Preferred Shares
The preferred shares may be issued from time to time in one or more series as the BOD may determine, and authority is hereby expressly granted to the BOD to establish and designate each particular series of preferred shares, to fix the number of shares to be included in each of such series, and to determine the dividend rate and the issue price and other terms and conditions for each such shares. Dividends shall be cumulative from and after the date of issue of the preferred shares and no dividend shall be declared or paid on the common shares unless the full accumulated dividends on all preferred shares for all past dividend periods and for the current dividend period shall have been declared and paid by the Group. Preferred shares of each and any sub-series shall not be entitled to any participation or share in the retained earnings remaining after dividend payments shall have been made on the preferred shares. To the extent not set forth in the Articles of Incorporation, the specific terms and restrictions of each series of preferred shares shall be specified in such resolutions as may be adopted by the BOD prior to the issuance of each of such series (the "Enabling Resolutions"), which resolutions shall thereupon be deemed a part of the Amended Articles of Incorporation.

Preferred shares of each and any sub-series may be convertible to common shares as may be determined by the BOD and set forth in the Enabling Resolutions, in such manner and within such period as may be fixed in the Enabling Resolutions. As of December 31, 2008 and 2007, there is no Enabling Resolution by the BOD making the preferred shares convertible to common shares.

In 2008, there was no issuance of additional preferred shares.

As the dividend rate is yet to be determined by the BOD, there were no dividends in arrears on preferred shares as of December 31, 2008 and 2007.

Treasury Shares

On December 20, 2007, the Parent Company's BOD approved the buyback of some of the issued shares of stock of the Company over a period of twelve (12) months up to an aggregate amount of ₱1.5 billion, in view of the strong financial performance of the Company and the very large discrepancy that existed between the current share price and the net asset value of the Company. Management believes that the Parent Company's shares are currently undervalued, and the share buy-back program would enhance shareholder's value. As of December 31, 2008, the Company had acquired shares amounting to ₱221.04 million.

Dividend Declaration

In 2008, the BOD approved the declaration of and payment from unappropriated retained earnings of cash dividend of ₱0.02 per share or a total of ₱485.72 million.

Capital Management

In light of the current global financial crisis, the Company prudently monitors its capital and cash positions and cautiously manages its expenditures and disbursements. Furthermore, the Company may also, from time to time seek other sources of funding, which may include debt or equity issues depending on its financing needs and market conditions.

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. No changes were made in capital management objectives, policies or processes for the years ended December 31, 2008 and 2007.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. It closely monitors its capital and cash positions and carefully manages its expenditures and disbursements. Furthermore, the Group may also, from time to time, seek other sources of funding, which may include debt or equity issues depending on its financing needs and market conditions.

The Group monitors capital using a gearing ratio, which is the ratio of net debt to the sum of equity and net debt. The gearing ratio set by the Group is 1:1.

The following table shows how the Group computes for its debt-to-equity, net debt-to-equity and gearing ratios as of December 31, 2008 and 2007:

	2008	2007
	(In Thousands)	
Long-term debt	**₱6,972,300**	₱3,515,864
Other liabilities	**6,659,262**	5,441,870
Debt	**13,631,562**	8,957,734
Equity	**37,959,515**	36,799,272
Debt-to-equity ratio	**36%**	24%
Debt	**₱13,631,562**	₱8,957,734
Less: Cash and cash equivalents	**2,433,018**	1,729,721
Net debt	**11,198,544**	7,228,013
Equity	**37,959,515**	36,799,272
Net debt-to-equity ratio	**30%**	20%
Gearing ratio	**1:4.39**	1:6.09

Debt consists of long-term debt and other liabilities. Other liabilities include accounts payable and accrued expenses, income tax payable, due to related parties and pension liability. Net debt includes total debt less cash and cash equivalents. Equity includes preferred shares, common shares, and retained earnings, net of treasury shares.

25. Earnings Per Share

EPS amounts were computed as follows:

	2008	2007	2006
	(In Thousands, Except EPS Figures)		
a. Net income	**₱1,867,001**	₱1,704,393	₱871,826
b. Weighted average number of outstanding common shares after considering reciprocal holdings in an associate	**23,270,575**	24,072,764	15,693,582
Basic /Diluted EPS (a/b)	**₱0.080**	₱0.071	₱0.056

On September 25, 2006, the BOD of the Parent Company approved the declaration of 25% common stock dividend (see Note 24), resulting to an issuance of 6.12 billion common shares. These stock dividends were considered retroactively in the computation of the weighted average number of shares in the above EPS computation.

Reciprocal interest relating to FAI's ownership in the Group is deducted from the total outstanding shares in computing the weighted average number of outstanding common shares. As of December 31, 2008, 2007 and 2006, the reciprocal holdings in FAI amounted to ₱33.71 million, ₱33.71 million and ₱59.20 million, respectively.

26. **Income Taxes**

The current provision for income tax represents regular corporate income tax (RCIT) in 2008 and 2007, and tax due on rental income subject to 5% preferential tax rate (see Notes 29 and 30).

The components of the Group's net deferred income tax liability are as follows:

	2008	2007
	(In Thousands)	
Deferred income tax liabilities on:		
Capitalization of borrowing costs	**₱1,349,930**	₱1,469,341
Excess of fair value over cost of investment property acquired in a business combination	**140,912**	147,452
Gross profit on installment sales	**133,329**	140,553
Deferred income tax assets on:		
Accrued retirement benefits	**(9,646)**	(32,326)
Changes in amortization of discount	**(5,528)**	(18,119)
Advance rentals	**(4,620)**	(6,164)
Provisions and accruals	**(4,376)**	(504)
Unrealized foreign exchange loss - net	**(175)**	13,243
Allowance for doubtful accounts	**(8)**	(9)
NOLCO	−	(295)
MCIT	−	(273)
	₱1,599,818	₱1,712,899

The Group did not recognize deferred income tax assets on the following deductible temporary differences of subsidiaries since management believes that the tax benefit related to these assets will not reverse through income tax deductions in the near future.

	2008	2007
	(In Thousands)	
Tax effects of:		
NOLCO	**₱56,482**	₱63,010
MCIT	**836**	731
	₱57,318	₱63,741

The carryforward benefits of the NOLCO and the excess of the MCIT over the regular corporate income tax, which can be claimed by the Group as credits against the regular corporate income tax due, are as follows:

Year Incurred	NOLCO	MCIT	Expiry Date
	(In Thousands)		
2008	₱3,673	₱659	December 31, 2011
2007	10,906	177	December 31, 2010
2006	41,903	−	December 31, 2009
	₱56,482	₱836	

The following are the movements in NOLCO and MCIT:

NOLCO	**2008**	2007
	(In Thousands)	
At January 1	**₱63,010**	₱56,452
Addition	**3,673**	25,130
Applied	**(721)**	–
Expired	**(9,480)**	(18,572)
At December 31	**₱56,482**	₱63,010

MCIT	**2008**	2007
	(In Thousands)	
At January 1	**₱731**	₱754
Addition	**176**	192
Expired	**(71)**	(215)
At December 31	**₱836**	₱731

The reconciliation of the provision for income tax at statutory tax rate to the actual provision for income tax follows:

	2008	2007	2006
		(In Thousands)	
Income tax at statutory tax rate	**₱746,082**	₱745,355	₱378,573
Adjustments for:			
Nondeductible interest expense	**8,230**	6,750	4,741
Nondeductible EAR	**7,259**	6,671	2,974
Expired NOLCO	**3,318**	6,890	4,108
Expired/write off of MCIT	**71**	215	156
Change in unrecognized deferred tax assets	**(1,347)**	(4,240)	991
Income subject to capital gains tax	**(5,683)**	(3,543)	–
Interest income subjected to final tax	**(17,999)**	(13,773)	(4,264)
Dividend income not subject to tax	**(22,474)**	(20,402)	(777)
Equity in net earnings of an associate	**(23,649)**	(125,089)	(22,216)
Rent income covered by PEZA	**(34,313)**	(25,068)	(1,138)
Tax-free realized gross profit on BOI registered property	**(39,682)**	(99,241)	(99,474)
HIGC-enrolled contracts receivables	**(42,797)**	(43,737)	–
Tax-free realized gross profit on socialized housing units	**(92,095)**	(41,171)	(53,862)
Effect of change in tax rate	**(220,258)**	–	–
Nondeductible taxes	**–**	35,575	–
	₱264,663	₱425,192	₱209,812

Revenue Regulations No. 10-2002 defines expenses to be classified as EAR expenses and set 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.

Republic Act No. 9377 (new EVAT law), included, among others, provision for (a) the increase in corporate income tax rate from 32% to 35% effective November 1, 2005 and later on reducing the rate to 30% effective January 1, 2009 and (b) allowable deduction for interest expense from 38% to 42% effective November 1, 2005 and 33% beginning January 1, 2009.

27. Financial Assets and Liabilities

The following table sets forth the carrying and fair values of financial assets and liabilities recognized as of December 31, 2008 and 2007. There are no material unrecognized financial assets and liabilities as of December 31, 2008 and 2007.

	2008		2007	
	Carrying Values	**Fair Values**	Carrying Values	Fair Values
	(In Thousands)			
Loans and receivables				
Cash and cash equivalents				
Cash on hand and in banks	**₱214,976**	**₱214,976**	₱112,527	₱112,527
Short-term deposits	**2,218,042**	**2,218,042**	1,617,194	1,617,194
Mortgage, notes and contracts receivables				
Contracts receivables	**6,615,098**	**6,856,324**	6,156,493	6,632,177
Receivables from government and financial institutions	**1,201,818**	**1,201,818**	632,634	632,634
Due from related parties	**81,993**	**81,993**	80,804	80,804
Other receivables				
Advances to joint venture partners and contractors	**933,370**	**933,370**	787,921	787,921
Advances to officers and employees	**176,052**	**176,052**	200,119	200,119
Receivables from homeowners' association	**166,347**	**166,347**	123,342	123,342
Receivables from tenants	**158,481**	**158,481**	160,200	160,200
Others	**143,088**	**143,088**	110,522	110,522
Total loans and receivables	**11,909,265**	**12,150,491**	9,981,756	10,457,440
AFS financial assets				
Investments in shares of stocks				
Quoted	**3,060**	**3,060**	3,060	3,060
Unquoted	**46,670**	**46,670**	55,160	55,160
Total AFS financial assets	**49,730**	**49,730**	58,220	58,220
	₱11,958,995	**₱12,200,221**	₱10,039,976	₱10,515,660

(Forward)

	2008		2007	
	Carrying Values	**Fair Values**	Carrying Values	Fair Values
	(In Thousands)			
Other financial liabilities at amortized cost				
Accounts payable and accrued expenses				
Accounts payable	**₱1,885,450**	**₱1,739,508**	₱1,252,492	₱1,192,192
Advances and deposits from customers	**1,357,570**	**1,357,570**	1,002,805	1,002,805
Deposits from tenants	**396,361**	**373,212**	378,646	342,423
Deposits for registration and insurance	**249,960**	**226,760**	365,631	345,580
Accrued expenses	**150,728**	**150,728**	65,892	65,892
Liabilities on receivables sold to banks	**1,908,971**	**1,654,748**	1,694,806	1,580,898
Notes payable	**74,100**	**74,100**	141,600	141,600
Other payables	**243,772**	**226,518**	403,466	347,152
Due to related parties	**249,215**	**249,215**	32,113	32,113
Long-term debt	**6,972,300**	**6,489,621**	3,515,864	3,377,349
Total other financial liabilities at amortized cost	**₱13,488,427**	**₱12,541,980**	₱8,853,315	₱8,428,004

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

- *Cash and cash equivalents*: due to the short-term nature of the account, the fair value of cash and cash equivalents approximates the carrying amounts at initial recognition.

- *Mortgage, notes and contracts receivables*: estimated fair value is based on the discounted value of future cash flows using the prevailing interest rates for similar types of receivables.

- *Due from and to related parties*: due to the short-term nature of the account, carrying amounts approximate fair values.

- *Other receivables:* on accounts due within one year, the fair value of other receivables approximates the carrying amounts. Considering that the carrying value of the advances to joint venture and contractors is at amortized cost, its carrying amount approximates fair value. Such amortization of advances is determined using the effective interest rate method.

- *AFS financial assets*: fair values were determined using quoted market prices at balance sheet date. AFS financial assets not quoted in an active market are recorded at cost.

- *Accounts payable and accrued expenses*: on accounts due within one year, the fair value of accounts payable and accrued expenses approximates the carrying amounts. On accounts due for more than a year, estimated fair value is based on the discounted value of future cash flows using the prevailing interest rates on loans and similar types of payables.

- *Long-term debt:* estimated fair value on debts with fixed interest and not subjected to quarterly repricing is based on the discounted value of future cash flows using the applicable risk free rates for similar types of loans adjusted for credit risk. Long term debt subjected to quarterly repricing is not discounted since it approximates fair value.

The discount rates used ranged from 7% to 8.7% and 5% to 7% in 2008 and 2007, respectively.

Financial Risk Management Objectives and Policies
The Group's principal financial instruments are composed of cash and cash equivalents, loans from financial institutions, mortgage and contracts receivables and other receivables. The main purpose of these financial instruments is to raise financing for the Group's operations. The Group has AFS financial assets.

The main objectives of the Group's financial risk management are as follows:

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

The Group's finance and treasury function operates as a centralized service for managing financial risks and activities as well as providing optimum investment yield and cost-efficient funding for the Group. The Group's BOD reviews and approves the policies for managing each of these risks.

The policies are not intended to eliminate risk but to manage it in such a way that opportunities to create value for the stakeholders are achieved. The Group's risk management takes place in the context of the normal business processes such as strategic planning, business planning, operational and support processes.

The main risks arising from the Group's financial instruments are liquidity risk, credit risk and interest rate risk. The Group also monitors the market price risk arising from all financial instruments.

Liquidity Risk
Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities.

The Group seeks to manage its liquidity profile to be able to finance capital expenditures and service maturing debts. To cover its financing requirements, the Group intends to use internally generated funds and available long-term and short-term credit facilities. In light of the current financial crisis and an anticipated credit crunch spilling over to the country, the Group opted to fully avail of its committed long-term credit facilities from various financial institutions of December 31, 2008 from an undrawn balance of ₱2.63 billion as of December 31, 2007. As of December 31, 2008 and 2007, the Group has ₱126.84 million and ₱2.43 billion, respectively, in undrawn, uncommitted short-term credit lines.

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, in case any requirements arise. Fund raising activities may include bank loans and capital market issues.

The tables below summarize the maturity profile of the Group's other financial liabilities as of December 31, 2008 and 2007 based on contractual undiscounted payments.

	December 31, 2008						
	On demand	Less than 3 months	3 months to 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total
				(In Thousands)			
Accounts payable and accrued expenses							
Accounts payable	₱–	₱139,303	₱451, 2	₱981,149	₱313,786	₱–	₱ 1,885,450
Advances and deposits from customers	1,357,570	–	–				1,357,570
Deposits for registration and insurance	50	33,464	71,909	69,384	61,783	13,370	249,960
Accrued expenses	–	–	150,728	–	–	–	150,728
Deposits from tenants	33,998	43,452	178,321	87,002	4,396	49,192	396,361
Liabilities on receivables sold to banks	–	77,450	375,455	701,485	394,351	360,230	1,908,971
Notes payable	–	–	74,100	–	–	–	74,100
Other payables	12,304	19,292	55,917	95,506	60,753	–	243,772
	1,403,922	312,961	1,357,642	1,934,526	835,069	422,792	6,266,912
Due to related parties	249,215	–	–	–	–	–	249,215
Long-term debt	–	–	–	2,107,367	4,189,933	675,000	6,972,300
Interest on long-term debt	–	–	536,412	966,060	515,285	53,498	2,071,255
	₱1,653,137	₱312,961	₱1,894,054	₱5,007,953	₱5,540,287	₱1,151,290	₱15,559,682

	December 31, 2007						
	On demand	Less than 3 months	3 months to 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total
				(In Thousands)			
Accounts payable and accrued expenses							
Accounts payable	₱–	₱106,816	₱695,291	₱328,751	₱121,634	₱–	₱1,252,492
Advances and deposits from customers	1,002,805	–	–	–	–	–	1,002,805
Deposits for registration and insurance	231	11,897	219,458	76,597	57,448	–	365,631
Accrued expenses	–	–	65,892	–	–	–	65,892
Deposits from tenants	14,451	5,844	20,256	338,095	–	–	378,646
Liabilities on receivables sold to banks	–	16,009	112,063	754,801	424,324	387,609	1,694,806
Notes payable	–	90,000	51,600	–	–	–	141,600
Other payables	10,982	10,347	127,200	82,241	5,345	167,351	403,466
	1,028,469	240,913	1,291,760	1,580,485	608,751	554,960	5,305,338
Due to related parties	32,113	–	–	–	–	–	32,113
Long-term debt	–	–		734,450	1,396,950	1,384,464	3,515,864
Interest on long-term debt	–	1,851	257,010	504,630	360,644	365,267	1,489,402
	₱1,060,582	₱242,764	₱1,548,770	₱2,819,565	₱2,366,345	₱2,304,691	₱10,342,717

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 Group is exposed to credit risk from its operating activities, primarily for its mortgage notes and contract receivables and other receivables.

It is the Group's policy that buyers who wish to avail the in-house financing scheme are subject to credit verification procedures. Receivable balances are being monitored on a regular basis and subjected to appropriate actions to manage credit risk. However, as discussed in Note 7, the Group has a mortgage insurance contract with Home Guaranty Corporation for a retail guaranty line.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents and AFS financial assets, 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.

The Group entered into various purchase agreements with financial institutions whereby the Group sold its contracts receivables with a provision that the Group should buy back these receivables in case these become overdue for two to three consecutive months or when the contract to sell has been cancelled.

The table below shows the comparative summary of maximum credit risk exposure on assets as of December 31, 2008 and 2007:

	2008	2007
	(In Thousands)	
Loans and Receivables		
Cash and cash equivalents		
Cash in banks	**₱210,342**	₱107,478
Short-term deposits	**2,218,042**	1,617,194
Mortgage, notes and contracts receivables		
Contracts receivables	**6,615,098**	6,156,493
Receivables from government and financial institutions	**1,201,818**	632,634
Due from related parties	**81,993**	80,804
Other receivables		
Advances to joint venture partners and contractors	**933,370**	787,921
Advances to officers and employees	**176,052**	200,119
Receivables from homeowners' association	**166,347**	123,342
Receivables from tenants	**158,481**	160,200
Others	**143,088**	110,522
Total loans and receivables	**11,904,631**	9,976,707
AFS financial assets		
Investments in shares of stocks		
Unquoted	**46,670**	55,160
Quoted	**3,060**	3,060
Total AFS financial assets	**49,730**	58,220
	₱11,954,361	₱10,034,927

All the abovementioned assets, except for trade receivables, approximate their fair values and are of high-grade credit quality. Based on the Company's experience, the said assets are highly collectible or collectible on demand. The Company holds as collaterals the corresponding properties which the third parties had bought on credit. In few cases of buyer defaults, the Company can repossess the collateralized properties and resell it at the prevailing market price.

The following tables show the credit quality by class of asset for loan-related balance sheet lines as of December 31, 2008 and 2007, based on the Group's credit rating system. The Group's high-grade receivables pertain to receivables from related parties and third parties which, based on experience, are highly collectible or collectible on demand, and of which exposure to bad debt is not significant. Receivables assessed to be of standard grade are those which had passed a certain set of credit criteria, and of which the Group has not noted any extraordinary exposure which calls for a substandard grade classification.

	Neither past due nor impaired				
	High grade	Standard grade	Substandard grade	Past due but not impaired	Total
	As of December 31, 2008 (In Thousands)				
Cash and cash equivalents					
Cash in banks	**₱210,342**	**₱–**	**₱–**	**₱–**	**₱210,342**
Short-term deposits	**2,218,042**	–	–	–	**2,218,042**
Mortgage notes and contracts receivables					
Contracts receivables	–	**6,468,533**	–	**146,565**	**6,615,098**
Receivables from government and financial institutions	**1,201,818**	–	–	–	**1,201,818**
Due from related parties	**81,993**	–	–	–	**81,993**
Other receivables					
Advances to joint venture partners and contractors	**933,370**	–	–	–	**933,370**
Advances to officers and employees	**176,052**	–	–	–	**176,052**
Receivables from homeowners' association	–	**166,347**	–	–	**166,347**
Receivables from tenants	–	**158,481**	–	–	**158,481**
Others	–	**143,088**	–	–	**143,088**
	₱4,821,617	**₱6,936,449**	**₱–**	**₱146,565**	**₱11,904,631**

	Neither past due nor impaired				
	High grade	Standard grade	Substandard grade	Past due but not impaired	Total
	As of December 31, 2007 (In Thousands)				
Cash and cash equivalents					
Cash in banks	₱107,478	₱–	₱–	₱–	₱107,478
Short-term deposits	1,617,194	–	–	–	1,617,194
Mortgage notes and contracts receivables					
Contracts receivables	–	5,923,999	–	232,494	6,156,493
Receivables from government and financial institutions	632,634	–	–	–	632,634
Due from related parties	80,804				80,804
Other receivables					
Advances to joint venture partners and contractors	787,921	–	–	–	787,921
Advances to officers and employees	200,119	–	–	–	200,119
Receivables from homeowners' association	–	123,342	–	–	123,342
Receivables from tenants	–	160,200	–	–	160,200
Others	–	110,522	–	–	110,522
	₱3,426,150	₱6,318,063	₱–	₱232,494	₱9,976,707

As at December 31, 2008 and 2007, the analysis of mortgage, notes and contracts receivables that were past due but not impaired is as follows:

	Neither past due nor impaired	Past due but not impaired Less than 30 days	30 to 60 days	60 to 90days	90 to 120 days	Over 120 days	Total
			As of December 31, 2008 (In Thousands)				
Contracts receivables	**₱6,468,533**	**₱ 18,201**	**₱ 13,467**	**₱ 8,747**	**₱ 10,243**	**₱ 95,907**	**₱ 6,615,098**
Receivables from governments and financial institutions	**1,201,818**	**–**	**–**	**–**	**–**	**–**	**1,201,818**
	₱7,670,351	**₱ 18,201**	**₱ 13,467**	**₱ 8,747**	**₱ 10,243**	**₱ 95,907**	**₱7,816,916**
			As of December 31, 2007 (In Thousands)				
Contracts receivables	₱5,923,999	₱28,381	₱24,054	₱20,198	₱15,038	₱144,823	₱6,156,493
Receivables from governments and financial institutions	632,634	–	–	–	–	–	₱632,634
	₱6,556,633	₱28,381	₱24,054	₱20,198	₱15,038	₱144,823	₱6,789,127

Interest Rate Risk
The Group's exposure to market risk for changes in interest rates relates primarily to the Group's loans from various financial institutions. To manage interest rate risk, the Group renegotiates the interest rates for its certain long term debts to convert them from fixed-rate debt to floating-rate debt as the Group believes that the current interest rate environment makes it more favorable to carry floating-rate debt.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings). There is no other impact on the Group's equity other than those already affecting the profit and loss.

	Increase (decrease) in basis points	Effect on income before income tax (In thousands)
2008	**+200**	**(₱95,928)**
	-200	**₱95,928**
2007	+200	(₱26,349)
	-200	₱26,349

The sensitivity analysis shown above is based on the assumption that interest rate movement will most likely be limited to a two hundred basis point upward or downward fluctuation. Effect on the Group's income before tax is computed on the carrying amount of the Group's floating rate loans payable as of December 31, 2008 and 2007.

The following tables set out the carrying amount (in thousands), by maturity, of the Group's long-term debt that are exposed to interest rate risk:

	2008					
	Below 1 Year	**1-2 Years**	**2-3 Years**	**3-4 Years**	**Over 4 Years**	**Total**
Long-term debt						
Fixed rate	**₱–**	**₱225,000**	**₱450,000**	**₱450,000**	**₱1,125,000**	**₱2,250,000**
Interest rate			**7.72% to 7.9%**			
Variable rate	**₱74,100**	**₱324,100**	**₱1,108,267**	**₱1,235,767**	**₱2,054,166**	**₱4,796,400**
Interest rate			**91 day Treasury bill plus 1% to 2% margin**			

	2007					
	Below 1 Year	1-2 Years	2-3 Years	3-4 Years	Over 4 Years	Total
Long-term debt						
Fixed rate	₱–	₱–	₱225,000	₱450,000	₱1,575,000	₱2,250,000
Interest rate			7.72% to 7.9%			
Variable rate	₱145,350	₱189,100	₱226,600	₱226,600	₱529,814	₱1,317,464
Interest rate			91 day Treasury bill plus 1.5% - 2% margin			

Foreign Currency Risk
Financial assets and financing facilities extended to the Group were mainly denominated in Philippine Peso. As such, the Group's exposure to this risk is not significant.

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities). PDS closing rates used are ₱47.52 and ₱41.28 on December 31, 2008 and 2007, respectively. There is no other impact on the Group's equity other than those already affecting the profit and loss.

	Increase (decrease) in US dollar rate	Effect on income before income tax (In Thousands)
2008	**+5%**	**₱3,617**
	-5%	**(₱3,617)**
2007	+5%	₱3,331
	-5%	(₱3,331)

The sensitivity analysis shown above is based on the assumption that movement in US dollar-peso exchange rate will most likely be limited to five percent (5%) upward or downward fluctuation. Effect on the Group's income before tax is computed on the carrying amount of the Group's US dollar-denominated financial assets as of December 31, 2008 and 2007.

Equity Price Risk
The table below demonstrates the sensitivity to a reasonably possible change in the market price of country club shares classified as AFS investments, with all other variables held constant, of the Group's equity. The impact on the Group's equity already excludes the impact on transactions affecting the profit and loss.

	Increase/ decrease in market price	Effect on equity (In Thousands)
2008	**+40%**	**₱2,400**
	-40%	**(₱2,400)**
2007	+30%	₱1,800
	-30%	(₱1,800)

28. **Contingencies**

The Group is involved in various legal actions, claims and contingencies incident to the ordinary course of the business. Management believes that any amount the Group may have to pay in connection with any of these matters would not have a material adverse effect on the consolidated financial position or operating results.

29. **Registration with PEZA**

On February 13, 2002, the Group was registered with PEZA pursuant to the provisions of the RA No. 7916 as the Ecozone Developer/Operator to lease, sell, assign, mortgage, transfer or otherwise encumber the area designated as a Special Economic Zone (Ecozone) to be known as Filinvest Technology Park-Calamba.

Under the registration, the Group shall enjoy 5% preferential tax privilege on income generated from the Ecozone as opposed to the regular income tax rate.

On June 11, 2001, FAC was registered with PEZA as the developer/operator of PBCom Tower and as such it will not be entitled to any incentives however, IT enterprises which shall locate in PBCom Tower shall be entitled to tax incentives pursuant to RA No. 7916.

On June 6, 2000, CPI was registered with PEZA as an ECOZONE Facilities Enterprise. As a registered enterprise, it is also entitled to certain tax and non-tax benefits such as exemption from payment of national and local taxes and instead a special tax rate of five percent (5%) of gross income.

The Group is also entitled to zero percent (0%) value-added tax for sales made to ECOZONE enterprises.

30. Registration with the Board of Investments (BOI)

The Group has registered the following projects with the BOI under the Omnibus Investments Code of 1987 (Executive Order No. 226):

Name	Reg. No.	Date Registered	Type of Registration
Timberland Heights	1998-063	02/05/99	New Operator of Service City
Asenso Village-Cavite	2007-035	03/07/07	New Developer of Business Park, i.e. Micro, Small and Medium Enterprises
Palm Ridge 2A	2007-042	03/13/07	New Developer of Low-Cost Mass Housing Project
Asenso Village-CDC	2007-110	06/28/07	New Developer of Micro, Small and Medium Enterprises (MSME) Business Park
Aldea Real	2007-163	09/12/07	New Developer of Low-Cost Mass Housing Project
Summerbreeze 1	2007-191	10/26/07	New Developer of Low-Cost Mass Housing Project
One Oasis	2008-225	08/14/08	New Developer of Low-Cost Mass Housing Project
Westwood Mansions	2008-257	09/02/08	New Developer of Low-Cost Mass Housing Project
Summerbreeze 2	2008-311	11/17/08	New Developer of Low-Cost Mass Housing Project
Palm Ridge - Phase 3	2008-310	11/17/08	New Developer of Low-Cost Mass Housing Project
Park Spring - The Glens	2008-326	12/15/08	New Developer of Low-Cost Mass Housing Project

As a registered enterprise, the Group is entitled to certain tax and nontax incentives, subject to certain conditions.

31. Events After the Balance Sheet Date

On February 3, 2009, the Parent Company signed an agreement with the Cebu City government to develop 50 hectares of the 300-hectare reclaimed property in Cebu. The agreement provides for the purchase of 10.6 hectares valued at around ₱1.5 billion and the development under a joint venture with the Cebu City government of the remaining 40 hectares for residential condominiums and retirement villages.