PSE Number: E-5000
SEC Number: 152-747
File Number: ________

AYALA LAND, INC.

(Company's Full Name)

c/o 30/F, Tower One, Ayala Triangle
Ayala Avenue, Makati City 1226

(Company Address)

(632) 750-6974

(Telephone Number)

December 31, 2010

(Year Ending)

Annual Report - SEC Form 17-A

(Form Type)

(Amendments – if applicable)

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-A

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

1. For the fiscal year ended December 31, 2010

2. SEC Identification Number 152747   3. BIR Identification No. 050-000-153-790

4. Exact name of the issuer as specified in its charter: **AYALA LAND, INC.**

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

6. Industry Classification Code: _______ (SEC Use Only)

7. Address of principal office: c/o 30/F, Tower One, Ayala Triangle, Ayala Avenue, Makati City   Postal code: 1226

8. Issuer's telephone number: (632) 750-6974

9. Former name, former address, former fiscal year: not applicable

10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sections 4 and 8 of the RSA:

    As of December 31, 2010:

Title of each class	Number of shares
Common shares	13,028,944,485 (net of 79,528,228 Treasury shares)
Preferred shares	13,034,603,880

    Amount of debt outstanding: P4.4 billion (registered bonds)

11. Are any or all of these securities listed on a Stock Exchange?
    Yes [x]   No [ ]

    Name of Stock Exchange: Philippine Stock Exchange
    Class of securities listed: Common stocks

    12,979,451,414 common shares have been listed with the Philippine Stock Exchange as of December 31, 2010.

12. Check whether the issuer:

    (a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and sections 26 and 141 of the Corporation Code of the Philippines during the preceeding 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 [ ]

13. Aggregate market value of the voting stock held by non-affiliates:

    P100 billion (as of end-2010); P95 billion (as of end-March 2011)

APPLICABLE ONLY TO ISSUERS INVOLVED IN INSOLVENCY/SUSPENSION OF PAYMENTS PROCEEDINGS DURING THE PRECEEDING FIVE YEARS

14. 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 or the Commission.

    Yes [ ] No [ ] **Not applicable**

DOCUMENTS INCORPORATED BY REFERENCE

15. Briefly describe documents incorporated by reference and identify the part of the SEC Form 17-A into which the document is incorporated:

    <u>2010 Audited Consolidated Financial Statements</u> (incorporated as reference for Items 5, 7, 10 & 12 of SEC Form 17-A)

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PART I - BUSINESS

Item 1. Business

Background
Ayala Land, Inc. ("ALI" or "the Company") was organized in 1988 when Ayala Corporation decided to spin off its real estate division into an independent subsidiary to enhance management focus on its real estate business. ALI went public in July 1991 when its Class "B" Common shares were listed both in the Manila and Makati Stock Exchanges (the predecessors of the Philippine Stock Exchange - PSE). On September 12, 1997, the Securities and Exchange Commission (SEC) approved the declassification of the Company's common class "A" and common class "B" shares into common shares.

Products / Business Lines

Ayala Land is the largest and most diversified real estate company in the Philippines. It has organized its operations into several business lines.

- Residential Development - sale of high-end residential lots and units (including leisure community developments), middle-income residential lots and units, affordable lots, units and house and lot packages, and economic housing packages; lease of residential units; marketing of residential developments

- Shopping Centers - development of shopping centers and lease to third parties of retail space and land therein; operation of movie theaters, food courts, entertainment facilities and carparks in these shopping centers; management and operations of malls which are co-owned with partners

- Office Business - development and lease or sale of office buildings; sale of industrial lots and lease of factory buildings;

- Hotels and Resorts – development, operation and management of hotels and eco-resorts; lease of land to hotel tenants

- Strategic Landbank Management and Visayas-Mindanao - acquisition, development and sale of large, mixed-use, masterplanned communities; sale of override units or Ayala Land's share in properties made available to subsidiaries for development; lease of gas station sites and carparks outside Ayala Center; development, sale and lease of the Company and subsidiaries' product offerings in key cities in the Visayas and Mindanao regions

- Services

  - Construction – land development and construction of ALI and third-party projects

  - Property Management – facilities management of ALI and third-party projects; operation of water and sewage treatment facilities in some ALI projects

In addition to above business lines, Ayala Land also derives other income from its investment activities and sale of non-core assets.

Products / Business Lines (with 10% or more contribution to 2010 consolidated revenues):

Residential Development (high-end lots and units, leisure, upper mid-income housing, affordable and economic housing)	44%
Shopping Centers	12%

Distribution Methods of Products

The Company's residential products are distributed to a wide range of clients through various sales groups.

Ayala Land (parent company) has its own in-house sales team. In addition, it has a wholly-owned subsidiary, Ayala Land Sales, Inc. ("ALSI"), which employs commission-based sales people. Ayala Land uses a sales force of about 2,000 brokers and sales agents guided by a strict Code of Ethics.

The overseas Filipino market is being pursued through award-winning websites, permanent sales offices or broker networks, and regular roadshows with strong follow-through marketing support in key cities abroad. Ayala Land International Sales, Inc. ("ALISI"), created in March 2005, led the marketing, sales and channel development activities and marketing initiatives of the three residential brands abroad. ALISI also signed up marketing partners in Bahrain, Saudi Arabia, London and Spain. Avida established representative offices in Rome and Milan in Italy and in Abu Dhabi. In addition, One Ayala program, which bundles the products and services of Ayala Land, Bank of the Philippine Islands (BPI) and Globe Telecom, gives access to potential Ayala Land clients overseas, i.e. through BPI's 17 overseas offices and 81 tie-ups. In addition, the Ayala Land-BPI Dream Deals program aims to generate additional sales from local market.

Separate sales groups have also been formed for certain subsidiaries which cater to different market segments under Avida (affordable housing) and Alveo (middle-income housing). To complement these sales groups, Ayala Land and its subsidiaries also tap external brokers.

Effective second half of 2008, residential sales support transactions of ALP, Alveo, and Avida is being undertaken by the shared services company Amicassa Process Solutions, Inc. ("APSI") put up by the Company.

Development of the business of the registrant and its key operating subsidiaries/affiliates during the past three years

Ayala Land, Inc. - parent company (incorporated in 1988), pursued major high-end residential land development and condominium projects, office buildings, leisure community project and shopping center operations. Its ongoing horizontal residential projects include, among others, Abrio, Santierra, Ayala Westgrove Heights, Alegria Hills and Ayala Northpoint. Residential condominium projects undertaken in the past three years include Park Terraces, The Residences at Greenbelt and One Serendra. Shopping center operations at Ayala Center continued while the redevelopment of Glorietta is underway. Operation of traditional headquarter-type and BPO buildings continued as well as the development of its leisure community project, Anvaya Cove.

Residential
Alveo Land Corp. (formerly Community Innovations, Inc., incorporated in 2002), 100% owned by Ayala Land, offers various residential products to the middle-income market. Alveo's projects over the past three years include Verdana Homes Mamplasan, Verdana Village Center, MarQuee, Treveia and Venare in NUVALI, Celadon Residences, Celadon Park, The Columns at Ayala Avenue, The Columns at Legazpi Village, Senta and Ametta Place.

Avida Land Corp. (incorporated in 1990), a wholly-owned subsidiary, continued to develop affordable housing projects which offer house-and lot packages and residential lots. Avida also ventured into the development and sale of farm/hacienda/commercial lots. Projects in the past three years include Avida Towers Sucat, Avida Towers New Manila, Avida Towers San Lazaro, Avida Towers Makati West, Avida Towers San Lorenzo, Avida Towers Global City, Avida Towers Cebu, Avida Towers Alabang, Avida Settings NUVALI, Avida Settings Cavite, Avida Residences San Fernando and Avida Village NUVALI.

Amaia Land Corp. (formerly First Communities Realty, Inc., incorporated in 2000), wholly-owned subsidiary of Ayala Land, pursued a planned expansion of residential development operations catering to the country's economic housing segment.

Serendra, Inc. (incorporated in 1994), 28%-owned by ALI and 39%-owned by Alveo Land Corp., is engaged in residential development. In 2004, it launched Serendra, a residential complex at the Bonifacio Global City in Taguig.

Ayala Greenfield Development Corporation ("AGDC", incorporated in 1997), 50-50% owned by ALI and Greenfield Development Corporation, started development of Ayala Greenfield Estates in Calamba, Laguna in 1999. AGDC continued to develop and sell lots in this high-end residential subdivision.

Roxas Land Corp. (incorporated in 1996), 50% owned, sold-out One Roxas Triangle in 2007. The project was started in 1996 and was completed in September 2001.

Ayala Land Sales, Inc. (incorporated in 2002), wholly-owned, continued to sell ALI's residential projects. ALSI employs commission-based brokers.

Ayala Land International Sales, Inc. (incorporated in 2005), wholly-owned, was formed to tap the overseas Filipino market, selling ALI's various residential projects.

<u>Shopping Centers</u>

NorthBeacon Commercial Corporation, formerly Alabang Theatres Management Corporation (incorporated in 1970), is ALI's wholly-owned vehicle for its MarQuee Mall in Pampanga which commenced development in March 2007 and began operations in September 2009.

Station Square East Commercial Corporation (incorporated in 1989), 69% owned subsidiary of ALI, broke ground in 2002 for Market! Market!, a 150,000-sqm mall along C-5 Road in Taguig. It opened Phase 1A of the mall in 2004 and Phase 1B in 2005.

Alabang Commercial Corp. (incorporated in 1978), 50% owned by ALI, continued to manage and operate the Alabang Town Center.

Accendo Commercial Corp. (incorporated in 2008), 57% owned by ALI, is a joint venture company with the Anflo Group for the development of a mixed-use project in Davao City including Abreeza Mall.

North Triangle Depot Commercial Corp. (incorporated in 2001), 49% owned by ALI, commenced development of TriNoma (formerly referred to as North Triangle Commercial Center), a 191,000-sqm mall constructed at the main depot of MRT-3 in Quezon City. TriNoma broke ground in June 2005 and began operations in May 2007.

ALI-CII Development Corporation (incorporated in 1997), a 50-50% joint venture with Concepcion Industries, continued to operate Metro Point, a mid-market mall at the corner of EDSA and Taft Avenue, which was completed in the fourth quarter of 2001.

Primavera Town Centre, Inc. (incorporated in 2009), is a 100% owned subsidiary that was formed to handle the planning, development and management of small-format retail facilities known as "neighborhood centers" within the Company's existing and planned growth centers across the country.

Lagoon Development Corporation (incorporated in 1996), 30% owned by ALI, is a joint venture company with Extraordinary Development Corporation. It continued to operate Pavilion Mall which is located in Biñan, Laguna.

Ayala Theaters Management, Inc. (incorporated in 1984), 100% owned, continued to manage and operate theaters at the Ayala Center in Makati.

Five Star Cinema, Inc. (incorporated in 2000), also wholly-owned, continued to manage and operate theaters at the Alabang Town Center.

Food Court Company, Inc. (incorporated in 1997), a 100% owned subsidiary of ALI, continued to handle foodcourt operations such as Food Choices at the Glorietta 4.

Leisure and Allied Industries Phils., Inc. (incorporated in 1997), a 50-50% joint venture of ALI with Australian company, LAI Asia Pte. Ltd., continued to operate family entertainment centers called TimeZone in various Ayala malls, as well as other malls.

Office Business

Laguna Technopark, Inc. (incorporated in 1990), 75% owned, continued to sell industrial lots to local and foreign company locators. It also leases ready-built factory units within the Laguna Technopark.

ALI Property Partners Holdings Corp. (incorporated in 2006), is the Company's 80%-owned vehicle in partnership with MLT Investments (Goldman Sachs) which handle various BPO projects and investments.

Asian I-Office Properties, Inc. (incorporated in 2008), is the Company's 60%-owned vehicle that manages and operates two BPO buildings located in Asiatown IT Park in Cebu, namely eBloc and Peak Building A.

Gisborne Property Holdings, Inc., Sunnyfield E-Office Corporation, Asterion Technopod, Incorporated, Crestview E-Office Corporation, Summerhill E-Office Corporation and *Hillsford Property Corp.* (all incorporated in 2009), are wholly-owned entities established to handle, develop and manage all future BPO buildings located in various growth centers within the Philippines.

Hotels and Resorts

Ayala Hotels, Inc. (incorporated in 1991), 50% owned, currently manages hotel land lease operations.

AyalaLand Hotels and Resorts Corporation (incorporated in 2010), 100%-owned, serve as a holding company for the Company's hotels and resorts operations.

Greenhaven Property Venture, Inc. (incorporated in 2009), 100%-owned, was established to plan, develop and manage the hotel being constructed in Glorietta 1 as part of the Ayala Center redevelopment project.

Ten Knots Philippines, Inc. and Ten Knots Development Corp. (The Ten Knots Group), 60% owned by ALI in partnership with Asian Conservation Company and ACC Resorts, Inc. (the ACC Group), is engaged in the development and management of island resorts in Palawan.

Strategic Landbank Management and Visayas-Mindanao

Aurora Properties, Inc. (incorporated in 1992) and Vesta Property Holdings, Inc. (incorporated in 1993) are 70% owned by Ayala Land, while *Ceci Realty, Inc. (incorporated in 1974)* is 60% owned. These companies, joint ventures with the Yulo Family, continued to develop and sell residential and commercial lots in NUVALI in Canlubang, Laguna.

Emerging City Holdings, Inc. and *Berkshires Holdings, Inc.* (incorporated in 2003), both 50% owned, serve as ALI's corporate vehicles in the acquisition of a controlling stake in Bonifacio Land Corp. / Fort Bonifacio Development Corp. through Columbus Holdings, Inc. in 2003. FBDC continued to sell commercial lots at the Bonifacio Global City while it leased out retail spaces.

Regent Time International Limited (incorporated in 2003), 100% owned by ALI, also owns a stake at Bonifacio Land Corp. / Fort Bonifacio Development Corp.

Cebu Holdings, Inc. (incorporated in 1988), 47% owned by ALI, continued to manage and operate the Ayala Center Cebu and sell lots within the Cebu Business Park. The company also launched Amara, a high-end seaside residential subdivision, and continued to sell club shares at City Sports Club Cebu. Through *Cebu Property Ventures Development Corporation*, CHI also continued to sell lots at the Asiatown IT Park.

Services

Makati Development Corporation (incorporated in 1974), 100% owned by ALI, continued to engage in engineering, design and construction of horizontal and low-rise vertical developments. It continued to service site development requirements of Ayala-related projects while it provided services to third-parties in both private and public sectors.

Ayala Property Management Corp. (incorporated in 1957), wholly-owned by ALI, continued to manage properties of ALI and its subsidiaries. It also provides services to third-party clients.

Bankruptcy, Receivership or Similar Proceedings

None for any of the subsidiaries and affiliates above.

Material Reclassification, Merger, Consolidation or Purchase or Sale of a Significant Amount of Assets (not ordinary) over the past three years

Since 2003, Ayala Land has implemented an asset rationalization program involving, among others, the sale of installment receivables and divestment of some non-core assets.

Asset sales in 2008 included the sale of shares in three subsidiaries (namely Piedmont Property Ventures, Inc., Stonehaven Land, Inc. and Streamwood Property, Inc.) to Megaworld and the sale of P1.4 billion of accounts receivable. There were no large sale transactions in 2009 and 2010.

Various diversification/ new product lines introduced by the company during the last three years

Economic housing

The Company formally launched its fourth residential brand, Amaia, in 2010, catering to the economic housing segment. It launched its pilot project in May 2010 called AmaiaScapes in Calamba, Laguna.

Businessman's Hotels and Resorts

ALI diversified its hotels and resorts portfolio in 2010 by launching a collection of businessman's hotels to cater to underserved markets in key areas of the country and by venturing into resorts in established eco-tourism areas. It broke ground in Bonifacio Global City and Davao City on its new businessman's hotel line. It also acquired a 60% stake in El Nido Resorts in Palawan, which operates a total of 100 rooms between Lagen and Miniloc Island Resorts. El Nido Resorts also acquired, renovated, and re-opened the 50-room Apulit Island Resort (previously known as Club Noah) before the end of 2010.

Competition

Ayala Land is the only full-line real estate developer in the Philippines with a major presence in almost all sectors of the industry. Ayala Land believes that, at present, there is no other single property company that has a significant presence in all sectors of the property market. Ayala Land has different competitors in each of its principal business lines.

With respect to its mall business, Ayala Land's main competitor is SM Prime whose focus on mall operations gives SM Prime some edge over the Company in this line of business. Nevertheless, Ayala Land is able to effectively compete for tenants primarily based on its ability to attract customers -- which generally depends on the quality and location of its shopping centers, mix of tenants, reputation as a developer, rental rates and other charges.

For office rental properties, Ayala Land sees competition in smaller developers such as Kuok Properties (developer of Enterprise Building), Robinsons Land (developer of Robinsons Summit Center) and non-traditional developers such as the AIG Group (developer of Philam Towers) and RCBC (developer of RCBC towers). For BPO office buildings, Ayala Land competes with the likes of Megaworld and Robinsons Land. Ayala Land is able to effectively compete for tenants primarily based upon the quality and location of its buildings, reputation as a building owner, quality of support services provided by its property manager, rental and other charges.

With respect to residential lot and condominium sales, particularly the middle-income/affordable housing segments, Ayala Land competes with developers such as Filinvest Land, Vista Land, Megaworld, SM Development Corp. and DMCI Homes. Ayala Land is able to effectively compete for purchasers primarily on the basis of reputation, price,

Suppliers

The Company has a broad base of suppliers, both local and foreign. The Company is not dependent on one or a limited number of suppliers.

Customers

Ayala Land has a broad market base including local and foreign individual and institutional clients. The Company does not have a customer that will account for twenty percent (20%) or more of its revenues.

Transactions with related parties

Please refer to Item 12 of this report ("Certain Relationships and Related Transactions).

Licenses

Phenix Building System

A joint venture agreement between Maison Individuelles, S.A. ("MISA") of France and Avida Land was organized in June 1998 and subsequently registered with the SEC as Laguna Phenix Structures Corporation ("LPSC") in July 1999.

LPSC, a 50%-50% joint venture, is primarily engaged in the business of manufacturing, installation, erection and construction, marketing and promotion, and wholesaling of buildings, houses and other structures and accessories using the "Phenix" technology (for which a patent has been registered and issued in the Philippines under RP Patent No. 29862). Both MISA and Avida assigned their respective license rights to LPSC since the latter's incorporation.

Government approvals/regulations

The Company secures various government approvals such as the ECC, development permits, license to sell, etc. as part of the normal course of its business.

Employees

Ayala Land - parent company has a total workforce of 493 regular employees (1,355 including manpower of wholly-owned subsidiaries) as of December 31, 2010.

The breakdown of the ALI - parent company employees according to type is as follows:

Executive	110
Managers	80
Supervisors	87
Rank and File	216
Total	493

One of the banner programs under the organization development pillar of Ayala Land is the Professionals In Development Program (PID). ALI PID is a career development program where fresh talent is brought into the organization and developed in a fast-track and systematic approach. It aims to provide ALI's new hires a comprehensive understanding of its business processes and ways of doing things thus facilitate their fast integration to any ALI team.

In 2010, 39 fresh talents were brought in the PID Program. Out of the 39 trainees, 32 new hires have successfully made the cut after a rigorous process of training and immersion. They are now deployed in critical areas of the organization whether it is in ALI Corporate or at the subsidiary level.

Risks

Ayala Land is subject to significant competition in each of its principal businesses. Ayala Land competes with other developers and developments to attract land and condominium buyers, shopping center and office tenants, and customers of the retail outlets, restaurants, and hotels across the country.

However, Ayala Land believes that, at present, there is no single property company that has a significant presence in all sectors of the property market.

High-End, Middle-Income, Affordable Residential and Economic Housing Developments

With respect to high-end land and condominium sales, Ayala Land competes for buyers primarily on the basis of reputation, reliability, price and the quality and location of the community in which the relevant site is located. For the middle-income, affordable and economic housing markets, Ayala Land competes for buyers based on quality of projects, affordability of units and availability of in-house financing. Ayala Land is also actively tapping the overseas Filipino market.

Shopping Center, Office Space and Land Rental

For its shopping centers, Ayala Land competes for tenants primarily based on the ability of the relevant shopping center to attract customers - which generally depends on the quality and location of, and mix of tenants in, the relevant retail center and the reputation of the owner of the retail center - and rental and other charges. The market for shopping centers has become especially competitive and the number of competing properties is growing. Some competing shopping centers are located within relatively close proximity of each of Ayala Land's commercial centers.

With respect to its office rental properties, Ayala Land competes for tenants primarily based on the quality and location of the relevant building, reputation of the building's owner, quality of support services provided by the property manager, and rental and other charges. The Company is addressing the continuing demand from BPOs by providing fully integrated and well maintained developments (high rise or campus facility) in key locations in the country.

Hotel and Resort Operations

The local hotel and resort sector is largely driven by foreign and local travel for business or leisure purposes. Any slowdown in tourism could potentially limit growth of the Company's hotels and resorts.

Construction

Ayala Land's construction business is benefiting from the improved performance of the construction industry, particularly from an uptick in development activities mostly from the residential and retail sectors. Any slowdown in the construction business could potentially cap growth of the Company's construction arm.

Other risks that the company may be exposed to are the following:

- Changes in Philippine and international interest rates
- Changes in the value of the Peso
- Changes in construction material and labor costs, power rates and other costs
- Changes in laws and regulations that apply to the Philippine real estate industry
- Changes in the country's political and economic conditions

To mitigate the above mentioned risks, Ayala Land shall continue to adopt appropriate risk management tools as well as conservative financial and operational controls and policies to manage the various business risks it faces.

Working Capital

Ayala Land finances its working capital requirements through a combination of internally-generated cash, pre-selling, joint ventures and joint development agreements, borrowings and proceeds from the sale of non-core assets and installment receivables.

Domestic and Export Sales

Amounts of revenue, profitability, and identifiable assets attributable to domestic and foreign operations for 2010, 2009 and 2008 follow: (in P '000)

	2010	2009	2008
Consolidated revenues			
Domestic	37,813,499	30,455,244	33,748,983
Foreign	-	-	-
Net income *(Attributable to equity holders of ALI)*			
Domestic	5,458,134	4,039,256	4,812,348
Foreign	-	-	-
Total assets			
Domestic	122,301,910	107,741,848	100,588,833
Foreign	-	-	-

Item 2. Properties

Landbank / Properties with mortgage or lien

The following table provides summary information on ALI's landbank as of December 31, 2010. Properties are wholly-owned and free of lien unless noted.

Location	*Hectares*	*Primary land use*
Makati [1]	49	Commercial/ Residential
Taguig [2]	43	Commercial/ Residential
Makati (outside CBD)	5	Residential
Alabang [3]	18	Commercial/ Residential
Las Piñas / Parañaque	130	Commercial/ Residential
Manila / Pasay [4]	2	Commercial/ Residential
Quezon City [5]	79	Commercial/ Residential
Metro Manila	***326***	
Canlubang [6]	1,314	Commercial/ Residential/ Industrial
Laguna (ex-Canlubang) [7]	582	Commercial/ Residential/ Industrial
Cavite [8]	280	Commercial/ Residential
Batangas/Rizal/Quezon [9]	123	Residential
Calabarzon	***2,298***	
Others in Luzon [10]	***1,116***	Commercial/ Residential
Bacolod/Negros Occidental [11]	222	Commercial/ Residential
Cebu [12]	226	Commercial/ Residential
Davao [13]	70	Commercial/ Residential
Cagayan De Oro	153	Commercial/ Residential
Visayas/Mindanao	***671***	
TOTAL	***4,411***	

[1] Makati includes sites of Mandarin Hotel (1.6 has.) and Peninsula Hotel (2.0 has.) which are 50% owned through Ayala Hotels, Inc., and remaining area at Roxas Triangle (0.3 ha.) which is 50% owned.

[2] Taguig includes 9.8-ha. site of Market! Market! under lease arrangement with BCDA; 0.6 has. in Serendra which is under joint development agreement with BCDA; 31 has. in Taguig is owned through Fort Bonifacio Development Corporation.

For Market! Market!, the lease agreement with the BCDA covers a period of 25 years (renewable for another 25 years) and involves an upfront cash payment of P700 million and annual lease payments with fixed and variable components.

For Serendra, the joint development agreement with BCDA involves an upfront cash payment of P700 million plus a guaranteed revenue stream totaling P1.1 billion over an 8-year period.

[3] Alabang pertains to the 17.6-ha. Alabang Town Center which is 50% owned through Alabang Commercial Corp. (ACC), 3.7 has. of which is subject of a Mortgage Trust Indenture as security for ACC's short-term loans with Bank of the Philippine Islands.

[4] Manila/Pasay includes 1.7 has. (under development) which are under joint venture with Manila Jockey Club, Inc. and 0.3-ha. site of Metro Point which is 50% owned through ALI-CII Development Corp.

[5] Quezon City mainly includes 38 has. under lease arrangement with University of the Philippines and the 13-ha. site of TriNoma which is under lease arrangement with the Department of Transportation and Communication. TriNoma is 49% owned by ALI through North Triangle Depot Commercial Corp.

[6] Canlubang includes 1,013 has. which are 70% owned through Aurora Properties, Inc. and Vesta Holdings, Inc.; also includes 220 has. which are 65% owned through Ceci Realty, Inc.

[7] Laguna (excluding Canlubang) includes 156 has. which are under a 50-50% joint venture with Greenfield Development Corp.; 10.7 has. in Laguna Technopark, Inc. which is 61% owned by Ayala Land; and 3.3-ha. site of Pavilion Mall which is under 27-year lease arrangement with Extra Ordinary Group, with an option to renew every 5 years thereafter (lease payment is based on a certain percentage of gross income).

[8] Cavite includes 3.1 has. in Riego de Dios Village which is under joint venture with the Armed Forces of the Philippines.

[9] Landbank in Batangas includes 1.6 has. in Sto. Tomas project which is under an override arrangement, while Quezon includes a 39-ha. property.

[10] Other properties in Luzon includes 21.3 has.in Pampanga pertaining to Avida, Alveo and Marquee Mall project sites; 258 has in Bataan pertaining to the Anvaya Cove property which is under joint development agreement with SUDECO; and a 19-has. Land lease with the government in Palawan.

[11] Bacolod includes 1.8 has. in Ayala Northpoint which is under override arrangement.

[12] Cebu includes about 10.2 has. in Cebu Business Park (including Ayala Center Cebu) which is 47% owned through Cebu Holdings, Inc. (CHI); 0.62-ha. Cebu Insular Hotel site owned by Ayala Hotels, Inc. and Cebu Holdings, Inc.; 8 has. in Asiatown IT Park which is owned by Cebu Property Ventures and Development Corporation which in turn is 76% owned by CHI; 46.9 has. in Amara project, (66% owned by CHI) which is under joint venture with Coastal Highpoint Ventures, Inc.

9.46-ha. Property (within the Cebu Business Park) which houses the Ayala Center Cebu is subject of a mortgage trust indenture securing term loan with Bank of the Philippine Islands.

0.62 has. is subject of a mortgage trust indenture securing Cebu Insular Hotel Company Inc.'s term loan with Bank of the Philippine Islands.

[13] Davao includes a 9.7-ha. Property which is 70% owned through Accendo Commercial Corp.

Rental Properties

The Company's properties for lease are largely shopping centers and office buildings. It also leases land, carparks and some residential units. In the year 2010, rental revenues from these properties accounted for ₱6.75 billion or 18% of Ayala Land's consolidated revenues. Lease terms vary depending on the type of property and tenant.

Property Acquisitions

With 4,411 hectares in its landbank as of December 31, 2010, Ayala Land believes that it has sufficient properties for development in next twenty-five (25) years.

Nevertheless, the Company continues to seek new opportunities for additional, large-scale, master-planned developments in order to replenish its inventory and provide investors with an entry point into attractive long-term value propositions. The focus is on acquiring key sites in the Mega Manila area and other geographies with progressive economies that offer attractive potential and where projected value appreciation will be fastest.

In a disclosure to the SEC dated August 27, 2009, ALI and the NHA signed a Joint Venture Agreement to develop the 29.1-hectare North Triangle Property in Quezon City as a priming project of the government and the private sector. The joint venture represents the conclusion of a public bidding process conducted by the NHA which began on October 3, 2008.

ALI's proposal, which has been approved and declared by the NHA as compliant with the Terms of Reference of the public bidding and the NEDA Joint Venture Guidelines, features the development of a new CBD in Quezon City. The CBD will be developed as the Philippines' first transit-oriented mixed-use CBD that will be a new nexus of commercial activity. The proposal also aims to benefit the NHA in achieving its mandate of providing housing for informal settlers and transforming a non-performing asset into a model for urban renewal. The development will also generate jobs and revenues both for both local and national governments.

ALI's vision for the North Triangle Property is consistent with the mandate of the Urban Triangle Development (TriDev) Commission to rationalize and speed up the development of the East and North Triangles of Quezon City into well-planned, integrated and environmentally balanced, mixed-use communities. The joint venture also conforms with the NHA's vision of a private sector-led and managed model for the development of the Property, similar to the development experience in Fort Bonifacio.

ALI's track record, strong branding, and ability to attract top locators will ensure that the development will achieve its highest potential value. In the development and management of CBDs, ALI's signature projects include the master-planned Makati CBD, BGC, Cebu Business Park, and Madrigal Business Park in Alabang.

The total project cost is estimated at ₱ 22 billion, inclusive of future development costs and the current value of the property, which ALI and the NHA will contribute as their respective equity share in the joint venture. ALI expects to start development within two years.

In March 2010, Ayala Land signed a 35-year lease agreement with the Pison group for a 2-hectare property in Iloilo City that will be used for the development of BPO buildings.

In April 2010, the Company through wholly-owned subsidiary Amaia signed a joint-development agreement ("JDA") with Eton Properties Inc. for the development of a 4-hectare property in Calamba, Laguna that will form part of Amaia Scapes in Laguna. In addition, Avida also signed a JDA with the Philippine National Bank for the development of a 2.3-hectare property along EDSA corner Reliance and Mayflower Sts. in Mandaluyong City into a residential complex.

As reported in the SEC Form 17-Q dated November 9, 2010, the Company announced a 30-year lease contract agreement signed with Ellimac Prime Holdings for the development of a 6-hectare property in Fairview, Quezon City.

Item 3. Legal Proceedings

As of December 31, 2010, ALI is not involved in any litigation it considers material. However, certain individuals and entities have claimed an interest in ALI's properties located in Las Piñas, Metro Manila, which are adjacent to its development in Ayala Southvale.

Prior to purchasing the aforesaid properties, ALI conducted an investigation of titles to the properties and had no notice of any title or claim that was superior to the titles purchased by ALI. ALI traced its titles to their original certificates of title and ALI believes that it has established its superior ownership position over said parcels of land. ALI has assessed these adverse claims and believes that its titles are in general superior to the purported titles or other evidence of alleged ownership of these claimants. On this basis, beginning October 1993, ALI filed petitions in the RTC of Makati and Las Piñas for quieting of title to nullify the purported titles or claims of these adverse claimants. A number of these cases are at various stages of trial and appeal. Some of these cases have been finally decided by the Supreme Court ("SC") in ALI's favor. These include decisions affirming the title of ALI to some of these properties, which have been developed and offered for sale to the public as Sonera, Ayala Southvale. The remaining pending cases involve the remaining area of approximately 126 hectares.

ALI has made no provision in respect of such actual or threatened litigations.

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

Except for the matters taken up during the Annual Meeting of Stockholders, there was no other matter submitted to a vote of security holders during the period covered by this report.

PART II – SECURITIES OF THE REGISTRANT

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

Market Information

Ayala Land common shares are listed with the Philippine Stock Exchange.

Stock Prices (in Php/share)

	High		Low		Close	
	2010	2009	2010	2009	2010	2009
First Quarter	13.50	7.30	10.00	5.00	13.00	5.70
Second Quarter	14.75	9.70	12.50	5.60	13.50	8.10
Third Quarter	18.70	11.75	13.25	8.20	17.60	11.50
Fourth Quarter	18.44	12.50	15.52	10.25	16.46	11.25

The market capitalization of ALI as of end-2010, based on the closing price of ₱16.46/share, was approximately ₱214.5 billion.

As of end-March 2011, ALI's market capitalization stood at P202 billion based on the P15.50/share closing price.

Stockholders

There are approximately 10,772 holders of common equity security of the Company as of January 31, 2011 (based on number of accounts registered with the Stock Transfer Agent). The following are the top 20 direct holders of the common equity securities of the Company:

	Stockholder Name	No. of Common Shares	Percentage (of Common Shares)
1.	Ayala Corporation	6,934,509,515	53.34%
2.	PCD Nominee Corp. (Non-Filipino)	4,931,894,940	36.70%
3.	PCD Nominee Corp. (Filipino)	819,702,927	6.29%
4.	ESOWN Administrator 2009	33,634,682	0.29%
5.	ESOWN Administrator 2010	19,324,504	0.15%
6.	ESOWN Administrator 2006	14,199,209	0.11%
7.	ESOWN Administrator 2005	12,679,221	0.10%
8.	Jose Luis Gerardo Yulo	11,553,030	0.09%
9.	ESOWN Administrator 2008	6,570,417	0.06%
10	Estrellita B. Yulo	5,532,823	0.04%
11.	BPI T/A #14016724	5,527,457	0.04%
12.	Elvira L. Yulo	5,024,000	0.04%
13.	ALI ESOP/ESOWN Account	4,979,224	0.04%
14.	ESOWN Administrator 2007	4,812,418	0.03%
15.	Maria Alexandra Q. Caniza	4,531,026	0.03%
16.	Pan Malayan Management and Investment Corp.	4,002,748	0.03%
17.	Xavier P. Loinaz	3,993,681	0.04%
18.	Ma. Angela Y. La o'	3,728,620	0.03%
19.	Ma. Lourder G. Latonio	3,624,650	0.03%
20.	Lucio W. Yan	3,483,871	0.03%

Dividends

CASH DIVIDEND (Per Share)			
PESO AMOUNT	DECLARATION DATE	RECORD DATE	PAYMENT DATE
0.03	November 20, 2007	December 20, 2007	January 10, 2008
0.03	May 12, 2008	June 11, 2008	June 27, 2008
0.03	November 6, 2008	December 5, 2008	January 8, 2009
0.03	May 12, 2009	June 11, 2009	June 30, 2009
0.03	November 19, 2009	December 18, 2009	January 19, 2010
0.045	June 1, 2010	June 30, 2010	July 23, 2010
0.048	November 30, 2010	December 14, 2010	January 11, 2011

Dividend policy

Dividends declared by the Company on its shares of stocks are payable in cash or in additional shares of stock. The payment of dividends in the future will depend upon the earnings, cash flow and financial condition of the Company and other factors.

Special cash dividends are declared depending on the availability of cash, taking into account the Company's capital expenditure and project requirements and the progress of its ongoing asset rationalization program.

Cash dividends are subject to approval by the Company's Board of Directors but no stockholder approval is required. Property dividends which may come in the form of additional shares of stock are subject to approval by both the Company's Board of Directors and the Company's stockholders. In addition, the payment of stock dividends is likewise subject to the approval of the SEC and PSE.

Recent Sale of Unregistered Securities

In 18 October 2007, the SEC approved the Company's application for an increase in authorized capital stock from ₱20B to ₱21.5B to cover the offering and issuance of new 13.034 Billion Preferred Shares to the common shareholders of the Company.

Stock Options

For the past three years, common shares were issued representing the exercise of stock options by the Company's executives under the Executive Stock Option Plan (ESOP) and the subscription to the common shares under the Executive Stock Ownership Plan (ESOWN) as follows:

Year	No. of Shares	
	ESOP (exercised)	ESOWN (subscribed)
2008	3.2 Million	7.9 Million
2009	1.8 Million	38.3 Million
2010	7.4 Million	25.2 Million

The aforesaid issuance of shares was covered by the Commission's approval of the Company's Stock Option Plan on July 1991 and subsequently on March 2006.

Please refer to Note 28 ("Stock Options and Ownership Plans") of the Notes to Consolidated Financial Statements of the 2010 Audited Financial Statements which is incorporated herein in the accompanying Index to Exhibits.

PART III – FINANCIAL INFORMATION

Item 6. Management's Discussion and Analysis of Financial Condition and Results of Operation

Review of 2010 operations vs. 2009

Ayala Land, Inc. ("the Company") posted a record Php5.5 billion in net income for the year 2010, 35% higher than the Php4.0 billion recorded the previous year. The Company's net income of Php1.5 billion in the fourth quarter was also a new record for core quarterly earnings and was the 7th straight quarter of positive earnings growth.

Consolidated revenues in 2010 reached Php37.8 billion, 24% higher year-on-year. Real Estate and Hotel revenues increased by 27% to Php35.4 billion, with robust growth across all major business lines. Margins of the Company's residential, shopping center and corporate businesses continued to improve. Corporate cost control has also been improving with the continued drop in the ratio of General and Administrative Expenses (GAE) to revenues, from 9% in 2009 to 8% in 2010. With total revenues growing faster than total expenses and the effective income tax rate steady at 20%, net income margin improved to 14% in 2010 from 13% the previous year.

Business Segments

The details of the individual performance of each business segment are discussed as follows:

Residential Development. Residential revenues reached Php16.6 billion in 2010, 16% higher than the Php14.3 billion reported the previous year, as the combined value of bookings for all residential brands more than doubled to Php24.0 billion. Ayala Land Premier (ALP) generated revenues of Php7.2 billion in 2010, up 10% year-on-year. ALP accounted for 43% of total residential revenues following the strong sales of Park Terraces (Makati) and Serendra West Tower (Bonifacio Global City) condominium units as well as Santierra lots in NUVALI. Alveo and Avida meanwhile also posted year-on-year revenue growth of 26% and 15%, respectively, with higher bookings from the success of new launches such as Meranti (Bonifacio Global City) and Venare (NUVALI) for Alveo and Avida Towers Cebu and Alabang for Avida. Together with newly launched fourth brand Amaia Land, the Company's four residential brands launched a total of 10,115 units in 2010, more than three times the number launched the previous year. This resulted in a strong sales take-up value of Php33.1 billion in 2010, averaging nearly Php2.8 billion of sales take-up every month. Residential Gross Profit (GP) margins of horizontal developments improved to 43% in 2010 from 41% the previous year, while GP margins of vertical projects improved to 28% from 26%. For 2011, the Company is anticipating continued demand for residential products and will be launching over 20,000 units across all residential brands with an estimated sales value of Php57.0 billion.

Shopping Centers. Total revenues for Shopping Centers amounted to Php4.6 billion in 2010, 3% higher than the previous year. This was driven by the 1% expansion in occupied gross leasable area (GLA) as the continued ramp-up of MarQuee Mall in Pampanga and the improved occupancy rate at Greenbelt 5 more than offset the closure of Glorietta 1. The retail environment remained buoyant as same-store sales for all building and land leases increased by 7% year-on-year. The revenue impact of the higher average occupancy rates (which reached 94% for all malls, from 92% in 2009) however was tempered by a 2% decline in average rental rates due to product mix with lower per square meter building lease rates in MarQuee Mall and Glorietta 5 compared with what was previously achieved in Glorietta 1. Shopping Centers earnings before interest, taxes, depreciation and amortization (EBITDA) margins improved slightly to 63% from 62% with an improved portfolio performance despite the continuing impact of the Ayala Center redevelopment. For 2011, the Company is set to start the operations of additional 126,000 square meters of GLA with the opening of Abreeza Mall in Davao and Harbor Point in Subic, among others. The Company will also launch a total of eight new projects across the country this year, adding another 174,000 square meters of GLA to the portfolio over the next few years.

Office Business. Revenues from the Company's office building portfolio reached Php2.4 billion in 2010, compared with Php2.0 billion the previous year. The 21% improvement in office building revenues was generated by the significant increase in occupied business process outsourcing (BPO) office GLA, which increased by 34% (equivalent to 48,725 square meters) year-on-year, as the outlook and demand for BPO space continue to improve. Total available BPO GLA has now reached 272,676 square meters with an occupancy rate of 70% (and an 88% lease-out rate) compared with 55% a year ago. Average BPO lease rates increased by 1% due to programmed escalations despite changes in the portfolio mix as most of the increase in occupancy in 2010 occurred in the Company's non-CBD locations, which carry lower average lease rates. The higher occupancy rate of the BPO portfolio mainly accounted for the improvement in EBITDA margins which increased from 62% to 68% in 2010. For 2011, the Company continues to see positive prospects for expansion within and outside Metro Manila and will begin the construction of additional 200,000 square meters of GLA. The Company will also start the operation of five new BPO buildings in 2011 in Baguio, NUVALI, Iloilo, Bacolod and Cebu totaling 55,000 square meters of GLA.

Strategic Landbank Management and Visayas-Mindanao. Revenues from the Strategic Landbank Management Group (SLMG) and the Visayas-Mindanao Group amounted to Php3.2 billion in 2010, 34% higher than the previous year, largely due to overrides on the successful sales performance of Park Terraces in Makati and Santierra in NUVALI, as well as some commercial lot sales in NUVALI. GP margins likewise improved to 56% from 48% with significant bookings in higher-margin override units.

Other Businesses. Other Businesses, namely Construction, Property Management, and Hotels and Resorts, generated combined revenues (net of inter-company eliminations) of Php8.9 billion in 2010, 79% higher than the Php5.0 billion posted the previous year. The improvement came largely from the higher completion of external construction projects and improving hotel operations combined with the impact of the consolidation of the El Nido resort operations. Total EBITDA for Other Businesses in aggregate also improved by 5% to Php899 million but EBITDA margins went down by 10% compared with 17% in 2009. This was due to a decline in margins on external construction projects of Makati Development Corporation (MDC), lower margins for the El Nido resort operations and some start-up costs for new carparks being managed by Ayala Property Management Corporation.

Equity in Net Earnings of Investees, Interest, Fees, Investment and Other Income

Equity in Net Earninsgs from Investees declined by 6% to Php905.7 million in 2010 from Php968.0 million the previous year as a result of lower contribution from Fort Bonifacio Development Corporation with the deliberate slowdown in commercial lot sales at Bonifacio Global City. This offset the stronger performance of shopping center joint ventures accounted for under the equity method, particularly TriNoma and Alabang Town Center, and affiliate Cebu Holdings, Inc. which also saw an improvement in the performance of Ayala Center Cebu. Interest, Investment and Other Income likewise decreased by 14% to Php1.5 billion in 2010, compared with the Php1.7 billion the previous year due to lower interest rates on the Company's cash balances.

Expenses

Total expenses amounted to Php30.0 billion, 22% more than the Php24.6 billion spent in 2009. Cost of Sales from Real Estate and Hotels, which accounted for the bulk at Php25.0 billion, rose by 31% year-on-year largely because of higher construction activity on external MDC projects. General and Administrative Expenses (GAE) meanwhile grew by 14% to Php3.2 billion due to the donation of a parcel of land in NUVALI to Xavier School as part of the Company's priming efforts for the area. Despite this, the GAE-to-revenue ratio dropped to 8% from 9% last year due to effective corporate cost control measures. Meanwhile, Interest Expense and Other Financing Charges declined by 35% to Php1.8 billion due to the absence of provisions for impairment (which were recorded in 2009) as well as the lower average cost of debt on the Company's borrowings.

Project and Capital Expenditure

The Company spent a total of Php20.1 billion for project and capital expenditure in 2010, 24% more than the Php16.2 billion spent in 2009. Residential Development accounted for almost half of the total or 48%, while Hotels and Resorts spent another 14%. Strategic Landbank Management and the Visayas-Mindanao groups, Shopping Centers and Office Business accounted for the balance of 17%, 14% and 7%, respectively. For 2011, the Company has earmarked another Php32.6 billion for capital expenditure largely for the completion of ongoing developments, the launch of new residential and leasing projects, and the expected acquisition of new landbank which will help sustain the Company's strong growth trajectory over the coming years.

Financial Condition
The Company's balance sheet continued to be robust with strong cash inflows from the successful presales of various residential launches. Cash and Cash Equivalents stood at Php19.9 billion with a Current Ratio of 1.71: 1. Total Borrowings stood at Php21.0 billion from Php18.8 billion as of December 2009, translating to a Debt-to-Equity Ratio of 0.37: 1 and a Net Debt-to-Equity Ratio of 0.02: 1. This gives the Company significant capacity to take on additional borrowings to support its aggressive growth plans for the next few years. In January 2011, the Company raised Php10.0 billion through the issuance of fixed-rate corporate notes, consisting of Php5.7 billion in 5-year notes, Php3.3 billion in 10-year notes, and Php 1.0 billion in 15-year notes. This was notable in that it allowed the Company to take advantage of the attractive financing window and lower its borrowing cost and also because the 15-year tranche was the first such fixed-rate issue by a Philippine corporate and enables the Company to more effectively match the duration of its landbank assets with its financial liabilities.

Key Financial Performance Indicators

The table below sets forth the comparative performance indicators of the Company and its majority-owned subsidiaries:

	End 2010	*End- 2009*
Current ratio [1]	1.71:1	1.95:1
Debt-to-equity ratio [2]	0.37:1	0.36:1
Net debt(cash)-to-equity ratio [3]	0.02:1	0.05:1
	FY 2010	*FY 2009*
Return on assets [4]	4.7%	3.9%
Return on equity [5]	10.0%	8.0%

[1] *Current assets / current liabilities*
[2] *Total interest-bearing debt (inclusive of bonds) / stockholders' equity*
[3] *Interest-bearing debt less cash, cash equivalents & investment in government securities / stockholders' equity*
[4] *Net income / average total assets*
[5] *Net income / average stockholders' equity*

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

There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created in 2010.

Material changes (+/- 5% or more) in the financial statements

Income Statement items – 2010 versus 2009

27% increase in real estate revenues
Mainly due to higher sales from newly launched residential projects such as Park Terraces, Serendra West Tower and Santierra of Ayala Land Premier and Meranti of Alveo, and growth in Construction business.

33% increase in hotel revenues
Primarily due to higher occupancy and REVPAR at InterContinental Hotel Manila and Cebu City Mariott, and consolidation of El Nido resort operations.

5% decline in interest income
Mainly due to lower interest rates on money market placements.

6% decrease in equity in net earnings of associates and jointly controlled entities
Largely due to lower contribution from Fort Bonifacio Development Corporation despite of better performance of affiliate investments Cebu Holdings, Inc. and shopping center joint ventures accounted for under the equity method.

31% decline in other income
Mainly due to lower development management fees from third party projects.

31% increase in real estate costs and expenses
Mainly due to higher real estate revenues and construction activity on external Makati Development Corporation projects.

14% increase in general and administrative expenses
Primarily due to higher payroll costs and benefits.

14% increase in interest expense and other financing charges
Mainly due to new and additional loans.

43% increase in hotel and resort operation costs and expenses
Primarily due to higher hotel occupancy levels and consolidation of Ten Knots Group.

81% decrease in other charges
Largely due to absence of provision for impairment.

35% increase in provision for income tax
Mainly due to higher taxable income for the period.

29% increase in net income attributable to noncontrolling interests
Primarily due to higher income from NUVALI companies, ALI Property Partners Holdings Corp. (APPHC) and Leisure and Aliied Industries Philippines, Inc.

Balance Sheet items – 2010 versus 2009

71% increase in cash and cash equivalents
Mainly due to liquidation of short term investments and fixed income securities, proceeds from pre-selling of residential products and Makati Development Corporation's (MDC) collection of downpayment from new projects.

69% decrease in short-term investments
Primarily due to maturity of short-term investments.

53% decrease in financial assets at fair value through profit or loss and available-for- sale financial assets
Mainly due to maturity of investments.

8% increase in accounts and notes receivables (net)
Largely due to launch of new projects and higher receivables of MDC from external contracts.

63% increase in real estate inventories
Mainly due to reclassification of NUVALI land from unsubdivided to saleable, and incremental project completion of existing and new projects.

18% increase in other current assets
Mainly due to MDC's prepaid expenses representing cost of materials, equipment rentals and salaries for new and existing projects, and prepaid taxes.

69% increase in non-current accounts and notes receivables
Largely due to trade receivables of Alveo Land Corp., Avida Land Corp. and Vesta Property Holdings, Inc.

7% decrease in land and improvements
Mainly due to reclassification of NUVALI land from unsubdivided to saleable.

6% increase in investment properties
Largely due to disbursements related to the construction of Abreeza Mall.

24% increase in property and equipment
Mainly due to consolidation of Ten Knots Group.

92% increase in deferred tax assets
Largely due to unrealized gain on real estate projects under construction.

46% increase in other noncurrent assets
Mainly due to increase in utility and other deposits.

34% increase in accounts and other payables
Primarily due to increase in trade payables with the completion of existing and new projects, and increase in accrued and taxes payable.

77% increase in short-term debt
Mainly due to new loan availment of ALI-parent, Avida, APPHC and Laguna Technopark, Inc.

68% decrease in income tax payable
Largely due to income tax payments made by Aurora Properties Inc. and Ceci Realty, Inc.

516% increase in current portion of long-term debt
Primarily due to reclassification of ALI-parent and APPHC loans payable from non-current to current.

6% decrease in other current liabilities
Mainly due to decrease in customer deposits.

6% decrease in long-term debt – net of current portion
Mainly due to reclassification of ALI-parent and APPHC loans from non-current to current, and loan pretermination of Enjay Hotels, Inc.

63% increase in pension liabilities
Primarily due to additional retirement contributions.

296% increase in deferred tax liabilities
Largely due to Serendra Inc. and consolidation of Ayala Hotels and Resorts Corporation.

12% decrease in deposits and other noncurrent liabilities
Primarily due to increase in customer and security deposits, and deferred interest income on ALI advances and unearned management fees.

47% increase in deferred credits
Largely due to unearned revenues and management fees.

12% increase in retained earnings
Mainly due to increase in income.

12% increase in stock options outstanding
Primarily due to new ESOWN shares granted in May 2010.

145% increase in unrealized gain on available-for-sale financial assets
Primarily due to revaluation of fixed income securities AFS, and investments in shares of Ayala Corporation and Alabang Country Club.

27% increase in noncontrolling interests in net assets of subsidiaries
Largely attributed to APPHC, Ceci Realty, Asian I-Office Properties, Inc. and Ten Knots Group.

Review of 2009 operations versus 2008

Results of Operations

Ayala Land, Inc. ("ALI" or "the Company") posted a strong financial performance for the full year 2009 despite a challenging macroeconomic environment, especially in the first quarter of last year. Consolidated core net income reached Php4.04 billion in 2009, nearly matching the record Php4.13 billion in earnings (excluding large transactions) generated the previous year. The Company's quarterly financial performance also improved steadily, with the Php1.12 billion in net income generated in the fourth quarter of 2009 up 7% quarter-on-quarter and 16% year-on-year, respectively. This was achieved through a combination of relatively stable operating revenues from key business segments and effective cost control measures.

Consolidated revenues of Php30.46 billion in 2009 were 10% lower than the Php33.75 billion recorded the previous year. The decline was accounted for mostly by the 8% drop in revenues from Real Estate and Hotel operations and the absence of capital gains from a large transaction, specifically the sale of the Valero lots in March 2008. Real Estate and Hotel operations revenues were lower, mostly on the Company's decision to reduce its external third-party construction contracts while aggregate consolidated revenues from the company's core residential and leasing operations remained flat.

Despite the lower consolidated revenues, consolidated net operating income (NOI) reached Php9.03 billion in 2009, declining by only 3% from the Php9.33 billion posted the previous year. This reflected the overall improvement in blended NOI margins to 32% in 2009 from 30% the previous year. Shopping Centers and Corporate Business margins stabilized as leased-out rates in new malls and business process outsourcing (BPO) office buildings steadily moved up, while an improvement in Strategic Landbank Management margins offset the decline in Residential and Support Businesses margins which were hampered by high input costs at the start of the year. The improvement in NOI margins and a 12% reduction in General and Administrative Expenses (GAE) contributed to narrowing the gap between the after-tax Net Income (NIAT) of Php4.04 billion in 2009 compared with the Php4.81 billion (including large transactions) recorded in 2008.

Business Segments

The details of the individual performance of each business segment are discussed as follows:

Residential Development. Residential Development revenues amounted to Php14.23 billion in 2009, 6% lower than the Php15.22 billion posted the previous year, as the combined value of bookings for the three brands dropped due to uncertain market conditions in the first quarter and a limited supply of new product launches in 2009. Ayala Land Premier revenues registered a decline of 15% to Php6.53 billion as the gradual recovery in demand was not met with adequate inventory. Meanwhile, Alveo Land and Avida Land both posted growth rates of 2% year-on-year. Alveo's revenues reached Php4.03 billion while Avida's reached Php3.67 billion as advancing percentages of completion on projects under construction offset the decline in new bookings. The Residential Business remained the biggest contributor to the Company's NOI, accounting for 43% of total at Php3.85 billion. NOI margins dropped to 27% from 29% largely because the completion mix was weighted towards the lower-margin products. For 2010, the Company is anticipating a strong turn-around in market conditions and will be launching its most aggressive campaign ever, with over 9,200 units to be launched from 28 projects across all residential brands. 2010 will also be noteworthy for the Company's initial foray into the economic housing segment through a newly established fourth brand known as Amaia Land Corporation, with a maiden project to be launched in Laguna within the first quarter.

Shopping Centers. Total revenues for Shopping Centers rose by 4% to Php4.44 billion in 2009 as its gross leasable area (GLA) portfolio increased with the opening of MarQuee Mall in Angeles, Pampanga last September 2009. Blended occupancy rates remained at 92% despite the Ayala Center redevelopment-related closures in Glorietta 1 as well as the start-up operations of MarQuee Mall. Average building rent for all malls dropped by 5% to P1,019 per square meter per month, mostly due to the lower average lease rates in MarQuee Mall. NOI for Shopping Centers meanwhile improved by 10% to Php2.31 billion and accounted for 26% of the Company's total NOI. NOI margins also improved to 53% from 50% with the continued ramp-up of new malls. For 2010, the Company will continue with the construction of its Abreeza Mall in Davao, which is expected to open in 2011. It is also expected to launch the Phase 2 development of Ayala Center Cebu, while breaking ground in several other provincial locations for both regional malls as well as its community and neighborhood center products.

Corporate Business. Revenues from Corporate Business nearly doubled to Php1.99 billion in 2009 from Php1.09 billion the previous year. The growth was derived largely from the expansion of the BPO office portfolio that reached a total of 178,160 square meters of leased-out GLA as of year-end 2009, compared with 82,224 square meters as of year-end 2008. Revenues were also boosted by higher average BPO lease rates that went up by 22% to an average of Php582 per square meter per month with the start of operations of two higher-yielding BPO office buildings in Makati in 2009 (Solaris One and Glorietta 5 BPO). Meanwhile, the performance of the headquarter-type (HQ) office buildings continued to be positive. Average lease rates for the HQ buildings increased by 4% to Php806 per square meter per month on programmed rental escalations as well as above-average renewal rental rates, with occupancy rates remaining high at 96%. NOI meanwhile increased by 86% to Php1.08 billion in 2009, accounting for 12% of the Company's total. NOI margins also improved to 54% from 53% as a result of improving occupancy rates in the recently opened buildings. For 2010, the Company continues to see positive prospects for expansion in select locations and will begin construction on Two Evotech in Nuvali as well as several other BPO buildings in Luzon and the Visayas region.

Strategic Landbank Management. Revenues from the Strategic Landbank Management Group (SLMG) amounted to Php2.26 billion in 2009, 24% higher than the previous year, largely due to the significant construction completion of its share in booked NUVALI residential and commercial lot sales. The strong revenue growth also led to an increase in NOI by 32% to Php832 million from Php632 million in 2008 (and contributed 9% to total NOI). NOI margins likewise improved to 37% from 35% with a greater percentage of construction accomplishment in higher-margin lots in NUVALI.

Visayas-Mindanao. Revenues from Visayas-Mindanao improved by 20% to Php 194 million in 2009 from Php161 million the previous year. Most of the revenue growth came from increasing percentage completion at Alegria Hills in Cagayan de Oro and from higher bookings in new phases of Plantazionne Verdana Homes in Negros Occidental. NOI contribution was Php17 million, or less than 1% of total.

Support Businesses. The Support Businesses, namely Construction, Property Management and Hotels, generated revenues (net of inter-company eliminations) of Php4.96 billion in 2009, 38% lower than the Php8.05 billion posted the previous year. The decline was a result of the winding down and subsequent lower contribution from external construction projects as the Company deliberately adopted a strategy of focusing more on internal construction projects. Consequently, NOI for the Support Businesses in aggregate also dropped by 44% to Php910 million, or 10% of total. Overall margins were likewise lower at 18% compared with 20% the previous year, although these stabilized in the second half of 2009, compared with a larger average year-on-year drop in the first two quarters of last year.

Equity in Net Earnings of Investees, Interest and Other Income

Equity in Net Earnings of Investees grew by 9% to Php968 million from Php885 million, mostly from the contribution of Fort Bonifacio Development Corporation (in which the Company holds an effective stake of 24.8%) and the improved performance of shopping center joint ventures accounted for under the equity method (particularly TriNoma and Alabang Town Center). Meanwhile, Interest, and Other Income decreased by 37% to Php1.41 billion in 2009 compared with the Php2.25 billion the previous year. Higher management fees and interest income on higher average cash balances in 2009 were not enough to compensate for the absence of capital gains derived from the sale of shares in wholly-owned subsidiaries Piedmont Property Ventures, Inc., Stonehaven Land, Inc. and Streamwood Property, Inc. in March 2008.

Expenses

Total expenses dropped to Php26.42 billion in 2009, 9% lower than the Php28.94 billion recorded in 2008. Cost of Sales from Real Estate and Hotels, which accounted for the bulk at Php19.04 billion, declined by 11%, reflecting the strong project cost control initiatives. GAE was also contained at Php2.79 billion, dropping by 12% from the previous year with savings from a corporate restructuring program in 2008 as well as strong cost control initiatives implemented in 2009. Meanwhile, Interest Expense, Financing and Other Charges went up by 52% to Php2.80 billion, mostly due to the increase in average loan balances for 2009 as the Company ramped up its borrowing program.

Project and Capital Expenditures

ALI spent a total of Php16.24 billion for project and capital expenditures in 2009, 14% less than the record Php18.89 billion spent in 2008. Residential Development accounted for 60% of the total, followed by Strategic Landbank Management with 17% and Shopping Centers and Corporate Business each accounting for 8% of total. For 2010, the Company has earmarked a new record high of Php27.17 billion for capex as it expects its most aggressive year ever with record product launches and activity levels across all product segments. The capex allocation is expected to cover expenses related to the launch of new residential and leasing projects, the ongoing construction completion of existing projects under development, as well some possible land acquisition as the Company seeks to expand its presence in more growth centers across the country.

Financial Condition

The Company's balance sheet continues to be robust with a close to zero net-debt position and significant capacity to take on additional borrowings to support its aggressive growth plans for the next few years. Cash and Cash Equivalents stood at Php15.52 billion with a Current Ratio of 1.95:1. Total Borrowings as of year-end 2009 stood at Php18.81 billion, compared with Php16.75 billion as of December 2008, translating to a Debt-to-Equity Ratio of 0.36:1 and a Net Debt-to-Equity Ratio of 0.06:1. The Company has been managing its debt profile effectively, with 91% in long-term debt (with 84% of total carrying a fixed-rate) and an average borrowing rate of 7.9%, down from - 8.0% the previous year. The Company's borrowings carry an average maturity tenor of 4.4 years. In order to support its expansion plans, the Company intends to continue ramping-up its borrowing program in 2010.

Key Financial Performance Indicators

The table below sets forth the comparative performance indicators of the Company and its majority-owned subsidiaries:

	End-2009	*End-2008*
Current ratio [1]	1.95:1	1.89:1
Debt-to-equity ratio [2]	0.36:1	0.35:1
Net debt(cash)-to-equity ratio [3]	0.06:1	0.03:1
	FY 2009	*FY 2008*
Return on assets [4]	3.9	5.2%
Return on equity [5]	8.0	10.2%

[1] *Current assets / current liabilities*
[2] *Total interest-bearing debt (inclusive of bonds) / stockholders' equity*
[3] *Interest-bearing debt less cash, cash equivalents & investment in government securities / stockholders' equity*
[4] *Net income / average total assets*
[5] *Net income / average stockholders' equity*

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

There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations),

and other relationships of the company with unconsolidated entities or other persons created in 2009.
Material changes (+/- 5% or more) in the financial statements

Income Statement items – 2009 versus 2008

8% decline in real estate revenues
Largely due to lower revenues from the construction business with the winding down and subsequent lower contribution from external construction projects.

7% decrease in hotel operations revenues
Mainly due to lower occupancy rate and average room rate of Hotel Intercontinental Manila.

9% increase in equity in net earnings of associates and jointly controlled entities
Primarily due to higher income from Fort Bonifacio Development Corp., Alabang Commercial Corp. and North Triangle Depot Commercial Corp. (NTDCC) that offset lower income from Cebu Holdings, Inc. and Cebu Property Ventures Development Corp.

16% decline in interest income
Mainly due to the payment by Bonifacio Land Corp. of an intercompany loan in 2008.
52% decrease in other income
Largely due to absence of large transactions during the period against the sale of shares in Piedmont Property Ventures, Inc., Stonehaven Land, Inc and Streamwood Property, Inc. in March 2008.

11% decline in real estate costs and expenses
Primarily due to impact of project cost control initiatives.

12% drop in general and administrative expenses
Mainly due to lower payroll costs and benefits, and the impact of spend management initiatives involving controllable costs.

28% increase in interest expense and other financing charges
Largely due to higher level of debt.

84% increase in other charges
Primarily due to provisioning for bad debts and write-offs due to impairment of real estate inventories.

44% decrease in provision for income tax
Mainly due to the lower taxable income for the period and reduction in income tax rate to 30%.

12% increase in net income attributable to minority interests 1
Largely due to higher income from Ceci Realty, Inc and Aurora Properties Holdings, Inc.

Balance Sheet items – 2009 versus 2008

17% decrease in cash and cash equivalents
Primarily due to reclassification of money market placements with terms of more than 90 days to short-term investments.

79% increase in short term investments and financial assets at fair value through profit or loss
Largely due to increase in money market placements with terms of more than 90 days
100% increase in available for sale financial assets – current portion
Mainly due to investment in fixed income securities.

9% increase in real estate inventories
Largely due to Ayala Land Premier developments including Abrio, Westgrove Heights and Anvaya, and new projects such as Ametta Place and Verdana Homes Mamplasan Phase 3.

9% decline in other current assets
Primarily due to lower prepaid expenses of Makati Development Corp.

11% increase in non-current accounts and notes receivable
Mainly due to higher receivables of Avida.

11% increase in land and improvements
Largely due to land acquisitions and incidental costs related to site preparation and clearing of various properties.

9% increase in investment in associates and jointly controlled entities
Mainly due to additional investment in Fort Bonifacio Holdings and higher earnings from Emerging City Holdings Inc. and Berkshire Holdings Inc.

55% increase in available-for-sale financial assets
Primarily due to investment in fixed income securities maturing on years 2013, 2014 and 2016.

43% increase in investment properties
Mainly due to completion of malls and buildings such as MarQuee Mall, U.P.-AyalaLand TechnoHub (new buildings), Cebu E-bloc, Glorietta 5 and Vertex One, and additional disbursements related to the construction of Ayala Center Redevelopment.

62% decline in property and equipment
Primarily due to reclassification of operational and completed buildings to investment properties.

36% increase in deferred tax assets
Largely due to Ceci Realty's higher unrealized sales collection.

7% decline in accounts and other payables
Primarily due to the completion of ALI Parent and Makati Development Corp. projects.

27% increase in short term debt
Mainly due to new loan availments of ALI Parent and Avida.

151% increase in income tax payable
Primarily due to higher creditable withholding tax recognized by Alveo Land and Ceci Realty in 2008.

55% increase in current portion of long-term debt
Largely due to the reclassification of loans from non-current to current of APPHC and Ayala Hotels Inc.

93% increase in other current liabilities
Mainly due to increase in customers' deposits in Serendra, Ceci Realty and Aurora Properties.

10% increase in long-term debt- net of current portion
Largely due to increase in Fixed Rate Corporate Notes (FXCNs).

46% decline in pension liabilities
Mainly due to adjustments made to reflect latest actuarial valuation.

7% decline in deferred tax liabilities
Primarily due to the shift in the corporate tax rate from 35% to 30%.

31% increase in deposits and other non-current liabilities
Largely due to the increase in security and construction deposits from MarQuee Mall, Glorietta 5 BPO, U.P.-AyalaLand TechnoHub and One Evotech.

9% decline in deferred credits
Mainly due to the income realization of Serendra Inc. following project completion.

10% increase in retained earnings
Largely due to current year's income net of dividends.

70% increase in stock options outstanding
Primarily due to exercise of ESOWN grant.

5% increase in unrealized gain on available-for-sale financial assets
Mainly due to revaluation of Ayala Corporation preferred shares.

11% increase in minority interests in net assets of subsidiaries
Largely attributed to Accendo Commercial Corp., APPHC and APPCo.

Liquidity and Capital Resources – 2010

The Company sourced its capital requirements through a combination of internally generated cash, pre-selling, joint ventures and bank borrowings. Ayala Land's fundamentals remained unchanged and its balance sheet continued to reflect strength and stability.

Cashflow from existing operations and borrowings were used for ALI's (consolidated) project and capital expenditures aggregating P20.1billion. Cash and cash equivalents (including short-term investments) stood at P19.9 billion while current ratio was at 1.71:1.

Guided by prudent financing strategies, ALI kept its borrowings at low levels, placing bank debt-to-equity ratio at a low level of 0.37:1. Total borrowings registered at P21.0 billion, the bulk of which is long-term and peso-denominated.

Factors which may have material impact in Company's operations

Economic factors

The economic situation in the Philippines significantly affects the performance of the Company's businesses. For certain business lines, more particularly the residential products, the Company is sensitive to changes in domestic interest and inflation rates. Higher interest rates tend to discourage potential buyers of residential units as mortgages become unaffordable to them. An inflationary environment will adversely affect the Company, as well as the real estate industry, by increases in costs such as land acquisition, labor and materials. Although the Company may pass on the additional costs to buyers, there is no assurance that this will not significantly affect the Company's sales.

Competition (Please refer to "Competition" section in Item 1.)

Project & Capital Expenditures (consolidated)

The Company's consolidated project & capital expenditures for 2010 amounted to P20.1 billion, broken down as follows:

Residential	48%
Strategic Landbank Management	17%
Shopping Centers	14%
Hotels and Resorts	14%
Offices	7%

100%

For 2011, the Company budgeted P32.6 billion* for consolidated project and capital expenditures, broken down as follows:

Residential	46%
Strategic Landbank Management	14%
Offices	14%
Shopping centers	13%
Hotels and Resorts	13%
	100%

** Project and capital expenditures will be funded from existing cash and cash from operations, pre-selling and additional borrowings; excludes capital expenditures of unconsolidated affiliates*

Item 7. Financial Statements

The 2010 consolidated financial statements of the Company are incorporated herein in the accompanying Index to Exhibits.

Foreign Exchange Gains/Losses

Net foreign exchange gains arising from foreign exchange transactions amounted to P31 million for the year ended December 31, 2010.

Interest and Other Charges

Interest and other charges in 2010 amounted to P1,818 million, breakdown of which is provided in Note 23 of the 2010 consolidated financial statements which is incorporated herein in the accompanying Index to Exhibits.

Receivables

Accounts and Notes receivable as of end-2010 amounted to P17,942 million, breakdown of which is provided in Note 8 of the 2010 consolidated financial statements.

Accounts and Other Payables

Accounts and Other Payables as of end-2010 amounted to P25,892 million, breakdown of which is provided in Note 16 of the 2010 consolidated financial statements.

General and Administrative Expenses

General and Administrative expenses in 2010 amounted to P3,188 million, breakdown of which is provided in Note 23 of the 2010 consolidated financial statements.

Item 8. Information on Independent Accountant and Other Related Matters

Independent Public Accountants

In 2010, the principal accountants and external auditors of the Company is the accounting firm of SyCip, Gorres, Velayo & Company (SGV & Co.).

Pursuant to the General Requirements of SRC Rule 68, Par. 3 (Qualifications and Reports of Independent Auditors), the Company has engaged SGV & Co. as external auditor, and Ms. Lucy L. Chan has been the Partner In-charge effective audit year 2007.

External Audit Fees and Services

Audit and Audit-Related Fees

Ayala Land and its subsidiaries paid its external auditors the following fees in the past two years: *(in P million; with VAT)*

	Audit & Audit-related Fees	Tax Fees	Other Fees
2010	10.3*	-	-
2009	8.1*	-	-

** Pertains to audit fees; no fees for other assurance and related services*

Tax Fees

Tax consultancy services are secured from entities other than the appointed external auditor.

Under paragraph D.3.1 of the ALI Audit and Risk Committee Charter, the Audit and Risk Committee (composed of Oscar S. Reyes, Chairman, Mercedita S. Nolledo and Jaime C. Laya) recommends to the Board and stockholders the appointment of the external auditor and the fixing of audit fees. The Board and stockholders approve the Audit and Risk Committee's recommendation.

Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Adoption of New and Amended Accounting Standards and Interpretations

The accounting policies adopted in the preparation of the Group's consolidated financial statements are consistent with those of the previous financial year except for the adoption of the following new and amended PFRS and Philippine Interpretations of International Financial Reporting Interpretations Committee (IFRIC) interpretations which became effective January 1, 2010.

PFRS 2, *Share-based Payment (Amendment) - Group Cash-settled Share-based Payment Transactions*
The Amendment clarified the scope and the accounting for group cash-settled share-based payment transactions. The Group adopted this amendment as of January 1, 2010. It did not have an impact on the financial position or performance of the Group.

PFRS 3 (Revised), *Business Combinations, and* PAS 27 (Amended), *Consolidated and Separate Financial Statements*
PFRS 3 (Revised) introduces significant changes in the accounting for business combinations occurring after becoming effective. Changes affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs and future reported results.

PAS 27 (Amended) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes by PFRS 3 (Revised) and PAS 27 (Amended) affect acquisitions or loss of control of subsidiaries and transactions with non-controlling interests after January 1, 2010.

The change in accounting policy was applied prospectively and had no material impact on earnings per share.

PAS 39, *Financial Instruments: Recognition and Measurement (Amendment) - Eligible Hedged Items*
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. This also covers the designation of inflation as a hedged risk or portion in particular situations. The Group has concluded that the amendment will have no impact on the financial position or performance of the Group, as the Group has not entered into any such hedges.

Philippine Interpretation IFRIC 17, *Distributions of Non-cash Assets to Owners*
This Interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. The Interpretation has no effect on either, the financial position nor performance of the Group.

PART IV – MANAGEMENT AND CERTAIN SECURITY HOLDERS

Item 9. Directors and Executive Officers of the Registrant * (As of Dec. 31, 2010)

The write-ups below include positions currently held by the directors and executive officers, as well as positions held during the past five years.

Board of Directors **

Fernando Zobel de Ayala	Jaime C. Laya ***
Jaime Augusto Zobel de Ayala	Aurelio R. Montinola III
Antonino T. Aquino	Mercedita S. Nolledo
Francis G. Estrada ***	Oscar S. Reyes ***
Delfin L. Lazaro	

Fernando Zobel de Ayala, Filipino, 51, has served as Chairman of the Board of ALI since 1999. He also holds the following positions: Vice Chairman, President and Chief Operating Officer of Ayala Corporation; Chairman of Manila Water Company, Inc., Ayala DBS Holdings, Inc. and Alabang Commercial Corporation; Vice Chairman of Azalea Technology Investments, Inc.; Co-Vice Chairman of Ayala Foundation, Inc. and Mermac, Inc.; Director of Bank of the Philippine Islands, Globe Telecom, Inc., Integrated Micro-Electronics, Inc., Asiacom Philippines, Inc., Ayala Hotels, Inc., AC International Finance Limited, Ayala International Pte, Ltd.; Member of the Asia Society, World Economic Forum, INSEAD East Asia Council, and the World Presidents' Organization; Director of the Board of Habitat for Humanity International and Chairman of the Habitat for Humanity's Asia-Pacific Steering Committee; Trustee, International Council of Shopping Centers; Member of the Board of Directors of Caritas Manila, Kapit Bisig para sa Ilog Pasig Advisory Board, Pilipinas Shell Corporation and Pilipinas Shell Foundation.

Jaime Augusto Zobel de Ayala, Filipino, 52, has served as a Director, Vice Chairman and member of the Executive Committee of ALI since 1988. He also holds the following positions: Chairman and CEO of Ayala Corporation; Chairman of Globe Telecom, Inc., Bank of the Philippine Islands, and Integrated Micro-Electronics, Inc.; Co-Vice Chairman of Mermac, Inc., and the Ayala Foundation, Inc. Director of Manila Water Co., Inc., BPI PHILAM Life Assurance Corp., Alabang Commercial Corporation, Ayala International Pte Ltd., and Ayala Hotels, Inc.; Member of the Mitsubishi Corporation International Advisory Committee, JP Morgan International Council, and Toshiba International Advisory Group; Philippine Representative to the Asia Pacific Economic Council; Chairman of Harvard Business School Asia-Pacific Advisory Board; Vice Chairman of the Asia Business Council; Member of Harvard University Asia Center Advisory Committee; Member of the Board of Trustees of the Eisenhower Fellowships, the Singapore Management University and Asian Institute of Management; Member of The Asia Society, the International Business Council of the World Economic Forum; Chairman of the World Wildlife Fund Philippine Advisory Council; Vice Chairman of The Asia Society Philippines Foundation, Inc., Co-Vice Chair of the Makati Business Club; and Member of the Board of Trustees of the Children's Hour Philippines, Inc.

Antonino T. Aquino, Filipino, 63, has served as Director and President of ALI since April 2009. He also holds the following positions: Senior Managing Director of Ayala Corporation, President of Hero Foundation and Bonifacio Arts Foundation, Inc. and member of the Board of Directors of Manila Water Co., Inc. He also serves as a member of the board of various corporate social responsibility foundations such as Ayala Foundation, Manila Water Foundation, and Makati Environment Foundation. He also served as President of Manila Water Company, Inc., and Ayala Property Management Corporation; Senior Vice President of Ayala Land, Inc., and a Business Unit Manager in IBM Philippines, Inc. He was named "Co-Management Man of the Year 2009" by the Management Association of the Philippines for his leadership role in a very successful waterworks privatization and public-private sector partnership.

* *None of the directors and members of the ALI's management owns 2.0% or more of the outstanding capital stock of the Company.*

** *Term of Office of the Members of the Board of Directors commence on the date of their election as Directors for a period of one year or until successors are elected or duly qualified.*

*** *Independent directors*

Francis G. Estrada, Filipino, 61, has served as an Independent Director of ALI since April 2008. His other significant positions include: Chairman of the Board of: De La Salle University, Philippine Military Academy; Vice-Chairman and Fellow of the Institute of Corporate Directors; Independent Board Director of Philamlife and General Insurance Co. (member of the Investment and Audit Committees), Clean Air Initiative-Asia Center (member of the Finance Committee), Sociedad Espanola de Benificencia, De La Salle Philippines (Chairman of the Investment Committee); Advisory Board member of Rizal Commercial Banking Corporation (Member of the Technology Committee), Universiti Putra Malaysia, Antai College of Economics and Management of Shanghai Jiaotong University. He was named "Most Outstanding Alumnus" of the Asian Institute of Management in 1989.

Delfin L. Lazaro, Filipino, 65, has served as member of the Board of ALI since 1996. He also holds the following positions: Chairman of Philwater Holdings Co., Inc. and Atlas Fertilizer & Chemicals, Inc.; Chairman and President of Michigan Power, Inc., Purefoods International, Ltd., and A.C.S. T. Business Holdings, Inc.; President of Azalea Technology Investments, Inc.; Director of Ayala Corporation, Globe Telecom, Inc., Integrated Micro-Electronics, Inc., Manila Water Co., Inc., AYC Holdings, Ltd., AI North America, Inc., AC International Holdings, Ltd., Ayala DBS Holdings, Inc., Ayala Automotive Holdings Corp., Probe Productions, Inc. and Empire Insurance Company. Formerly, he was the President and CEO of Benguet Corporation and Secretary of the Department of Energy of the Philippine government. He was named Management Man of the Year 1999 by the Management Association of the Philippines for his contribution to the conceptualization and implementation of the Philippine Energy Development Plan and to the passage of the law creating the Department of Energy. He was also cited for stabilizing the power situation that helped the country achieve successively high growth levels up to the Asian crisis in 1997.

Jaime C. Laya, Filipino, 72, has served as an Independent Director of ALI since April 2010. He is the Chairman of the Board of Directors of Philippine Trust Company (Philtrust Bank). He is also: an Independent Director of Victorias Milling Co., Inc., GMA Network, Inc., and Philippine AXA Life Insurance Co., Inc.; and a regular director of Philippine Ratings Services Corporation; Trustee of De la Salle University-Taft, St. Paul's University - Quezon City, Cultural Center of the Philippines, Fundacion Santiago and ABS-CBN Foundation, Inc. He has served as Minister of the Budget, Minister of Education, Culture and Sports, Governor of the Central Bank of the Philippines; Chairman of the National Commission for Culture and Arts; and Professor and Dean of Business Administration of the University of the Philippines.

Aurelio R. Montinola, III, Filipino, 59, has served as member of the Board of ALI since February 2005. He is the President and CEO of Bank of the Philippine Islands. His other affiliations, among others, include: Chairman of BPI Direct Savings Bank, Inc., BPI Computer Systems, Inc., BPI/MS Insurance Corp., BPI Europe Plc., Amon Trading Corporation; Vice Chairman and President of the BPI Foundation, Inc.; Vice Chairman of the A/P Regional Advisory Board of the Master Card Incorporated, Republic Cement Corp., LGU Guarantee Corp., Far Eastern University and Philippine Business for Education, Inc.; Director of the BPI Capital Corporation, BPI-Philam Life Assurance Corp., BPI Bancassurance Corp., BPI Family Savings Bank, Inc.; Member of the Management Association of the Philippines; and Trustee of the Makati Business Club, Ayala Foundation, International School Manila and Pres. Manuel A. Roxas Foundation.

Mercedita S. Nolledo, Filipino, 69, has served as Director and Corporate Secretary of ALI since 1994. She also serves the Corporate Secretary of Ayala Corporation, and Senior Counsel of the Ayala Group of Companies. Her other significant positions include: Chairman of BPI Investment Management, Inc. and FEB Management, Inc.; Director of Anvaya Cove, Honda Cars Cebu, Inc., Honda Cars Makati, Inc., Isuzu Automotive Dealership, Inc., Isuzu Cebu, Inc., Ayala Automotive Holdings Corporation, HCMI Insurance Agency, Inc., Bank of the Philippine Islands, BPI Capital Corporation, and BPI Family Savings Bank; Member of the Board of Trustees of Ayala Foundation, Inc. and BPI Foundation, Inc.; and Treasurer of Philippine Tuberculosis Society, Inc. and JMY Realty Development Corp. She served as a Director of Ayala Corporation from 2004 to September 2010.

Oscar S. Reyes, Filipino, 64, has served as an Independent Director of ALI since April 2009. Among his other positions are: Chairman of MRL Gold Philippines, Inc. and Link Edge Inc.; Member of the Board of Bank of Philippine Islands, Philippine Long Distance Telephone Company, SMART Communications, Inc.; Independent Director of Manila Water Co., Pepsi Cola Products Philippines, Inc., Sun Life Financial Plans Inc., Basic Energy Corporation, Alcorn Gold Resources Corp., and Manila Electric Company where he also serves as Chief Operating

Officer. Prior to this post, he has served the Shell Group of Companies in the Philippines in various capacities, including Country Chairman and concurrently President of Pilipinas Shell Petroleum Corporation and Managing Director of Shell Philippines Exploration B.V. He is a member of the Board of Trustees of Pilipinas Shell Foundation Inc., SGV Foundation, and El Nido Foundation.

Resignation of Directors

To date, no director has resigned or declined to stand for re-election for the Board of Directors due to any disagreement with the Corporation relative to the Corporation's operations, policies and practices.

Management Committee Members / Key Executive Officers

Antonino T. Aquino*	President and Chief Executive Officer
Mercedita S. Nolledo*	Corporate Secretary
Solomon M. Hermosura	Assistant Corporate Secretary
Vincent Y. Tan	Executive Vice President
Ma. Victoria E. Añonuevo	Senior Vice President
Bernard Vincent O. Dy	Senior Vice President
Raul M. Irlanda	Senior Vice President
Rex. Ma. A. Mendoza	Senior Vice President
Emilio J. Tumbocon	Senior Vice President
Jaime E. Ysmael	Senior Vice President & Chief Finance Officer
Dante M. Abando	Vice President
Ruel C. Bautista	Vice President
Augusto D. Bengzon	Vice President & Treasurer
Aniceto V. Bisnar, Jr.	Vice President
Manuel A. Blas II	Vice President
Arturo G. Corpuz	Vice President
Maria Corazon G. Dizon	Vice President
Anna Ma. Margarita B. Dy	Vice President
Steven J. Dy	Vice President
Jose Emmanuel H. Jalandoni	Vice President
Michael Alexis C. Legaspi	Vice President
Joselito N. Luna	Vice President
Francis O. Monera	Vice President
Rosaleo M. Montenegro	Vice President
Rodelito J. Ocampo	Vice President
Maria Teresa T. Ruiz	Vice President
Ma. Rowena Victoria M. Tomeldan	Vice President

* *Member of the Board*

Solomon M. Hermosura, Filipino, 48, has served as Assistant Corporate Secretary of the Company since April 2009. He is a Managing Director of Ayala Corporation since January 1999 and a member of the Management Committee of Ayala Corporation (Holding Company) since January 2009. He is also the General Counsel, Compliance Officer, and Assistant Corporate Secretary of Ayala Corporation. He serves as Corporate Secretary the following Companies from the Ayala Group: Manila Water Company, Inc., Integrated Micro-Electronics, Inc., Ayala Foundation, Inc., Philwater Holdings Company, Inc., AC International Finance Ltd., AYC Finance Ltd., Affinity Express Holdings, Inc., and Integreon, Inc. He also serves as a member of the Board of Directors of a number of companies in the Ayala Group.

Vincent Y. Tan, Filipino, 60, is an Executive Vice President and Head of the Planning Group of ALI. He is a member of the Management Committee of ALI. His other positions include: Chairman and Director of Laguna Technopark, Inc.; Director of Ayala Greenfield Golf & Leisure Club, Inc., Ayala Property Partners Corporation, Ayala Property Partners Holdings Corporation, First Gateway Real Estate Corporation, Glensworth Development, Inc., One Dela Rosa Property Development, Inc., Ecozone Power Management, Inc., Aurora Properties, Inc., Vesta Property Holdings, Inc., CECI Realty Inc., UP North Property Holdings, Inc., North Triangle Depot Commercial Corporation, Metro Rail Transit Development Corporation and MRT Development Corporation.

Ma. Victoria E. Añonuevo, Filipino, 61, is a Senior Vice-President and Member of the Management Committee of ALI. She also serves as Head of the AyalaLand Businesscapes Group and Ayala Malls Group. Her other significant positions include: President of Laguna Technopark, Inc.; Director of Ayala Hotels, Inc.; Chairman and President of ALI Property Partners Corp. (APPCo); Director and Vice Chairman of the Board of Station Square East Commercial Corp., Director and President of North Triangle Depot Commercial Corp.; Director and Chairman of the following: Leisure & Allied Industries Phils., Inc., South Innovative Theatres Management, Inc., Lagoon Development Corp., North Beacon Commercial Corp., Subic Bay Town Center, Inc., Primavera Town Centre, Inc., Cavite Commercial Town Center, Inc., Ayala Theaters Mgmt Inc. and Five Star Cinema, Inc.; Director and Executive Vice President of Accendo Commercial Corp. She also holds other directorship positions in the following: Tower One Condominium Corp., Anvaya Cove Beach and Nature Club, Inc., Madrigal Business Park, Alabang Commercial Corp., Makati Development Corp. and Serendra, Inc.

Bernard Vincent O. Dy, Filipino, 47, is a Senior Vice President and member of the Management Committee of ALI since 2005. Currently, he is the Head of the Residential Business Group of ALI and Head of ALVEO Inc. His other significant positions include: Director of Fort Bonifacio Development Group, Avida Land Corp., and Amicassa, Inc.; and President of Serendra, Inc. and Anvaya Cove Beach & Nature Club, Inc.

Raul M. Irlanda, CFM, Filipino, 55, is a Senior Vice President and a member of the Management Committee of ALI. He is the Chief Executive Officer and board member of Ayala Property Management Corporation. He is also the Director of Tower One Condominium Corporation, and the first and only Filipino Certified Facility Manager (CFM) by the International Facility Management Association (IFMA), Governor of Ayala Center Association and also the Group Head of Ayala Security Force. He is a Board Adviser of the College of Technology Management at University of Makati; Director of the Philippine Constructors Association and Construction Safety Foundation.

Rex Ma. A. Mendoza, Filipino, 48, is a Senior Vice President and Head of Corporate Marketing and Sales Group of ALI. He is a member of the Management Committee of ALI. Concurrently, he is the Chairman & President of Ayala Land International Sales, Inc.; President of Ayala Land Sales, Inc.; Head of Sales and Marketing for the Residential Business Group; Chairman and President of Rampver, Inc. and Rampver Strategic Advisors (RSA).; Marketing and Training Consultant; and Professor of De La Salle University, Graduate School of Business. Prior to joining ALI, he was the Executive Vice President and head of Sales, Marketing and Training in the Philippine American Life & General Insurance Company; Vice Chairman and CEO of Philam Asset Management; Vice Chairman and CEO of Philam Financials; Director of Philam Insurance Co., Security Philam, Philam Call Center and Philam Foundation.

Emilio J. Tumbocon, Filipino, 54, is a Senior Vice President and a member of the Management Committee of ALI. He heads the ALI VisMin Group and concurrently the Technical Services Director of Superblock Projects. His other significant positions are: Director of Cebu Holdings, Inc., Cebu Property Ventures Development Corporation, Cebu Insular Hotel Co., Inc., Accendo Commercial Corporation, Cagayan de Oro Gateway Corp., Makati Development Corporation, Ayala Property Management Corporation, Laguna Technopark, Inc., Anvaya Cove Golf & Sports Club, Inc., Asian-I Office Properties, Inc., Philippine Integrated Energy Solutions, Inc., Ecozone Power Management, Inc., Northgate Hotel Ventures, Inc., North Triangle Hotel Ventures, Inc., Alabang Gateway Property Ventures, Inc., Bonifacio Hotel Ventures, Inc. and Southcrest Hotel Ventures, Inc. He is a Past President of the Philippine Constructors Association, Inc. (PCA) & a certified Project Management Professional (PMP) of the Project Management Institute.

Jaime E. Ysmael, Filipino, 50, is a Senior Vice President, Chief Finance Officer and member of the Management Committee of ALI. Concurrently, he is a Managing Director of Ayala Corporation. His other significant positions include: Chairman of the Board of Directors of Aprisa Business Process Solutions, Inc.; Director and President of CMPI Holdings, Inc. and CMPI Land, Inc.; Director and Treasurer of Ayala Land International Sales, Inc., Ayala Land Sales, Inc., Alveo Land Corp., Laguna Technopark, Inc., Serendra, Inc., Ayala Hotels and Resorts Corporation and Anvaya Cove Beach & Nature Club, Inc.; Director, Treasurer and ExCom Member of Ayala Hotels, Inc., Enjay Hotels, Inc. and Cebu Holdings, Inc.; Director of Alabang Commercial Corp., Avida Land Corp., Cebu Insular Hotel

Company, Inc., First Longfield Investments Ltd., North Triangle Depot Commercial Corp., Regent Time International, Ltd., Station Square East Commercial Corp. and Ecozone Power Management, Inc. Prior to his stint with ALI, he was an Assistant Vice President at the Strategic Planning Group of Ayala Corporation.

Dante M. Abando, Filipino, 46, is a Vice President and Member of the Management Committee of ALI. He is concurrently the President and a Member of the Board of Directors of Makati Development Corporation. His other significant positions include: Director of Alveo Land Corp., Ayala Property Management Corp., Avida Land, Corp., Serendra Inc., AmicaSSa Process Solutions, Inc., and Anvaya BNClub, Inc. Prior to joining ALI, he served as Manager of Philkoei International, Inc. and Construction Engineer for DM Consunji, Inc.

Ruel C. Bautista, Filipino, 55, is a Vice President of ALI. He is concurrently the Executive Vice President of Makati Development Corporation. Prior to joining ALI, he served in various project management and engineering capacities for other private institutions for close to 25 years.

Augusto D. Bengzon, Filipino, 47, joined ALI in December 2004 as Vice President and Treasurer. His other significant positions include: Treasurer of Avida Land Corporation, Makati Development Corp., Aurora Properties, Inc., Vesta Properties Holdings, Inc., CECI Realty, Inc and the Hero Foundation; Director of the Anvaya Cove Golf and Sports Club; and Trustee of the PNP Foundation, Inc. Prior to joining ALI, he was the Vice President and Credit Officer in Global Relationship Banking at Citibank N.A. where he spent sixteen years in various line management roles covering Treasury, Portfolio Management, Structuring, Debt Syndication and Relationship Management.

Aniceto V. Bisnar, Jr., Filipino, 47, is a Vice President of ALI and the Head of NUVALI, Strategic Land Bank Management Group. His other significant positions include: Director, Senior Vice President & General Manager of Ceci Realty, Inc., Aurora Properties, Inc. and Vesta Property Holdings, Inc.; Chairman of Crimson Field Enterprises, Inc.; Director of Bonifacio Estates Services Corp, OLC Dev't Corp, Red Creek Properties, Inc.; and Board of Trustee of Hero Foundation, Inc. He also served as the Head of Commercial Operations of Fort Bonifacio Development Corporation which developed Bonifacio Global City from 2004 to 2008, and was Director of Bonifacio Water Corp., Bonifacio Transport Corp., Bonifacio Gas, Inc., Bonifacio Global City Estate Association, and Bonifacio Arts Foundation, Inc. He also served as Director and General Manager of Ayala Greenfield Development Corporation. He joined ALI in 1994 and served in various positions covering land acquisition, planning & development and general management responsibilities.

Manuel A. Blas II, Filipino, 55, is a Vice President of ALI. He is concurrently the Head of Commercial Operations of Fort Bonifacio Development Corporation and the Managing Director of Bonifacio Art Foundation, Inc. and The Mind Museum. Prior to joining ALI, he was the Regional President for Sara Lee Asia Pacific.

Arturo G. Corpuz, Filipino, 54, is a Vice President and a member of the Management Committee of ALI since 2008. He heads the Urban and Regional Planning Division and the Central Land Acquisition Unit of ALI. He is a Trustee of the Makati Parking Authority and a member of the Board of Aurora Properties, Inc. and Vesta Properties Holdings, Inc. He is a former President of the Philippine Economic Society and a Fellow of the Foundation for Economic Freedom and the Philippine Institute of Environmental Planning.

Maria Corazon G. Dizon, Filipino, 48, is a Vice President and the Head of Business Development and Strategic Planning of the Ayala Malls Group. Prior to this, she occupied various positions in ALI including Asset Management Head and Chief Finance Officer for the Ayala Malls Group, and Corporate Head of Control and Analysis Division and Investor Relations Unit.

Anna Ma. Margarita B. Dy, Filipino, 42, is a Vice President and a member of the Management Committee of ALI since August 2008. She is the Head of the Strategic Landbank Management Group. Her other significant positions include: Director and Executive Vice President of Fort Bonifacio Development Corporation and is a Director of the Nuvali Subsidiaries: Aurora Properties, Inc., Vesta Properties Holdings, Inc., and CECI Realty, Inc. Prior to joining ALI, she was the Vice President of Benpres Holdings Corporation.

Steven J. Dy, Filipino, 45, is a Vice President of ALI since December 2010 assigned to the international initiative of the company in China. Prior to this assignment, he was with the corporate business group for three years heading one of the project development groups and the business development. He had the same responsibilities when he was with Avida Land Corp.

Jose Emmanuel H. Jalandoni, CFA, Filipino, 42, is a Vice President and the Group Head of ALI-Capital. He is a member of the Management Committee of ALI. Concurrently, he is a Director and member of the Investment Committee of ARCH Capital Management Company Ltd. (Hong Kong); Chairman and Director of Greenhaven Property Ventures, Inc., Cebu Insular Hotel Co., Inc. and Ten Knots Properties, Inc.; President and Director of Ayala Hotels, Inc., Ayala Land Hotels and Resorts Corporation, Enjay Hotels, Inc., Bonifacio Hotel Ventures, Inc., Northgate Hotel Ventures, Inc., Southcrest Hotel Ventures, Inc. and North Triangle Hotel Ventures, Inc.; Director and Treasurer of Ayala Property Partners Corporation, Ayala Property Partners Holding Corporation, CMPI Holdings, Inc., CMPI Land, Inc., Ecoholdings, Inc., First Gateway Real Estate Corporation, Glensworth Development, Inc., One Dela Rosa Property Development, Inc. and UP North Property Holdings, Inc.; Director of Arch Capital Asian Partners, G.P. (Cayman), First Longfield Investments Limited (HK), Green Horizons Holdings Limited (HK), Jade Estates Holdings Limited (BVI), Regent Wise Investments Limited, Regent Time International Ltd., KHI-ALI Manila, Inc. and Ten Knots Development Corporation; and Chairman and President of Alinet.Com.Inc.

Michael Alexis C. Legaspi, Filipino, 52, is a Vice President of ALI and the Chief Operating Officer of Ayala Hotels, Inc. and AyalaLand Hotels & Resorts Corp. He serves as President of Enjay Hotels, Inc. and Cebu Insular Hotels Co. Inc. and is a Director of AyalaLand Hotels & Resorts Corp, KHI-ALI Manila, Greenhaven Property Ventures, Inc., Southcrest Hotel Ventures, Inc, Bonifacio Hotel Ventures, Inc., Northgate Hotel Ventures, Inc., Ten Knots Development Corp., Ten Knots Phils., Inc., Bacuit Bay Corp., and Chirica Resorts. He previously held the following positions: Head of Sales Division of ALI, Resident Manager of Oakwood Premier Ayala Center and Senior Vice President and Head of Operations of Ayala Property Management Corporation.

Joselito N. Luna, Filipino, 47, is a Vice-President and a member of the Management Committee of ALI since August 2008. He is also ALI's Chief Architect and Head of Innovation and Design Group. His other significant positions include: Director of Vesta Properties Holdings, Inc., Aurora Properties, Inc. and Anvaya Cove Golf & Sports Club Inc. He joined ALI in 1990 as a registered architect and environmental planner.

Francis O. Monera, Filipino, 56, is a Vice President for the Visayas-Mindanao Group of ALI. He is the President of Cebu Holdings, Inc. and Cebu Property Ventures & Development Corp. since January 1, 2007. Before joining ALI, he was the Senior AVP/Corporate Controller of Philippine National Construction Corporation. He served as President of the Cebu Chamber of Commerce and Industry from February 2006 to 2008. He is currently the Vice President for Visayas of Philippine Chamber of Commerce and Industry.

Rosaleo M. Montenegro, Filipino, 51, is a Vice President of ALI. His other significant positions include: President of Avida Land Corp.; Chairman and President of Buklod Bahayan Realty & Development Corp.; and Director of Avida Sales Corp., Amaia Land Corp. (formerly First Communities Realty, Inc.), Amicassa Process Solutions, Inc. and Ayala Land Sales, Inc.

Rodelito J. Ocampo, Filipino, 48, is a Vice President of ALI. He is currently Makati Development Corporation's Project Manager of Manila Extension Offices/Facilities (MNOX) Project of the US Embassy, US States Department. Before his MDC assignment, he served as Construction Management Director of Avida Land Corporation and Alveo Land Corporation, wholly owned subsidiaries of ALI and Construction Management Director of ALI's Residential Buildings Group. Prior to joining ALI, he was employed by a construction firm where he held various engineering and project management positions for a period of 10 years.

Maria Teresa T. Ruiz, Filipino, 56, joined ALI in October 2007 as the Vice President and member of the Management Committee. She serves as Head of the Human Resources and Public Affairs Group which covers External Affairs and Corporate Communications. Currently, she is a Director of Aprisa Business Process Solutions Inc. Prior to joining ALI, she has served as Director for various Human Resources functions in Wyeth Philippines, Zuellig Pharma, Solid Cement and Apo Cement Companies, Coca Cola Bottlers, and PLDT.

Maria Rowena Victoria M. Tomeldan, Filipino, 49, is a Vice President and the Chief Operating Officer of the Ayala Malls Group. Her other significant positions include: President and Director of Ayala Theatres Management, Inc., Five Star Cinema, Inc., NorthBeacon Depot Commercial Corp., Station Square East Commercial Corp. and Primavera TownCentre, Inc; and Director of Ayala Center Association, ALI-CII Development Corporation, Lagoon Development Corporation, Leisure and Allied Industries, Phils., North Triangle Depot Commercial Corp., Accendo Commercial Corporation, Bonifacio Global City Estate Association, Subic Bay Town Center Inc, Cagayan de Oro Gateway and Cavite Commercial Town Center Inc.

Significant Employees

The Company considers its entire work force as significant employees. Everyone is expected to work together as a team to achieve the Company's goals and objectives.

Family Relationships

Fernando Zobel de Ayala, Chairman of the Board of Directors, and Jaime Augusto Zobel de Ayala, Vice Chairman, are brothers.

Involvement in Certain Legal Proceedings (over the past 5 years)

None of the Directors or Executive Officers is involved in any material pending legal proceedings in any court or administrative agency of the government.

a. None of them has been involved in any bankruptcy petition.

b. None of them has been convicted by final judgment in a criminal proceeding or being subject to a pending criminal proceeding, both domestic and foreign.

c. None of them has been subject to any order, judgment or decree of any court of competent jurisdiction (domestic or foreign) permanently or temporarily enjoining, barring, suspending or otherwise limiting their involvement in any type of business, securities, commodities or banking activities.

d. None of them has been found by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self regulatory organization, to have violated a securities or commodities law or regulation.

Item 10. Executive Compensation

Directors and Executive Officers

Directors. Article IV Section 17 of the Company's By-Laws provides:

"Section 17 – Each member of the Board of Directors who is neither an officer nor consultant of the Corporation shall be entitled to receive a reasonable per diem in an amount to be determined by the Board of Directors for his attendance in Board meetings. Any additional compensation, other than per diems, to be given to members of the Board of Directors shall be subject to stockholders' approval."

During the Annual Stockholders' Meeting held on April 2, 2003, the stockholders ratified the resolution fixing the remuneration of non-executive directors at P1,000,000.00 consisting of the following components:

Retainer Fee:	P500,000.00
Per diem per Board meeting attended:	P100,000.00

In addition, a non-executive director is entitled to a per diem of P20,000.00 per board committee meeting actually attended.

None of the directors, in their personal capacity, has been contracted and compensated by the Company for services other than those provided as a director.

Officers. The Company adopts a performance-based compensation scheme. The total annual compensation of the President and Management Committee members amounted to ₱129.92 million in 2009 and ₱163.72 million in 2010. The projected total annual compensation for the current year is ₱195.46 million.

Total compensation paid to all senior personnel from Manager and up amounted to ₱337.04 million in 2009 and ₱398.57 million in 2010. The projected total annual compensation for the current year is ₱483.06 million.

Name and Principal Position	Year	Salary	Other Variable Pay
Antonino T. Aquino* President & CEO			
Vincent Y. Tan Executive Vice President			
Ma. Victoria E. Añonuevo Senior Vice President			
Bernard Vincent O. Dy Senior Vice President			
Raul M. Irlanda Senior Vice President			
Rex Ma. A. Mendoza Senior Vice President			
Emilio J. Tumbocon Senior Vice President			
Jaime E. Ysmael Senior Vice President & CFO			
Dante M. Abando Vice President			
Arturo G. Corpuz Vice President			
Anna Ma. Margarita B. Dy Vice President			
Jose Emmanuel H. Jalandoni Vice President			
Joselito N. Luna Vice President			
Maria Teresa Ruiz Vice President			
CEO & Most Highly Compensated Executive Officers	Actual 2009 (restated)	₱119.52 M	₱10.40 M**
	Actual 2010	₱155.62 M	₱8.10 M**
	Projected 2011	₱187.46 M	₱8.00 M
All other officers*** as a group unnamed	Actual 2009 (restated)	₱315.79 M	₱21.25 M**
	Actual 2010	₱374.07 M	₱24.50 M**
	Projected 2011	₱459.06 M	₱24.00 M

** Compensation includes full year effect of CEO and market adjustments to selected officers for retention purposes*

*** Exclusive of Stock Option exercise*

**** Managers and up*

The total annual compensation paid to all senior personnel from Manager and up was all paid in cash.

The total annual compensation includes the basic salary and other variable pay (performance bonus and exercise of Stock Option Plan).

The Company has no other arrangement with regard to the remuneration of its existing directors and officers aside from the compensation received as herein stated.

Each executive officer executed an employment contract with the Company for an indefinite period (the terms and conditions of which are in accordance with existing laws) and is entitled to receive retirement benefits in accordance with the terms and conditions of the Company's BIR-registered Employees' Retirement Fund. There is no plan or arrangement by which the Executive Officers will receive from the Company any form of compensation in case of a change-in-control of the Company or change in the officers' responsibilities following such change-in-control.

Options Outstanding

The Company has offered its Executive Stock Option Plan (ESOP) to its officers since 1998. Of the above named officers, there were 1.75 million common shares exercised for the year 2010 by the following officers, to wit:

Name	*No. of Shares*	*Date of Grant*	*Exercise Price*	*Market Price at Date of Grant*
Dante M. Abando		*Various*	*Various*	*Various*
Arturo G. Corpuz		*Various*	*Various*	*Various*
All above-named Officers as a group	1,751,135.00		3.56	5.37*

* Average prices on the dates of grant.

For other details on Stock Options, please refer to Note 29 ("Stock Options and Ownership Plans") of the Notes to Consolidated Financial Statements of the 2010 Audited Financial Statements which is incorporated herein in the accompanying Index to Exhibits.

Item 11. Security Ownership of Certain Record and Beneficial Owners and Management

(a) Security Ownership of Record and Beneficial Owners of more than 5% as of January 31, 2011.

Title of Class	**Name, address of Record Owner and Relationship with Issuer**	**Name of Beneficial Owner and Relationship with Record Owner**	**Citizenship**	**No. of Shares Held**	**Percent** (of the Outstanding Common & Preferred Shares)
Common	Ayala Corporation[1]	Ayala Corporation[2]	Filipino	6,934,509,515	26.606%
Preferred	34/F Tower One Bldg. Ayala Ave., Makati City			12,679,029,436	48.647%
Common	PCD Nominee Corporation (Non-Filipino)[3] G/F MSE Bldg.	Aberdeen Asset Management Asia Limited[4]	Singaporean	2,372,516,131	9.103%

[1] Ayala Corporation ("AC") is the parent of the Company.
[2] As per By-laws and the Corporation Code, the AC Board has the power to decide how AC's shares are to be voted.
[3] The PCD is not related to the Company.

	Ayala Ave., Makati City				
Common	PCD Nominee Corporation (Non-Filipino)[5] G/F MSE Bldg. Ayala Ave., Makati City	Aberdeen Asset Managers Limited[4]	British	1,374,465,854	5.274%

(b) Security Ownership of Directors and Management (Executive Officers) as of January 31, 2011.

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Percent (of the Outstanding Common & Preferred Shares)
Directors				
Common	Fernando Zobel de Ayala	12,000 (direct)	Filipino	0.00005%
Common	Jaime Augusto Zobel de Ayala	12,000 (direct)	Filipino	0.00005%
Common	Antonino T. Aquino	14,135,608 (direct & indirect)	Filipino	0.05424%
Common	Mercedita S. Nolledo	250,005 (direct & indirect)	Filipino	0.00096%
Common	Jaime C. Laya	10,000 (direct)	Filipino	0.00004%
Common	Oscar S. Reyes	1 (direct)	Filipino	0.00000%
Common	Delfin L. Lazaro	1 (direct)	Filipino	0.00000%
Common	Francis G. Estrada	1 (direct)	Filipino	0.00000%
Common	Aurelio R. Montinola III	3,579 (direct & indirect)	Filipino	0.00001%
CEO and Most Highly Compensated Executive Officers				
Common	Antonino T. Aquino	14,135,608 (direct & indirect)	Filipino	0.05424%
Common	Vincent Y. Tan	9,360,151 (indirect)	Filipino	0.03591%
Common	Ma. Victoria E. Añonuevo	3,756,774 (direct & indirect)	Filipino	0.01441%
Common	Bernard Vincent O. Dy	4,119,715 (indirect)	Filipino	0.01581%
Common	Raul M. Irlanda	1,899,709 (indirect)	Filipino	0.00729%
Common	Rex Ma. A. Mendoza	5,773,781 (direct & indirect)	Filipino	0.02215%
Common	Emilio J. Tumbocon	7,619,386 (direct & indirect)	Filipino	0.02923%
Common	Jaime E. Ysmael	3,373,815 (direct & indirect)	Filipino	0.01294%
Common	Dante M. Abando	1,503,956 (direct & indirect)	Filipino	0.00577%
Common	Arturo G. Corpuz	3,204,194 (direct & indirect)	Filipino	0.01229%
Common	Anna Ma. Margarita B. Dy	3,539,086 (indirect)	Filipino	0.01358%
Common	Jose Emmanuel H. Jalandoni	2,815,854 (indirect)	Filipino	0.01080%
Common	Joselito N. Luna	1,850,093 (direct & indirect)	Filipino	0.00710%
Common	Maria Teresa Ruiz	298,976 (indirect)	Filipino	0.00115%
Other Executive Officers				
Common	Solomon M. Hermosura	150,480 (direct & indirect)	Filipino	0.00058%
Common	Ruel C. Bautista	1,062,570 (direct & indirect)	Filipino	0.00408%
Common	Augusto D. Bengzon	1,192,095 (direct & indirect)	Filipino	0.00457%

[4] Per the Statements of Changes in Beneficial Ownership of Securities (SEC Forms 23-B) filed on February 1, 2011, Aberdeen Asset Management Asia Limited and Aberdeen Asset Managers Limited (collectively "Aberdeen") are the clients of a participant of PCD. The Company has no record on how Aberdeen exercises the power to decide how their shares in the Company are to be voted.

Common	Aniceto V. Bisnar, Jr.	913,857 (direct & indirect)	Filipino	0.00351%
Common	Manny A. Blas II	1,293,432 (direct & indirect)	Filipino	0.00496%
Common	Ma. Corazon G. Dizon	1,312,185 (direct & indirect)	Filipino	0.00503%
Common	Steven J. Dy	1,523,365 (indirect)	Filipino	0.00584%
Common	Michael Alexis C. Legaspi	2,081,218 (direct & indirect)	Filipino	0.00799%
Common	Francis O. Monera	2,294,079 (direct & indirect)	Filipino	0.00881%
Common	Rosaleo M. Montenegro	2,492,130 (direct & indirect)	Filipino	0.00956%
Common	Rodelito J. Ocampo	1,043,543 (direct & indirect)	Filipino	0.00400%
Common	Ma. Rowena Victoria M. Tomeldan	2,065,781 (direct & indirect)	Filipino	0.00793%
All Directors and Officers as a group		**80,963,420**		**0.31064%**

None of the members of the Company's directors and management owns 2.0% or more of the outstanding capital stock of the Company.

(c) Voting Trust Holders of 5% or more

Ayala Land knows of no persons holding more than 5% of common shares under a voting trust or similar agreement.

(d) Changes in Control

No change of control in the Company has occurred since the beginning of its last fiscal year.

Item 12. Certain Relationships and Related Transactions

Related Party Transactions

The Company and its subsidiaries (the "Group"), in their regular conduct of business, have entered into transactions with associates and other related parties principally consisting of advances and reimbursement of expenses, purchase and sale of real estate properties, construction contracts, and development, management, underwriting, marketing, leasing and administrative service agreements. Sales and purchases of goods and services to and from related parties are made on an arm's length basis and at current market prices at the time of the transactions.

However, no other transaction, without proper disclosure, was undertaken by the Group in which any director or executive officer, any nominee for election as director, any beneficial owner (direct or indirect) or any member of his immediate family was involved or had a direct or indirect material interest.

ALI employees are required to promptly disclose any business and family-related transactions with the company to ensure that potential conflicts of interest are surfaced and brought to the attention of management.

No single director or executive officer, nominee for election as director, or any member of their immediate family owns or holds more than 10% of the Company's voting shares.
The revenue from transactions with associates and other related parties amounted to P858 million in 2010.

There were no transactions with promoters in the past five years.

Please refer to Note 26 ("Related Party Transactions") of the Notes to Consolidated Financial Statements of the 2010 Audited Financial Statements which is incorporated herein in the accompanying Index to Exhibits.

Parent Company / Major Holders

As of December 31, 2010, Ayala Corporation owned 6,929 million (53.18%) of total outstanding ALI common shares of 13,029 million, and 12,679 million (97.27%) of total outstanding preferred shares of 13,035 million.

Ayala Corporation's common and preferred shares account for 26.58% and 48.65%, respectively, of total outstanding shares of 26,064 million, while PCD Nominee Corporation (Non-Filipino) holds or owns 18.92%.

Ayala Corporation's principal parent company, Mermac, Inc. does not hold or own any share in the Company.

PART V – CORPORATE GOVERNANCE

Item 13. Compliance with leading practice on Corporate Governance

The evaluation system which was established to measure or determine the level of compliance of the Board of Directors and top level management with its Manual of Corporate Governance consists of a Customer Satisfaction Survey which is filled up by the various functional groups indicating the compliance rating of certain institutional units and their activities. The evaluation process also includes a Board Performance Assessment which is accomplished by the Board of Directors indicating the compliance ratings. The above are submitted to the Compliance Officer who issues the required certificate of compliance with the Company's Corporate Governance Manual to the Securities and Exchange Commission.

To ensure good governance, the Board establishes the vision, strategic objectives, key policies, and procedures for the management of the company, as well as the mechanism for monitoring and evaluating Management's performance. The Board also ensures the presence and adequacy of internal control mechanisms for good governance.

There were no deviations from the Company's Manual of Corporate Governance. The Company has adopted in the Manual of Corporate Governance the leading practices and principles of good corporate governance, and full compliance therewith has been made since the adoption of the Manual.

The Company is taking further steps to enhance adherence to principles and practices of good corporate governance.

PART VI – EXHIBITS AND SCHEDULES

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

(a) Exhibits - See accompanying Index to Exhibits

The following exhibit is incorporated by reference in this report:

2010 Consolidated Financial Statements

The other 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 current reports have been reported by Ayala Land during the year 2010 through official disclosure letters dated:

January 20, 2010
Ayala Land Premier launched Park Terraces, a high-rise condominium project in Makati.

February 18, 2010
ALI submitted its unaudited financial results for the year ended December 31, 2009.

February 19, 2010
ALI signed a Joint Venture Agreement with the Anflogroup for the development of a mall within a 3.2-hectare property in Cagayan de Oro City.

March 3, 2010
ALI signed a 35-year Lease Agreement with the Pison group for a 2-hectare property in Iloilo City that will be used for the development of BPO buildings.

April 6, 2010
ALI signed a Memorandum of Agreement with Manila Water Company (MWC) for the joint development and operation of a water and wastewater facility service company that will serve the needs of NUVALI and other ALI projects.

April 13, 2010
Amaia Land Corp. and Eton Properties Inc. forged a Joint Development Agreement for the development of a 4-hectare property in Calamba, Laguna that will form part of Amaia Scapes Laguna.

April 16, 2010
ALI exercised its oversubscription option for an additional sale of Php504 million Ayala Land Homestarter Bonds thereby bringing final issue size to Php1.008 billion.

April 19, 2010
Avida Land Corp. and Philippine National Bank (PNB) signed a Joint Development Agreement for the development of a 2.3-hectare property along EDSA corner Reliance and Mayflower Streets. in Mandaluyong City into a residential complex.

April 23, 2010
ALI made an investment of 60% in Ten Knots Group which owns the El Nido Resorts in Lagen and Miniloc Islands in Northern Palawan.

June 3, 2010
ALI declared a cash dividend of Php 0.045 per share to all shareholders as of record date June 30, 2010, payable on July 23, 2010.

June 3, 2010
ALI declared a cash dividend of Php 0.045 per share to all shareholders as of record date June 30, 2010, payable on July 23, 2010.

August 3, 2010
ALI signed an Equity Joint Venture Agreement with Sino-Singapore Tianjin Eco-City Investment and Development Corp. Ltd. for the development of a 19-tower residential project (1,100 units) on a 9.8-hectare parcel of land in Tianjin Eco-City, China.

August 26, 2010
ALI declared the payment of the annual cash dividends of 4.64% per annum to all shareholders of the outstanding unlisted Preferred Shares with record date of September 22, 2010 and payment date of October 18, 2010.

September 29, 2010
ALI filed the Articles of Incorporation of AyalaLand Commercial REIT, Inc. (ALCRI) with an initial authorized capitalization of Php1.2 billion.

November 30, 2010
ALI declared of cash dividend of Php 0.048 per share to all shareholders as of record date December 14, 2010, payable on January 11, 2011.

(c) Reports under SEC Form 17-C, as amended (during the last 6 months)

None.

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 Makati City on APR 14 2011.

By:

Antonino T. Aquino President / Chief Executive Officer	**Mercedita S. Nolledo** Corporate Secretary
Jaime E. Ysmael Chief Finance Officer	**Rodelio R. Manansala** Principal Accounting Officer

SUBSCRIBED AND SWORN to before me this APR 14 2011 affiants exhibiting to me their respective Passports, as follows:

Names	Passport No.	Date of Issue	Place of Issue
Antonino T. Aquino	XX4033426	June 25, 2009	Manila
Mercedita S. Nolledo	XX3247044	March 16, 2009	Manila
Jaime E. Ysmael	XX1502287	June 3, 2008	Manila
Rodelio R. Manansala	EBO361510	June 9, 2010	Manila

ROBERTO T. ONGSIAKO
NOTARY PUBLIC
ROLL NO. 37041
MAKATI CITY, PHILIPPINES

ROBERTO T. ONGSIAKO
Notary Public - Makati City
Appt. No. 458 until December 31, 2012
Attorney's Roll No. 37041
PTR No. 2669896MB; 01-07-2011; Makati City
IBP Lifetime Roll No. 02163
33rd Floor, Tower One & Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City, Philippines

Doc. No. 169;
Page No. 35;
Book No. 1;
Series of 2011.

Notarial DST pursuant to Sec. 188 of the Tax Code affixed on Notary Public's copy.

AYALA LAND, INC.

INDEX TO EXHIBITS
Form 17-A – Item 7

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n.a. Not applicable or require no answer.

AYALA LAND, INC. - SUBSIDIARIES AND AFFILIATES
(As of December 31, 2010)

	Ownership (%)	
	By ALI	By the Subsidiary / Affiliate
Residential		
Avida Land Corp.	100.0	
Buklod Bahayan Realty and Development Corp.		100.0
Avida Sales Corp.		100.0
Amicassa Process Solutions, Inc.		100.0
Alveo Land Corp. (formerly Community Innovations, Inc.	100.0	
Amaia Land Corp. (formerly First Communities Realty, Inc.)	100.0	
Serendra, Inc.	28.0	39.0
Roxas Land Corporation	50.0	
Amorsedia Development Corporation	100.0	
OLC Development Corporation		100.0
Ayala Greenfield Development Corp.		50.0
Ayala Land Sales, Inc.	100.0	
Ayala Land International Sales, Inc.	100.0	
Commercial Leasing		
Shopping Centers		
AyalaLand Commercial REIT, Inc.	100.0	
Northbeacon Commercial Corporation	100.0	
Station Square East Commercial Corporation	69.0	
Accendo Commercial Corp.	56.7	
ALI-CII Development Corporation	50.0	
Alabang Commercial Corporation	50.0	
South Innovative Theatre Management, Inc.		100.0
North Triangle Depot Commercial Corporation	49.3	
Lagoon Development Corporation	30.0	
Primavera Town Centre, Inc.	100.0	
Ayala Theatres Management, Inc.	100.0	
Five Star Cinema, Inc.	100.0	
Food Court Company, Inc.	100.0	
Leisure and Allied Industries Phils., Inc.	50.0	
Subic Bay Town Centre, Inc.	100.0	
MZM Holdings, Inc.	100.0	
Office Business		
Laguna Technopark, Inc.	75.0	
Asian I-Office Properties, Inc	60.0	
ALI Property Partners Holdings Corp.[a]	80.0	
ALI Property Partners Corp.[a]	20.0	60.0
One Dela Rosa Property Development Inc.		100.0
First Gateway Real Estate Corp.		100.0
UP North Property Holdings, Inc		100.0
Glensworth Development, Inc.		100.0
Gisborne Property Holdings, Inc.	100.0	
Sunnyfield E-Office Corporation	100.0	
Asterion Technopod, Inc.	100.0	
Crestview E-Office Corporation	100.0	
Summerhill E-Office Corporation	100.0	
Hillsford Property Corp.	100.0	

	Ownership (%)	
	By ALI	By the Subsidiary / Affiliate
Hotels and Resorts		
Ayala Hotels, Inc.	50.0	
AyalaLand Hotels and Resorts Corporation (formerly Ayala Hotels, Inc. and Resorts Corporation)	100.0	
Enjay Hotels, Inc.		100.0
Cebu Insular Hotel Company, Inc.		62.9
Greenhaven Property Venture, Inc.		100.0
Ten Knots Phils., Inc.		60.0
Ten Knots Development Corp.		60.0
Strategic Landbank Management and Visayas-Mindanao		
Aurora Properties, Inc.	70.0	
Vesta Property Holdings, Inc.	70.0	
Ceci Realty, Inc.	60.0	
Emerging City Holdings, Inc.	50.0	
Columbus Holdings, Inc.		70.0
Bonifacio Land Corporation[(b)]	5.3	69.9
Fort Bonifacio Development Corp.[(c)]		55.0
Berkshires Holdings, Inc.	50.0	
Columbus Holdings, Inc.		30.0
Bonifacio Land Corporation[(b)]	5.3	69.9
Fort Bonifacio Development Corp.[(c)]		55.0
Regent Time International Limited	100.0	
Bonifacio Land Corporation [(a)]	5.3	4.8
Fort Bonifacio Development Corp[(b)]		55.0
Buendia Landholdings, Inc.	100.0	
Red Creek Properties, Inc.	100.0	
Crimson Field Enterprises, Inc.	100.0	
Crans Montana Property Holdings Corp	100.0	
Amorsedia Development Corporation	100.0	
HLC Development Corporation		100.0
Ecoholdings Company, Inc.	100.0	
Cebu Holdings, Inc.	47.3	
Cebu Property Ventures & Development Corp.	7.8	76.3
Asian I-Office Properties, Inc.		40.0
Cebu Leisure Company, Inc.		100.0
CBP Theatre Management Inc.		100.0
Cebu Insular Hotel Company, Inc.		37.1
Services		
Makati Development Corporation	100.0	
Ayala Property Management Corporation	100.0	
Others		
ALInet.com, Inc.	100.0	
Aprisa Business Process Solutions, Inc.	100.0	
Astoria Investment Ventures, Inc.[(d)]	100.0	
CMPI Holdings, Inc.	60.0	
CMPI Land, Inc.		60.0
First Longfield Investments Limited	100.0	
Green Horizons Holdings Limited		100.0
ARCH Capital Management Co. Ltd.		17.0
ARCH Capital Partners L.P.		8.0
KHI-ALI Manila, Inc.	60.0	
KHI Manila Property, Inc.	20.0	
Philippine Integrated Energy Solutions, Inc.	100.0	
Regent Wise Investments Limited (Regent Wise)	100.0	

[(a)] *ALI's effective ownership in APPHC is 80% and in APPCO is 68%*

[(b)] *ALI's effective ownership in Bonifacio Land Corporation is 45.05%*

[(c)] *ALI's effective ownership in Fort Bonifacio Development Corporation is 24.78%*

[(d)] *Pertains to common shares*

AYALA LAND, INC.

INDEX TO SUPPLEMENTARY SCHEDULES
Form 17-A, Item 7

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Phone: (632) 891 0307
Fax: (632) 819 0872
www.sgv.com.ph

BOA/PRC Reg. No. 0001
SEC Accreditation No. 0012-FR-2

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
Ayala Land, Inc.
Tower One, Ayala Triangle
Ayala Avenue, Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Ayala Land, Inc. and Subsidiaries included in this Form 17-A and have issued our report thereon dated February 24, 2011. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Company's management and are presented for purposes of complying with the Securities Regulation Code Rule 68.1 and SEC Memorandum Circular No. 11, Series of 2008 and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Lucy L. Chan

Lucy L. Chan
Partner
CPA Certificate No. 88118
SEC Accreditation No. 0114-AR-2
Tax Identification No. 152-884-511
BIR Accreditation No. 08-001998-46-2009,
June 1, 2009, Valid until May 31, 2012
PTR No. 2641512, January 3, 2011, Makati City

February 24, 2011

AYALA LAND INC., AND SUBSIDIARIES				
SCHEDULE A - MARKETABLE SECURITIES				
(Current Marketable Equity Securities and Other Short-Term Cash Investments)				
A. OTHER SHORT TERM CASH INVESTMENT 1/	NUMBER OF SHARE OF PRINCIPAL AMOUNT	AMOUNT IN THE BALANCE SHEET * 2/	VALUED BASED ON MARKET QUOTATION AT BALANCE SHEET DATE	INCOME RECEIVED & ACCRUED
Short term Investment				
BPI				
Treasury Bills		0		0
Special Savings Account		5,668,615,850		351,778,493
Commercial Paper		0		0
Repurchased Bills		0		0
Time Deposits		2,198,695,206		97,701,105
Others		690,327,093		127,570,211
(Basis will be schedule from Treasury				
or from your financial institution)				
Others Banks				
Treasury Bills		0		0
Special Savings Account		2,022,319,438		62,664,791
Commercial Paper		0		0
Repurchased Bills		0		0
Time Deposits		1,025,469,111		10,276,958
Others		2,745,572,918		132,764,908
(Basis will be schedule from Treasury				
or from your financial institution)				
B. SHORT TERM CASH INVESTMENT OF MORE THAN				
THREE (3) MONTHS UP TO SIX MONTHS. 2/		1,434,337,115		28,927,522
C. FINANCIAL ASSETS AT FVPL 3/ (NOT APPLICABLE)				
		15,785,336,731		**811,683,987**

1/ Cash equivalents are short term, highly liquid investments that are made for varying period of up to three (3) months depending on the immediate cash requirements of the group and earn interest at the respective short term rates. Short term cash investment is equivalent to 11.7% of the total assets of the company.

2/ Money Market placement with varying maturity periods of more than three (3) months and up to six months amounting to P1,434.3M is 1.17% of the total assets as of December 31, 2010.

3/ Financial Assets at FVPL are consist of Treasury Bills and Bonds amounting to P404.7M which total amount is equivalent to only 0.33% of the total assets as of December 31, 2010.

AYALA LAND INC., AND SUBSIDIARIES
SCHEDULE B - AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES
AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)

	BEGINNING BALANCE		ADDITIONS		DEDUCTIONS		ENDING BALANCE		ENDING BALANCE		
	NOTES	ACCOUNTS	NOTES	ACCOUNTS	NOTES	ACCOUNTS	ACCOUNTS RECEIVABLE		NOTES RECEIVABLE		
NAME	RECEIVABLE	RECEIVABLE	RECEIVABLE	RECEIVABLE	RECEIVABLE	RECEIVABLE	CURRENT	NON-CURRENT	CURRENT	NON-CURRENT	TOTAL
Employees	263,071	282,721	210,762	386,408	100,511	289,902	34,259	344,968	108,942	264,380	752,549

AYALA LAND INC. AND SUBSIDIARIES
Schedule C - (NONCURRENT MARKETABLE EQUITY SECURITIES,
OTHER LONG-TERM INVESTMENTS IN STOCK, AND OTHER INVESTMENTS

NAME OF COMPANY 1/	BEGINNING BALANCE		ADDITIONS		DEDUCTIONS		ENDING BALANCE			Dividends Received/accrued fr Investments Not Accounted for by the Equity Method
	Number of Shares 2/	Amount In Pesos	Equity in Earnings (Losses) of Investees for the period 3/	Others (Cost & equity adj) 4/	Distribution of Earnings by Investees 5/	Others (Cost & equity adj) 6/	Number of Shares	% of Effective Ownership	Amount in Pesos 7/	
Ayala Land Inc.,										
Cebu Holdings Inc	907,350,948	1,865,844,194	191,953,975	0	63,514,558		907,350,948	47.26%	1,994,283,611	
Lagoon Development Corp.	442,500	66,892,678	38,366			966,947	442,500	30.00%	65,964,097	
Alabang Comm. Corp.	408,504	608,572,045	143,841,892		135,605,238		408,504	50.00%	616,808,699	
Cebu Property Ventures Dev't Corp.	73,341,995	106,053,814	13,612,568		8,801,039		73,341,995	7.80%	110,865,343	
North Triangle Depot Comm. Corp	15,138,634	1,417,470,209	106,425,070		38,692,650	49,290,000	15,138,634	49.29%	1,435,912,630	
Bonifacio Land Corp.	4,229,323	1,465,166,218	84,277,013	31,202,776	26,609,587	420,903,764	4,229,323	5.32%	1,133,132,656	
Emerging City Holdings Inc.	72,150,000	3,370,936,774	230,809,092		109,936,013		72,150,000	50.00%	3,491,809,852	
Berkshires Holdings Inc.	31,000,000	1,444,663,678	98,918,182		47,115,434		31,000,000	50.00%	1,496,466,426	
Arch Capital	16,667	439,531,228	35,769,071	12,554,963			16,667	17.00%	487,855,262	
Kingdom Hotel Inc - Common	38,250	10,572,157					38,250	60.00%	10,572,157	
Kingdom Hotel Inc - Preferred	38,250	572,156					38,250	60.00%	572,156	
Kingdom Hotel Inc Manila Property	18,031	1,803,100					18,031	20.00%	1,803,100	
Accendo Comm. Corp.		0							0	
	-	10,798,078,253	905,645,229				-		10,846,045,990	

AYALA LAND INC. AND SUBSIDIARIES
SCHEDULE D - INDEBTEDNESS OF UNCONSOLIDATED SUBSIDIARIES AND RELATED PARTIES

NAME OF RELATED PARTIES	BALANCE AT BEGINNING OF PERIOD	BALANCE AT END OF PERIOD
NOT APPLICABLE		

AYALA LAND INC. AND SUBSIDIARIES
SCHEDULE E - OTHER ASSETS

DESCRIPTION	BEGINNING BALANCE	ADDITIONS AT COST	CHARGED TO COSTS & EXPENSES	CHARGED TO OTHER ACCOUNTS	OTHER CHANGES ADDITIONS/ (DEDUCTIONS)	ENDING BALANCE
Deferred charges	2,234,029	8,608,204				10,842,233
Receivables & Deposits	383,754,363	212,903,897				596,658,260
Creditable taxes	10,053,069	0				10,053,069
Others	411,298,591	151,084,769				562,383,360
	807,340,052	**372,596,870**	**0**	**0**	**0**	**1,179,936,922**

AYALA LAND, INC. AND SUBSIDIARIES
SCHEDULE F - LONG-TERM DEBT
As of end-2010

TITLE OF ISSUE & TYPE OF OBLIGATION	AMOUNT AUTHORIZED BY INDENTURE	CURRENT PORTION OF LONG-TERM DEBT	LONG-TERM DEBT (NET OF CURRENT PORTION)	MATURITY DATE
Ayala Land, Inc.				
Bonds *(Various bondholders)*			*4,000,000,000*	*Aug. 14, 2013*
Bank Loan *(Pioneeer Life)*		-	*70,000,000*	*Jan. 28,2016*
Bank Loan *(SunlLife Of Canada)*			*250,000,000*	*Jan. 28,2016*
Bank Loan *(PS Bank)*			500,000,000	Jan. 28,2019
Bank Loan *(PHILAM)*			*1,000,000,000*	*Jan. 28,2019*
Bank Loan *(First Life)*			30,000,000	Jan. 28,2019
Bank Loan *(Insular)*			*300,000,000*	*Jan. 28,2016*
Bank Loan *(IPDTC - ALI BONDS)*			*398,630,000*	*April. 16, 2013*
Bank Loan *(LandBank)*			-	
Bank Loan *(BPI-AMTG)*			*100,000,000*	*Jan. 29,2014; Jan. 28,2016*
Dela Salle Univertsity'			*50,000,000*	*Jan. 29,2014*
La Sallian			*50,000,000*	*Jan. 28,2016*
ITC			*30,000,000*	*Ja. 29, 2014*
Bank Loan *(HSBC.)*		1,830,000,000	*1,170,000,000*	*Sept. 22, 2011; Jan. 29,2016*
Subsidiaries				
Bank Loan *(Security Bank)*		360,215,000	2,968,943,000	Sept. 19, 2011
Bank Loan *(BPI)*		70,000,000	395,000,000	Dec 10, 2014
Bank Loan *(LandBank)*			510,000,000	July 31, 2016
Bank Loan *(MetroBank)*		9,250,000	1,263,375,000	May. 15, 2015; July 31, 2014; Aug. 15, 2012
Bank Loan *(RCBC)*		10,000,000	977,500,000	Apr 30, 2013, Aug 8, 2014
Bank Loan *(ChinaBank)*		48,694,665	1,689,282,760	July 31, 2014; Sep 15, 2015
TOTAL		**2,328,159,665**	**15,752,730,760**	

AYALA LAND, INC. AND SUBSIDIARIES
SCHEDULE G - INDEBTEDNESS TO RELATED PARTIES (LONG TERM LOANS FROM RELATED COMPANIES)

NAME OF AFFILIATE	BALANCE AT BEGINNING OF PERIOD	BALANCE AT END OF PERIOD
NOT APPLICABLE		

AYALA LAND, INC. AND SUBSIDIARIES
SCHEDULE H - GUARANTEES OF SECURITIES OF OTHER ISSUERS

NAME OF ISSUING ENTITY OF SECURITIES GUARANTEED BY THE COMPANY FOR W/C THIS STATEMENT IS FILED	TITLE OF ISSUE OF EACH CLASS OF SECURITIES GUARANTEED	TOTAL AMOUNT GUARANTEED & OUTSTANDING	AMOUNT OWNED BY PERSON FOR W/C STATEMENT IS FILED	NAME OF GUARANTEE
NOT APPLICABLE				

AYALA LAND INC. AND SUBSIDIARIES
SCHEDULE I - CAPITAL STOCK

Common Stock	No. of Shares
Authorized	20,000,000,000
Issued	13,012,004,267
Subscribed	96,468,446
Total	13,108,472,713
Less : Treasury Shares	79,528,228
Total Issued and Outstanding	13,028,944,485

Preferred	No. of Shares
Authorized	15,000,000,000
Issued	13,034,603,880
Subscribed	0
Total	13,034,603,880
Less : Treasury Shares	0
Total Issued and Outstanding	13,034,603,880

AYALA LAND INC. AND SUBSIDIARIES
SCHEDULE J. - PROPERTY, PLANT AND EQUIPMENT

CLASSIFICATION	BEGINNING BALANCE	ADDITIONS AT COST	RETIREMENTS	OTHER CHARGES-ADDITIONS (DEDUCTIONS)	ENDING BALANCE
Please refer to Note 14 of the Notes to Consolidated Financial Statements of the 2010 Audited Financial Statements which is incorporated herein in the accompanying Index to Exhibits.					

AYALA LAND INC. AND SUBSIDIARIES
SCHEDULE K - ACCUMULATED DEPRECIATION

DESCRIPTION	BEGINNING BALANCE	ADDITIONS CHARGED TO COSTS & EXPENSES	RETIREMENTS	OTHER CHARGES - ADDITIONS (DEDUCTIONS)	ENDING BALANCE
Please refer to Note 14 of the Notes to Consolidated Financial Statements of the 2010 Audited Financial Statements which is incorporated herein in the accompanying Index to Exhibits					

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS

The management of Ayala Land, Inc. and its subsidiaries is responsible for all information and representations contained in the consolidated financial statements for the year ended December 31, 2010 and 2009. The consolidated financial statements have been prepared in accordance with Philippine Financial Reporting Standards and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

In this regard, management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are recognized. The management likewise discloses to the Company's audit committee and to its external 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 consolidated 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 consolidated financial statements of the Company in accordance with Philippine Standards on Auditing and has expressed their opinion on the fairness of presentation upon completion of such audit, in its report to the Board of Directors and stockholders.

FERNANDO ZOBEL DE AYALA
Chairman, Board of Directors

ANTONINO T. AQUINO
President & Chief Executive Officer

JAIME E. YSMAEL
Chief Finance Officer

SUBSCRIBED AND SWORN to before me this FEB 2 8 2011 at Makati City, affiants exhibiting to me their respective Passports, to wit:

Name	Passport No.	Date & Place of Issue
Fernando Zobel de Ayala	XX2935162	04 February 2009 – Manila
Antonino T. Aquino	XX4033426	25 June 2009 – Manila
Jaime E. Ysmael	XX1502287	30 June 2008 – Manila

Doc. No. 87 ;
Page No. 19 ;
Book No. III ;
Series of 2011.

Notarial DST pursuant to Sec. 188 of the Tax Code affixed on Notary Public's copy.

JUNE VEE D. MONTECLARO
NOTARY PUBLIC
ROLL NO. 43039

JUNE VEE D. MONTECLARO
Notary Public - Makati City
Appt. No. M-333 until 12-31-2011
Attorney's Roll No. 43039
PTR No. 2669860MB; 01-07-2011; Makati City
IBP Lifetime Roll No. 07208
33rd Floor, Tower One & Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City, Philippines

SGV & Co
Ernst & Young

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BOA/PRC Reg. No. 0001
SEC Accreditation No. 0012-FR-2

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Ayala Land, Inc.
Tower One, Ayala Triangle
Ayala Avenue, Makati City

We have audited the accompanying consolidated financial statements of Ayala Land, Inc. and Subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2010 and 2009, and the consolidated statements of income, consolidated statements of comprehensive 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, 2010, and a summary of significant accounting policies and other explanatory information.

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, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' 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 auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Ayala Land, Inc. and Subsidiaries as of December 31, 2010 and 2009, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2010 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Lucy L. Chan

Lucy L. Chan
Partner
CPA Certificate No. 88118
SEC Accreditation No. 0114-AR-2
Tax Identification No. 152-884-511
PTR No. 2641512, January 3, 2011, Makati City

February 24, 2011

AYALA LAND, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Thousands)

	December 31	
	2010	2009
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 4 and 30)	**₱18,018,807**	₱10,528,726
Short-term investments (Notes 5 and 30)	**1,434,337**	4,560,976
Financial assets at fair value through profit or loss (Notes 6 and 30)	**404,008**	433,821
Available-for-sale financial assets (Notes 7 and 30)	**357,129**	1,168,014
Accounts and notes receivable - net (Notes 8 and 30)	**17,941,898**	16,654,767
Real estate inventories (Note 9)	**13,614,696**	8,358,584
Other current assets (Note 10)	**4,860,154**	4,105,817
Total Current Assets	**56,631,029**	45,810,705
Noncurrent Assets		
Noncurrent accounts and notes receivable (Notes 8 and 30)	**3,344,302**	1,976,678
Available-for-sale financial assets (Notes 7 and 30)	**691,664**	725,570
Land and improvements (Note 11)	**16,534,180**	17,768,048
Investments in associates and jointly controlled entities (Note 12)	**10,846,046**	10,798,078
Investment properties - net (Note 13)	**26,833,353**	25,412,537
Property and equipment - net (Notes 14 and 16)	**4,167,989**	3,364,584
Deferred tax assets - net (Note 24)	**2,073,410**	1,078,308
Other noncurrent assets (Note 15)	**1,179,937**	807,340
Total Noncurrent Assets	**65,670,881**	61,931,143
	₱122,301,910	₱107,741,848

LIABILITIES AND EQUITY		
Current Liabilities		
Accounts and other payables (Notes 16 and 30)	**₱25,891,915**	₱19,309,169
Short-term debt (Notes 17 and 30)	**2,890,042**	1,630,900
Income tax payable	**72,298**	223,542
Current portion of long-term debt (Notes 17 and 30)	**2,328,160**	377,669
Other current liabilities (Note 18)	**2,032,133**	2,150,713
Total Current Liabilities	**33,214,548**	23,691,993
Noncurrent Liabilities		
Long-term debt - net of current portion (Notes 17 and 30)	**15,752,731**	16,803,596
Pension liabilities (Note 27)	**86,363**	53,033
Deferred tax liabilities - net (Note 24)	**597,668**	150,953
Deposits and other noncurrent liabilities (Notes 19 and 30)	**6,407,921**	7,322,857
Deferred credits	**772,551**	524,516
Total Noncurrent Liabilities	**23,617,234**	24,854,955
Total Liabilities	**56,831,782**	48,546,948

(Forward)

	December 31	
	2010	2009
Equity (Note 20)		
Equity attributable to equity holders of Ayala Land, Inc.		
Paid-up capital	**₱18,681,148**	₱18,448,433
Retained earnings	**38,756,821**	34,570,354
Stock options outstanding (Note 29)	**202,500**	180,930
Unrealized gain on available-for-sale financial assets (Note 7)	**40,650**	16,611
Treasury stock	**(823,967)**	(823,967)
	56,857,152	52,392,361
Noncontrolling interests	**8,612,976**	6,802,539
Total Equity	**65,470,128**	59,194,900
	₱122,301,910	₱ 107,741,848

See accompanying Notes to Consolidated Financial Statements.

AYALA LAND, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(Amounts in Thousands, Except Earnings Per Share Figures)

	Years Ended December 31		
	2010	2009	2008
REVENUE			
Real estate (Notes 21 and 26)	**₱33,764,584**	₱26,505,560	₱28,958,931
Hotel and resort operations (Note 22)	**1,643,856**	1,232,443	1,321,485
Interest income (Note 26)	**1,065,205**	1,116,827	1,262,341
Equity in net earnings of associates and jointly controlled entities (Note 12)	**905,645**	968,004	884,727
Other income (Notes 23 and 26)	**434,209**	632,410	1,321,499
	37,813,499	30,455,244	33,748,983
COSTS AND EXPENSES			
Real estate (Note 23)	**23,707,381**	18,149,304	20,409,684
General and administrative expenses (Notes 23, 27 and 29)	**3,188,353**	2,792,633	3,172,288
Interest expense and other financing charges (Note 23)	**1,539,111**	1,345,491	1,050,041
Hotel and resort operations (Note 23)	**1,239,938**	867,199	876,493
Other charges (Note 23)	**278,512**	1,454,679	792,520
	29,953,295	24,609,306	26,301,026
INCOME BEFORE INCOME TAX	**7,860,204**	5,845,938	7,447,957
PROVISION FOR INCOME TAX (Note 24)			
Current	**2,120,535**	1,460,090	2,154,636
Deferred	**(548,385)**	(295,181)	(89,499)
	1,572,150	1,164,909	2,065,137
NET INCOME	**₱6,288,054**	₱4,681,029	₱5,382,820
Net Income Attributable to:			
Equity holders of Ayala Land, Inc. (Note 28)	**₱5,458,134**	₱4,039,256	₱4,812,348
Noncontrolling interests	**829,920**	641,773	570,472
	₱6,288,054	₱4,681,029	₱5,382,820
Earnings Per Share (Note 28)			
Basic			
Net income attributable to equity holders of Ayala Land, Inc.	**₱0.41**	₱0.31	₱0.36
Diluted			
Net income attributable to equity holders of Ayala Land, Inc.	**₱0.41**	₱0.31	₱0.36

See accompanying Notes to Consolidated Financial Statements.

AYALA LAND, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands)

	Years Ended December 31		
	2010	2009	2008
Net income	**₱6,288,054**	₱4,681,029	₱5,382,820
Other comprehensive income:			
Net gain on available-for-sale financial assets (Note 7)	**27,733**	11,813	15,826
Total comprehensive income	**₱6,315,787**	₱4,692,842	₱5,398,646
Total comprehensive income attributable to:			
Equity holders of Ayala Land, Inc.	**₱5,482,173**	₱4,040,065	₱4,826,207
Noncontrolling interests	**833,614**	652,777	572,439
	₱6,315,787	₱4,692,842	₱5,398,646

See accompanying Notes to Consolidated Financial Statements.

AYALA LAND, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Amounts in Thousands, Except Par Value and Cash Dividends Per Share Figures)

	Years Ended December 31		
	2010	2009	2008
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF AYALA LAND, INC.			
Common Shares - ₱1 par value (Note 20)			
Issued			
Balance at beginning of year	**₱13,005,338**	₱13,003,443	₱13,002,821
Issuance of shares	**6,666**	1,895	622
Balance at end of year	**13,012,004**	13,005,338	13,003,443
Subscribed			
Balance at beginning of year	**75,470**	39,088	31,811
Additions	**27,664**	38,277	7,899
Issuance of shares	**(6,666)**	(1,895)	(622)
Balance at end of year	**96,468**	75,470	39,088
Preferred Shares - ₱0.10 par value (Note 20)			
Balance at beginning and end of year	**1,303,460**	1,303,460	1,303,460
Additional Paid-in Capital			
Balance at beginning of year	**4,326,935**	4,179,971	3,994,945
Additions	**287,249**	146,964	185,026
Balance at end of year	**4,614,184**	4,326,935	4,179,971
Subscriptions Receivable			
Balance at beginning of year	**(262,770)**	(168,057)	(130,390)
Additions	**(159,282)**	(111,309)	(95,839)
Collections	**77,084**	16,596	58,172
Balance at end of year	**(344,968)**	(262,770)	(168,057)
Total Paid-up Capital	**18,681,148**	18,448,433	18,357,905
Retained Earnings (Note 20)			
Appropriated for future expansion	**6,000,000**	6,000,000	6,000,000
Unappropriated:			
Balance at beginning of year	**28,570,354**	25,371,619	21,405,247
Cash dividends			
Common stock - ₱0.09 per share in 2010 and ₱0.06 per share in 2009 and 2008	**(1,211,186)**	(780,040)	(779,862)
Preferred stock - ₱0.005 or 4.64%	**(60,481)**	(60,481)	(66,114)
Net income	**5,458,134**	4,039,256	4,812,348
Balance at end of year	**32,756,821**	28,570,354	25,371,619
	38,756,821	34,570,354	31,371,619

(Forward)

	Years Ended December 31		
	2010	2009	2008
Stock Options Outstanding (Note 29)			
Balance at beginning of year	**₱180,930**	₱106,281	₱95,901
Cost of stock options	**34,923**	79,977	31,357
Stock options exercised	**(13,353)**	(5,328)	(20,977)
Balance at end of year	**202,500**	180,930	106,281
Unrealized Gain on Available-for-sale Financial Assets (Note 7)			
Balance at beginning of year	**16,611**	15,802	1,943
Net changes during the year	**24,039**	809	13,859
Balance at end of year	**40,650**	16,611	15,802
Treasury Stock (Note 20)			
Balance at beginning of year	**(823,967)**	(823,967)	(557)
Acquisition of treasury stock	**–**	–	(823,410)
Balance at end of year	**(823,967)**	(823,967)	(823,967)
NONCONTROLLING INTERESTS			
Balance at beginning of year	**6,802,539**	6,151,050	5,040,590
Net income	**829,920**	641,773	570,472
Increase in noncontrolling interests	**1,392,471**	492,155	657,423
Dividends paid to noncontrolling interests	**(415,648)**	(493,443)	(119,402)
Net gain on available-for-sale financial assets	**3,694**	11,004	1,967
Balance at end of year	**8,612,976**	6,802,539	6,151,050
	₱65,470,128	₱59,194,900	₱55,178,690
Total Income and Expense Recognized for the Year			
Net income attributable to:			
Equity holders of Ayala Land, Inc.	**₱5,458,134**	₱4,039,256	₱4,812,348
Noncontrolling interests	**829,920**	641,773	570,472
	6,288,054	4,681,029	5,382,820
Net gain on available-for-sale financial assets:			
Equity holders of Ayala Land, Inc. (Note 7)	**24,039**	809	13,859
Noncontrolling interests	**3,694**	11,004	1,967
	27,733	11,813	15,826
	₱6,315,787	₱4,692,842	₱5,398,646

See accompanying Notes to Consolidated Financial Statements.

AYALA LAND, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

	Years Ended December 31		
	2010	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱7,860,204**	₱5,845,938	₱7,447,957
Adjustments for:			
Depreciation and amortization (Notes 13, 14 and 23)	**1,807,481**	1,787,398	1,258,169
Interest expense (Note 23)	**1,481,101**	1,421,742	1,184,769
Dividends received from investees (Note 12)	**273,223**	218,619	170,934
Cost of share-based payments (Note 29)	**177,201**	148,582	138,916
Unrealized loss (gain) on financial assets at fair value through profit or loss (Note 23)	**9,338**	654	3,953
Realized loss (gain) on financial assets at fair value through profit or loss (Note 23)	**466**	(25,156)	(1,061)
Gain on sale of property and equipment	**(129)**	–	–
Equity in net earnings of associates and jointly controlled entities (Note 12)	**(905,645)**	(968,004)	(884,727)
Interest income	**(1,065,205)**	(1,116,827)	(1,262,341)
Gain on sale of investments (Note 23)	–	–	(761,815)
Fair value gain on derivative asset (Note 23)	–	–	(6,974)
Provision for impairment losses on (Note 23):			
Land and improvements	–	568,672	–
Available-for-sale financial assets	–	–	10,226
Operating income before changes in working capital	**9,638,035**	7,881,618	7,298,006
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Accounts and notes receivable - trade	**(115,449)**	(1,873,837)	(3,244,384)
Real estate inventories	**35,671**	90,630	(1,169,365)
Other current assets (Note 10)	**(728,936)**	399,772	(1,729,607)
Increase (decrease) in:			
Accounts and other payables	**6,015,408**	(1,367,262)	4,349,526
Other current liabilities (Note 18)	**(118,580)**	1,136,725	705,687
Deferred credits	**248,035**	(101,739)	(254,424)
Pension liabilities (Note 27)	**34,282**	(45,593)	(77,211)
Cash generated from operations	**15,008,466**	6,120,314	5,878,228
Interest received	**1,150,195**	999,236	1,260,971
Income tax paid	**(2,290,409)**	(1,325,632)	(2,232,676)
Interest paid	**(1,461,938)**	(1,384,069)	(1,219,156)
Net cash provided by operating activities	**12,406,314**	4,409,849	3,687,367
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from:			
Sale/redemption of investments and financial assets at fair value through profit or loss	**4,779,775**	1,369,401	1,633,405
Sale of available-for-sale financial assets	**1,251,582**	74,458	11,786
Disposal of property and equipment	**120,146**	147,506	18,332

(Forward)

	Years Ended December 31		
	2010	2009	2008
Additions to:			
Short-term investments and financial assets at fair value through profit or loss	**(₱1,434,337)**	(₱3,552,053)	(₱1,102,315)
Available-for-sale financial assets (Note 7)	**(379,058)**	(1,256,622)	(100,000)
Land and improvements	**(2,282,734)**	(3,193,794)	(131,834)
Investments in associates and jointly controlled entities	**(196,349)**	(132,313)	(861,220)
Investment properties (Note 13)	**(2,909,517)**	(2,643,249)	(862,391)
Property and equipment (Note 14)	**(1,146,018)**	(1,353,667)	(4,218,201)
Acquisition of subsidiary, net of cash acquired (Note 25)	**(1,663,848)**	–	(411,608)
Decrease (increase) in accounts and notes receivable - nontrade	**(586,343)**	935,885	898,011
Decrease (increase) in other noncurrent assets	**(187,958)**	198,050	212,347
Net cash used in investing activities	**(4,634,659)**	(9,406,398)	(4,913,688)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from short and long-term debt (Note 17)	**7,915,294**	3,584,276	6,040,006
Payments of short and long-term debt (Note 17)	**(5,838,147)**	(1,523,642)	(2,710,100)
Increase (decrease) in deposits and other noncurrent liabilities	**(1,025,614)**	1,638,594	993,621
Capital infusion by noncontrolling interests in consolidated subsidiaries	**144,057**	623,828	180,000
Redemption of noncontrolling interests in consolidated subsidiaries	**(104,930)**	(120,100)	(177,808)
Proceeds from capital stock subscriptions	**77,084**	16,596	58,172
Acquisition of treasury shares	**–**	–	(823,410)
Dividends paid to noncontrolling interests	**(415,648)**	(493,443)	(119,402)
Dividends paid to equity holders of Ayala Land, Inc. (Note 20)	**(1,033,670)**	(856,236)	(831,262)
Net cash provided by (used in) financing activities	**(281,574)**	2,869,873	2,609,817
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**7,490,081**	(2,126,676)	1,383,496
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**10,528,726**	12,655,402	11,271,906
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱18,018,807**	₱10,528,726	₱12,655,402

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

1. Corporate Information

Ayala Land, Inc. (the Company) was incorporated in the Republic of the Philippines. The Company's parent is Ayala Corporation (AC). AC is a publicly-listed company, 53.21%-owned by Mermac, Inc., 10.82%-owned by Mitsubishi Corporation and the rest by the public. The Company's registered office and principal place of business is Tower One, Ayala Triangle, Ayala Avenue, Makati City.

The Company and its Subsidiaries (the Group) are incorporated to hold, develop, manage, administer, sell, convey, encumber, purchase, acquire, rent or otherwise deal in and dispose of, for itself or for others, residential including, but not limited to, all kinds of housing projects, commercial, industrial, urban or other kinds of real property; to acquire, purchase, hold, manage, develop and sell subdivision lots, with or without buildings or improvements; to erect, construct, alter, manage, operate, lease, in whole or in part, buildings and tenements of the Company or of other persons; and to engage or act as real estate broker. The Group is also involved in hotel and resort operations.

The consolidated financial statements of Ayala Land, Inc. and Subsidiaries as of December 31, 2010 and 2009 and for each of the three years in the period ended December 31, 2010 were endorsed for approval by the Audit Committee on February 11, 2011 and were approved and authorized for issue by the Board of Directors (BOD) on February 24, 2011.

2. Summary of Significant Accounting Policies

Basis of Preparation

The consolidated financial statements of the Group have been prepared using the historical cost basis, except for financial assets at fair value through profit or loss (FVPL) and available-for-sale (AFS) financial assets that have been measured at fair value. The consolidated financial statements are presented in Philippine Peso (₱) and all values are rounded to the nearest thousand (₱000) except when otherwise indicated. The Group's functional currency is Philippine Peso.

Statement of Compliance

The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

Basis of Consolidation

Basis of consolidation from January 1, 2010

The consolidated financial statements comprise the financial statements of the Group as at December 31, 2010 and 2009 and for each of the three years in the period ended December 31 2010.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Noncontrolling interests represent the portion of profit or loss and net assets in subsidiaries not wholly owned and are presented separately in the consolidated statements of income, consolidated statements of comprehensive income and consolidated statements of changes in equity and within equity in the consolidated statements of financial position, separately from the Company's equity.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary, the carrying amount of any non-controlling interest and the cumulative translation differences, recorded in equity.
- Recognises the fair value of the consideration received, the fair value of any investment retained and any surplus or deficit in profit or loss.
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

Basis of consolidation prior to January 1, 2010
Certain of the above-mentioned requirements were applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- Acquisitions of non-controlling interests, prior to January 1, 2010, were accounted for using the parent entity extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired were recognized in goodwill.
- Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further excess losses were attributed to the parent, unless the non-controlling interest had a binding obligation to cover these. Losses prior to January 1, 2010 were not reallocated between NCI and the parent shareholders.
- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying value of such investments at January 1, 2010 have not been restated.

The consolidated financial statements represent the consolidation of the financial statements of the Company and the following domestic and foreign subsidiaries:

	Percentages of Ownership	
	2010	2009
Real Estate:		
Alveo Land Corporation	**100%**	100%
Serendra, Inc.	**39**	39
Serendra, Inc.	**28**	28
Amorsedia Development Corporation and Subsidiaries	**100**	100
OLC Development Corporation	**100**	100
Ayala Greenfield Development Corporation (AGDC)	**50**	50
Avida Land Corporation and Subsidiaries (Avida)	**100**	100
Amaia Land Co. (Amaia) (formerly First Realty Communities, Inc.)	**100**	100
Ayala Land International Sales, Inc.	**100%**	100%
Ayala Land Sales, Inc.	**100**	100

(Forward)

	Percentages of Ownership	
	2010	2009
Buendia Landholdings, Inc.	**100%**	100%
Crans Montana Holdings, Inc.	**100**	100
Crimson Field Enterprises, Inc.	**100**	100
Ecoholdings Company, Inc.	**100**	100
NorthBeacon Commercial Corporation (NBCC)	**100**	100
Red Creek Properties, Inc.	**100**	100
Regent Time International, Limited (Regent Time) (British Virgin Islands)	**100**	100
Asterion Technopod, Incorporated (ATI)	**100**	100
Crestview E-Office Corporation (CeOC)	**100**	100
Gisborne Property Holdings, Inc. (GPHI)	**100**	100
Hillsford Property Corporation (HPC)	**100**	100
Primavera Towncentre, Inc. (PTI)	**100**	100
Summerhill E-Office Corporation (Summerhill)	**100**	100
Sunnyfield E-Office Corporation (Sunnyfield)	**100**	100
Subic Bay Town Centre, Inc.	**100**	–
Regent Wise Investments Limited (Regent Wise) (Hongkong company)	**100**	–
AyalaLand Commercial REIT, Inc.	**100**	–
ALI Property Partners Holding Corp. (APPHC) (Note 25)	**80**	80
ALI Property Partners Corp. (APPCo) (Note 25)	**60**	60
APPCo (Note 25)	**20**	20
Laguna Technopark, Inc.	**75**	75
Aurora Properties Incorporated	**70**	70
Vesta Property Holdings, Inc.	**70**	70
Station Square East Commercial Corporation (SSECC)	**69**	69
Asian I-Office Properties, Inc. (AiO)	**60**	60
Ceci Realty, Inc.	**60**	60
CMPI Holdings, Inc.	**60**	60
Accendo Commercial Corp. (Accendo)	**57**	57
ALI-CII Development Corporation (ALI-CII)	**50**	50
Roxas Land Corporation (RLC)	**50**	50
Construction:		
Makati Development Corporation (MDC)	**100**	100
Hotels and Resorts:		
Ayala Hotels, Inc. (AHI) and Subsidiaries	**50**	50
Enjay Hotels, Inc.	–	100
Greenhaven Property Venture, Inc. (GPVI)	–	100
Cebu Insular Hotel Company, Inc. (CIHCI)	–	63
AyalaLand Hotels and Resorts Corporation	**100**	–
Enjay Hotels, Inc.	**100**	–
Greenhaven Property Venture, Inc.	**100**	–
Cebu Insular Hotel Company, Inc.	**100**	–
Ten Knots Phils, Inc. (TKPI) (Note 25)	**60**	–
Ten Knots Development, Corp. (TKDC) (Note 25)	**60**	–
Property Management:		
Ayala Property Management Corporation (APMC)	**100**	100
Ayala Theatres Management, Inc. and Subsidiaries	**100**	100
Entertainment:		
Five Star Cinema, Inc.	**100**	100
Leisure and Allied Industries Philippines, Inc. (LAI)	**50**	50

(Forward)

	Percentages of Ownership	
	2010	2009
Others:		
MZM Holdings, Inc. (MZM)	**100%**	100%
ALInet.com, Inc. (ALInet)	**100**	100
First Longfield Investments Limited (First Longfield) (Hongkong company)	**100**	100
Food Court Company, Inc.	**100**	100
Philippine Integrated Energy Solutions, Inc. (Phil. Energy)	**100**	–
Aprisa Business Process Solutions, Inc.	**100**	–
Studio Ventures, Inc.	**100**	100

AC owns the other 50% of AHI and subsidiaries. The Company exercises control over AHI and subsidiaries. Likewise, the Company, through its 50% effective ownership and by virtue of a management contract or shareholders' agreement, exercises control over the operations and management of RLC, AGDC, ALI-CII and LAI. Accordingly, the accounts of AHI, RLC, AGDC, ALI-CII and LAI are consolidated to the accounts of the Company.

The following entities were organized in 2010:

ALI established a wholly-owned subsidiary, AHRC, and infused cash in the latter to acquire Enjay Hotels, Inc., GPVI and CIHCI from AHI. As such, AHRC becomes the holding company for the Group's hotels operations.

Regent Wise Investments Limited (Regent Wise), a wholly-owned subsidiary of ALI, signed an Equity Joint Venture Agreement with Sino-Singapore Tianjin Eco-City Investment and Development Co., Ltd for the development of a 9.78 hectare residential project in China. The project will be located in Tianjin Eco-city ("the Eco-City"), a 3,000 hectare collaboration between the Chinese and Singaporean governments which will showcase future direction of urban planning and sustainable development.

Amaia Land Corp., a subsidiary of Avida is now a wholly owned subsidiary of the Company, established to pursue a planned expansion of residential development operations to cater to the country's economic housing segment.

AyalaLand Commercial REIT, Inc. (ALCRI) was formed in September as a vehicle through which the Company will own and operate select investment properties and which the Company intends to undertake an initial public offering under the recently passed Republic Act 9856 or the Philippines Real Estate Investment Trust (REIT) Law. Said investment properties shall include prime shopping center and office assets currently owned by the Company which are mature, have recurring income streams and have achieved stable occupancy rates.

Philippine Integrated Energy Solutions, Inc., (PhilEnergy) is a wholly owned subsidiary established for the supply and operations of a district cooling system, performance contracting by introducing various energy solutions and bulk purchase of electricity while the Aprisa Business Solutions, Inc. is also a 100% subsidiary of the Company that will initially manage transactional accounting services.

The following entities were organized in 2009:

PTI, a new wholly-owned subsidiary will handle the planning, development and management of small-format retail facilities known as "neighborhood centers" within the Company's existing and planned growth centers across the country.

GPVI, a company established to plan, develop and manage the hotel being constructed in Glorietta 1 as part of the Ayala Center redevelopment project.

The six (6) entities namely ATI, CeOC, GPHI, HPC, Summerhill and Sunnyfield were all established to handle, develop and manage all future BPO buildings located at various growth centers within the Philippines.

Adoption of New and Amended Accounting Standards and Interpretations
The accounting policies adopted in the preparation of the Group's consolidated financial statements are consistent with those of the previous financial year except for the adoption of the following new and amended PFRS and Philippine Interpretations of International Financial Reporting Interpretations Committee (IFRIC) interpretations which became effective January 1, 2010.

PFRS 2, *Share-based Payment (Amendment) - Group Cash-settled Share-based Payment Transactions*
The Amendment clarified the scope and the accounting for group cash-settled share-based payment transactions. The Group adopted this amendment as of January 1, 2010. It did not have an impact on the financial position or performance of the Group.

PFRS 3 (Revised), *Business Combinations, and* PAS 27 (Amended), *Consolidated and Separate Financial Statements*
PFRS 3 (Revised) introduces significant changes in the accounting for business combinations occurring after becoming effective. Changes affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs and future reported results.

PAS 27 (Amended) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes by PFRS 3 (Revised) and PAS 27 (Amended) affect acquisitions or loss of control of subsidiaries and transactions with non-controlling interests after January 1, 2010.

The change in accounting policy was applied prospectively and had no material impact on earnings per share.

PAS 39, *Financial Instruments: Recognition and Measurement (Amendment) - Eligible Hedged Items*
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. This also covers the designation of inflation as a hedged risk or portion in particular situations. The Group has concluded that the amendment will have no impact on the financial position or performance of the Group, as the Group has not entered into any such hedges.

Philippine Interpretation IFRIC 17, *Distributions of Non-cash Assets to Owners*
This Interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. The Interpretation has no effect on either, the financial position nor performance of the Group.

Improvements to PFRSs
Improvements to PFRSs, an omnibus of amendments to standards, deal primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Group.

Improvements to PFRSs 2008
- PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations:* clarifies that when a subsidiary is classified as held for sale, all its assets and liabilities are classified as held for sale, even when the entity remains a non-controlling interest after the sale transaction. The amendment is applied prospectively and has no impact on the financial position nor financial performance of the Group.

Improvements to PFRSs 2009
- PFRS 2, *Share-based Payment*
This Amendment clarifies that the contribution of a business on formation of a joint venture and combinations under common control are not within the scope of PFRS 2 even though they are out of scope of PFRS 3.

- PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*
This amendment clarifies that the disclosures required in respect of non-current assets and disposal groups classified as held for sale or discontinued operations are only those set out in PFRS 5. The disclosure requirements of other PFRSs only apply if specifically required for such non-current assets or discontinued operations.

- PFRS 8, *Operating Segments*
This amendment clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker. As the Group's chief operating decision maker does review segment assets and liabilities, the Group has continued to disclose this information in Note 31.

- PAS 1, *Presentation of Financial Statements*
This Amendment clarifies that the terms of a liability that could result, at anytime, in its settlement by the issuance of equity instruments at the option of the counterparty do not affect its classification.

- PAS 7, *Statement of Cash Flows*
This amendment states that only expenditure that results in recognizing an asset can be classified as a cash flow from investing activities.

- PAS 17, *Leases*
This amendment removes the specific guidance on classifying land as a lease. Prior to the amendment, leases of land were classified as operating leases. The amendment now requires that leases of land are classified as either 'finance' or 'operating' in accordance with the general principles of PAS 17. The amendments will be applied retrospectively.

- PAS 36, *Impairment of Assets*
This amendment clarifies that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in PFRS 8 before aggregation for reporting purposes. The amendment has no impact on the Group.

- PAS 38, *Intangible Assets*
  This Amendment clarifies that if an intangible asset acquired in a business combination is identifiable only with another intangible asset, the acquirer may recognize the group of intangible assets as a single asset provided the individual assets have similar useful lives. It clarifies that the valuation techniques presented for determining the fair value of intangible assets acquired in a business combination that are not traded in active markets are only examples and are not restrictive on the methods that can be used.

- PAS 39, *Financial Instruments: Recognition and Measurement*
  This Amendment clarifies the following: 1) that a prepayment option is considered closely related to the host contract when the exercise price of a prepayment option reimburses the lender up to the approximate present value of lost interest for the remaining term of the host contract; 2) that the scope exemption for contracts between an acquirer and a vendor in a business combination to buy or sell an acquiree at a future date applies only to binding forward contracts, and not derivative contracts where further actions by either party are still to be taken and 3) that gains or losses on cash flow hedges of a forecast transaction that subsequently results in the recognition of a financial instrument or on cash flow hedges of recognized financial instruments should be reclassified in the period that the hedged forecast cash flows affect profit or loss.

- Philippine Interpretation IFRIC 9, *Reassessment of Embedded Derivatives*
  This Interpretation clarifies that it does not apply to possible reassessment, at the date of acquisition, to embedded derivatives in contracts acquired in a combination between entities or businesses under common control or the formation of a joint venture.

- Philippine Interpretation IFRIC 16, *Hedges of a Net Investment in a Foreign Operation*
  This Interpretation states that, in a hedge of a net investment in a foreign operation, qualifying hedging instruments may be held by any entity or entities within the group, including the foreign operation itself, as long as the designation, documentation and effectiveness requirements of PAS 39 that relate to a net investment hedge are satisfied.

Future Changes in Accounting Policies
The Group will adopt the following amended standards and Philippine 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 the consolidated financial statements.

Effective 2011
PAS 24 (Amended), *Related Party Disclosures*
The amended standard is effective for annual periods beginning on or after January 1, 2011. It clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government-related entities. Early adoption is permitted for either the partial exemption for government-related entities or for the entire standard.

PAS 32, *Financial Instruments: Presentation (Amendment) - Classification of Rights Issues*
The amendment to PAS 32 is effective for annual periods beginning on or after February 1, 2010. It amended the definition of a financial liability in order to classify rights issues (and certain options or warrants) as equity instruments in cases where such rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency.

Philippine Interpretation IFRIC 14 (Amendment), *Prepayments of a Minimum Funding Requirement*
The amendment to the Interpretation is effective for annual periods beginning on or after January 1, 2011, with retrospective application. The amendment provides guidance on assessing the recoverable amount of a net pension asset. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset.

Philippine Interpretation IFRIC 19, *Extinguishing Financial Liabilities with Equity Instruments*
This Interpretation is effective for annual periods beginning on or after July 1, 2010. The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. In case that this cannot be reliably measured, the instruments are measured at the fair value of the liability extinguished. Any gain or loss is recognized immediately in profit or loss.

Improvements to PFRSs 2010
Improvements to PFRSs is an omnibus of amendments to PFRSs. The following amendments have not been adopted as they will become effective either for annual periods July 1, 2010 or January 1, 2011:
- PFRS 3, *Business Combinations*
- PFRS 7, *Financial Instruments: Disclosures*
- PAS 1, *Presentation of Financial Statements*
- PAS 27, *Consolidated and Separate Financial Statements*
- PAS 34, *Interim Financial Reporting*
- Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes*

The Group expects no impact from the adoption of the amendments on its financial position or performance.

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

The adoption of this Philippine Interpretation may significantly affect the determination of the revenue from real estate sales and the corresponding costs, and the related trade receivables, deferred tax liabilities and retained earnings accounts. The Group is in the process of quantifying the impact of adoption of this Interpretation.

PAS 12, *Income Taxes (Amendment) - Deferred Tax: Recovery of Underlying Assets*
The amendment to PAS 12 is effective for annual periods beginning on or after January 1, 2012. It provides a practical solution to the problem of assessing whether recovery of an asset will be through use or sale. It introduces a presumption that recovery of the carrying amount of an asset will normally be through sale.

Improvements to PFRSs 2011
PFRS 7, *Financial Instruments: Disclosures (Amendments) - Disclosures - Transfers of Financial Assets*
The amendments to PFRS 7 are effective for annual periods beginning on or after July 1, 2011. The amendments will allow users of financial statements to improve their understanding of transfer transactions of financial assets (for example, securitizations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

Effective 2013
PFRS 9, *Financial Instruments: Classification and Measurement*
PFRS 9, as issued in 2010, reflects the first phase of the work on the replacement of PAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in PAS 39. The standard is effective for annual periods beginning on or after January 1, 2013. In subsequent phases, hedge accounting and derecognition will be addressed. The completion of this project is expected in early 2011. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets. The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

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

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

Initial recognition of financial instruments
All financial assets and financial liabilities are initially recognized at fair value. Except for financial assets and financial liabilities at FVPL, the initial measurement of financial instruments includes transaction costs. The Group classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, AFS financial assets and loans and receivables. The Group classifies its financial liabilities into financial liabilities at FVPL and other financial liabilities. The classification depends on the purpose for which the investments were acquired or liabilities incurred and whether they are quoted in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

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

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

Day 1 profit
Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a 'Day 1' profit) in the consolidated statement of income under "Interest income" and "Interest expense and other financing charges" accounts unless it qualifies for recognition as some other type of asset or liability. In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognized in the consolidated statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the 'Day 1' profit amount.

Financial assets at FVPL
Financial assets at FVPL include financial assets held for trading and financial assets designated upon initial recognition as at FVPL.

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments or a financial guarantee contract. Fair value gains or losses on investments held for trading, net of interest income accrued on these assets, are recognized in the consolidated statement of income under "Other income" or "Other charges".

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial asset at FVPL, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial assets may be designated at initial recognition as at FVPL, if any of the following criteria are met:
- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis; or
- The assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- The financial instrument contains an embedded derivative that would need to be separately recorded.

As of December 31, 2010 and 2009, the Group holds its "Treasury bonds and Treasury bills" for trading purposes and classifies them as financial assets at FVPL. The Group has not designated any financial asset or financial liability as at FVPL.

Derivative Financial Instruments and Hedging
Derivative instruments are initially recognized at fair value on the date in which a derivative transaction is entered into or bifurcated, and are subsequently remeasured at fair value. Changes in fair value of derivative instruments not accounted for as hedges are recognized immediately in the consolidated statement of income. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Derivative financial instruments also include bifurcated embedded derivatives. An embedded derivative is separated from the hybrid or combined contract if all the following conditions are met: (a) the economic characteristics and risks of the embedded derivative are not clearly and closely related to the economic characteristics and risks of the host contract; (b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and (c) the hybrid instrument is not recognized at FVPL.

The Group assesses whether embedded derivatives are required to be separated from the host contracts when the Group first becomes a party to the contract. Reassessment of embedded derivatives is only done when there are changes in the contract that significantly modifies the contractual cash flows.

Where derivatives are designated as effective hedging instruments, provisions of hedge accounting apply. Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to profit or loss for the year.

HTM investments
HTM investments are quoted nonderivative financial assets with fixed or determinable payments and fixed maturities for which management has the positive intention and ability to hold to maturity. Where the Group sells other than an insignificant amount of HTM investments, the entire category would be tainted and reclassified as AFS financial assets. After initial measurement, these investments are measured at amortized cost using the effective interest rate method, less impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are integral parts of the effective interest rate.

The amortization is included in interest income in the consolidated statement of income. Gains and losses are recognized in the consolidated statement of income under "Other income" or "Other charges" when the HTM investments are derecognized and impaired, as well as through the amortization process.

As of December 31, 2010 and 2009, the Group has no HTM investments.

Loans and receivables
Loans and receivables are financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not designated as AFS financial assets or financial assets at FVPL. This accounting policy relates to the consolidated statement of financial position captions "Short-term investments" and "Accounts and notes receivable" except for "Advances to contractors".

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

AFS financial assets
AFS financial assets are those which are designated as such or do not qualify to be classified as designated as at FVPL, HTM, or loans and receivables.

Financial assets may be designated at initial recognition as AFS if they are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. AFS financial assets include equity investments.

After initial measurement, AFS financial assets are measured at fair value. The unrealized gains and losses arising from the fair valuation of AFS financial assets are excluded from reported earnings and are reported as "Unrealized gain (loss) on available-for-sale financial assets" in the equity section of the consolidated statement of financial position.

When the security is disposed of, the cumulative gain or loss previously recognized in equity is recognized in the consolidated statement of income under "Other income" account or "Other charges" account. Where the Group holds more than one investment in the same security, these are deemed to be disposed on a weighted average basis. The losses arising from impairment of such investments are recognized in the consolidated statement of income under the "Other charges" account.

Other financial liabilities
Issued financial instruments or their components, which are not designated at FVPL are classified as other financial liabilities where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. 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 measurement, other financial 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 integral parts of the effective interest rate. Any effects of restatement of foreign currency-denominated liabilities are recognized in the consolidated statement of income.

This accounting policy applies primarily to the Group's short-term and long-term debts, accounts and other payables, and other obligations that meet the above definition (other than liabilities covered by other accounting standards, such as income tax payable and pension).

Deposits and Retentions Payable
Deposits and retentions payable are measured initially at fair value. After initial recognition, deposits and retentions payable are subsequently measured at amortized cost using effective interest rate method.

For deposits, the difference between the cash received and its fair value is deferred (included in the "Deferred credits" account in the consolidated statement of financial position) and amortized using the straight-line method under the "Real estate revenue" account in the consolidated statement of income.

Derecognition of Financial Assets and Liabilities

Financial asset

A financial asset (or, where applicable a part of a financial asset or part of a group of financial assets) is derecognized where:

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 right to receive cash flows from the asset and either: (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained the risk and rewards of the asset but has transferred the control of the asset.

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

Financial liability

A financial liability is derecognized when the obligation under the liability has expired, or 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.

Impairment of Financial Assets

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and receivables
For loans and receivables carried at amortized cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. 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 for impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred). The carrying amount of the asset is reduced through use of an allowance account and the amount of loss is charged to the consolidated statement of income under "Other charges" account.

Interest income continues to be recognized based on the original effective interest rate of the asset. Loans, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in a subsequent year, the amount of the estimated impairment loss decreases because of 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.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics such as customer type, payment history, past-due status and term.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any difference between loss estimates and actual loss experience.

AFS financial assets
For AFS financial assets, the Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired.

In the case of equity investments classified as AFS financial assets, this would include a significant or prolonged decline in the fair value of the investments 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 financial asset previously recognized in the consolidated statement of income - is removed from equity and recognized in the consolidated statement of income in the "Other charges" account. Impairment losses on equity investments are not reversed through the consolidated statement of income. Increases in fair value after impairment are recognized directly in equity through the consolidated statement of comprehensive income.

In the case of debt instruments classified as AFS financial assets, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Future interest income is based on the reduced carrying amount and is accrued using the rate of interest used to discount future cash flows for the purpose of measuring impairment loss and is recorded as part of "Interest income account" in the consolidated statement of income. If, in subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the consolidated statement of income, the impairment loss is reversed through the consolidated statement of income.

Offsetting Financial Instruments
Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position, if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Real Estate Inventories
Property acquired or being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, is held as inventory and is measured at the lower of cost and net realization value.

Cost includes:
- Land cost
- Amounts paid to contractors for construction
- Borrowing costs, planning and design costs, costs of site preparation, professional fees, property transfer taxes, construction overheads and other related costs

Net realizable value is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date, less costs to completion and the estimated costs of sale.

The cost of inventory recognized in profit or loss on disposal is determined with reference to the specific costs incurred on the property sold and an allocation of any non-specific costs based on the relative size of the property sold.

Prepaid Expenses
Prepaid expenses are carried at cost less the amortized portion. These typically comprise prepayments for commissions, marketing fees, advertising and promotions, taxes and licenses, rentals and insurance.

Materials, Parts and Supplies
Materials, parts and supplies are valued at the lower of cost or NRV. Cost is determined using the moving average method. 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.

An allowance for inventory losses is provided for slow-moving, obsolete and defective materials, parts and supplies based on management's physical inspection and evaluation. When inventories are sold, the cost and related allowance is removed from the account and the difference is charged against operations.

Noncurrent Assets Held for Sale
The Group classifies assets as held for sale (disposal group) when their carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets and its sale must be highly probable. For the sale to be highly probable, the appropriate level of management must be committed to a plan to sell the asset and an active program to locate a buyer and complete the plan must have been initiated. Further, the asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value. In addition, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification.

The related results of operations and cash flows of the disposal group that qualified as discontinued operation are separated from the results of those that would be recovered principally through continuing use, and prior years' consolidated statement of income and cash flows are re-presented. Results of operations and cash flows of the disposal group that qualified as discontinued operation are presented in the consolidated statement of income and consolidated statement of cash flows as items associated with noncurrent assets held for sale.

Land and Improvements
Land and improvements consist of properties for future development and are carried at the lower of cost or NRV. NRV is the estimated selling price in the ordinary course of business, less estimated cost of completion and estimated costs necessary to make the sale. Cost includes those costs incurred for development and improvement of the properties.

Investments in Associates and Jointly Controlled Entities
Investments in associates and jointly controlled entities (investee companies) are 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. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venturer has an interest.

An investment is accounted for using the equity method from the day it becomes an associate. On acquisition of investment, the excess of the cost of investment over the investor's share in the net fair value of the investee's identifiable assets, liabilities and contingent liabilities is accounted for as goodwill and included in the carrying amount of the investment and not amortized. Any excess of the investor's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment, and is instead included as income in the determination of the share in the earnings of the investees.

Under the equity method, the investments in the investee companies are carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share in the net assets of the investee companies, less any impairment in values. The consolidated statement of income reflects the share of the results of the operations of the investee companies. The Group's share of post-acquisition movements in the investee's equity reserves is recognized directly in equity. Profits and losses resulting from transactions between the Group and the investee companies are eliminated to the extent of the interest in the investee companies and for unrealized losses to the extent that there is no evidence of impairment of the asset transferred. Dividends received are treated as a reduction of the carrying value of the investment.

The Group discontinues applying the equity method when their investments in investee companies are reduced to zero. Accordingly, additional losses are not recognized unless the Group has guaranteed certain obligations of the investee companies. When the investee companies subsequently report net income, the Group will resume applying the equity method but only after its share of that net income equals the share of net losses not recognized during the period the equity method was suspended.

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

Upon loss of significant influence over the associate, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss.

Interest in a Joint Venture

MDC has an interest in a joint venture, whereby the venturers have a contractual arrangement that establishes joint control. MDC recognizes its interest in the joint venture using proportionate consolidation. MDC combines its share of each of the assets, liabilities, income and expenses of the joint venture with similar items, line by line, in its financial statements. The financial statements of the joint venture are prepared for the same reporting period as the Group. Adjustments are made where necessary to bring the accounting policies into line with those of MDC.

Adjustments are made in MDC's financial statements to eliminate MDC's share of unrealized gains and losses on transactions between MDC and the joint venture. Losses on transactions are recognized immediately if the loss provides evidence of a reduction in the NRV of current assets or an impairment loss. The joint venture is proportionately consolidated until the date on which the Group ceases to have joint control over the joint venture.

Investment Properties

Investment properties comprise completed property and property under construction or re-development that are held to earn rentals or capital appreciation or both and that are not occupied by the companies in the Group. Investment properties, except for land, are carried at cost less accumulated depreciation and amortization and any impairment in residual value. Land is carried at cost less any impairment in value.

Expenditures incurred after the investment property has been put in operation, such as repairs and maintenance costs, are normally charged against income in the period in which the costs are incurred.

Construction in progress are carried at cost and transferred to the related investment property account when the construction and related activities to prepare the property for its intended use are complete, and the property is ready for occupation.

Depreciation and amortization of investment properties are computed using the straight-line method over the estimated useful lives of the assets. The estimated useful lives and the depreciation method are reviewed periodically to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefits from items of investment properties.

The estimated useful lives of investment properties follow:

	Years
Land improvements	8-40
Buildings	20-40

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

A transfer is 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. A transfer is made from investment property when and only when there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale. A transfer between investment property, owner-occupied property and inventory does not change the carrying amount of the property transferred nor does it change the cost of that property for measurement or disclosure purposes.

Property and Equipment

Property and equipment, except for land, are carried at cost less accumulated depreciation and amortization and any impairment in value. Land is carried at cost less any impairment in value. The initial cost of property and equipment comprises its construction cost or purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use, including borrowing costs.

Major repairs are capitalized as part of property and equipment only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the items can be measured reliably. All other repairs and maintenance are charged against current operations as incurred.

Depreciation and amortization of property and equipment commences once the property and equipment are available for use and are computed on a straight-line basis over the estimated useful lives of the property and equipment as follows:

	Years
Buildings and improvements	20-40
Machinery and construction equipment	5
Furniture, fixtures and equipment	3-10
Transportation equipment	3-5
Hotel and resorts property and equipment	20-50

The assets' residual values, estimated useful lives and depreciation and amortization method are reviewed periodically to ensure that the amounts, periods and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

When property and equipment are retired or otherwise disposed of, the cost and 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.

Intangible Assets
Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the income statement in the year in which the expenditure is incurred.

Intangible assets are amortized over the useful economic life of 20 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the income statement in the expense category consistent with the function of the intangible assets.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the income statement when the asset is derecognized.

As of December 31, 2010, intangible asset pertaining to leasehold right is included under "Other noncurrent assets".

Business Combinations and Goodwill
Business combinations from January 1, 2010
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognized in accordance with PAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

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 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.

Business combinations prior to January 1, 2010
In comparison to the above-mentioned requirements, the following differences applied:

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Any additional acquired share of interest did not affect previously recognized goodwill.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

Contingent consideration was recognized if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognized as part of goodwill.

Impairment of Nonfinancial Assets
The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognized in the consolidated statement of income in those expense categories consistent with the function of the impaired asset.

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 any such indication exists, the recoverable amount is estimated. 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. If such is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of income unless the asset is carried at revalued amount, in which case, the reversal is treated as a revaluation increase. After such reversal, the depreciation and amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

The following criteria are also applied in assessing impairment of specific assets:

Investments in associates and jointly controlled entities
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 investee companies. The Group determines at each reporting date whether there is any objective evidence that the investment in associates or jointly controlled entities is impaired. If this is the case, the Group calculates the amount of impairment as being the difference between the fair value and the carrying value of the investee company and recognizes the difference in the consolidated statement of income.

Provisions
Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the Group expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Pension Cost
Pension cost is actuarially determined using the projected unit credit method. This method reflects services rendered by employees up to the date of valuation and incorporates assumptions concerning employees' projected salaries. Actuarial valuations are conducted with sufficient regularity, with option to accelerate when significant changes to underlying assumptions occur. Pension 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 statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the reporting date less fair value of the plan assets. 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 using risk-free interest rates of long-term government bonds that have terms to maturity approximating the terms of the related pension liabilities or applying a single weighted average discount rate that reflects the estimated timing and amount of benefit payments.

Actuarial gains and losses is 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 lives of the employees participating in the plans.

Share-based Payments
The Group has equity-settled, share-based compensation plans with its employees.

PFRS 2 Options
For options granted after November 7, 2002 that have not vested on or before January 1, 2005, the cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. The fair value is determined by using the Black-Scholes model, further details of which are given in Note 29.

The cost of equity-settled transactions is recognized, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (vesting date). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instrument that will ultimately vest. The income or expense for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum, an expense is recognized as if the terms had not been modified. In addition, an expense is recognized for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Pre-PFRS 2 Options
For options granted before November 7, 2002 that have vested before January 1, 2005, the intrinsic value of stock options determined as of grant date is recognized as expense over the vesting period.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (see Note 28).

Employee Share Purchase Plans
The Company has an employee share purchase plan (ESOWN) which allows the grantees to purchase the Company's shares at a discounted price. The Company recognizes the difference between the market price at the time of subscription and the subscription price as stock compensation expense over the holding period. Where the subscription receivable is collectible over more than one year, the subscription price is adjusted for the time value and treated as additional stock compensation expense. For the unsubscribed shares where the employees still have the option to subscribe in the future, these are accounted for as options.

Treasury Stock
Own equity instruments which are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in the income statement on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in additional paid-in capital. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them respectively. When the shares are retired, the capital stock account is reduced by its par value and the excess of cost over par value upon retirement is debited to additional paid-in capital when the shares were issued and to retained earnings for the remaining balance.

Revenue and Cost Recognition
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

For real estate sales, the Company assesses whether it is probable that the economic benefits will flow to the Company when the sales prices are collectible. Collectibility of the sales price is demonstrated by the buyer's commitment to pay, which in turn is supported by substantial initial and continuing investments that give the buyer a stake in the property sufficient that the risk of loss through default motivates the buyer to honor its obligation to the seller. Collectibility is also assessed by considering factors such as the credit standing of the buyer, age and location of the property.

Revenue from sales of completed real estate projects is accounted for using the full accrual method. In accordance with Philippine Interpretations Committee (PIC) Q&A No. 2006-01, the percentage-of-completion method is used to recognize income from sales of projects where the Group has material obligations under the sales contract to complete the project after the property is sold, the equitable interest has been transferred to the buyer, construction is beyond preliminary stage (i.e., engineering, design work, construction contracts execution, site clearance and preparation, excavation and the building foundation are finished), and the costs incurred or to be incurred can be measured reliably. 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 "Other current liabilities" account in the liabilities section of the consolidated statement of financial position.

If any of the criteria under the full accrual or percentage-of-completion method is not met, the deposit method is applied until all the conditions for recording a sale are met. Pending recognition of sale, cash received from buyers are presented under the "Other current liabilities" account in the liabilities section of the consolidated statement of financial position.

Cost of real estate sales is recognized consistent with the revenue recognition method applied. Cost of subdivision land and condominium units sold before the completion of the development is determined on the basis of the acquisition cost of the land plus its full development costs, which include estimated costs for future development works, as determined by the Company's in-house technical staff.

Revenue from construction contracts included in the "Real estate" account in the consolidated statement of income is recognized using the percentage-of-completion method, measured principally on the basis of the estimated physical completion of the contract work.

Contract costs include all direct materials and labor costs and those indirect costs related to contract performance. Expected losses on contracts are recognized immediately when it is probable that the total contract costs will exceed total contract revenue. Changes in contract performance, contract conditions and estimated profitability, including those arising from contract penalty provisions, and final contract settlements which may result in revisions to estimated costs and gross margins are recognized in the year in which the changes are determined.

Rental income under noncancellable and cancellable leases on investment properties is recognized in the consolidated statement of income on a straight-line basis over the lease term and the terms of the lease, respectively, or based on a certain percentage of the gross revenue of the tenants, as provided under the terms of the lease contract.

Marketing fees, management fees from administration and property management are recognized when services are rendered.

Rooms revenue from hotel and resort operations are recognized when the services are rendered.

Revenue from banquets and other special events are recognized when the events take place.

Interest income is recognized as it accrues using the effective interest method.

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

Commission Expense

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. Accordingly, when the percentage of completion method is used, commissions are likewise charged to expense in the period the related revenue is recognized. Commission expense is included in the "Real estate costs and expenses" account in the consolidated statement of income.

Expenses

Direct operating expenses and general and administrative expenses are recognized as they are incurred.

Borrowing Costs

Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets (included in "Real estate inventories", "Investment properties" and "Property and equipment" accounts in the consolidated statement of financial position). All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

The interest capitalized is calculated using the Group's weighted average cost of borrowings after adjusting for borrowings associated with specific developments. Where borrowings are associated with specific developments, the amounts capitalized is the gross interest incurred on those borrowings less any investment income arising on their temporary investment. Interest is capitalized as from the commencement of the development work until the date of practical completion. The capitalization of finance costs is suspended if there are prolonged periods when development activity is interrupted. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded.

Leases

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

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

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

Group as Lessee

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Fixed lease payments are recognized as an expense in the consolidated statement of income on a straight-line basis while the variable rent is recognized as an expense based on terms of the lease contract.

Group as Lessor

Leases where the Group does not transfer substantially all the risk and benefits of ownership of the assets are classified as operating leases. Lease payments received are recognized as an income in the consolidated statement of income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Current Tax

Current tax assets and liabilities for the current and prior periods and measured at the amount expected to be recovered from or paid to the tax authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as at the end of the reporting period.

Deferred Tax

Deferred tax is provided, using the liability method, on all temporary differences, with certain exceptions, at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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

Deferred tax liabilities are not provided on nontaxable temporary differences associated with investments in domestic associates and interests in joint ventures.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rate that is expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. Movements in the deferred income tax assets and liabilities arising from changes in tax rates are charged against or credited to income for the period.

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

Foreign Currency Transactions

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded using the exchange rate at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are restated using the closing exchange rate prevailing at the reporting date. Exchange gains or losses arising from foreign exchange transactions are credited to or charged against operations for the year.

Investments in foreign associates are translated to Philippine Peso using the closing exchange rate prevailing at reporting date. The Group's share in the results of operations of the foreign investee is translated using the exchange rate at the dates of the transactions or, where practicable, the rate that approximates the exchange rates at the dates of the transactions, such as the average rate for the period. Any resulting exchange difference is recognized as a separate component of equity.

Earnings Per Share (EPS)

Basic EPS is computed by dividing net income for the year attributable to common equity holders of the parent by the weighted average number of common shares issued and outstanding during the year adjusted for any subsequent stock dividends declared. Diluted EPS is computed by dividing net income for the year attributable to common equity holders of the Company by the weighted average number of common shares issued and outstanding during the year plus the weighted average number of common shares that would be issued on conversion of all the dilutive potential common shares into common shares. The calculation of diluted earnings per share does not assume conversion, exercise, or other issue of potential common shares that would have an antidilutive effect on earnings per share.

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 31.

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 disclosed when an inflow of economic benefits is probable.

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

3. Significant Accounting Judgments and Estimates

The preparation of the accompanying consolidated financial statements in conformity with PFRS requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The estimates and assumptions used in the accompanying consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements. Actual results could differ from such estimates.

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:

Operating lease commitments - Group as lessor
The Group has entered into commercial property leases on its investment property portfolio. The Group has determined that it retains all significant risks and rewards of ownership of the property as the Group considered, among others, the length of the lease term as compared with the estimated life of the assets.

A number of the Group's operating lease contracts are accounted for as noncancellable operating leases and the rest are cancellable. In determining whether a lease contract is cancellable or not, the Group considers among others, the significance of the penalty, including the economic consequence to the lessee.

Operating lease commitments - Group as lessee
The Group has entered into lease contracts with various parties to develop commercial or retail properties. The Group has determined that all significant risks and rewards of ownership of these properties are retained by the lessor.

Classification of property
The Group determines whether a property is classified as investment property or inventory property as follows:

- Investment property comprises land and buildings (principally offices, commercial and retail property) which are not occupied substantially for use by, or in the operations of, the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation.
- Inventory comprises property that is held for sale in the ordinary course of business. Principally, this is residential and industrial property that the Group develops and intends to sell before or on completion of construction.

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

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

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

Collectibility of the sales price
In determining whether the sales prices are collectible, the Company considers that initial and continuing investments by the buyer of about 10% would demonstrate the buyer's commitment to pay.

Impairment of AFS equity investments
The Group treats AFS equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is 'significant' or 'prolonged' requires judgment. The Group treats 'significant' generally as 20% or more and 'prolonged' as greater than 6 months for quoted equity securities. In addition, the Group evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities (see Note 7).

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 is based upon an analysis of potential results. The Group currently does not believe that these proceedings will have a material effect on the Group's financial position (see Note 35).

<u>Management's Use of Estimates</u>
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Revenue and cost recognition
The Group's revenue recognition policies require management to make use of estimates and assumptions that may affect the reported amounts of revenues and costs. The Group's revenue from real estate and construction contracts recognized based on the percentage of completion are measured principally on the basis of the estimated completion of a physical proportion of the contract work. See Note 23 for the related balances.

Estimating allowance for impairment losses
The Group maintains allowance for impairment losses based on the result of the individual and collective assessment under PAS 39. Under the individual assessment, the Group is required to obtain the present value of estimated cash flows using the receivable's original effective interest rate. Impairment loss is determined as the difference between the receivables' carrying balance and the computed 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. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. 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. See Note 8 for the related balances.

Evaluation of net realizable value of real estate inventories
The Group adjusts the cost of its real estate inventories to net realizable value based on its assessment of the recoverability of the inventories. NRV for completed real estate inventories is assessed with reference to market conditions and prices existing at the reporting date and is determined by the Group in the light of recent market transactions. NRV in respect of real estate inventories under construction is assessed with reference to market prices at the reporting date for similar completed property, less estimated costs to complete construction and less estimated costs to sell. The amount and timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized. See Note 9 for the related balances.

Evaluation of asset impairment
The Group reviews investments in associates and jointly controlled entities, land and improvements, investment properties, property and equipment and other noncurrent assets for impairment of value. This includes considering certain indications of impairment such as significant changes in asset usage, significant decline in assets' market value, obsolescence or physical damage of an asset, plans in the real estate projects, significant underperformance relative to expected historical or projected future operating results and significant negative industry or economic trends.

As described in the accounting policy, the Group estimates the recoverable amount as the higher of the net selling price and value in use. In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Group is required to make estimates and assumptions that may affect investments in associates and jointly controlled entities, investment properties, property and equipment, and other noncurrent assets. See Notes 11, 12, 13, 14 and 15 for the related balances.

Estimating useful lives of property and equipment and investment properties
The Group estimates the useful lives of its property and equipment and investment properties based on the period over which these assets are expected to be available for use. The estimated useful lives of property and equipment and investment properties 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 materially be affected by changes in estimates brought about by changes in factors mentioned above. See Notes 13 and 14 for the related balances.

Deferred tax assets
The Group reviews the carrying amounts of deferred taxes at each reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. However, there is no assurance that the Group will generate sufficient taxable profit to allow all or part of deferred tax assets to be utilized. The Group looks at its projected performance in assessing the sufficiency of future taxable income. See Note 24 for the related balances.

Share-based payments
The expected life of the options is based on the expected exercise behavior of the stock option holders and is not necessarily indicative of the exercise patterns that may occur. The volatility is based on the average historical price volatility which may be different from the expected volatility of the shares of stock of the Group. See Note 29 for the related balances.

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 27 and include among others, discount rate, expected return on plan assets and salary increase rate. 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. See Note 27 for the related balances.

Fair value of financial instruments
Where the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, they are determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimates are used in establishing fair values. These estimates may include considerations of liquidity, volatility, and correlation. Certain financial assets and liabilities were initially recorded at its fair value by using the discounted cash flow methodology. See Notes 4, 5, 7, 9, 19, and 30 for the related balances.

4. Cash and Cash Equivalents

This account consists of:

	2010	2009
	(In Thousands)	
Cash on hand and in banks	**₱3,667,807**	₱1,482,094
Cash equivalents	**14,351,000**	9,046,632
	₱18,018,807	₱10,528,726

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

The range of interest rates of the cash equivalents follow:

	2010	2009
Philippine Peso	**1.0% to 4.5%**	1.5% to 4.8%
US Dollar	**0.3% to 2.1%**	0.3% to 2.1%

5. Short-term Investments

Short-term investments consists of money market placements made for varying periods of more than three (3) months and up to nine (9) months and earn interest at the respective short-term investment rates.

The range of interest rates of the short-term investments follows:

	2010	2009
Philippine Peso	**3.7% to 4.5%**	4.0% to 4.8%
US Dollar	**1.9% to 2.3%**	1.9% to 4.8%

6. Financial Assets at FVPL

These are held-for-trading treasury bonds and treasury bills which have yield to maturity of 1.3% in 2010 and 4.2% to 4.8% in 2009. The Group recognized unrealized loss on these financial assets at FVPL amounting to ₱9.3 million, ₱0.7 million and ₱4.0 million in 2010, 2009 and 2008, respectively. The Group recognized realized loss amounting to ₱0.5 million in 2010 and gain of ₱25.2 million and ₱1.1 million in 2009 and 2008, respectively (see Note 23).

7. Available-for-sale financial assets

This account consists of investments in:

	2010	2009
	(In Thousands)	
Shares of stock:		
Unquoted	**₱605,293**	₱497,503
Quoted	**168,612**	169,382
Treasury bonds	**219,540**	273,459
Treasury bills	**–**	925,625
	993,445	1,865,969
Net unrealized gain	**55,348**	27,615
	1,048,793	1,893,584
Less current portion	**357,129**	1,168,014
	₱691,664	₱725,570

Investments in unquoted shares of stock include shares of Anvaya Golf Club, Anvaya Beach Club and Cebu City Sports Club. It also includes unlisted shares in public utility companies which the Group will continue to carry as part of the infrastructure that it provides for its real estate projects. These are carried at cost less impairment, if any.

In 2008, the Company purchased preferred shares from AC amounting to ₱100.0 million at a purchase price of ₱500 per share (included under quoted shares of stocks).

Movements in the net unrealized gain on AFS financial assets follow:

	2010	2009
	(In Thousands)	
Balance at beginning of year	**₱27,615**	₱15,802
Fair value loss transferred to income	**439**	–
Fair value changes during the year	**27,294**	11,813
Balance at end of year	**₱55,348**	₱27,615

8. **Accounts and Notes Receivable** - net

This account consists of:

	2010	2009
	(In Thousands)	
Trade:		
Residential development	**₱10,621,686**	₱9,453,049
Construction contracts	**1,035,226**	1,020,241
Shopping centers	**1,022,431**	1,023,439
Corporate business	**558,019**	423,701
Management fees	**65,573**	104,790
Others	**595,936**	307,105
Advances to contractors and suppliers	**2,741,525**	2,582,863
Advances to other companies	**1,749,701**	1,682,492
Receivable from related parties (Note 26)	**1,451,449**	823,047
Accrued receivable	**1,037,983**	899,367
Receivables from employees	**464,104**	328,935
Investment in bonds classified as loans and receivables	**200,000**	200,000
	21,543,633	18,849,029
Less allowance for impairment losses	**257,433**	217,584
	21,286,200	18,631,445
Less noncurrent portion	**3,344,302**	1,976,678
	₱17,941,898	₱16,654,767

The classes of trade receivables of the Group are as follows:

- Residential development - pertain to receivables from the sale of high-end, upper middle-income, affordable residential lots and units, economic housing development, and leisure community developments
- Construction contracts - pertain to receivables from third party construction projects
- Shopping centers - pertain to lease receivables of retail space
- Corporate business - pertain to lease receivables of office and factory buildings and receivables from the sale of office buildings and industrial lots
- Management fees - pertain to fees receivable from facility management

The sales contracts receivable, included under residential development, are collectible in monthly installments over a period of one (1) to ten (10) years and bear annual interest rates ranging from 2.5% to 18.0% computed on the diminishing balance of the principal. Titles to real estate properties are not transferred to the buyers until full payment has been made.

Receivables from construction contracts, shopping centers and management fees are due within 30 days upon billing.

Corporate business receivables are collectible on a monthly or quarterly basis depending on the terms of the lease contracts.

Advances to contractors and suppliers are recouped upon every progress billing payment depending on the percentage of accomplishment.

Receivables from related parties, advances to other companies and accrued receivables are due and demandable. Receivables from employees pertain to housing, car, salary and other loans granted to the Group's employees which are collectible through salary deduction, are interest bearing and has various maturity dates.

Investment in bonds classified as loans and receivables pertain to the Company's investment in Land Bank of the Philippines (LBP) 7.25% unsecured subordinated notes due 2019, callable with step-up interest in 2014. Fitch Ratings assigned a National Long-term rating of AA (phl) to LBP.

Receivables amounting to ₱257.4 million and ₱217.6 million as of December 31, 2010 and 2009, respectively, were impaired and fully provided for. Movements in the allowance for impairment losses follow:

2010

	Trade					Advances to	
	Shopping Centers	Residential Development	Construction Contracts	Management Fees	Others	Other Companies	Total
				(In Thousands)			
Balance at beginning of year	₱176,946	₱13,008	₱5,927	₱4,383	₱2,546	₱14,774	₱217,584
Provisions during the period (Note 23)	6,000	4,114	–	–	47,092	–	57,206
Acquisition through business combination (Note 25)	–	–	–	–	14,264	–	14,264
Reversal (Note 23)	(2,012)	–	–	–	–	–	(2,012)
Accounts written off	(27,209)	–	–	–	–	(2,400)	(29,609)
Balance at end of year	₱153,725	₱17,122	₱5,927	₱4,383	₱63,902	₱12,374	₱222,769
Individually impaired	₱142,511	₱9,555	₱5,927	₱4,383	₱59,339	₱1,054	₱232,593
Collectively impaired	11,214	7,567	–	–	4,563	11,320	34,664
Total	₱153,725	₱17,122	₱5,927	₱4,383	₱63,902	₱12,374	₱257,433
Gross amounts of loans individually determined to be impaired	₱247,513	₱9,555	₱5,927	₱4,383	₱63,902	₱12,618	₱343,898

2009

	Trade					Advances to	
	Shopping Centers	Residential Development	Construction Contracts	Management Fees	Trade-Others	Other Companies	Total
				(In Thousands)			
Balance at beginning of year	₱96,588	₱13,008	₱13,054	₱3,814	₱10,265	₱65,921	₱202,650
Provisions during the period (Note 23)	80,358	–	3,565	569	–	2,400	86,892
Reversal (Note 23)	–	–	(4,814)	–	(7,719)	(53,547)	(66,080)
Accounts written off	–	–	(5,878)	–	–	–	(5,878)
Balance at end of year	₱176,946	₱13,008	₱5,927	₱4,383	₱2,546	₱14,774	₱217,584
Individually impaired	₱156,207	₱9,555	₱5,927	₱4,383	₱2,546	₱3,454	₱182,072
Collectively impaired	20,739	3,453	–	–	–	11,320	35,512
Total	₱176,946	₱13,008	₱5,927	₱4,383	₱2,546	₱14,774	₱217,584
Gross amounts of loans individually determined to be impaired	₱230,910	₱9,555	₱5,927	₱4,383	₱60,035	₱6,054	₱316,864

As of December 31, 2010 and 2009, Residential development, Advances to other companies and receivables from employees with a nominal amount of ₱12,758.4 million and ₱11,139.0 million, respectively, were recorded initially at fair value. The fair value of the receivables was obtained by discounting future cash flows using the applicable rates of similar types of instruments. The unamortized discount amounted to ₱1,250.0 million and ₱667.4 million as of December 31, 2010 and 2009, respectively. Additions during the year amounted to ₱1,180.4 million while amortization amounted to ₱597.6 million.

In April 2009 and November 2008, the Group entered into agreements with certain financial institutions for the sale of its real estate receivables without recourse amounting to ₱1,193.9 million and ₱1,537.0 million, respectively, at average discount rates ranging from 8.3% to 9.8% and 6.4%, respectively. The discount on these receivables amounting to ₱40.6 million and ₱103.8 million in 2009 and 2008, respectively, has been included under "Other charges" in the consolidated statements of income (see Note 23).

9. Real Estate Inventories

This account consists of:

	2010	2009
	(In Thousands)	
Subdivision land for sale		
At cost	**₱7,347,105**	₱3,900,449
At NRV	**936,183**	936,183
Condominium, residential and commercial units		
for sale - at cost	**5,331,408**	3,521,952
	₱13,614,696	₱8,358,584

Inventories recognized as cost of sales amounted to ₱11.8 billion and ₱8.6 billion in 2010 and 2009, respectively, and are included under "Real estate costs and expenses" in the consolidated statements of income. The Group recorded no provision for impairment in 2010 while ₱78.1 million was provided in 2009 for the development cost of real estate inventories which may no longer be recovered (see Note 23).

10. Other Current Assets

This account consists of:

	2010	2009
	(In Thousands)	
Prepaid expenses	**₱1,826,570**	₱1,581,509
Value-added input tax	**1,561,830**	1,291,576
Creditable withholding tax	**939,035**	754,992
Deposits in escrow	**317,597**	–
Materials, parts and supplies		
At cost	**92,822**	107,610
At NRV (Note 23)	–	183,466
Others	**122,300**	186,664
	₱4,860,154	₱4,105,817

Prepaid expenses mainly include prepayments for commissions, marketing fees, advertising and promotions, taxes and licenses, rentals and insurance.

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

Deposits in escrow pertain to the proceeds from the sale of Serendra's project. Under its temporary license to sell, all payments, inclusive of down payments, reservation, and monthly amortization, among others, made by the buyer within the selling period shall be deposited in an escrow account.

11. Land and Improvements

The rollforward analysis of this account follows:

	2010	2009
	(In Thousands)	
Cost		
Balance at beginning of year	**₱18,548,800**	₱16,159,960
Additions	**2,282,734**	3,396,777
Addition through business combination (Note 25)	**1,361,645**	–
Transfers*	**(5,148,874)**	(804,954)
Write-offs (Note 23)	**–**	(202,983)
Balance at end of year	**17,044,305**	18,548,800
Allowance for Impairment		
Balance at beginning of year	**780,752**	217,580
Additions (Note 23)	**–**	568,672
Transfers*	**(270,627)**	(5,500)
Balance at end of year	**510,125**	780,752
	₱16,534,180	₱17,768,048

* *Transfers pertain to land to be developed for sale and included under "Real estate inventories" accounts.*

In 2009, the Group recorded provision for impairment amounting to ₱568.7 million included under "Other charges" in the consolidated statement of income (see Note 23).

On August 27, 2009, the Company and the National Housing Authority (NHA) signed a Joint Venture Agreement to develop a 29.1-hectare North Triangle Property in Quezon City as a priming project of the government and the private sector. The joint venture represents the conclusion of a public bidding process conducted by the NHA which began last October 3, 2008.

Company's proposal, which has been approved and declared by the NHA as compliant with the Terms of Reference of the public bidding and the National Economic Development Authority (NEDA) Joint Venture Guidelines, features the development of a new Central Business District (CBD) in Quezon City. The CBD will be developed as the Philippines' first transit-oriented mixed-use central business district that will be a new nexus of commercial activity. The proposal also aims to benefit the NHA in achieving its mandate of providing housing for informal settlers and transforming a non-performing asset in a model for urban renewal. The development will also generate jobs and revenue both for the local and national governments.

Company's vision for the property is consistent with the mandate of the Urban Triangle Development (TriDev) Commission to rationalize and speed up the development of the East and North Triangles of Quezon City into well-planned, integrated and environmentally balanced, mixed-use communities. The joint venture also conforms with the NHA's vision of a private sector-led and managed model for the development of the property, similar to the development experience in Fort Bonifacio.

The total project cost is estimated at ₱22.0 billion, inclusive of future development costs and the current value of the property, which the Company and the NHA will contribute as their respective equity share in the joint venture. The Company expects to start the development within two years.

12. **Investments in Associates and Jointly Controlled Entities**

This account consists of:

	2010	2009
	(In Thousands)	
Acquisition cost	**₱6,343,120**	₱6,927,574
Accumulated equity in net earnings:		
Balance at beginning of year	**3,870,504**	3,121,119
Equity in net earnings during the year	**905,645**	968,004
Dividends received during the year	**(273,223)**	(218,619)
Balance at end of year	**4,502,926**	3,870,504
	₱10,846,046	₱10,798,078

The Group's equity in the net assets of associates and jointly controlled entities and the related percentages of ownership are shown below.

	Percentages of Ownership		Carrying Amounts	
	2010	2009	**2010**	2009
			(In Thousands)	
Jointly controlled entities:				
Emerging City Holdings, Inc. (ECHI)	**50%**	50%	**₱3,491,810**	₱3,370,937
Berkshires Holdings, Inc. (BHI)	**50**	50	**1,496,466**	1,444,664
Alabang Commercial Corporation (ACC)	**50**	50	**616,809**	608,572
			5,605,085	5,424,173
Associates:				
Cebu Holdings, Inc. (CHI) and subsidiaries	**47**	47	**2,105,149**	1,971,898
North Triangle Depot Commercial Corporation (NTDCC)	**49**	49	**1,435,913**	1,417,470
Bonifacio Land Corp. (BLC)	**10**	10	**1,133,133**	1,465,166
ARCH Asian Partners L.P.	**8**	8	**485,620**	437,423
Lagoon Development Corporation (LDC)	**30**	30	**65,964**	66,893
KHI-ALI Manila, Inc. (KAMI)	**60**	60	**11,144**	11,144
ARCH Capital Management Co. Ltd. (ARCH Capital)	**17**	17	**2,235**	2,108
KHI Manila Property, Inc.	**20**	20	**1,803**	1,803
			5,240,961	5,373,905
			₱10,846,046	₱10,798,078

As of December 31, 2010 and 2009, the Group had total commitments relating to the Group's interests in the joint ventures amounting to ₱738.3 million and ₱441.0 million, respectively.

The fair value of the investment in CHI amounted to ₱2,268.4 million and ₱2,177.6 million as of December 31, 2010 and 2009, respectively. CHI's subsidiary, CPVDC, owns 40% interest in AiO (see Note 2).

Financial information on the Company's proportionate share in its jointly controlled entities follows (in thousands):

ECHI and Subsidiaries	2010	2009
Current assets	**₱2,832,414**	₱2,886,309
Noncurrent assets	**2,318,476**	2,270,942
Total assets	**5,150,890**	5,157,251
Current liabilities	**315,717**	427,253
Noncurrent liabilities	**496,362**	481,033
Total liabilities	**812,079**	908,286
Net operating revenue	**733,453**	1,008,192
Costs and expenses	**550,131**	572,221
Net income	**183,322**	435,971

BHI	2010	2009
Current assets	**₱110**	₱137
Noncurrent assets	**1,852,208**	1,804,426
Total assets	**1,852,318**	1,804,563
Total liabilities	**3,278**	626
Net operating revenue	**81,851**	185,650
Costs and expenses	**3,272**	19
Net income	**81,851**	185,631

ACC	2010	2009
Current assets	**₱344,420**	₱298,720
Noncurrent assets	**571,938**	592,607
Total assets	**916,358**	891,327
Current liabilities	**269,765**	257,873
Noncurrent liabilities	**141,152**	136,232
Total liabilities	**410,917**	394,105
Net operating revenue	**386,460**	362,049
Costs and expenses	**242,634**	226,443
Net income	**143,826**	135,606

Financial information on the Company's significant associates follows (in thousands, except earnings per share):

CHI and subsidiaries	2010	2009
Total assets	**₱5,991,591**	₱5,773,216
Total liabilities	**1,267,014**	1,332,685
Net operating revenue	**1,447,183**	1,288,284
Costs and expenses	**1,001,920**	958,741
Net income	**445,263**	329,543
Earnings per share	**0.21**	0.16

NTDCC	2010	2009
Total assets	**₱7,478,888**	₱7,757,930
Total liabilities	**4,905,532**	5,122,088
Net operating revenue	**1,687,628**	1,532,048
Costs and expenses	**1,471,712**	1,444,878
Net income	**215,916**	87,170

BLC and Subsidiaries	**2010**	2009
Total assets	**₱41,363,598**	₱41,043,049
Total liabilities	**5,905,759**	5,773,898
Net operating revenue	**5,730,715**	2,896,812
Costs and expenses	**4,262,233**	2,200,149
Net income	**1,468,482**	696,663

Investment in ECHI and BHI

On April 17, 2003, the following transactions were consummated pursuant to the terms and conditions of the Assignment Agreement (Agreement), dated February 8, 2003, among the Company, Evergreen Holdings, Inc. (EHI), Greenfield Development Corporation and Larouge, B.V. (Larouge), as amended, and the Agreement, dated November 23, 2002, among the Company, EHI and Metro Pacific Investment Corporation (MPIC) as amended:

(a) The assignment to the Company and EHI of the rights and obligations of Larouge under the loan agreement between Larouge and MPIC, pursuant to which, Larouge extended MPIC a loan in the principal amount of US$90.0 million, together with all the rights, title and interests of Larouge in the pledge constituted on 50.38% of the outstanding shares in BLC. The consideration paid by the Company and EHI for such assignment was approximately US$90 million, subject in part to foreign exchange adjustment.

(b) The assignment to the Company and EHI (acting in this instance through the joint venture corporation, Columbus Holdings, Inc. (Columbus)) of the controlling interest in BLC representing 50.38% of BLC's outstanding capital stock. This assignment was effected by MPIC under a dacion en pago arrangement, and included an assignment of payables of BLC in the principal amount of ₱655.0 million together with its underlying security in the form of shares in Fort Bonifacio Development Corporation (FBDC) representing 5.55% of its outstanding capital stock.

    The Agreement, as amended, also provides for the constitution of a pledge over 5% of BLC's unencumbered shares as security for contingent liabilities and breach of representation and warranties. The pledge lien over the 5% BLC shares shall continue to subsist until the third anniversary of the closing date.

    The Company and EHI jointly hold the 50.38% equity interest in BLC through ECHI and BHI. The Company and EHI assigned the notes receivable from MPIC to ECHI and BHI, which acquired the shares of stock of Columbus. Columbus directly owns the 50.38% interest in BLC. BLC owns 55% interest in FBDC, the primary developer of certain areas in Fort Bonifacio Global City for residential, commercial and business development.

    Columbus accounted for the acquisition of the 50.38% interest in BLC using the purchase method, resulting in a negative goodwill of ₱1.4 billion.

    Subsequent to this, the Company and EHI acquired additional shares of BLC through a combination of direct acquisition and through its associates at varying dates as follows:

    On July 31, 2008, the Group acquired, through the Company, Regent and Columbus, additional 4,360,178 shares of BLC from FBDC amounting to ₱689.0 million, equivalent to 7.66% ownership in BLC.

In January and October 2009, a total of 2,295,207 BLC shares were acquired from Development Bank of the Philippines and MPIC, pertaining to the pledged shares, through Columbus amounting to ₱362.6 million.

This resulted in an increase in the Group's effective interest in BLC to 45.05% as of December 31, 2009.

The Company's 5.32% direct investment in BLC and 4.78% through Regent are accounted for using the equity method because the Company has significant influence over BLC.

Investment in NTDCC

In 2004, the Company acquired additional 30.89% interest in NTDCC in exchange for the Company's interest in two companies valued at ₱320.1 million and cash amounting to ₱280.0 million. The Company infused additional cash to NTDCC amounting to ₱112.0 million for an additional 1.85% equity interest in the latter.

A series of capital calls was made by NTDCC with the Company infusing a total of ₱484.8 million in 2007 in additional investment, thus increasing the Company's overall invested capital to ₱1,450.0 million or a 49.29% stake.

NTDCC was assigned development rights over certain areas of the MRT Depot in Quezon City by MRT Development Co. to construct and operate a commercial center under certain terms and conditions until the end of a 50-year development period renewable for another 25 years. NTDCC was primarily organized to own and operate the commercial center atop the MRT Depot. NTDCC officially started the construction of the shopping center, now known as TriNoma, in 2005 and became operational on May 16, 2007.

Investment in ARCH Capital

In 2006, the Company and AC entered into a Shareholders' Agreement with ARCH Capital and Great ARCH Co. Limited, wherein the Company and AC committed to invest a total of US$75.0 million in a private equity fund that will explore property markets in Asia, excluding Japan and Philippines. On the same year, an Amendment and Adherence Agreement was entered into by the same parties, together with Fine State Group Limited (Fine State) and Green Horizons Holdings Limited (Green Horizons), a wholly owned subsidiary of First Longfield, transferring the interests of AC and the Company in ARCH Capital into Fine State and Green Horizons, respectively. Fine State and Green Horizons are 100% owned Hong Kong subsidiaries of AC and the Company, respectively.

The Company (through Green Horizons) and AC (through Fine State) both have interests in the fund management company, ARCH Capital, which is tasked to raise third party capital and pursue investments for the Fund. As of December 31, 2010 and 2009, the Company (through Green Horizon) and AC (through Fine State) owned a combined interest in ARCH Capital of 50.0%.

In 2007, the private equity fund, called ARCH Asian Partners, L.P. (Fund) was established. As at December 31, 2007, the Fund achieved its final closing, resulting in a total investor commitment of US$330.0 million. As a result, portion of the funds disbursed by the Company and AC and invested into the Fund have been returned in 2007, reducing the Company's overall capital invested to ₱214.5 million as of December 31, 2007. In 2008, 2009 and 2010, the Fund made capital call where the Company's share amounts to $1.3 million, $2.1 million, and $9.1 million, respectively.

As of December 31, 2010, the Company's remaining capital commitment with the Fund amounted to US$6.7 million.

The Company and AC exercise significant influence over the Fund by virtue of their interest in the general partner and in ARCH Capital. Accordingly, the Company and AC account for their investments in the Fund using the equity method of accounting.

Investment in KAMI
In December 2007, the Company entered into a joint venture with Kingdom Hotel Investments, Inc. (KHI) to develop a 7,377-square meter property along Makati Avenue corner Arnaiz Avenue (formerly Pasay Road) into a luxury hotel complex comprised of a 300-room Fairmont Hotel, a 30-suite Raffles Hotel and 189 Raffles branded private residences. The total project cost will be approximately US$153.0 million.

The 7,377-square meter property to be developed was conveyed by the Company to KAMI in exchange for 37,250 common shares, 38,250 redeemable preferred shares A and 16,758 preferred shares.

The Company does not consolidate KAMI as it does not exercise control over it.

13. Investment Properties - net

The rollforward analysis of this account follows:

2010

	Land	Building	Construction in Progress	Total
		(In thousands)		
Cost				
Balance at beginning of year	₱3,007,952	₱26,734,284	₱2,178,395	₱31,920,631
Additions	365,768	209,742	2,334,007	2,909,517
Transfers	(391,367)	1,288,753	(1,288,753)	(391,367)
Retirement	–	(17,385)	–	(17,385)
Balance at end of year	2,982,353	28,215,394	3,223,649	34,421,396
Accumulated Depreciation				
Balance at beginning of year	–	6,508,094	–	6,508,094
Depreciation	–	1,091,558	–	1,091,558
Transfers	–	–	–	–
Retirements	–	(11,609)	–	(11,609)
Balance at end of year	–	7,588,043	–	7,588,043
Net Book Value	₱2,982,353	₱20,627,351	₱3,223,649	₱26,833,353

2009

	Land	Building	Construction in Progress	Total
		(In thousands)		
Cost				
Balance at beginning of year	₱2,751,756	₱20,402,122	–	₱23,153,878
Additions	256,196	3,012,020	₱221,868	3,490,084
Transfers (Note 14)	–	–	5,944,984	5,944,984
Transfers of completed properties	–	3,988,457	(3,988,457)	–
Retirements	–	(668,315)	–	(668,315)
Balance at end of year	3,007,952	26,734,284	2,178,395	31,920,631
Accumulated Depreciation				
Balance at beginning of year	–	5,384,871	–	5,384,871
Depreciation	–	946,437	–	946,437
Transfers	–	191,426	–	191,426
Retirements	–	(14,640)	–	(14,640)
Balance at end of year	–	6,508,094	–	6,508,094
Net Book Value	₱3,007,952	₱20,226,190	₱2,178,395	₱25,412,537

Certain parcels of land are leased to several individuals and corporations. Some of the lease contracts provide, among others, that within a certain period from the expiration of the contracts, the lessee will have to demolish and remove any and all improvements (like buildings) introduced or built within the leased properties. Otherwise, the lessor will cause the demolition and removal thereof and charge the cost to the lessee unless the lessor occupies and appropriates the same for its use and benefit.

The aggregate fair value of the Group's investment properties amounted to ₱167.7 billion and ₱165.8 billion as of December 31, 2010 and 2009, respectively.

The fair values of the investment properties were determined by independent professionally qualified appraisers. The fair value represents the amount at which the assets could be exchanged between a knowledgeable, willing buyer and knowledgeable, willing seller in an arm's length transaction at the date of valuation.

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

As of December 31, 2010 and 2009, total commitments for investment properties amounted to ₱8,876.7 million and ₱7,867.0 million, respectively.

Consolidated rental income from investment properties amounted to ₱7,462.6 million, ₱7,224.0 million and ₱5,987.8 million in 2010, 2009 and 2008, respectively (see Note 21). Consolidated direct operating expenses arising from the investment properties amounted to ₱ 2.5 billion in 2010 and 2009 and ₱3.1 billion in 2008, respectively (see Note 23).

Depreciation and amortization expense pertaining to investment properties amounted to ₱1,091.6 million, ₱946.4 million and ₱679.9 million in 2010, 2009 and 2008, respectively (see Note 23).

14. Property and Equipment - net

The rollforward analysis of this account follows:

2010

	Land, Buildings and Improvements	Machinery and Construction Equipment	Furniture, Fixtures and Equipment	Transportation Equipment	Hotel Property and Equipment	Total
			(In thousands)			
Cost						
January 1	₱1,317,140	₱1,884,589	₱1,401,893	₱448,299	₱2,922,440	₱7,974,361
Additions	216,820	176,483	173,996	225,509	353,210	1,146,018
Disposals/Write-offs	(46,252)	(24,285)	(20,315)	(54,338)	(51,237)	(196,427)
Acquisition through business combination (Note 25)	–	–	–	–	870,197	870,197
December 31	1,487,708	2,036,787	1,555,574	619,470	4,094,610	₱9,794,149
Accumulated Depreciation and Amortization						
January 1	434,783	1,294,643	1,062,246	279,839	1,538,267	4,609,778
Depreciation and amortization	158,990	229,610	75,898	123,495	127,930	715,923
Acquisition through business combination (Note 25)	–	–	–	–	376,869	376,869
Disposals	(28,328)	(9,047)	(1,655)	(34,998)	(2,382)	(76,410)
December 31	565,445	1,515,206	1,136,489	368,336	2,040,684	5,626,160
Net Book Value	₱922,263	₱521,581	₱419,085	₱251,134	₱2,053,926	₱4,167,989

2009

	Land, Buildings and Improvements	Machinery and Construction Equipment	Furniture, Fixtures and Equipment	Transportation Equipment	Hotel Property and Equipment	Construction in Progress	Total
				(In Thousands)			
Cost							
January 1	₱659,608	₱2,169,396	₱926,126	₱424,088	₱2,927,132	₱5,944,984	₱13,051,334
Additions	632,803	96,657	497,295	88,296	90,058	–	1,405,109
Disposals/Write-offs	(2,270)	(321,195)	(2,297)	(63,410)	(94,750)	–	(483,922)
Transfers (Note 13)	26,999	(60,269)	(19,231)	(675)	–	(5,944,984)	(5,998,160)
December 31	1,317,140	1,884,589	1,401,893	448,299	2,922,440	–	7,974,361
Accumulated Depreciation and Amortization							
January 1	₱320,806	₱1,098,847	₱888,161	₱297,465	₱1,499,953	–	₱4,105,232
Depreciation and amortization	114,738	392,838	174,737	33,543	125,105	–	840,961
Disposals/Write-offs	(761)	(197,042)	(652)	(51,169)	(86,792)	–	(336,416)
December 31	434,783	1,294,643	1,062,246	279,839	1,538,266	–	4,609,777
Net Book Value	₱882,357	₱589,946	₱339,647	₱168,460	₱1,384,174	₱–	₱3,364,584

Consolidated depreciation and amortization of property and equipment (included under various consolidated statements of income accounts) amounted to ₱715.9 million, ₱840.7 million and 578.3 million in 2010, 2009 and 2008, respectively.

As of December 31, 2010, total commitments for property and equipment amounted to ₱1,409.6 million.

15. Other Noncurrent Assets

Other noncurrent assets consist of deferred charges, deposits, pension assets (see Note 27) and others.

As of December 31, 2010, this account also includes leasehold right (₱126.8 million) of a subsidiary pertaining to the right to use an island property expiring on December 31, 2029. The cost amounted to ₱127.4 million and amortization expense for 2010 amounted to ₱0.5 million.

16. Accounts and Other Payables

This account consists of:

	2010	2009
	(In Thousands)	
Accounts payable (Note 26)	**₱15,228,394**	₱10,856,233
Accrued expenses	**4,044,152**	3,503,741
Accrued project costs	**2,808,045**	2,136,700
Taxes payable	**2,123,293**	1,421,452
Dividends payable	**632,649**	394,651
Accrued rentals	**475,858**	325,792
Accrued salaries and employee benefits	**249,238**	360,339
Interest payable	**211,235**	189,362
Retention payable	**119,051**	120,899
	₱25,891,915	₱19,309,169

Accounts payable and accrued expenses are noninterest-bearing and are normally settled on 15 to 60-day terms. Other payables are noninterest-bearing and are normally settled within one year.

Accrued expenses consist mainly of light and power, marketing costs, film share, professional fees, postal and communication, supplies, repairs and maintenance, transportation and travel, security, insurance and representation.

17. Short-term and Long-term Debt

The short-term debt of ₱2,890.0 million and ₱1,630.9 million in 2010 and 2009, respectively, represents unsecured peso-denominated bank loans and dollar-denominated bank loans of the Company and its subsidiaries. Interest rates for peso-denominated bank loans ranged from 3.50% to 5.78% per annum (p.a.) in 2010 and 4.75% to 8.5% p.a. in 2009. Interest rates for dollar-denominated bank loans of the Company, which amounted to ₱643.0 million and ₱207.9 million in 2010 and 2009, respectively, ranged from 1.45% to 2.30% in 2010 and 2.30% to 5.28% in 2009.

Long-term debt consists of:

	2010	2009
	(In Thousands)	
Company:		
Bonds		
Due 2012	**₱194,600**	₱41,835
Due 2013	**4,204,030**	4,000,000
Floating rate corporate notes (FRCNs)	**10,000**	10,000
Fixed rate corporate notes (FXCNs)	**5,380,000**	5,380,000
	9,788,630	9,431,835
Subsidiaries:		
Bank loans - Philippine Peso	**8,292,261**	7,749,430
	18,080,891	17,181,265
Less current portion	**2,328,160**	377,669
	₱15,752,731	₱16,803,596

The Company

Philippine Peso 5-Year Bond due 2013

In 2008, the Company issued ₱4,000.0 million bond due 2013 with fixed rate equivalent to 8.75% p.a. The Philippine Rating Services Corporation (PhilRatings) assigned a PRS Aaa rating on the bond indicating that it has the smallest degree of investment risk. Interest payments are protected by a large or by an exceptionally stable margin and principal is assured. While the various protective elements are likely to change, such changes as can be visualized are most unlikely to impair the fundamentally strong position of such issues. PRS Aaa is the highest credit rating possible on PhilRatings' rating scales for long-term issuances. PhilRatings maintained its rating of PRS Aaa for the ₱4.0 billion bond in 2009 and 2010.

Philippine Peso Homestarter Bond due 2012

The Company launched a new issue of the Homestarter Bond in October 2009. The bond is to be issued over a series of 36 issues, once every month which commenced on October 16, 2009, up to ₱14.0 million per series or up to an aggregate issue amount of ₱504.0 million over a 3-year period. The bond carries an interest rate of 5% per annum, payable at the final maturity date or upon the bondholder's exercise of the option to apply the bond to partial or full payment for a residential property offered for sale by the Company or its affiliates. In the event of application of the bond to partial or full payment for property, the bondholder shall be entitled to, in addition to interest, a notional credit equivalent to 10% of the aggregate face value of the bond. The bonus credit is subject to a maximum of 5% of the net selling price of the property selected. The bond is alternatively redeemable at par plus accrued interest on the third anniversary of the initial issue date. As of December 31, 2010 and 2009, bond issued amounted to ₱194.6 million and ₱41.8 million, respectively.

Philippine Peso Homestarter Bond due 2013

The Company launched another new issue of the Homestarter Bond in April 2010. The bond is to be issued over a series of 36 issues, once every month which commenced on April 16, 2010, up to ₱28.0 million per series or up to an aggregate issue amount of ₱1,008.0 million over a 3-year period. The bond carries an interest rate of 5% per annum, payable at the final maturity date or upon the bondholder's exercise of the option to apply the bond to partial or full payment for a residential property offered for sale by the Company or its affiliates. In the event of application of the bond to partial or full payment for property, the bondholder shall be entitled to, in addition to interest, a notional credit equivalent to 10% of the aggregate face value of the bond. The bonus credit is subject to a maximum of 5% of the net selling price of the property selected. The bond is alternatively redeemable at par plus accrued interest on the third anniversary of the initial issue date. As of December 31, 2010 and 2009, bond issued amounted to ₱4,204.0 million and ₱4,000.0 million, respectively.

Philippine Peso 5-, 7- and 10-Year FXCNs due 2011, 2013 and 2016

In 2006, the Company issued ₱3,000.0 million FXCNs consisting of 5-, 7- and 10-year notes issued to various financial institutions and will mature on various dates up to 2016. The FXCNs bear fixed interest rates ranging from 7.25% to 7.75% p.a. depending on the term of the notes.

Philippine Peso 5-, 7- and 10-year FXCN due 2014, 2016 and 2019

In 2009, the Company issued an aggregate ₱2,380.0 million in 5-, 7- and 10-year notes to various financial institutions and retail investors. The notes will mature on various dates up to 2019. The FXCNs bear fixed interest rates ranging from 7.76% to 8.90%.

Philippine Peso 7-year FRCN due 2016
In 2009, the Company executed a ₱1,000.0 million committed FRCN facility with the LBP, of which an initial ₱10.0 million was drawn on October 12, 2009. The FRCN bears a floating interest rate based on the 3-month PDST-R1 plus a spread of 0.96%, repriceable quarterly. The initial note drawn, together with any future drawings, will mature on the seventh anniversary of the initial drawdown date.

Subsidiaries
The subsidiaries' loans will mature on various dates up to 2017 with floating interest rates at 65 bps to 200 bps spread over benchmark 91-day PDST-R1/R2 and fixed interest rates of 5.50% to 9.72% p.a. The term loan facility of a subsidiary is secured by a Mortgage Trust Indenture over land and building with a total carrying value of ₱911.3 million and ₱811.2 million as of December 31, 2010 and 2009, respectively.

The loan agreements contain some or all of the following restrictions: material changes in nature of business; maintenance of required debt-to-equity ratios; payment of dividends and additional loans maturing beyond a year which will result in a violation of the required debt-to-equity ratios; merger or consolidation where the Company/subsidiary is not the surviving corporation; guarantees or advances; encumbrance for borrowed money; and sale of substantially all of assets. These restrictions and requirements were complied with by the Group.

Interest capitalized amounted to ₱31.7 million and ₱76.3 million in 2010 and 2009, respectively. The average capitalization rates are 7.06% and 7.15% in 2010 and 2009, respectively.

18. Other Current Liabilities

Other current liabilities consist of customers' and tenants' deposits and construction bonds which amounted to ₱2,032.1 million and ₱2,150.7 million as of December 31, 2010 and 2009, respectively.

19. Deposits and Other Noncurrent Liabilities

Deposits and other noncurrent liabilities consist of:

	2010	2009
	(In Thousands)	
Deposits	**₱4,168,487**	₱3,896,194
Retentions payable	**1,927,384**	1,967,042
Other liabilities	**312,050**	1,459,621
	₱6,407,921	₱7,322,857

Deposits are initially recorded at fair value, which was obtained by discounting its future cash flows using the applicable rates of similar types of instruments. The difference between the cash received and its fair value is included in "Deferred credits" account in the consolidated statement of financial position.

20. Equity

The details of the number of shares in thousands follow:

	2010		2009		2008	
	In Thousands					
	Preferred	**Common**	Preferred	Common	Preferred	Common
Authorized	**15,000,000**	**20,000,000**	15,000,000	20,000,000	15,000,000	20,000,000
Issued	**13,034,604**	**13,012,004**	13,034,604	13,005,338	13,034,604	13,003,443
Subscribed	**–**	**96,468**	–	75,470	–	39,088
Treasury	**–**	**(79,528)**	–	(79,528)	–	(79,528)
Outstanding	**13,034,604**	**13,028,944**	13,034,604	13,001,280	13,034,604	12,963,003

Preferred Shares

In August 2007, the BOD approved the increase in authorized capital stock by ₱1,500.0 million by creating 15 billion preferred shares with a par value of ₱0.10. In September 2007, the Company issued stock rights to all its existing common stockholders in which each stockholder is given the right to purchase at par one (1) preferred share for every common share held. Subsequently, in October 2007, 13,034,603,880 preferred shares were subscribed and issued through a stock rights offer with the following features: (a) non-voting; (b) dividend rate of 4.64% p.a., payable annually, noncumulative; (c) nonparticipating; (d) convertible at the option of the holder at a ratio of one (1) preferred share to one (1) common share commencing on the 10th year from issue date at an exercise price equivalent to the higher of (i) the 30-day average closing price or (ii) closing price of common shares immediately preceding the exercise date, less the par value of the preferred shares; (e) no pre-emptive rights; (f) non-redeemable; (g) non-listed; and, (h) preferred in liquidation to the extent of par value.

The dividends for preferred shares are declared upon the sole discretion of the Company's BOD.

Common Shares

The rollforward analysis of the outstanding number of common shares in thousands follows:

	2010	2009	2008
		(In Thousands)	
At beginning of year	**13,001,280**	12,963,003	13,034,608
Additional subscriptions	**22,580**	38,277	7,899
Exercise of stock options	**5,084**	–	–
Acquisition of treasury shares	**–**	–	(79,504)
At end of year	**13,028,944**	13,001,280	12,963,003

No transfer of stock or interest which will reduce the ownership of Filipino citizens to less than the required percentage of the capital stock as provided by existing laws shall be allowed or permitted to be recorded in the books of the Company.

On February 12, 2008, the BOD approved the allotment and subsequent issuance of up to 1 billion common shares of stock with an aggregate par value of ₱1,000.0 million for the purpose of exchanging such shares for properties or assets and/or to raise funds to acquire properties or assets needed for the business of the Company via issuance of equity or equity-linked instruments, the price and the terms and conditions of which shall be determined by the BOD based on prevailing market conditions or on agreements negotiated.

On April 2, 2008, the Company's stockholders approved the allotment and subsequent issuance of the shares for the above-mentioned purposes and for the further amendment of the Amended Articles of Incorporation of the Company to exclude the issuance of shares from the pre-emptive rights of the stockholders pursuant to Section 39 of the Philippine Corporation Code.

Treasury Shares

On August 12, 2008, the BOD approved of a share buyback program. It is part of the Company's balance sheet management program and aims to (i) improve the Company's balance sheet structure and capital efficiency and (ii) enhance shareholder value through the repurchase of shares whenever the stock is trading at a price discount perceived by the Company as not reflective of its fair corporate value.

The Company has repurchased a total of 79,500,000 of its common shares through open market purchases using the trading facilities of the Philippine Stock Exchange for a total purchase price of ₱823.4 million at an average price of ₱10.36 per share as of end of December 2008.

Retained Earnings

The BOD approved the declaration and payment from unappropriated retained earnings of cash dividends of ₱0.09 per share in 2010 and ₱0.06 per share in 2009 and 2008.

On August 26, 2010 and August 13, 2009, the BOD approved the declaration and payment from unappropriated retained earnings of cash dividends at the dividend rate of 4.64% per annum to all issued and outstanding preferred shares.

Retained earnings of ₱6 billion are appropriated for future expansion. Retained earnings also include undistributed net earnings amounting to ₱13,173.5 million, ₱10,451.2 million and ₱8,526.5 million as of December 31, 2010, 2009 and 2008, respectively, representing accumulated equity in the net earnings of subsidiaries, associates and joint ventures.

Retained earnings are further restricted for the payment of dividends to the extent of the cost of the shares held in treasury.

In accordance with SEC Memorandum Circular No. 11 issued in December 2008, the Company's retained earnings available for dividend declaration as of December 31, 2010 and 2009 amounted to ₱17.7 billion and ₱16.6 billion, respectively.

Capital Management

The primary objective of the Group's capital management policy is to ensure that debt and equity capital are mobilized efficiently to support business objectives and maximize shareholder value. The Group establishes the appropriate capital structure for each business line that properly reflects its premier credit rating and allows it the financial flexibility, while providing it sufficient cushion to absorb cyclical industry risks.

The Group considers debt as a stable source of funding. The Group lengthened the maturity profile of its debt portfolio and makes it a point to spread out its debt maturities by not having a significant percentage of its total debt maturing in a single year.

The Group manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. It monitors capital using leverage ratios on both a gross debt and net debt basis. As of December 31, 2010 and 2009, the Group had the following ratios:

	2010	2009
Debt to equity	**36.9%**	35.9%
Net debt to equity	**2.0%**	4.5%

Debt consists of short-term and long-term debt. Net debt includes short-term and long-term debt less cash and cash equivalents, short-term investments, financial assets at FVPL and the current portion of AFS financial assets. Equity, which the Group considers as capital, pertains to the equity attributable to equity holders of the Company less unrealized gain on AFS financial assets.

The Group is not subject to externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended December 31, 2010 and 2009.

Financial risk assessment
The Company's financial condition and operating results would not be materially affected by the current changes in liquidity, credit, interest, currency and market conditions.

Credit risks continue to be managed through defined credit policies and continuing monitoring of exposure to credit risks. The Company's base of counterparties remains diverse. As such, it is not exposed to large concentration of credit risk.

Exposure to changes in interest rates is reduced by a debt portfolio mix of both fixed and floating interest rates. The Company's ratio of fixed to floating rate debt stood at 76:24 and 84:16 as of December 31, 2010 and 2009, respectively. As a result, the movement in the actual average interest (borrowing) rate of the Company has been minimal.

Exposure to foreign currency holdings is minimal at $45.2 million and $30.8 million as of December 31, 2010 and 2009, respectively.

Liquidity risk is addressed with long term funding already locked in, while funds are placed on a short term placement.

21. Real Estate Revenue

This account consists of:

	2010	2009	2008
		(In Thousands)	
Real estate sales	**₱19,427,182**	₱16,149,196	₱16,845,284
Rental income (Note 13)	**7,462,592**	7,223,996	5,987,813
Construction contracts	**6,177,446**	2,713,941	5,689,369
Management and marketing fees	**697,364**	418,427	436,465
	₱33,764,584	₱26,505,560	₱28,958,931

22. Revenue from Hotel and Resort Operations

This account consists of:

	2010	2009	2008
		(In Thousands)	
Rooms	**₱895,812**	₱724,720	₱724,081
Food and beverage	**502,648**	333,787	374,726
Rental	**207,295**	151,870	189,070
Others	**38,101**	22,066	33,608
	₱1,643,856	₱1,232,443	₱1,321,485

23. Other Income and Costs and Expenses

Other income consists of:

	2010	2009	2008
		(In Thousands)	
Management fees and marketing fees	**₱397,554**	₱337,006	₱328,852
Gain (loss) on financial assets at FVPL (Note 6)	**(466)**	25,156	1,061
Unrealized loss on financial assets at FVPL (Note 6)	**(9,338)**	(654)	(3,953)
Gain on sale of investments	**–**	–	761,815
Fair value gain on derivative asset	**–**	–	6,974
Others - net	**46,459**	270,902	226,750
	₱434,209	₱632,410	₱1,321,499

In March 2008, the Company sold its shares of stock in Streamwood Property, Inc., Piedmont Property Ventures, Inc. and Stonehaven Land, Inc. Total consideration received from the sale amounted to ₱902.0 million. Gain on the sale of the said subsidiaries amounted to ₱761.8 million.

As of December 31, 2007, the Company has an outstanding nondeliverable forward contract with notional amount of US$25.0 million and a forward rate of ₱44.48 with maturity date of October 30, 2008. This forward contract was preterminated in April 2008. Fair value gain amounting to ₱7.0 million was recognized in 2008.

Other income mainly consists of gain on sale of equipment, gain on sale of waterworks and sewerage facilities and equipment and other properties and foreign exchange gains and losses.

In 2010 and 2009, the net foreign exchange amounted to ₱30.8 million gain and ₱15.7 million loss, respectively.

Real estate costs and expenses consist of:

	2010	2009	2008
		(In Thousands)	
Cost of real estate sales	**₱11,932,507**	₱8,638,375	₱8,861,586
Materials and overhead	**4,338,807**	2,415,222	5,014,591
Depreciation and amortization	**1,470,474**	1,484,796	1,061,432
Manpower costs	**1,178,011**	827,112	1,063,374
Rental	**998,654**	1,160,470	1,417,351
Marketing and management fees	**975,319**	656,034	740,550
Direct operating expenses:			
Taxes and licenses	**738,152**	716,769	530,341
Light and water	**376,713**	416,071	317,270
Repairs and maintenance	**342,163**	516,781	373,833
Professional fees	**289,156**	190,781	50,024
Commission	**249,497**	264,447	306,870
Insurance	**110,943**	120,629	138,625
Transportation and travel	**24,698**	46,140	52,074
Representation	**10,804**	13,294	25,565
Others	**671,483**	682,383	456,198
	₱23,707,381	₱18,149,304	₱20,409,684

Hotel and resort operations expenses consist of:

	2010	2009	2008
		(In Thousands)	
Property operations, maintenance and energy costs	**₱232,134**	₱136,946	₱142,203
Food and beverage	**221,201**	202,915	234,671
Administrative	**211,026**	130,156	130,650
Depreciation and amortization	**176,716**	128,746	102,523
Rooms	**133,978**	65,498	76,984
Management fee	**68,614**	51,672	49,681
Marketing	**61,138**	58,797	59,305
Land lease	**59,512**	54,102	48,371
Telephone and other department costs	**42,297**	24,683	24,803
Entertainment, amusement and recreation	**3,411**	3,024	3,519
Others	**29,911**	10,660	3,783
	₱1,239,938	₱867,199	₱876,493

General and administrative expenses consist of:

	2010	2009	2008
		(In Thousands)	
Manpower costs (Note 26)	**₱1,894,708**	₱1,573,867	₱1,959,544
Professional fees	**181,314**	238,694	172,471
Depreciation and amortization	**160,291**	173,856	94,214
Taxes and licenses	**135,042**	153,536	162,046
Utilities	**113,439**	111,210	107,603
Repairs and maintenance	**73,118**	80,516	55,746
Transportation and travel	**69,972**	70,560	115,151
Advertising	**62,411**	53,600	59,427
Rent	**60,216**	67,339	50,625
Entertainment, amusement and recreation	**59,884**	73,073	78,996
Insurance	**38,411**	39,722	43,925
Security and janitorial	**34,963**	42,308	44,495
Supplies	**33,166**	37,723	45,130
Dues and fees	**18,071**	28,846	20,454
Others	**253,347**	47,783	162,461
	₱3,188,353	₱2,792,633	₱3,172,288

Manpower costs included in the consolidated statements of income follow:

	2010	2009	2008
		(In Thousands)	
Included in:			
Cost of:			
Real estate	**₱1,178,011**	₱827,112	₱1,063,374
Hotel and resort operations	**179,445**	135,761	156,286
General and administrative expenses	**1,894,708**	1,573,867	1,959,544
	₱3,252,164	₱2,536,740	₱3,179,204

Depreciation and amortization expense included in the consolidated statements of income follow:

	2010	2009	2008
		(In Thousands)	
Included in:			
Cost of:			
Real estate	**₱1,470,474**	₱1,484,796	₱1,061,432
Hotel and resort operations	**176,716**	128,746	102,523
General and administrative expenses	**160,291**	173,856	94,214
	₱1,807,481	₱1,787,398	₱1,258,169

Interest expense and other financing charges consist of:

	2010	2009	2008
		(In Thousands)	
Interest expense on:			
Short-term debt	**₱51,656**	₱137,428	₱165,315
Long-term debt	**1,397,741**	1,190,465	868,441
Other financing charges	**89,714**	17,598	16,285
	₱1,539,111	₱1,345,491	₱1,050,041

Other charges consist of:

	2010	2009	2008
		(In Thousands)	
Provision for impairment losses on:			
Receivables (Note 8)	**₱57,206**	₱86,892	₱72,846
Land and improvements (Note 11)	–	568,672	–
Real estate inventories (Note 9)	–	78,091	379,230
AFS financial assets	–	–	10,226
Write-offs and other charges (Note 10)	**221,306**	721,024	330,218
	₱278,512	₱1,454,679	₱792,520

In 2009 and 2008, the Group recorded provision for impairment losses amounting to ₱78.1 million and ₱379.2 million, respectively, for the development cost of real estate inventories which may no longer be recovered (see Note 9).

In 2009, write-offs and other charges mainly include the write-down of inventory from purchase of steel bars which amounted to ₱350.3 million (Note 10).

24. Income Tax

The components of deferred taxes are as follows:

Net deferred tax assets:

	2010	2009
	(In Thousands)	
Deferred tax assets on:		
Difference between tax and book basis of accounting for real estate transactions	**₱1,352,511**	₱312,182
Allowance for probable losses	**742,590**	897,599
Outstanding share-based payments	**115,147**	82,784
Unrealized foreign exchange losses	**110,107**	–
Retirement benefits	**102,001**	97,294
Advanced rental	**51,546**	28,215
Accrued expenses	**1,390**	–
NOLCO	–	2,611
Others	**3,459**	129,401
	2,478,751	1,550,086
Deferred tax liabilities on:		
Capitalized interest and other expenses	**(400,445)**	(437,337)
Deferred revenue	–	(21,141)
Unrealized foreign exchange gain	–	(13,300)
Others	**(4,896)**	–
	(405,341)	(471,778)
	₱2,073,410	₱1,078,308

Net deferred tax liabilities:

	2010	2009
	(In Thousands)	
Deferred tax assets on:		
Difference between tax and book basis of accounting for real estate transactions	**₱170,507**	₱–
Unrealized foreign exchange losses	**2,083**	–
Retirement benefits	**1,351**	–
Allowance for probable losses	**1,994**	–
	175,935	–
Deferred tax liabilities on:		
Fair value adjustment arising from business combination	**(392,194)**	–
Excess of financial realized gross profit over taxable realized gross profit	**(213,618)**	(147,367)
Prepaid expenses	**(163,740)**	–
Capitalized interest and other expenses	**(3,586)**	(3,586)
Unrealized foreign exchange gain	**(372)**	–
Deferred rent	**(93)**	–
	(773,603)	(150,953)
	(₱597,668)	(₱150,953)

Certain subsidiaries of the Company have NOLCO amounting to ₱236.0 million and ₱140.2 million as of December 31, 2010 and 2009, respectively, and MCIT amounting to ₱4.3 million and ₱1.7 million as of December 31, 2010 and 2009, respectively, which were not recognized. Deferred tax assets are recognized only to the extent that taxable income will be available against which the deferred tax assets can be used. The subsidiaries will recognize a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable income will allow the deferred tax asset to be recovered.

As of December 31, 2010, carryover NOLCO and MCIT that can be claimed as deduction from future taxable income or used as deductions against income tax liabilities are as follows:

NOLCO:

Year Incurred	Amount	Used/Expired	Balance	Expiry Year
		(In Thousands)		
2007	₱40,100	₱40,100	₱–	2010
2008	3,547	2,142	1,405	2011
2009	96,573	1,983	94,590	2012
2010	95,790	1,965	93,825	2013
	₱236,010	₱46,190	₱189,820	

MCIT:

Year Incurred	Amount	Used/Expired	Balance	Expiry Year
		(In Thousands)		
2007	₱–	₱–	₱–	2010
2008	–	–	–	2011
2009	1,665	–	1,665	2012
2010	2,671	–	2,671	2013
	₱4,336	₱–	₱4,336	

Reconciliation between the statutory and the effective income tax rates follows:

	2010	2009	2008
Statutory income tax rate	**30.00%**	30.00%	35.00%
Tax effect of:			
Interest income and capital gains taxed at lower rates	**(3.52)**	(0.04)	(1.68)
Income subjected to lower income tax rates (Note 31)	**(1.79)**	(0.72)	(0.43)
Equity in net earnings of associates and jointly controlled entities	**(3.46)**	(4.97)	(4.16)
Effect of change in statutory income tax rate	**–**	–	0.30
Others - net	**(1.23)**	(4.34)	(0.70)
Effective income tax rate	**20.00%**	19.93%	27.73%

Board of Investments (BOI) Incentives

On February 9, 2010, the BOI issued in favor of a subsidiary a Certificate of Registration as a Expanding Developer of Low-Cost Mass Housing Project for its Celadon Park Tower 2, Felix Huertas Street, Manila in accordance with the Omnibus Investment Code of 1987. Pursuant thereto, the project has been granted an Income Tax Holiday for a period of three (3) years commencing from February 2010.

25. Business Combinations

TKPI and TKDC

The Company entered into an agreement with Asian Conservation Company and ACC Resorts, Inc. (the ACC Group) to create a new company which will serve as a holding vehicle for TKPI and TKDC (wholly-owned subsidiaries of the ACC Group before the Company's entry). TKPI/TKDC are mainly involved in the development of parcels of land and islands into resorts in Miniloc, Lagen, Pangulasian and Apulit islands in the municipalities of El Nido and Taytay in Northern Palawan.

The agreement will eventually result in the Company obtaining 60% interest in the new company and ACC Group acquiring 40%. The Company will infuse ₱2.0 billion cash to obtain the 60% stake.

As of December 31, 2010, the Company has subscribed to 60% of the shares of TKPI and TKDC, thereby providing the Company with the ability to exercise control over TKPI and TKDC effective April 23, 2010. Accordingly, TKPI and TKDC financial statements are consolidated on a line-by-line basis with that of the Group as of December 31, 2010.

The purchase price allocation has been prepared on a preliminary basis as the fair values are being finalized. Following are the preliminary fair values of the identifiable assets and liabilities assumed (in thousands):

Assets	
Cash and cash equivalents	₱365,652
Trade and other receivables	1,455,940
Inventories	16,393
Other current assets	25,401
Land and improvements (Note 13)	1,361,645
Deposit on land purchase	444,622
Property and equipment - net (Note 14)	493,328
Other assets	140,640
	4,303,621
Liabilities	
Accounts and other payables	310,177
Deposits and other current liabilities	21,446
Due to related parties	89,232
Loans payable	81,621
Income tax payable	18,630
Deferred tax liabilities	399,155
	920,261
Net assets	₱3,383,360

The Company's share in the fair values of the net assets amounted to ₱2,030.0 million, which resulted in a negative goodwill amounting to ₱0.52 million (included under "other income").

The fair value of the trade and other receivables approximate their carrying amounts since these are short-term in nature. None of the trade receivables have been impaired and it is expected that the full contractual amounts can be collected.

The fair value of the non-controlling interest has been measured at the proportionate share of the value of the net identifiable assets acquired and liabilities assumed.

From the date of acquisition, TKDC and TKPI has contributed ₱260.0 million of revenue and ₱10.6 million to the net income of the Group. If the combination had taken place at the beginning of the year, revenue from continuing operations would have been ₱37,984.0 million and the net income for the Group would have been ₱6,312.3 million.

Transaction costs of ₱1.02 million have been expensed and are included in administrative expenses.

APPHC

In 2006, the Company signed an agreement with MLT Investments Ltd. (MIL) and Filipinas Investments Ltd. (FIL) to jointly develop a BPO office building in Dela Rosa Street and to purchase the existing PeopleSupport Building.

APPHC, the joint-venture company formed, is 60% owned by the Company. APPHC owns 60% interest in its subsidiary, APPCo. The remaining 40% interest in both APPHC and APPCo are split evenly between MIL and FIL. APPHC and APPCo are jointly controlled by the Company, MIL, and FIL.

On December 8, 2008, the Company acquired from FIL its 20% ownership in APPHC and APPCo. This resulted in an increase in the Company's effective ownership interest in APPHC from 60% to 80% and APPCo from 36% to 68%, thereby providing the Company with the ability to control the operations of APPHC and APPCo following the acquisition. Accordingly, APPHC and APPCo's financial statements are consolidated on a line-by-line basis with that of the Group as of December 31, 2008.

Following is a summary of the fair values of the identifiable assets acquired and liabilities assumed of APPHC and APPCo as of the date of acquisition (in thousands):

Assets	
Cash and cash equivalents	₱227,266
Trade and other receivables	188,974
Other current assets	649,154
Investment property - net (Note 13)	3,944,127
Property and equipment - net (Note 14)	1,290,979
Other assets	21,304
	6,321,804
Liabilities	
Accounts and other payables	716,815
Deposits and other current liabilities	41,171
Loans payable	3,282,150
Deposits and other noncurrent liabilities	288,287
	4,328,423
Net assets	1,993,381
Minority interest in APPHC	(800,392)
	1,192,989
Net assets of APPHC acquired	238,678
Noncontrolling interests in APPCo. Acquired	400,196
Total net assets acquired	638,874
Acquisition cost	638,874
Cash and cash equivalents acquired with the subsidiary	227,266
Acquisition cost, net of cash acquired	₱411,608

From the date of acquisition, APPHC and APPCo's additional contribution to the Group's net income is immaterial. Had the combination taken place at the beginning of the year, the net income of the Group would have been ₱4,826.4 million and revenue from continuing operations would have been ₱34,072.9 million. Total cost directly attributable to the business combination amounted to ₱15.6 million. The related 2008 comparative information has been restated to reflect this adjustment. The value of investment properties and property and equipment increased (decreased) by ₱286.5 million and (₱1.7 million), respectively. There was also a corresponding reduction in provisional goodwill amounting to ₱148.7 million and an increase in noncontrolling interest amounting to ₱136.1 million. The related increased depreciation charges on investment properties and property and equipment are not material.

26. Related Party Transactions

In its regular conduct of business, the Group has entered into transactions with associates and other related parties principally consisting of advances and reimbursement of expenses, purchase and sale of real estate properties, construction contracts, and development, management, underwriting, marketing, leasing and administrative service agreements. Transactions with related parties are made at normal market prices.

The following tables provide the total amount of transactions that have been entered into with related parties for the relevant financial year:

2010

	Amounts owed by related parties	**Amounts owed to related parties**
	(In Thousands)	
Jointly controlled entities:		
ACC	**₱743**	**₱–**
Associates:		
CHI	**102,093**	**16,454**
NTDCC	**15,790**	**–**
ARCH Capital	**216**	**–**
BLC	**–**	**80,954**
	118,099	**97,408**
Other related parties:		
Columbus	**888,810**	**491,121**
FBDC	**109,279**	**–**
AC	**327,657**	**–**
City Sport Club Cebu (CSCC)	**715**	**4,000**
Cebu Property Ventures Development Corp. (CPVDC)	**6,146**	**268,296**
	1,332,607	**763,417**
	₱1,451,449	**₱860,825**

2009

	Amounts owed by related parties	Amounts owed to related parties
	(In Thousands)	
Jointly controlled entities:		
ACC	₱15,929	₱–
Associates:		
CHI	120,791	509
NTDCC	25,383	–
LDC	15,337	–
ARCH Capital	908	–
BLC	–	79,829
	162,419	80,338
Other related parties:		
Columbus	520,066	484,888
FBDC	87,296	–
AC	36,450	19,962
CSCC	793	–
MDC-FBIJV	94	–
CPVDC	–	149,204
	644,699	654,054
	₱823,047	₱734,392

Revenue from related parties:

	2010	2009	2008
Jointly controlled entities:			
ACC	**₱19,293**	₱1,503	₱–
Associates:			
BLC	–	810,753	–
CHI	**60,650**	139,973	109,260
NTDCC	**8,497**	5,918	–
	69,147	956,644	109,260
Other related parties:			
Manila Water Company, Inc.	**699,085**	28,353	–
AC	**25,420**	2,826	–
CPVDC	**9,759**	–	636,041
Bank of the Philippine Islands	**9,447**	15,718	–
IMI	**8,418**	–	8,895
Globe Telecom, Inc.	**7,813**	37,542	524
CIHCI	**7,585**	–	12,893
Innove Communications, Inc.	**1,732**	3,317	194
Cebu Leisure Company, Inc.	**130**	–	65
South Innovative Theater	**130**	–	65
Honda Cars Philippines, Inc	–	–	2,036
Others	–	–	1,709
	769,519	87,756	662,422
	₱857,959	₱1,045,903	₱771,682

The revenue earned from associates pertains mostly to income from leasing and developmental projects.

Receivables from/payables to related parties pertain mostly to advances and reimbursement of operating expenses related to development cost and land acquisitions. These are generally trade related, non-interest bearing and payable within one year.

Compensation of key management personnel by benefit type follows:

	2010	2009	2008
		(In Thousands)	
Short-term employee benefits	**₱157,934**	₱128,932	₱130,943
Post-employment benefits (Note 27)	**23,061**	21,313	14,930
Share-based payments (Note 29)	**20,850**	13,719	3,635
	₱201,845	₱163,964	₱149,508

27. Retirement Plan

The Group has funded, noncontributory tax-qualified defined benefit type of retirement plans covering substantially all of their employees. The benefits are based on a defined benefit formula.

The Group's annual contributions to their respective plans consist principally of payments covering the current service cost for the year and the required funding relative to the guaranteed minimum benefits as applicable.

The components of expense (included in manpower costs under "General and administrative expenses") in the consolidated statements of income follow:

	2010	2009	2008
		(In Thousands)	
Current service cost	**₱134,199**	₱115,005	₱127,510
Interest cost on benefit obligation	**120,538**	135,482	103,157
Expected return on plan assets	**(109,972)**	(99,062)	(124,743)
Curtailment gain	**–**	–	(11,447)
Amortization of actuarial losses (gains)	**36,186**	44,330	–
Past service cost	**2,777**	2,777	2,777
Total pension expense	**₱183,728**	₱198,532	₱97,254
Actual return on plan assets	**₱324,916**	₱99,277	(₱191,990)

The funded status and amounts recognized in the consolidated statement of financial position for the pension plan as of December 31, 2010 and 2009 follow:

	2010	2009
	(In Thousands)	
Benefit obligations	**₱1,707,890**	₱1,384,799
Plan assets	**(1,615,477)**	(1,212,764)
	92,413	172,035
Unrecognized net actuarial losses	**(53,193)**	(91,555)
Unrecognized past service cost	**(24,670)**	(27,447)
Liability recognized in the consolidated statement of financial position	**₱14,550**	₱53,033

As of December 31, 2010, pension assets (included under other noncurrent assets) and pension liabilities amounted to ₱71.8 million and ₱86.4 million, respectively.

Changes in the present value of the defined benefit obligation follow:

	2010	2009	2008
		(In Thousands)	
Balance at January 1	**₱1,384,799**	₱1,277,155	₱1,574,083
Interest cost	**120,538**	135,482	103,157
Current service cost	**134,199**	115,005	127,510
Curtailments	**–**	–	(34,104)
Settlements	**(2,118)**	–	(153,679)
Benefits paid	**(59,692)**	(188,534)	(192,116)
Actuarial losses (gains)	**130,164**	45,691	(147,696)
Balance at December 31	**₱1,707,890**	₱1,384,799	₱1,277,155

Changes in the fair value of plan assets follow:

	2010	2009	2008
		(In Thousands)	
Balance at January 1	**₱1,212,764**	₱1,057,896	₱1,428,976
Expected return	**109,972**	99,062	124,743
Contributions	**183,359**	244,125	166,705
Settlements	**(2,118)**	–	(153,679)
Benefits paid	**(59,692)**	(188,534)	(192,116)
Actuarial gains (losses)	**171,192**	215	(316,733)
Balance at December 31	**₱1,615,477**	₱1,212,764	₱1,057,896

The Group expects to make contributions of ₱156.6 million to its retirement fund in 2011.

The allocations of the fair value of plan assets follow:

	2010	2009	2008
Investments in debt securities	**58.70%**	67.48%	56.92%
Investments in equity securities	**36.30%**	27.38	14.77
Others	**5.00%**	5.14	28.31

As of December 31, 2010 and 2009, the plan assets include shares of stock of the Company with fair value amounting to ₱18.6 million and ₱6.5 million, respectively.

The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

The assumptions used to determine pension benefits for the Group are as follows:

	2010	2009	2008
Discount rate	**8.0 to 10.0%**	9.0 to 10.0%	9.0 to 13.0%
Salary increase rate	**1.0 to 9.0%**	7.0 to 10.0%	7.0 to 8.0%
Expected rate of return on plan assets	**4.0 to 9.0%**	8.0 to 10.0%	8.0 to 10.0%

Amounts for the current and the previous periods follow:

	2010	2009	2008	2007	2006
			(In Thousands)		
Defined benefit obligation	**₱1,707,890**	₱1,384,799	₱1,277,155	₱1,574,083	₱1,389,916
Plan assets	**(1,615,477)**	(1,212,764)	(1,057,896)	(1,428,976)	(1,382,179)
Deficit	**₱92,413**	₱172,035	₱219,259	₱145,107	₱7,737

Amounts of experience adjustment losses (gains) for the current and the previous periods follow:

	2010	2009	2008	2007
		(In Thousands)		
Liabilities	**(₱132,522)**	(₱295,911)	₱408,988	₱83,292
Assets	**₱220,012**	₱14,255	₱316,733	₱50,967

28. Earnings Per Share

The following tables present information necessary to compute EPS in thousands except EPS:

EPS on net income attributable to equity holders of the Company are as follows:

	2010	2009	2008
		(In Thousands)	
Net income attributable to equity holders of the Company	**₱5,458,134**	₱4,039,256	₱4,812,348
Less dividends on preferred stock	**60,481**	60,481	66,114
Net income attributable to equity holders for basic and diluted earnings per share	**₱5,397,653**	₱3,978,775	₱4,746,234
Weighted average number of common shares for basic EPS	**13,016,525**	12,985,331	13,011,387
Dilutive shares arising from stock options	**22,069**	21,904	22,932
Adjusted weighted average number of common shares for diluted EPS	**13,038,594**	13,007,235	13,034,319
Basic EPS	**₱0.41**	₱0.31	₱0.36
Diluted EPS	**₱0.41**	₱0.31	₱0.36

In 2010, 2009 and 2008, the convertible preferred shares are ignored in the calculation of diluted EPS since these are antidilutive.

29. Stock Options and Ownership Plans

The Company has stock option plans for key officers (Executive Stock Option Plan - ESOP) and employees (ESOWN) covering 2.5% of the Company's authorized capital stock. The grantee is selected based on certain criteria like outstanding performance over a three-year period.

The ESOP grantees may exercise in whole or in part the vested allocation in accordance with the vesting percentage and vesting schedule stated in the ESOP. Also, the grantee must be an employee of the Company or any of its subsidiaries during the 10-year option period. In case the grantee retires, he is given 3 years to exercise his vested and unvested options. In case the grantee resigns, he is given 90 days to exercise his vested options.

ESOP

Movements in the number of stock options outstanding under ESOP are as follows:

Pre-PFRS 2 Options

	2010	**Weighted average exercise price**	2009	Weighted average exercise price
At January 1	**22,271,511**	**4.16**	22,271,511	₱4.15
Exercised	**(4,822,114)**	**3.71**	–	–
At December 31	**17,449,397**	**4.26**	22,271,511	₱4.15

PFRS 2 Options

	2010	Weighted average exercise price	2009	Weighted average exercise price
At January 1	**16,647,814**	**4.16**	18,441,832	₱4.15
Exercised	**(2,622,166)**	**3.71**	(1,794,018)	3.96
At December 31	**14,025,648**	**4.26**	16,647,814	₱4.15

The options exercised had a weighted average exercise price of ₱3.71 per share or ₱27.6 million in 2010 and ₱3.96 per share or ₱7.1 million in 2009. The average fair market value of the shares at the exercise date was ₱16.45 per share or about ₱122.5 million in 2010 and ₱11.72 per share or about ₱21.0 million in 2009.

The fair value of stock options granted is estimated as at the date of grant using the Black-Scholes Merton Formula, taking into account the terms and conditions upon which the options were granted. The fair value of stock options granted under ESOP at June 30, 2005 grant date, and the assumptions used to determine the fair value of the stock options are as follows:

Weighted average share price	₱8.36
Exercise price	₱6.75
Expected volatility	46.30%
Option life	10 years
Dividend yield	3.21%
Interest rate	12.60%

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also necessarily be the actual outcome.

ESOWN

In November 2001, the Company offered all its ESOWN subscribers with outstanding ESOWN subscriptions the option to cancel the subscriptions within the 5-year holding period. In December 2001, the program for ESOWN was indefinitely suspended.

In 2005, the Company introduced a revised ESOWN and granted to qualified officers wherein grantees may subscribe in whole or in part to the shares awarded to them based on a discounted market price that was determined by the Compensation Committee as the offer price set at grant date. The grantees paid for the shares subscribed through installments over a maximum period of ten (10) years. The subscription is subject to a holding period stated in the plan. To subscribe, the grantee must be an employee of the Company or any of its subsidiaries during the ten (10)-year payment period. In case the grantee resigns, unsubscribed shares are cancelled, while the subscription may be paid up to the percent of holding period completed and payments may be converted into the equivalent number of shares. In case the grantee is separated, not for cause, but through retrenchment and redundancy, subscribed shares may be paid in full, unsubscribed shares may be subscribed, or payments may be converted into the equivalent number of shares. In case the grantee retires, the grantee may subscribe to the unsubscribed shares anytime within the ten (10)-year period. The plan does not allow sale or assignment of the shares. All shares acquired through the plan are subject to the Company's Right to Repurchase.

For the unsubscribed shares, the employee still has the option to subscribe within seven (7) years.

Movements in the number of options outstanding under ESOWN follow:

	2010	Weighted average Exercise price	2009	Weighted average exercise price
At January 1	**24,849,066**	**8.67**	21,577,419	₱9.58
Granted	**3,144,063**	**10.02**	5,418,619	4.96
Cancelled	**–**	**–**	(2,146,972)	9.98
At December 31	**27,993,129**	**8.67**	24,849,066	₱8.67

The fair value of stock options granted is estimated on the date of grant using the Black-Scholes Merton Formula, taking into account the terms and conditions upon which the options were granted. The expected volatility was determined based on an independent valuation. The fair value of stock options granted under ESOWN at grant date and the assumptions used to determine the fair value of the stock options follow:

	Grant Date					
	March 31, 2010	April 30, 2009	May 15, 2008	September 20, 2007	June 5, 2006	November 16, 2005
Number of unsubscribed shares	3,144,063	5,418,619	15,000,560	494,400	5,196,461	3,036,933
Fair value of each option	₱13.0	₱6.4	₱10.50	₱15.00	₱13.00	₱9.30
Weighted average share price	₱14.36	₱8.72	₱9.50	₱14.24	₱12.83	₱8.36
Exercise price	₱9.74	₱4.96	₱9.74	₱12.00	₱10.35	₱7.03
Expected volatility	43.57%	37.45%	32.04%	34.67%	46.03%	46.32%
Dividend yield	0.48%	0.85%	0.49%	0.41%	1.56%	0.77%
Interest rate	5.95%	5.94%	8.53%	6.93%	10.55%	11.30%

Total expense recognized in 2010, 2009 and 2008 in the consolidated statements of income arising from share-based payments amounted to ₱177.2 million, ₱148.6 million and ₱138.9 million, respectively (see Note 23).

30. Financial Assets and Liabilities

Fair Value Information

The following tables set forth the carrying values and estimated fair values of the Group's financial assets and liabilities recognized as of December 31, 2010 and 2009:

	2010		2009	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
	(In Thousands)			
Financial Assets at FVPL	**₱404,008**	**₱404,008**	₱433,821	₱433,821
Loans and Receivables				
Cash and cash equivalents	**18,018,807**	**18,018,807**	10,528,726	10,528,726
Short-term investments	**1,434,337**	**1,434,337**	4,560,976	4,560,976
Accounts and notes receivable				
Trade				
Residential development	**10,604,563**	**9,380,665**	9,440,041	9,535,521
Construction contracts	**1,029,300**	**1,029,300**	1,014,314	1,014,314
Shopping centers	**868,706**	**868,706**	846,493	846,493
Corporate business	**558,019**	**558,019**	423,701	423,701
Management fees	**61,190**	**61,190**	100,407	100,407
Others	**532,034**	**532,034**	304,559	304,559
	13,653,812	**12,429,914**	12,129,515	12,224,995

(Forward)

	2010		2009	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Advances to other companies	₱1,737,327	₱1,720,847	₱1,667,718	₱1,654,505
Accrued receivable	1,037,983	1,037,983	899,367	899,367
Related parties	1,451,449	1,451,449	823,047	823,047
Receivable from employees	464,104	436,258	328,935	296,849
Investment in bonds classified as loans and receivables	200,000	218,990	200,000	207,588
	4,890,863	4,865,527	3,919,067	3,881,356
Total loans and receivables	37,997,819	36,748,585	31,138,284	31,196,053
AFS financial assets				
Unquoted	605,293	605,293	497,503	497,503
Quoted	443,500	443,500	1,396,081	1,396,081
Total AFS financial assets	1,048,793	1,048,793	1,893,584	1,893,584
Total financial assets	₱39,450,620	₱38,201,386	₱33,465,689	₱33,523,458
Other Financial Liabilities				
Current				
Accounts payable	₱15,228,394	₱15,228,394	₱10,856,233	₱10,856,233
Accrued expenses	4,085,996	4,085,996	3,503,741	3,503,741
Accrued project costs	2,808,045	2,808,045	2,136,700	2,136,700
Dividends payable	632,649	632,649	394,651	394,651
Accrued salaries and employee benefits	223,785	223,785	360,339	360,339
Accrued rentals	471,088	471,088	325,792	325,792
Interest payable	208,525	208,525	189,362	189,362
Retentions payable	119,051	119,051	120,899	120,899
Short-term debt	2,890,042	2,890,042	1,630,900	1,630,900
Current portion of long-term debt	2,328,160	2,328,160	377,669	377,669
Noncurrent				
Long-term debt	15,752,731	16,934,931	16,803,596	16,767,032
Deposits and other noncurrent liabilities	6,407,921	6,363,745	7,322,857	7,281,739
Total other financial liabilities	₱51,156,387	₱52,294,411	₱44,022,739	₱43,945,057

The methods and assumptions used by the Group in estimating the fair value of the financial instruments are as follows:

Cash and cash equivalents, short-term investments and current receivables - Carrying amounts approximate fair values due to the relatively short-term maturities of these investments.

Financial assets at FVPL - These are investments in government securities. Fair value is based on quoted prices as of reporting dates.

Noncurrent accounts and notes receivables - The fair values of residential accounts and notes receivable, advances to other companies and receivable from employees, are based on the discounted value of future cash flows using the applicable rates for similar types of instruments. The discount rates used ranged from 9.50% to 13.75% and 6.55% to 7.62% as of December 31, 2010 and 2009, respectively.

AFS quoted equity securities - Fair values are based on quoted prices published in markets.

AFS unquoted equity securities - These are carried at cost less allowance for impairment losses because fair value cannot be measured reliably due to of lack of reliable estimates of future cash flows and discount rates necessary to calculate the fair value.

Liabilities - The fair value of noncurrent unquoted instruments (long-term debt and deposits) are estimated using the discounted cash flow methodology using the Group's current incremental borrowing rates for similar borrowings with maturities consistent with those remaining for the liability being valued. The discount rates used ranged from 2.70% to 7.39% and 5.57% to 10.15% as of December 31, 2010 and 2009, respectively. The fair value of noncurrent unquoted debt instruments with floating rates are estimated using discounted cash flow - last repricing method. The fair values of accounts and other payables and short-term debt approximate the carrying amounts due to the short-term nature of these transactions.

Fair Value Hierarchy

As at December 31, 2010, financial assets at FVPL and quoted AFS financial assets have been measured at fair value.

The Group uses the following hierarchy for determining and disclosing the fair value of the financial instruments by valuation technique:

Level 1: quoted (unadjusted prices) in active markets for identical assets and liabilities
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

Financial assets at FVPL and quoted AFS financial assets amounting to ₱404.0 million and ₱443.5 million, respectively, were classified under Level 1. There are no financial assets at FVPL and quoted AFS financial assets which have been classified under the Level 2 or 3 category.

There have been no reclassifications from Level 1 to Level 2 or 3 category.

Financial Risk Management and Objectives

The Group's principal financial instruments comprise of cash and cash equivalents, short-term investments and financial assets at FVPL, AFS quoted and unquoted equity securities, investments in bonds, bank loans, corporate notes and bonds. The financial debt instruments were issued primarily to raise financing for the Group's operations. The Group has various financial assets such as trade receivables and trade payables which arise directly from the conduct of its operations.

Exposure to liquidity, credit, interest rate, currency and equity risks arise in the normal course of the Group's business activities. 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 use of financial derivative instruments (if any) is solely for management of the Group's financial risk exposures. It is the Group's policy not to enter into derivative transactions for speculative purposes.

The Group's financing 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.

Liquidity risk
Liquidity risk is defined by the Group as the risk of losses arising from funding difficulties due to a deterioration in market conditions and/or the financial position of the Group that make it difficult for the Group to raise the necessary funds or that forces the Group to raise funds at significantly higher interest rates than usual.

This is also the possibility of experiencing losses due to the inability to sell or convert marketable securities into cash immediately or in instances where conversion to cash is possible but at loss due to wider than normal bid-offer spreads.

The Group employs scenario analysis and contingency planning to actively manage its liquidity position and guarantee that all operating, investing and financing needs are met. The Group has come up with a three-layered approach to liquidity through the prudent management of sufficient cash and cash equivalents, the potential sale of accounts receivables and the maintenance of short-term revolving credit facilities.

Cash and cash equivalents are maintained at a level that will enable it to fund its general and administrative expenses as well as to have additional funds as buffer for any opportunities or emergencies that may arise. Management develops viable funding alternatives through a continuous program for the sale of its receivables and ensures the availability of ample unused short-term revolving credit facilities from both local and foreign banks as back-up liquidity.

The Group ascertains that its cash is invested in short-term bank placements and special deposit accounts, as well as in high-quality and marketable government and corporate securities.

The table summarizes the maturity profile of the Group's financial liabilities at December 31, 2010 and 2009 based on contractual undiscounted payments:

2010

	< 1 year	>1 to < 5 years	> 5 years	Total
		(In Thousands)		
Accounts and other payables	₱23,777,533	₱–	₱–	₱23,777,533
Short-term debt	2,890,042	–	–	2,890,042
Long-term debt	2,328,160	13,385,081	2,367,650	18,080,891
Deposits and other noncurrent liabilities	–	6,336,787	71,134	6,407,921
	₱28,995,735	₱19,721,868	₱2,438,784	₱51,156,387
Interest payable	₱1,129,961	₱3,026,829	₱465,489	₱4,622,279

2009

	< 1 year	>1 to < 5 years	> 5 years	Total
		(In Thousands)		
Accounts and other payables	₱17,887,717	₱–	₱–	₱17,887,717
Short-term debt	1,630,900	–	–	1,630,900
Long-term debt	377,669	11,802,911	5,000,685	17,181,265
Deposits and other noncurrent liabilities	–	7,322,857	–	7,322,857
	₱19,896,286	₱19,125,768	₱5,000,685	₱44,022,739
Interest payable	₱1,303,314	₱3,867,795	₱785,666	₱5,956,775

Cash and cash equivalents, Short-term investments, financial assets at FVPL and treasury bonds and treasury bills classified as AFS financial assets are used for the Group's liquidity requirements. Please refer to the terms and maturity profile of these financial assets under the maturity profile of the interest-bearing financial assets and liabilities disclosed in the interest rate risk section. Treasury bonds with maturity of more than a year from December 31, 2010 are marketable securities and could be sold as and when needed, prior to its maturity in order to meet the Group's short-term liquidity needs.

Credit risk

The Group's credit risks are primarily attributable to installments receivable, rental receivables and other financial assets. To manage credit risks, the Group maintains defined credit policies and monitors its exposure to credit risks on a continuous basis.

In respect of installments receivable from the sale of properties, credit risk is managed primarily through credit reviews and an analysis of receivables on a continuous basis. The Group also undertakes supplemental credit review procedures for certain installment payment structures. The Group's stringent customer requirements and policies in place contribute to lower customer default than its competitors. Customer payments are facilitated through various collection modes including the use of post dated checks and auto-debit arrangements. Exposure to bad debts is not significant and the requirement for remedial procedures is minimal given the profile of buyers.

Credit risk arising from rental income from leasing properties is primarily managed through a tenant selection process. Prospective tenants are evaluated on the basis of payment track record and other credit information. In accordance with the provisions of the lease contracts, the lessees are required to deposit with the Group security deposits and advance rentals which helps reduce the Group's credit risk exposure in case of defaults by the tenants. For existing tenants, the Group has put in place a monitoring and follow-up system. Receivables are aged and analyzed on a continuous basis to minimize credit risk associated with these receivables. Regular meetings with tenants are also undertaken to provide opportunities for counseling and further assessment of paying capacity.

Other financial assets are comprised of cash and cash equivalents excluding cash on hand, short-term investments, financial assets at FVPL and AFS financial assets. The Group adheres to fixed limits and guidelines in its dealings with counterparty banks and its investment in financial instruments. Bank limits are established on the basis of an internal rating system that principally covers the areas of liquidity, capital adequacy and financial stability. The rating system likewise makes use of available international credit ratings. Given the high credit standing of its accredited counterparty banks, management does not expect any of these financial institutions to fail in meeting their obligations. Nevertheless, the Group closely monitors developments over counterparty banks and adjusts its exposure accordingly while adhering to pre-set limits.

The table below shows the maximum exposure to credit risk.

Statements of financial position items	2010	2009
	(In Thousands)	
Cash and cash equivalents (excluding cash on hand)	**₱18,005,371**	₱10,516,429
Short-term investments	**1,434,337**	4,560,976
Financial assets at FVPL	**404,008**	433,821
Accounts and notes receivable		
Trade:		
Residential development	**10,604,563**	9,440,041
Construction contracts	**1,029,300**	1,014,314
Shopping centers	**868,706**	846,493
Corporate business	**558,019**	423,701
Management fees	**61,190**	100,407
Others	**532,034**	304,559
Advances to other companies	**1,737,327**	1,667,718
Accrued receivable	**1,037,983**	899,367
Related parties	**1,451,449**	823,047
Receivables from employees	**464,104**	328,935
Investment in bonds classified as loans and receivables	**200,000**	200,000
AFS financial assets	**1,048,793**	1,893,584
	₱39,437,184	₱33,453,392

Given the Group's diverse base of counterparties, it is not exposed to large concentrations of credit risk. As of December 31, 2010 and 2009, the aging analysis of past due but not impaired trade receivables presented per class, follow:

2010

	Neither Past Due nor Impaired	Past Due but not Impaired <30 days	30-60 days	60-90 days	90-120 days	>120 days	Total	Impaired	Total
					(In Thousands)				
Trade:									
Residential development	₱9,587,103	₱482,614	₱141,617	₱83,867	₱88,673	₱228,257	₱1,025,028	₱9,555	₱10,621,686
Construction contracts	177,815	98,725	170,749	167,069	58,626	356,315	851,484	5,927	1,035,226
Shopping centers	393,540	70,211	55,930	43,766	53,052	158,419	381,378	247,513	1,022,431
Corporate business	406,655	11,251	54,019	42,502	30,536	13,056	151,364	–	558,019
Management fees	26,586	–	13,591	1,186	11,913	7,914	34,604	4,383	65,573
Others	499,099	18,867	6,150	1,853	319	5,746	32,935	63,902	595,936
Advances to other companies	1,590,208	38,088	2,897	5,035	21,877	78,978	146,875	12,618	1,749,701
Accrued receivable	1,037,983	–	–	–	–	–	–	–	1,037,983
Related parties	1,338,164	102,031	8,099	–	–	3,155	113,285	–	1,451,449
Receivables from employees	449,134	5,296	235	–	702	8,737	14,970	–	464,104
Investment in bonds classified as loans and receivables	200,000	–	–	–	–	–	–	–	200,000
	₱15,706,287	₱827,083	₱453,287	₱345,278	₱265,698	₱860,577	₱2,751,923	₱343,898	₱18,802,108

2009

	Neither Past Due nor Impaired	Past Due but not Impaired						Impaired	Total
		<30 days	30-60 days	60-90 days	90-120 days	>120 days	Total		
					(In Thousands)				
Trade:									
Residential development	₱8,712,971	₱257,246	₱123,152	₱72,163	₱64,695	₱213,267	₱730,523	₱9,555	₱9,453,049
Construction contracts	119,405	327,432	93,946	158,885	158,729	155,917	894,909	5,927	1,020,241
Shopping centers	402,454	100,177	65,896	45,914	35,008	143,080	390,075	230,910	1,023,439
Corporate business	287,621	21,278	8,265	13,809	599	92,129	136,080	–	423,701
Management fees	35,993	–	18,490	5,692	4,368	35,864	64,414	4,383	104,790
Others	247,070	–	–	–	–	–	–	60,035	307,105
Advances to other companies	1,492,404	2,018	6,058	8,335	869	166,954	184,234	6,054	1,682,692
Accrued receivable	899,367	–	–	–	–	–	–	–	899,367
Related parties	743,515	71,631	5,686	–	–	2,215	79,532	–	823,047
Receivables from employees	316,424	4,426	196	–	587	7,302	12,511	–	328,935
Investment in bonds classified as loans and receivables	200,000	–	–	–	–	–	–	–	200,000
	₱13,457,224	₱784,208	₱321,689	₱304,798	₱264,855	₱816,728	₱2,492,278	₱316,864	₱16,266,366

The table below shows the credit quality of the Company's financial assets as of December 31, 2010 and 2009:

<u>2010</u>

	Neither Past Due nor Impaired					Past Due but		
	High Grade	Medium Grade	Low Grade	Unrated	Total	not Impaired	Impaired	Total
					(In Thousands)			
Cash and cash equivalents	₱18,018,807	₱–	₱–	₱–	₱18,018,807	₱–	₱–	₱18,018,807
Short-term investments	1,434,337	–	–	–	1,434,337	–	–	1,434,337
Financial assets at FVPL	404,008	–	–	–	404,008	–	–	404,008
Accounts and notes receivables								
Trade:								
Residential development	6,768,122	1,428,390	1,390,591	–	9,587,103	1,025,028	9,555	10,621,686
Construction contracts	177,815	–		–	177,815	851,484	5,927	1,035,226
Shopping centers	246,843	144,833	1,864	–	393,540	381,378	247,513	1,022,431
Corporate business	402,624	3,880	151	–	406,655	151,364	–	558,019
Management fees	6,843	–	19,743	–	26,586	34,604	4,383	65,573
Others	447,444	–	–	–	447,444	84,590	63,902	595,936
Advances to other companies	1,614,777	2,666	19,857	–	1,637,300	99,783	12,618	1,749,701
Accrued receivable	1,037,983	–	–	–	1,037,983	–	–	1,037,983
Related parties	1,333,648	–	4,516	–	1,338,164	113,285	–	1,451,449
Receivable from employees	403,981	–	45,153	–	449,134	14,970	–	464,104
Investment in bonds classified as loans and receivables	200,000	–	–	–	200,000	–	–	200,000
AFS financial assets								
Unquoted	–	–	–	605,293	605,293	–	–	605,293
Quoted	443,500	–	–	–	443,500	–	–	443,500
	₱32,940,732	₱1,579,769	₱1,481,875	₱605,293	₱36,607,669	₱2,756,486	₱343,898	₱39,708,053

2009

	Neither Past Due nor Impaired					Past Due but		
	High Grade	Medium Grade	Low Grade	Unrated	Total	not Impaired	Impaired	Total
					(In Thousands)			
Cash and cash equivalents	₱10,528,726	₱–	₱–	₱–	₱10,528,726	₱–	₱–	₱10,528,726
Short-term investments	4,560,976	–	–	–	4,560,976	–	–	4,560,976
Financial assets at FVPL	433,821	–	–	–	433,821	–	–	433,821
Accounts and notes receivables								
Trade:								
Residential development	7,306,176	840,147	566,648	–	8,712,971	730,523	9,555	9,453,049
Construction contracts	119,405	–	–	–	119,405	894,909	5,927	1,020,241
Shopping centers	402,454	–	–	–	402,454	390,075	230,910	1,023,439
Corporate business	253,582	14,641	19,398	–	287,621	136,080	–	423,701
Management fees	11,765	–	24,228	–	35,993	64,414	4,383	104,790
Others	247,070	–	–	–	247,070	–	60,035	307,105
Advances to other companies	1,473,600	2,015	16,589	–	1,492,204	184,234	6,054	1,682,492
Accrued receivable	899,367	–	–	–	899,367	–	–	899,367
Related parties	630,171	31,457	81,887	–	743,515	79,532	–	823,047
Receivable from employees	305,803	–	10,621	–	316,424	12,511	–	328,935
Investment in bonds classified as loans and receivables	200,000	–	–	–	200,000	–	–	200,000
AFS financial assets								
Unquoted	–	–	–	497,503	497,503	–	–	497,503
Quoted	1,396,081	–	–	–	1,396,081	–	–	1,396,081
	₱28,768,997	₱888,260	₱719,371	₱497,503	₱30,874,131	₱2,492,278	₱316,864	₱33,683,273

The credit quality of the financial assets was determined as follows:

Cash and cash equivalents, short-term investments, financial assets at FVPL, AFS quoted equity securities - based on the nature of the counterparty and the Group's internal rating system

Receivables - high grade pertains to receivables with no default in payment; medium grade pertains to receivables with up to 3 defaults in payment; and low grade pertains to receivables with more than 3 defaults in payment

AFS financial assets - the unquoted financial assets are unrated

Interest rate risk
The Group's interest rate risk management policy centers on reducing the overall interest expense and exposure to changes in interest rates. Changes in market interest rates relate primarily to the Group's interest-bearing debt obligations with floating interest rate as it can cause a change in the amount of interest payments.

The Group manages its interest rate risk by leveraging on its premier credit rating and increasing the fixed interest component of its debt portfolio. The Company's ratio of fixed to floating rate debt stood at around 76:24 and 84:16 as of December 31, 2010 and 2009, respectively.

The following tables demonstrate the sensitivity of the Group's profit before tax and equity to a reasonably possible change in interest rates on December 31, 2010 and 2009, with all variables held constant, (through the impact on floating rate borrowings and changes in fair value of financial assets at FVPL and AFS financial assets):

2010

	Effect on income before income tax Increase (decrease)	
Change in basis points	**+ 100 basis points**	**- 100 basis points**
	(In Thousands)	
Financial assets at FVPL	**(₱576)**	**₱578**
Floating rate borrowings	**(49,337)**	**49,337**
	(49,913)	**₱49,915**

	Effect on equity Increase (decrease)	
Change in basis points	**+ 100 basis points**	**- 100 basis points**
	(In Thousands)	
AFS financial assets	**(₱4,447)**	**₱4,558**

2009

	Effect on income before income tax Increase (decrease)	
Change in basis points	+ 100 basis points	- 100 basis points
	(In Thousands)	
Financial assets at FVPL	(₱3,796)	₱3,846
Floating rate borrowings	(29,869)	29,869
	(₱33,665)	₱33,715

Change in basis points	Effect on equity Increase (decrease)	
	+ 100 basis points	- 100 basis points
	(In Thousands)	
AFS financial assets	(₱12,106)	₱12,438

The assumed change in rate is based on the currently observable market environment. There is no other impact on the Group's equity other than those already affecting the net income.

The terms and maturity profile of the interest-bearing financial assets and liabilities, together with their corresponding nominal amounts and carrying values are shown in the following table (in thousands):

2010

	Interest terms (p.a.)	Rate Fixing Period	Nominal Amount	< 1 year	1 to 5 years	> 5 years	Carrying Value
Group							
Cash and cash equivalents	Fixed at the date of investment	Various	₱18,018,807	₱18,018,807	₱–	₱–	₱18,018,807
Short-term investments	Fixed at the date of investment or revaluation cut-off	Various	1,434,337	1,434,337	–	–	1,434,337
Financial assets at FVPL	Fixed at the date of investment or revaluation cut-off	5 years	404,008	404,008	–	–	404,008
AFS financial assets	Fixed at the date of investment or revaluation cut-off	Various	219,540	–	219,540	–	219,540
Accounts and notes receivable	Fixed at the date of sale	Date of sale	9,369,504	6,077,743	1,567,152	474,348	8,119,243
			₱29,446,196	₱25,934,895	₱1,786,692	₱474,348	₱28,195,935
Company							
Short-term debt – US Dollar	Variable	Monthly	₱643,042	₱643,042	₱–	₱–	₱643,042
Long-term debt							
Fixed							
Peso	Fixed at 7.25% to 7.75%	5, 7 and 10 years	3,000,000	1,830,000	1,170,000	–	3,000,000
Peso	Fixed at 7.75% to 8.9%	5, 7 and 10 years	2,380,000	–	259,900	2,120,100	2,380,000
Peso	Fixed at 8.75%	5 years	4,000,000	–	4,000,000	–	4,000,000
Peso	Fixed at 5%	3 years	194,600	–	194,600	–	194,600
Peso	Fixed at 5%	3 years	204,030	–	204,030	–	204,030
Floating							
Peso	Variable at 0.96% over 91-day PDST-R1	Quarterly	10,000	–	10,000	–	10,000
Subsidiaries							
Short-term debt	Variable	Monthly, quarterly	2,247,000	2,247,000	–	–	2,247,000
Long-term debt							
Fixed							
Peso	Fixed at 5.5% to 9.72%	5 to 7 years	6,258,554	416,379	5,829,725	12,450	6,258,554
Floating							
Peso	Variable at 0.65% to 2.00% over 91-day PDST R1/R2	Quarterly	2,033,707	81,781	1,716,826	235,100	2,033,707
			₱20,970,933	₱5,218,202	₱13,385,081	₱2,367,650	₱20,970,933

2009

	Interest terms (p.a.)	Rate Fixing Period	Nominal Amount	< 1 year	1 to 5 years	> 5 years	Carrying Value
Group							
Cash and cash equivalents	Fixed at the date of investment	Various	₱10,528,726	₱10,528,726	₱–	₱–	₱10,528,726
Short-term investments	Fixed at the date of investment or revaluation cut-off	Various	4,560,976	4,560,976	–	–	4,560,976
Financial assets at FVPL	Fixed at the date of investment or revaluation cut-off	Various	433,821	20,476	413,345	–	433,821
AFS financial assets	Fixed at the date of investment or revaluation cut-off	Various	1,197,744	925,694	222,490	49,560	1,197,744
Accounts and notes receivable	Fixed at the date of sale	Date of sale	12,131,866	9,279,235	1,132,798	–	10,412,033
			₱28,853,133	₱25,315,107	₱1,768,633	₱49,560	₱27,133,300
Company							
Short-term debt – US Dollar	Variable at 2.30%	Monthly, quarterly	₱207,900	₱207,900	₱–	₱–	₱207,900
Long-term debt							
Fixed							
Peso	Fixed at 7.25% to 7.75%	5, 7 and 10 years	3,000,000	–	2,080,000	920,000	3,000,000
Peso	Fixed at 7.76% to 8.9%	5, 7 and 10 years	2,380,000	–	220,000	2,160,000	2,380,000
Peso	Fixed at 8.75%	5 years	4,000,000	–	4,000,000	–	4,000,000
Peso	Fixed at 5%	3 years	41,835	–	41,835	–	41,835
Floating							
Peso	Variable at 0.96% over 91-day PDST-R1	Quarterly	10,000	–	–	10,000	10,000
Subsidiaries							
Short-term debt	Variable ranging from 4.75% to 5.30%	Monthly, quarterly	1,423,000	1,423,000	–	–	1,423,000
Long-term debt							
Fixed							
Peso	Fixed at 6.97% to 9.72%	5 to 7 years	6,406,961	311,612	4,994,782	1,097,019	6,403,413
Floating							
Peso	Variable at 1.00% to 1.50% over 91-day PDST R1/R2	Quarterly	1,349,250	66,057	466,294	813,666	1,346,017
			₱18,818,946	₱2,008,569	₱11,802,911	₱5,000,685	₱18,812,165

Foreign currency risk
Financial assets and credit facilities of the Group, as well as major contracts entered into for the purchase of raw materials, are mainly denominated in Philippine Peso. The Group's placements in foreign currencies and the amount of foreign currency-denominated debt are minimal. As such, the Group's foreign currency risk is minimal.

The following table shows the Group's consolidated foreign currency-denominated monetary assets and liabilities and their peso equivalents as of December 31, 2010 and 2009:

	2010		2009	
	US Dollar	**Php Equivalent**	US Dollar	Php Equivalent
	(In Thousands)			
Financial Assets				
Cash and cash equivalents	**$35,316**	**₱1,549,499**	$17,621	₱816,860
Short-term investments	**5,404**	**236,896**	6,576	303,799
Accounts and notes receivable - net	**4,472**	**196,045**	6,610	305,369
Total	**$45,192**	**1,982,440**	30,807	1,426,028
Financial Liabilities				
Accounts and other payables	**1,008**	**44,178**	132	6,096
Short-term debt	**14,668**	**643,042**	4,500	207,900
Total	**15,676**	**687,220**	4,632	213,996
Net foreign currency denominated assets	**$29,516**	**₱1,295,220**	$26,175	₱1,212,032

The following table demonstrates the sensitivity to a reasonably possible change in the Philippine peso-US dollar exchange rate, with all variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities) and the Group's equity.

	Effect on profit before tax Increase (decrease)	
Change in exchange rate	**2010**	2009
	(In Thousands)	
₱1.00	**₱29,516**	₱26,175
(₱1.00)	**(₱29,516)**	(₱26,175)

There is no other impact on the Group's equity other than those already affecting the net income.

Price risk
AFS financial assets are acquired at a certain price in the market. Such investment securities are subject to price risk due to changes in market values of instruments arising either from factors specific to individual instruments or their issuers or factors affecting all instruments traded in the market. Depending on several factors such as interest rate movements, country's economic performance, political stability, domestic inflation rates, these prices change, reflecting how market participants view the developments.

The analysis below demonstrates the sensitivity to a reasonably possible change of market index with all other variables held constant, of the Group's equity (in thousands).

	Effect on equity Increase (decrease)	
Change in PSEi index	**2010**	2009
	(In Thousands)	
+5%	**₱176**	₱513
-5%	**(144)**	(98)

31. Segment Information

The industry segments where the Group and its associates and joint ventures operate follow:

Core business:

- Shopping centers - development of shopping centers and lease to third parties of retail space and land therein; operation of movie theaters, food courts, entertainment facilities and carparks in these shopping centers; management and operation of malls which are co-owned with partners
- Corporate business - development and lease or sale of office buildings; sale of industrial lots and lease of factory building
- Residential developments - sale of high-end and upper middle-income residential lots and units, affordable housing units and lots, economic housing and leisure community developments; lease of residential developments under joint venture
- Strategic landbank management and Visayas-Mindanao - acquisition, development and sale of large-scale, mixed-use, masterplanned communities; sale of override units or the Company's share in properties made available to subsidiaries for development; lease of gas station sites and carparks outside Ayala Center. This also includes development, sale and lease, shopping centers and residential developments of the Group's product offerings in key cities in the Visayas and Mindanao regions
- Construction - land development and construction of the Group and third-party projects

Support Businesses:

- Hotels and Resorts - development and management of hotels and resorts/serviced apartments and lease of land to hotel tenants
- Property management - facilities management of the Group and third-party projects
- Others - other income from investment activities and sale of non-core assets.

In 2010, the Visayas-Mindanao business segment was combined with Strategic Landbank Management.

The Company and its subsidiaries generally account for inter-segment sales and transfers as if the sales and transfers were to third parties at current market prices.

Business segments
The following tables regarding business segments present assets and liabilities as of December 31 and revenue and profit information for each of the three years in the period ended December 31 (in millions).

2010

	Shopping Centers	Corporate Businesses	Residential Development	Strategic Landbank Management and Visayas-Mindanao	Construction	Support Businesses	Corporate	Intersegment Adjustments	Consolidated
Revenue									
Sales to external customers	₱4,597	₱2,402	₱16,404	₱3,149	₱6,177	₱2,679	₱–	₱–	₱35,408
Intersegments sales	404	–	157	467	3,514	194	–	(4,736)	–
Equity in net earnings of associates and jointly controlled entities	250	–	–	620	–	–	36	–	906
Total revenue	5,251	2,402	16,561	4,236	9,691	2,873	36	(4,736)	36,314
Operating expenses	2,875	1,261	13,251	2,693	9,388	2,506	1,134	(4,972)	28,136
Operating profit	2,376	1,141	3,310	1,543	303	367	(1,098)	236	8,178
Interest income									1,065
Interest expense and other financing charges									(1,539)
Other income									434
Other charges									(278)
Provision for income tax									(1,572)
Net income									₱6,288
Net income attributable to:									
Equity holders of Ayala Land, Inc.									₱5,458
Noncontrolling interests									830
									₱6,288

(Forward)

	Shopping Centers	Corporate Businesses	Residential Development	Strategic Landbank Management and Visayas-Mindanao	Construction	Support Businesses	Corporate	Intersegment Adjustments	Consolidated
Other Information									
Segment assets	₱22,785	₱24,119	₱75,887	₱10,378	₱8,546	₱6,329	₱40	(₱38,701)	₱109,383
Investment in associates and jointly controlled entities	2,119	501	–	8,226	–	–	–	–	10,846
	24,904	24,620	75,887	18,604	8,546	6,329	40	(38,701)	120,229
Deferred tax assets									2,073
Total assets									₱122,302
Segment liabilities	₱8,930	₱6,879	₱24,436	₱3,001	₱6,984	₱1,198	₱13,121	(₱8,315)	₱56,234
Deferred tax liabilities									598
Total liabilities									₱56,832
Segment additions to:									
Property and equipment	₱61	₱9	₱211	₱2	₱–	₱724	₱139	₱–	₱1,146
Investment properties	1,664	1,246	–	–	–	–	–	–	2,910
Depreciation and amortization	₱638	₱454	₱94	₱277	₱–	₱282	₱62	₱–	₱1,807
Non-cash expenses other than depreciation and amortization	₱–	₱–	₱–	₱–	₱–	₱–	₱–	₱–	₱–
Impairment losses	₱–	₱–	₱–	₱–	₱–	₱–	₱–	₱–	₱–

2009

	Shopping Centers	Corporate Businesses	Residential Development	Strategic Landbank Management and Visayas-Mindanao	Construction	Support Businesses	Corporate	Intersegment Adjustments	Consolidated
Revenue									
Sales to external customers	₱4,443	₱1,993	₱14,002	₱2,342	₱2,714	₱2,244	₱–	₱–	₱27,738
Intersegments sales	446	–	275	253	5,487	212	–	(6,673)	–
Equity in net earnings of associates and jointly controlled entities	176	–	–	788	–	–	4	–	968
Total revenue	5,065	1,993	14,277	3,383	8,201	2,456	4	(6,673)	28,706
Operating expenses	2,700	1,078	11,676	1,971	7,767	2,155	862	(6,400)	21,809
Operating profit	2,365	915	2,601	1,412	`434	301	(858)	(273)	6,897
Interest income									1,117
Interest expense and other financing charges									(1,345)
Other income									632
Other charges									(1,455)
Provision for income tax									(1,165)
Net income									₱4,681
Net income attributable to:									
Equity holders of Ayala Land, Inc.									₱4,039
Noncontrolling interests									642
									₱4,681
Other Information									
Segment assets	₱18,410	₱18,832	₱59,806	₱10,595	₱6,466	₱2,760	₱9,938	(₱30,941)	₱95,866
Investment in associates and jointly controlled entities	2,093	–	–	8,253	–	–	452	–	10,798
	20,503	18,832	59,806	18,848	6,466	2,760	10,390	(30,941)	106,664
Deferred tax assets									1,078
Total assets									₱107,742
Segment liabilities	₱7,392	₱5,678	₱18,771	₱3,571	₱5,060	₱1,246	₱12,616	(₱5,922)	₱48,396
Deferred tax liabilities									151
Total liabilities									₱48,547
Segment additions to:									
Property and equipment and investment properties	₱1,131	₱431	₱154	₱458	₱–	₱151	₱3,218	(₱648)	₱4,895
Depreciation and amortization	₱967	₱361	₱76	₱11	₱108	₱147	₱117	₱–	₱1,787
Non-cash expenses other than depreciation and amortization	₱80	₱–	₱87	₱1,112	₱4	₱1	₱3	₱–	₱1,287
Impairment losses	₱80	₱–	₱29	₱617	₱4	₱1	₱3	₱–	₱734

2008

	Shopping Centers	Corporate Businesses	Residential Development	Strategic Landbank Management and Visayas-Mindanao	Construction	Support Businesses	Corporate	Intersegment Adjustments	Consolidated
Revenue									
Sales to external customers	₱4,281	₱1,088	₱14,960	₱1,904	₱5,689	₱2,358	₱–	₱–	₱30,280
Intersegments sales	348	–	472	–	4,490	221	–	(5,531)	–
Equity in net earnings of associates and jointly controlled entities	138	14	–	777	–	–	(44)	–	885
Total revenue	4,767	1,102	15,432	2,681	10,179	2,579	(44)	(5,531)	31,165
Operating expenses	2,689	689	12,535	1,506	9,642	2,135	1,093	(5,831)	24,458
Operating profit	2,078	413	2,897	1,175	537	444	(1,137)	300	6,707
Interest income									1,262
Interest expense and other financing charges									(1,050)
Other income									1,321
Other charges									(792)
Provision for income tax									(2,065)
Net income									₱5,383
Net income attributable to:									
Equity holders of Ayala Land, Inc.									₱4,812
Noncontrolling interests									571
									₱5,383
Other Information									
Segment assets	₱17,250	₱15,971	₱57,823	₱11,593	₱7,163	₱3,252	₱4,668	(₱27,842)	₱89,878
Investment in associates and jointly controlled entities	2,521	–	–	7,103	–	–	292	–	9,916
	19,771	15,971	57,823	18,696	7,163	3,252	4,960	(27,842)	99,794
Deferred tax assets									795
Total assets									₱100,589
Segment liabilities	₱7,142	₱5,042	₱17,345	₱3,134	₱5,893	₱1,413	₱11,051	(₱5,772)	₱45,248
Deferred tax liabilities									162
Total liabilities									₱45,410
Segment additions to property and equipment and investment properties	₱1,967	₱1,389	₱273	₱880	₱172	₱267	₱54	₱–	₱5,002
Depreciation and amortization	₱761	₱189	₱50	₱2	₱100	₱53	₱103	₱–	₱1,258
Non-cash expenses other than depreciation and amortization	₱49	₱–	₱–	₱379	₱11	₱–	₱23	₱–	₱462
Impairment losses	₱49	₱–	₱–	₱379	₱11	₱1	₱23	₱–	₱463

32. Registration with Philippine Economic Zone Authority (PEZA) / Board of Investments (BOI)

LTI is registered with PEZA on October 27, 1999 as a non-pioneer "ecozone developer/operator" The PEZA registration entitled the subsidiary to a four-year income tax holiday from the start of its commercial operations. At the expiration of its four-year tax holiday, the subsidiary pays income tax at the special tax rate of 5% on its gross income earned from sources within the PEZA economic zone in lieu of paying all national and local income taxes.

Likewise, Ceci Realty, Inc. also became registered with PEZA in 2007 as the "developer/operator" of the Lakeside Evozone.

Glensworth Development, Inc., a wholly owned subsidiary of APPCo, is registered with PEZA as an Economic Zone Information IT Facility Enterprise to construct a 4-storey building at the Lakeside Evozone, Barangay Sta. Rosa, Laguna for lease to PEZA-registered enterprises. As a PEZA-registered enterprise, the Company is entitled to incentives which, among others, include a lower income tax rate of 5% on gross income in lieu of all national and local taxes.

33. Leases

Operating Leases - Group as Lessor

The Group entered into lease agreements with third parties covering its investment property portfolio. These leases generally provide for either (a) fixed monthly rent, or (b) minimum rent or a certain percentage of gross revenue, whichever is higher.

Future minimum rentals receivable under noncancellable operating leases of the Group follow:

	2010	2009
	(In Thousands)	
Within one year	**₱1,533,305**	₱1,616,618
After one year but not more than five years	**4,239,072**	4,789,404
More than five years	**1,820,845**	3,349,840
	₱7,593,222	₱9,755,862

Operating Leases - Group as Lessee

The Group entered into lease agreements with third parties. These leases generally provide for either (a) fixed monthly rent, or (b) minimum rent or a certain percentage of gross revenue, whichever is higher.

Future minimum rentals payable under noncancellable operating leases of the Group follow:

	2010	2009
	(In Thousands)	
Within one year	**₱124,318**	₱104,581
After one year but not more than five years	**491,173**	418,323
More than five years	**1,360,828**	1,359,550
	₱1,976,319	₱1,882,454

34. Interest in a Joint Venture

MDC has a 51% interest in MDC-FBIJV (the Joint Venture), a jointly controlled operation whose purpose is to design and build St. Luke's Medical Center (the Project) in Fort Bonifacio Global City, Taguig.

The Project, which started on January 31, 2007, is a world-class medical facility comprising, more or less, of a 611-bed hospital and a 378-unit medical office building, with an approximate gross floor area of 154,000 square meters, which meets international standards, and all standards and guidelines of applicable regulatory codes of the Philippines and complies with the criteria of the Environment of Care of the Joint Commission International Accreditation. The project was completed on October 30, 2009 and 2010 activities mainly pertain to winding down operations and punch listing works.

The share in the assets, liabilities, income and expenses of the Joint Venture at December 31, 2010 and 2009 and for the years then ended, which are included in the consolidated financial statements follow:

	2010	2009
	(In Thousands)	
Current assets		
Cash and cash equivalents	**₱30,384**	₱150,805
Receivables	**130,928**	188,416
Amounts due from customers for contract work	**8,415**	61,379
Materials, parts and supplies	**–**	–
Other current assets	**53,780**	49,719
Property and equipment - net	**1**	22
Total assets	**₱223,508**	₱450,341
Total liabilities	**₱109,349**	₱227,024

The following is the share of the Joint Venture on the net income of the Joint Venture:

	2010	2009
	(In Thousands)	
Revenue from construction contracts	**₱20,841**	₱835,615
Contract costs	**(31,702)**	(730,779)
Interest and other income (expense)	**4,833**	(583)
Income (loss) before income tax	**(6,028)**	104,253
Provision for income tax	**(115)**	(831)
Net income (loss)	**(₱6,143)**	₱103,422

The Joint Venture's Management Board declared and paid cash dividends amounting to ₱185.3 million and ₱200.0 million in 2010 and 2009, respectively. Based on 51% share, MDC received ₱94.5 million and ₱102.0 million cash dividends in 2010 and 2009, respectively.

Provision for income tax pertains to the final tax on interest income.

35. Long-term Commitments and Contingencies

Commitments

The Company and Manila Water Company (MWC) entered into a joint venture agreement to establish a water utility services company which will manage and operate all water systems in Nuvali, as well as, adjacent projects of the Company in Laguna. The joint venture company has not been established as of December 31, 2010.

The Company has signed a 50-year lease agreement with the Subic Bay Metropolitan Authority (SBMA), for the development of a 7.5-hectare property along Rizal Highway within the Subic Bay Freeport Zone, located between the two main gates linking the Freeport Zone to Olongapo City.

On October 27, 2006, a subsidiary entered into a land lease agreement with a third party for a term of 25 years. The lease generally provides for a monthly rent based on a certain percentage of gross revenue.

The Company has an existing contract with BCDA to develop, under a lease agreement a mall with an estimated gross leasable area of 152,000 square meters on a 9.8-hectare lot inside Fort Bonifacio. The lease agreement covers 25 years, renewable for another 25 years subject to reappraisal of the lot at market value. The annual fixed lease rental amounts to ₱106.5 million while the variable rent ranges from 5% to 20% of gross revenues. Subsequently, the Company transferred its rights and obligations granted to or imposed under the lease agreement to SSECC, a subsidiary, in exchange for equity.

As part of the bid requirement, the Company procured a performance bond in 2003 from the Government Service Insurance System in favor of BCDA amounting to ₱3.9 billion to guarantee the committed capital to BCDA. Moreover, SSECC obtained standby letters of credit to guarantee the payment of the fixed and variable rent as prescribed in the lease agreement.

On April 15, 2003, the Company entered into a Joint Development Agreement (JDA) with BCDA for the development of lot (the Lot) inside Fort Bonifacio with a gross area of 11.6 hectares for residential purposes. Pursuant to the JDA, BCDA shall contribute the title and its interest to the lot and the Company in turn shall provide the necessary cash and expertise to undertake and complete the implementation of the residential development.

Also, in accordance with the JDA, the Company shall pay an upfront cash of ₱700.0 million as advance payment for the aggregate of BCDA's annual minimum revenue share for the first 8 selling periods of the residential project, which shall be liquidated based on the terms of the JDA.

On March 24, 2004, the Company and Alveo Land Corporation, executed an Assignment Agreement pursuant to the terms and condition of which the Company assigned to Alveo all of its rights and interest under the JDA to undertake jointly with BCDA the development of the Lot.

MDC, in the normal course of business, furnishes performance bonds in connection with its construction projects. These bonds shall guarantee MDC's execution and completion of the work indicated in the respective construction contracts.

Contingencies
The Group has various contingent liabilities arising in the ordinary conduct of business which are either pending decision by the courts or being contested, the outcome of which are not presently determinable.

In the opinion of management and its legal counsel, the eventual liability under these lawsuits or claims, if any, will not have a material or adverse effect on the Group's financial position and results of operations.

36. Events after the reporting period

On February 9, 2011, the Company has received the notice of award dated January 28, 2011 for the ₱3.0 billion development of a 7.4-hectare lot at the University of the Philippines' Diliman East Campus, also known as the UP Integrated School, along Katipunan Avenue, Quezon City.

The Company will sign a 25-year lease contract for the property, with an option to renew it for another 25 years by mutual agreement. The project will involve the construction of a retail establishment with 63,000 square meters of available gross leasable area and a combination of headquarter-and-BPO-office type buildings with an estimated 8,000 square meters of GLA.