AyalaLand

We are committed to national development with a strategy to develop multiple growth centers across the country. We will maintain our leadership in real estate through innovative, sustainable and high quality developments that enhance and uplift the standard of living for more Filipinos, in more locations, and that address a broad range of segments and customer needs.

Ayala Land, Inc.
2010 Integrated Annual and Sustainability Report

Our Cover

For over seven decades, Ayala has been fulfilling dreams. From subdivision lots to a wide variety of residential products at multiple price points, from simple office buildings to modern central business districts, from stand-alone developments to fully-integrated mixed-use communities, our strategy has always focused on improving lives and livelihood through innovative, responsible and sustainable property development. This is the path to a future that we envision for our nation and for every Filipino.

About this Integrated Annual and Sustainability Report

Sustainable development has always been one of our key guiding principles. In 2008 we formalized this approach with the publication of our first Sustainability Report. As we continue to more closely integrate and embed sustainability concepts and practices into our strategies and business models, we decided to issue a single, fully integrated Annual and Sustainability Report last year. This was compliant with Global Reporting Initiative (GRI) B-level guidelines and reported on 37 GRI performance indicators. We are proud to have continued our progression as we are now reporting on a total of 57 performance indicators for 2010. This year's report is also self-declared at GRI application level B.

The sustainability portion of this report, whose coverage is aligned with our fiscal year, discusses the performance of the parent company, Ayala Land, Inc., and subsidiaries Alveo Land Corporation, Avida Land Corporation, Ayala Property Management Corporation, and Makati Development Corporation. It excludes the sustainability performance data of Cebu Holdings, Inc., which is reported in its own integrated annual and sustainability report. This report contains reviews and commentaries from representatives of some of our most important stakeholders. Their views are their own, and based strictly on their experience and understanding of how we conduct our business as a Company. We believe that the inclusion of this feature makes this integrated report much more meaningful.

This and our previous reports may be downloaded from our website at *www.ayalaland.com.ph*, where we have posted a feedback form. We hope that you can share your views and comments with us. We intend to keep improving the standards of both our sustainability practices and reporting in the years to come and your feedback is a very important part of this process. Alternatively, you may also contact us about this report and its contents via email at *integratedreport@ayalaland.com.ph*.

Enhancing Land and Enriching Lives, for More People

Our vision is to enhance our standing and reputation as the Philippines' leading real estate developer and to be a strong partner in nation building. By developing integrated, masterplanned and sustainable mixed-use communities in vibrant growth centers all over the country, we strive to continually elevate the quality of life for all of our customers.

We shall be a responsible corporate citizen and act with integrity, foresight and prudence. We shall empower our employees to deliver products that exceed our customers' expectations and build long-term value for our shareholders.

2010 in Review

Our Businesses

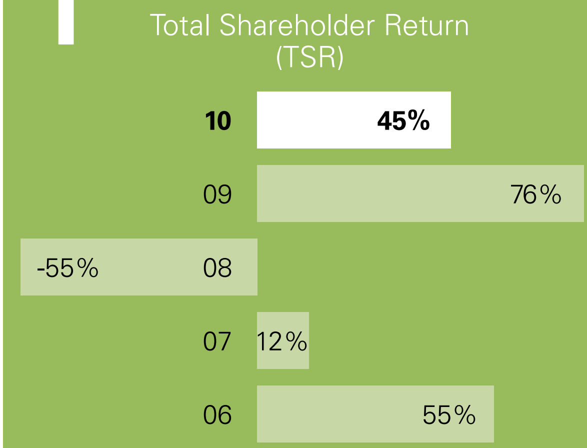
Corporate Governance

Sustainability Report

Financial Review

How did we do?
Year in Summary

1



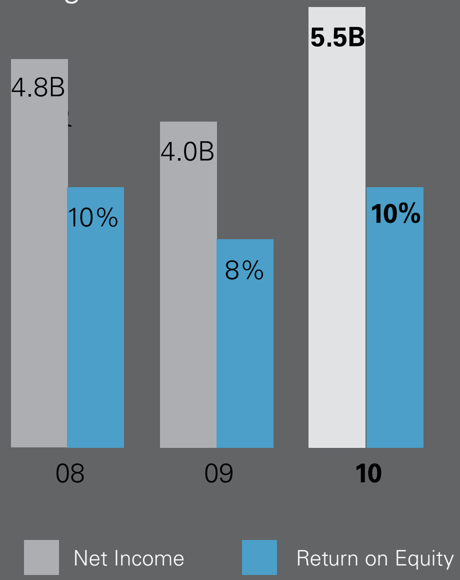
45%
Total Shareholder Return

We raised the dividend payout ratio from 16% to 30% and increased total cash dividends paid to Php1.2 billion, from Php780 million in 2009.

2

Php5.5B
Net Income After Tax

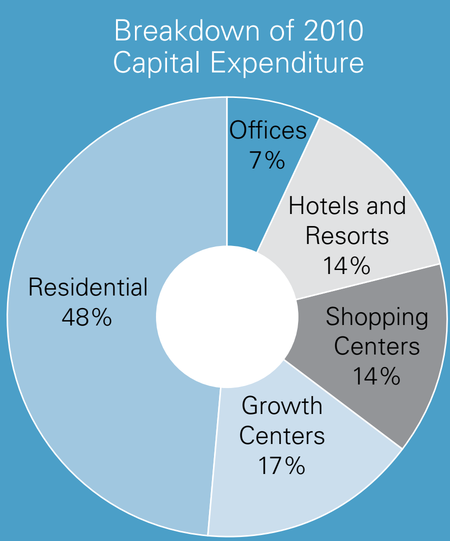
We achieved a record net income of Php5.5 billion, 35% higher than in 2009.



3

Php20.1B
Capital Expenditure

We spent Php20.1 billion in capital expenditure, a new record and 28% higher than in 2009.



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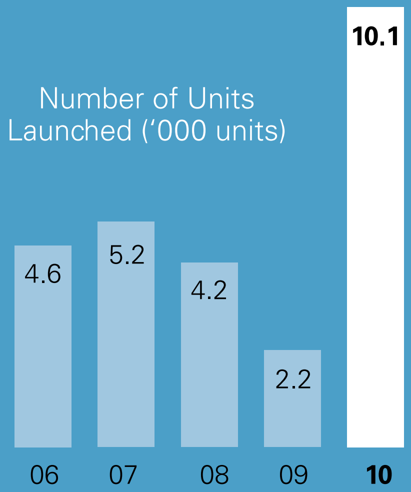
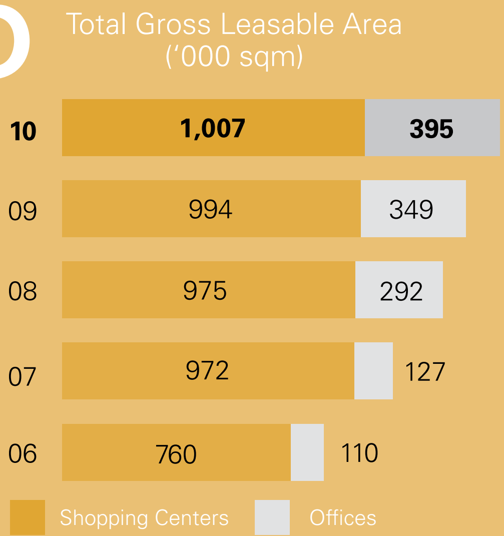


10,115
Residential units launched

We launched the most number of residential units in the Company's history, nearly 2.5x the average of the previous four years.

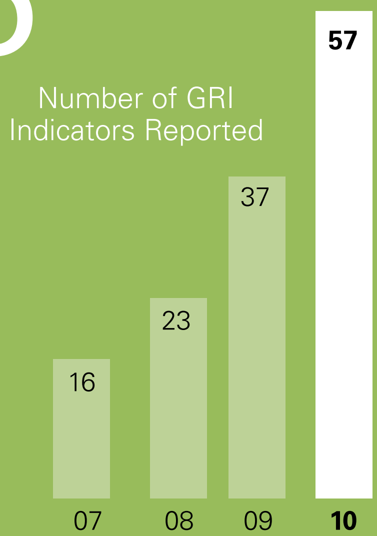
5



1.4M
Square meters of total commercial leasing GLA

We also began construction on 10 shopping centers and 13 BPO office buildings which will add another 267,000 square meters of GLA to the portfolio.

6



54%
Increase in sustainability performance metrics reported

We maintained GRI B-level reporting, with stakeholder commentaries.


"Our thoughts, our messages..."

CHAIRMAN'S LETTER

Key Points

- Very positive outlook for Philippine property sector
- Landmark year, with strong performance across all businesses
- 45% increase in Total Shareholder Return (TSR)

My fellow shareholders,

One of the core values of Ayala Land is a commitment to national development. What better way to demonstrate this commitment than by extending the coverage of our product portfolio to more segments and more places in the Philippines? In our efforts to progress as a property developer with truly nationwide coverage, our most basic goal is to continually uplift the standard of living for more and more households, office workers, shoppers and even tourists across the country.

Twelve months ago, we communicated a bold strategy designed to enable Ayala Land to achieve some ambitious financial targets. We spoke to you about moving into new products, segments and geographic markets. I am very pleased to report that in our strategy's first full year of implementation, we have made significant progress against these goals. Our record financial and operating results will be discussed at length in the President's Message and in other sections of this Integrated Annual and Sustainability Report.

These are indeed very exciting times for the Philippine real estate market. Driven by solid macroeconomic fundamentals and a positive leadership change in the 2010 national elections, there has been, and continues to be, genuine excitement about Philippine growth and investment prospects. Expectations for above-trend GDP growth, record levels of liquidity, a favorable interest rate environment, robust overseas Filipino remittances, and a strong government push to facilitate much needed investment in infrastructure all benefit the property sector.

The result has been a landmark year with significant improvement in the performance and outlook across all of our major business lines. Driven by improving product affordability and the increased availability of mortgage financing, we have seen a significant increase in residential demand across all price points. To meet this demand, we launched in excess of 10,000 residential housing units in 2010, or nearly 2.5 times our average for the preceding four years. This resulted in a doubling of our sales take-up to more than Php33 billion for the year, and a much stronger competitive position in more residential segments.

Consumer spending and the demand for retail space, meanwhile, remain as strong as ever. We also saw a major improvement in the recovery of the business process outsourcing sector following a challenging year in 2009. The inherent attractiveness of Philippine tourism has also been attracting more attention on the national agenda, setting up some very interesting opportunities for hotels and resorts. While product supply and the competition for these opportunities have also been increasing, we feel that the growth in demand has been strong enough to ensure that the market remains fundamentally very attractive, especially for leading and innovative players.

Coupling the buoyant prospects of the property sector with our commitment to delivering value and results at both the product and the corporate level, it is not surprising that we received very strong support both from our customers and our investors. We spent a considerable amount of time last year communicating our plans, initiatives and results in face-to-face meetings with existing and prospective institutional investors in all of our major global markets. I am delighted to share that the response and support has been overwhelmingly positive and, as a result, our shareholders were rewarded with a 45% increase in Total Shareholder Return for 2010. In addition to the increase in our stock price, we also doubled our cash dividend as we increased the dividend payout ratio from 16% to 30%. And as previously communicated, we plan on increasing this dividend again every year until we reach what we feel is a sustainable ratio of 50% by 2014. I believe that this is something that many of you will certainly look forward to.

We do recognize, however, that challenges remain especially with intensifying competition and heightened expectations. Rest assured that we have a very capable management team and organization which are fully committed to overcoming the execution challenges posed by our ambitious targets, chief among which is how to achieve such high growth rates with the same or only a minimal increase in human resources. In the sections that follow, you will be able to read about our process improvements and how we are also changing as an organization with the goal of being able to "work smarter and do more with less." With this mindset, we are confident that we can sustain last year's momentum and success.

In closing, I would like to thank the Board of Directors, the management team, and our colleagues at Ayala Land for their contributions to a truly transformational and landmark year for your Company. We wish to extend our gratitude as well to our shareholders, our partners, and all our customers for your continued support.

Thank you.

FERNANDO ZOBEL DE AYALA
CHAIRMAN

PRESIDENT'S MESSAGE

Key Points

- Record financial results
- Entered new markets and significantly increased project launches and activity levels
- On-track with respect to our "5-10-15" Plan
- Significant progress on sustainability
- New approaches and initiatives for "working smarter"

"Our activity levels were simply unprecedented as we launched a total of 57 projects with a total investment value of more than Php62 billion – much more than at any other time in your Company's history"

To our valued shareholders,

As mentioned by our Chairman in his letter, 2010 has been an exceptionally good year for Ayala Land. We achieved record financial results and gained significant traction and momentum in the first year of the implementation of our new strategy. This is designed to bring your Company to unprecedented levels of growth, breadth and reach in its product portfolio, and financial performance.

In 2010, we achieved record sales for our residential businesses and improved the operating performance of our major investment properties. These resulted in a record net income after tax of Php5.5 billion, 35% higher than in 2009 and 13% more than the previous record high of Php4.8 billion recorded in 2008. Our consolidated revenues also grew to Php37.8 billion, 24% more than the previous year. We also spent a total of Php20.1 billion in capital expenditure for the year, which was also a new record and 24% higher than the previous year. A more thorough discussion of your Company's financial and operating results can be found in the Management's Discussion and Analysis section of this Integrated Annual and Sustainability Report, which starts on page 116.

A Year Of Significant "Firsts"

With our record results, 2010 had a number of key highlights as well as several significant "firsts". Our activity levels were simply unprecedented as we launched a total of 57 projects with a total investment value of more than Php62 billion – much more than at any other time in your Company's history.

As part of our new strategic direction, we expanded our traditional products in more locations across the country and also introduced new products that cater to a broader base of the Philippine economic pyramid. With a strong residential market, for example, we launched a record number of 10,115 units which was nearly 2.5 times our average annual run-rate from the previous four years. These included our launch of the first two towers of Park Terraces, which is part of our Php20 billion Ayala Center redevelopment project in the Makati central business district, our initial foray into the economic housing segment through AmaiaScapes in Laguna, and our first Avida projects in Bonifacio Global City (BGC), Alabang and Cebu. I am happy to report that all of these were very well received by the market.

We also expanded into new geographies and began to build our presence in five new growth centers outside Mega Manila – Subic, Baguio, Iloilo, Cagayan de Oro, and Palawan. These are in addition to the expansion in our existing growth centers, all of which are being strengthened either through continued build-out or through redevelopment efforts. We also secured parcels of land in Fairview in Quezon City, Mandaluyong City and Laguna where we plan to develop future mixed-use communities and provide growth platforms for our businesses.

In addition, we tapped into new business opportunities that will enable us to diversify our portfolio further. In our retail leasing operations, for example, we opened our first neighborhood center in the Ayala Triangle Gardens in time for the Christmas holiday season and this proved to be a huge hit with the public. On top of this, we also launched a number of strategically-located retail centers across the country in areas such as Iloilo, Baguio, and Subic. In the office segment, we broke ground on a number of our business process outsourcing (BPO) office buildings in various provincial centers nationwide, which have been identified as "Next Wave BPO Cities" under the Business Processing Association of the Philippines Roadmap.

We have also been strong believers in our country's potential for both international and domestic tourism. We made our first investment into eco-tourism with our acquisition of a 60% stake in the Ten Knots Group, which owns and manages the El Nido Resorts in Palawan. Equally significant, we launched and broke ground on our first Kukun businessman's hotels in BGC and Davao. These are the first of a series of Ayala Land branded, owner-operated businessman's hotels that we will be launching in various locations over the next few years.

Finally, we also launched our first direct international investment by entering into an equity joint venture agreement with the Sino-Singapore Tianjin Eco-City Investment and Development Co. Ltd. for the development of a 19-tower residential project on a 9.8-hectare parcel of land inside Tianjin Eco-City, China. Apart from the prestige of being among the best developers in the region to be part of this new eco-city, the engagement also offers plenty of opportunities for us to learn and adopt best practices in construction management and procurement which will ultimately allow us to lower the construction and operating costs for our domestic projects.

Strong Performance Against Our Four-Pillar Strategy

Recall that with our "5-10-15" Plan, we intend to achieve, within five years (or by 2014), Php10 billion in after-tax net income and a return on equity of 15%. Supporting these five-year targets are our four key pillars: Growth, Margin Improvement, Capital Efficiency, and Organizational Development. Many investors and analysts were taken by surprise that we would take on such a bold challenge but everyone we spoke to was nevertheless pleased that we are pursuing this. Measured against the objectives we set for ourselves a year ago, I am happy to report that we have been able to deliver and are on track to achieving these ambitious targets. Table 1 summarizes some of our key accomplishments for 2010. A more in depth discussion of these will be found in the CFO and Compliance Officer's Report and in the Business Review sections that follow.

Table 1. Our 2010 Accomplishments vis-à-vis the Four Pillar Strategy

STRATEGY	OBJECTIVE	ACCOMPLISHMENT
GROWTH	Increase project launches in new and existing growth centers	Launched nearly 2.5X the average number residential units from 2004-09
		Broke ground on 165K sqm GLA for shopping centers and 103K sqm GLA for BPO office buildings
	Extend footprint into new geographies	Launched projects in Iloilo, Subic, Palawan, Cagayan de Oro, and Baguio; acquired new land in key strategic areas
	Pursue new business opportunities	Entered into economic housing segment (Amaia) and eco-tourism (El Nido resorts); launched first businessman's hotels (Kukun); opened first neighborhood center (Restaurants at the Ayala Triangle Gardens)
	Leverage synergies within business units and with Ayala Group	Signed MoA with Manila Water Company for water distribution and treatment facilities for NUVALI
MARGIN IMPROVEMENT	Improve product margins and reduce corporate overhead	Improved 2010 consolidated NIAT margin to 14%, from 13% in 2009; reduced GAE-to-Revenue ratio from 9% to 8%
	Reduce development costs	Completed first phase of integration of Construction Management Group with Makati Development Corp.
	Generate more procurement savings	Significant savings generated from e-bidding, tighter negotiations with suppliers, increased partnering and international sourcing
CAPITAL EFFICIENCY	Prioritize asset-light approach to landbanking and development	6 of 14 land acquisition deals completed in 2010 were done via joint-development agreements or long-term leases
	Increase cash dividend payout	Increased cash dividend payout to 30%, from 16% in 2009
	Prepare for Real Estate Investment Trust (REIT) listing	Incorporated Ayala Land Commercial REIT, Inc. for possible REIT IPO in 2011
	Increase leverage within debt capacity	Raised Php2.5 billion in short- and long-term debt
	Optimize rates and tenors	Achieved at least 50-basis point discount on term loan rates versus peer companies
ORGANIZATIONAL DEVELOPMENT	Strengthen risk management organization and processes	Implemented EWRM system; transformed Audit Committee to Audit and Risk Committee
	Focus on management and leadership development	Implemented "Professionals-in-Development" training program
	Enhance decision and backroom support systems	Outsourced transactional finance functions and enhanced business information systems

Progress on Sustainability

The pursuit of sustainability – in our developments, operations and the communities we affect – continues to be a very important objective for your Company. To this end, we have continued to expand the monitoring of our sustainable practices across the organization. As of the end of last year, we were able to measure, track and report on 57 performance indicators as defined by the Global Reporting Initiative – a 54% increase from the 37 indicators we reported on and monitored in 2009.

Within this framework, we continue to integrate and embed sustainability principles and practices in our various projects. One of the areas we have focused on, in partnership with many of our suppliers, is green procurement. Last year, our purchasing practices were recognized by the Green Procurement Practices Award at the Greening the Supply Chain Conference and Exhibit held at BGC. We are also pleased that our efforts have been recognized internationally as your Company earned the prestigious LEED® Green Building Certification for One Evotech in NUVALI. One Evotech was recognized with the LEED Silver Certification for its sustainable location, efficiency in energy and water usage, use of sustainable construction materials and efficient design of its indoor environment. All these and other aspects of how we are planning for and promoting sustainability in everything we do is covered in detail in the second half of this Integrated Annual and Sustainability Report, which starts on page 72.

A Different Approach

Our commitment to deliver more products, in more segments, and in more areas around the country is a complex organizational challenge. The questions, "How do we do more with less?" or "How do we work smarter?" have become common themes in our management discussions as we strive to launch better projects faster and at a lower cost. That we are well on track with respect to our "5-10-15" Plan is a testament to the success of new corporate and process-oriented initiatives that have been implemented over the past twelve months. Among the initiatives that allowed us to achieve a dramatically higher level of output relative to organizational effort include the following:

- Faster decision making, replacing some formal and structured meetings with quicker and more nimble "huddles"
- Dramatically shortened project planning cycles, by streamlining building designs and reusing building design-templates where possible
- Reduction in processing time for securing permits and licenses to cut development timetables
- Employment of alternative building techniques to lower cost, improve speed-to-market, and promote sustainability

Across the organization, we have also been pursuing business transformation initiatives along key areas and processes where we believe we can further enhance efficiencies and sharpen our business focus. For instance, we have successfully completed the initial phase of the transformation of our subsidiary Makati Development Corp. into a full service construction, engineering and

One Evotech in NUVALI

The Way Forward

contracting company with the integration of our Construction Management Group. We have also reorganized our hotels and resorts businesses through the creation of AyalaLand Hotels and Resorts Corporation to provide more focus and define the lines between the operational, developmental and landholding functions of these businesses.

In the process of accelerating project development timetables to meet our growth objectives, we have been very mindful of keeping our risk management practices always a step ahead. In addition to the full implementation of our Enterprise-Wide Risk Management system (which is discussed in detail in the Risk Management section of this report), we have strengthened our Investment Committee's (IC) project screening processes. The IC, a multi-disciplinary and multi-functional group composed of senior members of the Management Committee, which I chair, collectively works to ensure that:

- There is an optimal balance of projects being developed in each of our growth centers
- Our risk exposure associated with these projects, at any given time, are within the parameters prescribed under our EWRM framework
- Each project adheres to strict time, cost, and quality standards and meets the minimum efficiency and capital return guidelines

The success of these new projects will determine, to a large extent, the performance of each business unit moving forward, which collectively will then be critical in achieving our growth, profitability and return on capital targets. To ensure that each approved project delivers its committed operational benefits and financial contribution, we also keep track of each project's progress through regular post-approval reviews.

For 2011 and beyond, we are fully committed to maintaining our current trajectory and building on this higher base of product delivery and performance. Our growth expectations remain high across all segments and we are optimistic that our residential development, commercial leasing, and hotels and resorts businesses will continue to outperform and gain in market share. We also remain fully committed to continuous innovation in products, building technologies, process improvements and sustainability as these will be critical to the successful delivery of our financial targets.

I am proud and grateful for the dedication, commitment and tireless efforts of our employees, the guidance and governance provided by the Board, and the support and trust of our shareholders. As we look forward to the opportunities and challenges of 2011 and the next few years, we will continue to count on all these, confident that your Company will be able to achieve its targets and further strengthen its position as the country's leading property developer.

Thank you.

ANTONINO T. AQUINO
PRESIDENT AND CHIEF EXECUTIVE OFFICER

> "We are fully committed to maintaining our current trajectory and building on this higher base of product delivery and performance"

What did we do?

Key Operating Highlights in 2010

Groundbreaking of Iloilo TechnoHub

We expanded into new areas such as Subic, Baguio, Iloilo, Cagayan de Oro and Palawan.

Harbor Point mall in Subic

AmaiaScapes bungalow model unit

We ventured into economic housing through AmaiaScapes in Calamba, Laguna.

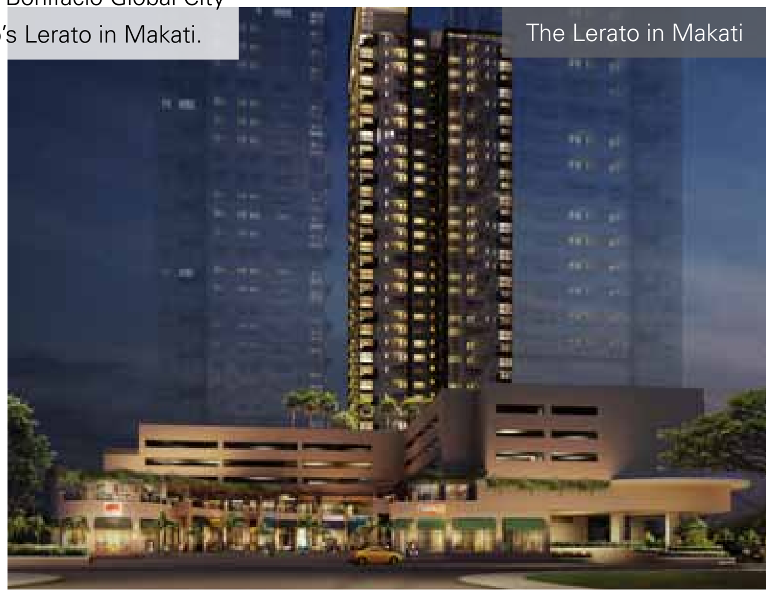
Kukun hotel in Bonifacio Global City

We acquired 60% of El Nido Resorts and broke ground on our first Kukun hotel in Bonifacio Global City.

Avida Towers Alabang

We launched our first high-rise Avida projects in Alabang, Bonifacio Global City and Cebu and Alveo's Lerato in Makati.

Avida Towers Cebu

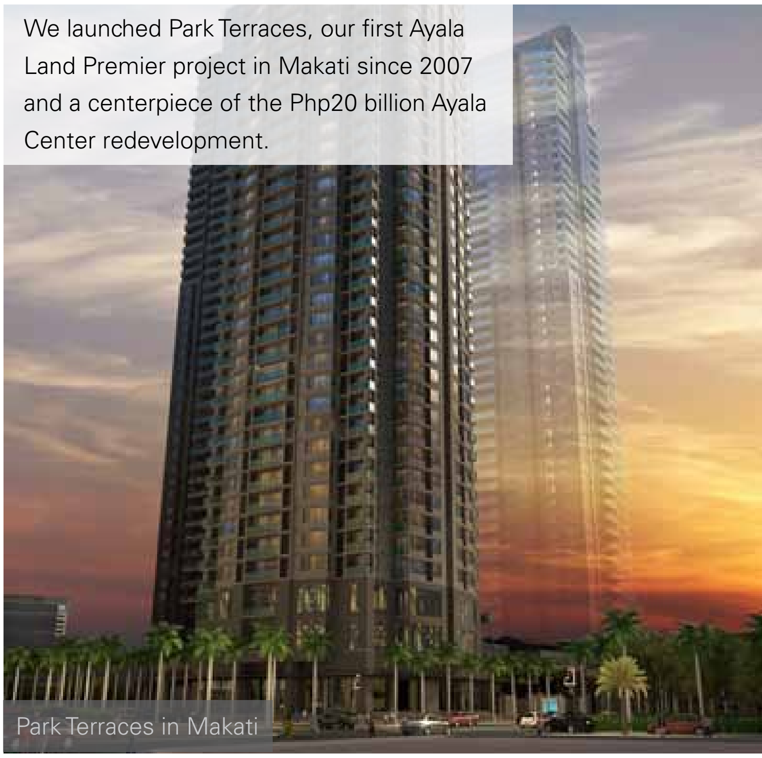


The Lerato in Makati

We opened our first neighborhood center with the Restaurants at the Ayala Triangle Gardens in Makati.

Apulit Island Resort in El Nido, Palawan

We launched Park Terraces, our first Ayala Land Premier project in Makati since 2007 and a centerpiece of the Php20 billion Ayala Center redevelopment.



Park Terraces in Makati

CFO AND COMPLIANCE OFFICER'S REPORT

Key Points

- Supported business unit growth by providing financial resources and innovative financing schemes
- Drove profitability through active spend management programs, enhanced procurement initiatives and outsourcing
- Improved capital returns through higher dividend payout and efficient balance sheet management
- Strengthened the organization through implementation of EWRM, creation of Business Information Systems and Process Division, and rationalization of functions

> "Overall, we implemented various initiatives for each of the four pillars of growth, margin improvement, capital efficiency, and organizational development to keep the Company on-track with its "5-10-15" Plan"

Our 2010 financial results reflect how your Company effectively responded to the positive macroeconomic environment and took advantage of the buoyant outlook in the property sector. We delivered consolidated revenues of Php37.8 billion and a consolidated net income of Php5.5 billion, which were 24% and 35% higher year-on-year, respectively, and represent new record highs.

As mentioned in our President's message, we also spent Php20.1 billion to fund our aggressive ramp up last year, which was also the highest in your Company's history. The details of how each of our businesses contributed to this record financial performance will be covered in the business review sections which follow, as well as in the Management's Discussion and Analysis (MD&A) section, which starts on page 116 of this report.

Through the record activity levels of 2010, we were able to maintain a very strong and liquid financial position, with a year-end cash level of Php19.9 billion, a current ratio of 1.71:1 and a consolidated net debt-to-equity ratio of 0.02:1. Very strong pre-sales of our residential projects coupled with steadily growing inflows from our investment properties brought in more than enough cash to fund our capex program.

Overall, we implemented various initiatives for each of the four pillars of growth, margin improvement, capital efficiency, and organizational development to keep the Company on-track with its "5-10-15" Plan.

Ensuring Growth

One of our foremost priorities in supporting the Company's growth trajectory is to ensure optimal financial resources for the completion of existing projects as well as for investing in landbank to be used as future growth platforms of our businesses. To this end, we strengthened our liquidity position further by closing several term funding agreements throughout the year and at very competitive rates relative to market benchmarks.

In addition to funds allocation, we also came up with innovative financing schemes, in cooperation with our partner banks, to help increase the sales velocity of our residential projects. We launched the Homestarter Bond (HSB) Series 3 and successfully raised Php1.0 billion. The HSB series allows bondholders to earn interest while saving up for equity which can later be converted to a down payment for a property purchase upon maturity. Collectively, the HSB Series 1-3 have generated 1,800 subscribers to date and total conversions (into residential purchase downpayments) with a sales value of Php250 million.

Table 2. Business Margins

	2010	2009	2008
Residential (Gross Profit)			
Horizontal	**43%**	41%	38%
Vertical	**28%**	26%	22%
Commercial Leasing (EBITDA)			
Shopping Centers	**63%**	62%	54%
Offices	**71%**	64%	46%
Hotels & Resorts	**25%**	32%	37%
Services (EBITDA)	**7%**	12%	16%

We closely coordinate with our sales units to come up with market-responsive financing schemes to assist in generating sales, especially for our new brand Amaia which serves a totally different market. In line with this, we re-launched our Homestarter Finance program (again with the strong support of our partner banks) and were able to offer a much broader range of affordable financing schemes particularly to Alveo and Avida customers. We accredited two new partner banks which enabled us to offer even more attractive terms for Avida and Amaia buyers. Finally, we also launched the Bank of the Philippine Islands-Family Bank Housing Loan for Ayala Group employees. This tie-up features more attractive terms and lower rates compared with our traditional market offerings, allowing us to expand our customer base further while increasing our synergies within the Group.

On the corporate front, we set up the metrics and investment guidelines (aligned with the four pillars, especially with respect to margin improvement and capital efficiency) which provide the criteria in approving and monitoring the progress of each project. This we carry out through our direct involvement as members of the Investment Committee and Corporate Working Group, where we analyze, approve and track projects.

Driving Profitability

Our drive to further lower the Company's project, operating and corporate costs continue to bear fruit as indicated in Table 2. As part of our five-year plan, we committed to steadily improving our product margins through active spend management programs, improving our procurement processes and sourcing platforms, and implementing outsourcing and shared-service schemes.

We have started to source more actively from manufacturers in China and other countries, which are targeted to generate significant savings for our projects over the long run. In addition, we continued with our active supplier partnering program, which guarantees stable supply while yielding below-market material costs. In addition to renewing our three-year cement contract with La Farge, we closed more than a hundred commodity supply agreements last year. Apart from the direct cost savings, these partnering agreements have also produced administrative benefits as we have been able to reduce our processing time for the Purchase Requisition-to-Purchase Order cycle for project and non-project commodities, general contracting and other services.

We also continued to rationalize our operations and expand the use of shared-service platforms. Following the successful launch of Amicassa Process Solutions, Inc. for our residential sales backroom processes in 2008, we began migrating our transactional accounting functions to an outsourced entity called Aprisa Business Process Solutions, Inc. and completed the first phase of implementation in 2010. We will continue to explore the use of these outsourced or shared-service platforms in general processing functions across other areas of the organization moving forward.

All told, our spend management programs yielded a total of Php1.3 billion in savings and helped our residential, shopping center and office businesses achieve an average 3-percentage point increase in residential (gross profit), shopping center and office (EBITDA) margins. The decline in EBITDA margins for hotels and resorts and services are discussed in our MD&A later in this report. We also brought down our general and administrative expense-to-revenue ratio from 9% in 2009 to 8% last year. All these combined for a net income after tax (NIAT) margin of 14%, compared with 13% the previous year.

Improving Returns

Improving the efficiency of our balance sheet and lowering our overall cost of capital is a strategic priority in our financing plans. In addition to providing optimal financing which allowed our business units to ramp-up their activity levels and corresponding asset turnover, we improved the efficiency of our capital with respect to dividends and landbank acquisition.

In 2010, we shifted to a payout-based dividend policy where we paid out 30% of the Company's 2009 NIAT as cash dividends to shareholders, compared with the equivalent of 16% the previous year. We are improving that further to 35% this year, as we progress to what we feel is a sustainable dividend payout ratio of 50% by 2014. We also prioritized the use of asset-light models in acquiring land for our future growth center developments. Last year, 6 of the 14 land acquisition deals we completed came in the form of joint-development agreements or long-term leases as the Company continued to leverage on its track record to become the partner of choice in these developments.

We also continued to exercise effective balance sheet and credit management to ensure that we maintain your Company's financial health and strength. Our accounts receivable levels and past-due ratios across all our residential brands were kept below our prescribed thresholds last year, despite the doubling in our sales take-up. We also managed our parent and subsidiary cash positions more effectively, upstreaming cash that had built up back to the parent. Our triple-A rated credit standing enabled us to secure long-term financing at lower rates against our peers, while short-term loans were attained at the lower end of our partner banks' prime lending rates – both generating considerable interest cost savings for your Company.

To help fund a much larger capex requirement of Php32.6 billion in 2011, we successfully raised Php10 billion in an oversubscribed private placement of corporate notes early this year. This was notable in two ways – the average cost of 6.2% across the various tenors allowed us to take advantage of this attractive financing window and lower our borrowing cost, and one of the tranches reached 15 years. This was another record first for your Company as it was the first 15-year note issue by a Philippine corporate and allows us to more effectively match the duration of our landbank assets with our financial liabilities.

Finally, we also continued to prepare for the finalization and issuance of the final REIT Implementing Rules and Regulations. As you know, these were expected last year but have been undergoing further review by the Securities and Exchange Commission (SEC) and the Bureau of Internal Revenue. We are hopeful that all remaining issues will be resolved soon so that we can proceed with our plans to publicly list our mature shopping center and office properties sometime in 2011. We already incorporated our corporate vehicle, Ayala Land Commercial REIT, Inc. late last year and we continue to prepare internally for this initial public offering.

Figure 1. General and Administrative Expense-to-Revenue Ratio

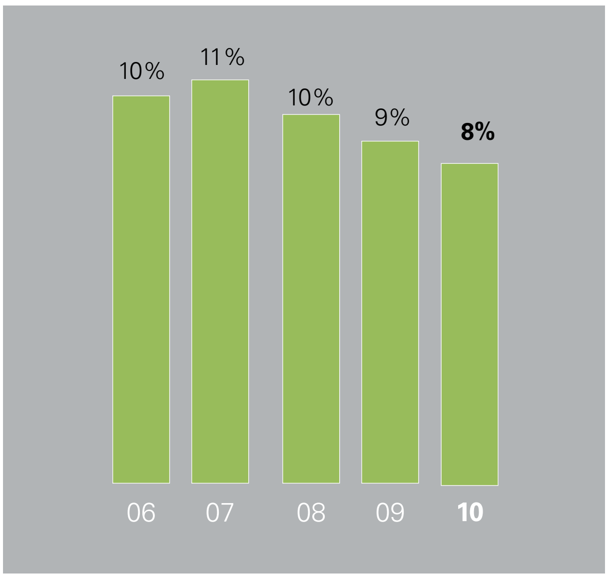
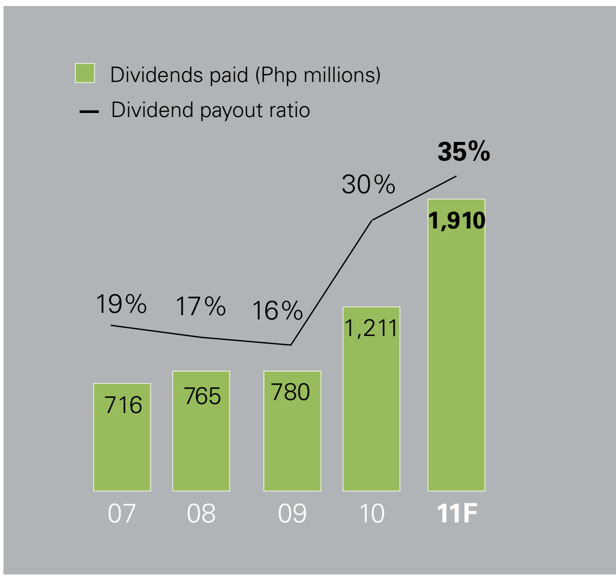


Figure 2. Dividend Payout Ratio



Strengthening the Organization

To effectively manage our record activity levels, we paid special attention to the strengthening of our risk management processes and systems. We have identified key business risks across the organization and selected risk champions to act as process owners for instituting controls and setting up effective monitoring systems within our enterprise wide risk management (EWRM) framework. We have also completed all scheduled risk-based, process-focused audits last year resulting in improvements in the key areas of procurement and sales and marketing. The details of these initiatives will be discussed in a separate section on Risk Management which will begin on page 69.

We implemented significant upgrades in our systems and processes to be able to handle the documentation and reporting requirements associated with our rapid expansion. We have completed the roll-out of the SAP enterprise resource planning system across all our operating subsidiaries and this enabled us to further improve our financial budgeting, reporting and disbursement systems.

We have centralized our procurement functions to increase the synergies between the procurement units of each business and ensure that these are aligned with the overall objectives of the Company. While each unit has its own procurement organization, their heads now have a functional reporting line with the overall head of the supply chain at the parent Company to ensure that time, cost and quality standards are met across the organization.

We have likewise evolved our traditional Technology Management functions into a Business Information Systems and Process Division designed to provide process improvements, analysis, and solutions and support to systems development. These operational improvements are expected to further enhance the quality of our management information systems, facilitate better and faster corporate decision-making, and improve the efficiency of your Company's overall operational workflow.

Report On Compliance Activities

Finally, Ayala Land is committed to the highest standards of disclosure, transparency and corporate governance. As your Company's Chief Compliance Officer, I am pleased to report that in 2010, Ayala Land fully complied with all of the disclosure and reportorial requirements of the SEC, the Philippine Stock Exchange and the Philippine Dealing and Exchange Corporation with respect to your Company's ownership structure, financial and operating performance, issuance of securities, and other events that may be material to how investors perceive and value the Company.

As a covered institution, the Company also complied with the rules, regulations and directives issued by the *Bangko Sentral ng Pilipinas* and its Anti-Money Laundering Council in relation to the Anti-Money Laundering Act of 2001. Details of our compliance activities are discussed at length in the Corporate Governance Report, which begins on page 60.

JAIME E. YSMAEL
CHIEF FINANCE OFFICER
AND COMPLIANCE OFFICER

Financial Highlights

(All amounts expressed in Php '000, except as indicated)

	2010	2009	2008
STATEMENT OF INCOME			
Revenues	**37,813,499**	30,455,244	33,748,983
EBITDA[1]	**11,485,308**	10,449,292	10,432,004
Net Income[2]	**5,458,134**	4,039,256	4,812,348
STATEMENT OF FINANCIAL POSITION			
Cash and Cash Equivalents[3]	**19,857,152**	16,449,217	15,443,045
Total Assets	**122,301,910**	107,741,848	100,588,883
Total Borrowings	**20,970,933**	18,812,165	16,751,530
Stockholders' Equity	**56,857,152**	52,392,361	49,027,640
STATEMENT OF CASH FLOWS			
Net Cash Provided by Operating Activities	**12,406,314**	4,409,849	3,687,367
Net Cash Provided by (Used in) Investing Activities	**(4,634,659)**	(9,406,398)	(4,913,688)
Net Cash Provided by (Used in) Financing Activities	**(281,574)**	2,869,873	2,609,817
CONSOLIDATED PROJECT AND CAPITAL EXPENDITURE (Php billion)	**20.06**	16.24	18.89
FINANCIAL RATIOS			
Current Ratio	**1.71:1**	1.95:1	1.89:1
Debt-to-Equity Ratio	**0.37:1**	0.36:1	0.34:1
Net Debt-to-Equity Ratio	**0.02:1**	0.06:1	0.03:1
Return on Equity[4]	**10%**	8%	10%
Return on Assets[4]	**5%**	4%	5%
STOCK INFORMATION (in Php except as indicated)			
Market Capitalization (Php billion, as of year-end)	**214.36**	146.51	83.35
Stock Price (per share, as of year-end)	**16.46**	11.25	6.40
Earnings per Share	**0.41**	0.31	0.36

[1] *Earnings before interest, taxes, depreciation and amortization*
[2] *Attributable to equity holders of Ayala Land, Inc.*
[3] *Includes short-term investments, financial assets at fair value through profit or loss and available-for-sale financial assets, excluding unquoted shares of stock*
[4] *Return on average equity and average assets*


GREENBELT 5


"Our businesses, our story..."

Residential
Commercial Leasing
Services
Growth Centers

One Serendra in
Bonifacio Global City

RESIDENTIAL

Santierra in NUVALI

AYALA LAND PREMIER

No. of ongoing projects	14
Vertical/Horizontal Mix	50/50%
Major 2010 launches	Park Terraces in Makati, West Tower in BGC, Santierra in NUVALI

Venare in NUVALI

ALVEO

No. of ongoing projects	11
Vertical/Horizontal Mix	84/16%
Major 2010 launches	Venare in NUVALI, The Lerato in Makati, Meranti in BGC

Avida Towers Alabang

AVIDA

No. of ongoing projects	16
Vertical/Horizontal Mix	59/41%
Major 2010 launches	Cebu and Alabang Towers, Village and Estates in NUVALI

AMAIA
Initial launch of AmaiaScapes in Calamba, Laguna

Ayala Land's Residential Business Group (RBG) capitalized on the robust demand in the local property sector as well as the strength of its brands and launched a record number of 10,115 residential units in 2010. This was more than three times the 2,229 units launched the previous year and more than twice the average of the preceding five years. The strong end-user and investor market across all residential brands enabled RBG to achieve record sales take-up and bookings of Php33.1 billion and Php24.0 billion, respectively, double that of 2009 levels.

OPPORTUNITIES AND TRENDS:
- Large domestic housing backlog
- Record liquidity, low mortgage rates
- Growing population with favorable demographics and a large base of more financially empowered young professionals
- Increasing product affordability
- Rising demand for condominiums and in-city developments; trend towards smaller unit sizes
- Renewed interest in property as a long-term investment for yield/ inheritance

Sales bookings generated from Overseas Filipino (OF) workers likewise expanded to reach Php4.2 billion as the major overseas markets of the US, Europe, Asia-Pacific and the Middle-East all recovered from a challenging 2009. With residential demand drivers remaining very positive for 2011, RBG is planning to again double its residential launches this year to more than 20,000 units to capture an even bigger share of the domestic and OF markets and further consolidate its leadership position in the industry.

With its record activity levels last year, RBG continued to sharpen its execution, focusing on delivery and customer satisfaction, while managing risk and strengthening the overall organization to meet the demands of the Company's aggressive growth and profitability targets.

Ayala Land Premier

Ayala Land Premier (ALP) launched 1,966 units in 2010, six times more than the previous year, with a total sales value of Php24.5 billion. Market acceptance showed that ALP remains the developer of choice for this segment as booked sales for ALP reached an all-time high of Php11.9 billion, accounting for 50% of RBG's total bookings.

"Despite intense competition from other developers, ALP's highly distinctive products continue to be preferred in its class as they continue to provide a unique value proposition in preferred locations such as Makati and NUVALI. This was reflected in the overwhelming market response to products like Park Terraces and Santierra, both of which reached near sell-out levels shortly after launch," noted Bernard Vincent O. Dy, Group Head of RBG.

The pent-up demand for an exclusive Makati address within the Php20 billion Ayala Center redevelopment prompted ALP to bring forward the launch of the second of the three-tower Park Terraces development last October even if this was originally planned as a 2012 launch. The West Tower at One Serendra was also launched in July, completing the One Serendra development in BGC. ALP also extended the breadth of its product offerings in 2010 as it launched the Sea Breeze Verandas, a mid-rise condominium development in Anvaya Cove. In addition, ALP broadened its reach with its first condominium project in Cebu with the launch of 1016 Residences.

In 2010, ALP delivered 1,090 units to customers, of which 98% were accepted by buyers at first inspection. This very high customer satisfaction level resulted in 92% of respondents agreeing upon turnover that they "will recommend Ayala Land Premier to friends and relatives", which was up ten percentage points from the previous year's rating.

"Despite intense competition from other developers, ALP's highly distinctive products continue to be preferred in its class as they continue to provide a unique value proposition in preferred locations such as Makati and NUVALI."

- Bernard Vincent O. Dy,
Group Head of Residential Business Group

Park Terraces in Makati

Experiences such as these help to strengthen the brand equity of ALP even further, providing meaningful and tangible differentiation compared with other branded luxury developers.

"By deeply understanding our buyers and delivering on our commitments, we have been able to build trust-based relationships which span generations. We take this trust seriously and, as a result, we are proud to see families who first made their homes in Forbes Park, now attend housewarmings of their grandchildren in newer communities like One Serendra," added Dy.

In 2011, ALP is planning to maintain a similarly high activity level and will launch approximately 1,800 units, valued at Php20.7 billion, in key areas around Metro Manila and other growth centers such as Cebu.

Celadon Park Tower 2
in Manila

Alveo

Despite increased competition in its segment of the market, the amount of product Alveo introduced grew four times as it launched a record 2,397 units in 2010 with a total sales value of Php10.4 billion. The level of booked sales reached Php6.3 billion, accounting for 26% of total RBG bookings for the year, and exceeding prior year by 42%.

Five new projects were successfully launched in 2010 which strengthened Alveo's presence in key areas. These included The Lerato in Makati, Meranti in Two Serendra in BGC, Venare in NUVALI, Celadon Park Tower 2 in Manila, and Ametta Place Phase 2 in Pasig City. Broadening reach also meant increasing sales capacity and improving distribution in key overseas markets, where Alveo mounted several roadshows in cities such as Singapore, Zurich, Frankfurt, Essen, Paris and Vienna.

While activity levels remained high, focus on customer satisfaction never wavered. 781 units were delivered to customers in 2010 with 99% of the units accepted upon buyers' first inspection for Two Serendra, MarQuee and Treveia.

Moving forward, Alveo has laid the groundwork for sustaining its strong performance beyond 2010. Alveo's thrust will be three-fold – deepen presence in stronghold geographies like Makati and BGC, penetrate new areas such as Davao, Tagaytay, Baguio and Quezon City, and introduce new product types in places like Angeles City in Pampanga. This will set the stage for a strong 2011 and beyond with launches of approximately 4,000 units valued at Php18.9 billion.

"Alveo will continue to respond to the needs of urbane and upwardly mobile homebuyers – whether they choose to live in city centers or subdivisions," said Dy. We will endeavor to keep attuned to our customers' preferences so that we continue to develop communities and homes that our buyers prefer to invest in, are excited to move into and can imagine their families building their lives around," he added.

Avida

Avida fittingly celebrated its 20th year anniversary in 2010 with the launch of a record 3,924 units, five times higher than the previous year, and with a total sales value of Php12.4 billion. Correspondingly, booked sales likewise increased 61% and reached a record Php5.5 billion last year, or 23% of total RBG bookings.

In response to strong market demand from middle-income households and to keep pace with growing competition, ten new projects were introduced in various locations across the country. Avida successfully established its presence in two key locations within Metro Manila – Alabang and BGC – and deepened its presence in NUVALI with the introduction of Avida Estates and Avida Village. Avida also established itself firmly in the Visayas area with the launch of Avida Towers Cebu, its first high-rise offering outside the country's capital. Met with overwhelming market response, the launch of its second tower was brought forward to October, one full year ahead of schedule. In addition, the brand further expanded its footprint in the region by launching new subdivision projects in Iloilo and Bacolod.

Avida also pursued value engineering initiatives in order to meet or exceed tighter time, cost and quality standards. For example, design-to-cost schemes were implemented throughout the project development cycle to ensure that cost budgets and gains in margins were achieved. Design-to-cost parameters were considered and adhered to all the way from as early as the schematic design stage for land development all the way through to product turnover.

In 2010, Avida delivered 2,649 units to its customers with 99% of the units accepted upon buyers' first inspection. This level of quality was evident throughout the horizontal projects launched in Cavite and NUVALI and the vertical developments launched in Sucat, New Manila and San Lazaro. "The consistency in quality of the products we deliver further reinforces Avida's promise of 'Sure and Secure' and contributes to the trust that many families place in Avida across the country," Dy concluded.

In 2011, Avida will continue its significant ramp-up for both subdivision developments in provincial areas as well as high-rise developments in select major cities. With approximately 6,000 units in the pipeline, it is making a significant push to capture additional market share in the very competitive middle-class market. Several sites have already been secured to ensure a healthy growth pipeline in the near term.

Avida Settings NUVALI

AmaiaScapes multipod model units in Calamba, Laguna

Amaia

The Company formally launched its fourth residential brand, Amaia, in 2010. With the market success of the pilot project AmaiaScapes in Calamba, Laguna, Amaia firmly established itself and signaled its intention to be a major player in the economic housing segment. 54% of the 1,828 units launched in May 2010 were sold as of year-end with booked sales amounting to Php246.3 million last year.

The Amaia brand carries a compelling value proposition of affordability, differentiation, desirability, and security that appeals to the majority of Filipino families. Supported by a new organization and led by key individuals with significant experience in the sector, Amaia was able to complete and deliver the 99 units it started for construction in AmaiaScapes Calamba and achieved an average construction period of four months for every house and lot unit. Partnerships with five commercial banks were established in order to offer attractive and affordable financing schemes for Amaia homebuyers.

Amaia also leveraged on synergies within the Ayala Group to further strengthen its value proposition across it developments. It finalized an agreement with Globe Telecom to provide the telecommunications infrastructure and likewise tapped the expertise of Manila Water Company to help design the water distribution and sewage treatment systems for all ongoing and future Amaia projects.

To ensure the efficient scalability of its operations as it prepares for an aggressive expansion beginning 2011, similar building designs using a variety of building technologies will be replicated across several targeted locations around the country. In addition to the single, twin and multi-pod models for launch in provincial locations, prototype models for medium- and high-rise condominium projects are also being developed and finalized. These are being prepared for launch in select urban areas in order to diversify Amaia's offerings and cater to a wider market. Planning and landbank acquisition is ongoing in preparation for the launch of 10,178 units in 2011.

MOVING DOWN THE BASE OF THE PYRAMID

The Philippines has an estimated 18 million households. Of these, Ayala Land had historically been offering residential products accessible to the top 7% of the household population. But with years of stable economic growth and continued strong inflows of Overseas Filipino remittances, the Filipino middle-class has been expanding rapidly.

Government statistics show that the middle 34% of the Philippine economic pyramid (equivalent to over 6 million households) now earn between Php15,000-50,000 per month. With the significant drop in mortgage rates and the increasing availability of bank and developer financing, these households are now the target market for housing units which cost anywhere from as little as Php500,000 to as much as Php1.5 million.

Unfortunately, this "grass roots" segment of the market, which includes public servants like teachers and policemen, families of Overseas Filipinos, Business Process Outsourcing workers, and small traders and businessmen, has often been served with inferior or low quality products. Anchored on corporate values that include a strong commitment to national development, Ayala Land has set a goal of elevating the standard of living for middle-class Filipino families through its Avida and Amaia brands.

Having firmly established its reputation and track record in the higher-end segments of the market, Ayala Land is now making a strong push to provide traditional Ayala values of quality, security, and long-term investment value with more diverse product configurations, in more urban and provincial locations, and at more affordable price points.

While intent on retaining its dominance of the high-end markets through Ayala Land Premier and Alveo, Ayala Land will be significantly expanding the presence and coverage of its Avida and Amaia brands over the next few years with the objective of balancing the revenues derived from each segment in its portfolio.

"Amaia is off to a great start and with the leadership and organization in place, we are well positioned to ramp-up the brand very aggressively across the country. Over the course of the next few years, we are confident that Amaia will grow into a strong fourth leg for Ayala Land's residential businesses. This is also our way of really contributing to national development as we improve housing standards for more families across the country," Dy added.

Restaurants at the Ayala Triangle Gardens

Glorietta in Makati

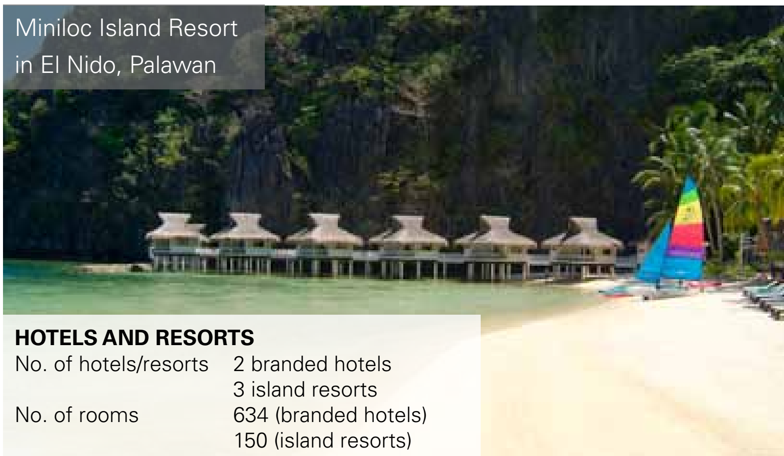
SHOPPING CENTERS

No. of Malls	22
GLA	1.01 million square meters

U.P.-AyalaLand TechnoHub in Quezon City

OFFICES

No. of Buildings	26
GLA	395,000 square meters



Miniloc Island Resort in El Nido, Palawan

HOTELS AND RESORTS

No. of hotels/resorts	2 branded hotels 3 island resorts
No. of rooms	634 (branded hotels) 150 (island resorts)

COMMERCIAL LEASING

Ayala Land's commercial leasing portfolio performed strongly in 2010, generating total revenues of Php8.4 billion, 13% higher than the previous year. The robust and steady inflow of Overseas Filipino (OF) remittances sustained robust consumer spending last year and buoyed the performance of the Company's shopping center portfolio. The steady recovery in the Business Process Outsourcing (BPO) office market meanwhile supported the positive results of the Company's office leasing business. The prevailing business confidence was also evident as retailers invested more capital in new outlets and additional product inventory. Both international and domestic tourism have also gradually improved and with this expected to be a priority area for the new government, prospects for tourism are becoming more attractive. These trends are expected to be sustained in the current economic and business environment and will continue to drive the performance of the Company's commercial leasing portfolio.

Shopping Centers

2010 was a solid year for the portfolio of shopping center assets owned and managed by the Ayala Malls Group (AMG). Even with the continued closure of Glorietta 1 and 2 for the ongoing Ayala Center redevelopment, AMG delivered Php4.6 billion in revenues, 3% higher than the previous year, from over one million square meters of gross leasable area (GLA) across its 22 malls and retail centers all over the country. This contributed the biggest share to the Company's commercial leasing revenues, at 55%.

Highlighting last year's performance was the significant increase in AMG's project launches. The increase in AMG's geographic presence and coverage across the country is intended to capitalize on the strong growth in consumer spending that is being driven by the expansion of the middle-class in many areas. OF remittances grew 8% year-on-year in 2010 to US$19 billion, or roughly the equivalent of Php850 billion. In a country where nearly 75% of GDP comes from consumption, shopping centers are clearly among the major beneficiaries.

Last year, AMG broke ground on 10 projects nationwide with a total of 165,000 square meters in GLA. These included malls in Subic (Harbor Point) and Cagayan de Oro (Centrio), the retail component of several BPO office buildings in provincial locations, and the first neighborhood center to rise at the heart of the Makati CBD. The opening of the Restaurants at the Ayala Triangle Gardens (ATG) in time for the holiday season was a significant highlight as it transformed the ATG into a focal point of dining and social activity in the area.

Meanwhile, Harbor Point will offer shopping, dining, and entertainment in the Subic area, combined with strong retail concepts set in a relaxing environment. Centrio, on the other hand, will be a convergence not only of the best brands and great food but of warm relationships and enriching experiences in a setting that is conducive to bonding and nurturing relationships. Table 3 summarizes the projects launched by AMG in 2010.

Table 3. AMG 2010 Project Launches

PROJECT	LOCATION	GLA (sqm)
Ayala Triangle Gardens	Makati	1,500
Baguio BPO retail	Baguio	2,000
Solenad 2	NUVALI	10,700
Iloilo BPO retail	Iloilo	1,500
E-Bloc retail	Cebu	1,300
East Block retail	BGC	19,000
Harbor Point	Subic	39,000
Alabang Town Center redev	Alabang	33,000
Centrio	Cagayan de Oro	45,000
TriNoma Hypermart	Quezon City	12,000
TOTAL		**165,000**

"In order to deliver on our significant project ramp-up which began last year, we really had to focus on execution," said Ma. Victoria E. Añonuevo, Group Head for Ayala Land's Leasing Group. "Working closely with our Innovation and Design and Construction Management Groups and with a more streamlined management approval process, we were able to reduce our planning cycles and meet very tight deadlines. We constantly reinforced our unique differentiation strategy, using contemporary designs, providing excellent customer service, offering an attractive line-up of shops and entertainment concepts, and incorporating a strong sustainability platform to ensure that the Ayala Malls remain best-in-class," added Añonuevo.

OPPORTUNITIES AND TRENDS:
- Wealth and incomes unaffected during recent crisis
- Income boost from OF remittance flows
- Growing population with demographics getting younger
- Increasing disposable income among younger segments with higher propensity to spend
- Redevelopment of urban malls
- Proliferation of smaller format and convenience-oriented retail outlets
- Emergence of regional growth centers in provincial areas

In pushing for a higher level of sustainability in its operations, AMG's malls are known for features such as efficient solid waste management programs, energy-saving architecture and lighting systems, and the provision of lush greenery and generous open spaces. These elements also enhance operational efficiencies and help generate significant cost savings over the long run.

In 2010, Ayala Malls continued to be recognized as truly world-class facilities and AMG won its highest ever number of international and local awards in a single year (see pages 68 and 108). Greenbelt 5, for example, was awarded as being the "Best of the Best in Design and Development" during the International Council of Shopping Centers (ICSC) Global Awards and also received the Urban Land Institute's "Award of Excellence". In addition, the ongoing Greenology and U-First campaigns in AMG malls also received recognition from prestigious local and international organizations for their sustainability impact and strong customer orientation. Highly notable also was the award given by the ICSC Asia to AMG as the sole recipient of an activity with the most humanitarian impact for its Typhoon Ondoy campaign in cooperation with Habitat for Humanity and *Bayan ni Juan* project.

For 2011, AMG will continue with its geographic expansion and product diversification. Eight new projects with a combined GLA of 174,000 square meters will be launched. These are to be located in new areas in Metro Manila such as Fairview and North Triangle in Quezon City, and provincial locations including Cavite, Bacolod, and Cebu (expansion and redevelopment of Ayala Center Cebu). Early in the year, AMG was officially declared as the winning bidder by the University of the Philippines for the development of the U.P.-I.S. site along Katipunan Avenue in Quezon City into a University Town Center concept. AMG will also begin operations of the Abreeza Mall in Davao City in the first half of 2011 and will continue to establish its presence in key areas across the country through both traditional and specialty mall products. "We have finalized the template and operating model for our value-oriented malls. These will leverage the strong brand of the Ayala Malls while targeting more value-oriented consumers and a broader segment of the economic pyramid, in both suburban and provincial locations," Añonuevo added.

Following the incorporation of Ayala Land Commercial REIT, Inc. last year, AMG will also continue in its preparations for including its mature shopping center assets in a possible REIT IPO this year, pending the finalization of the Implementing Rules and Regulations of the REIT Law.

U.P.-AyalaLand TechnoHub in Quezon City

Offices

AyalaLand Businesscapes Group (ABG) delivered a solid performance in 2010 as it continued to ride the wave of growth and improved market sentiment in the BPO office segment. Revenues reached Php2.4 billion, 21% higher than 2009, and accounted for 26% of the total revenues from the Company's leasing portfolio.

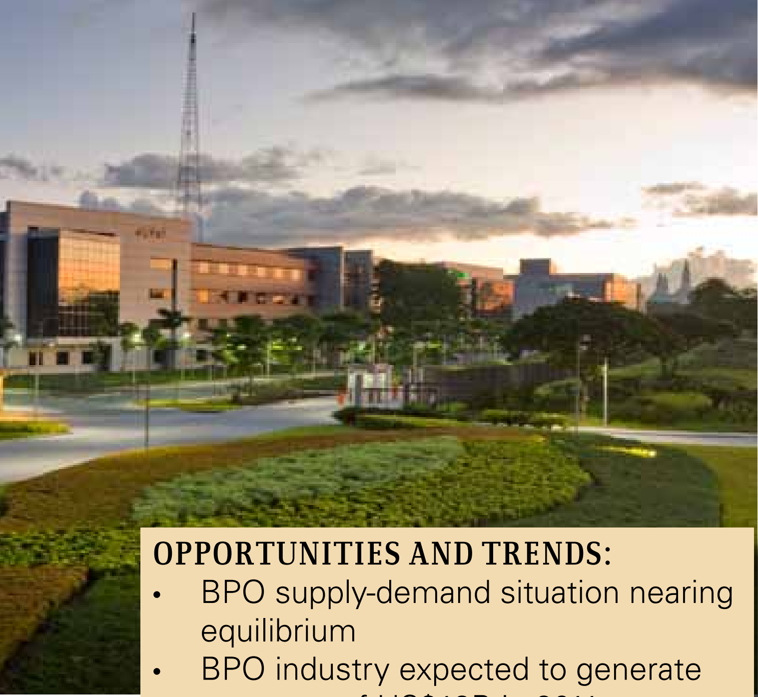
From a significant market oversupply situation in 2009, ABG's leased-out and occupancy rates improved significantly last year as both outsourcing and offshoring ("O&O") trends recovered strongly. With the Philippines having emerged as a major global destination for O&O and with demand for new space in new alternative locations expected to grow, ABG began positioning itself more aggressively with the launch of eight new BPO projects. A combined 102,500 square meters of new GLA is expected to come on-stream over the next two years, more than double the amount launched in 2009. These also include the roll-out in key provincial areas identified as "next wave" cities for BPO growth under the Business Processing Association of the Philippines roadmap.

In order to create even more differentiation in its developments, ABG has adhered firmly to the principles of sustainable development. One Evotech in NUVALI, for example, received the "Leadership in Energy and Environmental Design" (LEED) Silver Certification from the U.S. Green Building Council for sustainability in its location, energy and water efficiency, and choice of construction materials. This is the first office building in the country ever given this certification. While NUVALI has been the showcase for Ayala Land's sustainability efforts, many of these elements are also increasingly being replicated across ABG's ongoing and future developments.

In order to meet its accelerated launch schedule, ABG began leveraging on partnerships developed with key suppliers. "We forged an agreement with our long-time architectural services provider to exclusively design the building templates, based on updated and more efficient BPO office building standards. Working with one firm and using an adaptable master template has significantly reduced our time-to-market. This allows us to respond more quickly to the requirements of major O&O companies and enables us to increase our market share," Añonuevo explained. "This is a market that won't wait a long time for space when they are ready to expand. We need to have the right configurations, available in the locations where they are also looking to expand," Añonuevo added.

Operationally, ABG has also tapped the services of Ayala Property Management Corp. for its office buildings outside Metro Manila to ensure proper maintenance of and 100% uptime for all facilities and equipment. This resulted in increased operational efficiency and a lower overall occupancy cost for tenants, enabling ABG to maintain its premium pricing relative to competition while still improving EBITDA margins.

ABG has also nurtured stronger relationships between the industry and the academe to ensure that a steady supply of well-prepared employees are available to work for the locators in its developments. In U.P.-AyalaLand TechnoHub, for instance, locators are actively engaged with university students to keep them abreast of the latest developments in the BPO industry. In turn, the school's curriculum is constantly reviewed and revised to be more responsive to the needs of the industry. The U.P.-AyalaLand TechnoHub is also home to start-up



OPPORTUNITIES AND TRENDS:

- BPO supply-demand situation nearing equilibrium
- BPO industry expected to generate revenues of US$12B in 2011, equivalent to 7% of GDP
- Industry employment to grow 25% in 2011
- Philippines ranked 2nd worldwide for BPO market share; Metro Manila now largest BPO city globally
- Expansion into "Next Wave Cities" outside Metro Manila driven by favorable demographics and lower cost

IT incubators where, together with the Ayala Foundation, ABG has offered training programs and matched venture capitalists with small entrepreneurs.

For 2011, ABG will continue to build up its BPO office portfolio by launching 13 new projects across the country with a total GLA of 200,000 square meters. It is also working to develop a prototype design for slightly lower grade, low-rise, BPO office buildings to cater to an emerging sub-segment which is more price oriented. All in all, ABG is looking forward to very strong growth in its leasing portfolio over the next five years.

Table 4. ABG 2010 Project Launches

PROJECT	LOCATION	GLA (sqm)
Baguio BPO	Baguio	5,400
Iloilo-AyalaLand TechnoHub	Iloilo	7,600
Ayala Northpoint TechnoHub	Bacolod	3,800
Two Evotech	NUVALI	11,600
Peak A	Cebu	26,500
East Block	BGC	8,800
Glorietta 2 BPO	Makati	20,200
Glorietta 1 BPO	Makati	18,600
TOTAL		**102,500**

BPO NEXT WAVE CITIES

With its relatively low cost structure, abundance of capable and English-speaking workforce, and world-class telecommunications infrastructure, the Philippines has already become the second largest destination for global outsourcing and offshoring ("O&O"), next only to India. Studies also show that Metro Manila has already been recognized as the city with the most number of business process outsourcing (BPO) employees in the world. Increasingly, however, companies engaged in O&O are already beginning to look beyond Metro Manila for their expansion plans.

To ensure continued strong growth for the country's BPO industry, the government's Commission on Information and Communications Technology, in cooperation with the Business Processing Association of the Philippines, have compiled a list of Next Wave Cities (NWCs) which have the required characteristics that O&O companies look for. The main criteria for qualification include population, absorptive capacity, competitive cost structure, infrastructure, and the availability and quality of university graduates.

Outside of Metro Manila, Metro Cebu and Metro Clark, which are already considered as established BPO locations, Davao City was named as the best outsourcing location from among the NWCs in 2010. Other cities that made the list are: Sta. Rosa (Laguna), Bacolod City, Iloilo City, Metro Cavite, Lipa City, Cagayan de Oro City, Malolos City, Baguio City, and Dumaguete City.

As of 2010, Ayala Land has established a foothold in six of these identified NWCs. In Metro Manila alone, Ayala Land has 16 BPO office buildings located in various locations in Makati, Manila and Quezon City. Outside the National Capital Region, it has two BPO buildings in Sta. Rosa, one each in Cebu, Iloilo, and Baguio City. This year, Ayala Land will launch BPO projects in Davao and Cavite, expanding its presence to eight of the 13 cities on the 2010 NWC list.

Hotels and Resorts

Ayala Land diversified its hotels and resorts portfolio last year 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. In line with these strategic initiatives, the Company formed AyalaLand Hotels and Resorts Corp. (AHRC) as the corporate vehicle for its hotels and resorts businesses. AHRC is a wholly-owned subsidiary focused on gaining market share in niche segments of the booming tourism and hospitality industries.

"The establishment of AHRC marks a new direction for Ayala Land. While we will continue to maintain equity ownership in internationally-branded city hotels in our mixed-use developments and lease land to select hotels under Ayala Hotels, Inc. (AHI), we will also be operating businessman's hotels as well as resorts using our own brands," said Jose Emmanuel H. Jalandoni, Group Head for the ALI Capital and Hotels Group. "A combination of hotel properties carrying easily recognizable global brands, high value and stylish accommodations for business travellers and select leisure markets, as well as resorts in engaging, natural settings should boost Ayala Land's presence in the rapidly growing tourism industry and introduce fresh revenue streams," explained Jalandoni.

Last year, AHRC laid the groundwork for brisk growth by buying out AHI's 100% stake in Hotel InterContinental Manila (HIM) and 62.9% stake in Cebu City Marriott (CCM). Meanwhile, AHI will remain a separate subsidiary tasked to manage the existing land leases of the Mandarin and Peninsula Manila hotels in Makati.

The hotels and resorts business performed well in 2010, with total revenues growing by 47% to Php1.6 billion. The rise in the number of business travellers and the 17% increase in tourist arrivals last year led to an increase in blended revenues per available room by 8% to Php3,385 as average occupancy rose from 69% in 2009 to 75%, for HIM and CCM, respectively.

A key accomplishment of the Group in 2010 was its successful acquisition of a 60% stake in the award-winning 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 the year.

In line with maximizing attractive eco-tourism opportunities in the Palawan area, the completion of the Pangulasian Island Resort will add another 42 rooms plus a spa to the Group's holdings. While the Palawan portfolio is considered the centerpiece of AHRC's efforts in eco-tourism, the Group is exploring possible resort acquisitions in other areas of the Philippines.

In addition to its expansion plans and its commitment to environmental sustainability, the Group also promotes long-term social and economic progress by hiring employees and hotel staff who live in the surrounding communities. Moreover, it encourages its

Kayaking at the Big Lagoon of El Nido Resorts


Kukun Abreeza in Davao City

OPPORTUNITIES AND TRENDS:

- World-class local attractions and hospitality-oriented culture
- High growth potential given lower current base in comparison with regional peers
- Significant increase in domestic tourism over the past five years
- Public-Private Partnership framework to boost expansion of major road networks, airports, and other needed infrastructure
- Increase in business travel due to improved economic prospects
- Significant opportunities in hotel room build-up for business travelers and tourists

property managers to use the produce and harvests of local farmers and micro-entrepreneurs so that economic benefits can multiply further.

To strengthen its internationally-branded hotel line, AHRC began construction of the Holiday Inn & Suites Makati, which will be part of the Ayala Center redevelopment. AHRC also broke ground in BGC and Davao City on its new businessman's hotel line. The Company will launch these under its own Kukun brand, inspired by the nurturing environment associated with this stage of metamorphosis.

Meant to address a significant gap in the market, the Kukun businessman's hotels are expected to be well positioned, especially in non-Metro Manila areas. In 2011, four new Kukun hotels are scheduled to break ground in Alabang, Quezon City, NUVALI and Cagayan de Oro to serve the increasing number of business travellers and tourists around the country.

EL NIDO IN PALAWAN

The province of Palawan has been chosen as one of the "20 Best Trips of 2011" by the prestigious National Geographic Magazine. In its website, the publication states that "Palawan's limestone karst cliffs, coral atolls, mangrove forests, sugar-white sandy beaches, and extensive fringing reefs create one of the Philippines' most biodiverse terrestrial and marine environments." Designated as a marine and wildlife sanctuary in 1967, Palawan is also recognized around the world as the Philippines' last ecological frontier.

One of the most popular destinations within the beautiful island of Palawan is the award-winning El Nido Resorts. In 2009, El Nido was selected as one of the "Top 10 Eco-Friendly Asian Resorts" by one of Asia's leading online hotel reservation companies. In addition to its beautiful beaches and divespots, the El Nido chain of island resorts was also recognized for its innovative environmental policies and practices. El Nido was also rated as "Gold Award 2011" by the Pacific Asia Travel Association in recognition for its "Be G.R.E.E.N. Campaign".

Last year, the Hotel Investment Conference Asia Pacific also cited El Nido Resorts as one of the best Sustainable Destinations in the Asia-Pacific region. It was also recognized by the Association of South East Asian Nations (ASEAN) with a Green Hotel Award for 2010-11 (repeating its success in 2008-09) and received the highest prize in the 2009 Wild Asia Responsible Tourism Awards.

With Ayala Land's acquisition of the El Nido Resorts in 2010, the Company is expected to further develop and promote El Nido, and the province of Palawan, as the preferred premium island resort destination in the Philippines.


MDC

Construction site at Bonifacio High Street Central

CONSTRUCTION

No. of ongoing projects	44
Value of contracts	Php25 billion
Internal/Third-party mix	69%/31%

Concierge desk at Serendra

PROPERTY MANAGEMENT

No. of managed facilities	174
Value of contracts	Php595 million
Internal/Third-party mix	84%/16%

SERVICES

Ayala Land's construction and property management subsidiaries play critical roles in the end-to-end value chain of the Company. As competition intensifies, quality and cost leadership on the front-end and world-class governance and maintenance on the back-end help ensure that Ayala Land properties offer a value proposition that is difficult to match in each segment. For 2010, the main focus has been on upgrading construction capabilities and enhancing operational efficiency.

Construction

2010 was a significant year for the Construction Management Group (CMG) as it managed a total of 139 projects valued at Php51.9 billion at various stages of construction, design, and warranty servicing – reflecting a 19% increase in volume and 23% rise in project value versus the previous year. During this period, CMG also delivered a record number of units – 1,443 residential units, 1,536 lots and 20 office floors – of which 99% were accepted by buyers at first inspection.

"Through timely technical inputs during planning, cost optimization and innovative procurement strategies, CMG enabled the launch of 57 projects across the Ayala Land portfolio," said Dante M. Abando, Head of CMG and concurrent President of Makati Development Corporation (MDC).

MDC, one of the country's largest construction firms, generated Php6.2 billion in revenues last year, 128% higher than in 2009. MDC delivered a total of 27 projects and achieved a "highly satisfied" average rating of 4.1 (on a scale of 1 to 5) from its customers.

Throughout 2010, CMG and MDC began an organizational transformation initiative which focused on the integration of Ayala Land's construction resources, folding in CMG into MDC's operations. With the integration of the experience and capabilities of both units, the result will be a stronger, fully synergized, full-service construction, engineering and construction management company.

"MDC's role of providing top quality construction services at competitive costs relative to other major contractors is a key driver of Ayala Land's margin improvement efforts. This becomes even more critical because we are significantly expanding our footprint in key geographic areas nationwide, and across the product portfolio. Market expectations are higher and we have to meet the challenges of delivering competitively priced products at a faster pace. To meet this challenge, we are making critical investments in technology and people," said Abando.

Among the investments made in the last quarter of 2010 were in new technologies and systems which will enable the acceleration of construction timetables and achieve better execution with improved quality. In addition, these investments will enhance MDC's equipment availability and translate into improved utilization rates and productivity gains. Other investments included new planning systems software such as the Building Information Modeling system. This improved the accuracy and efficiency of development plans, particularly for high-rise developments, and were already utilized in five key projects - Glorietta 1 redevelopment, Park Terraces I, 1016 Residences in Cebu, the US Embassy project, and the proposed site for the district cooling system at the Ayala Center.

MDC will also roll-out a rationalized organizational structure in 2011 to better address the Company's growth requirements. With the increasing number of Ayala Land mixed-use developments, a Construction Operations Group assigned to specific geographies will be set up to enhance both productivity and control. In addition, a Construction Support Group will be established to focus on project controls, formworks, precasting, construction equipment and asset management. A Commercial Group, on the other hand, will be in charge of strengthening support services in land acquisition, design and design management, and cost estimation.

Safety has always been of utmost concern for MDC. In 2010, MDC logged 27.3 million safe manhours across all projects. Moving forward, a comprehensive program on Environment, Health, and Safety will be put in place primarily by setting up a stronger organization in terms of structure and practices, as well as increasing collaboration with various local and national government agencies.

"As we move forward to 2011, we are supporting the Company's ramp up by ensuring that we have the right structure, resources, capabilities and systems in place. This will provide a platform for accelerated growth while maintaining our focus on quality, planning and execution," added Abando.

Equipment room at Tower One & Exchange Plaza

Property Management

Ayala Property Management Corporation (APMC) continued to sharpen its role of enhancing and preserving the value of the facilities under its stewardship. Last year, APMC delivered Php1.0 billion in revenues, 2% higher than 2009, as the company continued to secure new property management contracts. APMC's success in retaining existing clients and attracting new ones is attributable to its reliable delivery of world-class services. Throughout the year, APMC maintained a very high equipment uptime across all its managed properties and managed its security operations well, resulting in very high customer satisfaction ratings that exceeded those of 2009.

"Proactive on-site property management is absolutely critical in delivering quick and efficient service. Last year, APMC launched the PREACT initiative – short for proactive, report, escalate, act, control, take charge – to all front liners in our managed properties. This empowered our line managers to act more quickly, and in a more decisive fashion," said Raul M. Irlanda, CEO of APMC.

In anticipation of a significant increase in property management contracts in line with Ayala Land's overall expansion, APMC implemented a number of operational and system improvements. These included upgrading of its customer service desk reporting system, migration of managed accounts' financial control and reporting systems to SAP, and the automated monitoring of permits and contracts via the enterprise content management system. APMC also successfully maintained its three international certifications – ISO 9001:2008 (Quality Management); ISO 14001:2004 (Environmental Management); and OHSAS 18001:2007 (Occupational Health and Safety) – and remains the only local property manager to secure these prestigious accreditations.

APMC also continued to find ways to reduce operating costs in its managed properties. Working in tandem with the Company's Finance Group on spend management programs, APMC implemented programs that effectively monitored and rationalized controllable expenses related to energy and water consumption, security and janitorial services, insurance, equipment maintenance and repair, and postal and telecommunications.

One example of this is in the management of electricity usage, mainly from lighting and airconditioning. APMC has been benchmarking its average power consumption, on a per square meter basis, against both local and regional peers across Southeast Asia. The average energy consumption of the facilities in its portfolio decreased by 7% compared with 2009 and was well below regional comparables. Contributing to this was the use of more efficient cooling towers and energy-saving lighting systems in several managed facilities. As such, APMC's managed accounts continue to win in the Don Emilio Abello Energy Awards spearheaded by the Department of Energy for its various energy efficiency programs. In addition, continued implementation of innovative solid waste management programs reduced residual waste from the previous year's levels. This underscored APMC's thrust for sustainability and eco-friendliness in its operations.

"We continue to observe and apply sustainable practices across all aspects of our operations. We closely monitor various sustainability metrics related to energy, water, solid waste, and carbon emissions. We make sure that these are moving in trendlines that indicate a reduction in either usage or output, making the facilities we manage greener," noted Irlanda.

Moving forward, APMC aims to continue finding ways by which it can expand its value-adding role, particularly in the field of energy efficiency. In 2010, Ayala Land created a new subsidiary called Philippine Integrated Energy Solutions, Inc. to focus on investments that can dramatically lower the energy consumption in its mixed-use developments. Potential initiatives include the implementation of large-scale district cooling systems, which can be offered to third-party facilities to maximize economies of scale, and even energy aggregation and trading in the future.


NUVALI

GROWTH CENTERS

Ayala Center

MAKATI

Size of landbank — 49 hectares

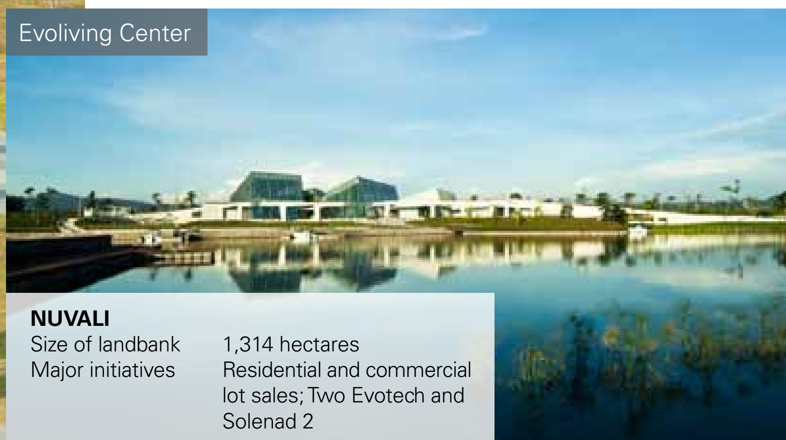
Major initiatives — Ayala Center redevelopment

Serendra

BONIFACIO GLOBAL CITY

Size of landbank — 31 hectares

Major initiatives — Extension of Bonifacio High Street



Evoliving Center

NUVALI

Size of landbank — 1,314 hectares

Major initiatives — Residential and commercial lot sales; Two Evotech and Solenad 2

Ayala Center Cebu

VISAYAS-MINDANAO

Size of landbank — 538 hectares

Major initiatives — Residential high-rise projects; Davao and CDO malls; Iloilo and Bacolod BPO buildings

Growth centers are at the heart of Ayala Land's value creation model. The ability to acquire, masterplan, and develop fully-integrated and sustainable mixed-use communities is one of the Company's key competencies and a strategic differentiator in a highly competitive marketplace. Growth centers allow these communities to develop and thrive through the introduction of Ayala Land's diverse product lines and offer immediate development as well as long-term investment and redevelopment opportunities. As such, growth centers provide an ideal platform for long-term value creation and realization.

At the end of 2010, the Company had 4,029 hectares of land available for development all over the country. 87% of these holdings, or 3,491 hectares, is located in Luzon, principally in Metro Manila, NUVALI, and recently acquired landbank in Palawan. The balance of 13%, equivalent to 538 hectares, is located in the Visayas and Mindanao regions.

Makati

As the country's premier central business district (CBD), Makati remains Ayala Land's most valuable landbank and a centerpiece in its value creation and realization efforts. In 2010, three themes emerged for Makati: the continued redevelopment of Ayala Center, the emergence of the Ayala Triangle as a convergence zone in the CBD, and the start of the planning and development of a new node in the northern part of the city.

The Ayala Center redevelopment is designed to revitalize the area and maintain Makati's standing as the CBD of choice for retail and office locators, shoppers and business travelers. It is also intended to improve the utilization and yield on the property through increased density of the commercial leasing areas while also realizing built-up value through a carve-out, development and sale of a high-end residential complex. Construction on the retail areas of Glorietta 1 and 2 began in 2009 while the first and second towers of the Park Terraces residential development was launched in 2010. A third residential tower will be launched in 2011 to complete the Php20 billion first phase of the redevelopment masterplan. The Company, meanwhile, started construction on two business process outsourcing office towers last year and broke ground on a 347-room Holiday Inn & Suites hotel.

The Ayala Triangle meanwhile established its presence in the CBD with the opening of the dining areas of the Ayala Triangle Gardens (ATG) in 2010. Opened in time for the Christmas holidays, the restaurants and walking paths of the ATG quickly became a major focal point of social activity for the Makati business crowd. A series of very successful light and music shows and open-air concerts helped generate additional buzz and transformed the ATG into a family destination and gathering place. "The Restaurants at the Ayala Triangle Gardens has been a phenomenal success," said Anna Ma. Margarita B. Dy, Group Head of Ayala Land's Strategic Landbank Management Group. "The area has become a hub of activity and has really created a very unique outdoor pedestrian experience in the city," added Dy.

Last year also saw the conceptualization and start of masterplanning for a new growth area adjacent to the northern tip of the CBD. The area will be revitalized and developed into a mixed-use community featuring residential, retail and entertainment, and office components. Leading the development was the launch in 2010 of The Lerato, an Alveo high-rise condominium. The other components are currently in the planning stage and will be launched over the coming years.

Bonifacio Global City

As the fastest growing and one of the most exciting CBDs in the country, Bonifacio Global City (BGC) continued to see rapid build-up and strong value appreciation in 2010. Over a period of just five years, total gross floor area built up in BGC has nearly tripled to reach 1.9 million square meters in 2010. This is expected to reach 2.6 million square meters by 2013, or roughly half of the fully-built up level of Makati. Because of the strong demand for lots in BGC, accommodation values have already reached parity with those of the Makati CBD.

"We view Makati and BGC as complementary CBDs, each with its own unique character and which together offer a complete range of possibilities for our various locators and product lines. The fact that values in both

Bonifacio High Street in BGC

areas are now at parity with each other – and more than double the next largest CBD – is an affirmation of this strategy. While BGC started by feeding off from the economic pulse of Makati, it has developed its own unique sense of passion and soulful energy that is palpable in our spaces and in the people who live, work and play here," Dy explained.

With this new approach, the Company was able to launch several groundbreaking developments in BGC last year. These included Avida Towers Global, which provides a more affordable alternative to buyers who wish to be located in this prestigious area, and Ayala Land's first Kukun businessman's hotel. Other locators, like the Sportsflex and Active Fun centers, have also come in to promote BGC's "play" concept and further prime the area. The St. Luke's Hospital, with world-class medical facilities and 629 rooms, also opened last year.

2010 also saw construction begin on the extension of the Bonifacio High Street (BHS) retail areas. The new development, called BHS Central, will extend BHS by five hundred meters and expand the total retail GLA in this very prime location by 28,000 square meters. BHS Central will also connect this most central area of BGC to other landmark developments like the 6-star Shangri-La hotel, the new headquarter office building of Globe Telecom and the Mind Museum, which are all currently undergoing construction.

NUVALI

NUVALI continued to emerge as one of the most vibrant locations being developed south of Metro Manila. Within commuting distance from Makati with the improved South Luzon Expressway, NUVALI continues to generate momentum as the preferred destination in the south with an increasing number of developments and events that attract residents, visitors, and business locators.

Ayala Land's three residential brands successfully launched new residential subdivisions in NUVALI in 2010. Ayala Land Premier and Alveo launched Santierra and Venare, respectively, while Avida started selling its Settings, Estates and Village communities. The 287 lots offered in Santierra were sold-out within the year at an average price of Php14,000 per square meter, compared with the Php10,000 per square meter average price achieved by Abrio, ALP's first project in NUVALI in 2008. Sales take-up for Venare and the Avida communities were also very strong.

Commercial activity meanwhile also gathered momentum with the launch of the Company's second BPO office building Two Evotech and the Solenad retail expansion area. Strong demand for commercial lots resulted in 20 lots in the Lakeside Evozone South being sold (50% of the total made available for sale within the year) at an average price of Php34,000 per square meter, 36% higher than the average of Php25,000 per square meter for similar lots sold in

2009. "The strong value appreciation has been driven by the type of infrastructure, facilities, and amenities we have put in place as well as NUVALI's strong adherence to sustainability principles. These make NUVALI unique as a large-scale development and the main reason for its success," said Dy.

NUVALI has also gained a reputation for being the perfect weekend destination for the whole family. Mountain biking and running races as well as numerous other outdoor and sports activities were hosted in 2010 and a watersports facility will also be opened in 2011. The Xavier School also broke ground on the development of a future campus, further supporting NUVALI's evolution as a fully-integrated community.

Visayas-Mindanao

Ayala Land also significantly extended its business footprint in other areas outside Luzon. Through the Visayas-Mindanao (Vis-Min) Group, which helped identify and acquire new landbanking and expansion opportunities, the Company effectively expanded both its geographic coverage and product reach.

2010 was a landmark year for Ayala Land in Cebu with the introduction of its first high-rise residential developments. The launch of ALP's 1016 Residences, Alveo's Sedona Parc and Avida Towers Cebu I and II enabled the Company's residential brands to establish their presence in this attractive and fast growing market.

The Company's commercial leasing portfolio also sustained the pace of its expansion in the region. The Abreeza Mall in Davao is in its final stages of construction and is scheduled to open within the first half of 2011, with 83% of its available 53,000 square meter GLA already leased-out. The Centrio shopping mall in Cagayan de Oro City (46,000 square meter GLA), designed to anchor a new, masterplanned mixed-use community, also broke ground earlier last year.

In the office segment, the Vis-Min Group also facilitated the launch of the Company's first BPO buildings in the cities of Iloilo and Bacolod. The first of Ayala Land's Kukun businessman's hotels outside Metro Manila also broke ground in Davao last year.

"Visayas and Mindanao hold tremendous potential for the growth and expansion of our main businesses. We were able to identify new growth centers for our various product lines. We are now optimizing these for the planning and launch of world class mixed-use developments that will create a platform for many years of sustainable growth for Ayala Land in these regions," said Emilio J. Tumbocon, Group Head for the Company's Vis-Min operations.

Other Landbank

The Company also continued to acquire fresh landbank to fill in some gaps in attractive growth centers and ensure that its available inventory for development can support its product and geographic growth objectives. Last year, Ayala Land acquired 821 hectares of land across the country, bringing its total landbank inventory to 4,411 hectares (of which 382 hectares are non-strategic and for disposal). A significant portion of this was the 763 hectares of land acquired in northern Palawan, on which the Company plans to develop a tourism estate with eco-oriented resort (expansion of the current El Nido operations), residential and retail components.

The Company likewise continued to pursue asset-light structures in securing sites for development. Most of the high-value properties acquired in 2010 were secured through either joint-development agreements (JDAs) or long-term leases. These properties include a six-hectare lot in Fairview, Metro Manila, a two-hectare property in Iloilo (both long-term leases), and a 2.3-hectare lot in Mandaluyong, Metro Manila (JDA between Avida and the Philippine National Bank).

Table 5. Consolidated Landholdings

LOCATION	SIZE (HECTARES)	
	END-2009	**END-2010**
Makati	52	49
Bonifacio Global City	32	31
NUVALI	1,434	1,314
Other Metro Manila (ex Makati and BGC)	223	246
Other Luzon (ex NUVALI)	974	1,851
Visayas	524	375
Mindanao	223	163
For development	3,462	4,029
Non-strategic, for disposal	468	382
TOTAL	**3,930**	**4,411**


Ayala Center Cebu

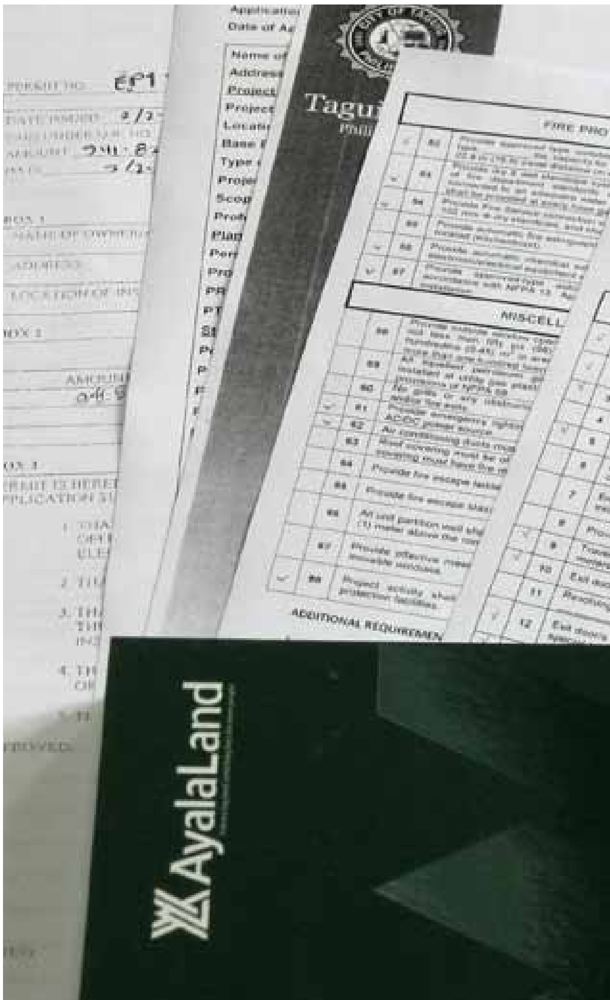
Computer modeling simulation of internal building structures

What did we do differently ?

Highlights of Key Initiatives in 2010

We employed alternative building techniques, modeling and management systems to increase speed-to-market, lower cost, and minimize rework.

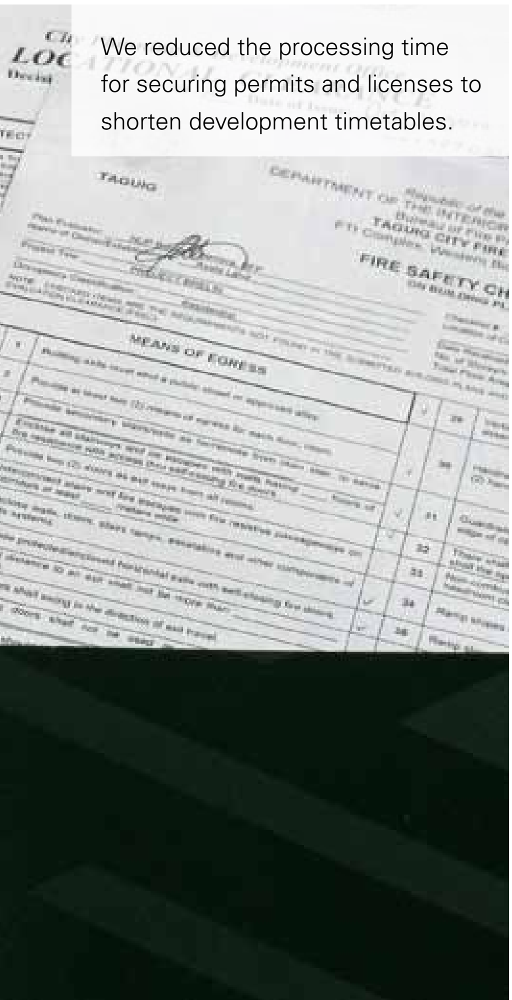
We made faster decisions, replacing some formal and structured meetings with quicker and more nimble "huddles".



We dramatically shortened project planning cycles by streamlining building designs and reusing design-templates where possible.

Iloilo-AyalaLand TechnoHub

Ayala Northpoint TechnoHub in Bacolod



We reduced the processing time for securing permits and licenses to shorten development timetables.

We outsourced more support functions and established internal teams to facilitate cross-functional cooperation.

“Our leadership, our approach...”

Board of Directors
Management Committee
Corporate Governance Report
Risk Management Report

BOARD OF DIRECTORS

Fernando Zobel de Ayala

Chairman of ALI since 1999. Vice Chairman, President and COO 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 and 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 of 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

Vice Chairman of ALI since 1988. Chairman and CEO of Ayala Corporation; Chairman of Globe Telecom, Inc., Bank of the Philippine Islands, and Integrated Micro-Electronics, Inc.; Vice Chairman of Manila Water Company, Inc.; Co-Vice Chairman of Mermac, Inc. and Ayala Foundation, Inc.; Director of 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, Singapore Management University and Asian Institute of Management; Member of The Asia Society and 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

Director and President of ALI since April 2009. Chairman of Alveo Land Corp., Avida Land Corp., Cebu Holdings, Inc., Cebu Property Ventures & Development Corp., Makati Development Corp., Ayala Property Management Corp., North Triangle Depot Commercial Corp. and Station Square East Commercial Corp.; President and Director of Fort Bonifacio Development Corp., Alabang Commercial Corp., Accendo Commercial Corp., Aurora Properties, Inc., Ceci Realty, Inc. and Vesta Property Holdings, Inc.; Director of Manila Water Company, Inc., Ayala Hotels, Inc. and Ten Knots Group of Companies; President of Hero Foundation and Bonifacio Arts Foundation, Inc.; Trustee of Ayala Foundation, Manila Water Foundation, Makati Commercial Estate Association, Inc. and Makati Environment Foundation. 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.

Francis G. Estrada

Independent Director of ALI since April 2008. Chairman of the Board of De La Salle University and 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 Española de Beneficencia and 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.

Jaime C. Laya

Independent Director of ALI since April 2010. Chairman of the Board of Directors of Philippine Trust Company (Philtrust Bank); Independent Director of Victorias Milling Co., Inc., GMA Network, Inc., and Philippine AXA Life Insurance Co., Inc.; 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, University of the Philippines.

Delfin L. Lazaro

Member of the Board of ALI since April 1996. 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. 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.

Aurelio R. Montinola III

Member of the Board of ALI since February 2005. President and CEO of Bank of the Philippine Islands; Chairman of BPI Direct Savings Bank, Inc., BPI Computer Systems, Inc., BPI/MS Insurance Corp., BPI Europe Plc., and Amon Trading Corporation; Vice Chairman and President of the BPI Foundation, Inc.; Vice Chairman of the Asia-Pacific Regional Advisory Board of Master Card Incorporated; Vice Chairman of Republic Cement Corp., LGU Guarantee Corp., Far Eastern University and Philippine Business for Education, Inc.; Director of BPI Capital Corporation, BPI-Philam Life Assurance Corp., BPI Bancassurance Corp., and BPI Family Savings Bank, Inc.; Member of the Management Association of the Philippines; Trustee of the Makati Business Club, Ayala Foundation, International School Manila and Pres. Manuel A. Roxas Foundation.

Mercedita S. Nolledo

Director and Corporate Secretary of ALI since 1994. Senior Managing Director and Corporate Secretary of Ayala Corporation, and Senior Counsel of the Ayala Group of Companies; 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.; Treasurer of Sonoma Properties, Inc. and JMY Realty Development Corp.

Oscar S. Reyes

Independent Director of ALI since April 2009. Chairman of MRL Gold Philippines, Inc. and Link Edge Inc.; Member of the Board of Bank of the Philippine Islands, Philippine Long Distance Telephone Company and SMART Communications, Inc.; Independent Director of Manila Water Company, Inc., 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; Member of the Board of Trustees of Pilipinas Shell Foundation Inc., SGV Foundation, and El Nido Foundation.

MANAGEMENT COMMITTEE

Antonino T. Aquino

President and CEO

Vincent Y. Tan

Group Head,
Planning

Ma. Victoria E. Añonuevo*

Group Head,
AyalaLand Businesscapes
Group Head, Ayala Malls

Bernard Vincent O. Dy

Group Head,
Residential Business

Raul M. Irlanda

Group Head,
Property Management

Rex Ma. A. Mendoza

Chief Marketing
and Sales Officer
Group Head,
Corporate Marketing
and Sales

Emilio J. Tumbocon

Group Head,
Visayas-Mindanao and
Superblock Projects

Jaime E. Ysmael

Chief Finance Officer
Compliance Officer
Group Head, Finance

Dante M. Abando

Group Head, Construction
Group Head, Construction
Management

Arturo G. Corpuz

Head, Urban and
Regional Planning and
Land Acquisition

Anna Ma. Margarita B. Dy

Group Head,
Strategic Landbank
Management

Jose Emmanuel H. Jalandoni

Group Head,
ALI Capital and Hotels

Joselito N. Luna

Group Head,
Innovation and Design

Ma. Teresa T. Ruiz

Group Head,
Human Resources
and Public Affairs

** Senior Advisor to the President effective January 1, 2011*

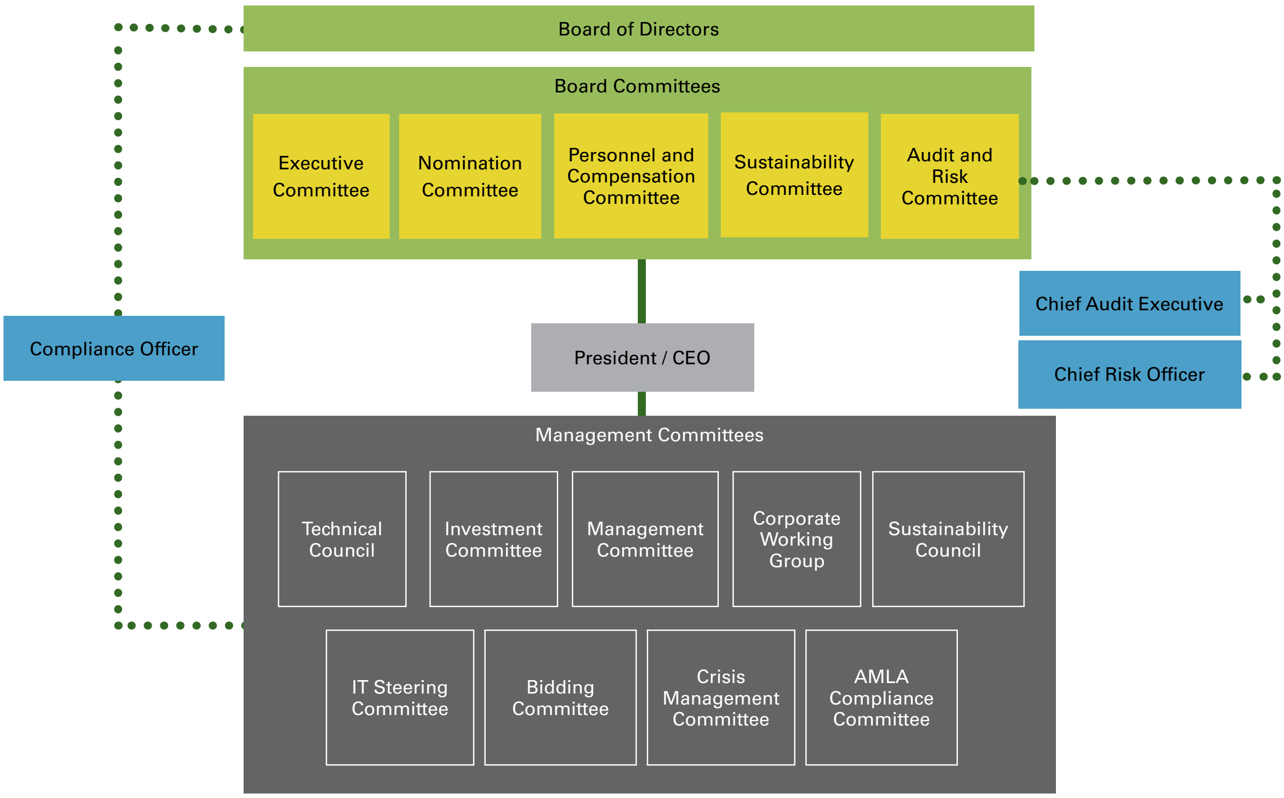
CORPORATE GOVERNANCE REPORT

We are firmly committed to good corporate governance as a critical element in creating and sustaining shareholder value, while considering and balancing the interests of all our other stakeholders.

Ayala Land's corporate governance practices are principally contained in our Articles of Incorporation and By-Laws, their amendments and our Manual of Corporate Governance (revised in 2010). Together, these articulate the principles of good and transparent governance that we adhere to.

This Report describes our corporate governance framework and discusses initiatives taken by the Company in 2010 to further strengthen our commitment to integrity, transparency, the equitable treatment of all shareholders, and a well-functioning Board and management team that are closely aligned in representing and working for the interests of our various stakeholders. Our corporate governance program is implemented through the structure shown below:

Figure 3. Our Governance Structure



BOARD OF DIRECTORS

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 adequacy of internal controls and risk management practices, accuracy and reliability of financial reporting, and compliance with applicable laws and regulations.

Ayala Land is led by a Board consisting of nine members who hold office for a minimum of one year and may be re-elected until such time that their successors are nominated, qualified, and elected in accordance with the By-Laws of the Company.

The Board represents a mix of general business, industry, legal, and finance competencies, with each director capable of adding value and rendering independent judgment in relation to the formulation of sound corporate policies. All Board members have undergone training in corporate governance and have been certified by the Institute of Corporate Directors (ICD).

The ICD is a professional organization that is based in the Philippines and is accredited by the Philippine Securities and Exchange Commission (SEC) and the Philippine Stock Exchange (PSE). The ICD works closely with the Organisation for Economic Co-operation and Development (OECD), the Global Corporate Governance Forum, and the International Corporate Governance Network and is committed to promoting world-class corporate governance principles in the East Asia region.

The ICD releases an annual survey based and independently verified "scorecard" rating of corporate governance for publicly listed companies in the Philippines. In 2009, Ayala Land topped the ICD Corporate Governance ratings with a score of 98%, the 3rd successive year it had placed in the top-five with a score of at least 95%. The average score of the 214 companies in the 2009 survey was 73%. (Note: 2010 survey results have not yet been released as of the printing date of this publication).

The roles of the Chairman and the Chief Executive Officer (CEO) are separate to ensure Board independence from management, an appropriate balance of power and increased accountability. Of the nine members of the Board, only the President and CEO is an executive director. The rest are non-executive directors who are neither officers nor consultants of the Company.

As a company listed on the PSE, Ayala Land exceeds the regulatory requirement of having at least two independent directors on the Board. Of the nine current directors, three are independent directors, or 33% of the entire board membership. The Company defines an independent director as one who holds no interests in or relationships with the Company that may hinder their independence from the Company or its management and which would interfere with the exercise of independent judgment in carrying out the responsibilities expected of a director. If the beneficial ownership of an independent director in the Company or in its related companies exceed a 10% limit, or if the director appointed or elected as an independent director subsequently becomes an officer or employee of the Company, the director shall cease to be designated or characterized as an independent director.

Board Performance

Regular meetings of the full Board are held at least once every quarter. In 2010, the Board had five regular meetings. The average attendance rate of members of the Board was 95%, while individually complying with the SEC's minimum attendance requirement of 50%.

Board members have separate and independent access to the Corporate Secretary who, apart from being a member of the Board, oversees the adequate flow of information to other Board members prior to meetings and serves as an adviser to the directors on their responsibilities and obligations. Discussions during Board meetings are open, and independent views are encouraged and given due consideration.

One of the tools used by the Board to monitor and improve its performance is an annual self-assessment. This is administered in the form of a formal questionnaire that is answered by each member of the Board individually and where members of the Board are able to rate their individual performance and that of the Board as a whole. The results are compiled by the Compliance Officer and submitted back to the Board for discussion and appropriate action through the Corporate Secretary. These self-assessment survey questions

Table 6. Ayala Land Board of Directors

Director	Position	Nature of Appointment
Fernando Zobel de Ayala	Chairman	Non-executive
Jaime Augusto Zobel de Ayala	Vice Chairman	Non-executive
Antonino T. Aquino	Director	Executive
Delfin L. Lazaro	Director	Non-executive
Mercedita S. Nolledo	Director	Non-executive
Aurelio R. Montinola III	Director	Non-executive
Francis G. Estrada	Director	Non-executive/ Independent
Jaime C. Laya*	Director	Non-executive/ Independent
Oscar S. Reyes	Director	Non-executive/ Independent

** Elected to the Board on April 14, 2010*

Table 7. Summary of Directors' Attendance: 2010

Director	No. of Meetings Attended/Held[1]	% Present
Fernando Zobel de Ayala	4/5	80%
Jaime Augusto Zobel de Ayala	5/5	100%
Antonino T. Aquino	5/5	100%
Corazon S. dela Paz-Bernardo[2]	1/1	100%
Delfin L. Lazaro	5/5	100%
Mercedita S. Nolledo	4/5	80%
Aurelio R. Montinola III	5/5	100%
Francis G. Estrada	5/5	100%
Jaime C. Laya[3]	4/4	100%
Oscar S. Reyes	5/5	100%

[1] In 2010 and during the incumbency of the director
[2] Ms. dela Paz-Bernardo stepped down from the Board on April 14, 2010
[3] Mr. Laya was elected to the Board on April 14, 2010

are reviewed regularly based on best practice research and cover four broad areas of Board performance: Fulfillment of the Board's Key Responsibilities, Quality of the Board–Management Relationship, Effectiveness of Board Processes and Meetings, and the Performance of Individual Board Members. The self-assessment survey questions were last updated in 2010 and the questionnaire is administered every May (after the Annual Stockholders' Meeting). The Board also conducts its annual assessment of the President and CEO. An assessment of the Board committees will be added in future surveys.

Board Committees

Five committees support the Board in the performance of specific governance functions. These committees – including its members, specific responsibilities and 2010 accomplishments – are discussed below.

Table 8. Board Committees

Committees / Members	Responsibilities / Accomplishments in 2010
Executive Committee Fernando Zobel de Ayala (Chairman) Jaime Augusto Zobel de Ayala Antonino T. Aquino Delfin L. Lazaro Oscar S. Reyes*	• Acts on specific matters delegated by the Board of Directors except with respect to the following: distribution of cash dividends; filling of vacancies on the Board or in the Executive Committee; amendment or repeal of By-Laws or the adoption of new By-Laws; amendment or repeal of any resolution of the Board of Directors; and the exercise of powers delegated by the Board exclusively to other committees. • Discusses in detail strategic plans and directions. • Held three meetings and deliberated on, among others, various projects and business proposals.
Nomination Committee Fernando Zobel de Ayala (Chairman) Antonino T. Aquino Oscar S. Reyes*	• Implements and maintains a process which ensures that all directors nominated for election at the Annual Stockholders' Meeting have all the qualifications and none of the disqualifications for directors as stated in the By-Laws and the Manual of Corporate Governance. • Reviews the qualifications of executives prior to movement, promotion, or hiring. • Held two meetings. Reviewed the profiles of the nominees for directors for the year 2010-2011, approved the final list of nominees, and approved the appointments/promotions of key officers.
Personnel and Compensation Committee Fernando Zobel de Ayala (Chairman) Jaime Augusto Zobel de Ayala Mercedita S. Nolledo Francis G. Estrada*	• Establishes a formal and transparent process for developing and reviewing policies related to the executive remuneration of corporate directors, officers and other key personnel. • Held a single meeting. Approved the grant of the 2010 Executive Stock Ownership Plan to qualified officers of the Company. A total of 24,948,469 share grants, representing a dilution of less than 0.2% of the Company's issued and outstanding common shares over a period of ten years, were awarded to qualified employees at a strike price of Php9.74 per share.
Audit and Risk Committee Oscar S. Reyes (Chairman)* Mercedita S. Nolledo Jaime C. Laya*	• Assists the Board of Directors in the fulfillment of its oversight responsibility relating to the accuracy of the Company's financial statements and the soundness of its financial reporting process, the robustness of its internal control and risk management systems and processes, internal audit activities, the annual independent audit of the financial statements, and compliance with legal and regulatory matters. • Held five meetings. The Committee reviewed and approved the 2009 Audited Financial Statements of the Company as prepared by the external auditors SyCip, Gorres, Velayo & Co. (SGV), as well as the quarterly unaudited financial statements. The Committee gave its recommendation on the re-appointment of SGV as the Company's external auditors for 2010 and the corresponding audit fee structure. The Committee likewise reviewed and/or approved specific matters presented by the Internal Audit Division and SGV. In addition, the Committee reviewed and discussed the Company's enterprise-wide risk management process and risk mitigation plans. The Audit and Risk Committee's activities are further discussed in its Report to the Board of Directors on page 119.
Sustainability Committee Antonino T. Aquino (Chairman) Jaime C. Laya* Oscar S. Reyes*	• Provides oversight to the sustainability program of the Company, guides policymaking in the Company's sustainability program, and ensures full Company support and alignment with the Ayala Group of Companies' commitment to Sustainable Development. • Held three meetings and reviewed the progress on key metrics and targets set by the various business units with respect to each of the five pillars of sustainability.

**Independent Director*

Director and Senior Executive Compensation

Non-executive directors receive remuneration consisting of a fixed annual retainer fee of Php500,000 and a fixed per diem of Php100,000 for each regular Board meeting attended. There were a total of five regular Board meetings in 2010. In addition, non-executive directors are also entitled to a per diem of Php20,000 per Board Committee meeting attended. The remuneration of non-executive directors was approved and ratified during the 2003 Annual Stockholders' Meeting and has not increased since then.

The total compensation paid to the CEO and key officers of management is disclosed in the Definitive Information Statement sent to all shareholders. The total annual compensation reported includes the basic salary and other variable pay, such as performance-based cash bonuses and the exercise of previously granted Employee Stock Option Plans or the current Executive Stock Ownership Plan (ESOWN), if any.

MANAGEMENT

In addition to the various Board-level committees, the Company has also put in place various management committees to guide the critical decision making and key governance processes required at the management level in overseeing individual business units, projects and support functions. These include the Management Committee, the Investment Committee, the Corporate Working Group, the Technical Council, the Bidding Committee, the Information Technology Steering Committee, the Sustainability Council, the Crisis Management Committee and the Anti-Money Laundering Act (AMLA) Compliance Committee.

Management places high importance on having clear policies, adopting best practices and maintaining strong internal controls in support of effective corporate governance.

Along with the members of the Board, the Company requires members of the Management Committee and other key officers to receive periodic training in corporate governance. As of year-end 2010, 12 of the 14 members of the Management Committee and an additional nine key officers, including the Treasurer, the Head of Corporate Strategy and the Deputy Compliance Officer were certified by the ICD for having attended an accredited corporate governance training program. The Company remains committed to continued corporate governance training for the Board and key members of the management team.

In 2010, we rolled out an internal training module for corporate governance within our own in-house training curriculum. This was attended by select mid-level managers and all new employees of the Company to effectively broaden their awareness of the principles of good corporate governance.

Shareholder Value Creation

We seek to consistently improve the Company's business fundamentals and prospects in order to deliver increasing value to our shareholders' investments in the Company over time. Our strategies, business models and operating plans are all oriented towards the achievement of consistent progress in our operating and financial results and, therefore, the underlying determinants of firm value. Specific targets relating to key metrics such as growth, profitability, return on equity, asset efficiency and total shareholder return are set and incorporated into the management team's Key Result Areas on a corporate, divisional and individual basis. These are approved by the Board, measured, tracked and form the basis of management promotions, the allocation of a performance-based cash bonus, and ESOWN grants. This process ensures optimal alignment of incentives between shareholders and management.

Risk Management

The Board and Management Team remain firmly committed to the effective management and mitigation of strategic, operational, financial and compliance-related risks throughout the organization. A key joint responsibility of the Board and the Management Team is to ensure the presence of adequate and effective organizational and procedural controls, supported by management information systems and a risk identification, mitigation, monitoring and reporting system. Key risk management initiatives implemented in 2010 are discussed in the Risk Management Report on page 69.

ACCOUNTABILITY AND AUDIT

The Audit and Risk Committee provides oversight to external and internal auditors.

Independent Public Accountants

The principal accountant and external auditor of the Company is the accounting firm of SyCip, Gorres, Velayo & Co. (SGV), with Ms. Lucy L. Chan as the Partner-in-Charge for the 2010 audit year. The Company and its various subsidiaries and affiliates paid SGV a total of Php10.3 million and Php8.1 million (inclusive of VAT) for audit and audit-related fees in 2010 and 2009, respectively. No other fees have been paid for assurance and other related services for the past two years. Meanwhile, tax consultancy services are secured from entities other than the appointed external auditor.

Internal Audit
The Internal Audit Division (IAD), headed by a Chief Audit Executive, reports to the Audit and Risk Committee of the Board. The IAD provides independent and objective assurance and advisory services to the Company with the following objectives: review the adequacy of controls established to manage identified risks, identify opportunities for process and control improvements, monitor compliance with laws and regulations, share best practices, and enhance the operations and shareholder value of the Company, its subsidiaries and affiliates. Through the Audit and Risk Committee, the IAD assists the Board in the discharge of its duties and responsibilities as provided for in the SEC's 2009 Revised Code of Corporate Governance.

The IAD executed its audit activities for 2010 in accordance with the risk-based and process-focused audit approach. This approach is in accordance with the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing (Standards) and likewise complies with the SEC's 2009 Revised Code of Corporate Governance.

Following an external assessment opinion by Manabat, Sanagustin & Co. (KPMG) in 2007 that the Company's internal audit activities generally comply with the Standards and Code of Ethics, the IAD introduced strategic changes to the positioning, people management system and processes of the function in support of overall business goals. "Generally complies" means that KPMG has concluded that the relevant structures, policies, and procedures of the activity, as well as the processes by which they are applied, comply with the requirements of the Standards and Code of Ethics in all material respects. Per Internal Auditing Standard 1312, external assessments must be conducted by a qualified independent reviewer or review team from outside the Company at least once every five years.

MANAGEMENT OF STAKEHOLDER RELATIONS

We believe that our long-term success rests on the support and contribution of different stakeholders, including our shareholders, customers, business partners, employees, the communities impacted by our developments, the government, non-government organizations (NGOs) and the media.

Shareholders
We are committed to providing our shareholders and the broad investment community with timely, accurate and materially relevant information about the Company, its governance and management structures, its financial and operating results, and its future business prospects.

Annual Stockholders' Meeting. Stockholder meeting and voting procedures are a critical component of the framework established to safeguard the rights and interests of all our shareholders. Shareholders are informed at least fifteen (15) business days in advance of the scheduled date of the Annual Stockholders' Meeting (ASM). Notices of regular or special meetings contain, in addition to the date, hour and place of the meeting, a statement of the matters to be discussed and voted upon at each meeting. The notice to shareholders also set the date, time and place of the validation of proxies which is prescribed to be no less than five business days prior to the ASM.

The Company adheres to the "one share, one vote" principle in that each share of stock entitles the person in whose name it is registered in the books of the Company to one vote, provided the conditions as regards payment have been complied with. The results of voting on each matter taken up during the ASM are posted on our Investor Relations website immediately after the ASM. The Company allows for proxy voting on separate items on the agenda, including the election of directors, ratification of all acts and resolutions of the Board of Directors and of the Executive Committee, and the election of the independent auditors and their approved remuneration. We also continued the practice of allowing proxy voting for individual nominees for the Company's Board of Directors.

Shareholder Communication. We believe in open and transparent communication with all our shareholders in order to build investor confidence and ultimately reduce our cost of capital. Through our Investor Communications and Compliance Division, which reports directly to the Chief Finance Officer (CFO), we address the various information requirements of the investing public in general, and minority shareholders in particular. We have continually enhanced the volume and quality of operating and financial information disclosed to enable the investing

2010 Annual Stockholders' Meeting

public to better understand the Company's business prospects and valuation.

Aside from disclosures to the SEC, PSE and Philippine Dealing and Exchange Corporation (PDEx), we conduct quarterly analyst briefings for both equity (buy-side and sell-side) and credit analysts and communicate directly with institutional and individual investors through one-on-one meetings, written communications such as emails, and conference calls. Analysts not able to attend our quarterly briefings in person are also invited to participate through a teleconference facility. We also have a continuing program of enhancing our Investor Relations website, which includes podcasts of our quarterly briefings. A playback facility on our website is available for three business days after each briefing.

Throughout the year, our CEO, CFO, Head of Investor Communications and Compliance, and other members of the Management Committee (where appropriate) make themselves available for meetings with institutional investors through prearranged company visits, teleconferences, analyst briefings and attendance in local and international investor conferences, corporate days and non-deal roadshows. In 2010, senior management met with institutional investors and fund managers in 12 conferences and corporate day events held in Manila, Singapore, Hong Kong, Tokyo, New York, San Francisco and London.

Customers

Our customers play an integral part in the success of our Company. Over many years, we have endeavored to build the trust and confidence of our customers by consistently delivering on-spec, on-time, and best-in-class products and services. Over the past few years, we have continually sharpened customer focus and accountability and have significantly improved our service levels across all our customer-facing business units through dedicated customer service and relationship management teams.

Business Partners

We endeavor to build long-term, mutually-beneficial relationships with our business partners through fair dealings and adherence to a high level of moral and ethical conduct.

We recognize and respect the rights of creditors as stakeholders and are committed to honoring our contracted financial obligations and any financial covenants these may contain. We believe in maintaining their confidence as key to ensuring timely availability of credit, at favorable terms. We provide creditors with ready access to essential information about the organization and its projects needed to assess the Company's credit quality. We also invite credit analysts to regularly attend our quarterly analyst briefings.

Our procurement organization subscribes to the Principles and Standards of Ethical Supply Management Conduct set by the Institute for Supply Management. Strategic and operational procurement activities are guided by principles and standards of ethical conduct which include providing equal opportunities to and promoting fair and open competition among vendors and trade partners, and by continually practicing best practices that result in the highest level of productivity, efficiency, quality, and cost-competitiveness.

All of the Company's purchasing requirements are reviewed and negotiated directly by separate Project and Commodity Bidding Committees. These Bidding Committees are chaired by senior executives of the Finance Group who are not directly involved in

COMPANY VALUES

We strongly believe in the primacy of shared values and the empowerment of people as basic operating principles.

We expect our employees, especially members of our Management Team, to conduct themselves properly and consistently with the Company's core values: customer orientation, quality, pursuit of excellence, integrity, social responsibility, long-term focus, empowerment, bias for results, concern for people and *malasakit* (caring and empathy).

CODE OF ETHICAL BEHAVIOR

These core values are reinforced through the Code of Ethical Behavior outlining the general expectations of and setting the standards for behavior and ethical conduct of all employees on such matters as reporting of improper conduct (i.e. "whistle blowing" procedures), use of company assets and conflicts of interest.

All employees are required to promptly disclose any business and family-related transactions. At the beginning of each year, our employees complete a mandatory form on "Business Interest/Related Party Disclosure/Insider Trading."

A Manual of Personnel Policies includes the Code of Conduct governing acceptable office conduct for the orderly operation of the Company, as well as the protection of the rights, safety, and benefit of the total employee force.

VENDORS' CODE OF ETHICS

We are committed to ensuring that firms or individuals providing a product or service to us or indirectly to any of our clients, agents and subcontractors, uphold our reputation and brand. We expect vendors to share and embrace the letter and spirit of our commitment to the Vendors' Code of Ethics prescribing specific business and employment practices. By vendor, we mean any firm or individual that provides a product or service to us or indirectly to any of our clients. Our ethical expectations are communicated to our suppliers/vendors during the application for and renewal of accreditation.

procurement and supply-chain management. The main function of the Bidding Committees is to achieve the lowest possible procurement cost for the Company for all its purchasing requirements while maintaining transparency and fairness with all suppliers and retaining its independence from possible internal or external influence.

Employees

We endeavor to provide a suitable environment for continuous learning and development for our people. We provide optimal training opportunities and custom-fit programs that enable our employees to strive for excellence and perform at their best. These training programs cover business and technical knowledge, skill-building, values, ethics and corporate governance. We view these to be building blocks for each individual's professional development and the Company's growth. Under the Individual Development Plan (IDP) process, our employees actively collaborate with their managers and our human resource specialists to determine skills, knowledge and experience needed in their current and prospective future roles. A training program for each individual is designed within the IDP process and progress against the plan is regularly monitored within each division and group.

The Company has also implemented a "Professionals-in-Development" (PID) program for developing staff and management talent. The PID is a career development program where top graduates from the best universities are brought into the organization and developed in a fast-track and systematic approach. The program aims to provide new hires with a comprehensive understanding of its business models, processes and unique approach to developing and implementing projects, thus facilitating quick integration into any strategic business unit of the Company. Details of how this program was implemented in 2010 are discussed in the Personnel Development, Health and Safety section of the Sustainability Report on page 102.

Communities

As a leading and responsible land and community developer, we recognize that our projects have a significant impact on the communities in which we operate. We are committed to improving the quality of life not only of our customers but also of the families and people in the communities that surround our developments, and society as a whole. Details of our community engagement and the beneficiaries of our programs are discussed in the Community Stewardship section of this report, which starts on page 97.

Government

The Company recognizes and is committed to its role in economic development and nation building. We regularly engage the government, both at the national and local levels, to find business solutions to environmental and social issues. We constantly seek to partner with the public sector in developing business models, platforms and infrastructure solutions that may serve as catalysts for social development and contribute to raising the standard of living of people in the communities we serve.

Non-Government Organizations (NGOs)

We partner with reputable NGOs and corporate foundations for their expertise in providing meaningful and effective engagement with the communities we serve. We also provide additional resources to enhance their capabilities and increase their potential impact. Since 2007, our partnership with I-Serve, a tenured NGO with expertise in community organization, has allowed us to address some of the needs of the communities surrounding NUVALI through livelihood programs and employment opportunities. We also continue to partner with the Ayala Foundation for ways to enhance the educational opportunities of students in public schools around the country. Details of these are likewise contained in the Community Stewardship section of this report which begins on page 97.

Media

We work closely with the media to provide timely and accurate news and information on the Company's activities to the general public. We consider the media as partners in our open and transparent approach to communication. Our Corporate Communications Division engages the media on a regular basis through various channels such as media conferences and briefings, news releases and fact sheets, social gatherings, one-on-one meetings, and through third-party consultants. We occasionally support media-initiated causes and events that are aligned with our advocacies and initiatives.

DISCLOSURE AND TRANSPARENCY

We are committed to the highest standards of disclosure, transparency and fairness in information dissemination. We provide the public with strategic, operating and financial information through adequate and timely disclosure filings submitted to the regulatory authorities. Along with regular periodic reports, we disclose any and all material information about the Company that may have an impact on the Company's valuation and therefore its stock price and the trading volume of its securities. All disclosures submitted to the SEC, PSE and PDEx are immediately posted on our Investor Relations website and may be accessed through the following link:
http://ir.ayalaland.com.ph/Disclosures/Current_Reports_(SEC_Form_17-C)/default.aspx

Ownership Structure

We disclose quarterly and annually the top 100 holders of our common and preferred shares, the security ownership of beneficial owners having more than 5% of the Company's total outstanding stock, and the security ownership of members of the Board of Directors and key management officers in the Company. This information is relayed quarterly through postings on our Investor Relations website and annually in the Definitive Information Statement sent to our shareholders. We also disclose the percentage of foreign ownership in the Company on a monthly basis.

Ayala Corporation owned 53.2% of the Company's common shares (75.3% of the total equity shares, including outstanding preferred shares issued in 2007) as of December 31, 2010. None of our Directors or key officers own 2.0% or more of our outstanding capital stock. There are currently no cross or pyramid shareholdings within the Company's capital structure.

Financial Reporting

Our financial statements comply with Philippine Financial Reporting Standards (PFRS), which are in general compliance with International Accounting Standards. The accounting policies adopted in 2010 are consistent with those of the previous financial year, except for the implementation of new and amended PFRS and Philippine Interpretations of International Financial Reporting Interpretations Committee (IFRIC) interpretations which became effective January 1, 2010. These changes in Accounting Policies are fully explained in the Notes to the Audited Consolidated Financial Statements, beginning on page 130.

DEALINGS IN SECURITIES

We continue to implement policies governing securities transactions that comply with existing government regulations against insider trading.

Reporting of Transactions and Trading Black-outs

Any change in personal shareholdings in the Company of Directors and key officers resulting from open market transactions (either acquisition or disposal) or the grant of shares from incentive-based schemes implemented by the Company are reported to the SEC, PSE and PDEx within five days from the date of the transaction.

The Company strictly enforces, and monitors compliance with, a policy on insider trading which prohibits the buying or selling of Company securities during prescribed periods by covered persons or those considered to have knowledge of material facts or changes in the affairs of the Company, or any of its subsidiaries and affiliates, which have not been disclosed to the public. Covered persons include members of the Board of Directors, all members of the Management Team, consultants, advisers, and other employees who have been made aware of undisclosed material information with respect to the Company and its operations. This restriction is expanded to include the immediate families of the parties mentioned.

The trading black-outs cover 10 trading days before and three trading days after the date of disclosure of quarterly and annual financial results. For other cases of non-structured disclosure of other material information, the black-out covers three trading days before and after the date of disclosure. All members of the Company's Management Team are required to submit an annual certification signifying that they have not transacted in the Company's shares during any of the previous year's trading black-out periods. This process of certification is conducted during the month of January of each year.

Insider Trading
We continue to implement a policy on securities transactions in compliance with existing government regulations against insider trading. There has not been any case of insider trading involving company directors or management in the past five years.

ANTI-MONEY LAUNDERING

As a covered institution, the Company complies with all the rules, regulations and directives issued by the *Bangko Sentral ng Pilipinas* and its Anti-Money Laundering Council (AMLC). These cover general information and documentation requirements for customers, record-keeping standards, and the reporting of covered and/or suspicious transactions. We have an internal Anti-Money Laundering Compliance Committee that meets at least quarterly to review and discuss specific transactions (if any), possible changes in the regulatory environment, enhancements to the documentation and front-liner training, and other issues. We cooperate fully with any investigation proceedings or request for documentation or information initiated by the AMLC. We also engage them regularly in productive discussions on how we can enhance our participation in the prevention of money laundering activities further.

COMPANY AWARDS

We take pride in being recognized for the quality of our management, our developments and our corporate governance initiatives and efforts. Among the awards received in 2010 are as follows:

- Best Real Estate Developer in the Philippines – Euromoney 2010 Real Estate Poll (2008 - 2010)
- Best Property Manager in the Philippines – Euromoney 2010 Real Estate Poll (2005 - 2006; 2008 - 2010)
- Platinum Award for All Around Excellence in Financial Performance, Management, Corporate Governance, Social Responsibility, Environmental Responsibility and Investor Relations – The Asset Corporate Governance Awards (2009 - 2010)
- Gold Award for Corporate Governance – Institute of Corporate Directors' Scorecard Survey (2007 - 2009)
- Finalist (with Certificate of Excellence) for Best Investor Relations by a Philippine Company - IR Magazine Southeast Asia Awards
- Asia CEO Awards, Finalist
  - *Global Filipino Executive of the Year*
  - *Executive Leadership Team of the Year*
  - *Finance Leadership Team of the Year*
- Green Procurement Practices Award – Philippine Institute of Supply Management
- SAP Customer Center of Expertise Primary Certification – SAP Philippines
- Greenbelt 5 Best in Design and Development – ICSC Global Awards
- Greenbelt 5 Award of Excellence – Urban Land Institute Awards
- Greenbelt 5 Best Shopping Center of the Year – Philippine Retailers' Association
- Ayala Center Cebu Silver Award for Design and Development – ICSC Asia Shopping Center Awards
- A List, Wish List Promo Silver Award for Sales Promotions and Events – ICSC Asia Shopping Center Awards

COMPLIANCE OFFICER

Jaime E. Ysmael, who is our Chief Finance Officer and holds the position of Senior Vice President, is the Compliance Officer designated to ensure adherence with corporate governance best practices as well as compliance with all regulations that cover the Company. Alfonso Javier D. Reyes, who is our Head for Investor Communications and Compliance Division, is our Deputy Compliance Officer.

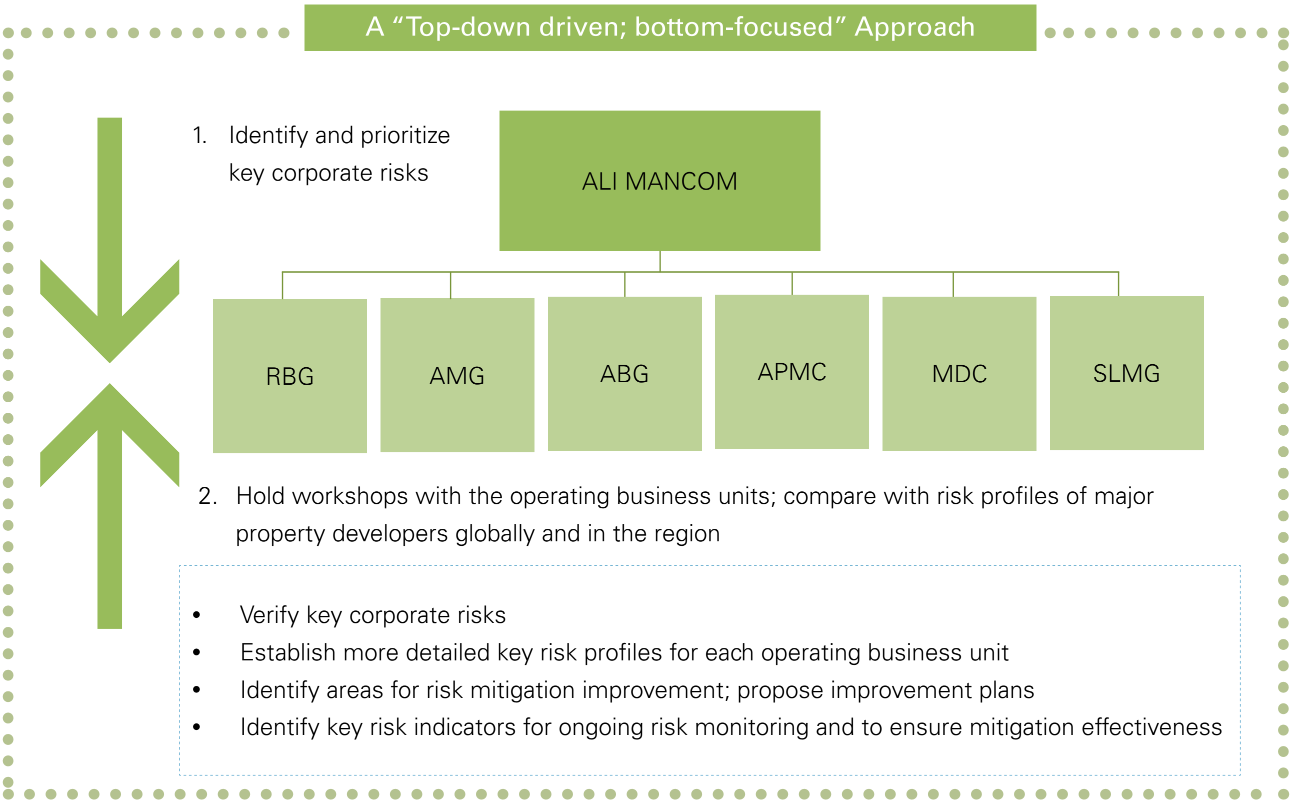
RISK MANAGEMENT REPORT

In 2010, in support of the Company's strategic objectives and as part of strengthening the Company's governance process, the Board of Directors, through the Audit and Risk Committee, approved the implementation by the Chief Risk Officer (CRO) of the Enterprise-Wide Risk Management (EWRM) Program across the Company and all its operating subsidiaries and affiliates.

To help guide the CRO through the EWRM implementation, the Audit and Risk Committee in their first quarter meeting on February 18, 2010 also appointed an EWRM Steering Committee composed of senior executives representing Corporate Planning, Finance, Operations and Internal Audit to guide the CRO in assessing the adequacy of the organization's existing risk management practices, crafting the appropriate EWRM program approach and, where necessary, selecting and engaging external experts to assist with the program design and implementation.

With the full support of the Board and the Management Committee, implementation of the EWRM program began in the first quarter of 2010 with the EWRM Steering Committee approving the following:

1. The EWRM program approach



2. The assignment of Risk Management champions

Senior operating and finance managers from each of the Company's six major business units: Residential Business Group (RBG), Ayala Malls Group (AMG), AyalaLand Businesscapes Group (ABG), Strategic Landbank Management Group (SLMG), Ayala Property Management Corp. (APMC) and Makati Development Corp. (MDC) were assigned as Risk Management champions responsible for the on-going monitoring and quarterly risk management reporting to the office of the CRO.

3. The engagement of an external consultant to help with the program roll-out.

Following a stringent selection process where six international and local firms were invited, interviewed and assessed based on a pre-agreed and pre-released terms of reference, the CRO, with the endorsement of the EWRM Steering Committee, engaged the services of the combined International and Philippine KPMG team to assist in the full implementation of the EWRM program across the Company. KPMG was selected based on their extensive regional experience in EWRM programs for the real estate industry, having previously implemented EWRM for comparable large mixed-use real estate companies in Dubai, Singapore and Hong Kong.

As part of the implementation plan, sessions with the Management Committee were conducted to review and confirm short to medium-term corporate goals and to clarify boundaries of the risk assessment process. These guidelines were then used as a starting point for the facilitated risk and control assessment sessions with each of the six major operating business lines covered by the EWRM program.

The outcomes of these facilitated sessions, which included identification of key risks and key risk indicators both at the Company level and at each of the business units included in the initial scope, as well as control processes, strategies and improvement plans to mitigate the key risks identified, were presented and communicated in separate meetings to the Management Committee and the Audit and Risk Committee for review and evaluation.

The implementation of this first phase of the EWRM program (completed by the third quarter of 2010) concluded with the establishment of the overall Company risk profile, supported by individual risk profiles of each of the business units included in the initial scope. These risk profiles consisted of an identification of the key risks and risk drivers, the current risk mitigation strategies, and where appropriate, the identification of action plans to improve the current risk mitigation strategies. To ensure effectiveness, key indicators and metrics were established for each of the identified risks to monitor the effectiveness of each of the risk mitigation strategies being employed.

With the key risk areas and key risk mitigation strategies across the Company identified, monitored and periodically reported on, business decisions are now able to consider and incorporate the following:

- New and emerging risks, both at the Company and at the operating business unit level
- Changes in risk outlook and assessment
- Changes in the status of key risk indicators

The key components of the Company's Risk Management strategy include:

Close monitoring of leading market indicators. Monthly industry reports, sales reports and forecasts are reviewed, summarized and distributed to the Management Committee by a centralized group within the Company. These reports serve as reference materials and help guide recommendations by the project teams seeking approval and final decisions from the Investment Committee.

Strict enforcement of pre and post-launch project monitoring process as documented in the Company's standardized project development process. The performance of previously launched projects is closely monitored against plan and current market demand. Adjustments are made as necessary to the timing and plans of both existing and succeeding projects.

Environmental Risk Assessment. To address the risk of changing environmental and site conditions, and as part of a more thorough due diligence process, all land acquisitions and project launches need to pass a thorough technical due diligence process, in addition to the legal due diligence. These technical due diligence reports include, but are not limited to, environmental studies not just for the specific land parcels but also for adjacent areas.

Contingent Liability Management. The Company strictly enforces its centralized contingent liability management policy through the Investment Committee and the Treasury Division. The policy ensures that, at any point in time and from a consolidated point of view, available funds are well in excess of the total contingent liabilities (i.e. cost to complete) for all projects under construction.

Financial Risk Management. As part of our Treasury Division's mandate to lead the financial risk management of the Company through close monitoring of the exposure to liquidity, credit, interest rate, currency and equity risk, the Company early this year completed a fund raising exercise, locking in Php10 billion worth of long-term funding at favorable rates, while balancing its debt profile (i.e. mix between floating and fixed rates, and spreading maturity dates), consistent with the goals of the Company.

Procurement Risk Management. The Company also implemented various vendor management programs, which are as follows:

- *Increasing the supplier base, including regional and international suppliers.* To diversify supply sources and minimize the risks related to the supply chain, the Company does not merely rely on the top suppliers based in Manila but also explores alternative suppliers based in other regional and international markets. Collaboration with these suppliers is also being done to manage costs while pursuing shared accountability in materials management. The Company also continues to explore new or alternative product and service providers to lower overall direct material cost and ensure that the Company can deliver on its commitments even when procurement sources become limited.

- *Supplier pre-qualification, partnering, and performance monitoring.* To verify the legitimacy and credit worthiness of our vendors and to give us increased confidence when choosing vendors for various requirements, the Company utilizes a centralized vendor pre-qualification process assisted by the services of an internationally recognized third-party (Dun & Bradstreet). In addition to the strict pre-qualification criteria, a centralized vendor performance management program is also in place to document all incidents involving poor vendor performance and enforce the necessary remedial measures and sanctions.


AyalaLand

“Sustainability, our journey...”

How did we move forward?

Highlights of our journey in 2010

One Evotech in NUVALI became the first office building in the Philippines to gain a Silver Certification in Leadership in Energy and Environmental Design.

Our employees engaged in volunteer work for programs such as *Brigada Eskwela, Alay sa Kabataan,* and Habitat for Humanity Build.

Our Supply Chain group garnered an award from the Philippine Institute of Supply Management for the Company's efforts in green procurement.

Our employees were encouraged to maintain work-life balance and keep a healthy lifestyle.

2,000 pine trees were planted in Baguio in September 2010 with volunteers from the Company and the local government.

For our Christmas season street lighting, we switched to LED bulbs, which consume 75% less energy.

We celebrated our 22nd anniversary by remembering our core values.

We pushed efforts to bring sustainability into the hearts and minds of our customers.

Letter from the Sustainability Committee

Dear Stakeholders:

Welcome to Ayala Land's 2010 Sustainability Report.

Since we first convened in 2009, this Committee has been overseeing and providing guidance to the Sustainability Council and Technical Working Groups in the pursuit of the Company's journey towards sustainable development. This report represents Ayala Land's continued commitment to constantly improve its economic, environmental, and social performance as it carries out its mission of enhancing land and enriching lives for more people.

We met as a committee three times in 2010 to further assess the strategies and initiatives of each of the strategic business units in meeting their sustainability goals for the year. While there is always room for improvement, we are happy to see how sustainability has been well integrated into the business and operations of the Company and how synergies have been achieved across the business units. We have reviewed and in some cases made significant adjustments in targets and metrics set in order to push the organization to achieve better results.

Some major milestones in the areas of energy efficiency, green product design, and green procurement were achieved and new initiatives were launched last year. We have employed new technologies to reduce energy and water consumption; established a new subsidiary, Philippine Integrated Energy Solutions, Inc. (PhilEnergy), dedicated to finding effective energy-saving solutions; obtained Leadership in Energy and Environmental Design (LEED) certification in one of our BPO buildings, and won awards for green procurement and other sustainability initiatives. We even noticed a substantial increase in the participation of our employee volunteers in various environmental and community building activities. These will be discussed in greater detail in the succeeding pages of this report.

Ayala Land manages effectively because it measures and benchmarks its performance. This is the principle behind our application of the Global Reporting Initiative (GRI) G3 guidelines in properly channeling and tracking our sustainability initiatives and goals. It helps us to better ingrain sustainability into our strategic decisions and our operations.

Sustainability is a continuing journey for Ayala Land and we will strive to constantly innovate and improve our sustainability performance and reporting going forward. As climate change is a reality and is becoming an ever increasing concern to more and more people, the ultimate challenge is in providing the right kinds of products that address the immediate need to minimize the environmental impact of the communities we create and at the same time respond to the increasing demands of a growing market for sustainability. The need to address important social issues also remains a priority along with the responsibility of ensuring the future viability of our business so we can continue to help uplift the lives of many. We need to do it right and, thus, it is crucial that we continue to employ the right discipline in applying methods that provide a meaningful measure of the consequences of our actions, to ensure those actions are favorable to the environment and the people they affect.

Just as we are guided by the standards and metrics used in tracking and measuring our performance, we feel we can be better guided by the true experiences of those most affected by the things we do. Your feedback will be much appreciated as we strive towards greater material impact on sustainability. Please send your comments to integratedreport@ayalaland.com.ph or visit our website at www.ayalaland.com.ph.

ANTONINO T. AQUINO
CHAIRMAN
BOARD SUSTAINABILITY COMMITTEE

Sustainability Management Approach

Strengthening Our Accountability

Sustainable development has always been and continues to be one of our key guiding principles as we pursue our mission of enhancing land and enriching lives for more people. At Ayala Land, sustainability means building communities that not only meet the diverse needs of existing customers but also thrive for generations, offer environmentally sensitive products and design, and contribute to uplifting the lives of people in and around them.

As we carry on with our growth strategy, keeping to an aggressive launch schedule and pace of development across the country, we remain constantly aware that we continue to impact key environmental, social and economic sustainability aspects of communities, the industry, and even the country. Thus we continue to review and refine our strategies as well as the metrics by which we track our performance so that we are better able to meet the challenges and seize opportunities along our journey towards sustainability.

In 2008, we defined and articulated the Ayala Land Sustainability Framework based on the Ayala Group Sustainable Development Policy (table 9), which is the overall policy signed and committed to by the chief executives of the Ayala group of companies. Our Sustainability Framework is our formal approach to responsible development and mitigating our impact on the environment and on the sustainability of resources. It allows for better alignment of all the sustainability initiatives by the different Strategic Business Units (SBUs) and Support Groups across the organization. The Ayala Land Sustainability Framework (Figure 4) is built on our five major objectives or pillars of sustainability:

- Environmental Stewardship and Impact Reduction
- Community Stewardship and Social Development
- Personnel Development, Health and Safety
- Market Shaping
- Accountability

These pillars are aligned with the objectives of the Ayala Group Policy and lay the foundation for setting our strategies, and their associated key performance indicators. These guide us in setting targets for key metrics and benchmarks, for which we plan our programs, projects and activities (PPAs) for the year, and identify SBUs and corporate support groups to lead execution. The PPAs form part of the lead units' key result areas, which are the basis of their performance reviews at the end of the year.

Table 9. Ayala Group Sustainable Development Policy Objectives

- **Operations** - reduce energy, water and solid waste footprints;
- **Products and services** - design for lower environmental impact and for greater access by more customers, especially the disadvantaged;
- **Supply chain** - include environmental parameters in supplier accreditation;
- **Human resources** - ensure employees work in safest and healthiest environments possible and encourage them to adopt green business practices in the workplace;
- **Community involvement** - help promote economic advancement and nation building (e.g. through quality education, vibrant micro-enterprises, healthy environment);
- **Management approach** - strive for material impact and measurable results on sustainability while improving operating efficiencies and satisfying shareholder requirements.

Figure 4. Ayala Land Sustainability Framework

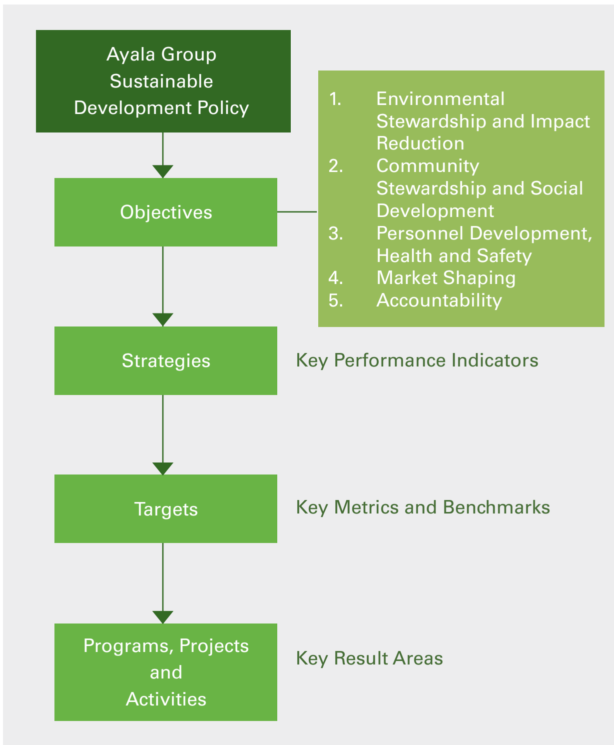


Table 10. Sustainability Scorecard

SUSTAINABILITY PILLAR	2010 KEY RESULT AREA	PROGRESS UPDATE
Environmental Stewardship & Impact Reduction	Complete and fine-tune the multi-year environmental performance targets for each product line and apply the targets to each project.	Targets established for malls and offices up to 2013.
	Integrate the Energy, Water, and Solid Waste (EWS) metrics and targets into the project approval process.	Currently being integrated by the SBUs.
	Intensify R&D on Green Materials, especially Renewable Energy	10 promising Green Technologies undergoing R&D.
	Lead the industry in LEED and Building Ecologically Responsive Design for Excellence (BERDE) certifications.	One Evotech is now the country's 1st LEED certified office building; BERDE Pilot Certification System includes 11 projects.
	Focus on improving EWS performance of mall and office tenants.	Ayala Malls Group (AMG) and AyalaLand Businesscapes Group (ABG) implemented various programs for mall and building tenants in 2010.
Community Stewardship & Social Development	Ensure sustainability and progress of NUVALI jobs/livelihood programs, and tie them into the Company supply chain.	New livelihood program added to basket-weaving and charcoal-making; communities trained and assisted on Cooperative Development.
	Plan and implement jobs/livelihood programs for North Triangle communities.	Ran a job fair in November. Working with National Housing Authority and local government units on livelihood programs.
Personnel Development, Health & Safety	Strive for 100% coverage of basic Green Training for employees, sales force, contractors, suppliers, merchants and tenants.	Coverage of employees now at over 40%; sales force at 15%; began Green Training for ABG tenants.
	Intensify Green Training Program and offer advanced courses for technical personnel.	More frequent workshops early in the year; advanced green training for senior technical personnel under development.
Market Shaping	Define an overall Market Shaping Program and establish the Company as the sustainability leader in the real estate industry.	1st Green Market Survey completed in April; results were used as inputs for defining the market shaping communications launched in the 3rd quarter.
	Replicate AMG Green Merchant Awards Program for ABG Group Tenants, Ayala Land/ Makati Development Corporation/Ayala Property Management Corporation suppliers, and MDC contractors.	ABG held its 1st Green Tenant Awards in 2010. Programs for other SBUs under development.
Accountability	Progress to GRI A-Level Reporting by 2011 and improve Asian CSR Rating every year.	The 2010 Integrated Annual and Sustainability Report is at GRI Level B with 57 performance indicators, up 54%. We will work to progress to GRI A-Level with all 79 performance indicators in the coming years.
	Each SBU should identify its Sustainability Committee or Champion, and engage in discussions with the Board Sustainability Committee.	SBU presentations to the Board Committee were held in April, July and September 2010.

Table 11. Summary of Economic Value (Php million)

	2010	2009	2008*
Generated			
Revenues	**37,814**	30,455	33,749
Net Income	**5,458**	4,039	4,812
Distributed			
Stockholders (dividends)	**1,271**	840	846
Employees (salaries and benefits)	**3,252**	2,537	3,179
Suppliers/contractors	**27,053**	22,101	24,575
Community investment (charitable contributions and donations)	**219**	29	36
Government (taxes)	**4,048**	3,744	4,577
Total Value Distributed	**35,843**	29,251	33,213
Investment/Capital Expenditures	**20,055**	16,236	18,893

*2008 figures were restated as a result of fair value adjustment of APPHC and APPCo (please refer to Note 25 in the Audited Financial Statements)
**Beginning this year, we provide three-year investment/CAPEX performance data to align with the Ayala Group reporting protocol

In 2009, a Board-level Committee on Sustainability was formally created (refer to Figure 5). The committee is chaired by our CEO and its members comprise two other directors of the Company. Its main purpose is to guide policy governing the Company's sustainability programs, provide oversight of the Company's sustainability management, and ensure the alignment of the Company's initiatives with the Ayala Group Sustainable Development Policy.

In 2010, the committee met three times and reviewed the progress on key metrics and targets set by the various SBUs with respect to each of the five pillars of sustainability. Focus areas for the year included: further integrating sustainability into the business model; prioritizing initiatives that would help decrease costs, increase revenues, or provide a competitive advantage for the Company; establishing more aggressive multi-year targets for energy efficiency, water stewardship, and solid waste management; and stepping up communications on sustainability. Progress on each of these focus areas are discussed in the succeeding sections of this report.

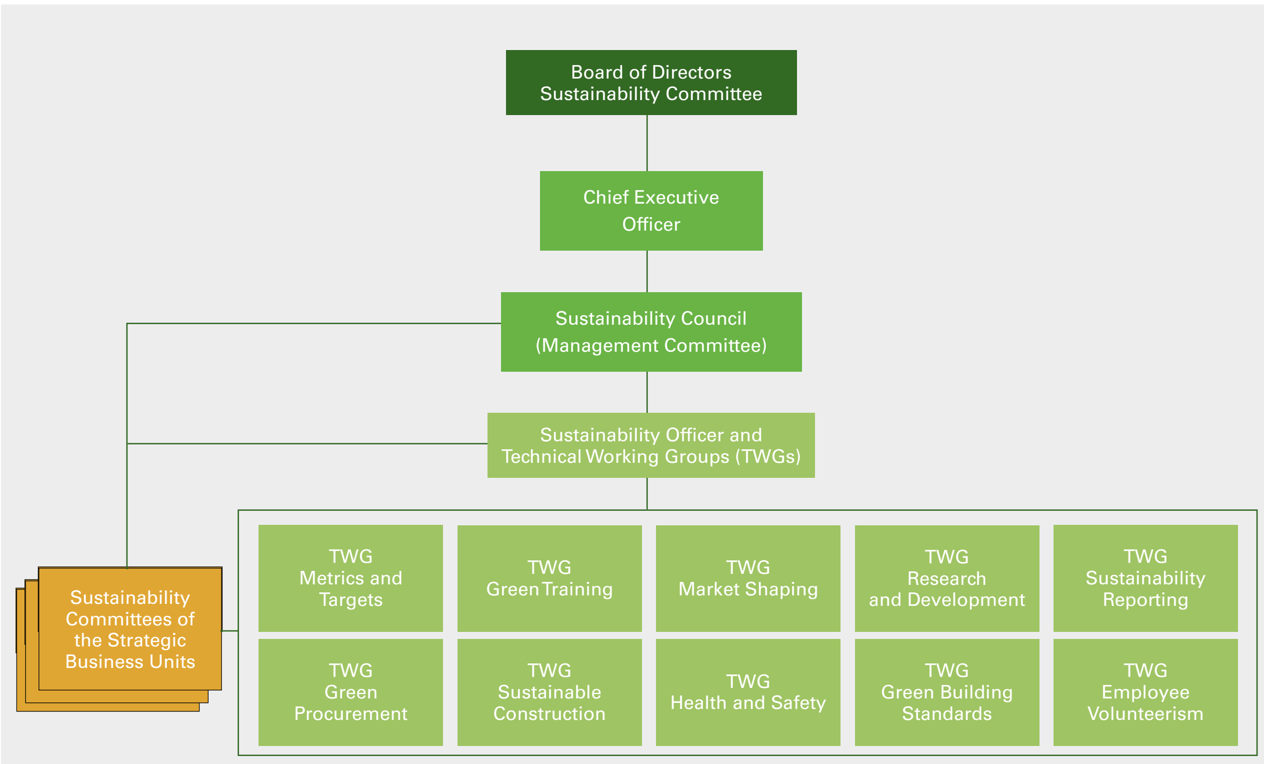
Members of the Company's Management Committee (ManCom), who are also the heads of the different business units and Support Groups, act as the Sustainability Council tasked with driving the plans, programs and activities of the various units. Implementation is done by the various Sustainability Technical Working Groups (STWG), guided by a ManCom member, who currently is the Head of Urban and Regional Planning and Land Acquisition. The STWG comprises senior executives from Ayala Property Management Corporation (APMC), Makati Development Corporation (MDC), and the Company's Innovation and Design Group (IDG), Construction Management Group (CMG), and Urban and Regional Planning Division (URPD).

Managing Risks Related to Climate Change

As part of our enterprise-wide risk management process, our Investment Committee, which evaluates all of the Company's projects for financial viability and returns, studies and evaluates all possible risks that may affect our business, including environmental risks such as those that may be related to climate change and brought about by natural calamities. This has become part of our technical due diligence and we are continuously seeking ways to improve our appreciation of and responses to these risks.

We adhere to the highest standards in all aspects of our operations and comply with all laws, including but not limited to, environmental, safety, and health laws and regulations. There were no instances of non-compliance with statutory, environmental, or other laws and regulations last year.

Figure 5. Organizational Chart for Sustainability



Environmental Stewardship and Impact Reduction

At Ayala Land, Environmental Stewardship and Impact Reduction remains a primary pillar of our Sustainability Framework. We track our impact on the environment by the way we manage and measure performance in the following areas: Sustainable Land Use Planning, Green Product Design, Energy Efficiency, Water Stewardship, Solid Waste Management, Air Quality Management, Green Procurement, Sustainable Construction, and Biodiversity Conservation.

We developed and refined our plans and programs under the key performance indicators in our framework to more effectively pursue the long-term targets and metrics set based on our historical performance and comparable Asian benchmarks. These targets and metrics were reviewed, adjusted and approved by the Sustainability Council and the Board-level Sustainability Committee. Through the efforts of our STWG and our teams in the various SBUs, we continued to make significant progress towards our objectives in this Sustainability pillar and achieved several milestones in 2010.

Sustainable Land Use Planning

With a track record of building communities that help shape the growth of cities and metropolitan areas, Ayala Land is in a unique position to further expand its leadership role in sustainable land use planning and green product design. The Company's master-planned communities provide the scale that allows key sustainability features such as having a mix of residential, commercial and other uses, providing for an efficient transit system and pedestrian-oriented amenities, and allocating open spaces and other areas that facilitate and celebrate social interaction.

Last year, the Company achieved unprecedented growth as it launched the most number of projects in a single year, expanding nationwide to growth centers that reached as far as Baguio in the North to Subic and Pampanga in Central Luzon, Palawan in Western Luzon, and Cebu, Cagayan de Oro, Davao, Iloilo and Bacolod in the Visayas-Mindanao regions. These ongoing projects provide even more opportunities to apply the Company's expertise in planning and innovative design and development, and incorporate green design features both on a large, district-wide scale as well as in each of its buildings.

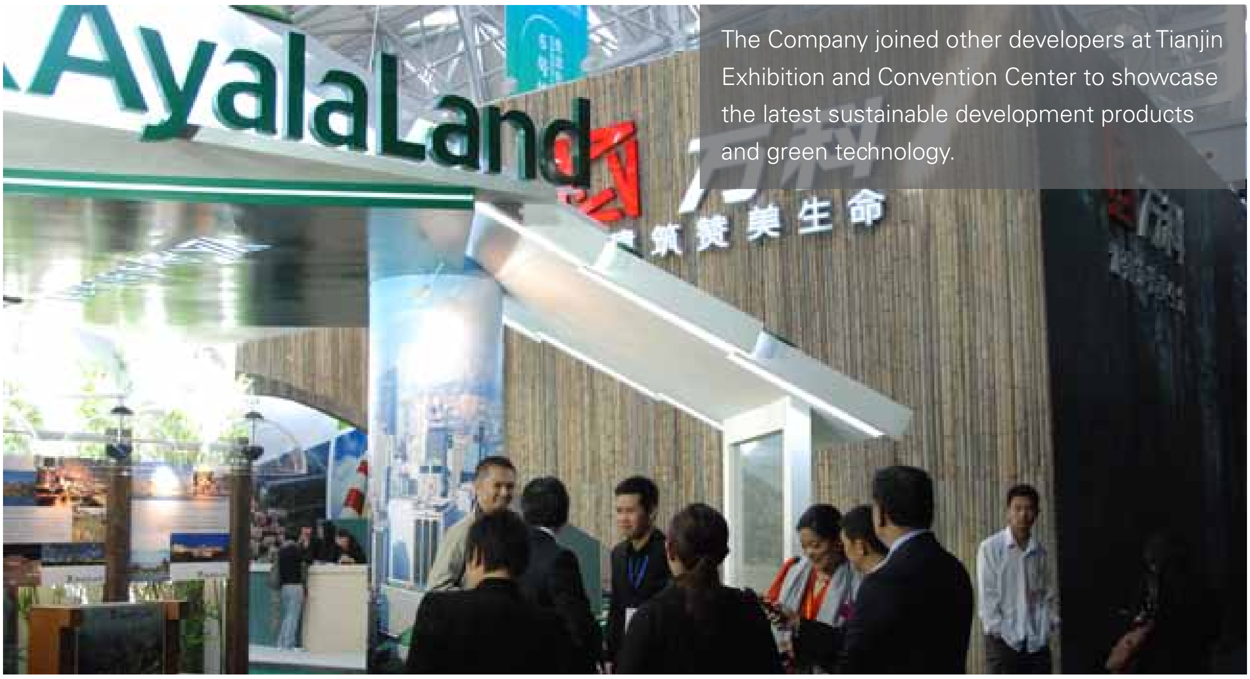
A major project that was started last year is the new phase of development of the Makati CBD as a pedestrian-friendly district. In the early 2000s, the area underwent a major redevelopment with the construction of the elevated and underground pedestrian walkways that now reduce the conflict between people and motorized vehicles in the CBD, reduce the reliance on cars for mobility, as well as promote a safer and cleaner environment. This next phase involves the improvement of the sidewalks to clear obstructions to make them more "walk-able" and to enhance the overall aesthetics of the city.

Design and planning go hand-in-hand in creating sustainable communities. Together with its stakeholders, the Company develops plans and designs that help create communities that thrive for many generations. Its masterplans provide for amenities that promote greater socialization and recreation, create family-oriented, child-friendly settings, and contribute to better air quality. Its designs preserve and enhance the terrain, the trees in the area, water bodies, habitats, and other attributes that make the development attractive and sensitive to natural features.

The Company constantly adopts green building designs with the goal of achieving a steady reduction, through specific targets, in energy and water consumption and waste generation.

A milestone was achieved in 2010 when One Evotech, its BPO building in Nuvali obtained a LEED Silver certification from the U.S. Green Building Council. One

Pedestrian-oriented plans and designs continue to be our guideline in creating a secure and convenient environment for the working populace.



The Company joined other developers at Tianjin Exhibition and Convention Center to showcase the latest sustainable development products and green technology.

Evotech now has the distinction of being the first office building in the country to be LEED-certified. More on this and the team that helped make it possible can be found on page 82.

The Company also contributes in the design of green policy measures and helps shape relevant national and local regulation. It was at the forefront in collaborating with the Philippine Green Building Council (PhilGBC) in crafting the national green building rating system, a local metric of sustainable building design, construction and maintenance. Known as BERDE (Building Ecologically Responsive Design for Excellence), it is a green rating system which provides a concise framework that serves as a guide to owners, construction managers, designers and property managers.

Ayala Land is the first to implement this BERDE standard in eight of its buildings–Evoliving Center and One Evotech in Nuvali, Tower One and Exchange Plaza on Ayala Avenue, Solaris One in Legaspi Village, Greenbelt Mall in Ayala Center, U.P.-AyalaLand TechnoHub in Quezon City, Bonifacio One Technology Tower in Bonifacio Global City (BGC), and Marquee Mall in Angeles City.

We also made significant strides when we ventured into the development of a 9.8-hectare property in Tianjin Eco-City in China. Leveraging on China's and Singapore's experience in integrating urban planning and eco-development, the best practices learned from this project will be valuable inputs in further charting the direction of the Company in the field of world-class master planning and design.

Taking the LEED

The US Green Building Council (USGBC) is the international certifying body for sustainable buildings and its stamp is much coveted across the globe. Since its inception in the late 1990's, 1.4 billion square meters of construction space in 91 countries have been awarded a Leadership in Energy and Environmental Design (LEED) certificate.

This is why for the Ayala Land team that kept watch over One Evotech's LEED certification, it was a noteworthy pursuit that underscored the Company's commitment to delivering products of excellent standards. The team comprised experts from the Innovation and Design Group, Construction Management Division, Ayala Property Management Corporation, Makati Development Corporation, and the Project Development unit of AyalaLand Businesscapes. One Evotech was envisioned as a world-class structure with practical sustainability elements. According to Edwin Yabut, Senior Project Architect, features that promote energy efficiency such as the building's orientation to the sun, close proximity to a retail center, and access to basic services such as transportation were considered in its design.

"A key learning in integrating sustainability features is that the building orientation affects the cooling efficiency of air-conditioning units," said Yabut. "In the case of One Evotech, we oriented the core of the building towards the West and installed sun shades as an accent of the facade. This creates an insulating effect for the office spaces and helps bring down air-conditioning costs. A major architectural highlight of this project is the bicycle ramp that allows people to ride their bikes from the ground floor all the way to the 4th level so building occupants living nearby can limit the use of their cars," Yabut added.

For Pam Paguirigan-de Guzman, LEED-Accredited Project Architect, seeing how a team of Filipino architects and engineers could build a world-class, high-performance building made her proud. "The LEED certification is something new in the Philippines but we still managed to obtain a Silver certification, and proudly by an all-Filipino project team," said de Guzman.

Vic Ahorro, Construction Director, explained: "Our role in the construction group was to provide engineering design inputs aside from ensuring that the LEED requirements, with respect to construction methodologies, were complied with. Most of these inputs were adopted from our U.P.-AyalaLand TechnoHub project, where we pioneered green building practices in 2007."

Green Building features at One Evotech include an energy efficient district cooling facility that will also cater to existing and future commercial buildings in the vicinity; occupant-controlled air-conditioning, where energy charges are based on actual usage to promote energy conservation; the use of recycled water for toilet flushing, irrigation and cooling; optimized building design through a computerized building energy model; and the use of low-VOC (volatile organic compound) materials; and methods to ensure good indoor air quality.

"In securing LEED for One Evotech, the challenge was really how to manage the additional costs and changes in design that we needed to implement," said Pam Perez, Project Manager of AyalaLand Businesscapes. "We worked hard to secure LEED certification to show our clients how much we value quality and sustainability. Our financial model was managed to ensure a reasonable return to our investors despite the premium that we had to pay to qualify the building for LEED Silver."

In spite of the tedious process, 28 of 34 documentation materials required to achieve LEED points were accomplished. With this achievement, we will now work on putting our other new buildings through the LEED certification process.

The project team that worked on One Evotech's LEED Silver Certification comprised experts from IDG, MDC, CMG, AMPC and ABG: (from left) Vic Ahorro, Construction Management Director, Pam Paguirigan de Guzman, Project Architect, Pam Perez, Project Development Manager, and Edwin Yabut, Senior Project Architect.

Energy Efficiency

In 2010, as in the previous year, our STWG continued to monitor the energy (fuel and electricity) and water consumption of 100% of all Company-owned and joint-venture properties which are under our operational control through APMC, and 100% of all construction projects of MDC. Our joint venture properties include Bonifacio High Street, Market! Market!, Alabang Town Center, Metropoint Mall, Pavilion Mall, Hotel InterContinental Manila, and Cebu City Marriott Hotel.

Table 12 shows a summary of our carbon footprint in 2010 with comparative 2009 and 2008 data. These are aligned with several key GRI indicators for environmental performance. This year, we include new data for total building consumption of electricity and water in APMC-managed as well as non-APMC-managed properties. For the purpose of comparing our performance this year against that of last year, we continue in this report to base our results on consumption data for just the common areas of APMC-managed and non-APMC-managed properties. We will begin using comparable data for total building consumption in the next reporting cycle.

Based on our carbon footprint data, we are happy to report that in 2010 we managed to reduce the total Scope 1 (diesel usage) and Scope 2 (purchased electricity) carbon emissions generated by our construction and property management operations to 87,537 tons C0$_2$ from 90,388 tons C0$_2$ in 2009

Table 12. Ayala Land's Environmental Footprint

	2010		2009	2008*
DIRECT ENERGY CONSUMPTION (Diesel Usage, Scope 1)				
APMC -Managed, Company Controlled Properties	0.30 M Liters		0.04 M Liters	0.06 M Liters
Non-APMC-Managed, Company Controlled Properties	0.60 M Liters		0.60 M Liters	1.66 M Liters
MDC Operations	1.12 M Liters		3.90 M Liters	
Total:	**2.02 M liters**		**4.54 M Liters**	
INDIRECT ENERGY CONSUMPTION (Purchased Electricity, Scope 2)	Common Areas	Total Building Areas		
APMC -Managed, Company Controlled Properties	72.80 M kWh	281.90 M kWh	74.20 M kWh	71.90 M kWh
Non-APMC-Managed, Company Controlled Properties	62.60 M kWh	73.10 M kWh	58.50 M kWh	47.30 M kWh
MDC Operations	14.22 M kWh		9.50 M kWh	
Total:	**149.62 M kWh**		**142.20 M kWh**	
CARBON DIOXIDE EMISSIONS (Scope 1 and Scope 2)				
APMC -Managed, Company Controlled Properties	40,718 tons		40,772 tons	
Non-APMC-Managed, Company Controlled Properties	35,952 tons		33,705 tons	
MDC Operations	10,867 tons		15,911 tons	
Total:	**87,537 tons**		**90,388 tons**	
WATER CONSUMPTION (Purchased Water)	Common Areas	Total Building Areas		
APMC -Managed, Company Controlled Properties	2.20 M cu. m.	3.90 M cu. m.	1.90 M cu. m.	1.70 M cu. m.
Non-APMC-Managed, Company Controlled Properties	0.86 M cu. m.	0.96 M cu. m.	1.00 M cu. m.	1.10 M cu. m.
MDC Operations	1.09 M cu. m.		0.40 M cu. m.	
Total:	**4.15 M cu. m.**		**3.30 M cu. m.**	
GREY WATER CONSUMPTION: U.P.-AyalaLand TechnoHub	211,572 cu. m.		96,000 cu. m.	
GREY WATER CONSUMPTION AS PERCENTAGE OF TOTAL CONSUMPTION	5%		3%	
WATER DISCHARGE				
Total Volume from APMC Sewage Treatment Plants	**2.30 M cu. m.**		**2.70 M cu. m.**	
Effluent Quality: Compliance with DENR Water Quality Standards	Yes		Yes	Yes
SOLID WASTE COLLECTED IN COMPANY-CONTROLLED PROPERTIES				
Recyclable Waste (traded to recyclers)	3,635 tons		3,063 tons	
Food Waste (traded to pig farms)	5,530 tons		4,929 tons	
Compostable Waste (green waste for composting)	3,556 tons		4,798 tons	
Residual Waste (hauled to sanitary landfills)	9,714 tons		10,459 tons	
Hazardous Waste	0		0	0
Total:	**22,435 tons**		**23,249 tons**	
SIZE OF LAND IN OR ADJACENT TO HIGH BIODIVERSITY VALUE				
Anvaya Cove (Morong, Bataan)	320 hectares		320 hectares	
NUVALI (Sta. Rosa and Calamba, Laguna)	1,750 hectares		1,750 hectares	
U.P.-AyalaLand TechnoHub (adjacent to U.P. Arboretum)	20 hectares		20 hectares	
El Nido Resorts (Palawan)	25 hectares			
Total:	**2,115 hectares**		**2,090 hectares**	
Instances of Non-Compliance with Environmental Laws and Regulations	None		None	None
Incidents of significant spills (chemicals, oils, and fuels)	None		None	None

* Data for fuel, energy, and water consumption are for APMC common areas only.

Figure 6. Total Carbon Emissions Per Year (in tons CO_2)

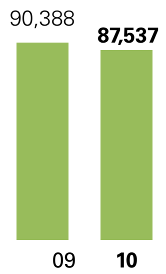


Figure 7. 2010 Electricity Consumption in Ayala Land-Controlled Properties (consumption in common areas only)

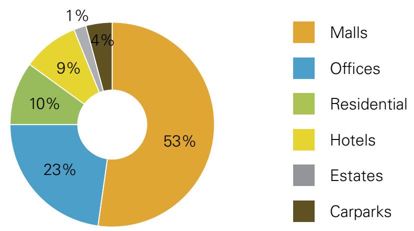


Figure 8. Total Direct Energy Consumption (Scope 1- Diesel Usage) in million liters

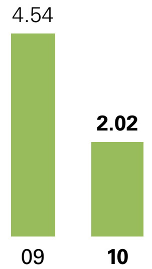


Figure 9. Total Indirect Energy Consumption (Scope 2- Purchased Electricity) in kilowatt-hours (millions)

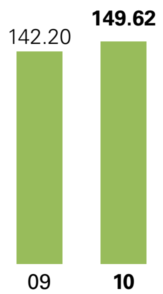
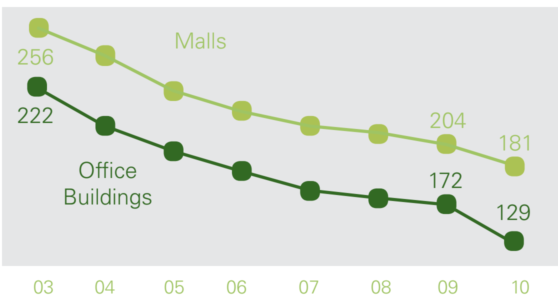


Figure 10. Historical Performance for Energy Efficiency in Malls and Office Buildings (kilowatt-hours / sqm / yr)



(Figure 6). This is a total reduction of 3.2% year-on-year, achieved despite the completion and start up of operations of several new properties as well as the significant ramp up in the number of construction projects last year in line with our growth strategy.

MDC's operations, which include horizontal and vertical construction projects, concrete production facilities, and the MDC head office, registered a significant reduction of 46% in its carbon emissions. This was largely due to a 71% drop in fuel consumption, from 3.9 million liters in 2009 to 1.1 million liters in 2010. This resulted in a decrease of 56% in total diesel consumption of our major operations, from 4.5 million liters in 2009 to 2.0 million liters in 2010.

The majority of MDC's fuel requirements are for the operation of heavy equipment. In the case of APMC, fuel usage is limited to the testing and maintenance of standby generator sets that power their properties during electricity supply disruptions. No long term power outages occurred in 2010.

Last year, 10 new buildings, which are normally still inefficient at start up and increase the common area footprint, came on stream under APMC's operations. In the last quarter of 2009, eight properties became operational and their additional common area footprint affected our 2010 data. Total gross leasable area managed by APMC increased in 2010 by 5.4% to 7.8 million sqm. from 7.4 million sqm. in 2009. Despite these, APMC still managed to register a slight decrease of 0.13% in total carbon emissions of its controlled properties. On the other hand, non-APMC-managed properties registered only a 7% increase in emissions last year. Total electricity consumption (Figure 9) of our major operations increased by 5.2% from 142.2 million kilowatt-hours in 2009 to 149.6

Table 13. 2010 Carbon Emission Inventory (Scope 1 and Scope 2)

	CO_2 from Diesel Fuel (in tons CO_2)	CO_2 from Electricity (in tons CO_2)	Totals (Scope 1 and Scope 2)
APMC-managed properties	824	39,894	40,718
Non-APMC managed properties	1,647	34,305	35,952
MDC Operations	3,074	7,793	10,867
TOTALS (tons CO_2)	5,545	81,992	87,537

Notes:
(1) Scope 1 Emission Factor = 2.745 kg CO_2 / liter of diesel (based on the Greenhouse Gas Accounting Protocol of the World Research Institute). This is aligned with our previous reports and the Ayala Group carbon accounting protocol.

(2) Scope 2 Emission Factor = 0.548 kg CO_2 / kWh (based on the CDM Construction for the electricity grids in the Philippines by the Manila Observatory). This is the emission factor we began using in last year's report to align fully with the Ayala Group carbon accounting protocol.

million kilowatt-hours in 2010, mostly due to a 50% increase in MDC's electricity consumption. Our historical performance in Figure 10 shows how our electricity consumption has been steadily decreasing over the years on a per square meter basis.

These are all very encouraging results as they validate that we are on the right track with our initiatives towards environmental impact reduction. It should be noted that these results are net of gains from carbon offsetting initiatives done last year by our various SBUs and subsidiaries, such as planting thousands of trees, sourcing and using recycled products, obtaining carbon credits, and the like. For example, if we subtract 29,872 tons in emissions offset by APMC by planting more than a thousand trees and using recycled paper for printing their carpark tickets, this would further bring down our overall carbon emissions to 57,665 tons CO_2, or a 36% reduction.

As part of this year's initiatives, we work to progress in tracking and monitoring the carbon offsetting initiatives and results across the organization so that we may factor these into our overall results and get a more accurate picture of our carbon emissions inventory moving forward.

The carbon emissions inventory table (Table 13) shows the breakdown of emission sources in our major operations. We maintained the emission factors used in the last report for electricity and fuel as they are aligned with the factors used by the Ayala Group for carbon accounting. Based on the table, APMC's operations continue to be the biggest source of emissions, with the bulk accounted for by the consumption of electricity in its managed and non-managed properties. The breakdown of emission sources according to property sector (Figure 7) shows that the malls and office buildings, combined, remain

Table 14. Energy Efficiency and Conservation Initiatives

Strategic Business Unit	Initiatives
Ayala Land Premier	• Park Terraces: Motion Controlled Sensors in common areas for lighting; master switch key card for units to manage electricity; units designed to maximize natural lighting and ventilation • Montecito: Hydroelectric plant to generate power for administrative office and streetlights; solar lights in common areas
Alveo Land	• Incorporation of breezeways for natural ventilation, orientation of buildings for passive cooling • Treveia: Solar powered lights in clubhouse/guardhouse
Avida Land	• Use of CFL lighting in common areas • Incorporation of breezeways for natural ventilation at typical hallways and corridors • Orientation of buildings to minimize direct exposure to West
AmaiaScapes	• Use of light colored roofs to substantially reduce Heat Island effect
Ayala Malls	• Provision of clerestory windows to maximize use of natural day lighting, without the significant heat gain • Increase in al fresco dining areas to minimize energy usage for air-conditioning • Use of higher efficiency lighting fixtures • Magnetic ballasts switched to electronic ballasts • Use of compact fluorescent lights and light emitting diodes (LED) • Building exterior designs to reduce air-conditioning loads • Use of EIFS (Exterior Insulation and Finishing Systems) for building facades • Reducing glass to solid ratios • Installation of escalator sensors • Use of green roofs in Greenbelt 5 and Market! Market! • Contribution to energy savings by reducing the solar heat gain • Implementation of best practices in the administrative offices • Air-conditioning is turned off after 5pm on weekdays and kept off on weekends • Office lights are shut off during lunch time and after 7PM on weekdays • Lights at the conference rooms are turned off when not in use; doors are kept shut to aid in air-con savings

AyalaLand Businesscapes	• U.P.-AyalaLand TechnoHub: District Cooling System
	• NUVALI:
	  • Building orientation and shading to minimize solar heat gain
	  • Sun baffles provide sufficient shading while letting in natural light
	  • Efficient centralized air-conditioning system
	  • Bike ramps promoting energy savings and a healthy lifestyle for employees

Hotels and Resorts	• Architectural passive cooling • Efficient, centralized air-conditioning systems • Heat pumps and solar panels for hot water supply • Energy efficient appliances and lighting • Guest room master switching • Power sub-metering

the largest consumers of electricity at 76%. Hence, most of our efforts are channeled towards achieving efficiencies in these properties.

Initiatives Towards Energy Efficiency

Ayala Land continuously endeavored towards the systematic pursuit of efficiencies in the way we consume energy across our developments and properties. We have been consistently recognized for our best practices in energy efficiency such as equipment performance optimization, preventive and predictive maintenance, comprehensive demand monitoring, and research and development of the latest technologies including renewable energy based products. These are largely spearheaded by APMC through its International Organization for Standardization (ISO) 14001:2004 certified environmental management system.

A major milestone achieved by the Company last year was the establishment of a new wholly-owned subsidiary called the Philippine Integrated Energy Solutions, Inc. (PhilEnergy). The objective of this new company is to focus on developing and investing in new energy efficiency solutions and technologies for all our large-scale projects such as our mixed-use developments and office campuses.

PhilEnergy comprises three major business lines – the supply and operation of District Cooling Systems (DCS), performance contracting through the introduction of various energy solutions under its energy saving services, and bulk purchasing of electricity through its retail electricity supply operations. The company will primarily serve new and existing developments with the aim of reducing capital expenditure, lowering occupancy costs, and supporting sustainability initiatives, and may offer its services to third parties in the future.

Since 2008, the Company has partnered with the local government of Makati to support Earth Hour, a global campaign initiated by World Wildlife Fund (WWF).

Our pioneering DCS which has been operational in the U.P.-AyalaLand TechnoHub in Quezon City continues to serve as one of our most efficient technologies for energy conservation. At a cost of around Php400 million, it represents one of our biggest investments in energy efficient technologies. This system is used to cool all the office buildings in the campus. It works through a central plant that provides chilled water for the air-conditioning needs of each building through an underground piping loop, allowing for the aggregation of the varying cooling loads of each building. The system utilizes more efficient large-capacity centrifugal chillers and reduces partial equipment loading losses, thus optimizing energy usage and saving as much as 30% in electricity consumption.

Another pioneering technology that we will soon employ in our new developments is the Energy Recovery System that will make use of the exhaust air from air-conditioned spaces to pre-cool fresh air supplied from outdoors. This will reduce the energy used to pre-cool fresh air by 40%. This technology will be piloted in our Baguio-AyalaLand TechnoHub, Two Evotech in NUVALI, our BPO projects in Iloilo, and in the Glorietta redevelopment. Table 14 on the previous page lists the other initiatives of our various business units in achieving energy efficiency.

In an effort to promote energy efficiency and, as a whole, a culture of sustainability across the organization, we began in 2009 a series of Green Training seminars for our employees. To date, over 40% of our employees have gone through the Green Training series. This initiative was recognized that same year at the Asian Corporate Social Responsibility Forum and was awarded for Excellence in Best Workplace Practices.

Last year, we took a step further in this initiative when AyalaLand Businesscapes began its Green Training Series for tenants. The aim is to educate its office tenants on the many benefits of implementing sustainable initiatives such as energy and water conservation, waste reduction and segregation, and use of sustainable materials within the office buildings. This then spawned a program called the Green Tenant Award to give due recognition to tenants who consistently implement sustainable initiatives in their offices and have been able to show a significant reduction in their carbon footprint due to these initiatives. We are now gearing up to offer the Green Training Series across the Ayala Group of Companies.

We build multi-purpose lagoons which function as reservoirs of recycled water for irrigation as one of our water conservation initiatives. These also serve as storm-water detention basins to prevent flooding during the rainy season.

Water Stewardship

Water stewardship remains an important sustainability program for Ayala Land. Greywater reuse, storm water management, and the recycling of treated water effluent for non-potable uses such as flushing toilets, supplying water to air-conditioning cooling towers, and landscape irrigation are largely being incorporated into the design for utilities of our ongoing new developments and will be standard features of our projects going forward.

Technologies such as our multi-purpose lagoon at the U.P.-AyalaLand TechnoHub, the Greenbelt pond and Glorietta 4 Park, which function as reservoirs of recycled water for irrigation and, at the same time, as storm-water detention basins to prevent flooding and soil erosion at nearby downstream communities during the rainy season, will be applied in other developments. We continue to develop and employ new technologies and implement initiatives to conserve this precious life-giving resource.

In 2010, we again achieved a dramatic jump in greywater reuse (Figure 12) at the U.P.-AyalaLand TechnoHub as more and more tenants occupied the buildings and activity increased in the campus. From 96,000 cubic meters (cu.m.) in 2009, greywater reuse reached 211,572 cu.m. last year or an increase of 120%.

Figure 11. Total Water Consumption (Purchased Water in million cubic meters)

Figure 12. Grey Water Reuse at U.P.-AyalaLand TechnoHub (in cubic meters)

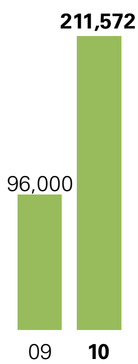


Figure 13. Historical Performance for Water Efficiency in Malls and Office Buildings (cu.m. / sqm / yr)

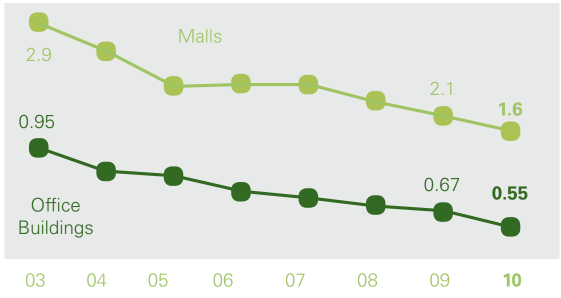
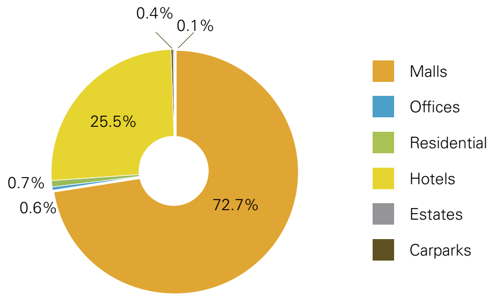


Figure 14. 2010 Water Consumption in Company-Controlled Properties (consumption in common areas only)

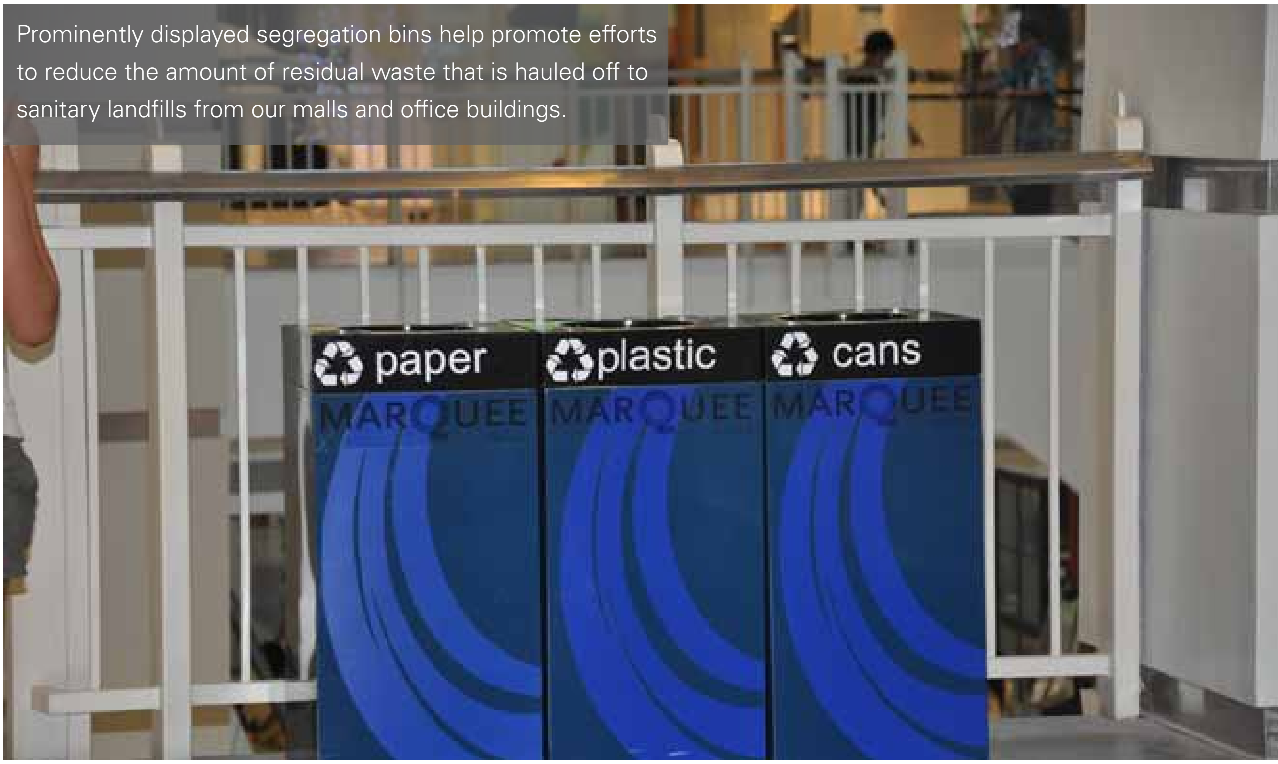


As a percentage of total consumption, greywater usage was up by 5% last year from 3% in 2009. The marginal increase was due to the 26% increase in our total consumption of purchased water to 4.2 million cu. m. last year due to the coming on stream of new buildings and the ramp up in construction projects. We will be able to improve on this performance as we apply greywater reuse technologies in more of our developments.

In contrast, our consumption of water on a per square meter basis, which follows the Australian water efficiency benchmark, continues to decline, as shown in figure 13. Table 15 below lists water stewardship and conservation initiatives of the various business units.

Table 15. Water Stewardship and Conservation Initiatives

Strategic Business Unit	**Initiatives**
Ayala Land Premier	Subdivisions: use of porous pavers, greywater double piping for non potable use (NUVALI)
Alveo Land	Rain harvesting, bio-swales and detention ponds incorporated into design
Avida Land	Studying rainwater collection for fire water reserve
AmaiaScapes	Rain garden to recharge ground water, use of porous pavers
Ayala Malls	• Use of permeable pavers • Recovery and reuse of condensate water from the air-conditioning system to supply water for our cooling towers • Grey water re-use • Use of Waterless Urinals • Use of faucets and water closets with sensors
AyalaLand Businesscapes	Multi-Purpose Lagoon • Implemented in the U.P.-AyalaLand TechnoHub • Functions as a storm-water detention basin to prevent flooding and soil erosion at nearby downstream communities during the rainy season • During the dry season, the lagoon is used as storage of recycled water for irrigation Water Recycling • Implemented in Baguio-AyalaLand TechnoHub, One and Two Evotech, BGC E-Services Building, U.P.-AyalaLand TechnoHub, Vertex One • Recycling of greywater for use in flushing and irrigation to reduce potable water consumption
Hotels and Resorts	• Dual piping system • Rainwater harvesting • Low flow plumbing fixtures • Water sub-metering • Linen and towel re-use program



Prominently displayed segregation bins help promote efforts to reduce the amount of residual waste that is hauled off to sanitary landfills from our malls and office buildings.

Solid Waste Management

Solid Waste Management (SWM) has long been a major component of the Company's Environmental Stewardship initiatives. We pride ourselves on our continued progress in initiatives spearheaded by APMC, particularly in the reduction of residual waste —or waste that is non-biodegradable and cannot be recycled or used as composting material—that is hauled off to duly accredited city or municipal sanitary landfills.

Our malls continue to generate the largest volume of waste among all our property sectors, mainly due to the combined foot-traffic of over a million people that go through them each day. We were able to reduce residual waste volume by more than 85% since we began our pioneering program of systematically managing solid waste generation 11 years ago at the Ayala Malls through the use of prominently displayed segregation bins in all common areas, the use of materials recovery facilities, organized waste collection schedules for tenants, and coordination with recyclers and waste haulers. To put it in perspective, in the Ayala Center for example, from a total of 20 trucks that needed to be used to haul waste from our malls per day, now only two trucks are needed to collect the residual waste daily. This has also resulted in significant savings of about Php41 million in hauling costs annually, the reduction in fuel consumed by those trucks, and less carbon emissions.

Figure 15. Solid Waste Collected in Ayala Land-Controlled Properties (in tons)

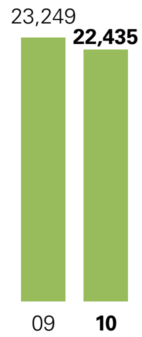
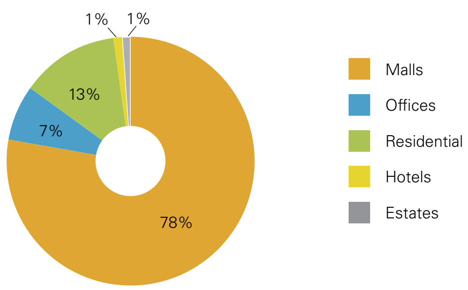


Figure 16. Solid Waste Profile by Source



Our various SWM initiatives are being replicated in the other APMC-managed properties and have been recognized by award-giving bodies. APMC added another feather on its cap by being one of the major winners in the Quezon City government's first Zero *Basura* Olympics Awards ceremony held during the Earth Day Celebration in April last year. APMC was among six companies that won the Master Level for the least amount of waste generated. Some 52 companies joined the competition with APMC as the only Property Management entry. As this is one of the hallmarks of our Environmental Stewardship pillar, all our other SBUs have proactively developed and are implementing their own SWM initiatives, as listed on Table 16.

In 2010, we managed to reduce our total solid waste collection by 3.6% to 22,435 tons from 23,249 tons in 2009 (Figure 15 on the previous page). This despite the increase in total area of reporting properties due to the start up of new properties last year. Residuals collected dropped by 8% to 9,714 tons from 10,459 tons the previous year. There was a slight increase in waste traded to recyclers and to pig farms, while compostable waste generated declined. While residuals still account for the bulk of waste collected, the elimination through trade of the other types of waste account for the significant reduction in waste generated by our operations, as discussed earlier. Figure 16 on the previous page shows our solid waste profile by source. Our historical performance in Figure 17 shows how our programs and initiatives continue to be successful in achieving our goals towards minimizing the total amount of waste we generate.

Figure 17. Historical Performance for Residual Waste Management in Malls (kilograms / sqm / yr)

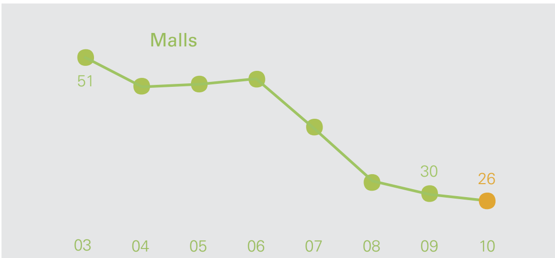


Table 16. Solid Waste Management Initiatives

Strategic Business Unit	Initiatives

Residential Business (ALP, Alveo, Avida, Amaia)	• All properties have SWM programs
	  • Efficient waste-management system, composting areas, recycling programs.
	  • STPs are planned for, particularly those in missionary locations.
	• Across Avida, implementation of Project CLEAN and GREEN , WAR on WASTE and PROJECT EARTH to involve communities in implementing sustainability programs

Ayala Malls	• SWM program: merchant participation in the program is now at 100% • First to have waste bins specially fabricated to advocate the segregation of trash for recycling. • In partnership with Globe, drop boxes for old cellular phones and parts, and old batteries, have been placed around the various Ayala Malls to advocate and contribute to the proper disposal of e-waste. • Pioneered The Ayala Recyclables Fair (ARF), a program that is being replicated by competitors of the Ayala Malls. The ARF educates people in the surrounding communities on waste reduction and segregation. • Regular pick-up of scrap office materials is implemented in coordination with the Materials Management Division. • Office waste, such as old newspapers, used ink cartridges, and PET bottles, are sold to recyclers.
AyalaLand Businesscapes	• SWM implemented in all projects • Sale of recyclable material and on site composting to reduce residuals • Waste segregation
Hotels and Resorts	• Waste segregation • Use of glasses versus plastic bottles during conferences • Sale of used cooking oil by Hotel InterContinental Manila

Earth Day celebration last April had the Company's employees applying anti-air pollution paint onto walls of the underpasses surrounding its headquarters along Ayala Avenue in Makati.

Air Quality Management

Last year, we began reporting on our initiatives in another important component of our environmental management strategy, which is air quality management. We continue to promote better indoor air quality (IAQ) in our residential buildings by selecting interior paints and materials that have minimal or no emissions of Volatile Organic Compounds. In our malls and office buildings, our ventilation systems are designed for optimum air exchange, with constant input of fresh air circulating in the buildings. These IAQ design and engineering best practices contribute to the wellness of our building residents, tenants, and visitors, and help increase productivity levels of office workers and store personnel.

In the case of outdoor air quality, our efforts over the past several years have been focused on air pollution abatement in the Makati CBD. APMC conducts periodic emission testing of vehicles in all APMC-managed carparks in the city and implements a policy that prohibits smoke-belching vehicles from entering the carparks. Monthly free emission testing of vehicles is offered to the general public at strategically-located APMC carparks, in partnership with the Makati City Department of Environmental Services (MC-DES) and Ayala Foundation, Inc (AFI). We continue to take part in Makati City's Environment Month program in partnership with MC-DES through the Makati Pollution Control Office's *Bantay Tambutso* campaign.

During the Earth Day celebration last year, Ayala Land volunteers joined employees from MC-DES, AFI, and an estimated 200 employee volunteers from our sister companies in the Ayala Group, for a unique environmental activity dubbed "Paint Ayala Avenue Clean." The volunteers were tasked to paint the walls of the entrances to the underpasses along Makati's main thoroughfare. The paint used was a revolutionary product supplied by Boysen Paints called Knoxout. The paint product contains certain chemical components that, when activated by sunlight, break down a significant amount of air pollutants such as nitrogen oxides. The event was held in tandem with MC-DES's Earth Day *Tigil-Buga* Parade along Ayala Avenue, an annual campaign for clean air in Makati.

Green Procurement

In the last 12 months, the Company had taken great strides in its efforts towards effectively sourcing and procuring materials, products, and services from suppliers and contractors closely aligned with our sustainability goals. The Green Procurement initiative is under the strategic direction of the Procurement Council which acts as a Technical Working Group in managing the initiatives. The Procurement Council comprises the heads of various procurement units across the organization and has the objective of sharing best practices in procurement and setting strategies towards meeting shared targets.

Taking the lead in executing the initiative is the Supply Chain Management Division (SCMD), which has put in place its process for accrediting green suppliers and sourcing green products at the best value possible, fully integrating sustainability goals with its business goals. These efforts have won for the team the Green Procurement Practices Award given by the Philippine Institute of Supply Management in November last year. Under its green procurement policy, SCMD works towards greening the supply chain by:

Prioritizing suppliers that offer green products and green services. Most of our high value contracts are awarded to suppliers with strong efforts in mitigating their environmental impact, which encourages other suppliers to adopt sustainability principles in their operations and product offerings.

Awarding contractors who introduce innovative construction technologies and methodologies that help mitigate environmental impact and risk to health. SCMD works with the Innovation and Design and Construction Management groups in selecting environmentally responsible contractors for their projects.


The Company partnered with its supplier, INCA Plastics Inc., in the promotion of waste segregation in San Francisco High School in Quezon City.

Figure 18. Green Procurement Initiative Framework

Aligning suppliers with our Vendors' Code of Ethics. This is circulated across our supplier base of more than 2,500. Qualified bidders are reviewed based on their compliance with basic requirements as defined in the Code, with significant weight place on those related to sustainability.

Partnering with suppliers for CSR and sustainability programs. In negotiating with suppliers and contractors, SCMD seeks opportunities for cooperation and collaboration in CSR and community stewardship projects. This could include procuring materials from livelihood programs that the Company helped set up in the barangays, or sourcing labor from communities neighboring our projects, or jointly contributing to the needs of those communities.

SCMD's green procurement practices are able to provide savings for the Company of about 5% to 6% of the consolidated spend in materials and products for its various projects. In 2010, SCMD purchased about 60,000 metric tons of steel, and over 200,000 metric tons of cement. Effective strategies in forward buying of steel and cement bring down costs by about 12% on the average. Efforts in pursuit of supplier partnerships have been able to deliver savings of between 5% and 20%. In 2010, we achieved savings of over Php200 million. Total spend on green products for the year amounted to more than Php3.7 billion. According to SCMD's records, about 4% of the total production cost of the steel sourced last year went to renewable sources while 6% of the production cost for cement went to alternative fuel sources.

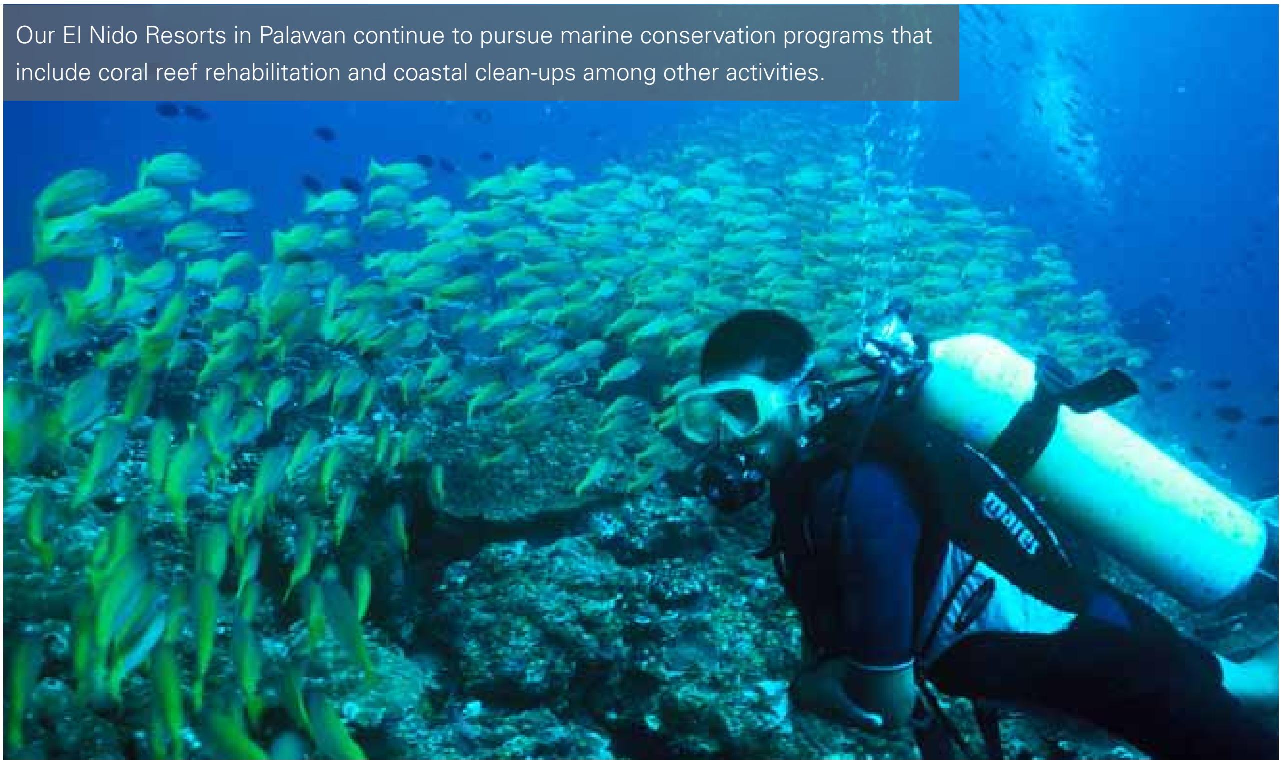
MDC's innovative "water curtain" pioneered in its Serendra project has proven to be an effective dust mitigation measure.

Sustainable Construction

Ayala Land recognizes the potential risk that its large-scale construction projects pose on the environment. Sustainable construction practices are implemented by MDC, which continues to apply best practices in mitigating the environmental impact of construction activity by implementing controls in the areas of soil erosion, waterway sedimentation, and airborne dust generation.

To avoid soil erosion as it moves ground at its construction sites, MDC observes proper benching and sloping and other effective methods to protect natural landscapes and stabilize slopes. Measures such as silt traps, temporary catch basins, and dams in its construction sites prevent sediments from settling in the community's drainage systems or nearby waterways. In its ongoing project at Serendra, MDC developed its own innovative system for dust mitigation called the "water curtain" to protect neighboring residents from construction dust. The "curtain" is made of a fine net material that covers the sides of the building and is kept wet with recycled water as construction goes on to prevent dust from escaping and affecting surrounding areas. MDC continues to promote the use of building products with recycled content. In mixing concrete, for example, MDC uses a substantial amount of fly ash, which is waste residue from coal-fired power plants. Last year, MDC set a target to begin using appropriate metrics for vertical and horizontal projects to measure performance. It is working towards meeting USGBC LEED standards in the implementation of its sustainable construction initiatives.

Additionally, MDC is implementing programs to reduce utility consumption in its site offices by 5%. It conducts monthly monitoring of utilities (power, water, and fuel), smoke emission testing of all heavy equipment, and proper recycling and disposal of waste. MDC reduced its Total Recordable Incident Rate by half (from 60 to 30 incidents per 1 million man hour exposure) and has been certified by the Bureau of Working Conditions of the Department of Labor and Employment. MDC's quality and environmental, health and safety systems are certified to ISO and OHSAS (Occupational Health and Safety Advisory Services) international standards.



Our El Nido Resorts in Palawan continue to pursue marine conservation programs that include coral reef rehabilitation and coastal clean-ups among other activities.

Biodiversity Conservation

According to the International Union for Conservation of Nature (IUCN) Red List, a complete database of the conservation status of flora and fauna species around the world, the Philippines is among the countries with the most number (697) of threatened species in the world. With the Company's push towards increased presence across the country, our efforts to mitigate the impact of our developments on biodiversity become more and more important.

El Nido Resorts, Palawan

In our El Nido project, ongoing conservation programs include the rehabilitation of coral reefs with ceramic EcoReef modules, the first of its kind in the Philippines. Tres Marias, a popular dive site, was hit in 1998 by conditions typical of the El Niño and La Niña phenomena. Coral bleaching and strong waves generated by strong typhoons damaged the once robust reefs. In 2006, El Nido Resorts partnered with the community and the El Nido Foundation (ENF) to rehabilitate Tres Marias. Seacology, a US-based non-government organization, donated the ceramic snowflake-looking EcoReefs via a USD20,000 grant to the people of El Nido through ENF's Coral Reef Restoration and Education Program.

In addition, El Nido pushes for "sustainable menus." Local fishermen are discouraged from harvesting young fish that have not yet reached reproductive age as determined by the Bureau of Fisheries. Fish that have not attained the minimum allowable commercial size are rejected by the resorts' purchasing staff. The restaurants do not serve lobster, grouper, and other species that are not harvested through sustainable methods.

El Nido's waters host five species of marine turtles, all internationally labeled as endangered. The resorts watch over turtle eggs until they hatch and use this amazing phenomenon as the centerpiece of their Turtle Tracking Tours. Offered during the turtle nesting months, the tours give resort guests the opportunity to learn more about marine turtles from the resorts' guides and environmental officers. Also, there are regular coastal clean-ups, transplantation of giant clams, and monitoring of illegal marine activities. These efforts are being sustained with the support and cooperation of the local government and the community.

The resorts developed the "Be G.R.E.E.N." (Guard, Respect, Educate El Nido) program, a five-module course which encompasses solid waste management, water, energy and biodiversity conservation, and environmental legislation. Resort staff are required to take this course and pass the exams. These efforts have helped build greater environmental awareness among guests and staff. Be G.R.E.E.N. will receive the 2011 Pacific Asia Travel Association Gold Award for Environmental Education this April in Beijing. Further training on "nature interpretation" is given annually to guest activity coordinators and guides. Nature interpretation trainings focus on flora and fauna identification, and marine biology.

Every Saturday, the resorts offer "eco-cocktails" that help guests learn more about the environmental protection and conservation programs. Conservation policies are clearly communicated during welcome briefings and conservation talks by visiting experts are made available to guests, while activities that allow guests to participate in biodiversity monitoring are available. In these activities, guests are given a flora and fauna checklist and are accompanied by trained guides to aid them in identifying species during sightings. El Nido compiles all sightings in a biodiversity database, one of the very few resorts in the world to do so.

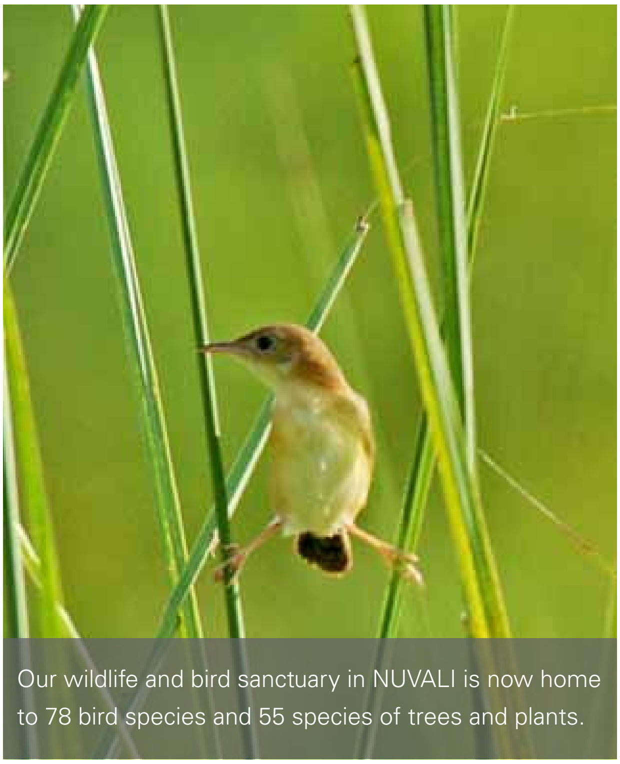
NUVALI

Last year, sustainability efforts led by the NUVALI team, in cooperation with the various business units, continued to protect and enrich the identified wildlife and bird sanctuary areas in NUVALI. The team implemented programs focusing on the NUVALI Wildlife and Bird Sanctuary, an area of over a hundred hectares retained as a green buffer area, which will have very limited development. Such developments were undertaken for better appreciation of the natural environment.

As of last year, the biodiversity audit findings of Haribon Foundation revealed an increase in the number of bird species to 78. In addition, seven mammals, seven hepterofauna, and 55 species of trees and plants were also identified. The NUVALI team also implemented Haribon's recommendations to promote biodiversity by conducting nature awareness activities through the promotion of bird and nature watching (by providing for bird-watching facilities such as birding trails, bird watching hides, a look-out gazebo, bird baths), and by conducting several training sessions for both guides and the estate management and maintenance staff. The area is now a destination for educational tours for students who want to learn more about environmental sustainability.

Among other activities was a tree-planting program as part of "rainforestation" efforts where 11,500 trees were planted in the Sanctuary to enhance soil water retention and biodiversity. Participants in the NUVALI tree planting program included the employees of the Company, the Ayala Group, and various companies and families concerned about the protection of the environment. The overall target is to plant over 100,000 trees in the nature reserve areas alone. This is in addition to the 6,200 trees that have been planted along the streets and used for landscaping at on-going residential and commercial projects inside NUVALI. An additional 4,000 trees are expected to be planted in 2011. The team also established the NUVALI Tree Nursery and Demo Farm. This has over 15,000 trees and thousands of seedlings in stock, both landscaping and fruit-bearing types. These shall serve the tree requirements of projects and the NUVALI tree planting program. The Demo Farm, meanwhile, was established to help educate residents, locators and visitors on proper plant care and plant life cycles, planting backyard edible gardens, and making use of herbal alternatives, among others.

The NUVALI team is also promoting awareness on the importance of bamboo by developing a "bamboo setum" as part of the Lakeside Evozone Phase 2



Our wildlife and bird sanctuary in NUVALI is now home to 78 bird species and 55 species of trees and plants.

A tree-planting program is in place to support the overall target of planting 100,000 trees in the nature reserve area in NUVALI.

Threatened species, such as this young Ridley turtle, are protected and closely monitored at our El Nido Resorts and Anvaya Cove community.

landscaping project. Upon completion, it will be the first in the country to have more than 60 bamboo species to be integrated in one development, with proper labeling showing scientific names to educate visitors on the various bamboo species. Bamboo is one of the most sustainable plants on the planet and apart from generating 15 times more oxygen than other trees, it is considered a rapidly renewable plant material for use in furniture, handicrafts, and even building construction. By using rapidly renewable materials, we divert from the use of finite raw materials which are easily depleted.

Through continuous breeding and maintenance, NUVALI's four-hectare man-made lake has now become home to more than 10,000 koi and carp fish and has become a natural habitat for endemic bird species and a temporary habitat for migratory birds.

Anvaya Cove

The Anvaya Cove seaside leisure community in Morong, Bataan, is an ideal destination that provides a relaxing escape for families and a nurturing home for biodiversity. The Company, together with the Beach and Nature Club, the Homeowners Association and various non-government organizations and local government units, have made efforts to consistently monitor, preserve, and improve the natural habitat in the area.

Just five years since the official launch, our development has continued to expand with efforts to maintain biodiversity within the project. Various programs have been implemented to help instill in the project stakeholders our vision of a sanctuary for all living organisms. The Club has continuously practiced reef monitoring activities accompanied by annual coastal cleanup efforts to ensure the cleanliness of the cove and health of the creatures living within the area. The Homeowners Association of Anvaya Cove has also been active in helping the village administration with its tree planting activities. Over a hundred hardwood tree saplings have been planted through this activity. A multi-partite monitoring team has been formed to monitor activities in the leisure community.

Biodiversity in Anvaya Cove will continue to be prioritized in 2011. Marine mammal rescue training has been conducted for select Club staff, security personnel, representatives from our Company, the local barangays and the Department of Environment and Natural Resources, to prepare for potential incidents such as that of the rescued stranded dolphin at the Anvaya Cove beachfront. Training for improved reef monitoring is also ongoing. At the end of the training, select representatives from the Club and the Company become certified divers and are tasked to spearhead this initiative. Discussions with the World Wildlife Fund are also ongoing to carry out action plans towards the improvement of the overall environmental conditions in Morong.

Community Stewardship And Social Development

Community Stewardship and Social Development is another key pillar in the pursuit of our sustainability goals. We see our corporate mission of "enhancing land and enriching lives for more people" in the context of our commitment to nation building as well as our commitment to social responsibility, which is one of our core values. As we continue our efforts to develop more mixed-use districts and townships across the country that have far-reaching impact on sustainability at a macro level, we realize that we also must continue to reach out to and engage with communities neighboring our projects in order to help the local economy and build the needed social infrastructure that can enhance quality of life.

In our last report, we focused on our Community Stewardship initiatives in communities neighboring our NUVALI development in Laguna. Our NUVALI efforts under the *Alay sa Komunidad* initiatives continue to flourish and have become the model for community stewardship across the organization.

The Company has always been active in engaging with communities affected by our developments and reaching out particularly to residents, community leaders, and local government units directly or with the help of partner agencies to identify needs and concerns and find sustainable solutions. Our SBUs are tasked with providing direct intervention in the form of community stewardship initiatives, with emphasis on livelihood and employment generation, education, health, and arts and culture.

Livelihood and Employment Generation

Employment is a major concern in many of the communities we reach out to surrounding our projects. Thus, to help improve the economic prospects of the residents, we make it a point whenever possible to source manpower from those communities. Our Residential Business Group, for instance, has the following number of local residents working in its projects: 3,500 in Laguna; 500 in Bataan; 8,000 in Makati; 2,400 in Taguig.

At Anvaya Cove, about 80% of the club's employees and construction workers involved in the ongoing development come from nearby communities, while in NUVALI, that number is about 40%. In our El Nido resorts, local hires make up 73% of the workforce.

Last year, we continued to assist community members in finding job opportunities through various job fairs. Table 17 shows the results of two fairs we initiated in NUVALI and one we assisted the National Housing Authority with in Rodriguez, Rizal.

Table 17. Company-sponsored Job Fairs

Location	Particulars	Results
NUVALI	Held in May 2010 in partnership with Techlog Center Philippines and Service Resources, Inc.	• 148 applicants attended • 5 hired on the spot • 81 for man pooling
NUVALI	Held in August 2010	• 200 Canlubang residents joined • Total of 1,500 applicants attended the fair • 77 were hired on the spot
Rodriguez, Rizal	Initiated by the National Housing Authority (NHA) for relocatees from its North Triangle property in Quezon City. Ayala Land assisted through its expertise in conducting the fair and by inviting companies to participate.	• 926 applicants joined • 190 had job matches • 12 were hired on the spot - 5 local - 7 overseas

Despite the efforts to link employers with job seekers in these areas, the success rate in terms of the actual number of hires has not been high. The following are common findings gathered from discussions with employers and job seekers, as well as some recommendations:

Common reasons applicants are disqualified	• Lack of knowledge/experience in the available jobs • Lack of training, especially in technical skills
Common reasons applicants miss the company interviews	• Proximity of the employer's office/job location from their home in the Rodriguez site • Lack of funds to pay for transportation or to secure application requirements
Recommendations	• Applicants to undergo technical training (construction, housekeeping, basic accounting, etc.) • Training in basic conversational English (for sales, domestic helper, etc.) • Employers for overseas jobs should assist applicants in securing passports and visas • Curriculum Vitae of mismatched applicants should be forwarded to clients/ partner agencies for possible opportunities.

The Ayala Malls continue to be a preferred venue for job fairs, making our malls a channel for community development. Last year, The Philippine Star's Edge Job Fair Series, The Philippine Daily Inquirer's Career Expo, and The Manila Bulletin's *Trabaho sa Filipino* Job Fair were held in our malls. Moreover, the Ayala Malls Group (AMG) provides space to charitable organizations, with waived rental rates, giving them the venue to sell their products and support their advocacies. In 2010, these organizations benefitted from total venue values of Php1.1 million provided by the various malls.

For the Business Process Outsourcing (BPO) sector, our AyalaLand Businesscapes Group works to promote BPO careers in Laguna by bringing BPO locators and educational institutions together through the Laguna Industry Network for Knowledge, Innovation and Technology and hosting a BPO Caravan and Job Fair.

The NUVALI project team's *May Kabuhayan* project under its *Alay sa Komunidad* program continued to provide livelihood opportunities for residents in the Canlubang communities neighboring our developments. This was achieved through the following projects:

Sikap Buhay Consumers Cooperative (SBCC) and Tindahan Natin (TN). NUVALI assisted the Pangarap Neighborhood Association in setting up their cooperative and store at the Majada Housing site. SBCC and TN generated a net income of Php926,028, from total sales of Php6.1 million in 2010. Support to the Association included the following:

- Assistance for their Cooperative Development Authority (CDA) registration
- Facilitated the conduct of CDA mandated training and seminars
- Exclusive food service for Avida construction projects
- Provided space for their food stall during events at NUVALI
- Hired their services as food providers for maintenance and security personnel
- Assisted in their exclusive distributorship of softdrink products for upland sitios of Canlubang

Paper Basket Weaving. For 2010, NUVALI initiated marketing efforts to promote the paper products of its partner community. These included the following:

- Setting up an online site (*http://nuvali2010.multiply.com*)
- Printing of flyers and brochures
- Promotion at various exhibits (Asian CSR Forum, Ayala Malls Merchant Reward Forum, League of Corporate Foundations CSR Expo, Pavilion Livelihood Workshop)
- Free space during NUVALI Bazaars
- Consignment arrangement with Echostore, Gifts and Graces and Rustan's Department Store

Total sales for 2010 amounted to Php160,770, with major clients including: Ayala Land, Hotel InterContinental Manila, Rustan's, Gifts and Graces, Echostore, Altaserv, Community Link, and others.

Concrete Hollow Block Making Program. Production of concrete hollow blocks is currently being utilized for house construction at the Vesta Relocation Site. The future plan is to supply contractors of Avida houses and other requirements of NUVALI. This is being worked out with the Procurement team and the construction management team for RBG. Current production is about 1,500 pieces per day and these are sold at Php9.00 per block.

Rag-making Program. NUVALI endorsed the community association to Rags2Riches (R2R), a social business enterprise that taps communities for the production of its products. The community was unable to deliver the needed quantity to R2R this year as only around 300 rags were able to pass the required specifications. The first batch of rags was rejected as the community members were developing their skills in production. Succeeding batches were at good quality, but, by October, R2R advised the community that the existing product was to be phased out as a new product will be introduced in 2011. The community was advised to consume all remaining raw materials and sell whatever they produced. Training for production of the new product was to begin in February this year.

Education

In 2010, our commitment and support to Ayala Foundation, Inc.'s high-impact programs aimed at facilitating access to knowledge and learning continued through funding provided for various programs. One major program is called Gearing up Internet Literacy and Access for Students (GILAS), a multi-sectoral initiative established in 2004 comprising various corporations and concerned non-profit organizations with the goal of providing Internet facilities in all 6,000 public high schools across the country. To date, GILAS has managed to connect a total of 2,894 schools across the country to the Internet, giving over one million students access to research and information sources online. Also, over 9,000 public school teachers and administrators received training in computer utilization, PC maintenance, networking and resource mobilization through the program.

Another project we continue to support is the Center for Excellence in Public Elementary Education (CENTEX), which provides quality education to bright, deserving students from marginalized families. Ayala Land was instrumental in the establishment of CENTEX in 1998, which now operates two schools – one in Tondo, Manila, and one in Bauan, Batangas. About 800 students have graduated from both schools over the last 12 years.

The Company maintains its active involvement in the Ayala Young Leaders Congress (AYLC), which is now on its 13th year. The program brings over 70 of the country's brightest student leaders for a three-day congress packed with lectures, panel discussions, and workshops, complemented by outdoor activities, with the objective of further unlocking their potential as future leaders of our country. Over 1,000 are now AYLC alumni and many have been employed by companies in the Ayala Group.

The U.P.-AyalaLand TechnoHub provides a venue where Systems and Technology firms can collaborate with the academe (e.g. University of the Philippines, etc.) and transform entrepreneurial ideas into commercial ventures. Actual industry-academe activities implemented were: Tech Boot Camp, Google Mash-ups, IT symposia and seminars, consulting engagements, internships, scholarship opportunities, and reviews of the IT and Engineering-related course curricula.

Job fairs were hosted by the Company for relocatees of the Pasig River re-settlement project at Calauan, Laguna in coordination with the local government's Public Employment Service Office.

The Company maintains its active involvement in Ayala Young Leaders Congress which helps some of the brightest students in unlocking their potential to be future leaders of the country.

Ayala Land continues to support CENTEX, which provides quality education to bright students from marginalized families.

A total of 13 barangays near our developments benefited from medical and dental missions.

In support of the Department of Education's (DepEd) School Improvement Program, our employee volunteers participated in last year's *Brigada Eskwela*, a yearly project of the DepEd wherein groups of private sector volunteers troop to various public schools to refurbish them in time for the start of the school year. This is complemented by the distribution of school bags, basic school supplies like pencils and paper, and even shoes for the students, to help address the problem of children dropping out of school merely because of the lack of these supplies. Our employee volunteers distributed these school kits to 30 public elementary schools in areas near our various developments last year.

Health

The External Affairs Division continued to take the lead in providing basic health care assistance through medical and dental missions under its *Alay Kalusugan* program. A total of 13 barangays near our developments in Pampanga, Baguio, Taguig, Sta. Rosa and Laguna benefitted from these missions. On the average there are, in each barangay, tooth extractions for 60 patients, toothbrush drills conducted (with free oral hygiene kits given) for 100 kids aged four to eight, and medical consultations with medicines for 120 patients.

Arts and Culture

An important aspect of building sustainable communities is putting in place the socially facilitative infrastructure and spaces where people can congregate and have a sense of belonging. These are essential in promoting the well-being of society and developing the character of the community.

In the Makati CBD and BGC for instance, there are dedicated open spaces such as the Ayala Triangle Gardens, the Greenbelt Park, and Bonifacio High Street that act as urban oases and convergence areas for the people who live and work nearby. These landscaped areas feature public art pieces and are venues for cultural, art and other shared events. Aside from fostering social recreation and engagement, these spaces contribute to maintaining the premium value of Makati and BGC as the preferred residential, business and recreational districts.

The Company continues to support the country's prominent arts and culture institutions through the Ayala Museum and the Filipinas Heritage Library, both located in Makati. In turn, they provide subsidized educational tours and programs on Philippine arts, culture and history to public school students. Meanwhile, the Mind Museum in BGC is now under construction and is expected to open its doors to the public later this year. It is envisioned as the Philippines' first world-class science museum that will serve as an important learning center for science students and enthusiasts.

The Ayala Malls have always made it a point to showcase the talent and creativity of the Filipino. Bravo! Filipino is a celebration of Philippine music, visual arts, and fashion that enlivened the spirit of nationalism and love of country through a series of events. Through Bravo! Filipino, AMG seeks to deepen the shoppers' experience of the country's artistic and cultural legacy, as well as play an active role in keeping this legacy alive.

In last year's Merchant Rewards program, the Award for Support of Arts and Culture, given to merchants who executed programs that promoted Filipino arts and culture, was introduced. The winners were Bench (for Pinoy Lab), Sanuk (for Wewilldoodle and Folk Superlative) and Myth.

Open spaces such as the Ayala Triangle Gardens serve as convergence areas for the people who live and work nearby.

Calauan Project

The Company's continuing thrust towards community and nation building is clearly evident at the Calauan resettlement project in Laguna. Socialized housing units have been built as Habitat for Humanity and Ayala Group volunteers worked for eight months to prepare the community for beneficiaries coming from the Estero de Paco. Close to 300 houses are ready for occupancy by beneficiaries who look forward to rebuilding their lives, and community preparation is being done even prior to the relocation of these families.

Community development and livelihood studies are currently being done to anticipate the needs of the community. Programs such as solid waste management, water preservation, and the concept of sustainable living are implemented in order to educate the new community residents as they move in. The groundwork is needed to be able to anticipate the needs of the incoming residents of the community and build the acceptance and trust level of the current community as new residents come in.

Integrated programs were conducted together with our partners such as the Salesians and the local government. These have resulted in the creation of an organic farm and piggery, and the propagation of vermiculture ventures. Also being developed are sustainable livelihood and employment programs that leverage on current skills and are embedded into the Ayala supply chain such as construction workers, painters, landscapers and other skills that may be used as a labor pool and create income for the residents. Job placement programs have also been launched and led by Ayala Land. The first of the job fair series was launched last November and resulted in 314 job seekers finding employment.

The project continues to grow as the community grows and its programs are helping to rebuild and change the lives of thousands of people.

The Bravo Filipino series was once again pursued by the Ayala Malls to celebrate Filipino talent and creativity.

Personnel Development, Health And Safety

At Ayala Land, we believe that our people are the cornerstone of our success. We constantly strive to attract, hire, and retain the most talented people in the industry and in their respective fields of expertise. Thus, the Company remains committed to creating a workplace that promotes the well-being, development, and engagement of all our employees through a holistic approach.

All our employees regardless of age, gender, or position, are given opportunities for career development and advancement, and are equipped to meet the challenges of their respective roles in the Company. Entry-level compensation at the Company and its subsidiaries are at least 20% above the minimum mandated by the Department of Labor and Employment. Full-time employees receive the following benefits which are not provided to temporary or part-time employees: life insurance, health insurance, disability, invalidity coverage, and retirement provision. The Company has a defined benefit retirement plan that is fully covered at 1.5 month's salary for every year of service.

People Development Programs

In 2010, our Human Resources Group, through its Corporate Learning and Development unit, focused on a program called Professionals in Development (PID) as an organizational development initiative. This involved hiring young and promising new talents who were put through a rigorous selection and training process. Under the program, 28 PIDs were deployed to the various business units for a five-month cadetship training course with experienced managers acting as mentors. Project immersions were included to quickly build up their knowledge of the business and test their practical abilities and interpersonal skills.

Meanwhile, we promoted 116 employees and encouraged cross-posting across business units and subsidiaries to facilitate upward mobility and fast-track development. This is in line with efforts to ensure that the staffing requirements in support of our ongoing expansion and growth are met. We also conducted relevant programs for 157 managers to further enhance their management and leadership skills. We participated in an Ayala Group partnership with the Harvard Business School for a comprehensive leadership course called the Ayala LEAP (Leadership Excellence Acceleration Program). Fourteen of our senior managers graduated from the course last year. Additionally, 258 of our employees attended various programs to enhance their core skills in Project Development, Marketing , Finance, Engineering and Architecture.

We continued VoluntarALI, our volunteerism program which grants employees four official leave credits per year to engage in company-initiated volunteer activities. More than 660 employees from across the Company

2010 Workforce Profiles, Ayala Land and Wholly-Owned Subsidiaries

Table 18. Total Workforce

	Employment Contract		
	Permanent	Probationary	Total Headcount
Ayala Land	489	4	493
Alveo Land	56	12	68
Avida Land	141	13	154
APMC	227	18	245
MDC	188	4	192
TOTAL	**1,101**	**51**	**1,152**

Figure 19. Ratio of Basic Salary of Men to Women

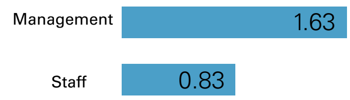
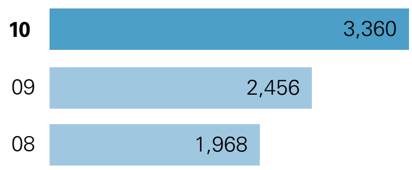


Table 19. Employee Distribution

		Gender Distribution		Age Distribution			Distribution by Position		
		Male	Female	Under 30	30 to 50	Over 50	Senior Management	Middle Management	Staff
Ayala Land	493	58%	42%	25%	66%	9%	5%	33%	61%
Alveo Land	68	46%	54%	46%	54%	0%	0%	21%	79%
Avida Land	154	47%	53%	34%	64%	2%	1%	16%	84%
APMC	245	64%	36%	50%	38%	11%	1%	13%	86%
MDC	192	70%	30%	11%	71%	18%	2%	16%	82%
TOTAL	**1,152**	**59%**	**41%**	**30%**	**60%**	**10%**	**3%**	**23%**	**74%**

Figure 20. VoluntarALI Man Hours



Operations identified as having significant risk for incidents of child labor, or forced or compulsory labor: none.

No incidents of violations involving rights of indigenous people were recorded last year.

Table 20. Employee Turnover

	TOTAL	% Male	% Female	% Under 30	% 30 to 50	% Over 50
Ayala Land	493	2%	3%	0%	3%	1%
Alveo Land	68	7%	9%	0%	12%	4%
Avida Land	154	0%	1%	0%	0%	1%
APMC	245	10%	4%	0%	4%	9%
MDC	192	7%	3%	1%	6%	3%
TOTAL	**1,152**	**4%**	**3%**	**0%**	**4%**	**3%**

Table 21. Composition of Governance Bodies

		Gender Distribution		Age Distribution		
Ayala Land	TOTAL	Male	Female	Under 30	30 to 50	Over 50
Board of Directors	9	89%	11%	0%	0%	100%
Management Committee	14	79%	21%	0%	50%	50%

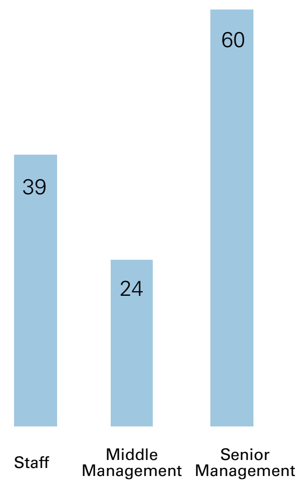
100%: employees receiving regular performance and career development reviews

81%: security personnel trained in company policies or procedures concerning aspects of human rights that are relevant to operations

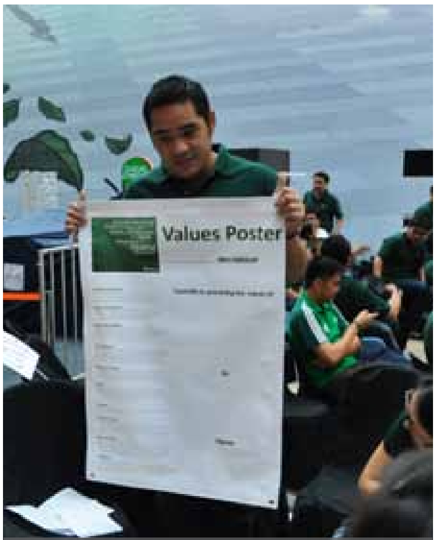
30 days: minimum notice period regarding significant operational changes, as specified in Collective Bargaining Agreements (parent company)

24%: employees covered by the Collective Bargaining Agreements (parent company)

Figure 21. Average Training Hours Per Employee



Our employees volunteered in various community engagement programs and environmental activities, accumulating a total of 3,660 man hours in volunteer work for 2010.



We held a team building activity that underscored the relevance of our core values in the way we conduct business.

and its subsidiaries volunteered their time and effort at various community engagements and environmental activities, accumulating a total of 3,660 man hours in volunteer work for the year. This is a 49% increase in paid volunteer activity from the previous year's 2,456 man hours.

Communication vehicles such as Groundbreakers, the official Company magazine, and Our Place, the Company Intranet, were maximized to support sustainability efforts. We promoted urban agriculture through Groundbreakers by attaching a sachet of vegetable seeds at the back page of the magazine with instructions on how to start a vegetable garden at home. Employees who made it a family activity to plant the seeds sent in their photos, which were posted on Our Place and in the subsequent edition of Groundbreakers. Meanwhile, Our Place was re-designed in 2010 to incorporate a prominent tab called "Green Corner" which provides employees with quick information and current topics on sustainability.

The Company celebrated its 22nd Anniversary on September 16 and used the occasion to remind employees of the importance of our ten corporate values. This was done through a team-building activity that underscored the relevance of each of our values in guiding the way we conduct business. A follow up activity dubbed "Values Kapihan" was held in November across groups of business units. Our values are further reinforced in the Company's Code of Ethical Behavior which is distributed to all employees and is discussed in-depth as part of the orientation program for all new hires.

Wellness and Work-life Balance

Sports Development is an important part of our wellness program because we see it as means to encourage discipline in maintaining a healthy lifestyle and achieving work-life balance. Our participation in various tournaments provides avenues for wholesome interaction, teamwork, and camaraderie among employees, as well as the opportunity to enhance their fitness and well-being.

For several years now, the Jaime Zobel de Ayala (JZA) Cup sports tournament has been our anchor program for sports development. This is a yearly tournament comprising four sports categories – golf, bowling, badminton, and volleyball – where employees of the Ayala Group engage in healthy competition. Ayala Land brought home the coveted championship trophy in golf last year.

Participation in sports provides Ayala Land employees with opportunities to improve personal health while building camaraderie among colleagues.

The Philippine National Red Cross is a partner in providing regular first aid seminars to our employees as part of our emergency preparedness initiatives.

Beyond the JZA Cup, our employees engaged in other sports and outdoor activities such as basketball, running, mountain climbing, and scuba-diving. In March last year, the Company actively participated in Run for Home, a city marathon held in the Makati CBD for the benefit of Habitat for Humanity.

In the area of healthcare, we required our employees to undergo an annual medical check-up through our health insurance benefit package. As in previous years, we conducted medical drives in partnership with pharmaceutical companies to provide immunization against flu, HPV, cervical cancer, and Hepatitis B. We also provided timely information on health and disease prevention through relevant articles and bulletins published on the Company's Intranet. Our clinic's medical equipment was upgraded to ensure that our employees are given proper emergency assistance when necessary.

Workplace Safety

Since 2009, the Company's Health and Safety Committee (HSC) has continued to reinforce efforts towards occupational health and safety (OHS) in the Company's various offices. The HSC is composed of employees and managers from Corporate Services, Risk Management, Corporate Communications, the Sustainability Office, APMC, and MDC, representing about 75% of the workforce. We have conducted various fire and earthquake drills in our office buildings through the collaborative efforts of the HSC, the Bureau of Fire Protection and the local police authorities in these areas. These helped us to further assess and improve our response time and procedures for emergency situations. These drills are complemented by fire safety seminars conducted by the BFP and First Aid training conducted by representatives from the Philippine National Red Cross.

Both APMC and MDC continued to implement their long-standing OHS programs that are certified to the OHSAS 18001 international standard. The two Ayala Land subsidiaries continuously log the number of safe man hours at their operating facilities and construction sites. In 2010, MDC recorded two lost-time incidents, down from three the previous year, while APMC logged zero lost-time incidents last year versus one in 2009. No work-related fatalities were recorded.

In line with our thrust towards enhancing our capability to effectively respond during incidents or disasters, we have set up an operations control center that monitors the areas where our properties and operating facilities are located. This facility can turn into a command center in the event of a crisis that will coordinate disaster recovery and business continuity efforts of the various SBUs.

Market Shaping

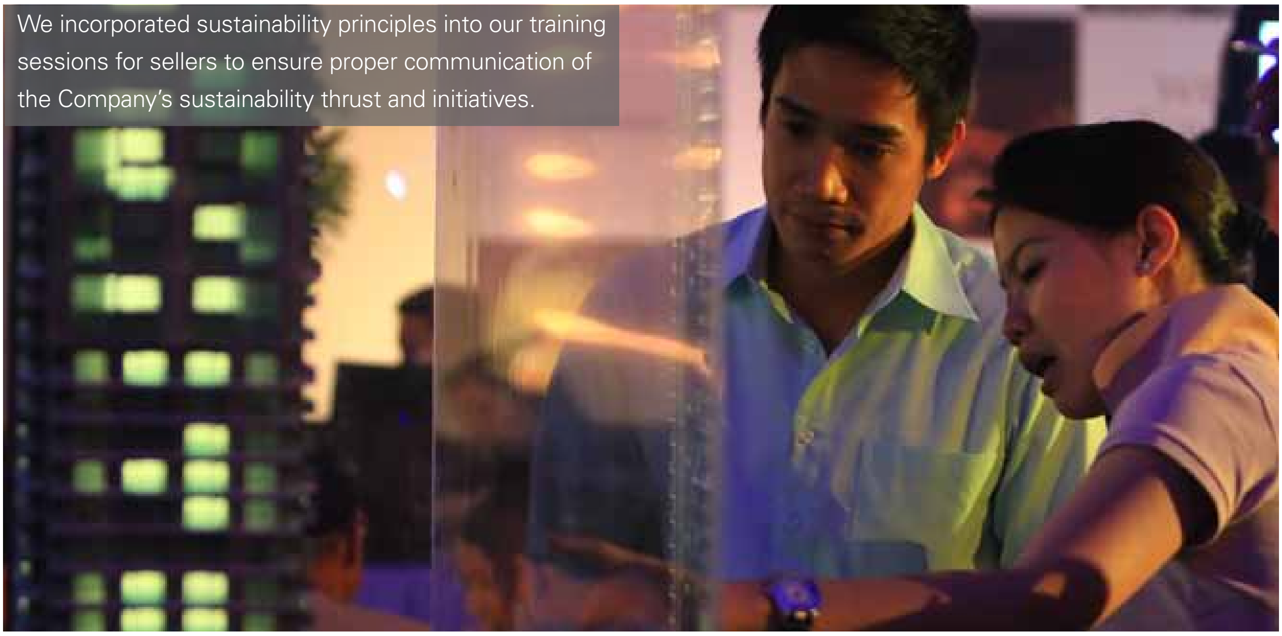
Ayala Land is moving forward in its efforts to make sustainability a more purposeful and consistent part of everything we do – from the choices we make in terms of land acquisitions to the master planning of the communities and townships we develop, to the design of our products that incorporate green elements to make them energy efficient, environmentally sound and truly sustainable. It thus becomes more and more important for us to get the market to appreciate the value and benefits sustainable development and going green provide.

Communicating Through Our Developments

One of the best ways to create awareness and shape the market to embrace sustainability is through the actual experiences that people derive from our communities and products. The continued development of Makati, for example, as a "walkable," pedestrian-friendly city with parks and open spaces such as the Ayala Triangle Gardens where people and families can congregate, and the planned Bus Rapid Transit system, serve to promote a lifestyle more aligned with the principles of sustainable living. The same goes for our ongoing developments such as BGC and NUVALI, as well as future developments such as Vertis North in Quezon City and Abreeza in Davao.

A major component of our market shaping efforts continues to be education through our award-winning Green Training Series. Our Corporate Marketing and Sales Group obtained inputs from the Green Training sessions conducted for employees and incorporated them into their basic training modules for their sales force. Such training equips the sellers to provide an overview of the Company's sustainability initiatives and discuss the green features of our products. AyalaLand Businesscapes also developed its own Green Training module for its building tenants. Moving forward, we will strive towards an enhanced training curriculum so that our employees, as well as our sellers, develop as experts in helping to educate the market on sustainability.

To complement our activities in the Market Shaping pillar, we sponsored communication programs and activities that created awareness around going green and building green products. One such sponsorship was that of Philippine Realty TV, where we provided the parcel of land where the producers of the show



We incorporated sustainability principles into our training sessions for sellers to ensure proper communication of the Company's sustainability thrust and initiatives.

Our malls continued to integrate sustainability themes in its events and recognized merchants who supported eco-friendly programs through its Merchant Rewards program.

are currently building a green home from scratch and featuring the whole process in their show. Viewers and property owners wanting to build their own green home can follow the different stages of construction from planning and design to sourcing of materials, and finishing, and they can pick up many important insights and tips that they can use in their own projects. We also continued to support organizations such as World Wildlife Fund for its activities; we also supported organizations such as Rags2Riches in providing livelihood programs to various communities through the manufacture of its lifestyle products.

Customer Surveys

We also continued our efforts to better understand our market and our customers through various research projects and surveys. Last year, we continued the Customer Experience Monitor to track how well service standards are being met at various customer touch points – such as the sales offices, hotlines, and websites – across Alveo and Avida projects, and compared them to their respective competitors. This allowed Alveo and Avida to review the experience that potential buyers undergo and identify opportunities for improvement, as well as the elements to reinforce so as to continue delighting buyers. Alveo also began assessing the customer experience beyond the buying experience (i.e. covering the documentation and turnover processes) vis-à-vis competition. This has allowed Alveo to improve its after-sales processes to increase customer satisfaction beyond what competitors are doing. Table 22 lists the market shaping initiatives of the various business units in 2010.

Table 22. Market Shaping Initiatives

Strategic Business Unit	Initiatives
Residential Business	• Continues to raise awareness of customers to create preference for the more sustainable products we create through various ad and PR campaigns
Ayala Malls	• Since 2009, the Ayala Malls Group has been giving the Green Merchant Award to merchants who exemplified excellence in eco-efficiency and in their outreach and education initiatives. • Introduced in last year's Merchant Rewards was the Award for Support of Arts and Culture, given to merchants who executed programs that support Filipino arts and culture • Ayala Malls celebrates Earth Day every year • Alabang Town Center is currently implementing a ONE LESS PLASTIC BAG campaign • Ayala Malls has served as a venue for organic markets, supporting the quest to go green and go healthy, through Mercato Center in BGC
AyalaLand Businesscapes	• Green Training for Tenants – Green Training aims to "educate" tenants on the many benefits of sustainable initiatives that can be implemented within office buildings • Green Tenant Award – Program that gives due recognition to tenants who consistently implement sustainable initiatives in their offices and have been able to show a significant reduction in their carbon footprint due to these initiatives.

Hotels and Resorts	• Incorporation and communication of sustainability programs in Hotel newsletters, e-mails, and guestroom TVs
	• Retail partnerships and press synergy with companies that promote sustainability and social responsibility such as echostore and Rags2Riches
	• Preference for contracting services that practice sustainability initiatives and CSR
	• Showcase of green programs in El Nido Resorts:
	    • Be G.R.E.E.N. training series
	    • Carbon Offset Program

Sustainability Awards

Corporate Award for Implementing Sustainable Practices through Green Procurement
Given by the Philippine Institute of Supply Management, The Foundation of the Society of Fellows in Supply Management and Philippine Center for Environmental Protection & Sustainable Development Inc.

Pacific Asia Travel Association Gold Award 2011
Given to Ten Knots Development Corporation/El Nido Resorts for its Environmental Education Program, El Nido Resorts Be G.R.E.E.N. campaign

2010 International Council of Shopping Centers Asian Awards

- Greenbelt: "Ondoy" healing a broken spirit (Silver Award under the category of Community Relations)
- Ayala Malls: "Greenology" (Silver Award under the the category of Public Relations)

Don Emilio Abello Energy Efficiency Awards

Special Award

- HSBC Building in BGC
- Greenbelt 3

Citation

- Greenbelt 2
- Makati Stock Exchange
- 6750 Office Building

Outstanding Award

- Citibank Philippines
- Hotel InterContinental Manila
- Tower One & Exchange Plaza

Hall of Fame and Outstanding Awards

- Greenbelt 4


Integrated into the design of our projects are pockets of greenery and ample open spaces such as this area in Ayala Greenfield Estates in Calamba, Laguna.


We interact with the communities surrounding our projects in the hope of making lives better through education, livelihood and health programs.


Management Committee members regularly share best practices with employees to help promote sustainability across the organization.

The Journey Ahead

The moment we formalized and consciously pursued the long road towards sustainability as a strategic intent, we knew there was no turning back, and we never looked back. We have no doubt that it is the right thing to do because we have been doing it for so many years. The results speak for themselves in terms of how our developments in Makati, Alabang, and Cebu have flourished and increased in value over many years, and continue to do so today. We have taken lessons from our experiences with those developments and applied them along with current sustainability principles and technology to our developments in Bonifacio Global City and NUVALI, and will continue to apply them in all our projects moving forward.

Ayala Land has a long track record of innovation and we will continue to take the lead in making sustainability a core element in our business strategy. Responding to market demands and shaping a mindset that is aligned with the principles of sustainable living will remain key objectives that we hope to accomplish. Along the way, we will continue to integrate sustainability principles into our products and services by measuring and benchmarking our performance and striving to meet bigger and better environmental, social, and economic targets.

The Company is pursuing its growth strategy at an unprecedented scale and speed. We have once again set ambitious targets in the number of projects to be completed this year. This makes our journey more challenging as we ensure that every product reflects not only the quality expected of us by our customers but also the key elements that will make those products meet the sustainability targets we have set towards the continuous reduction in our impact on the environment.

To help achieve this, we will further reinforce a culture of sustainability across Ayala Land. We will develop and implement plans and programs to further educate our employees and keep the entire organization on the ball towards sustainable development as a key competitive advantage and differentiating factor of our developments. We will also further strengthen our partnerships with various sectors – private and public – to enable us to more effectively progress on our efforts towards nation building.

Our development projects will continue to have the infrastructure and offer the amenities that shape lifestyles and social habits that help to protect and enhance the environment. We will create more and more "walkable," pedestrian-friendly communities and townships and make mass transport more appealing and practical so we can not only mitigate the impact of our developments but also help to shape the market demand for sustainability.

Sustainability is a continuing commitment for Ayala Land. It is a commitment embedded in our mission of "enhancing land and enriching lives for more people." Just as any journey can have its bumps and turns, the road ahead presents many challenges as we endeavor to improve the environment, the communities we affect, and people's lives. Nevertheless, we look upon these challenges as opportunities to strengthen our capabilities in and approach to sustainable development, our adherence to values that define who we are, and our resolve to preparing the world around us for the generations that will follow.

Stakeholders' Commentaries

ROWENA BIRD
Lush Co-Founder and
Product Creator
Lush Limited, United
Kingdom

Since Lush began, our founders have been aware of how the products we manufacture and sell interact with the environment. We have always used creative solutions to make a positive impact on the planet, like when we invented the first-ever solid shampoo bar.

Environmental issues are at the heart of the company and trickle through the decisions we make on a daily basis. For example, we use almond and olive oil - not mineral oil - partly because we think fields of trees make our lives much richer than oil fields. We are committed to becoming more sustainable the more we grow, by using our buying power to drive positive change. We believe that taking care of the environment is everyone's responsibility including all our staff, our customers and our partners in business.

We are delighted to hear about the innovative steps being taken by Ayala Malls to promote sustainable, environmentally conscious living. Ayala Malls' "Greenology" campaign is to be applauded, particularly the earth friendly events and the pioneering waste management program. We are delighted that Stores Specialists, Inc., our local distributor for Lush, has been recognized for its hard work and commitment to environmental awareness. By working together and acting responsibly, businesses can make a real difference, dramatically improving our own environmental impact as well as encouraging others to do the same.

ERIC MANAIG
Chairman
Brgy. Canlubang
Calamba City, Laguna

Isang malaking karangalan ang kumatawan sa barangay ng Canlubang at mabigyan ng pagkakataon pasalamatan ang Ayala Land sa pakikiisa sa aming barangay tungo sa layunin na mapangalagaan ang kapaligiran at matulungan ang komunidad ng Canlubang.

Ang programang pang-edukasyon hingil sa Solid Waste Management at tamang pag-aalaga sa kalikasan ay nagbigay kaalaman sa karamihan sa hangaring mapangalagaan at mapanatiling malinis at maganda ang Barangay Canlubang.

Malaking tulong rin ang pagtuturo at pagsuporta sa mga programang pangkabuhayan. Ito ay nagbukas ng mga bagong oportunidad sa mga tao sa komunidad ng NUVALI. Ito ay simula ng pagkakaisa tungo sa kaunlaran ng Canlubang.

It is a great honor to represent Barangay Canlubang and be given an opportunity to thank Ayala Land for their partnership and assistance towards caring for the environment and upliftment of the community of Canlubang.

The educational programs regarding solid waste management and the sanitation of our environment has raised awareness and the hopes to keep our community clean and green.

The trainings and livelihood programs have also been a significant support. It has opened new opportunities for the people within and outside of NUVALI. This is the beginning of a sustainable partnership towards the growth of Canlubang.

ANNIE ALIPAO
Chief Information Officer
Business Information System
and Process Division
Ayala Land

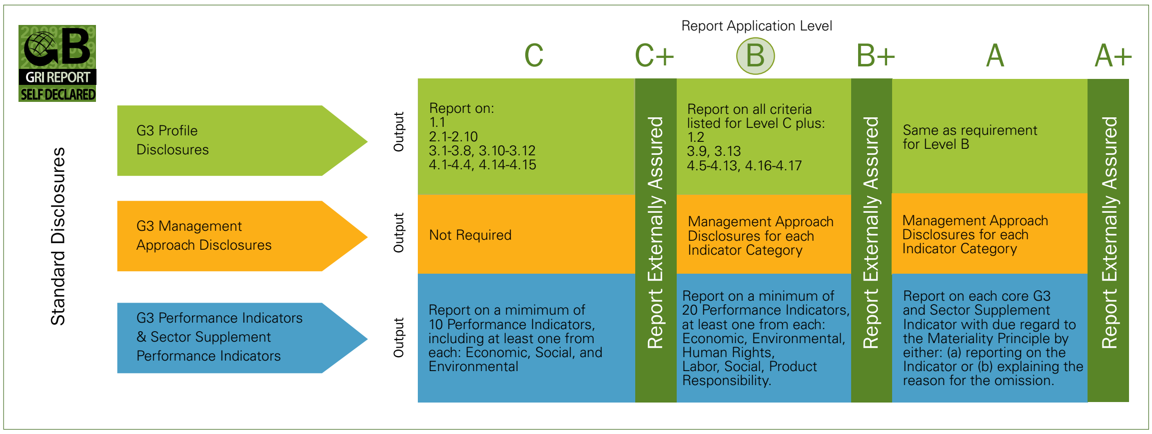
When I joined Ayala Land in 2006, I was already aware of the concept of sustainability and knew that everyone had a role to play in upholding its principles. In my area of technology management, it was important to maintain a "green" approach in implementing IT strategies as these could have a big impact on energy consumption if not managed efficiently. Many of our programs over the past four years have been geared towards lowering the cost of running our IT operations which directly impact our computing-related carbon footprint. I believe that to achieve "Green IT", we need to optimize our computing resources and consume less power and materials.

The first area that organizations normally examine in greening their IT operations is the data center. We have achieved significant data center operational efficiencies by making it a centralized hosting hub for Ayala Land and its subsidiaries, where enterprise applications, servers, and storage are shared across the enterprise. We save on costs and resources by consolidating all of our subsidiary and affiliate data centers into a single, centralized unit, eliminating unnecessary rental and power costs in several locations. We also utilize "virtual desktops" in many of our offices and training rooms which allow multiple users to connect to a single desktop. We have also shifted to products that consume less power and resources such as LED screens and energy efficient servers.

I am glad to be part of an organization that is passionate about creating a sustainable future. We really have to do our share in protecting Mother Earth.

GRI Index

We include this GRI Application Level table in our report to support our self-declaration of this report at Application Level B.



GRI INDICATOR AND DESCRIPTION	REFERENCE/ PAGE NUMBER
1. Strategy and Analysis	
1.1 Statement from the most senior decisionmaker of the organization (e.g., CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and its strategy.	6 - 7
1.2 Description of key impacts, risks, and opportunities.	6 - 7, 8 -13, 16 - 20
2. Organizational Profile	
2.1 Name of the organization	Cover, 130
2.2 Primary brands, products, and/or services	25 - 49
2.3 Operational structure of the organization, main divisions, operating companies, subsidiaries, and joint ventures	131, 193 -195
2.4 Location of organization's headquarters	130
2.5 Number of countries where the organization operates	N/A
2.6 Nature of ownership and legal form	130
2.7 Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries)	25 - 49
2.8 Scale of the reporting organization	21
2.9 Significant changes during the reporting period regarding size, structure, or ownership	ir.ayalaland.com.ph/Disclosures/Current_Reports_(SEC_Form_17-C)/default.aspx
2.10 Awards received in the reporting period.	68, 108
3. Report Parameters	
3.1 Reporting period for information provided.	Inside Front Cover (IFC), 121, 130
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3.3 Reporting cycle	IFC
3.4 Contact point for questions regarding the report or its contents	IFC
3.5 Process for defining report content	IFC, 77 - 79
3.6 Boundary of the report	IFC
3.7 Limitations on the scope or boundary of the report	IFC
3.8 Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities	130 - 131, 193 - 195
3.9 Data measurement techniques and the bases of calculations	77 - 79, 83-90
3.10 Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement	78,169 -170
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4.8 Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation	1, 66, 77 - 79
4.9 Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles	77 - 79
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4.11 Explanation of whether and how the precautionary approach or principle is addressed by the organization.	69 - 71, 79
4.12 Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.	42 - 43, 80 - 96
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EN8 Total water withdrawal by source.	83
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PR9 Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	79
TOTAL INDICATORS: 57	

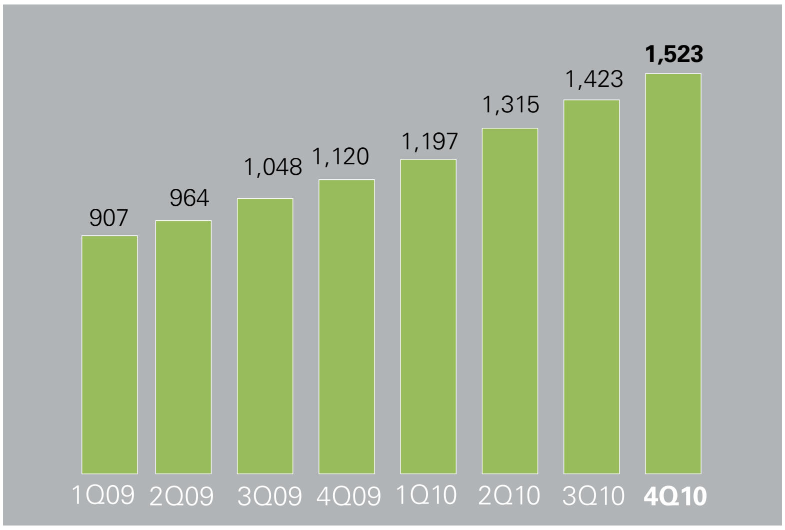
Our Financial Reports

Management's Discussion and Analysis of Financial Results

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.

Figure 22. Quarterly Net Income (Php million)



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.

Table 23. Revenue Breakdown (Php million)

	Revenues		Change	
	FY10	FY09	Amount	%
Residential	16,637	14,338	2,299	16%
Shopping Centers	4,598	4,443	155	3%
Office	2,401	1,993	409	21%
Strategic Landbank and Vis-Min	3,149	2,342	807	34%
Other Businesses	8,856	4,958	3,898	79%
Other Income	2,173	2,381	(208)	-9%
TOTAL	**37,814**	**30,455**	**7,359**	**24%**

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

Equity in Net Earnings 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 pre-sales 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.

Figure 23. Capital Expenditure (Php billion)

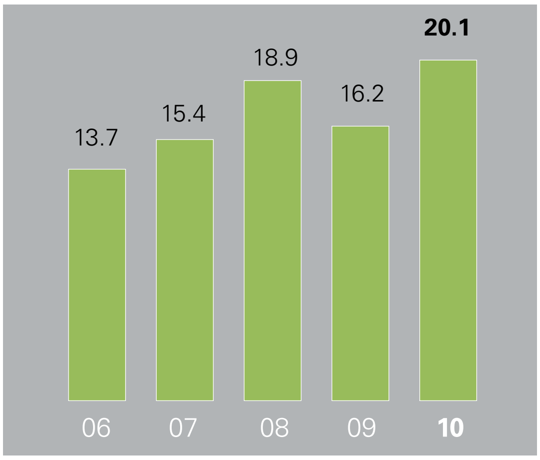
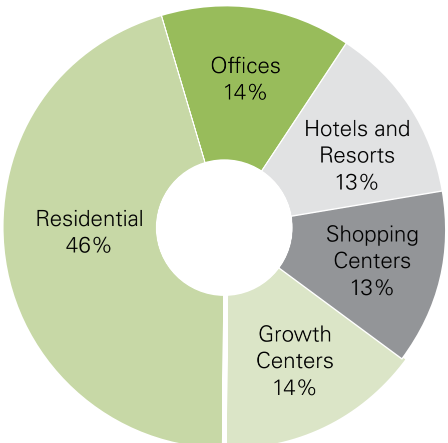


Figure 24. Breakdown of 2011 Capital Expenditure of Php32.6 billion



Report of the Audit and Risk Committee to the Board of Directors

For the Year Ended December 31, 2010

The Audit and Risk Committee's roles and responsibilities are defined in the Audit and Risk Committee Charter approved by the Board of Directors. The Audit and Risk Committee provides assistance to the Board of Directors in fulfilling its oversight responsibility to the shareholders relating to:

- the integrity of Ayala Land, Inc.'s (the "Company") financial statements and the financial reporting process;
- the appointment, remuneration, qualifications, independence and performance of the independent auditors and the integrity of the audit process as a whole;
- the effectiveness of the systems of internal control and the risk management process;
- the performance and leadership of the internal audit function;
- The Company's compliance with applicable legal and regulatory requirements; and
- the preparation of a year-end report of the Committee for approval of the Board and to be included in the annual report;

In compliance with the Audit and Risk Committee Charter, we confirm that:

- An independent director chairs the Audit and Risk Committee.
- In 2010, Jaime C. Laya joined the Company's Board of Directors as an Independent Director. He replaced Corazon S. Dela Paz-Bernardo as an Independent Director and member of the Audit and Risk Committee. The Committee continues to have two out of three members as independent directors.
- We had five (5) meetings during the year with all the members present except on August 6, 2010 and December 6, 2010 when one of the members was unable to join.
- We recommended to the Board of Directors the re-appointment of SGV & Co. as independent external auditor for 2011, based on the review of their performance and qualifications, including consideration of management's recommendation.
- We reviewed and discussed the quarterly consolidated financial statements and the annual consolidated financial statements of the Company and its subsidiaries, including Management's Discussion and Analysis of Financial Condition and Results of Operations as of and for the year ended December 31, 2010, with the Company's management and SGV & Co. These activities were performed in the following context:
  - –That management has the primary responsibility for the financial statements and the reporting process.
  - –That SGV & Co. is responsible for expressing an opinion on the conformity of the Company's consolidated audited financial statements with Philippine Financial Reporting Standards.
- We discussed and approved the overall scope and the respective audit plans of the Company's Internal Auditors and SGV & Co. We have also discussed the results of their audits and their assessment of the Company's internal controls and the overall quality of the financial reporting process.
- We also reviewed the reports of the Internal Auditors, ensuring that management is taking appropriate corrective actions in a timely manner, including addressing internal controls and compliance issues. All the activities performed by Internal Audit were conducted in conformance with the International Standards for the Professional Practice of Internal Auditing.
- We reviewed and approved all audit, audit-related, and permitted non-audit services provided by SGV & Co. to the Company and the related fees for such services. We also assessed the compatibility of non-audit services with the auditor's roles and responsibilities to ensure that such services will not impair their independence.
- We reviewed and discussed the adequacy of the Company's enterprise-wide risk management process, including the major risk exposures, the related risk mitigation efforts and initiatives, and the status of risk mitigation plans. The review was undertaken in the context that management is primarily responsible for the risk management process.

Based on the reviews and discussions undertaken, and subject to the limitations on our roles and responsibilities referred to above, the Audit and Risk Committee recommended to the Board of Directors the inclusion of the Company's consolidated financial statements as of and for the year ended December 31, 2010 in the Company's Annual Report to the Stockholders and for filing with the Securities and Exchange Commission.

February 11, 2011

OSCAR S. REYES	**JAIME C. LAYA**	**MERCEDITA S. NOLLEDO**
Committee Chair	**Member**	**Member**

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 and Chief Executive Officer

JAIME E. YSMAEL
Chief Finance Officer

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

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

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
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

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.

FINANCIAL REVIEW

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.

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.

FINANCIAL REVIEW

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
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)

(Forward)

	Years Ended December 31		
	2010	2009	2008
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.

FINANCIAL REVIEW

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
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)

(Forward)

	Years Ended December 31		
	2010	2009	2008
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

See accompanying Notes to Consolidated Financial Statements.

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, 52.11%-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 Corp. (Amaia) (formerly First Realty Communities, Inc.)	**100**	100
Ayala Land International Sales, Inc.	**100**	100
Ayala Land Sales, Inc.	**100**	100
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

(Forward)

	Percentages of Ownership	
	2010	2009
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
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. (PhilEnergy)	**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 selected 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 financial 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 or financial 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 financial 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 or 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.

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.

Contracts that are entered and continue to be held for the purpose of the receipt of materials in accordance with the Group's expected usage requirements are considered normal purchase agreements.

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.

<u>Offsetting Financial Instruments</u>
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.

<u>Real Estate Inventories</u>
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 realizable 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.

Events after the Reporting Period
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).

Management's Use of Estimates
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**	**₱257,433**
Individually impaired	**₱142,511**	**₱9,555**	**₱5,927**	**₱4,383**	**₱59,339**	**₱1,054**	**₱222,769**
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**	**₱59,339**	**₱12,618**	**₱339,335**

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

<u>The Company</u>
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, bond issued amounted to ₱204.0 million.

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.

<u>Subsidiaries</u>
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	**27,664**	38,277	7,899
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 the creation 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 December 31, 2008 in relation to its share buyback program. In addition, 4,148 shares were also purchased during 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, respectively, to all issued and outstanding shares.

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)	(1.30)
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 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	₱4.16

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	₱4.16

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
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

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	2010		2009	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Other Financial Liabilities				
Current				
Accounts payable	**₱15,228,394**	**₱15,228,394**	₱10,856,233	₱10,856,233
Accrued expenses	**4,044,152**	**4,044,152**	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	**249,238**	**249,238**	360,339	360,339
Accrued rentals	**475,858**	**475,858**	325,792	325,792
Interest payable	**211,235**	**211,235**	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 financial liabilities	**₱51,147,476**	**₱52,285,500**	₱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						Impaired	Total
		<30 days	30-60 days	60-90 days	90-120 days	>120 days	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	452,007	70,522	6,150	1,853	319	5,746	84,590	59,339	595,936
Advances to other companies	1,637,300	38,088	2,897	5,035	21,877	31,886	99,783	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	₱878,738	₱453,287	₱345,278	₱265,698	₱813,485	₱2,756,486	₱339,335	₱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:

2010

	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	452,007	–	–	–	452,007	84,590	59,339	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
	₱32,945,295	₱1,579,769	₱1,481,875	₱605,293	₱36,612,232	₱2,756,486	₱339,335	₱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

FINANCIAL REVIEW

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

	Effect on equity Increase (decrease)	
Change in basis points	+ 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
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	₱5,662	₱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 Makati Development Corporation - First Balfour, Inc. Joint Venture (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 of MDC in the net assets and liabilities of the Joint Venture at December 31, 2010 and 2009 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 MDC 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.

Subsidiaries and Affiliates

	Ownership (%)	
	By Ayala Land	By Subsidiary / Affiliate
RESIDENTIAL		
Avida Land Corporation	100.0	
Buklod Bahayan Realty and Development Corp.		100.0
Avida Sales Corp.		100.0
Amicassa Process Solutions, Inc.		100.0
Alveo Land Corporation (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 Towncentre, 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 Philippines, 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.[c]	80.0	

	Ownership (%)	
	By Ayala Land	By Subsidiary / Affiliate
ALI Property Partners Corp.[c]	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 Corporation	100.0	
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	
SERVICES		
Makati Development Corporation	100.0	
Ayala Property Management Corporation	100.0	
GROWTH CENTERS		
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[a]	5.3	69.9
Fort Bonifacio Development Corp.[b]		55.0
Berkshires Holdings, Inc.	50.0	
Columbus Holdings, Inc.		30.0
Bonifacio Land Corporation[a]	5.3	69.9
Fort Bonifacio Development Corp.[b]		55.0

	Ownership (%)	
	By Ayala Land	By Subsidiary / Affiliate
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 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
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 (Hongkong company)	100.0	

[(a)] *ALI's effective ownership in Bonifacio Land Corporation is 45.05%*
[(b)] *ALI's effective ownership in Fort Bonifacio Development Corporation is 24.78%*
[(c)] *ALI's effective ownership in APPHC is 80% and in APPCO is 68%*
[(d)] *Pertains to common shares*

Key Officers and Consultants

PRESIDENT AND CHIEF EXECUTIVE OFFICER

Antonino T. Aquino

EXECUTIVE VICE PRESIDENT

Vincent Y. Tan	Group Head, Planning

SENIOR VICE PRESIDENTS

Bernard Vincent O. Dy	Group Head, Residential Business
Raul M. Irlanda	Chief Executive Officer, Ayala Property Management Corp. Group Head, Property Management
Rex Ma. A. Mendoza	Chief Marketing and Sales Officer Group Head, Corporate Marketing and Sales
Emilio J. Tumbocon	Group Head, Visayas-Mindanao and Superblock Projects
Jaime E. Ysmael	Chief Finance Officer Compliance Officer Group Head, Finance

VICE PRESIDENTS

Dante M. Abando	President, Makati Development Corp. Group Head, Construction Management
Ruel C. Bautista	Head, Construction Operations Group 1, Makati Development Corp.
Augusto Cesar D. Bengzon	Treasurer
Aniceto V. Bisnar, Jr.	General Manager, NUVALI
Manuel A. Blas II	Head of Commercial Operations, Fort Bonifacio Development Corp.* Head, Bonifacio Arts Foundation, Inc.
Arturo G. Corpuz	Head, Urban and Regional Planning and Land Acquisition
Ma. Corazon G. Dizon	Head, Business Development, Leasing Business*
Anna Ma. Margarita B. Dy	Group Head, Strategic Landbank Management
Steven J. Dy	Deputy General Manager, Tianjin Project
Jose Emmanuel H. Jalandoni	Group Head, ALI Capital and Hotels Group
Michael Alexis C. Legaspi	Chief Operating Officer, Ayala Hotels, Inc.
Joselito N. Luna	Group Head, Innovation and Design
Francis O. Monera	President, Cebu Holdings, Inc.
Rosaleo M. Montenegro	President, Avida Land Corp.
Rodelito J. Ocampo	Head, Construction Operations Group 2, Makati Development Corp.
Ma. Teresa T. Ruiz	Group Head, Human Resources and Public Affairs
Ma. Rowena Victoria M. Tomeldan	Head, Operations, Leasing Business*

SENIOR ADVISOR TO THE PRESIDENT

Ma. Victoria E. Añonuevo*

CONSULTANTS

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*Effective January 1, 2011

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