



29 April 2011

Philippine Dealing and Exchange Corporation
37/F, Tower 1, The Enterprise Center
6766 Ayala Ave., cor. Paseo de Roxas, Makati City

Attention: **Ms. Ma. Concepcion M. Magdaraog**
Issuer Compliance and Disclosure Department

Gentlemen:

Please find attached Annual Report of Filinvest Land, Incorporated for the calendar year ended December 31, 2010.

Truly yours,

A handwritten signature in black ink, appearing to read "Apollo M. Escarez", is written over the printed name.

Apollo M. Escarez

Corporate Information Officer

COVER SHEET

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(Company's Full Name)

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(Business Address: No. Street City/Town/Province)

Atty. Ma. Michelle Tibon-Judan
(Contact Person)

727-0431 (local 297)
(Company Telephone Number)

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<i>(Fiscal Year)</i>							

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<i>(Form Type)</i>			

<i>Month</i>	<i>Day</i>
<i>(Annual Meeting)</i>	

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. of Stockholders

<i>Total Amount of Borrowings</i>	
<i>Domestic</i>	<i>Foreign</i>

To be accomplished by SEC Personnel concerned

<i>File Number</i>										

_____ *LCU*

<i>Document ID</i>										

_____ *Cashier*

STAMPS

Remarks: Please use BLACK ink for scanning purposes.

**SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-A**

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

For the calendar year ended **December 31, 2010**

SEC Identification Number **170957**

BIR Tax ID **000-533-224**

Exact name of registrant as specified in its charter

FILINVEST LAND, INC.

Philippines

Province, Country or other jurisdiction of incorporation or organization

173 P. Gomez St., San Juan, Metro Manila

Address of principal office

1500

Postal Code

02-727-04-31 to 39

Registrant 's telephone number, including area code

Not Applicable

Former name, former address, and former fiscal year, if changed since last report

Securities registered pursuant to Section 8 and 12 of the SRC

<u>Title of Each Class</u>	<u>Number of shares of Common Stock Outstanding</u>	<u>Amount of Long-Term Debt Outstanding</u>
Common Stock, P 1.00 par value	24,249,759,506	11,910,407,951

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

Yes

No

Check whether the issuer:

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

Yes No

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

Yes No

State the aggregate market value of the voting stock held by non-affiliates. ₱14.59 Billion

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

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

Yes Not Applicable No

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

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

Part 1 - BUSINESS AND GENERAL INFORMATION

Item 1. BUSINESS

1. 1. Brief Description and Recent Developments

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

FLI is one of the leading real estate developers in the country, providing a wide range of real estate products to residential and commercial customers. FLI and its predecessors has over 40 years of real estate expertise and has developed over 2,000 hectares of land, having provided home sites for more than 120,000 families.

FLI expect to remain focused on core residential real estate developments which now includes newly developed innovative concepts in response to Philippine residential demand, such as development of medium rise buildings and high rise condominium projects, residential farm estates, entrepreneurial communities, and leisure developments anchored by sports and resort clubs, while at the same time diversifying their real estate portfolio to include commercial real estate and leasing of retail and office spaces to generate recurring revenue. In 2006, FLI acquired three strategic investment properties, Festival Supermall and a 60% ownership interest in each of Filinvest Asia Corp. (FAC) and Cyberzone Properties, Inc. (CPI).

Festival Supermall is a four-story shopping complex situated on a total land area of 10 hectares and is located within Filinvest Corporate City, a development of Filinvest Alabang, Inc. (FAI) in Alabang, Muntinlupa City. FLI has leased from FAI the 10 hectares of land on which the mall and its adjoining structures (such as parking lots) are situated. The lease is for a term of 50 years from October 1, 2006, renewable for another 25 years, with FLI required to pay monthly rent equivalent to 10.0% of the monthly gross rental generated by the mall. Festival Supermall was designed to allow the construction of an additional wing to the current two-wing structure on two adjacent hectares of land available for development, which would increase the mall's GFA by up to 50,000 sq.m. The lease between FAI and FLI allows FLI to construct additions or extensions to the current mall structure, which will revert to FAI upon termination of the lease. The construction of the third wing is now ongoing and expected to be completed by the end of 2012.

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

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

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

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

he Festival Supermall. In this acquisition, FLI assumed certain debts amounting to P2.5 billion and issued a total of 5.6 billion common shares to Filinvest Development Corporation (FDC) and Filinvest Alabang, Inc.(FAI). The valuations for the three properties and businesses

involved in the said property-to-share swap were provided by an independent, internationally-known third party appraiser, Colliers International Philippines.

Festival Supermall is Southern Manila's premier 200,000 sqm regional shopping center located at the heart of Filinvest Corporate City, right on the South Luzon Expressway; making it easily accessible. At present, it has over 600 tenants. Among others, its major anchor tenants include 2 supermarkets, 2 department stores, 2 hardware centers, 10 cinemas and 2 amusement theme parks. FLI expects continuous growth in retail revenues due to the increasing OFW remittances, the increasing middle-class population as well as the continuing development within Filinvest Corporate City. FLI leased from FAI the 10 hectares of land on which the mall and its adjoining structures (such as parking lots) are situated. Day-to-day operations of the Festival Supermall are currently handled by Festival Supermall, Inc. ("FSI"), an affiliate of FLI, pursuant to a management contract.

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

CPI owns and operates the IT buildings in Northgate Cyberzone, a PEZA registered BPO park within Filinvest Corporate City. FLI generates revenues from leasable space in eleven office buildings with a gross leasable area of 113,097 sq.m. as of December 31, 2010. Another office building, Vector 2 will be completed by 2011. Among others, Northgate's major tenants are HSBC, Convergys, APAC, GenPact Services LLC, eTelecare Global Solutions, Inc., Informatics International College, YBM Philippines, Deutsche Bank, Globe Innove, Global Access Inc., and NDE Digitech and ICICI Bank Limited. Its day-to-day operations are handled by FAI. A significant amount of leasable space is planned to be made available so as to meet some of the significant demand of the BPO industry in the next few years.

In addition to the acquisition of these three strategic investments, FLI also entered into a joint venture agreement with Africa Israel Investments (Philippines) Inc. ("AIPI") in September 2006 to jointly develop the Timberland Sports and Nature Club ("TSNC") and approximately 50 hectares of land comprising Phase 2 of FLI's Timberland Heights township project in 2006. TSNC started its commercial operations in October 2008.

On February 8, 2010, FLI acquired the 40% interest in its joint ventures – CPI and FAPI, from Africa-Israel Properties (Phils.), Inc. and from Africa-Israel Investments (Phils.), Inc., respectively. The acquisition resulted in CPI and FAPI becoming wholly owned subsidiaries of FLI. The acquisition of the joint ventures' interests was accounted for as a business combination. Prior to the acquisition, FLI accounted for its investments in the joint ventures under the proportionate consolidation.

The sale by Africa-Israel of its interests in the two companies was part of Africa-Israel's global portfolio rebalancing and consolidation activity. On the other hand, the acquisition of Africa-Israel's interests will enable FLI to consolidate its share in the strong and stable recurring revenue streams from the two companies as well as provide incremental development potential to FLI's existing revenue streams.

With a more diversified portfolio, FLI expects to generate stable recurring revenue from its retail and office investment properties. These recurring revenues can, in turn, be used to provide internally generated funding for other projects.

The Company is not and has never been a subject of any bankruptcy, receivership, or similar proceedings. As aforementioned, there were significant amounts of assets purchased by the Company as part of the transactions which were consummated in 2006.

1.2. Form and Date of Organization

FLI was incorporated in the Philippines on 24th November 1989 as Citation Homes, Inc. and later changed its name to FLI on 12th July 1993. It started commercial operations in August 1993 after Filinvest Development Corporation (FDC), the Parent Company, spun off its real estate operations and transferred all related assets and liabilities to FLI in exchange for shares of stock of FLI. FLI was listed on the PSE on October 25, 1993.

As of December 31, 2010, FDC FLI's parent company owns 53.485% of Common Stock and 100% of Preferred Stock of FLI. FDC is the holding company for real estate and other business activities of the Gotianun Family. FDC traces its origin to the consumer finance business established by Mr. Andrew Gotianun Sr. and his family in 1955. The shares of FDC and FLI are both listed in the Philippine Stock Exchange.

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

On November 19, 2009, FLI issued Fixed Rate Retail Bonds with aggregate principal amount of ₱ 5 billion comprised of ₱ 500 million Three (3) year Fixed Rate Bonds due in November 2012 and ₱ 4.5 billion Five (5) Year Fixed Rate Bonds due in November 2014 as part of its fund raising activities.

The Three Year Bonds carry a fixed interest rate of 7.5269% p.a. Interest on the Bonds is payable quarterly in arrears starting on February 19, 2010. On the other hand, the Five Year Bonds have a fixed interest rate of 8.4615% p.a. and is payable quarterly in arrears starting on February 20, 2010.

1.3. Subsidiaries

FLI has six wholly-owned subsidiaries. The following four subsidiaries are engaged in real estate marketing business and handles the marketing and sale of socialized, affordable, middle income, high-end and farm estate property development projects of FLI.

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

on January 01, 2006.

In addition, the following two companies had become wholly-owned subsidiaries of FLI in February 2011:

1. Cyberzone Properties, Inc. (CPI).

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

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

- *Plaza A:* This is a six-story building with an approximate GFA of 11,575 sq.m. and an approximate GLA of 10,860 sq.m. Plaza A was completed in June 2006 and was substantially fully leased to GenPact Services LLC and eTelecare Global Solutions, Inc.
- *Plaza B and Plaza C:* Plaza B and Plaza C are four-story buildings, each with an approximate GFA of 7,150 sq.m. and an approximate GLA of 6,540 sq.m. Plaza B and Plaza C were both completed in 2001. Each of Plaza B and Plaza C was substantially fully leased. Tenants for Plaza B include APAC, Deutsche Bank, Phil. Dealing System, goFluent, Team Asia, BGN Narra, iTron, Teradyne, IMI, TCL On-Line, Automotive Mgt. Svcs, Globe Innove, e-Meralco, Bayantel, Global Access Inc. & NDE Digitech. All of Plaza C has been leased by APAC Customer Services, Inc.
- *Plaza D:* This is a six-story building with the same specifications as Plaza A and with an approximate GFA of 11,575 sq.m. and an approximate GLA of 10,860 sq.m. Plaza D had been leased to ICICI First Source Ltd., a 100% subsidiary of Bank Limited, which is India's largest private sector bank, and Verizon Communications Phils Inc, the Philippine branch of Verizon Business solutions, a leading communications company in the United States of America.
- *Convergys Building:* This is a three-story building with an approximate GFA of 6,466 sq.m. and an approximate GLA of 5,839 sq.m. Completed in 2004, it was one of the first buildings completed in the Northgate Cyberzone and was "built-to-suit" (BTS) to meet the requirements of Convergys.
- *HSBC Building:* This is another building that was constructed on a BTS basis to meet the requirements of HSBC. Completed in 2005, the HSBC building has an approximate GLA of 18,000 sq.m.
- *IT School:* This is a three-story building with an approximate GFA of 3,297 sq.m. and an approximate GLA of 2,595 sq.m. The IT School building was leased to Informatics International College, which is a Singapore-headquartered information

technology school, and YBM Philippines, which operates language schools in the Philippines.

- *Building 5132*: This is a six-story building with an approximate GFA of 10,560 sq.m. and an approximate GLA of 9,408 sq.m. Building 5132 has been fully taken up by GenPact Services LLC.
- *iHub I and iHub II*: This is a two-tower complex (one with six stories and the other with nine stories) with an approximate GFA of 26,009 sq.m. and an approximate GLA of 23,715 sq.m. Ground and 2nd floors of iHub 1 are being leased by GenPact while the 4th, 5th & 6th floors are leased to HSBC. 4 Floors of iHub2 are occupied by Integra BPSI (formerly AIGBPSI).
- *Vector One* : an 11- story building with an approximate GFA of 19,545 sq.m. and an approximate GLA of 17,951 sq.m.

CPI also currently has the following project under development:

- *Vector Two*: This building has the same configuration as with Vector One. It is also 11 stories high with an approximate GFA of 19,545 sq.m. and an approximate GLA of 17,951 sq.m. Vector Two will be completed in the third quarter of 2011.

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

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

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

1. FAC was incorporated on January 22, 1997. FAC is 60.0%-owned by FLI and 40.0%-owned by Reco Herrera Pte Ltd (RHPL), an affiliate of Government of Singapore Investment Corporation PTE Ltd.(GIC). FAC owns 50.0% of the 52-storey PBCom Tower, equivalent to 36,000 square meters of leasable office space. The remaining 50.0% of PBCom Tower is owned by the Philippine Bank of Communications. Two development projects in Northgate Cyberzone are on-going, with details as follows: Building 5132: This is a six-storey building expected to be completed in the first quarter of 2007. Negotiations with several prospective tenants for this building are on-going. iHub I and iHub II: These are two contiguous towers(one with six storeys and the

other with nine storeys) in one complex. iHub I is scheduled to be completed by mid-2007 while iHub II is scheduled to be completed in the third quarter of 2007.(FAPI)

2. Filinvest AII Philippines, Inc. (FAPI)

FAPI was incorporated on September 25, 2006 as a joint venture corporation with Africa Israel Investments (Philippines), Inc (AIIPI) to develop the Timberland Nature & Sports Club and Phase 2 of Timberland Heights. On February 08, 2010, FAPI became a wholly owned subsidiary of FLI with FLI's acquisition of the 40% interest of AIIPI.. FLI acquired 60.0% ownership interest in FAPI by contributing 50 hectares of land for Phase 2 of Timberland Heights, all of the Class "A" member shares in the Timberland Sports and Nature Club held by FLI and development costs of approximately ₱100.0 million. AIIPI contributed ₱250.0 million to FAPI and has a 40.0% ownership interest in FAPI. FLI has also granted AIIPI a five-year option to participate in the development of the remaining areas of Timberland Heights.

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

1.4. Joint Ventures

FLI had also 60% interest in arrangements to form the following companies: **Filinvest Asia Corporation (FAC)** accounted for as a joint venture.

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

The PBCom Tower is designated as an information technology building by PEZA. Consequently, tenants occupying space in PBCom Tower are entitled to avail of certain fiscal incentives, such as a 5% tax on modified gross income in lieu of the regular corporate income tax of 30%. As of December 31, 2010, FAC's office space in PBCom Tower was substantially leased out to about 50 tenants, which include major multinational companies and BPO firms. FAC's principal tenants include:

- Citibank, which leases a total of approximately 5,139 sq.m.
- IBM Daksh Eservices, which leases a total of approximately 4,325 sq.m.
- ESS Manufacturing, which leases a total of approximately 3,540 sq.m.
- Sony Life Insurance, which leases approximately 1,444 sq.m.
- The Nomad Offices, which leases approximately 1,483 sq.m.
- EWBC, which is an affiliate of FLI, leases a total of approximately 2,198 sq.m.
- New York Life Insurance Corp., which leases a total of approximately 1,440 sq.m.

- Bayer-Schering, which leases approximately 1,445 sq.m.

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

PBCom Tower, a PEZA designated I.T. building, is currently the tallest building in the Philippines. It is strategically located at the corner of Ayala Avenue and Herrera Street in the Makati City central business district. Some of its present tenants are Citibank, HSBC Electronic Data Processing, IBM Daksh eservices, ESS Manufacturing, New York Life Insurance and East West Bank, an affiliate of FLI. ***Cyberzone Properties, Inc. (CPI)*** CPI was incorporated on January 14, 2000. It began commercial operations on May 1, 2001. CPI is 60.0%-owned by FLI and 40.0%-owned by Africa Israel Investment (Philippines) Limited (“AIIPL”).

CPI owns and operates the buildings in the Northgate Cyberzone, a PEZA-approved BPO office park which is approximately 15 kilometers south of the Makati City central business district. The Northgate Cyberzone is located on a 10-hectare parcel of land owned by FLI in the Filinvest Corporate City and which CPI leases from FLI. Of the 10 hectares of land on which the Northgate Cyberzone is situated, approximately seven hectares are available for future expansion. As of December 2006, seven office buildings have been completed, with details as follows:

- Two build-to-suit buildings (BTS) occupied for the backroom unit requirement of British bank HSBC Ltd. and Convergys, one of the biggest call centers.

An IT School building leased out to Informatics International College, a Singapore-headquartered information technology (“IT”) school, and YBM Philippines, which operates language schools in the Philippines. *Plaza A*, six-storey building which was completed in June 2006, substantially fully leased to GenPact Services LLC and eTelecare Global Solutions, Inc.. *Plaza B and Plaza C*, both four-storey buildings, completed in 2001. Tenants for Plaza B include Deutsche Bank, Globe Innove, Global Access Inc. and NDE Digitech. All of Plaza C has been leased by APAC. *Plaza D*, a six-storey building with approximately 50.0% of the gross leasable area leased to ICICI Bank Limited, India’s largest private sector bank; and the balance leased to Verizon.

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

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

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

As a result of the recent business developments, FLI is now composed of two business segments with corresponding product categories, target markets and revenue contributions as follows:

1.6.1 Real Estate Segment

FLI's main real estate activity since it started operations has been the development and sale of residential property, primarily housing units and subdivision lots. and in certain cases, provision of financing for unit sales.

Residential Projects

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

- *Socialized housing:* These developments are marketed and sold under FLI's Pabahay brand and consist of projects where lots typically sell for P 160,000 or less per lot and housing units typically sell for P 400,000 or less per unit. Buyers for these projects are eligible to obtain financing from the Government-mandated Pag-IBIG Fund.
- *Affordable housing:* These developments are marketed and sold under FLI's Futura Homes brand and consist of projects where lots are typically sold at prices ranging from above ₱160,000 to ₱ 750,000 and housing units from above ₱ 400,000 to ₱ 1,500,000. Affordable housing projects are typically located in provinces bordering Metro Manila, including Bulacan, Laguna, Batangas and Cavite, and in key regional cities such as Pampanga, Tarlac, Cebu and Davao.
- *Middle-income housing:* These developments are marketed and sold under FLI's Filinvest Legacy brand and consist of projects where lots are typically sold at prices ranging from above ₱ 750,000 to ₱ 1,200,000 and housing units from above ₱ 1,500,000 to ₱ 4,000,000. Middle-income projects are typically located within Metro Manila, nearby provinces such as Rizal, Cavite, Pampanga and Laguna, and major regional urban centers in Cebu, and Davao and Zamboanga..
- *High-end housing:* Marketed under Filinvest Premiere brand, these developments consist of projects where lots are sold at prices above ₱ 1,200,000 and housing units for above ₱4,000,000. FLI's high-end project are located both within Metro Manila and in areas immediately outside Metro Manila.

Other Real Estate Projects

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

a. Entrepreneurial Communities

Because of the anticipated growth of small and medium-sized businesses as well as the Government support for entrepreneurial programs, FLI has launched its entrepreneurial communities under its "*Asenso Village*" brand. The first project is in Laguna province, which forms part of the Company's Ciudad de Calamba township development. Asenso Village currently consists of three phases, with its land being "dual-zoned" to allow both residential and commercial use. The Company has also cooperated with the Government by providing venues for various livelihood and small business seminars and programs conducted by government agencies in the Asenso Village. At present, sales in Asenso Village consist of subdivision lot sales only,

although FLI intends to develop housing units for Asenso Village that incorporate living quarters and an area for buyers to set up and operate their small enterprises and home-based businesses. Subject to market conditions, FLI plans to develop additional “Asenso Villages” in other locations.

b. Townships

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

FLI has master-planned and developed the *Ciudad de Calamba, Timberland Heights and Havila (formerly, Filinvest East County) township projects* which are respectively located along the southern, northern and eastern boundaries of Metro Manila. FLI has started in 2010 its fourth township project called Citta di Mare located in Cebu. Each township development is designed to include a mix of residential subdivisions from the affordable to the high-end sectors.

Ciudad de Calamba

Ciudad de Calamba is a 300-hectare development located in Calamba, Laguna. This township project is a PEZA-registered special economic zone anchored by the Filinvest Technology Park-Calamba which provides both industrial-size lots and ready-built factories to domestic and foreign enterprises engaged in light to medium non-polluting industries. As of December 31, 2006, 14 companies had either purchased lots or leased factories in the Filinvest Technology Park-Calamba. FLI also recently donated to the city government of Calamba a parcel of land located within the Ciudad de Calamba which will be used for a city health center and police station. The Company also intends to develop the Ciudad de Calamba Commercial Center as part of this township project. The master plan for Ciudad de Calamba includes a mix of affordable and middle-income subdivisions as set out below:

- *Aldea Real*, an affordable subdivision project which has a total developed area of approximately 16.9 hectares. Development for Phase 1 & 2 has been completed.
- *Montebello*, a middle-income subdivision project which is expected to have a total developed area of approximately 12.9 hectares. Development work for Phase 1 & 2 of Montebello has been completed and sales are ongoing. Development work for Phase 3 is still ongoing.
- *Punta Altezza*, an affordable subdivision project consisting of 3 phases has a total developed area of approximately 9.7 hectares. Development work for Punta Altezza has been completed and the subdivision is nearly sold out.
- *Vista Hills*, an affordable subdivision project which has a total developed area of approximately 5.2 hectares. Development work for Vista Hills has been completed and the subdivision is completely sold out.

- FLI's first "*Asenso Village*" entrepreneurial community development is located within the Ciudad de Calamba and is expected to have a total developed area of approximately 20.2 hectares. Development work for this project is almost complete.
- *La Brisa Townhomes*, La Brisa, which literally means "The Breeze" in Spanish, is located at Brgy. Punta, Calamba City. With its Spanish Mediterranean theme, La Brisa is the first townhouse development at Ciudad De Calamba that offers not just an affordable and quality home to families but also a worthy investment for those who would like to establish a "House for Rent" business. La Brisa is very accessible to industrial estates operating in the vicinity, definitely a valuable venture for companies that provide housing privilege to employees.

Havila (formerly, Filinvest East County)

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

- *Mission Hills* is located in the municipality of Antipolo and consists of seven subdivision projects which are expected to have a total developed area of approximately 77.7 hectares. Three subdivisions (Santa Barbara, Santa Monica and Santa Catalina) are being developed as high-end projects while another four (Santa Isabel, Santa Cecilia, Santa Clara and Sta. Sophia) have been developed as middle-income projects. Development works for all seven subdivisions have been completed and sales for lots and/or housing units in these subdivisions are ongoing. The newest addition to the Mission Hills community, Sta. Sophia, a mid-income development was launched in July 2008.
- Three subdivision projects are being developed in the municipality of Taytay which are expected to have a total developed area of approximately 56.1 hectares. Development works for one high-end subdivision (*Highlands Pointe*) and for an affordable-segment subdivision (*Villa Montserrat*) have been completed. Development work for a middle-income subdivision (*Manor Ridge*) is also completed. These subdivision projects are almost sold out. The newest project in Highlands Pointe, *The Terraces* was launched in October 2008. The Terraces is a mid-income development which targets young couples starting a family.
- *Forest Farms Estate*, which is situated in the municipality of Angono, is a farm estate subdivision project which is expected to have a total developed area of 39.2 hectares. Development work for this project is almost complete.

Timberland Heights

Timberland Heights is a 677-hectare township project anchored by the Timberland Sport and Nature Club. It is located in the municipality of San Mateo, which is just across the Marikina river from Quezon City, and has been designed to provide residents with leisure facilities and

resort amenities while being located near malls, hospitals and educational institutions located in Quezon City. The master plan for Timberland Heights includes a 50-hectare linear greenway that straddles the entire development, providing a large outdoor open space for residents. In addition to the Timberland Sports and Nature Club, Timberland Heights currently includes:

- Banyan Ridge, a middle-income subdivision which has a total developed area of approximately 6.4 hectares.
- Mandala Farm Estates, a farm estate subdivision which has a total developed area of approximately 39.7 hectares.
- The Ranch, a high-end subdivision which has a total developed area of approximately 5.7 hectares.
- Banyan Crest, an exclusive high end subdivision which is expected to have a total developed area of approximately 14.7 hectares.

Città di Mare

In August 2010, FLI gave Cebu a preview of its most ambitious seaside development when it launched Città di Mare at the Grand Ballroom of Crimson Resort and Spa in Mactan, Cebu.

Inspired by the world's best-loved coastal cities, Città di Mare, which is Italian for "City by the Sea", spans 50.6 hectares at Cebu's South Road Properties. It is a master-planned development composed of three different zones catering to a wide array of lifestyles and activities - Il Corso, the 10.6 hectare waterfront lifestyle strip, the 40-hectare residential clusters and The Piazza, nestled at the heart of the residential enclaves, puts lifestyle essentials such as a school, church, shops and restaurants within the neighborhood. Citta di Mare is envisioned to be a destination in itself, takes full advantage of the coastal ambience featuring seaside shopping, dining, beach and water sports and more, right by the water's edge.

Città di Mare has four resort-themed residential enclaves inspired by world-class resorts, with each 10-hectare development flaunting a distinct architectural character. With over 65% of the property allocated for wide, open areas and landscaped greens, Città di Mare provides the generous amenity of breathing space and a refreshing dose of nature throughout the site. Residences are spread out over the sprawling development, maximizing the abundant sunlight and allowing the invigorating sea air to circulate freely.

- Amalfi Oasis features clusters of five-storey buildings with luxuriant gardens, resort-style amenities and pedestrian-friendly environs, bask in fresh air, radiant sunshine and charming landscapes. In November 2010, groundbreaking rites for Amalfi Oasis were held, the first residential enclave at Città de Mare.
- San Remo Oasis, the second recently opened residential enclave in Città di Mare involves the development of 3.4 hectares of land with well-planned living spaces with numerous choice units to suit anyone's lifestyle.

c. Leisure projects

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

1. Residential farm estates

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

At present, FLI has three residential farm estates:

- *Nusa Dua Farm Estate (“Nusa Dua”)* located in Cavite province just south of Metro Manila. The amenities at the Nusa Dua development include a two-storey clubhouse and a 370 square meter swimming pool. 90% of the first two phases had been sold. Its third phase is now open for sale.
- *Mandala Residential Farm Estate (“Mandala”)* located in Rizal province as part of the FLI’s Timberland Heights township project. It offers hobby farmers generous lot cuts and Asian-inspired homes that complement the mountain lifestyle. Three Five phases have already been opened in response to the strong market demand.
- *Forest Farms Residential Farm Estate (“Forest Farms”)* located in Rizal province as part of Company’s Havila township project. It is an exclusive mountain retreat and nature park, nestled between the hills of Antipolo and forested area of Angono. Sales are now on-going.

2. Private membership club

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

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

3. Residential resort development

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

Lauena de Taal (“*Lauena*”) located in Talisay Batangas with a view of the Taal lake and a lakeside residential community, about ten minutes drive from the popular tourist destination of Tagaytay.
now under construction with estimated completion in the third quarter of 2007.

d. Medium Rise Buildings

One Oasis Ortigas

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

Bali Oasis

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

FLI is also developing MRB projects in other sites in Metro Manila as well as in Metro Davao and Cebu. These are Capri Oasis and Sorrento Oasis both located in Pasig City, Metro Manila, Maui Oasis situated in Sta. Mesa, Manila, One Oasis Cebu located in Mabolo, Cebu City and One Oasis Davao situated in Davao City

e. High Rise Building

FLI started to develop in 2009 *The Linear*, a master-planned residential and commercial hub in Makati City. Two-L-shaped towers, each 24 storeys high, comprise this dynamic condo community that perfectly caters to the needs of young urban professionals.

FLI is also developing high rise building projects in Alabang, Muntinlupa City, namely: *Studio City* and *The Levels*.

f. Condotel

Grand Cenia

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

The condotel units are mainly 24.5 sq.m. studio units that target business travelers, returning OFWs and expatriate Filipinos. FLI also plans to build 50.3 sq.m. one-bedroom units, 75.9 sq.m.

two-bedroom units, and 107.4 sq.m. three-bedroom condominium units. FLI intends this product to serve professionals, retirees, expatriates, families and returning OFWs.

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

FLI is studying the incorporation of a new subsidiary that will provide management services to the clubs the Company has developed and is developing. Club management, operations and maintenance costs are covered by revenues from club operations (such as revenue from food and beverage sales).

Analysis of Real Estate Sales
(In thousands)

Category	Years ended December 31			
	2010		2009	
	Amount	% to total	Amount	% to total
Residential Lots and House & Lot Packages				
Socialized	966,823	17.10%	198,267	5.40%
Affordable	522,726	9.25%	474,474	12.91%
Middle income	3,687,300	65.23%	2,345,841	63.84%
High end & Others	223,504	3.95%	347,938	9.47%
Industrial Lots	93,975	1.66%	126,256	3.44%
Residential Farm Lots	139,907	2.48%	151,895	4.13%
Leisure	18,139	0.32%	30,079	0.82%
Total	5,652,374	100.00%	3,674,750	100.00%

The table above shows a comparative breakdown of FLI's journalized real estate sales into various product categories for the years ended December 31, 2010 and 2009.

1.6.2. Leasing Segment

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

Festival Supermall

The Festival Supermall is a four-storey shopping complex located within FAI's Filinvest Corporate City development near the juncture of three major road networks – the South

Expressway, the old National Highway and the Alabang-Zapote. In addition to having over 600 retail stores and outlets, the Festival Supermall also features amenities such as a ten-theater movie multiplex with digital surround sound systems, and two themed amusement centers. The mall also has exhibit, trade and music halls which are leased out to organizers of events such as trade fairs sponsored by the Philippine Department of Trade and Industry. Its current anchor tenants include stores operated by some of the Philippines' largest retailers, such as the J.G. Summit group of companies (Robinsons Department Store and Handyman Do It Best), SM Prime Holdings, Inc. (SaveMore Supermarket and Ace Hardware) and the Rustan's Group (Shopwise Supercenter). As of December 31, 2006, the Festival Supermall's anchor tenants leased approximately 28.4% of the mall's total leasable space.

The Festival Supermall also has a group of tenants that are well-known international and domestic third-party retailers, restaurant chains and services companies, such as Bose, Levi's, Bench, Giordano, The Body Shop, National Bookstore, McDonald's, Jollibee and KFC.

FLI leased from FAI the 10 hectares of land on which the mall and its adjoining structures (such as parking lots) are situated. The lease is for a term of 50 years from October 1, 2006, renewable for another 25 years, with FLI required to pay monthly rent equivalent to 10.0% of the monthly gross rental revenue from the mall. The Festival Supermall was designed to allow the construction of an additional wing to the current two-wing structure on two adjacent hectares of land available for development, which would increase the mall's total floor area by up to 50,000 square meters. The lease between FLI and FAI allows FLI to construct additions or extensions to the current mall structure, which will revert to FAI upon termination of the lease. FLI will determine if or when construction for the third wing will be undertaken based on market conditions and its perception of the demand for additional retail space in the areas served by the mall. Day-to-day operations at the Festival Supermall are currently managed by Festival Supermall, Inc. ("FSI"), an affiliate of FLI, pursuant to a management contract that entitles FSI to a management fee of ₱200,000 per month. FLI also pays for the salaries and benefits of FSI's officer and employees who are assigned to manage the Festival Supermall. Engineering, maintenance, security and janitorial services for the mall are outsourced to reputable third-party service providers on an annual contractual basis. These contracts can usually be terminated at any time, such as if the contractor fails to perform at an acceptable level.

PBCom Tower

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

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

Northgate Cyberzone

Northgate Cyberzone is a PEZA registered BPO park within Filinvest Corporate City. FLI earns revenues from approximately 113,000 sqm. leasable space with HSBC, Convergys, APAC, Genpact and E telecare as major tenants, among others. Another 18,000 sqm of leasable space will be added from Vector Two in 2011. Of the 10 hectares of land on which the Northgate Cyberzone is situated, approximately seven hectares are available for future expansion. Two

build-to-suit buildings (BTS) are being occupied for the backroom unit requirement of British bank HSBC Ltd. and Convergys, one of the biggest call centers. An IT School building is leased out to Informatics International College, which is a Singapore-headquartered information technology (“IT”) school, and YBM Philippines, which operates language schools in the Philippines. *Plaza A*, six-storey building which was completed in June 2006, is substantially fully leased to GenPact Services LLC and eTelecare Global Solutions, Inc.. *Plaza B and Plaza C*, both four-storey buildings, were completed in 2001. Tenants for Plaza B include Deutsche Bank, Globe Innove, Global Access Inc. and NDE Digitech. All of Plaza C has been leased by APAC. There are three projects involving four buildings under development in Northgate Cyberzone. These are all expected to be completed in 2007. These include Plaza D, Building 5132, iHub I and iHub II. All of Plaza D has been leased to ICICI Bank Limited, India’s largest private sector bank, and Verizon. There are still seven hectares available for the construction of additional buildings within the Northgate Cyberzone.

The table below shows a breakdown of FLI’s recorded gross leasing revenues for 2010 & 2009.

**Leasing Revenues
(Amounts in thousands)**

	Years ended December 31			
	2 0 1 0		2 0 0 9	
	Amount	% to total	Amount	% to total
Festival Supermall	776,956	55.05%	757,954	63.83%
Northgate Cyberzone	455,888	32.30%	260,828	21.97%
PB Com Tower	136,721	9.69%	127,868	10.77%
Others	41,705	2.96%	40,792	3.44%
Total	1,411,269	100.00%	1,187,442	100.00%

1.7. Marketing and Sales

1.7.1 Real Estate Segment

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

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

The Company also believes that the OFW population, as well as expatriate Filipinos, constitute a significant portion of the demand for affordable and middle-income housing either directly or indirectly by remitting funds to family members in the Philippines to purchase property. To this end, the Company has appointed and accredited independent brokers in countries and regions

with large concentrations of OFWs and expatriate Filipinos, such as Italy, Japan, the United Kingdom and the Middle East. These brokers act as the Company's marketing and promotion agents in these territories to promote the Company and its products. The Company also sponsors roadshows to promote its projects, including roadshows in Europe and the United States of America, targeting the OFW and Filipino expatriate markets. FLI also markets its properties on the Internet.

FLI caters to a wide customer base spanning the different income segments of the real estate market - from socialized, to affordable, to middle and to high-end. FLI also serves the industrial and leisure markets through its entrepreneurial communities, township projects, farm estates and private membership clubs. It does not have a single or a few customers accounting for 20% of its sales.

FLI develops customer awareness through its marketing and promotion efforts and referrals from satisfied customers. FLI conducts advertising and promotional campaigns principally through print media, including billboards, fliers, and brochures designed specifically for the target market. Advertising and promotional campaigns are conceptualized and conducted by FLI's marketing personnel and by third-party advertising companies. These campaigns are complemented with additional advertising efforts, including booths at shopping centers, such as the Festival Supermall, and other high traffic areas, to promote open houses and other events. FLI also relies on positive word-of-mouth from satisfied customers.

FLI has appointed and accredited independent brokers in countries and regions such as North America, Italy, Japan, the United Kingdom and the Middle East. These areas have large concentrations of OFWs and expatriate Filipinos who constitute a significant portion of the demand for its affordable and middle-income housing and land development projects. The said brokers act as FLI's marketing and promotion agents in these territories. Sales for FLI's housing and land development projects are made through both in-house sales agents and independent brokers. Both FLI's in-house sales agents and independent brokers are compensated through commissions on sales. In-house sales agents also receive a monthly allowance and are provided administrative support by FLI, including office space and expense allowances.

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

1.7.2 Leasing Segment

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

FLI also maintains, through its subsidiaries, an in house salesteam to market its office & commercial spaces.

1.8. Customer Financing for Real Estate Projects

The ability of customers to obtain financing for purchases of subdivision lots or housing units is a critical element in the success of FLI's housing and land development business. Customer financing is particularly important in relation to sales of FLI's socialized housing projects, where most prospective buyers require financing for up to 100% of the purchase price. FLI therefore

assists qualified homebuyers in obtaining mortgage financing from government-sponsored mortgage lenders, particularly for its socialized housing projects, and from commercial banks. FLI also provides a significant amount of in-house financing to qualified buyers.

In-house financing

FLI offers in-house financing to buyers who chose not to avail of Government or bank financing. FLI typically finances 80.0% of the total purchase price, which is secured primarily by a first mortgage over the property being sold. The loans are then repaid through equal monthly installments over periods ranging from five to 100 years. The interest rates charged by FLI for in-house financing typically range from 15.011.5% per annum to 19.0% per annum, depending on the term of the loan.

Pag-IBIG Fund

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

Mortgage loans

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

Deferred cash purchases

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

1.9. Real Estate Development

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

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

FLI maintains relationships with over 90 independent contractors and deals with them on an arm's length basis.

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

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

During 2010, the Company launched a total of 29 new projects and phases with an estimated sales value of P 10.33 billion. This brought to 106 the number of ongoing projects FLI has as of the end of 2010.

The Company's operational highlights in property development in 2006 were the launch of 14 new projects. New projects launched include: three affordable projects - Aldea Real in Calamba, Laguna, Palmridge and Summerbreeze Townhomes in Sto. Tomas, Batangas; two middle income projects in Quezon City; three regional middle-income projects - Villa Mercedita II in Davao City, a project in Laguna and one in Zamboanga City; two high-end projects - St. Isabel in Mission Hills, Antipolo and The Ranch in Timberland Heights in San Mateo, Rizal; two Asenso Villages in Calamba, Laguna and Tanza, Cavite.

1.10. Competition

1.10.1. Real Estate Segment

Real estate development and selling is very competitive. The Company believes it is strongly positioned in the affordable housing income to middle income residential subdivision market and in the farm estates. Success in these market segments depends on acquiring well-located land at attractive prices often in anticipation of the direction of urban growth. The Company believes that its name and reputation it has built in the Philippine property market contributes to its competitive edge over the other market players. On the basis of publicly available information and its own market knowledge, FLI's management believes that it is among the leading housing and land

project developers in the Philippines, particularly in the socialized to middle-income housing sectors. FLI's management also believes that FLI is able to offer competitive commissions and incentives for brokers, and that FLI is able to compete on the basis of the pricing of its products, which encompasses products for different market sectors, as well as its brand name and its track record of successful completed quality projects.

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

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

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

1.10.2. Leasing Segment

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

1.11. Related-Party Transactions

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

The Company's major related-party transactions include:

- FDC has guaranteed the Company's obligations under a ₱2.25 billion credit facility extended by the International Finance Corporation. As of December 31, 2010, the Company had fully availed of ₱1.125 billion of this facility.
- Interest and non-interest bearing cash advances made to and received from FDC, FAI, FAPI, CPI and other affiliates in order to meet liquidity and working capital requirements. Interest rates on these cash advances are determined on an arm's-length basis and are based on market rates.

- Sharing jointly with other members of the Filinvest Group, expenses relating to common facilities and services used by each member of the Filinvest Group, such as payroll services, supplies and utilities.
- A 50-year lease agreement with FAI for the 10-hectare property on which the Festival Supermall and its related structures are located.
- FAC and CPI have each entered into contracts with FAI pursuant to which FAI provides accounting, business development and other management services to FAC and CPI.
- The Company has a contract with FSI, which provides services relating to the operation of the Festival Supermall. Under the terms of the contract, FSI is entitled to receive monthly management fees.
- Savings and current accounts and time deposits with East West Bank (“EWB”), a member of the Filinvest Group.
- EWB also leases from an FLI joint venture, Filinvest Asia Corporation (“FAC”), a total of approximately 2,800 square meters of office space in PBCom Tower in Makati City.
- A development agreement with GCK Realty Corp. (“GCK”), in which members of the Gotianun family has shareholdings, for the development by FLI of a medium-rise condominium building on certain parcels of land owned by GCK in Brgy. Camputhaw, Cebu City.
- A development agreement with Fernandez Hermanos, Inc., which is owned and managed by an officer and stockholder, Mr. Luis T. Fernandez, and his siblings, for the subdivision development of parcels of land owned by the latter company in Brgy. Matanos, Kaputian, Samal Island in the province of Davao.

1.12. Intellectual Property

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

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

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

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

1.13. Government and Environmental Regulations

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

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

Approval of development plans is conditioned on, among other things, completion of the acquisition of the project site and the developer's financial, technical and administrative capabilities. Approvals must be obtained at both the national and local levels. Evidently, the Company's results of operations are expected to continue to be affected by the nature and extent of the regulation of its business, including the relative time and cost involved in procuring approvals for each new project, which can vary from project to project.

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

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

1.14. Employees and Labor

As of December 31, 2010, FLI had a total of 810 employees, including 172 permanent full-time managerial employees, 631 support employees and 7 consultants.

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

FLI does not anticipate any substantial increase in the number of its employees in 2011.

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

1.15. Major Risk Factors

There are major risk factors that may affect the Company. Property values in the Philippines is influenced by the general supply and demand of real estate as well as political and economic

developments in the country. In the event new supply exceeds demand as a result of economic uncertainty or slower growth, political instability, increased interest rates may affect the financial condition and results of operations of FLI.

Demand for, and prevailing prices of, developed land and house and lot units are directly related to the strength of the Philippine economy (including overall growth levels and interest rates), the overall levels of business activity in the Philippines and the amount of remittances received from overseas Filipino workers (“OFWs”). Demand for the Company’s housing and land developments is also affected by social trends and changing spending patterns in the Philippines, which in turn are influenced by economic, political and security conditions in the Philippines. The Philippine residential housing industry is cyclical and is sensitive to changes in general economic conditions in the Philippines such as levels of employment, consumer confidence and income, availability of financing for property acquisitions, construction and mortgages, interest rate levels, inflation and demand for housing.

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

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

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

The Company is also exposed to risks associated with the ownership and operation of its recently acquired investment properties. Financial performance of the Company’s leasing segment, which consist of interests in leasable office space in PBCom Tower and the Northgate Cyberzone, and in retail commercial space in Festival Supermall, could be affected by a number of factors, including:

1. the national and international economic climate;
2. changes in the demand for call center and other BPO operations in the Philippines and around the world;
3. trends in the Philippine retail industry, insofar as the Festival Supermall is concerned;
4. changes in laws and governmental regulations in relation to real estate, including those governing usage, zoning, environment, taxes and government charges;
5. the inability to collect rent due to bankruptcy of tenants or otherwise;
6. competition for tenants;
7. changes in market rental rates;
8. the need to periodically renovate, repair and re-let space and the costs thereof;
9. the quality and strategy of management; and,
10. the Company's ability to provide adequate maintenance and insurance.

2.1. Land Bank

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

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

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

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

As of December 31, 2010, the Company had a land bank of approximately 2,369,305 hectares of raw land for the development of its various projects, including approximately 392 hectares of land under joint venture agreements, which the Company's management believes is sufficient to sustain at least five several years of development and sales.

Details of the Company's raw land inventory as of December 31, 2010 are set out in the table below:

	Company	Under Joint	Total Area	% to
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Location	Owned	Venture	(In Hectares)	Total
Luzon				
NCR	6.8	21.7	28.5	1.2%
Rizal	743.7	84.9	828.6	35.0%
Bulacan	241.9	0.0	241.9	10.2%
Cavite	377.8	83.7	461.5	19.5%
Laguna	284.6	0.0	284.6	12.0%
Batangas	161.2	43.7	204.9	8.6%
Pampanga	0.0	62.8	62.8	2.7%
Tarlac	0.0	5.4	5.4	0.2%
Sub-total	1,816.0	302.2	2,118.2	89.4%
Visayas				
Cebu	9.4	31.5	40.9	1.7%
Negros Occidental	51.0	0.0	51.0	2.2%
Sub-total	60.4	31.5	91.9	3.9%
Mindanao				
General Santos	99.6	17.3	116.9	4.9%
Davao	1.6	40.6	42.2	1.8%
Sub-total	101.2	57.9	159.1	6.7%
GRAND TOTAL	1,977.6	391.6	2,369.2	100.0%
% to Total	83.5%	16.5%	100.0%	

2.2. Current Development Projects

The following table sets out all of FLI's projects with ongoing housing and/or land development as of December 31, 2010.

Category / Name of Project	Location
SOCIALIZED	
Belvedere Townhomes	Tanza, Cavite
Belmont Hills	Tanza, Cavite
Blue Isle	Sto. Tomas, Batangas
Sunrise Place	Tanza, Cavite
Castillion Homes	Gen. Trias, Cavite
Mistral Plains	Gen. Trias, Cavite
Sunrise Place Mactan	Mactan, Cebu
AFFORDABLE	

Alta Vida	San Rafael, Bulacan
Bluegrass County	Sto. Tomas, Batangas
Brookside Lane	Gen. Trias, Cavite
Crystal Aire	Gen. Trias, Cavite
Fairway View	Dasmaringas, Cavite
Palmridge	Sto. Tomas, Batangas
Springfield View	Tanza, Cavite
Summerbreeze Townhomes	Sto. Tomas, Batangas
Westwood Place	Tanza, Cavite
Woodville	Gen. Trias, Cavite
Aldea Real	Calamba, Laguna
Costas Villas (Ocean Cove 2)	Davao City
Primrose Hills	Angono, Rizal
The Glens at Park Spring	San Pedro, Laguna
Sommerset Lane	Tarlac City
Claremont Village	Mabalacat, Pampanga
Westwood Mansions	Tanza, Cavite
Tierra Vista - phase 3	San Rafael, Bulacan
Aldea del Sol	Mactan, Cebu
Raintree Prime Residences	Dasmaringas, Cavite
La Brisa Townhomes	Calamba, Laguna
MIDDLE-INCOME	
Corona Del Mar	Pooc, Talisay, Cebu City
Filinvest Homes- Tagum	Tagum City, Davao
NorthviewVillas	Quezon City
Ocean Cove	Davao City
Orange Grove	Matina, Pangi, Davao City
Spring Country	Batasan Hills, Quezon City
Spring Heights	Batasan Hills, Quezon City
Southpeak	San Pedro, Laguna
The Pines	San Pedro, Laguna
Villa San Ignacio	Zamboanga City
Highlands Pointe	Taytay, Rizal
Manor Ridge at Highlands	Taytay, Rizal
Ashton Fields	Calamba, Laguna
Montebello	Calamba, Laguna
Hampton Orchards	Bacolor, Pampanga
The Enclave at Filinvest Heights	Quezon City
Escala (La Constanera)	Talisay, Cebu
West Palms	Puerto Princesa, Palawan

Filinvest Homes - Butuan	Butuan, Agusan Del Norte
La Mirada of the South	Binan, Laguna
Tamara Lane (formerly Imari)	Caloocan City
Viridian at Southpeak	San Pedro, Laguna
Nusa Dua (Residential)	Tanza, Cavite
The Tropics - phase 2	Cainta, Rizal
Princeton Heights	Molino, Cavite
One Oasis - Ortigas	Pasig, Metro Manila
One Oasis - Davao	Davao City
Bali Oasis - (Marcos Highway)	Pasig, Metro Manila
One Oasis - Cebu	Mabolo, Cebu City
Maui Oasis	Sta. Mesa, Manila
Capri Oasis	Pasig, Metro Manila
Sorrento Oasis	Pasig, Metro Manila
Amalfi Oasis	South Road Properties, Cebu
San Remo Oasis	South Road Properties, Cebu
The Linear	Makati City
Studio City	Filinvest Corporate City, Alabang
The Levels	Filinvest Corporate City, Alabang
HIGH-END	
Brentville International	Mamplasan, Binan, Laguna
Prominence 2	Mamplasan, Binan, Laguna
Treviso	Quezon City
Village Front	Binan, Laguna
Mission Hills - Sta. Catalina	Antipolo, Rizal
Mission Hills - Sta. Isabel	Antipolo, Rizal
Mission Hills - Sta Sophia, ph 1	Antipolo, Rizal
Banyan Ridge	San Mateo, Rizal
The Ranch	San Mateo, Rizal
The Arborage at Brentville Int'l	Mamplasan, Binan, Laguna
Banyan Crest	San Mateo, Rizal
Arista	Talisay, Batangas
Orilla	Talisay, Batangas
Bahia	Talisay, Batangas
LEISURE - FARM ESTATES	
Forest Farms	Angono, Rizal
Mandala Residential Farm	San Mateo, Rizal
Nusa Dua	Tanza, Cavite

LEISURE - PRIVATE MEMBERSHIP CLUB	
Timberland Sports and Nature Club	San Mateo, Rizal
LEISURE - RESIDENTIAL RESORT DEVELOPMENT	
Kembali Coast	Samal Island, Davao
Laeuna De Taal	Talisay, Batangas
Entrepreneurial - Micro Small & Medium Enterprise Village	
Asenso Village - Calamba	Calamba, Laguna
INDUSTRIAL	
Filinvest Technology Park	Calamba, Laguna
CONDOTEL	
Grand Cenia Hotel & Residences	Cebu City

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

2.3. Investment Properties

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

2.4. Property and Equipment

FLI is renting office spaces located at San Juan City, Metro Manila with an aggregate floor area of 4,369 square meters for its head office. The term of the lease is 5 years, subject to renewal upon mutual agreements between FLI and the lessor. FLI is also renting spaces for its sales offices in Quezon City, Rizal, Pampanga, Tarlac, Puerto Princesa City, Cebu City, Davao City, Butuan, Tagum and Zamboanga City. The terms of the leases are usually for one year, and thereafter, the terms of the lease shall be on a month-to-month basis, or upon the option of both parties, a new contract is drawn. Total rental expense in 2010 amounted to ₱134.48 million. The Company does not intend to acquire properties for the next 12 months except as needed in the ordinary course of business.

Item 3. LEGAL PROCEEDINGS

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

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

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

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

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

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

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

The National Government through the Office of the Solicitor General filed suit against Rolando Pascual, Rogelio Pascual and FLI for cancellation of title and reversion in favor of the Government of properties subject of a joint venture agreement between the said individuals and FLI. The Government claims that the subject properties covering about 73.33 hectares are not alienable and disposable being part of the forest lands. The case was dismissed by the RTC of General Santos City (Br. 36) on November 16, 2007 for lack of merit. The Office of the Solicitor General has appealed the dismissal to the Court of Appeals, where it is still pending.

- d. *FLI vs. Eduardo Adia, et al*
G.R. 192929
Supreme Court

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

decision ordering FLI to vacate the subject property. FLI appealed the decision to the Court of Appeals which affirmed the RTC decision. FLI filed a petition for review on certiorari before the Supreme Court. On 10 January 2011, the Supreme Court granted FLI's motion to admit a supplemental petition and required respondent to comment on the supplemental petition within 10 days from notice.

- e. *Antonio E. Cenon and Filinvest Land Inc. vs. San Mateo Landfill, Mayor Jose Rafael Diaz Brgy. Pintong Bukawe, Director Julian Amador and the Secretary, Department of Environment and Natural Resources Civil Case No. 2273-09*

On February 09, 2009, FLI filed an action for injunction and damages against the respondents to stop and enjoin the construction of a 19 hectare landfill in a barangay in close proximity to Timberland Heights in San Mateo, Rizal. FLI sought preliminary and permanent injunctive reliefs and damages and is seeking the complete and permanent closure of the dump site. Trial for this case is ongoing.

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

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

There was no matter which was submitted to a vote of security holders in 2010.

Part II – OPERATIONAL AND FINANCIAL INFORMATION

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

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

Period	Share Prices		
	High	Low	Close
2010			
4th Quarter	1.45	1.26	1.31
3rd Quarter	1.50	0.91	1.32
2nd Quarter	1.04	0.88	0.96
1st Quarter	0.95	0.74	0.89
2009	High	Low	Close

4th Quarter	1.02	0.88	0.90
3rd Quarter	1.08	0.69	0.94
2nd Quarter	0.87	0.36	0.69
1st Quarter	0.47	0.28	0.36

The number of common shareholders of record as of December 31, 2010 was 6,127. Common shares outstanding as of December 31, 2010 were 24,249,759,506 shares.

Top 20 Common Stockholders as of December 31, 2010:

<u>Name</u>	<u>No. of Shares</u>	<u>% to total</u>
1 Filinvest Development Corp.	12,969,648,868	53.48%
2 PCD Nominee Corp. (Non-Filipino)	5,964,244,971	24.60%
3 PCD Nominee Corp. (Filipino)	4,846,948,118	19.99%
4 ALG Holdings Corporation	127,221,867	0.52%
5 Rivercrest Realty Corp.	61,111,250	0.25%
6 Michael Gotianun	11,235,913	0.05%
7 Lucio W. Yan &/or Clara Y. Yan	10,687,500	0.04%
8 Ana Go & / or Go Kim Pa	8,250,000	0.03%
9 Joseph M. Yap &/or Josephine G. Yap	7,694,843	0.03%
10 R. Magdalena Bosch	4,877,928	0.02%
11 Luis Rodrigo Fernandez	4,064,940	0.02%

12 Luis L. Fenandez or Veronica P. Fernandez ITF Carlo	4,064,940	0.02%
13 Enrique P. Fernandez	4,064,940	0.02%
14 Luis L. Fernandez	4,064,940	0.02%
15 Veronica P. Fernandez	4,064,940	0.02%
16 Luis L. Fenandez or Veronica P. Fernandez ITF Marco	4,064,940	0.02%
17 Lilian So Lim	3,469,832	0.01%
18 Emily Benedicto	3,468,750	0.01%
19 Alberto Mendoza &/or Jeanie C. Mendoza	3,349,871	0.01%
20 Lucio W. Yan	2,890,625	0.01%

The Company's entire preferred shares of 8 billion shares were all issued to FDC.

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

Dividends

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

On April 30, 2010, the Board of Directors approved the declaration and payment from unappropriated retained earnings of cash dividend of ₱ 0.033 per share or a total of ₱ 800.24 for all shareholders of record as of May 18, 2010.

On April 29, 2009, the Board of Directors approved the declaration and payment from unappropriated retained earnings of cash dividend of ₱ 0.033 per share as regular and special cash dividends of ₱ 0.015 and ₱ 0.018 respectively or a total of ₱ 800.24 for all shareholders of record as of May 14, 2009.

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

Item 6. MANAGEMENT DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

Plan of Operations for 2011

FLI's business direction has placed emphasis on the development and sale of affordable and middle-market residential lots and housing units to lower and middle-income markets throughout the Philippines.

FLI expects to remain focused on core residential real estate developments which now includes newly developed innovative concepts in response to Philippine residential demand, such as development of medium rise buildings and high rise condominium projects, residential farm estates, entrepreneurial communities, and leisure developments anchored by sports and resort clubs, while at the same time diversifying their real estate portfolio to include commercial real estate and BPO offices to generate recurring revenue. In 2006, FLI acquired three strategic assets: Festival Supermall, and 60% equity ownership each in Filinvest Asia Corporation (“FAC”) and Cyberzone Properties, Inc. (“CPI”). Festival Supermall is one of the largest shopping malls in Metro Manila in terms of floor area with approximately 200,000 square meters and still expanding. FAC’s strategic asset is the 50% ownership in PBCom Tower, an office tower located along Makati City’s premier Ayala Avenue. CPI owns IT office buildings in the Northgate Cyberzone, a BPO office park located within Filinvest Corporate City in Alabang, Muntinlupa City.

On February 8, 2010, FLI acquired the 40% interest in its joint ventures – CPI from Africa-Israel Properties (Phils.), Inc. and FAPI from Africa-Israel Investments (Phils.), Inc. Prior to the acquisition, FLI accounted for its investments in the joint ventures under the proportionate consolidation. The acquisition resulted in CPI and FAPI becoming wholly owned subsidiaries of FLI. The acquisition of the joint ventures’ interests was accounted for as a business combination.

Results of Operations for 2010

Year ended December 31, 2010 compared to year ended December 31, 2009

FLI registered a net income of ₱2,952.23 million in 2010, higher by 46.28% than the net income of ₱2,018.20 million in 2009.

Revenues

FLI recorded real estate sales of ₱ 5,652.37 million in 2010, higher by 53.82% than the real estate sales in 2009 of ₱ 3,674.75 million. This year’s recorded sales consist mostly of sales of middle-income lots and housing units including the medium-rise-buildings and condominium project, which are accounted for based on the stage of completion. Effective January 1, 2010, the Group changed the percentage being used to estimate on when the buyer’s investment is considered adequate to meet the probability criteria that economic benefits will flow to the Group and warrant revenue recognition. Prior to 2010, the Group has estimated the percentage to be at least 20% payment of the total selling price received from the buyer. The recent change in the Group’s business focus on low to middle income segment, experience over the past years, and information gathered that other industry players are adopting the same threshold, prompted the Group to revisit and accordingly revise the estimate from payment of 20% to 10% payment of the total selling price. It is at this level of investment that it is highly probable that the buyer will commit to the sale transaction, and thus, it is probable that economic benefits will flow to the Group. The change in estimate increased the real estate sales by ₱1.09 billion for the year ended December 31, 2010.

With the higher sales, the corresponding cost of real estate sales increased by 67.53% from ₱1,788.85 million in 2009 to ₱ 2,996.82 million in 2010. The higher cost of sales was likewise due to an increased proportion of sales of medium-rise-buildings. Rental income increased by ₱

223.83 million or by 18.85% to ₱ 1,411.27 million in 2010 from ₱1,187.44 million in 2009. This was brought about by higher rental revenues generated from Northgate Cyberzone buildings due to a full period of leasing revenues from ihub 1 and ihub 2, which opened in the latter part of 2009 and the Company's acquisition of the remaining 40% equity interest in CPI in February 2010, resulting in the consolidation of 100% of CPI rental income in 2010. Other sources of rental income include the Festival Supermall in Filinvest Corporate City in Alabang, PBCOM Tower in Makati City and the ready-built-factories in Filinvest Technology Park in Calamba, Laguna.

Interest income also increased by ₱ 164.65 million or by 41.09% from ₱ 400.71 million in 2009 to ₱ 565.36 million in 2010 due to higher interest generated from short-term investments, bank deposits and from higher installment contracts receivable. Equity in net earnings from an associate also increased to ₱ 55.22 million in 2010 from ₱ 37.53 million in 2009 or by 47.14% due to higher earnings of Filinvest Alabang, Inc. (FAI) where FLI is a 20% equity holder.

The acquisition by FLI of the 40% interest of Africa-Israel Properties (Phils.), Inc. in CPI and the 40% interest of Africa-Israel Investments (Phils.) Inc., in FAPI resulted in FLI's recognition of a gain from remeasurement of previously held interest of ₱ 517.24 and excess of fair value of net identifiable assets over consideration transferred of ₱9.06 in 2010 in accordance with the International Financial Reporting Standards (IFRS) 3 – Business Combinations.

The Group also recorded a foreign exchange gain of ₱ 8.57 million in 2010, an improvement from a foreign exchange gain of ₱ 2.40 million earned in 2009. Other income increased by 32.01% or by ₱ 121.97 million from ₱ 380.98 million in 2009 to ₱502.95 million in 2010 due to increase in amusement and other sales of the mall, dividend income and service fees.

Expenses

Total expenses increased to ₱ 2,211.23 million in 2010 from ₱ 1,728.49 million in 2009.

General and administrative expenses increased by ₱ 160.99 million or by 15.48% to ₱1,200.99 million in 2010 from ₱ 1,039.99 million in 2009.

The following are the significant movements in the general and administrative expense accounts:

13.62% increase in depreciation & amortization (mainly due to the consolidation of 100% of CPI in 2010)

9.13% increase in salaries, wages & employee benefits

7.31% increase in rental expense

5.24 % increase in taxes and licenses

11.91% increase in transportation & travel

12.57% increase in outside services

22.67% increase in Mall manpower cost
33.34% increase in Mall amusement center cost
43.05% increase in repairs & maintenance
11.27% increase in communications, light & power
8.84% increase in direct cost of saleable items of the mall
32.86% increase in entertainment expenses of the mall
35.39% increase in other general & administrative expenses

Selling and marketing expenses increased by 23.61% to ₱ 593.59 million in 2010 from ₱480.21 million in 2009 due to increase in broker's commission, advertising and promotion and sales generation expenses.

Interest and other financial charges increased by 100.04% to ₱ 416.66 million in 2010 from ₱208.28 million in 2009. This was brought about by the issuance of the fixed-rate retail bonds totaling ₱ 5.0 billion in November 2009 to finance the current projects of the Group, especially its various MRB, high rise building and condotel projects.

Provision for Income Tax

Provision for income tax increased by 278.86% in 2010 from ₱ 148.27 million in 2009 to ₱561.75 million in 2010. Provision for current income tax increased to ₱ 475.03 million in 2010 from ₱ 253.35 million in 2009 or an increase of ₱ 221.68 million or by 87.5% due to higher taxable income brought about by higher revenues.

Provision for deferred income tax also increased by ₱ 191.79 million or by 182.53% due to the adjustment made in 2009 relative to the corresponding deferred income tax on unrealized gain on installment sales.

Financial Condition

As of December 31, 2010, FLI's total consolidated assets stood at ₱ 61.87 billion, higher by 5.04% than the ₱ 58.90 billion as at the previous year-end.

69% Decrease in Cash and Cash Equivalents

Funds were used for the development of existing and new projects and for the construction of new IT buildings (investment properties) and for raw land acquisitions. Funds were also used to acquire the 40% interest of Africa-Israel Properties (Phils.), Inc. in CPI and the 40% interest of Africa-Israel Investments (Phils.) Inc., in FAPI in February 2010.

13% Increase in Other Receivables

This account increased due to additional advances made to Timberland Sports and Nature Club (TSNC, Inc.). Moreover, the acquisition by FLI of the 40% interest of Africa-Israel Properties (Phils.), Inc. in CPI and the 40% interest of Africa-Israel Investments (Phils.) Inc., in FAPI

contributed to the increase because of the 100% consolidation of CPI and FAPI in 2010. Higher receivables from tenants of FSI and CPI in the current year also added to the increase in this account.

54% Decrease in Available-for-Sale Financial Assets

The decrease was due to the maturity in July 2010 of certain bonds previously held by the Company.

22% Increase in Real Estate Inventories

The movement in this account was mainly due to (a) development and construction costs set up for projects launched during the year; (b) acquisitions of new properties in various parts of Metro Manila which are mostly intended for medium-rise-buildings development; (c) payment made to the Cebu City government for the purchase of part of the 10.6 hectare SRP property; and (d) acquisition by FLI of the 40% interest of Africa-Israel Investments (Phils.) Inc., in FAPI.

11% Increase in Investment in an associate

The increase represents the equity share of the Group in the current net earnings of FAI.

17% Increase in Investment properties

The increase was due to the acquisition by FLI of the 40% interest of Africa-Israel Properties (Phils.) Inc., in CPI and the restatement of CPI buildings at fair value as at February 08, 2010 when the 40% interest of Africa-Israel Properties (Phils.), Inc. in CPI was acquired.

48% Increase in Property and Equipment

The increase in this account was mainly due to the acquisition by FLI of the 40% interest of Africa-Israel Properties (Phils.) Inc., in CPI and the restatement of buildings under construction at fair value as at February 08, 2010 when the 40% interest of Africa-Israel Properties (Phils.), Inc. in CPI was acquired.

16% Decrease in Goodwill

The decrease resulted from the recomputation of the difference between the total consideration given for the acquisition of CPI and the equity value of CPI as at February 08, 2010.

7% Decrease in Other Assets

The decrease was mainly due to lower input taxes in 2010.

Increase in Income Tax Payable

The Increase in income tax payable was due to higher tax accruing on the taxable income earned for the year.

77% Increase in Due to Related Parties

The increase was due to temporary advances from affiliates, which were all in the regular course of business. These advances are expected to be paid or liquidated within the first quarter of the following year.

30% Increase in Pension Liability

The increase was due to the accrual of the liability to the retirement fund for the year, net of cash contributions to the fund.

8% Increase in Deferred Income Tax Liabilities

The increase in this account was mainly due to the capitalization of part of interests on long-term loans.

29% Increase in Retained Earnings

This was brought about by the Company's net income of ₱ 2.95 billion for the year net of cash dividends paid in 2010.

Performance Indicators

<i>Financial Ratios</i>	<i>Particulars</i>	2010	2009	2008
<i>Earnings per Share</i>	<i>Basic</i>	0.122	0.090	0.080
<i>Earnings per Share</i>	<i>Diluted</i>	0.122	0.090	0.080
<i>Debt to Equity Ratio</i>	<u><i>Notes Payable & Long-term Debt</i></u>			
	<i>Total Stockholder's Equity</i>	29%	30%	19%
<i>Debt Ratio</i>	<u><i>Total Liabilities</i></u> <u><i>Total Assets</i></u>	33%	33%	29%
<i>Ebitda to Total Interest Paid</i>	<u><i>EBITDA</i></u> <i>Total Interest Payment</i>	4.87	4.53	6.06
<i>Price Earnings Ratio</i>	<u><i>Closing Price of Share</i></u> <u><i>Earnings Per share</i></u>	10.76	10.00	4.88

Other Disclosures

On December 28, 2009, FLI executed separate deeds of sale for the acquisition by FLI of the 40% interest of Africa-Israel Properties (Phils.), Inc. in CPI and the 40% interest of Africa-Israel Investments (Phils.) Inc. in FAPI subject to the full payment by FLI of the purchase price and delivery to FLI of certain required documents for closing.

The sale by Africa-Israel of its interests in the two companies was part of Africa-Israel's global portfolio rebalancing and consolidation activity. On the other hand, the acquisition of Africa-Israel's interests will enable FLI to consolidate its share in the strong and stable recurring revenue streams from the two companies as well as provide incremental development potential to FLI's existing revenue streams.

The transaction was officially completed on February 08, 2010, making CPI and FAPI wholly owned subsidiaries of FLI.

Aside from the possible material increase in interest rates of the outstanding long-term debt, there are no known trends, events or uncertainties or any material commitments that may result to any cash flow or liquidity problems of FLI within the next 12 months. The Company is not in default or breach of any note, loan, lease or other indebtedness or financing arrangements requiring it to

make payments, or any significant amount in its accounts payable that have not been paid within the stated terms.

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

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

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

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

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

The Company also intends to continue carrying out, through its joint venture companies, an intensive marketing campaign so as to maintain a high occupancy rate in the Festival Supermall, PBCom Tower and Northgate Cyberzone properties; thereby, maximizing its leasing revenues.**Results of Operations for 2009**

Year ended December 31, 2009 compared to year ended December 31, 2008

FLI registered a net income of ₱ 2,018.20 million in 2009, higher by 8.10% than the net income of ₱ 1,187.00 million in 2008.

Revenues

FLI recorded real estate sales of ₱ 3,674.75 million in 2009, slightly higher than real estate sales in 2008 of ₱ 3,507.56 million. This year's recorded sales consist mostly of sales of middle-income lots and housing units including the medium-rise-buildings and condominium projects which are accounted for based on the stage of completion. With the higher sales, the corresponding cost of real estate sales increased by 12.82% from ₱ 1,585.59 million in 2008 to ₱1,788.85 million in 2009. Also, higher construction cost of medium rise buildings contributed to the increased cost of sales. Rental income increased by ₱ 52.91 million or by 4.66% to ₱ 1,187.44 million in 2009 from ₱ 1,134.53 million in 2008. This was brought about by higher rental revenues generated from Filinvest Supermall and Northgate Cyberzone buildings. Other sources of rental income include the PBCom Tower in Makati City and the ready-built-factories in Filinvest Technology Park in Calamba, Laguna.

Interest income increased by ₱ 30.46 million or by 8.23% from ₱ 370.24 million in 2008 to ₱400.71 million in 2009 due to higher interest generated from short-term investments and bank deposits while equity in net earnings from an associate decreased to ₱ 37.53 million in 2009 from ₱ 67.57 million in 2008 or by 44.46% due to lower earnings by Filinvest Alabang Inc. (FAI) where FLI is a 20% equity holder. The Group also recorded a foreign exchange gain of ₱ 2.40 million in 2009 compared to a foreign exchange gain of ₱ 7.35 million in 2008 due to a more

stable Peso compared to U.S. Dollar in 2009. Other income increased by 75.11% or by ₱ 163.42 million from ₱ 217.56 million in 2008 to ₱ 380.98 million in 2009, this is due to increase in amusement and other sales of the mall, dividend income and service fees.

Expenses

Total expenses increased to ₱ 1,728.49 million in 2009 from ₱ 1,587.56 million in 2008.

General and administrative expenses slightly increased by ₱ 44.53 million or by 4.47% to ₱1,039.99 million in 2009 from ₱ 995.46 million in 2008.

The following are the significant movements in the general and administrative expense accounts:

6.12% increase in salaries, wages and employee benefits due to additional manpower hired to cope up with the increasing volume of business.

9.03% increase in rent expense due to increase in office rental rates and mall land lease which was based on gross rental revenues earned by the mall.

24.60% increase in taxes and licenses because of higher revenues.

10.10% decrease in transportation & travel because of fewer provincial visits made.

17.00% increase in other general & administrative expenses due to higher expenses for insurance, data processing, dues & subscriptions and office supplies.

Selling and marketing expenses slightly decreased by 0.75% to ₱ 480.21 million in 2009 from ₱483.87 million in 2008.

Interest and other financial charges increased by 92.44 % to ₱ 208.28 million in 2009 from ₱108.23 million in 2008, brought about by higher interest rates and loans availed of during the last quarter of 2008 and issuance of the fixed-rate retail bonds amounting to ₱ 5.0 billion in November 2009.

Provision for Income Tax

Provisions for income tax decreased by 43.98% in 2009 from ₱ 264.66 million in 2008 to ₱148.27 million in 2009. Provisions for current income tax dropped to ₱ 253.35 million in 2009 from ₱ 377.74 million in 2008 or a decrease of ₱ 124.39 million or by 32.93% due to lower income tax rate and tax incentives availed by the Company. The Corporate income tax rate was reduced to 30% from 35% effective January 01, 2009.

Provisions for deferred income tax also decreased by ₱ 8.00 million or by 7.08% due to reversals made on deferred tax liabilities.

Financial Condition

As of December 31, 2009, FLI's total consolidated assets stood at ₱ 58.90 billion, higher by 10.74% than the ₱ 53.19 billion as at the previous year end.

137% Increase in Cash and Cash Equivalents

The increase in Cash and Cash Equivalents represents mainly proceeds from the Company's issuance of fixed rate retail bonds amounting to ₱ 5.0 billion in November 2009. The funds will be used to finance the development of existing and new projects of the Company lined up for the following year.

128% Increase in Due from related parties

Interest bearing advances in the ordinary course of business were made to affiliates in 2009. These are expected to be collected in the following year.

10% Decrease in Other Receivables

Other Receivables decreased due to aggressive collection efforts by the Company which reduced those amounts due from various Homeowners Associations and from tenants. Advances to contractors representing down payments were applied against their billings.

12% Increase in Real Estate Inventories

The movement in this account was mainly due to development and construction costs set up for projects launched during the year and acquisitions of new properties in various parts of Metro Manila, Rizal, Cebu & Davao which were mostly intended for medium rise buildings development and includes the first payment made to the Cebu City government in connection with the purchase of 10.6 hectares SRP property.

Increase in Available-for-sale Financial Assets

The increase was due to investment made in a 10 year zero-coupon bond of the National Power Corporation maturing on July 13, 2010.

15 % Increase in Property & Equipment

Property and equipment increased due to ongoing building constructions of CPI to create additional office space to meet the growing demand from BPOs and call center locators. Building and leasehold improvements and acquisition of additional equipment also contributed to the increase.

20% Increase in Other Assets

The Increase was mainly due to increase in input vat and creditable withholding tax.

34% Decrease in Income Tax Payable

The decrease in income tax payable was due to the lower income tax rate applied to taxable net income and due to availment of tax incentives by the Company.

81% Decrease in Due to Related Parties

Advances from certain related parties were settled in 2009.

14% Increase in Pension Liability

The increase was due to the accrual of the liability to the retirement fund for the period, net of cash contributions and payments made to and from the fund.

7% Decrease in Deferred income tax liabilities

The decrease was due to reversals made on deferred tax liabilities pertaining to sales recorded under the installment method of previous years. Recording of sales was changed using the full accrual method.

Increase in Bonds Payable

The Company issued fixed rate retail bonds amounting to ₱ 5.0 billion in November 2009 to finance the construction of various projects and the acquisition of various properties for future projects.

20% Increase in Retained Earnings

This was brought about by the Company's net income of ₱ 2.02 billion posted during the year net of cash dividends paid in 2009.

Performance Indicators:

Financial Ratios	Particulars	2009	2008	2007
Earnings per Share	Basic	0.090	0.080	0.071
Earnings per Share	Diluted	0.090	0.080	0.071
Debt to Equity Ratio	<u>Notes Payable & Long Term Debt</u> Total Stockholder's Equity	0.30 : 1	0.19 : 1	0.10 : 1
Debt Ratio	<u>Total Liabilities</u> Total Assets	33%	29%	22%
Ebitda to Total Interest Paid	<u>Ebitda</u> Total Interest Payment	4.53 times	6.06 times	5.96 times
Price Earnings Ratio	<u>Closing Price of Share</u> Earnings per Share	10.00 times	4.88 times	19.15 times

Other Disclosures

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

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

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

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

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

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

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

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

Revenues

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

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

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

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

Equity in net earnings of an associate significantly decreased from ₱ 357.39 million in 2007 to ₱ 67.57 million in 2008 or a decrease of 81.1%. As previously mentioned above, this sharp downturn is mainly due to the recognition of an extraordinary gain realized by Filinvest Alabang, Inc., an associate, from the secondary sale of FLI shares in February 2007. FAI's ordinary sources of income are the development of commercial buildings, residential condominiums and land; leasing of commercial real estate; and, managing mall and theater operations.

Expenses

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

General and administrative expenses grew by ₱ 65.59 million or by 6.7%, from ₱ 963.90 million in 2007 to ₱ 1,028.49 million in 2008. Following are the significant movements in major expense accounts in 2008 :

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

Selling and marketing expenses increased by 13.38% to ₱ 483.87 million in 2008 from ₱ 426.75 million in 2007. This was primarily due to 26.8% increase in broker's commission and 27.9% increase in other selling expenses brought about by intensive selling and marketing campaign activities throughout the Philippines and overseas where additional sales offices have been set up to generate more sales.

Interest expense and bank and other financial charges decreased by 12% to P 108.23 million in 2008 from ₱ 122.99 million in 2007, primarily due to lower interest rates on outstanding loans and lower bank charges.

In 2008, there was a foreign exchange gain amounting to ₱ 7.35 million, an improvement from a foreign exchange loss of ₱13.24 million in 2007. The values of some foreign-currency denominated short-term investments of FLI had increased due to the slight depreciation of the peso against the U.S. Dollar in 2008.

Provision for Income Tax

Provision for income tax decreased by 37.8% in 2008 from ₱ 425.19 million in 2007 to ₱ 264.66 million in 2008. FLI's provision for current income tax slightly increased to ₱ 377.74 million in 2008 from ₱ 330.83 million in 2007 due to higher taxable income in 2008, while provision for deferred income tax, on the other hand, decreased to negative ₱ 113.06 million in 2008 from ₱ 94.37 million in 2007 because of restatement of remaining deferred tax liability items to the new tax rate of 30% to become effective in 2009.

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

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

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

PART III – CONTROL AND COMPENSATION INFORMATION

Item 9. DIRECTORS AND PRINCIPAL OFFICERS OF THE REGISTRANT

- Andrew L. Gotianun, Sr.**
Chairman
- Mr. Gotianun, 83, Filipino, is the founder of the Filinvest group of companies and is presently serving in various capacities in the member companies of the group, including EastWest Banking Corporation (“EWBC”) where he is Chairman and Pacific Sugar Holdings Corporation (“PSHC”) where he is Chairman and President.
- Mercedes T. Gotianun**
Chairman Emeritus
- Mrs. Gotianun, 82, Filipino, has been a director of FLI since 1991 and was its Chief Executive Officer from 1997 up to 2007. She is also a director of FDC and FAI. She was involved in the operations of Family Bank and Trust Co. since its founding in 1970 and was President and Chief Executive Officer of the bank from 1978 to 1984. She obtained her university degree from the University of the Philippines.
- Andrew T. Gotianun, Jr.**
Co-Vice Chairman
- Mr. Gotianun, 59, Filipino, has been a director of FLI since 1990. He is also a director of FDC and FAI. He served as director of Family Bank and Trust Co. from 1980 to 1984. He has been in the realty business for more than 16 years. He obtained his bachelor of Science (Major in Accounting) degree from the Republican College in 1981.
- Joseph M. Yap**
Director, President & Chief Executive Officer
- Mr. Yap, 60, Filipino, has been the President and a member of FLI's Board since 1997. He was appointed Chief Executive Officer in 2007. He served as First Vice President of Family Bank & Trust Co. in charge of credit and collection from 1982 to 1984. Prior to that, he held financial management positions with Nestle with assignments in New York, Switzerland and Manila from 1976 to 1982. He obtained his Master's Degree in Business Administration from Harvard University in 1976.
- Lourdes Josephine G. Yap**
*Co-Vice Chairman,
Chairman of the Executive Committee and Senior Executive Vice President for Business Development*
- Ms. Yap, 56, Filipino, has been a director of FLI since 1990 and was appointed as Senior Executive Vice President for Business Development on January 02, 2007. Ms. Yap is also a director and the President of FDC and The Palms Country Club, Inc., and, a director and President of FAI. She obtained her Master's Degree in Business Administration from the University of Chicago in 1977.
- Jonathan T. Gotianun**
Director
- Mr. Gotianun, 57, Filipino, has been a director of FLI since 1990. He is also the Chairman of FDC, the President of Davao Sugar Central Co., Inc. and Cotabato Sugar Central Co., Inc., and Vice Chairman of EastWest Banking Corporation. He served as director and Senior Vice President of Family Bank & Trust Co. until 1984. He obtained his Master's Degree in Business Administration from Northwestern University in 1976.

Efren C. Gutierrez
Director

Mr. Gutierrez, 74, Filipino, was a director of FLI from 1994 to 2001, and was re-elected to FLI's Board in 2006. He served as the President of FAI from 1999 to 2005. He is a director of The Palms Country Club, Inc. He obtained his Bachelor of Laws degree from the University of the Philippines.

Cirilo T. Tolosa
Independent Director

Mr. Tolosa, 70, Filipino, has been an independent director of FLI since 2007. He was a partner at Sycip Salazar Hernandez and Gatmaitan, retiring from the said law firm in February 2005. He is at present a partner in the law firm Tolosa Romulo Agabin and Flores. He has been chairman of the boards of Daystar Commercial Enterprises, Inc., and GMA Lou-Bel Condominium Corporation for at least 10 years, and corporate secretary of De La Salle University System, Inc. and De La Salle Philippines, Inc. since 2003 and 2005, respectively.

Lamberto U. Ocampo
Independent Director

Mr. Ocampo, 85, Filipino, was an independent director of FLI from 2002 to 2008. In 2008, however, the Commission temporarily disqualified Mr. Ocampo for his failure to attend at least 50% of the total number of Board meetings in 2007. In the annual meeting of 2009, he was re-appointed as an Independent Director. Mr. Ocampo is a Civil Engineer by profession. He served as director of DCCD Engineering Corporation from 1957 to April 2001, as its Chairman of the Board from 1993 to 1995, and President from 1970 to 1992. He obtained his Master's Degree in Engineering from the University of California-Berkeley.

Cornelio C. Gison
Director

Mr. Gison, 69, Filipino, has been a director of FLI since 2006. Prior to joining FLI's Board, he was Undersecretary of the Philippine Department of Finance from 2000 to 2003. He is a member of the Advisory Board of the Metropolitan Bank & Trust Co., and a director of Intex Holdings Group.

Nelson M. Bona
**Chief Financial Officer &
Senior Vice President**

Mr. Bona, 60, Filipino, was appointed as FLI's Chief Financial Officer in January 2007. He is also the Treasurer of FDC. He was formerly an Executive Vice President of EastWest Bank and the Managing Director of Millenia Broadband Communications, Inc. and Filinvest Capital, Inc.

Efren M. Reyes
**Treasurer and Senior Vice
President**

Mr. Reyes, 60, Filipino, has served with the Filinvest Group in various capacities since 1980 and has been FLI's Treasurer and Senior Vice President since 1997. Prior to joining the Filinvest Group, he was an audit manager with SGV & Co. He obtained his Bachelor of Science in Business Administration (Major in Accounting) degree from the University of the East.

Pablito A. Perez
**Corporate Secretary & First
Vice President**

Mr. Perez, 55, Filipino, is FLI's General Counsel and Head of its Legal Department. Admitted to the Philippine Bar in 1984, he holds a law degree from San Beda College of Law and a Master of Laws degree from the University of Pennsylvania.

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

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

Mr. Andrew L. Gotianun, Sr. is the spouse of Ms. Mercedes T. Gotianun and the father of Mr. Andrew T. Gotianun Jr., Mr. Jonathan T. Gotianun, Mr. Michael Edward T. Gotianun and Ms. Josephine G. Yap. Ms. Yap is married to Mr. Joseph M. Yap.

The Directors of the Company are elected at the annual stockholders' meeting to hold office until the next succeeding annual meeting and until their respective successors have been appointed or elected and qualified.

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

There is no person who is not an executive officer of the Company who is expected to make a significant contribution to the business. The Company, however, engages the regular services of consultants. At December 31, 2010, the Company had 7 consultants in the area of business development, marketing, planning and design and construction management.

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

Involvement in Certain Legal Proceedings of Directors and Executive Officers

Except for criminal cases filed in 2007 before the Department of Justice (DOJ) in I.S. 2007-001 and 2007-011 and which were dismissed by the DOJ on March 26, 2009 and April 07, 2009, respectively, none of the members of FLI's Board nor its executive officers are involved in any criminal, bankruptcy or insolvency investigations or proceedings for the past five years and up to December 31, 2010, nor have they been found by judgment or decree to have violated securities or commodities law and enjoined from engaging in any business, securities, commodities or banking activities.

Item 10. EXECUTIVE COMPENSATION

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

Name & Principal Position	2011 Estimate				2010				2009			
	Salaries	Bonus	Others	Total	Salaries	Bonus	Others	Total	Salaries	Bonus	Others	Total

Andrew L. Gotianun, Sr. Chairman												
Mercedes T. Gotianun Chairman Emeritus												
Joseph M. Yap President & CEO												
Andrew T. Gotianun, Jr. Vice-Chairman / Executive Vice President												
Nelson M. Bona CFO/Senior Vice President												
Total of Officers & Directors of the Company	P 33.8M	P 5.6M	-	P 39.4M	P 32.2M	P 5.4M	-	P 37.6M	P 21.3M	P 3.5M	-	P 24.8M

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

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

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

Item 11. Security Ownership of Certain Beneficial Owners and Management

11.1. Security Ownership of Certain Beneficial Owners as of December 31, 2010:

<i>Title of Class of Securities</i>	<i>Name/ Address of Record Owner and Relationship with FLI</i>	<i>Name of Beneficial Owner/Relationship with Record Owner</i>	<i>Citizenship</i>	<i>No. of Shares Held</i>	<i>% of Ownership</i>
<i>Preferred</i>	<i>Filinvest Development Corporation 173 P. Gomez St. San Juan, M.Mla.</i>	N.A.	Filipino	<i>8,000,000,000 (R)</i>	<i>100%</i>
<i>Common</i>	<i>Filinvest Development Corporation</i>	N.A.	Filipino	<i>12,969,648,868 (R)</i>	<i>53.48%</i>
<i>Common</i>	<i>PCD Nominee Corporation (Non-Filipino) G/F, Philippine Stock Exchange Tower</i>	Total Shares	Non-Filipino	<i>5,964,244,971 (R)</i>	<i>24.60%</i>

Common	Ayala Avenue, Makati City	[Hong Kong Shanghai Banking Corp./ Depository]		[1,628,972,494 (B)]	[6.71%]
		[Hong Kong Shanghai Banking Corp./ Depository]		[1,215,705,030 (B)]	[5.01%]
	PCD Nominee Corporation (Filipino) G/F, Philippine Stock Exchange Tower, Ayala Avenue, Makati City	(No single shareholder owns at least 5% of total shares)	Filipino	4,846,948,118 (R)	19.81%

Total number of shares of all record and beneficial owners as a group is 8,000,000,000 preferred shares representing 100% of the total outstanding preferred shares, and 24,249,759,506 common shares representing 100% of the total outstanding common shares.

11.2. Security Ownership of Management as of December 31, 2010

Class of Securities	Name and Address	Amount and Nature of Ownership	Citizenship	% of Ownership
Common	Andrew L. Gotianun, Sr. 173 P. Gomez St. San Juan MM	76 (D)	Filipino	Negligible
Common	Andrew T. Gotianum Jr. 173 P. Gomez St. San Juan MM	406,571 (D)	Filipino	"
Common	Joseph M. Yap 173 P. Gomez St. San Juan MM	2,781,829 (D)	Filipino	"
Common	Lourdes Josephine G. Yap 173 P. Gomez St. San Juan MM	76 (D)	Filipino	"
Common	Jonathan T. Gotianum 173 P. Gomez St. San Juan MM	61 (D)	Filipino	"

Common	Michael Edward T. Gotianum 173 P. Gomez St. San Juan MM	11,235,913 (D)	Filipino	0.05%
Common	Efren C. Gutierrez 173 P. Gomez St. San Juan MM	13,083 (D)	Filipino	Negligible
Common	Lamberto U. Ocampo 173 P. Gomez St. San Juan MM	1 (D)	Filipino	"
Common	Cornelio C. Gison c/o 173 P. Gomez St. San Juan MM	1 (D)	Filipino	"
Common	Cirilo T. Tolosa c/o 173 P. Gomez St. San Juan MM	1 (D)	Filipino	"
Common	Joseph and Josephine Yap 173 P. Gomez St. San Juan MM	7,694,843 (D)	Filipino	0.03%
Common	Luis T. Fernandez 173 P. Gomez St. San Juan MM	4,064,940 (D)	Filipino	0.02%

Total ownership of all directors and officers as a group is 0.17%. Interests of the above directors/executive officers in the Company's common shares are direct.

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

11.3. Voting Trust Holders of 5% or more

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

11.4. Changes in Control

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

Item 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

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

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

PART IV - COMPLIANCE WITH LEADING PRACTICES ON CORPORATE GOVERNANCE

FLI's Manual on Corporate Governance was approved on August 29, 2002 in order to monitor and assess the FLI's compliance with leading practices on good corporate governance as specified in its Corporate Governance Manual and Philippine SEC circulars. The Manual on Corporate Governance highlights areas for compliance improvement and sets out actions to be taken by FLI. FLI submits a certificate attesting to compliance with the Manual to the Philippine SEC and the PSE before the end of each year. FLI began submitting the certificate of compliance to the Philippine SEC and the PSE in 2003.

FLI is in substantial compliance with its Manual for Corporate Governance as demonstrated by the following: (a) the election of two (2) independent directors to the Board; (b) the appointment of members of the audit, nomination and compensation committees; (c) the conduct of regular quarterly board meetings and special meetings, the faithful attendance of the directors at these meetings and their proper discharge of duties and responsibilities as such directors; (d) the submission to the SEC of reports and disclosures required under the Securities Regulation Code; (e) FLI's adherence to national and local laws pertaining to its operations; and (f) the observance of applicable accounting standards by FLI.

In order to keep itself abreast with the leading practices on corporate governance, FLI encourages the members of top level management and the Board to attend and participate at seminars on corporate governance initiated by accredited institutions. Furthermore, FLI has also raised its level of reporting to adopt and implement prescribed International Accounting Standards.

On February 28, 2011, FLI has filed a Revised Manual on Corporate Governance in compliance with the directive of the SEC on additional mandatory provisions to be incorporated thereto.

FLI welcomes proposals, especially from institutions and entities such as the SEC, PSE and the Institute of Corporate Directors, to improve corporate governance.

There is no known material deviation from FLI's Manual on Corporate Governance.

PART V – EXHIBITS AND SCHEDULES

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

a) Exhibits

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

b) Reports on SEC Form 17-C

The following reports on SEC Form 17-C were filed during the last six-month period of 2010:

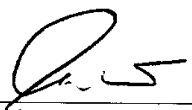
Report Date	Items Reported
15-Dec-10	Circulation of press release entitled "Filinvest Land's Sales Take-Up Grew 48% Year-to-Date November 2010" which announced that sales take-up for the period January to November 2010 reached PhP 8.9 billion, 48% more than the PhP 6.0 billion generated during the same period in 2009.

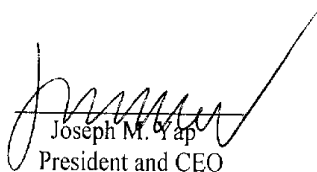
13-Dec-10	Circulation of press release entitled " Filinvest Land's Cebu Projects in Full Swing" which announced that FLI recently broke ground on the first of its mid-rise building projects within Citta de Mare, in the South Road Properties, Cebu. Amalfi Oasis is one of the mid-rise building communities FLI is developing within the 50.5-hectare Citta de Mare, under a joint venture with the Cebu City Government.
12-Nov-10	Circulation of press release entitled " Filinvest Land's Net Income jumps by 66% in the first nine months of 2010" which announced that FLI reported its net income for the first nine months of 2010 increased significantly to PhP 1.991 billion or 66% more than the PhP 1.198 billion earned during the same period in 2009.
14-Oct-10	Informing the SEC, that Mr. Francis V. Ceballos joined the company as Senior Vice President and Cluster Head for its North/East Townships, Regional Luzon and Brentville Projects. Informing also the SEC that Ms. Grace Marie M. Bada likewise joined the company as Vice President for Information Technology.
13-Aug-10	Circulation of press release entitled "FLI Net Income Jumps 31% in First Half 2010" which announced that FLI reported its net income for the first half of 2010 jumped to PhP 998 million, 31% more than the PhP 759 million reported in the first half of 2009.
4-Aug-10	Informing SEC, that at the regular meeting of the Board of Directors of FLI on August 04, 2010, Mr. Andrew L. Gotianun, Sr. tendered his resignation as Chairman of the Executive Committee effective immediately, and nominated Mrs. Josephine Gotianun-Yap as his replacement. The Board accepted the resignation of Mr. Gotianun and elected Mrs. Josephine Gotianun-Yap as the new Chairman of the Executive Committee. On the matter of appointment of the Company's external auditor, the Board considered the recommendation of the Audit Committee and affirmed the re-appointment of SGV & Co. as the Corporation's External Auditor for year 2010.


SIGNATURES

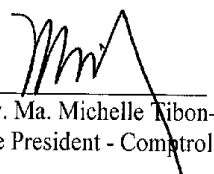
Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of San Juan, Metro Manila on April 13, 2011.

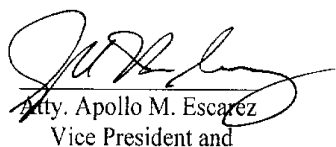
By:


 Andrew L. Gotianun, Sr.
 Chairman


 Joseph M. Yap
 President and CEO


 Nelson M. Bona
 Chief Financial Officer



 Atty. Ma. Michelle Tibon-Judan
 Vice President - Comptroller


 Atty. Apollo M. Escarez
 Vice President and
 Corporate Information Officer

SUBSCRIBED AND SWORN to before me this APR 13 2011 affiants exhibiting to me their Community Tax Certificates, as follows:

Names	Comm. Tax		Place of Issue
	Cert No.	Date of Issue	
Andrew L. Gotianun, Sr.	23266609	2/17/11	San Juan
Joseph M. Yap	23266613	2/17/11	San Juan
Nelson M. Bona	30795237	1/19/11	San Juan
Atty. Apollo M. Escarez	11969119	1/07/11	San Juan
Atty. Ma. Michelle Tibon-Judan	24409277	2/25/11	Mandaluyong

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 Page No. 26
 Book No. 7X
 Series of 2011


AVELIO L. SALCEDO
 NOTARY PUBLIC
 NOT. COM. NO. 52 - 2010
 UNTIL DECEMBER 31, 2012
 PARANGAL CITY
 PTR NO. 9252526 / 1-3-11/PARANAGAL
 IBP NO. 940151 / 1-6-11/PASAY
 ROLL NO. 38149

INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

Form 17 A, Item 7

Consolidated Financial Statements

Statement of Management's Responsibility for Financial Statements
Report of Independent Public Accountant
Report of Independent Auditors on Supplementary Schedules
Consolidated Balance Sheets as of December 31, 2010 and 2009
Consolidated Statement of Income and Retained Earnings for the years
ended December 31, 2010, 2009 and 2008
Consolidated Statements of Cash Flows for the years
ended December 31, 2010, 2009 and 2008
Notes to Consolidated Financial Statements

Supplementary Schedules

A. Marketable Securities	See Note 6, page 28 *
B. Accounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders	See Note 8, page 30 *
C. Investment in Securities	See Note 11, page 32 *
D. Advances to Unconsolidated Subsidiaries and Affiliates	See Note 18, page 39-40 *
E. Property, Plant and Equipment	See Note 13, page 35 *
F. Accumulated Depreciation	See Note 13, page 35 *
G. Intangible Assets – Other Assets	See Note 14, page 35-36 *
H. Long-Term Debt	See Note 16, page 36-39 *
I. Bonds Payable	See Note 17, page 39 *
J. Indebtedness to Affiliates and Related Parties (Long-Term Loans from Related Companies)	See Note 18, page 39-40 *
K. Guarantees of Securities of Other Issuers	See Note 18, page 39-40 *
L. Capital Stock	See Note 26, page 46 *

* Accompanying Notes to Audited Consolidated Financial Statements

March 16, 2011

**Statement of Management's Responsibility
For Financial Statements**

The management of FILINVEST LAND, INC. is responsible for all information and representations contained in the financial statements for the year ended December 31, 2010. The financial statements have been prepared in conformity with generally accepted accounting principles in the Philippines and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

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

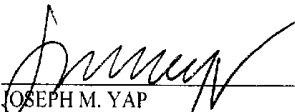
The Board of Directors reviews the financial statements before such statements are approved and submitted to the stockholders of the Company.

SyCip Gorres Velayo & Co, the independent auditors appointed by the stockholders, has examined the financial statements of the Company in accordance with generally accepted auditing standards in the Philippines and has expressed its opinion on the fairness of presentation upon completion of such examination, in its report to the Board of Directors and stockholders.


Signed under oath by the following:



ANDREW L. GOTIANUN SR.
Chairman



JOSEPH M. YAP
President & Chief Executive Officer



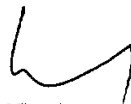
NELSON M. BONA
Chief Financial Officer

REPUBLIC OF THE PHILIPPINES)
PARANAQUE CITY, METRO MANILA) S.S.

SUBSCRIBED AND SWORN to me this MAR 16 2011 day of 2011 in San Juan, Metro Manila, personally appeared the following who exhibited to me their respective Residence Certificate:

<u>Name</u>	<u>Community Tax Cert. Number</u>	<u>Date of Issue</u>	<u>Place of Issue</u>
Andrew L. Gotianun Sr.	23266609	2/17/2011	San Juan
Joseph M. Yap	23266613	2/17/2011	San Juan
Nelson M. Bona	30795237	1/19/2011	San Juan

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Page No. 35
Book No. VII
Series of 2011.


AVELIO L. SALEDU
NOTARY PUBLIC
NOT. COM. NO. 52 - 2010
UNTIL DECEMBER 31, 2012
PARANAQUE CITY
PTR NO. 9262526 / 1-3-11/PARANAQUE
CP. P.R. 846151 / 1-6-11/PASAY
RPL NO. 38149



Filinvest Land, Inc. and Subsidiaries

Consolidated Financial Statements
December 31, 2010 and 2009
and Years Ended December 31, 2010, 2009 and 2008

and

Independent Auditors' Report

SyCip Gorres Velayo & Co.

SGV&Co
ERNST & YOUNG

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Filinvest Land, Inc.
173 P. Gomez Street
San Juan, Metro Manila

We have audited the accompanying consolidated financial statements of Filinvest Land, Inc. and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2010 and 2009, and the consolidated statements of income, statements of comprehensive income, statements of changes in equity and 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 consolidated 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 consolidated financial statements are free from material misstatements.

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

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



Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Filinvest Land, Inc. and its subsidiaries as at 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.

Cyril Jasmin B. Valencia
Cyril Jasmin B. Valencia

Partner

CPA Certificate No. 90787

SEC Accreditation No. 0782-A

Tax Identification No. 162-410-623

BIR Accreditation No. 08-001998-74-2009,
June 1, 2009, Valid until May 31, 2012

PTR No. 2641572, January 3, 2011, Makati City

March 16, 2011



FILINVEST LAND, INC. AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

(Amounts in Thousands of Pesos)

	December 31	
	2010	2009
ASSETS		
Cash and cash equivalents (Notes 4, 6, 18, 19 and 29)	₱1,758,725	₱5,757,272
Contracts receivable (Notes 4, 7, 19 and 29)	7,845,871	7,570,778
Due from related parties (Notes 18, 19 and 29)	185,922	187,269
Other receivables (Notes 4, 8, 19 and 29)	1,603,566	1,423,691
Available-for-sale financial assets (Notes 3, 10 and 29)	123,070	269,798
Real estate inventories (Notes 4, 9 and 19)	27,948,816	22,998,388
Investment in an associate (Notes 11 and 27)	4,276,391	3,859,380
Investment properties (Notes 3, 4, 12 and 19)	11,599,167	9,937,851
Property and equipment (Notes 3, 4, 13 and 19)	1,474,952	995,776
Goodwill (Notes 1, 3 and 4)	4,567,242	5,445,488
Deferred tax assets (Notes 19 and 28)	15,312	10,873
Other assets (Notes 4, 14 and 19)	467,703	458,661
	₱61,866,737	₱58,915,225
LIABILITIES AND EQUITY		
Liabilities		
Accounts payable and accrued expenses (Notes 4, 7, 15, 19 and 29)	₱6,340,028	₱6,154,250
Income tax payable (Notes 4 and 28)	163,870	72,566
Due to related parties (Notes 18, 19 and 29)	82,643	46,720
Loans payable (Notes 4, 16, 19 and 29)	6,961,167	6,984,800
Bonds payable (Notes 17 and 29)	4,949,241	4,936,405
Retirement liabilities (Notes 3 and 24)	48,440	37,398
Deferred tax liabilities - net (Notes 4, 19 and 28)	1,630,097	1,505,613
Total Liabilities	20,175,486	19,737,752
Equity		
Common stock (Notes 1 and 26)	24,470,708	24,470,708
Preferred stock (Note 26)	80,000	80,000
Additional paid-in capital	5,612,321	5,612,321
Treasury stock (Note 26)	(221,041)	(221,041)
Retained earnings (Note 26)	9,513,666	7,361,682
Revaluation reserve on available-for-sale financial assets (Note 10)	(2,619)	(2,619)
Share in revaluation increment on land at deemed cost of an associate (Note 11)	1,876,422	1,876,422
Share in other components of equity of an associate (Note 11)	361,794	-
Total Equity	41,691,251	39,177,473
	₱61,866,737	₱58,915,225

See accompanying Notes to Consolidated Financial Statements.

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

	Years Ended December 31		
	2010	2009	2008
REVENUE AND OTHER INCOME (Note 19)			
Real estate sales	₱5,652,374	₱3,674,751	₱3,507,560
Rental income (Notes 12 and 25)	1,411,269	1,187,442	1,134,530
Interest income (Notes 7 and 22)	565,355	400,708	370,243
Gain from remeasurement of previously held interest in a business combination (Note 4)	517,240	–	–
Equity in net earnings of an associate (Note 11)	55,217	37,527	67,569
Excess of fair value of net identifiable assets over consideration transferred in a business combination (Note 4)	9,058	–	–
Foreign currency exchange gain - net	8,565	2,404	7,347
Others (Notes 18 and 23)	502,952	380,981	217,563
	8,722,030	5,683,813	5,304,812
COSTS AND EXPENSES (Note 19)			
Costs of real estate sales	2,996,824	1,788,853	1,585,592
General and administrative expenses (Notes 20 and 24)	1,200,988	1,039,990	995,458
Selling and marketing expenses (Note 21)	593,588	480,215	483,867
Interest and other finance charges (Notes 16, 17 and 22)	416,655	208,281	108,231
	5,208,055	3,517,339	3,173,148
INCOME BEFORE INCOME TAX	3,513,975	2,166,474	2,131,664
PROVISION FOR (BENEFIT FROM) INCOME TAX (Notes 19 and 28)			
Current	475,029	253,351	377,744
Deferred	86,720	(105,077)	(113,081)
	561,749	148,274	264,663
NET INCOME (Note 27)	₱2,952,226	₱2,018,200	₱1,867,001
EARNINGS PER SHARE (Note 27)			
Basic / Diluted	₱0.12	₱0.09	₱0.08

See accompanying Notes to Consolidated Financial Statements.



FILINVEST LAND, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in Thousands of Pesos)

	Years Ended December 31		
	2010	2009	2008
NET INCOME FOR THE PERIOD	₱2,952,226	₱2,018,200	₱1,867,001
OTHER COMPREHENSIVE INCOME			
Share in other components of equity of an associate (Note 11)	361,794	—	—
TOTAL COMPREHENSIVE INCOME	₱3,314,020	₱2,018,200	₱1,867,001

See accompanying Notes to Consolidated Financial Statements.



FILINVEST LAND, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Amounts in Thousands of Pesos)

	Common Stock (Note 26)	Preferred Stock (Note 26)	Additional Paid-in Capital	Treasury Stock (Note 26)	Retained Earnings	Revaluation Reserve on Available-for-sale Financial Assets (Note 10)	Share in Revaluation Increment on Land at Deemed Cost of an Associate (Note 11)	Share in Other Components of Equity of an Associate (Note 11)	Total
	For the Year Ended December 31, 2010								
Balances as of January 1, 2010	₱24,470,708	₱80,000	₱5,612,321	(₱221,041)	₱7,361,682	(₱2,619)	₱1,876,422	₱-	₱39,177,473
Comprehensive income									
Net income for the year	-	-	-	-	2,952,226	-	-	-	2,952,226
Share in other components of equity of an associate (Note 11)	-	-	-	-	-	-	-	361,794	361,794
Dividends (Note 26)	-	-	-	-	(800,242)	-	-	-	(800,242)
Balances as of December 31, 2010	₱24,470,708	₱80,000	₱5,612,321	(₱221,041)	₱9,513,666	(₱2,619)	₱1,876,422	₱361,794	₱41,691,251
	For the Year Ended December 31, 2009								
Balances as of January 1, 2009	₱24,470,708	₱80,000	₱5,612,321	(₱221,041)	₱6,143,724	(₱2,619)	₱1,876,422	₱-	₱37,959,515
Comprehensive income									
Net income for the year	-	-	-	-	2,018,200	-	-	-	2,018,200
Dividends (Note 26)	-	-	-	-	(800,242)	-	-	-	(800,242)
Balances as of December 31, 2009	₱24,470,708	₱80,000	₱5,612,321	(₱221,041)	₱7,361,682	(₱2,619)	₱1,876,422	₱-	₱39,177,473

(Forward)



FILINVEST LAND, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in Thousands of Pesos)

	Years Ended December 31		
	2010	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	₱3,513,975	₱2,166,474	₱2,131,664
Adjustments for:			
Interest expense (Note 22)	377,537	179,930	67,704
Depreciation and amortization (Notes 12 and 13)	269,398	247,479	238,402
Interest income (Note 22)	(565,355)	(400,708)	(370,243)
Gain from remeasurement of previously held interest in a business combination (Note 4)	(517,240)	–	–
Equity in net earnings of an associate (Note 11)	(55,217)	(37,527)	(67,569)
Excess of fair value of net identifiable assets over consideration transferred in a business combination (Note 4)	(9,058)	–	–
Dividend income	(772)	(1,548)	(6,610)
Gain on sale of investment property (Note 12)	–	(14,454)	–
Operating income before changes in operating assets and liabilities	3,013,268	2,139,646	1,993,348
Changes in operating assets and liabilities			
Decrease (increase) in:			
Contracts receivable	(183,205)	201,038	(1,027,789)
Due from related parties	42,636	(105,276)	(1,189)
Other receivables	(163,173)	163,270	(191,854)
Real estate inventories - net of raw land acquisitions	(2,673,950)	(1,429,335)	(2,151,944)
Other assets	3,365	(74,753)	(60,095)
Increase (decrease) in:			
Accounts payable and accrued expenses	(351,777)	(121,951)	1,073,197
Retirement liabilities (Note 24)	11,042	4,707	9,039
Net cash generated from (used in) operations	(301,794)	777,346	(357,287)
Interest received	572,311	390,927	366,863
Dividends received	772	1,548	6,610
Income taxes paid	(384,929)	(291,230)	(351,663)
Net cash provided by (used in) operating activities	(113,640)	878,591	(335,477)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of raw land	(762,241)	(506,713)	(985,643)
Acquisition of businesses - net of cash acquired (Note 4)	(920,698)	–	–
Acquisitions of investment properties and property and equipment (Notes 12 and 13)	(221,422)	(163,678)	(471,098)
Acquisitions of available-for-sale securities	(95,444)	(219,910)	–
Proceeds from sale of investment properties (Note 12)	–	35,679	–
Proceeds from maturity of available-for-sale securities (Note 10)	242,172	–	–
Net cash used in investing activities	(1,757,633)	(854,622)	(1,456,741)

(Forward)



	Years Ended December 31		
	2010	2009	2008
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from loans availment (Note 16)	₱120,000	₱-	₱4,290,000
Proceeds from bond offering (Note 17)	-	4,936,405	-
Payments of cash dividend (Note 26)	(800,242)	(800,242)	(485,717)
Payments of loans payable (Note 16)	(606,833)	(61,600)	(901,064)
Interest paid	(876,122)	(571,783)	(403,765)
Increase (decrease) in amounts due to related parties	35,923	(202,495)	217,102
Acquisition of treasury shares (Note 26)	-	-	(221,041)
Net cash provided by (used in) financing activities	(2,127,274)	3,300,285	2,495,515
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,998,547)	3,324,254	703,297
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	5,757,272	2,433,018	1,729,721
CASH AND CASH EQUIVALENTS AT END OF YEAR	₱1,758,725	₱5,757,272	₱2,433,018

See accompanying Notes to Consolidated Financial Statements.



FILINVEST LAND, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

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

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

In September 2006, the Group entered into a series of transactions pursuant to which it acquired (1) 60% ownership interest in Filinvest Asia Corporation (FAC) from FDC; (2) 60% ownership interest in Cyberzone Properties, Inc. (CPI) from Filinvest Alabang, Inc. (FAI); and (3) Festival Supermall structure from FAI. In exchange for acquiring these assets, the Group issued a total of about 5.64 billion common shares to FDC and FAI and assumed ₱2.50 billion outstanding debts of FDC and FAI. The business combinations resulted in the recognition of goodwill amounting to ₱5.44 billion, which comprises the fair value of expected synergies arising from the acquisitions.

In September 2006, the Group also entered into a joint venture agreement with Africa Israel Investments (Phils.), Inc. (AIIPI) to undertake the development of a club and portion of a land in San Mateo, Rizal by incorporation of Filinvest AII Philippines Inc. (FAPI).

On February 8, 2010, the Parent Company acquired the remaining 40% interests in CPI from Africa-Israel Properties (Phils.), Inc. (AIPPI) and FAPI from Africa-Israel Investments (Phils.), Inc. (AIIPI) to obtain control from the previous joint ventures. Prior to the acquisition, the Parent Company accounted for its investments in the joint ventures under the proportionate consolidation. The acquisition resulted in CPI and FAPI becoming wholly-owned subsidiaries of the Parent Company. The acquisition of the joint ventures’ interests was accounted for as business combination (see Note 4).

The accompanying consolidated financial statements were approved and authorized for issue by the Board of Directors (BOD) on March 16, 2011.

2. Summary of Significant Accounting Policies

Basis of Preparation

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



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

Statement of Compliance

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

Basis of Consolidation

The consolidated financial statements include the accounts of the Parent Company and the following subsidiaries, and the corresponding percentages of ownership as at December 31:

	2010	2009	2008
FAPI*	100%	–	–
CPI*	100%	–	–
Homepro Realty Marketing, Inc. (Homepro)	100%	100%	100%
Property Maximizer Professional Corp. (Promax)	100%	100%	100%
Property Specialist Resources, Inc. (Prosper)	100%	100%	100%
Leisurepro, Inc. (Leisurepro)	100%	100%	100%

The Group's share of the assets, liabilities and net income of the following joint ventures are proportionately consolidated into the Group's consolidated financial statements as at December 31:

	2010	2009	2008
FAC	60%	60%	60%
CPI*	–	60%	60%
FAPI*	–	60%	60%

**In 2010, CPI and FAPI became wholly owned subsidiaries of the Parent Company (see Note 4).*

These entities are treated as joint ventures despite the Group's interest of above 50% due to the existence of contractual arrangements between the parties and certain special voting rights requiring consent from both the Group and the other venturers in making strategic and financial decisions.

The financial statements of the subsidiaries, joint ventures and associate are prepared for the same reporting period as the Parent Company using consistent accounting policies.

Basis of Consolidation from to January 1, 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. All intragroup balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full.

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:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Recognizes the fair value of the consideration received



- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the Group'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

The above mentioned requirements were applied on a prospective basis. Acquisition of noncontrolling interests, prior to January 1, 2010, was 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. These transactions were not restated and were carried forward.

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and amended PFRS and Philippine Interpretations which became effective on 1 January 2010. Except as otherwise indicated, the adoption of these new accounting standards and amendments have no material impact to the Group's financial statements.

- PFRS 2, *Share-based Payment (Amendment) – Group Cash-settled Share-based Payment Transactions*, clarifies the scope and the accounting for group cash-settled share-based payment transactions. The Group adopted this amendment as of January 1, 2010.
- Revised PFRS 3, *Business Combinations* and Amended PAS 27, *Consolidated and Separate Financial Statements*. The revised standards are effective for annual periods beginning on or after July 1, 2009. The revised PFRS 3 introduces significant changes in the accounting for business combinations occurring after this date. Changes affect the valuation of noncontrolling 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. The amended PAS 27 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 accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The revised PFRS 3 was applied by the Group in its business combination transactions (see Note 4). The accounting policies of the Group were updated accordingly and were applied prospectively.

Business combinations from 1 January 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 noncontrolling interest in the acquiree. For each business combination, the Group measures the noncontrolling 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 Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date and recognized in the statement of income. Any contingent consideration to be transferred by the Group 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 statement of income 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 noncontrolling 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 statement of income.

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 1 January 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 noncontrolling 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 are recognized as part of goodwill.

- Philippine Interpretation IFRIC 17, *Distributions of Non-cash Assets to Owners*, provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends.

Improvements to PFRSs

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



Improvements to PFRSs 2008

- PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, clarifies that when a subsidiary is classified as held for sale, all its assets and liabilities are classified as held for sale, even when the entity remains a noncontrolling interest after the sale transaction. The amendment is applied prospectively.

Improvements to PFRSs 2009

- PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, 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. The amendment is applied prospectively.
- PFRS 8, *Operating Segments*, 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.
- PAS 7, *Statement of Cash Flows*, states that only expenditure that results in recognizing an asset can be classified as a cash flow from investing activities. This amendment will impact among others, the presentation in the statement of cash flows of the contingent consideration on the business combination completed starting 2010 upon cash settlement.
- PAS 36, *Impairment of Assets*, 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.
- Other amendments resulting from the 2009 Improvements to PFRSs to the following standards did not have any impact on the accounting policies, financial position or performance of the Group.
 - PFRS 2, *Share-based Payment*
 - PAS 1, *Presentation of Financial Statements*
 - PAS 17, *Leases*
 - PAS 38, *Intangible Assets*
 - PAS 39, *Financial Instruments: Recognition and Measurement*
 - Philippine Interpretation IFRIC-9, *Reassessment of Embedded Derivatives*
 - Philippine Interpretation IFRIC-16, *Hedges of a Net Investment in a Foreign Operation*

Standards Issued but not yet Effective

Standards, interpretations, amendments to standards and improvements to standards issued but not yet effective up to the date of issuances of the Group's consolidated financial statements are listed below. The Group will adopt these standards and interpretations when these become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended standards and interpretations to have significant impact on its consolidated financial statements.

- PAS 24, *Related Party Disclosures* (Amended), is effective for annual periods beginning on or after 1 January 2011. It clarifies 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*, is effective for annual periods beginning on or after 1 February 2010 and 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.
- PAS 12, *Income Taxes (Amendment) – Deferred Tax: Recovery of Underlying Assets*, 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. The Group will assess the impact to its financial statements when the amendment becomes effective.
- 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 1 July 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.
- PFRS 9, *Financial Instruments: Classification and Measurement*, 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 1 January 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.
- Philippine Interpretation IFRIC 14 (Amendment), *Prepayments of a Minimum Funding Requirement*, is effective for annual periods beginning on or after 1 January 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 15, *Agreements for the Construction of Real Estate*
This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as a 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 rewards of ownership are transferred to the buyer on a continuous basis will also be accounted for based on the stage of completion. This interpretation is effective January 1, 2012.



The Group expects that the adoption of this interpretation will impact the revenue recognition on its selected high rise and medium rise projects. The Group is currently quantifying the impact of adoption of this standard.

- Philippine Interpretation IFRIC 19, *Extinguishing Financial Liabilities with Equity Instruments* is effective for annual periods beginning on or after 1 July 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 IFRSs is an omnibus of amendments to PFRSs. The amendments have not been adopted as they become effective for annual periods on or after either 1 July 2010 or 1 January 2011. The amendments listed below, are considered to have a reasonable possible impact on the Group:
 - PFRS 3, *Business Combinations*
 - PFRS 7, *Financial Instruments: Disclosures*
 - PAS 1, *Presentation of Financial Statements*
 - PAS 27, *Consolidated and Separate Financial Statements*
 - Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes*

Accounting Policies

Financial Assets and Liabilities

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. In the case of a regular way purchase or sale of financial assets, recognition is done using settlement date accounting. Transaction costs are included in the initial measurement of all financial assets and liabilities, except for financial instruments which are measured at fair value through profit or loss (FVPL).

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

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include discounted cash flow methodologies, comparison to similar instruments for which market observable prices exist, option pricing models, and other relevant valuation models. In the absence of a reliable basis of determining fair value, investments in unquoted equity securities are carried at cost net of impairment, if any.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to



holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits. Financial instruments are offset when there is a legally enforceable right to offset and intention to settle either on a net basis or to realize the asset and settle the liability simultaneously.

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

As of December 31, 2010 and 2009, the Group has no financial assets or liabilities at FVPL and HTM financial assets.

Loans and Receivables

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

Included under this category are the Group's cash and cash equivalents, contracts receivable, other receivables and due from related parties (see Notes 6, 7, 8, 18 and 29).

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

AFS Financial Assets

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

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

Included under this category are the Group's investments in bonds and quoted and unquoted shares of stocks (see Notes 10 and 29).

Other Financial Liabilities at Amortized Cost

Other financial liabilities at amortized cost pertain to issued financial instruments or their components that are not classified or designated at FVPL and contain contractual obligations to



deliver cash or another financial asset to the holder or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

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

Other financial liabilities at amortized cost consist primarily of accounts payable and accrued expenses, loans payable, bonds payable and due to related parties (see Notes 15, 16, 17, 18 and 29).

Impairment of Financial Assets

The Group assesses at each reporting date whether a financial asset is impaired.

Assets Carried at Amortized Cost

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

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

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the consolidated statement of income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

AFS Financial Assets

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

In case of equity investments classified as AFS, 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. 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.



In the case of debt instruments classified as AFS financial asset, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Interest continues to be accrued at the original effective interest rate on the reduced carrying amount of the asset and is recorded as part of interest income in the consolidated statement of income. If, in subsequent year, the fair value of a debt instrument increased 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.

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Derecognition of Financial Assets and Liabilities

Financial Assets

A financial asset is derecognized when (a) the rights to receive cash flows from the asset have expired, (b) the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement or (c) the Group has transferred its rights to receive cash flows from the asset and has either transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

Financial Liabilities

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

Real Estate Inventories

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

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



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

Investment in an Associate

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

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

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

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

Interests in Joint Ventures

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

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

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

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



Investment Properties

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

Depreciation of investment properties is computed using the straight-line method over their useful lives. Buildings and ready-built factories are depreciated over their estimated useful lives of 20 to 50 years. Machinery and equipment are depreciated over their estimated useful lives of 5 years.

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

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

Transfers between investment property, owner-occupied property and inventories do not change the carrying amount of the property transferred and they do not change the cost of that property for measurement or disclosure purposes.

Property and Equipment

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

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

Expenditures incurred after the property and equipment have been put into operations, such as repairs and maintenance and overhaul costs, are normally charged to income in the year in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

Depreciation is computed on the straight-line basis over the estimated useful lives of the assets, as follows:

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



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

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

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

Impairment of Nonfinancial Assets

The carrying values of assets (e.g., real estate inventories, investment in an associate, property and equipment, and investment properties) are reviewed for impairment when events or changes in circumstances indicate the carrying values may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, the assets or cash-generating units are written down to their recoverable amounts. The recoverable amount of the asset is the greater of fair value less cost to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in the consolidated statement of income.

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

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

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

Earnings Per Share (EPS)

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

Diluted EPS is computed by dividing net income by the weighted average number of common shares outstanding during the period, after giving retroactive effect for any stock dividends, stock splits or reverse stock splits during the period, and adjusted for the effect of dilutive options and



dilutive convertible preferred shares. If the required dividends to be declared on convertible preferred shares divided by the number of equivalent common shares, assuming such shares are converted would decrease the basic EPS, then such convertible preferred shares would be deemed dilutive.

Where the effect of the assumed conversion of the preferred shares and the exercise of all outstanding options have anti-dilutive effect, basic and diluted EPS are stated at the same amount.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. In arrangements where the Group is acting as principal to its customers, revenue is recognized on a gross basis. However, if the Group is acting as an agent to its customers, only the amount of net commission retained is recognized as revenue. The following specific recognition criteria must also be met before revenue is recognized:

Real Estate Sales

Real estate revenue and cost from substantially completed projects is accounted for using the full accrual method. The percentage-of-completion method is used to recognize revenue from sales of projects where the Group has material obligations under the sales contract to complete the project after the property is sold. Under this method, revenue is recognized as the related obligations are fulfilled, measured principally on the basis of the estimated completion of a physical proportion of the contract work.

Any excess of collections over the recognized receivables are included in the “Accounts payable and accrued expenses” account in the liabilities section of the consolidated statement of financial position.

Collections from accounts which are not yet qualified for revenue recognition are treated as customer deposits included in the “Accounts payable and accrued expenses” account in the consolidated statement of financial position.

Rental Income

Rental income arising from investment property is recognized in the consolidated statement of income either on a straight-line basis over the lease term or based on a certain percentage of the gross revenue of the tenants, as provided under the terms of the lease contract.

Interest Income

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

Dividend Income

Dividend income is recognized when the Group’s right to receive the payment is established. Dividend income is included in the “Other income” account in the consolidated statement of income.

Management Fees

Management fees from administration, property management and other activities are recognized when services are rendered. Management fees are included in the “Other income” account in the consolidated statement of income.



Expenses

“General and administrative expenses” and “Selling and marketing expenses” are expenses that are incurred in the course of the ordinary operations of the Group. These usually take the form of an outflow or depletion of assets such as cash and cash equivalents, real estate inventories, property and equipment and investment properties. Selling and marketing expenses are costs incurred to sell real estate inventories, which include commissions, advertising and promotions, among others. General and administrative expenses constitute costs of administering the business.

Expenses are recognized in the consolidated statement of income as incurred.

Retirement Costs

Retirement costs on the Group’s defined benefit retirement plan are actuarially computed using the projected unit credit valuation method. This method reflects services rendered by employees up to the date of valuation and incorporates assumptions concerning employees’ projected salaries.

Actuarial valuations are conducted with sufficient regularity, with option to accelerate when significant changes to underlying assumptions occur. Retirement cost includes current service cost, interest cost, expected return on any plan assets, actuarial gains and losses and the effect of any curtailment or settlement.

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

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

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. Commission expense is included in the “Selling and marketing expenses” account in the consolidated statement of income.

Borrowing Costs

Borrowing costs are capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset. Qualifying assets are assets that necessarily take a substantial period of time to get ready for its intended use or sale. Interest and other financing costs incurred during the construction period on borrowings used to finance property development are capitalized as part of development costs (included in “Real estate inventories” in the consolidated statement of financial position). Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Capitalization of borrowing costs ceases when substantially all the activities necessary to prepare the asset for its intended sale are completed. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded.



All other borrowing costs are expensed as incurred.

Foreign Currency-Denominated Transactions

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

Equity

The Group records common and preferred stocks at par value and additional paid-in capital as the excess of the total contributions received over the aggregate par values of the equity shares. The Group considers the underlying substance and economic reality of its own equity instrument and not merely its legal form in determining its proper classification. When any member of the Group purchases the Parent Company's capital stock (treasury shares), the consideration paid, including any attributable incremental costs, is deducted from equity until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related tax effects is included in consolidated equity.

Retained earnings represents accumulated earnings of the Group less dividends declared.

Treasury Shares

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

Income Taxes

Current Tax

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

Deferred Tax

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

Deferred income tax liabilities are recognized for all taxable temporary differences, except; (a) where deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and (b) in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.



Deferred income tax assets are recognized for all deductible temporary differences, carryforward benefit of the excess of minimum corporate income tax (MCIT) over 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 of MCIT and unused NOLCO can be utilized.

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 all or part of the deferred tax asset to be utilized.

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

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

Operating Leases

Group as Lessor

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

Group as Lessee

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

Segment Reporting

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on business segments is presented in Note 5 to the consolidated financial statements.

Provisions

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

Contingencies

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



Events after the Reporting Date

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

3. Significant Accounting Judgments and Estimates

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

Management's Use of Estimates

The key assumptions concerning the future and other key sources of estimation of 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:

a. *Fair valuation in business combination*

In relation to the Parent Company's acquisition of the remaining 40% share in CPI and in FAPI which were accounted for as business combinations (see Note 4), the Group hired the services of an independent valuer to determine the fair values of CPI's investment properties, and FAPI's inventories. The independent appraiser used income approach using discounted cash flow model.

Major assumptions used in the cashflows include rental rates, vacancy allowances and the discount rate. Discount rate used is 14% determined using capital asset pricing model while escalation of rental rates is assumed to be 5% per annum. Major assumptions used in the cashflows of FAPI's inventories include inventory selling price escalation, remaining development cost and the discount rate. Discount rate used is 13.5% determined using the capital asset pricing model. Escalation of real estate inventory prices is assumed to be 5% annually for lots and housing units and at 5% every two years for club shares.

For equity valuation of CPI, the independent valuer also determined the fair values of the additional facilities to be constructed in the future using income approach following the discounted cash flows model. Major assumptions used in the cashflows include the estimation of development costs, soft cost, development profit, market rent, annual escalation and vacancy allowance. Discount rate used is 14.5% determined using capital asset pricing model. For equity valuation of FAPI, the same major assumptions were used for the cashflows of FAPI's inventories as discussed above.



b. *Estimate on when the buyer's investment is qualified for revenue recognition on real estate sales*

Effective January 1, 2010, the Group changed the percentage being used to estimate on when the buyer's investment is considered adequate to meet the probability criteria that economic benefits will flow to the Group and warrant revenue recognition. Prior to 2010, the Group estimated the percentage to be at least 20% payment of the total selling price received from the buyer. The recent change in the Group's business focus on low to middle income segment, experience over the past years, and information gathered that other industry players are adopting the same threshold, prompted the Group to revisit and accordingly revise the estimate from payment of 20% to 10% of the total selling price. It is at this level of investment that it is highly probable that the buyer will commit to the sale transaction, and thus, it is probable that economic benefits will flow to the Group. The change in estimate increased the real estate sales by ₱1.09 billion and net income by ₱221.87 million for the year ended December 31, 2010.

c. *Evaluation of Impairment of Loans and Receivables*

The Group reviews loans and receivables, other than cash and cash equivalents, at each reporting date to assess whether an allowance for impairment should be recorded in the consolidated statements of income. If there is objective evidence that an impairment loss on loans and receivables, other than cash and cash equivalents, carried at amortized cost has been incurred, the carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of the loss shall be recognized in the consolidated statement of income.

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

The receivables are collateralized by the corresponding real estate properties sold. In few cases of buyer defaults, the Group can repossess the collateralized properties and resell them at the prevailing market prices.

The Group has an outstanding allowance for impairment loss on its receivables from tenants amounting to ₱54.09 million and ₱54.29 million as of December 31, 2010 and 2009, respectively (see Note 8).

The carrying values of loans and receivables amounted to ₱10.27 billion and ₱13.98 billion as of December 31, 2010 and 2009, respectively (see Note 29).



d. *Evaluation of Impairment of Available-for-sale Financial Assets*

The Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

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

As at December 31, 2010 and 2009, the Group did not recognize impairment on its AFS financial assets.

The carrying values of AFS financial assets amounted to ₱123.07 million and ₱269.80 million as of December 31, 2010 and 2009, respectively (see Notes 10 and 29).

e. *Estimating Useful Lives of Investment Properties and Property and Equipment*

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

The carrying value of investment properties amounted to ₱11.60 billion and ₱9.94 billion as of December 31, 2010 and 2009, respectively (see Note 12). The carrying value of property and equipment amounted to ₱1.47 billion and ₱995.78 million as of December 31, 2010 and 2009, respectively (see Note 13).

f. *Recognition of Deferred Taxes*

The Group reviews the carrying amounts of deferred taxes at each balance sheet 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 income tax assets to be utilized. However, there is no assurance that the Group will generate sufficient taxable profit to allow all or part of its deferred tax assets to be utilized. The carrying value of recognized net deferred tax assets amounted to ₱0.02 million and ₱0.01 million as of December 31, 2010 and 2009, respectively. The deductible temporary differences for which no deferred income tax assets were recognized amounted to ₱0.03 million and ₱0.02 million as of December 31, 2010 and 2009, respectively.

The carrying value of recognized net deferred tax liabilities amounted to ₱1.63 billion and ₱1.51 billion as of December 31, 2010 and 2009.



g. *Evaluation of Impairment on Nonfinancial Assets*

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

As at December 31, 2010 and 2009, the Group did not record impairment on any of its nonfinancial assets. The carrying value of the nonfinancial assets amounted to ₱45.30 billion and ₱37.79 billion as of December 31, 2010 and 2009, respectively.

h. *Evaluation of Impairment on Goodwill*

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. The Group's impairment test for goodwill is based on value-in-use calculations that use a discounted cash flow model. The Group availed of the services of an independent appraiser to compute for the value-in-use. The cash flows are derived from budget for the forecasted five (5) years and do not include restructuring activities that the Group is not yet committed to nor significant future investments that will enhance the asset base of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rates used.

The pre-tax discount rate used in 2010 is 14.5%. The pre-tax discount rates used in 2009 range from 11.75% to 14.41%. The discount rates are based on the yield of government bonds applicable to the term of forecast as of the valuation date adjusted to reflect the current market assessment of the risk specific to the cash generating units.

The growth rates used beyond the forecast period for different cash-generating units range from 5% to 10% in 2010 and 2009.

As of December 31, 2010 and 2009 the Group did not recognize any impairment on its goodwill. The carrying value of goodwill amounted to ₱4.57 billion and ₱5.45 billion as of December 31, 2010 and 2009, respectively.

i. *Estimating Retirement Liabilities and Other Retirement Benefits*

The determination of the Group's obligation and cost for retirement and other retirement benefits is dependent on selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 24 and include among others, discount rates and rates of salary increase. While the Group believes that the assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions may materially affect retirement obligations.



Retirement liabilities amounted to ₱48.44 million and ₱37.40 million as at December 31, 2010 and 2009, respectively (see Note 24). Retirement costs included under “General and administrative expenses” account amounted to ₱12.74 million in 2010, and ₱12.64 million in 2009 and 2008 (see Notes 20 and 24).

j. *Fair Values of Financial Instruments*

The preparation of consolidated financial statements in compliance with PFRS requires certain financial assets and liabilities to be carried at fair value, which requires the use of extensive accounting estimates and judgments. While significant components of fair value measurement were determined using verifiable objective evidence (i.e. interest rate), the amount of changes in fair value would differ due to usage of different valuation methodology. Any changes in fair value of these financial assets and liabilities would affect directly the Group’s net income and other comprehensive income (see Note 29).

k. *Contingencies*

The Group is currently involved in various legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the defense in these matters and based upon analysis of potential results. The Group currently does not believe these proceedings will have material effect on the Group’s financial position. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings (see Note 30).

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:

a. *Real Estate Revenue Recognition*

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

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

b. *Operating Lease Commitments - The Group as Lessor*

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

c. *Operating Lease Commitments - The Group as Lessee*

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

d. *Determining Classification of Investment in Club Project*

Being a real estate developer, the Group determines how investment in club project shall be accounted for. In determining whether this shall be accounted for as inventories or as financial instruments, the Group considers its role in the development of the Club and its intent for holding the related club shares.



The Group classifies such shares as inventories when the Group acts as the developer and its intent is to sell the developed property.

4. Business Combinations in 2010 and Goodwill

On February 8, 2010, the Parent Company acquired the remaining 40% interests in CPI from Africa-Israel Properties (Phils.), Inc. (AIPPI) and FAPI from Africa-Israel Investments (Phils.), Inc. (AIPI) to obtain control from the previous joint ventures. Prior to the acquisition, the Parent Company accounted for its investments in the joint ventures under the proportionate consolidation. The acquisition resulted in CPI and FAPI becoming wholly-owned subsidiaries of the Parent Company. The acquisition of the joint ventures' interests was accounted for as business combination.

Below are the details of the business combination transactions:

a.) Acquisition of CPI

Cash paid by the Parent Company to AIPPI for the remaining 40% share in CPI amounted to ₱780.00 million.

Goodwill on the business combination of CPI is determined as follows (in thousands):

Amount of consideration for the 40% interest acquired	₱780,000
Add acquisition date fair value of previously held 60% interest	2,932,947
Less acquisition date fair value of net identifiable assets	3,386,394
<u>Goodwill</u>	<u>₱326,553</u>

The goodwill recognized amounting to ₱326.55 million comprises the expected cash flows from future expansion of CPI operations. The acquisition of the remaining interest in CPI will enable the Group to consolidate its share in the strong and stable recurring revenue streams from the company as well as provide incremental development potential to the Group's existing revenue streams. With a more diversified portfolio, the Group expects to generate a more stable recurring revenue from its retail and office investment properties. These recurring revenues can, in turn, be used to provide internally generated funding for other projects.

The increase in the fair value of the previously held 60% interest in CPI over the carrying amount at acquisition date of ₱343.19 million is included in the consolidated statement of income for the year ended December 31, 2010 as "Gain from remeasurement of previously held interest in a business combination".



Acquisition date fair values of net identifiable assets follow (in thousands):

Cash and cash equivalents	₱453,537
Receivables from tenants	69,386
Other receivables	29,612
Other current assets	23,276
Investment properties and property and equipment	4,180,000
Accounts payable and accrued expenses	(260,978)
Income tax payable	(3,009)
Reservation fee and other deposits	(26,144)
Security deposits	(103,426)
Loans payable	(908,000)
Deferred tax liabilities - net	(67,860)
<u>Acquisition date fair value of net identifiable assets</u>	<u>₱3,386,394</u>

The gross contractual amount of CPI's receivables amounted to ₱114.93 million. All contractual cash flows are expected to be collected.

Prior to business combination, the Parent Company had existing receivable from CPI of ₱41.85 million which was settled outside the business combination. This did not have any impact on the cost of acquisition and resulting goodwill.

From the date of acquisition, CPI has contributed ₱431.94 million of revenue and other income and ₱283.10 million to net income of the Group. If the combination had taken place at the beginning of the year, contributions to revenue and other income would have been ₱480.65 million, while contributions to net income would have been ₱308.35 million.

b.) Acquisition of FAPI

Cash paid by the Parent Company to AIPI for the remaining 40% share in FAPI amounted to ₱383.23 million.

Excess of fair value of net identifiable assets over the consideration paid on the business combination of FAPI follows (in thousands):

Amount of consideration for the 40% interest acquired	₱383,226
Add acquisition date fair value of previously held 60% interest	744,505
Less acquisition date fair value of net identifiable assets	1,136,789
<u>Excess of fair value of identifiable net assets over consideration</u>	<u>₱9,058</u>

Excess of fair value of net identifiable assets over the consideration paid is shown as a separate line item in the consolidated statements of income.

The increase in fair value of previously- held 60% interest in FAPI over the carrying amount at acquisition date of ₱174.05 million is included in the consolidated statement of income for the year ended December 31, 2010 as "Gain from remeasurement of previously held interest in a business combination".



Acquisition date fair values of the identifiable assets follow (in thousands):

Cash and cash equivalents	₱152,782
Contracts receivable	229,719
Due from a related party	103,222
Other receivables	24,520
Real estate inventories	1,360,000
Other assets	7,742
Accounts payable and accrued expenses	(403,263)
Loans payable	(250,000)
Deferred tax liabilities	(87,933)
<u>Acquisition date fair value of net identifiable assets</u>	<u>₱1,136,789</u>

The gross contractual amount of FAPI's receivables amounted to ₱315.10 million. All contractual cash flows are expected to be collected.

Prior to business combination, the Parent Company had existing receivables from FAPI of ₱104.05 million which was settled outside the business combination. This did not have any impact on the cost of acquisition and resulting excess of fair value of identifiable net assets over consideration.

From the date of acquisition, FAPI has contributed ₱393.02 million of revenue and other income and ₱100.03 million to net income of the Group. If the combination had taken place at the beginning of the year, contributions to revenue and other income would have been ₱396.11 million, while contributions to net income would have been ₱101.18 million.

Net cash payments for the business combinations with CPI and FAPI are shown below (in thousands):

Cash consideration paid for:	
CPI	₱780,000
FAPI	383,226
	<u>1,163,226</u>
Cash and cash equivalents acquired from:	
CPI	(181,415)
FAPI	(61,113)
	<u>₱920,698</u>

Total gain from remeasurement of previously-held interests in CPI and FAPI amounted to ₱517.24 million, shown as part of 'Revenue and Other Income' in the consolidated statements of income.

Had CPI and FAPI been consolidated from January 1, 2010, the consolidated revenues and other income would have been ₱8.77 billion, while the consolidated net income would have been ₱2.98 billion.

All transaction costs related to the business combination were paid by previous owners.

None of the goodwill recognized is expected to be deductible for income tax purposes.



Goodwill in the Group's consolidated statements of financial position consists of:

	2010	2009
	(In Thousands)	
Festival Supermall structure	₱3,745,945	₱3,745,945
FAC	494,744	494,744
CPI	326,553	1,204,799
	₱4,567,242	₱5,445,488

Below is the movement of goodwill (in thousands):

Balance at beginning of period	₱5,445,488
Acquisition	(878,246)
Balance at end of period	₱4,567,242

5. Segment Reporting

For management purposes, the Group is organized into the following business units:

Real Estate

This involves the acquisition of land, planning and development of large-scale fully integrated residential communities as well as the development and sale of residential lots, housing units, medium-rise residential buildings, farm estates, industrial parks, residential resort projects, a private membership club and condominium buildings.

Leasing

This involves the operations of Festival Supermall (the Mall) and the leasing of office spaces in Makati City and Alabang, Muntinlupa City.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss, which in certain respects, are measured similarly as net income in the consolidated financial statements.

The chief operating decision-maker has been identified as the executive committee. This committee reviews the Group's internal reports in order to assess performance and allocate resources. Management has determined the operating segments based on these reports. The Group does not report its results based on geographical segments because the Group operates only in the Philippines.

No operating segments have been aggregated to form the above reportable segments.

Transfer prices between segments are on an arm's length basis and have the terms equivalent to transactions entered into with third parties.



The financial information about the financial position and result of operations of these business segments for the years ended December 31, 2010 and 2009 are summarized below (amounts in thousands).

December 31, 2010

	Real Estate Operations	Leasing Operations	Combined	Adjustments and Eliminations	Consolidated
Revenue and other income except equity in net earnings of an associate					
External	₱6,646,054	₱1,517,102	₱8,163,156	₱503,657	₱8,666,813
Inter-segment	72,355	–	72,355	(72,355)	–
	6,718,409	1,517,102	8,235,511	431,302	8,666,813
Equity in net earnings of an associate	55,217	–	55,217	–	55,217
	₱6,773,626	₱1,517,102	₱8,290,728	₱431,302	₱8,722,030
Net income	₱1,688,568	₱798,163	₱2,486,731	₱465,495	₱2,952,226
Adjusted EBITDA	₱1,982,527	₱1,065,223	₱3,047,750	(₱28,906)	₱3,018,844
Segment assets	₱46,610,847	₱14,215,162	₱60,826,009	₱1,040,728	₱61,866,737
Less deferred tax assets	–	15,312	15,312	–	15,312
Net segment assets	₱46,610,847	₱14,199,850	₱60,810,697	₱1,040,728	₱61,851,425
Segment liabilities	₱18,079,390	₱2,121,169	₱20,200,559	(₱25,073)	₱20,175,486
Less deferred tax liabilities	1,466,473	–	1,466,473	163,624	1,630,097
Net segment liabilities	₱16,612,917	₱2,121,169	₱18,734,086	(₱188,697)	₱18,545,389
Cash flows from:					
Operating activities	(₱416,392)	₱230,397	(₱185,995)	₱72,355	(₱113,640)
Investing activities	(1,604,802)	(152,831)	(1,757,633)	–	(1,757,633)
Financing activities	(2,007,716)	(47,203)	(2,054,919)	(72,355)	(2,127,274)

December 31, 2009

	Real Estate Operations	Leasing Operations	Combined	Adjustments and Eliminations	Consolidated
Revenue and other income except equity in net earnings of an associate					
External	₱4,275,394	₱1,370,892	₱5,646,286	₱–	₱5,646,286
Inter-segment	42,833	–	42,833	(42,833)	–
	4,318,227	1,370,892	5,689,119	(42,833)	5,646,286
Equity in net earnings of an associate	37,527	–	37,527	–	37,527
	₱4,355,754	₱1,370,892	₱5,726,646	(₱42,833)	₱5,683,813
Net income	₱1,393,680	₱624,520	₱2,018,200	₱–	₱2,018,200
Adjusted EBITDA	₱1,165,931	₱1,040,350	₱2,206,281	(₱57,719)	₱2,148,562
Segment assets	₱45,263,101	₱12,516,948	₱57,780,049	₱1,135,176	₱58,915,225
Less deferred tax assets	–	10,873	10,873	–	10,873
Net segment assets	₱45,263,101	₱12,506,075	₱57,769,176	₱1,135,176	58,904,352
Segment liabilities	₱18,164,745	₱1,564,053	₱19,728,798	₱8,954	₱19,737,752
Less deferred tax liabilities	1,369,053	–	1,369,053	136,560	1,505,613
Net segment liabilities	₱16,795,692	₱1,564,053	₱18,359,745	(₱127,606)	₱18,232,139
Cash flows from:					
Operating activities	₱164,868	₱619,725	₱784,593	₱93,998	₱878,591
Investing activities	(740,018)	(114,604)	(854,622)	–	(854,622)
Financing activities	3,498,127	(103,844)	3,394,283	(93,998)	3,300,285

Investing activities consists of acquisitions of raw land and additions to property and equipment, investment properties and other investments.



The following table shows a reconciliation of the adjusted earnings before interest, taxes, depreciation and amortization (EBITDA) to income before income tax:

	2010	2009
	(In Thousands)	
Adjusted EBITDA	₱3,018,844	₱2,148,562
Depreciation and amortization (Note 20)	(243,649)	(214,446)
Operating profit	2,775,195	1,934,116
Interest income (Note 22)	565,355	400,708
Gain from remeasurement of previously held interest in a business combination (Note 4)	517,240	-
Equity in net earnings of an associate (Note 11)	55,217	37,527
Excess of fair value of net identifiable assets over consideration transferred in a business combination (Note 4)	9,058	-
Foreign currency exchange gain - net	8,565	2,404
Interest and other finance charges (Note 22)	(416,655)	(208,281)
Income before income tax	₱3,513,975	₱2,166,474

6. Cash and Cash Equivalents

This account consists of:

	2010	2009
	(In Thousands)	
Cash on hand and in banks	₱325,903	₱475,660
Short-term deposits	1,432,822	5,281,612
	₱1,758,725	₱5,757,272

Cash in bank earns interest at the prevailing bank deposit rates. Short-term deposits are made for varying periods up to three (3) months depending on the immediate cash requirements of the Group and earn interest at the respective short-term deposit rates. Interest income earned on the Group's cash and cash equivalents amounted to ₱104.03 million, ₱62.78 million and ₱51.43 million in 2010, 2009 and 2008, respectively.

There is no cash restriction on the Group's cash and cash equivalents as at December 31, 2010 and 2009.

7. Contracts Receivable

This account consists of:

	2010	2009
	(In Thousands)	
Contracts receivable	₱6,826,127	₱6,385,099
Receivables from government and financial institutions	1,019,744	1,185,679
	₱7,845,871	₱7,570,778



Contracts receivable are collectible over varying periods within 2 to 10 years. These receivables arising from real estate sales are collateralized by the corresponding real estate properties sold.

Receivables from government and financial institutions pertain to bank and government financed real estate sales. Receivables from government and financial institutions are collectible within one year.

The following table presents the breakdown of contracts receivable by maturity dates:

	2010			2009		
	Due Within One Year	Due After One Year	Total	Due Within One Year	Due After One Year	Total
	(In Thousands)					
Contracts receivable	₱1,453,546	₱5,372,581	₱6,826,127	₱2,271,605	₱4,113,494	₱6,385,099
Receivables from government and financial institutions	1,019,744	–	1,019,744	1,185,679	–	1,185,679
	₱2,473,290	₱5,372,581	₱7,845,871	₱3,457,284	₱4,113,494	₱7,570,778

Interest income recognized on contracts receivable amounted to ₱360.61 million, ₱251.04 million and ₱254.02 million in 2010, 2009 and 2008, respectively (see Note 22). Interest rates on contracts receivable range from 11.5% to 19% per annum in 2010, 2009 and 2008.

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

The Group's liability for receivables discounted included under "Accounts payable and accrued expenses" account amounted to ₱1.77 billion and ₱2.22 billion as of December 31, 2010 and 2009, respectively (see Note 15).

Interest paid on the loans obtained from discounting receivables amounted to ₱99.30 million, ₱165.98 million, and ₱143.95 million in 2010, 2009 and 2008, respectively.

On March 6, 2009, the Group's Contract to Sell Receivable Purchase Line Facility with a local bank was renewed and increased to ₱3.00 billion from ₱1.90 billion in 2008.

The Group has a mortgage insurance contract with Home Guaranty Corporation, a government insurance company, for a retail guaranty line over a period of 20 years starting October 1, 1988 and renewable annually. In October 2010, additional ₱4.00 billion retail guaranty line was granted to the Group. As of December 31, 2010 and 2009, the guaranty line amounted to ₱10.00 billion and ₱6.00 billion, respectively, and the contracts covered by the guaranty line amounted to ₱3.67 billion and ₱4.70 billion, respectively, including receivables sold with buy back provisions. The remaining ₱1.91 billion guaranty line was not yet utilized by the Group as of December 31, 2010.



8. Other Receivables

This account consists of:

	2010	2009
	(In Thousands)	
Advances to joint venture partners and contractors	₱1,025,468	₱780,780
Receivables from tenants	281,783	226,443
Receivables from homeowners' associations	170,146	182,390
Advances to officers and employees	120,037	176,610
Others	60,219	111,761
	1,657,653	1,477,984
Allowance for doubtful accounts	54,087	54,293
	₱1,603,566	₱1,423,691

“Advances to joint venture partners and contractors” are ordinary advances which are normally offset against the share of the joint venture partners from sale of the joint venture properties and contractors’ billing for development and construction contracts.

“Advances to officers and employees” represent advances for project costs, marketing activities, travel and other expenses arising from the ordinary course of business.

“Receivables from tenants” represent charges to tenants for rentals and utilities. Allowance for doubtful accounts amounted to ₱54.09 million and ₱54.29 million as of December 31, 2010 and 2009, respectively. Provision for doubtful accounts amounted to ₱1.36 million, ₱7.58 million and ₱1.81 million in 2010, 2009 and 2008, respectively.

“Others” include receivables from buyers relating to insurance and registration of properties.

All other receivables except for a portion in advances to joint venture partners and contractors are due within one year.

9. Real Estate Inventories

This account consists of:

	2010	2009
	(In Thousands)	
Land and land development	₱12,807,811	₱12,173,074
Subdivision lots and housing units for sale	14,454,575	10,440,010
Investment in club project	686,430	385,304
	₱27,948,816	₱22,998,388

The above inventories are stated at cost.

Borrowing costs capitalized as part of real estate inventories amounted to ₱527.83 million, ₱363.50 million, and ₱295.53 in 2010, 2009 and 2008, respectively. Capitalization rate is 5%, 9% and 6% in 2010, 2009 and 2008, respectively.



In February 2009, the Parent Company signed a joint venture agreement (the Agreement) with the Cebu City Government to develop 50.6 hectares of the South Road Properties, a 300-hectare reclaimed land project located in Cebu City. Said project has been named “Citta di Mare”, or “the City by the Sea”, capturing the charms of resort living with its majestic views of Mactan’s coast and Cebu’s mountains. The Agreement involves:

- (a) purchase by the Group of 10.6 hectares of the property to be developed into a modern urban center consisting of residential, office, commercial, hotel and leisure buildings and a public promenade - a 1 kilometer long waterfront lifestyle strip that will offer a range of seaside leisure activities. The first and second payments of ₱348.0 million and ₱269.5 million were made to Cebu City Government last March 2009 and February 2010 respectively, with the balance payable over the next five years. The Group plans to start construction by first quarter of 2011. The first part of the development will include a hypermart, retail shops, the sea-side promenade walk, a beach sand box area for outdoor lounging, and the galleon as an entertainment and leisure anchor. The rest of the development will include other retail spaces, an exhibition center, a hotel, high end residential condominium towers and a marina.
- (b) development of 40 hectares of the property under a profit-sharing arrangement with the Cebu City Government. The 40 hectares will be developed in four (4) phases over a 20-year period with the Group contributing the development costs, as well as the marketing and management services. The Group plans to develop the 40 hectares mainly into a residential resort town composed of Italian-inspired residential communities which will also include a central open space area called as The Piazza. The Piazza, patterned after the famous Italian central parks, will contain a church, a school, a soccer field, numerous al fresco restaurants, neighborhood stores and support outlets. The Group expects to turnover the first building for buyer's occupancy by December 2012.

As of December 31, 2010, no development has started yet on the joint development properties.

In May 2010, the Group purchased land in Cainta, Rizal with a purchase price of ₱623.72 million, of which ₱93.56 million was paid in 2010. The Group is committed to pay the remaining portion of the purchase price as follows: (a) the second downpayment on May 31, 2011 and (b) remaining balance in monthly installments starting June 30, 2011 until May 31, 2015. As of December 31, 2010, no development has started yet on the property.

In March 2009, the Parent Company purchased certain parcels of land in Pasig, Metro Manila with aggregate area of 2 hectares. Purchase price of ₱149.65 million is payable in seven (7) semi-annual installments, of which the first payment of ₱11.22 million was made in March 2009, upon signing of the Deed of Absolute Sale. The outstanding balance of the purchase price, which is included in “Accounts payable” (see Note 15), is secured by a real estate mortgage over certain properties of the Group located in Alabang, Muntinlupa City, Antipolo, Rizal and properties of the Group’s parent company, FDC, located in Marikina, Metro Manila.



10. Available-for-Sale Financial Assets

This account consists of:

	2010	2009
	(In Thousands)	
Quoted		
Investment in bonds	₱95,444	₱229,095
Investments in shares of stock	3,321	3,321
	98,765	232,416
Unquoted investments in shares of stock	24,305	37,382
	₱123,070	₱269,798

The unrealized loss on investment in quoted shares of stocks included under 'Revaluation reserve on available-for-sale financial assets' in other comprehensive income amounted to ₱2.62 million in 2010 and 2009. There were no movements in the net unrealized loss on AFS financial assets recognized in the consolidated statements of comprehensive income as of December 31, 2010 and 2009.

As of December 31, 2010, investment in bonds pertains to a dollar investment with face value of US\$2.00 million at 103.895 or US \$2.08 million, acquired in July 2010 maturing on July 18, 2013, with put option on July 18, 2011.

As of December 31, 2009, investment in bonds pertained to a 10-year zero-coupon National Power Corporation bonds maturing on July 13, 2010 with face value of US\$5.00 million discounted at 0.99 or US\$4.95 million. The Group received ₱236.50 million as proceeds from the maturity of these bonds.

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

11. Investment in an Associate

This account consists of:

	2010	2009
	(In Thousands)	
At equity:		
Acquisition cost	₱800,000	₱800,000
Accumulated equity in net earnings		
Balance at the beginning of year	1,182,958	1,145,431
Equity in net earnings for the year	55,217	37,527
Balance at end of year	1,238,175	1,182,958
	2,038,175	1,982,958
Share in revaluation increment on land at deemed cost	1,876,422	1,876,422
Share in other components of equity	361,794	-
	₱4,276,391	₱3,859,380



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

As of December 31, 2009, FAI had 21% interest in the Parent Company, making the Parent Company also an associate of FAI. In 2010, the Group's parent company, FDC, purchased the 21% ownership interest of FAI in the Parent Company. The transaction resulted to the following: (a) increase in FDC's ownership interest in the Parent Company from 49.14% to 53.48%; (b) net gain from the transaction recognized in FAI's equity amounting to ₱1.81 billion of which 20% or ₱361.79 million was taken up by the Parent Company in its consolidated financial statements as "share in other components of equity of an associate"; and (c) the Parent Company becoming no longer an associate of FAI as of December 31, 2010.

Land at deemed cost of an associate consists of land held by FAI for long-term rental yields and for capital appreciation, with estimated aggregate fair value of ₱18.10 billion determined as of December 31, 2007 based on a third party appraisal.

Summarized financial information of FAI is as follows:

	2010	2009
	(In Thousands)	
Total assets	₱33,107,248	₱41,485,236
Total liabilities	9,253,243	18,362,067
Revenue and other income	1,541,874	1,190,310
Income from operations	389,582	265,676
Net income before equity take up on the Group	276,085	187,636

12. Investment Properties

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

	2010			
	Land	Buildings and Improvements	Machinery and Equipment	Total
	(In Thousands)			
Cost				
Balances at beginning of year	₱3,962,849	₱7,002,568	₱-	₱10,965,417
Additions and transfers	5,414	401,400	34,657	441,471
Additions from business combination (Note 4)	-	1,486,543	-	1,486,543
Balances at end of year	3,968,263	8,890,511	34,657	12,893,431
Accumulated depreciation				
Balances at beginning of year	-	1,027,566	-	1,027,566
Depreciation and transfers	-	252,711	13,987	266,698
Balances at end of year	-	1,280,277	13,987	1,294,264
Net book value	₱3,968,263	₱7,610,234	₱20,670	₱11,599,167



	2009		
	Land	Buildings	Total
	(In Thousands)		
Cost			
Balances at beginning of year	₱3,978,790	₱7,002,568	₱10,981,358
Additions	5,284	–	5,284
Disposals	(21,225)	–	(21,225)
Balances at end of year	3,962,849	7,002,568	10,965,417
Accumulated depreciation			
Balances at beginning of year	–	809,358	809,358
Depreciation (Note 20)	–	218,208	218,208
Balances at end of year	–	1,027,566	1,027,566
Net book value	₱3,962,849	₱5,975,002	₱9,937,851

Investment properties consist mainly of the commercial mall and buildings acquired as part of the exchange transaction in September 2006 (see Note 1).

The aggregate fair value of the Group's investment properties amounted to ₱19.76 billion and ₱19.90 billion as of December 31, 2010 and 2009, respectively, based on a third party appraisal using the market data approach for land and income approach using discounted cash flow analysis for buildings.

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

Rental income from investment properties amounted to ₱1.41 billion, ₱1.19 billion and ₱1.13 billion in 2010, 2009 and 2008, respectively. Operating expenses from investment properties, included in "General and administrative expenses" account amounted to ₱500.76 million, ₱459.07 million and ₱449.13 million in 2010, 2009 and 2008, respectively.



13. Property and Equipment

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

	2010						Total
	Buildings	Machinery and Equipment	Transportation Equipment	Furniture and Fixtures	Leasehold Improvements	Construction in Progress	
(In Thousands)							
Cost							
Balances at beginning of year	₱30,664	₱188,757	₱56,276	₱45,369	₱21,615	₱916,016	₱1,258,697
Additions - net of transfers	(18,536)	(18,707)	16,334	1,203	674	(201,017)	(220,049)
Additions from business combination (Note 4)	-	-	-	1,309	557	703,102	704,968
Disposals	(3,043)	-	-	-	-	-	(3,043)
Balances at end of year	9,085	170,050	72,610	47,881	22,846	1,418,101	1,740,573
Accumulated depreciation and amortization							
Balances at beginning of year	8,844	153,042	42,477	38,055	20,503	-	262,921
Depreciation and amortization - net of transfers (Note 20)	(6,070)	(1,179)	6,377	2,778	794	-	2,700
Balances at end of year	2,774	151,863	48,854	40,833	21,297	-	265,621
Net book value	₱6,311	₱18,187	₱23,756	₱7,048	₱1,549	₱1,418,101	₱1,474,952

	2009						Total
	Buildings	Machinery and Equipment	Transportation Equipment	Furniture and Fixtures	Leasehold Improvements	Construction in Progress	
(In Thousands)							
Cost							
Balances at beginning of year	₱22,825	₱178,915	₱47,899	₱41,212	₱21,615	₱787,837	₱1,100,303
Additions	7,839	9,842	8,377	4,157	-	128,179	158,394
Balances at end of year	30,664	188,757	56,276	45,369	21,615	916,016	1,258,697
Accumulated depreciation and amortization							
Balances at beginning of year	4,410	139,033	37,791	32,297	20,119	-	233,650
Depreciation and amortization (Note 20)	4,434	14,009	4,686	5,758	384	-	29,271
Balances at end of year	8,844	153,042	42,477	38,055	20,503	-	262,921
Net book value	₱21,820	₱35,715	₱13,799	₱7,314	₱1,112	₱916,016	₱995,776

Capitalized borrowing costs amounted to ₱26.22 million, ₱29.90 million and ₱35.00 million in 2010, 2009 and 2008, respectively. Capitalization rate is 4.03%, 4.6% and 4.8% in 2010, 2009 and 2008, respectively.

14. Other Assets

This account consists of:

	2010	2009
(In Thousands)		
Creditable withholding taxes	₱211,305	₱120,079
Input taxes	154,499	254,987
Short-term deposits	30,707	-
Deposits	28,821	24,783
Construction materials and supplies	27,042	28,840
Prepaid expenses and others	15,329	29,972
	₱467,703	₱458,661



Short-term deposits classified as other assets pertain to short-term investments with maturities of more than three months from date of acquisition and do not qualify as cash equivalent.

15. Accounts Payable and Accrued Expenses

This account consists of:

	2010			2009		
	Due Within One Year	Due After One Year	Total	Due Within One Year	Due After One Year	Total
	(In Thousands)					
Accounts payable (Note 9)	₱680,493	₱1,110,277	₱1,790,770	₱585,013	₱954,495	₱1,539,508
Liabilities on receivables sold to banks (Note 7)	423,004	1,350,387	1,773,391	533,742	1,689,318	2,223,060
Advances and deposits from customers	1,081,408	–	1,081,408	1,392,379	–	1,392,379
Deposits for registration and insurance	214,411	272,887	487,298	136,464	173,681	310,145
Deposits from tenants	328,081	154,391	482,472	275,252	129,530	404,782
Accrued expenses	204,069	–	204,069	155,826	–	155,826
Other payables	229,072	291,548	520,620	53,017	75,533	128,550
	₱3,160,538	₱3,179,490	₱6,340,028	₱3,131,693	₱3,022,557	₱6,154,250

“Accounts payable” includes the balance of the costs of raw land acquired by the Group and is payable on scheduled due dates or upon completion of certain requirements (see Note 9).

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

“Deposits for registration and insurance” includes payments made by buyers for registration and insurance of real estate properties.

“Deposits from tenants” are advance payments made for rentals, utilities and other fees. These are applied against rental obligations of tenants once due.

“Other payables” includes payables to contractors, suppliers and other vendors, and retention fees payables.

16. Loans Payable

This account consists of:

	2010	2009
	(In Thousands)	
Term loans from a financial institution	₱2,025,000	₱2,250,000
Developmental loans from local banks	4,936,167	4,734,800
	6,961,167	6,984,800
Less current portion	1,652,667	590,767
Long term portion of loans payable	₱5,308,500	₱6,394,033



a. *Term Loans from a Financial Institution*

On June 17, 2005, the Group entered into a Local Currency Loan Agreement with a foreign financial institution whereby the Group was granted a credit line facility amounting to ₱2.25 billion. In October 2005, the Group availed of ₱1.13 billion or half of the total amount granted. The loan is payable in 10 semi-annual installments commencing December 2010 and ending June 2015. This loan carries a fixed interest rate of 7.72% per annum.

In July 2007, the Group availed the remaining balance of the facility amounting to ₱1.12 billion. The loan is also payable in 10 semi-annual installments commencing December 2010 and ending June 2015. This loan has a fixed annual interest rate of 7.90%. Both loans were guaranteed by FDC (see Note 18).

b. *Developmental Loans from Local Banks*

These include loans obtained from local banks. Details as of December 31 follow (in thousands):

	2010	2009
Unsecured loan obtained in October 2008 with interest rate equal to 91-day PDS Treasury Fixing (PDST-F) rate plus a spread of up to 1.5% per annum, payable quarterly in arrears. The principal is payable in eleven (11) equal quarterly installments starting March 2011 up to September 2013 and lump sum full payment due in December 2013. Current portion as of December 31, 2010 amounted to ₱166.67 million.	₱1,000,000	₱1,000,000
Unsecured loans obtained in August 2008 with interest rate equal to 91-day PDST-F rate plus a spread of up to 1% per annum. The principal is payable in twelve (12) equal quarterly installments starting November 2010 up to August 2013. Principal payments in 2010 amounted to ₱62.50 million. Current portion as of December 31, 2010 and 2009 amounted to ₱250.00 million and ₱62.50 million, respectively.	687,500	750,000
Unsecured 5-year loan obtained in September 2008 payable in eleven (11) quarterly amortizations starting December 2010 with a balloon payment at maturity date in September 2013 with interest rate equal to 91-day PDST-F rate plus fixed spread of 2% per annum, payable quarterly. Principal payments in 2010 amounted to ₱27.08 million. Current portion as of December 31, 2010 and 2009 amounted to ₱108.33 million and ₱16.25 million, respectively.	622,917	390,000
Unsecured loan obtained in November 2008 with interest rate equal to 91-day PDST-F rate plus a spread of up to 2% per annum, payable quarterly in arrears. The principal is payable in eleven (11) equal quarterly installments starting November 2010 up to September 2013 and lump sum full payment due in December 2013. Current portion as of December 31, 2010 and 2009 amounted to ₱83.33 and ₱20.83 million, respectively.	500,000	500,000
Unsecured loan obtained by the Group in October 2008 with interest rate equal to 91-day PDST-F rate plus a spread of up to 1% per annum. The principal is payable in twelve (12) quarterly equal installments starting March 2011 up to September 2013. Current portion as of December 31, 2010 amounted to ₱166.67 million.	500,000	500,000

(Forward)



	2010	2009
Unsecured loan obtained in June 2008 with interest rate equal to 91-day PDST-F rate plus a spread of up to 1.5% per annum, payable quarterly in arrears. Part of the principal is payable in eleven (11) equal quarterly installments starting June 2010 up to March 2013 and lump sum full payment due in June 2013. Principal payments in 2010 amounted to ₱20.83 million. Current portion as of December 31, 2010 and 2009 amounted to ₱83.33 million and ₱62.50 million, respectively.	₱458,333	₱500,000
Unsecured loan obtained in June 2008 with interest rate equal to 91-day PDST-F rate plus a spread of up to 1.25% per annum. The principal is payable in twelve (12) equal quarterly installments starting September 2010 up to June 2013. Principal payments in 2010 amounted to ₱41.67 million. Current portion as of December 31, 2010 and 2009 amounted to ₱166.67 million and ₱83.33 million, respectively.	416,667	500,000
Unsecured loans granted in May and December 2007 payable over 5-year period inclusive of 2 year grace period; 50% of the loan is payable in twelve (12) equal quarterly amortizations and balance payable on final maturity. The loans carry interest equal to 91-day PDST-F rate plus fixed spread of 2% per annum payable quarterly in arrears. Principal payments in 2010 amounted to ₱10.42 million. Current portion as of December 31, 2010 and 2009 amounted to ₱83.33 million and ₱22.50 million, respectively.	240,000	290,000
Unsecured 5-year loan obtained in March 2008, of which 50% of the principal is payable in twelve (12) equal quarterly installments starting September 2010 and the remaining 50% balance is to be paid in lump sum at maturity in June 2013, with interest rate equal to 3-month PDST-F rate plus a spread of up to 2% per annum, payable quarterly in arrears. Principal payments in 2010 amounted to ₱12.50 million. Current portion as of December 31, 2010 and 2009 amounted to ₱62.50 million and ₱18.75 million, respectively.	218,750	150,000
Loan granted on April 2010 with a term of five years with 50% of principal payable in 12 equal quarterly amortization to commence on July 2012 and 50% payable on maturity. The loan carries interest equal to 3-month PDST-F rate plus a spread of 1.5% per annum.	120,000	-
Loan obtained on December 15, 2006 payable in twenty (20) equal quarterly amortizations starting in March 2008, with interest rate equivalent to 91-day T-Bill rate plus fixed spread of 2% per annum, payable quarterly in arrears and secured by a mortgage of several buildings located at the Northgate Cyberzone and assignment of the corresponding rentals. Principal payments in 2010 amounted to ₱46.00 million. Current portion as of December 31, 2010 and 2009 amounted to ₱46.00 million and ₱27.60 million, respectively.	92,000	82,800
Loan obtained in July 2007 payable in twenty (20) equal quarterly amortizations starting in March 2008, with interest rate equal to 91-day T-Bill rate plus fixed spread of 2% per annum, payable quarterly in arrears and secured by a mortgage of several buildings located at the Northgate Cyberzone and assignment of the corresponding rentals. Principal payments in 2010 amounted to ₱40.00 million. Current portion as of December 31, 2010 and 2009 amounted to ₱40.00 million and ₱24.00, respectively.	80,000	72,000
	₱4,936,167	₱4,734,800



Loans from local banks acquired from the business combination with FAPI and CPI amounted to ₱463.20 million (see Note 4).

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

The Group has complied with these contractual agreements. There was neither default nor breach noted in 2010 and 2009.

17. Bonds Payable

On November 19, 2009, the Parent Company issued fixed rate bonds (the “Bonds”) with aggregate principal amount of ₱5.00 billion, comprised of three (3)-year fixed rate bonds due in 2012 and five (5)-year fixed rate bonds due in 2014. The 3-year bonds have a term of 3 years from the issue date, with a fixed interest rate of 7.5269% per annum. Interest is payable quarterly in arrears starting on February 19, 2010. The 5-year bonds have a term of 5 years and one (1) day from the issue date, with a fixed interest rate of 8.4615% per annum. Interest is payable quarterly in arrears starting on February 20, 2010.

Unamortized debt issuance cost on bonds payable amounted to ₱50.67 million and ₱63.31 million as of December 31, 2010 and 2009 respectively. Accretion in 2010 and 2009 included as part of ‘Interest and other finance charges’ amounted to ₱12.65 million and ₱1.53 million, respectively.

18. Related Party Transactions

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

Affiliates are entities under common control of ALG.

FDC, the parent company of FLI, guarantees the Group’s term loans from a financial institution with balance of ₱2.03 billion and ₱ 2.25 billion as of December 31, 2010 and 2009, respectively (see Note 16).

The Group leases from FDC, land and buildings located at San Juan City for its head office for a monthly rental of ₱3.27 million in 2010, ₱2.84 million in 2009 and ₱2.59 million in 2008.

The Group maintains cash and short-term deposits accounts with a local bank under common control of FDC. Cash and short-term deposits balances with this local bank amounted to ₱0.33 billion and ₱3.50 billion as of December 31, 2010 and 2009, respectively (see Note 6).



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

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

The details of the account balances and transactions with related parties are as follows (in thousands):

	Rental income (expense)		Management and marketing fee income		Due from related parties		Due to related parties	
	2010	2009	2010	2009	2010	2009	2010	2009
Parent - FDC	(₱41,149)	(₱35,782)	₱4,673	₱69,007	₱18,815	₱34,114	₱20	₱20
Associate - FAI	(85,167)	(82,695)	–	–	9,609	11,221	15,353	17,838
Joint venture	–	71,390	–	19,961	–	60,793	–	–
Other affiliates	–	–	–	–	157,498	81,141	67,270	28,862
	(₱126,316)	(₱47,087)	₱4,673	₱88,968	₱185,922	₱187,269	₱82,643	₱46,720

Management and marketing fee income is included in 'Others' under the Revenue and Other Income section of the consolidated statements of income.

Key Management Personnel

Compensation of key management personnel consists of short-term employee salaries and benefits amounting to ₱14.33 million, ₱13.00 million and ₱12.60 million in 2010, 2009 and 2008, respectively. Post-employment benefits of key management personnel amounted to ₱1.89 million, ₱0.93 million and ₱0.91 million in 2010, 2009 and 2008, respectively.

19. Interest in Joint Ventures

The amounts shown below are the Group's 60% share of the assets, liabilities, income and expenses on its joint ventures (CPI, FAC and FAPI) which are proportionately consolidated into the Group's consolidated financial statements as of and for the years ended December 31, 2010, 2009 and 2008. As discussed in Note 4, the Parent Company acquired the remaining 40% interests in both CPI and FAPI in February 2010, making them wholly owned subsidiaries of the Parent Company.

	2010	2009
	(In Thousands)	
Assets		
Cash and cash equivalents	₱54,632	₱383,678
Contracts receivable	–	129,853
Due from related parties	–	61,890
Other receivables	14,647	100,240
Real estate inventories	–	702,523
Investment properties	951,861	1,687,306
Property and equipment	–	895,921
Deferred tax assets	9,394	10,873
Other assets	61,398	69,548
	₱1,091,932	₱4,041,832

(Forward)



	2010	2009
	(In Thousands)	
Liabilities		
Accounts payable and accrued expenses	₱98,178	₱510,747
Due to related parties	468	429
Loans payable	360,000	984,800
Deferred tax liabilities - net	-	4,958
	₱458,646	₱1,500,934

	2010	2009	2008
	(In Thousands)		
Revenue and other income	₱185,294	₱590,940	₱451,848
Costs and expenses	86,088	307,904	227,774
Income before income tax	99,206	283,036	224,074
Provision for income tax	23,561	45,778	44,854
Net income	₱75,645	₱237,258	₱179,220

	2010	2009	2008
	(In Thousands)		
Cash flows from:			
Operating activities	₱154,227	₱362,632	₱261,443
Investing activities	(2,179)	(120,695)	(426,071)
Financing activities	(102,008)	(128,429)	398,400

The Group and its joint venture partners have joint control over the above entities despite the Group's 60% share in the joint ventures. This is exhibited by the existence of special voting right of the joint venture partners in major operating and financial decisions affecting the joint ventures. In these joint ventures, the decisions require the unanimous consent of the parties sharing control.

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

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



20. General and Administrative Expenses

The account consists of:

	2010	2009	2008
		(In Thousands)	
Depreciation and amortization (Notes 12 and 13)	₱243,649	₱214,446	₱205,369
Salaries, wages and employee benefits	226,090	207,182	195,237
Rent (Note 18)	134,481	125,323	114,944
Taxes and licenses	88,054	83,671	67,152
Transportation and travel	58,386	52,171	58,033
Outside services	45,876	40,755	49,535
Mall manpower costs	45,280	36,912	32,855
Repairs and maintenance	37,403	26,146	23,428
Mall amusement center costs	35,593	26,693	29,244
Entertainment, amusement and recreation (EAR)	27,355	20,589	37,580
Communications, light and water	23,535	21,150	21,399
Mall saleable items direct costs	22,996	21,129	25,259
Mall carpark and terminal costs	15,179	15,010	6,397
Retirement costs (Note 24)	12,742	12,635	12,635
Others	184,369	136,178	116,391
	₱1,200,988	₱1,039,990	₱995,458

“Others” includes expenses for insurance, data processing charges, dues and subscription and office supplies.

21. Selling and Marketing Expenses

The account consists of:

	2010	2009	2008
		(In Thousands)	
Brokers' commission	₱209,090	₱194,483	₱183,524
Selling, advertising and promotion	186,538	106,202	171,730
Others	197,960	179,530	128,613
	₱593,588	₱480,215	₱483,867

“Others” includes expenses for branches and sales offices, and other overhead charges.



22. Interest and Other Finance Charges

The following table shows the component of interest income, interest expense and other financing charges recognized in the consolidated statements of income:

	2010	2009	2008
	(In Thousands)		
Interest income on			
Contracts receivable (Note 7)	₱375,614	₱251,042	₱254,018
Short-term deposits and others	189,741	149,666	116,225
	₱565,355	₱400,708	₱370,243
Interest and other finance charges			
Interest expense on loans and bonds payable net of interest capitalized (Notes 16 and 17)	₱377,537	₱179,930	₱67,704
Other finance charges	39,118	28,351	40,527
	₱416,655	₱208,281	₱108,231

23. Other Income

“Others” included under ‘Revenue and other income’ includes forfeiture of reservations and down payments received on sales which were not consummated, amounts collected from tenants in excess of expenses incurred by the Group, amusement and other sales of the mall operations, dividend income and service fees.

24. Retirement Costs

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

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

The components of retirement costs included in “General and administrative expenses” account in the consolidated statements of income are as follows:

	2010	2009	2008
	(In Thousands)		
Current service cost	₱12,035	₱7,736	₱9,371
Interest cost	9,651	9,501	7,406
Expected return on plan assets	(7,522)	(4,602)	(4,342)
Net actuarial loss (gain) recognized	(1,422)	-	200
	₱12,742	₱12,635	₱12,635



The amount of retirement liabilities recognized in the consolidated statements of financial position follows:

	2010	2009
	(In Thousands)	
Present value of benefit obligation	₱181,650	₱113,604
Fair value of plan assets	101,398	107,464
	80,252	6,140
Unrecognized net actuarial gain (loss)	(31,812)	31,258
	₱48,440	₱37,398

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

	2010	2009
	(In Thousands)	
Balance at beginning of year	₱113,604	₱105,572
Current service cost	12,035	7,736
Interest cost	9,651	9,501
Actuarial loss (gain)	48,807	(1,277)
Benefits paid	(2,447)	(7,928)
	₱181,650	₱113,604

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

	2010	2009
	(In Thousands)	
Balance at beginning of year	₱107,464	₱76,702
Expected return on plan assets	7,522	4,602
Actuarial gain (loss) on plan assets	(13,588)	26,160
	₱101,398	₱107,464

The actual return on the plan assets amounted to ₱6.07 million in 2010 and ₱30.76 million in 2009.

The Group does not expect to contribute to its plan assets in the next 12 months.

The amounts of present value of defined benefit obligation, fair value of plan assets, deficit in the plan and experience adjustments arising on plan assets or liabilities recognized for the current and previous four periods follow:

	2010	2009	2008	2007	2006
Present value of obligation	₱181,650	₱113,604	₱105,572	₱105,801	₱106,113
Fair value of plan assets	101,398	107,464	76,702	72,360	68,264
Deficit	₱80,252	₱6,140	₱28,870	₱33,441	₱37,849
Experience adjustments	₱17,557	₱2,113	(₱862)	(₱16,433)	₱327



The major assumptions used to determine retirement benefits of the Group for the years ended December 31, 2010 and 2009 are as follows:

	2010	2009
Discount rate	8.5%	9%
Salary increase rate	8.0%	8%
Expected return on plan assets	7.0%	6%

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

	2010	2009
Deposits in banks	81.43%	85.9%
Other assets	18.57%	14.1%
	100.0%	100.0%

25. Operating Leases

As lessor, future minimum rental receivables under cancelable leases as of December 31, 2010 and 2009 are as follows:

	2010	2009
	(In Thousands)	
Within one year	P1,192,321	P954,721
After one year but not more than five years	2,178,259	1,827,894
After five years	145,525	27,809
	P3,516,105	P2,810,424

As lessee, future minimum rental payables under cancelable leases as of December 31, 2010 and 2009 are as follows:

	2010	2009
	(In Thousands)	
Within one year	P94,453	P139,769
After one year but not more than five years	478,360	722,084
After five years	698,825	978,551
	P1,271,638	P1,840,404

Rental income recognized based on a percentage of the gross revenue of mall tenants included in "Rental income" account in the consolidated statements of income amounted to P213.12 million, P207.95 million and P205.57 million in 2010, 2009 and 2008, respectively.



26. Capital Stock

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

	(In Thousands, except par value figures)					
	Common Shares			Preferred Shares		
	2010	2009	2008	2010	2009	2008
Authorized shares	33,000,000	33,000,000	33,000,000	8,000,000	8,000,000	8,000,000
Par value per share	₱1	₱1	₱1	₱0.01	₱0.01	₱0.01
Issued and outstanding shares	24,470,708	24,470,708	24,470,708	8,000,000	8,000,000	8,000,000
Treasury shares	220,949	220,949	220,949	—	—	—

Common Shares

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

In 2010 and 2009, there was no issuance of additional common shares.

Preferred Shares

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

Preferred shares of each and any sub-series may be convertible to common shares as may be determined by the BOD and set forth in the Enabling Resolutions, in such manner and within such period as may be fixed in the Enabling Resolutions. As of December 31, 2010 and 2009, there is no Enabling Resolution by the BOD making the preferred shares convertible to common shares.

In 2010 and 2009, there was no issuance of additional preferred shares.

As the dividend rate is yet to be determined by the BOD, there were no dividends in arrears on preferred shares as of December 31, 2010, 2009 and 2008.

Treasury Shares

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



The Parent Company had acquired 220.95 million shares at total cost of ₱221.04 million in 2008. There were no additional acquisitions in 2009 and 2010.

Dividend Declaration

On April 30, 2010 the BOD approved the declaration and payment from unappropriated retained earnings of cash dividend of ₱0.033 per share or a total of ₱800.24 million for all shareholders of record as of May 18, 2010.

On April 29, 2009 the BOD approved the declaration and payment from unappropriated retained earnings of cash dividend of ₱0.033 per share or a total of ₱800.24 million for all shareholders of record as of May 14, 2009.

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

Capital Management

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

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. No changes were made in capital management objectives, policies or processes for the years ended December 31, 2010 and 2009.

The Group monitors capital using debt-to-equity ratio, which is the long-term debt (loans payable and bonds payable) divided by total equity. The Group's policy is to keep the debt to equity ratio not to exceed 2:1. The following table shows how the Group computes for its debt-to-equity ratio:

	2010	2009
	(In Thousands)	
Loans payable	₱6,961,167	₱6,984,800
Bonds payable	4,949,241	4,936,405
Total long-term debt	11,910,408	11,921,205
Total equity	41,691,251	39,177,473
Debt-to-equity ratio	0.29:1.00	0.30:1.00

27. Earnings Per Share

EPS amounts were computed as follows:

	2010	2009	2008
	(In Thousands, Except EPS Figures)		
a. Net income	₱2,952,226	₱2,018,200	₱1,867,001
b. Weighted average number of outstanding common shares after considering treasury shares and reciprocal holdings in an associate	24,249,759	23,218,791	23,269,661
Basic /Diluted EPS (a/b)	₱0.12	₱0.09	₱0.08



Reciprocal holdings attributable to FAI's ownership in the Parent Company is deducted from the total outstanding shares in computing for the weighted average number of outstanding common shares (see Note 11) for the years 2009 and 2008. As discussed in Note 11, in 2010, the Parent Company is no longer an associate of FAI as a result of FAI's sale of its 21% equity interest in the Parent Company to FDC.

There were no potential dilutive shares in 2010, 2009 and 2008.

28. Income Tax

The components of the Group's deferred tax assets follow:

	2010	2009
	(In Thousands)	
Deferred tax assets on:		
Advance rentals	₱8,283	₱5,900
Provisions and accruals	6,194	4,581
Others	835	392
	₱15,312	₱10,873

The components of the Group's net deferred tax liabilities follow:

	2010	2009
	(In Thousands)	
Deferred tax liabilities on:		
Capitalization of borrowing costs	₱1,463,878	₱1,381,419
Excess of fair value over cost of net assets acquired in business combination	164,685	136,560
Others	18,906	840
Deferred tax assets on:		
Accrued retirement benefits	(14,514)	(11,058)
Others	(2,858)	(2,148)
	₱1,630,097	₱1,505,613

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

	2010	2009
	(In Thousands)	
NOLCO	₱23,514	₱13,563
MCIT	2,253	1,858
	₱25,767	₱15,421



The carryforward benefits of the NOLCO and the excess of the MCIT over the RCIT, which can be claimed by the Group as credits against the RCIT, are as follows:

Year Incurred	NOLCO	MCIT	Expiry Date
	(In Thousands)		
2010	₱20,845	₱395	December 31, 2013
2009	–	976	December 31, 2012
2008	2,669	882	December 31, 2011
	₱23,514	₱2,253	

The following are the movements in NOLCO and MCIT:

NOLCO	2010	2009
	(In Thousands)	
At January 1	₱13,563	₱54,195
Addition	20,845	–
Applied	(10,883)	(40,632)
Expired	(11)	–
At December 31	₱23,514	₱13,563

MCIT	2010	2009
	(In Thousands)	
At January 1	₱1,858	₱882
Addition	395	976
At December 31	₱2,253	₱1,858

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

	2010	2009	2008
		(In Thousands)	
Income tax at statutory tax rate	₱1,054,193	₱649,942	₱746,082
Adjustments for:			
Gain from remeasurement of previously held interest in a business combination	(155,172)	–	–
Tax-free realized gross profit on socialized housing units	(111,411)	(19,948)	(92,095)
Income covered by PEZA (Note 31)	(88,825)	(57,208)	(34,313)
Tax-free net income on sales of BOI-registered projects (Note 32)	(83,030)	(99,772)	(39,682)
Interest on HGC-enrolled contracts receivables	(71,964)	(138,983)	(42,797)
Income subjected to final tax	(36,085)	(39,225)	(40,473)
Equity in net earnings of an associate	(16,565)	(11,258)	(23,649)
Excess of fair value of net identifiable assets over consideration transferred	(2,717)	–	–
Income subjected to capital gains tax	(2,036)	(2,581)	(5,683)

(Forward)



	2010	2009	2008
		(In Thousands)	
Nondeductible interest expense	₱7,244	₱6,849	₱8,230
Change in unrecognized deferred tax assets	3,380	(8,539)	2,042
Other nondeductible expenses	64,737	2,976	7,259
Reversal of deferred gross profit on installment sales	-	(133,979)	-
Effect of change in tax rate	-	-	(220,258)
	₱561,749	₱148,274	₱264,663

Effective January 1, 2009, pursuant to Republic Act (RA) No. 9337 (the New EVAT Law), the corporate income tax rate is 30% and the allowable deduction for interest expense is 33%.

29. Financial Assets and Liabilities

The following table sets forth the carrying and fair values of financial assets and liabilities recognized as of December 31, 2010 and 2009. There are no material unrecognized financial assets and liabilities as of December 31, 2010 and 2009.

	2010		2009	
	Carrying Values	Fair Values	Carrying Values	Fair Values
	(In Thousands)			
Loans and receivables				
Cash and cash equivalents				
Cash on hand and in banks	₱325,903	₱325,903	₱475,660	₱475,660
Short-term deposits	1,432,822	1,432,822	5,281,612	5,281,612
Contracts receivable				
Contracts receivable	6,826,127	6,953,552	6,385,099	6,504,292
Receivables from government and financial institutions	1,019,744	1,019,744	1,185,679	1,185,679
Due from related parties	185,922	185,922	187,269	187,269
Other receivables				
Receivable from homeowners' association	170,146	170,146	182,390	182,390
Receivable from tenants-net	227,696	227,696	172,150	172,150
Others	60,219	60,219	111,761	111,761
Other assets (short-term deposits)				
Short-term deposits	30,707	30,707	-	-
Total loans and receivables	10,279,286	10,406,711	13,981,620	14,100,813
AFS financial assets				
Investments in bonds	95,444	95,444	229,095	229,095
Investments in shares of stocks				
Quoted	3,321	3,321	3,060	3,060
Unquoted	24,305	24,305	37,643	37,643
Total AFS financial assets	123,070	123,070	269,798	269,798
	₱10,402,356	₱10,529,781	₱14,251,418	₱14,370,611
Other financial liabilities at amortized cost				
Accounts payable and accrued expenses				
Liabilities on receivables sold to banks	₱1,773,391	₱1,653,192	₱2,223,060	₱1,988,106
Accounts payable	1,790,770	1,714,203	1,539,508	1,470,996
Advances and deposits from customers	1,081,408	1,081,408	1,392,379	1,392,379
Deposits for registration and insurance	487,298	466,463	310,145	296,343
Deposits from tenants	482,472	461,843	404,782	386,768
Accrued expenses	204,069	204,069	155,826	155,826
Other payables	490,779	490,779	104,789	104,789
Due to related parties	82,643	82,643	46,720	46,720
Loans payable	6,961,167	6,885,063	6,984,800	6,881,038
Bonds payable	4,949,241	4,613,938	4,936,405	4,674,784
Total other financial liabilities at amortized cost	₱18,303,238	₱17,653,601	₱18,098,414	₱17,397,749



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

- *Cash and cash equivalents, due from and to related parties and other receivables*: Due to the short-term nature of these accounts, their fair values approximate their carrying amounts.
- *Contracts receivable*: Estimated fair value of contracts receivable is based on the discounted value of future cash flows using the prevailing interest rates for similar types of receivables as of the reporting date. Due to the short-term nature of receivables from government and financial institutions, carrying amounts approximate fair values.
- *AFS financial assets*: Fair values were determined using quoted market prices at reporting date. AFS financial assets not quoted in an active market are recorded at cost.
- *Accounts payable and accrued expenses*: On accounts due within one year, the fair value of accounts payable and accrued expenses approximates the carrying amounts. On accounts due for more than a year, estimated fair value is based on the discounted value of future cash flows using the prevailing interest rates on loans and similar types of payables as of the reporting date.
- *Long-term debt*: Estimated fair value on debts with fixed interest and not subjected to quarterly repricing is based on the discounted value of future cash flows using the applicable interest rates for similar types of loans as of reporting date. Long term debt subjected to quarterly repricing is not discounted since it approximates fair value.

The discount rates used range from 5.0% to 7.7% and 6.4% to 7.9% as of December 31, 2010 and 2009, respectively.

The following table shows financial instruments recognized at fair value as of December 31, 2010 and 2009, analyzed between those whose fair value is based on:

- quoted prices in active markets for identical assets or liabilities (Level 1);
- those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly (Level 2); and
- those with inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

	2010	2009
	(In Thousands)	
Level 1		
AFS financial assets		
Investment in bonds	P95,444	P229,095
Investment in shares of stock	3,321	3,321
	P98,765	P232,416



There are no financial instruments recognized at fair value based on Levels 2 and 3 categories.

Financial Risk Management Objectives and Policies

The Group's principal financial instruments are composed of cash and cash equivalents, contracts receivable and other receivables, due from related parties, AFS financial assets, accounts payable and accrued expenses, due to related parties and long-term debt. The main purpose of these financial instruments is to raise financing for the Group's operations.

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

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

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

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

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

Liquidity Risk

Liquidity risk is defined as the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The Group seeks to manage its liquidity profile to be able to finance capital expenditures and service maturing debts. To cover its financing requirements, the Group intends to use internally generated funds and available long-term and short-term credit facilities.

As of December 31, 2010 and 2009, the Group has ₱3.39 billion and ₱2.42 billion, respectively, in undrawn uncommitted short-term credit lines, and, ₱10.81 billion and ₱4.27 billion in undrawn committed long-term credit facilities.

As part of its liquidity risk management, the Group regularly evaluates its projected and actual cash flows. It also continuously assesses conditions in the financial markets for opportunities to pursue fund raising activities, in case any requirements arise. Fund raising activities may include bank loans and capital market issues.



The tables below summarize the maturity profile of the Group's other financial liabilities as of December 31, 2010 and 2009 based on contractual undiscounted payments.

	2010						Total
	On demand	Less than 3 months	3 months to 1 year	1 to 3 years	3 to 5 years	Over 5 years	
(In Thousands)							
Accounts payable and accrued expenses							
Accounts payable	₱-	143,262	537,231	1,074,462	35,815	₱-	₱1,790,770
Liabilities on receivables sold to banks	-	114,211	308,793	696,976	361,304	292,107	1,773,391
Advances and deposits from customers	1,081,408	-	-	-	-	-	1,081,408
Deposits for registration and insurance	-	68,222	146,189	146,189	121,824	4,874	487,298
Deposits from tenants	48,248	57,897	221,936	96,494	9,649	48,248	482,472
Accrued expenses	-	204,069	-	-	-	-	204,069
Other payables	11,809	57,268	130,155	203,041	88,505	-	490,778
Interest on accounts payable and accrued expenses	-	1,428	24,382	133,048	67,569	29,211	255,638
	1,141,465	646,357	1,368,686	2,350,210	684,666	374,440	6,565,824
Due to related parties	82,643	-	-	-	-	-	82,643
Loans payable	-	300,667	1,352,000	4,543,500	765,000	-	6,961,167
Bonds payable	-	-	-	500,000	4,500,000	-	5,000,000
Interest on loans and bonds payable	-	176,597	668,351	1,292,536	445,945	-	2,583,429
Commitments	-	-	100,772	-	-	-	100,772
	₱1,224,108	₱1,123,621	₱3,489,809	₱8,686,246	₱6,395,611	₱374,440	₱21,293,835

	2009						Total
	On demand	Less than 3 months	3 months to 1 year	1 to 3 years	3 to 5 years	Over 5 years	
(In Thousands)							
Accounts payable and accrued expenses							
Liabilities on receivables sold to banks	₱-	₱145,218	₱388,524	₱776,966	₱424,446	₱487,906	₱2,223,060
Accounts payable	-	123,161	461,852	923,705	30,790	-	1,539,508
Advances and deposits from customers	1,392,379	-	-	-	-	-	1,392,379
Deposits for registration and insurance	-	43,420	93,043	93,043	77,536	3,103	310,145
Deposits from tenants	40,478	48,574	186,200	80,956	8,096	40,478	404,782
Accrued expenses	-	155,826	-	-	-	-	155,826
Other payables	7,362	11,831	21,943	45,557	18,097	-	104,790
Interest on accounts payable and accrued expenses	-	1,815	19,255	85,219	63,667	48,791	218,747
	1,440,219	529,845	1,170,817	2,005,446	622,632	580,278	6,349,237
Due to related parties	46,720	-	-	-	-	-	46,720
Loans payable	-	25,400	565,367	3,256,533	2,912,500	225,000	6,984,800
Bonds payable	-	-	-	500,000	4,500,000	-	5,000,000
Interest on loans and bonds payable	-	176,885	704,537	1,525,750	983,687	8,884	3,399,743
Commitments	-	-	236,500	-	-	-	236,500
	₱1,486,939	₱732,130	₱2,677,221	₱7,287,729	₱9,018,819	₱814,162	₱22,017,000



The tables below summarize the maturity profile of the Group's financial assets held to manage liquidity as of December 31, 2010 and 2009:

	2010						Total
	On demand	Less than 3 months	3 months to 1 year	1 to 3 years	3 to 5 years	Over 5 years	
(In Thousands)							
Loans and receivables							
Cash and cash equivalents							
Cash on hand and in banks	₱325,903	₱-	₱-	₱-	₱-	₱-	325,903
Short-term deposits	-	1,432,822	-	-	-	-	1,432,822
Contracts receivable							
Contracts receivable	-	369,741	1,083,805	2,057,027	1,513,353	1,802,201	6,826,127
Receivables from government and financial institutions	-	-	1,019,744	-	-	-	1,019,744
Due from related parties	185,922	-	-	-	-	-	185,922
Other receivables							
Receivable from homeowners' associations	170,146	-	-	-	-	-	170,146
Receivable from tenants-net	227,696	-	-	-	-	-	227,696
Others	60,219	-	-	-	-	-	60,219
Other assets							
Short-term deposits	30,707	-	-	-	-	-	30,707
AFS financial assets							
Investment in bonds	-	-	95,444	-	-	-	95,444
Investments in shares of stocks							
Quoted	-	-	3,321	-	-	-	3,321
Unquoted	-	-	24,305	-	-	-	24,305
	₱1,000,593	₱1,802,563	₱2,226,619	₱2,057,027	₱1,513,353	₱1,802,201	₱10,402,356

	2009						Total
	On demand	Less than 3 months	3 months to 1 year	1 to 3 years	3 to 5 years	Over 5 years	
(In Thousands)							
Loans and receivables							
Cash and cash equivalents							
Cash on hand and in banks	₱475,660	₱-	₱-	₱-	₱-	₱-	₱475,660
Short-term deposits	-	5,281,612	-	-	-	-	5,281,612
Contracts receivable							
Contracts receivable	-	614,206	1,657,399	1,909,541	1,105,468	1,098,485	6,385,099
Receivables from government and financial institutions	-	-	1,185,679	-	-	-	1,185,679
Due from related parties	187,269	-	-	-	-	-	187,269
Other receivables							
Receivable from homeowners' associations	182,390	-	-	-	-	-	182,390
Receivable from tenants-net	172,150	-	-	-	-	-	172,150
Others	111,761	-	-	-	-	-	111,761
AFS financial assets							
Investment in bonds	-	-	229,095	-	-	-	229,095
Investments in shares of stocks							
Quoted	-	-	3,321	-	-	-	3,321
Unquoted	-	-	37,382	-	-	-	37,382
	₱1,129,230	₱5,895,818	₱3,112,876	₱1,909,541	₱1,105,468	₱1,098,485	₱14,251,418

Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities, primarily for its mortgage notes and contract receivables and other receivables.



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

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

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

The table below shows the comparative summary of maximum credit risk exposure on assets as of December 31, 2010 and 2009:

	2010	2009
	(In Thousands)	
Loans and Receivables		
Cash and cash equivalents		
Cash in banks	₱319,404	₱470,259
Short-term deposits	1,432,822	5,281,612
Contracts receivable		
Contracts receivable	6,826,127	6,385,099
Receivables from government and financial institutions	1,019,744	1,185,679
Due from related parties	185,922	187,269
Other receivables		
Receivables from homeowners' association	170,146	182,390
Receivables from tenants - net	227,696	172,150
Others	60,219	111,761
Other assets		
Short-term deposits	30,707	-
Total loans and receivables	10,272,787	13,976,219
AFS financial assets		
Investment in bonds	95,444	229,095
Investments in shares of stocks		
Quoted	3,321	3,321
Unquoted	24,305	37,382
Total AFS financial assets	123,070	269,798
Commitments	100,772	236,500
	₱10,496,629	₱14,482,517

The Group's commitments (off-balance sheet arrangements) pertain to forward and spot exchange contract entered into by Parent Company in connection with its US Dollar-denominated investments in bonds (see Note 10). Such transaction will be recognized in the Group's consolidated statement of financial position upon settlement.



The forward and spot exchange contract as of December 31, 2010 will mature in July 2011. The forward and spot exchange contract as of December 31, 2009 matured in July 2010.

Based on the Group's experience, the said assets are highly collectible or collectible on demand. The Group holds as collaterals the corresponding properties which the third parties had bought on credit. In few cases of buyer defaults, the Group can repossess the collateralized properties and resell them at the prevailing market price.

The following tables show the credit quality by class of asset as of December 31, 2010 and 2009. The Group's high-grade receivables pertain to receivables from related parties and third parties which, based on experience, are highly collectible or collectible on demand, and of which exposure to bad debt is not significant. Receivables assessed to be of standard grade are those which had passed a certain set of credit criteria, and of which the Group has not noted any extraordinary exposure which calls for a substandard grade classification.

	December 31, 2010				
	Neither past due nor impaired		Past due but not impaired	Impaired	Total
	High grade	Standard grade			
			(In Thousands)		
Cash and cash equivalents	₱1,752,226	₱-	-	-	₱1,752,226
Contracts receivable					
Contracts receivable	-	6,611,164	214,963	-	6,826,127
Receivables from government and financial institutions	1,019,744	-	-	-	1,019,744
Due from related parties	185,922	-	-	-	185,922
Other receivables					
Receivables from homeowners' association	-	170,146	-	-	170,146
Receivables from tenants	-	173,609	-	54,087	227,696
Others	-	60,219	-	-	60,219
Other assets					
Short-term deposits	30,707	-	-	-	30,707
AFS financial assets					
Investment in bonds	95,444	-	-	-	95,444
Investment in shares of stock					
Quoted	3,321	-	-	-	3,321
Unquoted	-	24,305	-	-	24,305
	₱3,087,364	₱7,039,443	₱214,963	₱54,087	₱10,395,857



December 31, 2009					
	Neither past due nor impaired		Past due but not impaired	Impaired	Total
	High grade	Standard grade			
	(In Thousands)				
Cash and cash equivalents	₱5,751,871	₱-	₱-	₱-	₱5,751,871
Contracts receivable					
Contracts receivable	-	6,214,663	170,436	-	6,385,099
Receivables from government and financial institutions	1,185,679	-	-	-	1,185,679
Due from related parties	187,269	-	-	-	187,269
Other receivables					
Receivables from homeowners' association	-	182,390	-	-	182,390
Receivables from tenants	-	117,857	-	54,293	172,150
Others	-	111,761	-	-	111,761
AFS financial assets					
Investment in bonds	229,095	-	-	-	229,095
Investment in shares of stock					
Quoted	3,321	-	-	-	3,321
Unquoted	-	37,382	-	-	37,382
	₱7,357,235	₱6,664,053	₱170,436	₱54,293	₱14,246,017

As at December 31, 2010 and 2009, the analysis of contracts receivable that were past due but not impaired is as follows:

2010							
	Neither past due nor impaired	Past due but not impaired					Total
		Less than 30 days	30 to 60 days	60 to 90 days	90 to 120 days	Over 120 days	
	(In Thousands)						
Contracts receivable	₱6,611,164	₱30,243	₱19,287	₱15,104	₱11,702	₱138,627	₱6,826,127
Receivables from governments and financial institutions	1,019,744	-	-	-	-	-	1,019,744
	₱7,630,908	₱30,243	₱19,287	₱15,104	₱11,702	₱138,627	₱7,845,871
2009							
	Neither past due nor impaired	Past due but not impaired					Total
		Less than 30 days	30 to 60 days	60 to 90 days	90 to 120 days	Over 120 days	
	(In Thousands)						
Contracts receivable	₱6,214,663	₱34,504	₱21,795	₱13,473	₱11,234	₱89,430	₱6,385,099
Receivables from governments and financial institutions	1,185,679	-	-	-	-	-	1,185,679
	₱7,400,342	₱34,504	₱21,795	₱13,473	₱11,234	₱89,430	₱7,570,778

There is no concentration risk on the Group's financial assets as of December 31, 2010 and 2009.

Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The Group's financial instruments affected by market risk include loans payable, cash and cash equivalents and available-for sale financial assets.

a) Interest Rate Risk

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



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

	Increase (decrease) in basis points	Effect on income before income tax (In Thousands)
2010	+200	(₱98,723)
	-200	₱98,723
2009	+200	(₱94,696)
	-200	₱94,696

The sensitivity analysis shown above is based on the assumption that interest rate movement will most likely be limited to a two hundred basis point upward or downward fluctuation. The Group, used as basis of these assumptions, the annual percentage change of 3-month PDST-F rate for the past five years as obtained from PDEX. Effect on the Group's income before tax is computed on the carrying amount of the Group's floating rate loans payable as of December 31, 2010 and 2009.

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

Variable interest rate	91-day Treasury bill plus 1% to 2% margin					Total
	Below 1 Year	1-2 Years	2-3 Years	3-4 Years	Over 4 Years	
As of December 31, 2010	₱1,202,667	₱1,352,667	₱2,290,833	₱20,000	₱70,000	₱4,936,167
As of December 31, 2009	₱365,767	₱1,178,266	₱1,178,267	₱1,006,250	₱1,006,250	₱4,734,800

b) *Foreign Currency Risk*

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

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities). PDEX closing rates used are ₱43.84 and ₱46.20 on December 31, 2010 and 2009, respectively. There is no other impact on the Group's other comprehensive income other than those already affecting the profit and loss.

	Increase (decrease) in US dollar rate	Effect on income before income tax (In Thousands)
2010	+5%	₱2,750
	-5%	(₱2,750)
2009	+5%	₱3,615
	-5%	(₱3,615)



The sensitivity analysis shown above is based on the assumption that movement in US dollar-peso exchange rate will most likely be limited to five percent (5%) upward or downward fluctuation. The Group, used as basis of these assumptions, the annual percentage change of US dollar exchange rate for the past five years as obtained from BSP. Effect on the Group's income before tax is computed on the carrying amount of the Group's US dollar-denominated financial assets (cash in bank and short term investments) as of December 31, 2010 and 2009.

c) *Equity Price Risk*

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

	Increase/ decrease in market price	Effect on equity (In Thousands)
2010	+10%	₱306
	-10%	(₱306)
2009	+40%	₱1,224
	-40%	(₱1,224)

The sensitivity analysis shown above is based on the assumption that movement in the price of investments in quoted equity securities will most likely be limited to ten percent (10%) upward or downward fluctuation. The Group, used as basis of these assumptions, the annual percentage change of quoted prices for the past five years as obtained from published quotes of club brokers.

30. Contingencies and Commitments

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

In connection with the joint venture agreement entered into by the Parent Company with Cebu City Government, the Parent Company is committed to (a) purchase 10.6 hectares of the property payable in six (6) years, to be developed into a modern urban center and (b) develop 40 hectares of the property in four (4) phases, mainly mid-rise residential buildings, over a 20-year period.

31. Registration with PEZA

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

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



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

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

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

32. Registration with the Board of Investments (BOI)

As of December 31, 2010, the Group has registered the following projects with the BOI under the Omnibus Investments Code of 1987 (Executive Order No. 226):

Name	Reg. No.	Date Registered	Type of Registration
Palm Ridge 2A	2007-042	03/13/07	New Developer of Low-Cost Mass Housing Project
Asenso Village - Ciudad de Calamba	2007-110	06/28/07	New Developer of Micro, Small and Medium Enterprises Business Park
Aldea Real	2007-163	09/12/07	New Developer of Low-Cost Mass Housing Project
Summerbreeze 1	2007-191	10/26/07	New Developer of Low-Cost Mass Housing Project
One Oasis	2008-225	08/14/08	New Developer of Low-Cost Mass Housing Project
Westwood Mansions	2008-257	09/02/08	New Developer of Low-Cost Mass Housing Project
Summerbreeze 2	2008-311	11/17/08	New Developer of Low-Cost Mass Housing Project
Park Spring - The Glens	2008-326	12/15/08	New Developer of Low-Cost Mass Housing Project
Palm Ridge - Phase 3	2008-300	11/17/08	New Developer of Low-Cost Mass Housing Project

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

