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Eton Properties Philippines, Inc.
Building dreams. Building homes. Building with pride.

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Statements of Income

(In Million Pesos)	2010	2009
Revenue	4,450.08	1,969.67
Cost and Expenses	3,732.19	1,891.54
Other Income	251.87	156.78
Income Before Income Tax	969.76	234.91
Provision For (Benefit From Income Tax)	238.15	(53.30)
Net Income	731.61	288.21

Statements of Financial Position

(In Million Pesos)	As of December 31, 2010	As of December 31, 2009
Current Assets	6,552.45	7,469.09
Non-Current Assets	5,651.41	3,499.60
Total Assets	12,203.86	10,968.69
Current Liabilities	5,145.82	5,271.41
Non-Current Liabilities	1,709.89	1,055.35
Total Liabilities	6,855.71	6,326.76
Equity	5,348.15	4,641.93
Total Liabilities and Equity	12,203.86	10,968.69



To my fellow Shareholders,

2010 was an exciting and productive year for Eton Properties. It was yet another rewarding journey for the company as we have made significant progress, with remarkable results, in Eton's mission to provide clients the best property investment options.

Relatedly, the company also explored other areas where it can maximize its resources and give fresh meaning to our mission. Thus, Eton, now on its fourth year of operations, set up a wholly-owned subsidiary, First Homes, Inc. (FHI) to cater to the needs of the very promising broad affordable market segment.

The past year was very good for the real estate industry. Driven by renewed investors' confidence and solid economic fundamentals, the positive forecast that the Philippine economy is poised for a strong recovery has fuelled growth in the real estate sector. Domestic and foreign investments also gradually increased, especially in infrastructure projects.

Needless to say, the Philippines has become the leading business process outsourcing (BPO) destination in the world, providing thousands of jobs to Filipinos. OFW remittances and low interest rates have sustained GDP growth as the new administration builds a resilient economy that would further create job opportunities and attract investments. All these factors hugely contributed to a surge in demand in the property sector.

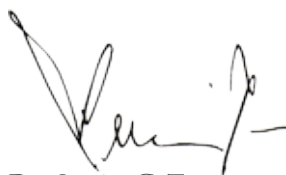
This has led to another record-setting performance for Eton in 2010. High consumer demand across all market segments and price points resulted in a more than doubling of our revenue to P4.5 billion for the year from P2.0 billion in 2009, a strong indication of our growing markets and a reflection of Eton's leadership in the highly competitive realty industry.

For 2011, we do recognize the challenges brought about by external factors. The ongoing Middle East crisis adversely affected world markets and rendered unstable the price of oil. The crisis may slow down OFW remittances, which could eventually lead to reduced real estate spending. Moreover, stiff competition is a challenge we must face and overcome. Nonetheless, we remain committed to building projects that will raise the quality of life of Filipinos in various growth areas across the country.

Eton Properties has established itself as an international property leader with landmark projects in China and Hong Kong. The ETON heritage of landmark developments created by Eton Properties Group of China and Eton Properties Limited of Hong Kong is an inspiring feat that Eton Properties Philippines aspires to achieve.

We thank the Board of Directors, our stockholders, the management and staff for their trust and confidence in Eton Properties. We are confident that with your support, we will continue to sustain last year's momentum and leverage on the success we have attained.

Mabuhay!



DR. LUCIO C. TAN
Chairman

Dear Shareholders:

We are happy to report that 2010 was another banner year for Eton Properties. Launching six new projects during the year, Eton now has 41 developments in various growth areas in the country.

2010 MAJOR ACHIEVEMENTS IN RETROSPECT

Eton Properties achieved record financial results last year and reinforced its position as a major player in the property industry. The company registered a 154% increase in consolidated net income from P288 million in 2009 to P732 million in 2010, exceeding its target net income of P700 million. Total revenues also grew by 126% to P4.5 billion in 2010 from P2.0 billion in 2009, driven by strong residential sales, leasing income from BPO office and mall properties and the completion of a number of residential projects. Substantial construction of its early residential projects The Eton Residences Greenbelt, Eton Parkview Greenbelt, Belton Place, Eton Emerald Lofts, South Lake Village at Eton City and The Manors at North Belton Communities also contributed to the company's realized revenues. The company also posted an 11% increase in assets from P11.0 billion in 2009 to P12.2 billion in 2010.

Furthermore, the company achieved the following in 2010:

- Completed 6 projects and turned over a total of 1,192 residential units. The company completed the East Tower of One Archers Place residential condominium along Taft Avenue; Eton Baypark Manila, a premium residential condominium at the corner of Roxas Boulevard and Kalaw Street; 3 mid-rise buildings of The Manors at North Belton Communities in Quezon City and Centris Walk, a high-end commercial strip in Eton Centris, our 12-hectare township project along EDSA and Quezon Avenue. All of our BPO office buildings were fully leased.
- Continued full blast construction activities of our residential, commercial and office projects
- Successfully ventured into new markets with the launch of First Homes, Inc. - a new brand tapping the broad affordable market segment. The following initial First Homes projects were introduced:

Aurora Heights Residences, a transit-oriented, two-tower, 20-storey condominium that is strategically located at Aurora Avenue in Quezon City

First Homes Makati, a 34-storey residential condominium located at the corner of Chino Roces Avenue and Malugay Street, just a few steps away from Ayala Avenue

- Strengthened its organizational framework and operations by the acquisition of a new Enterprise Resource Planning (ERP) software

The company also introduced 4 other innovative projects that were well received by the market. It launched Eton Tower Makati, a centrally-located, 40-storey mixed-use condominium featuring residential, SOHO and serviced apartment units. The company also launched West Wing Villas, the third enclave in North Belton Communities in Quezon City featuring larger house and lot cuts for bigger families. Two commercial projects were also introduced, namely The Arcade, a commercial strip in our 68 Roces luxury residences project in Quezon City and The Elements at Centris, an events venue in Eton Centris.

Eton Properties' unprecedented growth over the past four years garnered accolades from the regional building and design industry. The company was cited by BCI Asia, an international award-giving body, as one of the country's top 10 property developers. The Top 10 Developer Award recognizes top developer firms building the greatest volume of buildings in seven regional markets in Asia including Hong Kong, Indonesia, Malaysia, Philippines, Singapore, Thailand and Vietnam. It is worthy to note that Eton Properties is the youngest company among the 10 awardees, reaffirming Eton Properties' outstanding growth as a company.

OUTLOOK FOR 2011

2011 is seen as both a challenging and promising year for the property industry. Renewed business confidence and solid economic fundamentals lead to genuine interest in Philippine growth and investment products. However, the effects of the Middle East crisis continue to impact on the price of oil. The crisis likewise might affect the growth of OFW remittances that drive consumption and investment. A major part of these remittances go to real estate spending.

For 2011, our foremost priority is to deliver over 3,600 units of our early residential projects. The company will continue to focus on the development of its two township projects – Eton City in Sta. Rosa, Laguna and Eton Centris in Quezon City. Eton City is a 1,000 hectare development that will include unique residential enclaves catering to various markets, a world-class business district and vibrant commercial and leisure destinations. Inspired by next-generation waterfront cities only found abroad, it is home to the country's first residential island lot development, South Lake Village. Development of the massive 35-hectare man-made lake in South Lake Village has been completed. Turnover of the island lots will start by the second half of the year. Eton Centris, also a very promising development, enjoys a prime location at the gateway to Quezon



City's new Triangle Park Central Business District, the next major central business district in Metro Manila. The company also plans to enter the leisure market and is eyeing developments in key tourist destinations in the country, given the government thrust in tourism-related projects. Moreover, the company further strengthened its construction safety measures ensuring maximum efficiency and improved working conditions for its development efforts.

Eton Properties in 2011 will continue its expansion as a full range property developer with a unique line up of innovative projects encompassing residential, commercial, office and leisure projects. Indeed, our passion lies in providing world-class residences and investment products to our clients.

In closing, I wish to express my heartfelt thanks to the Board of Directors for their continuous support and hard work in 2010, our shareholders for their trust and steadfast confidence, the management and staff for their dedication and loyalty and our sister companies for their consistent support to Eton Properties. Your invaluable contributions have made 2010 another landmark year for Eton Properties.


DANILO E. IGNACIO
President & COO



ETON TOWER MAKATI



THE ETON RESIDENCES GREENBELT Makati



ETON PARKVIEW GREENBELT Makati



Located where financial and commercial activities are centralized, Eton Properties' residential developments provide a myriad of lifestyle choices for urbanites.

Four of its high-rise projects are strategically located in Makati, the financial capital of the country. The Eton Residences Greenbelt and Eton Parkview Greenbelt both are just a few steps away from the Greenbelt mall. Centrally-located within the Makati CBD near Ayala Avenue is Eton Tower Makati, a unique 40-storey mixed-use condominium. Belton Place is located near Sen. Gil Puyat and Ayala Avenues.

All of Eton's Manila projects likewise enjoy prime locations. One Archers Place is situated along Taft Avenue and is directly adjacent to the De La Salle University. Eton Baypark Manila is along Roxas Boulevard and offers magnificent views of Manila Bay and Rizal Park. 8 Adriatico will rise at the corner of Padre Faura and Adriatico Streets in Manila, just beside Robinsons Place mall.

Offering distinctive loft units at the heart of Ortigas Center is Eton Emerald Lofts, located just steps away from the Robinsons and SM malls.

68 Rocas, an exclusive premier residential development, will soon rise along the business and entertainment district in Rocas Avenue in Quezon City. A unique horizontal project featuring 3 to 4 storey luxury residences, 68 Rocas presents a one-of-a kind neighborhood that is upscale and secure.



ETON BAYPARK MANILA



ETON EMERALD LOFTS
Ortigas



BELTON PLACE
MAKATI



ROCES
Quezon City



Manila





Eton City, a first-of-its-kind development in the country, is Eton Properties' flagship project. Inspired by next generation waterfront cities such as The Palm in Dubai and The Pearl in Qatar, the multi-billion peso project occupies close to 1,000 hectares of prime land.

Carefully master planned to include unique residential enclaves catering to various markets, a world-class business district and vibrant commercial and leisure destinations, Eton City is envisioned to be a progressive metropolis in the South.

At the center of Eton City is the upscale South Lake Village, the country's first residential island lot development. This unique residential enclave features 16 distinct islands that offer world-class lakeside living right here in the Philippines. It is the country's first and only community of high-end exclusive islands surrounded by a massive 35-hectare man-made lake, bringing cooler temperatures all year round. South Lake Village offers residents a distinctive living experience.

Eton City is also home to Riverbend and West Wing Residences, two unique residential communities targeting the upper middle and middle income markets, respectively.



South Lake Village aerial shot: photo taken as of September 2010

South Lake Village
AT ETON CITY


RiverBend
AT ETON CITY


WEST WING
RESIDENCES
AT ETON CITY





Eton Centris is a 12-hectare mixed-use township development in Quezon City's emerging Triangle Park Central Business District. The Triangle Park CBD encompasses 250 hectares of prime properties from North to East Avenue, and will be "the center of gravity of all commercial activities in Metro Manila in the coming years" according to the World Bank.

Eton Centris is envisioned to be a progressive metropolis in the north integrating world-class business, residential, retail and recreational components in one choice setting, providing a fully-integrated and self-contained lifestyle. The largest privately-owned property along EDSA, it is a place where residents, tenants and visitors can entertain themselves, go shopping, attend special events, and live a well-rounded lifestyle. Initial developments include One Cyberpod Centris, Two Cyberpod Centris, Centris Station, Centris Walk and Elements at Centris.





The Philippines is now the top business process outsourcing (BPO) destination in the world, having captured a significant share of the global BPO market over the years.

Eton offers ideal locations and facilities to the fast-growing BPO sector through its carefully master planned BPO office developments. Strategically-located and designed to cater to specific needs of BPO companies, all of Eton's Cyberpod office buildings are PEZA accredited, allowing tenants to enjoy preferential tax incentives.

One Cyberpod Centris and Two Cyberpod Centris are situated within Eton Centris. Buildings 1 to 3 of Eton Cyberpod Corinthian in Ortigas Center offer immediate access to various public transport systems.

These fully-leased office buildings are anchored by retail stores to complement the 24/7 operations of the outsourcing industry.





ETON

CYBERPOD

CORINTHIAN





Eton Properties' commercial centers are community-driven developments that offer convenience and accessibility. These are strategically-located projects designed as focal points for the company's residential and township communities, providing a fully-integrated and self-contained lifestyle for residents, tenants and visitors.

Centris Station is a transit-oriented, two-level commercial center in Eton Centris. It is anchored by SM Hypermarket and an interesting mix of specialty food outlets, specialty stores and service-oriented shops. It is directly linked to the MRT station and has easy access 24/7 to various modes of transportation. This new shopping center offers secured parking spaces and a convenient shopping experience.

Centris Walk at Eton Centris is an open-space commercial center master planned to be the new dining, lifestyle and entertainment hub of the metropolis. This exciting strip will cater to Metro Manila's food enthusiasts, bar hoppers and party lovers.



The Elements at Centris is an upcoming events venue that is well located and suited to accommodate social functions like weddings, birthdays, social events and corporate functions.

E-life is part of Eton's Business Process Outsourcing (BPO) campus, Eton Cyberpod Corinthian, located along Ortigas Avenue corner EDSA. This retail center features electronics shops, gadget stores, convenience-type retail outlets and fastfood chains.

Green Podium is a two-level commercial center located at One Archers Place, Eton's high-rise condominium project situated right next to De La Salle University. Located along Taft Avenue, the Green Podium will offer fast food type restaurants, specialty shops, convenience and service-oriented outlets. It will service the year-round population of De La Salle University and the multitude of educational institutions nearby.

GREEN
PODIUM
at One Archers Place



at Cyberpod Corinthian



BELTON

COMMUNITIES, INC.

SETTING NEW STANDARDS IN AFFORDABLE LIVING

Belton Communities, Inc. is a fully-owned subsidiary that caters to the middle income market. Its initial developments include North Belton Communities and West Wing Residences at Eton City.

North Belton Communities in Quezon City, is a 13.8 hectare multi-enclave development that will feature mid-rise condominiums, townhouses and house and lot units. It will also be home to a commercial center operated by SM Prime Holdings, Inc., the country's largest mall operator.

The first enclave within North Belton Communities is The Manors, featuring 14 clusters of 5-storey mid-rise condominiums.



WEST WING
RESIDENCES
AT NORTH BELTON COMMUNITIES



WEST WING
RESIDENCES
AT ETON CITY



WEST WING VILLAS

The Manors AT NORTH BELTON COMMUNITIES



The second enclave is West Wing Residences, a 2.2 hectare residential subdivision featuring houses inspired by contemporary American architecture. The community will have its own lifestyle amenities such as a clubhouse, swimming pool, multi-purpose court and playground.

West Wing Villas, the third enclave, offers 3 to 6-bedroom house models with larger lot cuts, all designed to accommodate bigger families.

The second project, West Wing Residences, will rise within Eton City in Sta. Rosa, Laguna. It will feature a charming community of homes inspired by modern contemporary architecture. The project boasts of expansive amenities such as a one-hectare eco-park and open field, a village clubhouse, swimming pool, a multi-purpose court and a children's playground.



First Homes, Inc. seeks to fulfill the dreams and aspirations of the broad affordable market segment. A wholly-owned subsidiary of Eton Properties Philippines, Inc. established in 2010, its projects are specifically designed for first time home buyers who want a home inside the city or very near the major central business districts. First Homes projects aims to offer the best mix in terms of price, location and project features.

Strategically located

First Homes projects are located in major cities near transport hubs like the MRT and LRT, schools, hospitals, churches and malls.

Move-in Ready™

First Homes introduces affordable compact homes designed to support residents' active urban lifestyle. Innovative space planning and custom-built furniture deliver beautiful and functional fully-furnished 2 and 3-bedroom units. At an affordable price of Php 10,000 a month, one can have a 2-bedroom unit and enjoy a lifestyle centered on modern city conveniences.

Exciting Amenities

Promoting a well-rounded lifestyle, First Homes projects feature inspiring amenities for residents to enjoy like a large clubhouse with receiving areas for guests, an adult and kiddie pool, landscaped gardens and a set of retail outlets at the ground floor.

Aurora Heights RESIDENCES

Aurora Heights Residences, the first project of First Homes, Inc. is a transit-oriented, two-tower condominium that is strategically located at Aurora Avenue in Quezon City. Tower 1 of the project will be a 20-storey building with fully-furnished units.



FirstHomes MAKATI

First Homes Makati is a 34-storey residential condominium situated at the corner of Chino Roces Avenue (formerly Pasong Tamo) and Malugay Streets, just a few steps from Ayala Avenue.





ETON PARKVIEW
GREENBELT



- Turnover: December 2011



THE ETON RESIDENCES
GREENBELT



- Turnover: January 2012



BELTON PLACE
MAKATI

- Turnover: December 2011



Archers
PLACE
West Tower

- Turnover: December 2011



ETON EMERALD LOFTS
Pasig City

- Turnover: December 2011



ETON TOWER MAKATI

Eton Tower Makati will soon rise at the heart of the CBD, a modern-day building of iconic architecture. It is the first residential establishment to have direct access to Makati's elevated walkways. Such accessibility makes the best of the CBD, literally, a stroll away.

A mix of executive residences, SOHO units, serviced apartments and retail outlets capture the essence of three worlds in one location.

Located at the fifth floor are swimming pools, a gym, jogging paths and landscaped gardens. Three-storey tower gardens also line the 40-storey building from the sixth floor to the Penthouse. These pocket nature areas provide unit owners with a fresh, green oasis—a rare treat for city-dwellers.

WEST WING VILLAS



West Wing Villas is a 5.2-hectare prime phase subdivision at North Belton Communities. Inspired by American architecture, West Wing Villas offers 3 to 6-bedroom house models, all designed to accommodate small and big families. West Wing Villas also has a gated entrance that separates it from the two residential enclaves in North Belton Communities. A perimeter wall and 24-hour security further ensure the safety of residents.

Residents can further enjoy the many lifestyle amenities provided for the subdivision. These include a bi-level clubhouse, adult and kiddie swimming pools, multi-purpose court, and children's playground.

Aurora Heights RESIDENCES

Aurora Heights Residences is a transit-oriented, two-tower, 20-storey condominium that is fully-furnished and Move-In Ready™. Innovative space planning with custom-built furniture fits 2 bedrooms in an 18 sqm unit and 3 bedrooms in a 28 sqm space. Tower 1 of the project will be a 20-storey building with exciting amenities such as a large clubhouse with receiving area for guests, landscaped gardens and a host of retail outlets at the ground floor.

Strategically located at Aurora Boulevard, Quezon City, it is a few minutes away from academic institutions such as UP Diliman, Miriam College, and Ateneo De Manila University, among others. Located just 3 minutes away from the LRT 2 Katipunan station, major shopping complexes such as SM City Marikina, Robinsons Mall, Sta. Lucia Mall and Araneta Center are minutes away via the LRT. Also accessible are prime medical centers such as the Lung Center of the Philippines, Heart Center of the Philippines, National Kidney and Transplant Institute, Medical City, and the National Children's Hospital.



FirstHomes MAKATI

First Homes Makati is a 34-storey residential condominium situated at the corner of Chino Roces Avenue (formerly Pasong Tamo) and Malugay Streets, just a few steps away from Ayala Avenue. Located just minutes from the Makati Central Business District, major shopping complexes such as Glorietta, The Landmark and SM Makati are all within easy reach. Schools such as the Centro Escolar University, Mapua Institute of Technology and the Far Eastern University are also nearby.

Perfect for first time home buyers, young employees, working students and newly-wed couples, the project features fully-furnished and Move-In Ready™ 2-bedroom and 3-bedroom residential units. Investors looking to rent out condo units will likewise enjoy rewarding leasing opportunities. Master planned for three towers, Tower 1 of the project will feature a large clubhouse with receiving areas for guests, landscaped gardens and a set of retail outlets at the ground floor.





DOMINGO T. CHUA

WILSON T. YOUNG

REYNALDO A. MACLANG

DANILO E. IGNACIO

LUCIO K. TAN, JR.

DR. LUCIO C. TAN

DR. LUCIO C. TAN **Chairman**

Chairman of Philippine Airlines, Inc., Asia Brewery, Inc., Fortune Tobacco Corp., PMFTC Inc., Grandsan Development Corp., Himmel Industries, Inc., Lucky Travel Corp., PAL Holdings, Inc., Tanduay Holdings, Inc., Tanduay Distillers, Inc., Tanduay Brands International, Inc., The Charter House, Inc., Absolut Distillers, Inc., Progressive Farms, Inc., Eton City, Inc., Belton Communities, Inc., FirstHomes, Inc., Manufacturing Services & Trade Corp., REM Development Corp., Foremost Farms, Inc., Basic Holdings Corp., Dominion Realty & Construction Corp., Shareholdings, Inc., and Fortune Tobacco International Corp.; Director of Philippine National Bank; majority stockholder of Allied Banking Corp., and Maranaw Hotels & Resort Corp.

HARRY C. TAN **Vice Chairman**

Vice Chairman of Tanduay Holdings, Inc., Eton City, Inc., Belton Communities, Inc., FirstHomes, Inc., Pan Asia Securities, Inc., and Lucky Travel Corp.; Vice Chairman/Treasurer of Philippine Airlines, Inc.; Managing Director of The Charter House, Inc.; Director/Chairman for Tobacco Board of Fortune Tobacco Corp.; Director/President of Maranaw Hotels & Resort Corp.; Director of Allied Banking Corp., Asia Brewery Inc., Basic Holdings Corp., PAL Holdings, Inc., Foremost Farms, Inc., Himmel Industries, Inc., Absolut Distillers, Inc., Progressive Farms, Inc., Manufacturing Services & Trade Corp., PMFTC Inc., REM Development Corp., Grandsan Development Corp., Dominion Realty & Construction Corp., Fortune Tobacco International Corp., Shareholdings,

Inc., Tanduay Brands International, Inc., and Tanduay Distillers, Inc.

DANILO E. IGNACIO **President, Chief Operating Officer and Director**

President, Chief Operating Officer and Director, Belton Communities, Inc., Eton City, Inc., FirstHomes, Inc and Eton Properties Sales Corporation; Former Managing Director of Robinsons Properties Marketing and Management Corporation; Former Chairman and President, Manhattan Building Management Corporation; Former General Manager of High Rise Buildings Division of Robinsons Land Corp.; Former President of PhilAm Properties Corporation; Former Vice President, Citibank NA; Former Chairman of the Board of Trustees, De La Salle Canlubang

JUANITA T. TAN LEE **Director & Treasurer**

Director of PAL Holdings, Inc. and Air Philippines Corp.; Director/Corporate Secretary of Asia Brewery, Inc.; Director/Corporate Secretary of Asia Brewery, Inc., Fortune Tobacco Corp., Dominion Realty and Construction Corp., and Shareholdings, Inc.; Corporate Secretary of Absolut Distillers, Inc., The Charter House, Inc., Foremost Farms, Inc., Fortune Tobacco Int'l Corp., Grandsan Development Corp., Himmel Industries, Inc., Lucky Travel Corp., Manufacturing Services & Trade Corp., Marcuenco Realty & Development Corp., PMFTC Inc., Progressive Farms, Inc., REM Development Corp., Tanduay Distillers, Inc., Tanduay Brands International Inc., Tobacco Recyclers Corp., Total Bulk Corp., Zebra Holdings, Inc.; Assistant Corporate Secretary of Basic Holdings Corp. and Tanduay Holdings, Inc.

LUCIO K. TAN, JR. **Director**

Director/President of Tanduay Distillers, Inc.; Director/EVP of Fortune Tobacco Corp.; Director of AlliedBankers Insurance Corp., Philippine Airlines, Inc., Philippine National Bank, PAL Holdings, Inc., Tanduay Holdings, Inc., MacroAsia Corporation, PMFTC Inc., Lucky Travel Corp., Air Philippines Corp., Tanduay Brands International, Inc., Absolut Distillers, Inc., Asia Brewery, Inc., Foremost Farms, Inc., Himmel Industries, Inc., Progressive Farms, Inc., The Charter House, Inc., Eton City, Inc., Belton Communities, Inc., FirstHomes, Inc., REM Development Corporation, Grandsan Development Corporation, Dominion Realty & Construction Corp., Manufacturing Services & Trade Corp., Fortune Tobacco International Corp., and Shareholdings, Inc.

MICHAEL G. TAN **Director**

Director/President of Tanduay Holdings, Inc.; Director/Chief Operating Officer of Asia Brewery, Inc.; Director of Allied Banking Corporation, AlliedBankers Insurance Corp., Air Philippines Corp., PMFTC Inc., Grandway Construct, Inc., Lucky Travel Corp., Philippine Airlines, Inc., Philippine Airlines Foundation, Inc., PAL Holdings, Inc., Tanduay Brands International, Inc., Absolut Distillers, Inc., Eton City, Inc., Victorias Milling Company, Inc., and Shareholdings, Inc.



HARRY C. TAN

MICHAEL G. TAN

JUANITA T. TAN LEE

WILFRIDO E. SANCHEZ

ANTONINO L. ALINDOGAN, JR.

MA. CECILIA L. PESAYCO

DOMINGO T. CHUA**Director**

Chairman of Allied Banking Corp., Air Philippines Corp., PNB Holdings Corp. and PNB Securities, Inc.; Vice Chairman of PNB General Insurers Co., Inc.; Director/ President of Allied Leasing and Finance Corp.; Managing Director/Treasurer of Himmel Industries, Inc.; Director/Treasurer of Dominion Realty & Construction Corp., Asia Brewery, Inc., Manufacturing Services & Trade Corp., Grandspan Development Corp., Foremost Farms, Inc., The Charter House, Inc., Progressive Farms, Inc., Fortune Tobacco Corp., Fortune Tobacco International Corp., Lucky Travel Corp., Tanduary Holdings, Inc., Tanduary Distillers, Inc., Tanduary Brands International, Inc., Absolut Distillers, Inc., Eton City, Inc., Belton Communities, Inc. and FirstHomes, Inc.; Director of Pan Asia Securities Corp., Allied Commercial Bank, AlliedBankers Insurance Corp., Maranaw Hotels & Resort Corp., Eurotiles Industrial Corp., PAL Holdings, Inc., and PNB Life Insurance Inc.; Former Director of Philippine National Bank

REYNALDO A. MACLANG**Director**

Director of Allied Banking Corp., Allied Savings Bank, and Allied Leasing and Finance Corp.; Former Director and President of Allied Banking Corp.

WILSON T. YOUNG**Director**

Managing Director/Deputy CEO of Tanduary Holdings, Inc.; Director/President of Tanduary Brands International, Inc.; Chief Operating Officer of Tanduary Distillers, Inc., Absolut Distillers, Inc., and Total Bulk Corp.; Director of Flor De Caña Shipping, Inc., Air Philippines Corp., and PAL Holdings, Inc.; Chairman of Victorias Milling Co., Inc.; Vice Chairman of the Board of Trustees of UERM Medical Center; and Board of Trustees Member of the University of the East

ANTONINO L. ALINDOGAN, JR.**Independent Director**

Chairman of the Board of An-Cor Holdings, Inc.; Chairman and President of Landrum Holdings, Inc.; Independent Director of Phil. Airlines, Inc., Rizal Commercial Banking Corp., PAL Holdings, Inc., House of Investments, Inc.; President of C55, Inc.; Former Chairman of the Board of Directors of Development Bank of the Philippines (DBP); Former Consultant for Microfinance of DBP; Former Member of the Monetary Board of Bangko Sentral ng Pilipinas

WILFRIDO E. SANCHEZ**Independent Director**

Tax Counsel of Quiason Makalintal Barot Torres Ibarra & Sison Law Offices; Vice Chairman of Center for Leadership & Change, Inc.; Director of Adventure International Tours, Inc., Amon Trading Corp., EEI Corporation, Grepalife Asset Management Corp., Grepalife Fixed Income Fund Corp., House of Investments, JVR Foundation, Inc., Kawasaki Motor Corp., Magellan Capital Holdings, Corp., Omico Corporation; PETNET, Inc., PETPLANS, Inc., Rizal Commercial Banking Corporation, Transnational Diversified Corp., Transnational Financial Services, Inc., and Universal Rubina Corp.

MA. CECILIA L. PESAYCO**Corporate Secretary**

Corporate Secretary of Allied Banking Corp., Allied Savings Bank, Tanduary Holdings, Inc., PAL Holdings, Inc., Air Philippines Corp., Eton City, Inc., Belton Communities, Inc., FirstHomes, Inc., and East Silverlane Realty and Development Corp.



Erwin M. De Pedro
*Vice President
for Marketing*



Mary Eleanor A. Mendoza
*Vice President
for Business Development,
Eton City*



Emmanuel D. Pablo
*Vice President
for Brokers Network*



Cecille M. Magugat
*Vice President
for Operations*



Christine L. Ong
*Vice President
for Treasury*

Jesus S. Recasata
*Vice President
for International Marketing*

Rolando R. Amparado
*Vice President
for Technical Services*

Josephine A. Martinez
Chief Finance Officer

Luis S. Lava
*Vice President
for Property Management*

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of **Eton Properties Philippines, Inc. and Subsidiaries** is responsible for all information and representations contained in the Financial Statements for the years ended December 31, 2010 and 2009. These Financial Statements have been prepared in conformity with Philippine Financial Reporting Standards (PFRS) and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

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

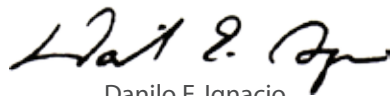
The Board of Directors reviews the Financial Statements before such statements are approved and submitted to the stockholders of the Company.

SyCip Gorres Velayo & Co., the independent auditors appointed by the Stockholders, has examined the Financial Statements of the Company in accordance with Philippine Standards on Auditing (PSA) and has expresses 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:



HARRY C. TAN
Vice Chairman



Danilo E. Ignacio
President and Chief Operating Officer



Josephine A. Martinez
Chief Finance Officer

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Eton Properties Philippines, Inc.

We have audited the accompanying consolidated financial statements of Eton Properties Philippines, 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 about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's 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 the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Eton Properties Philippines, Inc. and its subsidiaries as at December 31, 2010 and 2009, and their financial performance and 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.



Martin C. Guantes

Partner

CPA Certificate No. 88494

SEC Accreditation No. 0325-AR-1

Tax Identification No. 152-884-272

BIR Accreditation No. 08-001998-52-2009,

June 1, 2009, Valid until May 31, 2012

PTR No. 2641530, January 3, 2011, Makati City

April 28, 2011

ETON PROPERTIES PHILIPPINES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2010	2009
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 5, 25 and 28)	P370,082,638	P667,540,923
Trade and other receivables (Notes 6, 25, and 28)	2,245,413,735	25,858,376
Real estate inventories (Note 7)	3,187,224,711	5,294,413,790
Other current assets (Note 8)	749,728,451	1,481,276,727
Total Current Assets	6,552,449,535	7,469,089,816
Noncurrent Assets		
Receivables - net of current portion (Notes 6 and 28)	—	384,326,537
Available-for-sale (AFS) financial asset (Notes 9 and 28)	—	229,664,972
Investment properties (Notes 10 and 32)	5,413,121,166	2,542,380,222
Property and equipment (Notes 11 and 32)	61,065,300	47,273,634
Deferred income tax assets - net (Note 22)	119,385,978	257,148,753
Other noncurrent assets (Notes 12 and 28)	57,841,166	38,810,984
Total Noncurrent Assets	5,651,413,610	3,499,605,102
TOTAL ASSETS	P12,203,863,145	P10,968,694,918
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Note 13)	P2,126,430,479	P2,110,775,648
Payables to related parties (Note 25)	624,887,912	945,830,870
Income tax payable	12,653,028	83,704,362
Customers' deposits (Note 14)	1,831,888,928	2,075,033,658
Current portion of:		
Loans payable (Notes 15 and 28)	530,000,000	30,000,000
Deposits and other liabilities (Notes 16 and 28)	19,965,425	23,725,283
Deferred credits (Note 16)	—	2,339,431
Total Current Liabilities	5,145,825,772	5,271,409,252
Noncurrent Liabilities		
Loans payable - net of current portion (Notes 15 and 28)	1,561,285,827	1,009,202,331
Other noncurrent liabilities (Notes 16 and 28)	148,600,079	46,146,655
Total Noncurrent Liabilities	1,709,885,906	1,055,348,986
Total Liabilities	6,855,711,678	6,326,758,238
Equity		
Capital stock - P1 par value (Note 17)	731,691,029	731,691,029
Deposit for future stock subscription (Note 17)	3,953,169,000	3,953,169,000
Retained earnings (Deficit)	663,299,393	(68,312,561)
Unrealized gain on AFS financial asset (Note 9)	—	25,397,167
Treasury shares, at cost (Note 17)	(7,955)	(7,955)
Total Equity	5,348,151,467	4,641,936,680
TOTAL LIABILITIES AND EQUITY	P12,203,863,145	P10,968,694,918

See accompanying Notes to Consolidated Financial Statements.

ETON PROPERTIES PHILIPPINES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31		
	2010	2009	2008
REVENUE			
Real estate sales	P4,282,939,433	P1,956,837,898	P–
Rental income (Notes 10, 16 and 23)	167,136,751	12,826,649	–
	4,450,076,184	1,969,664,547	–
COST AND EXPENSES			
Cost of real estate sales (Note 7)	3,117,019,613	1,493,742,661	–
Selling expenses (Note 19)	388,416,732	228,863,185	125,090,528
General and administrative expenses (Note 20)	226,752,157	168,934,008	133,353,232
	3,732,188,502	1,891,539,854	258,443,760
OTHER INCOME (CHARGES)			
Interest income (Notes 5, 6 and 18)	85,250,024	101,186,882	44,211,489
Finance charges (Notes 15 and 25)	(11,711,618)	(12,197,472)	(7,713,620)
Gain on sale of AFS financial asset (Note 9)	42,536,210	–	–
Foreign exchange gains (losses) - net	(4,810,079)	9,348,167	45,182,415
Other income (Note 24)	140,610,209	58,443,663	498,832
	251,874,746	156,781,240	82,179,116
INCOME (LOSS) BEFORE INCOME TAX	969,762,428	234,905,933	(176,264,644)
PROVISION FOR (BENEFIT FROM)			
INCOME TAX (Note 22)			
Current	100,387,698	92,953,703	10,258,406
Deferred	137,762,776	(146,257,617)	(60,759,049)
	238,150,474	(53,303,914)	(50,500,643)
NET INCOME (LOSS)	P731,611,954	P288,209,847	(P125,764,001)
BASIC EARNINGS (LOSS) PER SHARE			
(Note 27)	P0.5605	P0.2208	(P0.0963)
DILUTED EARNINGS (LOSS) PER SHARE			
(Note 27)	P0.2518	P0.1788	(P0.0963)

See accompanying Notes to Consolidated Financial Statements.

ETON PROPERTIES PHILIPPINES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2010	2009	2008
NET INCOME (LOSS)	P731,611,954	P288,209,847	(P125,764,001)
OTHER COMPREHENSIVE INCOME			
Unrealized gain (loss) on AFS financial asset (Note 9)	17,494,684	6,014,727	(4,975,131)
Unrealized gain on changes in fair values of AFS financial asset transferred to profit or loss (Note 9)	(42,891,851)	–	–
	(25,397,167)	6,014,727	(4,975,131)
TOTAL COMPREHENSIVE INCOME	P706,214,787	P294,224,574	(P130,739,132)

See accompanying Notes to Consolidated Financial Statements.

ETON PROPERTIES PHILIPPINES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2010, 2009 AND 2008

	Capital Stock - P1 Par Value (Note 17)			Subscriptions Receivable	Total Paid-in Capital	Deposit for Future Stock Subscription (Note 17)	Unrealized Gain on AFS Financial Asset (Note 9)	Retained Earnings (Deficit)	Treasury Shares (Note 17)	Total
	Issued and Outstanding	Subscribed	Total							
BALANCES AS AT DECEMBER 31, 2007	P373,798,267	P931,550,434	P1,305,348,701	(P923,657,672)	P381,691,029	P—	P24,357,571	(P230,758,407)	(P7,955)	P175,282,238
Net loss for the year	—	—	—	—	—	—	—	(125,764,001)	—	(125,764,001)
Other comprehensive loss - Changes in fair value during the year	—	—	—	—	—	—	(4,975,131)	—	—	(4,975,131)
Total comprehensive loss	—	—	—	—	—	—	(4,975,131)	(125,764,001)	—	(130,739,132)
Collection of subscriptions receivable	—	—	—	350,000,000	350,000,000	—	—	—	—	350,000,000
BALANCES AS AT DECEMBER 31, 2008	373,798,267	931,550,434	1,305,348,701	(573,657,672)	731,691,029	—	19,382,440	(356,522,408)	(7,955)	394,543,106
Net income for the year	—	—	—	—	—	—	—	288,209,847	—	288,209,847
Other comprehensive income - Changes in fair value during the year	—	—	—	—	—	—	6,014,727	—	—	6,014,727
Total comprehensive income	—	—	—	—	—	—	6,014,727	288,209,847	—	294,224,574
Land acquisition through issuance of shares (Note 17)	—	—	—	—	—	3,953,169,000	—	—	—	3,953,169,000
BALANCES AS AT DECEMBER 31, 2009	373,798,267	931,550,434	1,305,348,701	(573,657,672)	731,691,029	3,953,169,000	25,397,167	(68,312,561)	(7,955)	4,641,936,680
Net income for the year	—	—	—	—	—	—	—	731,611,954	—	731,611,954
Other comprehensive income: Changes in fair value during the year	—	—	—	—	—	—	17,494,684	—	—	17,494,684
Unrealized gain on changes in fair value transferred to profit or loss during the year	—	—	—	—	—	—	(42,891,851)	—	—	(42,891,851)
Total comprehensive income	—	—	—	—	—	—	(25,397,167)	731,611,954	—	706,214,787
BALANCES AS AT DECEMBER 31, 2010	P373,798,267	P931,550,434	P1,305,348,701	(P573,657,672)	P731,691,029	P3,953,169,000	P—	P663,299,393	(P7,955)	P5,348,151,467

See accompanying Notes to Consolidated Financial Statements.

ETON PROPERTIES PHILIPPINES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2010	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax	P969,762,428	P234,905,933	(P176,264,644)
Adjustments for:			
Interest income (Notes 5 and 18)	(85,250,024)	(101,186,882)	(44,211,489)
Interest expense (Note 25)	4,284,992	–	–
Amortization of deferred credits (Note 16)	(6,172,868)	–	–
Depreciation and amortization (Notes 10, 11, 12 and 20)	70,692,363	28,045,330	15,777,041
Gain on sale of AFS financial asset (Note 9)	(42,536,210)	–	–
Foreign exchange loss (gain)	9,637,895	(9,348,167)	(45,182,415)
Retirement benefits cost (Note 26)	2,734,096	470,954	470,935
Loss on disposal of property and equipment	–	208,344	–
Operating income (loss) before working capital changes	923,152,672	153,095,512	(249,410,572)
Decrease (increase) in:			
Trade and other receivables	(2,122,934,601)	(336,465,684)	(320,302,308)
Real estate inventories (Notes 7 and 32)	(267,837,680)	(743,809,811)	(198,318,739)
Other current assets (Note 8)	1,424,219,589	(441,026,142)	(741,258,332)
Increase (decrease) in:			
Trade and other payables	(106,785,957)	1,868,369,895	131,491,359
Deposits and other liabilities	109,636,357	71,269,480	–
Customers' deposits	(243,144,730)	(80,589,544)	1,454,051,390
Cash generated from (used in) operations	(283,694,350)	490,843,706	76,252,798
Income taxes paid, including creditable withholding taxes	(206,257,423)	(11,027,276)	(8,480,471)
Interest received	22,825,762	101,037,416	53,717,867
Interest paid	(2,092,259)	–	–
Net cash from (used in) operating activities	(469,218,270)	580,853,846	121,490,194
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Investment properties (Notes 10 and 32)	(730,111,989)	(1,403,452,594)	–
Property and equipment (Notes 11 and 32)	(37,097,320)	(5,238,996)	(509,756,551)
Software (Note 12)	(12,683,023)	(140,843)	(698,165)
Other noncurrent assets (Note 25)	(16,786,093)	(24,629,342)	(9,626,750)
Proceeds from sale of AFS financial asset (Note 9)	230,652,811	–	–
Net cash used in investing activities	(566,025,614)	(1,433,461,775)	(520,081,466)

ETON PROPERTIES PHILIPPINES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2010	2009	2008
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from availment of loans (Notes 15 and 25)	P2,341,959,458	P1,039,202,331	P–
Increase in payable to related parties (Note 25)	10,597,784	–	–
Payment of loans payable (Note 15)	(1,607,983,290)	–	–
Collection of subscriptions receivable	–	–	350,000,000
Net cash from financing activities	744,573,952	1,039,202,331	350,000,000
EFFECT OF EXCHANGE RATE			
CHANGES ON CASH AND CASH EQUIVALENTS			
	(6,788,353)	(4,015,985)	16,520,854
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(297,458,285)	182,578,417	(32,070,418)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	667,540,923	484,962,506	517,032,924
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 5)	P370,082,638	P667,540,923	P484,962,506

See accompanying Notes to Consolidated Financial Statements.

ETON PROPERTIES PHILIPPINES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information, Status of Operations and Authorization for Issue of the Consolidated Financial Statements

Corporate Information

Eton Properties Philippines, Inc. (the Parent Company), was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on April 2, 1971 under the name "Balabac Oil Exploration & Drilling Co., Inc." to engage in oil exploration and mineral development projects in the Philippines. On May 12, 1988, the Parent Company's registration and licensing as a listed company was approved by the SEC.

On August 19, 1996, the Parent Company's Articles of Incorporation (the Articles) was amended to: (a) change the Parent Company's primary purpose from oil exploration and mineral development to that of engaging in the business of a holding company; and (b) include real estate development and oil exploration as among its secondary purposes.

On February 21, 2007, the Parent Company's Board of Directors (BOD) adopted the following amendments:

- (a) change the corporate name to Eton Properties Philippines, Inc.;
- (b) change the primary purpose to hold, develop, manage, administer, sell, convey, encumber, purchase, acquire, rent or otherwise deal in and dispose of, for itself or for others, residential, including, but not limited to, all kinds of housing projects, commercial, industrial, urban or other kinds of real property, improved or unimproved; to acquire, purchase, hold, manage, develop and sell subdivision lots; to erect, construct, alter, manage, operate, lease buildings and tenements; and to engage or act as real estate broker;
- (c) increase the number of directors from 11 to 15; and
- (d) change of financial year-end from April 30 to December 31.

The above amendments were subsequently adopted by the Parent Company's shareholders on April 19, 2007 and approved by the SEC on June 8, 2007.

On October 6, 2009, the Parent Company's BOD approved the acquisition of an approximately 12-hectare property owned by Paramount Holdings, Inc. (Paramount) where Eton Centris Projects are situated, valued at P3,953.17 million in exchange for the issuance of 1.60 billion shares to Paramount at P2.50 per share. On October 22, 2009, the Parent Company and Paramount executed the Deed of Conveyance pertaining to the asset-for-share swap (see Note 17).

As of April 28, 2011, the asset-for-share swap is still pending approval with the SEC.

The Parent Company is 94.39%-owned by Saturn Holdings, Inc. as of December 31, 2010 and 2009.

The Parent Company's registered business address is 8th Floor, Allied Bank Center, 6754 Ayala Avenue, Makati City.

Below are the Parent Company's ownership interests in its subsidiaries:

<u>Subsidiaries</u>	<u>Percentage of Ownership</u>
Belton Communities, Inc. (BCI)	100%
Eton City, Inc. (ECI)	100%
FirstHomes, Inc. (FHI)	100%

BCI was incorporated and registered with the SEC on November 5, 2007. On February 18, 2008, the BOD of BCI approved the increase of its capital stock from 20,000 shares to 100,000,000 shares at P1 par value per share and the subscription of the Parent Company for 24,995,000 shares or 25% of the authorized capital stock, with 75% of BCI's capital stock still unsubscribed BCI is still in the process of applying for the increase in its capital stock to the SEC.

ECI was incorporated and registered with the SEC on October 8, 2008.

On October 15, 2010, FHI was incorporated as a wholly owned subsidiary of the Parent Company with a total subscribed capital stock amounting to P1.25 million.

All subsidiaries are incorporated in the Philippines and engaged in real estate development.

Authorization for Issue of the Consolidated Financial Statements

The consolidated financial statements of Eton Properties Philippines, Inc. and its subsidiaries (the Group) were authorized for issue by the BOD on April 28, 2011.

2. Summary of Significant Accounting and Financial Reporting Policies

Basis of Preparation

The consolidated financial statements have been prepared using the historical cost basis, except for the AFS financial asset that has been measured at fair value. The consolidated financial statements are presented in Philippine Peso (Peso), which is the Parent Company's functional currency. All values are rounded to the nearest Peso except when otherwise indicated.

Statement of Compliance

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

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Group as of December 31, 2010 and 2009 and for each of the three years in the period ended December 31, 2010, except for FHI which was incorporated and registered with SEC on October 15, 2010. The financial statements of the subsidiaries are prepared for the same financial reporting year as the Parent Company, using consistent accounting policies.

Subsidiaries are entities over which the Parent Company has the power to govern the financial and operating policies of the entities, or generally have an interest of more than one half of the voting rights of the entities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Parent Company controls another entity. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Parent Company or the Group obtains control, directly or through the holding companies, and continue to be consolidated until the date that such control ceases. Control is achieved where the Parent Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. They are deconsolidated from the date on which control ceases.

All intra-company balances and transactions, including income, expenses and dividends, are eliminated in full.

Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of new and amended accounting standards that became effective beginning January 1, 2010:

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

PAS 27 (Amended) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes introduced by the PFRS 3 (Revised) must be applied prospectively and PAS 27 (Amended) must be applied retrospectively with a few exceptions.

Starting January 1, 2010, total comprehensive income (loss) is attributed to the equity holders of the Parent Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

- 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.

As the Group's chief operating decision maker does review segment assets and liabilities, the Group has continued to disclose this information in Note 5.

Adoption of the following changes in PFRS, PAS and Philippine Interpretations, based on International Financial Reporting Interpretations Committee (IFRIC) interpretations, did not have any significant impact on the Group's consolidated financial statements.

- PFRS 2, *Share-based Payments (Amendment) - Group Cash-settled Share-based Payment Transactions*
- PAS 39, *Financial Instruments: Recognition and Measurement (Amendment) - Eligible Hedged Items*
- Philippine Interpretation IFRIC 17, *Distributions of Non-cash Assets to Owners*

Improvement to PFRS

In May 2008 and April 2009, the International Accounting Standards Board (IASB) issued omnibus amendments to the following standards, primarily with a view of removing inconsistencies and clarify wording. The adoption of the following amendments resulted in changes to accounting policies but did not have significant impact on the financial position and performance of the Group.

Issued in May 2008

- PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*

Issued in April 2009

- PFRS 2, *Share-based Payment*
- PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*
- PAS 1, *Presentation of Financial Statements*
- PAS 7, *Statement of Cash Flows*
- PAS 17, *Leases*
- PAS 36, *Impairment of Assets*
- PAS 38, *Intangible Assets*
- PAS 39, *Financial Instruments: Recognition and Measurement*
- Philippine Interpretation IFRIC 9, *Reassessment of Embedded Derivatives*
- Philippine Interpretation IFRIC 16, *Hedge of a Net Investment in a Foreign Operation*

Summary of Significant Accounting Policies

Cash and Cash Equivalents

Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value and are acquired three months or less before their maturity.

Financial Instruments

Date of recognition

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

Initial recognition and classification of financial instruments

Financial instruments are recognized initially at fair value. The initial measurement of financial instruments, except for those designated at fair value through profit or loss (FVPL), includes transaction cost.

On initial recognition, the Group classifies its financial assets in the following categories: financial assets at FVPL, loans and receivables, held-to-maturity (HTM) investments, and AFS financial assets. The classification depends on the purpose for which the investments are acquired and whether they are quoted in an active market. Financial liabilities, on the other hand, are classified into the following categories: financial liabilities at FVPL and other financial liabilities, as appropriate. Management determines the classification of its financial assets and financial liabilities at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

Financial instruments are classified as liability 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.

As of December 31, 2010 and 2009, the Group's financial assets and financial liabilities consist of loans and receivables, and other financial liabilities. Included also in the financial assets in 2009 is the Group's AFS financial asset.

Determination of fair value

The fair value of financial instruments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business on the financial reporting date. For investments and all other financial instruments where there is no active market, fair value is determined using generally acceptable valuation techniques. Such techniques include using arm's length market transactions; reference to the current market value of another instrument, which are substantially the same; discounted cash flow analysis and other valuation models.

Fair value measurements are disclosed by source of inputs using a three-level hierarchy for each class of financial instrument. Fair value measurement under Level 1 is based on quoted prices in active markets for identical financial assets or financial liabilities; Level 2 is based on inputs other than quoted prices included within Level 1 that are observable for the financial asset or financial liability, either directly or indirectly; and Level 3 is based on inputs for the financial asset or financial liability that are not based on observable market data.

Day 1 difference

Where the transaction price in a non-active market is different from the fair value based on other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from an observable market, the Group recognizes the difference between the transaction price and fair value (a Day 1 difference) in consolidated statement of income under "Rental income" and "Interest income" accounts. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in consolidated statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the "Day 1" difference amount.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are subsequently carried at amortized cost using the effective interest method, less any allowance for impairment. Amortized cost is calculated taking into account any discount or premium on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate and transaction costs. 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. These financial assets are included in current assets if maturity is within 12 months from the financial reporting date. Otherwise, these are classified as noncurrent assets.

As of December 31, 2010 and 2009, the Group's loans and receivables include cash and cash equivalents, trade and other receivables, deposits in escrow bank and refundable deposits.

AFS financial assets

AFS financial assets are non-derivative financial assets that are designated as AFS or are not classified in any of the three other categories. The Group designates financial instruments as AFS financial assets if they are purchased and held indefinitely and may be sold in response to liquidity requirements or changes in market conditions. After initial recognition, AFS financial assets are measured at fair value with unrealized gains or losses being recognized in the consolidated statement of comprehensive income as "Unrealized gain (loss) on AFS financial asset."

When the investment is disposed of, the cumulative gains or losses previously recorded in equity are recognized in the consolidated statement of income. Interests earned on the investments are reported as interest income using the effective interest method. Dividends earned on investments are recognized in the consolidated statement of income as "Dividend income" when the right of payment has been established. The Group considers several factors in making a decision on the eventual disposal of the investment. The major factor of this decision is whether or not the Group will experience inevitable further losses on the investment. These financial assets are classified as noncurrent assets unless the intention is to dispose of such assets within 12 months from the financial reporting date.

The AFS financial asset as of December 31, 2009 pertains to Parent Company's United States (US) dollar-denominated Philippine Government bonds.

Other financial liabilities

Other financial liabilities are initially recorded at fair value, less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any issue costs and any discount or premium on settlement. Gains and losses are recognized in the consolidated statement of income when the liabilities are derecognized as well as through the amortization process.

As of December 31, 2010 and 2009, the Group's other financial liabilities include trade and other payables, payable to related parties, loans payable and security deposits

Offsetting Financial Instruments

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

Impairment of Financial Assets

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

Loans and receivables

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If there is objective evidence that an impairment loss on financial assets carried at amortized cost has been incurred, the amount of loss is measured as a difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced through the use of an allowance account. The amount of loss is recognized in the consolidated statement of income.

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 of financial assets with similar credit risk and characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If, 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 financial reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of debt instruments classified as AFS, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Future interest income is based on the reduced carrying amount and is accrued based on the rate of interest used to discount future cash flows for the purpose of measuring impairment loss. Such accrual is recorded as part of "Interest income" in the consolidated statement of income. If subsequently, the fair value of a debt instrument increases and that 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.

Derecognition of Financial Assets and Financial Liabilities

Financial assets

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

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all 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 or has entered into a "pass-through" arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay. Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in

the case of a written put option (including a cash-settled option or similar provision) on asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

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

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

Real Estate Inventories

Real estate inventories consist of property acquired or being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, and measured at the lower of cost and net realizable value (NRV). Cost includes: (a) land acquisition cost, (b) amounts paid to contractors for construction, and (c) borrowing costs, planning and design costs, costs of site preparation, professional fees, property transfer taxes, construction overheads and other related 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.

Value-added tax (VAT)

Revenues, expenses, assets and liabilities are recognized net of the amount of VAT, except where the VAT incurred on the purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of "Other current assets" or "Trade and other payables" accounts in the consolidated statement of financial position.

Investment Properties

Investment properties consist of properties that are held to earn rentals and are not occupied by the Group.

Investments properties, except for land, are carried at cost less accumulated depreciation and any impairment in value. Land is carried at acquisition cost less any impairment in value. The cost of an investment property, except for land, includes its construction cost and any directly attributable costs of bringing the asset to its working condition and location for its intended use, including borrowing costs. Additions, betterments and major replacements are capitalized while minor repairs and maintenance are charged to expense as incurred.

Construction in progress is stated at cost less any impairment in value. This includes cost of construction and other direct costs. Construction in progress is not depreciated until such time that the relevant assets are completed and put into operational use.

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

	Years
Buildings	20 to 40
Residential unit	5

Depreciation of investment ceases at the earlier of the date that the item is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with PFRS 5, and the date the asset is derecognized.

The useful lives and depreciation method are reviewed annually based on expected asset utilization to ensure that the period of depreciation is consistent with the expected pattern of economic benefits from the investment properties.

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

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

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 construction cost or purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use, including borrowing costs.

Construction in progress is stated at cost less any impairment in value. This includes cost of construction and other direct costs. Construction in progress is not depreciated until such time that the relevant assets are completed and put into operational use.

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

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

	Years
Transportation equipment	5
Furniture and fixtures	3 to 5
Leasehold improvements	5 or term of the lease, whichever is shorter

Depreciation and amortization ceases at the earlier of the date that the item is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with PFRS 5, and the date the asset is derecognized.

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

When assets are retired, or otherwise disposed of, the cost and the related accumulated depreciation and amortization and any impairment in value are removed from the accounts and any resulting gain or loss is recognized in consolidated statement of income.

Software

Software, which is included under "Other noncurrent assets" in the consolidated statement of financial position, is measured on initial recognition at cost. Following initial recognition, software is carried at cost less accumulated amortization and any accumulated impairment losses. Amortization is calculated using the straight-line method over its estimated useful life of five years.

Impairment of Noncurrent Nonfinancial Assets

The Group assesses at each financial reporting date whether there is an indication that its noncurrent nonfinancial assets, which include investment property, property and equipment, and software, may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is calculated as the higher of the asset's fair value less costs to sell and its value-in-use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. Impairment losses are recognized in consolidated statement of income.

An assessment is made at each financial reporting date as to whether there is an indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in consolidated statement of income. After such a reversal, the depreciation and amortization charge is adjusted in future periods to allocate the asset's revised carrying amount on a systematic basis over its remaining useful life.

Customers' Deposits including Excess of Collections over Recognized Receivables

Customers' deposits represent payments from buyers which will be applied against the related contracts receivables. This account also includes the excess of collections over the recognized contracts receivables, which is based on the revenue recognition policy of the Group.

Security Deposits

Security deposits, included in the "Other current liabilities" and "Other noncurrent liabilities" accounts in the liabilities section of the consolidated statement of financial position, are measured initially at fair value and are subsequently measured at amortized cost using the effective interest method.

The difference between the cash received and its fair value is deferred, included in the "Deferred credits" account in the consolidated statement of financial position, and amortized using the straight-line method under the "Rental income" account in the consolidated statement of income.

Capital Stock and Additional Paid-in Capital

Capital stock is measured at par value for all shares issued. When the shares are sold at premium, the difference between the proceeds and the par value is credited to "Additional paid-in capital" account. When shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. In case the shares are issued to extinguish or settle the liability of the Group, the shares shall be measured either at the fair value of the liability settled or fair value of the shares issued or, whichever is more reliably determinable.

Direct costs incurred related to equity issuance, such as underwriting, accounting and legal fees, printing costs and taxes are chargeable to "Additional paid-in capital" account. If additional paid-in capital is not sufficient, the excess is charged against the retained earnings.

Treasury Shares

Treasury shares are carried at cost and are presented as deduction from equity. No gain or loss is recognized in consolidated statement of income on the purchase, sale, issue or cancellation of the Parent Company's own equity instruments. Any difference between the carrying amount and the consideration is recognized as additional paid-in capital.

Retained Earnings

Retained earnings represent the cumulative balance of periodic net income or loss, dividend distributions, prior period adjustments, effect of changes in accounting policy and other capital adjustments. When the retained earnings account has a debit balance, it is called "deficit." A deficit is not an asset but a deduction from equity.

Unappropriated retained earnings represent that portion which is free and can be declared as dividends to stockholders. Appropriated retained earnings represent that portion which has been restricted and, therefore, not available for dividend declaration.

Revenue and Cost Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements.

Real estate sales

The percentage-of-completion method is used to recognize income from sales of projects where the Group has material obligations under the sales contract to complete the project after the property is sold, the equitable interest has been transferred to the buyer, construction is beyond preliminary stage (i.e., engineering, design work, construction contracts execution, site clearance and preparation, excavation and the building foundation are finished), and the costs incurred or to be incurred can be measured reliably. Under this method, revenue is recognized as the related obligations are fulfilled, measured principally on the basis of the estimated completion of a physical proportion of the contract work.

When a sale of real estate does not meet the requirements for income recognition, the sale is accounted for under the deposit method. Under this method, revenue is not recognized and the receivable from the buyer is not recorded. The real estate inventory continues to be reported in the Group's consolidated statement of financial position as part of real estate inventories and the deposit as part of liabilities as "Customers' deposits".

Cost of Real Estate Sales

Cost of real estate sales is recognized consistent with the revenue recognition method applied. Cost of real estate inventories held before the completion of the development is determined on the basis of acquisition cost of the land plus its full development cost, which includes estimated cost for future development works, as determined by the Group's project engineer. An independent appraisal of costs is also being obtained by the Group's project engineer as basis in determining the estimated cost for future development works.

Rental income

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

Interest income

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

Expense Recognition

Expenses are recognized when decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably. Operating expenses, which consist of selling, and general and administrative expenses are recognized when incurred.

Commissions

Commissions paid to sales or marketing agents on the sale of pre-completed real estate units are initially deferred and recorded as prepaid commissions when recovery is reasonably expected and charged to expense in the period in which the related revenue is recognized as earned. Accordingly, when the percentage of completion method is used, commissions are recognized in consolidated statement of income in the period the related revenue is recognized.

Borrowing Costs

Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of development costs (included in "Real estate inventories" or "Investment properties" accounts 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 use or sale are complete. Capitalized borrowing cost is based on applicable weighted average borrowing rate for those coming from general borrowings and the actual borrowing costs eligible for capitalization for funds borrowed specifically.

All other borrowing costs are recognized as an expense in the period in which they are incurred.

Basic/Diluted Earnings (Loss) Per Share

Basic earnings per share is computed by dividing net income for the year attributable to equity holders of the Parent Company by the weighted average number of common shares outstanding during the year, after giving retroactive effect to any stock dividends or stock splits, if any, declared during the year.

Diluted earnings per share is computed in the same manner, with the net income for the year attributable to equity holders of the Parent Company and the weighted average number of common shares outstanding during the year, adjusted for the effect of all dilutive potential common shares.

Retirement Benefits Cost

Retirement benefits cost is actuarially determined using the projected unit credit method. This method reflects services rendered by employees up to the date of valuation and incorporates assumptions concerning employees' projected salaries. Actuarial valuations are conducted with sufficient regularity, with option to accelerate when significant changes to underlying assumptions occur. Retirement benefits costs includes current service cost, interest cost, expected return on any plan assets, actuarial gains and losses and the effect of any curtailment or settlement.

The liability recognized in the consolidated statement of financial position in respect of the defined retirement benefit plans is the present value of the defined benefit obligation at the financial reporting date less the fair value of the plan assets adjusted by any unrecognized actuarial gains or losses. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by using risk-free interest rates of long-term government bonds that have terms to maturity approximating the terms of the related pension liabilities or applying a single weighted average discount rate that reflects the estimated timing and amount of benefit payments.

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

Income Taxes

Current income tax

Current income 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 financial reporting date.

Deferred income tax

Deferred income tax is provided, using the balance sheet liability method, on all temporary differences, with certain exceptions, at the financial 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, with certain exceptions. Deferred income tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) [Excess RCIT] and unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable income will be available against which the deductible temporary differences and carryforward benefits of unused tax credits and NOLCO can be utilized.

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

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

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

Other Comprehensive Income

Other comprehensive income comprises items of income and expense (including items previously presented under the consolidated statement of changes in equity) that are not recognized in consolidated statement of income for the year in accordance with PFRS.

Foreign Currency-Denominated Transactions and Translations

Transactions denominated in foreign currencies are recorded using the exchange rate at the date of the transaction. Outstanding monetary assets and monetary liabilities denominated in foreign currencies are restated using the exchange rate at the financial reporting date. Non-monetary items that are measured at fair value in a foreign currency shall be translated using the exchange rates at the date when the fair value was determined.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any foreign exchange component of that gain or loss shall be recognized in the consolidated statement of comprehensive income. Conversely, when a gain or loss on a non-monetary item is recognized in consolidated statement of income, any exchange component of that gain or loss shall be recognized in consolidated statement of income.

Leases

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

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

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

The Group as lessor

Leases where the Group does not transfer substantially all the risks and benefits of the ownership of the asset are classified as operating leases. Fixed lease payments for noncancellable lease are recognized in consolidated statement of income on a straight-line basis over the lease term. Any difference between the calculated rental income and amount actually received or to be received is recognized as deferred rent in the consolidated statement of financial position. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the rental income. Variable rent is recognized as income based on the terms of the lease contract.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognized under "Other income" account in the consolidated statement of income.

The Group as lessee

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

Provisions

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

Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. When the Group expects a provision or loss to be reimbursed, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain and its amount is estimable. The expense relating to any provision is presented in the consolidated statement of income, net of any reimbursement.

Contingencies

Contingent assets are not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the consolidated financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the consolidated financial statement. Contingent liabilities are not recognized in the consolidated financial statement. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Events After the Financial Reporting Date

Events after the financial reporting date that provide additional information about the Group's position at the financial reporting date (adjusting events) are reflected in the consolidated financial statements. Events after the financial reporting date that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

Future Changes in Accounting Policies

The following are the new and revised accounting standards and interpretations that will become effective subsequent to December 31, 2010. Except as otherwise indicated, the Group does not expect the adoption of these new and amended PFRS, PAS and Philippine Interpretations to have any significant impact on its consolidated financial statements.

Effective in 2011

- PAS 24, *Related Party Disclosures (Amendment)*, 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.
- PAS 32, *Financial Instruments: Presentation (Amendment) - Classification of Rights Issue*, amends the definition of a financial liability in order to classify rights issues (and certain options or warrants) as equity instruments in cases where such rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency.
- Philippine Interpretation IFRIC 14, *Prepayments of a Minimum Funding Requirement (Amendment)*, an interpretation of PAS 19, *Employee Benefits*, provides guidance on assessing the recoverable amount of a net pension asset. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset.
- Philippine Interpretation IFRIC 19, *Extinguishing Financial Liabilities with Equity Instruments*, 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 the consolidated statement of income.

Improvements to PFRS

In May 2010, the IASB issued omnibus of amendments to the following standards, primarily with a view to removing inconsistencies and clarifying wording.

- PFRS 3, *Business Combinations (Revised)*, clarifies that the amendments to PFRS 7, PAS 32 and PAS 39 that eliminate the exemption for contingent consideration, do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of PFRS 3.
- PFRS 7, *Financial Instruments: Disclosures (Amendment)*, emphasizes the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instruments which should be applied retrospectively.

- PAS 1, *Presentation of Financial Statements (Amendment)*, clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the consolidated statement of changes in equity or in the notes to the consolidated financial statements.
- PAS 27, *Consolidated and Separate Financial Statements (Amendment)*, clarifies that the consequential amendments from PAS 27 made to PAS 21, *The Effects of Changes in Foreign Exchange Rates*, PAS 28, *Investments in Associates* and PAS 31, *Interests in Joint Ventures*, apply prospectively for annual periods beginning on or after July 1, 2010 or earlier when PAS 27 is applied earlier.
- Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes (Amendment)*, clarifies that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme, is to be taken into account.

Effective in 2012

- PFRS 7, *Financial Instruments: Disclosures (Amendments) - Disclosures - Transfers of Financial Assets*, allows 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.
- 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.
- Philippine Interpretation IFRIC 15, *Agreements for Construction of Real Estate*, covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. This Interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, *Construction Contracts*, or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The adoption of this Philippine Interpretation will be accounted for retrospectively, and will result to restatement of prior period financial statements.

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

Effective in 2013

- PFRS 9, *Financial Instruments: Classification and Measurement*, 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. In subsequent phases, hedge accounting and derecognition will be addressed. The completion of this project is expected in the middle of 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.

3. Significant Judgments and Accounting Estimates

The preparation of the Group's consolidated financial statements in accordance with PFRS requires management to make judgments and estimates that affect the reported amounts of assets and liabilities and disclosure of any contingent assets and liabilities at the date of the financial information and the reported amounts of income and expenses during the period.

Significant judgments and accounting estimates used in the preparation of the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements. Future events may occur which can cause the assumptions used in arriving at those judgments and estimates to change. The effects of any changes will be reflected in the consolidated financial statements as they become reasonably determinable.

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 amounts recognized in the consolidated financial statements:

Revenue recognition

Selecting an appropriate revenue recognition method for a particular real estate sale transaction requires certain judgments based on, among others, the buyer's commitment on the sale which may be ascertained through the significance of the buyer's initial investment and stage of completion of the project. Based on the judgment of the Group, the percentage-of-completion method was appropriate in recognizing revenue on real estate sale transactions for the years ended December 31, 2010 and 2009. The Company has no real estate sale transaction in 2008.

Classification of financial instruments

The Group classifies a financial instrument, or its component parts, on initial recognition and re-evaluates this designation at every financial reporting date as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated statement of financial position (see Note 28).

Operating lease commitments - the Group as lessor

The Group has entered into commercial property leases on its investment properties. The Group has determined that it retains all significant risks and rewards of ownership of these properties which are leased out on operating leases. Rental income recognized by the Group amounted to P167.14 million, P12.83 million and nil for the years ended December 31, 2010, 2009 and 2008, respectively.

Operating lease commitments - the Group as lessee

The Group has entered into a lease contract with a related party for the lease of its office spaces. The Group has determined that all significant risks and rewards of ownership of these properties are retained by the lessor. Rental expense recognized by the Group included under "Outside services" amounted to P7.57 million for 2010, P5.24 million for 2009, and P5.62 million for 2008.

In determining whether a lease contract is cancellable or not, either acting as a lessor or a lessee, the Group considered, among others, the probability of the cancellation and the significance of the penalty, including economic consequences, to the Group.

Classification of properties

The Group determines whether a property is classified as investment property or real estate inventory as follows:

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

The carrying values of the Group's investment properties and real estate inventories amounted to P5,413.12 million and P3,187.22 million, respectively, as of December 31, 2010 and P2,542.38 million and P5,294.41 million, respectively, as of December 31, 2009.

Distinction between investment properties and owner-occupied properties

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

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

The carrying values of the Group's investment properties and property and equipment amounted to P5,413.12 million and P61.07 million, respectively, as of December 31, 2010 and P2,542.38 million and P47.27 million, respectively, as of December 31, 2009.

Impairment of AFS Financial Asset

In determining the fair value of its AFS financial asset, management evaluates the presence of significant or prolonged decline in the fair value below its cost or whether other objective evidence of impairment exists. Any indication of deterioration in these factors can have a negative impact on the fair value of AFS financial asset. The Group treats "significant" generally as 30% more of the original cost of investment, and "prolonged" as greater than 12 months.

Based on management's assessment, no impairment loss needs to be recognized on the AFS financial asset for the year ended December 31, 2009. In 2010, the Group sold its AFS financial asset (see Note 9).

Accounting Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the financial 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 as follows.

Revenue and cost recognition

The Group's revenue and cost recognition policies require management to make use of estimates and assumptions that may affect the reported amounts of revenue and costs. The Group's revenue and cost of real estate sales is recognized based on the percentage of completion which is measured principally on the basis of the estimated completion of a physical proportion of the contract work.

Real estate sales and cost of real estate sales amounted to P4,282.94 million and P3,117.01 million, respectively, for the year ended December 31, 2010 and P1,956.83 million and P1,493.74 million, respectively for the year ended December 31, 2009.

Estimation of allowance for loans and receivables

The Group maintains allowance for impairment losses at a level based on the results of the individual and collective assessments under PAS 39. Under the individual assessment, the Group is required to obtain the present value of estimated cash flows using the receivable's original effective interest rate. Impairment loss is determined as the difference between the receivables' carrying balance and the computed present value. Factors considered in individual assessment are payment history, past due status and term. The collective assessment would require the Group to group its receivables based on the credit risk characteristics of the customers. Impairment loss is then determined based on historical loss experience of the receivables grouped per credit risk profile.

Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology, and assumptions used for the individual and collective assessments are based on management's judgments and estimates. Therefore, the amount and timing of recorded expense for any period would differ depending on the judgments and estimates made for the year.

As of December 31, 2010 and 2009, the Group did not recognize any allowance for impairment on its loans and receivables.

Measurement of net realizable value of real estate inventories

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

As of December 31, 2010 and 2009, real estate inventories, which are carried at cost, amounted to P3,187.22 million and P5,294.41 million, respectively (see Note 7).

Estimation of 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 period over which the assets are expected to be available for use. The estimated useful lives of the 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 and technical or commercial obsolescence on the use of these assets. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in factors mentioned above. A reduction in the estimated useful lives of investment properties and property and equipment would increase depreciation and amortization expense and decrease noncurrent assets.

During 2010, the Group changed the estimated useful life of its buildings included as part of investment properties from 20 years to 40 years. The carrying values of the Group's investment properties (excluding land and construction in progress) and property and equipment (excluding construction in progress) amounted to P2,501.62 million and P61.07 million, respectively, as of December 31, 2010 and P1,879.11 million and P42.66 million, respectively, as of December 31, 2009 (see Notes 10 and 11).

Evaluation of impairment of nonfinancial assets

The Group reviews nonfinancial assets for impairment of value. This includes considering certain indications of impairment such as significant changes in asset usage, significant decline in assets' market value, obsolescence or physical damage of an asset, significant underperformance relative to expected historical or projected future operating results and significant negative industry or economic trends.

As described in the accounting policy, the Group estimates the recoverable amount as the higher of the asset's fair value less costs to sell and value-in-use. In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Group is required to make estimates and assumptions that can materially affect the consolidated financial statements.

The Group believes that the carrying amounts of its assets approximate their recoverable amounts and, as such, no impairment loss was recognized in both years.

Recognition of deferred income tax assets

The Group reviews the carrying amounts at each financial reporting date and adjusts deferred income 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 the deferred income tax assets to be utilized. The Group looks at its projected financial performance in assessing the sufficiency of future taxable income.

As of December 31, 2010 and 2009, deferred income tax assets amounted to P126.41 million and P280.30 million, respectively (see Note 22).

Estimation of retirement benefits liability and costs

The determination of the Group's retirement benefit cost and obligation is dependent on selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 26 and include among others, discount rate and salary increase rate. While the Group believes that the assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions will materially affect retirement benefits obligations.

As of December 31, 2010 and 2009, retirement benefits liability amounted to P3.68 million and P0.94 million, respectively. Retirement benefits cost recognized for the years ended December 31, 2010, 2009 and 2008 amounted to P2.73 million, P0.47 million and P0.47 million, respectively (see Note 26).

Fair value of financial instruments

Where the fair values of financial assets and liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, they are determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimates are used in establishing fair values (see Note 28).

4. Segment Information

Operating segments are components of the Group: (a) that engage in business activities from which the Group may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group); (b) whose operating results are regularly reviewed by the Group's CODM to make decisions about resources to be allocated to the segment and assess its performance; and (c) for which discrete financial information is available. The Group's CODM is the Parent Company's BOD.

The Parent Company's BOD regularly reviews the operating results of the business units to make decisions on resource allocation and assess performance. Segment revenue and segment expenses are measured in accordance with PFRS. The presentation and classification of segment revenues and segment expenses are consistent with those in the consolidated statements of income. Financing costs (including interest expense) and income taxes are managed on a per company basis and are not allocated to operating segments.

Further, the measurement of the segment assets are the same as those described in the summary of significant accounting and financial reporting policies.

The Group has only one geographical segment as all of its assets are located in the Philippines. The Group operates and derives all of its revenue from domestic operations. Thus, geographical business information is not required.

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

Segment expenses are those directly attributable to the segment and the relevant portion of an expense that can be allocated on a reasonable basis to the segment, including expenses such as direct costs and expenses and general and administrative expenses.

The business segments where the Group operates follow:

- Residential developments - sale of residential lots and condominium units; and
- Leasing activities - development of BPO buildings and commercial spaces, and lease to third parties.

Considering the nature of segments as presented above, there were no intersegment revenues generated for all years.

2010

	Residential Developments	Leasing Activities	Unallocated Corporate Balance	Consolidated
Revenue from external customers	P4,282,939,433	P167,136,751	P-	P4,450,076,184
Direct costs	(3,117,019,613)	(46,791,225)	-	(3,163,810,838)
Operating profit	1,165,919,820	120,345,526	-	1,286,265,346
Interest income	-	-	85,250,024	85,250,024
Other income	-	-	183,146,419	183,146,419
Interest expense	-	-	(11,711,618)	(11,711,618)
Selling, and general and administrative expenses and other charges	-	-	(573,187,743)	(573,187,743)
Provision for income tax	-	-	(238,150,474)	(238,150,474)
Net income	P1,165,919,820	P120,345,526	(P554,653,392)	P731,611,954
Other Information				
Segment assets	P450,665,218	P5,413,121,166	P6,220,690,783	P12,084,477,167
Deferred tax assets	-	-	119,385,978	119,385,978
Total segment assets	P450,665,218	P5,413,121,166	P6,340,076,761	P12,203,863,145
Segment liabilities	P6,184,493,145	P658,565,505	P12,653,028	P6,855,711,678
Segment additions to property and equipment and investment properties	P37,097,320	P730,111,989	P-	P767,209,309
Depreciation and amortization	P23,901,138	P46,791,225	P-	P70,692,363

2009

	Residential Developments	Leasing Activities	Unallocated Corporate Balance	Consolidated
Revenue from external customers	P1,956,837,898	P12,826,649	P-	P1,969,664,547
Direct costs	(1,493,742,661)	(9,654,572)	-	(1,503,397,233)
Operating profit	463,095,237	3,172,077	-	466,267,314
Interest income	-	-	101,186,882	101,186,882
Other income	-	-	67,791,830	67,791,830
Interest expense	-	-	(12,197,472)	(12,197,472)
Selling, and general and administrative expenses and other charges	-	-	(388,142,621)	(388,142,621)
Benefit from income tax	-	-	53,303,914	53,303,914
Net income	P463,095,237	P3,172,077	(P178,057,467)	P288,209,847
Other Information				
Segment assets	P6,419,413,260	P2,542,380,222	P1,749,752,683	P10,711,546,165
Deferred tax assets	-	-	257,148,753	257,148,753
Total segment assets	P8,196,649,725	P2,542,380,222	P229,664,971	P10,968,694,918
Segment liabilities	P6,255,488,758	P71,269,480	P-	P6,326,758,238
Segment additions to property and equipment and investment properties	P5,238,996	P2,062,314,094	P-	P2,067,553,090
Depreciation and amortization	P18,390,757	P9,654,572	P-	P28,045,329

2008

	Residential Developments	Leasing Activities	Unallocated Corporate Balance	Consolidated
Revenue from external customers	P–	P–	P–	P–
Direct costs	–	–	–	–
Operating profit	–	–	–	–
Interest income	–	–	44,211,489	44,211,489
Other income	–	–	45,681,247	45,681,247
Interest expense	–	–	(7,713,620)	(7,713,620)
Selling, and general and administrative expenses and other charges	–	–	(258,443,760)	(258,443,760)
Benefit from income tax	–	–	50,500,643	50,500,643
Net income	P–	P–	(P125,764,001)	(P125,764,001)
Other Information				
Segment assets	P1,839,679,208	P483,034,967	P229,664,972	P2,552,379,147
Deferred tax assets	101,068,965	–	–	101,068,965
Total segment assets	P1,940,748,173	P483,034,967	P229,664,972	P2,653,448,112
Segment liabilities	P2,217,022,015	P–	P–	P2,217,022,015
Segment additions to property and equipment and investment properties	P44,025,344	P462,191,255	P–	P506,216,599
Depreciation and amortization	P15,777,041	P–	P–	P15,777,041

5. Cash and Cash Equivalents

	2010	2009
Cash on hand and in banks	P141,616,912	P420,436,185
Cash equivalents	228,465,726	247,104,738
	P370,082,638	P667,540,923

Cash in banks earn interest at the prevailing bank deposit rates. Cash equivalents are short-term, highly liquid investments that are made for varying periods of up to three months depending on the immediate cash requirements of the Group, and earn interest at the prevailing short-term investment rates ranging from 1.50% to 1.75% and from 1.75% to 5.13% in 2010 and 2009, respectively.

6. Trade and Other Receivables

	2010	2009
Contracts receivables	P1,841,848,987	P405,533,035
Receivables from landowners (Note 8)	350,000,000	–
Lease receivables (Note 23)	34,514,791	–
Receivables from related parties (Note 25)	29,352,347	61,324,139
Others	6,657,383	23,121,235
	2,262,373,508	489,978,409
Less unamortized discount on non-interest-bearing receivables	16,959,773	79,793,496
	2,245,413,735	410,184,913
Less noncurrent portion	–	384,326,537
	P2,245,413,735	P25,858,376

Contracts receivables consist of revenue recognized to date based on percentage of completion less collections received from the respective buyers. Outstanding balance of the total net contract price is collectible on or before the various turn-over dates, which are not beyond 2011, of the projects for which revenue was recognized.

As of December 31, 2010 and 2009, contracts receivables include non-interest-bearing receivables amounting to P365.77 million and P302.94 million, respectively. Movements in unamortized discount arising from these non-interest-bearing receivables follow:

	2010	2009
Beginning of year	P79,793,496	P–
Day 1 loss	–	146,287,321
Accretion	(62,833,723)	(66,493,825)
End of year	P16,959,773	P79,793,496

The Group assigned certain contracts receivables with Banco de Oro (BDO) on a with recourse basis. The total contract price of the assigned contracts receivables amounted to P816.29 million and P739.2 million as of December 31, 2010 and 2009, respectively.

Receivables from landowners represent payments for parcels of land that were intended for future development. Based on the respective Memorandum of Agreement (MOA), the Parent Company and various landowners agreed for the development of several parcels of land into a residential subdivision project. The amount will be deducted from the share of the landowners from the project which shall be determined and confirmed by the parties within one year from the financial reporting date. In 2010, the parties agreed to cancel the respective MOA and for the landowners to return the amounts paid by the Parent Company not later than one year from the financial reporting date. These amounts were subsequently collected in 2011.

Other receivables are due and demandable and include accrued interest receivable pertaining to interest earned from cash equivalents and AFS financial asset. Included in the other receivables are the “advances to officers and employees” which pertain to unliquidated cash advances that are due within one year. It is recoverable through direct salary deduction.

7. Real Estate Inventories

	2010	2009
Condominium and residential units for sale	P1,309,202,774	P1,739,796,189
Land held for future development	1,640,810,498	3,294,307,500
Subdivision land under development	237,211,439	260,310,101
	P3,187,224,711	P5,294,413,790

In 2010, the Group acquired from third parties parcels of land from third parties amounting to P532.53 million which will be held for development as part of the consolidation of properties in Eton City.

In 2009, the Parent Company acquired parcels of land through an asset-for-share swap agreement. The land with a total appraised value of P3,953.17 million was transferred to the Parent Company in exchange for the issuance of 1.60 billion common shares (see Note 17). A portion of the land, with an allocated cost of P658.86 million and where the Group's buildings held for lease are situated was recognized as investment property (see Note 10). The remaining portion of the land, with an allocated cost of P3,294.31 million, was considered as real estate inventory. In 2010, the Parent Company reclassified a portion of the land, which was previously recognized as real estate inventory as of December 31, 2009 with cost amounting to P2,187.42 million, to investment property in view of management's plan to develop thereon additional buildings to be held for lease (see Note 10).

Real estate inventories recognized as part of cost of real estate sales in 2010 and 2009 amounted to P3,117.02 million and P1,493.74 million, respectively.

8. Other Current Assets

	2010	2009
Deposits in escrow bank (Note 12)	P9,843,450	P–
Creditable withholding taxes	34,822,979	–
Input VAT	39,351,929	694,421,794
Prepaid commission	194,367,276	160,577,177
Advances to contractors	432,976,533	270,181,364
Deferred rent (Note 23)	21,813,711	5,037,289
Advances to landowners (Note 6)	–	350,000,000
Others (Note 12)	16,552,573	1,059,103
	P749,728,451	P1,481,276,727

Advances to contractors are recouped every progress billing payment based on the percentage of accomplishment of each contract package. The activities to which these advances pertain to will be completed within the normal operating cycle.

Prepaid commission consists of payments to agents and brokers which will be charged to the consolidated statements of income in the period in which the related revenue is recognized.

Others include current portion of refundable deposits amounting to ₱7.78 million and ₱1.05 million as of December 31, 2010 and 2009.

9. AFS Financial Asset

The movements in this account follow:

	2010	2009
Beginning of year	₱229,664,972	₱210,286,093
Fair value changes during the year	17,494,684	6,014,727
Amortization of discount	130,040	145,747
Foreign exchange adjustments	(16,281,243)	13,218,405
Sale of AFS financial asset	(231,008,453)	–
End of year	₱–	₱229,664,972

On November 11, 2010, the Parent Company's investment in US Dollar-denominated Philippine Government bonds was sold for a price equivalent to ₱230.65 million or US\$5.68 million. Total gain on sale recognized in the 2010 consolidated statement of income amounted to ₱42.54 million which represents the difference between the amortized cost of the AFS financial asset and the net sales proceeds.

The rollforward analysis of unrealized gain on AFS financial asset follows:

	2010	2009
Beginning of year	₱25,397,167	₱19,382,440
Fair value changes during the year	17,494,684	6,014,727
Transfer to consolidated statement of income through sale in 2010	(42,891,851)	–
End of year	₱–	₱25,397,167

10. Investment Properties

As of December 31, 2010:

	Land	Buildings	Residential Unit	Construction in Progress	Total
Cost					
Beginning of year	₱663,274,600	₱1,886,487,561	₱7,620,000	₱–	₱2,557,382,161
Additions	58,666,315	669,302,974	–	2,142,700	730,111,989
Transfer (Note 7)	2,187,420,180	–	–	–	2,187,420,180
End of year	2,909,361,095	2,555,790,535	7,620,000	2,142,700	5,474,914,330
Accumulated Depreciation					
Beginning of year	–	7,381,939	7,620,000	–	15,001,939
Depreciation for the year	–	46,791,225	–	–	46,791,225
End of year	–	54,173,164	7,620,000	–	61,793,164
Net Book Values	₱2,909,361,095	₱2,501,617,371	₱–	₱2,142,700	₱5,413,121,166

As of December 31, 2009:

	Land	Buildings	Residential Unit	Total
Cost				
Beginning of year	P4,413,100	P–	P7,620,000	P12,033,100
Additions	658,861,500	1,403,452,594	–	2,062,314,094
Transfer from property and equipment (Note 11)	–	483,034,967	–	483,034,967
End of year	663,274,600	1,886,487,561	7,620,000	2,557,382,161
Accumulated Depreciation				
Beginning of year	–	–	5,347,367	5,347,367
Depreciation for the year	–	7,381,939	2,272,633	9,654,572
End of year	–	7,381,939	7,620,000	15,001,939
Net Book Values	P663,274,600	P1,879,105,622	P–	P2,542,380,222

Land additions in 2010 amounting to P58.67 million pertains to transaction costs related to the land acquired by the Group from Paramount. Land additions in 2009 pertain to the allocated portion of land, acquired through the asset-for-share swap (see Note 17), where the buildings held for leasing are situated.

Rental income and direct operating expenses arising from the investment properties amounted to P167.14 million and P46.79 million, respectively, for the year ended December 31, 2010, and P12.83 million and P18.59 million, respectively, for the year ended December 31, 2009. The Group has no transactions related to leasing activities in 2008.

The aggregate fair values of the Group's investment properties as of December 31, 2010 and 2009 approximates their carrying values.

11. Property and Equipment

As of December 31, 2010:

	Transportation Equipment	Furniture, Fixtures and Equipment	Leasehold Improvements	Construction in-Progress	Total
Cost					
Beginning of year	P37,448,334	P34,872,692	P7,200,693	P4,613,316	P84,135,035
Additions	6,682,166	26,456,225	3,958,929	–	37,097,320
Reclassification	–	4,613,316	–	(4,613,316)	–
Disposal	–	–	(2,852,205)	–	(2,852,205)
End of year	44,130,500	65,942,233	8,307,417	–	118,380,150
Accumulated Depreciation and Amortization					
Beginning of year	15,135,495	19,036,753	2,689,153	–	36,861,401
Depreciation and amortization for the year	8,388,479	11,932,602	2,984,573	–	23,305,654
Disposal	–	–	(2,852,205)	–	(2,852,205)
End of year	23,523,974	30,969,355	2,821,521	–	57,314,850
Net Book Values	P20,606,526	P34,972,878	P5,485,896	P–	P61,065,300

As of December 31, 2009:

	Transportation Equipment	Furniture, Fixtures and Equipment	Leasehold Improvements	Construction in-Progress	Total
Cost					
Beginning of year	P38,017,977	P33,487,909	P7,200,693	P483,809,967	P562,516,546
Additions	–	1,400,680	–	3,838,316	5,238,996
Transfer to investment property	–	–	–	(483,034,967)	(483,034,967)
Disposals	(569,643)	(15,897)	–	–	(585,540)
End of year	37,448,334	34,872,692	7,200,693	4,613,316	84,135,035
Accumulated Depreciation and Amortization					
Beginning of year	7,745,065	10,264,195	1,243,628	–	19,252,888
Depreciation and amortization for the year	7,751,729	8,788,455	1,445,525	–	17,985,709
Disposals	(361,299)	(15,897)	–	–	(377,196)
End of year	15,135,495	19,036,753	2,689,153	–	36,861,401
Net Book Values	P22,312,839	P15,835,939	P4,511,540	P4,613,316	P47,273,634

In 2009, construction costs pertaining to buildings held for leasing, which were still under construction, amounting to P483.03 million were transferred to "Investment properties" in accordance with the Group's adoption of the amendments to PAS 40.

During 2010, the Group disposed fully depreciated leasehold improvements amounting to P2.85 million due to relocation of office. There was no consideration received from the disposal.

There are no fully depreciation property and equipment in use in the business.

12. Other Noncurrent Assets

	2010	2009
Refundable deposits	P45,194,605	P28,408,512
Software	12,623,731	536,192
Deposits in escrow bank	–	9,843,450
Others	22,830	22,830
	P57,841,166	P38,810,984

Refundable deposits consist principally of amount paid to utility providers for service applications and guarantee deposit to Makati Commercial Estate Association for plans processing, monitoring fee and development charge of the Group's projects, which will be refunded upon termination of the service contract and completion of the projects' construction, respectively.

The rollforward analysis of the Group's software follows:

	2010	2009
Cost		
Beginning of the year	P1,153,450	P1,012,607
Additions	12,683,023	140,843
End of the year	13,836,473	1,153,450
Accumulated Amortization		
Beginning of the year	617,258	212,210
Amortization	595,484	405,048
End of the year	1,212,742	617,258
Net Book Value	P12,623,731	P536,192

Deposits in escrow bank pertain to the escrow funds required by several Escrow Agreements entered into by the Group with the Housing and Land Use Regulatory Board pursuant to the provisions of the temporary licenses to sell issued by the latter to the Group for some of its projects. The Escrow Agreements include, among others, the opening of an escrow account with Allied Banking Corporation (ABC) where sales proceeds from projects to which the temporary licenses to sell pertain shall be deposited. Such escrow accounts shall only be released upon the Group's compliance with all the requirements for the issuance of a Certificate of License to Sell and Certificate of Registration of the projects.

In 2010, the Parent Company has complied with all the requirements which resulted to the termination of the Escrow Agreements. Deposits in escrow banks were presented as part of "Other current assets" account in the consolidated statement of financial position as of December 31, 2010.

13. Trade and Other Payables

	2010	2009
Accounts payable	P260,571,242	P757,097,823
Retentions payable	387,502,092	81,131,625
Payable to landowners	68,783,668	–
Accrued expenses and others	1,409,573,477	1,272,546,200
	P2,126,430,479	P2,110,775,648

Accounts payable and retention payable are normally settled within the normal operating cycle. Accrued expenses consist primarily of accrued contracted services.

14. Customers' Deposits

Customers' deposits represent payments from buyers of residential units which will be applied against the corresponding contracts receivables which are recognized based on the revenue recognition policy of the Group. This account also includes the excess of collections over the recognized receivables amounting to P1,524.93 million and P3,883.17 million as of December 31, 2010 and 2009.

As of December 31, 2010 and 2009, customers' deposits amounted to P1,831.89 million and P2,075.03 million, respectively.

15. Loans Payable

This account consists of:

	2010	2009
Bank loans	P1,275,000,000	P300,000,000
Notes payable	816,285,827	739,202,331
	2,091,285,827	1,039,202,331
Less current portion	530,000,000	30,000,000
Noncurrent portion	P1,561,285,827	P1,009,202,331

Bank loans

On December 10, 2009, the Parent Company entered into a term loan agreement with ABC to finance the construction of the Parent Company's investment properties. The loan amounting to P300.00 million bears fixed interest rate of 6.66%. Principal repayments are due annually for at least 10% of the total principal amount with final repayment in 2012.

In 2010, the Parent Company acquired additional loans from ABC on various dates for the purpose of financing its working capital requirements. The details of which follow:

Principal amount	Interest rate
P300.00 million	6.57%
100.00 million	6.50%
100.00 million	6.54%
490.00 million	5.18%

Principal repayments are due annually for at least 5% of the total principal amount with final repayment in 2013 for the loans except for the loan amounting to P490.00 million which is due on January 20, 2011.

Notes payable

Notes payable includes various notes from Banco de Oro (BDO) which arose from assigning the Groups' contracts receivables on a with recourse basis in both years (see Note 6). These notes bear interest based on Philippine Dealing System Treasury Fixing rate for one year plus 1.5% net of gross receipts tax, which range from 6.34% to 6.92% for both years subject to annual repricing. Interest is due monthly in arrears during the first two years of the term and thereafter, interest shall be collected with the principal covering the term of three years or the term of the contracts to sell, whichever comes first.

In 2010, interest on loans payable amounting to P43.94 million and P65.43 million were capitalized as part of investment properties and part of real estate inventories, respectively. In 2009, interest on loans amounting to P26.09 million was capitalized as real estate inventories.

16. Other Noncurrent Liabilities

	2010	2009
Security deposits	P97,604,625	P31,887,669
Less current portion	9,853,180	1,054,514
	87,751,445	30,833,155
Advance rentals	59,425,384	23,010,002
Less current portion	10,112,245	22,670,769
	49,313,139	339,233
Deferred credits	7,859,510	16,371,809
Less current portion	–	2,339,431
	7,859,510	14,032,378
Retirement benefits liability (Note 26)	3,675,985	941,889
	P148,600,079	P46,146,655

Security deposits pertain to the amount the tenants have paid from the inception of the lease, which will be refundable at the end of the lease term.

Advance rentals pertain to deposits from tenants, which will be applied against receivables either at the beginning or at the end of lease term, depending on the lease contract.

Deferred credits represent the excess of the principal amount of the security deposits over its fair value. Amortization of deferred credit is included in "Rental income" in the consolidated statements of income.

Movements in the unamortized discount of security deposits as of December 31, 2010 and 2009 follow:

	2010	2009
Beginning of year	P14,032,378	P–
Additions	–	17,457,337
Accretion for the year	(6,172,868)	(1,085,528)
End of year	7,859,510	16,371,809
Less current portion	–	2,339,431
Noncurrent portion	P7,859,510	P14,032,378

17. EquityCapital Stock

Information on the number of shares of the Parent Company's capital stock as of December 31, 2010 and 2009 are as follows:

	Number of Shares
Authorized	5,000,000,000
Issued	373,798,267
Subscribed	931,550,434
Treasury	(10,000)
Outstanding	1,305,338,701

Deposit for Future Stock Subscription

On October 6, 2009, the Parent Company's BOD approved the acquisition from Paramount of an approximately 12-hectare property, valued at P3,953.17 million and where the Parent Company's Eton Centris Projects are situated, in exchange for the issuance to Paramount of 1.60 billion shares at P2.50 per share (see Notes 7 and 10). On October 22, 2009, the Parent Company and Paramount executed the Deed of Conveyance pertaining to the asset-for-share swap. As of April 28, 2011, the asset-for-share swap is still pending for approval with the SEC.

Retained Earnings

The retained earnings is restricted for payment of dividends to the extent of the amount of treasury shares amounting to P7,955.

In 2010, additional retained earnings amounting to P135.00 million have been appropriated in order to finance future expansion plans of the Group. The undistributed earnings of subsidiaries amounting to P16.20 million and P5.97 million as of December 31, 2010 and 2009, respectively, which are included in retained earnings, are not available for declaration as dividend until declared by the subsidiaries.

18. Interest Income

	2010	2009	2008
Contracts receivables	P62,294,222	P66,493,824	P–
AFS financial asset	14,439,744	21,964,125	17,160,293
Cash and cash equivalents	8,516,058	12,728,933	27,051,196
	P85,250,024	P101,186,882	P44,211,489

19. Selling Expenses

	2010	2009	2008
Commissions	P292,498,708	P105,884,132	P–
Advertising and promotions	95,918,024	122,979,053	125,090,528
	P388,416,732	P228,863,185	P125,090,528

20. General and Administrative Expenses

	2010	2009	2008
Depreciation and amortization (Notes 10, 11 and 12)	P70,692,363	P28,045,329	P15,777,041
Personnel costs (Note 21)	53,109,771	66,097,075	61,397,239
Taxes and licenses	29,789,648	1,519,379	1,158,812
Outside services (Note 23)	22,395,572	21,391,431	9,442,422
Professional fees	12,565,358	6,885,532	7,416,234
Entertainment, amusement and recreation	8,794,263	13,815,217	6,944,441
Travel and transportation	6,689,880	9,783,684	12,324,810
Communication, light and water	6,663,595	11,712,710	9,177,948
Office supplies	5,736,845	3,386,901	3,577,960
Others	10,314,862	6,296,750	6,136,325
	P226,752,157	P168,934,008	P133,353,232

21. Personnel Costs

	2010	2009	2008
Salaries and wages	P48,158,681	P63,395,508	P58,118,879
Retirement benefits cost (Note 26)	2,734,096	470,954	470,935
Employee benefits	2,216,994	2,230,613	2,807,425
	P53,109,771	P66,097,075	P61,397,239

22. Income Tax

- a. The details of the Group's current provision for current income tax follow:

	2010	2009	2008
RCIT	P98,724,681	P86,015,091	P-
Final	1,663,017	6,938,612	8,480,471
MCIT	-	-	1,777,935
	P100,387,698	P92,953,703	P10,258,406

- b. The Group's recognized net deferred income tax assets as of December 31, 2010 and 2009 relate to the following:

	2010	2009
Deferred income tax assets for the tax effects of:		
Difference between tax and book basis of		
accounting for real estate transactions	P116,083,121	P252,857,527
Unamortized discount on contracts receivables	5,249,783	23,203,370
NOLCO	3,952,210	3,952,210
Retirement benefits liability	1,102,796	282,567
Accrued expenses	24,000	-
	126,411,910	280,295,674
Deferred income tax liabilities for the tax effects of:		
Deferred rental income	5,032,927	-
Unrealized foreign exchange gain	1,993,005	2,804,450
Prepaid commissions	-	20,265,059
Unamortized discount on security deposits		
over deferred credits	-	77,412
	7,025,932	23,146,921
	P119,385,978	P257,148,753

As of December 31, 2010, NOLCO incurred in 2008 that can be claimed as deduction from future taxable income amounted to P13.17 million and is available until 2011.

- c. A reconciliation of the provision for (benefit from) income tax at the applicable statutory income tax rates to the provision for (benefit from) income tax as shown in the consolidated statements of income follows:

	2010	2009	2008
Provision for (benefit from) income tax at the statutory income tax rates	P290,928,728	P70,471,780	(P61,692,625)
Adjustments for:			
Income tax holiday (Note 31)	(135,328,883)	(114,823,370)	–
Difference of itemized deduction against 40% of taxable income	107,524,467	–	–
Derecognition of deferred income tax liability resulting from availment of optional standard deduction (OSD)	(20,342,470)	–	–
Derecognition of deferred income tax assets deemed to be worthless	15,829,098	–	–
Nontaxable interest income	(15,236,373)	–	–
Interest income subjected to final tax	(5,224,093)	(3,469,305)	(6,993,550)
Nondeductible expenses	–	2,464,986	–
Application of unrecognized NOLCO	–	(7,948,005)	(296,324)
Effect of change in tax rate	–	–	18,481,856
Provision for (benefit from) income tax	P238,150,474	(P53,303,914)	(P50,500,643)

- d. Republic Act (RA) No. 9337 was enacted into law amending various provisions in the existing 1997 National Internal Revenue Code. Among the reforms introduced by the RA that took effect in 2009 were the following:
- change in RCIT rate from 32% to 35% for the next three years effective November 1, 2005 and 30% starting January 1, 2009; and
 - change in the allowable deduction for interest expense from 38% to 42% effective November 1, 2005 and 33% effective January 1, 2009.
- e. On July 7, 2008, RA 9504, which amended the provisions of the 1997 Tax Code, became effective. It includes provisions relating to the availment of the OSD. Corporations, except for nonresident foreign corporations, may now elect to claim standard deduction in an amount not exceeding 40% of their gross income. A corporation must signify in its returns its intention to avail of the OSD. If no indication is made, it shall be considered as having availed of the itemized deductions. The availment of the OSD shall be irrevocable for the taxable year for which the return is made.

On September 24, 2008, the Bureau of Internal Revenue issued Revenue Regulation 10-2008 for the implementing guidelines of the law. The Group availed of the OSD in 2010.

23. Operating Leases

The Group as lessor

The Group entered into lease agreements with third parties covering its investment property portfolio. These leases generally provide for either (a) fixed monthly rent, or (b) minimum rent or a certain percentage of gross revenue, whichever is higher. The Group records rental income on a straight-line basis over the base, non-cancellable lease term. Any difference between the calculated rental income and amount actually received is recognized as "Deferred rent" (see Note 8).

Future minimum rentals receivables under noncancellable operating leases as of December 31 follow:

	2010	2009
Within one year	P233,852,275	P143,652,359
After one year but not more than five years	995,032,566	513,671,041
More than five years	299,353,723	338,791,371
	P1,528,238,564	P996,114,771

The Group as lessee

The Group entered into several renewable cancellable lease agreements with terms ranging from one to three years with ABC, which generally provides for a fixed monthly rent, for the lease of its office spaces (see Note 25).

24. Other Income

	2010	2009	2008
Commission income (Note 25)	P41,509,424	P–	P–
Rental dues	12,661,584	–	–
Others	86,439,201	58,443,663	498,832
	P140,610,209	P58,443,663	P498,832

Other income includes forfeiture income on sales cancellation amounting to P59.40 million in 2010 and marketing fee amounting to P49.35 million in 2009.

25. Related Party Transactions

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

The following table presents the outstanding balances as of December 31, 2010 and 2009:

Related Party	Relationship	Year	Cash and cash equivalents	Receivables from related parties	Payables to related parties
Philippine National Bank (PNB)	Entity under common control	2010	P10,824,919	P29,352,347	P–
ABC	-do-	2009	P81,240,630	P26,061,791	P–
		2010	124,582,294	–	10,590,284
		2009	187,796,774	29,211,647	–
Trustmark Holdings, Inc. (Trustmark)	-do-	2010	–	–	613,459,258
		2009	–	–	–
Fortune Tobacco Corp.	-do-	2010	–	–	838,370
		2009	–	–	830,870
Philippine Airlines, Inc. (PAL)	-do-	2010	–	–	–
		2009	–	–	945,000,000
Others	-do-	2010	–	–	–
		2009	–	6,050,701	–
Total		2010	P135,407,213	P29,352,347	P624,887,912
Total		2009	P269,037,404	P61,324,139	P945,830,870

- The Group's "Cash and cash equivalents" are deposited with ABC and PNB. The outstanding balances of these accounts amounted to P124.58 million and P187.80 million as of December 31, 2010 and 2009, respectively, for ABC and P10.82 million and P81.24 million, respectively, for PNB.
- The Group entered into a lease agreement with ABC, an entity under common control, for the use of the latter's common area as office space of the former. Total rental expense recognized by the Group included under "Outside services" amounted to P7.57 million for 2010, P5.24 million for 2009, and P5.62 million for 2008.
- In April 2010, Parent Company obtained a loan from Trustmark amounting to US\$21.00 million, equivalent to P940.80 million, at the date of loan acquisition and interest rate of 3% per annum. The loan is payable upon demand. Outstanding loan payable amounted to \$13.99 million, with Peso equivalent of P613.46 million, as of December 31, 2010. Interest expense incurred on the loan for the year ended December 31, 2010 amounted P17.44 million of which P2.45 million remains outstanding as of December 31, 2010.
- The Group also entered into separate agreements with related parties for the development and sale of units in various projects. The Group shall allocate saleable units to its counter parties in consideration for the use of the parcels of land owned by the latter. In relation to these, the agreement also provides that the Group shall be the exclusive marketing and sales agent of the related projects. Marketing fee recognized in the consolidated statements of income amounted to nil in 2010 and 2008, and P49.35 million in 2009. Outstanding receivables arising from such transaction amounted to P29.35 million and P55.27 million as of December 31, 2010 and 2009, respectively. The Group has no outstanding balances arising from these agreements with other related parties under common control in 2010 and 2009.

In 2011, the Parent Company agreed to purchase for an amount of P423.90 million certain parcels of land owned by a related party where one of the Parent Company's projects is located.

- e. Commission income amounting to P41.51 million in 2010 represents cash received from PNB for the service rendered by the Parent Company in selling a property of PNB. There was no outstanding receivable as of December 31, 2010 arising from such transaction.
- f. In 2009, the Group entered into a Deed of Conditional Sale with PAL in connection with the acquisition of a land owned by the latter for a purchase price of P485.00 million and a reimbursement of its relocation cost amounting to P460.00 million. The Group shall exclusively finance and develop the property into a high-rise, mixed-use condominium building project. As part of the agreement, the Group shall assign and deposit CTS and CCTs as security for the payment of the purchase price, which shall be released and returned to the Group upon full settlement. The agreement further states that the related party shall receive the following: (a) a certain amount of cash payable on various dates; and (b) ownership rights and interest of certain office premises and several parking lots of the project. Outstanding payable as of December 31, 2009 was settled in full in 2010.
- g. The Group has outstanding balances to Grandway Construction, Inc., a related party, pertaining to the development of its projects representing advances to contractors amounting to P136.93 million, included as part of "Other current assets," and retention payable amounting to P112.48 million as of December 31, 2010, presented as part of "Trade and other payables" account in the 2010 consolidated statement of financial position.
- h. The compensation of the Group's key management personnel pertain to short-term benefits amounting to P38.51 million, P42.32 million and P7.75 million for the years ended December 31, 2010, 2009 and 2008, respectively.

26. Retirement Benefits

The Group has an unfunded, noncontributory defined benefit type of retirement plan covering substantially all of its employees. The normal retirement benefit is equal to seventeen and a half (17.5) days final basic salary for every year of service with a fraction of six months considered as one year.

The components of retirement benefits cost (included in "Personnel costs" under "General and administrative expense") in the Group's consolidated statements of income are as follows:

	2010	2009	2008
Current service cost	P2,170,588	P294,071	P294,071
Interest cost on defined benefits obligation	444,460	176,883	176,864
Actuarial loss	119,048	—	—
Retirement benefits cost	P2,734,096	P470,954	P470,935

The retirement benefits liabilities recognized as part of "Other noncurrent liabilities" in the consolidated statement of financial position follow:

	2010	2009
Present value of defined benefit obligation	P11,743,583	P4,088,869
Unrecognized actuarial losses	(8,067,598)	(3,146,980)
	P3,675,985	P941,889

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

	2010	2009
January 1	P4,088,869	P470,935
Current service cost	2,170,588	294,071
Interest cost on defined benefits obligation	444,460	176,883
Actuarial losses on obligation	5,039,666	3,146,980
December 31	P11,743,583	P4,088,869

The principal assumptions used in determining retirement benefits cost for the Group for the years ended December 31, 2010 and 2009 follow:

	January 1	
	2010	2009
Discount rate	10.87%	37.56%
Salary increase rate	10.00%	7.00%

The latest actuarial valuation is as of December 31, 2010. The discount rate used was 7.36%.

Amounts for the current and the previous years are as follows:

	2010	2009	2008
Defined benefits obligation	P3,675,985	P941,889	P470,935
Deficit	3,675,985	941,889	470,935
Experience adjustments on plan liabilities	58,099	78,273	–

27. Earnings (Loss) Per Share

Basic earnings (loss) per share:

	2010	2009	2008
Net income (loss)	P731,611,954	P288,209,847	(P125,764,001)
Divided by weighted average number of common shares	1,305,338,701	1,305,338,701	1,305,338,701
Basic earnings (loss) per share	P0.5605	P0.2208	(P0.0963)

Diluted earnings (loss) per share:

	2010	2009	2008
Net income (loss)	P731,611,954	P288,209,847	(P125,764,001)
Divided by weighted average number of common shares adjusted for the effect of asset-for-share swap	2,905,338,701	1,612,188,016	1,305,338,701
Diluted earnings (loss) per share	P0.2518	P0.1788	(P0.0963)
Weighted average number of common shares for basic earnings per share	1,305,338,701	1,305,338,701	1,305,338,701
Effect of asset-for-share swap	1,600,000,000	306,849,315	–
Weighted average number of common shares adjusted for the effect of asset-for-share swap	2,905,338,701	1,612,188,016	1,305,338,701

The Parent Company has considered the effect of its potentially dilutive common shares from the asset-for-share swap (see Note 17) as of December 31, 2010 and 2009.

28. Financial Instruments

Fair Value Information

Presented below is the comparison of the carrying values and fair values of the Group's financial instruments that are presented in the consolidated statement of financial position.

	December 31, 2010		December 31, 2009	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets:				
Loans and receivables:				
Cash and cash equivalents	P370,082,638	P370,082,638	P667,540,923	P667,540,923
Trade and other receivables:				
Contracts receivables	1,824,889,214	1,824,889,214	325,739,539	325,739,539
Receivables from landowners	350,000,000	350,000,000	–	–
Lease receivables	34,514,791	34,514,791	–	–
Receivable from related parties	29,352,347	29,352,347	61,324,139	61,324,139
Others	6,657,383	6,657,383	23,121,235	23,121,235
Deposits in escrow bank	9,843,450	9,843,450	9,843,450	9,843,450
Refundable deposits	52,970,865	52,970,865	28,408,512	28,408,512
	2,678,310,688	2,678,310,688	1,115,977,798	1,115,977,798
AFS financial asset - quoted debt security	–	–	229,664,972	229,664,972
	P2,678,310,688	P2,678,310,688	P1,345,642,770	P1,345,642,770
Financial liabilities:				
Other financial liabilities:				
Trade and other payables:				
Accounts payable	P260,571,242	P260,571,242	P757,097,823	P757,097,823
Retentions payable	387,502,092	387,502,092	81,131,625	81,131,625
Accrued expenses	1,050,418,068	1,050,418,068	1,272,000,034	1,272,000,034
Others	91,362,533	91,362,533	546,166	546,166
Payables to related parties	624,887,912	624,887,912	945,830,870	945,830,870
Loans payable	2,091,285,827	2,091,285,827	1,039,202,331	1,093,242,717
Security deposits	97,604,625	97,604,625	31,887,669	32,049,626
Advance rentals	59,425,384	59,425,384	23,010,002	23,010,002
	P4,663,057,683	P4,663,057,683	P4,150,706,520	P4,204,908,863

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

Cash and cash equivalents, trade and other receivables, refundable deposits, trade and other payables, and payables to related parties

The carrying values of the cash and cash equivalents, trade and other receivables (except for the noncurrent portion of contracts receivables), refundable deposits, trade and other payables, and payables to related parties approximate their fair values due to the short-term nature of these financial instruments.

Contracts receivables

The fair values of non-interest bearing contracts receivables are based on the discounted value of future cash flows using the applicable rates for similar types of instruments. The discount rates used ranged from 6.55% to 7.62% in 2009.

The Group uses the following hierarchy for determining and disclosing the fair value of the financial instruments by valuation technique:

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

The fair values of AFS financial asset has been determined by reference to quoted prices in an active market for identical assets at the close of the financial reporting date (Level 1). The Group has no financial assets with fair value determined at Levels 2 and 3.

Loans payable

The carrying amounts of loans payable approximate their fair values since interest rates are close to market rates.

Security deposits

The fair values of security deposits are estimated using the discounted cash flow method based on the discounted value of future cash flows using the applicable risk-free rates for similar types of instruments. The discount rates used ranged from 5.84% to 8.61% in 2009.

Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise cash and cash equivalents, AFS financial asset and loans payable. The main purpose of these financial instruments is to finance the Group's operations. The Group has various financial assets and financial liabilities such as trade and other receivables, refundable deposits, and trade and other payables, which arise directly from its operations.

It is, and has been throughout the year under review, the Group's policy that no trading of financial instruments shall be undertaken.

Management closely monitors the cash fund and financial transactions of the Group. Cash funds are normally deposited with banks considered as related parties, and financial transactions are normally dealt with related parties. These strategies, to an extent, mitigate the Group's interest rate and credit risks.

Exposure to credit, liquidity, interest rate, and foreign currency risks arise in the normal course of the Group's business activities. The main objectives of the Group's financial risk management are: (a) to identify and monitor such risks on an ongoing basis, (b) to minimize and mitigate such risks, and (c) to provide a degree of certainty about costs.

The BOD reviews and approves the policies for managing these risks which are described below.

Credit risk

Credit risk is the risk that the Group will incur a loss because its counterparties failed to discharge their contractual obligations. The Group's credit risks are primarily attributable to contracts receivables and other financial assets. To manage credit risks, the Group maintains defined credit policies and monitors its exposure to credit risks on a continuous basis.

Credit risk is managed primarily through credit reviews and analysis of receivables on a continuous basis. In addition, the credit risk for contracts receivables is mitigated as the Group has the right to cancel the sales contract without the risk for any court action and can take possession of the subject property in case of refusal by the buyer to pay on time the contracts receivables due. This risk is further mitigated because the corresponding title to the property sold under this arrangement is transferred to the buyers only upon full payment of the contract price.

As of December 31, 2010 and 2009, the Group's maximum exposure to credit risk for the components of the consolidated statements of financial position follows:

	2010	2009
Loans and receivables:		
Cash in banks and cash equivalents	P369,962,638	P667,490,923
Trade and other receivables:		
Contracts receivables	1,824,889,214	325,739,539
Receivables from landowners	350,000,000	–
Lease receivables	34,514,791	–
Receivable from related parties	29,352,347	61,324,139
Others	6,657,383	23,121,235
Deposits in escrow bank	9,843,450	9,843,450
Refundable deposits	52,970,865	29,463,026
AFS financial asset	–	229,664,972
	P2,678,190,688	P1,346,647,284

The Group is not exposed to concentration risk because it has a diverse base of counterparties. As of December 31, 2010 and 2009, the Group's financial assets are considered as "neither past due nor impaired". The table below shows the credit quality of the Group's financial assets:

As of December 31, 2010:

	High Grade	Medium Grade	Low Grade	Total
Cash in banks and cash equivalents	P369,962,638	P-	P-	P369,962,638
Trade and other receivables:				
Contracts receivables	1,824,889,214	-	-	1,824,889,214
Receivables from landowners	350,000,000	-	-	350,000,000
Lease receivables	34,514,791	-	-	34,514,791
Receivable from related parties	29,352,347	-	-	29,352,347
Others	6,657,383	-	-	6,657,383
Deposits in escrow bank	9,843,450	-	-	9,843,450
Refundable deposits	52,970,865	-	-	52,970,865
	P2,678,190,688	P-	P-	P2,678,190,688

As of December 31, 2009:

	High Grade	Medium Grade	Low Grade	Total
Cash in banks and cash equivalents	P667,490,923	P-	P-	P667,490,923
Trade and other receivables:				
Contracts receivables	275,959,610	49,172,158	607,771	325,739,539
Receivable from related parties	61,324,139	-	-	61,324,139
Accrued interest receivable	4,760,827	-	-	4,760,827
Others	18,360,408	-	-	18,360,408
Deposits in escrow bank	9,843,450	-	-	9,843,450
Refundable deposits	29,463,026	-	-	29,463,026
AFS financial asset	229,664,972	-	-	229,664,972
	P1,296,867,355	P49,172,158	P607,771	P1,346,647,284

The credit quality of the financial assets was determined as follows:

Cash and cash equivalents, deposits to escrow bank, refundable deposits and AFS financial asset - based on the nature of the counterparty and the internal rating system of the Group.

Trade and other receivables - high grade pertains to receivables with no default in payment; medium grade pertains to receivables with up to three defaults in payment; and low grade pertains to receivables with more than three defaults in payment.

Liquidity risk

Liquidity risk is defined as risk that the Group would not be able to settle or meet its obligations on time. The Group maintains sufficient cash in order to fund its operations.

In mitigating liquidity risk, management measures and forecasts its cash commitments, matches debt maturities with the assets being financed, maintains a diversity of funding sources with its unhampered access to bank financing and the capital markets and develops viable funding alternatives through its customers' deposits arising from the Group's pre-selling activities.

The tables below summarize the maturity profile of the Group's financial instruments based on contractual undiscounted payments:

As of December 31, 2010:

	< 1 year	>1 to < 5 years	> 5 years	Total
Cash and cash equivalents (Note 5)	P370,082,638	P-	P-	P370,082,638
Trade and other receivables	2,245,413,735	-	-	2,245,413,735
Deposits in escrow bank	9,843,450-	-	-	9,843,450
Refundable deposits	7,776,260	45,194,605	-	52,970,865
	P2,633,116,083	P45,194,605	P-	P2,678,310,688
Trade and other payables:				
Accounts payables	P260,571,242	P-	P-	P260,571,242
Retentions payable	387,502,092	-	-	387,502,092
Accrued expenses	1,050,418,068	-	-	1,050,418,068
Others	91,362,533	-	-	91,362,533
Payables to related parties	624,887,912	-	-	624,887,912
Loans payable	633,450,478	1,611,119,220	-	2,244,569,698
Security deposits	9,853,180	95,610,955	-	105,464,135
Advances rentals	10,112,245	49,313,139	-	59,425,384
	P3,068,157,750	P1,756,043,314	P-	P4,824,201,064

As of December 31, 2009:

	< 1 year	>1 to < 5 years	> 5 years	Total
Cash and cash equivalents (Note 5)	P667,540,923	P-	P-	P667,540,923
Trade and other receivables	410,184,913	-	-	410,184,913
AFS financial asset	-	-	229,664,972	229,664,972
Deposits in escrow bank	-	9,843,450	-	9,843,450
Refundable deposits	1,054,514	28,408,512	-	29,463,026
	P1,078,780,350	P38,251,962	P229,664,972	P1,346,697,284
Trade and other payables:				
Accounts payables	P757,097,823	P-	P-	757,097,823
Retentions payable	81,131,625	-	-	81,131,625
Accrued expenses	1,272,000,034	-	-	1,272,000,034
Others	546,166	-	-	546,166
Payables to related parties	945,830,870	-	-	945,830,870
Loans payable	30,000,000	1,009,202,331	-	1,039,202,331
Security deposits	3,393,945	44,865,533	-	48,259,478
Advance rentals	22,670,769	339,233	-	23,010,002
	P3,112,671,232	P1,054,407,097	P-	P4,167,078,329

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates both to the investment in a US dollar-denominated government securities and to its loans payable. The Group's policy is to manage its interest cost using a mix of fixed and variable rate loans.

The table below demonstrates the sensitivity analysis of the Group's income before tax due to a reasonably possible change in interest rate as of December 31, 2010 and 2009, with all other variables held constant.

	Changes in basis points	2010	2009
Notes payable	+100	(P39,020,116)	(P6,079,750)
	-100	39,020,116	6,079,750
Bank loans	+100	(153,283,871)	(1,312,273)
	-100	153,283,871	1,312,273
AFS financial asset U.S. dollar-	+100	-	(10,588,208)
denominated government securities	-100	-	10,588,208

Foreign currency risk

Foreign exchange risk is the risk on volatility of earnings or capital arising from changes in foreign exchange rates, mainly US Dollar - Peso exchange rate. The Company is exposed to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial results.

The following table shows the Group's foreign currency-denominated monetary assets and liabilities and their peso equivalents as of December 31, 2010 and 2009:

	December 31, 2010		December 31, 2009	
	US Dollar Value	Peso Equivalent	US Dollar Value	Peso Equivalent
Cash and cash equivalents	\$2,876,420	₱126,102,253	\$3,120,005	₱144,144,231
AFS financial asset	—	—	4,975,411	229,863,988
Payables to related parties	(14,050,278)	(615,964,188)	—	—
	(\$11,173,858)	(₱489,861,935)	\$8,095,416	₱374,008,219

As of December 31, 2010 and 2009, the applicable exchange rates are ₱43.84 and ₱46.20 to \$1.00, respectively. The Group recognized net foreign exchange loss and gain amounting to ₱4.81 million and ₱9.35 million in 2010 and 2009, respectively.

The following table represents the impact on the Group's income before income tax brought about by a reasonably possible change in Peso to US Dollar exchange rate (holding all other variables constant) as of December 31, 2009 and 2008 until its next financial reporting date:

As of December 31, 2010:

US\$ Appreciates (Depreciates)	Effect on income before income tax
7%	(₱34,290,335)
(7%)	34,290,335

As of December 31, 2009:

US\$ Appreciates (Depreciates)	Effect on income before income tax
5%	₱18,700,411
(5%)	(18,700,411)

29. Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating, complies with externally imposed capital requirements and maintain healthy capital ratios in order to support its business and maximize stockholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to stockholders, return capital to stockholders or issue new shares. No changes were made in the objectives, policies or processes for the years ended December 31, 2010 and 2009. Also, the Group is not subject to externally imposed capital requirements.

The table below summarizes the total capital considered by the Group

	2010	2009
Loans payable	₱2,091,285,827	₱1,039,202,331
Capital stock	731,691,029	731,691,029
Deposit for future stock subscription	3,953,169,000	3,953,169,000
Retained earnings (deficit)	663,299,393	(68,312,561)
	₱7,439,445,249	₱5,655,749,799

30. Registration with Philippine Economic Zone Authority (PEZA)

The Group's projects namely, Eton Cyberpod Corinthian and Eton Centris, were registered with PEZA on August 27, 2008 and September 19, 2008, respectively, as non-pioneer "ecozone developer/operator". The locations are created and designated as Information Technology Park.

31. Registration with Board of Investments (BOI)

The Group has three BOI-registered projects namely, Belton Place (BP), Eton Emerald Lofts (EEL) and One Archers Place (OAP).

BP is registered with BOI as a new developer of low-cost housing project on a Non-Pioneer status under the Omnibus Investments Code of 1987 (Executive Order No. 226) on September 15, 2008. This registration entitles the Group to four years ITH from November 2008 or actual commercial operations or selling, whichever is earlier but in no case earlier than the date of registration. The ITH shall be limited only to the revenue generated from this project. Revenue with selling price exceeding ₱3.00 million shall not be covered by ITH.

Likewise, on September 23, 2008, two other projects of the Group namely, OAP and EEL, were registered with the BOI as a new developer of low-cost housing project on a Non-Pioneer status. These two projects shall enjoy the same benefits as BP.

32. Notes to Consolidated Statements to Cash Flows

The principal non-cash investing and financing activities of the Group follow:

2010

- The Parent Company reclassified portion of the cost of the land, which was previously recognized as part of real estate inventories as of December 31, 2009, amounting to ₱2,187.42 million to investment properties due to change in management's plan for the land (see Note 10).

2009

- The Parent Company acquired parcels of land from Paramount through issuance of its common shares which increased investment properties, real estate inventories and deposits for future stock subscriptions by ₱658.86 million, ₱3,294.31 million and ₱3,953.17 million, respectively (see Notes 7, 10 and 17).
- The Parent Company reclassified the cost of completed buildings intended for leasing amounting to ₱483.03 million from construction in progress under property and equipment to investment properties (see Notes 10 and 11).
- In 2009, the Parent Company entered into a Deed of Conditional Sale with a related party for the acquisition of land, which formed part of real estate inventories, for a purchase price of ₱485.00 million and a reimbursement of its relocation cost amounting to ₱460.00 million (see Notes 7 and 25).

