VISTA LAND

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VISTA LAND

2011 ANNUAL REPORT

EVERY HOME COUNTS

OUR COVER

The abacus, a calculating tool primarily used in Asia since ancient times, with each bead inset with various home models of Camella, Crown Asia, Brittany, Communities Philippines and Vista Residences, aptly depicts the theme for Vista Land and Lifescapes' 2011 annual report – "Every Home Counts." The beads on the abacus add up to the number 250,000 -- the total number of homes the company has built to date.

As the Philippines' largest homebuilder, Vista Land's status in the real estate industry is seen in the numbers it generates – specifically, a pervasive presence in 25 provinces, and 55 cities and municipalities throughout the country. It continues to offer the Filipino a wide range of house and lot packages, coupled with a continuous commitment to ensure the integrity of its promise to reach as many Filipino families as possible. It seeks to uplift the standards of Philippine real estate by developing homes in master-planned communities replete with residential, business, educational, commercial, and recreational facilities. This elevates the Vista Land homeowner to a recipient of the Vista Land lifestyle. With these, Vista Land continues its commitment to increasing the quantity and quality of its developments.

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OUR COVER

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2011 Vista Land ANNUAL REPORT

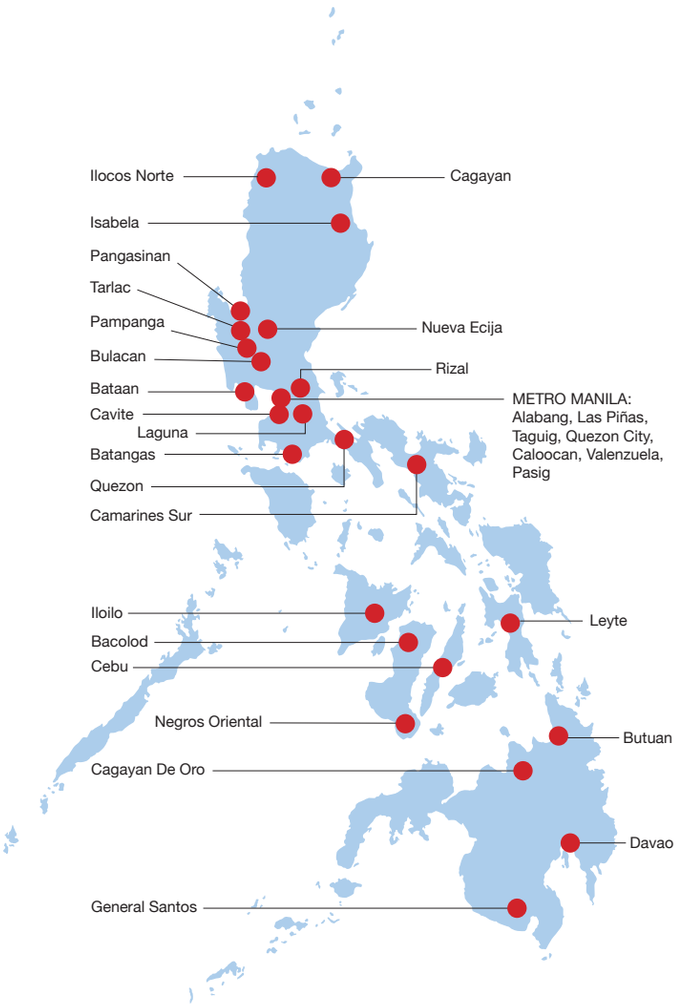
Strength in Numbers

Over Two Hundred Fifty Thousand (250,000) homes in 25 provinces, 55 cities and municipalities + five (5) subsidiaries = one company, Vista Land and Lifescapes, Inc. For over 3 decades, the company has continuously renewed its commitment to the Filipino family by delivering the fundamental need of shelter. This commitment is reflected in the growing number of Filipinos who now call a Vista Land house their home.

As an index of community improvement, Vista Land commits to develop about ten percent (10%) of land in its masterplanned communities for commercial purposes. For its horizontal developments, it brings in an average of 600 new families to a new neighbourhood. In 2011, the company launched 23 projects valued at PHP21 billion or over 17,000 house and condominium units combined.

The Vista Land family is committed to defining – and redefining – the term "community," as it strives to deliver responsive residential structures and amenities to the Filipino.

At a Glance



Launched 23 projects with an estimated total value of ₱21 billion

BRITTANY

Develops luxury homes in masterplanned communities, catering to the high-end market segment in Mega Manila

Established: 1993

PROJECT PORTFOLIO

Marfori (Sucat, Muntinlupa)
La Posada (Daang Hari, Alabang)
Crosswinds (Tagaytay City)
Portofino South (Daang Hari, Alabang)
Georgia Club (Sta. Rosa, Laguna)
Amore (Daang Hari, Alabang)
Augusta (Sta. Rosa, Laguna)
Portofino Courtyards (Daang Hari, Alabang)

FEATS (as of Dec. 31)

	2011
No. of Ongoing projects	18
Area of Ongoing projects (hectares)	106.3

DIVISIONAL INFORMATION (in Php Millions, except No. of Proj Launched)

	2011	%Change
Real Estate Revenues	1,667.7	15% ▲
Gross Profit	876.8	19% ▲
EBIT	442.3	27% ▲

CROWNASIA

Caters to the upper middle market housing segment in Mega Manila

Established: 1995

PROJECT PORTFOLIO

Marina Heights (Sucat, Muntinlupa)
Brescia (Commonwealth, Quezon City)
Ponticelli (Daang Hari, Alabang)
Citta Italia (Bacoor, Cavite)
Amalfi (Dasmariñas, Cavite)
Valenza (Sta. Rosa, Laguna)
Carmel (Bacoor, Cavite)
Fortezza (Cabuyao, Laguna)

FEATS (as of Dec. 31)

	2011
No. of Ongoing projects	28
Area of Ongoing projects (hectares)	141.7

DIVISIONAL INFORMATION (in Php Millions, except No. of Proj Launched)

	2011	%Change
Real Estate Revenues	2,183.9	459% ▲
Gross Profit	1.157.9	547% ▲
EBIT	665.6	81% ▲

Camella

Servicing the middle-income housing segment in the Mega Manila area.

Established: 1977

Lessandra Heights (Daang Hari, Alabang)
Camella La Vecina at Dos Rios (Cabuyao, Laguna)
Cerritos Heights (Daang Hari, Alabang)
Cerritos East (Pasig)
Camella Molino (Bacoor, Cavite)
Grenville Residences (Taguig City)
Nova Romania (Caloocan City)
Pristina (Imus, Cavite)

	2011
No. of Ongoing projects	31
Area of Ongoing projects (hectares)	258.3

	2011	%Change
Real Estate Revenues	4,419.0	26% ▲
Gross Profit	2,232.7	24% ▲
EBIT	1,268.3	10% ▲

COMMUNITIES PHILIPPINES

Offers residential properties outside the Mega Manila area in the low-cost, affordable and middle market segments primarily under the "Camella" and "Lessandra" brands.

Established: 1991

Camella Dumaguete (Dumaguete, Negros Oriental)
Camella Northpoint (Davao City)
Provence (Malolos, Bulacan)
Camella Sto. Tomas (Sto. Tomas, Batangas)
Camella General Santos (General Santos)
Camella Naga (Naga City)
Camella Tugegarao (Tuguegarao, Cagayan)
Prominenza (Baliuag, Bulacan)

	2011
No. of Ongoing projects	87
Area of Ongoing projects (hectares)	753.5

	2011	%Change
Real Estate Revenues	4,262.0	4% ▲
Gross Profit	2,116.5	4% ▲
EBIT	1,075.2	-3% ▼

VISTA RESIDENCES

Builds vertical developments in Mega Manila

Acquired: 2009

Wil Tower (Eugenio Lopez Drive, Quezon City)
Avant at the Fort (Bonifacio Global City)
Pinecrest (New Manila, Quezon City)
KL Mosaic (Legazpi Village, Makati City)
Trevi Towers (Pasong Tamo, Makati City)
Crown Tower (Sampaloc, Manila)
Symphony Tower (South Triangle, Quezon City)
Mosaic (Legazpi Village, Makati City)

	2011
No. of Ongoing projects	19
Area of Ongoing projects (hectares)	4.0

	2011	%Change
Real Estate Revenues	980.9	26% ▲
Gross Profit	518.2	51% ▲
EBIT	281.4	84% ▲

Profile of a Sound Investment

MARKET REACH

Vista Land has built more houses than any other property developer and enjoys a 42% market share across all developments. In the house and lot market segment, it outsells the competition by a wide margin. Its vertical development arm, Vista Residences, increased its presence from 1 condominium unit in 2004 to 19 ongoing developments in 2011.

Vista Land Summary	Number of Projects	%
Mega Manila	95	52%
Luzon	37	20%
Visayas	35	19%
Mindanao	16	9%
	183	**100%**

COMMUNITY IMPACT

On ensuring the wellness of the Filipino family, the Camella brand's advertising campaign two years ago, which shows a child (referred to as *"bulilit"*) relaxing in her new and spacious Camella home, has personified Vista Land in the eyes of Filipinos. Maximizing the use of space, each Vista Land home provides not merely shelter but a respite from the demands of modern living. Vista Land's continuous commitment to delivering fundamental – as well as sought after amenities – to the homebuyer is unwavering. Year after year, Vista Land typically reserves about 10% to 15% of the total land area of its projects for commercial establishments and infrastructure that allow the union and collaboration of families and friends in their respective communities.

From Brittany's exquisite structures to Lessandra's homeowner activities, the formation of homes and communities has become Vista Land's commitment to the Filipino home buyer. Its impact has extended beyond bricks and mortar – but has expanded to include the Filipino value of "family" -- which includes not only the immediate members, but friends and neighbours who form part of the community.

Financial Highlights

Vista Land 2011 ANNUAL REPORT

INCOME STATEMENTS	2011	2010	2009
Total Revenues	**14,815**	12,486	10,813
Real Estate Revenues	**13,513**	11,339	9,630
Operating Income	**3,628**	2,993	2,542
Income before income tax	**3,594**	3,234	2,813
Net Income	**3,528**	3,013	2,299
BALANCE SHEETS			
Cash and Cash Equivalents	**2,053**	3,482	3,011
Short-term and Long-term Cash Investments	**6,574**	3,413	136
Total Assets	**67,573**	60,482	54,669
Total Borrowings	**13,976**	10,466	5,052
Total Liabilities	**26,884**	22,305	19,044
Stockholders' Equity	**40,689**	38,177	35,625
CAPITAL EXPENDITURES	**11,133**	10,020	8,054
CASH FLOW			
Net cash provided by operating activities	**569**	102	51
Net cash used in investing activities	**(5,204)**	(5,727)	(773)
Net cash provided by (used in) financing activities	**3,206**	6,096	(1,282)
FINANCIAL RATIOS			
Current ratio	**2.53**	2.83	1.94
Debt-to-equity	**0.66**	0.58	0.53
Return on equity	**9%**	8%	6%
Return on assets	**5%**	5%	4%

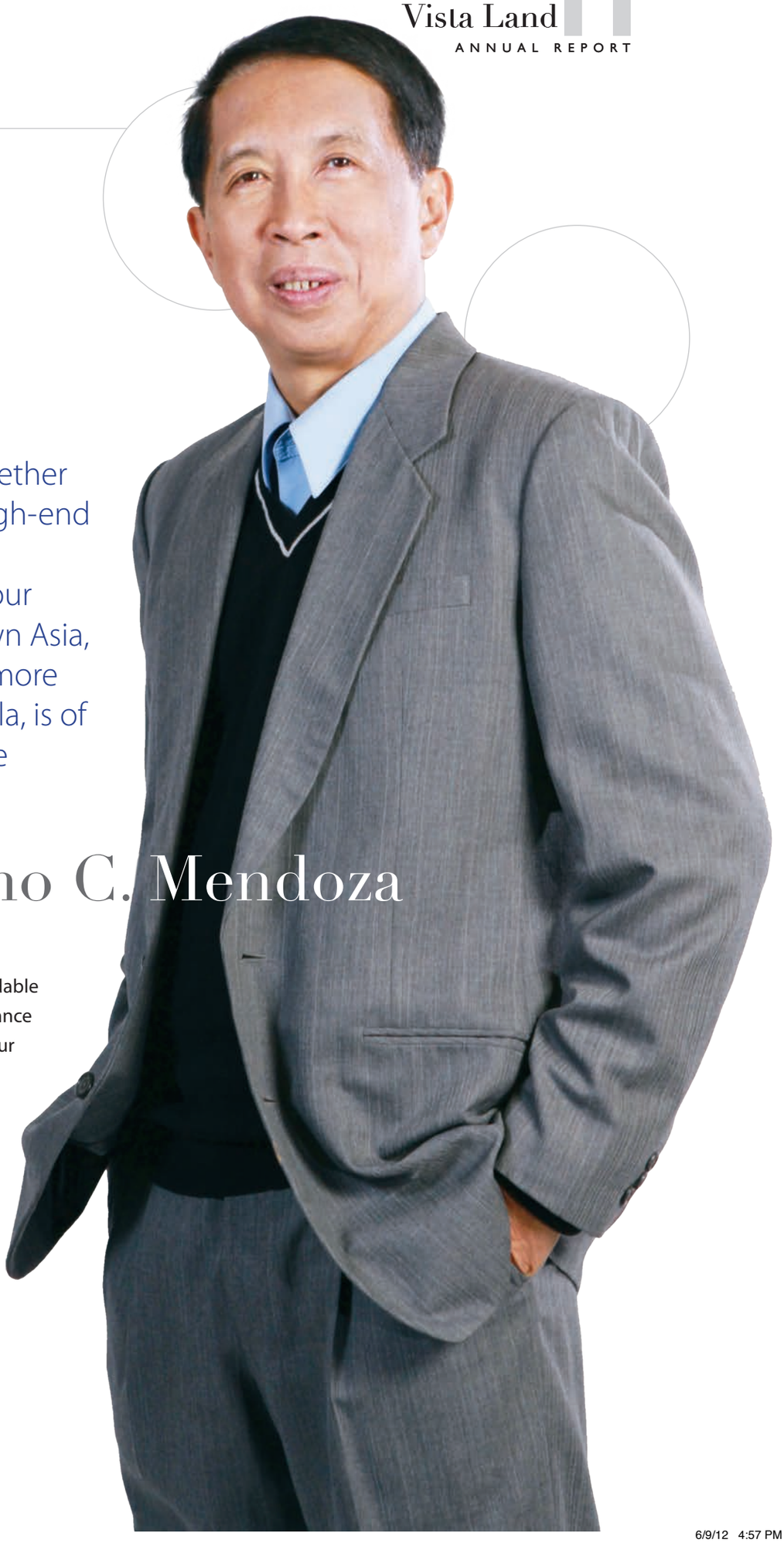
Chairman's Message

Dear Fellow Shareholders,

Vista Land, I am happy to report, has successfully maintained its leadership position in the Philippine housing industry. In 2011, we once again sold more houses than any other property developer in the country, expanding our presence to more provinces than any other real estate company. This was achieved against a backdrop of intensifying competition from other major developers who have begun to enter certain segments of the real estate industry which they had hitherto ignored.

Management understands that the company is likely to continue to face stiffer competition in the coming years, and we are therefore closely monitoring industry developments and periodically reviewing our strategies. Given our track record and ability to execute plans within a relatively short time frame, we believe that we are well-equipped to meet competitive and other challenges as they arise. Thus far, we are confident that the basic strategy we have adopted – to continue our aggressive nationwide expansion program with a primary focus on the mid to lower-end price segment of the housing market – is appropriate. We take great pride in occupying the top spot in housing, and we have no intention of relinquishing our claim of being the number one homebuilder in the country.

We have continued to ensure that we meet the needs of our buyers by constructing and designing houses that are among the best the market has to offer, and maintaining the highest standards throughout the lifecycle of all our projects. The cover of our annual report states that "Every Home Counts." We at Vista Land take this statement seriously. Every house, whether offered by our high-end Brittany brand, or coming from our mid-market Crown Asia,



"Every house, whether offered by our high-end Brittany brand, or coming from our mid-market Crown Asia, or one from the more affordable Camella, is of equal importance to the company."

Marcelino C. Mendoza

Chairman

or one from the more affordable Camella, is of equal importance to the company. As such, our "Camella" brand, which was introduced over three decades ago, is still the most preferred in housing in the Philippines.

Chairman's Message

We are building communities nationwide. In many of our subdivisions, we have begun to move forward with the development of commercial areas in order to improve the range of retail services available to existing residents and to enhance the value of their properties. In the coming years, only a few provinces would not have felt the presence of Vista Land. Our President and Chief Executive Officer will provide more details on this in his message.

Last year, I outlined some of the positive factors that are helping to propel our industry. Those same factors continue to underpin the strong growth in the real estate sector and have helped Vista Land deliver another year of record performance in reservation sales, revenues, and earnings.

Business confidence remains robust, notwithstanding a slower than expected GDP growth rate in 2011. Seeing the glass half-full, the business community has largely accepted government underspending and some extraneous factors – such as the weakness in Europe, the tragic aftermath of the earthquake and tsunami in Japan, and the uprisings in the Middle East – as some of the main causes for the relatively lacklustre performance, and 2012 is generally expected to be much better in terms of GDP growth. Fortunately, the economic fundamentals continue to be strong – with a stable currency, benign inflation, low interest rates, and a high level of gross international reserves (supported by record remittance inflows coming from Overseas Filipino Workers). The government expects a credit rating upgrade in the medium term, but perhaps, as a further sign of optimism, the market has effectively priced the Philippines at a superior credit rating than that officially provided by international credit rating agencies.

" We are therefore confident that 2012 will be another record year for the company in terms of operational and financial performance."

Amidst the economic difficulties still being faced by Europe, the continuing political challenges in the Middle East, and the unresolved problems in the United States, it is indeed fortuitous for us to be situated in Asia. Although no country or region can be truly insulated from global events, most analysts are highly optimistic in their outlook for the Asian region. This overall positive sentiment extends to the Philippines and its real estate sector. We are therefore confident that 2012 will be another record year for the company in terms of operational and financial performance.

To all our stakeholders and supporters who continue to believe in us, I would like to thank you once again for helping us maintain our dominant position in the housing industry.

MARCELINO C. MENDOZA
Chairman

President's Report

Dear Fellow Shareholders,

We began 2011 full of confidence about the outlook for the country and for the real estate industry. The new administration, for its first full year in office, had set an official GDP growth target of about 5% to 6%. Although GDP growth came in at a modest 3.7%, business confidence remains strong and unfazed by what most consider a temporary setback in an otherwise bullish trend. We at Vista Land share this optimism, and, for our sector at least, we believe the outlook and prospects for the next few years are very promising.

I am pleased to report that we had an excellent year. We exceeded our internal targets, achieving the highest levels of reservation sales, revenues, and net income in the company's history. Reservation sales reached almost PHP 9 billion during the fourth quarter of 2011 alone, continuing a quarterly upward trend that started in the first quarter of 2010 and bringing the total reservation sales for the year to over PHP 30 billion, 23% higher than the previous year. This should provide some comfort and visibility for revenue growth in the medium term as we deliver on our commitments to customers in a timely manner. Revenues reached PHP13.5 billion, while net income grew to PHP3.5 billion, resulting in earnings per share of 42 centavos – about 17% up from the previous year. Our gross profit margin remained solid, improving slightly from 50% to 51%. For 2012, we fully expect to do even better.

We had an aggressive project pipeline for the year and successfully launched 23 residential projects. Seventeen of the twenty-three projects were subdivisions in the low and affordable market segments, while six were condominium developments – four in Metro Manila, one in Cebu and one in Davao. The aggregate value of these projects was approximately PHP21 billion.

Already in more provinces than any other property developer in the Philippines, we entered seven new areas, namely, Laoag (Ilocos Norte), Cabanatuan (Nueva Ecija), Balanga (Bataan), Tayabas (Quezon), Carcar and Talamban (Cebu), Butuan (Agusan del Norte) and Tagum (Davao). This brought our presence countrywide to a total of 25 provinces and 55 cities and municipalities around the country. In this respect, we firmly believe "Camella" is in a league of its own and can claim to be a truly national brand, having evolved more than three decades ago from a mass housing developer

"We exceeded our internal targets, achieving the highest levels of reservation sales, revenues, and net income in the company's history."

Manuel Paolo A. Villar

President and Chief Executive Officer

focused solely in Metro Manila, to becoming the most preferred nationwide developer in the affordable and low cost segment of the market.

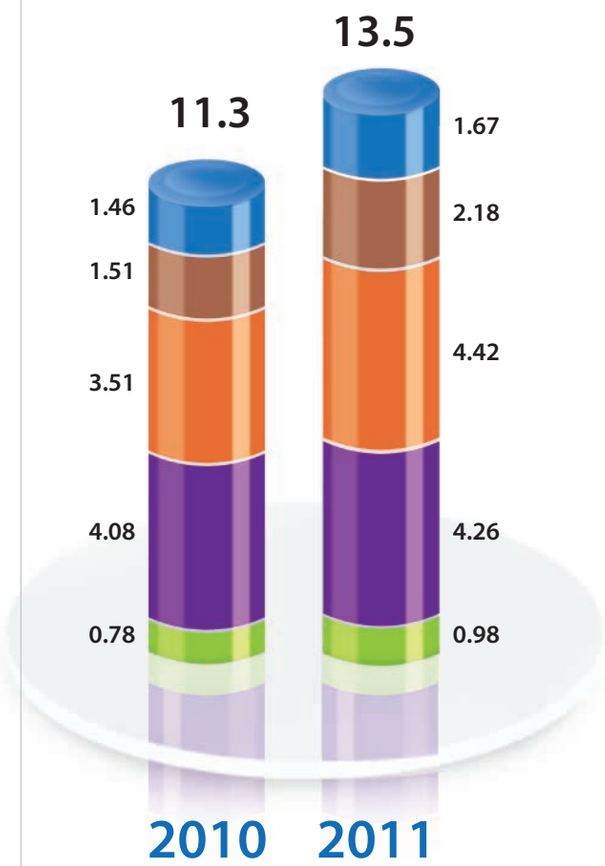
Given our aggressive expansion program, we have deemed it necessary to increase our company's headcount to efficiently manage the growth in our business. Thus, the number of employees in our organization increased from 610 to 751. Most were assigned to

President's Report

REAL ESTATE REVENUE

Real Estate Revenue up by 19%
(in PhP Billion)

Brittany	15%	^
Crown Asia	45%	^
Camella	26%	^
Communities Philippines	4%	^
Vista Residences	26%	^



the marketing group, while others were distributed in areas involving operations, administration, and technical services.

At the beginning of the year, we announced a capital expenditure budget of about PHP11 billion. To partially cover our funding requirements, we carefully considered various options, including tapping the dollar bond market once again. Since the international bond markets continued to be receptive to Philippine companies, we decided to follow up our successful US$100 million bond, completed in 2010, with a US$75 million issue under exactly the same terms and conditions as the initial offering. We also continued our financing activities on the domestic front, raising approximately PHP4 billion through bilateral loans from local banks and the selling of in-house receivables.

Our interaction with the banks is, of course, not limited simply to a debtor/creditor relationship. Beyond cash management, hedging options, and other peripheral businesses, we often forge partnerships with banks in order to provide mortgage financing to prospective customers and ensure that these tie-ups are integrated in our marketing of specific projects. As we move forward in building stronger relationships with the financial community, we hope not just to raise the company's profile but also to diversify our sources of funding and reduce our cost of capital.

We have shored up liquidity, ending the year with more than PHP8.6 billion in

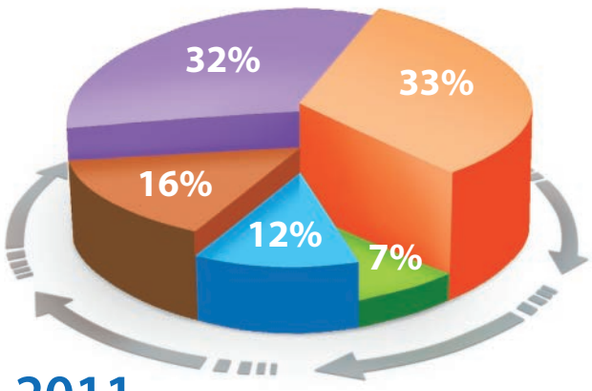
cash including cash investments. Our total asset base grew to about PHP67.6 billion, and we have maintained a strong balance sheet, as shown by our financial ratios. Our current ratio is more than 2.5X, while our interest bearing debt, excluding obligations arising from receivables sold with recourse, was about PHP11.5 billion, bringing our debt to equity ratio to 28%. Our net debt to equity ratio therefore stood at a conservative 7%. Non-performing accounts remained at about 4%, in line with our expectations and well within levels seen by other players in the industry. Return on equity, while not quite at levels we are satisfied with, improved slightly to just under 9%.

On top of the regular annual cash dividend amounting to 20% of the previous year's net income, our performance allowed us to declare a special cash dividend of 10%, bringing the total absolute payout to 10.5 centavos per share, or 30% of previous year's earnings. Depending on the circumstances, we hope to be able to reward shareholders with a similar special dividend payment in the coming year.

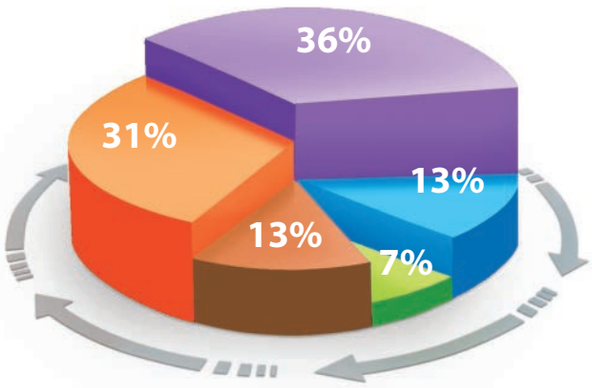
Notwithstanding the continuing difficulties in Europe and the potential slowdown in China, the macroeconomic backdrop in the Philippines is supportive of growth in the real estate industry. Our flagship projects – Evia in Muntinlupa, The Lakefront in Sucat, Sta. Elena in Sta. Rosa, Crosswinds in Tagaytay, and Savannah in Iloilo are well under way, and, with a land bank of more than 1,800 hectares, we are prepared to capitalize on opportunities as they arise. We are well aware of concerns of a potential oversupply in the high rise market segment and have therefore calibrated our condominium project pipeline to prepare for

REVENUE DISTRIBUTION

- Brittany
- Crown Asia
- Camella
- Communities Philippines
- Vista Residences



2011

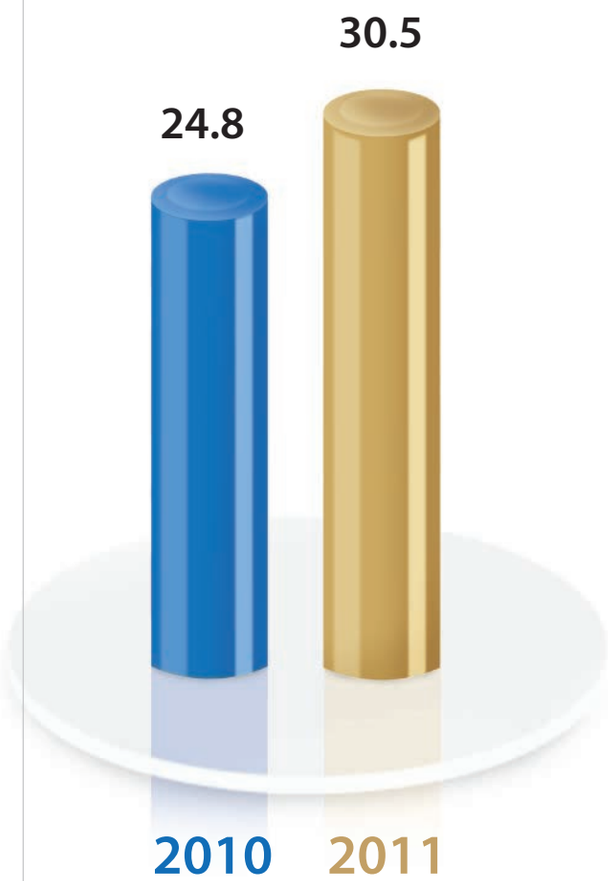


2010

President's Report

such a possibility. As such, vertical projects are expected to account for less than 10% of total revenues in 2012 and remain a relatively small proportion of total revenues, compared to our horizontal developments, for the next few years. With a population of close to 100 million and a median age of less than 24 years, the country's demographics bode well for the long term strength of the housing industry.

Reservation Sales
Reservation Sales up by 23%
(in PhP Billion)



We fully recognize the importance of our investors – big and small – and we continue to prioritize investor relations activities by attending various forums both here and overseas, holding quarterly analyst briefings, one-on-one meetings, and arranging property tours. I am pleased to see that most of the major brokerage houses now cover our stock, and many have noted that we have achieved or exceeded every annual sales, revenue, and net income guidance figure disclosed by our company. We will continue to focus on investor relations and managing expectations of our investors, particularly those who view competition in the real estate industry as a sprint rather than a marathon.

When I took over the helm of the company in 2011, it was with great pride, optimism, and trepidation. The pride and optimism stemmed from the obvious – the Board of Directors and principal shareholders had the confidence to entrust me with leading the company through whatever challenges we may face in the future. The trepidation – from my personal goal that the company must

always overcome all hurdles. While I cannot ensure that we will always end up choosing the optimal path, I can guarantee that under my stewardship, we will harness every available resource to execute our ambitious plans with energy and prudence. As CEO, I will certainly try to ensure that we build on the numerous accomplishments and pioneering vision of our company's founder, my father.

"We will continue to focus on investor relations and managing expectations of our investors, particularly those who view competition in the real estate industry as a sprint rather than a marathon."

In closing, on behalf of my colleagues at Vista Land, I would like to thank our former CEO, Ms. Benjamarie Therese Serrano for ably steering the company, particularly through the most recent turbulent times. '"Jing", as we fondly refer to her, has been instrumental in formulating and ensuring the success of many of our major projects, particularly "Crosswinds" in Tagaytay city, and "Evia" in Muntinlupa. We all owe Jing an immense debt of gratitude for her personal dedication, for her untiring service, and for her friendship. We will continue to rely on her wisdom as she remains a director of the company, and we wish her all the best as she pursues fresh challenges within the Villar Group.

To all our shareholders, customers, brokers, suppliers, service providers, employees and other stakeholders – thank you for your continued support. I look forward to the coming years as we work together to maximize the full potential of Vista Land.

MANUEL PAOLO A. VILLAR
President and Chief Executive Officer

Feature

Manuel Paolo A. Villar

At the Helm of the Philippines' Largest Homebuilder

An honor and a challenge – this is how Manuel Paolo A. Villar describes his new responsibility as Vista Land's Chief Executive Officer (CEO). Appointed last July 2011, Paolo, as he is fondly called, is fully cognizant of his role as the leader of a leader in the Philippine housing industry.

Vista Land's current position as the Philippines' largest homebuilder was achieved through a consistent and unwavering business strategy aimed at providing the best value for the Filipino homebuyer. Paolo acknowledges that Vista Land shall continue to provide value to all its stakeholders. With a firm foothold in the Philippine real estate market, it continuously challenges itself to ensure that it remains on top. Paolo mentions milestones in which he participated as significant events for the company – a public offering in 2007 and a dollar bond issuance -- which was positively viewed by the market and showed a strong vote of confidence in the company. Paolo also added that the brand equity of Vista Land's Camella is another major milestone. Camella is considered a "super brand" -- one that resonates with the Filipino people. He adds that Camella is the most preferred housing brand of the Filipino consumer.

Paolo as CEO

Under Paolo's leadership, Vista Land shall continue to be in the business of building more homes in more places throughout the Philippines. He believes that providing the best value for the buyer's money is the pivotal strategy.

"To see a Vista Land home wherever a Filipino may be in the Philippines" is Paolo's vision. More than maintaining its record of being the largest homebuilder, Paolo seeks to challenge the company by increasing the number of homes built to 350,000 within the next 10 years. Vista Land has already reached Mindanao, with 16 developments therein – and will continue to expand in other areas. Paolo states, "Over 7,500 homes were built in 2011. I am confident that in 10 years, Vista Land will build 100,000 or more homes." Next year, he is targeting an increase of 15% in total housing units to be constructed.

Paolo emphasizes, though, that quantity is not the only goal but quality as well. Paolo wants Vista Land's architects and engineers to come up with revolutionary house designs that maximize quality and the use of space at the most affordable possible cost. Their suppliers, considered by the company as its strategic partners, shall be a major factor in delivering this objective by ensuring the quality of goods and services delivered at the best prices.

"Over 7,500 homes were built in 2011. I am confident that in 10 years, Vista Land will build 100,000 or more homes."

Caring customer service, Paolo adds, is part of the Vista Land experience. "We have to care, in the sense that we have to instill a lot of energy and discipline among our Vista Land people. Being able to deliver customer care every day – all the time – requires discipline and passion," he says. Paolo notes that except for houses in high-end subdivisions, customer service in general has been taken for granted in local middle-class developments. Albeit accepted by the market, mediocre customer service should be an alien concept for Vista Land. The level of service should be high for all market segments, be it mass housing, middle-class, or luxury developments.

Breaking into the vertical market with quality condominium developments at affordable prices in key areas in the city is also part of Paolo's plan for Vista Land through Vista Residences and Camella Condo Homes. These brands provide the Vista Land buyer with an affordable home in key urban areas where land prices are higher than the provincial areas. Again, the value and quality Vista Land is known for is present in a Vista Residences and Camella Condo Homes unit.

Finally, Paolo believes that Vista Land's success is based on simple things done well such as beautiful and high quality, affordable homes consistently delivered to buyers.

Feature

The House and Lot Industry

As of 2011, the number of houses Vista Land has built has enabled it to become the prime mover in the Philippine real estate industry. The industry continues to have a stronghold in the Overseas Filipino Worker (OFW). With remittances having reached US$20 billion in 2011, the purchasing power of the OFW market continues to be robust. Seafarers' remittances alone have grown to 14%. OFWs account for 55% to 60% of Vista Land's total sales. These are primarily to end-users. According to the Philippine Overseas and Employment Administration (POEA), an additional 58,000 job openings abroad have been approved for 2012. Thus, stability in the OFW market is expected.

Besides the OFW market, the business process outsourcing (BPO) industry continues to contribute to housing. The BPO industry has grown 21% in 2011 and continues to be one of the drivers of Philippine economic growth. It now employs over 638,000 Filipino employees and contributes over US$11 billion to the local economy. The young workers in this industry are expected to purchase homes and are considered a primary market for the Vista Land developments.

Vista Land continues to expand its geographic reach. From 14 provinces and 37 cities and municipalities in 2007, it has managed to expand to 25 provinces and 55 cities and municipalities in 2011. This enables the company to provide the products and services the abovementioned markets need.

Another major factor contributing to the positive outlook for the Philippine real estate industry is the stability of the local economy. Inflation is stable. Interest rates have remained in single digit territory. The Central Bank has stated that it has no plans of changing present regulations.

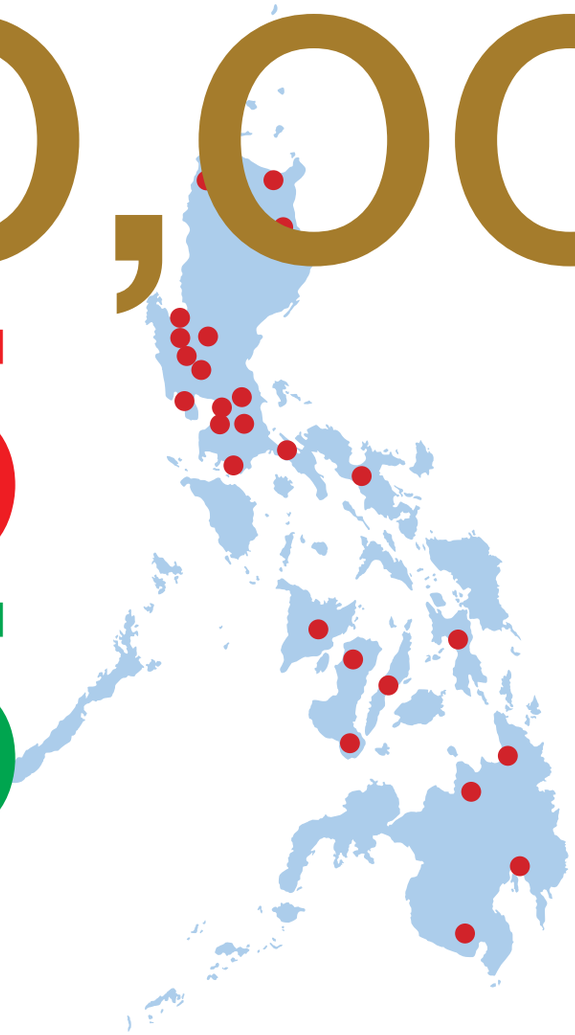
Taking Vista Land's brands across the archipelago remains a major objective of the company. More than being top-of-pocket, the company aims to become the top-of-mind real estate provider. It intends to tap new markets, projecting delivery of new products outside Mega Manila. Its continuous development in the southern region is complemented by the government's plans to provide additional and improved road infrastructure such as the CALA (Cavite-Laguna) North-South road, CAVITEX (Manila-Cavite) Expressway, and C6 (Circumferential Road 6).

Market Reach

250,00

Cities & Municipalities **55**

Provinces **25**



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Houses Built

Total Homes Built, Total Geographical Reach

Vista Land has expanded to over 180 developments in 5 years. Over 250,000 houses and condominium units have been built since 1977. Of the horizontal developments, Camella and Communities Philippines build an average of 60 units per hectare while Crown Asia builds 55 units per hectare. Brittany builds 40 units per hectare.

From 2007 to 2011, Communities Philippines accounted for 40% of the total Vista Land developments. Camella has 38% of the developments. The balance is distributed at 13%, 6% and 4% among Crown Asia, Brittany and Vista Residences, respectively.

As of the end of 2011, Vista Land was present in 25 provinces, 55 cities and municipalities around the country. For 2012, Vista Land, through its subsidiary, Communities Philippines, will continue to open projects in new areas making it the real estate company with the widest geographic reach.

Community Impact

Vista Land continuously provides infrastructure and facilities that encourage the growth and wellness of their residents such as (Clockwise from top) Schools, Tree lined roads, Tree Nurseries, and Clubhouse and Recreational areas.

Families and Social Groups Serviced

The impact of Vista Land on the Philippine housing industry has gone beyond building houses and condominiums – it has gone further by establishing community infrastructure by constructing buildings and leasing land to anchor tenants. Vista Land developments have commercial and recreational facilities for the use of its residents. Several communities have schools and tutorial centers. Areas in the masterplanned cities are earmarked for offices and business process outsourcing companies – which will enable Vista Land stakeholders to live, work and play in the developments. The concept of a self-sustaining environment in the Vista Land communities has received positive feedback from the homeowners and stakeholders. As a result, the company will continue this strategy in existing and future developments.

Vista Land's commitment to the environment can be seen in the communities, with over 1,000,000 trees planted. The company maintains tree nurseries to ensure that proper care is given the trees to be planted. Employees and residents are taught how to take care of these trees, which contribute to the beauty and cleanliness of each development.

Families can enjoy the friendly and nurturing atmosphere that is seen in Vista Land communities.

Feature

Vista Land Commercial Division:
Needs Within Reach

One of the key strategies in developing a Vista Land community was given renewed focus in 2011. From the masterplanned community of Evia to the residential areas of Lessandra, village centers have been established to serve the needs of residents. Led by Vista Land's Commercial Division, headed by Ms. Ma. Leni Damasco-Luya, each Vista Land development is now conceptualized to be a self-sustaining community where essential goods and services are available to residents within a walking distance.

In the smaller developments, the village center has a mini-mart where residents can purchase their basic necessities. The Finds Convenience Store provides residents with supermarket goods. Some stores are open 24 hours for the residents' convenience. The center may also include a bakeshop, barbershop or salon, an automated teller machine (ATM), a pet shop, a water station, and a laundry shop. According to Leni, village centers are established as a commercial section with a Gross Floor Area (GFA) of 5,000 square meters (sqm.).

For a commercial area that is double or triple in size (i.e. 10,000 to 15,000 sqm.), a community mall is established. Besides the basic amenities mentioned above, it will include a supermarket, a hardware store, a bank, and the complete roster of other services that the residents need.

"Vista Land's community centers have something in store for children, their parents and their grandparents."

MS. MA. LENI DAMASCO-LUYA
Vista Land's Commercial Division Head

Finds convenience store provides the residents with supermarket goods readily available to the community.

Entertainment can be experienced in various lifestyle centers as seen in Ponte Via

Feature

For masterplanned cities, commerce and recreation revolves around the lifestyle centers. According to Leni, "A prime example of a lifestyle center is Ponte Via in Evia, one of Vista Land's masterplanned communities. Ponte Via will have food stations for a snack lane, a laundry shop, tutorial centers, a nail salon and spa, a *Bayad* center (payment center for bills), an internet shop, a furniture and appliances shop, a basic hardware store, retail shops for clothes and accessories, a telecommunication center, a quick service restaurant, and a terminal hub for public utility vehicles. The company is also considering a pet shop and some clinics for Ponte Via. Wellness shops, such as gyms, spas, drugstores, diagnostic clinics, and cosmetic clinics, shall also be made available for the residents. Mobility will also be provided through a shuttle service."

Vista Land prioritizes its residents' convenience. With the foregoing centers, the residents can purchase their needs as they please – be it daily or weekly. They can visit the local grocery store more often as the village and lifestyle centers are designed for this purpose. Beyond the residents' daily requirements, Leni adds that these centers have become a venue for bonding with family and friends. For instance, at the Lakefront Boardwalk, musical performances are held every weekend. Through the residents' participation, the centers have evolved to eating and events destinations.

Cutting Across Family Requirements

Vista Land's community centers have something in store for children, their parents and their grandparents. Kids will be entertained with art and baking lessons through the Kids at Art and Junior Chef programs during weekends.

For the adults, aerobics, zumba and yoga classes are held at the centers. For the seniors, Vista Land plans to establish coffee shops and teashops -- to enable them to relax and bond with their friends and neighbors.

Vista Land actively responds to their homeowners' existing and anticipated requirements. Other activities are being developed to encourage wider community participation. In addition, the company will address the residents' spiritual needs. Areas will be allocated for the establishment of churches and other places of worship and meditation.

Strategic Partners in Delivering a Community of Excellence

From its small beginnings in *Tindahan ni Aling Puring* established in Starmall, Las Piñas, the warehouse club of PureGold has entered into a partnership with Vista Land through Presidio, a Camella mid-rise community in Lakefront -- a masterplanned community spanning Muntinlupa and Parañque. In 2012, the partnership with PureGold shall continue with the establishment of stores in Rizal and Central Luzon, and with the launch of PureGold Jr. in Camella Antipolo and Camella San Fernando.

PUREGOLD

In line with the company's vision of a self-sustaining community, Vista Land aims to give their residents modern conveniences within reach such as (Clockwise) PUREGOLD, the Boardwalk, workout and activity areas.

Feature

More than Marketing

Vista Land's commercial and lifestyle centers are poised to become a platform for green living. Waste segregation and composting activities will be done in the developments. These activities produce fertilizers which are used for the landscaping requirements of the communities.

Entrepreneurship is a distinct by-product of the centers. Small scale businesses established by residents, particularly OFW families, provide an additional source of income for them. Food kiosks in the village centers have become popular venues for families and individuals who have culinary specialties other residents want to sample. Encouraging the entrepreneurial path has also resulted in the conduct of livelihood training activities in the centers, such as *pastillas* making, cake decorating, and balloon-twisting. These activities create bonding moments for families and neighbours -- teaching residents, including children, of the value of making a living while enjoying themselves.

Community centers will be a platform for residents to start small scale businesses and livelihood projects while complying with efficient and economic environmental standards.

A Perception of Increased Value

"The more locators, the better for me," appears to be the prevailing sentiment of most Vista Land residents. Leni explains, "The commercialization of a portion of a Vista Land community is something that is appreciated by residents because this results in the increase in value to their own property."

Residents of Vista Land developments are secure in the thought that they live in a protected and well-planned area. Having the feeling of being in "a secluded place far from the rigors of city life" is common. Capitalizing on this view, certain Vista Land developments, particularly the masterplanned cities, are earmarked to become information technology and business process outsourcing hubs. The concept of a self-contained community where office, residential and recreational facilities converge will become a reality through the proper implementation of Vista Land's business strategy.

BRITTANY

With 328 luxury homes built in 2011, Brittany's artfully designed homes and estates speak of luxury and affluence. Its classic architecture and today's modern conveniences have been merged in one brand to exude good taste. The ***Alessandro*** Model House has a lot area of 470 sqm and a floor area of 260 sqm. Another Italian-themed model home, ***Michelangelo***, has a lot area of 870 sqm and a floor area of 625 sqm. The Georgia Club development has an American South-theme, with ***Ashley***, having a lot area of 242 sqm and a floor area of 240 sqm, as one of its most popular model homes. Crosswinds in Tagaytay has the Swiss-themed ***Duetto Tresor*** model home, with a lot area of 100 sqm and a floor area of 152 sqm. Each package comes with a Php 9 million and above price tag. Brittany has generated sales of Php 1.67 billion in 2011, a 15% increase from 2010.

Market:
High-end

Price:
Above Php 9M

Offering:
House & Lot; Leisure (Mega Manila)

Real Estate Revenues *(in Php Million)*:
- Php 1,455.5 (2010)
- Php 1,667.7 (2011)

Revenue Distribution:
- 13% (2010)
- 12% (2011)

CrownAsia

Aiming at professionals and their families, Crown Asia's product offerings to the middle market housing segment in Mega Manila is pegged at Php 3.5 million to Php 9.0 million – a competitive offering for the Filipino's aspiration for a higher standard of living.

Crown Asia's strategic location enables it to have proximity to educational, commercial and recreational complexes. Its enchanting developments include the La Marea project in San Pedro, Laguna, the Valenza subdivision in Sta. Rosa, and Ponticelli in Alabang. The most popular model homes are the Italian-themed ***Lalique***, with a lot area of 156 sqm and a floor area of 110 sqm, and ***Lladro***, with a lot area of 195 sqm. and a floor area of 192 sqm.

Its other developments include Cottonwoods (Bayugo-Buliran, Antipolo), Maia Alta (Brgy. Dalig, Antipolo), Mia Vita (Brgy. Dalig, Antipolo), Mille Luce (Brgy. San Roque, Antipolo), Woodberry (Bayugo-Buliran, Antipolo), Amalfi (Dasmariñas, Cavite), Amici (Daang Hari, Alabang), Carmel (Bacoor, Cavite), Citta Italia (Cavite), Fortezza (Cabuyao, Laguna), Marina Heights (Sucat, Parañaque), Ponticelli (Daang Hari, Alabang), Valenza (Bayugo-Buliran, Antipolo), and Brescia (Commonwealth, Quezon City).

Market:
Middle-income

Price:
P3.5M to P9M

Offering:
House & Lot (Mega Manila)

Real Estate Revenues *(in Php Million)*:
- Php 1,508.0 (2010)
- Php 2,183.9 (2011)

Revenue Distribution:
- 13% (2010)
- 16% (2011)

Review of Operations

Camella

Vista Land's establishment of the Camella brand in the 1970s has enabled its founder to fulfill his vision of building an affordable home for the Filipino family. The acceptance by the Filipino buying public of a Camella home has made it a trusted and preferred brand. In fact, a Camella development in a city, town or province is widely considered to be an indicator of progress. Vista Land's strategy is to continue to build Camella developments throughout the country.

Its value-for-money proposition meets the requirements of its target market. By providing affordable homes with prices ranging from Php 800 thousand to Php 3.5 million, Camella enables the Filipino to own a living space with ample areas for dining, sleeping and recreation. These single-family residences can be found in secure communities in key areas of the country. Its most popular model homes are the ***Carmela*** and ***Drina***, with lot areas of 88 sqm and 99 sqm, and floor areas of 64 sqm and 81 sqm, respectively. Camella homes are not only aesthetically-pleasing, as Camella engineers have ensured that houses are built following the natural contours of the land. These houses include the ***Dorina Uphill*** model home, with a lot area of 108 sqm and a floor area of 81 sqm, and the ***Carmina Downhill*** model home, with a lot area of 96 sqm and a floor area of 64 sqm.

Camella's developments can be found all over the Philippines. These include La Montagna Estates (Teresa, Rizal), Cerritos East (Pasig City), Gran Europa (Lumbia, Cagayan de Oro), El Paseo (Novaliches, Quezon City), Grande Vita (Bignay Road, Valenzuela), Nova Romania (Novaliches, Quezon City), Siena Villas (Caloocan City), Tierra del Sueño (San Jose del Monte, Bulacan), Bella Vista (Gen. Trias, Cavite), Cerritos (Daang Hari, Alabang), Colina (San Pedro, Laguna), Lessandra (Bacoor / Dasmariñas, Cavite), Merida (BF Resort, Las Piñas), Siena Villas (Bacoor, Cavite), Terrassa (Imus, Cavite), Tierra del Fuego (Gen. Trias, Cavite), Andalusia (San Fernando, Pampanga), Azienda Milan (Talisay City, Cebu), Bacolod (Bacolod, Negros Occidental), Batangas (Sto. Tomas,

Market:
Low cost & affordable

Price:
P3.5M - below

Offering:
House & Lot (Mega Manila)

Real Estate Revenues *(in Php Million)*:
- Php 3,513.7 (2010)
- Php 4,419.0 (2011)

Revenue Distribution:
- 31% (2010)
- 33% (2011)

COMMUNITIES PHILIPPINES

Batangas), General Santos (San Isidro, General Santos), Isabela (Santiago, Isabela), Leyte (Palo, Leyte), Naga (Naga City, Camarines Sur), Ormoc (Ormoc City, Leyte), Pasadena (Cebu City, Cebu), Plantacion (Lipa City, Batangas), Positano (Maa, Davao), Prominenza (Baliuag, Bulacan), Provence (Malolos, Bulacan), Riverdale (Talamban, Cebu), Savannah (Oton, Iloilo), Solariega (Talomo, Davao), Sorrento (Mexico, Pampanga), Sta. Barbara (Kauswagan, Cagayan de Oro), Toscana (Bago Galera, Davao), Vittoria (Lapu-Lapu City, Cebu).

Communities Philippines, with its vision of building world-class homes under the Camella brand, anchors the strategic expansion of Vista Land in the provincial areas.

Its developments include Camella Northpoint (Davao City), Provence (Malolos, Bulacan), Camella Sto. Tomas (Sto. Tomas, Batangas), Positano (Davao City), Camella General Santos (General Santos), Camella Naga (Naga City), Camella Tuguegarao (Tuguegarao, Cagayan), and Prominenza (Baliuag, Bulacan).

Camella's townhouse modules, Lessandra, continue to expand in the various islands of the Philippines. It has the distinction of being the most affordable house and lot package in the Vista Land product line. Innovative space-saving features and clean, no-nonsense designs have made Lessandra homes a consistent bestseller. Its most popular model home, ***Rina***, has an Italian-theme with a lot area of 63 sqm and a floor area of 40 sqm. Lessandra has developments in the peripheries of Metro Manila, specifically Cavite, Bulacan, and Batangas. Lessandra communities have also been built in Bicol, Cebu, Iloilo, Bacolod, Davao and Cagayan de Oro. Plans are underway for more Lessandra communities in 2012.

LESSANDRA

Market:
All price points; Camella brand

Offering:
House & Lot (Outside Mega Manila)

Real Estate Revenues *(in Php Million)*:
- Php 4,082.5 (2010)
- Php 4,262.0 (2011)

Revenue Distribution:
- 36% (2010)
- 32% (2011)

Review of Operations

VISTA RESIDENCES

In 2004, Vista Land ventured into its initial vertical development with the launch of Marfori Towers, a residential condominium in Muntinlupa City. After four years, this initiative has resulted in 19 condominium projects in varying degrees of development.

The acquisition of Vista Residences enabled Vista Land to complete its product offerings and become a player in the high-rise, multi-level, property development arena. Its three-decade experience in creating homes has been applied to each Vista Residences building -- with efficient space planning within an aesthetically-pleasing environment. A strong positive response by the market has enabled Vista Residences to become a major condominium developer within a short span of time.

In 2011, Vista Land, capitalizing on the popularity of the "Camella" brand, introduced Camella Condo Homes (CCH). With CCH developments towering in key areas of the

metropolis, such as Taft in Manila and Katipunan in Quezon City, urban residents will continue to experience the housing expertise Vista Land is known for.

Vista Residences' current developments include the following: Mosaic (Greenbelt, Makati City), KL Mosaic (Legazpi Village, Makati City), Salcedo Square (Salcedo Village, Makati City), Laureano de Trevi (Chino Roces, Makati City), Avant (The Fort, Taguig City), Pacific Residences Tower (Taguig City), Pacific Residences Tower (Taguig Tower), Symphony Tower (South Triangle, Quezon City), Pine Crest (New Manila, Quezon City), Madison Place (Cubao, Quezon City), Wil Tower Mall (Eugenio Lopez Drive, Quezon City), The Currency (Ortigas, Pasig City), and Crown Tower (Sampaloc, Manila).

Market:
Low to High-end

Price:
P1.9M to P16M

Offering:
Vertical projects (Mega Manila)

Real Estate Revenues *(in Php Million)*:
- Php 778.8 (2010)
- Php 980.9 (2011)

Revenue Distribution:
- 7% (2010)
- 7% (2011)

Corporate Governance

Board of Directors

The Board of Directors (the "Board") shall be primarily responsible for the governance of the Corporation. In addition to setting the policies for the accomplishment of the corporate objectives, it shall provide an independent check on Management. The term "Management" as used herein shall refer to the body given the authority by the Board to implement the policies it has laid down in the conduct of the business of the Corporation.

Composition

The Board shall be composed of at least five (5), but not more than fifteen (15), members who are elected by the stockholders; and at least two (2) independent directors or such number of independent directors that constitute twenty percent (20%) of the members of the Board, whichever is lesser, but in no case less than two (2).

The membership of the Board may be a combination of executive and non-executive directors (which include independent directors) in order that no director or small group of directors can dominate the decision making process.

The non-executive directors should possess such qualifications and stature that would enable them to participate effectively in the deliberations of the Board.

Chairman

The Chairman of the Board, President, and Chief Executive Officer have been separated to foster an appropriate balance of power, increased accountability, and better capacity for independent decision making by the Board.

Board Performance

The Board holds regular meetings. To assist the directors in the discharge of their duties, each director is given access to the Corporate Secretary and Assistant Corporate Secretary, who serve as counsel to the board of directors and at the same time communicate with the Board, management, the company's shareholders, and the investing public.

In 2011, the Board held 8 meetings. Below is a record of attendance of the directors at these meetings and at the AGM:

Director's Nanme	Jan 25	Mar 29	Apr 29	May 4	May 17	Jun 15	Jul 22	Sep 13
Marcelino C. Mendoza	P	P	P	P	P	P	P	P
Benjamarie Therese N. Serrano	P	P	P	P	P	P	P	-
Cynthia J. Javarez	P	P	P	P	P	P	P	P
Maribeth C. Tolentino	P	P	P	P	P	P	P	P
Manuel Paolo A. Villar	P	P	P	P	P	P	P	P
Ruben O. Fruto	P	P	P	P	P	P	P	P
Marilou O. Adea	P	P	P	P	P	P	P	P

Board Committee

To assist the Board in complying with the principles of good corporate governance, the Board created three committees.

Nomination Committee There are three directors that comprise the Nomination Committee, one of which is an independent director: Marcelino C. Mendoza (Chairman), Maribeth C. Tolentino, and Ruben O. Fruto (Independent Director). This committee reviews and evaluates the qualifications of all persons nominated to the Board and other appointments that require Board approval, and to assess the effectiveness of the Board's processes and procedures in the election or replacement of directors.

Compensation and Remuneration Committee Three directors comprise the Compensation and Remuneration Committee, one of whom is an independent director: Benjamarie Therese N. Serrano (Chairman), Manuel Paolo A. Villar, and Marilou O. Adea (Independent Director). This committee establishes the formal and transparent procedure for developing a policy on executive remunerations, and fixing remuneration packages of corporate officers and directors. It also provides oversight over remuneration of senior management and other key personnel, ensuring that compensation is consistent with the corporation's culture, strategy, and control environment.

Audit CommitteeThe Audit Committee has three members, two of which are independent directors: Marilou O. Adea (Independent Director), Ruben O. Fruto (Independent Director), and Cynthia J. Javarez. This committee assists the Board in performing an oversight responsibility for the financial reporting process, system of internal control, audit process, and monitoring of compliance with applicable laws, rules, and regulations. It also provides oversight over Management's activities in managing credit, market, liquidity, operational, legal, and other risks of the corporation. This includes a regular receipt from Management of information on risk exposures and risk management activities.

Management

Management is primarily responsible for the day-to-day operations and business of the company. The annual compensation of the chairman / CEO and the top eight senior executives of the company are set out in the Definitive Information Statement distributed to shareholders.

Compliance Monitoring

The Compliance Officer is responsible for monitoring compliance by the company with the provisions and requirements of good corporate governance.

On June 2010, the Board of Directors amended its Manual of Corporate Governance in compliance with the Revised Code of Corporate Governance issued by the Securities and Exchange Commission.

Website

Up-to-date information on the company's corporate structure, products and services, results of business operations, financial statements, career opportunities and other relevant information on the company may be found at its official website www.vistaland.com.ph.

Corporate Social Responsibility

GREENVIRON

VISTA LAND CAMPAIGN FOR SUSTAINABILITY

Vista Land's corporate social responsibility efforts are tied with its belief in enriching communities where it operates and, considering the company's extensive geographic reach, consequently contributing to a positive environmental impact for the entire country.

In line with this thrust, 2011 saw the launch of Vista Land's GreenViron program, which strategically aligns the company's key businesses with the Villar Foundation's expertise in environmental and livelihood programs. A composite of two words, "GreenViron"

is a call to action aimed towards making all Vista Land communities "green." The company's partnership with the Villar Foundation, which has won three international awards in five years, shows its commitment to this calling.

GreenViron's theme of caring for the environment and the community rests on the view that every Vista Land stakeholder has a role in taking care of the communities where they live and work. The strong sense of ownership and the empowerment of the employees and stakeholders have enabled Vista Land to successfully launch GreenViron shortly after Earth Day, 2011.

Corporate Social Responsibility

This campaign for sustainability spans 10 communities in 87 property projects. All Vista Land companies – Camella, Brittany, Crown Asia, Vista Residences and Communities Philippines, simultaneously launched the GreenViron program in its communities nationwide. About 10,000 trees were planted in the different Vista Land communities. These new seedlings were added to the company's previously planted 1 Million trees in its properties. GreenViron has targeted an additional 100,000 trees to be planted in 2011. Various tree varieties have been planted – from pine trees to African tulips and Molave trees – to provide present and future residents with a pleasant landscape and a healthy environment.

Aside from tree-planting, GreenViron's four-point strategy also includes coconut coir, waste segregation and vermi-culture.

- Vista Land is committed to planting one million trees in five years and creating 'green zones' across the country. This activity is the company's way of contributing to the reduction of air pollution.
- On coconut coir preparation, Vista Land is committed to providing an environmental solution for soil erosion and creating livelihood programs for to indigent communities within the local government units where a Vista Land community may be located. Coco coir is used to contain soil instead of more expensive commercial alternatives.
- Biodegradable waste (food, garden, paper, organic, cloth, and wet waste) from Vista Land's properties are collected and recycled into fertilizers. This minimizes the total cost of purchasing commercial fertilizers. Non-biodegradable waste (plastics) and other recyclable materials (glass, metals) will be cleaned for reuse or sold.


To Sustain Mother Nature, Vista Land Launches Its Green Efforts Through

GREENVIRON

VISTA LAND CAMPAIGN FOR SUSTAINABILITY

The name is a composite of two words, **"Green"** and **"Environ."**

"Green" denotes today's massive movement towards sustainable methods and technologies designed to rehabilitate a badly polluted, ravaged and scarred planet.

"Environ" is a verb. It is the act of surrounding, or enclosing. We chose to use a verb because we need to muster people to move, to get up off their comfortable chairs and get out there and rehabilitate the only home we have.

By bringing the two together, it becomes a call to action, a command to move and take what is around us and make that green -- again.

We, at Vista Land, are committed to this call. This commitment is shown in programs adopted from the international award-winning Villar Foundation. We believe in the advocacies of the Villar Foundation and are doing our share in support of these advocacies. After all, Vista Land and the Villar Foundation have the same heart.

We, at Vista Land -- in partnership with the Villar Foundation, have been doing this by discovering what presents itself to us. By looking at what is in our immediate vicinity and seeing what needs fixing.

Our people need employment. Our soil is eroding, our air is horribly polluted, and waterways are dammed with garbage that has been causing massive flooding. Thus, we look at the cause, and see if they can be turned into a benefit.

Seeing the importance of rehabilitating the planet, protecting what limited resources still exist, and creating values that support an eco-friendly way of living, Vista Land is launching **GREENVIRON** -- a collection of programs designed to sustain Mother Nature.

Waste segregation and recycling is practiced in all Vista Land developments. Biodegradable waste is turned into fertilizer, and non-biodegradable waste is recycled.

Coconut coir is being woven from husks that were discarded into the waterways thus damming the rivers. Today, the coco coir nets are used to prevent soil erosion.

Pine trees that were simply a thing of beauty, are being planted in the cities and villages to create green zones that purify the air, hold the soil, and soothe the spirit.

HUG A TREE

In five years, one million trees have been planted. **GREENVIRON** promises to continue that effort by planting one million more trees within the next five years.

Pine tree saplings are specially grown and monitored in nurseries for planting as an essential part of the ***GREENVIRON*** *campaign.*

Vermi-culture is a purely organic, all natural, and clean way to produce fertilizer. With composted garden waste collected from its waste segregation efforts, **GREENVIRON** has been able to limit the use of harmful chemical fertilizers by harnessing one of Mother Nature's greatest creations, earth worm castings.

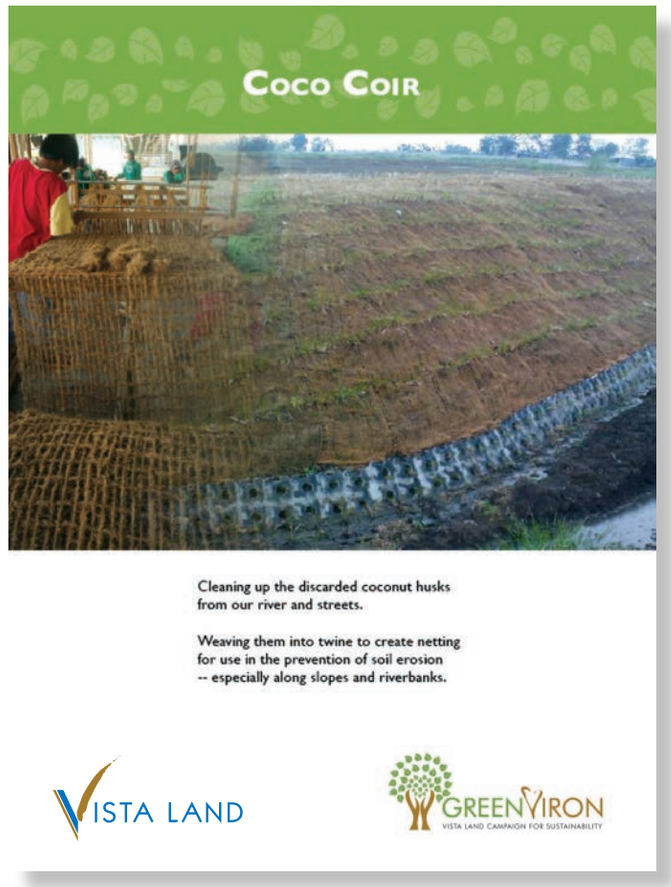
Following, and empowered by the vision of the Villar Foundation, we at Vista Land, understand that little by little we can make a difference. The solutions are right around us. We just need to move.

VISTA LAND
www.vistaland.com.ph

Camella RESIDENCES www.vistaresidences.com.ph
VISTA RESIDENCES
Camella www.camella.com.ph
CROWNASIA www.crownasia.com.ph
BRITTANY www.brittany.com.ph

Above: The GreenViron print ad as shown in different broadsheets serves as the launch of GreenViron highlighting the projects and policies to be implemented within the company.

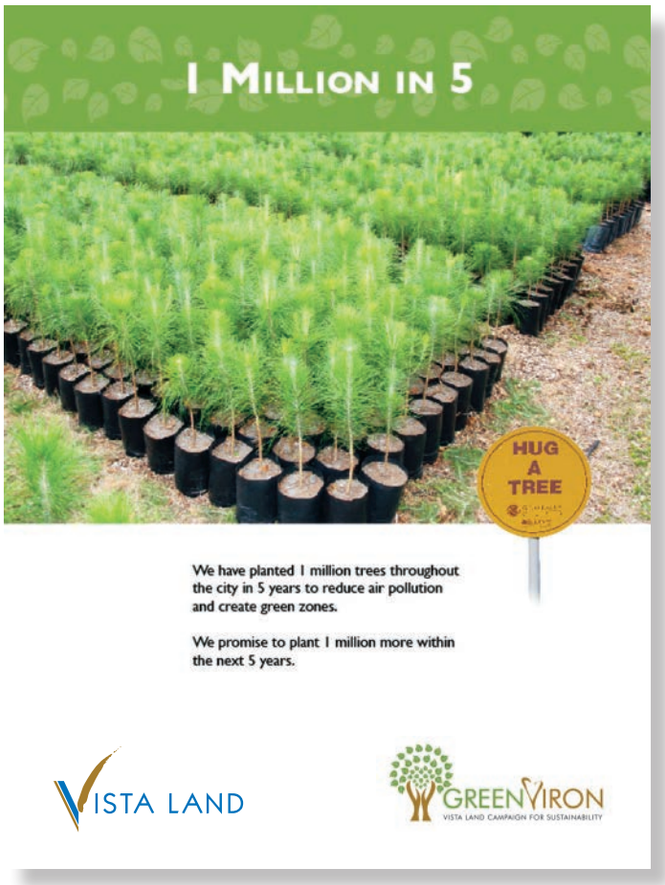
Corporate Social Responsibility



The different GreenViron posters are a testament to Vista Land's commitment towards raising awareness and caring for the environment.

It is envisaged that vermi-culture will be introduced in Vista Land communities supervised by representatives from the Villar Foundation. Earthworm farms will be placed in several properties and the by-products shall be used as organic fertilizers through composted garden waste. The natural fertilizers shall be used for the Vista Land communities' gardens and landscaped areas.

During the GreenViron launch, former Vista Land President and CEO Ms. Benjamarie Serrano led 400 participants in a tree planting activity in Evia, the Vista Land master-planned community in Daang Hari. In Lakefront, Marketing Head Romeo Sabater led 250



participants, together with other officers – Red Rosales, Marketing Head for vertical development (Makati group), and Beth Kalaw, Marketing Head for the vertical development (Quezon City group) in the same activity. Camella Luzon Operations Head Dante Julongbayan led the Antipolo activity. Ailene Sarmiento, General Manager (GM) of Camella Bulacan, led the Malolos, Bulacan GreenViron activity. In Brittany's Crosswinds, the Managing Director, Camille Villar oversaw the launch of GreenViron in Tagaytay.

Camella Naga's 50 employees planted 50 ***pili*** trees led by its GM Natanette Pardito. Participants from the other provinces include GM Lili Donasco (Savannah, Iloilo), Riverdale GM Myra Gilig and Azienda GM Jasmin Alviola (Riverdale Cebu), Camella Cagayan de Oro GM Emelia Lustado (Gran Europa), and Camella Regions Planning Head Arch. Art Secuya (Toscana, Davao City). A mass and a motorcade were included as part of GreenViron's festivities. The foregoing activities embody Vista Land's unwavering commitment to the success of the GreenViron program across all its communities and the solid response of its stakeholders to ensure its success.

Board of Directors

Marcelino C. Mendoza
Director, Chairman

Mr. Mendoza, 57, is the Chief Operating Officer of MGS Corporation. He was President of Camella Homes, Inc. from 2001 to 2003, and Chief Operating Officer of Communities Philippines, Inc. from 1992 to 1995. He has a Masters Degree in Business Administration (Ateneo de Manila University) and a Certificate in Advance Course in Successful Communities from the Harvard University Graduate School of Design. Mr. Mendoza is a member of the Phi Kappa Phi International Honor Society. Well respected in the Philippine real estate industry, Mr. Mendoza has served as President and Chairman of the Board (1996 to 1998) and Board Adviser (1999 to present) of the Subdivision and Housing Developers Association (SHDA).

Manuel Paolo A. Villar
Director, President and Chief Executive Officer

Mr. Villar, 35, graduated from the Wharton School of the University of Pennsylvania, Philadelphia, USA with a Bachelor of Science in Economics and Bachelor of Applied Science in 1999. He was a consultant for McKinsey & Co. in the United States from 1999 to 2001. He joined Crown Asia in 2001 as Head of Corporate Planning. He was elected President and Chief Executive Officer of Vista Land and Lifescapes, Inc. in July 2011.

Cynthia J. Javarez
Director & Controller

Ms. Javarez, 48, graduated from the University of the East with a degree in Bachelor of Science in Business Administration major in Accounting. She is a Certified Public Accountant. She took a Management Development Program at the Asian Institute of Management. She is currently the Controller of Vista Land and Head of the Tax and Audit group after holding various other positions in the MB Villar Group of Companies since 1985.

Maribeth C. Tolentino
Director and President,
Vista Residences

Ms. Tolentino, 46, is currently the President of Vista Residences, Inc. She is also the President of the following subsidiary corporations: Palmera Homes, Inc., Household Development Corporation, Eastridge Estates, Inc. and Ridgewood Estates, Inc. Ms. Tolentino was previously the General Manager of Golden Haven Memorial Park, Inc. from 1999 to 2005. She holds a Bachelor of Science degree in Business Administration Major in Accounting, Magna cum Laude, from the University of the East, Manila. Ms. Tolentino is a Certified Public Accountant.

Ruben O. Fruto
Independent Director

Mr. Fruto, 73, graduated with the degree of Bachelor of Laws from the Ateneo de Manila University in 1961. He was formerly a partner in the law firm of Feria, Feria, Lugtu & La O' and the Oben, Fruto & Ventura Law Office. In February 1987 he was the Chief Legal Counsel and Senior Vice President of the Development Bank of the Philippines. He was the Undersecretary of Finance from March 1990 to May 15, 1991. Presently aside from engaging in private law practice specializing in corporate and civil litigation, he is also General Counsel of Wallem Philippines Shipping, Inc. and Wallem Maritime Services, Inc.; Vice-Chairman of Toyota Balintawak, Inc.; Director and Vice-President of China Shipping Manila Agency, Inc. and Director and Treasurer of Padre Burgos Realty, Inc. He is also a Consultant and the designated Corporate Secretary of the Subic Bay Metropolitan Authority.

Marilou O. Adea
Independent Director

Ms. Adea, 60, is currently the Court Appointed Rehabilitation Receiver of Anna-Lynns, Inc. and Manuela Corporation. Ms. Adea served previously as Project Director for Site Acquisition of Digital Telecommunications Phils. Inc. from 2000 to 2002, Executive Director for FBO Management Network, Inc. from 1989 to 2000 and BF Homes Inc. in Receivership from 1988 to 1994 and Vice President for Finance & Administration for L&H Resources Management Corporation from 1986 to 1988. Ms. Adea holds a Degree in Bachelor of Science in Business Administration Major in Marketing Management from the University of the Philippines.

Gemma M. Santos
Corporate Secretary

Ms. Santos, 49, graduated cum laude with the degree of Bachelor of Arts, Major in History from the University of the Philippines in 1981, and with the degree of Bachelor of Laws also from the University of the Philippines in 1985. She is a practicing lawyer and Senior Partner of Picazo Buyco Tan Fider & Santos Law Offices and Corporate Secretary of various Philippine companies, including public company Maybank ATR Kim Eng Financial Corporation and Assistant Corporate Secretary of public company Metro Pacific Investments Corporation.

Management Committee

From Left to Right:

Manuel Paolo A. Villar, President & Chief Executive Officer
Cynthia J. Javarez, Controller
Ricardo B. Tan, Jr., Chief Financial Officer
Maribeth C. Tolentino, President, - Vista Residences
Jerylle Luz C. Quismundo, President - Communities Philippines
Camille Lydia A. Villar, Managing Director - Britanny
Mary Lee S. Sadiasa, Managing Director - Crown Asia

Management Committee

From Left to Right:
Ric A. Pallesco, Managing Director - Camella Homes
Dante M. Julongbayan, Managing Director - Communities Philippines, North Luzon
Rizalito J. Rosales, Managing Director - Vista Residences, Makati/Manila
Elizabeth M. Kalaw, Managing Director - Vista Residences, Pasig/Quezon City
Ma. Leni Damasco-Luya, Managing Director - Vista Commercial
Edgardo G. Santos, Vice President for Sales, Camella Homes
Ma. Nalen S.J. Rosero-Galang, Chief Legal Counsel

Management Discussion and Analysis

REVIEW OF YEAR END 2011 VS YEAR END 2010

RESULTS OF OPERATIONS

Revenues

Real Estate
The Company recorded revenue from real estate sales amounting to ₱13,513.4 million in the year ended December 31, 2011, an increase of 19% from ₱11,338.5 million in same period last year. This was primarily attributable to the increase in the overall completion rate of sold inventories of its business units particularly of Crown Asia, Camella, Vista Residences, and Brittany. The Company uses the Percentage of completion method of revenue recognition where revenue is recognized in reference to the stages of development of the properties.

- Real estate revenue of Crown Asia increased by 45% to ₱2,183.9 million in the year ended December 31, 2011 from ₱1,508.0 million in the year ended December 31, 2010 This was primarily attributable to the increase in the overall completion of Crown Asia's sold inventories. Crown Asia is Vista Land's business unit for the middle income segment of the market

- Real estate revenue of Camella Homes increased by 26% to ₱4,419.0 million in the year ended December 31, 2011 from ₱3,513.7 million for the year ended December 31, 2010. This was primarily attributable to the increase in the overall completion of Camella's sold inventories. Camella Homes caters to the low & affordable segment of the market.

- Real estate revenue from Vista Residences for the year ended December 31, 2011 increased by 26% to ₱80.9 million in the year ended December 31, 2011 from ₱778.8 million in the same period last year. The increase in revenue was primarily attributable to the increase in the overall completion of sold inventories

- Real estate revenue of Brittany increased by 15% to ₱1,667.7 million in the year ended December 31, 2011 from P=1,455.5 million in the same period last year. This was primarily attributable to the increase in the overall completion of Brittany's sold inventories. Brittany caters to the high-end segment of the market.

- Real estate revenue of Communities Philippines increased to ₱4,262.0 million in the year ended December 31, 2011, an increase of 4% from ₱4,082.5 million in the year ended December 31, 2010. This increase was principally due to the increased completion of sold inventories of the year of the Company's various projects from various areas outside Mega Manila.

Interest income
Interest income increased by 10% from P777.1 million in the year ended December 31, 2010 to ₱853.1 million in the year ended December 31, 2011 due to increase in interest income from short-term and long-term cash investments during the year.

Foreign exchange gain
Unrealized foreign exchange gain of P62.0 million in the year ended December 31, 2011 was due to the appreciation of the reporting currency for the period.

Miscellaneous
Miscellaneous income increased by 5% from ₱367.5 million in the year ended December 31, 2010 to ₱386.2 million in the year ended December 31, 2011 due to increase in real estate sales deposit forfeitures.

Costs and Expenses

Cost and expenses increased by 21% to ₱11,221.1 million in the year ended December 31, 2011 from ₱9,251.9 million in the year ended December 31, 2010. Costs and expenses as a percentage of real estate revenue increased from 82% in the year ended December 31, 2010 to 83% in the year ended December 31, 2011. The 21% increase in the account was primarily attributable to the following:

- Cost of real estate sales increased by 17% from ₱5,656.3 million in the year ended December 31, 2010 to ₱6,611.3 million in the year ended December 31, 2011 primarily due to the increase in the overall recorded sales of Vista Land's business units.

- Operating expenses increased by 22% from ₱2,689.5 million in the year ended December 31, 2010 to ₱3,274.3 million in the year ended December 31, 2011 primarily due to the following:

- an increase in advertising and promotions expenses to ₱764.6 million in the year ended December 31, 2011 from ₱628.5 million in the year ended December 31, 2010 due to marketing activities implemented by the Company during the period.

- an increase in commissions from ₱662.4 million in the year ended December 31, 2010 to ₱898.6 million in the year ended December 31, 2011 resulting from increase in sales of the Company during the period.

- an increase in salaries, wages and employee benefits from ₱325.8 million in the year ended December 31, 2010 to ₱409.0 million in the year ended December 31, 2011 resulting from increase in total number of employees.

- Interest and financing charges increased by 82% from ₱730.2 million in the year ended December 31, 2010 to P1,329.2 million in the year ended December 31, 2011 due to increase in interest bearing payables during the year.

Equity in net loss of an associate

The equity in net loss of an associate amounting to ₱6.2 million in the year ended December 31, 2011 was due to the results of operations of an associate.

Provision for Income Tax

Provision for income tax decreased by 70% from ₱220.7 million in the year ended December 31, 2010 to ₱65.9 million in the year ended December 31, 2011 primarily due to tax-exempt income and reversal of expired minimum corporate income tax (MCIT) and net operating loss carryover (NOLCO).

Net Income

As a result of the foregoing, the Company's net income increased by 17% to ₱3,528.0 million in the year ended December 31, 2011 from ₱3,013.0 million in the year ended December 31, 2010.

For the year ended December 31, 2011, there were no seasonal aspects that had a material effect on the financial condition or results of operations of the Company. Neither were there any trends, events or uncertainties that have had or that are reasonably expected to have a material impact on the net sales or revenues or income from continuing operations. The Company is not aware of events that will cause a material change in the relationship between the costs and revenues.

There are no significant elements of income or loss that did not arise from the Company's continuing operations.

FINANCIAL CONDITION

As of December 31, 2011 vs. December 31, 2010

Total assets as of December 31, 2011 were ₱67,572.6 million compared to ₱60,481.3 million as of December 31, 2010, or a 12% increase. This was due to the following:

- Cash and cash equivalents including short term and long-term cash investments increased by ₱1,731.2 million from ₱6,894.9 million as of December 31, 2010 to ₱8,626.1 million as of December 31, 2011 primarily due to the proceeds from issuance of notes payable in the first half of 2011.

- Receivables increased by 10% from ₱19,073.6 million to ₱21,069.3 million due to the revenue recognized during for the period.

- Real estate inventories increased by 19% from ₱12,498.6 million to ₱14,901.4 million due opening of new projects during the period.

- Investment properties amounting to ₱2,291.7 million as of December 31, 2011 pertains to land, building and building improvements reclassified from real estate for sale and development and property & equipment as these are intended to be developed for commercial and retails purposes and subsequently leased out to third parties.

- Land and improvements decreased by 9% from ₱18,042.1 million to ₱16,348.1 million due to opening of new projects and reclassification to investment properties during the period.

Management Discussion and Analysis

- Property and equipment increased by 50% from ₱118.9 million to ₱178.8 million due to acquisitions made during the year.

- Interests in joint ventures decreased by 13% from ₱1,887.7 million as of December 31, 2010 to ₱1,645.3 as of December 31, 2011 due primarily to settlements made during the period.

- Other assets increased by 48% from ₱1,201.4 million as of December 31, 2010 to P=1,778.6 million as of December 31, 2011 due primarily to increase in creditable withholding taxes.

Total liabilities as of December 31, 2011 were ₱26,884.1 million compared to ₱22,304.8 million as of December 31, 2010, or a 21% increase. This was due to the following:

- Accounts and other payables increased by 23% from ₱4,710.2 million as of December 31, 2010 to ₱5,775.6 million as of December 31, 2011 due to accruals made during the period.

- Payable to related parties decreased by 53% from ₱385.7 million as of December 31, 2010 to ₱182.8 million as of December 31, 2011 due to settlements made during the period.

- Income tax payable decreased by 17% from ₱63.0 million as of December 31, 2010 to ₱52.3 million as of December 31, 2011 primarily due to lower taxable income for the year.

- Interest bearing bank loans and loans payable (representing the sold portion of the Company's installment contracts receivables with recourse), increased by 6% from ₱6,207.8 million as of December 31, 2010 to ₱6,581.8 million as of December 31, 2011 due to availment of additional loans during the year.

- Liabilities for purchased land increased by 38% from ₱1,111.6 million as of December 31, 2010 to ₱1,537.3 million as of December 31, 2011 due to land acquisitions on account during the period.

- Notes payable increased by 74% from ₱4,257.9 million as of December 31, 2010 to ₱7,393.8 million as of December 31, 2011 due to the US $75.0 million notes issued by the Company in the first half of 2011. The total notes issued by the Company amounted to US $175.0 million with a carrying amount of ₱7,393.8 million as of December 31, 2011

- Deferred tax liabilities – net decreased by 12% from ₱2,284.6 million as of December 31, 2010 to ₱2,012.9 million as of December 31, 2011 due to reversal of previously recorded deferred tax liabilities.

Total stockholder's equity net increased by 7% to ₱40,688.5 million as of December 31, 2011 from ₱38,176.5 million as of December 31, 2010 due to the net income recorded for the year ended December 31, 2011.

Considered as the top five key performance indicators of the Company as shown below:

Key Performance Indicators	12/31/2011	12/31/2010
Current ratio (a)	2.53:1	2.83:1
Debt-to-equity ratio (b)	0.66:1	0.58:1
Interest expense/Income before Interest expense (c)	27.0%	18.4%
Return on assets (d)	5.2%	5.0%
Return on equity (e)	8.7%	7.9%

Notes:

(a) Current Ratio: This ratio is obtained by dividing the Current Assets of the Company by its Current liabilities. This ratio is used as a test of the Company's liquidity.

(b) Debt-to-equity ratio: This ratio is obtained by dividing the Company's Total Liabilities by its Total Equity. The ratio reveals the proportion of debt and equity a company is using to finance its business. It also measures a company's borrowing capacity.

(c) Interest expense/Income before interest expense: This ratio is obtained by dividing interest expense for the period by its income before interest expense. This ratio shows whether a company is earning enough profits before interest to pay its interest cost comfortably

(d) Return on assets: This ratio is obtained by dividing the Company's net income by its total assets. This measures the Company's earnings in relation to all of the resources it had at its disposal.

(e) *Return on equity: This ratio is obtained by dividing the Company's net income by its total equity. This measures the rate of return on the ownership interest of the Company's stockholders.*

Because there are various calculation methods for the performance indicators above, the Company's presentation of such may not be comparable to similarly titled measures used by other companies.

Current ratio as of December 31, 2011 decreased from that of December 31, 2010 due to the increase in accounts and other payables and current portion of bank loans and liabilities for purchased land.

Debt-to-equity ratio increased due to the increase in the total liabilities brought by the issuance of notes payable during the year.

Interest expense as a percentage of income before interest expense increased in the year ended December 31, 2011 compared to the ratio for the year ended December 31, 2010 due to an increase in interest bearing liabilities for the year.

Return on asset improved for December 31, 2011 compared to that on December 31, 2010 due primarily to the higher net income and increase in long-term cash investments and other assets.

Return on equity increased due to a higher net income reported for the year ended December 31, 2011.

Material Changes to the Company's Balance Sheet as of December 31, 2011 compared to December 31, 2010 (increase/decrease of 5% or more)

Cash and cash equivalents including short term and long-term cash investments increased by 25% from ₱6,894.9 million as of December 31, 2010 to ₱8,626.1 million as of December 31, 2011 primarily due to the proceeds from issuance of notes payable in the first half of 2011.

Receivables increased by 10% from ₱19,073.6 million to ₱21,069.3 million due to the revenue recognized during for the period.

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Land and improvements decreased by 9% from ₱18,042.1 million to ₱16,348.1 million due to opening of new projects and reclassification to investment properties during the period.

Property and equipment increased by 50% from ₱118.9 million to ₱178.8 million due to acquisitions made during the year.

Interests in joint ventures decreased by 13% from ₱1,887.7 million as of December 31, 2010 to ₱1,645.3 as of December 31, 2011 due primarily to settlements made during the period.

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Management Discussion and Analysis

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Total stockholder's equity net increased by 7% to ₱40,688.5 million as of December 31, 2011 from ₱38,176.5 million as of December 31, 2010 due to the net income recorded for the year ended December 31, 2011.

Material Changes to the Company's Statement of income for the year ended December 31, 2011 compared to the year ended December 31, 2010 (increase/decrease of 5% or more)

Revenue from real estate sales increased by 19% to ₱13,513.4 million in the year ended December 31, 2011 from ₱11,338.5 million as of December 31, 2010 primarily to the increase in the overall completion rate of sold inventories of the Company's business units.

Interest income increased by 10% from ₱777.1 million in the year ended December 31, 2010 to ₱853.1 million in the year ended December 31, 2011 due to increase in interest income from short-term and long-term cash investments during the year.

Foreign exchange gain of ₱62.0 million in the year ended December 31, 2011 was due to the appreciation of the reporting currency for the period.

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Interest and financing charges increased by 82% from ₱730.2 million in the year ended December 31, 2010 to ₱1,329.2 million in the year ended December 31, 2011 due to increase in interest bearing payables during the year.

The equity in net loss of an associate amounting to ₱6.2 million in the year ended December 31, 2011 was due to the results of operations of an associate.

Provision for income tax decreased by 70% from ₱220.7 million in the year ended December 31, 2010 to ₱65.9 million in the year ended December 31, 2011 primarily due to tax-exempt income and reversal of expired minimum corporate income tax (MCIT) and net operating loss carryover (NOLCO).

There are no other material changes in the Company's financial position (changes of 5% or more) and condition that will warrant a more detailed discussion. Further, there are no material events and uncertainties known to management that would impact or change reported financial information and condition on the Company.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Vista Land & Lifescapes, Inc. and its subsidiaries is responsible for all information and representations contained in the consolidated balance sheets as of December 31, 2011 and 2010 and the consolidated statements of income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2011 and the summary of significant accounting polices and other explanatory notes. The consolidated financial statements have been prepared in accordance with the Philippine Financial Reporting Standards and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

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

MARCELINO C. MENDOZA
Chairman, Board of Directors

MANUEL PAOLO A. VILLAR
President and Chief Executive Officer

RICARDO B. TAN, JR.
Chief Financial Officer

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

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

BOA/PRC Reg. No. 0001,
January 25, 2010, valid until December 31, 2012
SEC Accreditation No. 0012-FR-2 (Group A),
February 4, 2010, valid until February 3, 2013

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Vista Land & Lifescapes, Inc.
3rd Level Starmall Las Piñas
CV Starr Avenue, Pamplona, Las Piñas City

We have audited the accompanying consolidated financial statements of Vista Land & Lifescapes, Inc. and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2011 and 2010, and the consolidated 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, 2011, 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.

SGV&Co
ERNST & YOUNG

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Vista Land & Lifescapes, Inc. and its subsidiaries as at December 31, 2011 and 2010 and their financial performance and their cash flows for each of the three years in the period ended December 31, 2011 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Jessie D. Cabaluna

Jessie D. Cabaluna
Partner
CPA Certificate No. 36317
SEC Accreditation No. 0069-AR-2 (Group A),
February 11, 2010, valid until February 10, 2013
Tax Identification No. 102-082-365
BIR Accreditation No. 08-001998-10-2009,
June 1, 2009, valid until May 31, 2012
PTR No. 3174583, January 2, 2012, Makati City

March 28, 2012

VISTA LAND & LIFESCAPES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2011	2010
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 6 and 31)	**₱2,052,566,048**	₱3,481,807,245
Short-term cash investments (Notes 7 and 31)	**1,597,723,506**	1,659,460,317
Receivables (Notes 8 and 31)	**12,246,512,442**	10,820,489,625
Real estate inventories (Note 9)	**14,901,418,372**	12,498,609,224
Other current assets (Note 10)	**1,415,007,286**	817,437,828
Total Current Assets	**32,213,227,654**	29,277,804,239
Noncurrent Assets		
Noncurrent receivables (Notes 8 and 31)	**8,822,808,812**	8,253,105,474
Available-for-sale financial assets (Notes 7 and 31)	**41,309,183**	41,309,183
Long-term cash investments (Note 7)	**4,975,840,000**	1,753,600,000
Investment properties (Note 13)	**2,291,697,514**	–
Land and improvements (Note 11)	**16,348,091,788**	18,042,079,632
Investment in an associate (Note 12)	**689,915,634**	696,088,196
Property and equipment (Note 14)	**178,808,544**	118,926,920
Interests in joint ventures (Note 15)	**1,645,263,459**	1,887,659,705
Deferred tax assets - net (Note 28)	**2,028,374**	26,682,801
Other noncurrent assets (Note 16)	**363,577,781**	384,068,429
Total Noncurrent Assets	**35,359,341,089**	31,203,520,340
	₱67,572,568,743	₱60,481,324,579
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts and other payables (Notes 17 and 31)	**₱5,775,618,879**	₱4,710,020,235
Customers' advances and deposits (Note 18)	**3,188,090,048**	3,096,357,352
Payable to related parties (Note 29)	**182,802,367**	385,749,210
Income tax payable	**52,258,595**	63,038,703
Current portion of:		
Bank loans (Notes 19 and 31)	**1,730,351,181**	398,831,528
Loans payables (Notes 19 and 31)	**738,198,961**	696,481,387
Liabilities for purchased land (Notes 20 and 31)	**1,079,456,553**	987,723,685
Total Current Liabilities	**12,746,776,584**	10,338,202,100

(Forward)

VISTA LAND & LIFESCAPES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2011	2010
Noncurrent Liabilities		
Bank loans - net of current portion (Notes 19 and 31)	**₱2,402,261,903**	₱2,318,399,772
Loans payable - net of current portion (Notes 19 and 31)	**1,711,031,644**	2,794,140,835
Liabilities for purchased land - net of current portion (Notes 20 and 31)	**457,854,434**	123,892,523
Notes payable (Notes 21 and 31)	**7,393,784,649**	4,257,904,517
Pension liabilities (Note 27)	**157,421,500**	160,949,696
Deferred tax liabilities - net (Note 28)	**2,014,926,223**	2,311,285,977
Total Noncurrent Liabilities	**14,137,280,353**	11,966,573,320
Total Liabilities	**26,884,056,937**	22,304,775,420
Equity (Note 23)		
Capital stock	**8,538,740,614**	8,538,740,614
Additional paid-in capital	**19,328,509,860**	19,328,509,860
Retained earnings	**12,943,468,957**	10,309,298,685
Treasury shares	**(122,207,625)**	–
Total Equity	**40,688,511,806**	38,176,549,159
	₱67,572,568,743	₱60,481,324,579

See accompanying Notes to Consolidated Financial Statements.

VISTA LAND & LIFESCAPES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2011	2010	2009
REVENUE			
Real estate	**₱13,513,424,829**	₱11,338,533,300	₱9,629,663,010
Interest income (Note 24)	**853,112,707**	777,122,025	857,296,120
Miscellaneous income (Note 25)	**386,246,298**	367,482,455	279,747,532
	14,752,783,834	12,483,137,780	10,766,706,662
COSTS AND EXPENSES			
Costs of real estate sales (Note 9)	**6,611,347,721**	5,656,325,105	5,003,984,152
Operating expenses (Note 26)	**3,274,324,674**	2,689,509,894	2,083,572,435
Interest and other financing charges (Note 24)	**1,329,209,765**	730,233,810	592,982,136
	11,214,882,160	9,076,068,809	7,680,538,723
OTHER INCOME (EXPENSES)			
Foreign exchange gains (losses) - net (Notes 21 and 22)	**62,017,881**	(15,883,820)	(611,212)
Dividend income	**151,342**	25,099	194,340
Equity in net income (loss) of an associate (Note 12)	**(6,172,562)**	2,414,451	45,943,472
Loss on settlement of loans (Note 22)	**–**	(115,867,546)	(318,810,422)
Loss on writedown of available-for-sale financial assets (Note 7)	**–**	(44,038,378)	–
	55,996,661	(173,350,194)	(273,283,822)
INCOME BEFORE INCOME TAX	**3,593,898,335**	3,233,718,777	2,812,884,117
PROVISION FOR INCOME TAX (Note 28)	**65,914,308**	220,745,680	513,475,947
NET INCOME	**3,527,984,027**	3,012,973,097	2,299,408,170
OTHER COMPREHENSIVE INCOME			
Change on fair value of available-for-sale financial assets transferred to profit or loss (Note 7)	**–**	–	(472,619)
TOTAL COMPREHENSIVE INCOME	**₱3,527,984,027**	₱3,012,973,097	₱2,298,935,551
Basic/Diluted Earnings Per Share (Note 30)	**₱0.418**	₱0.356	₱0.278

See accompanying Notes to Consolidated Financial Statements.

VISTA LAND & LIFESCAPES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to Equity Holders of Vista Land & Lifescapes, Inc.							
	Capital Stock (Note 23)	Additional Paid-in Capital	Retained Earnings	Treasury Shares (Note 23)	Unrealized Gain on Available-for-Sale Financial Assets	Total	Non-controlling Interests	Total Equity
Balances as of January 1, 2011	**₱8,538,740,614**	**₱19,328,509,860**	**₱10,309,298,685**	**₱–**	**₱–**	**₱38,176,549,159**	**₱–**	**₱38,176,549,159**
Net income	**–**	**–**	**3,527,984,027**	**–**	**–**	**3,527,984,027**	**–**	**3,527,984,027**
Other comprehensive income	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total comprehensive income	**–**	**–**	**3,527,984,027**	**–**	**–**	**3,527,984,027**	**–**	**3,527,984,027**
Acquisition of treasury shares (Note 23)	**–**	**–**	**–**	**(122,207,625)**	**–**	**(122,207,625)**	**–**	**(122,207,625)**
Cash dividends (Note 23)	**–**	**–**	**(893,813,755)**	**–**	**–**	**(893,813,755)**	**–**	**(893,813,755)**
Balances as of December 31, 2011	**₱8,538,740,614**	**₱19,328,509,860**	**₱12,943,468,957**	**(₱122,207,625)**	**₱–**	**₱40,688,511,806**	**₱–**	**₱40,688,511,806**
Balances as of January 1, 2010	₱8,538,740,614	₱19,328,509,860	₱7,757,417,581	₱–	₱–	₱35,624,668,055	₱–	₱35,624,668,055
Net income	–	–	3,012,973,097	–	–	3,012,973,097	–	3,012,973,097
Other comprehensive income	–	–	–	–	–	–	–	–
Total comprehensive income	–	–	3,012,973,097	–	–	3,012,973,097	–	3,012,973,097
Cash dividends (Note 23)	–	–	(461,091,993)	–	–	(461,091,993)	–	(461,091,993)
Balances as of December 31, 2010	₱8,538,740,614	₱19,328,509,860	₱10,309,298,685	₱–	₱–	₱38,176,549,159	₱–	₱38,176,549,159
Balances as of January 1, 2009	₱8,538,740,614	₱19,305,275,668	₱5,739,787,852	(₱616,885,476)	₱472,619	₱32,967,391,277	₱49,197,027	₱33,016,588,304
Net income	–	–	2,299,408,170	–	–	2,299,408,170	–	2,299,408,170
Other comprehensive income	–	–	–	–	(472,619)	(472,619)	–	(472,619)
Total comprehensive income	–	–	2,299,408,170	–	(472,619)	2,298,935,551	–	2,298,935,551
Acquisition of treasury shares (Note 23)	–	–	–	(20,493,492)	–	(20,493,492)	–	(20,493,492)
Issuance of treasury shares (Notes 4 and 23)	–	23,234,192	–	637,378,968	–	660,613,160	–	660,613,160
Movement of minority interests	–	–	–	–	–	–	(49,197,027)	(49,197,027)
Cash dividends (Note 23)	–	–	(281,778,441)	–	–	(281,778,441)	–	(281,778,441)
Balances as of December 31, 2009	₱8,538,740,614	₱19,328,509,860	₱7,757,417,581	₱–	₱–	₱35,624,668,055	₱–	₱35,624,668,055

See accompanying Notes to Consolidated Financial Statements.

VISTA LAND & LIFESCAPES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2011	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱3,593,898,335**	₱3,233,718,777	₱2,812,884,117
Adjustments for:			
Interest and other financing charges (Note 24)	**1,329,209,765**	730,233,810	592,982,136
Depreciation and amortization (Notes 14, 16 and 26)	**101,754,628**	105,038,232	95,162,392
Unrealized foreign exchange losses (gains) (Notes 21 and 22)	**26,032,480**	(12,987,946)	611,212
Equity in net loss (income) of an associate (Note 12)	**6,172,562**	(2,414,451)	(45,943,472)
Dividend income	**(151,342)**	(25,099)	(194,340)
Interest income (Note 24)	**(853,112,707)**	(777,122,025)	(857,296,120)
Loss on writedown of available-for-sale financial assets (Note 7)	**–**	44,038,378	–
Loss on retirement of property and equipment (Note 14)	**–**	9,808,757	9,321,027
Loss on settlement of loans (Note 22)	**–**	115,867,546	318,810,422
Provision for impairment losses on receivables (Note 26)	**–**	–	11,079,149
Operating income before working capital changes	**4,203,803,721**	3,446,155,979	2,937,416,523
Decrease (increase) in:			
Receivables	**(2,901,036,254)**	(2,314,303,288)	653,212,250
Real estate inventories	**(624,056,536)**	394,793,224	(2,303,668,974)
Other current assets	**(481,989,703)**	402,668,520	(605,527,974)
Increase (decrease) in:			
Accounts and other payables	**867,804,894**	(347,573,362)	1,135,585,267
Customers' advances and deposits	**91,732,696**	(447,884,044)	(989,636,127)
Liabilities for purchased land	**425,694,779**	(748,590,927)	(784,195,512)
Pension liabilities (Note 27)	**(3,528,196)**	28,495,666	139,474,569
Net cash flows provided by operations	**1,578,425,401**	413,761,768	182,660,022
Interest received	**728,371,061**	696,203,540	772,612,479
Dividend received	**151,342**	25,099	194,340
Income tax paid	**(348,399,743)**	(354,213,345)	(303,150,182)
Interest paid	**(1,389,515,290)**	(653,995,035)	(600,961,254)
Net cash flows provided by operating activities	**569,032,771**	101,782,027	51,355,405
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to land and improvements (Note 11)	**(1,711,144,426)**	(1,979,300,917)	(671,360,292)
Increase in long-term cash investments (Note 7)	**(3,180,345,000)**	(1,755,200,000)	–
Decrease (increase) of short-term cash investments (Note 7)	**61,736,811**	(1,517,197,748)	(105,962,569)
Net contribution to joint venture partners	**(90,603,754)**	(336,738,086)	**–**
Net collection from joint venture partners	**–**	–	98,004,187

(Forward)

VISTA LAND & LIFESCAPES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2011	2010	2009
Acquisition of:			
Property and equipment (Note 14)	**(₱159,128,801)**	(₱103,997,159)	(₱53,853,349)
System development costs (Note 16)	**(38,425,168)**	(4,311,633)	(24,446,840)
Investment properties	**(13,889,125)**	–	–
Increase in other noncurrent assets	**(72,006,792)**	(32,761,001)	(40,686,192)
Net cash acquired with the acquisition of a subsidiary (Note 4)	**–**	–	14,838,024
Proceeds from disposal of available-for-sale financial assets	**–**	2,097,428	10,688,999
Net cash flows used in investing activities	**(5,203,806,255)**	(5,727,409,116)	(772,778,032)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from:			
Bank loans	**1,625,395,010**	2,373,907,731	270,000,000
Loans payable	**1,545,664,338**	2,640,462,431	1,502,453,791
Notes payable	**3,067,952,652**	4,265,368,820	–
Payments of:			
Long-term notes	**–**	(72,842,349)	(1,297,948,801)
Bank loans	**(210,013,226)**	(107,322,564)	(42,947,793)
Loans payable	**(1,604,498,264)**	(1,944,584,255)	(979,425,567)
Decrease in payable to related parties	**(202,946,843)**	(597,927,625)	(383,133,506)
Payment of dividends declared (Note 23)	**(893,813,755)**	(461,091,993)	(281,778,441)
Acquisition of treasury shares (Note 23)	**(122,207,625)**	–	(20,493,492)
Payments to noncontrolling interests (Note 23)	**–**	–	(49,197,027)
Net cash flows provided by (used in) financing activities	**3,205,532,287**	6,095,970,196	(1,282,470,836)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(1,429,241,197)**	470,343,107	(2,003,893,463)
EFFECT OF CHANGE IN EXCHANGE RATES ON CASH AND CASH EQUIVALENTS	**–**	823,643	–
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**3,481,807,245**	3,010,640,495	5,014,533,958
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)	**₱2,052,566,048**	₱3,481,807,245	₱3,010,640,495

See accompanying Notes to Consolidated Financial Statements.

1. Corporate Information

Vista Land & Lifescapes, Inc. (the Parent Company) was incorporated in the Republic of the Philippines and registered with the Securities and Exchange Commission (SEC) on February 28, 2007. The Parent Company's registered office address and principal place of business is at 3rd Level Starmall Las Piñas, CV Starr Avenue, Pamplona, Las Piñas City. The Parent Company is a publicly-listed investment holding company which is 58.11% owned by Fine Properties, Inc, 25.16% owned by PCD Nominee Corporation (foreign), 9.11% owned by Polar Property Holdings, Inc. and the rest by the public.

The Parent Company is the holding company of the Vista Group (the Group) which is engaged in the development of residential subdivisions and construction of housing and condominium units. The Group offers a range of products from socialized and affordable housing to middle income and high-end subdivision house and lots and condominium projects.

The consolidated financial statements of the Group as of December 31, 2011 and 2010 and for the years ended December 31, 2011 and 2010 were authorized for issue by the Board of Directors (BOD) on March 28, 2012.

2. Basis of Preparation and Summary of Significant Accounting Policies

Basis of Preparation
The accompanying consolidated financial statements of the Group have been prepared on a historical cost basis. The consolidated financial statements are presented in Philippine Peso (₱) which is the functional and presentation currency of the Parent Company, and all amounts are rounded to the nearest Philippine Peso unless 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, 2011 and 2010 and for each of the three years in the period ended December 31, 2011.

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

Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries not wholly-owned and are presented separately in the consolidated statements of comprehensive income, consolidated statements of changes in equity and

consolidated statements of financial position, separately from the Parent Company's equity.

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

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

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

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

	Percentage of Ownership	
	2011	2010
Brittany Corporation (Brittany)	**100.00%**	100.00%
Crown Asia Properties, Inc. (CAPI)	**100.00**	100.00
Vista Residences, Inc. (VRI)	**100.00**	100.00
Camella Homes, Inc. (CHI)	**100.00**	100.00
Household Development Corp.	**100.00**	100.00
Mandalay Resources Corp.	**100.00**	100.00
C&P International Limited	**100.00**	100.00
Communities Philippines, Inc. (CPI)	**100.00**	100.00
Communities Batangas, Inc.	**100.00**	100.00
Communities Bulacan, Inc.	**100.00**	100.00
Communities Cagayan, Inc.	**100.00**	100.00
Communities Cebu, Inc.	**100.00**	100.00
Communities Davao, Inc.	**100.00**	100.00
Communities General Santos, Inc.	**100.00**	100.00
Communities Iloilo, Inc.	**100.00**	100.00
Communities Isabela, Inc.	**100.00**	100.00
Communities Leyte, Inc.	**100.00**	100.00
Communities Naga, Inc.	**100.00**	100.00
Communities Negros Occidental, Inc.	**100.00**	100.00
Communities Pampanga, Inc.	**100.00**	100.00
Communities Pangasinan, Inc.	**100.00**	100.00
Communities Tarlac, Inc.	**100.00**	100.00
Communities Zamboanga, Inc.	**100.00**	100.00
Communities Ilocos, Inc.	**100.00**	100.00
Communities Bohol, Inc. *	**100.00**	–
Communities Quezon, Inc. *	**100.00**	–
Communities Palawan, Inc. *	**100.00**	–

**incorporated in 2011*

Adoption of New and Amended Accounting Standards and Philippine Interpretations
The accounting policies adopted in the preparation of the Group's consolidated financial statements are consistent with those of the previous financial years except for the adoption of the following new and amended PFRS and Philippine Interpretations which became effective beginning January 1, 2011. Except as otherwise stated, the adoption of these new and amended Standards and Philippine Interpretations did not have any impact on the consolidated financial statements.

Philippine Accounting Standard (PAS) 24 (Amendment), *Related Party Disclosures*
PAS 24 clarifies the definitions of a related party. The new definitions emphasize a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationships of an entity. In addition, the amendment introduces an exemption from the general related party disclosure requirements for transactions with government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity.

PAS 32 (Amendment), *Financial Instruments: Presentation - Classification of Rights Issues*
The amendment alters the definition of a financial liability in PAS 32 to enable entities to classify rights issues and certain options or warrants as equity instruments. The Amendment is applicable if the rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency.

Philippine Interpretation IFRIC 14 (Amendment), *Prepayments of a Minimum Funding Requirement*
The amendment removes an unintended consequence when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover such requirements. The amendment permits a prepayment of future service cost by the entity to be recognized as a pension asset.

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

Improvements to PFRS (issued 2010)
The omnibus amendments to PFRSs issued in May 2010 were issued primarily with a view to removing inconsistencies and clarifying wordings. The amendments are effective for annual periods beginning January 1, 2011, except as otherwise stated. The adoption of the following amendments resulted in changes to accounting policies but did not have impact on the financial position or performance of the Group.

- PFRS 3, *Business Combinations*
  This amendment clarifies that the amendments to PFRS 7, *Financial Instruments: Disclosures*, 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 (as revised in 2008).

It also limits the scope of the measurement choices that only the components of non-controlling interest that are present ownership interests that entitle their holders to a proportionate share of the entity's net assets, in the event of liquidation, shall be measured either at fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. Other components of non-controlling interest are measured at their acquisition date fair value, unless another measurement basis is required by another PFRS.

The amendment also requires an entity (in a business combination) to account for the replacement of the acquiree's share-based payment transactions (whether obliged or voluntarily), i.e., split between consideration and post-combination expenses. However, if the entity replaces the acquiree's awards that expire as a consequence of the business combination, these are recognized as post-combination expenses. It further specifies the accounting for share-based payment transactions that the acquirer does not exchange for its own awards: if vested - they are part of non-controlling interest and measured at their
market- based measure; if unvested - they are measured at market-based value as if granted at acquisition date, and allocated between non-controlling interest and post-combination expense.

- PFRS 7, *Financial Instruments: Disclosures*
  This amendment emphasizes the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instruments. The amendments to quantitative and credit risk disclosures are as follows:
  a. Clarify that only financial asset whose carrying amounts do not reflect the maximum exposure to credit risk need to provide further disclosure of the amount that represents the maximum exposure to such risk.
  b. Requires, for all financial assets, to disclose the financial effect of collateral held as security and other credit enhancements regarding the amount that best represents the maximum exposure to credit risk (e.g., a description of the extent to which collateral mitigates credit risk).
  c. Remove the disclosure of the collateral held as security, other credit enhancements and an estimate of their fair value for financial assets that are past due but not impaired, and financial assets that are individually determined to be impaired.
  d. Remove the requirement to specifically disclose financial assets renegotiated to avoid becoming past due or impaired.
  e. Clarify that the additional disclosure required for financial assets obtained by taking possession of collateral or other credit enhancements are only applicable to assets still held at the reporting date.

- PAS 1, *Presentation of Financial Statements*
  This amendment clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements.

- PAS 27, *Consolidated and Separate Financial Statements*
  This amendment clarifies that the consequential amendments from PAS 27 made to PAS 21, *The Effect 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, 2009 or earlier when PAS 27 is applied earlier.

- PAS 34, *Interim Financial Reporting*
  This amendment provides guidance to illustrate how to apply disclosure principles in PAS 34 and add disclosure requirements around:
  a) The circumstances likely to affect fair values of financial instruments and their classification;
  b) Transfers of financial instruments between different levels of the fair value hierarchy;
  c) Changes in classification of financial assets; and
  d) Changes in contingent liabilities and assets.

- Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes*
  This Philippine Interpretation 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.

Future Changes in Accounting Policies
The Group will adopt the following new and amended Standards and Philippine Interpretations enumerated below when these become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended PFRS and Philippine Interpretations to have significant impact on the consolidated financial statements.

Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*
This Philippine Interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The Philippine 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 SEC and the Financial Reporting Standards Council (FRSC) have deferred the effectivity of this interpretation until the final Revenue standard is issued by International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed.

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

Effective 2012
PAS 12, *Income Taxes (Amendment) - Deferred Tax: Recovery of Underlying Assets*
The amendment clarified the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in PAS 40, *Investment Properties*, should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in PAS 16 always be measured on a sale basis of the asset.

PFRS 7, *Financial Instruments: Disclosures - Enhanced Derecognition Disclosure Requirements*
The amendment requires additional disclosure about financial assets that have been transferred but not derecognized to enable the user of the consolidated financial statements to understand the relationship with those assets that have not been derecognized and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognized assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognized assets.

Effective 2013
PAS 1, *Financial Statement Presentation - Presentation of Items of Other Comprehensive Income*
The amendments to PAS 1 change the grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has therefore no impact on the Group's financial position or performance.

PAS 19, *Employee Benefits (Amendment)*
Amendments to PAS 19 range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re- wording. The Group is currently assessing the impact of the amendment to PAS 19.

PFRS 7, *Financial instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities*
These amendments require an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set off in accordance with PAS 32. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or'similar agreement', irrespective of whether they are set-off in accordance with PAS 32. The amendments require entities to disclose, in a tabular format unless another format is more appropriate, the following minimum quantitative information. This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:

a) The gross amounts of those recognized financial assets and recognized financial liabilities;
b) The amounts that are set off in accordance with the criteria in PAS 32 when determining the net amounts presented in the statement of financial position;
c) The net amounts presented in the statement of financial position;
d) The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:
   i. Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and
   ii. Amounts related to financial collateral (including cash collateral); and
e) The net amount after deducting the amounts in (c) from the amounts in (d) above.

PFRS 10, *Consolidated Financial Statements*
PFRS 10 replaces the portion of PAS 27, *Consolidated and Separate Financial Statements*, which addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12, *Consolidation - Special Purpose Entities*. PFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by PFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27.

PFRS 11, *Joint Arrangements*
PFRS 11 replaces PAS 31, *Interests in Joint Ventures* and SIC-13, *Jointly-controlled Entitie*s - *Non-monetary Contributions by Venturers*. This Standard eliminates proportionate consolidation of jointly controlled entities, instead, jointly controlled entities, if classified as joint ventures (a newly defined term), must be accounted for using the equity method. Additionally, jointly controlled assets and operations are joint operations under PFRS 11, and the accounting for those arrangements will generally be consistent with today's accounting. That is, the entity will continue to recognize its relative share of assets, liabilities, revenues and expenses.

PFRS 12, *Disclosures of Interests with Other Entities*
This standard includes all of the disclosures that were previously in PAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in PAS 31 and PAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required.

PFRS 13, *Fair Value Measurement*
This standard does not change when an entity is required to use fair value but, rather, provides guidance on how to measure fair value under PFRS when fair value is required or permitted by PFRS. This standard was intended to reduce complexity, improve consistency in application when measuring fair value and enhance disclosures. PFRS 13 is effective for annual periods beginning on or after January 1, 2013 and should be applied prospectively.

Revised PAS 27, *Separate Financial Statements*
This standard has been revised as a result of issuance of PFRS 10, 11, and 12. The revised standard provides the accounting and disclosure requirements for investment in subsidiaries, joint ventures and associates when an entity prepares separate financial statements and requires an entity preparing separate financial statements to account for those investments at cost or in accordance with PFRS 9. This Standard is issued concurrently with PFRS 10 and together, the two PFRSs will supersede PAS 27 (as amended in 2008). Revised PAS 27 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted provided that PFRS 10, 11, 12 and PAS 28 (as amended in 2011) are applied simultaneously and with additional disclosure of the fact.

Revised PAS 28, *Investment in Associates and Joint Ventures*
This standard has been revised as a result of issuance of PFRS 10, 11, and 12. The revised standard prescribes the accounting for investments in associates and joint ventures. Equity method is defined in the revised standard as a method of accounting whereby the investment is initially recognized at cost and adjusted thereafter for the post-

acquisition change in the investor's share of net assets of the investee. The profit or loss of the investor includes its share of the profit or loss of the investee and the other comprehensive income of the investor includes its share of other comprehensive income of the investee. The revised standard is to be applied by all entities that are investors with joint control of, or significant influence or owns 20% to 50% interest over, an investee. This standard supersedes PAS 28 (as revised in 2003). Revised PAS 28 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted provided that PFRS 10, 11, 12 and PAS 27 (as amended in 2011) are applied simultaneously and with additional disclosure of the fact.

Effective 2014
PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities*
These amendments to PAS 32 clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. While the amendment is expected not to have any impact on the net assets of the Group, any changes in offsetting is expected to impact leverage ratios and regulatory capital requirements.

Effective 2015
PFRS 9, *Financial Instruments: Classification and Measurement*
PFRS 9 as issued reflects the first phase 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, impairment and derecognition of financial assets will be addressed with the completion of this project expected on the first half of 2012. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on classification and measurements of financial liabilities. The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

The Group has decided not to early adopt either PFRS 9 (2009) or PFRS 9 (2010) for its 2011 annual financial reporting. The Group shall conduct in early 2012 another impact evaluation using outstanding balances of financial statements as of December 31, 2011. The Group's decision whether to early adopt either PFRS 9 (2009) of PFRS 9 (2010) for its 2012 financial reporting shall be disclosed in its interim financial statements as of March 31, 2012.

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

Short-term and Long-term Cash Investments
Short-term cash investments consist of money market placements made for varying periods of more than three (3) months and up to nine (9) months while long-term cash investments consist of money market placements made for varying periods of more than one (1) year. These investments earn interest at the respective short-term and long-term investment rates.

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 trade date, which is the date when the Group commits to purchase or sell the asset.

Initial recognition of financial instruments

All financial assets and financial liabilities are initially recognized at fair value. Except for financial assets and liabilities at fair value through profit or loss (FVPL), the initial measurement of financial assets and liabilities include transaction costs. The Group classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity (HTM) financial assets, AFS financial assets, and loans and receivables. The Group classifies its financial liabilities as financial liabilities at FVPL or other financial liabilities. The classification depends on the purpose for which the investments were acquired and whether these are quoted in an active market. The financial assets of the Group are of the nature of loans and receivable and AFS financial assets, while its financial liabilities are of the nature of other financial liabilities. Management determines the classification at initial recognition and re-evaluates such designation, where allowed and appropriate, 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.

Determination of fair value

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

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

"Day 1"difference

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

loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the 'Day 1' profit amount.

Loans and receivables
Loans and receivables are nonderivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as financial assets held-for-trading, designated as AFS or as financial assets at FVPL. Receivables are recognized initially at fair value, which normally pertains to the billable amount. After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest rate method, less allowance for impairment losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortization, if any, is included in profit or loss. The losses arising from impairment of receivables are recognized in profit or loss. These financial assets are included in current assets if maturity is within 12 months from the reporting date. Otherwise, these are classified as noncurrent assets.

This accounting policy applies primarily to the Group's cash and cash equivalents, short-term investments, long-term cash investments and receivables except for receivable from contractors and receivable from brokers.

AFS financial assets
AFS financial assets are nonderivative financial assets that are designated as such or do not qualify to be classified or designated as financial assets at FVPL, HTM investments or loans and receivables. These are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions.

After initial measurement, AFS financial assets are measured at fair value. The unrealized gains and losses arising from the fair valuation of AFS financial assets are excluded from reported earnings and are reported in OCI.

When the investment is disposed of, the cumulative gain or loss previously recognized in OCI is recognized as miscellaneous income in profit or loss. Where the Group holds more than one investment in the same security these are deemed to be disposed of on a first-in first-out basis. Interest earned on holding AFS financial assets are reported as interest income using the effective interest rate. Dividends earned on holding AFS financial assets are recognized in profit or loss as part of miscellaneous income when the right to receive payment has been established. The losses arising from impairment of such investments are recognized as provisions for impairment losses in profit or loss.

When the fair value of AFS equity financial assets cannot be measured reliably because of lack of reliable estimates of future cash flows and discount rates necessary to calculate the fair value of unquoted equity instruments, these investments are carried at cost, less any impairment losses.

As of December 31, 2011 and 2010, AFS financial assets comprise of unquoted equity securities.

Other financial liabilities
Other financial liabilities are initially recognized at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the liabilities are derecognized, as well as through the amortization process. Any effects of restatement of foreign currency-denominated liabilities are recognized in profit or loss.

This accounting policy applies primarily to the Group's bank loans, loans payable, accounts and other payables, liabilities for purchased land, payable to related parties, long-term notes, notes payable and other liabilities that meet the above definition (other than liabilities covered by other accounting standards, such as pension liability, income tax payable and deferred tax liabilities).

Derecognition of Financial Assets and Financial Liabilities

Financial asset

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

Where the Group has transferred its rights to receive cash flows from an asset 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.

Financial liability

A financial liability is derecognized when the obligation under the liability is discharged or 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 profit or loss.

Impairment of Financial Assets

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

Loans and receivables
For loans and receivables carried at amortized cost, the Group first assesses whether an objective evidence of impairment exists individually for financial assets that are individually significant. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred). If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, the asset, together with the other assets that are not individually significant and were thus not individually assessed for impairment, is included in a group of financial assets with similar credit risk 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.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of credit risk characteristics such as selling price of the lots and residential houses, past-due status and term.

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

The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is charged to profit or loss. Loans, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

AFS financial assets carried at fair value
In case of equity investments classified as AFS financial assets, impairment indicators would include a significant or prolonged decline in the fair value of the investments below their corresponding cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in OCI is removed from OCI and recognized in profit or loss. Impairment losses on equity investments are not reversed through profit and loss. Increases in fair value after impairment are recognized directly in OCI.

AFS financial assets carried at cost
If there is an objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

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

Real Estate Inventories
Real estate inventories consist of subdivision land, residential houses and lots and condominium units for sale and development. These are properties acquired or being constructed for sale in the ordinary course of business rather than to be held for rental or capital appreciation. These are held as inventory and are measured at the lower of cost and net realizable value (NRV).

Cost includes:
- Acquisition cost of subdivision land
- Amounts paid to contractors for construction and development of subdivision land and residential and condominium units
- Capitalized borrowing costs, planning and design costs, cost of site preparation, professional fees for legal services, property transfer taxes, construction overheads and other related costs.

Nonrefundable commissions paid to sales or marketing agents on the sale of real estate units are expensed when paid.

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

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

Land and Improvements
Land and improvements consists of properties for future developments and are carried at the lower of cost or NRV. NRV is the estimated selling price in the ordinary course of business, less cost to complete and costs of sale. Costs include cost incurred for development and improvements of the properties. Upon start of development, the related cost of the land is transferred to real estate inventories.

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

Creditable Withholding Tax
This pertains to the tax withheld at source by the Group's customer and is creditable against the income tax liability of the Group.

Construction materials
Construction materials are valued at the lower of cost or NRV. Cost is determined using the moving average method. NRV is the replacement cost.

Value-Added Tax (VAT)
The input value-added tax pertains to the 12% indirect tax paid by the Group in the course of the Group's trade or business on local purchase of goods or services.

Output VAT pertains to the 12% tax due on the local sale of goods or services by the Group.

If at the end of any taxable month, the output VAT exceeds the input VAT, the outstanding balance is included under "Accounts and other payables" account. If the input VAT exceeds the output VAT, the excess shall be carried over to the succeeding months and included under "Other current asset" account.

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

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

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

The reporting date of the investee company and the Group is identical and its accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

Beginning January 1, 2010, upon loss of significant influence over the associate, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

The Group has a reciprocal holding in Polar Property Holdings, Inc. (PPHI). The Group takes up its share on its associate's profit excluding the equity income arising on the reciprocal holding. An adjustment is also made to reduce the Group's equity balance and its investment in an associate by its effective percentage of ownership on its own shares.

Investment Properties

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

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

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

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

The estimated useful lives of buildings is 20 years.

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

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

Property and Equipment
Property and equipment are carried at cost less accumulated depreciation and amortization and any impairment in value.

The initial cost of property and equipment consists of its purchase price, including import duties, taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance are normally charged against operations in the period in which the costs are incurred. All other repair and maintenance costs are recognized in profit or loss as incurred.

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

	Years
Building and building improvements	20
Transportation equipment	2 to 5
Office furniture, fixtures and equipment	2 to 5
Construction equipment	2 to 5
Other fixed assets	1 to 5

Building improvements are amortized on a straight-line basis over the term of the lease or the estimated useful life of the asset, whichever is shorter.

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

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

Fully depreciated and amortized property and equipment are retained in the accounts until they are no longer in use and no further depreciation and amortization is charged against current operations.

Interests in Joint Ventures
The Group has interests in joint ventures that are classified as jointly controlled operations. A jointly controlled operation involves the use of assets and other resources of the Group and other venturers rather than the establishment of a corporation, partnership or other entity. The Group accounts for the assets it controls and the liabilities it incurs, the expenses it incurs and the share of net income that it earns from the sale of real estate inventories by the joint venture.

Systems Development Costs
Costs associated with developing or maintaining computer software programs are recognized as expense as incurred. Costs that are directly associated with identifiable and unique software controlled by the Group and will generate economic benefits exceeding costs beyond one year, are recognized as intangible assets to be measured at cost less accumulated amortization and provision for impairment losses, if any.

System development costs recognized as assets are amortized using the straight-line method over their useful lives, but not exceeding a period of three years. Where an indication of impairment exists, the carrying amount of computer system development costs is assessed and written down immediately to its recoverable amount.

Impairment of Nonfinancial Assets
This accounting policy relates to property and equipment, investment properties, investment in an associate, interests in joint ventures, model house accessories and systems development costs.

The Group assesses as at reporting date whether there is an indication that nonfinancial assets 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 or cash-generating unit'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 of continuing operations are recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

An assessment is made at each 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 profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as revaluation increase in the other comprehensive income. After such reversal, the depreciation and amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

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

Investment in an associate
After application of the equity method, the Group determines whether it is necessary to recognize any additional impairment loss with respect to the Group's net investment in the investee companies. The Group determines at each reporting date whether there is any objective evidence that the investment in an associate is impaired. If this is the case, the Group calculates the amount of impairment as being the difference between the recoverable amount and the carrying value of the investee company and recognizes the difference in profit or loss.

Equity
When the shares are sold at premium, the difference between the proceeds at the par value is credited to "Additional paid-in capital" account. Direct costs incurred related to equity issuance are chargeable to "Additional paid-in capital" account. If additional paid-in capital is not sufficient, the excess is charged against retained earnings. When the Group issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued.

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

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

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 revenue can be reliably measured.

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

Revenue from sales of completed real estate projects is accounted for using the full accrual method. In accordance with Philippine Interpretations Committee, Q&A 2006-01, the percentage-of-completion method is used to recognize income from sales of projects where the Group has material obligations under the sales contract to complete the project after the property is sold, the equitable interest has been transferred to the buyer, construction is beyond preliminary stage
(i.e., engineering, design work, construction contracts execution, site clearance and preparation, excavation and the building foundation are finished, and the costs incurred or to be incurred can be measured reliably). Under this method, revenue is recognized as the related obligations are fulfilled, measured principally on the basis of the estimated completion of a physical proportion of the contract work.

Any excess of collections over the recognized receivables are included in the "Customers' advances and deposits" account in the liabilities section of the consolidated statement of financial position.

When a sale of real estate does not meet the requirements for revenue 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 inventories continue to be reported on the consolidated statement of financial position as "Real estate inventories" and the related liability as deposits under "Customers' advances and deposits".

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

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

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

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

The net pension liability recognized in the consolidated statement of financial position in respect of the defined benefit pension plan is the present value of the defined benefit obligation at the reporting date less the fair value of the plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs that shall be recognized in later periods. The defined benefit obligation is calculated by an independent actuary using the projected unit credit method. The present value of the defined benefit obligation is determined using risk-free interest rate of government bonds that have terms to maturity approximating to the terms of the related pension liability or applying a single weighted average discount rate that reflects the estimated timing and amount of benefit payments.

The actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are immediately charged to or credited to profit or loss.

Past service cost, if any, is recognized immediately in profit or loss, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service cost is amortized on a straight-line basis over the vesting period.

Income Tax

Current tax

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

Deferred tax

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

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

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

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

Deferred tax assets and deferred tax 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.

Commissions

The Group recognizes commissions when services are rendered by the broker. The commission expense is accrued upon receipt of down payment from the buyer comprising a substantial portion of the contract price and the capacity to pay and credit worthiness of buyers have been reasonably established for sales under the deferred cash payment arrangement.

Borrowing Costs

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

The interest capitalized is calculated using the Group's weighted average cost of borrowings after adjusting for borrowings associated with specific developments. Where borrowings are associated with specific developments, the amounts capitalized is the gross interest incurred on those borrowings less any investment income arising on their temporary investment.

Interest is capitalized from the commencement of the development work until the date of practical completion. The capitalization of finance costs is suspended if there are prolonged periods when development activity is interrupted. Interest is also capitalized on the purchase cost of a site of property acquired specifically for redevelopment but only where activities necessary to prepare the asset for redevelopment are in progress.

Basic and Diluted Earnings Per Share (EPS)
EPS is computed by dividing net income for the year attributable to common stockholders by the weighted average number of common shares issued and outstanding during the year adjusted for any subsequent stock dividends declared. Diluted EPS is computed by dividing net income for the year by the weighted average number of common shares issued and outstanding during the year after giving effect to assumed conversion of potential common shares. The calculation of diluted EPS does not assume conversion, exercise, or other issue of potential common shares that would have an antidilutive effect on earnings per share.

As of December 31, 2011 and 2010, the Group has no dilutive potential common shares.

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

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

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

3. Significant Accounting Judgments and Estimates

The preparation of accompanying consolidated financial statements in compliance with PFRS requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The estimates and assumptions used in the consolidated financial statements are based upon

management's evaluation of relevant facts and circumstances as at the date of the consolidated financial statements. Actual results could differ from such estimates.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

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

- 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.

Collectibility of the sales price
For real estate sales, in determining whether the sales prices are collectible, the Group considers that initial and continuing investments by the buyer of about 5% would demonstrate the buyer's commitment to pay.

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

Operating lease commitments - the Group as lessee
The Group has entered into contract of lease for some of the office space it occupies. The Group has determined that all significant risks and benefits of ownership on these properties will be retained by the lessor. In determining significant risks and benefits of ownership, the Group considered, among others, the significance of the lease term as compared with the estimated useful life of the related asset. The Group accordingly accounted for these as operating leases.

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

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

- Investment property comprises land and buildings (principally offices, commercial and retail property) which are not occupied substantially for use by, or in the operations of, the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation.

- Inventory comprises property that is held for sale in the ordinary course of business. Principally, this is residential and commercial property that the Group develops and intends to sell before or on completion of construction.

Distinction between investment properties and land and improvement
The Group determines a property as investment property if such is not intended for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation. Land and improvement comprises property that is retained as part of the Group's strategic landbanking activities for development or sale in the medium or long-term.

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

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions cannot be sold separately, the property is accounted for as an 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.

Impairment of AFS financial assets carried at cost
The Group follows the guidance of PAS 39 in determining when an asset is impaired. This determination requires significant judgment. In making this judgment, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; the financial health of and near-term business outlook of the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

Contingencies
The Group is currently involved in various legal proceedings. The estimate of probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the defense in these matters and is based upon an analysis of potential results. The Group currently does not believe that these proceedings will have a material effect on the Group's financial position (see Note 33).

Management's Use of Estimates

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

Revenue and cost recognition

The Group's revenue recognition policies require management to make use of estimates and assumptions that may affect the reported amounts of revenue and costs. The Group's revenue from real estate is recognized based on the percentage of completion measured principally on the basis of the actual costs incurred to date over the estimated total costs of the project.

The related balances from real estate transactions follow:

	2011	2010	2009
Real estate sales	**₱13,513,424,829**	₱11,338,533,300	₱9,629,663,010
Costs of real estate sales (Note 9)	**6,611,347,721**	5,656,325,105	5,003,984,152

Estimating allowance for impairment losses on receivables

The Group maintains allowances for impairment losses based on the results of the individual and collective assessments under PAS 39. For both individual and collective assessment, the Group is required to obtain the present value of estimated cash flows using the receivable's original effective interest rate. The estimated cash flows considers the management's estimate of proceeds from the disposal of the collateral less cost to repair, cost to sell and return of deposit due to the defaulting party. The cost to repair and cost to sell are based on historical experience. The methodology and assumptions used for the individual and collective assessments are based on management's judgments and estimates made for the year. Therefore, the amount and timing of recorded expense for any period would differ depending on the judgments and estimates made for the year.

The balance of the Group's receivables, net of allowance for impairment loss, amounted to ₱21,069.32 million and ₱19,073.60 million as of December 31, 2011and 2010 (see Note 8).

Evaluation of net realizable value of real estate inventories and land and improvements

Real estate inventories and land and improvements are valued at the lower of cost or NRV. This requires the Group to make an estimate of the real estate for sale inventories and land and improvements' estimated selling price in the ordinary course of business, cost of completion and costs necessary to make a sale to determine the NRV. The Group adjusts the cost of its real estate inventories and land and improvements to NRV based on its assessment of the recoverability of these assets. In determining the recoverability of these assets, management considers whether these assets are damaged, if their selling prices have declined and management's plan in discontinuing the real estate projects. Estimated selling price is derived from publicly available market data and historical experience, while estimated selling costs are basically commission expense based on historical experience. Management would also obtain the services of an independent appraiser to determine the fair value of undeveloped land based on the latest selling prices of the properties of the same characteristics of the land and improvements.

Real estate inventories amounted to ₱14,901.42 million and ₱12,498.61 million as of December 31, 2011 and 2010, respectively (see Note 9). Land and improvements amounted to ₱16,348.09 million and ₱18,042.08 million as of December 31, 2011 and 2010, respectively (see Note 11).

Evaluation of impairment
The Group reviews investment in an associate, interest in joint ventures, investment properties, property and equipment and system development costs 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.

The Group estimates the recoverable amount as the higher of the fair value les cost 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 may affect investment in an associate, interests in joint venture, investment properties, property and equipment and system development cost.

The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

Based on management assessment as of December 31, 2011 and 2010, no indicators of impairment exist for investment in associate, interests in joint ventures, investment properties, property and equipment, and systems development costs.

The aggregate carrying values of investment in an associate, interests in joint venture, investment properties, property and equipment and system development costs amounted to ₱4,844.90 million and ₱2,718.81 million as of December 31, 2011 and 2010, respectively (see Notes 12, 14, and 16).

Estimating useful lives of property and equipment, investment properties and systems development costs
The Group estimates the useful lives of property and equipment, investment properties and systems development cost based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment, investment properties and system development cost 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 property and equipment. 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.

The aggregate carrying value of property and equipment, investment properties and system development cost amounted to ₱2,509.72 million and ₱135.06 million as of December 31, 2011 and 2010, respectively (see Notes 13, 14 and 16).

Recognizing deferred tax assets
The Group reviews the carrying amounts of deferred income taxes at each reporting date and reduces deferred tax assets 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. However, there is no assurance that the Group will generate sufficient taxable income to allow all or part of deferred tax assets to be utilized. The Group looks at its projected performance in assessing the sufficiency of future taxable income.

As of December 31, 2011 and 2010, the Group has unrecognized deferred tax assets amounting to ₱1,328.24 million and ₱1,569.62 million, respectively (see Note 28).

Estimating pension obligation and other retirement benefits
The determination of the Group's pension liabilities is dependent on selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 27 and include among others, discount rates, expected returns on plan assets and rates of salary increase. While the Group believes that the assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions may materially affect retirement obligations. See Note 27 to the consolidated financial statements for the related balances.

Fair value of financial instruments
Where the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, they are determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible estimates are used in establishing fair values. These estimates may include considerations of liquidity, volatility, and correlation. Certain financial assets and liabilities were initially recorded at its fair value by using the discounted cash flow methodology. See Note 31 to the consolidated financial statements for the related balances.

4. Business Combinations

Acquisition of VRI
On October 29, 2009, the Parent Company acquired from Polar Property Holdings, Inc. (PPHI) and various shareholders, 100% ownership of VRI for a total consideration of ₱661.61 million. The Parent Company accounted for the acquisition using the purchase method.

The Group acquired VRI to consolidate the development and selling of all vertical and high-rise condominium projects of the Group under a new brand name "Vista Residences". The brand consolidation is intended to have a clearer and stronger market identity of the Group's vertical development projects. Moreover, the acquisition of VRI is part of the Group's strategic focus to broaden its real estate portfolio and increase its revenue base. The Group indirectly acquired four mixed residential and commercial

condominium projects of VRI namely, the Symphony Tower 1, Presidio Complex, Madison Place Tower and Crown Tower. Accordingly, VRI's financial statements are consolidated on a line-by-line basis with that of the Group as of December 31, 2009.

The net assets recognized in the December 31, 2009 financial statements were based on a provisional assessment of fair value as the Group had sought an independent valuation for the assets owned by VRI.

The accounting for business combination was done provisionally for the assets acquired and liabilities assumed as of to December 31, 2009.

Following is a summary of the fair value of the identifiable assets and liabilities assumed of VRI as at the date of acquisition:

Assets	
Cash and cash equivalents	₱15,838,024
Receivables	644,357,268
Real estate inventories and development	500,032,234
Property and equipment - net	6,266,266
Due from related parties	75,134,517
Deferred tax assets	23,330,697
Prepayments and other assets	181,357,628
	1,446,316,634
Liabilities	
Bank loans	268,158,856
Accounts and other payables	286,113,295
Customers' advances and deposits	213,628,981
Income tax payable	282,942
Pension liabilities	16,519,400
	784,703,474
Total identifiable net assets at fair value	661,613,160
Goodwill arising on acquisition	–
Purchase consideration transferred	₱661,613,160

Receivables were valued at its carrying amount as of date of acquisition. None of the receivables have been impaired and it is expected that the full contractual amount can be collected.

Cost of the acquisition follows:

Cash paid	₱1,000,000
Treasury shares issued	660,613,160
	₱661,613,160

The Parent Company issued 320,686,000 treasury shares as consideration for the 100.00% interest in VRI. The fair value of the shares is the published price of the shares of the Parent Company at the acquisition date.

Analysis of net cash acquired from the business combination follows:

Net cash acquired with the acquisition of a subsidiary	₱15,838,024
Cash paid to minority holders of VRI	(1,000,000)
Net cash flow on the acquisition	₱14,838,024

From the date of acquisition, VRI has contributed ₱518.18 million of revenue and ₱105.82 million to the income before income tax of the Group. If the combination had taken place at the beginning of 2009, consolidated revenue would have been ₱11,412.62 million and the net income for the Group would have been ₱2,405.22 million.

In 2010, the Parent Company finalized its purchased price allocation and there were no significant difference between the fair values of the assets acquired and liabilities assumed compared with the provisional amounts recognized.

5. Segment Information

For management purposes, the Group's operating segments are organized and managed separately according to the nature of the products provided, with each segment representing a strategic business unit that offers different products and serves different markets. The Group has three reportable operating segments as follows:

Horizontal Projects
This segment pertains to the housing market segment of the Group. It caters on the development and sale of residential lots and units.

Vertical Projects
This segment caters on the development and sale of residential high-rise condominium projects across the Philippines. Vertical home projects involve dealing with longer gestation periods and has requirements that are different from those of horizontal homes.

Others
This segment pertains to activities from holding companies and others.

In 2011, the Group's management changed the presentation of its reportable segments by presenting the balances pertaining to the parent company and intermediate holding companies separately from Horizontal Projects. Accordingly, the segment information presented in prior year was restated to conform with the current year presentation.

The Group's management believes that this presentation would be more useful to the users of the consolidated financial statements.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on segment operating income or loss before income tax. Segment operating income or loss before income tax is based on the same accounting policies as consolidated operating income or loss. The Group has no intersegment revenues. No operating segments have been aggregated to form the above reportable operating business segments. The chief operating decision-maker (CODM) has been identified as the chief executive officer. The CODM reviews the Group's internal reports in order to assess performance of the Group.

The financial information about the operations of these business segments is summarized below:

	December 31, 2011				
	Horizontal	Vertical	Others	Intersegment Adjustments	Consolidated
			(Amounts in thousands)		
Real Estate Revenue	₱11,462,925	₱2,051,192	₱–	(₱692)	₱13,513,425
Costs and Operating Expenses	8,261,414	1,538,484	163,878	(78,104)	9,885,672
Segment Income (Loss) Before Income Tax	3,201,511	512,708	(163,878)	77,412	3,627,753
Interest income (Note 24)	613,799	19,515	218,060	1,739	853,113
Equity in net income of an associate (Note 12)	–	–	27,706	(33,879)	(6,173)
Dividend income	–	–	1,639,761	(1,639,610)	151
Interest and other financing charge (Note 24)	(167,978)	(234,097)	(952,194)	25,059	(1,329,210)
Foreign exchange gain (Notes 21 and 22)	63	–	61,955	–	62,018
Miscellaneous income (Note 25)	272,329	29,654	96,158	(11,895)	386,246
Income before income tax	3,919,724	327,780	927,568	(1,581,174)	3,593,898
Provision for income tax (Note 28)	(124,293)	95,100	30,179	64,928	65,914
Net Income	₱4,044,017	₱232,680	₱897,389	(₱1,646,102)	₱3,527,984
Other Information					
Segment assets	₱75,979,608	₱7,542,978	₱34,338,593	(₱51,021,863)	₱66,839,316
AFS financial assets (Note 7)	–	–	41,309	–	41,309
Investment in an associate (Note 12)	–	–	749,598	(59,682)	689,916
Deferred tax assets - net (Note 28)	2,028	–	–	–	2,028
Total Assets	₱75,981,636	₱7,542,978	₱35,129,500	(₱51,081,545)	₱67,572,569
Segment liabilities	₱18,356,881	₱2,904,447	₱3,417,071	₱7,930	₱24,686,329
Payable to related parties (Note 29)	12,943,213	1,127,446	8,236,301	(22,124,158)	182,802
Deferred tax liabilities - net (Note 28)	924,589	257,756	829,033	3,548	2,014,926
Total Liabilities	₱32,224,683	₱4,289,649	₱12,482,405	(₱22,112,680)	₱26,884,057
Capital expenditures	₱7,558,793	₱3,574,764	₱–	₱–	₱11,133,557
Depreciation and amortization (Notes 14 and 16)	93,265	8,490	–	–	101,755

	December 31, 2010				
	Horizontal	Vertical	Others	Intersegment Adjustments	Consolidated
			(Amounts in thousands)		
Real Estate Revenue	₱9,633,030	₱1,705,503	₱–	₱–	₱11,338,533
Costs and Operating Expenses	6,831,245	1,389,404	187,669	(18,445)	8,389,873
Segment Income (Loss) Before Income Tax	2,801,785	316,099	(187,669)	18,445	2,948,660
Interest income (Note 23)	707,917	39,077	30,128	–	777,122
Equity in net income of an associate (Note 11)	–	–	28,218	(25,803)	2,415
Dividend income	–	–	1,258,575	(1,258,550)	25
Miscellaneous income (Note 24)	261,717	75,437	53,849	(23,520)	367,483
Interest and other financing charge (Note 23)	(443,897)	(181,564)	(104,773)	–	(730,234)
Loss on debt settlement (Note 21)	–	–	(115,868)	–	(115,868)
Foreign exchange loss (Notes 20 and 21)	163	–	(16,047)	–	(15,884)
Income before income tax	3,327,685	249,049	946,413	(1,289,428)	3,233,719
Provision for income tax (Note 27)	146,664	20,787	(5,438)	58,733	220,746
Net Income	₱3,181,021	₱228,262	₱951,851	(₱1,348,161)	₱3,012,972
Other Information					
Segment assets	₱48,669,408	₱5,782,110	₱35,774,508	(₱30,508,781)	₱59,717,245
AFS financial assets (Note 6)	–	–	16,990,806	(16,949,497)	41,309
Investment in an associate (Note 11)	–	–	721,892	(25,804)	696,088
Deferred tax assets - net (Note 27)	18,425	–	6,735	1,523	26,683
Total Assets	₱48,687,833	₱5,782,110	₱53,493,941	(₱47,482,559)	₱60,481,325

(Forward)

	December 31, 2010				
	Horizontal	Vertical	Others	Intersegment Adjustments	Consolidated
	(Amounts in thousands)				
Segment liabilities	₱10,113,630	₱2,766,723	₱6,712,512	₱14,875	₱19,607,740
Payable to related parties (Note 28)	24,350,046	1,347,426	5,037,364	(30,349,087)	385,749
Deferred tax liabilities - net (Note 27)	2,133,875	177,411	–	–	2,311,286
Total Liabilities	₱36,597,551	₱4,291,560	₱11,749,876	(₱30,334,212)	₱22,304,775
Capital expenditures	₱7,482,725	₱2,537,275	₱–	₱–	₱10,020,000
Depreciation and amortization (Notes 13 and 15)	89,977	15,061	–	–	105,038
Provision for impairment losses (Note 7)	32,969	11,069	–	–	44,038

	December 31, 2009				
	Horizontal	Vertical	Others	Intersegment Adjustments	Consolidated
	(Amounts in thousands)				
Real Estate Revenue	₱9,013,372	₱1,254,542	₱–	(₱638,251)	₱9,629,663
Costs and Operating Expenses	6,459,717	1,014,159	171,790	(558,109)	7,087,557
Segment Income Before (Loss) Income Tax	2,553,655	240,383	(171,790)	(80,142)	2,542,106
Interest income (Note 23)	740,459	5,443	105,468	5,926	857,296
Equity in net income of an associate (Note 11)	–	–	45,943	–	45,943
Dividend income	–	–	547,061	(546,867)	194
Miscellaneous income (Note 24)	236,161	28,946	57,619	(42,978)	279,748
Interest and other financing charge (Note 23)	(432,263)	(109,008)	(80,929)	29,219	(592,982)
Loss on debt settlement (Note 21)	–	–	(318,810)	–	(318,810)
Foreign exchange loss (Notes 20 and 21)	(14,879)	11,042	3,226	–	(611)
Income before income tax	3,083,133	176,806	187,788	(634,842)	2,812,884
Provision for income tax (Note 27)	575,274	4,834	21,943	(88,575)	513,476
Net Income	₱2,507,859	₱171,972	₱165,845	(₱546,867)	₱2,299,408
Other Information					
Segment assets	₱46,880,268	₱6,162,384	₱–	₱610,951	₱53,653,603
AFS financial assets (Note 6)	–	–	288,937	–	288,937
Investment in an associate (Note 11)	–	–	693,674	–	693,674
Deferred tax assets - net (Note 27)	23,764	–	8,325	–	32,089
Total Assets	₱46,904,032	₱6,162,384	₱990,936	₱610,951	₱54,668,303
Segment liabilities	₱8,996,481	₱5,286,011	₱2,249,116	(₱334,616)	₱16,196,992
Payable to related parties (Note 28)	23,596,521	1,944,704	2,548,873	(27,661,191)	428,906
Deferred tax liabilities - net (Note 27)	1,865,323	–	4,464	547,949	2,417,736
Total Liabilities	₱34,458,325	₱7,230,715	₱4,802,453	(₱27,447,858)	₱19,043,634
Capital expenditures	₱4,251,632	₱3,802,857	₱–	₱–	₱8,054,489
Depreciation and amortization (Notes 13 and 15)	88,358	10,168	–	(3,364)	95,162
Provision for impairment losses (Note 7)	–	11,079	–	–	11,079

Capital expenditure consists of construction costs, land acquisition and land development costs.

The Group has no revenue from transactions with a single external customer amounting to 10% or more of the Group's revenue.

6. Cash and Cash Equivalents

This account consists of:

	2011	2010
Cash on hand	**₱13,230,967**	₱10,776,387
Cash in banks	**1,735,297,555**	2,169,396,307
Cash equivalents	**304,037,526**	1,301,634,551
	₱2,052,566,048	₱3,481,807,245

Cash in banks earns 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 ranging from 1.00% to 4.00% in 2011 and 1.60% to 4.06% in 2010.

7. Investments

Short-term cash investments
Short-term cash investments consist of money market placements with maturities of more than three months up to one year and earn interest at the respective short-term investment rates, as follows:

	2011	2010
Philippine Peso	**1.75% to 4.00%**	0.75% to 6.50%
US Dollar	**1.75% to 4.00%**	–

Long-term cash investments
Long-term cash investments consist of money market placements made for varying periods of more than one (1) year. These investments earn interest at the respective long-term investment rates, as follows:

	2011	2010
Philippine Peso	**4.63% to 6.50%**	–
US Dollar	**1.75% to 4.00%**	1.75% to 4.00%

The investment is used as collateral to secure the bank loans of the Parent Company (see Note 19).

Available-for-sale financial assets
This account pertains to unlisted preferred shares in a public utility company which the Group will continue to carry as part of the infrastructure that it provides for its real estate development projects and other operations. These are carried at cost less impairment, if any.

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

	2010	2009
Balance at beginning of year	₱–	₱472,619
Fair value changes during the year	(44,038,378)	(472,619)
Loss on writedown transferred to profit or loss	44,038,378	–
Balance at end of year	₱–	₱–

In 2011, there are no movements in the fair value of AFS financial assets.

In 2010, the Group wrote-off available-for-sale financial assets amounting to ₱44.04 million since the Group determined that they will not be able to recover such investments from the counterparty.

8. Receivables

This account consists of:

	2011	2010
Installment contracts receivable	**₱18,087,331,761**	₱16,140,816,767
Accrued interest receivable	**124,741,646**	51,408,905
Accounts receivable:		
Contractors	**1,372,013,997**	1,433,459,774
Buyers	**616,153,492**	777,852,445
Brokers	**142,868,382**	82,362,666
Others	**1,040,543,070**	902,025,636
	21,383,652,348	19,387,926,193
Less allowance for impairment losses	**(314,331,094)**	(314,331,094)
	21,069,321,254	19,073,595,099
Less noncurrent portion	**8,822,808,812**	8,253,105,474
	₱12,246,512,442	₱10,820,489,625

Installment contracts receivable
Installment contracts receivable consist of accounts collectible in equal monthly installments with various terms up to a maximum of fifteen years. The corresponding titles to the subdivision or condominium units sold under this arrangement are transferred to the buyers only upon full payment of the contract price. The installment contracts receivable are interest-bearing except for those that are with installment schemes within two years. Interest rates on installment contracts receivables range from 16.00% to 19.00%.

Receivable from contractors
Receivable from contractors are recouped every progress billing payment date depending on the percentage of accomplishment.

Receivable from buyers
Receivables from buyers pertain to sale of real estate units owned by joint venture partners that were sold by the Group by virtue of a marketing agreement between the Group and the joint venture partners. These sales do not form part of the Group's revenue and collections from buyers are remitted to the joint venture partners net of any marketing fees agreed by the parties.

Receivable from brokers
Receivable from brokers are recouped every progress billing depending on the collection milestone and submission of necessary buyer's documents.

Others
Other receivables consist mainly of receivables from various individuals and private entities and other nontrade receivables. These are due and demandable.

Receivables amounting to ₱314.33 million as of December 31, 2011 and 2010 were impaired and fully provided for.

There was no movement in the allowance for impairment loss on receivables in 2011. Movements in the allowance for impairment losses on receivables as of December 31, 2010 follow:

	Installment Contracts Receivable	Accounts Receivable	Total
At January 1	₱99,352,184	₱225,621,569	₱324,973,753
Write off	–	(10,642,659)	(10,642,659)
At December 31	₱99,352,184	₱214,978,910	₱314,331,094

The impairment losses above pertain to individually impaired accounts. These are presented at gross amounts before directly deducting impairment allowance. No impairment losses resulted from performing collective impairment test.

In 2011 and 2010, installment contracts receivables with a total nominal amount of ₱1,915.92 million and ₱1,144.65 million, respectively, were recorded at amortized cost amounting to ₱1,856.08 million and ₱1,089.69 million, respectively. These are installment contracts receivables that are to be collected in 2 years which are noninterest-bearing. The fair value upon initial recognition is derived using discounted cash flow model using the discount rates ranging from 1.05% to 8.52% for those recognized in 2011 and 1.31% to 8.22% for those recognized in 2010. Interest income recognized from these receivables amounted to ₱68.56 million, ₱77.65 million and ₱84.68 million in 2011, 2010 and 2009, respectively. The unamortized discount amounted to ₱57.71 million and ₱66.43 million as of December 31, 2011 and 2010, respectively.

Movement in unamortized discount arising from noninterest-bearing receivables is as follows:

	2011	2010
Balance at beginning of year	**₱66,426,352**	₱89,118,030
Additions	**59,844,419**	54,960,161
Accretion (Note 24)	**(68,564,387)**	(77,651,839)
Balance at end of year	**₱57,706,384**	₱66,426,352

In 2011 and 2010, the Group entered into various purchase agreements with financial institutions whereby the Group sold its installment contracts receivables on a with recourse basis. The purchase agreements provide that the Group should substitute defaulted contracts to sell with other contracts to sell of equivalent value. The Group still retains the sold receivables in the installment contracts receivables account and records

the proceeds from these sales as loans payable (see Note 19). The carrying value of installment contracts receivables sold and the corresponding set-up of loans payable amounted to ₱2,421.04 million and ₱3,567.77 million in 2011 and 2010, respectively.

In 2011 and 2010, the Group entered into agreement with various financial institutions whereby the Group sold their installment contracts receivables on a without recourse basis at discount rate of 10.00% to 12.00%. The carrying value of sold receivables amounted to ₱1.03 billion in 2011 and ₱1.42 billion in 2010. Proceeds received from the purchasing financial institutions and discount on sold receivables recorded by the Group amounted to ₱982.56 million and ₱47.49 million in 2011, respectively, and ₱1.37 billion and ₱46.57 million in 2010, respectively. The discount has been included under "Interest and other financing charges" account in profit or loss.

The carrying value of receivables that has been converted from a "with recourse basis" to "without recourse basis" amounted to ₱1,030.05 million and ₱1,419.97 million in 2011 and 2010, respectively.

9. Real Estate Inventories

This account consists of:

	2011	2010
Subdivision land for sale and development	**₱16,024,591,049**	₱14,091,236,267
Less reserve for land development costs	**5,924,414,238**	5,764,316,116
	10,100,176,811	8,326,920,151
Residential house units for sale and development	**1,685,794,676**	1,492,295,854
Condominium units for sale and development	**3,115,446,885**	2,679,393,219
	4,801,241,561	4,171,689,073
	₱14,901,418,372	₱12,498,609,224

Subdivision land for sale and development represents real estate subdivision projects in which the Group has been granted license to sell by the Housing and Land Use Regulatory Board of the Philippines and raw land inventories.

As of December 31, 2011 and 2010, subdivision land for sale and development of Brittany and CAPI with an aggregate carrying value of ₱492.51 million and ₱580.81 million, respectively, were mortgaged to secure the bank loans of the Parent Company (see Note 19).

Real estate inventories recognized as cost of sales amounted to ₱6.61 billion in 2011, ₱5.66 billion in 2010 and ₱5.00 billion in 2009, and are included as cost of real estate sales as part of costs and expenses in the consolidated statements of income.

Borrowing cost capitalized in 2011 and 2010 amounted to ₱305.59 million and ₱60.51 million, respectively.

10. Other Current Assets

This account consists of:

	2011	2010
Prepaid expenses	**₱694,956,074**	₱600,802,781
Creditable withholding taxes	**451,414,826**	63,447,262
Deposits for real estate purchases (Note 16)	**115,579,755**	–
Input value-added tax (VAT)	**96,172,981**	95,689,217
Construction materials and others	**56,883,650**	57,498,568
	₱1,415,007,286	₱817,437,828

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

The Group will be able to apply the creditable withholding taxes against income tax payable.

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

11. Land and Improvements

The rollforward analysis of this account follows:

	2011	2010
Balance at beginning of year	**₱18,042,079,632**	₱16,925,967,816
Additions	**1,711,144,426**	1,979,300,917
Transfers	**(3,405,132,270)**	(863,189,101)
Balance at end of year	**₱16,348,091,788**	₱18,042,079,632

Transfers pertain to land to be developed for sale and included under “Real estate inventories” account.

Further analysis of land and improvements follows:

	2011	2010
At NRV	**₱8,666,701,802**	₱9,911,205,984
At cost	**7,681,389,986**	8,130,873,648
	₱16,348,091,788	₱18,042,079,632

The cost of land and improvements carried at NRV amounted to ₱9.68 billion and ₱10.92 billion as of December 31, 2011 and 2010, respectively. The Group recorded no provision for impairment in 2011, 2010 and 2009.

12. Investment in an Associate

This account consists of:

	2011	2010
Acquisition cost	**₱491,621,724**	₱491,621,724
Accumulated equity in net earnings		
Balance at beginning of year	**204,466,472**	202,052,021
Equity in net income (loss)	**(6,172,562)**	2,414,451
Balance at end of year	**198,293,910**	204,466,472
	₱689,915,634	₱696,088,196

Investment in an associate represents HDC's 10.05% equity in PPHI. The investment is accounted for under the equity method as Althorp Holdings Inc.'s 11.55% voting rights in PPHI was assigned to HDC. As of December 31, 2011 and 2010 PPHI holds 777.50 million common shares of the Parent Company.

Summarized financial information of the associate follows (in millions):

	2011	2010
Total assets	**₱7,076**	₱6,099
Total liabilities	**794**	105
Total equity	**₱6,282**	₱5,994

	2011	2010	2009
Total revenue	**₱342**	₱259	₱1,045
Total costs of real estate sales and expenses	**66**	19	588
Net income	**₱276**	₱240	₱457

Based on the quoted price of PPHI shares, the fair value of HDC's investments in PPHI amounted to ₱1.25 billion and ₱2.70 billion as of December 31, 2011 and 2010, respectively.

13. Investment properties

Movement in this account follows:

	Land	Building and Building Improvements	Construction in Progress	Total
Transfers from:				
Real estate inventories	₱2,177,489,374	₱87,483,610	₱–	₱2,264,972,984
Property and equipment	–	13,770,261	–	13,770,261
Additions	–	–	13,889,125	13,889,125
Total	2,177,489,374	101,253,871	13,889,125	2,292,632,370
Depreciation and amortization (Note 26)	–	934,856	–	934,856
Net Book Value	₱2,177,489,374	₱100,319,015	₱13,889,125	₱2,291,697,514

In 2011, real estate inventories with book value amounting to ₱2,264.97 million and property and equipment with book value amounting to ₱13.77 million (see Note 14) were

reclassified to investment properties as these are intended to be developed for commercial and retail purposes and to be subsequently leased out to third parties.

The fair value of the land amounted to ₱3,549.46 million as of December 31, 2011. This based on the most recent selling price of similar property. Building and building improvements and construction in progress approximates their fair values as these are newly constructed fixed assets.

14. Property and Equipment

The rollforward analyses of this account follow:

December 31, 2011

	Building and Building Improvements	Transportation Equipment	Office Furniture, Fixtures and Equipment	Construction Equipment	Other Fixed Assets	Total
Cost						
Balance at beginning of year	**₱37,348,341**	**₱169,530,254**	**₱142,327,624**	**₱44,304,998**	**₱67,486,915**	**₱460,998,132**
Additions	**29,730,627**	**59,161,714**	**33,010,417**	**2,699,749**	**34,526,294**	**159,128,801**
Transfers to investment properties (Note 13)	**(15,498,012)**	**–**	**–**	**–**	**–**	**(15,498,012)**
Balance at end of year	**51,580,956**	**228,691,968**	**175,338,041**	**47,004,747**	**102,013,209**	**604,628,921**
Accumulated Depreciation and Amortization						
Balance at beginning of year	**13,915,957**	**122,172,690**	**118,984,980**	**39,966,624**	**47,030,961**	**342,071,212**
Depreciation and amortization (Note 26)	**13,113,288**	**30,001,376**	**22,151,893**	**904,584**	**19,305,775**	**85,476,916**
Transfers to investment properties (Note 13)	**(1,727,751)**	**–**	**–**	**–**	**–**	**(1,727,751)**
Balance at end of year	**25,301,494**	**152,174,066**	**141,136,873**	**40,871,208**	**66,336,736**	**425,820,377**
Net Book Value	**₱26,279,462**	**₱76,517,902**	**₱34,201,168**	**₱6,133,539**	**₱35,676,473**	**₱178,808,544**

December 31, 2010

	Building and Building Improvements	Transportation Equipment	Office Furniture, Fixtures and Equipment	Construction Equipment	Other Fixed Assets	Total
Cost						
Balance at beginning of year	₱1,331,721	₱137,001,036	₱127,177,085	₱41,333,201	₱71,032,101	₱377,875,144
Additions	37,017,810	32,664,218	15,150,539	2,971,797	16,192,795	103,997,159
Retirements/disposals	(1,001,190)	(135,000)	–	–	(19,737,981)	(20,874,171)
Balance at end of year	37,348,341	169,530,254	142,327,624	44,304,998	67,486,915	460,998,132
Accumulated Depreciation and Amortization						
Balance at beginning of year	128,294	94,200,283	101,373,566	38,456,815	51,525,173	285,684,131
Depreciation and amortization (Note 26)	13,883,884	28,072,407	17,611,414	1,509,809	6,374,981	67,452,495
Retirements/disposals	(96,221)	(100,000)	–	–	(10,869,193)	(11,065,414)
Balance at end of year	13,915,957	122,172,690	118,984,980	39,966,624	47,030,961	342,071,212
Net Book Value	₱23,432,384	₱47,357,564	₱23,342,644	₱4,338,374	₱20,455,954	₱118,926,920

The Group's transportation equipment with a carrying value of ₱52.59 million and ₱19.52 million as of December 31, 2011 and 2010, respectively, were pledged as collateral under chattel mortgage to secure the banks loans of the Group with various financial institutions (see Note 19).

15. Interests in Joint Ventures

Interests in joint ventures pertain to deposits, cash advances and other charges in connection with the land development agreements (LDA) entered into by the Group with individuals, corporate entities and certain related parties for the development of real estate projects. The LDA provides, among others, the following: a) the Group will undertake the improvement, subdivision and development of the real estate project within a certain period as prescribed by the LDA, subject to certain conditions to be fulfilled by the real estate property owner; and b) the parties shall divide among themselves all saleable inventory of the real estate project in accordance with the ratio mutually agreed.

Total interest of the Group for these LDA's amounted to ₱1,645.26 million and ₱1,887.66 million as of December 31, 2011 and 2010, respectively.

16. Other Noncurrent Assets

This account consists of:

	2011	2010
Model house accessories - net	**₱105,357,921**	₱92,280,249
Deposits for real estate purchases	**3,989,068**	119,568,823
Systems development costs - net of accumulated amortization	**39,212,517**	16,130,205
Deposits and others	**215,018,275**	156,089,152
	₱363,577,781	₱384,068,429

Deposits for real estate purchases substantially represent the Group's payments to real estate property owners for the acquisition of certain real estate properties. Although the terms of the agreements provided that the deeds of absolute sale for the subject properties are to be executed only upon fulfillment by both parties of certain undertakings and conditions, including the payment by the Group of the full contract prices of the real estate properties, the Group already has physical possession of the original transfer certificates of title of the said properties. In 2011, deposits for real estate purchases amounting to ₱115.58 million is reclassified to Other current assets as the agreed undertakings and conditions of a certain land acquisition was fulfilled in 2012.

Deposits and others include deposits to utility companies which will either be recouped against future billings or refunded upon completion of the real estate projects. Such deposits are necessary for the construction and development of real estate projects of the Group.

The rollforward analyses of development costs follow:

	2011	2010
Balance at beginning of year	**₱16,130,205**	₱49,404,309
Additions	**38,425,168**	4,311,633
Amortization	**(15,342,856)**	(37,585,737)
Balance at end of year	**₱39,212,517**	₱16,130,205

Amortization of system development costs amounting to ₱15.34 million, ₱37.59 million and ₱41.75 million in 2011, 2010 and 2009, respectively is included in the "Depreciation and amortization" account under "Operating expenses" in profit or loss (see Note 26).

17. Accounts and Other Payables

This account consists of:

	2011	2010
Accounts payable - contractors	**₱2,199,234,197**	₱1,794,040,987
Accrued expenses	**1,386,532,678**	702,963,500
Retentions payable	**686,998,838**	704,825,564
Accounts payable - suppliers	**418,748,340**	228,434,484
Deferred output tax	**398,283,737**	536,190,440
Commissions payable	**304,043,559**	237,126,404
Accounts payable - buyers	**130,331,765**	135,419,667
Accounts payable - others	**251,445,765**	371,019,189
	₱5,775,618,879	₱4,710,020,235

Accounts payable - contractor pertains to contractors' billings for services related to the development of various projects of the Group. These are expected to be settled within a year after the reporting date.

Accounts payable, accrued expenses, retentions payable and commissions payable are noninterest-bearing and are expected to be settled within a year after the reporting date.

Accrued expenses consist mainly of accruals for project cost estimate, interest, light and power, marketing costs, professional fees, postal and communication, supplies, repairs and maintenance, transportation and travel, security, and insurance.

Retentions payable pertains to 10% retention from the contractors' progress billings which will be later released after the completion of contractors' project. The 10% retention serves as a security from the contractor should there be defects in the project.

Commissions payable pertain to fees paid to brokers for services rendered.

Accounts payable - buyer pertain to refunds related to the cancellation of contract to sell agreement in which a reasonable refund is required by the Maceda Law and excess of payments for accounts settled by bank financing.

Others include amounts pertaining to other non-trade liabilities.

18. Customers' Advances and Deposits

This account consists of customers' downpayments, reservation fees and excess of collections over the recognized receivables based on percentage of completion.

The Group requires buyers of residential houses and lots to pay a minimum percentage of the total selling price before the two parties enter into a sale transaction. In relation to this, the customers' advances and deposits represent payment from buyers which have not reached the minimum required percentage. When the level of required payment is reached by the buyer, a sale is recognized and these deposits and downpayments will be applied against the related installment contracts receivable.

19. Bank Loans and Loans Payable

Bank Loans

Bank loans pertain to the borrowings of the Group from various local financial institutions. Further analysis is provided below:

	2011	2010
Parent company	**₱3,714,758,400**	₱2,268,305,400
Subsidiaries	**417,854,684**	448,925,900
	4,132,613,084	2,717,231,300
Less current portion	**1,730,351,181**	398,831,528
	₱2,402,261,903	₱2,318,399,772

On various dates in 2011, the Parent Company obtained ₱1,500.00 million peso-denominated bank loans from a local bank which bear fixed interest rate of 5.50% and secured by a holdout on the US dollar deposits amounting to US$73.50 million (see Note 7).

The Parent Company obtained a peso-denominated bank loan from a local bank amounting to ₱270.00 million which bears fixed interest rate of 7.50% and will mature on November 18, 2010. The loan is secured by a real estate mortgage over certain properties of CAPI with a carrying value amounting to ₱450.00 million. On November 11, 2011, the Parent Company renewed the term loan with the local bank with interest at 6.00% and will mature on June 15, 2012.

On July 30, 2010, the Parent Company obtained a peso-denominated bank loan from a local bank amounting to ₱207.34 million which bear fixed interest rate of 8.39% and will mature on July 30, 2013. The loan is secured by real estate mortgage of certain properties of Brittany and CAPI with a carrying value amounting to ₱207.90 million and ₱296.20 million in 2011 and 2010, respectively (see Note 9). As of December 31, 2011, the balance of the loan is ₱145.53 million.

On November 2, 2010, the Parent Company obtained a peso-denominated bank loan from a local bank amounting to ₱199.23 million which bear fixed interest rate of 7.83% and will mature on October 31, 2013. The loan is secured by real estate mortgage of certain properties of Brittany and CAPI with a book value amounting to ₱284.61 million (see Note 9).

On December 9, 2010, the Parent Company obtained a peso-denominated bank loan from a local bank amounting to ₱1,600.00 million which bear fixed interest rate of 6.50% and will mature on December 6, 2015. The loan is secured by a hold-out on the US dollar deposits amounting to US$40.00 million (see Note 7).

The bank loans of the Parent Company and certain subsidiaries provide for certain restrictions and requirements with respect to, among others, payment of dividends, incurrence of additional liabilities, investment and guaranties, mergers or consolidations or other material changes in their ownership, corporate set-up or management, acquisition of treasury stock, disposition and mortgage of assets and maintenance of financial ratios at certain levels. These restrictions and requirements were complied with by the Group as of December 31, 2011 and 2010.

Banks loans amounting to ₱25.97 million and ₱10.67 million as of December 31, 2011 and 2010, respectively, were secured by a chattel mortgage on the Group's transportation equipment (see Note 14).

Loans Payable
Loans payable pertain to sold "Installment contracts receivable" of Subsidiaries as discussed in Note 8 to the consolidated financial statements. These loans bear fixed interest rates ranging from 7.00% to 12.00% in 2011, 9.50% to 13.00% in 2010 and 5.00% to 14.00% in 2009, payable on equal monthly installments over a maximum period of 3 to 15 years depending on the terms of the installment contracts receivables.

20. Liabilities for Purchased Land

Liabilities for purchased land are payables to various real estate property sellers. Under the terms of the agreements executed by the Group covering the purchase of certain real estate properties, the titles of the subject properties shall be transferred to the Group only upon full payment of the real estate loans.

On various dates in 2011 and 2010 the Group acquired certain land properties which are payable over a period of one to three years. Such liabilities for purchased land with a nominal amount of ₱1,139.85 million were initially recorded at fair value resulting to a discount of ₱206.37 million. The fair value is derived using the discounted cash flow model using the discount rate ranging from 6.29% to 10.00% with effective interest rate ranging from 5.92% to 9.84%. The unamortized discount amounted to ₱18.01 million and ₱19.54 million as of December 31, 2011 and 2010, respectively.

Accretion of ₱16.32 million, ₱11.57 million and ₱60.16 million is recorded as interest expense in 2011, 2010 and 2009, respectively (see Note 24).

21. Notes Payable

On September 30, 2010, the Parent Company issued US$100.00 million notes (the Notes) with a term of five years from the issue date. The interest rate is 8.25% per annum payable semi-annually in arrears on March 30 and September 30 of each year commencing on March 30, 2011.

On March 30, 2011, an additional note, with the same terms and conditions with the above notes, were issued by the Parent Company amounting to US$75.00 million.

The Notes are unconditionally and irrevocably guaranteed by the subsidiaries of the Parent Company. Other pertinent provisions of the Notes follow:

Redemption at the option of noteholders
The Parent Company will, at the option of any noteholder, redeem such Note on September 30, 2013 at its principal amount.

Redemption at the option of the issuer
At any time prior to September 30, 2013, the Parent Company may redeem up to 35% of the aggregate principal amount of the Notes originally issued at a redemption price equal to 108.25% of the principal amount, plus accrued and unpaid interest, if any, to the date of redemption with the net cash proceeds of an equity offering; provided that: (i) at least 65% of the aggregate principal amount of Notes originally issued remains outstanding immediately after the occurrence of such redemption and (ii) the redemption occurs within 60 days of the date of the closing of such equity offering.

Covenants
The Notes provide for the Parent Company and Subsidiaries to observe certain covenants including, among others, incurrence of additional debt; grant of security interest; payment of dividends; mergers, acquisitions and disposals; and certain other covenants. These were complied with by the Group as of December 31, 2011 and 2010.

22. Long-term Notes

The Long-Term Notes (LTN) is payable over 15 years, was initially recorded at present value of ₱1.29 billion (US$26.52 million) with discount amounting to ₱982.00 million (US$20.25 million). The LTN was translated to Philippine peso using the USD/Peso foreign exchange rate as of December 31 and January 1, 2009 of ₱46.20 and ₱47.52 to US$1.00, respectively. This resulted to a foreign exchange gain of ₱1.89 million in 2010 and foreign exchange loss of ₱0.61 million in 2009 which are presented in profit or loss.

Interest rates for LTNs range from 1.00% to 5.00% over certain contractual periods with effective interest rate of 8.59%.

The total amount of interest expense recognized in 2011, 2010 and 2009 pertaining to accretion of LTNs amounted to nil, ₱16.32 million and ₱62.72 million, respectively (see Note 24).

In 2009, the Group settled LTNs amounting to ₱1,019.77 million (US$28.53 million) which resulted to a loss amounting to ₱318.81 million presented under "Loss on settlement of loans" in profit or loss pertaining to the unamortized discount of the settled amount.

In 2010, the LTNs were fully settled which resulted to a loss amounting to ₱115.87 million.

23. Equity

Capital Stock
The details of the Parent Company's capital stock follow:

	2011	2010	2009
Common			
Authorized shares	**11,000,000,000**	11,000,000,000	12,000,000,000
Par value per share	**₱1.00**	₱1.00	₱1.00
Issued shares	**8,538,740,614**	8,538,740,614	8,538,740,614
Treasury shares	**39,643,000**	–	–
Preferred			
Authorized shares	**10,000,000,000**	10,000,000,000	–
Par value per share	**₱0.10**	₱0.10	₱–
Issued shares	**–**	–	–

On August 13, 2010, the BOD approved the reclassification of 1.0 billion unissued common shares with a par value of ₱1.00 per share into 10.0 billion new preferred shares with a par value of ₱0.10 per share and the amendment of the Parent Company's Articles of Incorporation to reflect the reclassification of the unissued common shares into new preferred shares. On September 27, 2010, the Parent Company's stockholders ratified the reclassification.

On November 24, 2010, the SEC approved the amendments to the Parent Company's Articles of Incorporation embodying the reclassification of the unissued common shares to new preferred shares.

The new preferred shares are voting, cumulative, non-paticipating, non-convertible and non-redeemable. The BOD may determine the dividend rate which shall in no case be more than 10% per annum.

On July 26, 2007, the Parent Company launched its follow-on offer where a total of 8,538,740,614 common shares were offered at an offering price of ₱6.85 per share. The registration statement was approved on June 25, 2007. The Parent Company has 1,074 existing certified shareholders as of December 31, 2011.

Treasury Shares

On June 15, 2011, the BOD of the Parent Company approved the buyback of its common shares up to the extent of the total purchase price of ₱1.5 billion subject to the prevailing market price at the time of the buyback over a 24-month period but subject to periodic review by the management. As of December 31, 2011, treasury stocks arising from the 39,643,000 common shares amounted to ₱122.21 million.

In various dates 2009 and 2008, the Parent Company acquired from the market a total of 24,930,000 and 282,498,000 common shares, respectively, at a total cost of ₱20.49 million and ₱548.35 million, respectively. On October 20, 2009, the Parent Company issued 320,686,000 treasury shares as consideration for the 100% interest in VRI (see Note 4).

On November 27, 2007, the SEC approved the Parent Company's buyback of its shares up to the extent of the total purchase price of US$25 million subject to the prevailing market price at the time of buy back over the next 12 months but subject to periodic review by the Parent Company's management. On November 6, 2008, the Parent Company's BOD approved the extension of the buy back for an additional of six (6) months or up to May 12, 2009.

The movements in the Parent Company's outstanding number of common shares follow:

	2011	2010	2009
At January 1	**8,538,740,614**	8,538,740,614	8,242,984,614
Treasury shares			–
Acquired	**(39,643,000)**	–	(24,930,000)
Reissued	–	–	320,686,000
At December 31	**8,499,097,614**	8,538,740,614	8,538,740,614

Retained Earnings

In accordance with SRC Rule 68, as Amended (2011), Annex 68-C, the Parent Company's retained earnings available for dividend declaration as of December 31, 2011 amounted to ₱633.52 million.

Retained earnings include the accumulated equity in undistributed earnings of consolidated subsidiaries of ₱12.19 billion and ₱9.52 billion in 2011 and 2010, respectively. These are not available for dividends until declared by the subsidiaries.

On May 17, 2011, the BOD approved the declaration and payment of cash dividends from the unrestricted retained earnings of the Parent Company amounting to ₱298.86 million or ₱0.035 per share payable to stockholders of record at the close of business on June 1, 2011. The said dividends are payable on June 28, 2011. Subsequently, on September 13, 2011, the BOD approved the declaration and payment of cash dividends from the unrestricted retained earnings of the Parent Company amounting to ₱594.96 million or ₱0.07 per share payable to stockholders of record at the close of business on September 28, 2011. The said dividends are payable on October 24, 2011.

On September 15, 2010, the BOD approved the declaration and payment of cash dividends from the unrestricted retained earnings of the Parent Company amounting to ₱461.09 million or ₱0.054 per share payable to stockholders of record at the close of business on September 30, 2010. The said dividends are payable on October 26, 2010.

On November 23, 2009, the BOD approved the cash dividend declaration and payment from the unrestricted retained earnings of the Parent Company of ₱281.78 million or ₱0.033 per share payable to stockholders of record as of December 8, 2009. The said dividends are payable on December 29, 2009.

Capital Management

The primary objective of the Group's capital management policy is to ensure that debt and equity capital are mobilized efficiently to support business objectives and maximize shareholder value. The Group establishes the appropriate capital structure for each business line that properly reflects its premier credit rating and allows it the financial flexibility, while providing it sufficient cushion to absorb cyclical industry risks.

The Group considers debt as a stable source of funding. The Group lengthened the maturity profile of its debt portfolio and makes it a point to spread out its debt maturities by not having a significant percentage of its total debt maturing in a single year.

The Group manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. It monitors capital using leverage ratios on both a gross debt and net debt basis. As of December 31, 2011 and 2010, the Group had the following ratios:

	2011	2010
Current ratio	**253%**	283%
Debt-to-equity ratio	**66%**	58%

Current Ratio: Obtained by dividing the total current assets by total current liabilities.
Debt-to-equity ratio: Obtained by dividing the total liabilities by total equity.

The Group is not subject to externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended December 31, 2011 and 2010.

The Group considers as capital the equity attributable to equity holders of the Group.

The following table shows the component of the Parent Company's equity as of December 31, 2011 and 2010:

	2011	2010
Total paid-up capital	**₱27,867,250,474**	₱27,867,250,474
Retained earnings	**12,943,468,957**	10,309,298,685
Treasury shares	**(122,207,625)**	–
	₱40,688,511,806	₱38,176,549,159

Financial risk assessment
The Group's financial condition and operating results would not be materially affected by the current changes in liquidity, credit, interest, currency and market conditions.

Credit risks continue to be managed through defined credit policies and continuing monitoring of exposure to credit risks. The Group's base of counterparties remains diverse. As such, it is not exposed to large concentration of credit risk.

Exposure to changes in interest rates is reduced by regularly availing of short-term loans as it relates to its sold installment contracts receivables in order to cushion the impact of potential increase in loan interest rates.

Exposure to foreign currency holdings are as follows:

	2011	2010
Cash and cash equivalents	**US$2,834,762**	US$5,226,653
Short-term cash investments	**35,000,000**	35,000,000
Long-term cash investments	**113,500,000**	40,000,000
Notes payable	**168,653,847**	97,123,734

Liquidity risk is addressed with long-term funding already locked in, while funds are placed on a short term placement.

24. Interest Income and Other Financing Charges

Below are the details of interest income:

	2011	2010	2009
Installment contracts receivable	**₱560,416,037**	₱662,124,505	₱655,250,626
Cash, short-term and long-term cash investments	**224,132,283**	37,345,681	117,361,853
Accretion of unamortized discount (Note 8)	**68,564,387**	77,651,839	84,683,641
	₱853,112,707	₱777,122,025	₱857,296,120

Interest and other financing charges consist of:

	2011	2010	2009
Interest expense on:			
Bank loans (Note19)	**₱871,166,749**	₱584,561,898	₱478,078,475
Notes payable (Note 21)	**747,312,940**	178,295,579	–
Long term notes (Note 22)	**–**	16,317,745	62,721,408
	1,618,479,689	779,175,222	540,799,883
Less amounts capitalized (Note 9)	**305,593,326**	60,507,791	7,979,118
Add accretion of unamortized discount (Note 20)	**16,323,402**	11,566,379	60,161,371
	₱1,329,209,765	₱730,233,810	₱592,982,136

The capitalization rate used to determine the borrowings eligible for capitalization is 4.78% in 2011, 8.80% in 2010 and 14.5% in 2009.

The total interest and other financing charges include interest expense arising from the accretion of long term notes amounting to nil, ₱16.32 million and ₱62.72 million in 2011, 2010 and 2009, respectively, and from the accretion of liabilities for purchased land amounting to ₱16.32 million, ₱11.57 million and ₱60.16 million in 2011, 2010, and 2009, respectively.

25. Miscellaneous Income

Miscellaneous income mostly pertains to income from forfeited reservation fees and partial payments from customers whose sales contracts are cancelled before completion of required downpayment.

26. Operating Expenses

This account consists of:

	2011	2010	2009
Commissions	**₱898,590,725**	₱662,428,504	₱532,120,434
Advertising and promotions	**764,626,235**	628,523,785	556,916,143
Salaries, wages and employees benefits (Note 27)	**408,955,430**	325,757,587	255,189,515
Repairs and maintenance	**262,501,350**	201,552,583	154,595,643
Professional fees	**248,707,614**	211,091,441	71,636,025
Occupancy costs	**182,415,835**	185,347,470	116,265,549
Depreciation and amortization (Notes 14 and 16)	**101,754,628**	105,038,232	95,162,392
Transportation and travel	**74,402,883**	106,564,330	34,698,382
Taxes and licenses	**65,958,957**	57,330,993	31,494,335
Representation and entertainment	**65,643,955**	50,287,554	78,845,334
Office expenses	**50,203,790**	67,228,943	29,094,699
Provision for impairment losses on receivables	**–**	–	11,079,149
Miscellaneous	**150,563,272**	88,358,472	116,474,835
	₱3,274,324,674	₱2,689,509,894	₱2,083,572,435

Rent expenses
The Group entered into various lease agreements for administrative and selling purposes. These agreements are renewed on an annual basis with advanced deposits. Rent expenses included under “Occupancy costs” amounted to ₱41.81 million, ₱78.78 million and ₱33.07 million in 2011, 2010 and 2009, respectively.

Miscellaneous expenses
Miscellaneous expenses include dues and subscriptions, donations and other expenditures.

27. Retirement Plan

The Group has noncontributory defined benefit pension plan covering substantially all of its regular employees. The benefits are based on current salaries and years of service and compensation on the last year of employment.

The principal actuarial assumptions used to determine the pension benefits with respect to the discount rate, salary increases and return on plan assets were based on historical and projected normal rates.

The components of pension cost (included in "Salaries, wages and employees benefits" under Operating expenses) in profit or loss are as follows (see Note 26):

	2011	2010	2009
Current service cost	**₱41,421,300**	₱27,841,800	₱7,842,200
Interest cost on benefit obligation	**22,062,900**	16,864,401	4,300,000
Expected return on plan assets	**(3,597,700)**	–	–
Net actuarial losses (gains) immediately recognized	**(10,433,896)**	37,007,700	116,433,600
Total pension expense	**₱49,452,604**	₱81,713,901	₱128,575,800

Funded status and amounts recognized in the consolidated statement of financial position for the pension plan follow:

	2011	2010
Defined benefit obligation	**₱286,591,400**	₱232,154,800
Plan assets	**(129,169,900)**	(71,205,104)
Liability recognized in the consolidated statement of financial position	**₱157,421,500**	₱160,949,696
Actual return on plan assets	**₱4,983,996**	₱–

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

	2011	2010
Balance at beginning of year	**₱232,154,800**	₱150,440,899
Current service cost	**41,421,300**	27,841,800
Interest cost on benefit obligation	**22,062,900**	16,864,401
Actuarial loss (gain)	**(9,047,600)**	37,007,700
Balance at end of year	**₱286,591,400**	₱232,154,800

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

	2011	2010
Balance at January 1	**₱71,205,104**	₱17,986,869
Expected return on plan assets	**3,597,700**	–
Contributions by employer	**52,980,800**	53,218,235
Actuarial gain	**1,386,296**	–
Balance at December 31	**₱129,169,900**	₱71,205,104

The movements in the combined net pension liabilities follow:

	2011	2010
Balance at beginning of year	**₱160,949,696**	₱132,454,030
Pension expense	**49,452,604**	81,713,901
Actual contribution	**(52,980,800)**	(53,218,235)
Balance at end of year	**₱157,421,500**	₱160,949,696

The assumptions used to determine the pension benefits for the Group are as follows:

	2011	2010
Discount rates	**9.52%**	7.24-9.52%
Salary increase rate	**11.00%**	11.00%
Expected rate of return on plan assets	**5.00%**	5.00%

The plan assets of the Group consists of savings and time deposit accounts with a certain local bank amounting to ₱124.19 million and ₱71.21 million as of December 31, 2011 and 2010, respectively.

The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

Amounts for the current and previous annual periods are as follows:

	2011	2010	2009	2008	2007
Defined benefit obligation	**₱286,591,400**	₱232,154,800	₱150,440,899	₱14,776,999	₱100,044,935
Plan assets	**(129,169,900)**	(71,205,104)	(17,986,869)	–	–
Excess	**₱157,421,500**	₱160,949,696	₱132,454,030	₱14,776,999	₱100,044,935

Gains (losses) on experience adjustments are as follows:

	2011	2010	2009	2008	2007
Defined benefit obligation	**(₱43,004,100)**	₱27,762,700	₱1,526,400	₱2,245,300	₱33,714,009
Plan assets	**1,386,296**	–	–	–	–

The Group expects to contribute ₱70.69 million to its retirement fund in 2012.

28. Income Tax

Provision for income tax consists of:

	2011	2010	2009
Current:			
RCIT/MCIT	**₱319,599,409**	₱315,090,215	₱247,963,063
Final	**18,020,227**	6,699,961	25,691,629
Deferred	**(271,705,328)**	(101,044,496)	239,821,255
	₱65,914,308	₱220,745,680	₱513,475,947

The components of the Group's deferred taxes are as follows:

Net deferred tax assets:

	2011	2010
Deferred tax assets on:		
Excess of book basis over tax basis of deferred gross profit on real estate sales	**₱1,726,513**	₱–
NOLCO	**301,862**	127,653,187
Accrual of retirement costs	**–**	10,919,024
Unrealized foreign exchange losses	**–**	10,908,267
Carryforward benefit of MCIT	**–**	5,165,531
Unamortized discount on receivables	**–**	4,401,541
	2,028,375	159,047,550
Deferred tax liabilities on:		
Excess of book basis over tax basis of deferred gross profit on real estate sales	**–**	117,902,252
Capitalized interest and other expenses	**–**	14,462,497
	–	132,364,749
	₱2,028,375	₱26,682,801

Net deferred tax liabilities:

	2011	2010
Deferred tax assets on:		
NOLCO	**₱162,708,630**	₱68,228,932
Allowance for probable losses	**148,017,485**	148,017,485
Accrual of retirement costs	**52,486,130**	36,756,950
Unrealized foreign exchange losses	**26,681,718**	19,682,261
Unamortized discount on receivables	**11,376,374**	15,789,902
Carryforward benefit of MCIT	**9,502,172**	–
	410,772,509	288,475,530
Deferred tax liabilities on:		
Excess of book basis over tax basis of deferred gross profit on real estate sales	**2,255,635,241**	2,561,685,705
Capitalized interest and other expenses	**114,190,886**	29,583,120
Unamortized bond transaction cost	**48,409,454**	–
Discount on rawlands payable	**7,396,432**	8,145,140
Unrealized foreign exchange gain	**66,719**	–
Retirement income	**–**	347,542
	2,425,698,732	2,599,761,507
	₱2,014,926,223	₱2,311,285,977

As of December 31, 2011 and 2010, the Group has deductible temporary differences, NOLCO and MCIT that are available for offset against future taxable income for which no deferred tax assets have been recognized as follows:

	2011	2010
NOLCO	**₱1,528,485,141**	₱672,935,346
Allowance for obsolescence on undeveloped land	**839,183,299**	839,183,299
Unrealized foreign exchange loss	**67,974,187**	16,047,290
Accrual of retirement cost	**25,794,846**	40,186,710
MCIT	**2,408,694**	978,940
Unamortized discount on receivables	**–**	290,139

Deferred tax assets are recognized only to the extent that taxable income will be available against which the deferred tax assets can be used. The subsidiaries will recognize a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable income will allow the deferred tax asset to be recovered.

As of December 31, 2011, the details of the unused tax credits from the excess of the MCIT over RCIT and NOLCO, which are available for offset against future income tax payable and taxable income, respectively, over a period of three (3) years from the year of inception, follow:

NOLCO

Inception Year	Amount	Used/Expired	Balance	Expiry Year
2008	₱73,794,155	(₱73,794,155)	₱–	2011
2009	355,123,730	(66,556,471)	288,567,259	2012
2010	835,044,687	–	835,044,687	2013
2011	948,241,501	–	948,241,501	2014
	₱2,212,204,073	(₱140,350,626)	₱2,071,853,447	

MCIT

Inception Year	Amount	Used/Expired	Balance	Expiry Year
2008	₱1,973,621	(₱1,973,621)	₱–	2011
2009	1,919,014	–	1,919,014	2012
2010	2,202,884	–	2,202,884	2013
2011	7,788,968	–	7,788,968	2014
	₱13,884,487	(₱1,973,621)	₱11,910,866	

The reconciliation of the provision for income tax computed at the statutory income tax rate to the provision for income tax shown in profit or loss follows:

	2011	2010	2009
Provision for income tax computed at the statutory income tax rate	**30.00%**	30.00%	30.00%
Additions to (reductions in) income tax resulting from:			
Nondeductible interest and other expenses	**4.80%**	0.06%	1.09%
Change in unrecognized deferred tax assets	**0.82%**	3.03%	4.09%
Tax-exempt income	**(25.03%)**	(16.46%)	(13.45%)
Expired MCIT and NOLCO	**(2.26%)**	0.00%	–
Interest income already subjected to final tax	**(1.06%)**	(0.10%)	(2.98%)
Equity in net loss (income) of an associate	**0.05%**	(0.02%)	(0.49%)
Others	**(5.49%)**	(9.68%)	–
Provision for income tax	**1.83%**	6.83%	18.26%

Board of Investments (BOI) Incentives
On various dates in 2011, the BOI issued in favor of certain subsidiaries in the Group a Certificate of Registration as a New Developer of Mass Housing Project for its 13 real estate projects in accordance with the Omnibus Investment Code of 1987. Pursuant thereto, the projects has been granted an Income Tax Holiday for a period of three years commencing from 2011 until 2014.

29. Related Party Transactions

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

The Group in their regular conduct of business has entered into transactions with affiliates and other related parties principally consisting of advances and reimbursement of expenses and purchase and sale of real estate properties. The Group's policy is to settle its intercompany receivables and payables on a net basis.

The consolidated statement of financial position include the following amounts resulting from the foregoing transactions which represent amounts receivable (payable) to related parties as of December 31, 2011 and 2010:

	2011	2010
Corporate shareholders	**(₱403,915,224)**	(₱472,312,762)
Other affiliates	**221,112,857**	86,563,552
	(₱182,802,367)	(₱385,749,210)

Outstanding balances at year-end are unsecured, interest free and settlement occurs in cash. As of December 31, 2011 and 2010, the Parent Company has not made any provision for impairment loss relating to amounts owed by related parties. This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

There are balances and transactions within the Group, principally consisting of dividends, advances, reimbursement of expenses and management income, which are eliminated in full.

Except as stated in Notes 19 and 21 to the consolidated financial statements, there have been no guarantees provided or received for any related party receivables or payables.

The compensation of key management personnel by benefit type follows:

	2011	2010	2009
Short-term employee benefits	**₱75,680,388**	₱68,100,110	₱61,840,600
Post-employment benefits	**12,080,609**	10,746,910	9,656,000
	₱87,760,997	₱78,847,020	₱71,496,600

30. Earnings Per Share

The following table presents information necessary to compute the EPS:

	2011	2010	2009
Basic and Diluted Earnings Per Share			
a) Net income attributable to equity holders of Parent	**₱3,527,984,027**	₱3,012,973,097	₱2,299,408,170
b) Weighted average common shares	**8,447,852,961**	8,461,038,074	8,276,175,614
c) Earnings per share (a/b)	**₱0.418**	₱0.356	₱0.278

In 2011, the acquired treasury shares and reciprocal holdings attributable to PPHI's ownership in the Parent Company are deducted from the total outstanding shares in computing for the weighted average number of outstanding common shares (see Notes 1 and 23). In 2010 and 2009, the reciprocal holdings attributable to PPHI's ownership in the Parent Company is deducted from the total outstanding shares in computing for the weighted average number of outstanding common shares.

There were no dilutive potential common shares for the year ended December 31, 2011, 2010 and 2009.

31. Financial Assets and Liabilities

The following table sets forth the carrying values and fair values of the Group's financial assets and liabilities recognized as of December 31, 2011 and 2010:

	December 31, 2011		December 31, 2010	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial Assets				
Loans and receivables				
Cash and cash equivalents	**₱2,052,566,048**	**₱2,052,566,048**	₱3,481,807,245	₱3,481,807,245
Short-term cash investments	**1,597,723,506**	**1,597,723,506**	1,659,460,317	1,659,460,317
Receivables				
Installment contract receivables	**18,087,331,761**	**18,157,208,301**	16,041,464,583	18,260,649,566
Others	**3,171,578,941**	**3,171,578,941**	1,516,308,076	1,516,308,076
Long-term cash investments	**4,975,840,000**	**4,880,493,254**	1,753,600,000	2,034,719,604
	29,885,040,256	**29,859,570,050**	24,452,640,221	26,952,944,808
AFS financial assets				
Investments in unquoted equity shares	**41,309,183**	**41,309,183**	41,309,183	41,309,183
Total Financial Assets	**₱29,926,349,439**	**₱29,900,879,233**	₱24,493,949,404	₱26,994,253,991
Financial Liabilities				
Other financial liabilities				
Bank loans	**₱4,132,613,084**	**₱4,485,025,472**	₱2,717,231,300	₱2,688,526,380
Loans payables	**2,449,230,605**	**2,660,493,251**	3,490,622,222	3,297,076,765
Liabilities for purchased land	**1,537,310,987**	**1,492,836,104**	1,111,616,208	1,088,873,326
Accounts and other payables	**5,377,335,142**	**5,377,335,142**	4,173,829,795	4,173,829,795
Payable to related parties	**182,802,367**	**182,802,367**	385,749,210	385,749,210
Notes payable	**7,393,784,649**	**9,273,939,187**	4,257,904,517	5,162,828,871
Total Financial Liabilities	**₱21,073,076,834**	**₱23,472,431,523**	₱16,136,953,252	₱16,796,884,347

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

Cash and cash equivalents and short-term cash investments: Due to the short-term nature of the account, the fair value of cash and cash equivalents and short-term cash investments approximate the carrying amounts in the consolidated statements of financial position.

Installment contracts receivables: Estimated fair value of installment contracts receivables is based on the discounted value of future cash flows using the prevailing interest rates for similar types of receivables as of the reporting date using the remaining terms of maturity. The discount rate used ranged from 1.15% to 8.48% in 2011 and 2.50% to 8.15% in 2010.

Other receivables: due to the short-term nature of the account, the fair value of other receivables approximates the carrying amounts.

Long-term cash investments: The fair values are based on the discounted value of future cash flows using the applicable rates for similar types of instruments. The discount rate used ranges from 1.75% to 4.00% in 2011 and 1.30% to 4.96% in 2010.
AFS financial assets: for AFS investment in unquoted equity securities, these are carried and presented at cost since fair value is not reasonably determine due to the unpredictable nature of future cash flows and without any other suitable methods of arriving at a reliable fair value.

The AFS financial assets carried at cost are preferred shares of a utility company issued to the Group as a consequence of its subscription to the electricity services of the said utility company needed for the Group's residential units. The said preferred shares have no active market and the Group does not intend to dispose these because these are directly related to the continuity of its business.

Payable to related parties: due to the short-term nature of the account, carrying amounts approximate their fair values.

Accounts and other payables: fair values of accounts and other payables approximate their carrying amounts in the consolidated statement of financial position due to the short-term nature of the transactions.

Bank loans, loans payable, notes payable and liabilities for purchased land: estimated fair values of bank loans and liabilities for purchased land are based on the discounted value of future cash flows using the applicable rates for similar types of loans. Interest rates used in discounting cash flows ranges from 5.50% to 13.00% in 2011 and 6.50% to 15.50% in 2010 using the remaining terms to maturity.

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

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

The Group has no financial instruments measured at fair value as of December 31, 2011 and 2010.

Financial Risk Management Objectives and Policies
Financial risk
The Group's principal financial liabilities comprise of bank loans, loans payable, notes payable, accounts and other payables and liabilities for purchased land. The main purpose of the Group's financial liabilities is to raise financing for the Group's operations. The Group has various financial assets such as installment contracts receivables, cash and cash equivalents and short-term and long-term cash investments, which arise directly from its operations. The main risks arising from the use of financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk.

The BOD reviews and approves with policies for managing each of these risks. The Group monitors market price risk arising from all financial instruments and regularly report financial management activities and the results of these activities to the BOD.

The Group's risk management policies are summarized below. The exposure to risk and how they arise, as well as the Group's objectives, policies and processes for managing the risk and the methods used to measure the risk did not change from prior years.

Cash flow interest rate risk
The Group's exposure to market risk for changes in interest rates, relates primarily to its financial assets and liabilities that are interest-bearing.

The Group's policy is to manage its interest cost by entering into fixed rate debts. The Group also regularly enters into short-term loans as it relates to its sold installment contracts receivables in order to cushion the impact of potential increase in loan interest rates.

The table below shows the financial assets and liabilities that are interest-bearing:

	December 31, 2011		December 31, 2010	
	Effective Interest Rate	**Amount**	Effective Interest Rate	Amount
Financial assets				
Fixed rate				
Cash and cash equivalents (excluding cash on hand)	**1.00% to 4.00%**	**₱2,039,335,081**	1.60% to 4.06%	₱3,471,030,858
Short-term cash investments	**1.75% to 4.00%**	**1,597,723,506**	0.75% to 6.50%	1,659,460,317
Long-term cash investments	**1.75% to 4.00%**	**4,975,840,000**	1.75% to 4.0%	1,753,600,000
Installment contracts receivable	**7.50% to 19.0%**	**18,087,331,761**	7.50% to 19.0%	16,041,464,583
		₱26,700,230,348		₱22,925,555,758
Financial liabilities				
Fixed rate				
Notes payable	**8.25%**	**₱7,393,784,649**	8.25%	₱4,257,904,517
Bank loans	**5.50% to 8.40%**	**4,132,613,084**	9.50% to 12.0%	2,717,231,300
Loans payable	**9.50% to 13.0%**	**2,449,230,605**	9.50% to 13.0%	3,490,622,222
Liabilities for purchased land	**8.25%**	**1,537,310,988**	8.25%	38,653,734
		₱15,512,939,326		₱10,504,411,773

As of December 31, 2011 and 2010, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

Foreign exchange risk
The Group's foreign exchange risk results primarily from movements of the Philippine peso against the United States Dollar (USD). Approximately 27.48% and 19.40% of the debt of the Group as of December 31, 2011 and 2010, respectively, are denominated in USD. The Group's foreign currency-denominated debt comprises of the Bonds in 2011 and 2010. Below are the carrying values and the amounts in US$ of these foreign currency denominated financial assets and liabilities.

	December 31, 2011		December 31, 2010	
	Peso	**US$**	Peso	US$
Cash and cash equivalents	**₱124,275,957**	**US$2,834,762**	₱229,136,468	US$5,226,653
Short-term cash investments	**1,534,400,000**	**35,000,000**	1,534,400,000	35,000,000
Long-term cash investments	**4,975,840,000**	**113,500,000**	1,753,600,000	40,000,000
Notes payable	**7,393,784,652**	**168,653,847**	4,257,904,499	97,123,734

In translating the foreign currency- denominated monetary assets in peso amounts, the Philippine Peso - US dollar exchange rates as of December 31, 2011 and 2010 used were ₱43.84 to US$1.00.

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate until its next annual reporting date, with all other variables held constant, of the Group's 2011 and 2010 profit before tax (due to changes in the fair value of monetary assets and liabilities) as of December 31, 2011 and 2010.

	December 31, 2011		December 31, 2010	
	Increase/Decrease in US Dollar rate	**Effect on income before tax**	Increase/Decrease in US Dollar rate	Effect on income before tax
Cash and cash equivalents	**+0.02%**	**₱24,855**	+0.02%	₱45,827
	-0.02%	**(24,855)**	-0.02%	(45,827)
Short-term cash investments	**+0.02%**	**306,880**	+0.02%	306,880
	-0.02%	**(306,880)**	-0.02%	(306,880)
Long-term cash investments	**+0.02%**	**995,168**	+0.02%	350,720
	-0.02%	**(995,168)**	-0.02%	(350,720)
Notes payable	**+0.02%**	**1,478,757**	+0.02%	(851,581)
	-0.02%	**(1,478,757)**	-0.02%	851,581

The assumed movement in basis points for foreign exchange sensitivity analysis is based on the currently observable market environment, showing no material movements as in prior years.

There are no items affecting equity except for those having impact on profit or loss.

Credit risk
The Group transacts only with recognized and creditworthy third parties. The Group's receivables are monitored on an ongoing basis resulting to manageable exposure to bad debts. Real estate buyers are subject to standard credit check procedures, which are calibrated based on the payment scheme offered. The Group's respective credit management units conduct a comprehensive credit investigation and evaluation of each buyer to establish creditworthiness.

Receivable balances are being monitored on a regular basis to ensure timely execution of necessary intervention efforts. In addition, the credit risk for installment contracts receivables is mitigated as the Group has the right to cancel the sales contract without need for any court action and take possession of the subject house in case of refusal by the buyer to pay on time the due installment contracts receivable. This risk is further mitigated because the corresponding title to the subdivision units sold under this arrangement is transferred to the buyers only upon full payment of the contract price and the requirement for remedial procedures is minimal given the profile of buyers.

With respect to credit risk arising from the other financial assets of the Group, which are comprised of cash and cash equivalents, short-term and long-term cash investments and AFS financial assets, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The Group manages its cash by maintaining cash accounts with banks which have demonstrated financial soundness for several years. The Group's investments in AFS are incidental to its housing projects and are considered by the Group to be of high quality because these are investments with the biggest electric utility company in the country.

The table below shows the comparative summary of maximum credit risk exposure on financial assets as of December 31, 2011 and 2010:

	2011	2010
Loans and Receivables		
Cash and cash equivalents (excluding cash on hand)	**₱2,039,335,081**	₱3,471,030,858
Short-term cash investments	**1,597,723,506**	1,659,460,317
Receivables		
Installment contracts receivables	**18,087,331,761**	16,140,816,767
Others	**2,981,989,493**	1,731,286,986
Long-term cash investments	**4,975,840,000**	1,753,600,000
	29,682,219,841	24,756,194,928
AFS Financial Assets		
Investments in unquoted equity shares	**41,309,183**	41,309,183
	₱29,723,529,024	₱24,797,504,111

Given the Group's diverse base of counterparties, it is not exposed to large concentrations of credit risk.

As of December 31, 2011 and 2010, the aging analyses of past due but not impaired receivables, presented per class are as follows:

December 31, 2011

	Neither Past Due Nor Impaired	**Past Due But Not Impaired**				**Total of Past Due But Not Impaired**	**Impaired Financial Assets**	**Total**
		<30 days	**30-60 days**	**60-90 days**	**>90 days**			
Installment contract receivables	**₱16,749,821,024**	**₱748,338,307**	**₱291,903,690**	**₱35,921,964**	**₱161,994,592**	**₱1,238,158,553**	**₱99,352,184**	**₱18,087,331,761**
Other receivables	**2,743,972,989**	**7,593,493**	**3,458,914**	**758,807**	**11,226,380**	**23,037,594**	**214,978,910**	**2,981,989,493**
Total	**₱19,493,794,013**	**₱755,931,800**	**₱295,362,604**	**₱36,680,771**	**₱173,220,972**	**₱1,261,196,147**	**₱314,331,094**	**₱21,069,321,254**

December 31, 2010

	Neither Past Due Nor Impaired	Past Due But Not Impaired				Total of Past Due But Not Impaired	Impaired Financial Assets	Total
		<30 days	30-60 days	60-90 days	>90 days			
Installment contract receivables	₱15,470,729,536	₱127,298,650	₱79,490,473	₱51,557,707	₱312,388,217	₱570,735,047	₱99,352,184	₱16,140,816,767
Other receivables	1,172,844,158	18,231,704	24,277,837	40,898,314	260,056,063	343,463,918	214,978,910	1,731,286,986
Total	₱16,643,573,694	₱145,530,354	₱103,768,310	₱92,456,021	₱572,444,280	₱914,198,965	₱314,331,094	₱17,872,103,753

Those accounts that are considered neither past due nor impaired are receivables without any default in payments and those accounts wherein the management has assessed that recoverability is high.

The tables below show the credit quality of the Group's financial assets as of December 31, 2011 and 2010, gross of allowance for impairment losses:

December 31, 2011

	Neither past due nor impaired				Past due but		
	High grade	Medium grade	Low grade	Total	not impaired	Impaired	Total
Cash and cash equivalents (excluding cash on hand)	₱2,039,335,081	₱–	₱–	₱2,039,335,081	₱–	₱–	₱2,039,335,081
Short-term cash investments	1,597,723,506	–	–	1,597,723,506	–	–	1,597,723,506
Receivables							
Installment contracts receivable	16,749,821,024	–	–	16,749,821,024	1,238,158,553	99,352,184	18,087,331,761
Others	2,490,190,779	253,782,210	–	2,743,972,989	23,037,594	214,978,910	2,981,989,493
Long-term cash investments	4,975,840,000	–	–	4,975,840,000	–	–	4,975,840,000
Total loans and receivables	27,852,910,390	253,782,210	–	28,106,692,600	1,261,196,147	314,331,094	29,682,219,841
AFS financial assets	41,309,183	–	–	41,309,183	–	–	41,309,183
	₱27,894,219,573	₱253,782,210	₱–	₱28,148,001,783	₱1,261,196,147	₱314,331,094	₱29,723,529,024

December 31, 2010

	Neither past due nor impaired				Past due but		
	High grade	Medium grade	Low grade	Total	not impaired	Impaired	Total
Cash and cash equivalents (excluding cash on hand)	₱3,471,030,858	₱–	₱–	₱3,471,030,858	₱–	₱–	₱3,471,030,858
Short-term cash investments	1,659,460,317	–	–	1,659,460,317	–	–	1,659,460,317
Receivables							
Installment contracts receivable	15,422,924,704	47,804,832	–	15,470,729,536	570,735,047	99,352,184	16,140,816,767
Others	1,172,844,158	–	–	1,172,844,158	343,463,918	214,978,910	1,731,286,986
Long-term cash investments	1,753,600,000	–	–	1,753,600,000	–	–	1,753,600,000
Total loans and receivables	23,479,860,037	47,804,832		23,527,664,869	914,198,965	314,331,094	24,756,194,928
AFS financial assets	41,309,183	–	–	41,309,183	–	–	41,309,183
	₱23,521,169,220	₱47,804,832	₱–	₱23,568,974,052	₱914,198,965	₱314,331,094	₱24,797,504,111

High grade cash and cash equivalents and short-term and long-term cash investments are money market placements and working cash fund placed, invested or deposited in local banks belonging to the top ten banks in the Philippines in terms of resources and profitability.

The Group's high-grade receivables pertain to receivables from related parties and third parties which, based on experience, are highly collectible or collectible on demand, and of which exposure to bad debt is not significant. Installment contract receivables under bank-financing are assessed to be high grade since accounts under bank-financing undergone credit evaluation performed by two parties, the Group and the respective bank, thus credit evaluation underwent a more stringent criteria resulting to higher probability of having good quality receivables.

Medium grade accounts are active accounts with minimal to regular instances of payment default, due to ordinary/common collection issues. These accounts are typically not impaired as the counterparties generally respond to credit actions and update their payments accordingly.

Low grade accounts are accounts which have probability of impairment based on historical trend.

Based on the Group's experience, its loans and receivables are highly collectible or collectible on demand. The receivables are collateralized by the corresponding real estate properties. In few cases of buyer defaults, the Group can repossess the collateralized properties and held it for sale in the ordinary course of business at the prevailing market price. The total of repossessed properties included in the "Real estate inventories" account in the consolidated statement of financial position amounted to ₱589.79 million and ₱506.72 million as of December 31, 2011 and 2010, respectively. The Group performs certain repair activities on the said repossessed assets in order to put their condition at a marketable state. Costs incurred in bringing the repossessed assets to its marketable state are included in their carrying amounts.

The Group did not accrue any interest income on impaired financial assets.

Liquidity Risk
The Group monitors its cash flow position, debt maturity profile and overall liquidity position in assessing its exposure to liquidity risk. The Group maintains a level of cash deemed sufficient to finance its cash requirements. Operating expenses and working capital requirements are sufficiently funded through cash collections. The Group's loan maturity profile is regularly reviewed to ensure availability of funding through adequate credit facilities with banks and other financial institutions.

The extent and nature of exposures to liquidity risk and how they arise as well as the Group's objectives, policies and processes for managing the risk and the methods used to measure the risk are the same for 2011 and 2010.

Maturity Profile of Financial Assets and Liabilities
The tables below summarize the maturity profile of the Group's financial assets and liabilities as of December 31, 2011 and 2010 based on undiscounted contractual payments, including interest receivable and payable.

December 31, 2011

	On Demand	1 to 3 Months	3 to 12 Months	1 to 5 Years	Total
Financial Assets					
Loans and receivables					
Cash and cash equivalents	**₱2,052,566,048**	**₱–**	**₱–**	**₱–**	**₱2,052,566,048**
Short-term cash investments	**–**	**63,323,506**	**657,600,000**	**876,800,000**	**1,597,723,506**
Receivables					
Installment contracts receivables	**290,331,858**	**591,072,811**	**8,383,118,280**	**8,822,808,812**	**18,087,331,761**
Others	**2,844,587,003**	**6,158,816**	**131,243,674**	**–**	**2,981,989,493**
Long-term cash investment	**–**	**–**	**–**	**4,975,840,000**	**4,975,840,000**
Total undiscounted financial assets	**₱5,187,484,909**	**₱660,555,133**	**₱9,171,961,954**	**₱14,675,448,812**	**₱29,695,450,808**
Financial Liabilities					
Financial liabilities at amortized cost					
Bank loans	**₱–**	**₱256,330**	**₱768,989**	**₱4,131,587,766**	**₱4,132,613,085**
Loans payable	**2,064,304**	**78,099,540**	**187,724,488**	**2,181,342,273**	**2,449,230,605**
Liabilities for purchased land	**328,428,909**	**730,971,087**	**405,368,404**	**72,542,588**	**1,537,310,988**
Accounts payable and other payables	**39,632,677**	**68,710,408**	**128,444,770**	**5,538,831,024**	**5,775,618,879**
Payable to related parties	**182,802,367**	**–**	**–**	**–**	**182,802,367**
Notes payable	**–**	**5,184,896**	**13,785,809**	**7,578,890,910**	**7,597,861,615**
Total undiscounted financial liabilities	**₱552,928,257**	**₱883,222,261**	**₱736,092,460**	**₱19,503,194,561**	**₱21,675,437,539**

December 31, 2010

	On Demand	1 to 3 Months	3 to 12 Months	1 to 5 Years	Total
Financial Assets					
Loans and receivables					
Cash and cash equivalents	₱3,441,929,900	₱39,877,345	₱–	₱–	₱3,481,807,245
Short-term cash investments	–	1,659,460,317	–	–	1,659,460,317
Receivables					
Installment contracts receivables	778,760,658	1,385,896,901	3,918,524,149	14,133,134,534	20,216,316,242
Others	1,718,537,842	–	12,749,144		1,731,286,986
Long-term cash investment	–	–	–	2,082,219,836	2,082,219,836
Total undiscounted financial assets	₱5,939,228,400	₱3,085,234,563	₱3,931,273,293	₱16,215,354,370	₱29,171,090,626
Financial Liabilities					
Financial liabilities at amortized cost					
Bank loans	₱48,424,275	₱206,973,448	₱452,862,513	₱2,213,860,533	₱2,922,120,769
Loans payable	–	–	1,567,999,602	2,899,071,372	4,467,070,974
Accounts payable and other payables	1,194,706,696	251,026,223	1,939,315,389	788,781,487	4,173,829,795
Liabilities for purchased land	346,995,529	116,757,527	374,084,680	294,866,975	1,132,704,711
Payable to related parties	385,749,210	–	–	–	385,749,210
Notes payable	–	180,103,442	183,088,582	5,795,784,853	6,158,976,877
Total undiscounted financial liabilities	₱1,975,875,710	₱754,860,640	₱4,517,350,766	₱11,992,365,220	₱19,240,452,336

32. Notes to Consolidated Statements of Cash Flows

The Group's noncash investing and financing activities pertain to the following:

a) Transfer of real estate inventories in 2011 and 2010 amounting to nil and ₱174.01 million, respectively, by a certain related party to the Group which resulted to decrease in available-for-sale financial assets and increase in real estate inventories;
b) Conversion of sold receivables from a "with recourse basis" to "without recourse basis" with total carrying value of ₱1,030.05 million and ₱1,419.97 million in 2011 and 2010, respectively;
c) Offsetting of long term notes with a due to related party account as payments of long term notes was made by a certain related party amounting to ₱554.77 million in 2010;
d) Transfers from land and improvements amounting to real estate inventories amounting to nil,
₱863.19 million and ₱199.03 million in 2011, 2010 and 2009, respectively; and

e) Purchase of interest from a joint venture partner in exchange for advances to joint venture partners amounting to ₱333.00 million in 2011.

33. Contingencies

The Group has various contingent liabilities from legal cases arising from the ordinary course of business which are either pending decision by the courts or are currently being contested by the Group, the outcome of which are not presently determinable.

In the opinion of the management and its legal counsel, the eventual liability under these lawsuits or claims, if any, will not have a material or adverse effect in the Group's financial position and results of operations.

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