VISTA LAND

2009 Annual Report

CREATING A FILIPINO BRAND

OUR COVER

A block of wood is all possibility.

Stoic and silent, it asks to be shaped, to be created, to be allowed to speak.

At the hands of an artisan, a block of wood becomes a dream realized, a vision sung, and a promise perfected.

It is re-birthed, given meaning, purpose — and significance.

In like manner, all great things begin with possibility.

At its inception, every success is a vision so raw yet so compelling that it beckons, holds in thrall, and begs that it be given definition.

It asks for a voice. It demands a name.

At Vista Land, we had a vision and we have given this vision a name.

It is a name that, today, is known from the country's east to its west. From its south to its north.

A name that is a testimony of family, security, comfort, and growth; that clasps Filipinos in the promise of hard work rewarded and dreams fulfilled; that stands for home, intimacy, and places to experience and preserve the mundane and the momentous.

The vision was to give every Filipino a home. With that home, came, without a doubt, a better life.

This vision, today, has become a national brand that fulfills, and continues to fulfill its promise.

A national brand that has been given a voice – and a name.

The name is Camella.

contents

Called many things, an "icon," a "symbol," a "representative" – the task of a company's logo goes beyond and is more powerful.

It is, in a pictograph, the essence of a corporation's aspirations. It is a metaphor for a vision.

The Vista Land logo is symbolic of a duality – strength and flow. It is tempered by the ability to flex and change.

The "V" icon denotes exactly this. One side is strength and security opening up to the left hemisphere. In the brain, this is the hemisphere of logic, numbers, linear thinking, pattern recognition.

The other arm of the icon is soft, pliant, like a leaf that dances to the wind and rain. It is symbolic of movement and opens to the right hemisphere. The part of the brain that creates, that dreams.

VISTA LAND

Vista Land builds structures. It builds homes. The spaces where families dwell, where they experience the everyday and the extraordinary, and dream the dreams that keep human beings going.

Building homes is a responsibility that necessitates the ability to create security and protection while being creative and malleable.

Here lies the need for duality.

Our colors are a dyad of bronze and deep blue.

Throughout history, bronze has been a powerful color, symbolic of justice. In itself, the metal bronze is a fusion of two precious metals: copper and tin – made more powerful when forged together

To Vista Land, this signifies a coming together of elements to create strength. It is in teams, diverse skills, and a coalescing of talents that Vista Land grows and gains strength. It is synergy that allows us to accomplish what we set out to do.

Blue continues to be the color of the corporation, of business -- symbolic of optimism, stability and better opportunities. Dark blue denotes even deeper strengths: Power, integrity, knowledge, and a seriousness empowered by trust and loyalty.

This is the face that Vista Land presents to the world. In it, our dreams, and our visions, are held before us – a constant reminder of why we exist and what we have yet to accomplish.

Who We Are

Vista Land & Lifescapes, Inc. is the Philippines' largest homebuilder. It was incorporated on 28 February 2007 and was listed on the Philippine Stock Exchange on 25 June 2007.

In a span of three years, it now ranks among the top listed properties in the country in terms of total assets, earnings and market capitalization. With four distinct brands -- Brittany, Crown Asia, Camella and Vista Residences, and through its provincial marketing arm Communities Philippines -- Vista Land caters to all income segments in the different regions of the country. The range of product offerings start at Php 800,000 (approximately US$ 17,000) up to Php 48,000,000 (approximately US$ 1,000,000).

Vista Land has built more than 200,000 homes and has a presence in 19 provinces in Luzon, Visayas and Mindanao. It shows its continued confidence in the Filipino market through its plans for expansion in new areas in the country, thereby concretizing its status as a truly national brand.

Financial Highlights

INCOME STATEMENTS	2009	2008	2007
Total Revenues	10,813	11,611	11,151
Real Estate Revenues	9,630	10,436	8,224
Operating Income	2,542	3,152	2,355
Income before income tax	2,813	3,754	4,639
Net Income	2,299	2,833	3,469*
Net Income (attributable to holders of VLL)	2,299	2,819	3,463*
**includes Php 1.1 Billion one-time gain from debt restructuring*			
BALANCE SHEETS			
Cash and Cash Equivalents	3,011	5,015	5,278
Short-term Cash Investments	136	30	1,540
Total Assets	55,073	52,670	44,440
Total Borrowings	5,052	4,963	1,477
Total Liabilities	19,448	19,653	13,170
Stockholders' Equity	35,625	33,017	31,270
CAPITAL EXPENDITURES	8,054	8,331	7,271
CASH FLOW			
Net cash used in operating activities	(1,339)	(4,164)	(2,572)
Net cash provided by (used in) investing activities	(52)	1,310	(2,110)
Net cash provided by (used in) financing activities	(613)	2,591	8,596
FINANCIAL RATIOS			
Current ratio	3.20	3.36	3.24
Debt-to-equity	0.55	0.60	0.42
Return to equity	7%	9%	11%
Return on assets	4%	5%	8%

2009 NATIONWIDE BRAND PRESENCE

Brittany

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

Established: 1993

CrownAsia

Caters to the middle market housing segment in Mega Manila

Established: 1995

PROJECT PORTFOLIO

Brittany

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

CrownAsia

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

FEATS *(as of Dec. 31)*

Brittany

	2009	2008
No. of Ongoing projects	**15**	17
Area of Ongoing projects (hectares)	**86.54**	277.80

CrownAsia

	2009	2008
No. of Ongoing projects	**25**	26
Area of Ongoing projects (hectares)	**129.57**	271.50

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

Brittany

	2009	2008	%Change
Sales Take Up	**1,856.3**	2,320.0	-20%▼
Real Estate Revenues	**1,352.5**	1,614.4	-16%▼
Gross Profit	**633.8**	800.9	-21%▼
EBIT	**319.6**	327.6	-2%▼
Projects Launched			
Value	**480.0**	1,090.0	-56%▼
Number	**1**	3	

CrownAsia

	2009	2008	%Change
Sales Take Up	**2,000.0**	3,925.5	-49%▼
Real Estate Revenues	**1,264.8**	1,632.2	-23%▼
Gross Profit	**594.6**	791.8	-25%▼
EBIT	**243.4**	351.6	-31%▼
Projects Launched			
Value	**2,700.0**	6,106.6	-56%▼
Number	**2**	7	

VISTA RESIDENCES

Builds vertical residential/commercial developments in Mega Manila*

Established: 2009

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, Quezo City)
Mosaic (Legazpi Village, Makati City)
Madison Tower (Cubao, Quezon City)

	2009
No. of Ongoing projects	11
Area of Ongoing projects (hectares)	2.6

	2009
Sales Take Up	333.2
Real Estate Revenues	510.1
Gross Profit	199.4
EBIT	140.3
Projects Launched	
Value	288.00
Number	1

Camella

Servicing the low-cost (including socialized) housing segment and the affordable housing segment in the Mega Manila area. markets its houses primarily under the "Camella" brand.

Established: 1977

Camella Vecina (Cabuyao, Laguna)
Cerritos Heights (Daang Hari, Alabang)
Cerritos East (Pasig)
Camella Molino (Bacoor, Cavite)
Grenville Residences (Taguig City)
Lessandra Heights (Daang Hari, Alabang)
Pristina (Imus, Cavite)
Fronterra (Las Piñas)

	2009	2008
No. of Ongoing projects	27	38
Area of Ongoing projects (hectares)	247.2	274.0

	2009	2008	%Change
Sales Take Up	5,538.6	5,691.9	-3%▼
Real Estate Revenues	2,884.1	3,726.0	-23%▼
Gross Profit	1,387.5	1,846.7	-25%▼
EBIT	882.9	1,346.1	-34%▼
Projects Launched			
Value	3,894.0	11,362.3	-66%▼
Number	6	14	

COMMUNITIES PHILIPPINES

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

Established: 1991

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)
Prominenza (Baliuag, Bulacan)

	2009	2008
No. of Ongoing projects	49	41
Area of Ongoing projects (hectares)	509.5	699.5

	2009	2008	%Change
Sales Take Up	7,014.5	4,947.1	42%▲
Real Estate Revenues	3,618.2	3,463.2	4%▲
Gross Profit	1,810.4	1,723.4	5%▲
EBIT	1,049.7	1,167.3	-10%▼
Projects Launched			
Value	13,123.3	6,367.0	106%▲
Number	13	8	

Revenue from the following projects are recorded as 2009 income of the subsidiaries indicated: Pinecrest, Crown Tower, Symphony Tower and Madison Tower - **Vista Residences; Avant at the Fort and KL Mosaic - **Brittany**; Laureano de Trevi Tower - **Camella**.*

Our flagship brand – Camella – led the way in sales and continues to be a pioneer in the housing industry, opening projects in new areas and widening Vista Land 's dominant presence around the country.

Dear Fellow Stockholders

Last year I stated that one could always find "opportunity during times of crisis". Of course, those words may have had little meaning to many who were being severely affected by the global downturn. In hindsight however, those people who were bold enough to persevere in certain sectors were rewarded handsomely. For example, the rout in the global stock markets had all but ended by the first quarter of 2009, and by year-end, many investment houses turned in stellar performances. Our own share price saw a total annual return of close to 85%.

Renewed Optimism and Resurgence

Fortunately, the storm passed much sooner than expected, and 2010 is expected to be a pivotal year for the Philippine economy. Renewed optimism stems not just from the various industry sectors that are now expected to experience relatively robust growth, but from a change in the country's political leadership as well. That the Philippines came through an extremely challenging year and still managed to post positive economic growth is noteworthy. Unlike other countries which had created dangerous "bubbles" in various sectors, the Philippines had been more prudent following the Asian Crisis of the late 1990s. Balance sheets here were strong, property prices were not artificially inflated, and speculation was muted. As long as we continue to heed the lessons of the past, the Philippine property sector is poised to do very well over the next few years. We at Vista Land intend to remain at the forefront of the resurgence.

In 2009, undeterred by very negative forecasts on foreign remittances, our company pushed ahead with our planned project launches. We believed, from experience, that our sales to Overseas Filipino Workers would remain strong. Our houses are sold primarily to end-users, and we were correct to assume that notwithstanding a tough economy, this segment of the market could be relied upon to drive revenues. Our flagship brand – Camella – led the way in sales and continues to be a pioneer in the housing industry, opening projects in new areas and widening Vista Land's dominant presence around the country. Through Camella, Vista Land has continued to assert its position as the country's national and most loved brand in property development—a subject that will be delved into further in this report. For 2010, we have also put together an aggressive capital expenditure program coupled with a project launch pipeline valued at more than 30 billion pesos.

Overall, the company turned in respectable financial and operating results in 2009. Revenues and core earnings were down slightly compared to the previous year at 9.6 billion pesos and 2.6 billion pesos respectively, but were above expectations. Sales takeup, at 16.7 billion pesos for 2009, kept pace with the previous year after a slow start, and ended the year with a record 4.8 billion pesos for the fourth quarter. A more detailed discussion will be outlined by our CEO in her message to shareholders.

Stronger Communications Through CSR

It is worth mentioning that we continue to view our Corporate Social Responsibility (CSR) as an area of prime importance. We published our first Sustainability Report for the 2008 reporting period, entitled "Leaving Our Mark on the Land" utilizing the C level application of the Global Reporting Initiative (GRI) guidelines. We reported on 10 indicators that touch on our performance in the triple bottom line of economic, environment, and social performance. We intend to strengthen our communications regarding Vista Land's efforts on the CSR front with our stakeholders.

I was proud to see that when typhoons "Ondoy" and "Pepeng" struck with devastating effect, Vista Land responded quickly, mobilizing resources from the first day of the disaster and providing much needed resources to affected areas for several days. We learned much from this experience and were reminded once again that profit with responsibility should always be closely intertwined.

Going Forward

There is every indication that the next few years will see strong growth in the property industry. Vista Land is not alone in this assessment, which means that we can expect a much more competitive environment going forward. We recognize that the companies that will thrive will be those that can spot trends early, and that not only choose the appropriate strategies for their specific markets but are able to implement their strategies well.

So once again, I ask for and look forward to your continued support as we prepare for the challenges that lay ahead of us.

Thank you for your confidence in Vista Land.

Marcelino C. Mendoza
Chairman

Dear Fellow Stockholders

I am pleased to report that Vista Land & Lifescapes weathered the recent crisis and achieved its financial and operating targets for the year. I credit our performance to our chosen strategy of "going back-to-basics," which was widely reported to the financial and investing community. Vista Land focused its efforts on the mid to low-end segments of the housing market which we knew would remain robust even during difficult times. After more than three decades catering to these segments, we had become quite familiar with the customer profile and dynamics that drive demand, particularly during economic downturns.

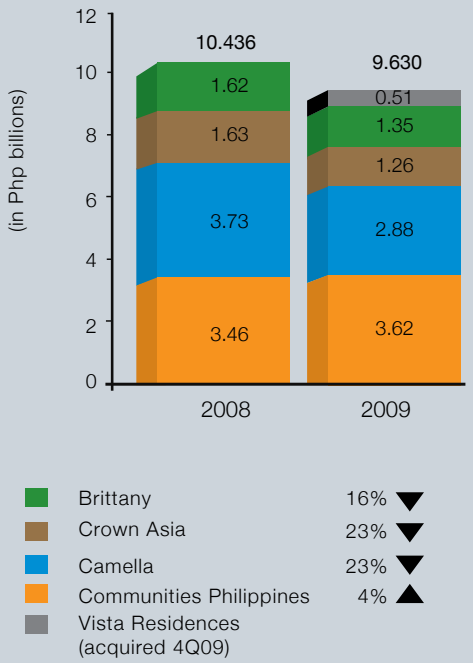
Weathering the Storm

It seems not so long ago that we were all bracing for the worst. We had for some time been preparing the company for whatever the ongoing global economic crisis was to throw our way, and we certainly did not expect a break in the clouds to come anytime soon. As predicted, we began the year with a relatively weak sales take up performance. The property industry as a whole did not fare any better. With fear both here and abroad continuing to mount, prospective homebuyers postponed making purchases.

However, we began to see signs of a recovery during the second quarter. Talk of "green shoots" sprouting soon took the place of doomsday scenarios, and, by the third quarter, the global recovery had begun and was gaining momentum. Bucking the worldwide trend, the Philippines managed to post a positive albeit modest GDP growth for 2009.

We posted PHP9.6 billion in revenues for the year, which we felt was highly satisfactory given the environment we were operating in, while core net income was PHP2.6 billion. As expected, gross profit margins

A major marketing campaign was aimed at reminding people of Camella's evolution from the pioneer in the mass housing market to what is today– the number one brand in homebuilding.



fell slightly to the 48% level due to the increase in the price of construction materials during the previous reporting period. Nevertheless, we expect gross profit margins to rebound in the coming years as the cost of construction materials have fallen from their peaks to more reasonable levels. We have also gradually raised our prices and adopted cost efficiency measures. Total number of units delivered during the year was 5,164, mostly under the Camella brand.

The second quarter saw a strong bounce in sales takeup, rising by 35% compared to the first quarter. With the property sector showing signs of recovery, the second half of 2009 remained relatively robust and we ended the year on a positive note. Sales takeup rose in the fourth quarter to PHP4.8B – the highest quarterly level ever achieved, boosted by our acquisition of several ongoing vertical development projects.

We continued to maintain a strong balance sheet, ending the year with more than PHP3 billion in cash. We paid off the bulk of a dollar-denominated loan to remove the foreign exchange risk and we intend to prepay the remaining balance of the loan next year. Our gearing remains very low, and, as we see opportunities for expansion, we will begin to increase our leverage to fund our development projects.

Remittance inflows, which often act as a proxy for property sales to Overseas Filipino Workers (OFWs), actually grew by 5.6%, surprising analysts, most of whom had forecast a drop ranging from -5% to -20%. Bolstered by continuing deployments over the years, OFWs have traditionally accounted for over 50% of our sales, and this year was no exception.

Creating a National Brand

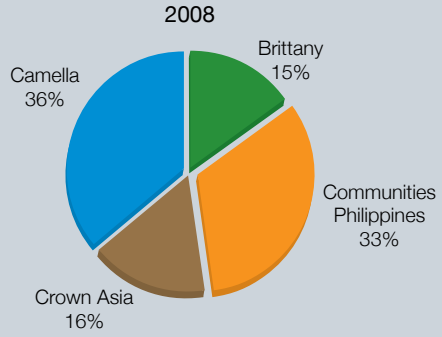
Throughout 2009, we devoted significant time and resources to strengthening the Camella brand, which is expected to be the main driver of revenue growth in the coming years. A major marketing campaign was aimed at reminding people of Camella's evolution from the pioneer in the mass housing market to what it is today – the number one brand in homebuilding. Thus, the majority of our twenty-three project launches in 2009 were under the "Camella" brand. We opened horizontal developments in two new areas in northern Luzon (Tuguegarao and Tarlac), bringing our countrywide presence to 19 provinces and 44 cities and municipalities nationwide. In the coming year, it is our intention to continue to build Camella as the country's one truly Filipino housing brand.

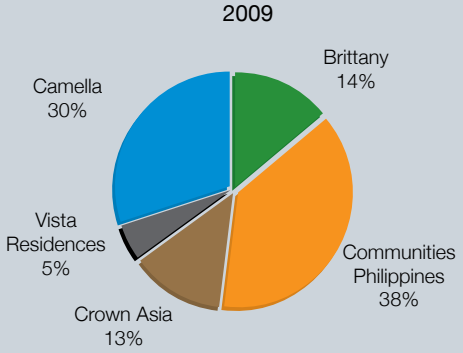
During the fourth quarter, we launched a fourth subsidiary after acquiring several ongoing condominium developments. Henceforth, Vista Residences will assume operational responsibility of all our vertical developments. Through this expansion, Vista Land has further increased its presence in all housing segments. The company also expects the high-rise business unit to become a major contributor to sales and earnings in the coming years. To date, Vista Residences has twelve ongoing developments located mostly in Metro Manila. We expect at least two developments to be completed in 2010 and another the year after.

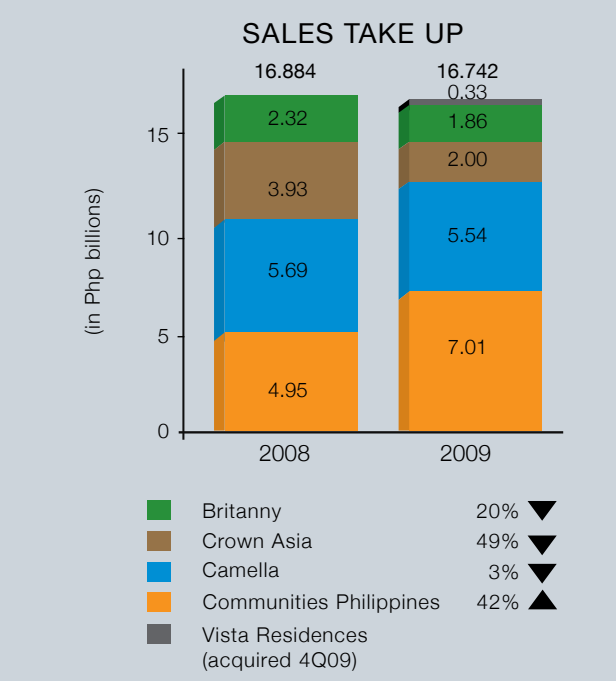
Hope for the Future

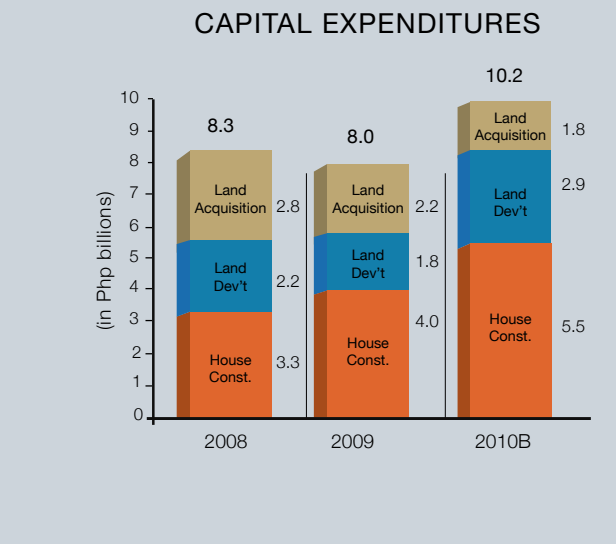
After falling together with the broader markets during the economic turmoil, our share price saw some recovery in 2009. Total shareholder return including dividends was up sharply at 84% for the year. We recognize however, that the company's shares continue to trade at a level well below fair value. Although only listed in 2007 and coinciding with the onset of the global

REVENUE DISTRIBUTION









crisis, it is heartening to note that every analyst that has initiated coverage on Vista Land (ticker VLL) has recognized the company's solid fundamentals and has called for a "buy" recommendation on VLL. We believe that many in the investing community may have perhaps missed spotting the value of VLL amidst the noise and confusion of the crisis originating from the US. As we emerge from the downturn and deliver results, we hope to reawaken interest in the company and we anticipate that shareholders will be rewarded for their continued belief in Vista Land.

Management adopted a cautious stance and deemed it prudent to pay a more modest cash dividend in 2009 compared to the previous year due to the challenging environment. Going forward, we see a strong likelihood that the company will be able to return to paying annual cash dividends of at least 20% of previous year's net income. 2010 will also see our biggest capital expenditure program to date with over PHP10 billion budgeted, as we target a double-digit increase in our sales takeup. These reflect our optimism about the prospects for the property industry and the country as a whole.

I would once again like to take this opportunity to thank all our employees and stakeholders for their continued confidence in our company. With your support, we are optimistic that the company will be able to capitalize on the resurgence in the property sector.

Benjamarie Therese N. Serrano
President and Chief Executive Officer

LIVING THE CAMELLA BRAND

Our Brand Promise

"Camella is the fulfillment of hopes and dreams, where life is lived each moment, each day."

The universe, it is said, is made up of millions of stars. But the universe is also made up of myriad stories – of experiences through the ages; tales of love and laughter, encounters of friendship and kindness, the lore of challenges and triumph that make human existence worthwhile.

A brand, in like manner, is not merely a rendered logo, or the sound of a brand name. It is an expression of a dynamic relationship between a product and its user.

For Camella, our brand encapsulates the many experiences and stories of the buyers of about 200,000 Camella homes across the country. In the heart of the homebuyer, Camella is the fulfillment of hopes and dreams, where life is lived each moment, each day. Here, the husband and wife come home to this haven, and raise their children in comfort, love and security. Here, they recharge, revitalize, and thrive. Here, they develop relations that last a lifetime. Here, they commune with nature and appreciate its blessings. Here, they build lasting memories. Here, they belong to communities.

Camella

LIVING THE CAMELLA BRAND

These are what make Camella the home brand of choice for the Filipino family.

Distinctions that Spell a Difference
Camella has re-defined home development in the Philippines. After more than thirty years, its communities are now the benchmark for master-planned subdivisions and are known for expanding the boundaries of what comprise an ideal home for the Filipino.

A Camella home is developed after long study. The themed homes and communities are exacting and true to each motif. Beyond the authenticity, Camella's homes feature outstanding aesthetic design and quality, and are blueprinted with a fully-honed ability to maximize space – melding absolute functionality, practicality and artistry.

A Home Beyond Four Walls
For the Filipino, "home" extends outside the house. The Camella home is the whole Camella community – in the meticulously themed entrances of each enclave, in the landscaped gardens and parks that line the village avenues, in the broad expanses of green, in the facilities for play, worship, and recreation—Camella has created places where neighbors can meet and congregate to harness and build a collective and powerful sense of community.

Communicating the Camella Brand
Camella's goal: To be the foremost name in real estate. With the objectives fine-tuned, thus clarified, the synergies to make this happen were brought together. For a brand to become "national" it requires three things: Reach, consistency, and the dissemination of the story.

Reach: Long before 2009, Camella had already begun the groundwork for expanding across the country. To date, there are 76 Camella communities spread across Luzon, Visayas and Mindanao. Property location is crucial. We find locations that are convenient, accessible and

picturesque. After all, where a person lives will define his quality of life -- and our brand's promise is, precisely, a better quality of life.

Consistency: We needed to be recognizable.
A brand must be unchanging in what it stands for. Its personality should be consistent and its offerings, predictable – and, more important-- dependable. This creates a sense of good old reliability – like the comfort in an old friend. This is the strength of good brands. They succeed because they have developed a relationship with their customers – a relationship that translates to loyalty.

Dissemination of the Story: To become the preferred housing brand to the middle class income group, Camella turned to Leo Burnett -- one of the world's top advertising agencies -- to tell its story. Every Filipino dreams of owning a home that offers a better life. By building living communities that embody progress and community, Camella was precisely responding to this dream.

Ganito na Kami Ngayon

Thus, an ad campaign was created. Using television, print, radio, and non-traditional media, Leo Burnett disseminated Camella's "*Ganito na Kami Ngayon.* (Look at us now.)" With those words as a mantra for the aspirations of middle class, the campaign told stories celebrating the very people who have made Camella their home. Real stories about real people. The nucleus of the campaign was "*Sikip*, (Cramped)" a television spot that had an adorable little girl happily dancing around in her spacious new Camella home, because her old home was too cramped for her to move around in.

It tells a story of growth, of an improved status, of a new and better life, and of dreams that do become real. It is sincere, and it hit the hearts of the market dead on – strengthening Camella's status as the national, and most loved, brand in property development.

I'm with VISTA LAND

Vista Land has always been committed to touching Filipino lives and helping Filipinos achieve their dreams. In this section, we introduce five individuals whose lives have been enriched through Vista Land.

ELY and MARY GRACE BORLONGAN: Camella Bulacan Homeowners

Finding Success and a Home in Camella

"It seemed like our luck had run out, but Camella turned our lives around from the brink of despair."

Ely and Mary Grace Borlongan were a down-and-out couple when they saw a sign at the front office of Camella in Malolos, Bulacan in Sepember 2006.

It said "Wanted Sales Managers".

Being tested veterans in sales and marketing, both Ely and Grace applied for and got accepted for the job. At the time, Camella has just opened the Provence project in Malolos and Camella Bulacan in Bulacan City.

Destiny had stepped in for the Borlongan couple on that fateful day four years ago. Now, Camella is where Ely and Grace work, and it is also here where they, with their four young children, live and reside. With the quiet pride of persons who have paid their dues, they confidently show their own finely appointed two-storey home to potential home buyers and proclaim: "We believe in Camella!"

Grace is now a Marketing Director of six sales divisions in the Camella sales group with a monthly sales turnover of ₱80 million. The couple is so confident in Camella that they bought their first home in Provence a mere six months after they joined the in-house sales group. They were doing so well selling Camella that they were able to pay the entire ₱2.8 million house-and-lot unit in less than two years.

But it wasn't always bed of roses for the couple. In mid-2006, they were forced to move back to Malolos and live with Ely's parents after both lost their jobs during the financial crisis brought about by the collapse of the pre-need and insurance companies where they were separately employed.

"Our three elder children had to study in public schools. We didn't know how to make ends meet." Grace remembered. Those were really sad times for the couple, who after being married for 16 years, never experienced the hardships they were then facing.

When they were accepted in Camella on September 2006, they got their first sale a month after. By November, the couple had sold ₱12 million worth of property, and stepped up with ₱15 million sales in December. The rest, as they say, is history.

The Borlongan's Provence home is a showcase. They proudly declare that all they have – a new van, plasma TV and home theatre system, beautiful interiors, professionally decorated living and dining room – they owe to Camella. They have also established close friendships with their neighbors who reside in the subdivision.

"It seemed like our luck had run out, but Camella turned our lives around from the brink of despair," Grace proclaimed.

This time, four years hence, success is so much sweeter for the Borlongan couple, because they found and established their home – literally and figuratively – in Camella.

I'm with VISTA LAND

SAYREVILLE "BING" ORCULLO HARRIS: Camella Davao Homeowner

A Home Under the Sun

"With the love and memories we have built in our home, I will stay in Solariega forever."

Sayreville "Bing" Orcullo Harris has worked in foreign lands with people of varied beliefs, ways and customs.

But in Davao's Camella Solariega, Bing, who was born in Dumaguete City in extremely humble conditions and dared to brave foreign shores to find her place under the sun, has found her sweet home. "I immediately fell in love with the place."

Solariega, with its root word "Sola," is a sun-blessed Mediterranean inspired community, of postcard pretty houses quaint terracotta colored walls, stucco tile roofs, with charmingly styled picture windows and balconies around landscaped gardens. Bing IS home.

Like many other brave Filipinos, Bing, a single mother, had tried her luck as an OFW based in Qatar and Saudi Arabia. She worked as a private nanny for seven years in the early 1990s to support her family and her then young children, Marc Anthony and Kathleen.

But fate had been kind to the young and adventurous Negrense. She met Peter Harris, an Australian engineer in Quatar where he was an executive with an oil company,. He was smitten by her happy disposition and charm. Bing saw and admired in Peter the same qualities she had: sincerity, courage and persistence.

Now as Mrs. Bing Harris, she has happily settled down in Davao where she discovered her home in Solariega.

Bing exudes the warmth and ebullience of a woman fulfilled. She is presently a businesswoman, managing and operating a travel agency and a small-scale gold mining business in Mt. Diwalwal.

Peter, presently an Engineering Consultant with Petronas Malaysia. He stays in their Solariega abode during his yearly vacations.

Seven years ago, Bing wanted to move from Cotabato and "walked into" Solariega and and saw the peace and beauty of the community, "I suddenly felt at home," she exclaimed. She then started meeting with the brokers. While they were helpful, she claims she did not need any convincing because she immediately felt that Solariega was the right place for her family., which now includes 10-year old Joshua. "It was love at first sight."

This "love" has expanded to a sense of involvement in her bigger home in the Solariega community. She is the current president of the homeowners association. Thus, she has a hand in creating policies in Solariega, making sure that the subdivision's facilities and the beauty of the surroundings are maintained.

So, when asked how long they plan to stay? Her answer: "With the love and memories we have built in our home, I will stay in Solariega forever." Home is where the heart is, and Bing and her family are right where they belong.

I'm with VISTA LAND

ANDRAE ROSE and STEVE ALILING: Camella Iloilo Homeowners

A Place to Live Happily Ever After

"We will leave the pressures of work behind, relax and be ourselves and just enjoy our dream home together."

Once upon a time, Andrae and Steve saw a meadow called Savannah where they both dreamed they would one day build their home and live happily every after.

That was in 2001. Barely 18 at the time, the young couple, madly in love but still unmarried, drove their motorbike through the distinctive gated entrance of Camella Savannah on the outskirts of Iloilo City. They walked through the wide tree-lined main avenues, the grassy plains and landscaped sidewalks – and they knew that someday they would build their home in Savannah

In December 2009, that dream became reality. Andrae moved into her brand new, two-storey Camella home in the Trails enclave of Savannah. In January, Steve – who is a second mate on an international oil tanker – went home to join her in their dream home.

Now both 27 years old, Andrae Rose and Steve Aliling both declared that "Our Camella home is our castle come true."

While this dream was born almost ten years ago, finally making a decision to invest in a home was easy because Andrae had the chance to get to know more about Savannah in 2005. Working as a marketing officer in Iloilo's largest supermarket chain, she conceived of a promotional tie-up raffle draw that offered two Camella homes as grand prizes.

That enabled her to see for herself the houses and lots up close, as well as the superior amenities and advantages of a Camella community. "Camella is the only dream home for me and my husband," she said, " we leave the pressures of work behind, relax, be ourselves and just enjoy our dream home together." The fairy tale that started ten years ago has finally come full circle, and Andrae and Steve will indeed live happily ever after.

I'm with VISTA LAND

MARYANN PEPINO: Crown Asia Homeowner

A Dream Life and Lifestyle Come True

"I want to be productive, and I want to contribute, while at the same time enjoy the comforts of my Crown Asia home."

An active lifestyle that fits and complements a finely elegant and restful home – that is what Crown Asia's Ponticelli community has given to Maryann Pepino.

Maryann, a licensed interior designer, is not your typical homemaker. Goal-focused, she cannot keep still or stay home doing chores; she is an achiever through and through.

"I want to be productive, and I want to contribute, while at the same time enjoy the comfort of my Crown Asia home," Maryann points out. Ponticelli -- within Vista Land's Camella development along Daang Hari in Bacoor Cavite and just a 15 minute-drive away from the commercial center -- is the epitome of upscale living. Its Italian-inspired architecture, the beautiful landscaped gardens and fashionable amenities that include a clubhouse, playground and swimming pool, provide the perfect backdrop for Maryann's active and energetic lifestyle.

The wife of Joseph Ramchand Pepino, a captain of an international cargo ship, Maryann wants to secure their family's future through business ventures that will give them regular income. She invested in and manages her own spa salon in a strip mall along the wide-lane Daang Hari, a vital artery connecting Muntinlupa to Cavite.

Crown Asia's beautifully designed themed communities -- with Ponticelli as one of its jewels -- is an ideal place to raise a family. It befits the stature and image of the husband and wife who work extremely hard to climb the ladder of success.

It is not hard to surmise that somehow, the Ponticelli's exquisite ambiance has sparked Maryann's love for design and the arts. She has currently found expression for her stylish creativity by doing interior designing for her neighbors. This started when a neighbor asked if Maryann could do her home's interiors after seeing Maryann's elegant and tastefully appointed home.

Despite being a mother of three, she still finds energy to be active in the Ponticelli community. She spearheads the social and fitness activities of the community, and organized swimming lessons for the children of homeowners within the village.

And being a certified health buff, she jogs around Ponticelli with her fellow wives. She feels safe doing this because of the secure perimeter fencing of this upscale enclave. "Our health is our wealth," she proclaims, a benefit she cannot hide because of her obviously fit and firm frame.

An upscale lifestyle. Excellent taste. Unmistakable hallmarks of distinctive living in a Crown Asia community.

I'm with VISTA LAND

NIC and CLARICE GALLARTE: Brittany Homeowners

Our First Home… Back Home

For Nic and Clarice Gallarte, home is a house nestled on the side of a mountain with trekking trails and biking lanes lined with pine, flowering shrubs with patches of land planted to bamboo and tropical coconut, jack fruit and mango trees. In the morning, they wake up to birds chirping merrily, and the constantly cool mountain and lake breezes make each day a dream. "The scenery is mesmerizing," chorused the Gallarte couple. It is the wind, gentle sunlight and scenery of Tagaytay City's Crosswinds – a Brittany development.

Their quadrille unit has a view of rolling hills lush with trees. They breathe the mountain air and feel energized, refreshed and relaxed at the same time, being this close to nature.

Curiously, Nic and Clarice are first-time home owners in the Philippines after 21 years of marriage. "This is our first home back home," Clarice cheerfully declares.

They are both professional nurses working in Kaiser Permanente (a large hospital and health service chain) in San Diego, California. Like most Filipinos seeking the proverbial greener pasture, they left the country separately more than two decades ago. Before that, they had been neighbors in Mandaluyong, and, therefore, already knew each other.

Clarice -- whose father was an American ex-military officer who married a Filipina – emigrated to the US since she is a US citizen by birth. Nic tried his luck and applied as a nurse at about the same time. To their surprise, they bumped into each other in the same hospital in California where they were employed. Love blossomed and they were soon married and produced three beautiful children. They have since called San Diego their home.

Matthew, a health buff, jogs around the tree-lined trek as part of his daily fitness routine. Nikki, a friendly teen, plans to invite her friends to the Gallarte home often.

"Crosswinds offers us a haven that is serene, with breathtaking vistas of the unique rolling Tagaytay terrain and landscape, and the closeness of nature," they said. While continuously being dazzled by the scenery and enjoying the peace of it all, they likewise appreciate the accessibility of Crosswinds to conveniences like supermarkets, schools, restaurants and commercial establishments. Of course, one cannot forget the ridge with that amazing view of Taal volcano.

With a son and daughter about to enter college in the Philippines, the Gallarte couple went home to search for a house. Luckily, Nic's brother owned a lot in Crosswinds. They paid the subdivision a visit and fell completely in love with the place.

"We have everything we need here in Crosswinds," Nic and Clarice exclaim. Well said for the first-time Philippine homeowners.

"Crosswinds offers us a haven that is serene, with breathtaking vistas of the unique rolling Tagaytay terrain and landscape, and the closeness of nature."

Camella

Living in a Camella community allows you to enjoy family-oriented amenities while living in a stylish yet affordable home such as the Lessandra model home series.

Camella is the undisputed market leader in the Philippine housing industry. With more than 30 years experience in home building, it provides superior quality and affordable housing developments for the Filipino, with a solid presence in 19 provinces around the country.

For the Filipino family, for more than 30 years, home is a Camella house and community. For those who dream and strive for a good life, there is only one brand, – Camella.

In 2009, the global financial crisis that started in the US crept its way into the Philippines.

The economic downturn caused widespread anxiety in the property sector. The impact of the economic uncertainties was felt during the third quarter of 2008 which continued into the first semester of 2009.

However, the uncertainties and economic slowdown did not cause an adverse effect on the sales of Camella and Communities Philippines, which sells Camella houses in the provinces. On the contrary, the sales take-up of both subsidiaries was considerably higher in 2009 than the prior year – from ₱10.6 Billion in 2008 to ₱12.5 Billion in 2009.

"For more than 30 years, home for many Filipino families is a Camella house and community."

Strategic Agility and Strength

The company capitalized on the inherent resilience of OFW market which remained large and buoyant in spite of the economic slowdown in the US and other developed countries.

Cognizant of continued demand for affordable housing from the robust OFW sector, Camella undertook a strategic adjustment by introducing a new house-and-lot product offering dubbed the Lessandra series which targets a lower price market segment apart from the traditional affordable market of ₱1.3 million and up. The Lessandra offered townhouses at a price range of ₱800 thousand to 1.2 million, and was rolled out across the majority of Camella subdivisions throughout the country. In addition, Vista Land continued its expansion program for Camella with the opening of new projects in two (2) new areas – Tuguegarao (Cagayan) and Tarlac City (Tarlac). A total of 19 new projects in new and existing subdivisions were launched during the year.

Market reception for all new projects have been bullish, and contributed to offset and alleviate slower sales in certain areas. Sales in Tuguegarao City, Batangas and Davao have been brisk, demonstrating the immediate marketability of the Camella community concept and the superiority of its brand equity.

Vista Land's long and extensive experience in home development, translated in the flexibility of its strategic leadership to suit changing market conditions, was the key strategic factor that enabled it to weather the soft property market that prevailed during the year.

Building the Camella Brand

Brand-building and promotions strategies were implemented in 2009 to reinforce the Camella identity, hype projects and drive sales across the country. During the year, a national and international advertising campaign, called the "Sikip/Bulilit" campaign, was introduced to communicate and associate Filipino homes with Camella. The TV and radio commercial, featuring a child as the main talent and supported by a catchy jingle, highlighted the brand's congruence with the Filipino dream of home ownership. This was supplemented by brand-driven print ad campaign in national and local newspapers. Locality-specific sales campaigns also helped reinforce brand exposure in the areas around the Camella developments.

In response to the soft market demand in the first semester, aggressive promotions, notably the offering of longer and more flexible payment terms to customers, were mounted to encourage home buyers to avail of incentives and push over-all sales for the Camella system. Support promotions that included area-based leaflet distribution and events were likewise implemented during the year.

Plans and Prospects

The sustained drive to expand the masterplanned Camella communities in more areas that had previously been unserved by an experienced developers has cemented its image as the country's premiere and leading home builder.

The property market is now on the upswing, and Camella powered the recovery by continuing to develop and offer quality homes and communities across the country. The Company aims to further pursue its geographic expansion program. With its existing land bank, it plans to open and launch two new projects in Northern Luzon and Southern Luzon, and a new project in Davao province in Mindanao.

The Lessandra townhouse modules will be fully operational across all existing projects. Likewise, opening of new phases is in the pipeline for existing projects in Mega Manila, Visayas and present sites around the country.

Competition in the low to mid-housing market is heating up with the entry of players in these segments that have traditionally been Camella's principal bulwark. But Camella remains the market leader and is ready and able to meet the challenge.

A Crown Asia home represents the crown jewel of the aspiring Filipino home buyer -- arising from talent and work, financial stability and a position on the rise in this highly competitive world. It is a symbol of stature, reflected in the choice of the Crown Asia brand, that elevates his standing in the bigger, wider community of life.

Crown Asia -- which caters to the mid-market segment -- was affected by stagnant market demand during the year in review. The middle income has been most affected by the economic downturn and uncertainties experienced by the country in 2009.

Crown Asia

Revenues from Crown Asia operations were down 23% to ₱1.26 billion in 2009 from ₱1.63 billion on account of the decline in the sales take up of home units starting the third quarter of 2008 where most of the revenue for the year ended of 2009 came from. This was exacerbated by the continued weak sales in the first semester of 2009, as the middle income market reined in expenditures and home purchases in anticipation of the uncertainties and expectations of difficult economy during the year.

In addition, revenues were affected by the extension of the payment period for the buyer's equity from 12 months to 18 months which was also introduced to entice home buyers to make purchases notwithstanding soft market demand.

Assertive and Focused Marketing

In response to the sluggish market, Crown Asia intensified its sales and marketing efforts to push its home product offerings. It undertook an advertising campaign to highlight the winning designer-inspired community concept of the projects, while implementing area-focused mall and outdoor brand exposure and sales promotions activities and events. TV and radio commercials were put on line, complemented by print advertisements in the national and regional newspapers. The promotions covered not just the end-market but also involved increased incentives to the sales network to motivate the brokers and sales agents to push sales.

In addition, the product offerings were likewise expanded from the pure house-and-lot package with various home designs to include the lot-only product packages catering to the home buyer market with deferred house construction plans.

Prospects

The prospects for the mid-level housing market improved by late 2009, with recovery expected in 2010.

The improved over-all economic climate is anticipated to drive the recovery of Crown Asia in 2010. To take advantage of the upswing, Vista Land plans to start developing and marketing a new inner-city project in Quezon City catering to a market preferring the themed-development, resort-like amenities of Crown Asia. Similar developments are also on the drawing board.

"The pioneer in designer-themed residences for those aspiring for the top – Crown Asia has redefined the meaning of comfortable, luxurious living in a community setting."

As it expands its product offerings, Crown Asia is geared towards gaining new heights in its mission to provide quality homes and communities for the aspirational Filipino family.

Brittany

Brittany is the ultimate community for those who have arrived. Brittany offers luxury, taste, stature and comfort. It is the pinnacle of perfection.

Brittany, the brand that caters to the high end market, realized revenues of ₱1.35 billion in 2009, down 16% .

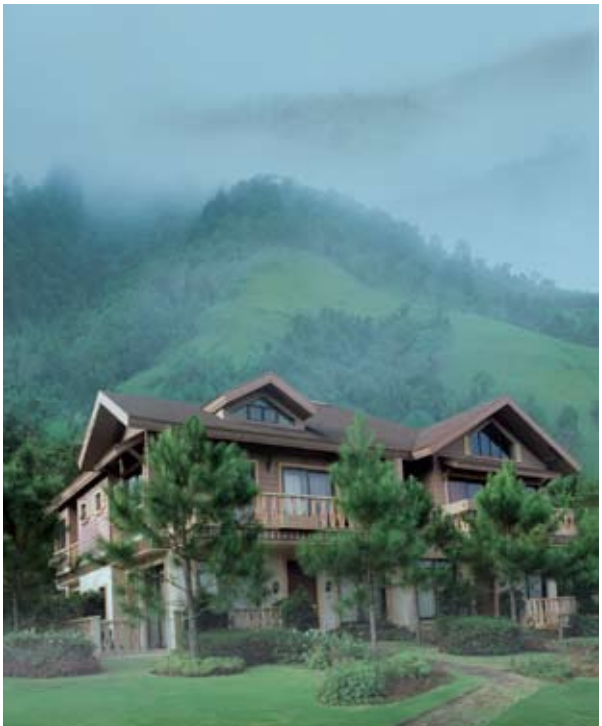
With the global financial crisis extending to 2009, anxieties and a difficult economic environment prevailed during much of the year. Sales take-up slowed down in 2009 for the brand but was within expectations despite the negative business climate as the affluent market segment remains more resilient to economic shocks than the middle-income market.

Market Positioning

Vista Land's premium brand reinforced its brand building through a sustained marketing communications program and marketing road shows aimed at upscale customers and investors in the United States and the Middle East. Advertisements focusing on this affluent market were placed in selected media outlets.

With the market sentiment undecided in making large-scale property purchases, Brittany made available and offered lot-only packages in the ₱4 to ₱5 million price range during the year. This was supplemented by aggressive financing packages to support the sales campaign and to negate the soft property market.

"Brittany offers freshly innovative and masterplanned communities where the elegant and discriminating set can live, move, play and breathe freely."



Plans

In line with the expected recovery in the property market in 2010, Brittany plans to expand further into leisure development.

New themed projects are on the drawing board as Vista Land gears up to optimize its large landbank to create the upscale community for those who have arrived.

Vista

"Vista Residences is the epitome of 21st century urban living. Its condominium projects are distinguished by superior location, accessibility and top-notch amenities and facilities – within the budget of a starting family or a young urban professional."

Vista Residences ushers 2010 with the near completion of the first tower of Trevi in Pasong Tamo Makati and the construction of Pine Crest and Wil Tower in Quezon City.

Vista Land has cemented its leadership position in the housing market through Vista Residences. The expansion into the high-rise residential market provides a source of steady and strong growth in the condominium sector. With Vista Land's extensive marketing experience and nationwide sales network, it can maximize the value of the high-rise vertical housing properties and enable Vista Residences to offer imaginative and value-for-money condominium developments to the ever-discriminating market.

In 2009, Vista Residences contributed ₱510.1 million to the Group's total revenues of ₱9.630 billion

High-Class Urban Living at Affordable Prices

Vista Residences does not only stand out in the premium location of its high-rise condominium developments. It boasts of facilities and features that are found only in high-end condominium projects – spacious lobbies, gyms, recreation facilities, study areas and landscaped gardens.

Residences

With Vista Land's "close-to-the-customer" mindset and its attention to detail, the projects of Vista Residences create livable spaces in the crowded metropolis at affordable prices. Like the subdivisions it has developed, its homes in a vertical setting create complete communities with spaces and places for recreation, interaction and play.

In Full Swing

In 2009, seven building projects were under construction in various strategic locations in Quezon City, Manila, Makati, Fort Bonifacio and Paranaque. The projects enjoyed brisk sales due to aggressive promotions and marketing. Several more projects are slated for groundbreaking and development.

In view of its robust pipeline, Vista Residences is expected to contribute 10 to 15% of gross revenues of Vista Land in the coming years. The high-rise condominium market is here to stay because of sustained urbanization and the ever-increasing price of land in Metro Manila.

With demand expected to continue growing in the near to medium term, Vista Land will drive Vista Residences to redefine condominium development in the country.

Avant at The Fort, one of Vista Residences premium developments, will be ready for turnover in 2011.

Good Governance: Key To Good Business

Corporate governance, the system of checks and balances between a corporation's board of directors, its management team, and its investors, has increasingly become the measure of a company's growth and success. Sound business practices is key to upholding the best interests of each stakeholder.

Vista Land and each of its brands, Brittany, Crown Asia, Camella and Vista Residences, have adopted good corporate governance as a way of life. Compliance with the Code of Business Conduct and the Corporate Governance Code permeates all aspects of Vista Land's operations. These values and ethical standards guide the company and is a necessary component of Vista Land's business strategy.

The Board of Directors

The Vista Land Board of Directors sets the strategic direction of the Company. It ensures that corporate objectives are met in accordance with corporate governance and legal compliance requirements.

The Board is composed of the Chairman and six (6) directors. Two of the 7-member Board are independent directors. The Board's composition is in full compliance with the requirements of the Philippine Securities and Exchange Commission. The independent directors are professionals with proven probity and unquestionable integrity. All directors are mindful of full disclosure to avoid conflicts of interest and to ensure transparency.

Vista Land has three (3) committees, overseen by the Board, for the conduct of its operations: the Nominations Committee, the Compensation and Remuneration Committee, and the Audit Committee.

It Starts at the Top

At Vista Land, the task of modeling best practices has been placed on the shoulders of our leaders. We believe, and have duly proven, that leaders shape the culture of our organization. It is mandatory for our leaders to set the tone, live the values, and, on a daily basis, establish compliance outcomes as high priority. This behavior is visible to all Vista Land employees, thus inspiring them to follow suit and commit to the changes and performance required at all levels.

Our directors are not spared the task of modeling governance. In our organization, it falls heavier on their shoulders. At Vista Land, the role of our board goes beyond a mere advisory capacity. Their ultimate responsibility is the governance of the corporation. That is, to direct the company, to provide an independent check on management, and to continue raising the standards in all aspects of governance.

In 2009, attendance at board meetings – across all regular, special and organizational meetings – was, on the average at 96%, with four out of seven directors having an attendance record of 100%, and the remaining three at 88%.

A Vista Land Perspective: Governance Should Be Routine

In our organization, we saw that it was necessary to go beyond compliance and move towards making sure that good corporate governance became routine in our daily work.

In March 2007, we drew up our Manual on Corporate Governance (the "Manual") and refined it further in 2009 to adapt to the changes within the organization, as well as global evolutions in the field. The manual lists the composition, functions, duties, and remunerations of the board and board committees, it requires the existence of an internal compliance officer, as well as an internal and external auditor, and it expounds on our stockholders' rights and the protection of their interests.

The Manual detailed the internal communication processes, the company's reportorial system, monitoring and assessment procedures, and penalties for non-compliance. It is made accessible to all our employees and partners, and a yearly values seminar ensures that everyone within the company is abreast of our governance system.

Our Manual is the embodiment of our code and was designed to create a positive ethical climate and culture, as well as draw up performance objectives in line with this critical organizational mandate.

Living Governance

The Vista Land Governance code dictates that we maintain a holistic approach to ethics and values, and require regular assessments and benchmarking. Once again, beyond guiding and regulating behavior, we have seen how adhering to good governance has resulted in Vista Land's increased profitability.

Our Code, our leadership and our values, together, have become mentor, counselor and blueprint that lie at the heart of Vista Land's decision-making processes. They have become the templates and the measures that determine what Vista Land is, and what it will become.

VARIOUS BOARD COMMITTEES AND MEMBERS

(As of June 15, 2009)

Executive Committee:

Marcelino C. Mendoza	*Chairman of the Board*
Benjamarie Therese N. Serrano	*President and Chief Executive Officer*
Manuel Paolo A. Villar	*Chief Financial Officer*
Cynthia J. Javarez	*Treasurer*
Gemma M. Santos	*Corporate Secretary*
Ricardo B. Tan, Jr.	*Compliance Officer and Chief Information Officer*

ORGANIZATION OF OTHER BOARD COMMITTEES:

Nomination Committee

Marcelino C. Mendoza	*Chairman*
Mark A. Villar	*Member*
Ruben O. Fruto (Independent Director)	*Member*

Compensation and Renumeration Committee

Benjamarie Therese N. Serrano	*Chairman*
Manuel Paolo A. Villar	*Member*
Marilou O. Adea (Independent Director)	*Member*

Audit Committee

Marilou O. Adea (Independent Director)	*Chairman*
Ruben O. Fruto (Independent Director)	*Member*
Cynthia J. Javarez	*Member*

Helping Nature Renew Itself

Vista Land has three central nurseries with a wide variety of indigenous trees, shrubs and grass.

Social responsibility in Vista Land is integral to the business and core operations of the Company.

As a property developer building homes and communities, we respond to the challenge of environmental degradation and express our Corporate Social Responsibility (CSR) through responsible development, anchored on environmental stewardship.

Vista Land conducts environmental impact studies for all identified projects prior to the formulation of the site master plan, and the actual project works, which become the foundation for environment-friendly initiatives that improve the quality of life of residents and the general community.

Vista stands out in its policy to preserve the land's terrain and contours in the development, in contrast to the prevalent practice of flattening the land. By maintaining the landscape and respecting natural waterways, we do not only preserve the innate beauty of the land, we also mitigate flooding that has become a problem in many parts of the country.

We have also made it an overriding policy to limit housing density to not more than 65 percent of the project's actual land area, which leaves a significant open space. This space is allotted for common facilities such as clubhouse, swimming pool, play grounds and landscaped gardens that enhance the functional, aesthetic and social appeal of the village.

More importantly, Vista Land also has allocated areas for mini tree forests, secondary tree plant nurseries and tree-lined main avenues and sidewalks with specific tree densities for developments under the Brittany, Camella and Crown brands. The holistic approach to property development improves air, water and environmental quality and promotes broader environmental consciousness among homeowners, partners and employees.

Vista Land operates three central nurseries (one each for Luzon, Visayas and Mindanao) to cultivate indigenous planting materials for trees, shrubs and grass suitable for the region or province where the projects are located. A company has been in operation to organize and manage the landscape management and tree-planting program year-round to ensure the greening of all Vista Land subdivision projects. It has formulated and continues to maintain a scientific program of specie selection, cultivation and planting for each project.

Vista Land employees helped pack and distribute relief goods for the victims of typhoon Ondoy.

As part of its CSR program, Vista Land in partnership with other companies, helped sponsor the 11th Inter-Collegiate Finance Competition.

(Below) Vista Land published its first sustainability report in 2008 in compliance with global corporate social responsibility standards

On another front, Vista Land has also taken a new leap in the environmental program by initiating the pilot utilization of subdivision equipment such as street lights, swimming pool pumps and, air-conditioners that make use of renewable energy sources, i.e. solar power. This initiative is under the property management company, which had been tasked by Management to integrate the management of facilities with endeavors to conserve energy and minimize carbon emissions of each project.

Apart from these environmental initiatives, the property management group also trains residents who shall, by law, take over the management of turned-over projects to the homeowners' association. This activity is critical in ensuring that the Camella, Crown Asia and Brittany developments remain properly managed to protect the property values of the owners and residents, and to ensure maintenance of the projects' facilities and amenities once these are under the management of the association.

Environment protection initiatives in other areas are also under study to preserve the quality of environment and life that its residents deserve and continually look for.

Because of these ground-breaking initiatives, Vista Land is redefining the meaning of responsible property development and management in the Philippines.

In addition to these continuing core CSR programs, the Crown Asia subdivisions in Antipolo worked with the Couples for Christ Global Foundation to assist the communities in Antipolo and Cainta that were devasted by Typhoon Ondoy last September. Maia Alta and Mille Luce subdivisions granted shelter to people from low-lying communities who escaped the ravaging flood waters.

Vista Land employees likewise volunteered by raising donations of food, clothes and other emergency provisions and distributing these items to the flood victims of Cainta and Antipolo City. In helping out in times of need, Vista Land affirms that it is part of the bigger society to whom everyone is responsible.

2009 BOARD OF DIRECTORS

Marcelino C. Mendoza, Chairman of the Board. Mr. Mendoza, 54, 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).

Benjamarie Therese N. Serrano, Director, President & Chief Executive Officer. Ms. Serrano, 46, graduated from the University of Philippines with a degree of Bachelor of Arts in Economics and from the Asian Institute of Management with a degree of Master of Business Management. She is presently the President and Chief Executive Officer of Vista Land. She was President of Brittany Corporation from 2004 to 2007. She was Chief Operating Officer of Crown Asia from 1995 to 2003 after holding various other positions in the MB Villar Group of Companies since 1991. She was also connected with the AFP Retirement and Separation Benefits System from 1985 to 1988.

Manuel Paolo A. Villar, Director and Chief Financial Officer. Mr. Villar, 32, graduated from the University of Pennsylvania, Philadelphia, USA with a Bachelor of Science in Economics and a Bachelor of Applied Science. 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.

Cynthia J. Javarez, Director and Controller. Ms. Javarez, 45, 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. Currently also the Head of the Tax and Audit group after holding various other positions in the MB Villar Group of Companies since 1985.

Mark A. Villar, Director. Mr. Villar, 30, is currently the Chief Executive Officer of Homeplus Builder's Center and Family Shoppers. He has held various positions in the MB Villar Group of Companies. Mr. Villar earned his Degree in Bachelor of Science in Economics from the University of Pennsylvania.

Ruben O. Fruto, Independent Director. Mr. Fruto, 70, 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 Subic Bay Metropolitan Authority.

Marilou O. Adea, Independent Director. Ms. Adea, 57, 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, 46, 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 companies ATR KimEng Financial Corporation and eTelecare Global Solutions, Inc., and Assistant Corporate Secretary of Metro Pacific Investments Corporation.

2009 MANAGEMENT COMMITTEE

BENJAMARIE THERESE N. SERRANO
President & Chief Executive Officer

MANUEL PAOLO A. VILLAR
Chief Financial Officer

CYNTHIA J. JAVAREZ
Controller

RICARDO B. TAN, Jr.
SVP-Finance & Chief Information Officer

RED J. ROSALES
Managing Director - Vista Residences

MARY LEE S. SADIASA
Managing Director - Brittany & Crown Asia

MARIBETH C. TOLENTINO
Managing Director - Camella Homes

JERYLLE LUZ C. QUISMUNDO
Managing Director- Communities Philippines

REVIEW OF YEAR END 2009 VS YEAR END 2008

RESULTS OF OPERATIONS

Revenues

Real Estate
The Company recorded revenue from real estate sales of ₱9,629.7 million in the year ended December 31, 2009, a decrease of 8% from ₱10,435.8 million in same period last year. This was primarily attributable to the decline in the sales take up starting 3rd quarter of 2008 where most of the revenue for the year 2009 came from and the effect of the extension of the payment period for the buyer's equity from 12 months to 18 months which was also introduce last year. 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 Camella Homes decreased by 23% to ₱2,884.13 million in the year ended December 31, 2009 from ₱3,276.0 million for the year ended December 31, 2008. This was primarily attributable to the decline in the sales take up starting 3rd quarter of 2008 where most of the revenue for the year ended 2009 came from and the effect of the extension of the payment period for the buyer's equity from 12 months to 18 months which was also introduce last year. Camella Homes caters to the affordable segment of the market.

- Real estate revenue of Communities Philippines increased to ₱3,618.2 million in the year ended December 31, 2009, an increase of 5% from ₱3,463.2 million in the year ended December 31, 2008. This increase was principally due to the increased completion of sold inventories of the year of Company's various projects from various areas outside Mega Manila.

- Real estate revenue of Crown Asia decreased by 23% to ₱1,264.8 million in the year ended December 31, 2009 from ₱1,632.2 million in the year ended December 31, 2008. The decline in the revenue was primarily attributable to the decline in the sales take up starting 3rd quarter of 2008 where most of the revenue for the year ended of 2009 came from and the effect of the extension of the payment period for the buyer's equity from 12 months to 18 months which was also introduce last year. Crown Asia is Vista Land's business unit for the middle income segment of the market

- Real estate revenue of Brittany decreased by 16% to ₱1,352.5 million in the year ended December 31, 2009 from ₱1,614.4 million in the same period last year. The decline in the revenue was due to the decrease in the completion of sold inventories of the Company for the period. Brittany caters to the high-end segment of the market.

- Real estate revenue from Vista Residences for the year ended December 31, 2009 amounted to ₱510.1 million.

Equity in net gain of an associate
Equity in net gain of an associate increased due to the higher net income reported by an associate.

Miscellaneous
Miscellaneous income decreased by 18% to ₱279.7 million in the year ended December 31, 2009 from ₱342.8 million in the year ended December 31, 2008 due to decrease in real estate sales deposit forfeitures.

Costs and Expenses
Cost and expenses increased by 2% to ₱8,000.0 million in the year ended December 31, 2009 from ₱7,856.6 million in the year ended December 31, 2008. Costs and Expenses as a percentage of real estate revenue increased from 75% in the year ended December 31, 2008 to 83% in the year ended December 31, 2009. The 2% net increase in the account was primarily attributable to the following:

- Cost of real estate sales decreased by 5% to ₱5,004.0 million in the year ended December 31, 2009 from ₱5,273.0 million in the year ended December 31, 2008. This was primarily due to the decrease in the overall recorded sales of Vista Land's business units.

- Interest and financing charges increased by 51% to ₱593.0 million in the year ended December 31, 2009 from ₱391.4 million in the year ended December 31, 2008. This was due to the increased level of interest bearing payables during the period.

- Unrealized foreign exchange loss decreased significantly from ₱180.9 million in the year ended December 31, 2008 to ₱0.6 million in the year ended December 31, 2009 due to partial settlement of foreign currency denominated liability.

Loss on Settlement of Loan
The Company recorded a loss on settlement of loan amounting to ₱318.8 million from the settlement of long-term notes amounting to ₱1,020 million (US $28.53 million).

Provision for Income Tax
Provision for income tax was ₱513.5 million in the year ended December 31, 2009 and ₱920.9 million in the year ended December 31, 2008 representing a decrease of ₱407.4 million. The decrease was primarily due to change in the regular corporate income tax from 35% in the year ended December 31, 2008 to 30% in the year ended December 31, 2009 and a lower taxable income reported for the period.

Net Income
As a result of the foregoing, the Company's net income decreased by 19% to ₱2,299.4 million in the year ended December 31, 2009 from ₱2,833.1 million in the year ended December 31, 2008.

For the year ended December 31, 2009, 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, 2009 vs. December 31, 2008

Total assets as of December 31, 2009 were ₱55,072.5 million compared to ₱52,669.4 million as of December 31, 2008, or a 5% increase. This was due to the following:

- Cash and cash equivalents including short term cash investments posted a decrease of ₱1,897.9 million, from ₱5,044.5 million as of December 31, 2008 to ₱3,146.6 million as of December 31, 2009 due to partial retirement of long-term debt and payments of working capital expenses.

- Real estate for sale and development increased by 14% to ₱28,721.7 million as of December 31, 2009 from ₱25,246.6 million as of December 31, 2008 due primarily to acquisitions of lands for future development as well as opening of new projects.

- Investment in an associate increased by 7% from ₱647.7 million to ₱693.7 million due to the recognition of share in the higher net income of an associate.

- Advances to real estate joint ventures decreased by ₱98.0 million, from ₱1,648.9 million as of December 31, 2008 to ₱1,550.9 as of December 31, 2009 due to the increase in advances given to joint venture partner.

- Other assets increased by 67% from ₱1,196.8 million as of December 31, 2008 to ₱2,004.6 million as of December 31, 2009 due primarily to increase in prepaid expenses, input vat, creditable withholding taxes and miscellaneous deposits and others.

Total liabilities as of December 31, 2009 were ₱19,447.9 million compared to ₱19,652.8 million as of December 31, 2008, or a 1% decrease. This was due to the following:

- Interest bearing bank loans and loans payable representing the sold portion of the Company's installment contracts receivables with recourse, increased by 31% to ₱4,556.5 million as of December 31, 2009 from ₱3,488.7 million as of December 31, 2008 due to availment of additional loans and selling of in-house receivables during the year.

- Accounts and other payables increased by 36% from ₱4,005.5 million as of December 31, 2008 to ₱5,430.0 million as of December 31, 2009 due primarily to the increase in accrued expenses and accounts payable to suppliers. The increase in those accounts is due to the on-going construction of some of the Company's condominium development projects.

- Customers' advances and deposits decreased by 18% from ₱4,437.7 million as of December 31, 2008 to ₱3,638.5 million as of December 31, 2009 due to a decrease in the in the minimum amount of advances and deposits required from buyers during the initial stage of a sale transaction.

- Liabilities for purchased land decreased by 30% from ₱2,632.8 million as of December 31, 2008 to ₱1,848.6 million as of December 31, 2009 due to payments made during the year.

- Due to related parties decreased by 53% from ₱910.4 million as of December 31, 2008 to ₱428.9 million as of December 31, 2009 due to the payment of advances to related parties.

- Income tax payable decreased by 24% from ₱125.0 million as of December 31, 2008 to ₱95.5 million as of December 31, 2009 primarily due to change in the regular corporate income tax from 35% in the year ended December 31, 2008 to 30% in the year ended December 31, 2009.

- Pension liability increased by ₱117.7 million from ₱14.8 million as of December 31, 2008 to ₱132.5 million as of December 31, 2009 due to actuarial adjustments.

- Deferred tax liabilities (net) posted an increase of 11% from ₱2,145.8 million as of December 31, 2008 to ₱2,385.6 million as of December 31, 2009. The increase was due primarily to the increase in unrealized gain on real estate transactions and unamortized discount on long-term notes.

- Long Term Notes including Long Term Commercial Papers decreased by 66% from ₱1,474.6 million as of December 31, 2008 to ₱495.4 million as of December 31, 2009 due primarily to partial retirement of long-term debt.

Total stockholder's equity increased to ₱35,624.7 million as of December 31, 2009 from ₱33,016.6 million as of December 31, 2008 due to the increase in additional paid in capital and issuance of treasury shares arising from the acquisition of Polar Mines Realty Ventures, Inc., and net income reported for the period.

Key Performance Indicators	12/31/2009	12/31/2008
Current ratio [(a)]	3.20:1	3.36:1
Debt-to-equity ratio [(b)]	0.55:1	0.60:1
Interest expense/Income before Interest expense [(c)]	17.4%	9.4%
Return on assets [(d)]	4.2%	5.4%
Return on equity [(e)]	6.5%	8.6%

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

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, 2009 decreased from that of December 31, 2008 due to increase in bank loans arising from additional interest bearing loans and sold receivables during the year.

Debt-to-equity ratio improved due to the increase in the total stockholders' equity brought about by the increase in additional paid in capital and issuance of treasury shares arising from the acquisition of Polar Mines Realty Ventures, Inc., and net income reported for the period and decrease in total liabilities due to partial retirement of long-term notes.

Interest expense as a percentage of income before interest expense increased in the year ended December 31, 2009 compared to the ratio for the year ended December 31, 2008 due to an increase in the interest expense arising from interest bearing liabilities for the period.

Return on asset posted a lower ratio for December 31, 2009 compared to that on December 31, 2008 due primarily to the lower level of real estate revenues and net income and higher level of total assets for the period.

Return on equity decreased due to lower net income and higher stockholders' equity reported in the year ended December 31, 2009.

Material Changes to the Company's Balance Sheet as of December 31, 2009 compared to December 31, 2008 (increase/decrease of 5% or more)

Cash and cash equivalents including short term cash investments decreased by 38% from ₱5,044.5 million as of December 31, 2008 to ₱3,146.6 million as of December 31, 2009 due to partial retirement of long-term debt and payments of working capital expenses.

Real estate for sale and development increased by 14% from ₱25,246.6 million as of December 31, 2008 to ₱28,721.7 million as of December 31, 2009 due primarily to acquisitions of lands for future development as well as opening of new projects.

Advances to real estate joint ventures decreased by ₱98.0 million, from ₱1,648.9 million as of December 31, 2008 to ₱1,550.9 as of December 31, 2009 due to the increase in advances given to joint venture partner

Investment in an associate increased by 7% from ₱647.7 million to ₱693.7 million due to the recognition of share in the higher net income of an associate.

Other assets increased by 67% from ₱1,196.8 million as of December 31, 2008 to ₱2,004.6 million as of December 31, 2009 due primarily to increase in prepaid expenses, input vat, creditable withholding taxes, miscellaneous deposits and others.

Interest bearing bank loans and loans payable representing the sold portion of the Company's installment contracts receivables with recourse, increased by 31% to ₱4,556.5 million as of December 31, 2009 from ₱3,488.7 million as of December 31, 2008 due to availment of additional loans and selling of in-house receivables during the year.

Accounts and other payables increased by 36% from ₱4,005.5 million as of December 31, 2008 to ₱5,430.0 million as of December 31, 2009 due primarily to the increase in accrued expenses and accounts payable to suppliers. The increase in those accounts is due to the on-going construction of some of the Company's condominium development projects.

Customers' advances and deposits decreased by 18% from ₱4,437.7 million as of December 31, 2008 to ₱3,638.5 million as of December 31, 2009 due to a decrease in the in the minimum amount of advances and deposits required from buyers during the initial stage of a sale transaction.

Liabilities for purchased land decreased by 30% from ₱2,632.8 million as of December 31, 2008 to ₱1,848.6 million as of December 31, 2009 due to payments made during the year.

Due to related parties decreased by 53% from ₱910.4 million as of December 31, 2008 to ₱428.9 million as of December 31, 2009 due to the payment of advances to related parties made during the year.

Income tax payable decreased by 24% from ₱125.0 million as of December 31, 2008 to ₱95.5 million as of December 31, 2009 primarily due to change in the regular corporate income tax from 35% in the year ended December 31, 2008 to 30% in the year ended December 31, 2009.

Pension liability increased by ₱117.7 million from ₱14.8 million as of December 31, 2008 to ₱132.5 million as of December 31, 2009 due to actuarial adjustments.

Deferred tax liabilities (net) posted an increase of 11% from ₱2,145.8 million as of December 31, 2008 to ₱2,385.6 million as of December 31, 2009. The increase was due primarily to the increase in unrealized gain on real estate transactions and unamortized discount on long-term notes.

Long Term Notes including Long Term Commercial Papers decreased by 66% from ₱1,474.6 million as of December 31, 2008 to ₱495.4 million as of December 31, 2009 due primarily to partial retirement of long-term debt.

Total stockholder's equity increased to ₱35,624.7 million as of December 31, 2009 from ₱33,016.6 million as of December 31, 2008 due the net income reported for the period and increase in additional paid in capital and issuance of treasury shares arising from the acquisition of Polar Mines Realty Ventures, Inc.

Material Changes to the Company's Statement of income for the year ended December 31, 2009 compared to the year ended December 31, 2008 (increase/decrease of 5% or more)

Revenue from real estate sales decreased by 8% from ₱10,435.8 million in the year ended December 31, 2008 to ₱9,629.7 million in the year ended December 31, 2009 mainly due to the decline in the sales take up starting 3rd quarter of 2008 where most of the revenue for the year 2009 came from and the effect of the extension of the payment period for the buyer's equity from 12 months to 18 months which was also introduce last year. 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.

Equity in net gain of an associate increased by ₱35.7 million from ₱10.2 million in the year ended December 31, 2008 to ₱45.9 million in the year ended December 31, 2009. The increase was primarily due to higher net income reported by an associate.

Miscellaneous income decreased by 18% to ₱279.7 million in the year ended December 31, 2009 from ₱342.8 million in the year ended December 31, 2008 due to decrease in real estate sales deposit forfeitures.

Cost of real estate sales decreased by 5% to ₱5,004.0 million in the year ended December 31, 2009 from ₱5,273.0 million in the year ended December 31, 2008. This was primarily due a decrease in the overall recorded sales of Vista Land's business units.

Interest and financing charges increased by 51% to ₱593.0 million in the year ended December 31, 2009 from ₱391.4 million in the year ended December 31, 2008. This was due to the increased level of interest bearing payables during the period.

Unrealized foreign exchange loss decreased significantly from ₱180.9 million in the year ended December 31, 2008 to ₱0.6 million in the year ended December 31, 2009 due to partial settlement of foreign currency denominated liability.

Provision for income tax was ₱513.5 million in the year ended December 31, 2009 and ₱920.9 million in the year ended December 31, 2008 representing a decrease of ₱407.4 million. The decrease was primarily due to change in the regular corporate income tax from 35% in the year ended December 31, 2008 to 30% in the year ended December 31, 2009 and a lower taxable income reported for the period.

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.

REVIEW OF YEAR END 2008 VS YEAR END 2007

RESULTS OF OPERATIONS

Revenues

Real Estate
The Company recorded revenue from real estate sales of ₱10,435.8 million in the year ended December 31, 2008, an increase of 27% from ₱8,223.6 million in same period last year. This was primarily attributable to the increase in the overall completion rate of sold inventories of Vista Land's business units particularly that of Camella Homes and Communities Philippines during 2008 compared to that of 2007. 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 Camella Homes increased by 110% to ₱3,726.0 million in the year ended December 31, 2008 from ₱1,773.1 million for the year ended December 31, 2007. This was due to increase in the completion of sold inventories for the period from the Company's projects, specifically Cerritos 1 & 2, Glenmont, Pacific Residences, Frontera and Tierra Nevada. Camella Homes caters to the affordable segment of the market.

- Real estate revenue of Communities Philippines increased to ₱3,463.2 million in the year ended December 31, 2008, an increase of 59% from ₱2,171.7 million in the year ended December 31, 2007. This increase was principally due to the increased completion of sold inventories of the year of Company's various projects from various areas outside Mega Manila such as Savannah in Iloilo, Plantacion Meridienne in Batangas, Toscana in Davao, Provence in Bulacan and Grenadines in General Santos City. Communities Philippines is the business unit of Vista Land that offers residential properties outside the Mega Manila area.

- Real estate revenue of Crown Asia decreased by 13% to ₱1,632.2 million in the year ended December 31, 2008 from ₱1,877.0 million in the year ended December 31, 2007. The decline in the revenue was due to the decrease in the completion of sold inventories of the Company for the period. Brittany caters to the high-end segment of the market.

- Real estate revenue of Brittany decreased by 33% to ₱1,614.4 million in the year ended December 31, 2008 from ₱2,401.8 million in the same period last year. The decline in the revenue was due to the decrease in the completion of sold inventories of the Company for the period. Brittany caters to the high-end segment of the market.

Unrealized foreign exchange gain (loss)
Unrealized foreign exchange gain decreased by 191.6% resulting to an unrealized foreign exchange loss of ₱180.9 million in the year ended December 31, 2008 from an unrealized foreign exchange gain ₱197.5 million in the year ended December 31, 2007. This was due to the depreciation of the reporting currency for the period.

Interest Income
Interest income increased to ₱821.7 million in the year ended December 31, 2008 from ₱813.6 million in the year ended December 31, 2007. There is only a 1% increase in the interest due to some foregone interest from sold receivables..

Miscellaneous
Miscellaneous income decreased by 5% to ₱342.8 million in the year ended December 31, 2008 from ₱362.0 million in the year ended December 31, 2007 due to decrease in real estate sales deposit forfeitures.

Gain on restructuring
The Company recorded a non-recurring gain on restructuring of ₱1,443.5 million in the year ended December 31, 2007 as a result of Camella Homes' restructuring of its foreign currency denominated obligation, FRN.

Costs and Expenses
Cost and expenses increased by 18% to ₱7,856.6 million in the year ended December 31, 2008 from ₱6,512.3 million in the year ended December 31, 2007 but as a percentage of real estate sales, Costs and Expenses as a percentage of real estate revenue improved from 79% in the year ended December 31, 2007 to 75% in the year ended December 31, 2008. The 18% increase in the account was primarily attributable to the following:

- Cost of real estate sales increased by 31% to ₱5,273.0 million in the year ended December 31, 2008 from ₱4,031.4 million in the year ended December 31, 2007. This was primarily due an increase in the overall recorded sales of Vista Land's four business units.

- Operating expenses increased by 10% to ₱2,011.2 million in the year ended December 31, 2008 from ₱1,837.6 million in the year ended December 31, 2007. This was primarily due to the following:

  - an increase in the advertising and promotions to ₱552.3 million in the year ended December 31, 2008 from ₱380.2 million in the year ended December 31, 2007 resulting from aggressive marketing activities for the year;

- an increase in commissions to ₱434.3 million in the year ended December 31, 2008 from P408.2 million in the year ended December 31, 2007 due to increased real estate sales; and

- an increase in salaries and wages to ₱230.5 million in the year ended December 31, 2008 from ₱133.4 million in the year ended December 31, 2007 primarily due to the increase in the number of employees for the year.

- Interest and financing charges decreased by 39% to ₱391.4 million in the year ended December 31, 2008 from ₱643.4 million in the year ended December 31, 2007. This was due reduced level of interest bearing payables during the period.

Provision for Income Tax
Provision for income tax was ₱920.9 million in the year ended December 31, 2008 and ₱1,169.7 million in the year ended December 31, 2007, representing a decrease ₱248.8 million. The decrease was due to the recognition of the deferred tax liability from the gain on restructuring recorded in 2007 and none in 2008.

Net Income
As a result of the foregoing, the Company's net income decreased by 18% to ₱2,833.1 million in the year ended December 31, 2008 from ₱3,469.0 million in the year ended December 31, 2007.

For the year ended December 31, 2008, 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, 2008 vs. December 31, 2007

Total assets as of December 31, 2008 were ₱52,251.9 million compared to ₱44,440.2 million as of December 31, 2007, or a 18% increase. This was due to the following:

- Cash and cash equivalents including short term cash investments posted a significant decrease of ₱1,773.4 million, from ₱6,818.0 million as of December 31, 2007 to ₱5,044.5 million as of December 31, 2008 due to payments of working capital expenses.

- Receivables increased by 45% from P12,476.9 million as of December 31, 2007 to ₱18,072.9 million as of December 31, 2008 due to higher sales recognized for the period.

- Real estate for sale and development increased by 15% from ₱21,950.5 million as of December 31, 2007 to ₱25,246.6 million as of December 31, 2008 due primarily to acquisitions of lands for future development as well as opening of new projects.

- Property and equipment increased by 30% from ₱72.7 million as of December 31, 2007 to ₱94.8 million as of December 31, 2008 due primarily to additions of transportation equipment and other fixed assets.

- Advances to real estate joint ventures increased by ₱135.8 million, from ₱1,513.1 million as of December 31, 2007 to ₱1,648.9 as of December 31, 2008 due to the increase in advances given to joint venture partners.

- Other assets increased by 80% from P666.7 million as of December 31, 2007 to ₱1,196.8 million as of December 31, 2008 due primarily to increase in creditable withholding taxes, input vat and miscellaneous deposits and others.

Total liabilities as of December 31, 2008 were ₱19,235.3 million compared to ₱13,169.6 million as of December 31, 2007, or a 46% increase. This was due to the following:

- Interest bearing bank loans decreased by 64% to ₱92.3 million as of December 31, 2008 from ₱254.8 million as of December 31, 2007 due to payments made during the year.

- Loans payable, representing the sold portion of the Company's installment contracts receivables with recourse, increased significantly by 100.0% to ₱3,372.3 million as of December 31, 2008 from nil as of December 31, 2007 due to the selling of in-house receivables during the year.

- Accounts and other payables increased by 23% from ₱3,254.3 million as of December 31, 2007 to ₱4,005.5 million as of December 31, 2008 due primarily to the increase in accrued expenses and accounts payable to suppliers. The increase in those accounts are due to the on-going construction of some of the Company's condominium development projects.

- Customers' advances and deposits increased by 22% from ₱3,640.6 million as of December 31, 2007 to ₱4,437.7 million as of December 31, 2008 due to an increase in the number of uncontracted accounts.

- Liabilities for purchased land increased by 8% from ₱2,445.6 million as of December 31, 2007 to ₱2,632.8 million as of December 31, 2008 due to new acquisitions of land for future development.

- Due to related parties increased by 72% from ₱530.1 million as of December 31, 2007 to ₱910.4 million as of December 31, 2008 due to the proceeds of advances from related parties.

- Income tax payable increased by ₱13.5 million from ₱111.4 million as of December 31, 2007 to ₱125.0 million as of December 31, 2008 due to a higher taxable income for the period.

- Pension liability decreased by 85% from ₱100.0 million as of December 31, 2007 to ₱14.8 million as of December 31, 2008 due to actuarial adjustments.

- Deferred tax liabilities posted a significant increase of 33% from ₱1,610.7 million as of December 31, 2007 to ₱2,145.8 million as of December 31, 2008. The increase in the account was due to the increase in the sales that will be subjected to tax only upon collection and not during the recognition of the revenue.

- Long Term Notes including Long Term Commercial Papers increased by 23% from ₱1,221.9 million as of December 31, 2007 to ₱1,498.6 million as of December 31, 2008 due to foreign exchange translation.

Total stockholder's equity increased to ₱32,967.4 million as of December 31, 2008 from ₱31,239.0 million as of December 31, 2007 net profit realized for the year reduced by the dividends paid and treasury shares.

Total stockholder's equity increased to ₱32,967.4 million as of December 31, 2008 from ₱31,239.0 million as of December 31, 2007 net profit realized for the year reduced by the dividends paid and treasury shares.

Minority interest decreased by 56% from ₱31.6 million as of December 31, 2007 to ₱49.2 million as of December 31, 2008 due mainly minority share in net income for the year.

Key Performance Indicators	12/31/2008	12/31/2007
Current ratio [(a)]	3.43:1	3.24:1
Debt-to-equity ratio [(b)]	0.58:1	0.42:1
Interest expense/Income before Interest expense [(c)]	9.4%	12.2%
Return on assets [(d)]	5.4%	7.8%
Return on equity [(e)]	8.6%	11.1%

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

Notes:

(a) Current Ratio: This ratio is obtained by dividing the Current Assets (Cash and Cash Equivalents, Short term cash investments & Receivables) of the Company by its Current liabilities (Bank loans, Accounts and Other Payables & Liabilities for purchased land). 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, 2008 improved from that of December 31, 2007 due to a significant increase in the receivables accounts and the slight increase in the account and other payables account. The increase in receivables was due to higher sales recognized for the period

Debt-to-equity ratio's slightly increased was due increase in the total liabilities. The increase in the total liabilities was due primarily to the increase in the loans payable which represents the Company's proceeds from sold receivables.

Interest expense as a percentage of income before interest expense was reduced in the year ended December 31, 2008 compared to the ratio for the year ended December 31, 2008 due to a reduction in the interest expense from interest bearing liabilities for the period.

Return on asset posted a lower ratio for December 31, 2008 compared to that on December 31, 2007 due primarily to the higher net income posted in the prior year which includes a significant one-time restructuring gain.

Return on equity decreased due to the higher net income for the year ended December 31, 2007 compared to that of December 31, 2008. The higher net income posted in the prior year includes a significant one-time restructuring gain.

Material Changes to the Company's Balance Sheet as of December 31, 2008 compared to December 31, 2007 (increase/decrease of 5% or more)

Cash and cash equivalents including short term cash investments increased by 26% from ₱6,818.0 million as of December 31, 2007 to ₱5,044.5 million as of December 31, 2008 due to payments of working capital expenses.

Receivables increased by 45% from ₱12,476.9 million as of December 31, 2007 to ₱18,072.9 million as of December 31, 2008 due to higher sales recognized for the period.

Real estate for sale and development increased by 15% from ₱21,950.5 million as of December 31, 2007 to ₱25,246.6 million as of December 31, 2008 due primarily to acquisitions of lands for future development as well as opening of new projects.

Property and equipment increased by 30% from ₱72.7 million as of December 31, 2007 to ₱94.8 million as of December 31, 2008 due primarily to additions of transportation equipment and other fixed assets.

Advances to real estate joint ventures increased by 9% from ₱1,513.1 million as of December 31, 2007 to ₱1,648.9 as of December 31, 2008 due to the increase in advances given to joint venture partners.

Other assets increased by 80% from ₱666.7 million as of December 31, 2007 to ₱1,196.8 million as of December 31, 2008 due primarily to increase in creditable withholding taxes, input vat and miscellaneous deposits and others.

Bank loans decreased by 64% from ₱254.8 million as of December 31, 2007 to ₱92.3 million as of December 31, 2008 due to payments made during the year.

Loans payable increased by 100.0% from nil as of December 31, 2007 to ₱3,372.3 million as of December 31, 2008 due to the selling of in-house receivables during the year.

Accounts and other payables increased by 23% from ₱3,254.3 million as of December 31, 2007 to ₱4,005.5 million as of December 31, 2008 due primarily to the increase in accrued expenses and accounts payable to suppliers. The increase in those accounts are due to the on-going construction of some of the Company's condominium development projects.

Customers' advances and deposits increased by 22% from ₱3,640.6 million as of December 31, 2007 to ₱4,437.7 million as of December 31, 2008 due to an increase in the number of uncontracted accounts.

Liabilities for purchased land increased by 8% from ₱2,445.6 million as of December 31, 2007 to ₱2,632.8 million as of December 31, 2008 due to new acquisitions of land for future development.

Due to related parties increased by 72% from ₱530.1 million as of December 31, 2007 to ₱910.4 million as of December 31, 2008 due to the proceeds of advances from related parties.

Income tax payable increased by 12% from ₱111.4 million as of December 31, 2007 to ₱125.0 million as of December 31, 2008 due to a higher taxable income for the period.

Pension liability decreased by 85% from ₱100.0 million as of December 31, 2007 to ₱14.8 million as of December 31, 2008 due to actuarial adjustments.

Deferred tax liabilities posted a significant increase of 33% from ₱1,610.7 million as of December 31, 2007 to ₱2,145.8 million as of December 31, 2008. The increase in the account was due to the increase in the sales that will be subjected to tax only upon collection and not during the recognition of the revenue.

Long Term Notes including Long Term Commercial Papers increased by 23% from ₱1,221.9 million as of December 31, 2007 to ₱1,498.6 million as of December 31, 2008 due to foreign exchange translation.

Total stockholders' equity increased by 6% from ₱31,270.5 million as of December 31, 2007 to ₱33,016.6 million as of December 31, 2008 due to the net profit realized for the year reduced by the dividends paid and treasury shares.

Material Changes to the Company's Statement of income for the year ended December 31, 2008 compared to the year ended December 31, 2007 (increase/decrease of 5% or more)

Revenue from real estate sales increased by 27% from ₱8,223.6 million in the year ended December 31, 2007 to ₱10,435.8 million in the year ended December 31, 2008 mainly due to increase in the completion of sold inventories of Vista Land's business units.

Unrealized foreign exchange gain decreased by 191.6% resulting to an unrealized forex loss of ₱180.9 million in the year ended December 31, 2008 from an unrealized foreign exchange gain of ₱197.5 million in the year ended December 31, 2007. This was due to the depreciation of the reporting currency for the period.

Operating expenses increased by 10% from ₱1,837.6 million in the year ended December 31, 2007 to ₱2,011.2 million in the year ended December 31, 2008 mainly due to increase in marketing and selling expenses, particularly advertising and promotions and commissions resulting from aggressive marketing activities as well as increase in the salaries and wages due to the increase in the number of employees for the year.

Miscellaneous income decreased by 5% from ₱362.0 million in the year ended December 31, 2007 to ₱342.8 million in the year ended December 31, 2008 due to decrease in real estate sales deposit forfeitures.

Interest and financing charges decreased by 39% from ₱643.4 million in the year ended December 31, 2007 to ₱391.4 million in the year ended December 31, 2008 due to the increase in the interest due to some foregone interest from sold receivables.

Provision for income tax decreased by 21% from ₱1,169.7 million in the year ended December 31, 2007 to ₱920.9 million in the year ended December 31, 2008 due to the recognition of the deferred tax liability from the gain on restructuring recorded in 2007 and none in 2008.

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.

2009 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, 2009 and 2008 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, 2009 and the summary of significant accounting polices and other explanatory notes. The consolidated financial statements have been prepared in conformity with Philippine Financial Reporting Standards and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

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

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

SyCip, Gorres, Velayo & Co., the independent auditors appointed by the stockholders, has examined the 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

BENJAMARIE THERESE N. SERRANO
President and Chief Executive Officer

MANUEL PAOLO A. VILLAR
Chief Financial Officer

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ERNST & YOUNG

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

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Vista Land & Lifescapes, Inc.

We have audited the accompanying consolidated financial statements of Vista Land & Lifescapes, Inc. and Subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2009 and 2008, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2009, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Philippine Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the 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 financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Vista Land & Lifescapes, Inc. and Subsidiaries as of December 31, 2009, and 2008, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2009 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
Tax Identification No. 102-082-365
PTR No. 2087369, January 4, 2010, Makati City

April 12, 2010

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

	December 31	
	2009	2008
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 6 and 28)	**₱3,010,640,495**	₱5,014,533,958
Short-term investments (Notes 7 and 28)	**135,962,569**	30,000,000
Receivables (Notes 8 and 28)	**9,767,390,420**	12,885,053,541
Real estate inventories (Note 9)	**28,721,665,913**	25,246,604,413
Other current assets (Note 10)	**1,592,533,878**	805,648,276
Total Current Assets	**43,228,193,275**	43,981,840,188
Noncurrent Assets		
Noncurrent receivables (Notes 8 and 28)	**8,370,231,418**	5,187,818,787
Available-for-sale financial assets (Notes 11 and 28)	**288,936,791**	299,625,790
Investment in an associate (Note 12)	**693,673,745**	647,730,273
Property and equipment (Note 13)	**92,191,013**	94,800,826
Interests in joint ventures (Note 14)	**1,550,921,619**	1,648,925,806
Deferred tax assets (Note 26)	**436,330,705**	417,497,645
Other noncurrent assets (Note 15)	**412,065,875**	391,186,837
Total Noncurrent Assets	**11,844,351,166**	8,687,585,964
	₱55,072,544,441	₱52,669,426,152
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts and other payables (Notes 17 and 28)	**₱5,430,021,127**	₱4,005,522,187
Customers' advances and deposits (Note 20)	**3,638,487,966**	4,437,729,304
Payable to related parties (Notes 22 and 28)	**428,906,503**	910,408,719
Income tax payable	**95,461,872**	124,957,363
Current portion of bank loans (Notes 16 and 28)	**2,729,998,851**	1,689,916,446
Current portion of liabilities for purchased land (Notes 18 and 28)	**1,202,280,747**	1,934,494,403
Total Current Liabilities	**13,525,157,066**	13,103,028,422
Noncurrent Liabilities		
Bank loans - net of current portion (Notes 16 and 28)	**1,826,499,513**	1,798,800,730
Liabilities for purchased land - net of current portion (Notes 18 and 28)	**646,360,010**	698,341,866
Pension liabilities (Note 24)	**132,454,030**	14,776,999
Long-term notes (Notes 19 and 28)	**495,427,390**	1,474,565,769
Deferred tax liabilities (Note 26)	**2,821,978,377**	2,563,324,062
Total Noncurrent Liabilities	**5,922,719,320**	6,549,809,426
Total Liabilities	**19,447,876,386**	19,652,837,848

(Forward)

	December 31	
	2009	2008
Equity (Notes 2 and 29)		
Equity attributable to equity holders of Vista Land & Lifescapes, Inc.		
Capital stock	**₱8,538,740,614**	₱8,538,740,614
Additional paid-in capital	**19,328,509,860**	19,305,275,668
Retained earnings	**7,757,417,581**	5,739,787,852
Unrealized gain on available-for-sale financial assets	**–**	472,619
Treasury shares (Notes 4 and 29)	**–**	(616,885,476)
	35,624,668,055	32,967,391,277
Minority interests	**–**	49,197,027
Total Equity	**35,624,668,055**	33,016,588,304
	₱55,072,544,441	₱52,669,426,152

See accompanying Notes to Consolidated Financial Statements.

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

	Years Ended December 31		
	2009	2008	2007
REVENUE			
Real estate	**₱9,629,663,010**	₱10,435,822,103	₱8,223,600,691
Interest income (Note 21)	**857,296,120**	821,702,486	813,641,406
Miscellaneous income (Note 25)	**279,747,532**	342,809,558	361,984,749
	10,766,706,662	11,600,334,147	9,399,226,846
COSTS AND EXPENSES			
Real estate	**5,003,984,152**	5,273,025,863	4,031,363,221
Operating expenses (Note 23)	**2,083,572,435**	2,011,234,962	1,837,561,481
Interest and other financing charges (Note 21)	**592,982,136**	391,415,253	643,368,110
	7,680,538,723	7,675,676,078	6,512,292,812
OTHER INCOME (EXPENSES)			
Equity in net income of an associate (Note 12)	**45,943,472**	10,225,092	110,691,548
Dividend income	**194,340**	–	–
Unrealized foreign exchange gains (losses)	**(611,212)**	(180,896,764)	197,504,392
Loss on settlement of loan (Note 19)	**(318,810,422)**	–	–
Gain from restructuring of loan (Note 19)	**–**	–	1,443,542,689
	(273,283,822)	(170,671,672)	1,751,738,629
INCOME BEFORE INCOME TAX	**2,812,884,117**	3,753,986,397	4,638,672,663
PROVISION FOR INCOME TAX (Note 26)	**513,475,947**	920,850,348	1,169,663,599
NET INCOME	**2,299,408,170**	2,833,136,049	3,469,009,064
OTHER COMPREHENSIVE INCOME			
Unrealized gain on available-for-sale financial assets (Note 11)	**–**	472,619	–
TOTAL COMPREHENSIVE INCOME	**₱2,299,408,170**	₱2,833,608,668	₱3,469,009,064
NET INCOME ATTRIBUTABLE TO:			
Equity holders of Vista Land & Lifescapes, Inc.	**₱2,299,408,170**	₱2,819,203,031	₱3,463,493,788
Minority interests	**–**	13,933,018	5,515,276
	₱2,299,408,170	₱2,833,136,049	₱3,469,009,064
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Equity holders of Vista Land & Lifescapes, Inc.	**₱2,299,408,170**	₱2,819,675,650	₱3,463,493,788
Minority interests	**–**	13,933,018	5,515,276
	₱2,299,408,170	₱2,833,608,668	₱3,469,009,064
Basic/Diluted Earnings Per Share (Note 27)	₱0.278	₱0.335	₱0.484
Basic/Diluted Earnings Per Share Excluding Gain from Restructuring (Note 27)	₱0.278	₱0.335	₱0.282

See accompanying Notes to Consolidated Financial Statements.

2009 VISTA LAND & LIFESCAPES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	ATTRIBUTABLE TO EQUITY HOLDERS OF VISTA LAND & LIFESCAPES, INC.								
	Capital Stock (Note 29)	Additional Paid-in Capital	Retained Earnings	Deposits for Future Stock Subscriptions	Treasury Shares (Note 29)	Unrealized Gain on Available-for-Sale Financial Assets	Total	ATTRIBUTABLE TO MINORITY INTERESTS	TOTAL EQUITY
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**
Issuance of treasury shares	–	**23,234,192**	–	–	**616,885,476**	–	**640,119,668**	**(49,197,027)**	**590,922,641**
Cash dividends (Note 29)	–	–	**(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**
Balances as of January 1, 2008	₱8,538,740,614	₱19,305,275,668	₱3,463,493,788	₱–	(₱68,531,241)	₱–	₱31,238,978,829	₱31,564,195	₱31,270,543,024
Net income	–	–	2,819,203,031	–	–	–	2,819,203,031	13,933,018	2,833,136,049
Other comprehensive income	–	–	–	–	–	472,619	472,619	–	472,619
Total comprehensive income	–	–	2,819,203,031	–	–	472,619	2,819,675,650	13,933,018	2,833,608,668
Cash dividends (Note 29)	–	–	(542,908,967)	–	–	–	(542,908,967)	–	(542,908,967)
Equity movement of subsidiaries	–	–	–	–	–	–	–	3,699,814	3,699,814
Purchase of treasury shares	–	–	–	–	(548,354,235)	–	(548,354,235)	–	(548,354,235)
Balances as of December 31, 2008	**₱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**
Balances as of January 1, 2007	₱1,000,000	₱–	₱–	₱8,224,661,024	₱–	₱–	₱8,225,661,024	₱26,048,919	8,251,709,943
Net income for the period	–	–	3,463,493,788	–	–	–	3,463,493,788	5,515,276	3,469,009,064
Other comprehensive income	–	–	–	–	–	–	–	–	–
Total comprehensive income	–	–	3,463,493,788	–	–	–	3,463,493,788	5,515,276	3,469,009,064
Issuance of shares	8,537,740,614	19,305,275,668	–	–	–	–	27,843,016,282	–	27,843,016,282
Purchase of treasury shares	–	–	–	–	(68,531,241)	–	(68,531,241)	–	(68,531,241)
Equity movement of subsidiaries	–	–	–	(8,224,661,024)	–	–	(8,224,661,024)	–	(8,224,661,024)
Balances as of December 31, 2007	**₱8,538,740,614**	**₱19,305,275,668**	**₱3,463,493,788**	**₱–**	**(₱68,531,241)**	**₱–**	**₱31,238,978,829**	**₱31,564,195**	**₱31,270,543,024**

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

	Years Ended December 31		
	2009	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱2,812,884,117**	₱3,753,986,397	₱4,638,672,663
Adjustments for:			
Interest income (Note 21)	**(857,296,120)**	(821,702,486)	(813,641,406)
Interest expense	**592,982,136**	391,415,253	643,368,110
Actuarial loss (gain) (Note 24)	**128,575,800**	(85,267,936)	(20,856,700)
Depreciation and amortization (Notes 13, 15 and 23)	**95,162,392**	46,472,247	43,002,460
Provision for probable losses (Note 23)	**11,079,149**	8,419,703	21,216,869
Unrealized foreign exchange (gains) losses	**611,212**	180,896,764	(923,697,068)
Equity in net earnings of an associate (Note 12)	**(45,943,472)**	(10,225,092)	(110,691,548)
Loss on settlement of loans (Note 19)	**318,810,422**	–	–
Dividend income	**(194,340)**	–	–
Loss on retirement of property and equipment	**9,321,027**	1,785,876	–
Gain from restructuring	**–**	–	(1,443,542,689)
Operating income before working capital changes	**3,065,992,323**	3,465,780,726	2,033,830,691
Decrease (increase) in:			
Receivables	**8,243,770**	(5,525,016,510)	(4,588,454,620)
Real estate for sale and development	**(2,967,050,148)**	(3,296,118,010)	(3,883,831,678)
Other assets	**(849,518,628)**	(519,125,077)	(80,487,102)
Increase (decrease) in:			
Accounts and other payables	**1,129,064,618**	747,670,936	409,353,754
Customers' advances and deposits	**(799,241,338)**	797,091,656	1,327,604,308
Liabilities for purchased land	**(784,195,512)**	169,768,508	1,461,944,201
Pension liabilities	**(10,898,769)**	–	–
Net cash flows used in operations	**(1,207,603,684)**	(4,159,947,771)	(3,320,040,446)
Dividend received	**194,340**	–	–
Interest received	**772,612,479**	742,352,183	813,641,406
Interest paid	**(600,961,254)**	(373,914,823)	–
Income tax paid	**(303,150,182)**	(372,263,089)	(65,955,593)
Net cash flows used in operating activities	**(1,338,908,301)**	(4,163,773,500)	(2,572,354,633)
CASH FLOWS FROM INVESTING ACTIVITIES			
Increase in advances to real estate joint ventures	**98,004,187**	(135,779,154)	(377,025,700)
Purchase of available-for-sale financial assets	**10,216,380**	5,561,653	112,844,900
Disposal of investments in an associate	**–**	–	(258,520,144)
Proceeds from short-term investment	**–**	1,510,260,676	–
Acquisition of property and equipment (Note 13)	**(53,853,349)**	(70,379,252)	(46,678,737)
Purchase of short-term investments	**(105,962,569)**	–	(1,540,260,676)
Net cash provided by (used in) investing activities	**(51,595,351)**	1,309,663,923	(2,109,640,357)

(Forward)

	Years Ended December 31		
	2009	2008	2007
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from (payments of):			
Bank loans	**₱1,067,781,188**	₱3,188,403,162	(₱5,153,133,802)
Long-term notes	**(1,297,948,801)**	117,221,379	–
Proceeds from issuance of share of stock	–	–	13,331,008,039
Acquisition of treasury stock	**(20,493,492)**	(548,354,235)	(68,531,241)
Payment of dividends declared (Note 29)	**(281,778,440)**	(542,908,967)	–
Increase (decrease) in payable to related parties	**(31,753,239)**	380,276,468	524,131,377
Payments to minority interests	**(49,197,027)**	(3,699,814)	(37,905,116)
Net cash provided by (used in) financing activities	**(613,389,811)**	2,590,937,993	8,595,569,257
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(2,003,893,463)**	(263,171,584)	3,913,574,267
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**5,014,533,958**	5,277,705,542	1,364,131,275
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)	**₱3,010,640,495**	₱5,014,533,958	₱5,277,705,542

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 33.88% owned by Fine Properties, Inc, 24.24% owned by Adelfa Properties, Inc., 9.11% owned by Polar Property Holdings, Inc. and rest by the public.

The Parent Company is the holding company of the Vista Group (the Group) which is comprised of the following domestic subsidiaries:

1) Camella Homes, Inc. (CHI) and Subsidiaries;
2) Brittany Corporation (Brittany);
3) Crown Asia Properties, Inc. (CAPI);
4) Communities Philippines, Inc. (CPI) and Subsidiaries; and
5) Vista Residences, Inc. (Formerly Polar Mines Realty Ventures, Inc.) (VRI)

The Group is engaged mainly 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.

Camella Homes, Inc. and Subsidiaries
On October 30, 2007, SEC approved the merger between Palmera Homes, Inc., Eastridge Estates, Inc., Ridgewood Estates, Inc. and Household Development Corp. (HDC), the latter being the surviving entity. All of these entities are within the group of Camella Homes. HDC did not issue any consideration in exchange for the shares of the three other subsidiaries. HDC and the Parent Company has accounted for this transaction as reorganization of entities under common control, using pooling of interest method. Accordingly, the accompanying consolidated financial statements have been prepared as if the current corporate structure had been in existence in all periods presented.

On August 15, 2008, the shareholders ratified the Board of Directors (BOD) approval of the amendment of the name of the corporation from "C & P Homes, Inc." to "Camella Homes, Inc." Likewise, the shareholders ratified the BOD resolution to change the par value of shares from ₱1.00 per share to ₱10,000 per share. The amendments in the articles of incorporation was approved by SEC on March 12, 2009, to increase the par value from ₱1.00 per share to ₱10,000 per share and correspondingly decrease the number of shares comprising the authorized capital stock of CHI from seven (7) billion to 700,000 shares.

Crown Asia Properties, Inc.
On August 13, 2008, SEC approved the merger between Symmetrical Ventures, Inc., Crown Asia Properties (North), Inc., and CAPI, the latter being the surviving entity. CAPI did not issue any consideration in exchange for the shares accounted for this transaction and accounted this transaction as reorganization of entities under common control, using pooling of interest method. Accordingly, the accompanying consolidated financial statements have been prepared as if the current corporate structure had been in existence in all periods presented.

Communities Philippines, Inc. and Subsidiaries
At a meeting on August 6, 2008, the BOD approved the increase of the authorized capital of CPI from fifty million pesos (₱50,000,000) divided into five hundred thousand (500,000) shares with par value of one hundred pesos (₱100) per share to one billion (1,000,000,000) divided into ten million (10,000,000) shares with par value of one hundred pesos (₱100) per share. Also, on the same date, the BOD and the stockholders amended the corporate name from "Crown Communities Holdings, Inc" to "Communities Philippines, Inc." The SEC approved the increase of capital stock and the application of change in corporate name on September 24, 2008. Out of the increase in the authorized capital stock of CPI, the amount of five hundred million (₱500,000,000) pesos has been actually subscribed by the Parent Company and the amount of five hundred four million three hundred seventy-two thousand nine hundred (₱504 million) pesos has been paid, inclusive of premium, by way of assignment of shares of stocks on the following subsidiaries:

- Communities Cebu, Inc.
- Communities Davao, Inc.
- Communities Iloilo, Inc.
- Communities Pampanga, Inc.

In 2009, the BOD and the stockholders approved the change in the corporate names of CPI's subsidiaries which was approved by SEC on various dates as follows:

Former Name	Current Name	Date Approved
Communities Philippines Cam. Sur, Inc.	Communities Naga, Inc.	March 13, 2009
Crown Communities (Batangas), Inc.	Communities Batangas, Inc.	April 1, 2009
Crown Communities (Bulacan), Inc.	Communities Bulacan, Inc.	July 31, 2009
Crown Communities (Cagayan), Inc.	Communities Cagayan, Inc.	April 15, 2009
Crown Communities (Cebu), Inc.	Communities Cebu, Inc.	June 30, 2009
Crown Communities (Davao), Inc.	Communities Davao, Inc.	April 3, 2009
Crown Communities (Iloilo), Inc.	Communities Iloilo, Inc.	April 16, 2009
Crown Communities (Pampanga), Inc.	Communities Pampanga, Inc.	April 3, 2009
Crown Communities (Pangasinan), Inc.	Communities Pangasinan, Inc.	July 7, 2009

Moreover, the BOD and stockholders approved the change of registered address of all fourteen (14) subsidiaries under CPI which has now a uniform principal address at Mezzanine Floor, Starmall Complex, EDSA cor. Shaw Blvd., Mandaluyong City. The SEC subsequently approved the amendment on various dates above.

Vista Residences, Inc.
On October 29, 2009, the Group acquired from Polar Property, through the Parent Company, 100.00% voting shares of VRI in exchange of 320,686,000 treasury shares valued at ₱660.61 million plus ₱1.0 million in cash. The Parent Company accounted for the acquisition using the purchase method.

On December 4, 2009, the BOD and the stockholders approved the change in the corporate name from "Polar Mines Realty Ventures, Inc." to "Vista Residences, Inc.". On January 29, 2010, the SEC approved the change in corporate name.

2. Basis of Preparation and Summary of Significant Accounting Policies

Basis of Preparation

The consolidated financial statements of the Group have been prepared on historical cost basis. The consolidated financial statements are presented in Philippine Peso (₱), the Parent Company's functional currency. Amounts are rounded off to the nearest Philippine Peso unit unless otherwise indicated.

Statement of Compliance

The consolidated financial statements are prepared in compliance with Philippine Financial Reporting Standards (PFRS).

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Group as at December 31, 2009 and 2008 and for each of the three years in the period ended December 31, 2009.

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

	Percentages equity interest		
	2009	**2008**	**2007**
Brittany	100.00%	100.00%	100.00%
CAPI	100.00	100.00	100.00
CHI	100.00	100.00	100.00
Household Development Corp.	100.00	100.00	100.00
Mandalay Resources Corp.	100.00	100.00	100.00
C&P International Limited	100.00	100.00	100.00
CPI	100.00	100.00	100.00
Communities Batangas, Inc.	100.00	100.00	100.00
Communities Bulacan, Inc.	100.00	100.00	100.00
Communities Cagayan, Inc.	100.00	100.00	100.00
Communities Cebu, Inc.	100.00	100.00	100.00
Communities Davao, Inc.	100.00	100.00	100.00
Communities General Santos, Inc.	100.00	100.00	–
Communities Iloilo, Inc.	100.00	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	100.00
Communities Negros Occidental, Inc.	100.00	100.00	–
Communities Pampanga, Inc.	100.00	100.00	100.00
Communities Pangasinan, Inc.	100.00	100.00	100.00
Communities Tarlac, Inc.	100.00	100.00	–
VRI	100.00	–	–

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. Control is achieved when the Group has the power to govern the financial and operating decisions of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed during the year are included in the consolidated statement of comprehensive income from the date of the acquisition or up to the date of disposal, as appropriate.

Except as stated otherwise, the consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. All significant intercompany balances and transactions, including intercompany profits and unrealized profits and losses, were eliminated during consolidation in accordance with the accounting policy on consolidation.

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

Adoption of New and Amended Accounting Standards and Interpretations
The accounting policies adopted are consistent with those of the previous financial year except for the following new and amended Standards and Philippine Interpretations which became effective on January 1, 2009. Except as otherwise indicated, the adoption of the new and amended standards and Philippine Interpretations did not have a significant impact on the Group's consolidated financial statements.

- PFRS 1 and PAS 27 Amendments - *Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
  The amendments to PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards,* allowed an entity to determine the 'cost' of investments in subsidiaries, jointly controlled entities or associates in its opening PFRS financial statements in accordance with PAS 27, *Consolidated and Separate Financial Statements,* or using a deemed cost method. The amendment to PAS 27 required all dividends from a subsidiary, jointly controlled entity or associate to be recognized in the income statement in the separate financial statement. The revision to PAS 27 was applied prospectively. The new requirement affects only the parent's separate financial statement and does not have an impact on the consolidated financial statements.

- PFRS 2, *Share-based Payment - Vesting Condition and Cancellations*
  This Standard has been revised to clarify the definition of a vesting condition and prescribes the treatment for an award that is effectively cancelled. It defines a vesting condition as a condition that includes an explicit or implicit requirement to provide services. It further requires nonvesting conditions to be treated in a similar fashion to market conditions. Failure to satisfy a nonvesting condition that is within the control of either the entity or the counterparty is accounted for as cancellation. However, failure to satisfy a nonvesting condition that is beyond the control of either party does not give rise to a cancellation.

- PFRS 8, *Operating Segments*
  It replaces PAS 14, *Segment Reporting*, and adopts a full management approach to identifying, measuring and disclosing the results of an entity's operating segments. The information reported would be that which management uses internally for evaluating the performance of operating segments and allocating resources to those segments. Such information may be different from that reported in the consolidated statement of financial position and consolidated statement of comprehensive income and the company will provide explanations and reconciliations of the differences. This Standard is only applicable to an entity that has debt or equity instruments that are traded in a public market or that files (or is in the process of filing) its financial statements with a securities commission or similar party. The Group has adopted this Standard and the disclosures are shown in Note 5.

- Amendments to PAS 1, *Presentation of Financial Statements*
  In accordance with the amendments to PAS 1, the statement of changes in equity shall include only transaction with owners, while non-owner changes will be presented in equity as a single line with details included in a separate statement. Owners are defined as holders of instruments classified as equity.

  In addition, the amendments to PAS 1 provides for the introduction of a new statements of comprehensive income that combines all items of income and expenses recognized in the profit or loss together with 'other comprehensive income'. Entities may choose to present all items in one statement, or to present two linked statements, a separate statement of income and a statement of comprehensive income. These amendments also require additional requirements in the presentation of the statements of financial position and owner's equity as well as additional disclosures to be included in the financial statements. Adoption of these amendments resulted in the following: (a) change in the title from consolidated balance sheet to consolidated statement of financial position; and (b) change in the presentation of changes in equity and other comprehensive income - non-owner changes in equity are now presented in the consolidated statement of comprehensive income. The Group has elected to present the statement of comprehensive income as one single statement.

- Amendments to PFRS 7, *Financial Instruments: Disclosures - Improving Disclosures about Financial Instruments*
  The amendments to PFRS 7 introduce enhanced disclosures about fair value measurement and liquidity risk. The amendments to PFRS 7 require fair value measurements for each class of financial instruments to be disclosed by the source of inputs, using the following three-level hierarchy: (a) Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities; (b) Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and (c) Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs). The level within which the fair value measurement is categorized must be based on the lowest level of input to the instrument's valuation that is significant to the fair value measurement in its entirety.

Additional disclosures required in the amendments to PFRS 7 are shown in Note 28. The amendments to PFRS 7 also introduce two major changes in liquidity risk disclosures as follows: (a) exclusion of derivative liabilities from maturity analysis unless the contractual maturities are essential for an understanding of the timing of the cash flows and (b) inclusion of financial guarantee contracts in the contractual maturity analysis based on the maximum amount guaranteed.

- Amendment to PAS 23, *Borrowing Costs*
  The Standard has been revised to require capitalization of borrowing costs when such costs relate to a qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. The Group's previous policy was to expense borrowing costs as they were incurred. In accordance to the transitional provisions of the amended PAS 23, the Group has adopted this standard on a prospective basis. Therefore, borrowing costs are capitalized on qualifying assets with a commencement date on or after January 1, 2009. No changes were made on the borrowing costs incurred prior to this date. In 2009, a total of ₱7.98 million borrowing costs have been capitalized on qualifying assets and were included in the "Real estate inventories" account (see Note 9).

- Amendments to PAS 32, *Financial Instruments: Presentation*, and PAS 1, *Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation*
  These amendments specify, among others, that puttable financial instruments will be classified as equity if they have all of the following specified features: (a) the instrument entitles the holder to require the entity to repurchase or redeem the instrument (either on an ongoing basis or on liquidation) for a pro rata share of the entity's net assets; (b) the instrument is in the most subordinate class of instruments, with no priority over other claims to the assets of the entity on liquidation; (c) all instruments in the subordinate class have identical features; (d) the instrument does not include any contractual obligation to pay cash or financial assets other than the holder's right to a pro rata share of the entity's net assets; and (e) the total expected cash flows attributable to the instrument over its life are based substantially on the profit or loss, a change in recognized net assets, or a change in the fair value of the recognized and unrecognized net assets of the entity over the life of the instrument.

- Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes*
  This Interpretation requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted and therefore part of the fair value of the consideration received is allocated to the award credits and realized in income over the period that the award credits are redeemed or has expired.

- IFRIC 16, *Hedges of a Net Investment in a Foreign Operation*
  This Interpretation provides guidance on identifying foreign currency risks that qualify for hedge accounting in the hedge of net investment; where within the group the hedging instrument can be held in the hedge of a net investment; and how an entity should determine the amount of foreign currency gains or losses, relating to both the net investment and the hedging instrument, to be recycled on disposal of the net investment.

Improvements to PFRS effective in 2009
The omnibus amendments to PFRS issued in 2008 and in 2009, with respect to an amendment to the Appendix to PAS 18, *Revenue,* were issued primarily with a view to removing inconsistencies and clarifying wording. There are the separate transitional provisions for each Standard. Except as otherwise indicated, the adoption of the following amendments resulted to a change in accounting policies but did not have any impact on the financial position or performance of the Group.

- PFRS 2, *Share-based Payments*
- PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*
- PAS 16, *Property, Plant and Equipment*
- PAS 18, *Revenue*
- PAS 19, *Employee Benefits*
- PAS 23, *Borrowing Costs*
- PAS 28, *Investments in Associates*
- PAS 31, *Interests in Joint Ventures*
- PAS 3*6, Impairment of Assets*
- PAS 38, *Intangible Assets*
- PAS 39, *Financial Instruments: Recognition and Measurement*
- PAS 40, *Investment Property*

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

Effective in 2010

- Revised PFRS 3, *Business Combinations* and PAS 27, *Consolidated and Separate Financial Statements*
  The revised PFRS 3 will become effective for annual periods beginning on or after July 1, 2009. It introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs, and future reported results. The revised PAS 27 requires, among others, that (a) change in ownership interests of a subsidiary (that do not result in loss of control) will be accounted for as an equity transaction and will have no impact on goodwill nor will it give rise to a gain or loss; (b) losses incurred by the subsidiary will be allocated between the controlling and noncontrolling interests (previously referred to as 'minority interests'); even if the losses exceed the noncontrolling equity investment in the subsidiary; and (c) on loss of control of a subsidiary, any retained interest will be remeasured to fair value and this will impact the gain or loss recognized on disposal. The changes introduced by the revised PFRS 3 and PAS 27 must be applied prospectively and will affect future acquisitions and transactions with noncontrolling interests.

- Amendment to PAS 39, *Financial Instruments: Recognition and Measurement - Eligible hedged items*
  This Amendment, which will be effective for annual periods beginning on or after July 1, 2009, addresses only the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. The amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item.

- Amendment to PFRS 2, *Share-based Payments - Group Cash-settled Share-based Payment Transactions*
  The amendments to PFRS 2, effective for annual periods beginning on or after January 1, 2010, clarify the scope and the accounting for group cash-settled share-based payment transactions.

- Philippine Interpretation IFRIC 17, *Distribution of Noncash Assets to Owners*
  This Interpretation is effective for annual periods beginning on or after July 1, 2009 with early application permitted. It provides guidance on how to account for noncash distributions to owners. The Interpretation clarifies when to recognize a liability, how to measure it and the associated assets, and when to derecognize the asset and liability.

- Philippine Interpretation IFRIC 18, *Transfer of Assets to Customers*
  This Interpretation provides guidance to all entities that receive from customers an item of property, plant and equipment or cash for the acquisition or construction of such item and such item is used to connect the customer to a network or to provide ongoing access to a supply of goods or services, or both. The Interpretation requires an assessment of whether an item of property, plant and equipment or cash for the acquisition or construction of such item meets the definition of an asset. If the terms of the agreement are within the scope of this interpretation, a transfer of an item of property, plant and equipment would be an exchange for dissimilar goods or services. Consequently, the exchange is regarded as a transaction which generates revenue. This Interpretation is to be applied prospectively to transfer of assets from customers received in periods beginning on or after July 1, 2009. Entities may however choose to apply this interpretation to earlier periods, provided valuations can be obtained at the time the transfer occurred.

Effective in 2012

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

Improvements to PFRS effective 2010
The omnibus amendments to PFRS issued in 2009 were issued primarily with a view to removing inconsistencies and clarifying wording. The following amendments are effective for annual periods financial years January 1, 2010 except otherwise stated. The Group has not yet adopted the following amendments and anticipates that these changes will have no material effect on the consolidated financial statements.

- PFRS 2, *Share-based Payment*
  It clarifies that the contribution of a business on formation of a joint venture and combinations under common control are not within the scope of PFRS 2 even though they are out of scope of PFRS 3. The amendment is effective for financial years on or after July 1, 2009.

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

- PFRS 8, *Operating Segment Information*
  It clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker.

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

- PAS 7, *Statement of Cash Flows*
  It explicitly states that only expenditure that results in a recognized asset can be classified as a cash flow from investing activities.

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

- PAS 36, *Impairment of Assets*
  It clarifies that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in PFRS 8 before aggregation for reporting purposes.

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

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

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

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

Significant Accounting Policies

Cash and Cash Equivalents

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

Financial Instruments

Date of recognition

The Group recognizes a financial asset or a financial liability on 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, available-for-sale (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 liability. Management determines the classification at initial recognition and re-evaluates such designation, where allowed and appropriate, at every reporting date.

Determination of fair value

The fair value for financial instruments traded in active markets at the reporting date is based on 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 asking prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

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

Day 1 profit

Where the transaction price in a non-active market is different to the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a 'Day 1' profit) in profit or loss unless it qualifies for recognition as some other type of asset or liability. In cases where inputs to the valuation technique are 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 and receivables.

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 the other comprehensive income (OCI).

When the investment is disposed of, the cumulative gain or loss previously recognized in OCI is recognized as miscellaneous income in the statement of comprehensive income. 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 the statement of income as part of miscellaneous income when the right of the payment has been established. The losses arising from impairment of such investments are recognized as provisions on impairment losses in profit or loss.

When the fair value of AFS financial assets cannot be measured reliably because of lack 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.

The Group's AFS financial assets pertain to unquoted equity securities included under "Available-for-sale-financial assets" account in the consolidated statement of financial position.

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. Gains and losses are recognized in profit or loss when the liabilities are derecognized, as well as through the amortization process.

This accounting policy applies primarily to the Group's bank loans, accounts and other payables, liabilities for purchased land, payable to related parties, long-term commercial papers, floating rate notes payable, and long-term notes 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 such credit risk characteristics 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 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 other comprehensive income - is removed from OCI and recognized in profit or loss. Impairment losses on equity investments are not reversed through the 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 consists of properties acquired or being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, is held as inventory and is measured at the lower of cost and net realizable value (NRV).

Cost includes:
- Acquisition cost of subdivision land
- Amounts paid to contractors for construction and development of subdivision land and residential units
- 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 and discounted for the time value of money, if material, less costs to complete and the estimated costs of sale.

Valuation allowance is provided for subdivision land for sale and development, residential units for sale and development and undeveloped land when the NRV of the properties are less than their carrying amounts. 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.

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 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 the investee companies 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 investee companies, less any impairment in values. The consolidated statement of comprehensive income reflects the share of the results of the operations of the investee companies reflected as "Equity in net income 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 Group discontinues applying the equity method when their investment in investee company are reduced to zero. Accordingly, additional losses are not recognized unless the Group has guaranteed certain obligations of the investee company. When the investee company subsequently reports net income, the Group will resume applying the equity method but only after its share of that net income equals the share of net losses not recognized during the period the equity method was suspended.

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

Interests in Joint Ventures
Interests in joint ventures (JV), where the venture have joint control, represent one or more assets, usually in the form of cash, contributed to, or acquired for the purpose of the joint venture and dedicated to the purposes of the JV. The assets are used to obtain benefits for the venturers. Each venturer may take a share of the output from the assets and each bears an agreed share of the expenses incurred. These JV do not involve the establishment of a corporation, partnership or other entity, or a financial structure that is separate from the venturers themselves. Each venturer has control over its share of future economic benefits through its share of the jointly controlled asset.

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 plant 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. When significant parts of property and equipment are required to be replaced in intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the equipment as a replacement if the recognition criteria are satisfied. 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 property and equipment are retained in the accounts until they are no longer in use and no further depreciation is charged against current operations.

System Development Costs

Costs associated with developing or maintaining computer software programs are recognized as an 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 probable 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.

Business Combination

Business combination between entities under common control

Business combination between entities under common control is accounted under historical cost basis similar to pooling of interest method. Under pooling of interest method, the assets and liabilities of the combining entities are reflected at their carrying amounts. No adjustments are made to reflect fair values, or recognize any new assets or liabilities. No 'new' goodwill is recognized as a result of the combination. The only goodwill that is recognized is any existing goodwill relating to either of the combining entities. Any difference between the consideration paid and the equity 'acquired' is reflected in additional-paid-in capital. The consolidated statement of comprehensive income reflects the results of the combining entities for the full year, irrespective of when the combination took place. Comparatives are presented as if the entities had always been combined.

The combined entities accounted for by the pooling of interests method reports results of operations for the period in which the combination occurs as though the entities had been combined as of the beginning of the period. The effects of intercompany transactions on current assets, current liabilities, revenue, and cost of sales for the periods presented and on retained earnings at the beginning of the periods presented are eliminated to the extent possible.

Similarly, statements of financial position and other financial information of the separate entities as of the beginning of the period are presented as though the entities had been combined at that date. Financial statements and financial information of the separate entities presented for prior years are also restated on a combined basis to furnish comparative information.

Business combination (other than under common control) and goodwill

Business combinations involving entities not under common control, that qualified for purchase method. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets (including previously unrecognized intangible assets) acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at fair values at the date of acquisition, irrespective of the extent of any minority interest.

Goodwill is initially measured at cost being the excess of the cost of the business combination over the Group's share in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. If the cost of the acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the profit and loss. After initial recognition, goodwill is measured at cost less any accumulated impairment loss.

If the initial accounting for a business combination can only be determined on a provisional basis by the end of the period in which the combination is effected because either the fair values to be assigned to the acquiree's identifiable assets, liabilities or contingent liabilities or the cost of the combination can be determined only provisionally, the Parent Company accounts for the combination using those provisional values. The Parent Company recognizes any adjustment to those provisional values as a result of completing the initial accounting within 12 months from the acquisition date.

Impairment of Nonfinancial Assets
This accounting policy relates to property and equipment, investment in an associate and other assets.

The Group assesses as at reporting date whether there is an indication that its nonfinancial asset (e.g., property and equipment and systems development cost) 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 CGU's fair value less costs to sell and its value in use or its net selling price 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 the consolidated statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is 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 the consolidated statement of comprehensive income 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:

Investments 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 fair value and the carrying value of the investee company and recognizes the difference in the consolidated statement of comprehensive income.

Revenue and Cost Recognition

Real estate revenue

Real estate revenue and cost from completed projects is accounted for using the full accrual method. 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. Under this method, revenue is recognized as the related obligations are fulfilled, measured principally in relation to cost incurred to date over the total cost of the project.

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".

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.

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).

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 Group recognizes gains or losses on curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. Losses on settlements or curtailments are measured at the date on which the Group becomes demonstrably committed to the transaction. Gains on settlements or curtailments are measured at the date on which all parties, whose consent is required, are irrevocably committed. The gains or losses on curtailment or settlement shall comprise the following:

- any resulting change in the present value of the defined benefit obligation;
- any resulting change in fair value of plans; and
- any related actuarial gains and losses and past service cost that had not previously been recognized.

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 income, 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 Taxes

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially 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 profit will be available against which the deductible temporary differences and carryforward 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 profits will be available to allow the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax 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 substantially 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.

Commission
The Group recognizes commission 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.

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

Foreign Currency Transactions and Translations
Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to the consolidated statement of comprehensive income. Nonmonetary items measured at cost in a foreign currency are translated using the exchange rates at the date of transaction.

Provisions
Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Borrowing costs
Interest and other financing costs incurred during the construction period on borrowings used to finance property development are capitalized as part of development costs (included in “Real estate inventories” account in the consolidated statement of financial position). Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Capitalization of borrowing costs ceases when substantially all the activities necessary to prepare the asset for its intended use or sale are complete. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded.

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.

Treasury Stock
Treasury stock is recorded at cost and is presented as a deduction from equity. When the shares are retired, the capital stock account is reduced by its par value and the excess of cost over par value upon retirement is debited to additional paid-in capital when the shares were issued and to retained earnings for the remaining balance.

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 earnings per share does not assume conversion, exercise, or other issue of potential common shares that would have an antidilutive effect on earnings per share.

As of December 31, 2009, the Group has no potential dilutive 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 business segments is presented in Note 5.

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.

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

3. Significant Accounting Judgments and Estimates

The preparation of the 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 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 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.

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

The related balances from real estate transactions follow:

	2009	2008	2007
Revenue	**₱9,629,663,010**	₱10,435,822,103	₱8,223,600,691
Costs of real estate	**5,003,984,152**	5,273,025,863	4,031,363,221

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.

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 31).

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.

Estimating allowance for impairment losses on receivables
The Group maintains allowances for impairment losses based on the result of the individual and collective assessment 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. The balance of the Group's receivable, net of allowance for impairment loss amounted to ₱18,137.62 million and ₱18,072.87 million as of December 31, 2009 and 2008, respectively (see Note 8).

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

Based on management assessment as of December 31, 2009 and 2008, no indicators of impairment exists for investments in an associate, interest in joint ventures, property and equipment, and other assets. See notes 12, 14 and 15 for the related balances.

Evaluation of net realizable value of real estate for sale and development
The Group reviews real estate for sale and development for probable impairment in value. The management's judgment in determining if the real estate for sale and development is impaired is based on the assessment of the asset's estimated net selling price and the 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 fair value of undeveloped land based on the latest selling prices of the properties of the same characteristics of the undeveloped land. The Real estate inventories amounted to ₱28,721.67 million and ₱25,246.60 million as of December 31, 2009 and 2008, respectively (see Note 9).

Estimating useful lives of property and equipment
The Group estimates the useful lives of property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed at least annually and are updated if expectations differ from previous estimates due to physical wear and tear and technical or commercial obsolescence on the use of these 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 Property and equipment amounted to ₱92.19 million and ₱94.80 million as of December 31, 2009 and December 31, 2008, respectively (see Note 13).

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 profit will be available to allow all or part of the deferred tax assets to be utilized. However, there is no assurance that the Group will generate sufficient taxable profit to allow all or part of deferred tax assets to be utilized. The Group looks at its projected performance in assessing the sufficiency of future taxable income. The balance of deferred tax assets amounted to ₱436.33 million and ₱ 417.50 million as of December 31, 2009 and 2008, respectively (see Note 26).

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 23 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. The pension liabilities amounted to ₱132.45 million and ₱14.78 million as of December 31, 2009 and 2008, respectively (see Note 24).

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 28).

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 in exchange of 320,686,000 treasury shares valued at ₱660.61 million plus ₱1.00 million cash. The fair value of the shares is the published price of the shares of the Parent Company at the acquisition date. The Parent Company accounted for the acquisition using the purchase method.

The Group has 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 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 accounting for business combination was done provisionally due to lack of proper fair value estimate of assets acquired and liabilities assumed as of to date.

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

	Fair value on 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**
Receivable from related parties	**386,720,835**
Deferred tax asset - net	**23,330,697**
Prepayments and other assets	**181,357,628**
	1,757,902,952

Liabilities	
Bank loans	**268,158,856**
Accounts and other payables	**286,113,295**
Customers' deposits	**213,628,981**
Due to related parties	**311,586,318**
Income tax payable	**282,942**
Pension liabilities	**16,519,400**
	1,096,289,792
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 that is expected that the full contractual amount can be collected.

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 the year, consolidated revenue would have been ₱11,412.62 million and the net income for the Group would have been ₱2,405.22 million.

Analysis of net cash acquired from the business combination follows:

Net cash acquired with the subsidiary (included in the cash flows from investing activities)	₱13,338,024
Cash paid to minority holders of VRI	(1,000,000)
Net cash flow on the acquisition	**₱12,338,024**

The Parent Company issued 320,686,000 treasury shares as consideration for the 97.50% interest in VRI. The fair value of the shares is the published price of the shares of the Parent Company at the acquisition date. The fair value of consideration transferred amounted to ₱661.61 million. The transaction costs of ₱ 2.0 million have been expensed and are included in administrative expenses.

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 two reportable operating segments as follows:

Horizontal Projects
The housing market segment of the Group that caters on the development and selling of residential lots and units, and affordable housing units and lots.

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

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 has been identified as the chief executive officer (CODM). 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 for the three years ended December 31 is summarized below:

	2009 (Amounts in thousands)			
	Horizontal	Vertical	Adjustments and Eliminations	Total
Real Estate Revenue	₱8,375,121	₱1,892,793	(₱638,251)	₱9,629,663
Cost of Real Estate	4,207,337	1,168,698	(372,051)	5,003,984
Gross Profit	4,167,784	724,095	(266,200)	4,625,679
Operating expenses	1,866,061	356,327	(138,815)	2,083,573
Segment income before income tax	2,301,723	367,768	(127,385)	2,542,106
Interest income (Note 21)	851,852	11,369	(5,925)	857,296
Equity in net income of an associate (Note 12)	45,943	–	–	45,943
Miscellaneous income (Note 25)	250,802	42,523	(13,577)	279,748
Interest and other financing charges (Note 21)	(483,974)	(138,227)	29,219	(592,982)
Unrealized foreign exchange gain (loss)	(11,653)	11,042	–	(611)
Dividend income	547,061	–	(546,867)	194
Loss on debt settlement (Note 19)	(318,810)	–	–	(318,810)
Income before income tax	3,182,944	294,475	(664,535)	2,812,884
Provision for income tax (Note 26)	(508,642)	(4,834)	–	(513,476)
Net income	₱2,674,302	₱289,641	(₱664,535)	₱2,299,408
Other Information				
Segment assets	₱47,490,687	₱6,162,384	₱531	₱53,653,602
Investment in an associate (Note 12)	693,674	–	–	693,674
Deferred tax assets (Note 26)	436,331	–	–	436,331
AFS financial assets (Note 11)	288,937	–	–	288,937
Total Assets	₱48,909,629	₱6,162,384	₱531	₱55,072,544
Segment liabilities	₱10,910,981	₱5,286,011	₱–	₱16,196,992
Payable to related parties	–	1,944,704	(1,515,798)	428,906
Deferred tax liabilities (Note 26)	2,821,978	–	–	2,821,978
Total Liabilities	₱13,732,959	₱7,230,715	(₱1,515,798)	₱19,447,876
Capital expenditures	₱4,251,632	₱3,802,857	₱–	₱8,054,489
Depreciation and amortization (Note 23)	88,358	10,168	(3,364)	95,162
Provision for impairment losses (Notes 8 and 23)	–	11,079	–	11,079

	2008 (Amounts in thousands)			
	Horizontal	Vertical	Adjustments and Eliminations	Total
Real Estate Revenue	₱9,592,486	₱843,336	₱–	₱10,435,822
Cost of Real Estate	4,736,773	536,253	–	5,273,026
Gross Profit	4,855,713	307,083	–	5,162,796
Operating expenses	1,798,594	212,641	–	2,011,235
Segment income before income tax	3,057,119	94,442	–	3,151,561
Interest income (Note 21)	818,619	3,083	–	821,702
Equity in net income of an associate (Note 12)	10,225	–	–	10,225
Miscellaneous income (Note 25)	321,936	20,874	–	342,810
Interest and other financing charge (Note 21)	(319,294)	(72,121)	–	(391,415)
Unrealized foreign exchange loss	(180,897)	–	–	(180,897)
Income before income tax	3,707,708	46,278	–	3,753,986
Provision for income tax (Note 26)	918,047	2,803	–	920,850
Net income	₱2,789,661	₱43,475	₱–	₱2,833,136
Other Information				
Segment assets	₱46,693,408	₱4,611,164	₱–	₱51,304,572
Receivable from related parties	–	789,965	(789,965)	–
Investment in an associate (Note 12)	647,730	–	–	647,730
Deferred tax assets (Note 26)	417,498	–	–	417,498
AFS financial assets (Note 11)	299,626	–	–	299,626
Total Assets	₱48,058,262	₱5,401,129	(₱789,965)	₱52,669,426
Segment liabilities	₱11,787,052	₱4,392,053	₱–	₱16,179,105
Payable to related parties	713,080	987,294	(789,965)	910,409
Deferred tax liabilities (Note 26)	2,554,379	8,945	–	2,563,324
Total Liabilities	₱15,054,511	₱5,388,292	(₱789,965)	₱19,652,838
Capital expenditures	₱5,276,075	₱3,055,381	₱–	₱8,331,456
Depreciation and amortization (Note 13)	43,160	3,312	–	46,472
Provision for impairment losses (Note 8)	4,870	3,550	–	8,420

	2007 (Amounts in thousands)			
	Horizontal	Vertical	Adjustments and Eliminations	Total
Real Estate Revenues	₱7,808,894	₱414,707	₱–	₱8,223,601
Cost of Real Estate Revenue	3,785,522	245,841	–	4,031,363
Gross Profit	4,023,372	168,866	–	4,192,238
Operating expenses	1,707,695	129,867	–	1,837,562
Segment income before income tax	2,315,677	38,999	–	2,354,676
Interest income (Note 21)	811,653	1,988	–	813,641
Equity in net income of an associate	110,692	–	–	110,692
Miscellaneous income (Note 25)	344,061	17,924	–	361,985
Interest and other financing charges (Note 21)	(608,843)	(34,525)	–	(643,368)
Unrealized foreign exchange gain	197,504	–	–	197,504
Gain from restructuring (Note 19)	1,443,543	–	–	1,443,543
Income before income tax	4,614,287	24,386	–	4,638,673
Provision for income tax	1,166,861	2,803	–	1,169,664
Net income	₱3,447,426	₱21,583	₱–	₱3,469,009
Other Information				
Segment assets	₱41,969,068	₱1,528,875	₱–	₱43,497,943
Receivable from related parties	277,742	62,252	(339,994)	–
Investment in an associate	637,505	–	–	637,505
AFS financial assets	304,715	–	–	304,715
Total Assets	₱43,189,030	₱1,591,127	(₱339,994)	₱44,440,163

	2007 (Amounts in thousands)			
	Horizontal	Vertical	Adjustments and Eliminations	Total
Segment liabilities	₱10,329,521	₱699,219	₱–	₱11,028,740
Payable to related parties	–	870,126	(339,994)	530,132
Deferred tax liabilities	1,601,803	8,945	–	1,610,748
Total Liabilities	₱11,931,324	₱1,578,290	(₱339,994)	₱13,169,620
Capital expenditures	₱6,424,791	₱846,607	₱–	₱7,271,398
Depreciation and amortization (Note 13)	39,690	3,312	–	43,002
Provision for impairment losses (Note 8)	17,667	3,550	–	21,217

Capital expenditure consists of condominium project 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:

	2009	2008
Cash on hand	₱10,004,852	₱5,946,046
Cash in banks	2,193,867,216	2,418,260,334
Cash equivalents	806,768,427	2,590,327,578
	₱3,010,640,495	₱5,014,533,958

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

7. Short-term Investments

Short-term investments consist of money market placements with maturities of more than three months up to one year and earn interest at the prevailing short-term investments rates ranging from 5.00% to 6.50% in 2009 and 5.00% to 8.50% in 2008.

8. Receivables

This account consists of:

	2009	2008
Installment contract receivables (Note 28)	**₱15,702,478,476**	₱16,019,521,931
Accounts receivable		
Contractors	**1,123,224,373**	2,361,336,414
Brokers	**20,819,070**	15,503,388
Employees	**9,078,370**	7,604,890
Others	**1,606,995,302**	343,766,550
	18,462,595,591	18,747,733,173
Less allowance for impairment losses	**(324,973,753)**	(674,860,845)
	18,137,621,838	18,072,872,328
Less noncurrent portion	**8,370,231,418**	5,187,818,787
	₱9,767,390,420	₱12,885,053,541

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 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% and 19.00%.

In 2008, the Group entered into various purchase agreements with financial institutions whereby the Group sold its installment contracts receivables as of December 31, 2009 and 2008. 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 16). The carrying value of installment contracts receivables sold amounted to ₱4,229.22 million and ₱3,464.64 million in 2009 and 2008, respectively.

In 2009, the Group entered into agreement with various financial institutions whereby the Group sold its real estate receivables without recourse at discount rate of 14.00%. Total carrying value of receivables sold amounted to ₱1.50 billion. Total net proceeds received from the purchasing banks and discount on sold receivables recorded by the Group amounted to ₱1.43 billion and ₱66.00 million, respectively. The discount has been included under “Interest and other financing charges” account in the consolidated statement of comprehensive income.

Receivables amounting to ₱324.97 million and ₱674.86 million as of December 31, 2009 and December 31, 2008, respectively, were impaired and fully provided for. Movements in the allowance for impairment losses are as follows:

December 31, 2009

	Installment Contracts Receivable	Accounts Receivable	Total
At January 1	**₱88,273,035**	**₱586,587,810**	**₱674,860,845**
Charges for the year	**11,079,149**	**–**	**11,079,149**
Reversal for the year	**–**	**(360,966,241)**	**(360,966,241)**
At December 31	**₱99,352,184**	**₱225,621,569**	**₱324,973,753**

December 31, 2008

	Installment Contracts Receivable	Accounts receivable	Total
At January 1	₱82,840,116	₱583,601,026	₱666,441,142
Charge for the year	5,432,919	2,986,784	8,419,703
At December 31	₱88,273,035	₱586,587,810	₱674,860,845

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.

As of December 31, 2009 and 2008, receivables with a total nominal amount of ₱1,301.39 million and ₱1,054.90 million, respectively, were recorded at amortized cost amounting to ₱1,237.80 million and ₱948.71 million, respectively. These are 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 rate ranging from 4.69% to 11.20% for those recognized in 2009, and from 5.00% to 12.00% for those recognized in 2008. Interest income recognized from these receivables amounted to ₱84.68 million, ₱79.35 million and ₱24.60 million in 2009, 2008 and 2007, respectively. The unamortized discount amounted to ₱89.12 million and ₱126.30 million as of December 31, 2009 and 2008, respectively.

Movement in the unamortized discount is as follows:

	2009	2008
Balance at beginning of year	**₱126,299,472**	₱72,790,601
Additions	**47,502,199**	132,859,174
Accretion (Note 21)	**(84,683,641)**	(79,350,303)
Balance at end of year	**₱89,118,030**	₱126,299,472

Receivable from employees
Receivable from employees pertain to cash advances for retitling costs, taxes and other site related expenses.

Other receivables
Other receivables consist mainly of receivables from various private entities. These are due and demandable

9. Real Estate Inventories

This account consists of:

	2009	2008
Subdivision land for sale and development	**₱13,172,183,157**	₱12,600,279,766
Less reserve for land development costs	**5,397,717,742**	5,700,237,993
	7,774,465,415	6,900,041,773
Residential house units for sale and development	**1,440,913,179**	1,892,923,852
Condominium units for sale and development	**2,580,319,503**	–
	4,021,232,682	1,892,923,852
Total subdivision land and residential units for sale and development	**11,795,698,097**	8,792,965,625
Undeveloped land		
At NRV	**10,049,733,693**	7,131,634,780
At cost	**6,876,234,123**	9,322,004,008
	₱28,721,665,913	₱25,246,604,413

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.

Borrowing cost capitalized in 2009 amounted to ₱7.98 million.

10. Other Current Assets

This account consists of:

	2009	2008
Prepaid expenses	**₱589,512,823**	₱300,611,034
Input value-added tax (VAT)	**552,571,426**	281,559,698
Creditable withholding taxes	**385,026,217**	217,916,429
Others	**65,423,412**	5,561,115
	₱1,592,533,878	₱805,648,276

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

11. Available-for-Sale Financial Assets

AFS financial assets are investments in unquoted preferred shares in a public utility company which the Group will continue to carry incidental to its real estate projects.

12. Investment in an Associate

This account consists of:

	2009	2008
Balance at beginning of year	**₱647,730,273**	₱637,505,181
Equity in net income during the year	**45,943,472**	10,225,092
Balance at end of year	**₱693,673,745**	₱647,730,273

Investment in an associate represents HDC's 10.05% equity in PPHI. The investment is accounted for under the equity method as an affiliate's 11% voting rights in PPHI was assigned to HDC. Based on the quoted price of PPHI shares, the fair value of HDC's investments in PPHI amounted to ₱1.23 billion and ₱1.52 billion as of December 31, 2009 and 2008, respectively.

The following are the significant information of the associate (amounts in millions):

	2009	2008
Total assets	**₱5,810**	₱6,233
Total liabilities	**98**	971
Total equity	**₱5,712**	₱5,262

	2009	2008
Total revenue	**₱1,045**	₱214
Total costs of real estate sales and expenses	**588**	112
Net income	**₱457**	₱102

13. Property and Equipment

The rollforward analyses of this account follow:

2009

	Building and Building Improvements	Transportation Equipment	Office Furniture, Fixtures and Equipment	Construction Equipment	Other Fixed Assets	Total
Cost						
Balance at beginning of year	₱15,666,283	₱154,926,394	₱172,185,646	₱41,766,412	₱76,548,949	₱461,093,684
From Business combination	5,907,669	4,287,467	3,771,018	–	12,791	13,978,945
Additions	859,871	12,687,540	23,861,729	6,089,992	10,354,217	53,853,349
Retirements/disposals	(6,440,778)	(32,475,007)	(92,261,296)	(6,523,203)	(27,271,452)	(164,971,736)
Balance at end of year	15,993,045	139,426,394	107,557,097	41,333,201	59,644,505	363,954,242
Accumulated depreciation and amortization						
Balance at beginning of year	₱7,922,573	₱107,499,423	₱149,931,246	₱39,017,847	₱61,921,769	₱366,292,858
From Business combination	3,263,427	2,425,358	2,013,590	–	10,301	7,712,676
Depreciation and amortization (Note 23)	1,622,087	19,175,867	16,842,320	5,962,171	9,805,959	53,408,404
Retirements/disposals	(3,347,469)	(32,475,007)	(86,033,578)	(6,523,203)	(27,271,452)	(155,650,709)
Balance at end of year	9,460,618	96,625,641	82,753,578	38,456,815	44,466,577	271,763,229
Net book value	₱6,532,427	₱42,800,753	₱24,803,519	₱2,876,386	₱15,177,928	₱92,191,013

2008

	Building and Building Improvements	Transportation Equipment	Office Furniture, Fixtures and Equipment	Construction Equipment	Other Fixed Assets	Total
Cost						
Balance at beginning of year	₱ 15,666,283	₱ 126,332,602	₱ 148,454,502	₱ 36,572,240	₱ 69,341,209	₱396,366,836
Additions	–	28,727,340	23,731,144	5,574,172	12,346,596	70,379,252
Retirements/disposals	–	(133,548)	–	(380,000)	(5,138,856)	(5,652,404)
Balance at end of year	15,666,283	154,926,394	172,185,646	41,766,412	76,548,949	461,093,684
Accumulated depreciation and amortization						
Balance at beginning of year	7,570,024	91,820,523	142,556,284	27,555,100	54,185,208	323,687,139
Depreciation and amortization (Note 23)	352,549	15,812,448	7,374,962	11,530,134	11,402,154	46,472,247
Retirements/disposals	–	(133,548)	–	(67,387)	(3,665,593)	(3,866,528)
Balance at end of year	7,922,573	107,499,423	149,931,246	39,017,847	61,921,769	366,292,858
Net book value	₱7,743,710	₱47,426,971	₱22,254,400	₱2,748,565	₱14,627,180	₱94,800,826

14. Interest in Joint Ventures

Interests in joint ventures represent the amounts incurred by the Group for the development of certain real estate properties, deposits and cash advances to real estate property owners, and other charges in connection with the land development agreements entered into by the Group. The terms of the agreements provided that the Group will undertake the improvement, subdivision and development of the real estate properties within a certain period prescribed by the agreements, subject to certain conditions to be fulfilled by the real estate property owner.

In 2007, Adelfa, an affiliate, assigned its rights in various joint ventures to CAPI, Brittany and CHI through a deed of assignment. The total advances to joint venture assigned to the subsidiaries amounted to ₱639.20 million on which the Group recorded a liability to Adelfa.

15. Other Noncurrent Assets

This account consists of:

	2009	2008
Deposits for real estate purchases	**₱137,543,700**	₱138,442,287
Systems development costs - net	**49,404,309**	66,711,457
Model house accessories - net	**104,631,739**	119,698,871
Deposits and others	**120,486,127**	90,201,532
	412,065,875	415,054,147
Less allowance for impairment losses	**–**	23,867,310
	₱412,065,875	₱391,186,837

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.

Deposits and others consist deposits to utility companies necessary for the construction and development of real estate projects and will be recouped against future billings.

Amortization of system development costs amounting to ₱41.75 million in 2009 is included in the "Depreciation and amortization" account under "Operating expenses" in the consolidated statement of comprehensive income.

16. Bank Loans

Noncurrent portion of bank loans consists of:

	2009	2008
Parent company	**₱270,000,000**	₱–
Subsidiaries	**4,286,498,364**	3,488,717,176
	4,556,498,364	3,488,717,176
Less current portion	**2,729,998,851**	1,689,916,446
	₱1,826,499,513	₱1,798,800,730

On November 23, 2009, the Parent Company obtained a peso-denominated bank loan with an unaffiliated local bank amounting to ₱270.00 million to finance its working capital requirements. Interest rate is fixed at 7.5% and will mature on November 18, 2010. Interest expense accrued on this loan amounted to ₱2.14 million as of December 31, 2009 and is included in "Accrued expenses" in the consolidated statements of financial position.

The bank loans of Subsidiaries pertain to sold "Installment contracts receivable" as discussed in Note 8. These loans had fixed interest rates ranging from 5.00% to 14.00% in 2009 and from 9.5% to 12% in 2008 based on the remaining terms of the sold installment contracts receivables, payable on equal monthly installments over a maximum period of 3 to 10 years depending on the terms of the installment contracts receivables.

17. Accounts and Other Payables

This account consists of:

	2009	2008
Accounts payable - suppliers	**₱1,188,392,315**	₱725,767,977
Accrued expenses	**919,189,456**	1,233,834,321
VAT payable - net	**827,134,287**	397,795,931
Retention payable	**637,958,976**	481,046,065
Accounts payable - contractor	**393,783,297**	192,104,391
Commissions payable	**372,635,369**	288,803,439
Accounts payable - buyer	**95,015,368**	9,479,360
Accounts payable - others	**995,912,059**	676,690,703
	₱5,430,021,127	₱4,005,522,187

The accounts payable, accrued expenses, retention payable and commissions payable are noninterest-bearing and are expected to be settled within a year after the financial reporting date.

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.

18. 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.

In 2009, the Group acquired certain land properties which are payable over a period of 1 to 3 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 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 ₱28.23 million as of December 31, 2009.

Accretion of ₱60.16 million is recorded as interest expense in 2009 (see Note 21).

19. Long-term Notes

The Long-term Notes (LTNs) which is payable over fifteen years, was initially recorded at present value of ₱1.29 billion (US$26.52 million) with discount amounting to ₱982 million (US$20.25 million). There will be a quarterly accretion of interest expense during the duration of the notes. The above transaction resulted to a gain of ₱1.44 billion presented as a separate line item in the consolidated statement of comprehensive income under the account "Gain from restructuring". The LTN was translated to Philippine peso using the USD/Peso foreign exchange rate as of December 31, 2009 and 2008 of ₱46.20 and ₱47.52 to US$1.00. This resulted to a foreign exchange gain of ₱14.88 million in 2009 and foreign exchange loss of ₱182.68 million in 2008, which are presented under in the consolidated statement of comprehensive income.

Interest rates ranges for LTNs ranges from 1% to 5% over certain contractual periods with effective interest rate of 8.59%.

The total amount of interest expense recognized in 2009 and 2008 pertaining to accretion of LTNs amounted to ₱62.72 million and ₱115.44 million, respectively (see Note 21).

In 2009, the Group settled an amount of ₱1,019.77 million (US$28.53 million) of LTNs which resulted to a loss amounting to ₱318.81 million pertaining to unamortized discount.

As of December 31, 2009 and 2008, the outstanding balance of the LTNs amounted to ₱495.43 million and ₱1,474.57 million, respectively.

20. Customers' Advances and Deposits

This account consists of customer's 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 has not reached the minimum required percentage. When the level of required payment is reached by the buyer, sales is recognized and these deposits and downpayments will be applied against the related installment contracts receivable.

21. Interest Income and Other Financing Charges

Below are the details of interest income:

	2009	2008	2007
Installment contracts receivable	**₱655,250,626**	₱548,786,317	₱620,041,141
Cash and short term investments	**117,361,853**	193,565,866	168,996,110
Accretion of unamortized discount for the two (2) year noninterest-bearing receivables (Note 8)	**84,683,641**	79,350,303	24,604,155
	₱857,296,120	₱821,702,486	₱813,641,406

Interest and other financing charges consist of:

	2009	2008	2007
Interest expense on:			
Bank loans	**₱478,078,475**	₱258,294,644	₱536,845,114
LTN	**62,721,408**	115,440,509	89,021,692
	540,799,883	373,735,153	625,866,806
Less amounts capitalized	**7,979,118**	–	–
Add accretion of discount	**60,161,371**	17,680,100	17,501,304
	₱592,982,136	₱391,415,253	₱643,368,110

The capitalization rate used to determine the borrowings eligible for capitalization is 14.5% in 2009.

The total interest and other financing charges pertain to interest expense on loan and borrowings, except for the amount of ₱115.44 million and ₱17.68 million in 2008 and ₱17.50 million in 2007, which pertain to the interest expense arising from the accretion of LTNs and liabilities for purchased land in 2007, respectively.

22. **Related Party Transactions**

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

The Group in their regular conduct of business has entered into transactions with related parties principally consisting of advances and reimbursement of expenses, development, management, marketing, leasing and administrative service agreements. Transactions entered by the Group with related parties are made at terms equivalent to those that prevail in arm's length transactions. Outstanding balances at year-end are unsecured, interest free and settlement occurs in cash. Except as stated in Note 16, 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:

	2009	2008	2007
Short-term employee benefits	**₱61,840,600**	₱41,630,000	₱37,323,144
Post-employment benefits	**9,656,000**	(34,669,600)	(2,888,065)
	₱71,496,600	₱6,960,400	₱34,435,079

The resulting pension income of ₱34.67 million and ₱2.89 million for key management personnel is due to the effect of actuarial gain from pension obligation in 2008 and 2007, respectively. See Note 24.

23. **Operating Expenses**

This account consists of:

	2009	2008	2007
Advertising and promotions	**₱556,916,143**	₱552,281,983	₱380,220,411
Commissions	**532,120,434**	434,330,513	408,210,382
Salaries, wages and employees benefits (Note 24)	**255,189,515**	230,489,182	133,433,250
Repairs and maintenance	**154,595,643**	174,360,011	344,291,376
Occupancy costs	**116,265,549**	94,649,101	71,052,924
Depreciation and amortization (Notes 13 and 15)	**95,162,392**	46,472,247	43,002,460
Representation and entertainment	**78,845,334**	54,291,387	42,104,280
Professional fees	**71,636,025**	90,709,203	173,223,013
Transportation and travel	**34,698,382**	44,177,098	60,809,772
Taxes and licenses	**31,494,335**	26,417,444	13,672,892
Office expenses	**29,094,699**	25,990,442	42,581,806
Provision for probable losses (Note 8)	**11,079,149**	8,419,703	21,216,869
Miscellaneous	**116,474,835**	228,646,648	103,742,046
	₱2,083,572,435	₱2,011,234,962	₱1,837,561,481

24. **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 components of pension cost (included in "Salaries, wages and employees benefits" under Operating expenses) in the consolidated statement of comprehensive income are as follows (see Note 23):

	2009	2008	2007
Current service cost	**₱7,842,200**	₱22,623,100	₱23,472,500
Interest cost on benefit obligation	**4,300,000**	12,924,700	11,963,200
Net actuarial losses (gains) immediately recognized	**116,433,600**	(120,815,736)	(56,292,400)
Total pension expense (income)	**₱128,575,800**	(₱85,267,936)	(₱20,856,700)

The resulting total pension income of ₱85.27 and ₱20.86 million in 2008 and 2007, respectively, is due to the effect of actuarial gain from pension obligation immediately recognized. The actuarial gain is principally the result of changes in discount rate used as of December 31, 2008 against the January 1, 2008 rate. The gain is shown within "Miscellaneous income" in the consolidated statement of comprehensive income.

The funded status and amounts recognized in the consolidated statement of financial position for the pension plan as of December 31 follow:

	2009	2008
Defined benefit obligation	**₱150,440,899**	₱14,776,999
Plan assets	**(17,986,869)**	–
Liability recognized in the consolidated statement of financial position	**₱132,454,030**	₱14,776,999

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

	2009	2008
Balance at January 1	**₱14,776,999**	₱100,044,935
Current service cost	**7,842,200**	22,623,100
Addition through business combination	**7,088,100**	–
Interest cost benefit obligation	**4,300,000**	12,924,700
Actuarial loss (gain)	**116,433,600**	(120,815,736)
Balance at December 31	**₱150,440,899**	₱14,776,999

In 2009, the Group contributed to its retirement fund a total amount of ₱17,986,869. The contribution was invested in fixed income securities.

The movements in net pension liabilities follow:

	2009	2008
Balance at January 1	**₱14,776,999**	₱100,044,935
Pension expense (income) recognized	**128,575,800**	(85,267,936)
Addition through business combination	**7,088,100**	–
Actual contribution	**(17,986,869)**	–
Balance at December 31	**₱132,454,030**	₱14,776,999

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

	2009	2008	2007
Discount rate	**11.21%**	20.90%	10.15%-10.22%
Salary increase rate	**11.00%**	11.00%	13.00%
Expected rate of return on plan assets	**5.00%**	–	–
Experience adjustments on plan liabilities	**₱1,526,400**	₱2,245,300	₱33,714,009

The Group expects to contribute ₱53.96 million to its retirement fund in 2010.

25. Miscellaneous Income

Miscellaneous income mostly pertains to income from forfeiture of real estate deposits.

26. Income Taxes

Provision for income tax consists of:

	2009	2008	2007
Current	**₱273,654,692**	₱385,771,939	₱215,535,400
Deferred	**239,821,255**	535,078,409	954,128,199
	₱513,475,947	₱920,850,348	₱1,169,663,599

The reconciliation of the provision for income tax computed at the statutory income tax rate to the provision for income tax shown in the consolidated statements of comprehensive income follows:

	2009	2008	2007
Provision for income tax computed at the statutory income tax rate	**₱843,865,235**	₱1,313,895,238	₱1,623,535,432
Additions to (reductions in) income taxes resulting from:			
Nondeductible interest and other Expenses	**30,740,237**	6,813,116	1,007,452
Interest income already subjected to final tax	**(83,924,260)**	(64,927,653)	(68,444,910)
Change in unrecognized deferred income taxes	**115,047,365**	89,120,823	291,677,694
Tax-exempt income	**(378,411,286)**	(293,440,147)	(525,843,286)
Dividend income	**(58,302)**	–	–
Effect of change in statutory tax rate	–	(127,321,698)	(115,452,450)
Equity in net income of an associate	**(13,783,042)**	(3,578,982)	(41,322,774)
Expired MCIT and NOLCO	–	289,651	4,506,441
Provision for income tax	**₱513,475,947**	₱920,850,348	₱1,169,663,599

The components of net deferred tax liabilities follow:

	2009	2008
Deferred tax assets on:		
Allowance for probable losses	**₱242,526,632**	₱276,611,612
NOLCO	**69,062,357**	59,189,643
Unrealized foreign exchange losses	**56,404,406**	49,051,985
Unamortized discount on receivables	**19,577,290**	22,793,426
Carryforward benefit of MCIT	**9,023,811**	6,303,562
Accrual of retirement costs	**39,736,209**	3,547,417
	436,330,705	417,497,645
Deferred tax liabilities on unrealized gain on real estate transactions, unamortized discount on LTNs and others	**2,821,978,377**	2,563,324,062
Net deferred tax liabilities	**(₱2,385,647,672)**	(₱2,145,826,417)

As of December 31, 2009, the details of the unused tax credits from the excess of the MCIT over RCIT tax 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
2006	₱35,358,292	₱35,358,292	₱–	2009
2007	3,264,093	–	3,264,093	2010
2008	158,676,425	–	158,676,425	2011
2009	68,267,339	–	68,267,339	2012
	₱265,566,149	₱35,358,292	₱230,207,857	

MCIT

Inception Year	Amount	Used/Expired	Balance	Expiry Year
2006	₱9,750,821	₱9,750,821	₱–	2009
2007	12,435,865	11,244,694	1,191,171	2010
2008	5,112,391	–	5,112,391	2011
2009	2,720,249	–	2,720,249	2012
	₱30,019,326	₱20,995,515	₱9,023,811	

Board of Investments (BOI) Incentives

On various dates in 2007, 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 8 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 four years commencing from 2007 until 2011.

Republic Act (RA) No. 9337

RA No. 9337 was enacted into law amending various provisions in the existing 1997 National Internal Revenue Code. Among the reforms introduced by the said RA was the reduction of the income tax rate from 35% to 30% beginning January 1, 2009. It further provides that nondeductible interest expense shall be reduced from 42% to 33% of interest income subjected to final tax beginning January 1, 2009.

27. Basic and Diluted Earnings Per Share

The following table presents information necessary to compute the EPS:

	2009	2008	2007
Basic and Diluted Earnings Per Share			
a) Net income attributable to equity holders of Parent	**₱2,299,408,170**	₱2,819,203,031	₱3,463,493,788
b) Weighted average common shares (Note 29)	**8,276,175,614**	8,417,214,114	7,159,502,205
c) Earnings per share (a/b)	**₱0.278**	₱0.335	₱0.484

28. 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, 2009 and 2008:

	2009		2008	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial Assets				
Loans and receivables				
Cash and cash equivalents	**₱3,010,640,495**	**₱3,010,640,495**	₱5,014,533,958	₱5,014,533,958
Short-terms investments	**135,962,569**	**135,962,569**	30,000,000	30,000,000
Installment contract receivables	**15,702,478,476**	**16,416,603,462**	16,019,521,931	18,636,832,605
Other receivables	**2,760,117,115**	**2,760,117,115**	2,728,211,242	2,728,211,242
	21,609,198,655	**22,323,323,641**	23,792,267,131	26,409,577,805
AFS financial assets	**288,936,791**	**288,936,791**	299,625,790	299,625,790
Total Financial Assets	**₱21,898,135,446**	**₱22,612,260,432**	₱24,091,892,921	₱26,709,203,595

	2009		2008	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Other Financial Liabilities				
Bank loans	**₱4,556,498,364**	**₱4,556,498,364**	₱3,488,717,176	₱3,488,717,176
Accounts and other payables	**5,430,021,127**	**5,430,021,127**	4,005,522,187	4,005,522,187
Liabilities for purchased land	**1,848,640,757**	**1,916,103,469**	2,632,836,269	1,815,770,796
LTNs	**495,427,390**	**444,443,860**	1,474,565,769	902,881,669
Payable to related parties	**428,906,503**	**428,906,503**	910,408,719	910,408,719
Total Financial Liabilities	**₱12,759,494,141**	**₱12,775,973,323**	₱12,512,050,120	₱11,123,300,547

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 investments: Due to the short-term nature of the account, the fair value of cash and cash equivalents and short-term investments approximate the carrying amounts in the consolidated statement 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 5.11% to 9.38% in 2009 and from 6.0% to 8.0% in 2008.

Receivable from and payable to related parties: due to the short-term nature of the account, carrying amounts approximate fair values.

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

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 approximate its 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.

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

Bank loans, liabilities for purchased land, loans payable and LTNs: estimated fair values of bank loans, liabilities for purchased land, loans payable and LTNs 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 4.27% to 9.38% in 2009 and 6.7% to 7.5% in 2008 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, 2009.

Financial Risk Management Objectives and Policies

Financial Risk

The Group's principal financial liabilities comprise of bank loans, loans payable, accounts and other payables, liabilities for purchased land and long-term commercial papers and floating rate notes payable. The main purpose of the Group's financial liabilities is to raise finance for the Group's operations. The Group has various financial assets such as installment contracts receivables, cash and cash equivalents and short-term 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.

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 a mixed of fixed and floating rate debts. The Group's interest rate on US dollar denominated LTNs has been fixed over a 15-year period. 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:

	2009		2008	
Financial assets	**Effective Interest Rate**	**Amount**	Effective Interest Rate	Amount
Fixed rate				
Cash and cash equivalents (excluding cash on hand)	**1.6% to 4.06%**	**₱3,000,635,643**	0.5% to 5%	₱5,008,587,912
Short-term investments	**5% to 6.5%**	**135,962,569**	5.0% to 8.5%	30,000,000
Installment contracts receivable	**16% to 19%**	**15,702,478,476**	16% to 19%	16,019,521,931
Total		**₱18,839,076,688**		₱21,058,109,843

	2009		2008	
	Effective Interest Rate	**Amount**	Effective Interest Rate	Amount
Financial liabilities				
Fixed rate				
Bank loans	**9.5% to 12%**	**₱4,556,498,364**	9.5% to 12%	₱3,488,717,176
LTNs	**8.59%**	**495,427,390**	8.59%	1,474,565,769
Total		**₱5,051,925,754**		₱4,963,282,945

The following table demonstrates the sensitivity to a reasonably possible change in interest rates until its next annual reporting date with all other variables held constant, of the Group's 2009 income before tax (due to effect of floating rate borrowings). There is no impact on the Group's equity other than those already affecting the net income.

	2009		2008	
	Increase/decrease in interest rate	**Effect on income before income tax**	Increase/decrease in interest rate	Effect on income before income tax
Bank loans	**+25 bps**	**₱4,405,377**	+25 bps	₱594,798
	-25 bps	**(4,405,377)**	-25 bps	(594,798)

There are no items that are impacted with interest rate risk which are charged directly to equity.

Foreign Exchange Risk

The Group's foreign exchange risk results primarily from movements of the Philippine peso against the United States Dollar (USD). Approximately 2.5% and 63.70% of the debt of the Group as of December 31, 2009 and 2008, respectively, are denominated in USD. The Group's foreign currency-denominated debt comprises of the LTNs in 2008 and FRNs in 2008. Below are the carrying values and the amounts in US$ of these foreign currency denominated liabilities. There are no foreign currency denominated assets.

	2009		2008	
	Peso	**US$**	Peso	US$
LTNs	**₱495,427,390**	**US$10,723,537**	₱1,474,565,769	US$31,030,424

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 2008 profit before tax (due to changes in the fair value of monetary liabilities).

	2009		2008	
	Increase/decrease in US Dollar rate	**Effect on income before tax**	Increase/decrease in US Dollar rate	Effect on income before tax
LTNs	**+0.02 bps**	**₱99,085**	+0.02%	(₱294,913)
	-0.02 bps	**(99,085)**	–0.02%	294,913

There are no items affecting equity except for those impacting profit or loss.

Credit Risk
The Group transacts only with recognized, 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 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.

With respect to credit risk arising from the other financial assets of the Group, which comprise of cash and cash equivalents and AFS financial assets, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The Group 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, 2009 and December 31, 2008:

	December 31, 2009	December 31, 2008
Loans and Receivables		
Cash and cash equivalents (excluding cash on hand)	**₱3,000,635,643**	₱5,008,587,912
Short-term investments	**135,962,569**	30,000,000
Installment contracts receivables	**15,702,478,476**	16,019,521,931
Other receivables	**2,760,117,115**	2,728,211,242
	21,599,193,803	23,786,321,085
AFS financial assets	**288,936,791**	299,625,790
	₱21,888,130,594	₱24,085,946,875

The maximum exposure is shown gross, before the effect of mitigation through the use of collateral agreements. The subject lots and residential houses sold are held as collateral for the all installment contracts receivables.

Given the Group's diverse base of counterparties, it is not exposed to large concentrations of credit risk. As of December 31, 2009 and 2008, the aging analyses of past due but not impaired receivables, presented per class are as follows:

December 31, 2009

	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	**₱15,406,718,617**	**₱24,342,317**	**₱24,056,950**	**₱18,747,771**	**₱140,339,786**	**₱207,486,824**	**₱88,273,035**	**₱15,702,478,476**
Other receivables	**2,489,884,389**	**3,933,969**	**3,887,851**	**3,029,833**	**22,680,355**	**33,532,008**	**236,700,718**	**2,760,117,115**
Total	**₱17,896,603,006**	**₱28,276,286**	**₱27,944,801**	**₱21,777,604**	**₱163,020,141**	**₱241,018,832**	**₱324,973,753**	**₱18,462,595,591**

December 31, 2008

	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	₱14,760,664,736	₱271,507,002	₱225,161,985	₱129,799,797	₱194,228,284	₱820,697,068	₱438,160,127	₱16,019,521,931
Other receivables	2,470,637,637	3,518,026	–	–	17,351,860	20,869,886	236,703,719	2,728,211,242
Total	₱17,231,302,373	₱275,025,028	₱225,161,985	₱129,799,797	₱211,580,144	₱841,566,954	₱674,863,846	₱18,747,733,173

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 restructured accounts out of the total neither past due nor impaired receivables are ₱901.34 million and ₱134.72 million as of December 31, 2009 and 2008.

The aggregate fair value of collaterals of installment contracts receivable that are past due but not impaired as of December 31, 2009 and 2008 amounted to ₱2,424.1 million and ₱1,317.34 million, respectively.

The tables below show the credit quality of the Group's financial assets as of December 31, 2009 and 2008, gross of allowance for impairment losses:

December 31, 2009

	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)	**₱3,000,635,643**	**₱–**	**₱–**	**₱3,000,635,643**	**₱–**	**₱–**	**₱3,000,635,643**
Short-term investments	**135,962,569**	**–**	**–**	**135,962,569**	**–**	**–**	**135,962,569**
Installment contracts receivable	**15,406,718,617**	**–**	**–**	**15,406,718,617**	**207,486,824**	**88,273,035**	**15,702,478,476**
Other receivables	**2,489,884,389**	**–**	**–**	**2,489,884,389**	**33,532,008**	**236,700,718**	**2,760,117,115**
Total loans and receivables	**21,033,201,218**	**–**	**–**	**21,033,201,218**	**241,018,832**	**324,973,753**	**21,599,193,803**
AFS financial assets	**288,936,791**	**–**	**–**	**288,936,791**	**–**	**–**	**288,936,791**
	₱21,322,138,009	**₱–**	**₱–**	**₱21,322,138,009**	**₱241,018,832**	**₱324,973,753**	**₱21,888,130,594**

December 31, 2008

	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)	₱5,008,587,912	₱–	₱–	₱5,008,587,912	₱–	₱–	₱5,008,587,912
Short-term investments	30,000,000	–	–	30,000,000	–	–	30,000,000
Installment contracts receivable	14,760,664,736	–	–	14,760,664,736	820,697,068	438,160,127	16,019,521,931
Other receivables	2,470,637,637	–	–	2,470,637,637	20,869,886	236,703,719	2,728,211,242
Total loans and receivables	22,269,890,285	–	–	22,269,890,285	841,566,954	674,863,846	23,786,321,085
AFS financial assets	299,625,790	–	–	299,625,790	–	–	299,625,790
	₱22,569,516,075	₱–	₱–	₱22,569,516,075	₱841,566,954	₱674,863,846	₱24,085,946,875

High grade cash and cash equivalents and short-term investments are short-term money market placements and working cash fund placed, invested or deposited in foreign and 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. These accounts show propensity to default in payment despite regular follow-up actions and extended payment terms

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 ₱ 467.30 million as of December 31, 2008. The Group performs certain repair activities on the said reposed 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 2009 and 2008.

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, 2009 and 2008 based on undiscounted contractual payments, including interest receivable and payable.

2009	On Demand	1 to 3 Months	3 to 12 Months	1 to 5 Years	Total
Financial Assets					
Loans and receivables					
Cash and cash equivalents	**₱3,010,640,495**	**₱–**	**₱–**	**₱–**	**₱3,010,640,495**
Short-term investments	**–**	**135,962,569**	**–**	**–**	**135,962,569**
Installment contract receivables	**600,454,850**	**3,600,454,850**	**3,220,455,388**	**8,370,231,418**	**15,791,596,506**
Accounts receivable	**2,760,117,115**	**–**	**–**	**–**	**2,760,117,115**
Total Loans and Receivables	**6,371,212,460**	**3,736,417,419**	**3,220,455,388**	**8,370,231,418**	**21,698,316,685**
AFS financial assets	**288,936,791**	**–**	**–**	**–**	**288,936,791**
Total undiscounted financial assets	**₱6,660,149,251**	**₱3,736,417,419**	**₱3,220,455,388**	**₱8,370,231,418**	**₱21,987,253,476**
Financial Liabilities					
Financial liabilities at amortized cost:					
Bank loans	**₱398,706,652**	**₱208,723,500**	**₱2,122,568,699**	**₱1,826,499,513**	**₱4,556,498,364**
Accounts payable and other payables	**5,430,021,127**	**–**	**–**	**–**	**5,430,021,127**
Liabilities for purchased land	**730,774,218**	**233,283,214**	**238,223,315**	**646,360,010**	**1,848,640,757**
LTNs	**–**	**–**	**–**	**495,427,390**	**495,427,390**
Payable to related parties	**428,906,503**	**–**	**–**	**–**	**428,906,503**
Total undiscounted financial liabilities	**₱6,988,408,500**	**₱442,006,714**	**₱2,360,792,014**	**₱2,968,286,913**	**₱12,759,494,141**

2008

	On Demand	1 to 3 Months	3 to 12 Months	1 to 5 Years	Total
Financial Assets					
Loans and receivables					
Cash and cash equivalents	₱5,014,533,958	₱–	₱–	₱–	₱5,014,533,958
Short-term investments	–	30,000,000	–	–	30,000,000
Installment contracts receivable	261,707,975	523,415,949	10,172,878,692	5,187,818,787	16,145,821,403
Accounts receivable	46,001,952	92,003,904	2,590,205,386	–	2,728,211,242
Total Loans and Receivables	5,322,243,885	645,419,853	12,763,084,078	5,187,818,787	23,918,566,603
AFS financial assets	299,625,790	–	–	–	299,625,790
Total undiscounted financial assets	₱5,621,869,675	₱645,419,853	₱12,763,084,078	₱5,187,818,787	₱24,218,192,393
Financial Liabilities					
Financial liabilities at amortized cost:					
Bank loans	₱8,638,105	₱4,319,052	₱1,676,959,289	₱1,798,800,730	₱3,488,717,176
Accounts payable and other payables	659,564,978	329,782,489	2,968,042,401	48,132,319	4,005,522,187
Liabilities for purchased land	161,207,867	322,415,734	1,450,870,802	698,341,866	2,632,836,269
LTNs	–	–	–	1,474,565,769	1,474,565,769
Payable to related parties	75,235,027	150,470,053	677,115,239	7,588,400	910,408,719
Total undiscounted financial liabilities	₱904,645,977	₱806,987,328	₱6,772,987,731	₱4,027,429,084	₱12,512,050,120

29. **Equity**

Capital Stock

The details of the number of shares follow:

	2009	2008
Authorized	**12,000,000,000**	12,000,000,000
Issued	**8,538,740,614**	8,538,740,614
Treasury	**–**	(295,756,000)
Outstanding	**8,538,740,614**	8,242,984,614

On March 16, 2007, the Board of Directors (BOD) and the stockholders approved the increase in authorized capital stock of the Parent Company from ₱4.00 million divided into 4 million shares to ₱12.00 billion divided into 12 billion shares with a par value of ₱1.00 per share. The following companies have subscribed to the increase in the authorized capital stock of the Parent Company and have paid for such subscription through assignment of shares:

Subscribers	No. of shares subscribed	Amount subscribed		
		Par	Premium	Total
Polar Property Holdings Corp. (Polar Property)	722,615,487	₱722,615,487	₱1,055,018,611	₱1,777,634,098
Adelfa Properties, Inc. (Adelfa)	554,162,000	554,162,000	809,076,520	1,363,238,520
Cambridge Group, Inc. (Cambridge)	9,305,206	9,305,206	13,585,601	22,890,807
Althorp Holdings, Inc. (Althorp)	200,102,917	200,102,917	292,150,259	492,253,176
Fine Properties, Inc. (Fine)	22,465,846	22,465,846	32,800,134	55,265,980
Total	1,508,651,456	₱1,508,651,456	₱2,202,631,125	₱3,711,282,581

On its second subscription, Fine subscribed to 3,020.15 million shares with a par value of ₱1.00 with a premium amounting to ₱4,409.66 million.

On March 29, 2007, the Parent Company entered into an exchange agreement with Fine, Polar Property, Adelfa, Althorp and Cambridge for the acquisition by the Parent Company of all the shares held by the aforesaid corporations in the subsidiaries, in exchange for 4,528.80 million shares of the Parent Company.

On March 30, 2007, the Parent Company entered into a Memorandum of Agreement (MOA) with Fine, wherein Fine agrees to subscribe to 3,020.15 million common shares of the Parent Company which shall be paid through the assignment and conveyance by Fine in favor of the Parent Company of a total of 3,020.15 million shares of the common stock of CHI. Fine undertakes to cause its affiliates, which hold shares in CHI, to convey the CHI shares held by them in favor of the Parent Company. The transaction resulted to a premium of ₱4,409.66 million.

On April 25, 2007, the Parent Company entered into a sale and purchase agreement with Fine and Brittany (Major shareholders) which provided for the acquisition by the Parent Company of the Major shareholders' 3,020.15 million shares in CHI in consideration for the Parent Company shares on the basis of one Parent Company common share for every one CHI common share based on the book value of the Parent Company shares against the adjusted book value of the CHI shares as of December 31, 2006.

The objective of the said acquisitions was to consolidate the ownership of the Subsidiaries in a new holding company, that is the Parent Company. The Parent Company has accounted for these transactions as reorganization of entities under common control, using pooling of interest method. Accordingly, the consolidated financial statements have been prepared as if the current corporate structure had been in existence throughout the periods presented.

On May 3, 2007, the SEC approved the increase in authorized capital stock. The approval of SEC made effective the March 30, 2007 MOA with Fine and the April 25, 2007 sale and purchase agreement with the Parent Company and the Major shareholders.

On May 7, 2007, the Parent Company filed a registration statement with the SEC for the Primary Offer of up to 1,890.52 million common shares from its unissued capital stock. In compliance with the Tender Offer Rules, the Parent Company is offering to acquire the remaining 1,890.52 million common shares owned by the common shareholders of CHI other than the Major shareholders (Minority shareholders) in exchange for up to 1,890.52 million new and unissued common shares of the Parent Company, on the same basis of one common share for every one CHI common share. On June 15, 2007, end of the tender offer period, a total of 1,858.24 million shares were tendered.

The purpose of the Primary Offer is to finance, in part, the Parent Company's planned capital expenditures and the settlement of the loans payable. The Parent Company also expects to use a portion of the net proceeds from the Primary Offer for general corporate purposes, including but not limited to, working capital requirements.

On May 24, 2007, the Philippine Stock Exchange, Inc. (the Exchange) approved the initial listing by way of introduction of 6,420.32 million common shares of the Parent Company, with par value of ₱1.00 per share in the first board of the Exchange at a listing price of ₱2.46 per share. The approval, however, is subject to, among other conditions, compliance by the Parent Company of Article 3, Section 6 of the Revised Listing Rules which states that upon and after listing, the Parent Company shall, at all times, maintain, at least 1,000 stockholders or security holders each owning securities equivalent to at least one board lot. As of December 31, 2009 and 2008, the Parent Company has 1,123 and 1,120 shareholders, respectively.

In the International Offering Circular dated July 13, 2007, the Parent Company, together with Polar Property, Calveston Investments Limited, Althorp, Cameron Global Limited, Golden Haven Memorial Park, Inc. and Cambridge (collectively referred to as 'other selling shareholders') offered for sale 3,105.99 million common shares with par value of ₱1.00 per share. The shares offered comprised of: (i) 2,120.00 million new shares issued and offered by the Parent Company by way of a Primary Offer; and (ii) 985.99 million existing shares offered by other selling shareholders pursuant to a secondary offered by other selling shareholders pursuant to a secondary. Polar Property is an associate of the Parent Company. The entire shares offered were fully subscribed with net proceeds of ₱14,013.00 million.

Each shareholder will be entitled to such dividends as may be declared by the Parent Company's BOD provided that any stock dividends declaration requires the approval of shareholders holding at least two-thirds of the Parent Company's total outstanding capital stock.

On August 21, 2007, the Parent Company announced a second tender offer to remaining CHI minority shareholders. As of September 18, 2007, end of tender offer period, a total of 30.70 million shares were tendered.

Treasury Shares

On November 27, 2007, 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.

As of December 31, 2009 and 2008, the Parent Company has bought back from the market a total of 320,686,000 shares and 295,756,000 shares, respectively.

Retained Earnings

Retained earnings as of December 31, 2008 is restricted up to the extent of the treasury shares amounting to ₱616.89 million in 2008.

In accordance with SEC Memorandum Circular No. 11 issued in December 2008, the Parent Company's retained earnings available for dividend declaration as of December 31, 2008 amounted to ₱5.24 billion.

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 payable to stockholders of record at the close of business on December 8, 2009.

Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The following table shows the component of the Parent Company's equity as of December 31, 2009 and 2008.

	2009	2008
Total paid-up capital	**₱27,867,250,474**	₱27,844,016,282
Retained earnings	**7,757,417,581**	5,739,787,852
Unrealized gain on AFS financial assets	**–**	472,619
Treasury shares	**–**	(616,885,476)
	₱35,624,668,055	₱32,967,391,277

30. Notes to Consolidated Statements of Cash Flows

Below are the noncash investing and financing transactions:

	2007
Gain from restructuring of FRNs (Note 19)	₱1,443,542,689
Conversion of FRNs to LTNs (Note 19)	(1,287,307,692)
Conversion of FRNs to Equity	(6,287,347,218)
Offseting of LTCPs with related party receivable	100,678,946

31. 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.

32. Approval of Financial Statements

The consolidated financial statements of the Group as of December 31, 2009 and 2008 and for each of the three years in the period ended December 31, 2009 were authorized for issue by the BOD on April 12, 2010.

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