ArthaLand
Future Proof by Design

06 September 2012

Philippine Stock Exchange, Inc.
Tower One & Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City

Attention: **Ms. Janet A. Encarnacion**
***Head*, Disclosure Department**

Gentlemen:

Please find attached the Annual Report (SEC Form 17-A) of **ArthaLand Corporation** for the period ended as of 2011 as amended pursuant to the requirements of the Securities and Exchange Commission. The amendments have been underscored for your easy reference.

Thank you.

Very truly yours,

Riva Khristine V. Maala
Assistant Corporate Secretary
PSE-amended 17A 2011 (9.6.12)/ALCO/corpsec/rvm

8th Floor, Picadilly Star Building, 4th Avenue cor. 27th Street, Bonifacio Global City, Taguig 1634, Philippines TEL: (632) 403-6910 • FAX: (632) 403-6908

COVER SHEET

9 4 0 0 7 1 6 0

SEC Registration Number

A R T H A L A N D   C O R P O R A T I O N

(Company's Full Name)

8 F   P I C A D I L L Y   S T A R   B U I L D I N G ,
4 T H   A V E N U E   C O R N E R   2 7 T H   S T R E E T
B O N I F A C I O   G L O B A L   C I T Y ,
T A G U I G   C I T Y ,   M E T R O   M A N I L A

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

PONCIANO S. CARREON, JR.

(Contact Person)

(+632) 403-6910

(Company Telephone Number)

AMENDED

1 2	3 1
Month	*Day*

(Fiscal Year)

1 7 - A

(Form Type)

0 6	Last Fri
Month	*Day*

(Annual Meeting)

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

2,118

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A *(AMENDED AS OF 03 SEPTEMBER 2012)*

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

1. For the fiscal year ended **31 December 2011**

2. SEC Identification Number **ASO-94-007160** 3. BIR Tax Identification No. **116-004-450-721**

4. Exact name of issuer as specified in its charter **ARTHALAND CORPORATION (ALCO)**

5. **Metro Manila, Philippines**
   Province, Country or other jurisdiction of incorporation or organization

   [ ] (SEC Use Only)
   Industry Classification Code:

7. **8/F Picadilly Star Building, 4th Avenue corner 27th Street, Bonifacio Global City Taguig City** — **1634**
   Address of principal office — Postal Code

8. **(+632) 403-6910/403-6915**
   Issuer's telephone number, including area code

9. **Not Applicable**
   Former name, former address and former fiscal year, if changed since last report

10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA:

Title of Each Class	Number of Shares of Common Stock Outstanding	Amount of Debt Outstanding
Common Shares	**5,318,095,199 (₱0.18 par value)**	**None**

11. Are any or all of these securities listed on a Stock Exchange? Yes [x] No [ ]
    If yes, state the name of such stock exchange and the classes of securities listed therein:

    Philippine Stock Exchange – Only 3,696,865,199 Common Shares are listed at present.

12. Check whether the issuer:

    (a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports): **Yes [x]** No [x]

    (b) has been subject to such filing requirements for the past ninety (90) days: **Yes [x]** No [ ]

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within sixty (60) days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form.

    Please refer to Annex 1.

Documents Incorporated by Reference:
Audited Financial Statements for the period ended as of 31 December 2011

PART I - BUSINESS AND GENERAL INFORMATION

ITEM 1. Business

a. Corporate Overview

ARTHALAND CORPORATION (ALCO) was incorporated on 10 August 1994[1] for the purpose of engaging in property development of residential, commercial, leisure and industrial projects. Its shares are traded in the Philippine Stock Exchange. ALCO's principal office is at the 8th floor Picadilly Star Building, 4th Avenue corner 27th Street, Bonifacio Global City, Taguig City.

ALCO has investments in three (3) properties at the Bonifacio Global City (BGC) with a combined land area of close to one (1) hectare and a 35-hectare property in Calamba City.

In 2007, ALCO instituted several corporate actions to prepare for its medium and long term business goals. It underwent a quasi-reorganization consisting of the following, among others:

1. Decrease in the par value of ALCO's common shares from ₱1.00 to ₱0.18 per share, with the corresponding decrease in the authorized capital stock from ₱2.0 Billion to the paid-in capital stock of ₱246,257,136.00 only[2]; and,

2. Increase in the authorized capital stock from ₱246,257,136.00 to ₱2,946,257,135.82, divided into 16,368,095,199 common shares at a par value of ₱0.18 per share[3]; and

Following the reduction in the par value of its shares and decrease in authorized capital stock, ALCO undertook a recapitalization program which led to the entry of new investors, namely AO Capital Holdings 1, Vista Holdings Corporation, The First Resources Management and Securities Corporation and Elite Holdings, Inc. (the "new investors").

On 12 August 2008, the Board approved the ₱750.0 million subscription by the new investors in ALCO equivalent to 3.750 billion common shares.

As of 26 April 2011, ALCO ceased to be a subsidiary of AO Capital Holdings 1, Inc. (AOCH1), having sold its 31% stake to CPG Holdings, Inc. (CPG), a holding company of leading food manufacturers domiciled in the Philippines. In addition, CPG infused additional capital to ALCO by subscribing to 200 million shares. To date, CPG holds a total of 1,800,000,000 common shares registered in its name in ALCO's books, or an equivalent of 33.847% of ALCO's total issued and outstanding common shares.

b. Business/Projects

ALCO's main business activity is property development of residential, commercial and leisure projects. It is geared to pursuing niched and boutique developments beginning with its land investments in the BGC as well as opportunistic joint venture developments.

ALCO is a registered member of the US Green Building Council's Leadership in Energy and Environmental Design (LEED) known for its endeavors in sustainable developments. LEED is a US organization which sets the world standards for green buildings and sustainable

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[1] The Securities and Exchange Commission (SEC) approved the amendment of ALCO's Articles of Incorporation reflecting the change of the corporate name on 26 January 2009.
[2] As approved by the SEC on 04 December 2007.
[3] As approved by the SEC on 24 December 2008.

developments.

ALCO's various property investments consist of the following with aggregate book value of ₱2.3 billion and market value of ₱3.2 billion:

1. Lot 7-1 in BGC: A 1,585-square meter property within the BGC's E-Square which is the Philippine Economic Zone Authority (PEZA) area of the BGC. The property is across the new St. Luke's Medical Center. The property is intended for a residential development.
2. Lot 5-5 in BGC: A 2,233-square meter property which is likewise within BGC's E-Square. The property is across the street from the proposed Shangri La Hotel and the Philippine Stock Exchange. The development plan for this property may be mixed-use.
3. Lot 4-1 in BGC: A 6,357-square meter property located along McKinley Parkway. ALCO commenced planning for this property for a residential development at the start of 2009. Towards end of 2009, ALCO introduced its first project named Arya Residences, a 2-tower high-rise residential development.

   ALCO completed the Arya Sales Pavilion in the third quarter of 2009. The project was officially launched in February 2010 for the first of 2 towers. Tower 1 will have 301 units consisting of 1's, 2's and 3 bedrooms. Arya Residences will have an amenity podium. It will offer retail and dining areas at the ground floor. Arya Residences is a registered project with LEED with a certification goal of gold.

   The Company commenced excavation works of Arya Residences Tower 1 in August 2010 and substructure works in January 2011. The first tower was already topped-off over two months ahead of schedule and excavation works for the second tower is also ahead of schedule. The expected handover of Tower 1 will be in the early part of 2014 first quarter.

While ALCO currently intends to develop the BGC properties as described above, these plans may change subject to market conditions.

Even when these projects are completed, ALCO commits to provide property management services to the condominium corporation of the said developments. Post-completion involvement allows ALCO to maintain a high standard of maintenance quality in its developments.

c. Subsidiaries

ALCO holds 100% ownership interest in the following subsidiaries as of 31 December 2011:

Cazneau, Inc. (Cazneau)[4]
Technopod, Inc. (Technopod)[5]
Irmo, Inc. (Irmo)[6]
Urban Property Holdings, Inc. (UPHI)[7]
Manchesterland Properties, Inc. (MPI)[8]

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[4] *It was incorporated in the Philippines on 31 July 2008.*
[5] *It was incorporated in the Philippines on 31 July 2008.*
[6] *It was incorporated in the Philippines on 13 August 2008.*
[7] *It was incorporated in the Philippines on 23 January 1995* and was originally established as a 55-45 joint venture company between ALCO and PR Builders Developers and Managers, Inc. for the development of a housing project on a 35-hectare property in Calamba, Laguna.
[8] *It was incorporated in the Philippines on 27 March 2008.*

All of these subsidiaries were established to engage primarily in real estate development. With the exception of UPHI as discussed separately in Item 3 (Legal Proceedings) of this Report, none of these subsidiaries are engaged in any bankruptcy, receivership or similar proceedings. Neither were they parties during the period covered by this Report to any transaction which involves material reclassification, merger, consolidation or purchase or sale of a significant amount of assets.

d. Competition

ALCO faces competition from other domestic property developers. The level of competition depends on product types, target market segments, location of developments and pricing, among others.

ALCO views the major property players which are into the middle and high market categories for high-rise residential in the vicinity of its investment properties as direct competition.

There are significant barriers to entry into the market such as the considerable capital needed for the acquisition and development of land, the development expertise and reputation required from an experienced management team, technological know-how from a technical team, to name a few.

Competition can also be present in the procurement of raw materials particularly in a tight supply market. ALCO will also have to contend with competition with other property developers for high-caliber sales/leasing agents and brokers.

ALCO believes that given the desirability of the project locations, its strict adherence to quality, innovation and sustainability, its competitive pricing schemes and commitment to its projects even after sales, it will be able to compete effectively.

ALCO considers two direct competition in the high-end residential market segment in terms of relative quality of development and pricing of products – Ayala Land and Rockwell Land. These companies have been in the business many years earlier than ALCO and therefore they may have longer track record and financial mileage. These companies are considered to have the greater share of the market at the moment. ALCO intends to primarily capitalize on its niche market of true sustainable developments and doing projects which are unique and special in terms of design, sustainable features and distinct locations. ALCO believes that it has started the grounds well in sustainable and luxurious projects being the first company to have a LEED-registered residential project in the country. The company intends to provide distinguishing products with better quality at more competitive pricing. It understands that it should provide more of such products to its buyers for less cost to position itself competitively in the market. ALCO believes that it is better positioned to do this with its far less overhead costs, being a relatively leaner organization.

e. *Industry and Other Risks*

The property development sector is cyclical and is subjected to the Philippine economic, political and business performance. The industry is dependent primarily on consumer spending for housing. In the past years, a significant portion of housing demand is being driven by purchases from the overseas workers' market. This exposes the industry to the economic performance of foreign countries of the overseas workers such as the United States, Saudi Arabia and countries in Europe.

The office market, on the other hand, has been largely driven by the business process outsourcing (BPO) sector which caters largely to US and European customers. The BPO industry, organized under the Business Process Association of the Philippines (BPAP) comprises primarily of contact centers, back office operations, medical transcription, among others.

The BPO industry has been experiencing phenomenal growth since the mid-2000. In 2008-2009, however, demand for BPO office space dropped as a result of the global recession which led to a glut in office space and a reduction in rental rates. The industry saw a recovery in 2010 as BPO offices resumed their expansion plans which brought an upward adjustment in rental rates.

Overall, the industry and thus, ALCO and its subsidiaries, contend with risks relating to volatility in overseas remittances, interest rates, credit availability, foreign exchange, political developments, costs and supply of construction materials, wages, changes in national and local laws and regulations governing Philippine real estate and investments. ALCO and its subsidiaries are sensitive to the political and security situations of the country since a portion of its sales comes from investors both foreign and local, and to the performance of overseas remittances and the business outsourcing process (BPOs) sectors as these inflows find their way into investments in housing and other real estates.

ALCO has a very rigid credit approval system to ensure that buyers are financially capable of meeting their payment schedules. It has a committee which evaluates credit worthiness of prospective buyers and regularly monitors the economic performance of the country and global players thru internal research and consultations with its property consultants to be able to timely adjust policies on pricing, payment schemes and timing of new project launches.

f. Sources and availability of raw materials

Construction of the projects are awarded to qualified reputable construction firms subject to a bidding process and management's evaluation of contractors' qualifications and satisfactory working relationships. The construction materials primarily cement and rebars are normally provided for by the contractors as part of the contract. However, ALCO may opt to procure owner-supplied construction materials should it be more cost-effective for the projects.

g. Advances to Related Parties

In the regular conduct of its business, ALCO and its wholly-owned subsidiaries enter into inter-company transactions with each other, principally consisting of advances and reimbursements for expenses. These transactions are made substantially on the same terms as with other individuals and businesses of comparable risks.

h. Patents and Trademarks

ALCO's operations are not dependent on patents, trademarks, copyrights and the like. The Company filed for the patent of the tradename logos and taglines of ArthaLand and Arya Residences with the Intellectual Property Office (IPO) last February 2010. The ArthaLand tradename logo is being processed while the ArthaLand tagline and Arya Residences tradename logo and tagline have been registered with the IPO as of December 2010.

i. Government approval for principal products or services

ALCO secures various government approvals such as Environmental Compliance Certificates (ECCs), development permits and licenses to sell as part of its normal course of business.

1. High-rise residential projects

Real estate development and sale of residential condominiums or subdivisions are governed by Presidential Decree no. 957. The administrative function is vested on the Housing and Land Use Regulatory Board (HLURB). The HLURB with local government units administer Presidential Decree no. 957 and regulate real estate business in the country.

2. Philippine Economic Zone Authority

ALCO has properties within the PEZA area of the BGC otherwise called as the E-Square. PEZA is a government unit that oversees economic zones which are created by Presidential proclamation and which consist of industrial estates, export processing zones, free trade zones, tourist areas and information technology enterprises. PEZA-registered enterprises enjoy income tax holidays, and duty-free importation of equipment, machinery and raw materials.

ALCO does not foresee any material or adverse effect of existing and probable government regulations on its business.

j. *Cost and Effects of Compliance with Environmental Laws*

ALCO complied with all environmental regulatory requirements for both the pre-construction and operational phases of its completed projects and paid for the imposed dues which, for the period covered by this Report, amounted to ₱690,000.00. ALCO goes beyond the mandatory environmental framework, being a member and supporter of the Philippine Green Building Council and US Green Building Council as well as a partner of the World Wide Fund. ALCO will be obtaining government approvals for its new projects based on the projects' timetable for development and pre-selling.

k. Employees

As of the date of this Report, ALCO has a total of forty (40) employees consisting of five (5) senior officers, eleven (11) managers/supervisors and twenty-four (24) administrative employees. These employees are not covered by a collective bargaining agreement.

The hiring of an additional ten (10) employees will be closely aligned with ALCO's actual and programmed growth for the succeeding year.

l. Working Capital

In general, ALCO finances its projects through internally generated funds, loans and support from its major shareholders. *The amount spent on development activities and its percentage vis-à-vis ALCO's revenues during the last three (3) fiscal years, if any, are reflected and discussed extensively in ALCO's Audited Financial Statements for the period covered by this Report as attached.*

ITEM 2. Properties

1. The following are ALCO's investment properties:

Name	Location	Land Area (m²)	Use	FAR	GFA (m²)
Metro Manila					
Lot 5-5[9]	Fifth Avenue, BGC,	2,233	Mixed-use	15.4	34,380

[9] *Mortgaged with BDO Unibank., Inc. for a ₱700.0MM term loan.*

	Taguig City				
Lot 4-1[10] (Arya Residences)	McKinley Parkway, BGC, Taguig City	6,357	High-rise residential	12	76, 284
Lot 7-1[11]	32nd Street, BGC, Taguig City	1,585	High-rise residential	15	23,775

There is no limitation on ownership or use of the foregoing properties other than the disclosed encumbrances thereon.

2. Others

Calamba Property

The Calamba property, registered in the name of UPHI, is a 35-hectare rawland located at the junction of the city limits of Tagaytay City and the provincial boundaries of Laguna and Batangas. The portion of the property lying within the Tagaytay City limits is nestled along the fairway of Tagaytay Highlands Golf and Country Club.

Development plans for this property is subject to the approval by the Presidential Commission on the Development of Tagaytay and Taal to ensure compliance with environmental concerns in the area, among others.

The carrying value of the above-mentioned project amounted to P149.8 million as of December 31, 2010 and 2009. Based on the appraisal report dated February 28, 2011, the fair value of the land amounted to P282.0 million.

Approximately 1 hectare of this property is subject of an expropriation proceeding. A full disclosure is shown in Item 3, Legal Proceedings.

ITEM 3. Legal Proceedings

A portion of the Calamba property with an area of about 1.0 hectare is the subject of an expropriation proceeding filed by the National Power Corporation (NAPOCOR) in February 1998 and is pending before the Regional Trial Court of Calamba, Laguna, Branch 34, for final resolution on the amount to be paid by NAPOCOR. NAPOCOR had erected a tower thereon to form part of the Tayabas-Dasmarinas Line Project. The potential effect of this case on the financial statements of UPHI and ALCO could not be determined at the moment. However, as the affected area of the property comprises only 3% of the total land area belonging to UPHI, it is believed that the effect of such expropriation is not significant.

On 18 October 2010, UPHI filed a complaint for quieting of title, among other reliefs, before the Regional Trial Court of Calamba, Laguna, Branch 36 because of the erroneous issuance of tax declarations by the City of Tagaytay covering the Calamba property. The potential effect of this case on the financial statements of UPHI and ALCO could not be determined at the moment. However, as with the foregoing expropriation case, Management believes that this case for quieting of title is not significant.

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[10] *Registered in the name of Manchesterland Properties, Inc., the shares of stock of which are subject of a lien in favor of Allied Banking Corporation for a ₱600.0MM term loan.*
[11] *Mortgaged with Bank of the Philippine Islands for a ₱300.0MM term loan.*

As of the date of this Report, neither ALCO nor UPHI is a party to any other legal action arising from the ordinary course of its business.

ITEM 4. Submission of Matters to a Vote of Security Holders

In the annual meeting held on 24 June 2011, the stockholders representing more than sixty-seven percent (67%) of all its issued and outstanding common shares which are entitled and qualified to vote approved the amendment of ALCO's Articles of Incorporation and By-laws for purposes of increasing the members of the Board from seven (7) to nine (9).

There were only seven (7) seats in the Board of Directors filled up during the Annual Stockholders' Meeting although the two (2) other directors, namely, Messrs. Jaime Enrique Y. Gonzalez and Christopher T. Po, were likewise elected during the same meeting in anticipation of the approval by the Securities and Exchange Commission of the amendments to ALCO's Articles of Incorporation and By-laws whereby the number of directors is increased from seven (7) to nine (9). These two (2) directors were to assume office only after the Commission's approval of the said amendments.

When ALCO received the Certificates of Filing of its Amended Articles of Incorporation and By-Laws both dated 29 July 2011 which reflect the increase in the number of its directors to nine (9), Messrs. Gonzalez and Po assumed office as directors.

PART II OPERATIONAL AND FINANCIAL INFORMATION

ITEM 5. Market for Issuer's Common Equity and Related Stockholder Matters

a. Market Information

ALCO's common shares are traded in the Philippine Stock Exchange. The volume of its shares traded from 2003 to 2009 has been negligible due to market conditions. On 24 May 2007, ALCO sought the voluntary suspension of trading of its shares until such time as the Securities and Exchange Commission (SEC) approves its capital reorganization and the listing of its additional shares in the Exchange. The suspension was lifted on 08 January 2009.

The following are the highlights of quarterly trading for the periods indicated:

	2012			2011			2010		
Quarter	High	Low	Close	High	Low	Close	High	Low	Close
1	.1950	.1500	.1900	0.2000	0.1430	0.1520	0.300	0.135	0.1950
2	-	-	-	0.2160	0.1520	0.1820	0.230	0.170	0.1900
3	-	-	-	0.2180	0.1700	0.1530	0.230	0.181	0.2050
4	-	-	-	0.1900	0.1500	0.1600	0.239	0.163	0.1780

b. Security Holders

The number of shareholders of record as of the date of this Report is 2,118 and common shares outstanding are 5,318,095,199.

Article Seventh of ALCO's Articles of Incorporation provides that ALCO's common shares of stock are not subject to pre-emptive rights of the stockholders and may therefore be issued in such quantities at such times as the Board of Directors may determine. Article Tenth also provides that no issuance or transfer of shares of stock shall be allowed if it will reduce the ownership of Filipino citizens to less than the percentage required by law.

ALCO's top 20 stockholders as of 31 December 2011 are as follows:

Name of Shareholders	No. of Shares	%
1. CPG Holdings, Inc.	1,800,000,000	33.8467
2. AO Capital Holdings I	1,383,730,000	26.0193
3. Export and Industry Bank, Inc.	981,699,819	18.4596
4. PCD Nominee Corporation – Filipino	763,061,351	14.3484
5. Elite Holdings, Inc.	119,809,996	2.2529
6. PCD Nominee Corporation – Non-Filipino	55,986,133	1.0527
7. The First Resources Mgt. And Sec. Corp.	37,500,000	0.7051
8. Keng, Tina	25,000,000	0.4701
9. Bartolome, Rosario	15,231,750	0.2864
10. EQL Properties, Inc.	14,671,125	0.2759
11. Urban Bank Trust Department – A/C No. 625	4,838,488	0.0910
12. RBL Fishing Corporation	4,350,000	0.0818
13. Reyes, Veronica D.	3,799,272	0.0714
14. Bartolome, Aurelio Paulo R.	2,922,500	0.0550
15. Lou, Washington M.	2,827,500	0.0532
16. Reyes, Veronica D. and/or Cecilia D. Reyes	2,654,061	0.0499
17. Huang, Theodore and/or Corazon B. Huang	2,501,250	0.0470
18. Carlos Sunico Rufino	2,175,000	0.0409
19. Tan, Anito and/or Lita Tan	2,027,049	0.0381
20. Guild Securities, Inc.	1,795,375	0.0338
TOTAL	5,226,580,669	98.2792

On 26 April 2011, CPG Holdings, Inc. (i) subscribed to 200.0 Million common shares of stock of ALCO for a total subscription price of Philippine Pesos: Fifty Million (₱50,000,000.00); and, (ii) acquired 1,600,000,000 ALCO common shares registered in the name of AO Capital Holding I, Inc. for a total purchase price of Philippine Pesos: Four Hundred Million (₱400,000,000.00), which sale was effected *via* a special block sale.

c. **Dividends**

There were no dividends declared in the years 2009, 2010 and 2011.

Whether ALCO plans to declare dividends within the next twelve (12) months is uncertain but the same shall be subject to Section 2, Article VII of ALCO's By-laws which provides, as follows:

> "Dividends shall be declared from the unrestricted retained earnings of the Corporation, including stock dividends from paid-in surplus, at such time and in such amounts as the Board of Directors may determine. Dividend declarations shall not in any manner reduce the paid-in capital of the Corporation. Unless otherwise resolved by the Board of Directors, a fraction of one-half or more of a share owing to a stockholder resulting from a declaration of stock dividends shall be issued as one full share, while a fraction of less than one-half share shall be disregarded.
>
> "Declaration of stock dividends shall be submitted to a stockholders' meeting for approval within forty (40) business days from such approval by the Board of Directors. The record date for stock dividends shall not be earlier than the date of approval by the stockholders.

"Declaration of cash dividends shall have a record date which shall not be less than ten (10) business days but not more than thirty (30) business days from the date of declaration by the Board of Directors."

d. Recent Sales of Unregistered or Exempt Securities – This provision is not applicable to ALCO.

ITEM 6. See separate attachment.

ITEM 7. Financial Statements

ALCO's consolidated financial statements for 31 December 2011 as audited by Punongbayan and Araullo (P&A), the details of which are stated below, are incorporated herein by reference.

Accountant	:	Punongbayan & Araullo
Mailing Address	:	20/F Tower 1, The Enterprise Center 6766 Ayala Avenue, Makati City
Certifying Partner	:	Mr. Christopher M. Ferareza
C.P.A. Reg. No.	:	0097462
TIN No.	:	184-595-975
PTR No.	:	3174792 Janauary 2, 2012 Makati City
SEC Accreditation No.	:	Partner-No. 1185-A (until Jan. 18, 2015) Firm-No. 0002-FR-3 (until Jan. 18, 2015)
BIR Account No.	:	08-002511-34-2011 (until Sept. 21, 2014)

ITEM 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Article V of ALCO's By-laws provides, among others, that the External Auditor shall be appointed by its Board of Directors and shall receive such compensation or fee as may be determined by the Chairman or such other officer(s) as the Board of Directors may authorize. P&A was appointed as its external auditor for 2009, 2010, and 2011. ALCO has not had any disagreement with P&A.

Fees and Other Arrangements

The external auditor's fees are based on the estimated time that would be spent on an engagement and ALCO is charged at hourly rates vis-à-vis the experience level of the professional staff members who will be assigned to work on the engagement. Fees are also generally based on the complexity of the issues involved and the work to be performed, as well as the special skills required to complete the work.

P&A's fees are ₱ 550,000.00 for 2011, ₱ 400,000.00 for 2010, and ₱ 270,000.00 for 2009. These fees are exclusive of VAT.

PART III – CONTROL AND COMPENSATION INFORMATION

ITEM 9. Directors, including Independent Directors, and Executive Officers

a. Incumbent Directors and Positions Held/Business Experience for the Past Five (5) Years

The following were elected during the Annual Stockholders' Meeting on 24 June 2011 for the term 2011-2012 and until their successors shall have been elected and qualified in accordance with the By-laws of ALCO.

Name	Position	Age
Jaime C. Gonzalez	Chairman	66
Ricardo S. Po, Sr.	Vice Chairman	82
Angela de Villa Lacson	President	66
Jaime Enrique Y. Gonzalez	Director	35
Christopher Paulus Nicolas T. Po	Director	41
Dennis Omar T. Salvo	Director/Compliance Officer	50
Pauline C. Tan[12]	Director	42
Ernest K. Cuyegkeng	Director (Independent)	66
Fernan Victor P. Lukban	Director (Independent)	51

Jaime C. Gonzalez, Filipino, is the Chairman of AO Capital Holdings 1, Inc. and Elite Holdings, Inc. concurrently. He is the co-founder and presently Chairman and CEO of AO Capital Partners, a boutique investment bank with operations in the Asian region. He serves on the boards of a number of other publicly listed companies including IPVG Corp. (which is involved in information technology and communications in the Philippines and selected countries in Asia) and Euromoney Institutional Investor plc (which is a UK company involved in publishing, conferences and data services). He is a graduate of the Harvard Business School.

Ricardo S. Po, Sr., Filipino, is the Founder and Chairman of the Board of the Century Pacific Group of Companies, one of the largest canned food companies in the Philippines which owns and operates several top consumer brands such as Century Tuna, Argentina Corned Beef, Argentina Meatloaf, 555 Sardines, Angel Milk and Birch Tree Full Cream Milk. Mr. Po, Sr. was awarded Masters in Business Administration by the University of Santo Tomas in 2005.

Angela de Villa-Lacson, Filipino, comes from a successful stint with Ayala Land, Inc. (ALI) where she was involved in growing the Residential Business of the company from a very small share in 1999 during the depressed real estate market, to its current position of accounting for more than half of the revenues of the company. While in ALI, she led various high-end residential developments, notably One Roxas Triangle, Serendra, The Residences at Greenbelt and One Legazpi Park, and some low-rise developments, Montgomery Place and Ferndale. She was also involved in the development of the new communities in the South: Ayala Greenfields and Ayala Westgrove. Concurrent to her position in ALI as head of Ayala Land Premier, she started and grew its subsidiary, Community Innovations, Inc. (CII), the company that addressed the needs of the middle market. Some of CII's projects that she led were The Columns in Ayala Avenue and Legazpi, and Verdana. She also headed the Innovation and Design Group of ALI. This group leads the design, masterplanning and development of various communities of ALI in residential high-rise, gated villages, commercial buildings, BPO campuses and retail. She headed the Ayala Museum too, leading the design development and installation of its newest primary exhibition, 'Crossroads of Civilization'. Prior to joining ALI, she was marketing director of San Miguel Corporation (Beer and Foods) and headed various marketing groups of Unilever, both here and in Europe.

Jaime Enrique Y. Gonzalez, Filipino, is currently the Chief Executive Officer of IPVG Corp., a publicly listed company on the Philippine Stock Exchange engaged in information

[12] ALCO's Board of Directors accepted Ms. Tan's resignation on 28 March 2012 and elected Mr. Ricardo Gabriel T. Po in her place for the unexpired portion of her term.

technology and communications space. He directly handles all investment-related activities of IPVG Corp., including fund-raising, mergers and acquisitions, and divestments. He has had a successful track record in the internet space, having founded a series of internet start-ups that have been acquired by larger U.S. based firms (match.ph/itzamatch.com), and has taken IPVG Corp. from garage to public. Mr. Enrique Gonzalez holds a Bachelor of Arts degree in International Politics and Economics from Middlebury College, attended the program for Masters in Entrepreneurship at the Asian Institute of Management, and completed Business courses from Sophia University in Tokyo. He is considered an authority on the Internet and online games space. Prior to IPVG, Enrique was involved in investment banking with a focus on fund-raising and restructuring.

Christopher Paulus Nicolas T. Po, Filipino, is the President and Chief Executive Officer of the Century Pacific Group of Companies. Prior to this, he was Managing Director for Guggenheim Partners. He graduated *summa cum laude* from Wharton School and College of Engineering of the University of Pennsylvania with dual degrees in Economics (Finance Concentration) and Applied Science (Systems Engineering). He holds a Masters degree in Business Administration from the Harvard University Graduate School of Business Administration.

Pauline C. Tan, Filipino, is the President and General Manager of EIB Securities, Inc., a wholly owned subsidiary of Exportbank, of which she was a director until 25 May 2006. She is also presently a Vice President/Director and Compliance Officer of Medco Holdings, Inc. She was connected with the Hong Kong Chinese Bank in 1994. From 1995 to 1999, she was a director of Lippo Securities, Inc.; from 1995 to 1998, of Medco Asia Investment Corp., formerly Lippo Asia Investment Corporation; and, from 1995 to 2000, of Manila Exposition Complex, Inc. She was also the Managing Director of Sung Hung Kai Securities Philippines, Inc. from 1999 to June 2000.

Dennis Omar T. Salvo, Filipino, is Managing Director of American Orient Capital Partners, Inc. and concurrently President of Beacon Hill Resources Management, Inc. He was previously connected with the Land Bank of the Philippines, where he held senior management positions in various units covering corporate banking, investment banking and asset recovery. He holds an AB Economics degree from the Ateneo de Manila University and a Master in Business Management degree from the Asian Institute of Management.

Ernest K. Cuyegkeng, Filipino, is presently the Executive Vice President/Chief Financial Officer of A. Soriano Corporation. His other concurrent positions include being the President of Phelps Dodge Philippines, Inc. and Anscor Land, Inc., and a Director of Seven Seas Resorts & Leisure, Inc., A. Soriano Air Corporation, and AB Capital & Investment Corporation. He holds a Bachelor of Arts degree in Economics and a Bachelor of Science degree in Business Administration, both from the De La Salle University. He also obtained a Masters degree in Business Administration from the Columbia Graduate School of Business in New York.

Fernan Victor P. Lukban, Filipino, is one of the country's leading consultants in Family Business, Strategy, Entrepreneurship and Governance. He is a long-time advisor to some of the most progressive family businesses in the country. Over the past four (4) years, he has put special focus on developing Base of the Pyramid initiatives (BOPI) in various provinces in the Philippines. Mr. Lukban holds undergraduate degrees in Engineering (Mechanical and Industrial from De LaSalle University, Manila) and graduate degrees in Economics (MSc in Industrial Economics from the Center for Research & Communication, now University of Asia & the Pacific, Manila) and in Business (MBA from IESE, Barcelona, Spain). He spent much of his early professional years in the academe helping establish and grow the University of Asia & the Pacific where he still participates as a consultant, mentor and guest lecturer today. He is a founding fellow of the Institute of Corporate Directors, an International Fellow of the Australian Institute of Company Directors and an independent director of Pancake House, Inc.

Term of Office

The Board of Directors is composed of seven (9) members who are generally elected at an annual stockholders' meeting, and their term of office shall be one (1) year and until their successors shall have been elected at the next annual stockholders meeting and have qualified in accordance with the By-laws of ALCO. The above incumbent directors of ALCO shall hold office until their successors are elected.

b. Corporate and Executive Officers and Positions Held/Business Experience for the Past Five (5) Years

The following are ALCO's principal corporate officers as of 31 December 2011:

Chairman of the Board	Jaime C. Gonzalez
Vice Chairman	Ricardo S. Po, Sr.
President	Angela de Villa-Lacson
Treasurer	Leonardo Arthur T. Po
Corporate Secretary	Atty. Daisy P. Arce
Assistant Corporate Secretary/ Corporate Information Officer	Atty. Riva Khristine V. Maala
Compliance Officer	Dennis Omar T. Salvo

Leonardo Arthur T. Po – Mr. Leonardo Po, Filipino, is an Executive Director of the Century Pacific Group of Companies and the General Manager for its Emerging Business Units. He is also an independent director of IPVG Corp. at present. Mr. Leonardo Po graduated *magna cum laude* from Boston University with a degree in Business Administration and has extensive and solid business experience in the marketing and operations of quick-serve restaurants, food service and fast moving consumer goods.

Daisy P. Arce - Atty Arce, Filipino, is the Corporate Secretary. She holds a Bachelor of Laws degree from the Ateneo de Manila University. She was a partner at Quasha Ancheta Peña & Nolasco Law Offices and now has her own practice.

Riva Khristine V. Maala – Atty. Maala, Filipino, is the Assistant Corporate Secretary. She holds a Bachelor of Arts degree in Philosophy (*cum laude*) and a Bachelor of Laws degree, both from the University of the Philippines. She was formerly an Associate Attorney of Fortun Narvasa and Salazar Law Offices.

Term of Office:

The corporate officers of ALCO are appointed/elected by the Board of Directors at the organizational meeting following the stockholders' meeting, for a term of one (1) year and until their successors are appointed/elected and have qualified in accordance with the By-laws of ALCO.

c. Significant Employees

Other than the above-named directors and corporate officers, the following are significant or key personnel of ALCO who are expected to make a significant contribution to its business:

Ninalyn S. Cordero, Filipino, is the Head of Project and Business Development. She brings in twenty-five (25) years of experience in corporate finance, investment banking and business development. She has over ten (10) years of experience with a leading investment house as Vice President for Capital Markets. Prior to joining ALCO, she held a key position in Rockwell as Assistant Vice President handling business development in charge of research, product development and project conceptualization of new business and projects. She handled the business development of One Rockwell, the land acquisition of The Grove and the joint venture on the Rockwell Business Center.

Gabriel I. Paulino, Filipino, is the Head of Technical Services. He has thirty (30) years of professional experience in architectural practice. He was formerly the Assistant Vice President for Design and Planning at Rockwell Land Corporation and managed Edades Towers, The Grove, One Rockwell, Joya and the Powerplant Mall. Prior to Rockwell, he was a Senior Associate of Recio + Casas. He was also involved in the Pacific Plaza Towers, Manansala, LKG Tower and Salcedo Park.

Ponciano S. Carreon, Jr., Filipino, is the Chief Finance Officer. He graduated cum laude from the San Beda College with a degree in Bachelor of Science in Accountancy. Prior to joining ALCO, he was the CFO of CB Richard Ellis Philippines and has worked with SM Development Corporation as Assistant Vice President for Controllership and Crown Asia Properties, Inc. as Controller.

d. Family Relationship

With the exception of Chairman Jaime C. Gonzalez and his son Jaime Enrique Y. Gonzalez and Vice Chairman Ricardo S. Po, Sr. and his sons Christopher Paulus Nicolas T. Po and Leonardo Arthur T. Po, the above-mentioned incumbent directors and executive officers of ALCO are not related to each other, either by consanguinity or affinity.

e. Involvement in Certain Legal Proceedings

The above-named directors and corporate/executive officers of ALCO have not been involved during the past five (5) years *up to the date of this Report* in any bankruptcy proceeding or any proceeding involving a violation of securities or commodities laws or regulations, nor have they been convicted in a criminal proceeding. Neither has there been any order or judgment enjoining, barring, suspending or limiting their involvement in any type of business, securities, commodities or banking activities.

ITEM 10. Compensation of Directors and Executive Officers

a. Compensation of Directors and Executive Officers

Section 10, Article III of ALCO's By-laws provides that the "Board of Directors is empowered and authorized to fix and determine the compensation of its members, including profit sharing and other incentives, subject to the limitations imposed by law." Pursuant to this provision, *to compensate the members of the Board, a per diem of ₱7,500.00 is given to each director for each board of director's meeting (special or regular) attended. Each director is also paid a per diem of ₱2,500.00 for each committee meeting he attends, of which he is a member*. These committees are the Executive Committee, the Audit Committee, the Stock Option and Compensation Committee and the Nomination Committee.

Section 7, Article IV, in turn, provides that the "Chairman, or such other officer(s) as the Board of Directors may authorize, shall determine the compensation of all the officers and employees of the Corporation. xxx"

Name and Principal Position	Year	Salary*	Bonus	Others
Directors and Executives	2010	₱29.10MM**		
1. Chairman of the Board 2. President/CEO 3. Chief Financial Officer 4. VP, Business Development 5. VP, Technical Services	2011	₱31.00MM	None	None
Officers (as a group unnamed)	2011	₱7.0MM	None	None

*Figures have been rounded off.
** Collective.

Estimated Compensation for 2012 (Collective)

Name and Principal Position	Year	Salary	Bonus	Others
Directors and Executives 1. Chairman of the Board 2. President/CEO 3. Chief Financial Officer 4. VP, Business Development 5. VP, Technical Services	2012	₱37.00MM		

b. Standard Arrangement/Material Terms of Any Other Arrangement/Terms and Conditions of Employment Contract with Above Named Corporate/Executive Officers

In ALCO's annual meeting held on 16 October 2009, the stockholders representing more than sixty-seven percent (67%) of all its issued and outstanding common shares which are entitled and qualified to vote approved the 2009 ALCO Stock Option Plan. The total amount of shares which are available and may be issued for this purpose will amount to 10% of ALCO's total outstanding capital stock at any given time. At present, this is equivalent to 511,809,520 shares. The Stock Option and Compensation Committee consisting of at least three (3) directors, one (1) of whom is an independent director, will administer the implementation of this plan.

Under the 2009 ALCO Stock Option Plan, the qualified employees eligible to participate are (i) members of the Board, with the exception of the independent directors; (ii) President and CEO and other corporate officers, which include the Corporate Secretary and the Assistant Corporate Secretary; (iii) Employees and Consultants who are exercising managerial level functions or are members of the Management Committee; and, (iv) Executive officers assigned to ALCO's subsidiaries or affiliates[13].

The Stock Option and Compensation Committee is empowered to determine to whom the Options are to be granted, determine the price the Option is to be exercised (which in no case shall be below the par value of ALCO's common stock), decide when such Option shall be granted and its effectivity dates, and determine the number and class of shares to be allocated to each qualified employee. The Committee will also consider at all times the performance evaluation of the qualified employee and/or the result of the achievement of the objectives of ALCO each year.

The Option Period during which the qualified employee may exercise the option to purchase such number of shares granted will be three (3) years starting with the full year vesting in accordance with the following schedule:

[13] The Corporation must have at least 50% equity holdings.

(i) Within the first twelve (12) months from Grant Date - up to 33.33%
(ii) Within the 13th to the 24th month from Grant Date - up to 33.33%
(iii) Within the 25th to 36th month from Grant Date - up to 33.33%.

On the Exercise Date, the qualified employee should pay the full Purchase Price or in such terms as may be decided upon by the Committee.

As of the date of this Report, options equivalent to 164,800,000 have been granted.

ITEM 11. Security Ownership of Certain Record and Beneficial Owners and Management

(1) Security Ownership of Certain Record and Beneficial Owners of more than 5% of the Voting Shares *(as of 31 December 2011)*

Title of Class	*Name and Address of Record Owners*	*Citizenship*	*Amount & Nature of Ownership*	*% of Class*
Common	**CPG Holdings, Inc.** 7/F The Centerpoint Building, Julia Vargas corner Garnet Street, Ortigas Center, Pasig City	Filipino	1,800,000,000[14] Record and Beneficial Owner	33.8467%
Common	**AO Capital Holdings I** 25/F PhilAm Life Tower 8767 Paseo de Roxas, Salcedo Village, Makati City	Filipino	1,383,730,000[15] Record and Beneficial Owner	26.0193%
Common	**Export and Industry Bank, Inc.** Exportbank Plaza, Exportbank Drive corner Chino Roces Avenue, Makati City	Filipino	981,699,817[16] Record and Beneficial Owner	18.4596%

On 13 March 2012, Export and Industry Bank, Inc. sold its shareholdings in ALCO to the following entities:

Edimax Investment Limited	296,460,000 shares
Kinstar Investment Limited	94,720,035 shares
Viplus Investment Limited	247,899,874 shares
Nanlong Investment Limited	342,619,910 shares.

(2) Security Ownership of Management (as of 31 December 2011)

There are no shares held or acquired beneficially by any of the directors and executive officers of ALCO other than the nominal shares held by said directors and executive officers.

[14] The name/s of the person/s authorized to vote the shares under this account are unavailable at the time of distribution of this Report.
[15] *Ibid.*
[16] *Id.*

Title of Class	Name and Position of Record Owners	Citizenship	Amount & Nature of Ownership	% of Class
Common	**Jaime C. Gonzalez** *Director/Chairman* 50 McKinley Road, Forbes Park, Makati City	Filipino	1 Record and Beneficial Owner	0.00 %
Common	**Jaime Enrique Y. Gonzalez** *Director* 50 McKinley Road, Forbes Park, Makati City	Filipino	1 Record and Beneficial Owner	0.00 %
Common	**Angela de Villa-Lacson** *Director/President* Unit 3503 The Regency at Salcedo, Tordecillas corner Sanchez Streets, Salcedo Village, Makati City	Filipino	1 Record and Beneficial Owner	0.00 %
Common	**Ricardo S. Po, Sr.** *Director/Vice Chairman* 1524 Carissa Street Dasmarinas Village, Makati City	Filipino	1 Record and Beneficial Owner	0.00 %
Common	**Christopher Paulus Nicolas T. Po** *Director* Unit 42-A Rizal Tower Rockwell, Makati City	Filipino	1 Record and Beneficial Owner	0.00 %
Common	**Pauline C. Tan** *Director/Treasurer*[17] 42 Russel Street, Pasay City	Filipino	1 Record and Beneficial Owner	0.00 %
Common	**Dennis Omar T. Salvo** *Director/Compliance Officer* 15 Peace Street, Multinational Village, Paranaque City	Filipino	1 Record and Beneficial Owner	0.00 %
Common	**Ernest K. Cuyegkeng** *Independent Director* 1839 Santan Street, Dasmarinas Village, Makati City	Filipino	1 Record and Beneficial Owner	0.00 %
Common	**Fernan Victor P. Lukban** *Independent Director*	Filipino	1 Record and	0.00 %

[17] Please see Footnote 5.

	6 Tyler Street, North Greenhills, San Juan City, Metro Manila		Beneficial Owner	
None	**Leonardo Arthur T. Po** *Treasurer* 2913 Amorsolo Tower Rockwell Center, Makati City	Filipino	0	N.A.
None	**Daisy P. Arce** *Corporate Secretary* 200 Recoletos Street, Urdaneta Village, Makati City	Filipino	0	N.A.
None	**Riva Khristine V. Maala** *Assistant Corporate Secretary/Corporate Information Officer* 21 J. Paredes St., BF Homes, Diliman Quezon City	Filipino	0	N.A.
		TOTAL	**9 shares**	

ITEM 12. Certain Relationships and Related Transactions

In the regular conduct of business, ALCO and its subsidiaries have intercompany transactions with each other, principally consisting of advances and reimbursements of expenses. These transactions are made substantially on the same terms as with other individuals and businesses of comparable risks.

Except for the above, there are no other transactions (or series of similar transactions) with or involving any of its subsidiaries in which a director or an executive officer or a stockholder who owns ten percent (10%) or more of ALCO's total outstanding shares, or member/s of their immediate family, had or is to have a direct or indirect material interest.

PART IV. CORPORATE GOVERNANCE

ALCO's compliance with its Manual of Corporate Governance is monitored by its Compliance Officer who is tasked, among others, to determine and measure the compliance with the said Manual. ALCO's Board of Directors has not adopted any other specific measure to comply with leading practices on good corporate governance.

Immediately after the Annual Stockholders' Meeting on 24 June 2011, the Board of Directors formed several committees to perform some of its functions in aid of good governance and pursuant to the mandates of the Securities and Exchange Commission, namely the Audit Committee[18], the Executive Committee[19], the Stock Option and Compensation Committee[20], and the Nomination Committee[21].

[18] Composed of Messrs. Ernest K. Cuyegkeng (Chairman), Fernan Victor P. Lukban and Dennis Omar T. Salvo.

[19] Composed of the Chairman of the Board, the Vice Chairman, the President and CEO, the Treasurer, the Chief Finance Officer and the Head of Project and Business Development. When they assumed office as Directors of ALCO in August 2011, Messrs. Christopher Paulus Nicolas T. Po and Jaime Enrique Y. Gonzalez likewise became members of the Committee.

[20] Composed of Messrs. Jaime C. Gonzalez (Chairman), Fernan Victor P. Lukban and Dennis Omar T. Salvo,

For 2011, ALCO adopted all the provisions of its Manual on Corporate Governance and was not cited by the Philippine Stock Exchange, Inc. or the Securities and Exchange Commission for having violated any rule or regulation thereof.

PART V. EXHIBITS AND SCHEDULES

ITEM 13. Exhibits and Reports on SEC Form 17-C

a. See attached Supplementary Schedules with separate independent auditors opinion

b. See attached Aggregate Market Value of Voting Stock held by Top 10 Affiliates

c. There were no disclosures not covered by SEC Form 17-C (Current Report) filed in the last quarter of 2011

(Nothing follows.)

---

and Ms. Angela de Villa Lacson (Vice Chair).

[21] Composed of Messrs. Jaime C. Gonzalez (Chairman), Ricardo S. Po, Sr. and Ernest K. Cuyegkeng.

SIGNATURE PAGE

Pursuant to the requirements of Section 17 of the Securities Regulations Code and Section 141 of the Corporation Code, this Annual Report as Amended is signed on behalf of the issuer in **Taguig City** on this 3rd day of **September 2012.**

ARTHALAND CORPORATION
By:

ANGELA DE VILLA LACSON
President and CEO
Passport No. XX2304619
Issued on 17 October 2008

PONCIANO S. CARREON, JR.
Chief Finance Officer
Passport No. EB3824128
Issued on 07 October 2011 in Manila

DAISY P. ARCE
Corporate Secretary
Passport No. EB0134668
Issued on 22 April 2010 in Manila

SUBSCRIBED AND SWORN to before me this 3rd day of **September 2012** at **Taguig City, Philippines**, affiants exhibiting competent evidence of their respective identities as above indicated.

Doc. No. 151
Page No. 32
Book No. 84
Series of 2012.

GAUDENCIO A. BARBOZA, JR.
NOTARY PUBLIC
UNTIL DECEMBER 31, 2012
PTR NO. 2642832/1-03-11 MKT.
IBP NO. 842139/1-03-11 RSM
ROLL NO. 41969

ARTHALAND
FUTURE PROOF BY DESIGN

UNDERTAKING

ARTHALAND CORPORATION (ALCO) undertakes to provide, without charge, a copy of its Annual Report, SEC Form 17-A, to any person soliciting a copy thereof upon written request addressed to the Office of the Corporate Secretary with principal office address at the 8/F Picadilly Star Building, 4th Avenue corner 27th Street, Bonifacio Global City, Taguig City.

JAIME C. GONZALEZ
Chairman of the Board

ANGELA DE VILLA LACSON
President

PONCIANO S. CARREON, JR.
Chief Finance Officer

ARTHALAND
FUTURE PROOF BY DESIGN

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **ARTHALAND CORPORATION (ALCO)** is responsible for the preparation and fair presentation of the financial statements as of and for the years ended **31 December 2011 and 2010**, including the additional components attached thereto, in accordance with the prescribed financial reporting framework indicated therein. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of 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.

The Board of Directors of ALCO reviews and approves the financial statements and submits the same to the stockholders.

Punongbayan and Araullo, the independent auditors appointed by the Board of Directors pursuant to ALCO's By-laws[1], has examined the financial statements of ALCO in accordance with Philippine Standards on Auditing and has expressed in its Report its opinion on the fairness of presentation upon completion of such examination.

JAIME C. GONZALEZ
Chairman of the Board

ANGELA DE VILLA LACSON
President and CEO

PONCIANO S. CARREON, JR.
Chief Finance Officer

[1] Article V, Section 1.

OATH

Republic of the Philippines)
Taguig City, Metro Manila) SS.

MAY 02 2012

I hereby certify that on this date, before me, a notary public duly authorized in the city above-named to take acknowledgments, personally appeared the following whom I identified through competent evidence of identity to be the same persons described in the foregoing instrument, who acknowledged before me that they voluntarily affixed their respective signatures on the said instrument for the purpose stated therein, and who declared to me that they executed the same as their free and voluntary act and deed and that they have the authority to sign on behalf of their principal:

JAIME C. GONZALEZ *Chairman of the Board* Passport No. XX3163561 Issued on 04 March 2009 Issued by the Philippine Consulate General Hongkong	**ANGELA DE VILLA LACSON** *President and CEO* Passport No. XX2304619 Issued on 17 October 2008 Issued in Manila	**PONCIANO S. CARREON, JR.** *Chief Finance Officer* Passport No. EB3824128 Issued on 07 October 2011 Issued in Manila

IN WITNESS WHEREOF, I hereunto set my hand and affix my notarial seal on this and at the place above written.

Doc. No. 2
Page No. 2
Book No. 58
Series of 2012.

ATTY. ANA VICTORIA CARLOS
NOTARY PUBLIC
ROLL NO. 53709: IBP NO. LRN-07411
PTR NO. A-1465107, 1-18-2012
APP'T NO. 56, SERIES 2012
UNTIL DECEMBER 31, 2012

Attachment to Item 6

Management's Discussion and Analysis of Plan of Operation

Item 6. Management's Discussion and Analysis of Plan of Operation

With the good market reception of Arya Residences Tower 1, and with its existing properties in prime locations, management is keen on expanding its project portfolio for both residential and commercial development. The year 2012 will see the top-off of the first tower as well as the launching and groundbreaking of Tower 2.

Management will continue to locate and identify areas that will fit into the company's development models. And while the company is ready to aggressively position itself with the positive market outlook, it will continue to observe prudence in managing its resources and interests of all the stakeholders.

Arya Residences is dubbed as the country's first and only residential high-rise to be accredited with the United States-based Leadership in Energy and Environmental Design.

FINANCIAL POSITION
2011 vs. 2010

	Dec. 2011	Dec. 2010	% Change
Cash and Cash Equivalents	**₱ 237,156,538**	₱ 51,360,301	362%
Receivables - net	**781,382,273**	18,987,789	4015%
Real Estate Assets - net	**2,476,786,630**	2,290,806,676	8%
Other Assets - Current	**66,735,769**	36,370,482	83%
Other Assets - Noncurrent	**140,566,570**	53,764,342	161%
Total Assets	**3,702,627,780**	2,451,289,590	51%
Interest bearing loan - current	**243,623,067**	459,134,554	-47%
Interest bearing loan - non current	**1,396,142,143**	400,960,879	248%
Accounts payable and accrued expenses	**178,344,456**	374,801,630	-52%
Other Liabilities - Current	**814,067,967**	277,934,895	193%
Other Liabilities - Noncurrent	**14,637,243**	325,571,068	-96%
Total Liabilities	**2,646,814,876**	1,838,403,026	44%
Common Stock	**830,181,736**	434,181,736	91%
Additional Paid in Capital	**54,575,400**	14,575,400	274%
Retained Earnings	**171,055,768**	164,129,428	4%
Total Stockholders' Equity	**1,055,812,904**	612,886,564	72%
Total Liabilities And Equity	**₱ 3,702,627,780**	₱ 2,451,289,590	51%

Financial Condition as at December 31, 2011 compared to as at December 31, 2010

The Company's total resources as of December 31, 2011 reached P3.7 billion, 51% or P1.2 billion higher than December 31, 2010 level of P2.4 billion.

362% Increase in Cash and Cash Equivalents
The Increase was due to additional capital infusion, high collection rates on receivables and proceeds from bank loans.

4015% Increase Receivables, Net
The significant increase was due to the recognition of receivables arising from real estate sales in accordance with prescribed accounting standards on revenue recognition.

8% Increase in Investment in Real Estate, Net
The increase is mainly due to additional construction progress for Arya Residences Tower 1.

83% Increase in Other Asset - Current
The increase was primarily due to increase of creditable withholding taxes arising real estate sales and input taxes on construction costs incurred for the period.

161% Increase in Other Asset – Non-Current
The increase is mainly attributable to the recognition of deferred tax assets arising from the temporary differences between financial income and taxable income.

47% Decrease in Interest Bearing Loan - current
The decrease was due to repayment of short-term bank loans which were refinanced with long-term loans.

248% Increase in Interest Bearing Loan – non-current
The increase was due to additional drawdown of long-term loans to refinance the short-term borrowings and partially support capital expenditures for project development.

52% Decrease in Accounts payable and Accrued Expenses
The decrease was mainly due to reclassification of customers' deposits previously lodged under this account to revenue account as a result of applying the percentage of completion method in recognizing revenue from real estate sales.

193% Increase in Other Liabilities - Current
The Other Liabilities – Current increased due to recognition of Estimated Liability for Future Development and Deferred Gross Profit based on the percentage-of-completion.

96% Decrease in Other Liabilities
The decrease was mainly due to the prepayment in 2011 of the liability arising from the acquisition of 100% ownership of Manchesterland Properties, Inc.

91% Increase in Capital Stock and 274% Increase in Additional Paid in Capital
The increases were due to the additional capital infusions in 2011.

RESULTS OF OPERATIONS
2011 vs. 2010

	Dec. 2011	Dec. 2010	% Change
Revenues	₱ **473,401,834**	₱ -	100%
Cost of Revenues	**310,861,192**	-	100%
Gross Profit	**162,540,642**	-	100%
Administrative expenses	**199,486,499**	168,343,735	18%

Selling and marketing expenses	**52,839,356**	54,590,050	-3%
Other operating income	**(204,737,698)**	(436,340,707)	-53%
Operating Profit (Loss)	**114,952,485**	213,406,922	-46%
Finance Cost	**(197,947,298)**	(81,759,595)	142%
Profit (Loss) before tax	**(82,994,813)**	131,647,327	-163%
Tax expense (income)	**(89,921,153)**	2,675,350	-3461%
Net Income	₱ **6,926,340**	₱ 128,971,977	-95%

Results of Operations for the year ended December 31, 2011 compared to the year ended December 31, 2010.

100% Increase in Revenues
Increase was attributable to start of revenue recognition from real estate sales using the percentage of completion method in 2011. There were no revenues from real estate sales recognized in 2010.

100% Increase in Cost of Revenues
The cost of revenues pertains to the proportionate cost related to the realized revenues for the period.

18% Increase in Administrative Expenses
The increase in administrative expense of 18% or P31.2 million was mainly attributable to additional accrual for retirement benefits booked in 2011 amounting to P14 million, increase in taxes and licenses amounting to P12 million due to higher tax base for business taxes and documentary stamp taxes on loan transactions.

53% Decrease in Other Operating Income
The high level of other operating income in 2010 was due to a one-time recognition of a negative goodwill arising from the acquisition of a subsidiary. There was no similar event or transaction in 2011.

142% Increase in Finance Cost
The significant increase in finance cost is due to the more conservative position taken by management to book as finance cost the P70 million additional renegotiated price to effect on early settlement of liability arising from the acquisition of 100% controlling interest in Manchesterland Properties, Inc.

3461% Decrease in Tax Expense
The significant decrease in tax expense was due to the recognition of deferred tax assets arising from the temporary differences between the financial and taxable income.

RESULTS OF OPERATIONS
2010 vs. 2009

	Dec. 2010	Dec. 2009	% Change
Revenues	₱ -	₱ -	-
Cost of Revenues	-	-	-
Gross Profit	-	-	-
Administrative expenses	**168,343,735**	105,292,255	60%
Selling and marketing expenses	**54,590,050**	2,921,263	1,769%
Other operating income	**(436,340,707)**	(1,486,994)	29,244%
Operating Profit (Loss)	**213,406,922**	(106,726,524)	-300%
Finance Cost	**(81,759,595)**	(33,850,196)	142%
Profit (Loss) before tax	**131,647,327**	(140,576,720)	-194%
Tax expense (income)	**2,675,350**	172,750	1,449%
Net Income	₱ **128,971,977**	₱ (140,749,470)	-192%

Results of Operations for the year ended December 31, 2010 compared to the year ended December 31, 2009.

60% Increase in Administrative Expenses
The increase in Administrative Expenses is due to 2010 reflecting full year corporate overhead considering substantial recruitment came in the last quarter of 2009.

1,769% Increase in Selling and Marketing Expenses
The significant increase of Selling and Marketing Expenses are driven by aggressive advertising and promotional campaign for introducing the first major development project of the Company.

29,244% Increase in Other Operating Income
Other Operating income increased in 2011 primarily due to the recognition of negative goodwill arising from acquisition of subsidiary.

142% Increase in Finance Cost
Finance Charges increased by P47.9 million or 142% due to the impact of increase in availment of interest bearing loans during the year.

1,449% Increase in Tax Expense
Mainly due to higher taxable income for the year.

FINANCIAL RATIOS

	December 2011	December 2010	December 2009
Gearing ratio (Interest bearing loan (IBL) over SHE and IBL)	0.61:1.00	0.70:1.00	0.53:1.00
Net gearing ratio (Interest bearing loan (IBL) - cash over SHE and IBL)	0.52:1.00	0.68:1.00	0.51:1.00
Capital adequacy Ratio (Total equity to total assets)	0.29:1.00	0.25:1.00	0.41:1.00
Return on equity (Net income over average SHE)	0.83%	23.84%	-26.44%
Return on assets (Net income over total assets)	0.19%	5.26%	-12.35%

There are no events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.

There are no material off-balance sheet transactions, arrangements, obligations and other relationship of the company with unconsolidated entities or other persons created during the reporting period.

Except for the development costs for Arya Residences, the on-going project of ALCO, there are no other material commitments for capital expenditures.

There is no known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations . There is no foreseen event that will cause a material change in the relationship between costs and revenues.

Punongbayan & Araullo

Member firm within Grant Thornton International Ltd

Consolidated Financial Statements and Independent Auditors' Report

Arthaland Corporation and Subsidiaries

December 31, 2011, 2010 and 2009

Punongbayan & Araullo

Report of Independent Auditors

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The Board of Directors and Stockholders
Arthaland Corporation and Subsidiaries
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We have audited the accompanying consolidated financial statements of Arthaland Corporation and subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2011 and 2010, 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, 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 auditor considers 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 consolidated financial position of Arthaland Corporation and subsidiaries as at December 31, 2011 and 2010, and their consolidated financial performance and their consolidated cash flows for each of the three years in the period ended December 31, 2011 in accordance with Philippine Financial Reporting Standards.

PUNONGBAYAN & ARAULLO

By: Christopher M. Ferareza
Partner

CPA Reg. No. 0097462
TIN 184-595-975
PTR No. 3174792, January 2, 2012, Makati City
SEC Group A Accreditation
Partner - No. 1185-A (until Jan. 18, 2015)
Firm - No. 0002-FR-3 (until Jan. 18, 2015)
BIR AN 08-002511-34-2011 (until Sept. 21, 2014)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2012)

March 28, 2012

ARTHALAND CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2011 AND 2010
(Amounts in Philippine Pesos)

	Notes	2011	2010
ASSETS			
CURRENT ASSETS			
Cash	5	P 237,156,538	P 51,360,301
Receivables	6	258,341,365	18,987,789
Real estate assets - net	7	2,476,786,630	2,290,806,676
Other current assets	9	66,735,769	36,370,482
Total Current Assets		3,039,020,302	2,397,525,248
NON-CURRENT ASSETS			
Receivables	6	523,040,908	-
Property and equipment - net	8	31,259,790	41,025,319
Deferred tax assets	17	96,671,688	-
Other non-current assets - net	9	12,635,092	12,739,023
Total Non-current Assets		663,607,478	53,764,342
TOTAL ASSETS		P 3,702,627,780	P 2,451,289,590
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Interest-bearing loans	10	P 243,623,067	P 459,134,554
Accounts payable and accrued expenses	11	178,344,456	374,801,630
Estimated liability for future development	2	436,247,433	-
Deferred gross profit	2	377,820,534	-
Other interest-bearing liabilities	12	-	277,934,895
Total Current Liabilities		1,236,035,490	1,111,871,079
NON-CURRENT LIABILITIES			
Interest-bearing loans	10	1,396,142,143	400,960,879
Retirement benefit obligation	16	14,637,243	-
Other interest-bearing liabilities	12	-	325,571,068
Total Non-current Liabilities		1,410,779,386	726,531,947
Total Liabilities		2,646,814,876	1,838,403,026
EQUITY	19		
Capital stock		830,181,736	434,181,736
Additional paid-in capital		54,575,400	14,575,400
Retained earnings		171,055,768	164,129,428
Total Equity		1,055,812,904	612,886,564
TOTAL LIABILITIES AND EQUITY		P 3,702,627,780	P 2,451,289,590

See Notes to Consolidated Financial Statements.

ARTHALAND CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2011, 2010 AND 2009
(Amounts in Philippine Pesos)

	Notes	2011	2010	2009
REAL ESTATE SALES	2, 7	P 473,401,834	P -	P -
COST OF REAL ESTATE SOLD	2, 7	310,861,192	-	-
GROSS PROFIT		162,540,642	-	-
OTHER OPERATING EXPENSES (INCOME)				
Administrative expenses	14	199,486,499	168,343,735	105,292,255
Selling and marketing expenses	14	52,839,356	54,590,050	2,921,263
Other operating income	13	(204,737,698)	(436,340,707)	(1,486,994)
		47,588,157	(213,406,922)	106,726,524
OPERATING PROFIT (LOSS)		114,952,485	213,406,922	(106,726,524)
FINANCE COSTS	15	(197,947,298)	(81,759,595)	(33,850,196)
PROFIT (LOSS) BEFORE TAX		(82,994,813)	131,647,327	(140,576,720)
TAX EXPENSE (INCOME)	17	(89,921,153)	2,675,350	172,750
NET PROFIT (LOSS)		6,926,340	128,971,977	(140,749,470)
OTHER COMPREHENSIVE INCOME		-	-	-
TOTAL COMPREHENSIVE INCOME (LOSS)		P 6,926,340	P 128,971,977	(P 140,749,470)
EARNINGS (LOSS) PER SHARE - Basic and Diluted	20	P 0.0019	P 0.0622	(P 0.0837)

See Notes to Consolidated Financial Statements.

ARTHALAND CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2011, 2010 AND 2009
(Amounts in Philippine Pesos)

	Note	2011	2010	2009
EQUITY ATTRIBUTABLE TO STOCKHOLDERS OF PARENT	19			
CAPITAL STOCK				
Issued and outstanding		P 773,435,736	P 377,435,736	P 359,435,736
Subscribed capital - net of subscriptions receivable		56,746,000	56,746,000	61,746,000
		830,181,736	434,181,736	421,181,736
ADDITIONAL PAID-IN CAPITAL				
Balance at beginning of year		14,575,400	12,575,400	-
Collection of old subscription		40,000,000	2,000,000	-
Issuance of new capital stock		-	-	12,575,400
		54,575,400	14,575,400	12,575,400
RETAINED EARNINGS				
Balance at beginning of year		164,129,428	35,157,451	175,906,921
Net profit (loss) for the year		6,926,340	128,971,977	(140,749,470)
Balance at end of year		171,055,768	164,129,428	35,157,451
EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS				
Balance at beginning of year		-	-	4,931,364
Increase to 100% ownership in a subsidiary		-	-	(4,931,364)
Balance at end of year		-	-	-
TOTAL EQUITY		P 1,055,812,904	P 612,886,564	P 468,914,587

See Notes to Consolidated Financial Statements.

ARTHALAND CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2011, 2010 AND 2009
(Amounts in Philippine Pesos)

	Notes	2011	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit (loss) before tax		(P 82,994,813)	P 131,647,327	(P 140,576,720)
Adjustments for:				
Reversal of impairment loss on real estate assets	7, 13	(179,498,812)	-	-
Interest expense	15	127,559,113	81,759,595	33,850,196
Opportunity cost of early extinguishment of debt	12, 15	70,388,185	-	-
Depreciation and amortization	8	15,966,474	22,433,538	6,155,070
Excess of fair value over book value of assets acquired	13	(14,948,314)	(404,618,684)	-
Interest income	13	(2,826,073)	(476,712)	(794,499)
Loss on disposal of property and equipment	8	-	16,208	-
Operating loss before working capital changes		(66,354,240)	(169,238,728)	(101,365,953)
Decrease (increase) in receivables		(762,394,484)	(2,396,719)	61,166,496
Decrease (increase) in real estate assets		44,101,761	(269,022,732)	(234,149,389)
Decrease (increase) in other assets		(36,540,826)	169,135,380	(23,553,615)
Increase (decrease) in accounts payable and accrued expenses		(181,508,860)	155,404,375	45,626,970
Increase in estimated liability for future development		436,247,433	-	-
Increase in deferred gross profit		377,820,534	-	-
Increase in retirement benefit obligation		14,637,243	-	-
Cash used in operations		(173,991,439)	(116,118,424)	(252,275,491)
Interest paid		(50,582,903)	(15,205,212)	(30,269,188)
Interest received		2,826,073	476,712	794,499
Cash paid for income taxes	17	(471,065)	(94,971)	(158,900)
Net Cash Used in Operating Activities		(222,219,334)	(130,941,895)	(281,909,080)
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of property and equipment	8	(7,968,360)	(18,635,536)	(39,243,956)
Proceeds from disposals of equipment	8	1,767,415	982,143	-
Net Cash Used in Investing Activities		(6,200,945)	(17,653,393)	(39,243,956)
CASH FLOWS FROM FINANCING ACTIVITIES				
Net proceeds from borrowings	10	779,669,777	339,421,155	308,487,090
Net proceeds from issuance of capital stock	19	436,000,000	-	-
Settlement of other interest-bearing liability	12	(603,505,963)	(138,199,856)	
Interest paid		(197,947,298)	(28,587,482)	
Proceeds from collection of subscriptions	19	-	15,000,000	18,719,618
Net Cash From Financing Activities		414,216,516	187,633,817	327,206,708
NET INCREASE IN CASH		185,796,237	39,038,529	6,053,672
CASH AT BEGINNING OF YEAR		51,360,301	12,321,772	6,268,100
CASH AT END OF YEAR		P 237,156,538	P 51,360,301	P 12,321,772

Supplemental Information on Non-cash Investing Activities

In 2010, Arthaland Corporation (the Parent) recorded its investment in Manchesterland Properties, Inc. amounting to P915.4 million in accordance with the Share Purchase Agreement entered into by the Parent with the seller. As a result, the Parent applied the related deposit amounting to P183.1 million to the acquisition price and recorded a liability of P732.3 million (see Note 12).

On July 15, 2010, the Parent exchanged its property in Davao with a carrying value of P9.0 million for a condominium unit in Taguig City by virtue of an agreement executed with certain individuals without any gain or loss (see Note 7).

See Notes to Consolidated Financial Statements.

ARTHALAND CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2011, 2010 AND 2009
(Amounts in Philippine Pesos)

1. CORPORATE INFORMATION

1.1 General

Arthaland Corporation ("ALCO" or the Parent), formerly EIB Realty Developers, Inc., was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on August 10, 1994. ALCO's shares of stocks are listed for trading in the Philippine Stock Exchange (PSE). It is primarily engaged in real estate development and sales with Arya Residences Tower 1 (the Project) located and currently rising in Global City, Taguig as its first major development project. The Project is the first residential high-rise in the Philippines to be registered with US Green Building Council's Leadership in Energy and Environmental Design program with the certification goal of Gold (see also Note 18.3).

The Parent is a former subsidiary of AO Capital Holdings, Inc. (AOC), a company domiciled in the Philippines and was incorporated primarily as a holding company, on account of its 58% ownership interest in ALCO in 2010 and 2009. In 2011, AOC sold its 31% stake in ALCO to CPG Holdings, Inc. (CPG), a holding company of leading food manufacturers domiciled in the Philippines. In addition to the acquisition by CPG of ALCO's shares from AOC, CPG infused additional capital to ALCO in consideration of 200 million unissued shares giving it an effective ownership interest of 34% in ALCO (see Note 19). The ownership interest of AOC was diluted to 26% as of December 31, 2011.

ALCO's principal place of business is located at 8/F, Picadilly Star Building, 4th Avenue corner 27th Street, Bonifacio Global City, Taguig City.

1.2 Subsidiaries

The Parent holds 100% ownership interest in the following subsidiaries (the Parent and its subsidiaries are collectively referred to herein as the Group) as of December 31, 2011, 2010 and 2009:

	Effective % of Ownership		
Subsidiaries	**2011**	2010	2009
Cazneau, Inc. (Cazneau)	**100.00**	100.00	100.00
Technopod, Inc. (Technopod)	**100.00**	100.00	100.00
Irmo, Inc. (Irmo)	**100.00**	100.00	100.00
Urban Property Holdings, Inc. (UPHI)	**100.00**	100.00	100.00
Manchesterland Properties, Inc. (MPI)	**100.00**	100.00	-

All of the subsidiaries are established to engage primarily in real estate development and presently most of them hold parcels of land for future development.

1.3 Approval of Consolidated Financial Statements

The consolidated financial statements of ALCO for the year ended December 31, 2011 (including the comparatives for the years ended December 31, 2010 and 2009) were authorized for issue by the Board of Directors (BOD) on March 28, 2012.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarized below. The policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of Preparation of Consolidated Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board.

The consolidated financial statements have been prepared using the measurement basis specified by PFRS for each type of assets, liabilities, income and expense. The measurement bases are more fully described in the accounting policies that follow.

(b) Presentation of Consolidated Financial Statements

The consolidated financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*. The Group presents all items of income and expenses in a single statement of comprehensive income. Two comparative periods are presented for the consolidated statement of financial position when the Group applies an accounting policy retrospectively, makes a retrospective restatement of items in its consolidated financial statements, or reclassifies items in the consolidated financial statements.

(c) Functional and Presentation Currency

These consolidated financial statements are presented in Philippine pesos, the Group's functional and presentation currency, and all values represent absolute amounts except when otherwise indicated.

Items included in the consolidated financial statements of the Group are measured using its functional currency. Functional currency is the currency of the primary economic environment in which the Group operates.

2.2 *Adoption of New and Amended PFRS*

(a) Effective in 2011 that are Relevant to the Group

In 2011, the Group adopted the following amendment, interpretations and annual improvements to PFRS that are relevant to the Group and effective for consolidated financial statements for the annual period beginning on or after January 1, 2011:

PAS 24 (Amendment)	:	Related Party Disclosures
Philippine Interpretations International Financial Reporting Interpretations Committee (IFRIC) 14 (Amendment)	:	Prepayment of a Minimum Funding Requirement
IFRIC 19	:	Extinguishing Financial Liabilities with Equity Instruments
Various Standards	:	2010 Annual Improvements to PFRS

Discussed below are the effects on the consolidated financial statements of the revised and amended standards.

(i) PAS 24 (Amendment), *Related Party Disclosures* (effective from January 1, 2011). The amendment simplifies and clarifies the definition of a related party by eliminating inconsistencies in determining related party relationships. The amendment also provides partial exemption from the disclosure requirements for government-related entities to disclose details of all transactions with the government and other government-related entities. The adoption of this amendment did not result in any significant changes on the Group's disclosures of related parties in its consolidated financial statements.

(ii) Philippine Interpretation IFRIC 14 (Amendment), *Prepayment of a Minimum Funding Requirement* (effective from January 1, 2011). This interpretation addresses unintended consequences that can arise from the previous requirements when an entity prepays future contributions into a defined benefit pension plan. It sets out guidance on when an entity recognizes an asset in relation to a surplus for defined benefit plans based on PAS 19, *Employee Benefits*, that are subject to a minimum funding requirement. Since the Group has not yet established a formal retirement plan and fund, the adoption of the revised standard has no effect on its consolidated financial statements.

(iii) Philippine Interpretation IFRIC 19, *Extinguishing Financial Liabilities with Equity Instruments* (effective from July 1, 2010). This interpretation clarifies the accounting when an entity renegotiates the terms of a financial liability through issuance of equity instruments to extinguish all or part of the financial liability. These transactions are sometimes referred to as "debt for equity" exchanges or swaps. The interpretation requires the debtor to account for a financial liability which is extinguished by equity instruments as follows:

- the issue of equity instruments to a creditor to extinguish all or part of a financial liability is consideration paid in accordance with PAS 39, *Financial Instruments: Recognition and Measurement*;

- the entity measures the equity instruments issued at fair value, unless this cannot be reliably measured;

- if the fair value of the equity instruments cannot be reliably measured, then the fair value of the financial liability extinguished is used; and,

- the difference between the carrying amount of the financial liability extinguished and the consideration paid is recognized in profit or loss.

The adoption of the interpretation did not have a material effect on the Group's consolidated financial statements as it did not extinguish financial liabilities through equity swap during the year.

(iv) 2010 Annual Improvements to PFRS. Most of these amendments became effective for annual periods beginning on or after July 1, 2010 or January 1, 2011. Among those improvements, only the following amendments were identified to be relevant to the Group's consolidated financial statements but which did not have any impact on its consolidated financial statements:

- PAS 1 (Amendment), *Presentation of Financial Statements: Clarification of Statement of Changes in Equity* (effective from July 1, 2010). The amendment clarifies that, for each component of equity, an entity may present an analysis of other comprehensive income either in the statement of changes in equity or in the notes to the consolidated financial statements. As the Group does not have significant other comprehensive income, the Group has elected to continue presenting each item of other comprehensive income in the consolidated statement of changes in equity.

- PAS 27 (Amendment), *Consolidated and Separate Financial Statements* (effective from July 1, 2010). This amendment clarifies that the consequential amendments made to PAS 21, *The Effect of Changes in Foreign Exchange Rates*, PAS 28, *Investment in Associate, and,* PAS 31, *Interests in Joint Ventures*, arising from the PAS 27 (2008) amendments apply prospectively, to be consistent with the related PAS 27 transition requirements. The amendment did not result in any significant changes on the Group's consolidated financial statements.

- PFRS 3 (Amendments), *Business Combinations* (effective from July 1, 2010). The amendment clarifies that contingent consideration arrangement and balances arising from business combinations with acquisition dates prior to the entity's date of adoption of PFRS 3 (Revised 2008) shall not be adjusted on the adoption date. It also provides guidance on the subsequent accounting for such balances.

  It further clarifies that the choice of measuring non-controlling interest (NCI) at fair value or at the proportionate share in the recognized amounts of an acquiree's identifiable net assets, applies only to instruments that represent ownership present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation. All other components of NCI are measured at fair value unless PFRS requires another measurement basis.

  This amendment also clarifies accounting for all share-based payment transactions that are part of a business combination, including unreplaced and voluntary replaced share-based payment awards. Specifically, this provides guidance for situations where the acquirer does not have an obligation to replace an award but replaces an existing acquiree award that would otherwise have continued unchanged after the acquisition, thus resulting to the accounting for these awards being the same as for the awards that the acquirer is obliged to replace. The Group did not have any business acquisition during the year, hence, the adoption of this amendment has no effect on the 2011 consolidated financial statements.

- PAS 34 (Amendment), *Interim Financial Reporting – Significant Event and Transactions* (effective from January 1, 2011). The amendment provides further guidance to illustrate how to apply disclosure principles under PAS 34 for significant events and transactions to improve interim financial reporting. It requires additional disclosure covering significant changes to fair value measurement and classification of financial instruments, and to update relevant information from the most recent annual report.

- PFRS 7 (Amendment), *Financial Instruments: Clarification of Disclosures* (effective from January 1, 2011). The amendment clarifies the disclosure requirements which emphasize the interaction between quantitative and qualitative disclosures about the nature and extent of risks arising from financial instruments. It also amends the required disclosure of financial assets including the financial effect of collateral held as security. This amendment has no significant effect on the consolidated financial statements since the Group already provides adequate information in its consolidated financial statements in compliance with the disclosure requirements.

(b) Effective in 2011 but not Relevant to the Group

The following amendments and improvements to PFRS are mandatory for accounting periods beginning on or after January 1, 2011 but are not relevant to the Group's consolidated financial statements:

PAS 32 (Amendment)	:	Financial Instruments: Presentation – Clarification of Right Issues
PFRS 1 (Amendment)	:	First-time Adoption of PFRS – Financial Instruments Disclosures
2010 Annual Improvements		
PAS 21 (Amendment)	:	The Effects of Changes in Foreign Exchange Rates
PAS 28 (Amendment)	:	Investments in Associates
PAS 31 (Amendment)	:	Interests in Joint Ventures
PAS 34 (Amendment)	:	Interim Financial Reporting – Significant Events and Transactions
PFRS 1 (Amendment)	:	First-time Adoption of PFRS
IFRIC 13 (Amendment)	:	Customer Loyalty Programmes – Fair Value Awards Credits

(c) Effective Subsequent to 2011 but not Adopted Early

There are new PFRS, amendments, annual improvements and interpretations to existing standards that are effective for periods subsequent to 2011. Management has initially determined the following pronouncements, which the Group will apply in accordance with their transitional provisions, to be relevant to its consolidated financial statements:

(i) PFRS 7 (Amendment), *Financial Instruments: Disclosures – Transfers of Financial Assets* (effective from July 1, 2011). The amendment requires additional disclosures that will allow users of consolidated financial statements to understand the relationship between transferred financial assets that are not derecognized in their entirety and the associated liabilities; and, to evaluate the nature of, and risk associated with any continuing involvement of the reporting entity in financial assets that are derecognized in their entirety. The Group does not usually enter into this type of arrangement with regard to transfer of financial asset, hence, the amendment may not significantly change the Group's disclosures in its consolidated financial statements.

(ii) PAS 1 (Amendment), *Financial Statements Presentation – Presentation of Items of Other Comprehensive Income* (effective from July 1, 2012). The amendment requires an entity to group items presented in other comprehensive income into those that, in accordance with other PFRS: (a) will not be reclassified subsequently to profit or loss and (b) will be reclassified subsequently to profit or loss when specific conditions are met. The Group's management expects that this will not affect the presentation of items in other comprehensive income, since the Group does not have other comprehensive income.

(iii) PAS 19 (Amendment), *Employee Benefits* (effective from January 1, 2013). The amendment made a number of changes as part of the improvements throughout the standard. The main changes relate to defined benefit plans as follows:

- eliminates the corridor approach under the existing guidance of PAS 19 and requires an entity to recognize all gains and losses arising in the reporting period;
- streamlines the presentation of changes in plan assets and liabilities resulting in the disaggregation of changes into three main components of service costs, net interest on net defined benefit obligation or asset, and remeasurement; and,
- enhances disclosure requirements, including information about the characteristics of defined benefit plans and the risks that entities are exposed to through participation in them.

Currently, the Group is using the provisions of Republic Act (RA) No. 7641, *The Retirement Pay Law*, to estimate the cost of its retirement benefits obligation as it does not have a formal retirement plan yet. In 2011, the Group obtained an actuarial valuation by an independent actuary of such retirement benefit obligation in accordance with PAS 19. As of December 31, 2011, unrecognized actuarial gain amounted to P0.5 million (see Note 16.2) which will be retrospectively recognized as gain in other comprehensive income in 2013.

(iv) Consolidation Standards

The Group is currently reviewing the impact of the following consolidation standards on its consolidated financial statements in time for its adoption in 2013:

- PFRS 10, *Consolidated Financial Statements* (effective from January 1, 2013). This standard builds on existing principles of consolidation by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements. The standard also provides additional guidance to assist in determining control where this is difficult to assess.

- PFRS 11, *Joint Arrangements* (effective from January 1, 2013). PFRS 11 supersedes PAS 31, *Interests in Joint Venture*. It aligns more closely the accounting by the investors with their rights and obligations relating to joint arrangements. In addition, PAS 31's option of using proportionate consolidation for joint venture has been eliminated. PFRS 11 now requires the use of the equity accounting method, which is currently used for investment in associate. The adoption of this standard will not have significant impact in the Group's consolidated financial statements since the current classification of its joint arrangement as joint venture, and its measurement using equity accounting is in accordance with PFRS 11.

- PFRS 12, *Disclosure of Interest in Other Entities* (effective from January 1, 2013). This standard integrates and makes consistent the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and unconsolidated structured entities. This also introduces new disclosure requirements about the risks to which an entity is exposed from its involvement with structured entities.

- PAS 27 (Revised), *Separate Financial Statements* (effective from January 1, 2013). This revised standard now covers the requirements pertaining solely to separate financial statements after the relevant discussions on control and consolidated financial statements have been standard have been transferred and included in the new PFRS 10. No new major changes relating to separate financial statements have been introduced as a result of the revision.

- PAS 28 (Revised), *Investments in Associate and Joint Venture* (effective from January 1, 2013). This revised standard includes the requirements for joint ventures, as well as associates, to be accounted for using equity method following the issuance of PFRS 11, *Joint Arrangement.*

(v) PFRS 13, *Fair Value Measurement* (effective from January 1, 2013). This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across PFRS. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards. The Group is yet to assess the impact of this new standard.

(vi) PFRS 9, *Financial Instruments: Classification and Measurement* (effective from January 1, 2015). This is the first part of a new standard on classification and measurement of financial assets and financial liabilities that will replace PAS 39 in its entirety. This chapter deals with two measurement categories for financial assets: amortized cost and fair value. All equity instruments will be measured at fair value while debt instruments will be measured at amortized cost only if the entity is holding it to collect contractual cash flows which represent payment of principal and interest. The accounting for embedded derivatives in host contracts that are financial assets is simplified by removing the requirement to consider whether or not they are closely related, and, in most arrangement, does not require separation from the host contract.

For liabilities, the standard retains most of the PAS 39 requirements which include amortized-cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in case where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than in profit or loss, unless this creates an accounting mismatch.

To date, other chapters of PFRS 9 dealing with impairment methodology and hedge accounting are still being completed.

The Group does not expect to implement and adopt PFRS 9 until its effective date or until all chapters of this new standard have been published. In addition, management is currently assessing the impact of PFRS 9 on the consolidated financial statements of the Group and is committed to conduct a comprehensive study of the potential impact of this standard early in 2014 to assess the impact of all changes.

(vii) Philippine Interpretation IFRIC 15, *Agreements for Construction of Real Estate*. This Philippine interpretation is based on IFRIC interpretation issued by the International Accounting Standard Board (IASB) in July 2008 effective for annual periods beginning on or after January 1, 2009. It provides guidance on how to determine whether an agreement for the construction of real estate is within the scope of PAS 11, *Construction Contracts*, or PAS 18, *Revenue*, and accordingly, when revenue from the construction should be recognized. The main expected change in practice is a shift from recognizing revenue using the percentage of completion method (i.e., as a construction progresses, by reference to the stage of completion of the development) to recognizing revenue at completion upon or after delivery. The adoption of this interpretation in the Philippines, however, was deferred twice by the FRSC and SEC after giving due considerations on various application issues and the implication on this interpretation of the IASB's on-going revision of the Revenue Recognition standard which is expected to be completed on or about 2015. The Group is currently evaluating the impact of this interpretation on its consolidated financial statements in preparation for its adoption when this becomes mandatorily effective in the Philippines.

2.3 Consolidation and Business Combination

(a) Consolidation

The Parent obtains and exercises control through voting rights. The Group's consolidated financial statements comprise the accounts of the Parent and its subsidiaries as enumerated in Note 1.2, after the elimination of material intercompany transactions. All intercompany balances and transactions with subsidiaries, including income, expenses and dividends, are eliminated in full. Unrealized profits and losses from intercompany transactions that are recognized in assets are also eliminated in full. Intercompany losses that indicate impairment are recognized in the consolidated financial statements.

The financial statements of subsidiaries are prepared for the same reporting period as the Parent, using consistent accounting principles.

Subsidiaries are all entities over which the Group has the power to control the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date the Parent obtains control until such time that such control ceases.

(b) Business Combination

The acquisition method is applied to account for acquired subsidiaries. This requires recognizing and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Parent, if any. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred and subsequent change in the fair value of contingent consideration is recognized directly in profit or loss.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the group's share of the identifiable net assets acquired is recognized as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in profit or loss as gain.

If the business combination is achieved in stages, the acquirer is required to remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognize the resulting gain or loss, if any, in the profit or loss or other comprehensive income, as appropriate.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with PAS 37 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

For the purpose of impairment testing, goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The cash-generating units or groups of cash-generating units are identified according to operating segment. Goodwill is tested annually for impairment (see Note 2.14). Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

2.4 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's Executive Committee; its chief operating decision-maker. The strategic steering committee is responsible for allocating resources and assessing performance of the operating segments.

In identifying its operating segments, management generally follows the Group's product and service lines. Presently, the Group's only significant operating segment is related to its high-rise projects, i.e. development of residential condominiums (see Note 4).

2.5 Financial Assets

Financial assets are recognized when the Group becomes a party to the contractual terms of the financial instrument. Financial assets other than those designated and effective as hedging instruments are classified into the following categories: financial assets at fair value through profit or loss (FVTPL), loans and receivables, held-to-maturity investments and available-for-sale financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired. Regular purchases and sales of financial assets are recognized on their trade date. All financial assets that are not classified as at FVTPL are initially recognized at fair value plus any directly attributable transaction costs. Financial assets carried at FVTPL are initially recorded at fair value and transaction costs related to it are recognized in profit or loss.

All of the Group's financial assets are presently categorized as loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. They are included in current assets, except for maturities greater than 12 months after the reporting period which are classified as non-current assets.

Loans and receivables are subsequently measured at amortized cost using the effective interest method, less impairment loss, if any. Impairment loss is provided when there is objective evidence that the Group will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the impairment loss is determined as the difference between the assets' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

The financial assets categorized as loans and receivables are presented as Cash, Receivables (except advances to contractors) and Other Non-current Assets, with respect to deposits which are included in the account, in the consolidated statements of financial position. Cash includes cash on hand, savings and demand deposits.

All income and expenses, including impairment losses, relating to financial assets that are recognized in profit or loss are presented as part of Finance Costs or Finance Income in the consolidated statement of comprehensive income.

Non-compounding interest, dividend income and other cash flows resulting from holding financial assets are recognized in profit or loss when earned, regardless of how the related carrying amount of financial assets is measured.

The financial assets are derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred.

2.6 Real Estate Assets

Real estate assets, which pertain to raw land inventory, assets under construction and condominium unit, consist of the acquisition cost of the land (including individual acquisition costs), actual development and construction costs, and other necessary costs incurred in bringing the assets ready for sale.

Acquisition costs of raw land intended for future development, including other costs and expenses incurred to effect the transfer of title of the property to the Group, are charged to the Raw Land Inventory account. These costs are transferred to the Assets under Construction account when the development of the property starts. Related property development costs are then accumulated in this account.

Borrowing costs on certain loans incurred during the development of the real estate properties are also capitalized by the Group as part of the Assets under Construction (see Note 2.15).

The cost of real estate property sold before completion of the development is determined based on the actual costs incurred to date plus estimated costs to complete the development of the property. The estimated expenditures for the development of sold real estate property, as determined by the project engineers, are netted against Deferred Gross Profit account (see Note 2.10) with a corresponding credit to the liability account Estimated Liability for Future Development.

Revenue from real estate transactions are recognized in accordance with the policy described in Note 2.10.

Real estate assets are carried at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The Group recognizes the effect of revisions in the total project cost estimates in the year in which these changes become known. Any probable loss from a real estate project is charged to operations during the period in which the loss is determined.

2.7 Property and Equipment

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

The initial cost of property and equipment comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized; expenditures for repairs and maintenance are charged to expense as incurred.

Depreciation is computed on a straight-line basis over the estimated useful life of property and equipment of five years.

Leasehold improvements are amortized over the estimated useful life of the improvements, also five years, or the term of the lease whichever is shorter.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.14).

The residual values and estimated useful lives of property and equipment are reviewed and adjusted, if appropriate, at the end of each reporting period.

An item of property and equipment, including the related accumulated depreciation and impairment losses, if any, is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period the item is derecognized.

2.8 Financial Liabilities

Financial liabilities of the Group include interest-bearing loans, accounts payable and accrued expenses (excluding customer deposits), and other interest-bearing liabilities which are measured at amortized cost using the effective interest method.

Interest-bearing loans are raised for support of long-term funding of operations. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to profit or loss on an accrual basis using the effective interest method and are added to the carrying amount of the instrument to the extent that these are not settled in the period in which they arise.

Accounts payable and accrued expenses, and other interest-bearing liabilities are recognized initially at their fair values and subsequently measured at amortized cost, using effective interest method for maturities beyond one year, less settlement payments.

Financial liabilities are recognized when the Group becomes a party to the contractual terms of the instrument. All interest-related charges are recognized as an expense in profit or loss under the caption Finance Costs in the consolidated statement of comprehensive income.

Financial liabilities are classified as current liabilities if payment is due to be settled within one year or less after the reporting period (or in the normal operating cycle of the business, if longer), or the Group does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting period. Otherwise, these are presented as non-current liabilities.

Financial liabilities are derecognized from the consolidated statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration.

2.9 Provisions and Contingencies

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and these can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When time value of money is material, long-term provisions are discounted to their present values using a pretax rate that reflects market assessments and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the consolidated financial statements. Similarly, possible inflows of economic benefits to the Group that do not yet meet the recognition criteria of an asset are considered contingent assets, and hence, are not recognized in the consolidated financial statements. On the other hand, any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

2.10 Revenue and Expense Recognition

Revenue comprises revenue from sale of services measured by reference to the fair value of consideration received or receivable by the Group for goods sold or services rendered, excluding value-added tax (VAT) and discounts.

Revenue is recognized to the extent that the revenue can be reliably measured; it is probable that the economic benefits will flow to the Group; and the costs incurred or to be incurred can be measured reliably. In addition, the following specific recognition criteria must also be met before revenue is recognized:

(a) *Sale of real estate assets* – For financial reporting purposes, revenues on sales of residential and condominium units are recognized using the percentage-of-completion method. Under this method, revenue is recognized by reference to the stage of development of the properties, i.e., revenue is recognized in the period in which the work is performed, upon collection of at least 5% of the contract price. In this criteria, once the customer has paid 5% of the contract price, it is presumed that it has already a commitment to continue the contract. The unrealized gross profit on a year's sales is accumulated and is shown as Deferred Gross Profit in the consolidated statement of financial position. Deferred Gross Profit is reduced as the development of asset under construction progresses. Collections, which have not met the revenue recognition threshold are initially recorded as deposits and presented as Customers' Deposits, which are included as part of Accounts Payable and Accrued Expenses in the consolidated statement of financial position. Revenue and cost relative to forfeited or backed-out sales are reversed in the current year as they occur. Any adjustments relative to previous years' sales are recorded in the current year as they occur.

    For income tax purposes, income on real estate's sales is reported using the installment method wherein the realization of gross profit on real estate sold is computed based on collected contracts receivable except where 25% or more of the contract price is collected within the initial year or year of sale, in which case, the entire gross profit is recognized as income for that year.

(b) *Rental income* – Revenue is recognized on a straight-line basis over the lease term.

(c) *Interest* – Revenue is recognized as the interest accrues taking into account the effective yield on the asset.

Costs and expenses are recognized in profit or loss upon utilization of goods or services or at the date they are incurred. All finance costs are reported in profit or loss, except capitalized borrowing costs which are included as part of the cost of the related qualifying asset (see Note 2.15), on an accrual basis.

2.11 Leases

The Group accounts for its leases as follows:

(a) *Group as Lessee*

    Leases, which do not transfer to the Group substantially all the risks and benefits of ownership of the asset, are classified as operating leases. Operating lease payments are recognized as expense in profit or loss on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

(b) Group as Lessor

Leases, which do not transfer to the lessee substantially all the risks and benefits of ownership of the asset, are classified as operating leases. Lease income from operating leases is recognized in profit or loss on a straight-line basis over the lease term.

The Group determines whether an arrangement is, or contains, a lease based on the substance of the arrangement. It makes an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

2.12 Foreign Currency Transactions

The accounting records of the Group are maintained in Philippine pesos. Foreign currency transactions during the year are translated into the functional currency at exchange rates which approximate those prevailing on transaction dates.

Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of comprehensive income as part of income or loss from operations.

2.13 Employee Benefits

The Group does not have a formal retirement plan but it accrues its retirement benefit obligation based on the minimum requirement under RA No. 7641, *The Retirement Pay Law*. Nevertheless, the Group obtains an actuarial valuation of such retirement benefit obligation by an independent actuary in accordance with PAS 19.

RA No. 7641 relates to a defined benefit plan. A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for any benefits from this kind of post-employment plan remains with the Group, even if plan assets for funding the defined benefit plan have been acquired. Plan assets may include assets specifically designated to a long-term benefit fund, as well as qualifying insurance policies. The Group's post-employment defined benefit pension plan covers all regular full-time employees.

The liability recognized in the statement of financial position for post-employment defined benefit pension plans is the present value of the defined benefit obligation (DBO) at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs. The DBO is calculated every two years by independent actuaries using the projected unit credit method. The present value of the DBO is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related post-employment liability.

Actuarial gains and losses are not recognized as an income or expense unless the total unrecognized gain or loss exceeds 10% of the greater of the obligation and related plan assets. The amount exceeding this 10% corridor is charged or credited to profit or loss over the employees' expected average remaining working lives. Actuarial gains and losses within the 10% corridor are disclosed separately. Past service costs are recognized immediately in profit or loss, unless the changes to the post-employment plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortized on a straight-line basis over the vesting period.

2.14 Impairment of Non-financial Assets

The Group's property and equipment, and investments in subsidiaries are subject to impairment testing. All other unindividual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Impairment loss is recognized for the amount by which the asset or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use, based on an internal evaluation of discounted cash flow. Impairment loss is charged pro rata to the other assets in the cash-generating unit.

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist and the carrying amount of the asset is adjusted to the recoverable amount resulting in the reversal of the impairment loss.

2.15 Borrowing Costs

Borrowing costs are recognized as expenses in the period in which they are incurred, except to the extent that they are capitalized. Borrowing costs that are attributable to the acquisition, construction or production of a qualifying asset (i.e., an asset that takes a substantial period of time to get ready for its intended use or sale) are capitalized as part of cost of such asset. The capitalization of borrowing costs commences when expenditures for the asset and borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization ceases when all such activities are substantially complete.

2.16 Income Taxes

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity, if any.

Current tax assets or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the end of the reporting period. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in profit or loss.

Deferred tax is provided, using the liability method on temporary differences at the end of the reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carryforward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deferred tax asset can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled provided such tax rates have been enacted or substantively enacted at the end of the reporting period.

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in profit or loss. Only changes in deferred tax assets or liabilities that relate to items recognized in other comprehensive income or directly in equity are recognized in other comprehensive income or directly in equity.

2.17 Related Party Transactions

Related party transactions are transfer of resources, services or obligations between the Group and its related parties, regardless whether a price is charged.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These includes: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Group; (b) associates; and (c) individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the Group and close members of the family of any such individual.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.

2.18 Equity

Capital stock represents the nominal value of shares that have been issued.

Additional paid-in capital represents the premiums received on the initial issuance of capital stock. Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital, net of any related income tax benefits.

Retained earnings include all current and prior period results as reported in profit or loss in the consolidated statement of comprehensive income.

2.19 Earnings (Loss) Per Share

Basic earnings (loss) per share is determined by dividing the consolidated net profit for the year attributable to common shareholders by the weighted average number of common shares issued and outstanding during the year, after giving retroactive effect to any stock dividends declared in the current year. Diluted earnings per share is equal to the basic earnings per share since the Group has no potential dilutive common shares.

2.20 Events After the Reporting Period

Any post-year-end event that provides additional information about the Group's consolidated financial position at the end of the reporting period (adjusting event) is reflected in the consolidated financial statements. Post-year-end events that are not adjusting events, if any, are disclosed when material to the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The consolidated financial statements prepared in accordance with PFRS require management to make judgments and estimates that affect the amounts reported in the consolidated financial statements and related notes. Judgments and estimates 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. Actual results may ultimately differ from these estimates.

3.1 Critical Management Judgments in Applying Accounting Policies

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

(a) Provisions and Contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition and disclosure of provision and disclosure of contingencies are discussed in Note 2.9 and relevant disclosures are presented in Note 21.

(b) Operating and Finance Leases

The Group has entered into various lease agreements. Critical judgment was exercised by management to distinguish each lease agreement as either an operating or finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities.

(c) Distinction Between Investment Properties and Owner-managed Properties

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

(d) Distinction Between Raw Land Inventory and Investment Property

The Group's management identifies the property acquired as either raw land inventory or investment property at the time of acquisition following the approved plan of the Group's BOD. A property is classified as Raw Land Inventory when management intends to develop the property into real estate project. It is classified as Investment Property when management intends to hold the property to earn rentals or for capital appreciation. Failure to properly classify the asset may result in the improper measurement and valuation of the assets that could materially impact the consolidated financial statements.

3.2 Key Sources of Estimation Uncertainty

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

(a) Percentage-of-Completion

The Group uses the percentage-of-completion method in recognizing its revenues from real estate sales. The use of percentage-of-completion method requires the Group to estimate the percentage of completion and the total cost to be incurred on a per project basis.

The total estimated project costs of the project and the percentage of completion to date on a per project basis are determined by the Group's engineers. The Group recognizes the effects of revisions in the total project cost estimates of its project in the year in which these changes become known.

Estimates are reviewed on a continuing basis and any revisions to it are recognized prospectively.

(b) Allowance for Impairment of Receivables

Adequate amount of allowance is made for specific and groups of accounts, where objective evidence of impairment exists. The Group evaluates these accounts based on available facts and circumstances, including, but not limited to, the length of the Group's relationship with the customers, the customers' current credit status based on third party credit reports and known market forces, average age of accounts, collection experience and historical loss experience.

The Group concluded that no receivables are impaired as of December 31, 2011 and 2010.

(c) 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 periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence of the assets. The carrying amounts of property and equipment are analyzed in Note 8. Based on management's assessment as at December 31, 2011and 2010, there is no change in estimated useful lives of property and equipment during those years. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

(d) Determining Net Realizable Value of Real Estate Assets

In determining the net realizable value of real estate assets, management takes into account the most reliable evidence such as recent sale of adjacent properties and appraisal of the asset available at the time the estimate is made. Changes in the sources of estimation may cause significant adjustments to the Group's assets within the next financial year. As indicated in Note 7, management assessed that the respective net realizable values of the Group's real estate assets are higher than their respective costs, accordingly, in 2011, the Group reversed the previously recognized allowance for impairment on the real estate assets of P179.5 million.

Considering the pricing policies of the Group, cost is considerably lower than the net realizable value.

(e) Recoverability of Deferred Tax Assets

The Group reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

In 2011, the management has made a thorough evaluation of its future results of operations and based on the available circumstances such as the substantial sale of a real estate property subsequent to December 31, 2011 and the eminent substantial completion of the Project in 2012, the management concluded that sufficient taxable profits will become available in 2012 and thereafter. Accordingly, the Group recognized the previously unrecognized deferred tax assets based on management's best estimate of the recoverability of the assets in 2012 onwards (see Note 17).

(f) Impairment of Non-financial Assets

The Group's policy on estimating the impairment of non-financial assets is discussed in Note 2.14. Though management believes that the assumptions used in the estimation of fair values reflected in the consolidated financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations. Based on the recent evaluation of information and circumstances affecting the Group's non-financial assets, management concluded that no additional impairment is required in 2011 and 2010.

(g) Post-employment Defined Benefit

The determination of the Group's obligation and cost of post-employment defined benefit is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include, among others, discount rates and salary rate increase. In accordance with PFRS, actual results that differ from the assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligation in such future periods.

The amounts of retirement benefit obligation and expense and an analysis of the estimated present value of the retirement benefit obligation are presented in Note 16.

(h) Business Combinations

On initial recognition, the assets and liabilities of the acquired business and the consideration paid for them are included in the consolidated financial statements at their fair values. In measuring fair value, management uses estimates of future cash flows and discount rates. Any subsequent change in these estimates would affect the amount of goodwill if the change qualifies as a measurement period adjustment. Any other change would be recognized in profit or loss in the subsequent period.

4. SEGMENT INFORMATION

As described in Note 2.4, management has currently identified only a single significant operating segment which is high-rise projects although it also leases certain properties, such represents an inconsequential portion of its operations. Its high-rise projects refer to the development and sale of condominiums and this is being monitored and strategic decisions are made on the basis of operating results.

Furthermore, the Group's operations are presently concentrated in one location, hence it has no geographical segment. The Group, however, continues to acquire properties for future development in different locations. Sales to any of the Group's major customers did not exceed 10% of the Group's revenues in all of the years presented.

Segment assets include all operating assets used by a segment and consist principally of operating cash, receivables, real estate projects, raw land inventory, investment property, and property and equipment. Excluded from segment assets are deferred taxes and other assets which are considered corporate assets and are not allocated to any segment's assets. Segment liabilities include all operating liabilities incurred by management in each particular segment. Since the Group has only one significant operating segment, the items presented in the consolidated financial statements corresponding to these assets and liabilities represent virtually the entire segment assets and liabilities.

5. CASH

Cash includes the following components as of December 31:

	2011	2010
Cash on hand	P 59,000	P 29,000
Cash in bank	237,097,538	51,331,301
	P 237,156,538	P 51,360,301

Cash accounts with banks generally earn interest at rates based on daily bank deposit rates.

6. RECEIVABLES

The details of receivables are shown below.

	Note	2011	2010
Contracts receivables		P 667,960,918	P -
Advances to contractors		105,126,826	8,444,666
Advances to employees	18.5	4,091,973	4,727,140
Other receivables		4,202,556	5,815,983
		781,382,273	18,987,789
Less non-current portion		(523,040,908)	-
		P 258,341,365	P 18,987,789

All of the Group's receivables have been reviewed for indicators of impairment. As of December 31, 2011 and 2010, none of the receivables were identified to be impaired.

Contracts receivables are collectible over a maximum period of three years and are noninterest-bearing. These are covered by post-dated checks and the corresponding titles to the units sold under this arrangement are transferred to the buyers only upon full payment of the contract price.

Advances to contractors represents amounts paid in advance to contractors for the development of the Group's projects.

In 2011, the Parent discounted P247.8 million of its contract receivables to a certain local bank without recourse. In consideration of the financing arrangement, the bank charged the Parent a discount (upfront interest) of P27.8 million which the Group presented as Discount on Receivables Financing under Administrative Expenses in the 2011 statement of comprehensive income (see Note 14).

Also, during the year, Deeds of Assignments on contracts to sell (CTS) covering sales of condominium units on Arya Residences worth P600.0 million, together with all of the outstanding shares of MPI, were used as collateral for the interest-bearing loan obtained from a local bank (see Note 10).

As of December 31, 2011 and 2010, management believes that these receivables are fully recoverable considering that the title has not yet transferred to the buyers.

7. REAL ESTATE ASSETS

The details of real estate assets are shown below.

	2011	2010
Raw land inventory	**P 1,783,857,876**	P 1,783,857,876
Assets under construction	**692,928,754**	677,447,612
Condominium unit	**-**	9,000,000
	2,476,786,630	2,470,305,488
Allowance for impairment	**-**	(179,498,812)
	P 2,476,786,630	P 2,290,806,676

The amount of capitalized borrowing cost in 2011 and 2010 is P50.6 million and P9.2 million, respectively (see Note 10).

A reconciliation of the valuation allowance at the beginning and end of 2011 and 2010 is shown below.

	2011	2010
Balance at beginning of year	**P 179,498,812**	P 182,498,812
Reversal of impairment loss on real estate assets	**(179,498,812)**	-
Allowance written-off	**-**	(3,000,000)
Balance at end of year	**P -**	P 179,498,812

The allowance for impairment at the beginning of 2010 pertains to impairment loss on the Bonifacio Global City properties (P179.5 million) and on the Davao land (P3.0 million) recognized in prior years.

In 2011, management has assessed that the recoverable value of the raw land inventory located in Bonifacio Global City has improved substantially based on the latest appraisal conducted by independent appraisers. Hence, the Group recognized gain amounting to P179.5 million representing recovery of the impairment losses recognized on the real estate assets. The related gain is presented as Reversal of Impairment Loss on Real Estate Assets under Other Income in the 2011 statement of comprehensive income (see Note 13). In 2010, the allowance for impairment on the Davao land of P3.0 million was written-off.

Management has estimated that the net realizable value of real estate assets is higher than its carrying value as of December 31, 2011 and 2010.

7.1 Raw Land Inventory

(a) Real Estate Properties at Bonifacio Global City

Real estate properties of the Parent at Bonifacio Global City is composed of Lots 4-1, 5-5 and 7-1 with carrying amounts of P835.0 million, P472.1 million and P108.8 million, respectively, as of December 31, 2011, 2010 and 2009. Another lot located in Bonifacio Global City is that of Irmo which has a carrying value of P173.1 million. Lots 5-5 and 7-1 are mortgaged in favor of certain creditor banks, as collaterals for the Group's loans from the said banks (see Note 10).

(b) Real Estate Project in Laguna

This covers UPHI's development of a housing project on two parcels of land in Calamba, Laguna and Tagaytay with an aggregate area of about 33.18 hectares. The carrying value of this hanging project amounted to P149.8 million as at December 31, 2011 and 2010, and which, as of the same dates, is on hold because of a pending expropriation proceeding filed by National Power Corporation (NAPOCOR). However, management believes that the effect of such proceeding is not significant (see Note 21.1).

(c) Real Estate Properties in Batangas and Tagaytay

The Parent's real estate properties in Batangas and Tagaytay which have carrying amounts of P34.1 million and P10.9 million, respectively, as at December 31, 2011 and 2010 were acquired by the Parent in 2008.

An analysis of the aggregate carrying amounts of raw land inventory is presented below.

	Note	**2011**	2010
Balance at beginning of year		**P1,783,857,876**	P 960,887,876
Acquired during the year			1,334,970,000
Cost of land transferred to asset under construction		-	(500,000,000)
Exchanged	7.3	-	(12,000,000)
Balance at end of year		**P1,783,857,876**	P1,783,857,876

7.2 Assets Under Construction

Assets under construction, as of December 31, 2011 and 2010, consists of the project development costs incurred by the Parent on the Project including the carrying value of the land owned by MPI allocable to the Project amounting to P500.0 million (see Note 18.3) and capitalizable borrowing costs. The construction of the project started at near year end of 2010; hence, percentage of completion was inconsequential.

The movements in the Asset under Construction account during the years presented are shown below.

	Notes	2011	2010
Balance at beginning of year		**P 677,447,612**	P -
Cost of development	7.1, 10	**582,761,607**	177,447,612
Charge to cost of real assets transferred		**(567,280,465)**	-
Transfer from raw land inventory		-	500,000,000
Balance at end of year		**P 692,928,754**	P 677,447,612

7.3 Condominium Units

On July 15, 2010, the Parent's property in Davao was exchanged for a condominium unit in Taguig City by virtue of an agreement executed with certain individuals. At the date of exchange, the property in Davao had a carrying value of P9.0 million, (net of P3.0 million allowance for impairment) which was also the market value of the condominium unit at that time (see Note 7.1). The condominium units which has a carrying value of P9.0 million was sold in 2011. The total consideration received for the sale is presented as part of Real Estate Sales, with the related carrying amount of condominium charged as part of Cost of Real Estate Sold in 2011 statement of comprehensive income.

8. PROPERTY AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization of property and equipment at the beginning and end of 2011 and 2010 are shown below.

	Office Equipment	Furniture and Fixtures	Leasehold Improvements	Transportation Equipment	Total
December 31, 2011					
Cost	P 8,006,504	P 6,110,888	P 47,469,076	P 13,132,707	P 74,719,175
Accumulated depreciation and amortization	(5,549,365)	(4,385,572)	(26,778,747)	(6,745,701)	(43,459,385)
Net carrying amount	P 2,457,139	P 1,725,316	P 20,690,329	P 6,387,006	P 31,259,790
December 31, 2010					
Cost	P 6,846,281	P 5,656,052	P 43,051,489	P 13,710,020	P 69,263,842
Accumulated depreciation and amortization	(3,240,088)	(2,432,742)	(17,689,071)	(4,876,622)	(28,238,523)
Net carrying amount	P 3,606,193	P 3,223,310	P 25,362,418	P 8,833,398	P 41,025,319
January 1, 2010					
Cost	P 5,581,511	P 2,488,238	P 30,134,252	P 13,850,521	P 52,054,522
Accumulated depreciation and amortization	(1,135,193)	(537,053)	(1,943,534)	(2,617,069)	(6,232,849)
Net carrying amount	P 4,446,318	P 1,951,185	P 28,190,718	P 11,233,452	P 45,821,673

A reconciliation of the carrying amounts at the beginning and end of 2011 and 2010, of property and equipment is shown below.

	Office Equipment	Furniture and Fixtures	Leasehold Improvements	Transportation Equipment	Total
Balance at January 1, 2011, net of accumulated depreciation and amortization	P 3,606,193	P 3,223,310	P 25,362,418	P 8,833,398	P 41,025,319
Additions	1,160,223	454,836	4,417,587	1,935,714	7,968,360
Disposals	-	-	-	(1,767,415)	(1,767,415)
Depreciation and amortization charges for the year	(2,309,277)	(1,952,830)	(9,089,676)	(2,614,691)	(15,966,474)
Balance at December 31, 2011, net of accumulated depreciation and amortization	P 2,457,139	P 1,725,316	P 20,690,329	P 6,387,006	P 31,259,790
Balance at January 1, 2010, net of accumulated depreciation and amortization	P 4,446,318	P 1,951,185	P 28,190,718	P 11,233,452	P 45,821,673
Additions	1,264,770	3,167,814	12,917,237	1,285,714	18,635,535
Disposals	-	-	-	(998,351)	(998,351)
Depreciation and amortization charges for the year	(2,104,895)	(1,895,689)	(15,745,537)	(2,687,417)	(22,433,538)
Balance at December 31, 2010, net of accumulated depreciation and amortization	P 3,606,193	P 3,223,310	P 25,362,418	P 8,833,398	P 41,025,319

Certain fully depreciated assets with costs of P0.4 million and P2.3 million as of December 31, 2011 and 2010 are still being used in operations.

All the depreciation charges for the year were reported as Depreciation and amortization expense under the Administrative Expenses presented as part of Other Operating Expenses in the consolidated statements of comprehensive income (see Note 14).

9. OTHER ASSETS

Other assets consist of the following:

	2011	2010
Current:		
Creditable withholding tax	**P 49,660,140**	P 33,612,251
Input VAT	**15,362,200**	-
Deferred input VAT	**896,250**	1,298,904
Prepayments	**817,179**	1,006,835
Miscellaneous	**-**	452,492
	66,735,769	36,370,482
Non-current:		
Deposit – others	**11,690,058**	11,793,989
Miscellaneous	**945,034**	945,034
	12,635,092	12,739,023
	P 79,370,861	P 49,109,505

Deferred Input VAT pertains to the unamortized input VAT on property and equipment acquired whose amount exceeds P1.0 million, excluding VAT.

Deposit – others pertain to construction guarantee deposits of the Group for the construction of the Project that will be applied against the contractors' billings upon completion of the Project.

10. INTEREST-BEARING LOANS

This account consists of borrowings from to the following:

	2011	2010
Current:		
Private funders – short-term loans	**P 243,623,067**	P 242,134,554
Bank 1	**-**	217,000,000
	243,623,067	459,134,554
Non-current:		
Bank 2	**600,000,000**	-
Bank 3	**496,142,143**	400,960,879
Bank 4	**300,000,000**	-
	1,396,142,143	400,960,879
	P1,639,765,210	P 860,095,433

Short-term loans from private funders represent unsecured borrowings with maturities of 90 to 180 days from value date. These bear interest at annual rates ranging from 5.00% to 7.00%.

Loans from Bank 1 represent drawings from an unsecured revolving credit line bearing interest at an annual rate of 10.75%. The balance of the loan was fully settled on December 11, 2011.

On August 1, 2011, the Group also obtained a new loan from Bank 2 at an annual interest rate of 7.39% payable in 42 equal monthly installments. The loan, which was obtained to finance the full settlement of the Group's liability to GPDC (see Note 12), is secured by P600.0 million worth of Deeds of Assignments on CTS covering sale of condominium units on Arya Residences and all the outstanding shares of MPI (see Note 6).

Loans payable to Bank 3 represent long-term borrowings obtained in August 2010 and August 2011. These loans bear interests ranging from 8.05% to 8.06% and mature on August 2013. Also, on September 19, 2011, the Group obtained a four-year loan from Bank 4 at an annual interest of 6.85%. Loans payable to Banks 3 and 4 were obtained to partially finance the Project and are secured by certain raw land inventory [see Note 7.1(a)].

The total interest incurred on these loans amounted to P131.2 million in 2011, P51.7 million in 2010, and P30.3 million in 2009, and is presented as part of Finance Costs in the statements of comprehensive income (see Note 15), except for the portion that was capitalized. Of the total finance costs, capitalized borrowing cost which formed part of the Group's Asset under Construction, as part of cost of development, amounted to P50.6 million in 2011 and P9.2 million in 2010, respectively, (see Note 7.2).

11. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

This account consists of:

	Notes	**2011**	2010
Accounts payable	18.4	**P 158,831,870**	P 156,862,990
Accrued expenses	21.2	**19,066,581**	2,994,442
Customers' deposits	2	**-**	203,463,020
Others		**446,005**	11,481,178
		P 178,344,456	P 374,801,630

Accounts payable include advances from Export and Industry Bank, Inc. (EIB) amounting to P54.0 million as of December 31, 2011 and 2010. It also includes retention payable amounting to P50.2 million as of December 31, 2011 (nil in 2010).

Customers' deposits as at December 31, 2010 represents payment from buyers of pre-sold condominium units which revenues have not been recognized since construction has just started at near year end and the percentage of completion is still inconsequential. In 2011, these deposits were applied to accounts receivables recognized upon revenue recognition.

The carrying amounts of accounts payable and accrued expenses recognized in the statements of financial position is a reasonable approximation of their fair values, due to their short duration.

12. OTHER INTEREST-BEARING LIABILITIES

On May 15, 2009, the Parent and Goldpath Development Corporation (GPDC) amended the Shares Purchase Agreement (SPA) dated July 22, 2008 to purchase 100% of the total outstanding capital stock or 635,705 shares of MPI from GPDC.

In accordance with the modified provisions of the SPA, the total purchase price of P915.4 million shall be paid as follows:

a. Downpayment of P183.2 million to be paid on or before signing date; and,

b. Installment payment on remaining balance of P732.3 million to be paid as follows:

   i. Principal payment – shall be payable in 10 quarterly amortizations commencing on the sixth quarter from signing date; and,

   ii. Interest payment – the installment balance shall carry interest at 9% per annum commencing on the sixth quarter from signing date and an additional 3% catch-up interest which shall be payable at the start of the quarter following the full payment of the principal and interest.

In addition to the purchase price, GPDC shall also be entitled to the payment of returns from the sale of condominium units which shall be developed and constructed by the Parent on MPI's property. The payment shall commence at the start of the 2^{nd} month of the 16^{th} quarter from the signing date (entitlement date) and shall be equivalent to 8% of the gross receipts of the Parent on the entitlement date and thereafter.

Upon full payment of the principal balance, title to the MPI's shares will be transferred to the Parent. For accounting purposes, the agreement was accounted for as a business acquisition in 2010 (see Note 2.3). The fair value of the identifiable net assets of MPI was higher than the consideration paid by the Parent by P404.0 million. As a result, in 2010, the Group recognized a gain on the acquisition of MPI, presented as Excess of Fair Value over Book Value of Assets Acquired under Other Operating Income in 2010 statement of comprehensive income (see Note 13).

In 2011, the Parent has assumed all the liabilities of MPI from GPDC amounting to P14.9 million as part of the transfer of ownership from GPDC to the Parent by virtue of the SPA. Consequently, the acquisition cost of MPI was adjusted which resulted in an additional gain on the acquisition of P14.9 million (see Note 13).

On August 2, 2011, the management, realizing the availability of cheaper cost of financing, opted to renegotiate its obligation to GPDC and preterminated it; i.e. paid the full principal amount, accrued interest and certain opportunity cost. The final payment aggregated to P576.7 million, P458.3 million of which was allocated to the principal balance. Upon full payment, the Parent derecognized the corresponding obligation that was settled and recognized P70.4 million cost of pretermination in lieu of all the other obligations that the Parent is obliged to pay under the SPA had it opted to pay the obligation up to maturity. This is reported as Opportunity Cost on early Extinguishment of Debt under Finance Costs in the 2011 statement of comprehensive income (see Note 15).

The interest incurred on other interest-bearing liability amounted to P45.1 million in 2011 and P38.0 million in 2010 (see Note 15).

As of December 31, 2010, the outstanding balance of the amount payable to GPDC amounted to P603.5 million and is presented as Other Interest-bearing Liability (current and non-current) in the 2010 statement of financial position.

13. OTHER OPERATING INCOME

Presented below are details of other income and expenses.

	Notes	2011	2010	2009
Reversal of impairment loss on real estate assets	7	**P 179,498,812**	P -	P -
Excess of fair value over book value of assets acquired	12	**14,948,314**	404,618,684	-
Rental		**3,075,555**	2,104,832	-
Interest income on cash in banks		**2,826,073**	476,712	794,499
Management fees	18.4	**-**	16,185,029	-
Marketing fees	18.4	**-**	12,557,826	-
Others		**4,388,944**	397,624	692,495
		P 204,737,698	P 436,340,707	P 1,486,994

14. OTHER OPERATING EXPENSES

Details of other operating expenses by nature are as follow:

	Notes	2011	2010	2009
Salaries and other employee benefits	16.1	**P 75,645,762**	P 47,637,378	P 26,331,440
Brokers' commissions	21.2	**32,942,015**	13,266,913	-
Discount on receivables financing	6	**27,786,843**	-	-
Advertising		**19,897,341**	41,323,137	2,921,263
Taxes and licenses		**18,078,189**	7,516,665	8,549,881
Management and professional fees		**17,997,567**	19,890,325	31,135,494
Depreciation and amortization	8	**15,966,474**	22,433,538	6,155,070
Rental	21.2	**11,131,682**	12,695,487	6,223,467
Transportation and travel		**4,456,884**	3,490,163	1,977,333
Security services		**4,058,313**	5,806,447	1,867,641
Insurance		**3,779,897**	4,018,771	1,820,455
Power, light and water		**2,825,285**	4,358,100	803,440
Communications		**2,523,014**	2,195,387	1,268,313
Annual dues and fees		**2,215,720**	722,702	1,062,749
Janitorial and clerical services		**2,055,839**	1,743,342	1,860,297
Supplies		**1,684,085**	2,670,527	2,361,798
Representation		**438,414**	24,299,962	11,770,312
Miscellaneous		**8,842,531**	8,864,941	2,104,565
		P 252,325,855	P 222,933,785	P 108,213,518

These expenses are classified in the statements of comprehensive income as follows:

	2011	2010	2009
Administrative	**P199,486,499**	P168,343,735	P105,292,255
Selling and marketing	**52,839,356**	54,590,050	2,921,263
	P252,325,855	P222,933,785	P108,213,518

15. FINANCE COSTS

Finance costs relate to the following:

	Notes	2011	2010	2009
Interest-bearing loans	10	**P 80,608,008**	P 42,477,334	P 30,269,188
Opportunity cost on early extinguishment of debt	12	**70,388,185**	-	-
Other interest-bearing liability - GPDC	12	**45,116,308**	37,966,901	-
Bank charges		**1,834,797**	1,315,360	3,581,008
		P197,947,298	P 81,759,595	P 33,850,196

16. EMPLOYEE BENEFITS

16.1 Salaries and Other Employee Benefits Expense

Details of salaries and employee benefits are presented below (see also Note 14).

	2011	2010	2009
Short-term benefits	**P 61,008,519**	P 47,637,378	P 26,331,440
Post-employment benefit	**14,637,243**	-	-
	P 75,645,762	P 47,637,378	P 26,331,440

16.2 Post-employment Benefit

The Group has not yet established a formal retirement plan. However, it recognizes the required retirement benefit obligation under RA No. 7641 using the projected unit credit method as computed by an independent actuary starting 2011.

The amount of retirement benefit obligation recognized in the 2011 statement of financial position is determined as follows:

Present value of the obligation	P 14,131,082
Unrecognized actuarial gain	506,161
	P 14,637,243

The amount of post-employment benefit expense recognized in profit or loss is as follows:

Current service cost	P 3,822,035
Interest cost	771,046
Past service cost	10,044,162
	P 14,637,243

The post-employment expense is presented as part of Salaries and other employee benefits under Administrative Expenses presented under Other Operating Expenses in the 2011 statement of comprehensive income.

For the determination of the retirement benefit obligation as at December 31, 2011, the actuarial assumptions used include a discount rate of 6.19% and expected rate of salary increase of 5.0%.

Assumptions regarding future mortality are based on published statistics and mortality tables. The average expected remaining working life of employees retiring at the age of 60 is 23 for both male and female.

17. TAXES

The components of tax expense (income) reported in profit or loss are as follows:

	2011	2010	2009
Current tax expense:			
Minimum corporate income tax (MCIT) at 2%	**P 6,279,470**	P 2,580,379	P 13,850
Final tax at 20%	**471,065**	94,971	158,900
	6,750,535	2,675,350	172,750
Deferred tax income relating to origination of temporary differences	**(96,671,688)**	-	-
	(P 89,921,153)	P 2,675,350	P 172,750

The reconciliation of tax on pretax profit (loss) computed at the statutory income tax rates to tax expense reported in profit or loss is as follows:

	2011	2010	2009
Tax on pretax profit (loss) at 30%	**(P 24,898,444)**	P 39,494,198	(P 42,173,016)
Adjustment for income subjected to lower income tax rates	**(376,664)**	(47,485)	(79,450)
Tax effects of:			
Non-taxable income	**(54,154,615)**	(109,134,773)	-
Unrecognized net operating operating loss carryover (NOLCO)	**52,747,685**	40,756,239	36,184,460
Recognition of previously unrecognized NOLCO	**(36,184,460)**	-	-
Changes in other unrecognized deferred tax assets	**(29,332,083)**	29,026,792	(6,459,144)
Unrecognized MCIT	**4,485,292**	2,580,379	13,850
Recognition of previously unrecognized MCIT	**(2,594,229)**	-	-
Non-deductible expense	**386,365**	-	12,686,050
Tax expense (income)	**(P 89,921,153)**	P 2,675,350	P 172,750

As disclosed in Note 3.2(e), management reviewed the deferred tax assets of the Group to determine the extent on which deferred tax assets can be utilized based on the available circumstances. The Group accordingly recognized the previously unrecognized deferred tax assets amounting to P96.7 million.

The net deferred tax assets recognized by the Group as of December 31, 2011 relate to the following:

	Amount	Tax Effect
Realized gross profit	P 193,301,299	P 57,990,390
NOLCO	120,614,865	36,184,460
Interest accrual	(20,942,472)	(6,282,742)
Retirement benefit obligation	14,637,243	4,391,173
MCIT	4,388,407	4,388,407
	P 311,999,342	P 96,671,688

On the other hand, certain deferred tax assets which remained unrecognized as management believes it is still uncertain whether these can be fully utilized before their respective benefit periods expire by the Group relates to the following:

	2011		2010		2009	
	Amount	Tax Effect	Amount	Tax Effect	Amount	Tax Effect
NOLCO	P 311,679,748	P 93,503,924	P 323,693,282	P 97,107,985	P 335,551,983	P 100,665,595
Allowance for impairment	8,493,276	2,547,983	187,922,088	56,397,626	187,922,088	56,397,626
MCIT	4,485,292	4,485,292	2,687,750	2,687,750	7,944,705	2,388,412
Realized gross profit	-	-	97,773,614	29,332,083	8,921,127	2,676,338
Accrued rent	-	-	903,496	271,049	107,371	107,371
	P 324,658,316	P 100,537,199	P 612,980,230	P 185,796,493	P 540,447,274	P 162,235,342

The movements in the Group's recognized and unrecognized NOLCO and MCIT are as follows:

Year	Original Amount	Expired Balance	Remaining Balance	Valid Until
NOLCO:				
2011	P 175,825,617	P -	P 175,825,617	2014
2010	135,854,131	-	135,854,131	2013
2009	120,614,865	-	120,614,865	2012
2008	58,791,027	58,791,027	-	2011
	P 491,085,640	P 58,791,027	P 432,294,613	
MCIT:				
2011	P 6,279,470	P -	P 6,279,470	2014
2010	2,580,379	-	2,580,379	2013
2009	13,850	-	13,850	2012
2008	93,521	93,521	-	2011
	P 8,967,220	P 93,521	P 8,873,699	

The Group is subject to MCIT, which is computed at 2% of the Group's gross income as defined under the tax regulations. The Group reported MCIT in 2011, 2010 and 2009 as the MCIT was higher than RCIT during those years.

The Group opted to use the itemized deductions in 2011, 2010 and 2009 for tax purposes.

18. RELATED PARTY TRANSACTIONS

The Group's related parties include AOC and CPG, their subsidiaries, the Group's key management and others as described below. The following are the significant transactions with related parties:

18.1 Deposit Placements

In the ordinary course of business, the Group, through the Parent, has normal banking transactions with EIB. As of December 31, 2011, 2010 and 2009, the Group has deposits with EIB amounting to P3.5 million, P19.0 million and P5.5 million, respectively (see Note 5).

18.2 Payable to EIB

The balance of the payable to EIB amounts to P30.7 million as of December 31, 2010, representing rentals and other costs billed by EIB to the Parent. This was settled in full in December 2011.

UPHI has an outstanding liability to EIB amounting to P54.0 million which was assigned to EIB by PR Builders Developers and Managers, Inc., UPHI's previous stockholder prior to 2007. The advances is unsecured, noninterest bearing and payable within a period of one year. As of December 31, 2011 and 2010, these advances from EIB are presented as part of Accounts Payable under the Accounts Payable and Accrued Expenses account in the consolidated statements of financial position (see Note 11).

18.3 Joint Development Agreement with MPI

On November 3, 2009, the Parent and MPI (the Co-developers) entered into a Joint Development Agreement (JDA) whereby the Co-developers agreed to jointly undertake the development of the Project (see Note 1) on a lot owned by MPI. The Project is a high-rise residential condominium to be held primarily for sale to third parties. Under the JDA, MPI agreed to contribute the land whereas the Parent agreed to contribute the development costs to finance the construction of the residential condominium. In return for their respective contributions, the Co-developers have agreed to distribute and allocate among themselves the condominium units to their pro-rata interest therein. The development and construction period is estimated to be 72 months from the date of the execution of the JDA. Total costs incurred by the Parent in connection with the JDA amounted to P582.8 million in 2011 and P177.4 million in 2010 including borrowing costs of P50.6 million in 2011 and P9.2 million in 2010 and is presented as part of Real Estate Assets in the statement of financial position. The portion of the lot contributed by MPI pertaining to the Project has a fair value of P500.0 million when it was transferred to Asset under Construction upon groundbreaking in late 2010 (see Note 7.2).

The JDA is an implementing document pursuant to the Special Power of Authority granted by MPI to ALCO in relation to the SPA entered into by the Parent with GPDC for the acquisition of MPI (see Note 12).

18.4 Management and Marketing Fees

In 2010, the Parent billed EIB the amount of P20.0 million primarily for tenant administration, facilitation of tenant lease renewals, and acquiring new building tenants. No similar transactions transpired in 2011 and 2009. This amount is presented in the 2010 statement of comprehensive income as follows:

Marketing fee	P 12,557,826
Management fee	7,450,749
	P 20,008,575

Marketing and Management fees are presented as part of Other Operating Income in the 2010 statement of comprehensive income (see Note 13).

Outstanding balance as of December 31, 2010, which is fully settled in 2011, amounted to P13.0 million and was presented as part of Accounts Payable under Accounts Payable and Accrued Expenses in the 2010 statement of financial position (see Note 11).

18.5 Funds for Liquidation

The Group has outstanding funds in the hands of its officers and employees amounting to P4.1 million and P4.7 million as of December 31, 2011 and 2010, respectively, presented as Advances to Employees under Receivables in the statements of financial position (see Note 6). These are funds given to officers and employees to carry out their functions in the Group subject to liquidation within a reasonable time after utilization.

18.6 Key Management Compensations

The compensation of key management personnel amounted to P37.0 million in 2011, P27.9 million in 2010 and P29.1 million in 2009.

19. CAPITAL STOCK

The account consists of:

	Shares		
	2011	2010	2009
Common shares – P0.18 par value			
Authorized – 16,368,095,199 shares			
Issued:			
Balance at beginning of year	**2,096,865,199**	1,996,865,199	1,368,095,199
Issued during the year	**2,000,000,000**	100,000,000	628,770,000
Subscribed and issued during the year	**200,000,000**	-	-
Balance at end of year	**4,296,865,199**	2,096,865,199	1,996,865,199
Subscribed:			
Balance at beginning of year	**3,021,230,000**	3,121,230,000	3,750,000,000
Issued during the year	**(2,000,000,000)**	(100,000,000)	628,770,000
Balance at end of year	**1,021,230,000**	3,021,230,000	3,121,230,000
	5,318,095,199	5,118,095,199	5,118,095,199

	Amount 2011	2010	2009
Issued:			
Balance at beginning of year	P 377,435,736	P 359,435,736	P 246,257,136
Issued during the year	360,000,000	18,000,000	113,178,600
Subscribed and issued during the year	36,000,000	-	-
Balance at end of year	773,435,736	377,435,736	359,435,736
Subscribed:			
Balance at beginning of year	543,821,400	561,821,400	675,000,000
Issued during the year	(360,000,000)	(18,000,000)	(113,178,600)
Balance at end of year	183,821,400	543,821,400	561,821,400
Subscriptions receivable:			
Balance at beginning of year	487,075,400	500,075,400	506,219,618
Collected during the year	(360,000,000)	(13,000,000)	(6,144,218)
Balance at end of year	(127,075,400)	(487,075,400)	(500,075,400)
	P 830,181,736	P 434,181,736	P 421,181,736

As discussed in Note 1.1, CPG acquired 1.8 billion shares of the Parent equivalent to 34% ownership interest in 2011. This was effected through acquisition of 1.6 billion shares worth P320.0 million (includes P32.0 million additional paid-in capital) from AOC and subscription to an additional 200.0 million shares directly from the unissued shares of the Parent at P0.25 per share or P50.0 million (includes P14.0 million additional paid-in capital). Consequently, the ownership interest of AOC was diluted to 26% as of December 31, 2011. The related issuance costs amounting to P14.0 million was charged against Additional Paid-in Capital arising from the issuance (see also Note 1).

Also, in 2011, the Parent received P80.0 million (includes P8.0 million additional paid in capital) from AOC as payment for its previous subscriptions of 400.0 million shares.

On December 28, 2007, the Parent entered into a subscription agreement wherein certain investors agreed to subscribe to new shares totaling 3.75 billion shares at an offer price of P0.20 per share. In 2008, subscriptions amounted P506.2 million, of which P168.8 million was paid. In 2010 and 2009, collections of subscriptions receivable amounted to P15.0 million and P18.7 million, respectively, including P2.0 million and P12.6 million, respectively as additional paid-in capital.

On December 29, 1994, the SEC approved the listing at the PSE of the Parent's shares totaling 351.0 million shares. The shares were initially issued at an offer price of P1.00 per share. As of December 31, 2011, there are 2,118 holders of the listed shares equivalent to 100% of the Parent's total outstanding shares. Such listed shares closed at P0.16 per share as of December 31, 2011.

The Parent has no other securities being offered for trading in any stock exchange.

20. EARNINGS (LOSS) PER SHARE

Basic and diluted earnings (loss) per share is computed as follows:

	2011	2010	2009
Net profit (loss)	P 6,926,340	P 128,971,977	(P 140,749,470)
Divided by weighted average number of outstanding common shares	3,563,531,866	2,071,865,199	1,682,480,199
Earnings (loss) per share	P 0.0019	P 0.0622	(P 0.0837)

Diluted earnings (loss) per share equals the basic earnings (loss) per share as the Parent does not have any dilutive potential common shares at the end of each of the three years presented.

21. COMMITMENTS AND CONTINGENCIES

The following are the significant commitments and contingencies involving the Group:

21.1 Matters Involving UPHI Property

The parcels of the UPHI real estate property with an area of about 1.0 hectare are the subject of expropriation proceedings filed by the NAPOCOR with the Regional Trial Court of Calamba, Laguna, covering a tower which NAPOCOR erected to form part of the Tayabas – Dasmariñas Line Project. The above-mentioned area comprises approximately 3% of the total land area of the property of UPHI.

On August 28, 2007, UPHI received a notice of coverage under the Comprehensive Agrarian Reform Program (CARP) from the Department of Agrarian Reform (DAR) on its Calamba, Laguna property. Subsequently, on December 19, 2007, UPHI received a notice of order from DAR indicating that the property is exempted from the coverage of CARP provided the following conditions are met: (1) disturbance compensation to affected tenants, farmworkers, or bonafide occupants, if any, in such amount or kind as may be mutually agreed upon and approved by DAR, shall be paid; and, (2) DAR reserves the right to cancel or withdraw its order for misrepresentation of facts integral to its issuance and/or for violation of the law and applicable rules and regulations on land use exemption or exclusion. There were no tenants, farm workers, or bonafide occupants found; hence, no disturbance compensation was paid.

A complaint for clearing of title from liens and adverse claims, was filed by the Group on October 18, 2010 because of the erroneous issuance of tax declarations by the City of Tagaytay covering the Group's property located in Calamba, Laguna.

The potential effect of foregoing cases on the Group's consolidated financial statements could not yet be determined as of December 31, 2011 although the managements believes that such may not be significant.

21.2 Operating Lease Commitments – Group as Lessee

The Group is a lessee under non-cancellable operating leases covering office space and sales. The leases have terms ranging from three to five years, with renewal options, and provisions for escalation.

The future minimum rental payables under these non-cancellable operating leases are as follows:

	2011	2010	2009
Within one year	P 7,294,381	P 6,914,510	P 6,000,000
After one year but not more than five years	15,183,741	27,775,524	23,556,680
	P 22,478,122	P 34,690,034	P 29,556,680

The total rental expense recognized from these operating leases is disclosed in Note 14 while the outstanding payable related to these leases is shown as part of Accrued expenses under Accounts Payable and Accrued Expenses in the statements of financial position (see Note 11).

21.3 Others

There are commitments and contingencies existing at the end of the reporting period that have not been recorded in the consolidated financial statements as of December 31, 2011. Management is of the opinion that losses, if any, from these items will not have a material effect on the Group's consolidated financial statements.

22. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to certain financial risks which result from both its operating and financing activities. The Group's risk management is observed by the BOD through the Executive Committee focuses on ensuring its short-term and long-term- liquidity requirements are met.

The Group does not engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed to are described below and in the succeeding pages.

22.1 Credit Risk

Credit risk is the risk that a counterparty fails to discharge an obligation to the Group. The Group is exposed to this risk for various financial instruments for example by granting loans and receivables to customers and placing deposits with banks.

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. The Group's policy is to deal only with creditworthy counterparties. In addition, for a significant proportion of sales, advance payments are received to mitigate credit risk.

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown in the consolidated statements of financial position (or in the detailed analysis provided in the notes to the consolidated financial statements). Credit risk, therefore, is only disclosed in circumstances where the maximum potential loss differs significantly from the financial asset's carrying amount. The Group's exposure to credit risk is limited to the carrying amount of financial assets recognized as of December 31, 2011 summarized below.

	Notes	2011	2010
Cash in bank	5	P 237,156,538	P 51,360,301
Receivables	6	676,255,447	10,543,123
Deposits	9	11,690,058	11,793,989
		P 925,102,043	P 73,697,413

Receivables exclude advances to contractors as these are not considered financial assets.

None of Group's financial assets are secured by collateral or other credit enhancements.

a. Cash in Bank

The credit risk for cash in bank is considered negligible, since the counterparties are reputable banks with high quality external credit ratings. Cash in banks are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P0.5 million per depositor per banking institution.

b. Receivables

In respect of receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. Receivables consist of a large number of customers. Based on historical information about customer default rates, management considers the credit quality of receivables that are not past due or impaired to be good.

The Group has no past due but not impaired accounts as of December 31, 2011 and 2010.

22.3 Liquidity Risk

Liquidity risk is the risk that there are insufficient funds available to adequately meet the credit demands of the Group's customers and repay liabilities on maturity. The Group closely monitors the current and prospective maturity structure of its resources and liabilities and the market condition to guide pricing and asset/liability allocation strategies to manage its liquidity risks.

The analysis of the maturity profile of financial assets and financial liabilities as of December 31, 2011 are presented below.

	Current		Non-current	
	Within 6 Months	6 to 12 Months	1 to 5 Years	Later than 5 years
Financial Assets:				
Cash	P 237,156,538	P -	P -	P -
Receivables	97,844,053	55,370,486	523,040,908	-
Deposit	-	-	11,690,058	-
	335,000,591	55,370,486	534,730,966	-
Financial Liabilities:				
Interest-bearing loans	-	243,623,067	1,403,416,937	-
Accounts payable, accrued expenses and other interest-bearing liability	178,343,956	-	-	-
	178,343,956	243,623,067	1,403,416,937	-
Total gap	P 156,656,635	(P 188,252,581)	(P 868,685,971)	P -
Cumulative gap	**P 156,656,635**	**(P 31,595,946)**	**(P 900,281,917)**	**(P 900,281,917)**

The analysis of the maturity profile of financial assets and financial liabilities as of December 31, 2010 are presented below.

	Current		Non-current	
	Within 6 Months	6 to 12 Months	1 to 5 Years	Later than 5 years
Financial Assets:				
Cash	P 51,360,301	P -	P -	P -
Receivables	5,864,485	4,678,638	-	-
Deposit	-	-	11,793,989	-
	57,224,786	4,678,638	11,793,989	-
Financial Liabilities:				
Interest-bearing loans	-	459,134,554	411,875,912	-
Accounts payable, accrued expenses and other interest-bearing liability	360,802,296	277,934,895	325,571,068	-
	360,802,296	737,069,449	737,446,980	-
Total gap	(P 303,577,510)	(P 732,390,811)	(P 725,652,991)	P -
Cumulative gap	(P 303,577,510)	(P 1,035,968,321)	(P 1,761,621,312)	(P 1,761,621,312)

The above contractual maturities reflect the principal settlement amount which reflects the carrying values of the liabilities at the end of the reporting period.

23. CATEGORIES AND FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The carrying amounts and fair values of the categories of assets and liabilities presented in the consolidated statements of financial position as of December 31, 2011 and 2010 are shown below.

	2011		2010	
	Carrying Values	Fair Values	Carrying Values	Fair Values
Financial Assets:				
Cash	P 237,156,538	P 237,156,538	P 51,360,301	P 51,360,301
Receivables	676,255,447	676,255,447	10,543,123	10,543,123
Deposit	11,690,058	11,690,058	11,793,989	11,793,989
	P 925,102,043	P 925,102,043	P 73,697,413	P 73,697,413
Financial Liabilities:				
Interest-bearing loans	P 1,639,765,210	P1,639,765,210	P 860,095,433	P 860,095,433
Accounts payable and accrued expenses	117,529,217	117,529,217	299,166,883	299,166,883
Other interest-bearing liability	-	-	603,505,963	603,505,963
	P 1,757,294,427	P1,757,294,427	P 1,762,768,279	P1,762,768,279

The Group has no financial assets carried at fair value in the statements of financial position.

24. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide an adequate return to shareholders by pricing products and services commensurate with the level of risk.

The Group monitors capital on the basis of the carrying amount of equity as presented in the statements of financial position. Capital for the reporting periods under review is summarized as follows:

	2011	2010
Total liabilities	**P2,646,814,876**	P1,838,403,026
Total equity	**1,055,812,904**	612,886,564
Debt-to-equity ratio	**2.51 : 1.00**	3.00 : 1.00

The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.