CITY & LAND
DEVELOPERS, INC.

June 11, 2012

MS. JANET ENCARNACION
Head, Disclosure Department
Philippine Stocks Exchange, Inc.
3rd Floor Philippine Stocks Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City

Dear Ms. Encarnacion,

Please be informed that CITY AND LAND DEVELOPERS, INC. updated its Annual Report 17-A for the year 2011 in compliance with the requirements set by Securities and Exchange Commission.

Portion revised are as follows:

PART I – Business and General Information:
Item 1 – Business
a. Transactions with and/or dependence on related parties – Disclosure updated.
b. Breakdown of employees by type, Collective Bargaining Agreement, Strike and Incentives Matters – Disclosure updated.

PART II – Operational and Financial Information
Item 6 – Management's Discussion and Analysis or Plan of Operation – Disclosure updated.

SIGNATURE – Position of signatories updated.

Attached is the Amended 2011 Annual Report 17-A.

Thank You.

Very truly yours,

Rufina C. Buensuceso
Executive Vice President

2F/3F CITYLAND CONDOMINIUM 10 TOWERS 1 & 2 156 / 154 H.V. DELA COSTA ST., SALCEDO VILLAGE, MAKATI 1226
P.O. BOX 5000 MAKATI 1290 TEL. # : 893-60-60 FAX #: 892-86-56 www.cityland.net

COVER SHEET

1 5 2 6 6 1
SEC Registration Number

C I T Y & L A N D D E V E L O P E R S , I N C .

(Company's Full Name)

1 5 6 H . V . D E L A C O S T A S T . ,
S A L C E D O V I L L A G E , M A K A T I C I T Y
(Business Address: No. Street City/Town/Province)

Rufina C. Buensuceso
Contact Person

893 – 6060
Company Telephone Number

1 2 **3 1**
Month *Day*
Fiscal Year

1 7 - A (A)
FORM TYPE

Month *Day*
Annual Meeting

(Secondary License Type, If Applicable)

C F D
Dept. Requiring this Doc.

Amended Articles
Number / Section

Total Amount of Borrowings

769
Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

S T A M P S

Remarks = pls. use black ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

**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 **December 31, 2011**

2. SEC Identification Number: **152661**

3. BIR Tax Indentification No.: **000-444-840**

4. Exact name of issuer as specified in its charter: **CITY & LAND DEVELOPERS, INC.**

5. **Makati City, Philippines**
   Address of Principal Office

6. (SEC Use Only)
   Industry Classification Code

7. **3F Cityland Condominium 10 Tower 1**
   #156 H.V. Dela Costa St., Salcedo Village Makati City — Address of Principal Office
   1226 — Postal Code

8. **632-8936060**
   Issuer's Telephone Number, including area code

9. Former Name, Former Address and Former Fiscal Year, if changed since last report **N/A**

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
Unclassified Common Shares	**676,042,298**

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:

Stock Exchange	Title of Each Class
Philippine Stock Exchange	**Unclassified Common Shares**

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 [ ]

(b) Has been subject to such filing requirements for the past 90 days?

Yes [**X**] No [ ]

13. Aggregate market value of the voting shares held by non-affiliates:

Number of Shares		Price *		Aggregate Market Value
97,701,463	**x**	**Php 1.76**	**=**	**Php 171,954,575**

** Closing price on March 1, 2012*

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PART I – BUSINESS AND GENERAL INFORMATION

Item I. Business

A. Background Information

1. Brief Company History

City and Land Developers, Inc. is a domestic public corporation registered with the Securities and Exchange Commission on June 28, 1988 and started commercial operations on August 1, 1992.

The Company is 49.73% owned by Cityland Development Corporation while the remaining 50.27% is owned by 768 various stockholders.

On December 13, 1999, the issued and outstanding capital stock of the Company were listed in the Philippine Stock Exchange after the initial public offering on November 29,1999.

2. Nature of Operations

The Company's primary purpose is to acquire and develop suitable land sites for residential, office, commercial, institutional, and industrial uses.

It has three (3) commercial, office and residential condominium projects: one (1) is located at Emerald Ave., Ortigas Center, Pasig City, while the two (2) are located along Pablo Ocampo Sr. Avenue, Manila City. It has also an on-going project which is located at Jorge Bocobo St., Ermita, City of Manila.

B. Development of Business for the past three (3) years (2009-2011)

We present herewith the status of sales and construction of our projects as of the end of the following years:

	Percentage Sold			
	2009	2010	2011	
Pacific Regency	99.89%	99.67%	99.79%	Launched in 2004
Grand Emerald Tower	53.49	68.24	86.50	Launched in 2006
Manila Residences Bocobo	39.58	58.61	72.52	Launched in 2009

	Percentage of Completion		
	2009	2010	2011
Pacific Regency	100.00%	100.00%	100.00%
Grand Emerald Tower	75.79	97.52	100.00
Manila Residences Bocobo	8.16	38.10	96.36

1. The details of the above projects are as follows:

Pacific Regency

Pacific Regency is a 38-storey commercial, office, and residential condominium located at Pablo Ocampo Sr. Ave. (formerly Vito Cruz Street) in front of Rizal Memorial Sports Complex in Manila. Amenities and facilities include swimming pool, gymnasium, separate sauna for male and female, function room, children's playground, 24-hour association security, viewing area, and jogging areas at the roof deck.

Grand Emerald Tower

Grand Emerald Tower, a 39-storey commercial, office and residential condominium located along Emerald corner Ruby and Garnet Streets, Ortigas Center, Pasig City. Its amenities and facilities include swimming pool, gymnasium, viewing deck, sauna, children's playground, multi purpose function room, and 24-hour association security. It is proximate to schools, hospitals, shopping malls, banks, restaurants, hotels, churches and other leisure and business establishments.

Manila Residences Bocobo

Manila Residences Bocobo, a 34-storey commercial, office and residential condominium located along Jorge Bocobo St., Ermita, Manila City. Its amenities and facilities include swimming pool, children's play area, gym, multi-purpose deck, function room and 24-hour association security. It is proximate to schools, malls, banks, hospitals, restaurants, churches, government offices and other leisure establishments.

Estimated Date of Completion: June 2013

2. Any Material Reclassification, Merger, Consolidation, or Purchase of Sale of a Significant Amount of Assets

   There are no material reclassification, merger, consolidation, purchase, or sale of a significant amount of asset not in the ordinary course of business.

3. Marketing

   All projects are sold by direct company salesmen and independent brokers.

4. Revenue Contribution of Projects to Total Revenues on Sales of Real Estate

		Percentage		
		2009	2010	2011
a.	City & Land Mega Plaza	0.26%	0.42%	0.04%
b.	Pacific Regency	0.21	0.08	1.04
c.	Grand Emerald Tower	82.14	71.72	39.05
d.	Manila Residences Bocobo	5.99	27.78	59.42
e.	Others	11.40	--	0.45
		100.00%	100.00%	100.00%

5. Domestic and Foreign Sales Contribution to Total Sales

	Percentage		
	2009	2010	2011
Sales			
Filipino Citizens	89.03%	81.27%	86.55%
Foreign Citizens	10.97	18.73	13.45
Total Sales	100.00%	100.00%	100.00%

6. Competition

   In the property development industry, the principal methods of competition among the developers are as follows: price; product or the type of development (i.e. high, middle, low-end); service or property management after the project is turned over to the buyers.

   City & Land Developers, Inc. sells its products which consists of condominium projects, to both end-users and investors. City & Land projects are offered at affordable prices. It foresees that the demand for real estate products such as residential units will remain underserved due to: I) continued shift from rural to urban areas; ii) continued increase in number of Overseas Filipino Workers (OFW) who have shown growing propensity for home purchase; and iii) population growth.

   Grand Emerald Tower, a commercial, office and residential condominium is located along Emerald Ave. corner Ruby and Garnet Streets, Ortigas Center, Pasig City. Other condominium project that is quite similar in terms and classifications is Eton Emerald Lofts located at Emerald, Sapphire & Garnet Streets, Ortigas Center. A project of Eton Properties Philippines, Inc.

   Manila Residences Bocobo, a commercial, office and residential condominium is located along J. Bocobo St., Ermita, Manila City. Other condominium project that is quite similar in terms and classifications is 8 Adriatico located along Padre Faura corner Adriatico St., Malate, Manila City. A project of Eton Properties Philippines, Inc.

City and Land Developers, Inc. believes that Grand Emerald Tower and Manila Residences Bocobo are competitive projects because of good location and affordable pricing.

7. Principal Terms and Expiration Dates of All Patents, Trademarks, Copyrights, Licenses, Franchises, Concessions, and Royalty Agreements Held

The Company holds no patents, trademarks, copyrights, licenses, franchises, concessions, and royalty agreements.

8. Customers

City and Land Developers, Inc. has a broad market base and is not dependent upon a single or few customers. It has no single customer that accounts for 20% or more of its sales. Likewise, there are no major existing sales contracts.

9. Purchase of Raw Materials and Supplies

City & Land Developers, Inc. engaged the services of Millennium Erectors Corporation for the civil and architectural works in the development of its on-going projects.

As to the construction materials, City and Land Developers, Inc. has no major existing supply contracts for its projects. The major construction materials like steel bars, cement, etc. are sourced through canvassing and bidding from its list of accredited suppliers. The Company then buys the materials from the lowest bidder.

10. Number of Employees

City and Land Developers, Inc. has a total of 70 employees as of December 31, 2011 classified as follows:

Managerial	1	Administrative	26
Rank & file	69	Operations	44
Total	70	Total	70

The number of employees is expected to increase by 11% within the next 12 months. The Company maintains an organizational framework whereby important management functions as well as administrative tasks are shared within the Cityland group. The Company compensates the group for the actual costs of these services.

The Company gives bonuses to its employees. Also, employees are entitled to vacation and sick leaves and are covered by a retirement plan. All employees are not subject to collective bargaining agreement.

The Company's employees are not on strike or are threatening to strike nor have they been on strike in the past three (3) years.

11. Government Approval of Projects

Projects launched and completed during 2009-2011 are covered by the following permits:

a. Housing and Land Use Regulatory Board
   - Certificate of Registration/License to Sell

b. City/Municipal Building Official / Department of Public Works and Highways
   - Development Permit/Location

- Building Permit
  - excavation
  - sidewalk
  - sanitary
  - electrical
  - mechanical
  - fire
  - civil
- Occupancy Permit
  - electrical
  - mechanical
  - sanitary
  - fire
  - civil

c. Department of Environmental and Natural Resources
- Environmental Compliance Certificate

d. Laguna Lake Development Authority
- Permit to Construct
- Permit to Operate

12. Effect of Existing Government Regulations on the Business

The Company has complied with all the appropriate government regulations prior to the development and marketing of Grand Emerald Tower and Manila Residences Bocobo projects.

13. Amount Spent for Research/Development Activities

There is no amount spent for research and development activities.

14. Cost and Effect of Compliance with Environmental Laws

2011	No payments were made.
2010	Partial payment of ₱17,000 to LAQ Consulting for ECC of North Residences.

15. Transactions with and /or Dependence on Related Parties

Significant transactions with related parties consist of interest bearing cash advances from/to its affiliates.

16. Major Risks Involved in Each of the Businesses of the Company

The Company is primarily engaged in real estate development. Risk factors are:

Refinancing	The Company is primarily engaged in real estate development. Risk factors are: The bigger portion of the Company's borrowings being short-term in nature increase the possibility of refinancing risks. The Company manages such refinancing risks by having a current and acid-test ratio of 2.00:1 and 1.26:1 as of December 31, 2011 from 2.10:1 and 1.20:1, respectively.
Economic	Results of operations is influenced by the general condition of the Philippine economy. Any economic instability or failure to register improved economic performance may adversely affect the Company's operations.
Political	The Company's business like all other businesses may be influenced by the political situation in the country. Any political instability in the future could have a material adverse effect in the Company's business.
Industry	The industry is characterized by boom-bust cyclical pattern exhibited in the past couple of decades where the industry normally goes through years of robust growth following years of slowdown. The industry is still in the boom stage.

The management manages the above risks by conducting assessments of the economic and political situations of the country as well as new developments in the industry. The procedures involve the gathering of information of economic indicators and political events as well as being aware of the new developments in the industry through media, business conferences, economic briefings and other sources.

With this information, the Company is able to assess and manage the risks mentioned above.

Item II. Properties

Investments in real estate properties as of December 31, 2011 are as follows:

Type	Location	Area	Description	Mortgagee / Limitation
1. Land	Roxas Blvd. Cor. Seaside Drive, Brgy. Tambo, Parañaque City	3,154	Lot is located along Roxas Blvd.	--
2. Land	Samar Ave., cor Eugenio Lopez Ave., Quezon City	3,096	Lot is located along Samar Ave.	--
3. Land	EDSA cor. Lanutan Alley, Quezon City	1,661	Lot is located along EDSA, Brgy. Veterans Village.	--
4. Parking	Mega Plaza, Ortigas Center, Pasig City	50 slots	Parking is leased by the tenants and visitors.	--

Ownership

The Company has complete ownership of the above-mentioned properties.

Plan to Purchase

The Company has intentions to acquire property(ies) within the next 12 months depending on the outcome of its negotiation with the prospective seller(s). We are also continuously receiving property offers and at the same time reviewing them but no definite property is identified yet.

Lease Contracts

Leased properties as of December 31, 2011 are as follows:

Projects	Rental Income
Roxas Boulevard property	431,607
Grand Emerald Tower – units	543,851
Mega Plaza – parking	60,607
Vito Cruz properties	80,166
Total	1,116,231

Terms of lease contracts range from 1 month to 1 year.

Renewal Options: Lease contracts are renewable upon written agreement of the parties.

Item III. Legal Proceeding

Angapat Realty vs. CLDI

This is a complaint for injunction and damages with a prayer for preliminary injunction with temporary restraining order filed by Angapat Realty & Development Corporation (“Angapat”) against CLDI to enjoin the corporation from further constructing a billboard that allegedly blocks the view of Angapat’s billboard. Angapat is asking for actual damages in the amount of ₱100,000 a month, exemplary damages in the amount of ₱500,000 and attorney’s fees amounting to ₱250,000. The prayer for preliminary injunction was denied and the case was subsequently archived in an Order dated May 18, 2007. Motion to Revive Case with Motion to Dismiss were granted in an Order dated October 4, 2011.

There are no cases involving unpaid real estate taxes which are material in amount.

Item IV. Submission of Matters to a Vote of Security Holders

There were no matters submitted to a vote of security holders during the fiscal year covered by this report.

PART II – OPERATIONAL AND FINANCIAL INFORMATION

Item V. Market for Registrant's Common Equity and Related Stockholders Matters

A. Cash Dividends Per Share

2011	₱0.14
2010	₱0.05

All cash dividends due during the year were paid.

B. Stock Dividends

The Company declared 20% stock dividends in 2011. All stock dividends declared during the year were distributed.

C. Any Restrictions that may Limit Ability to Pay Dividends or that are likely to do so in the Future

Dividends declared on shares of stocks are payable in cash or in additional shares of stocks. Future dividend payments, if any, will depend on the earnings, cash flow and financial condition of the Corporation and other factors.

D. Stock Prices

		High	Low
2011	First Quarter	1.23	1.08
	Second Quarter	1.78	1.17
	Third Quarter	1.78	1.50
	Fourth Quarter	1.80	1.20
2010	First Quarter	1.25	1.00
	Second Quarter	1.58	1.23
	Third Quarter	1.72	1.32
	Fourth Quarter	1.70	1.31

Note: Prices in 2011 took into account the 20% stock dividends declared to the stockholders of record as of July 14, 2011.

E. Trading Market

The Company's common equity is traded in the Philippine Stock Exchange.

The Corporation has no plans of acquisition, business combination, or other reorganization that will take effect in the near future that involves issuances of securities.

F. Price Information on the Latest Practicable Date

The Company's shares were last traded on March 1, 2012 at ₱1.76 per share.

G. Holders

The number of shareholders of record as of December 31, 2011 was 769.

Top 20 Stockholders of record as of December 31, 2011:

	Name	No. of shares	%
1.	Cityland Development Corporation	336,196,932	49.73
2.	Cityland Incorporated	199,687,842	29.54
3.	PCD Nominee Corporation	30,774,963	4.55
4.	Chua, William T.	14,164,761	2.10
5.	Roxas, Stephen C.	9,214,968	1.36
6.	Cityplans, Inc.	5,877,418	0.87
7.	Shao, Henry	5,238,385	0.77
8.	Liuson, Andrew I.	3,633,403	0.54

9.	Credit and Land Holdings, Incorporated	3,481,627	0.52
10.	Liuson, Grace C.	3,181,036	0.47
11.	Co, Stephen Vincent	2,704,180	0.40
12.	Co, Sharon Valerie	2,704,180	0.40
13.	Co, Stephanie Vanessa	2,704,180	0.40
14.	Lim, Josephine	1,931,558	0.29
15.	Ecclesiastes, Incorporated	1,743,439	0.26
16.	Liuson, Judy	1,530,690	0.23
17.	Gohoc, Josef C.	1,376,809	0.20
18.	Gohoc, Alice	1,352,084	0.20
19.	Gohoc, John	1,352,084	0.20
20.	Gohoc, Benjamin	1,247,954	0.18

H. Recent Sale of Unregistered Securities (including recent issuance of securities constituting an exempt transaction)

There was no sale of any unregistered securities.

The total number of shares issued and outstanding of the Company increased from 563,368,825 to 676,042,298 as a result of the 20% stock dividends distributed on September 9, 2011. Stock dividends are exempted from registration under SRC Rule 10.1-2 (Exempt Transaction Not Requiring Notice).

Item VI. Management's Discussion and Analysis or Plan of Operation

Financial Performance

The Philippine economy as measured by the gross domestic product (GDP) posted a modest 3.7 percent growth in 2011. The slowdown can be attributed to the typhoons and the decline in foreign trade due to the poorly performing U.S economy, the European debt crisis and the Japan earthquake. In addition, political tensions in the Middle East resulted to high oil prices. The government is now pushing for a more robust growth rate in 2012 by increasing tax collection, implementing sound monetary policies and pledging to boost public spending on infrastructure development through public-private partnership. Amidst the economic slowdown, the Company's sales remained stable indicating a sustained demand for condominium projects. At present, low interest rates encouraged availment of loans resulting to investments in real estate properties. The Company projects that sales will further increase with the stable macroeconomic environment and the gradual recovery of the world economy.

On February 2011, the Company completed four months ahead of schedule, Grand Emerald Tower, a 39-storey office, residential and commercial condominium located along Emerald Avenue corner Garnet and Ruby Roads, Ortigas Center, Pasig City. The Company is now selling its remaining unsold units.

The Manila Residences Bocobo, a 34-storey office, commercial and residential condominium located in Jorge Bocobo St., Ermita City is nearing completion and is expected to be completed on June 2013.

Internal sources of liquidity come from sales of condominiums and real estate projects, collection of installment receivables, maturing short-term investments while external sources come from SEC-registered commercial papers and Home Guaranty Corporation's guaranteed promissory notes.

The Company has three prime lots for future development. The latest acquisition is located at EDSA corner Lanutan Alley, Brgy. Veterans Village, Quezon City. The other lots are located along Roxas Boulevard and Samar Ave, Quezon City.

Plan of Operations

Due to the global financial crisis, the Company will continue to maintain a cautious stance in order to continuously achieve a healthy financial position. This will ensure that the development and construction of all its existing projects will be delivered on time or even ahead of its scheduled turnover. The Company will also continue to scout and develop quality projects suited for the middle and working class which will be situated at convenient locations with affordable and flexible payment terms. The Company's projects will be funded through cash generated from operations and issuance of SEC-registered commercial papers and Home Guaranty Corporation's promissory notes. The Company plans to remain liquid in order to avail attractive investment opportunities that may arise in the event of an economic rebound.

The Company's future project is Citystar Residences, a 28-storey commercial and residential condominium situated in a 3,095 square meters property located at Brgy. South Triangle, Quezon City.

Financial Condition/Changes in Financial Condition (2011 vs. 2010)

In 2011, total assets expanded by 16.24% to ₱2.221B, higher by ₱310.40M from the previous year's ₱1.911B. This can be attributed to increase in cash and cash equivalents, installment contracts receivable and real estate property held for future development. Majority of the Company's funds were used for project development resulting to the high completion rates of Manila Residences Bocobo and Grand Emerald Tower. This resulted to the reduction of estimated development cost, consequently increasing installment contracts receivable (net of estimated development cost). The stable cash flow has also enabled the Company to purchase a prime lot and pay cash dividends. Excess funds were shifted to shorter period investments resulting to a reclassification of account. Total liabilities, on the other hand, increased by 10.25% due to increase in accounts payable and accrued expenses.

Total stockholders' equity stood at ₱1.444B, 19.74% higher as compared with 2010 of ₱1.206B. The increase was due to net income of ₱316.98M less cash dividends of ₱78.87.

As a result of the foregoing, the Company's liquidity position remained stable with current and acid test ratio of 2.00:1 and 1.26:1 as compared to 2010 of 2.10:1 and 1.20:1, respectively. Asset and debt ratio improved to 2.86:1 and 0.22:1 as compared with the previous year of 2.71:1 and 0.29:1, respectively.

Financial Condition/Changes in Financial Condition (2010 vs. 2009)

In 2010, total assets expanded by 26.61% to ₱1.911B, higher by ₱401.65M from the previous year's ₱1.509B. This can be attributed to increase in short term cash investments, installment contracts receivable and real estate property held for future development. Majority of the Company's funds were used for project development resulting to high completion rates of Grand Emerald Tower and Manila Residences Bocobo. This resulted to the reduction of estimated development cost consequently increasing installment contracts receivable (net of estimated development cost). The stable cash flow has also enabled the Company to purchase a prime lot and pay cash dividends. Excess funds were channeled to short-term cash investments increasing the account by ₱289.50M. Total liabilities, on the other hand, increased by 30.14% due to increase in accounts payable and accrued expenses and issuances of commercial paper.

Total stockholders' equity stood at ₱1.206B, 24.64% higher as compared with 2009 of ₱967.54M. The increase was due to net income of ₱265.60M less cash dividends of ₱28.17M plus ₱0.93M adjustment in net changes in fair values of available-for-sale investments.

As a result of the foregoing, the Company's liquidity position remained stable with current and acid test ratio of 2.10:1 and 1.20:1 as compared to 2009 of 2.23:1 and 0.88:1, respectively. Asset and debt ratio were recorded at 2.71:1 and 0.29:1 as compared with the previous year of 2.79:1 and 0.30:1, respectively.

Financial Condition/Changes in Financial Condition (2009 vs. 2008)

Total assets amounted to ₱1.509B as compared to ₱1.395B of the previous year. Increase in cash and short term investments was due to sales of the two condominium projects and a prime lot in Manila. The new project has also increased real estate properties for sale but decreased real estate properties held for future development. In addition, estimated development cost and unrealized gross profit likewise increased resulting to the decrease in installment contracts receivables which is presented net of the two aforementioned accounts.

Total liabilities on the other hand slightly increased due to increase in accrued expenses by ₱81.46M, which was partially offset by decrease in loans and notes payable by ₱60.70M.

Total stockholders' equity now stands at ₱967.54M from ₱865.09M as of 2009 and 2008, respectively due to the following: (1) increase in net income of ₱129.50M; (2) decrease by ₱27.38 M due to cash dividends and; (3) increase by ₱0.33M due to changes in fair value of investments of the Company.

As a result of the foregoing, the Company's financial position continues to be healthy with current and acid test ratio of 2.23:1 and 0.88:1 as compared with 2008 of 1.61:1 and 0.35:1, respectively. Debt equity ratio likewise improved to 0.30:1 as compared with 2008 of 0.41:1.

Results of Operation (2011 vs. 2010)

The Company posted an increase of 19.35% in net income amounting to ₱316.98M in 2011, from last year's figure of ₱265.60M, despite the economic slowdown during the year. Grand Emerald Tower which was completed in the first quarter of 2011, generated sales of ₱366.55M, while the fast construction of Manila Residences Bocobo at 96.36%, registered sales of ₱557.80M. In addition, financial income derived from interest from sales of real estate properties reached 167.26M, increasing total revenues by 18.60%.

The Company remained prudent in managing costs and other disbursements during the year. Cost of sales sales remained manageable at ₱595.38M in 2011, as compared to the previous year of ₱513.31M. Operating expenses on the other hand, moved in tandem with sales, which increased due to higher personnel and professional fees. Interest expense on the other hand, increased due to lower capitalized interest resulting from the completion of a project. As a result of the foregoing, the Company ended the year with a higher net income translating to an earnings per share and return on equity of ₱0.47 and 21.95% in 2011, as compared to ₱0.39 and 22.02% last year.

Results of Operation (2010 vs. 2009)

Total revenues reached ₱940.72M exceeding last years' figure of ₱714.45M. Revenue on sales of real estate properties grew by 33.07 % from ₱576.19M in 2009 to ₱766.76M in 2010. Revenue growth was driven by sales and high project completion rate of Grand Emerald Tower reaching 97.52%, while Manila Residences Bocobo, launched last year reached 38.10%. Revenue on sales of Grand Emerald Tower continued to contribute a significant 71.72% to annual sales since its launching in 2006. While Manila Residences Bocobo accounted for a bigger share of 27.78% as compared to the previous year of 5.99%. In addition, financial income which is substantially composed of interest income from sale of real estate properties increased by 25.60% accounting for 17.76% of total revenues.

On the cost side, higher revenues increased cost of sales and provision for income tax. Operating expenses on the other hand decreased due to lower personnel expenses. Altogether net income for the year showed a significant improvement from ₱129.50M to ₱265.60M, translating to a 105.09% increase. With a better net income reported, earnings per share and return on equity improved dramatically from ₱0.19 and 13.38% in 2009 to ₱0.39 and 22.02% in 2010.

Results of Operation (2009 vs. 2008)

The Company posted a 97.43% increase in revenue on sales amounting to ₱576.19M outperforming last year's figure of ₱291.85M despite the economic and business uncertainties during the year. Net income reached ₱ 129.50M, higher by 30.13% from ₱99.52M in 2008. Increase in revenue on sales can be attributed to higher sales and percentage of completion of Grand Emerald Tower reaching 75.79%. This project is in full blast construction and is expected to reach 100% in June 2011. In addition, the launching of Manila Residences Bocobo was well received and contributed modestly to the Company's revenues. Moreover, financial income which is substantially composed of interest on sales of real estate properties reached ₱133.00M in 2009 as compared with ₱113.94M in 2008, accounting for 18.62% and 27.62% , respectively of total revenues.

On the cost side, cost of sales increased by 107%, while operating expenses increased by 69.02% due to increase in sales. The Company's debt payment resulted to the decline of financial expenses by 88.21%.

Altogether, net income after tax for the year stood at ₱129.50M and translated to an improved earnings per share and return on equity of ₱0.19 and 13.38% in 2009 as compared with ₱0.15 and 11.51% in 2008.

Financial Ratios

	2011	2010	2009
Earnings per share	₱0.47	₱0.39	₱0.19
Return on equity	21.95%	22.02%	13.38%
Interest rate coverage ratio	36.95	493.80	864.52
Asset to equity ratio	1.54	1.59	1.56
Debt to equity ratio	0.22	0.29	0.30
Current ratio	2.00	2.10	2.23
Acid – test ratio	1.26	1.20	0.88

* Manner of Calculation

Earnings Per Share	=	Net Income / Average Number of Shares Issued and Outstanding
Return on Equity	=	Net Income / Total Stockholders' Equity
Interest Rate Coverage Ratio	=	Net Income before Tax + Interest Expense + Depreciation / Interest Expense
Asset to Equity Ratio	=	Total Assets / Total Stockholders' Equity (net of Net Changes in Fair Value of Investments)
Debt to Equity Ratio	=	Loans and Notes Payable / Total Stockholders' Equity (net of Net Changes in Fair Value of Investments)
Current Ratio	=	Total Current Assets / Total Current Liabilties
Acid-Test Ratio	=	Cash & Cash Equivalents + Short-term Investments + Available for Sale Investment + Installment Contract Receivable + Other Receivables / Total Current Liabilities

1. Any Known Trends, Events or Uncertainties (material impact on liquidity)

   There is no known trends, events, or uncertainties that has a material effect on liquidity.

2. Internal and External Sources of Liquidity

   Internal sources come from sales of condominium and real estate projects, collection of installment receivables and maturing short-term investments. External sources come from commercial papers and promissory notes.

3. Any Material Commitments for Capital Expenditures and Expected Sources of Funds of such Expenditures

   The amount of ₱202.51 million as of December 31, 2011 representing the cost to complete the development of real estate projects sold will be sourced through:

   a. Sales of condominium and real estate projects
   b. Collection of installments receivable
   c. Maturing short-term investments
   d. Issuance of commercial papers and promissory notes

4. Any Known Trend or Events or Uncertainties (Material Impact on Net Sales or Revenues or Income)

   There is no known trend, event, or uncertainties that has a material effect on the net sales, revenues, or income.

5. Any Significant Elements of Income or Loss that did not arise from Registrant's Continuing Operations

   There is no significant element of income or loss that did not arise from registrant's continuing operations.

6. Any Known Trends or Events or Uncertainties (Direct or Contingent Financial Obligation)

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

7. Any Known Trends or Events or Uncertainties (Material off-balance sheet transactions, arrangements, obligations and other relationships)

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

8. Causes for any Material Changes from Period to Period in One or More Lines of the Registrant's Financial Statements

   Financial Condition (2011 vs 2010)

   a. Increase in Cash and Cash Equivalents was due increase in net cash flows from operating activities and re-investment of funds to shorter period.
   b. Decrease in Short-term Cash Investments was due to maturity.
   c. Increase in Installment Contracts Receivable (net) was due to lower estimated development cost and unrealized gross profit of uncompleted units, which were deducted from this account.
   d. Increase in Other Receivables was due to real estate taxes and other expenses chargeable to clients.
   e. Decrease in Real Estate Properties for sale was due to sales.
   f. Increase in Real Estate Properties held for future development was due to purchase of a lot.

g. Decrease in Other Assets was due to refund of electric meter deposits.
h. Increase in Accounts Payable and Accrued Expenses was due to accrual of development costs and registration expenses.
i. Decrease in Notes and Loans Payable was due to maturity of commercial papers.
j. Decrease in Income Tax Payable was due to decrease in taxable income.
k. Increase in Deferred Tax Liabilities was due to higher accounting income as compared with taxable income.
l. Increase in Capital Stock was due to 20% stock dividends.
m. Increase in Retained Earnings was due to net income net of dividends.
n. Increase in Sales of Real Estate was due to sales and high completion rate of the projects.
o. Increase in Rent Income was due to increase in available units for lease.
p. Decrease in Other Income was due to decrease in miscellaneous income.
q. Increase in Cost of Sales was due to increase in sales.
r. Increase in Operating Expenses was due to higher personnel expenses and professional fees.
s. Increase in Financial Expenses was due to lower capitalized interest.
t. Decrease in Provision for tax was due to lower deferred income tax.

<u>Financial Condition (2010 vs 2009)</u>

a. Decrease in Cash and Cash Equivalents was due to purchase of property and investment in short term cash investments.
b. Increase in Short-term Cash Investments was due to sales and collection of installment contract receivables.
c. Increase in Available-for-sale Investments was due to increase in market value of stocks.
d. Increase in Installment Contracts Receivable (net) was due to lower estimated development cost and unrealized gross profit of uncompleted units, which were deducted from this account.
e. Increase in Other Receivables was due to higher accrued interest and retention from cash sales.
f. Increase in Real Estate Properties held for future development was due to purchase of a lot.
g. Increase in Other Assets was due to increase in electric meter deposits.
h. Increase in Accounts Payable and Accrued Expenses was due to accrual of development costs.
i. Increase in Notes and Loans Payable was due to issuance of commercial papers.
j. Increase in Income Tax Payable was due to increase in taxable income.
k. Increase in Deferred Tax Liabilities was due to higher accounting income as compared with taxable income.
l. Increase in Capital Stock was due to 20% stock dividends.
m. Increase in Net Changes in Fair Value of Investments was due to recognition of impairment loss on market value of stocks.
n. Increase in Retained Earnings was due to net income net of dividends.
o. Increase in Sales of Real Estate was due to the sales and high completion rate of the projects.
p. Increase in Financial Income was due to increase in interest income from sale of real estate properties.
q. Increase in Other Income was due to increase in other income from scrap and other miscellaneous income.
r. Increase in Cost of Sales was due to increase in sales.
s. Decrease in Operating Expenses was due to lower personnel expenses.
t. Increase in Financial Expenses was due to higher loan balance.
u. Increase in Provision for Income Tax was due to higher revenues.

<u>Financial Condition (2009 vs 2008)</u>

a. Increase in Cash and Cash Equivalents was due to sales and collection of receivables.
b. Increase in Available-for-sale Investments was due to increase in market value of stocks.
c. Increase in Short-term Cash Investments was due to placements.
d. Decrease in Installment Contracts Receivable (net) was due to higher estimated development cost and unrealized gross profit of uncompleted units, which were deducted from this account.
e. Increase in Other Receivables was due to higher accrued interest and retention from cash sales.
f. Increase in Real Estate Properties for Sales (net) and decrease in Real Estate Properties for Future Development was due to the launching of a new project in January 2009.
g. Decrease in Real Estate Properties under Lease-net was due to sale of a property.
h. Increase in Accounts Payable and Accrued Expenses was due to accrual of development costs.
i. Decrease in Loans and Notes Payable was due to payment.
j. Decrease in Income Tax Payable was due to higher prepaid taxes.

k. Increase in Capital Stock was due to 20% stock dividends.
l. Increase in Net Changes in Fair Value of Investments was due to increase in market value of stocks.
m. Increase in Retained Earnings was due to net income net of dividends.
n. Increase in Sales of Real Estate was due to the sales of the new project.
o. Increase in Financial Income was due to increase in interest income from sale of real estate properties.
p. Decrease in Rent Income was due to termination of lease contracts.
q. Decrease in Other Income was due to decrease in other income from scrap and other miscellaneous income.
r. Increase in Cost of Sales was due to increase in sales.
s. Increase in Operating Expenses was due to higher sales.
t. Decrease in Financial Expenses was due to lower loan balance.
u. Increase in Provision for Income Tax was due to higher revenues.

Results of Operations (2011 vs. 2010)

a. Increase in Sales of Real Estate was due to sales and high completion rate of the projects.
b. Increase in Rent Income was due to increase in available units for lease.
c. Decrease in Other Income was due to decrease in miscellaneous income.
d. Increase in Cost of Sales was due to increase in sales.
e. Increase in Operating Expenses was due to higher personnel expenses and professional fees.
f. Increase in Financial Expenses was due to lower capitalized interest.
g. Decrease in Provision for tax was due to lower deferred income tax.

Results of Operations (2010 vs. 2009)

a. Increase in Sales of Real Estate was due to the sales and high completion rate of the projects.
b. Increase in Financial Income was due to increase in interest income from sale of real estate properties.
c. Increase in Other Income was due to increase in other income from scrap and other miscellaneous income.
d. Increase in Cost of Sales was due to increase in sales.
e. Decrease in Operating Expenses was due to lower personnel expenses.
f. Increase in Financial Expenses was due to higher loan balance.
g. Increase in Provision for Income Tax was due to higher revenues.

Results of Operations (2009 vs. 2008)

a. Increase in Sales of Real Estate was due to the sales of the new project.
b. Increase in Financial Income was due to increase in interest income from sale of real estate properties.
c. Decrease in Rent Income was due to termination of lease contracts.
d. Decrease in Other Income was due to decrease in other income from scrap and other miscellaneous income.
e. Increase in Cost of Sales was due to increase in sales.
f. Increase in Operating Expenses was due to higher sales.
g. Decrease in Financial Expenses was due to lower loan balance.
h. Increase in Provision for Income Tax was due to higher revenues.

9. Information on Independent Auditor

	2011	2010
Audit and audit-related Fees	264,000	252,000
Tax Fees	--	--
All other fees	--	--
Total	264,000	252,000

The Audit Committee's approval policies and procedures consist of:

a. Discussion with the external auditors of the Audited Financial Statements.

b. Recommendation to the Board of Directors for the approval and release of the Audited Financial Statements.

Item VII. Financial Statements

The financial statements and schedules listed in the accompanying Index to Financial Statements and Supplementary Schedules (Page 27) are filed as part of this Form 17-A (pages 28 to 85).

Item VIII. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

There is no change in and disagreements with accountants on accounting and financial disclosures.

PART III – CONTROL AND COMPENSATION INFORMATION

Item IX. Directors and Executive Officers

A. Identify Directors and Executive Officers:

Names	Citizenship	Position	Period of Service	Term of Office	Age	Family Relationship
Sabino R. Padilla, Jr.	Filipino	Chairman of the Board / Director	1990 to present	1	76	--
Stephen C. Roxas	Filipino	Chairman of Exec. Committee / Director	07/01/97 to present	1	70	Husband of Helen Roxas, brother of Grace Liuson & Alice Gohoc
Andrew I. Liuson	Filipino	Vice Chairman of Board / Director	01/16/08 to present	1	67	Husband of Grace Liuson
Grace C. Liuson	Filipino	Deputy Vice Chairman of the Board / Director	02/01/11 to present	1	66	Wife of Andrew Liuson and sister of Stephen Roxas & Alice Gohoc
Josef C. Gohoc	Filipino	President / Director	02/01/11 to present	1	42	Nephew of Stephen Roxas and Grace Liuson; son of Alice Gohoc
Peter S. Dee	Filipino	Independent Director	11/22/04 to present	1	70	--
Cesar E.A. Virata	Filipino	Independent Director	06/09/09 to present	1	81	--
Helen C. Roxas	Filipino	Director	1989 to present	1	62	Wife of Stephen Roxas
Alice C. Gohoc	Filipino	Director	1991 to present	1	69	Sister of Stephen Roxas and Grace Liuson; mother of Josef Gohoc
Rufina C. Buensuceso	Filipino	Executive Vice President	02/01/11 to present	--	62	--
Emma A. Choa	Filipino	Senior Vice Pres. / Treasurer	02/01/11 to present	1	51	--
Eden F. Go	Filipino	Vice President	01/16/08 to present	1	59	--
Rudy Go	Filipino	Vice President	08/16/07 to present	1	52	--
Melita M. Revuelta	Filipino	Vice President	01/16/08 to present	1	53	--
Romeo E. Ng	Filipino	Vice President	01/10/05 to present	1	50	--
Melita L. Tan	Filipino	Vice President	02/16/04 to present	1	51	--
Josie T. Uy	Filipino	Vice President – Manila Branch	02/16/04 to present	1	57	--
Ma. Lilia T. De Guzman	Filipino	Corporate Secretary	07/15/97 to present	--	53	--

1. Atty. Sabino R. Padilla, Jr.

Name of Office	Position	Duration
Present position in other private institutions:		
Padilla Law Office	Partner	Past 5 years up to present
Apostolic Nunciature to the Phils.	Legal Counsel	- do -
Catholic Bishops Conference of the Philippines (CBCP) and various archdiocese, dioceses, & prelatures	Legal Counsel	- do -
Assoc. of Major Religious Superiors of the Phil.	Legal Counsel	- do -
Philippine Association of Religious Treasurers	Legal Counsel	- do -
Grace Christian College	Legal Counsel	- do -
Various Catholic religious orders, societies, & congregations for men and women (Dominicans, Augustinian, Franciscan, Columbans, Religios of the Virgin Mary, Daughters of Charity, Carmelite Sisters)	Legal Counsel	- do -
Bank of the Philippine Islands and its subs.	Legal Counsel	- do -
Ayala Land, Inc	Legal Counsel	- do -
State Investment Trust, Inc	Legal Counsel	- do -
Stateland Investment, Inc	Chairman of the Board / Legal Counsel	- do -
Mother Seton Hospital	Legal Counsel	- do -
Our Lady of Lourdes Hospital	Legal Counsel	- do -
St. Paul Hospital, Cavite	Legal Counsel	- do -
Various Catholic universities, colleges, and schools	Legal Counsel	- do -
Various Catholic universities, colleges, schools and foundations	Trustee	- do -
Cityland Development Corporation	Director	2006 to present

2. Stephen C. Roxas

Name of Office	Position	Date Assumed
Present position in other private institutions:		
Cityland Development Corporation	Director / Chairman of Excom	July 1997
Cityland, Inc.	Director / Chairman of the Board	July 1997
Cityplans, Inc	Director / President	October 1988
Cityland Asset-Backed Securities (SPC), Inc.	Director / Chairman	December 2005

3. Andrew I. Liuson

Name of Office	Position	Date Assumed
Present position in other private institutions:		
Cityland Development Corporation	Director / Vice Chairman of the Board	January 16, 2008
Cityland, Inc.	Director / Vice Chairman of the Board	January 16, 2008
Cityplans, Inc	Director / Chairman of the Board	September 2006
Cityland Asset-Backed Securities (SPC), Inc.	Director / President	December 2005
Past position in other private institutions:		
Cityland Development Corporation	Director / President	July 1997-Feb. 14, 2008
Cityland, Inc.	Director / President	July 1997-Feb. 14, 2008

4. Grace C. Liuson

Name of Office	Position	Date Assumed
Present position in other private institutions:		
Cityland Development Corporation	Director / Deputy Vice Chairman of the Board	February 1, 2011
Cityland, Inc.	Director / Deputy Vice Chairman of the Board	February 1, 2011
Cityplans, Inc	Director / Exec. Vice President / Treasurer	September 2006
Cityland Asset-Backed Securities (SPC), Inc.	Director / Exec. Vice President / Treasurer	December 2005
Past position in other private institutions:		
Cityland Development Corporation	President	Feb. 2008 – Jan. 2011
Cityland, Inc.	President	Feb. 2008 – Jan. 2011

5. Josef C. Gohoc

Name of Office	Position	Date Assumed
Present position in other private institutions:		
Cityland Development Corporation	Director / President	February 1, 2011
Cityland, Inc.	Director / President	February 1, 2011
Cityland Asset-Backed Securities (SPC), Inc.	Director	December 2005
Past position in other private institutions:		
Cityland Development Corporation	Senior Vice Pres. / Treasurer	Jan. 2008 – Jan. 2011 / Jun. 2008 – Jan. 2011
Cityland, Inc.	Senior Vice Pres. / Treasurer	Jan. 2008 – Jan. 2011 / Jun. 2008 – Jan. 2011

6. Peter S. Dee

Name of Office	Position	Duration
Present position in other private institutions:		
Asean Finance Corporation, Ltd	Director	Past 5 years up to present
Alpolac, Inc	Director	- do -
Bankers' Association of the Philippines	Director	- do -
China Banking Corp	Director / President and CEO	- do -
CBC Forex Corporation	Director / President	- do -
CBC Insurance Brokers, Inc	Chairman	- do -
CBC Properties & Computer Center Inc	Director / President	- do -
GDSK Development Corp	Director	- do -
Hydee Mgt. & Resource Corp	Director	- do -
Kemwerke, Inc	Director	- do -
Silver Falcon Insurance Agency	Director	- do -
Cityplans, Incorporated	Independent Director	- do -
Cityland Development Corporation	Independent Director	2006 to present
Cityland, Inc.	Independent Director	November 2004

7. Cesar E.A. Virata

Name of Office	Position	Date Assumed
Present position in other private institutions:		
C. Virata & Associates, Inc.	Chairman / President	1986 – Present
Rizal Commercial Banking Corp.	Director / Corporate Vice Chairman	1995 – Present
Malayan Insurance Co., Inc.	Director	2005 – Present
RCBC Realty Corporation	Director	1998 – Present
RCBC Forex Broker Corp.	Chairman / Director	1999 – Present
Luisita Industrial Park	Director	1999 – Present
Business World Publishing Corp.	Independent Director	1989 – Present

Belle Corporation	Independent Director	1996 – Present
Mapua Institute of Technology	Director	1999 – Present
YGC Corporate Services, Inc.	Director	2001 – Present
Pacific Fund, Inc.	Chairman / Director	1999 – Present
RCBC Land, Inc.	Director / President	1999 – Present
RCBC Savings Bank	Director	1999 – Present
Bankard, Inc.	Chairman / Director	2001 – Present
AY Foundation, Inc	Director	1997 – Present
RCBC International Finance, Ltd. Hongkong	Director	2002 – Present
Niyog Property Holdings, Inc.	Director	2005 – Present
UEM – Mara Philippines Corporation	Director	2009 – Present
Lopez Holdings Corporation	Independent Director	2009 – Present
Great Life Financial Assurance	Director	1997 – Present

8. Helen C. Roxas

Name of Office	Position	Date Assumed
Present position in other private institutions:		
Cityland Development Corporation	Director	1978
Cityland, Inc.	Director	1997
Cityplans, Inc	Director	October 1988
Cityland Asset-Backed Securities (SPC), Inc.	Director	December 2005

9. Alice C. Gohoc

Name of Office	Position	Date Assumed
Present position in other private institutions:		
Cityland Development Corporation	Director	September 1996
Cityland, Inc.	Director	September 2001
Cityland Asset-Backed Securities (SPC), Inc.	Director	December 2005

10. Rufina C. Buensuceso

Name of Office	Position	Date Assumed
Present position in other private institutions:		
Cityland Development Corporation	Executive Vice President	February 1, 2011
Cityland, Inc.	Executive Vice President	February 1, 2011
Cityplans, Inc	Comptroller	September 1990

11. Emma A. Choa

Name of Office	Position	Date Assumed
Present position in other private institutions:		
Cityland Development Corporation	Senior Vice Pres. / Treasurer	February 2011
Cityland, Inc.	Senior Vice Pres. / Treasurer	February 2011

12. Eden F. Go

Name of Office	Position	Date Assumed
Present position in other private institutions:		
Cityland Development Corporation	Vice President	January 2008
Cityland, Inc.	Vice President	January 2008

13. Rudy Go

Name of Office	Position	Date Assumed
Present position in other private institutions:		
Cityland Development Corporation	Vice President	August 2007
Cityland, Inc.	Vice President	August 2007

14. Melita M. Revuelta

Name of Office	Position	Date Assumed
Present position in other private institutions:		
Cityland Development Corporation	Vice President	January 2008
Cityland, Inc.	Vice President	January 2008

15. Romeo E. Ng

Name of Office	Position	Date Assumed
Present position in other private institutions:		
Cityland Development Corporation	Vice President	January 2005
Cityland, Inc.	Vice President	January 2005

16. Josie T. Uy

Name of Office	Position	Date Assumed
Present position in other private institutions:		
Cityland Development Corporation	Vice President – Manila Br.	February 2004
Cityland, Inc.	Vice President – Manila Br.	February 2004

17. Melita L. Tan

Name of Office	Position	Date Assumed
Present position in other private institutions:		
Cityland Development Corporation	Vice President	August 2008
Cityland, Inc.	Vice President	August 2008

18. Ma. Lilia T. De Guzman

Name of Office	Position	Date Assumed
Present position in other private institutions:		
Cityland Development Corporation	Asst. Corporate Secretary	July 1997
Cityplans, Inc	Corporate Secretary	August 2002

B. Identify Significant Employees

There is no identifiable significant employee because the Company expect each employee to do his/her share in achieving the corporation's set goal.

C. Involvement in Certain Legal Proceedings of Any of the Directors and Executive Officers, During the past five years

During the past five years, there is no involvement in certain legal proceedings of any of the directors and executive officers.

Item X. Executive Compensation

Executive Compensation Summary Table

Name	Position	2012 (estimate)	2011	2010
Josef C. Gohoc	President effective Feb. 1, 2011	x	x	x
Grace C. Liuson	President up to Jan. 31, 2011			x
Winefreda R. Go	AVP – Purchasing	x	x	x
Jocelyn F. Kwong	Senior Manager	x	x	x
Ireneo F. Javalera	Manager	x	x	x
Alrolnik M. Fernando	Manager	x	x	
Salaries		4,468,980.00	4,301,000.00	3,323,478.00
Bonus		1,130,393.00	8,536,716.00	3,929,152.00
Others		80,166.00	458,042.00	1,112,217.55
Total (Top 5)		**5,679,539.00**	**13,295,758.00**	**8,364,847.55**
Salaries		4,784,619.00	4,365,419.00	4,692,956.00
Bonus		1,273,468.00	2,835,828.00	3,556,634.00
Others		11,061,994.25	12,284,156.25	5,144,207.97
Total all officers & directors as a group unnamed		**17,120,081.25**	**19,485,403.25**	**13,393,797.97**

The Company has no standard arrangement with regards to the remuneration of its directors. In 2011 and 2010, the Board of Directors received a total of ₱10,945,379.25 and ₱4,157,876.52 respectively, including a ₱14,400.00 per annum for each director for the board meetings attended as part of the compensation under all officers and directors as a group unnamed. Moreover, the Company has no standard arrangement with regards to the remuneration of its existing officers aside from the compensation received nor any other arrangement with employment contracts, compensatory plan and stock warrants or options.

Item XI. Security Ownership of Certain Beneficial Owners and Management

A. Security Ownership of Record and Beneficial Owners owning more than 5% of the outstanding capital stock of the Registrant as of December 31, 2011:

Title of Class	Name, Address & Relationship with Issuer	Citizenship	No. of shares held	Percentage
Unclassified common shares	Cityland Development Corporation 2F Cityland Condo 10 Tower 1 156 H.V. Dela Costa St., Ayala North Makati City - principal stockholder -	Filipino	336,196,932	49.73%
Unclassified common shares	Cityland Incorporated 2F Cityland Condo 10 Tower 1 156 H.V. Dela Costa St., Ayala North Makati City - principal stockholder -	Filipino	199,687,842	29.54%

1. The Board of Directors directs the voting or disposition of shares held by Cityland Development Corporation: (Beneficial Owners)

Name	Position
Washington SyCip	Chairman of the Board
Stephen C. Roxas	Chairman of the Executive Committee
Andrew I. Liuson	Director / Vice Chairman of the Board
Grace C. Liuson	Director / Deputy Vice Chairman of the Board
Josef C. Gohoc	Director / President
Peter S. Dee	Independent Director
Sabino R. Padilla, Jr.	Director
Alice C. Gohoc	Director
Helen C. Roxas	Director

2. The following directors direct the voting or disposition of the shares held by Cityland, Inc.: (Beneficial Owners)

Name	Position
Stephen C. Roxas	Chairman of the Board
Andrew I. Liuson	Vice Chairman of the Board
Grace C. Liuson	Deputy Vice Chairman of the Board
Josef C. Gohoc	President

B. No change of control in the corporation has occurred since the beginning of its last fiscal year.

C. Security Ownership of Management as of December 31, 2011:

Title of Class	Name	Amount	Nature of Ownership	Citizenship	Percentage
Directors:					
Unclassified common shares	Atty. Sabino R. Padilla, Jr. Director / Chairman of the Board	338,019	Direct	Filipino	0.050%
Unclassified common shares	Stephen C. Roxas Director / Chairman of Excom	11,074,930	Direct / Indirect	Filipino	1.638%
Unclassified common shares	Andrew I. Liuson Director / Vice Chairman of Board	8,549,039	Direct / Indirect	Filipino	1.265%
Unclassified common shares	Grace C. Liuson Director / Deputy Vice Chairman of the Board	3,181,036	Direct	Filipino	0.470%
Unclassified common shares	Josef C. Gohoc Director / President	1,376,809	Direct	Filipino	0.204%
Unclassified common shares	Peter S. Dee Independent Director	996,677	Direct	Filipino	0.147%
Unclassified common shares	Cesar E.A. Virata Independent Director	46,529	Direct	Filipino	0.007%
Unclassified common shares	Helen C. Roxas Director	67,600	Direct	Filipino	0.010%
Unclassified common shares	Alice C. Gohoc Director	2,704,168	Direct / Indirect	Filipino	0.400%
Executive Officers:					
Unclassified common shares	Rufina C. Buensuceso Executive Vice President	22,689	Direct	Filipino	0.003%
Unclassified common shares	Emma A. Choa Senior Vice President / Treasurer	277,901	Direct / Indirect	Filipino	0.041%
Unclassified common shares	Eden F. Go Vice President	138,834	Direct	Filipino	0.020%
Unclassified common shares	Rudy Go Vice President	138,833	Direct	Filipino	0.020%
Unclassified common shares	Melita M. Revuelta Vice President	130,026	Direct / Indirect	Filipino	0.019%
Unclassified common shares	Romeo E. Ng Vice President	293,895	Direct / Indirect	Filipino	0.043%
Unclassified common shares	Melita L. Tan Vice President	57,710	Direct	Filipino	0.008%
Unclassified common shares	Josie T. Uy Vice President – Manila Branch	57,710	Direct	Filipino	0.008%
Unclassified common shares	Atty. Ma. Lilia T. De Guzman Corporate Secretary	28,568	Direct	Filipino	0.004%

Note: The above security ownership of management consists of unclassified common shares amounting to ₱29,480,973 which is equivalent to 4.36%.

D. The Corporation knows no person holding more than 5% of common shares under a voting trust or similar agreement.

Item XII. Certain Relationships and Related Transactions

Significant transactions with related parties consist of interest-bearing cash advances from/to its affiliates.

PART IV – CORPORATE GOVERNANCE

Item XIII. Compliance with Leading Practices on Corporate Governance

Pursuant to the Securities and Exchange Commission (SEC) 2009 Revised Code of Corporate Governance, Institute of Corporate Directors (ICD) 2010 Corporate Governance Scorecard for Publicly-Listed Companies and the Philippine Stock Exchange, Inc. (PSE) 2010 Corporate Governance Guidelines for Listed Companies, City & Land Developers, Inc.'s Board of Directors and Management continuously aim to further strengthen the Company's commitment to good governance.

The corporate governance evaluation system employed by the Corporation is through a periodic self-rating system based on the criteria on the leading practices and principles on good governance implemented on an annual basis.

The Company has no major deviations from the Company's Manual of Corporate Governance (including a disclosure of the name and position of the persons involved and sanctions imposed on said individual) that requires sanctions.

The Board and management of the Company, to ensure high standards on corporate governance practices will come up with the necessary actions/ procedures based on the outcome of the periodic self-rating system.

Corporate Governance Structure

The Company's commitment to good corporate governance is primarily structured in the Company's Articles of Incorporation and By-Laws. The Company also has a Manual on Corporate Governance which shall institutionalize the principles of good corporate governance in the entire organization.

Board Governance

The Board of Directors is primarily responsible for the governance of the Company. The Board sets the policies for the accomplishment of the corporate objectives and provides an independent check on Management.

The Board is composed of nine (9) members who are elected by the stockholders. It has two (2) independent directors that constitute twenty percent (20%) of the members of the Board. The Board members hold office for one year and until their successors are elected and qualified in accordance with the By-Laws of the Company.

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

It is the Board’s responsibility to foster the long-term success of the Corporation, and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the best interests of its stockholders.

The Board formulates the Company’s vision, mission, strategic objectives, policies and procedures that shall guide its activities, including the means to effectively monitor Management’s performance.

Independent Directors

The Company defines an independent director as a person other than an officer or employee of the corporation, its parent or subsidiaries, or any other individual having a relationship with the corporation, which would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

Chairman and Chief Executive Officer

The roles of Chairman and CEO are separated to foster an appropriate balance of power, increased accountability and better capacity for independent decision-making by the Board.

The Chairman of the Board is Atty. Sabino R. Padilla, Jr. Mr. Josef Gohoc, on the other hand is the appointed President and CEO of the Company.

Board Remuneration

As embodied in the Company's amended By-Laws, the Directors shall be entitled to compensation, reasonable per diems, and other benefits as such director, provided the same shall not exceed the limits set by the Corporation Code.

The Board remuneration for the years 2011 and 2010 are presented on Page 15, Item X. Executive Compensation of this annual report.

Corporate Secretary

A Corporate Secretary is appointed by the Board who will be responsible for the safekeeping and preservation of the integrity of the minutes of the Board and its committees, as well as other official records of the Company. Atty. Ma. Lilia T. De Guzman is the duly appointed Corporate Secretary of City & Land Developers, Inc.

Attendance of the Board of Directors

For the year 2011, the Board of Directors held a total of seventeen (17) meetings. Below is the attendance of the Board members:

		No. of Meetings Attended / Held		
	Position	Regular	Special	Total
Atty. Sabino R. Padilla, Jr.	Chairman	2/2	14/15	16/17
Dr. Andrew I. Liuson	Vice Chairman of the Board	2/2	13/15	15/17
Mr. Stephen C. Roxas	Member	2/2	15/15	17/17
Mrs. Grace C. Liuson	Deputy Vice Chairman of the Board	2/2	14/15	16/17
Mr. Peter S. Dee	Member / Independent	2/2	13/15	15/17
Mr. Cesar E.A. Virata	Member / Independent	2/2	12/15	14/17
Mrs. Alice C. Gohoc	Member	2/2	14/15	16/17
Mrs. Helen C. Roxas	Member	2/2	14/15	16/17
Mr. Josef C. Gohoc	Member	2/2	15/15	17/17

Board Committees

The Board constitutes the proper committees to assist in good corporate governance. These committees are the Nomination Committee, Compensation and Remuneration Committee and the Audit Committee.

Nomination Committee

The Nomination Committee is composed of four (4) members and one of whom is an independent director. It has for its main function the review and evaluation of the qualifications of all persons nominated to the Board and other appointments that require Board approval, and assessment of the effectiveness of the Board's processes and procedures in the election or replacement of directors.

For the year 2011, the Nomination Committee held one (1) meeting for the evaluation of the persons nominated to the Board for the 2011 annual stockholders' meeting. Below is the attendance of the members of the Nomination Committee:

	Position	No. of Meetings Attended / Held
Dr. Jesus Go	Chairman	1 / 1
Mr. Peter S. Dee	Member / Independent	1 / 1
Mr. Stephen C. Roxas	Member	1 / 1
Dr. Andrew I. Liuson	Member	1 / 1

Compensation and Remuneration Committee

The Compensation and Remuneration Committee is composed of three (3) members with an independent director as the chairman. This committee establishes a formal and transparent procedure for developing a policy on remuneration of directors and officers to ensure that their compensation is consistent with the Corporation's culture, strategy and the business environment in which it operates.

For the year 2011, the Compensation and Remuneration Committee held two (2) meetings. Below is the attendance of the members of the Compensation and Remuneration Committee:

	Position	No. of Meetings Attended / Held
Mr. Peter S. Dee	Chairman / Independent	2 / 2
Mr. Stephen C. Roxas	Member	2 / 2
Dr. Andrew I. Liuson	Member	1 / 2

Audit Committee

The Audit Committee consists of three (3) directors with an independent director as the chairman.

The Audit Committee's main function is to assist the Board in the performance of its oversight responsibility for the financial reporting process, system of internal control, audit process, and monitoring of compliance with applicable laws, rules and regulations.

For the year 2011, the Audit Committee held a total of four (4) meetings. Below is the attendance of the members of the Audit Committee:

	Position	No. of Meetings Attended / Held
Mr. Peter S. Dee	Chairman / Independent	4 / 4
Mrs. Grace C. Liuson	Member	4 / 4
Mrs. Alice C. Gohoc	Member	4 / 4

Audit Committee Report on *Internal Control, Accountability and Audit*

The Board is primarily accountable to the stockholders of the Company. It should provide them with a balanced and comprehensible assessment of the corporation's performance, position and prospects on a quarterly basis, including interim and other reports that could adversely affect its business, as well as reports to regulators that are required by law.

The Audit Committee in the performance of its oversight functions, provides the Board with a review and evaluation of the organizational and operational controls.

The Management, under the supervision of the Audit Committee formulates the rules and procedures in financial reporting and control.

The Audit Committee also provides oversight to the internal and external audit functions and ensures that the internal and external auditors act independently from each other.

Internal Audit and Control

An internal audit function is established by the Board which is a separate unit in the Company and overseen by the Audit Committee and the Management. This reasonably assures the Board, Management and stockholders that its key organizational and operational controls are faithfully complied with.

The Internal Audit Department submits an annual internal audit plan to the Audit Committee, subject to approval, to ensure its conformity with the objectives of the Corporation. It also reports to the Audit Committee and Management the results of their review of the organizational and operational controls in conformity with the approved audit plan every quarter of the year.

The internal audit, control and compliance system for the year 2011 is evaluated to be sound, in place and working effectively as attested by the Management through its President and the Internal Audit Department head.

External Audit

The Audit Committee assists the Board in the recommendation to the stockholders of the proposed external auditors duly accredited by the SEC who shall undertake an independent audit of the corporation. It ensures the competence of the external auditors and provides oversight over them.

Prior to the commencement of the audit, the Audit Committee discuss with the external auditor the nature, scope and expenses of the audit to ensure compliance with laws and regulations and the integrity of financial reporting.

The financial statements duly audited by the external auditors were presented for review of the Audit Committee before recommendation for approval of the Board of directors.

The Company's principal accountant and external auditor is the accounting firm of SyCip, Gorres, Velayo & Co. (SGV). Ms. Aileen L. Saringan is the Partner-in-charge for the 2011 audit of the financial statements.

For calendar year 2012, SyCip, Gorres & Velayo Co. is recommended by the Audit Committee to the Board for re-appointment as external auditors subject to the stockholders' ratification in the upcoming annual stockholders' meeting.

Financial Report Review

For the year 2011, the Audit Committee reviewed the reports submitted by the internal and external auditors including the quarterly, half-year and annual financial statements before their submission to the Board with particular focus on the following matters:

1. Any change/s in accounting policies and practices
2. Major judgmental areas
3. Significant adjustments resulting from the audit
4. Going concern assumptions
5. Compliance with accounting standards

Legal Compliance

For the year 2011, the Audit Committee in the performance of its duties and responsibilities in assisting the Board ensured that the financial and non-financial reports as well as the organizational and operational controls of the Company are in compliance with tax, legal and regulatory requirements.

Shareholders' Rights and Protection of Minority Interests

The Board respects the rights of the stockholders as provided in the Corporation Code namely:

i. Right to vote on all matters that require their consent or approval;
ii. Pre-emptive right to all stock issuances of the Company;
iii. Right to inspect corporate books and records;
iv. Right to information;
v. Right to dividends; and
vi. Appraisal right.

All stockholders, including minority interests are treated equally and without discrimination.

The Board is transparent and fair in the conduct of the annual and special stockholders' meetings of the Company. Notice and Agenda of the annual or special stockholders meeting are disseminated at least fifteen (15) business days before the scheduled date of the meeting.

Each share of stock entitles the person in whose name it is registered in the books of the Company to one vote. Proxy voting is also exercised in the matters to be taken up in the stockholders' meeting.

The Board and Management is firmly committed in providing shareholders with relevant information about the Company's financial and operating results and future business prospects in a timely and accurate manner.

Related Party Transactions and Insider Trading

Transactions entered into by the Company with related parties are disclosed to shareholders in the Company's annual report and annual audited financial statements. The disclosure includes the nature and extent of transactions with the affiliated and related parties.

For the past five years up to present, there has been no complaint, dispute or problem on related party transactions.
Any change in the shareholdings of the Company resulting from transactions entered into by the directors and key management officers, either by acquisition or disposal are reported to the SEC and PSE within five days from the date of the transaction.

For the past five years up to present, there has been no case of insider trading involving the Company and its directors and management. The Company continues to adhere with existing government regulations against insider trading.

Other Stakeholders' Relations

The Company acknowledges the roles of different stakeholders in the attainment of its objectives and recognizes its obligations over them, as well.

The Company's customers, business partners, employees, government, communities, non-government organizations, media and the general public are valued and recognized by the Company as its success rests on the relationship with these stakeholders through their support and contribution to the Company.

Financial Reporting, Disclosures and Transparency

The audited financial statements for the year 2011 have been prepared in compliance with the Philippine Financial Reporting Standards (PFRS).

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the new PFRS, amended Philippine Accounting Standards (PAS) and new Philippine Interpretations based on International Financial Reporting Interpretations Committee (IFRIC) interpretations which became effective in 2011. Please refer to Note 2 of the audited financial statements for the newly adopted accounting standards.

As a commitment to the standards of full disclosure and transparency, the Company consistently provide the stakeholders and general public of the substantial and material financial and operating information through timely and adequate disclosure filings to the respective regulatory agencies. Such information include among others, earning results and other financial reports, related party transactions, ownership structure, other operating information and material management actions which are fully disclosed in a timely manner as compliance to disclosure requirements under existing laws and regulations.

Compliance Officer

To firmly adhere to the commitment of the Company on high standards of disclosure and transparency, the Board appointed two (2) Compliance Officers who will closely monitor compliance of the Company with the existing rules and regulations of regulatory agencies.

Ms. Rufina C. Buensuceso, Executive Vice President and Mr. Rudy Go, Vice President are the duly appointed Compliance Officers of the Company.

Risk Management

The Board and management of the Company, to ensure a high standard of best practice for the shareholders, identify key risk areas and performance indicators and monitor these factors with due diligence to enable the Company to anticipate and prepare for possible threats to its operation and financial instability.

Key risk factors and management is discussed in detail on Page 4, No. 16, Part I. Business and General Information of this Annual Report.

PART V – EXHIBITS AND SCHEDULES

Item XIV. Exhibits and Reports on SEC Form 17-A

A. Exhibits – See accompanying Index to Exhibits (page 86)

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

B. Reports on SEC Form 17-C

Date Filed	Events Reported
01/05/2011	Stockholders Approved and Ratified Amendment of Articles of Incorporation and By-Laws to increase number of directors and election of Mr. Josef Gohoc as new member of the Board
01/18/2011	SEC Approved the Amendments of Articles of Incorporation and By-Laws
01/27/2011	Sworn Certification of Corporate Secretary on the Attendance of Board Meetings
02/02/2011	Appointments of: Grace C. Liuson as Deputy Vice Chairman of the Board; Mr. Josef C. Gohoc as President; Rufina C. Buensuceso as Executive Vice President; and Emma A. Choa as Senior Vice President/Treasurer. Resignation of Alice C. Gohoc as Vice President
02/15/2011	Turn-over of Grand Emerald Tower
03/25/2011	Board Approval of the Audited Financial Statements 2010
05/03/2011	Notice of Annual Stockholders' Meeting
05/03/2011	Declaration of 20% Stock Dividends
05/11/2011	Board Approval of Transfer of Appropriated Retained Earnings from Grand Emerald Tower to Manila Residences Bocobo
06/06/2011	Declaration of Cash Dividends
06/16/2011	Board Removal of Ms. Juanita Chua as Signatory of Manila Branch for STCPs
06/16/2011	Election of Board Officers and Committees
06/23/2011	Board Approval for Renewal of STCP
09/13/2011	SEC Approved the Registration of STCP amounting to ₱200M

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed in behalf of the issuer by the undersigned, thereunto duly authorized, in the City of MANILA on JUN 0 6 2012

By:

Josef C. Gohoc
President / Chief Executive Officer

Date: 6/4/12

Rufina C. Buensuceso
Executive Vice President / Chief Finance Officer/Comptroller/ Principal Accounting Officer

Date: 6/4/2012

Ma. Lilia T. De Guzman
Corporate Secretary

Date: 6/5/12

SUBSCRIBED AND SWORN to before me this JUN 0 6 2012 affiant(s) exhibiting to me their Social Security Numbers, as follows:

Name	Social Security No.
Josef C. Gohoc	33-0942784-4
Rufina C. Buensuceso	03-2242552-5
Ma. Lilia T. De Guzman	33-1096102-7

ATTY. ALBERT ANTHONY H. OCAMPO
NOTARY PUBLIC FOR MANILA
UNTIL DECEMBER 31, 2012
IBP ROLL NO. 44239
PTR NO. 0345875 / 1-04-12 / Manila
IBP NO. 07884 / Lifetime / Laguna
MCLE Cmpl. No IV-0003097
Commission No. 2011-105
517-519 Quintin Paredes St.
Binondo, Manila

Doc. No. 273
Page No. 56
Book No. IV
Series of 2012

CITY & LAND DEVELOPERS, INC.

INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES
FORM 17-A, Item 7

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* These schedules, which are required by paragraph 6, Part II of SRC Rule 68, have been omitted because they are either not required, not applicable or the information required to be presented is included in the Company's financial statements or the notes to financial statements.

CITY & LAND DEVELOPERS, INC.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **City & Land Developers, Inc.** *is responsible for the preparation and fair* presentation of the financial statements for the years ended December 31, 2011 and 2010, including the additional components attached therein, in accordance with Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of the 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 reviews and approves the financial statements and submits the same to the stockholders.

SyCip Gorres Velayo & Co., the independent auditors, appointed by the stockholders has examined the financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such examination.

ATTY. SABINO R. PADILLA, JR.
Chairman of the Board

JOSEF C. GOHOC
President / Chief Executive Officer

RUFINA C.BUENSUCESO
Executive Vice President / Chief Finance Officer

Signed this 21st day of March, 2012

SUBSCRIBED AND SWORN to before me this day of MAR 2 1 2012 affiant(s) exhibiting to me their Social Security Numbers, as follows:

Name	Social Security Number
Atty. *Sabino R. Padilla, Jr.*	03-2766958-0
Josef C. Gohoc	33-0942784-4
Rufina C. Buensuceso	03-2242552-5

Doc No. 344
Page No. 70
Book No. X
Series of 2012

ATTY EMMA G. JULARBAL
NOTARY PUBLIC FOR MAKATI CITY
UNTIL DECEMBER 31, 2012
ROLL NO. 33152
PTR No. 0007462 / 1-19-12 / Makati
IBP No. 06547 / Lifetime / PPLM
MCLE Cmpl. No. IV-0002349

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

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

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

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
City & Land Developers, Incorporated
3rd Floor, Cityland Condominium 10, Tower I
156 H.V. de la Costa Street
Ayala North, Makati City

Report on the Financial Statements

We have audited the accompanying financial statements of City & Land Developers, Incorporated, which comprise the balance sheets as at December 31, 2011 and 2010, and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 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.

SGV & Co
Ernst & Young

Opinion

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

Report on the Supplementary Information Required Under Revenue Regulations 19-2011 and 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 19-2011 and 15-2010 in Notes 26 and 27 to the financial statements, respectively, is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of City & Land Developers, Incorporated. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Aileen L. Saringan
Partner
CPA Certificate No. 72557
SEC Accreditation No. 0096-AR-2 (Group A)
March 18, 2010, Valid until March 17, 2013
Tax Identification No. 102-089-397
BIR Accreditation No. 08-001998-58-2009,
June 1, 2009, Valid until May 31, 2012
PTR No. 3174828, January 2, 2012, Makati City

March 21, 2012

CITY & LAND DEVELOPERS, INCORPORATED
BALANCE SHEETS

	December 31	
	2011	2010
ASSETS		
Cash and Cash Equivalents (Note 4)	**₱311,540,443**	₱93,589,832
Short-term Cash Investments (Note 4)	**211,500,000**	363,000,000
Available-for-sale Financial Assets (Note 5)	**960,623**	981,871
Installment Contracts Receivable (Note 6)	**871,354,650**	569,158,251
Other Receivables (Notes 7 and 19)	**9,262,850**	8,800,935
Real Estate Properties for Sale (Note 8)	**391,691,341**	558,463,258
Real Estate Properties Held for Future Development (Note 8)	**236,780,497**	125,711,244
Investment Properties (Notes 9 and 12)	**183,160,682**	185,875,546
Other Assets (Note 17)	**5,174,222**	5,446,088
TOTAL ASSETS	**₱2,221,425,308**	₱1,911,027,025
LIABILITIES AND EQUITY		
Liabilities		
Accounts Payable and Accrued Expenses (Notes 10 and 19)	**₱374,198,278**	₱271,390,330
Notes and Loans Payable (Note 11)	**322,020,561**	350,084,388
Income Tax Payable	**7,952,956**	14,452,192
Deferred Tax Liabilities - net (Note 18)	**73,272,398**	69,209,872
Total Liabilities	**777,444,193**	705,136,782
Equity		
Capital stock - ₱1 par value (Note 12)		
Authorized - 700,000,000 shares		
Issued - 676,042,298 shares held by 769 equity holders in 2011 and 563,368,825 shares held by 792 equity holders in 2010	**676,042,298**	563,368,825
Additional paid-in capital	**105,136**	105,136
Net changes in fair values of available-for-sale financial assets (Note 5)	**690,710**	711,958
Retained earnings (Notes 9 and 12):		
Appropriated	**100,000,000**	100,000,000
Unappropriated	**667,142,971**	541,704,324
Total Equity	**1,443,981,115**	1,205,890,243
TOTAL LIABILITIES AND EQUITY	**₱2,221,425,308**	₱1,911,027,025

See accompanying Notes to Financial Statements.

CITY & LAND DEVELOPERS, INCORPORATED
STATEMENTS OF INCOME

	Years Ended December 31		
	2011	2010	2009
REVENUE			
Sales of real estate properties	**₱941,779,900**	₱766,761,471	₱576,189,139
Financial income (Notes 15 and 19)	**167,256,666**	167,054,747	133,003,149
Rent income (Note 9)	**1,116,231**	746,874	742,496
Other income	**5,543,279**	6,156,566	4,511,328
	1,115,696,076	940,719,658	714,446,112
EXPENSES			
Cost of real estate sales	**595,378,740**	513,310,116	425,208,646
Operating expenses (Notes 13 and 19)	**134,327,786**	93,306,413	123,421,084
Financial expenses (Notes 16 and 19)	**11,251,352**	1,966,856	783,262
	740,957,878	608,583,385	549,412,992
INCOME BEFORE INCOME TAX	**374,738,198**	332,136,273	165,033,120
PROVISION FOR INCOME TAX (Note 18)	**57,754,151**	66,540,046	35,531,201
NET INCOME	**₱316,984,047**	₱265,596,227	₱129,501,919
BASIC/DILUTED EARNINGS PER SHARE (Note 23)	**₱0.47**	₱0.39	₱0.19

See accompanying Notes to Financial Statements.

CITY & LAND DEVELOPERS, INCORPORATED
STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2011	2010	2009
NET INCOME	**₱316,984,047**	₱265,596,227	₱129,501,919
OTHER COMPREHENSIVE INCOME (LOSS)			
Changes in fair value of available-for-sale financial assets (Note 5)	**(21,248)**	244,357	332,438
Loss on impairment of available-for-sale financial assets recognized in the statements of income (Note 16)	**–**	682,118	–
	(21,248)	926,475	332,438
TOTAL COMPREHENSIVE INCOME	**₱316,962,799**	₱266,522,702	₱129,834,357

See accompanying Notes to Financial Statements.

CITY & LAND DEVELOPERS, INCORPORATED
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2011, 2010 AND 2009

	Capital Stock (Note 12)	Additional Paid-in Capital	Net Changes in Fair Values of Available-for-Sale Financial Assets (Note 5)	Retained Earnings (Notes 9 and 12)		Total
				Appropriated	Unappropriated	
BALANCES AT DECEMBER 31, 2008	**₱391,228,528**	**₱105,136**	**(₱546,955)**	**₱100,000,000**	**₱374,301,163**	**₱865,087,872**
Net income	–	–	–	–	129,501,919	129,501,919
Other comprehensive income	–	–	332,438	–	–	332,438
Total comprehensive income	–	–	332,438	–	129,501,919	129,834,357
Stock dividends - 20%	78,245,684	–	–	–	(78,245,684)	–
Fractional shares of stock dividends	–	–	–	–	(21)	(21)
Cash dividends - ₱0.070 per share	–	–	–	–	(27,385,997)	(27,385,997)
BALANCES AT DECEMBER 31, 2009	**469,474,212**	**105,136**	**(214,517)**	**100,000,000**	**398,171,380**	**967,536,211**
Net income	–	–	–	–	265,596,227	265,596,227
Other comprehensive income	–	–	926,475	–	–	926,475
Total comprehensive income	–	–	926,475	–	265,596,227	266,522,702
Stock dividends - 20%	93,894,613	–	–	–	(93,894,613)	–
Fractional shares of stock dividends	–	–	–	–	(229)	(229)
Cash dividends - ₱0.050 per share	–	–	–	–	(28,168,441)	(28,168,441)
BALANCES AT DECEMBER 31, 2010	**563,368,825**	**105,136**	**711,958**	**100,000,000**	**541,704,324**	**1,205,890,243**
Net income	–	–	–	–	316,984,047	316,984,047
Other comprehensive income	–	–	(21,248)	–	–	(21,248)
Total comprehensive income	–	–	(21,248)	–	316,984,047	316,962,799
Stock dividends - 20%	112,673,473	–	–	–	(112,673,473)	–
Fractional shares of stock dividends	–	–	–	–	(292)	(292)
Cash dividends - ₱0.140 per share	–	–	–	–	(78,871,635)	(78,871,635)
BALANCES AT DECEMBER 31, 2011	**₱676,042,298**	**₱105,136**	**₱690,710**	**₱100,000,000**	**₱667,142,971**	**₱1,443,981,115**

See accompanying Notes to Financial Statements

CITY & LAND DEVELOPERS, INCORPORATED
STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2011	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱374,738,198**	₱332,136,273	₱165,033,120
Adjustments for:			
Interest income (Note 15)	**(167,240,788)**	(167,035,773)	(132,999,806)
Interest expense - net of amounts capitalized (Note 16)	**10,499,479**	679,492	194,260
Depreciation (Notes 9 and 13)	**2,714,864**	2,714,864	2,714,864
Retirement benefits cost (income) (Note 17)	**(83,184)**	136,892	(283,988)
Dividend income (Note 15)	**(15,878)**	(18,974)	(3,343)
Loss on impairment of available-for-sale financial assets (Notes 5 and 16)	**–**	682,118	–
Operating income before working capital changes	**220,612,691**	169,294,892	34,655,107
Decrease (increase) in:			
Installment contracts receivable	**(302,196,399)**	(143,658,031)	46,171,194
Other receivables	**(1,124,075)**	(1,403,743)	(552,739)
Real estate properties for sale	**166,771,917**	20,708,839	123,016,561
Real estate properties held for future development	**(111,069,253)**	(125,711,244)	(315,756)
Deposits and others	**473,733**	(3,137,852)	593,208
Increase in accounts payable and accrued expense	**103,361,662**	82,259,200	82,324,053
Cash generated from (used in) operations	**76,830,276**	(1,647,939)	285,891,628
Interest received	**167,902,948**	165,098,510	132,199,730
Income taxes paid, including creditable and final withholding taxes	**(60,190,861)**	(44,865,147)	(44,874,070)
Contributions to the plan (Note 17)	**(118,683)**	(128,669)	(238,520)
Net cash flows from operating activities	**184,423,680**	118,456,755	372,978,768
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from matured short-term cash investments	**151,500,000**	–	–
Dividends received	**15,878**	18,974	3,343
Purchases of short-term cash investments (Note 4)	**–**	(289,500,000)	(73,500,000)
Additions to investment properties (Note 9)	**–**	(114,956)	–
Purchases of available-for-sale investments	**–**	(227)	–
Net cash flows from (used in) investing activities	**151,515,878**	(289,596,209)	(73,496,657)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	**(78,778,036)**	(28,099,325)	(27,331,112)
Net availments (payments) of short-term notes (Note 11)	**(23,063,827)**	113,312,877	3,621,511
Interest paid	**(11,147,084)**	(751,093)	(1,107,777)
Payment of long-term loans (Note 11)	**(5,000,000)**	(58,949,203)	(74,320,511)
Availments of long-term loans (Note 11)	–	5,000,000	10,000,000
Net cash flows from (used in) financing activities	**(117,988,947)**	30,513,256	(89,137,889)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**217,950,611**	(140,626,198)	210,344,222
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR (Note 4)	**93,589,832**	234,216,030	23,871,808
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱311,540,443**	₱93,589,832	₱234,216,030

See accompanying Notes to Financial Statements.

CITY & LAND DEVELOPERS, INCORPORATED
NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

City & Land Developers, Incorporated (the Company) was incorporated in the Philippines on June 28, 1988. Its primary purpose is to establish an effective institutional medium for acquiring and developing suitable land sites for residential, office, commercial, institutional and industrial uses primarily, but not exclusively, in accordance with the subdivision, condominium, and cooperative concepts of land-utilization and land-ownership. The Company's registered office and principal place of business is 3rd Floor, Cityland Condominium 10, Tower I, 156 H. V. de la Costa Street, Ayala North, Makati City.

The Company is 49.73% owned by Cityland Development Corporation (CDC), a publicly listed company incorporated and domiciled in the Philippines. The Company's ultimate parent is Cityland, Inc. (CI), a company incorporated and domiciled in the Philippines, which prepares consolidated financial statements and that of its subsidiaries.

The financial statements of the Company were authorized for issuance by the Board of Directors (BOD) on March 21, 2012.

2. Summary of Significant Accounting and Financial Reporting Policies

Basis of Preparation
The financial statements of the Company have been prepared using the historical cost basis, except for available-for-sale financial assets which are carried at fair values. The financial statements are presented in Philippine peso (Peso), which is the Company's functional currency, and rounded to the nearest Peso except when otherwise indicated.

Statement of Compliance
The financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

Changes in Accounting Policies
The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following new and amended Philippine Accounting Standards (PAS), PFRS and new Philippine Interpretations based on International Financial Reporting Interpretations Committee (IFRIC) interpretations effective in 2011. The adoption of the following revised PAS is relevant but does not have a significant impact on the financial statements:

- Revised PAS 24, *Related Party Disclosures*, simplifies the identification of related party relationships, particularly in relation to significant influence and joint control. The amendment emphasizes a symmetrical view on related party relationships as well as clarifies in which circumstances persons and key management personnel affect the related party relationships of an entity. The amendment also introduces an exemption from the general related party disclosure requirements, for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The adoption of the amendment did not have any impact on the financial position and performance of the Company.

The adoption of the following new and amended PFRS, PAS and Philippine Interpretations are either not relevant to or have no significant impact on the financial statements:

- Amended PAS 32, *Financial Instruments: Presentation - Clarification of Rights Issues*
- Amended IFRIC 14, *Prepayments of a Minimum Funding Requirement*
- Philippine Interpretation IFRIC 19, *Extinguishing Financial Liabilities with Equity Instruments*

Improvements to PFRS
The annual improvements process has been adopted by the International Accounting Standards Board (IASB) to deal with non-urgent but necessary amendments to PFRS. The following summarizes the amendments that are effective on or after January 1, 2011. The adoption of the following amendments is relevant but does not have a significant impact on the financial statements:

- PFRS 7, *Financial Instruments Disclosures*, emphasizes the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instruments.

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

- PAS 34, *Interim Financial Reporting*, provides guidance to illustrate how to apply disclosure principles in PAS 34 and requires additional disclosures on: (a) the circumstances likely to affect fair values of financial instruments and their classification, (b) transfers of financial instruments between different levels of the fair value hierarchy, (c) changes in the classification of financial assets and (d) changes in contingent liabilities and assets.

Other amendments resulting from the 2011 improvements to PFRS, PAS and Philippine Interpretations to the following standards did not have any significant impact on the accounting policies, financial position or performance of the Company.

- PFRS 3, *Business Combinations*
- PAS 27, *Consolidated and Separate Financial Statements*
- Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes*

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

Short-term Cash Investments
Short-term cash investments are investments with maturities of more than three months but not exceeding one year from dates of acquisition.

Financial Assets and Financial Liabilities

Date of recognition

The Company recognizes a financial asset or a financial liability in the balance sheet when it becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting.

Initial recognition of financial instruments

Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated at fair value through profit or loss, includes directly attributable transaction cost.

Classification of financial instruments

Subsequent to initial recognition, the Company classifies its financial instruments in the following categories: financial assets and financial liabilities at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets and other financial liabilities. The classification depends on the purpose for which the instruments are acquired and whether they are quoted in an active market. Management determines the classification at initial recognition and, where allowed and appropriate, re-evaluates this classification at each end of reporting period.

a. Financial Assets or Financial Liabilities at Fair Value through Profit or Loss

A financial asset or financial liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the near term or upon initial recognition, it is designated by the management as at fair value through profit or loss.

Financial assets or financial liabilities classified in this category are designated as at fair value through profit or loss by management on initial recognition when the following criteria are met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis; or
- The assets or liabilities are part of a group of financial assets or financial liabilities, or both financial assets and financial liabilities, which are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- The financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

Financial assets or financial liabilities classified under this category are carried at fair value in the balance sheet. Changes in the fair value of such assets and liabilities are recognized in the statement of income.

The Company has no financial assets and financial liabilities at fair value through profit or loss as of December 31, 2011 and 2010.

b. 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 Company provides money, goods or services directly to a debtor with no intention of trading the receivables. Loans and receivables are carried at cost or amortized cost in the balance sheet. Amortization is determined using the effective interest rate method. Loans and receivables are included in current assets if maturity is within 12 months from the end of reporting period. Otherwise, these are classified as non-current assets.

The Company's loans and receivables consist of cash in banks and cash equivalents, short-term cash investments, installment contracts receivable and other receivables.

c. Held-to-maturity Investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities wherein the Company has the positive intention and ability to hold to maturity. Held-to-maturity investments are carried at cost or amortized cost in the balance sheet. Amortization is determined using the effective interest rate method. Assets under this category are classified as current assets if maturity is within 12 months from the end of the reporting period and noncurrent if maturity is more than a year.

The Company has no held-to-maturity investments as of December 31, 2011 and 2010.

d. Available-for-sale Financial Assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. Available-for-sale financial assets are carried at fair value in the balance sheet. Changes in the fair value of such assets are accounted in the statement of comprehensive income and in equity. These financial assets are classified as noncurrent assets unless the intention is to dispose such assets within 12 months from the end of reporting period.

The Company's available-for-sale financial assets consist of investments in quoted equity securities that are traded in liquid markets, held for the purpose of investing in liquid funds and not generally intended to be retained on a long-term basis.

e. Other Financial Liabilities

Other financial liabilities are non-derivative financial liabilities with fixed or determinable payments that are not quoted in an active market. They arise when the Company owes money, goods or services directly to a creditor with no intention of trading the payables. Other financial liabilities are carried at cost or amortized cost in the balance sheet. Amortization is determined using the effective interest rate method. Other financial liabilities are included in current liabilities if maturity is within 12 months from the end of the reporting period, otherwise, these are classified as non-current.

The Company's other financial liabilities consist of accounts payable and accrued expenses and notes and loans payable.

Determination of fair value

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

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

"Day 1" difference
Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a "Day 1" difference) in the statement of income unless it qualifies for recognition as some other type of asset. In cases where inputs are made of data which are not observable, the difference between the transaction price and model value is only recognized in the statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the "Day 1" difference.

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

Derecognition of Financial Assets and Financial Liabilities
Financial assets
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

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

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

Financial liabilities

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

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

Impairment of Financial Assets

The Company assesses at each end of the reporting period whether a financial asset or a group of financial assets is impaired.

Assets carried at amortized cost

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. Objective evidence includes observable data that comes to the attention of the Company about loss events such as, but not limited to significant financial difficulty of the counterparty, a breach of contract, such as default or delinquency in interest or principal payments, probability that the borrower will enter bankruptcy or other financial reorganization. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in the group of financial assets with similar credit risk and characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is recognized are not included in a collective assessment of impairment.

The impairment assessment is performed at each end of reporting period. For the purpose of collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics such as customer type, payment history, past-due status and term.

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

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in the statement of income. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral, if any, has been realized or has been transferred to the Company. If in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance for impairment losses account. If a future write off is later recovered, the recovery is recognized in the statement of income under "Other income" account. Any subsequent reversal of an impairment loss is recognized in the statement of income to the extent that the carrying value of the asset does not exceed its amortized cost at reversal date.

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

Available-for-sale financial assets
In the case of debt instruments classified as available-for-sale financial assets, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Future interest income is based on the reduced carrying amount and is accrued based on the rate of interest used to discount future cash flows for the purpose of measuring impairment loss. Such accrual is recorded as part of "Financial income" in the statement of income. If, in subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the statement of income, the impairment loss is reversed through the statement of income.

In case of equity investments classified as available-for-sale financial asset, this would include a significant or prolonged decline in the fair value of the investments below its cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the statement of income - is removed from equity and recognized in the statement of income. Increases in fair value after impairment are recognized in the statement of comprehensive income and directly in the statement of changes in equity.

Real Estate Properties for Sale and Real Estate Properties Held for Future Development
Real estate properties for sale and real estate properties held for future development are valued at the lower of cost and net realizable value. Cost consists of all expenditures incurred which are directly attributable to the acquisition, development, and construction of the real estate properties. Interests on loans (borrowing costs) incurred during the development or construction phase are also capitalized as part of the cost of the real estate properties. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and estimated costs necessary to make the sale.

Investment Properties
Investment properties which represent real estate properties for lease are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing real estate property for lease at the time that cost is incurred if the recognition criteria are met, and excludes the costs of day-to-day servicing of the property. The carrying values of revalued properties transferred to real estate properties for lease on January 1, 2004 were considered as the assets' deemed cost as of said date. Subsequent to initial measurement, real estate properties for lease are carried at cost less accumulated depreciation and impairment loss.

Real estate properties for lease, except land, are carried at cost less accumulated depreciation and amortization and any impairment in value. Land is carried at cost less any impairment in value. Buildings for lease are depreciated over their useful life of 25 years using the straight-line method.

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

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

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

Impairment of Nonfinancial Assets

The carrying values of investment properties are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the assets are either written down to their recoverable amount or provided with valuation allowance. The recoverable amount of the assets is the greater of fair value less costs to sell and value-in-use. Valuation allowance is provided for the carrying amount of assets which is not expected to be recovered. Impairment losses, if any, are recognized in the statement of income.

The Company assesses at each reporting period whether there is an indication that previously recognized impairment losses may no longer exist or may have decreased. The Company considers external and internal sources of information in its assessment of the reversal of previously recognized impairment losses. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of income. After such a reversal, the depreciation is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Value-added Tax (VAT)

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

The net amount of VAT recoverable from or payable to, the taxation authority is included as part of "Other assets" or "Accounts payable and accrued expenses," respectively, in the balance sheet.

Capital Stock

Capital stock is measured at par value for all shares issued and outstanding. When the Company issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued. Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax.

The Company's shares which are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments. Any difference between the carrying amount and the consideration is recognized as additional paid-in capital.

Retained Earnings
Retained earnings represent the cumulative balance of net income or loss, dividend distributions, effects of the changes in accounting policy and other capital adjustments.

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

Dividend Distributions
Dividends on common shares are recognized as a liability and deducted from equity when approved by the shareholders of the Company. Dividends for the year that are approved after the end of the reporting period but before the approval for issuance of financial statements are dealt with as an event after the reporting period.

Revenue and Costs Recognition
Revenue is recognized to the extent that it is probable that the economic benefit will flow to the Company and the amount of revenue can be reliably measured. Revenue is measured at the fair value of the consideration received excluding VAT. The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Company has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognized:

Sale of real estate properties
Sales of condominium units and residential houses where the Company has material obligations under the sales contract to provide improvements after the property is sold are accounted for under the percentage of completion method. Under this method, revenue on sale is recognized as the related obligations are fulfilled.

Revenue from sales of completed residential lots and housing units, where a sufficient down payment has been received, the collectability of the sales price is reasonably assured, the refund period has expired, the receivables are not subordinated and the seller is not obliged to complete improvements, is accounted for under the full accrual method. If the criterion of full accrual method was not satisfied, any cash received by the Company is included in “Accounts payable and accrued expenses” in the balance sheet until all the conditions for recording a sale are met.

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

In addition, cost of real estate sales of 100% completed projects represents the proportionate share of the sold units to the total of the development cost which includes land, direct materials, labor cost and other indirect costs related to the project. If the project is still under construction, the cost of real estate sales of the sold units is multiplied by the percentage of completion. The cost referred to is the same total development costs and not only actual expenditures. The percentage of completion is based on the technical evaluation of the project engineers as well as management’s monitoring costs, progress and improvements of the projects.

Interest income
Interest income from cash in banks, cash equivalents, short-term cash investments and installment contracts receivable is recognized as the interest accrues taking into account the effective yield on interest.

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

Operating Leases
Operating leases represent those leases under which substantially all the risks and rewards of ownership of the leased assets remain with the lessors. Rent income from operating leases is recognized as income when earned on a straight-line basis over the term of the lease agreement. Initial direct costs incurred specifically to earn revenue from an operating lease are recognized as an expense in the statement of income in the period in which they are incurred.

Operating expenses
Operating expenses constitute costs of administering the business. These costs are expensed as incurred.

Financial expenses
Financial expenses consist of interest incurred from loans and notes payable. Interest attributable to a qualifying asset is capitalized as part of the cost of the property while others are expensed as incurred.

Interest costs are capitalized if they are directly attributable to the acquisition, development and construction of real estate projects as part of the cost of such projects. Capitalization of interest cost (1) commences when the activities to prepare the assets for their intended use are in progress and expenditures and interest costs are being incurred, (2) is suspended during extended periods in which active development is interrupted, and (3) ceases when substantially all the activities necessary to prepare the assets for their intended use are complete. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded.

<u>Other Comprehensive Income</u>
Other comprehensive income comprises items of income and expense (including items previously presented under the statement of changes in equity) that are not recognized in the statement of income for the year in accordance with PFRS. Other comprehensive income of the Company includes gains and losses on remeasuring available-for-sale financial assets.

<u>Retirement Benefits Cost</u>
Retirement benefits cost is actuarially determined using the projected unit credit method. Actuarial gains and losses are recognized as income or expense when the net cumulative unrecognized actuarial gains and losses for the plan at the end of the previous reporting year exceeded 10% of the higher of the defined benefit obligation and the fair value of plan assets at that date. These gains or losses are recognized over the expected average remaining working lives of the employees participating in the plan.

Past service cost is recognized as an expense on a straight-line basis over the average period until the benefits become vested. If the benefits are already vested immediately following the introduction of, or changes to, a retirement plan, past service cost is recognized immediately.

The retirement plan liability is the aggregate of the present value of the defined benefit obligation and actuarial gains and losses not recognized, reduced by past service cost not yet recognized, and the fair value of plan assets out of which the obligations are to be settled directly. If such aggregate is negative, the asset is measured at the lower of such aggregate or the aggregate of cumulative unrecognized net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plans or reductions in the future contributions to the plan.

If the asset is measured at the aggregate of cumulative unrecognized net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan, net actuarial losses of the current period and past service cost of the current period are recognized immediately to the extent that they exceed any reduction in the present value of those economic benefits. If there is no change or increase in the present value of economic benefits, the entire net actuarial losses of the current period and past service cost of the current period are recognized immediately. Similarly, net actuarial gains of the current period after the deduction of past service cost of the current period exceeding any increase in the present value of the economic benefits stated above are recognized immediately if the asset is measured at the aggregate of cumulative unrecognized net actuarial losses and past service cost at the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan. If there is no change or decrease in the present value of the economic benefits, the entire net actuarial gains of the current period after the deduction of past service cost of the current period are recognized immediately.

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

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

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

Current income tax for current and prior periods shall, to the extent unpaid, be recognized as a liability under "Income tax payable" account in the balance sheet. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess shall be recognized as an asset under "Other assets" account in the balance sheet.

Deferred income tax
Deferred income tax is recognized on all temporary differences at the end of reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences to the extent that it is probable that sufficient future taxable profits will be available against which the deductible temporary differences can be utilized. Deferred income tax assets and deferred income tax liabilities are not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

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

Deferred income tax assets and deferred income tax 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, based on tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period.

Income tax relating to items recognized directly in equity is recognized in the statement of comprehensive income and in the statement of changes in equity and not in the statement of income.

Earnings Per Share

Basic earnings per share based on net income is computed by dividing the net income for the year by the weighted average number of ordinary shares issued and outstanding after considering the retrospective effect, if any, of stock dividends declared during the year.

Diluted earnings per share is calculated by dividing the net income for the year by the weighted average number of ordinary shares outstanding during the year, excluding treasury shares, and adjusted for the effects of all dilutive potential common shares, if any. In determining both the basic and diluted earnings per share, the effect of stock dividends, if any, is accounted for retrospectively.

Segment Reporting

The Company's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on business segments is presented in Note 24 in the financial statements. The Company's asset-producing revenues are located in the Philippines (i.e., one geographical location). Therefore, geographical segment information is no longer presented.

Events After the Reporting Period

Post year-end events that provide additional information about the Company's position at the end of reporting period (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

Future Changes in Accounting Policies

The Company will adopt the following standards and interpretations when these become effective subsequent to 2011. Except as otherwise indicated, the Company does not expect the adoption of these new, and amended and improvements to PFRS, PAS and Philippine Interpretations to have significant impact on the financial statements.

Effective in 2012

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

- Amended PAS 12, *Income Taxes - Deferred Taxes: Recovery of Underlying Assets*, introduces a rebuttable presumption that deferred tax on investment properties measured at fair value will be recognized on a sale basis, unless an entity has a business model that would indicate the investment property will be consumed in the business. If consumed, an own use basis must be adopted. The amendment also introduces the requirement that deferred tax on non-depreciable assets measured using the revaluation model in PAS 16, *Property, Plant and Equipment*, should always be measured on a sale basis.

Effective in 2013

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

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

  The amendments to PFRS 7 are to be applied retrospectively.

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

- PFRS 11, *Joint Arrangements*, replaces PAS 31, *Interests in Joint Ventures* and SIC-13, *Jointly-controlled Entities – Non-monetary Contributions by Ventures.* PFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method.

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

- PFRS 13, *Fair Value Measurement*, establishes a single source of guidance under PFRS for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS when fair value is required or permitted.

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

- Revised PAS 19, *Employee Benefits*, includes a number of amendments that range from fundamental changes to simple clarifications and re-wording. Significant changes include the following:
  - For defined benefit plans, the ability to defer recognition of actuarial gains and losses has been removed.
  - Objectives for disclosures of defined benefit plans are explicitly stated in the revised standard, along with new or revised disclosure requirements.
  - Termination benefits will be recognized at the earlier of when the offer of termination cannot be withdrawn or when the related restructuring costs are recognized under PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*.
  - The distinction between short-term and other long-term employee benefits will be based on expected timing of settlement rather than the employee's entitlement of the benefits.

- PAS 27, *Separate Financial Statements* (Revised). As a consequence of the new PFRS 10 and PFRS 12 what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements.

- PAS 28, *Investments in Associates and Joint Ventures*. As a consequence of the new PFRS 11 and PFRS 12, PAS 28 has been renamed PAS 28, *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates.

- Philippine Interpretation IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine*, applies to waste removal costs that are incurred in surface mining activity during the production phase of the mine ("production stripping costs") and provides guidance on the recognition of production stripping costs as an asset and measurement of the stripping activity asset.

Effective in 2014

- Amendments to PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial liabilities*, clarifies the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous.

Effective in 2015

- PFRS 9, *Financial Instruments - Classification and Measurement,* as issued reflects the first phase on the replacement of PAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in PAS 39. In subsequent phases, hedge accounting and impairment of financial assets will be addressed with the completion of this project expected on the first half of 2012. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but will potentially have no impact on classification and measurements of financial liabilities. The Company will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

Standard Issued but not yet Effective

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estates*, covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, *Construction Contracts*, or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The SEC and the Financial Reporting Standards Council (FRSC) have deferred the effectivity of this interpretation until the final Revenue standard is issued by IASB and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. The Company will quantify the effect when the final Revenue standard is issued.

The Company continues to assess the impact of the above new and amended accounting standards and interpretations effective subsequent to December 31, 2011 on the Company's financial statements in the period of initial application. Additional disclosures required by these amendments will be included in the financial statements when these amendments are adopted.

3. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. In the opinion of management, these financial statements reflect all adjustments necessary to present fairly the results for the periods presented. Actual results could differ from such estimates.

Judgments

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

Determination of the Company's functional currency

The Company, based on the relevant economic substance of the underlying circumstances, has determined its functional currency to be Peso. It is the currency that influences the sale of real estate properties and services and the costs of selling the same.

Classification of financial instruments

The Company classifies a financial instrument, or its component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the Company's balance sheet (see Note 20).

The Company determines the classification at initial recognition and, where allowed and appropriate, re-evaluates this designation at every reporting date.

Classification of leases - Company as lessor

The Company has entered into the property leases of its investment properties where it has determined that the risks and rewards of ownership are retained with the Company. As such, these lease agreements are accounted for as operating leases.

Classification of real estate properties

The Company determines whether a property is classified as for investments or for sale or for future development and for capital appreciation.

Real estate properties which are not occupied substantially for use by, or in the operations of, the Company, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation are classified as investment properties. Investment properties amounted to ₱183.16 million and ₱185.88 million as of December 31, 2011 and 2010, respectively (see Note 9). The Company has no properties held for capital appreciation as of December 31, 2011 and 2010.

Real estate properties which the Company develops and intends to sell before or on completion of construction are classified as real estate properties for sale and for future development. Real estate properties for sale and for future development amounted to ₱628.47 million and ₱684.17 million as of December 31, 2011 and 2010, respectively (see Note 8).

Estimates

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 are discussed below:

Determination of fair value of financial instruments

Financial assets and financial liabilities, on initial recognition, are accounted for at fair value. The fair values of financial assets and financial liabilities, on initial recognition, are normally the transaction prices. In the case of those financial assets and financial liabilities that have no active markets, fair values are determined using an appropriate valuation technique.

As of December 31, 2011 and 2010, the total carrying value which is equal to total fair values of financial assets amounted to ₱1,404.23 million and ₱1,035.24 million, respectively, while the total fair values of financial liabilities amounted to ₱693.88 million and ₱617.59 million, respectively (see Note 20).

Estimation of allowance for impairment of receivables
The level of this allowance is evaluated by management based on past collection history and other factors which include, but are not limited to the length of the Group's relationship with the customer, the customer's payment behavior and known market factors that affect the collectability of the accounts. As of December 31, 2011 and 2010, installment contracts receivable and other receivables aggregated to ₱880.62 million and ₱577.96 million, respectively. There was no impairment of receivables in 2011 and 2010 (see Notes 6 and 7).

Impairment of available-for-sale financial assets
An impairment issue arises when there is an objective evidence of impairment, which involves significant judgment. In making this judgment, the Company evaluates the financial health of the issuer, among others. The Company treats available-for-sale equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The Company treats "significant" generally as 20% or more of cost and "prolonged" as greater than 12 months for quoted equity securities. In addition, the Company evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities.

In 2010, the Company recognized impairment loss amounting to ₱0.68 million on available-for-sale financial assets. No impairment loss was recognized in 2011 and 2009 (see Note 5).

Available-for-sale financial assets amounted to ₱0.96 million and ₱0.98 million as of December 31, 2011 and 2010, respectively (see Note 5).

Estimation of percentage of completion of projects
The Company estimates the percentage of completion of ongoing projects for purposes of accounting for the estimated costs of development as well as revenue to be recognized. The percentage of completion is based on the technical evaluation of the independent project engineers as well as management's monitoring of the costs, progress and improvements of the projects. As of December 31, 2011 and 2010, installment contracts receivable from sales of real estate properties amounted to ₱871.35 million and ₱569.16 million, respectively (see Note 6). Gross profit on sales of real estate properties amounted to ₱346.40 million, ₱253.45 million and ₱150.98 million in 2011, 2010 and 2009, respectively.

Determination of net realizable value of real estate properties for sale and held for future development
The Company's estimates of the net realizable value of real estate properties are based on the most reliable evidence available at the time the estimates are made, or the amount that the inventories are expected to be realized. These estimates consider the fluctuations of price or cost directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period. A new assessment is made of net realizable value in each subsequent period. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is a clear evidence of an increase in net realizable value because of changes in economic circumstances, the amount of the write-down is reversed so that the new carrying amount is the lower of the cost and the revised net realizable value. The Company's real estate properties for sale and held for future development as of December 31, 2011 and 2010 amounted to ₱628.47 million and ₱684.17 million, respectively (see Note 8).

Estimation of useful lives of investment properties
The Company estimates the useful lives of investment properties based on the internal technical evaluation and experience with similar assets. Estimated lives of investment properties are reviewed periodically and updated if expectations differ from previous estimates due to wear and tear, technical and commercial obsolescence and other limits on the use of the assets. As of December 31, 2011 and 2010, net book value of depreciable investment properties amounted to ₱2.71 million and ₱5.43 million, respectively (see Note 9).

Impairment of investment properties
The Company determines whether its investment properties are impaired when impairment indicators exist such as significant underperformance relative to expected historical or projected future operating results and significant negative industry or economic trends. When an impairment indicator is noted, the Company makes an estimation of the value-in-use of the cash-generating units to which the assets belong. Estimating the value-in-use requires the Company to make an estimate of the expected future cash flows from the cash-generating unit and also to choose an appropriate discount rate in order to calculate the present value of those cash flows. No impairment indicator was noted as of December 31, 2011 and 2010. Net book values of investment properties as of December 31, 2011 and 2010 amounted to ₱183.16 million and ₱185.88 million, respectively (see Note 9).

Estimation of retirement benefits cost
The determination of the Company's obligation and costs for retirement benefits depends on management's selection of certain assumptions used by actuaries in calculating such amounts. The assumptions for retirement benefits cost include, among others, discount rates, expected annual rates of return on plan assets and rates of salary increase. Actual results that differ from assumptions are accumulated and amortized over future periods and therefore, generally affect the Company's recognized expenses and recorded obligation in such future periods. While management believes that the assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in management assumptions may materially affect the Company's retirement obligations.

Net retirement benefits income amounted to ₱0.08 million and ₱0.28 million in 2011 and 2009, respectively while net retirement benefits cost amounted to ₱0.14 million in 2010. Retirement plan assets amounted to ₱0.72 million and ₱0.52 million as of December 31, 2011 and 2010, respectively (see Note 17).

Recognition of deferred income tax assets
The Company reviews the carrying amounts of deferred income tax assets at the end of each reporting period and reduces deferred income tax assets to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax assets to be utilized.

As of December 31, 2011 and 2010, deferred income tax assets amounted to ₱4.54 million and ₱2.63 million, respectively (see Note 18).

4. **Cash and Cash Equivalents and Short-term Cash Investments**

Cash and cash equivalents consist of:

	2011	2010
Cash on hand and in banks	**₱6,040,443**	₱5,589,832
Cash equivalents	**305,500,000**	88,000,000
	₱311,540,443	₱93,589,832

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

Short-term cash investments amounting to ₱211.50 million and ₱363.00 million as of December 31, 2011 and 2010, respectively, are investments in banks with maturities of more than three months to one year from the dates of acquisition and earn interest at the prevailing market rates.

Interest income earned from cash and cash equivalents and short-term cash investments amounted to ₱26.45 million, ₱18.23 million and ₱5.04 million in 2011, 2010 and 2009, respectively (see Note 15).

5. **Available-for-sale Financial Assets**

Available-for-sale financial assets consist of investments in quoted equity securities amounting to ₱0.96 million and ₱0.98 million as of December 31, 2011 and 2010, respectively. The fair values of available-for-sale financial assets were determined based on published prices in the active market.

The movements in "Net changes in fair values of available-for-sale financial assets" presented in the equity section of the balance sheets are as follows:

	2011	2010
Balances at beginning of year	**₱711,958**	(₱214,517)
Impairment loss realized in the statement of income (Note 16)	**–**	682,118
Changes in fair value	**(21,248)**	244,357
Balances at end of year	**₱690,710**	₱711,958

6. **Installment Contracts Receivable**

Installment contracts receivable arises from sales of real estate properties.

The installment contracts receivable on sales of real estate properties are collectible in monthly installments for periods ranging from one to 10 years and bear monthly interest rates of 0.67% to 2.00% in 2011, 2010 and 2009 computed on the diminishing balance.

Interest income earned from an installment contracts receivable amounted to ₱140.63 million, ₱148.71 million and ₱127.87 million in 2011, 2010 and 2009, respectively (see Note 15).

The portion due within one year amounted to ₱150.22 million and ₱283.66 million as of December 31, 2011 and 2010, respectively (see Note 21).

In 2010, the Company, CDC, CI and Cityplans, Inc. (CPI) (collectively referred as the Group), entered into a contract of guaranty under Retail Guaranty Line in the amount of ₱2,000.00 million with Home Guaranty Corporation (HGC). The amount of installment contracts receivable enrolled by the Company amounted to ₱651.00 million and ₱745.00 million in 2011 and 2010, respectively. The Company paid a guarantee premium of 1.00% based on the outstanding principal balance of the installment contract receivable enrolled in 2011 and 2010 (see Note 13).

7. Other Receivables

Other receivables consist of:

	2011	2010
Accrued interest	**₱2,101,579**	₱2,763,739
Advances to customers	**3,821,367**	2,245,663
Retention	**920,200**	2,399,853
Others (Note 19)	**2,419,704**	1,391,680
	₱9,262,850	₱8,800,935

Advances to customers are receivables of the Company for the real estate property taxes of sold units. Other receivables include receivables from customers relating to registration initially paid by the Group and employee's advances.

Other receivables due within one year amounted to ₱8.07 million and ₱7.64 million as of December 31, 2011 and 2010, respectively (see Note 21).

8. Real Estate Properties for Sale and Real Estate Properties Held for Future Development

Real estate properties for sale consist of cost incurred in the development of condominium units and residential houses for sale amounting to ₱391.69 million and ₱558.46 million as of December 31, 2011 and 2010, respectively.

Real estate properties for sale account includes capitalized interest costs incurred during each year in connection with the development of the properties amounting to ₱2.11 million in 2011, ₱12.60 million in 2010 and ₱16.37 million in 2009 (see Notes 11 and 16). The average capitalization rate used to determine the amount of borrowing costs eligible for capitalization were 3.86% in 2011, 4.07% in 2010 and 4.97% in 2009.

Some real estate properties for sale with carrying values of ₱395.40 million as of December 31, 2010 were used as collateral for loans availed from the Company's specific credit lines with certain financial institutions in 2010 (see Note 11).

In 2011 and 2010, the Company acquired a parcel of land amounting to ₱109.81 million and ₱125.71 million, respectively, for future development. Real estate properties held for future development amounted to ₱236.78 million and ₱125.71 million as of December 31, 2011 and 2010, respectively.

Shown below are the aggregate cash price values and related aggregate carrying costs of condominium units and residential houses for sale as of December 31, 2011 and 2010 (in millions):

	2011	2010
Aggregate cash price values	**₱788**	₱1,286
Less aggregate carrying costs	**434**	749
Excess of aggregate cash price values over aggregate carrying costs	**₱354**	₱537

9. **Investment Properties**

Investment properties represent real estate properties for lease which consist of:

	2011	2010
Land - at cost		
Balances at beginning of year	**₱180,445,820**	₱180,330,864
Additions during the year	**–**	114,956
	180,445,820	180,445,820
Building - at cost		
Balances at beginning and end of year	**13,574,318**	13,574,318
Accumulated depreciation:		
Balances at beginning of year	**8,144,592**	5,429,728
Depreciation (Note 13)	**2,714,864**	2,714,864
Balances at end of year	**10,859,456**	8,144,592
	2,714,862	5,429,726
	₱183,160,682	₱185,875,546

Investment properties includes deemed cost adjustment amounting to ₱16.90 million as of December 31, 2011 and 2010 (see Notes 12 and 18). The deemed cost adjustment arose when the Company transitioned to PFRS in 2005.

Investment properties are rented out at different rates generally for a one-year term renewable every year. Rent income from real estate properties for lease amounted to ₱1.12 million, ₱0.75 million and ₱0.74 million in 2011, 2010 and 2009, respectively.

Based on the appraisal reports by independent firms of appraisers using market data approach at various dates in 2011 and 2010, the appraised values of these investment properties amounted to ₱280.71 million and ₱261.78 million as of dates of appraisal.

Some real estate properties for lease of the Group with carrying value of ₱418.39 million as of December 31, 2010 were used for collateral for loans availed from the omnibus credit line in 2010 (see Note 11). No loans were availed from omnibus credit line in 2011.

10. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of:

	2011	2010
Trade payables	**₱28,764,654**	₱9,791,264
Deposits	**10,062,434**	14,781,540
Accrued expenses:		
Development costs	**311,228,188**	228,642,530
Director's fee (Note 19)	**14,841,537**	8,427,858
Interest	**1,343,688**	1,991,293
Taxes, premiums, others	**769,561**	597,044
Withholding taxes payable	**2,279,132**	2,289,987
VAT payable	**–**	1,536,584
Dividends payable	**1,060,777**	966,886
Others (Note 19)	**3,848,307**	2,365,344
	₱374,198,278	₱271,390,330

Trade payables consist of payables to contractors and other counterparties, whereas deposits consist of rental deposits and collected deposits for water and electric meters of the sold units. Accrued expenses represent various accruals of the Company for its expenses and real estate projects. Accrued development costs represent the corresponding accrued expenses for the sold and completed real estate projects of the Company.

Accounts payable and accrued expenses due within one year amounted to ₱209.90 million and ₱264.68 million as of December 31, 2011 and 2010, respectively (see Note 21). Other payables consist of customers' reservation and employees' payable.

11. Notes and Loans Payable

The details of notes and loans payable are as follows:

	2011	2010
Notes payable:		
Short-term promissory notes with varying maturities and annual interest rates ranging from 3.5% to 4.77% in 2011 and 3.44% to 5.16% in 2010	**₱139,450,000**	₱164,400,000
Short-term promissory notes enrolled with HGC with varying maturities and annual interest rates ranging from 1.70% to 3.40% in 2011 and 2.70% to 3.40% in 2010	**182,570,561**	180,684,388
	322,020,561	345,084,388
Loans payable from financial institutions with annual average interest rate of 2.87% in 2010	**–**	5,000,000
	₱322,020,561	₱350,084,388

On September 12, 2011 and September 3, 2010, the Philippine Securities and Exchange Commission (SEC) authorized the Company to issue ₱200.00 million worth of STCP registered with the SEC in both years, in accordance with the provision of the Securities Regulation Code and its implementing rules and regulations, the Code of Corporate Governance and other applicable laws and orders. Outstanding STCP issued by the Company as of December 31, 2011 and 2010 aggregated to ₱139.45 million and ₱164.40 million, respectively.

In 2011 and 2010, the Company entered into a contract of guaranty under a Revolving Cash Guaranty Line with HGC in the amount of ₱200.00 million coverage on the Company's STCP. The guaranty covers the unpaid principal due on the outstanding STCP and unpaid interest thereon of 10% per annum. The guaranty premium paid was 0.90% per annum based on enrolled commercial papers in 2011 and 2010. Outstanding STCP covered by the guaranty amounted to ₱182.57 million and ₱180.68 million as of December 31, 2011 and 2010, respectively.

The Group has omnibus credit line with financial institutions aggregating to about ₱2,165.00 million as of December 31, 2011 and 2010, respectively, which is available for drawing by any of the companies of the Group. In addition, the Company has specific credit lines with financial institutions aggregating to ₱735.00 million as of December 31, 2010.

Outstanding balances of loans from financial institutions and carrying values of collaterals as of December 31 follow (amounts in millions):

	Outstanding Loan Balances		Carrying Values of Collaterals		
	2011	2010	Description	**2011**	2010
Secured:			Real estate properties for sale and lease:		
Omnibus	**₱–**	₱–	Group	**₱418.39**	₱418.39
Specific	**–**	5.00	Company	**–**	395.40
Total	**₱–**	₱5.00		**₱418.39**	₱813.79

Advance payment was made on July 2011 for the long-term loans obtained from financial institutions aggregating to ₱5.0 million as of December 31, 2010. In 2010, the Company paid loans amounting ₱58.95 million and obtained a new loan amounting to ₱5.0 million.

Interest expense related to short-term notes amounted to ₱12.17 million, ₱12.31 million and ₱12.55 million in 2011, 2010 and 2009, respectively, while interest expense related to long-term loans amounted to ₱0.08 million, ₱0.79 million and ₱3.82 million in 2011, 2010 and 2009, respectively (see Note 16). Capitalized interest in 2011, 2010 and 2009 amounted to ₱2.11 million, ₱12.60 million and ₱16.37 million, respectively (see Notes 8 and 16).

The portion of notes and loans payable due within one year amounted to ₱322.02 million and ₱345.08 million as of December 31, 2011 and 2010, respectively (see Note 21).

12. Equity

Capital stock consists of:

	Shares		Amount	
	2011	2010	**2011**	2010
Common stock - ₱1 par value:				
Authorized	**700,000,000**	700,000,000	**₱700,000,000**	₱700,000,000
Issued and outstanding:				
Beginning of the year	**563,368,825**	469,474,212	**563,368,825**	469,474,212
Stock dividends	**112,673,473**	93,894,613	**112,673,473**	93,894,613
End of the year	**676,042,298**	563,368,825	**₱676,042,298**	₱563,368,825

The Company registered with SEC 175,000,000 shares on April 21, 1989 with an initial offer price of ₱1.00. As of December 31, 2011 and 2010, the Company has 676,042,298 shares held by 769 equity holders and 563,368,825 shares held by 792 equity holders, respectively.

Dividends declared and issued/paid by the Company in 2011, 2010 and 2009 follow:

Dividends	Date Approved	Per Share	Stockholders of Record Date	Date Issued/Paid
Cash	June 3, 2011	₱0.140	June 17, 2011	July 13, 2011
	June 7, 2010	0.050	July 7, 2010	August 2, 2010
	June 5, 2009	0.070	June 22, 2009	July 16, 2009
Stock	May 2, 2011	20.0%	July 14, 2011	September 9, 2011
	April 30, 2010	20.0%	June 18, 2010	July 14, 2010
	May 28, 2009	20.0%	June 26, 2009	July 22, 2009

Fractional shares of stock dividends were paid in cash based on the par value.

On May 10, 2011, the Board of Directors authorized the transfer of appropriated retained earnings for the development cost of Grand Emerald Tower, which was 100% completed to appropriated retained earnings to finance the development costs of Manila Residences Bocobo has the same amount of ₱100.00 million. Manila Residences Bocobo is 96.36% complete as of December 31, 2011.

As of December 31, 2011 and 2010, the unappropriated retained earnings include the impact of the remaining balance of deemed cost adjustment of investment properties amounting to ₱11.83 million, net of related deferred tax of ₱5.07 million, which arose when the Company transitioned to PFRS in 2005 (see Notes 9 and 18). This amount has yet to be realized through sales. The balance of unappropriated retained earnings is restricted for the payment of dividends to the extent of the balance of the deemed cost adjustment.

13. Operating Expenses

Operating expenses consist of:

	2011	2010	2009
Personnel (Note 14)	**₱67,519,545**	₱48,766,555	₱76,206,226
Professional fees	**21,401,583**	8,630,480	5,892,235
Taxes and licenses	**15,109,116**	13,951,939	16,174,168
Insurance (Notes 6 and 11)	**6,416,956**	7,433,276	5,885,030
Membership dues	**5,147,677**	477,270	553,885
Brokers' commission	**3,103,102**	3,535,183	2,266,511
Depreciation (Note 9)	**2,714,864**	2,714,864	2,714,864
Advertising and promotions	**2,257,001**	1,758,751	3,315,928
Outside services	**1,867,395**	1,276,912	2,801,696
Rent	**1,755,859**	877,552	1,114,383
Postage, telephone and telegraph	**806,773**	606,063	1,170,665
Repairs and maintenance	**518,324**	304,073	922,855
Power, light and water	**274,479**	92,921	1,285,455
Others	**5,435,112**	2,880,574	3,117,183
	₱134,327,786	₱93,306,413	₱123,421,084

14. Personnel Expenses

Personnel expenses consist of:

	2011	2010	2009
Salaries and wages	**₱27,539,074**	₱17,737,537	₱31,884,161
Bonuses and other employee benefits (Note 17)	**23,702,057**	15,481,364	24,726,150
Commissions	**16,278,414**	15,547,654	19,595,915
	₱67,519,545	₱48,766,555	₱76,206,226

15. Financial Income

Financial income consists of:

	2011	2010	2009
Interest income from:			
Installment contracts receivable relating to sales of real estate (Note 6)	**₱140,629,814**	₱148,713,513	₱127,870,204
Cash equivalents and short-term investments (Note 4)	**26,414,581**	18,171,305	5,002,661
Cash in bank (Note 4)	**38,064**	55,472	37,014
Others (Note 19)	**158,329**	95,483	89,927
Dividend income	**15,878**	18,974	3,343
	₱167,256,666	₱167,054,747	₱133,003,149

16. Financial Expense

Financial expense consists of:

	2011	2010	2009
Interest expense on:			
Notes payable (Note 11)	**₱12,169,937**	₱12,313,740	₱12,547,846
Loans payable (Notes 8 and 11)	**83,488**	793,350	3,818,123
	12,253,425	13,107,090	16,365,969
Capitalized interest (Notes 8 and 11)	**(2,108,403)**	(12,598,616)	(16,365,969)
	10,145,022	508,474	–
Others (Note 19)	**354,457**	171,018	194,260
Finance charges and others	**751,873**	605,246	589,002
Impairment loss on available-for-sale financial assets (Note 5)	**–**	682,118	–
	₱11,251,352	₱1,966,856	₱783,262

17. Retirement Benefits Cost

The Company, jointly with affiliated companies, has a funded, noncontributory defined benefit retirement plan, administered by a trustee, covering all of its permanent employees.

The latest actuarial valuation report was as of December 31, 2011. The following tables summarize the components of the net retirement benefits cost (income) from retirement plan assets recognize in the statements of income and the funded status and amounts recognized in the balance sheets.

The details of net retirement benefits cost (income), which is included in "Personnel expense" account (see Note 14), are as follows:

	2011	2010	2009
Current service cost	**₱93,875**	₱94,331	₱675
Interest cost on defined benefit obligation	**104,385**	84,596	3,924
Expected return on plan assets	**(130,381)**	(106,831)	(74,996)
Net actuarial loss (gain)	**7,046**	8,223	(13,105)
Effect of asset limit	**(158,109)**	56,573	(200,486)
Net retirement benefits cost (income)	**(₱83,184)**	₱136,892	(₱283,988)
Actual return on plan assets	**₱24,285**	₱106,831	₱79,832

The details of the retirement plan assets, which are included in "Other Assets" account in the balance sheets, are as follows:

	2011	2010
Defined benefit obligation	**₱3,290,768**	₱943,805
Fair value of plan assets	**1,446,776**	1,303,808
	1,843,992	(360,003)
Unrecognized net actuarial losses	**(2,568,386)**	(320,633)
Amount not recognized because of limit	**–**	158,109
Retirement plan assets	**(₱724,394)**	(₱522,527)

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

	2011	2010
Defined benefit obligation, January 1	**₱943,805**	₱764,878
Current service cost	**93,875**	94,331
Interest cost on defined benefit obligation	**104,385**	84,596
Actuarial loss on obligation	**2,148,703**	–
Defined benefit obligation, December 31	**₱3,290,768**	₱943,805

Changes in fair value of plan assets are as follows:

	2011	2010
Fair value of plan assets, January 1	**₱1,303,808**	₱1,068,308
Expected return on plan assets	**130,381**	106,831
Contributions to the plan	**118,683**	128,669
Actuarial loss on plan assets	**(106,096)**	–
Fair value of plan assets, December 31	**₱1,446,776**	₱1,303,808

The major categories of plan assets of the Company with its affiliated companies as a percentage of the fair value of net plan assets are as follows:

	2011	2010
Cash and cash equivalents	**–**	0.47%
Investments in securities	**8.35%**	15.85%
Receivables	**91.78%**	83.72%
Liabilities	**(0.13%)**	(0.04%)
	100.00%	100.00%

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

The principal assumptions used in determining retirement benefits cost for the Company's plan as of January 1 are as follows:

	2011	2010	2009
Discount rate per annum	11.06%	11.06%	36.14%
Expected annual rate of return on plan assets	10.00%	10.00%	10.00%
Future annual increase in salary	6.00%	6.00%	6.00%

As of December 31, 2011, the discount rate is 6.05%, the future increase in salary is 6.00% and expected return of plan asset in 2011 is 6.00%.

There are 68, 65 and 66 employees covered by the plan as of December 31, 2011, 2010 and 2009, respectively.

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

	2011	2010	2009	2008	2007
Defined benefit obligation	**₱3,290,768**	₱943,805	₱764,878	₱10,858	₱937,085
Fair value of plan assets	**1,446,776**	1,303,808	1,068,308	749,956	848,510
Surplus (deficit)	**(1,843,992)**	360,003	303,430	739,098	(88,575)
Experience adjustment on plan liabilities - gain (loss)	–	–	(255)	(11,516)	(56,460)
Experience adjustment on plan assets - gain (loss)	(106,096)	–	4,836	(421,925)	67,076

The Company expects to contribute ₱0.12 million to the retirement fund in 2012.

18. Income Taxes

a. Provision for income tax consists of:

	2011	2010	2009
Current	**₱48,401,096**	₱49,740,274	₱42,167,370
Deferred	**4,062,526**	13,154,417	(7,644,104)
	52,463,622	62,894,691	34,523,266
Final tax on interest income	**5,290,529**	3,645,355	1,007,935
	₱57,754,151	₱66,540,046	₱35,531,201

b. The components of the net deferred tax liabilities are as follows:

	2011	2010
Deferred tax assets:		
Accrued expenses	**₱4,452,461**	₱2,528,357
Unamortized past service cost	**89,929**	96,902
	4,542,390	2,625,259
Deferred tax liabilities:		
Unrealized gain on real estate transactions	**66,603,598**	54,449,995
Capitalized interest	**5,925,853**	12,160,359
Deemed cost adjustment in real estate properties (Notes 9 and 12)	**5,068,019**	5,068,019
Retirement plan assets	**217,318**	156,758
	77,814,788	71,835,131
Net deferred tax liabilities	**₱73,272,398**	₱69,209,872

c. The reconciliation of income tax computed at the statutory tax rates to the provision for income tax follows:

	2011	2010	2009
Income tax at statutory tax rates	**₱112,421,460**	₱99,640,882	₱49,509,936
Additions to (reductions in) income tax resulting from:			
Income entitled to tax holiday (Note 25)	**(39,598,044)**	(16,414,077)	(74,023)
Tax-exempt interest income	**(15,039,060)**	(16,884,176)	(13,990,229)
Interest income subjected to final tax	**(7,935,794)**	(5,468,033)	(1,511,903)
Final tax on interest income	**5,290,529**	3,645,355	1,007,935
Nondeductible interest expense	**2,618,812**	1,804,451	498,928
Others	**(3,752)**	215,644	90,557
Provision for income tax	**₱57,754,151**	₱66,540,046	₱35,531,201

19. Related Party Transactions

Parties are considered to be related if one party has the ability to control, directly or indirectly, the other party or exercise significant influence over the other party in making financial and operating decisions. It includes companies in which one or more of the directors and/or shareholder of the Company either has a beneficial controlling interest or are in a position to exercise significant influence therein.

The Company discloses the nature of the related party relationship and information about the transactions and outstanding balances necessary for an understanding of the potential effect of the relationship on the financial statements, including, as a minimum, the amount of outstanding balances and its terms and conditions including whether they are secured, and the nature of the consideration to be provided in settlement.

The Company, in the normal course of business, has transactions and account balances with related parties consisting mainly of the following:

a. Interest-bearing cash advances and noninterest-bearing cash advances for reimbursable expenses are unsecured and to be settled in cash.

Related Party	Relationship	Year	Interest Income on Advances to Related Parties [1]	Interest Expense on Advances from Related Parties [2]	Amounts Owed by Related Parties [3]	Amounts Owed to Related Parties [4]
CDC	Parent company	**2011**	**₱98,217**	**₱72,204**	**₱–**	**₱1,060,034**
		2010	42,191	122,320	37,359	780,829
CI	Ultimate parent company	**2011**	**60,112**	**29,551**	**–**	**954,663**
		2010	50,674	36,371	–	–
CPI	Affiliate under common control	**2011**	**–**	**–**	**23,182**	**–**
		2010	–	–	–	49,548
		2011	**₱158,329**	**₱101,755**	**₱23,182**	**₱2,014,697**
		2010	₱92,865	₱158,691	₱37,359	₱830,377

[1] *Included in "Financial Income" (see Note 15).*
[2] *Included in "Financial Expense" (see Note 16).*
[3] *Included in "Other Receivables" (see Note 7).*
[4] *Included in "Accounts Payable and Accrued Expenses" (see Note 10).*

b. Shares of stock of the Company held by members of the BOD aggregated to ₱28.33 million and ₱25.72 million as of December 31, 2011 and 2010, respectively.

c. The Company, jointly with affiliated companies under common control, has a trust fund for the retirement plan of their employees. Contributions to the fund amounted to ₱0.12 million and ₱0.13 million in 2011 and 2010, respectively. The Company's share on the fund assets amounted to ₱1.45 million and ₱1.30 million as of December 31, 2011 and 2010, respectively (see Note 17).

d. Compensation of key management personnel are as follows:

	2011	2010	2009
Salaries	**₱8,666,419**	₱8,016,434	₱7,820,873
Bonuses	**11,372,544**	7,485,786	6,956,998
Other benefits	**12,742,198**	6,256,425	6,166,851
	₱32,781,161	₱21,758,645	₱20,944,722

The Company has no standard arrangements with regards to remuneration of its directors. In 2011, 2010 and 2009, the BOD received as remuneration a total of ₱10.95 million, ₱4.16 million and ₱3.45 million, respectively. Moreover, the Company has no standard arrangement with regards to the remuneration of its existing officers aside from the compensation received or any other arrangements in the employment contracts and compensatory plan. The Company does not have any arrangements for stock warrants or options offered to its employees.

20. Financial Instruments

Financial Risk Management Objectives and Policies

The Company's principal financial instruments comprise of cash and cash equivalents, short-term cash investments and notes and loans payable. The main purpose of these financial instruments is to finance the Company's operations. The Company's other financial instruments consist of available-for-sale financial assets, which are held for investing purposes. The Company has various other financial instruments such as installment contracts receivable, other receivables and accounts payable and accrued expenses, which arise directly from its operations.

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

The main risks arising from the Company's financial instruments are market risk (i.e., cash flow interest rate risk and equity risk), credit risk and liquidity risk. The BOD reviews and approves policies for managing these risks and they are summarized as follows:

Market risk

Cash flow interest rate risk

Cash flow interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's short-term and long-term loans payable, all with repriced interest rates.

The Company's policy in addressing volatility in interest rates includes maximizing the use of operating cash flows to be able to fulfill principal and interest obligations even in periods of rising interest rates.

The following table demonstrates the sensitivity of the Company's income before income tax to a reasonable change in interest rates (with all other variables held constant):

	Change in Basis Points (bps)	Effect on Income before Income Tax
2011	**-/+ 6 bps**	**+/- ₱193,212**
2010	-/+ 5 bps	+/- ₱2,500

There is no impact on the Company's equity other than those already affecting income before income tax.

Equity price risk

Equity price risk is the risk that the fair values of investments in equity securities will decrease as a result of changes in the market values of individual shares of stock. The Company is exposed to equity price risk because of investments held by the Company classified as available-for-sale financial assets in the balance sheets. The Company employs the service of a third-party stockbroker to manage its investments in shares of stock.

The following table demonstrates the sensitivity analysis of the Company's equity to a reasonable possible change in equity price based on forecasted and average movements of the equity prices (with all other variables held constant):

	Change in Equity Price	Effect on Equity
2011	**+/-0.04**	**+/-₱41,052**
2010	+/-0.28	+/-₱273,868

Credit risk

The Company trades only with recognized, creditworthy third parties. Credit risk arises when the Company will incur a loss because its customers, clients or counterparties fail to discharge their obligations. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an on-going basis with the objective that the Company's exposure to bad debts is not significant. The Company's policy is to enter into transactions with a diversity of credit-worthy parties to mitigate any significant concentration of credit risk. There are no significant concentrations of credit risk within the Company.

The tables below show the Company's exposure to credit risk for the components of the balance sheet. The exposure as of December 31, 2011 and 2010 is shown at gross, before taking the effect of mitigation through the use of collateral agreements, and at net, after taking the effect of mitigation through the use of collateral agreements.

December 31, 2011:

	Gross	**Net**
Loans and receivables:		
Cash and cash equivalents, excluding cash on hand	**₱311,519,443**	**₱145,418,227**
Short-term cash investments	**211,500,000**	**163,500,000**
Installment contracts receivable	**871,354,650**	**–**
Other receivables:		
Accrued interest	**2,101,579**	**–**
Retention	**920,200**	**120,200**
Advances to customers	**3,821,367**	**2,027,494**
Others	**2,030,722**	**87,952**
Total credit risk exposure	**₱1,403,247,961**	**₱311,153,873**

December 31, 2010:

	Gross	Net
Loans and receivables:		
Cash and cash equivalents, excluding cash on hand	₱93,569,832	₱76,963,538
Short-term cash investments	363,000,000	304,500,000
Installment contracts receivable	569,158,251	–
Other receivables:		
Accrued interest	2,763,739	–
Retention	2,399,853	30,200
Advances to customers	2,245,663	1,942,752
Others	1,099,210	106,824
Total credit risk exposure	₱1,034,236,548	₱383,543,314

The following tables summarize the aging analysis of receivables:

December 31, 2011:

		Past Due But Not Impaired					
	Current	**< 30 days**	**31- 60 days**	**61- 90 days**	**Over 90 days**	**> One Year***	**Total**
Installment contracts receivable	**₱143,690,415**	**₱2,694,780**	**₱547,838**	**₱449,406**	**₱2,839,685**	**₱721,132,526**	**₱871,354,650**
Other receivables:							
Accrued interest	**2,101,579**	**–**	**–**	**–**	**–**	**–**	**2,101,579**
Advances to customers	**1,793,873**	**–**	**4,692**	**197,299**	**1,825,503**	**–**	**3,821,367**
Retention	–	**120,200**	**–**	**–**	**–**	**800,000**	**920,200**
Others**	**1,942,770**	**87,952**	**–**	**–**	**–**	**–**	**2,030,722**
	₱149,528,637	**₱2,902,932**	**₱552,530**	**₱646,705**	**₱4,665,188**	**₱721,932,526**	**₱880,228,518**

* *Classified as neither past due nor impaired*
** *Excludes nonfinancial assets amounting to ₱388,982*

December 31, 2010:

		Past Due But Not Impaired					
	Current	< 30 days	31- 60 days	61- 90 days	Over 90 days	> One Year*	Total
Installment contracts receivable	₱277,274,286	₱1,685,936	₱517,851	₱348,496	₱3,837,775	₱285,493,907	₱569,158,251
Other receivables:							
Accrued interest	2,763,739	–	–	–	–	–	2,763,739
Advances to customers	302,911	–	218,295	–	1,724,457	–	2,245,663
Retention	1,799,653	30,200	–	–	–	570,000	2,399,853
Others**	692,834	106,824	–	–	–	299,552	1,099,210
	₱282,833,423	₱1,822,960	₱736,146	₱348,496	₱5,562,232	₱286,363,459	₱577,666,716

* *Classified as neither past due nor impaired*
** *Excludes nonfinancial assets amounting to ₱292,470*

The tables below show the credit quality by class of asset for loan-related balance sheet lines based on the Company's credit rating system:

December 31, 2011:

	High Grade*	**Medium Grade****	**Past due But Not Impaired**	**Total**
Loans and receivables:				
Cash and cash equivalents, excluding cash on hand	**₱311,519,443**	**₱–**	**₱–**	**₱311,519,443**
Short-term cash investments	**211,500,000**	**–**	**–**	**211,500,000**
Installment contracts receivable	**864,822,941**	**–**	**6,531,709**	**871,354,650**
Other receivables:				
Accrued interest	**2,101,579**	**–**	**–**	**2,101,579**
Advances to customers	**1,793,873**	**–**	**2,027,494**	**3,821,367**
Retention	**800,000**	**–**	**120,200**	**920,200**
Others	**1,898,318**	**44,452**	**87,952**	**2,030,722**
	₱1,394,436,154	**₱44,452**	**₱8,767,355**	**₱1,403,247,961**

* *High Grade - financial assets with reputable counterparties and which management believes to be reasonably assured to be recoverable.*
** *Medium Grade - financial assets for which there is low risk of default of counterparties.*

December 31, 2010:

	High Grade*	Medium Grade**	Past due but not impaired	Total
Loans and receivables:				
Cash and cash equivalents, excluding cash on hand	₱93,569,832	₱–	₱–	₱93,569,832
Short-term cash investments	363,000,000	–	–	363,000,000
Installment contracts receivable	562,768,193	–	6,390,058	569,158,251
Other receivables:				
Accrued interest	2,763,739	–	–	2,763,739
Advances to customers	302,911	–	1,942,752	2,245,663
Retention	2,369,653	–	30,200	2,399,853
Others	992,386	–	106,824	1,099,210
	₱1,025,766,714	₱–	₱8,469,834	₱1,034,236,548

* *High Grade - financial assets with reputable counterparties and which management believes to be reasonably assured to be recoverable.*
** *Medium Grade - financial assets for which there is low risk of default of counterparties.*

The main considerations for impairment assessment include whether any payments are overdue or if there are any known difficulties in the cash flows of the counterparties. The Company assesses impairment into two areas: individually assessed allowances and collectively assessed allowances.

The Company determines allowance for each significant receivable on an individual basis. Among the factors that the Company considers in assessing impairment is the inability to collect from the counterparty based on the contractual terms of the receivables. The Company also considers the fair value of the real estate collateralized in computing the impairment of the receivables. Receivables included in the specific assessment are those receivables under the installment contracts receivable accounts.

For collective assessment, allowances are assessed for receivables that are not individually significant and for individually significant receivables where there is no objective evidence of individual impairment. Impairment losses are estimated by taking into consideration the age of the receivables, past collection experience and other factors that may affect collectability.

No impairment has been recognized because the Company holds the title to the real estate properties with outstanding installment contracts receivable balance and the Company can repossess such real estate properties upon default of the customer in paying the outstanding balance.

Liquidity risk
Liquidity risk is defined as the risk that the Company would not be able to settle or meet its obligations on time or at a reasonable price.

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of STCPs and bank loans.

The tables below summarize the maturity analysis of the Company's financial assets and financial liabilities:

December 31, 2011:

	30 days	31-90 days	91-180 days	181-360 days	Above 1 year	Total
Financial Assets						
Cash and cash equivalents	**₱203,040,443**	**₱108,500,000**	**₱–**	**₱–**	**₱–**	**₱311,540,443**
Short-term cash investments	**55,000,000**	**156,500,000**	**–**	**–**	**–**	**211,500,000**
Installment contracts receivable	**22,552,671**	**32,524,848**	**15,713,412**	**86,452,264**	**724,643,061**	**881,886,256**
	280,593,114	**297,524,848**	**15,713,412**	**86,452,264**	**724,643,061**	**1,404,926,699**
Financial Liabilities						
Accounts payable and accrued expenses *	**42,251,916**	**26,127,606**	**61,302,283**	**77,878,845**	**164,294,523**	**371,855,173**
Notes payable**	**90,633,123**	**153,263,631**	**90,553,800**	**–**	**–**	**334,450,554**
	132,885,039	**179,391,237**	**151,856,083**	**77,878,845**	**164,294,523**	**706,305,727**
	₱147,708,075	**₱118,133,611**	**(₱136,142,671)**	**₱8,573,419**	**₱560,348,538**	**₱698,620,972**

* *Excludes statutory liabilities amounting to ₱2,343,105*
** *Includes interest expense amounting to ₱12,429,993*

December 31, 2010:

	30 days	31-90 days	91-180 days	181-360 days	Above 1 year	Total
Financial Assets						
Cash and cash equivalents	₱56,089,832	₱37,500,000	₱–	₱–	₱–	₱93,589,832
Short-term cash investments	127,000,000	198,000,000	38,000,000	–	–	363,000,000
Installment contracts receivable	14,557,624	18,810,065	266,108,984	48,796,937	366,111,097	714,384,707
	197,627,456	254,310,065	304,108,984	48,796,937	366,111,097	1,170,954,539
Financial Liabilities						
Accounts payable and accrued expenses *	38,500,005	38,439,239	62,169,220	121,681,891	6,710,875	267,501,230
Notes payable**	122,996,910	211,412,403	17,116,820	7,596,979	–	359,123,112
Loans payable***	–	–	–	–	5,203,410	5,203,410
	161,496,915	249,851,642	79,286,040	129,278,870	11,914,285	631,827,752
	₱36,130,541	₱4,458,423	₱224,822,944	(₱80,481,933)	₱354,196,812	₱539,126,787

* *Excludes statutory liabilities amounting to ₱3,889,100*
** *Includes interest expense amounting to ₱14,038,724*
*** *Includes interest expense amounting to ₱203,410*

<u>Fair Values</u>
The carrying amounts of recorded financial assets and financial liabilities as of December 31, 2011 and 2010 are as follows:

	2011		2010	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial Assets				
Cash on hand	**₱21,000**	**₱21,000**	₱20,000	₱20,000
Loans and receivables:				
Cash in banks and cash equivalents	**311,519,443**	**311,519,443**	93,569,832	93,569,832
Short-term cash investments	**211,500,000**	**211,500,000**	363,000,000	363,000,000
Installment contracts receivable	**871,354,650**	**871,354,650**	569,158,251	569,158,251
Other receivables:				
Accrued interest	**2,101,579**	**2,101,579**	2,763,739	2,763,739
Customers	**3,821,367**	**3,821,367**	2,245,663	2,245,663

(Forward)

	2011		2010	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Retention	**₱920,200**	**₱920,200**	₱2,399,853	₱2,399,853
Others	**2,030,722**	**2,030,722**	1,099,210	1,099,210
	1,403,247,961	**1,403,247,961**	1,034,236,548	1,034,236,548
Available-for-sale financial assets	**960,623**	**960,623**	981,871	981,871
	₱1,404,229,584	**₱1,404,229,584**	₱1,035,238,419	₱1,035,238,419
Financial Liabilities				
Other financial liabilities:				
Accounts payable and accrued expenses*	**₱371,855,173**	**₱371,855,173**	₱267,501,230	₱267,501,230
Notes payable	**322,020,561**	**322,020,561**	345,084,388	345,084,388
Loans payable	**–**	**–**	5,000,000	5,000,000
	₱693,875,734	**₱693,875,734**	₱617,585,618	₱617,585,618

**Excludes statutory liabilities amounting to ₱2,343,105 and ₱3,889,100 as of December 31, 2011 and 2010, respectively.*

Cash and cash equivalents, short-term cash investments, other receivables and accounts payable and accrued expenses
Due to the short-term nature of the transactions, the fair values of cash and cash equivalents, short-term cash investments, other receivables and accounts payable and accrued expenses approximate their carrying amounts.

Available-for-sale financial assets
Available-for-sale financial assets are stated at fair value based on quoted market prices.

Installment contracts receivable
The fair value of installment contracts receivable cannot be reasonably estimated due to the significant volume of transactions and the varied terms and maturities.

Notes and loans payable
The fair value of floating rate borrowings is estimated by discounting future cash flows using rates currently available for debt or similar terms and remaining maturities. The fair values approximate their carrying values gross of unamortised transaction costs

Fair Value Hierarchy
The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1 - quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2 - other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3 - techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As of December 31, 2011 and 2010, the Company's financial assets measured at fair value under the Level 1, which consists of available-for-sale financial assets amounted to ₱0.96 million and ₱0.98 million, respectively. There are no available-for-sale financial assets that are measured at Level 2 and 3. The Company does not have transfers of financial instruments from Level 1 to Level 2 and Level 2 to Level 3 in 2011 and 2010.

21. Current Assets and Current Liabilities

The Company's current assets and current liabilities are as follows:

	2011	2010
Current Assets		
Cash and cash equivalents (Note 4)	**₱311,540,443**	₱93,589,832
Short-term cash investments (Note 4)	**211,500,000**	363,000,000
Available-for-sale financial assets (Note 5)	**960,623**	981,871
Installment contracts receivable (Note 6)	**150,222,124**	283,664,344
Other receivables (Note 7)	**8,073,868**	7,638,913
Real estate properties for sale (Note 8)	**391,691,341**	558,463,258
Other assets	**4,163,768**	966,243
	₱1,078,152,167	₱1,308,304,461
Current Liabilities		
Accounts payable and accrued expenses (Note 10)	**₱209,903,755**	₱264,679,455
Notes and loans payable (Note 11)	**322,020,561**	345,084,388
Income tax payable	**7,952,956**	14,452,192
	₱539,877,272	₱624,216,035

22. Capital Management

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

The Company manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. It monitors capital using leverage ratios on both gross debt and net debt basis. Debt consists of short-term and long-term debt. Net debt includes short-term and long-term debt less cash and cash equivalents and short-term cash investments.

The Company considers as capital the total equity less net changes in fair values of available-for-sale financial assets. As of December 31, 2011 and 2010, the Company had the following ratios:

	2011	2010
Notes and loans payable	**₱322,020,561**	₱350,084,388
Total equity	**₱1,443,981,115**	₱1,205,890,243
Less: net changes in fair values of available-for-sale financial assets	**690,710**	711,958
	₱1,443,290,405	₱1,205,178,285
Debt to equity ratio	**0.22**	0.29
Notes and loans payable	**₱322,020,561**	₱350,084,388
Less:		
Cash and cash equivalents	**311,540,443**	93,589,832
Short-term cash investments	**211,500,000**	363,000,000
	(₱201,019,882)	(₱106,505,444)

(Forward)

	2011	2010

	2011	2010
Total equity	**₱1,443,981,115**	₱1,205,890,243
Less: net changes in fair values of available-for-sale financial assets	**690,710**	711,958
	₱1,443,290,405	₱1,205,178,285
Net debt to equity ratio	**(0.14)**	(0.09)

As of December 31, 2011 and 2010, the Company has no externally imposed capital requirements.

23. Basic/Diluted Earnings Per Share

Basic/diluted earnings per share amounts were computed as follows:

	2011	2010	2009
Net income	**₱316,984,047**	₱265,596,227	₱129,501,919
Weighted average number of shares	**676,042,298**	676,042,298	676,042,298
Basic/diluted earnings per share	**₱0.47**	₱0.39*	₱0.19*

**After retroactive effect of 20% stock dividends in 2011.*

The Company has no dilutive common shares as of December 31, 2011, 2010 and 2009. Thus, the basic and diluted earnings per share are the same as of those dates.

24. Business Segments

The Company derives its revenues primarily from the sale and lease of real estate properties.

The Company does not have any major customers and all sales and leases of real estate properties are made to external customers.

<u>Segment Revenue and Expenses</u>

	2011		
	Sales of Real Estate Properties	**Lease of Real Estate Properties**	**Total**
Revenue:			
Sales of real estate	**₱941,779,900**	**₱–**	**₱941,779,900**
Financial income	**167,256,666**	**–**	**167,256,666**
Rent income	**–**	**1,116,231**	**1,116,231**
Other income	**5,543,279**	**–**	**5,543,279**
Cost of real estate sales	**595,378,740**	**–**	**595,378,740**
Operating expenses:			
Personnel	**67,519,545**	**–**	**67,519,545**
Professional fees	**21,401,583**	**–**	**21,401,583**
Taxes and licenses	**15,018,400**	**90,716**	**15,109,116**
Insurance	**6,416,956**	**–**	**6,416,956**
Depreciation	**–**	**2,714,864**	**2,714,864**
Others	**21,141,281**	**24,441**	**21,165,722**
Financial expenses	**11,251,352**	**–**	**11,251,352**
Provision for (benefit from) income tax	**58,268,288**	**(514,137)**	**57,754,151**
Net income	**318,183,699**	**(1,199,652)**	**316,984,047**

	2010		
	Sales of Real Estate	Lease of Real Estate	Total

	Properties	Properties	
Revenue:			
Sales of real estate	₱766,761,471	₱–	₱766,761,471
Financial income	167,054,747	–	167,054,747
Rent income	–	746,874	746,874
Other income	6,156,566	–	6,156,566
Cost of real estate sales	513,310,116	–	513,310,116
Operating expenses:			
Personnel	48,766,555	–	48,766,555
Taxes and licenses	13,951,939	–	13,951,939
Professional fees	8,630,480	–	8,630,480
Insurance	7,433,276	–	7,433,276
Depreciation	–	2,714,864	2,714,864
Others	11,595,933	213,366	11,809,299
Financial expenses	1,966,856	–	1,966,856
Provision for (benefit from) income tax	67,194,452	(654,406)	66,540,046
Net income	267,123,176	(1,526,949)	265,596,227

	2009		
	Sales of Real Estate Properties	Lease of Real Estate Properties	Total
Revenue:			
Sales of real estate	₱576,189,139	₱–	₱576,189,139
Financial income	133,003,149	–	133,003,149
Rent income	–	742,496	742,496
Other income	4,511,328	–	4,511,328
Cost of real estate sales	425,208,646	–	425,208,646
Operating expenses:			
Personnel	76,206,226	–	76,206,226
Taxes and licenses	16,174,168	–	16,174,168
Professional fees	5,892,235	–	5,892,235
Insurance	5,885,030	–	5,885,030
Depreciation	–	2,714,864	2,714,864
Others	15,378,092	1,170,469	16,548,561
Financial expenses	783,262	–	783,262
Provision for (benefit from) income tax	36,474,052	(942,851)	35,531,201
Net income	131,701,905	(2,199,986)	129,501,919

Segment Assets and Liabilities

December 31, 2011:

	Sales of Real Estate Properties	**Lease of Real Estate Properties**	**Total**
Total assets	**₱2,038,264,626**	**₱183,160,682**	**₱2,221,425,308**
Total liabilities	**776,730,604**	**713,589**	**777,444,193**

December 31, 2010:

	Sales of Real Estate Properties	Lease of Real Estate Properties	Total
Total assets	₱1,725,151,479	₱185,875,546	₱1,911,027,025
Total liabilities	704,829,662	307,120	705,136,782

25. Income Subject to Income Tax Holiday

The Company has been duly registered by the Board of Investments (BOI) as a New Developer of Low-Cost Mass Housing Project (Manila Residences Bocobo - 1160 Jorge Bocobo St., Ermita, Manila) on a Non-Pioneer Status under the Omnibus Investments Code of 1987 (Executive Order No. 226) with Registration No. 2008-246 dated August 26, 2008. The Company shall be entitled to Income Tax Holiday (ITH) for a period of four (4) years from August 2008 or actual start of commercial operations, whichever is earlier. The ITH shall be limited only to revenue generated from this registered project. Revenue from units with selling price exceeding ₱3.00 million shall not be covered by ITH.

The income of Manila Residences Bocobo in 2011 which is entitled to the ITH is presented as follows:

	BOI Registered Activities				
	Income Subject to Tax Holiday	Adjustment due to Percentage of Completion	Income based on Percentage of Completion	Non-BOI Registered Activities	Amounts as Shown in Statement of Income
Revenues from sale of condominium units	₱112,043,827	₱205,206,314	₱317,250,141	₱624,529,759	₱941,779,900
Cost of sales	(58,767,728)	(135,272,754)	(194,040,482)	(401,338,258)	(595,378,740)
Gross profit	53,276,099	69,933,560	123,209,659	223,191,501	346,401,160
Other income:					
Interest income	24,973,906	–	24,973,906	142,266,882	167,240,788
Rent income	–	–	–	1,116,231	1,116,231
Dividend income	–	–	–	15,878	15,878
Others	254,602	–	254,602	5,288,677	5,543,279
	25,228,508	–	25,228,508	148,687,668	173,916,176
Expenses:					
Operating expenses	15,402,380	–	15,402,380	118,925,406	134,327,786
Financial expenses	1,042,308	–	1,042,308	10,209,044	11,251,352
	16,444,688	–	16,444,688	129,134,450	145,579,138
Income before income tax	62,059,919	69,933,560	131,993,479	242,744,719	374,738,198
Provision for income tax	–	–	–	57,754,151	57,754,151
Net income	₱62,059,919	₱69,933,560	₱131,993,479	₱184,990,568	₱316,984,047

All common operating expenses not specifically identifiable to the project, except for brokers' commission, depreciation and advertising, are shared based on sales.

26. Supplementary Information Required Under Revenue Regulations (RR) 19-2011

RR 19-2011 prescribes the new income tax forms to be used effective calendar year 2011. In the case of corporations using BIR Form 1702, the taxpayer is now required to include as part of its Notes to the Audited Financial Statements, which will be attached to the income tax return (ITR), the schedules and information on taxable income and deductions to be taken.

Below is the additional information required by RR No. 19-2011. This information is presented for purposes of filing with the BIR and is not a required part of the basic financial statements.

a. The Company's revenue reflected in 2011 ITR consists of:

	Regular rate	Exempt
Sales of properties	₱205,196,649	₱53,276,099
Leased of properties	1,116,231	–
	₱206,312,880	₱53,276,099

b. The details of deductible cost of service in 2011 in ITR are as follows:

	Regular rate	Exempt
Salaries, wages and benefits	₱8,672,768	₱1,980,430
Outside services	18,605	–
Others	56,729	54,445
	₱8,748,102	₱2,034,875

c. The Company has the following other non-operating and taxable other income in 2011 ITR:

	Regular rate	Exempt
Interest income	₱65,684,036	₱24,973,906
Others	5,288,677	254,602
	₱70,972,713	₱252,285,508

d. The details of deductible of itemized deduction under regular rate in 2011 in ITR is as follows:

	Regular rate	Exempt
Salaries, wages and benefits	₱46,825,312	₱10,266,144
Professional fees	14,502,075	485,829
Taxes and licenses	14,185,816	845,755
Insurance	6,415,707	80,379
Association/membership/subscription dues	5,142,834	4,843
Interest expense	3,215,142	1,042,308
Commission	3,069,988	33,114
Depreciation	2,714,864	–
Donations and contributions	2,000,000	–
Advertising and promotions	1,811,794	445,207
Outside services	1,506,896	341,894
Rental	1,439,529	316,330
Materials, supplies and facilities	141,751	–
Others	4,228,795	548,010
	₱107,200,503	₱14,409,813

27. **Supplementary Information under RR 15-2010**

On November 25, 2010, the BIR issued RR 15-2010 amending certain provisions of RR 21-2002, as amended and implementing Section 6 (H) of the Tax Code of 1997, which authorizes the Commissioner of Internal Revenue to prescribe additional procedural and/or documentary requirements in connection with the preparation and submission of financial statements accompanying the tax returns.

The following information reflects the taxes, duties and license fees paid or accrued by the Company during 2011.

a. Net sales/receipts and output VAT declared in the Company's VAT returns filed in 2011:

	Net Sales/Receipt	Output VAT
Vatable Sales	₱310,121,305	₱37,214,557
Exempt	303,042,103	–
	₱613,163,408	₱37,214,557

The Company does not have zero-rated sales/receipts in 2011. The Company's net sales/receipts are based on actual collections received, hence, may not be the same as the amounts accrued/reflected in the "Sales of real estate properties" account in the Company's statement of income.

There is no outstanding output VAT as of December 31, 2011.

b. Input VAT

The following table shows the sources of input VAT claimed:

Purchases of:	
Goods for resale	₱–
Goods other than for resale	5,933,123
Capital goods subject to amortization	–
Capital goods not subject to amortization	–
Services lodged under cost of goods sold	–
Services lodged under other accounts	10,292,472
Total available input VAT during the period	16,225,595
Less input VAT applied against output VAT and other adjustments	(15,826,364)
Balance at end of the year	₱399,231

c. There are no importations during the year 2011.

d. Details of taxes and licenses are shown below:

	Under Cost of Real Estate Sales	Under Operating Expenses
Business permit and registration	₱–	₱11,021,498
Documentary stamps	1,432,181	2,290,659
Real estate taxes	68,328	111,174
Premium on HGC	–	1,626,491
Other taxes	2,215,408	59,294
	₱3,715,917	₱15,109,116

In 2011, the Company incurred documentary stamp taxes amounting to ₱1.43 million for the purchase of land property, ₱1.73 million for loan instruments and ₱0.56 million for shares of stock.

e. Withholding taxes

The following are the categories of the Company's withholding taxes in 2011:

Compensation and benefits	₱11,558,100
Expanded taxes	7,561,823
Final taxes:	
Interest expense	1,357,050
Cash dividends	1,417,028
	₱21,894,001

The outstanding balance of withholding taxes as of December 31, 2011, which amounted to ₱2.28 million, is recorded under "Accounts payable and accrued expenses" account in the balance sheet.

f. Tax contingencies:

i. The Company has no deficiency tax assessments as of December 31, 2011.

ii. The Company has no tax cases, litigation and/or prosecution in courts or bodies outside the BIR.

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

INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
City & Land Developers, Incorporated
3rd Floor, Cityland Condominium 10, Tower I
156 H.V. de la Costa Street
Ayala North, Makati City

We have audited in accordance with Philippine Standards on Auditing, the financial statements of City & Land Developers, Incorporated as at December 31, 2011 and 2010 and for each of the three years in the period ended December 31, 2011, included in this Form 17-A, and have issued our report thereon dated March 21, 2012. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011) and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Aileen L. Saringan
Aileen L. Saringan
Partner
CPA Certificate No. 72557
SEC Accreditation No. 0096-AR-2 (Group A),
March 18, 2010, valid until March 17, 2013
Tax Identification No. 102-089-397
BIR Accreditation No. 08-001998-58-2009,
June 1, 2009, valid until May 31, 2012
PTR No. 3174828, January 2, 2012, Makati City

March 21, 2012

CITY & LAND DEVELOPERS, INC.
DECEMBER 31, 2011

Schedule A. CASH AND CASH EQUIVALENTS

Name of Issuing Entity and Description of Each Issue	Number of Shares or Principal Amount of Bonds and Notes	Amount Shown in the Balance Sheet	Value Based on Market Quotations at Balance Sheet Date	Income Received and Accrued
Cash on hand and in banks		6,040,443		38,064
Temporary Investments				
East West Bank		80,000,000		682,158
UCPB Savings Bank		53,500,000		2,310,176
Security Bank		52,000,000		2,058,813
Rizal Commercial Banking Corporation		21,500,000		426,346
Amalgamated Bancorporation		20,000,000		1,999,536
Union Bank		19,500,000		2,181,302
Planters Development Bank		15,500,000		1,189,804
Philippine Savings Bank		14,500,000		2,826,351
China Bank Corporation		10,000,000		1,522,333
Banco De Oro		9,000,000		3,449,531
Philippine Commercial Capital Inc.		6,000,000		989,635
Bank of Commerce		4,000,000		1,493,131
From maturities during the year		--		882,582
		311,540,443		22,049,762

Schedule B. SHORT-TERM CASH INVESTMENTS

Name of Issuing Entity and Description of Each Issue	Number of Shares or Principal Amount of Bonds and Notes	Amount Shown in the Balance Sheet	Value Based on Market Quotations at Balance Sheet Date	Income Received and Accrued
Union Bank		105,500,000		1,092,142
East West Bank		32,000,000		397,240
Amalgamated Bancorporation		29,000,000		495,174
Philippine Savings Bank		20,000,000		396,524
Planters Development Bank		14,000,000		227,271
Philippine Commercial Capital Inc.		11,000,000		24,349
From maturities during the year		--		1,770,183
		211,500,000		4,402,883

Schedule C. AVAILABLE-FOR-SALE INVESTMENTS

Name of Issuing Entity and Description of Each Issue	Number of Shares or Principal Amount of Bonds and Notes	Amount Shown in the Balance Sheet	Value Based on Market Quotations at Balance Sheet Date	Income Received and Accrued
Investments in Stocks				
Ayala Land "B"	33,750	257,513	257,513	
Ayala Corporation "B"	903	210,463	210,463	
First Holding "B"	5,126	315,249	315,249	
Swift	1,866	220	220	
Empire East	300,301	177,177	177,177	
		960,622	960,622	

Schedule M. CAPITAL STOCK

Title of Issue	Number of shares Authorized	Number of Shares Issued and Outstanding	Number of Shares Reserved for Options, Warrants, conversion and Other Rights	Number Shares Held By		
				Affiliates	Directors, Officers and Employees	Others
Common Stock – P1 par value	700,000,000	676,042,298	--	545,243,819	33,097,016	97,701,463

ANNEX "A"

CITY & LAND DEVELOPERS, INC.
RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
AS OF DECEMBER 31, 2011

The SEC issued Memorandum Circular No. 11 series of 2008 on December 5, 2008, which provides guidance on the determination of retained earnings available for dividend declaration.

The table below presents the reconciliation of retained earnings available for dividend declaration as of December 31, 2011:

Unappropriated, Retained Earnings as restated, beginning		541,704,324
Adjustments:		
Deferred tax assets	(2,625,259)	
Revaluation reserves related to assets carried at deemed cost	(11,825,377)	(14,450,636)
Unappropriated, Retained Earnings available for dividend declaration, beg.		527,253,688
Net income during the period closed to retained earnings	316,984,047	
Add (Less): Non-actual / unrealized loss (income) net of tax		
Movement in deferred tax assets	(1,917,131)	
Net income actually earned during the period		315,066,916
Add (Less):		
Dividends declarations during the period		(191,545,400)
Unappropriated, Retained Earnings Available for Dividends Declaration, Ending		650,775,204

ANNEX "B"

CITY & LAND DEVELOPERS, INCORPORATED

SUPPLEMENTARY SCHEDULE OF ALL EFFECTIVE STANDARDS AND INTERPRETATIONS (PART 1, 4J)

List of Philippine Financial Reporting Standards (PFRSs) [which consist of PFRSs, Philippine Accounting Standards (PASs) and Philippine Interpretations] and Philippine Interpretations Committee (PIC) Q&As effective as of December 31, 2011:

PFRSs and PIC Q&As	Adopted/Not adopted/Not applicable
PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards*	Not Applicable
PFRS 2, *Share-based Payment*	Not Applicable
PFRS 3, *Business Combinations*	Not Applicable
PFRS 4, *Insurance Contracts*	Not Applicable
PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*	Not Applicable
PFRS 6, *Exploration for and Evaluation of Mineral Resources*	Not Applicable
PFRS 7, *Financial Instruments: Disclosures*	Adopted
PFRS 8, *Operating Segments*	Adopted
PAS 1, *Presentation of Financial Statements*	Adopted
PAS 2, *Inventories*	Adopted
PAS 7, *Statement of Cash Flows*	Adopted
PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*	Adopted
PAS 10, *Events after the Reporting Period*	Adopted
PAS 11, *Construction Contracts*	Not Applicable
PAS 12, *Income Taxes*	Adopted
PAS 16, *Property, Plant and Equipment*	Adopted
PAS 17, *Leases*	Adopted
PAS 18, *Revenue*	Adopted
PAS 19, *Employee Benefits*	Adopted
PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*	Not Applicable
PAS 21, *The Effects of Changes in Foreign Exchange Rates*	Adopted
PAS 23, *Borrowing Costs*	Adopted
PAS 24, *Related Party Disclosures*	Adopted
PAS 26, *Accounting and Reporting by Retirement Benefit Plans*	Not Applicable
PAS 27, *Consolidated and Separate Financial Statements*	Adopted
PAS 28, *Investments in Associates*	Not Applicable
PAS 29, *Financial Reporting in Hyperinflationary Economies*	Not Applicable
PAS 31, *Interests in Joint Ventures*	Not Applicable
PAS 32, *Financial Instruments: Presentation*	Adopted
PAS 33, *Earnings per Share*	Adopted
PAS 34, *Interim Financial Reporting*	Adopted
PAS 36, *Impairment of Assets*	Adopted
PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*	Adopted
PAS 38, *Intangible Assets*	Not Applicable
PAS 39, *Financial Instruments: Recognition and Measurement*	Adopted
PAS 40, *Investment Property*	Adopted
PAS 41, *Agriculture*	Not Applicable
Philippine Interpretation IFRIC–1, *Changes in Existing Decommissioning, Restoration and Similar Liabilities*	Not Applicable

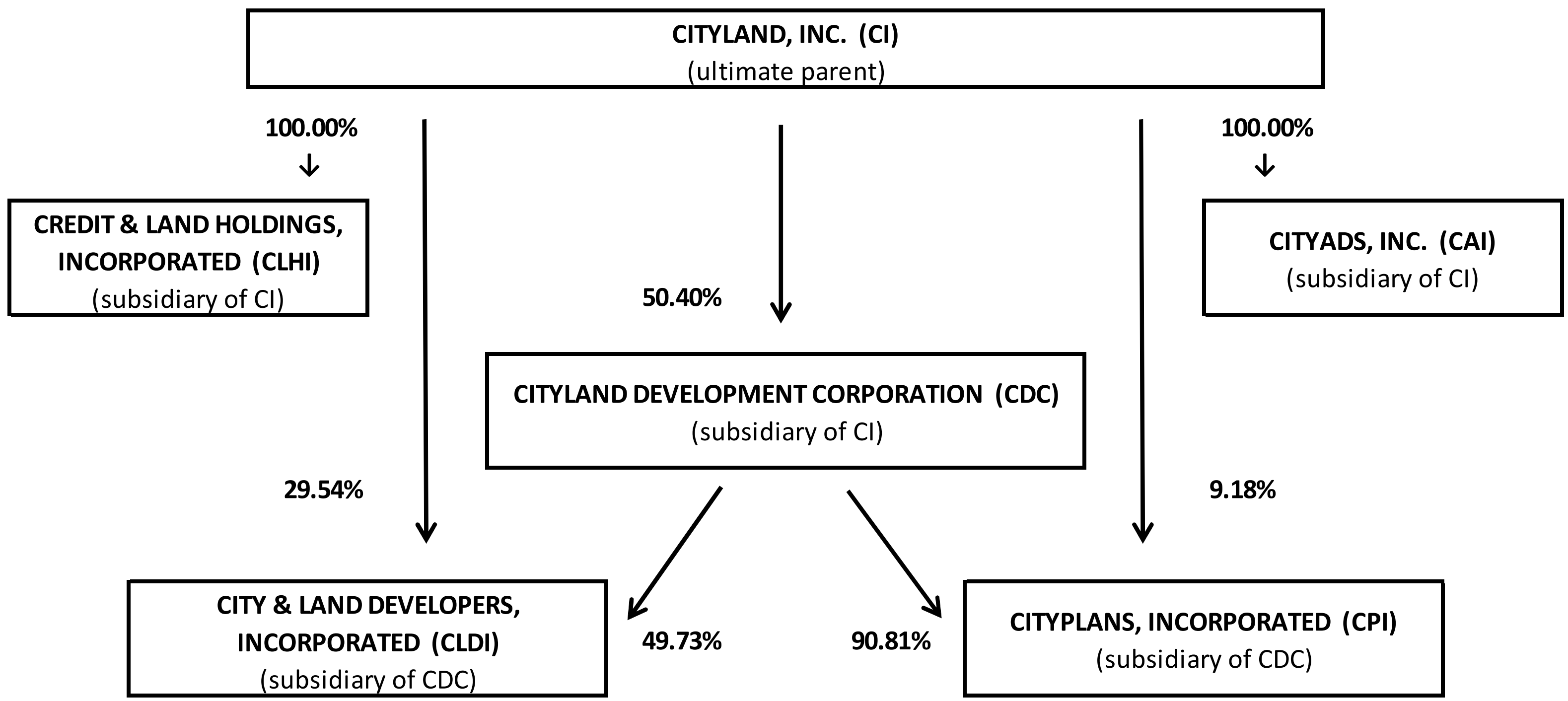
PFRSs and PIC Q&As	Adopted/Not adopted/Not applicable
Philippine Interpretation IFRIC–2, *Members' Shares in Co-operative Entities and Similar Instruments*	Not Applicable
Philippine Interpretation IFRIC–4, *Determining whether an Arrangement contains a Lease*	Adopted
Philippine Interpretation IFRIC–5, *Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds*	Not Applicable
Philippine Interpretation IFRIC–6, *Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment*	Not Applicable
Philippine Interpretation IFRIC–7, *Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies*	Not Applicable
Philippine Interpretation IFRIC–9, *Reassessment of Embedded Derivatives*	Not Applicable
Philippine Interpretation IFRIC–10, *Interim Financial Reporting and Impairment*	Adopted
Philippine Interpretation IFRIC–12, *Service Concession Arrangements*	Not Applicable
Philippine Interpretation IFRIC–13, *Customer Loyalty Programmes*	Not Applicable
Philippine Interpretation IFRIC–14, *PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*	Adopted
Philippine Interpretation IFRIC–16, *Hedges of a Net Investment in a Foreign Operation*	Not Applicable
Philippine Interpretation IFRIC–17, *Distributions of Non-cash Assets to Owners*	Adopted
Philippine Interpretation IFRIC–18, *Transfers of Assets from Customers*	Not Applicable
Philippine Interpretation IFRIC–19, *Extinguishing Financial Liabilities with Equity Instruments*	Adopted
Philippine Interpretation SIC–7, *Introduction of the Euro*	Not Applicable
Philippine Interpretation SIC–10, *Government Assistance - No Specific Relation to Operating Activities*	Not Applicable
Philippine Interpretation SIC–12, Consolidation - Special Purpose Entities	Not Applicable
Philippine Interpretation SIC–13, *Jointly Controlled Entities - Non-Monetary Contributions by Venturers*	Not Applicable
Philippine Interpretation SIC–15, *Operating Leases – Incentives*	Not Applicable
Philippine Interpretation SIC–21, *Income Taxes - Recovery of Revalued Non-Depreciable Assets*	Adopted
Philippine Interpretation SIC–25, *Income Taxes - Changes in the Tax Status of an Entity or its Shareholders*	Not Applicable
Philippine Interpretation SIC–27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*	Not Applicable
Philippine Interpretation SIC–29, *Service Concession Arrangements: Disclosures*	Not Applicable
Philippine Interpretation SIC–31, *Revenue - Barter Transactions Involving Advertising Services*	Not Applicable
Philippine Interpretation SIC–32, *Intangible Assets - Web Site Costs*	Not Applicable
PIC Q&A No. 2006-01: PAS 18, Appendix, paragraph 9 – Revenue recognition for sales of property units under pre-completion contracts	Adopted
PIC Q&A No. 2006-02: PAS 27.10(d) – Clarification of criteria for exemption from presenting consolidated financial statements	Adopted

PFRSs and PIC Q&As	Adopted/Not adopted/Not applicable
PIC Q&A No. 2007-03: PAS 40.27 – Valuation of bank real and other properties acquired (ROPA)	Not Applicable
PIC Q&A No. 2008-01 (Revised): PAS 19.78 – Rate used in discounting post-employment benefit obligations	Not Applicable
PIC Q&A No. 2008-02: PAS 20.43 – Accounting for government loans with low interest rates under the amendments to PAS 20	Not Applicable
PIC Q&A No. 2009-01: Framework.23 and PAS 1.23 – Financial statements prepared on a basis other than going concern	Not Applicable
PIC Q&A No. 2010-01: PAS 39.AG71-72 – Rate used in determining the fair value of government securities in the Philippines	Adopted
PIC Q&A No. 2010-02: PAS 1R.16 – Basis of preparation of financial statements	Adopted
PIC Q&A No. 2011-01: PAS 1.10(f) – Requirements for a Third Statement of Financial Position	Adopted

Annex "C"

CITY & LAND DEVELOPERS, INCORPORATED

MAP OF THE RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP



INDEX TO EXHIBITS
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* These exhibits are either not applicable to the Company or require no answer.

ARTICLE IV
CERTIFICATE OF STOCK

Each stockholder whose share of stock has been paid in full shall be entitled to a stock certificate or certificates for such shares of stock.

The certificate of stock shall be in such form and design as may be determined by the Board of Directors. Every certificate shall be signed by the President and countersigned by the Secretary and shall be sealed with the Corporate seal and shall state on its face its number, the date of issue, the number of shares for which it was issued, and the name of the person in whose favor it was issued.

Each share of stock will represent a pro-rate equity in the assets of the Corporation and the rights represented in each and every share of stock shall be identical in all respects and shall be stated herein.

The stockholders shall have no pre-emptive right to subscribe to any issue or disposition of shares of any class and all the stockholders, their transferees and/or assignees take the shares subject to this condition.

ARTICLE V
TRANSFER OF SHARES OF STOCK

Shares of stock shall be transferred by delivery of the certificate endorsed by the owner or his attorney-in-fact or other person legally authorized to make the transfer, but no transfer shall be valid except as between the parties until the transfer is annotated in the books of the Corporation.

No surrendered certificate shall be cancelled by the Secretary before a new certificate in lieu thereof is issued, and the Secretary shall keep the cancelled certificate as a proof of substitution. Any person claiming a certificate of stock to be lost or destroyed shall make an affidavit of that fact and shall advertise the same in such manner as the Board may require, and shall give the Corporation a bond of indemnity, in the form and with the sureties satisfactory to the Board, in the sum at least double the par value of such certificate in lieu of the one alleged to be lost or destroyed, always subject to the approval of the Board, and provided further that the requirements of Republic Act No. 201 are first complied with.

ARTICLE VII
STOCKHOLDERS' MEETING

1. Place – All meetings of the stockholders shall be held at the principal office of the Corporation, unless written notices of such meetings should fix another place within the City of Manila.

2. Proxy – Stockholders may vote at all meetings either in person or by proxy. All proxies, voting trusts, and other voting arrangements must be received by the Corporate Secretary or the Assistant Corporate Secretary at the corporation's head office not later than five (5) working days before the date of the meeting. Before the deadline such proxies, voting trusts and other voting arrangements may be accepted or rejected by a special committee of inspectors if they do not have the appearance of prima facie authenticity.

3. Quorum – No stockholders' meeting shall be competent to decide any matter or to transact any business unless a majority of the subscribed capital stock is present or represented thereat, except in those cases in which the Corporation law requires the affirmative vote of a greater proportion.

4. Vote – Voting upon all questions at all meetings of the stockholders shall be by shares of stock and not per capital.

5. Annual Meeting – The annual meeting of the stockholders shall be held on the first Tuesday of June of each calendar year, when the Board of Directors shall be elected by plurality of votes by ballot system or viva voce.

   Written notice of the annual meeting of the Corporation shall be sent to each registered stockholder at least fifteen (15) working days prior to the date of such meeting. Waiver of such notice may only be made in writing.

   Only stockholders of record at the close of business hours thirty (30) calendar days prior to the date of such meeting shall be entitled to receive the notice of said meeting and to vote and be voted thereat.

6. Special Meeting – Special meetings of the stockholders may be called by the President at his discretion, or on demand of stockholders holding the majority of the subscribed capital stock of the Corporation.

   A written notice stating the day and place of the meeting and the general nature of the business to be transacted shall be sent to each stockholder at least fifteen (15) working days before the date of such special meeting; provided, that this requisite may be waived in writing by the stockholders.

   Only stockholders of record at the close of business hours thirty (30) calendar days prior to the date of such meeting shall be entitled to receive the notice of said meeting and to vote and be voted thereat.

7. Minutes – Minutes of all meeting of the stockholders shall be kept and carefully preserved as a record of the business transacted at such meetings. The minutes shall contain such entries as may be required by law.

ARTICLE VIII
AMENDMENTS

The provisions of these By-Laws may be amended or repealed by a majority vote of the Board of Directors and the owners of at least a majority of the outstanding capital stock at a regular or special meeting called for the purpose.

The power to amend or repeal these By-Laws may be delegated to the Board of Directors in the manner provided by law