SAN MIGUEL
PROPERTIES

16 April 2012

Philippine Stock Exchange
Disclosure Department
Listing and Disclosure Group
4thFloor, Philippine Stock Exchange Center
Exchange Road, Ortigas Center
Pasig City

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

Gentlemen:

In accordance with Section 17.2.A of the Revised Disclosure Rules of the Philippine Stock Exchange (PSE), we submit herewith the Annual Report using SEC form 17-A of San Miguel Properties, Inc. (SMPI).

Thank you.

Very truly yours,

FERDINAND K. CONSTANTINO
Corporate Information Officer

COVER SHEET

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S. E. C. Registration Number

S	A	N		M	I	G	U	E	L										
P	R	O	P	E	R	T	I	E	S	,		I	N	C	.				

(Company's Full Name)

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A	V	E.		M	A	N	D	A	L	U	Y	O	N	G		C	I	T	Y

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

Atty. Karen Cas-Caballa
Contact Person

632-3228
Company Telephone Number

1 2 — Month
3 1 — Day

SEC Form 17-A
FORM TYPE

2nd Wednesday of
0 5 — Month
- - — Day
Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I. D.

Cashier

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S T A M P S

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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. Commission identification number **37338** 3. BIR Tax Identification No. **000-133-166**

4. Exact name of issuer as specified in its charter **SAN MIGUEL PROPERTIES, INC.**

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

6. __________(SEC Use Only)
Industry Classification Code

7. **40 San Miguel Avenue**
Mandaluyong City
Address of principal office
1550
Postal Code

8. **(632) 702-4101**
Issuer's telephone number, including area code

9. **N/A**
Former name, former address and former fiscal year, if changed since last report

10. Securities registered pursuant to Sections 4 and 8 of the RSA

Title of Each Class	Authorized	Issued
Common Shares, P10 par value	128,000,000	121,695,478

11. Are any or all of these securities listed on a Stock Exchange.

Yes [✓] No [ ]

If yes, state the name of such stock exchange and the classes of securities listed therein:

The Philippine Stock Exchange, Inc. - 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 17.1 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 12 months (or for such shorter period that the registrant was required to file such reports:

Yes [✓] No [ ]

(b) has been subject to such filing requirements for the past 90 days.

Yes [✓] No [ ]

13. State the aggregate market value of the voting stock held by non-affiliates as of December 31, 2011. Php 42,112,980

DOCUMENTS INCORPORATED BY REFERENCE

14. None.

PART I – BUSINESS AND GENERAL INFORMATION

Item 1. Business

The surviving corporation in the merger of Monterey Farms Corporation and San Miguel Properties Philippines, Inc. in January 1998, San Miguel Properties, Inc. ("SMPI" or the "Group") is primarily engaged in the development, sale or lease of properties. On December 9, 2002, the Group merged with another subsidiary, HOC Realty, Inc. ("HRI"), with the Group as the surviving entity.

Among the Group's significant subsidiaries and associates are: (a) Legacy Homes Inc. ("LHI"), which was incorporated in 1995 principally to engage in the development and sale of low-end and medium-end residential housing projects, (b) Excel Unified Land Resources Corporation ("Exceland"), also incorporated in 1995 purposely to acquire, develop and sell high end real estate properties, and a joint venture project of the Group with Pet Plans, Inc, with the Group owning 51.5% as of year end 2011, (c) Bank of Commerce ("BOC"), which has been serving the Philippine banking community for over 15 years, and in which the Group owns 39.93% of its total and outstanding shares of stock as of December 31, 2011; (d) SMPI-GSIS Joint Venture Corporation (to be renamed as SMPI Makati Flagship Realty Corp. in view of the buy-out of the shareholdings of GSIS in the JVC via a Deed of Absolute Sale of Shares executed last July of 2011) upon approval by the SEC of its Amended Articles of Incorporation for the Makati Diamond Residences Project, a serviced hotel apartment, located at Salcedo Village, Makati City; (e) Highriser Group, Inc., for the launching of a high-rise residential condominium project in Pasay Road, Makati City; (f) Bright Ventures Realty, Inc. for a residential condominium project for the development of its Property located in San Juan City ;and Carnell Realty, Inc., for the launching of its residential townhouse project located in Lee St. Mandaluyong City. .

There has been no bankruptcy, receivership or similar proceeding or any material reclassification, consolidation of a significant amount of assets not in the ordinary course of business in the last three (3) years of the Group's and its significant subsidiaries' operations, other than those described in the ***Management's Discussion and Analysis*** attached hereto as **Annex "C".**

A. Products

Residential Developments

The Group and its significant subsidiaries, LHI and Exceland, have completed the development of most of its projects and are presently focusing on marketing the remaining inventories of its residential subdivisions namely Maravilla, Bel Aldea and WedgeWoods. The Group has also launched its residential project namely Asian Leaf, a premier residential community in General Trias, Cavite.

Low-income housing projects that have been completed and turned over to the Homeowners Association (HOA) by LHI includes Primavera Hills located in the Municipality of Lilo-an, Province of Cebu and Villa de Calamba in Laguna. LHI's Buenavista Homes is also due for turn-over to the HOA upon completion of the construction of water tank to ensure the water supply of the residents. These subdivisions are strategically located in areas where there is a high migrant worker population that needs financially viable housing. Exceland's project is Wedge Woods, a high-end subdivision in Silang, Cavite.

Lease Operations

The Group leases most of its commercial office spaces and warehouses to third parties. Some are rented out to San Miguel Corporation and its affiliates. The Group has leaseable commercial office spaces in Mandaluyong City and Pasig City, and industrial spaces and warehouses in Isabela and South Cotabato.

For the ***List of Group's Products***, please refer to the hereto attached **Annex "A"**.

For the ***Group's contribution from sales***, please refer to **Annex "C"** and Note 4 of **Annex "D"**. The Group does not sell its products in foreign entities.

B. <u>Distribution Methods</u>

Buyers purchase properties through the in-house Sales Group or through the Group's network of real estate brokers. In 2011, the Group continued to increase public awareness as a real estate developer by joining activities sponsored by various government agencies to tap new markets such as the Filipino seafarers and overseas Filipino workers. The Group also made promotions in major trade shows, consistently held open houses and saturation drives within high-density areas of Cavite as well as development of its web-site in order to promote and encourage online interaction between SMPI and its clients/other stakeholders. It has also strengthened tie-up with Bank of Commerce and Home Development Mutual Fund (HDMF) for SMPI Buyers and set-up Sales Support and Operations Department to handle after-sales service of unit buyers.

C. <u>Status of Any Publicly-Announced New Product or Service</u>

SMPI, which previously collaborated with the Government Service Insurance System (GSIS), through a joint venture agreement, has bought out GSIS via a Deed of Absolute Sale of Shares and currently controls the development of a luxury serviced apartment across Greenbelt 5 in Legaspi Village, Makati City, called the "Makati Diamond Residences" Project.

SMPI has likewise launched its residential Project in General Trias, Cavite City, called the "Asian Leaf" which is adjacent to its existing Maravilla Homes. Asian Leaf is a fusion of modern Asian architecture coupled with vibrant landscaping that offers a sanctuary for health and wellness.

SMPI is also conceptualizing developing its property located in San Juan City and Mandaluyong City for an upscale residential condominium and townhouse, respectively, which aims to target middle to high income bracket families.

In addition, SMPI intends to launch its residential condominium project located in Pasay Road, Makati City, to be known as the "San Miguel Residences" project.

Lastly, SMPI supports a Spiritual Tourism development of The Philippine Foundation of the Blessed Mary Mother of the Poor, Inc. (MMP) through the donation of a 33-hectare property in Alfonso, Cavite. The Project, called the "Monte Maria Project", is being promoted as the "New Jerusalem" – an international pilgrimage site and will become Asia's center for spiritual healing and refuge for the poor.

D. <u>Competition</u>

Among the Group's major competitors in the CALABARZON area are the West Grove of Ayala Land, Britanny of the Villar Group, South Forbes Golf City Mansions of Cathay Land, Brentville of Filinvest Land, Verdana of Community Innovations, Garland of Greenfield, Puerto Real of Sta. Lucia Realty, Il Giardino of CitiHomes, Le Rica of Surewell Equities Inc., Tierra Nevada of Camella, Villa San Lorenzo of Stateland Inc. Governors Hills,Gentri Heights and Cybergreens of Empire East, Avida Settings of Avida Properties, Bellefort and Villa de Palme of Profriends, Amalfi of Crown Asia, Ara Vista of Picar Development Inc., Villa Elena of Asia Landbest Properties Inc, Tierra Solana of Silverstar Homebuilders, and Metrogate. In Cebu, LHI's major competitors are the Molave Heights project of Aboitiz Land and EastLand

Townhomes of Eastland Development. The quality of development and pricing of the Group's projects remain to be very competitive.

Among the Group's competitors at the Ortigas area are the Taipan Place, Wynsum Corporate Plaza, Orient Square and Robinson's PCI Bank Tower.

In the National Capital Region, the oversupply of office spaces in Metro Manila will not last long as existing supply of office buildings are expected to dry up soon, effectively stabilizing rents and prices. Because of the increase in Business Process Outsourcing (BPO) industry, around 70% of all office spaces will be filled up and will be 100% occupied by end of year 2011, thus, developers may start building new offices at that time. The Group's lease operation remains stable due to the primacy of the Group's commercial office spaces.

E. Sources and availability of Raw Materials and Supplies

The Group and its significant subsidiaries engage several accredited contractors to construct the housing units or do the land development of the different real estate projects. The following are the major contractors engaged by the Group during the year:

Group Name	Address
1. D.M. Consunji, Inc.	2281 DMCI Plaza Bldg, Don Chino Roces Ave, Ext. Makati City
2. A.M. Genserv Inc.	112 Lawin St., San Jose Village, Brgy. Binan, Laguna
3. Royalink Builders, Inc.	#11 Alfonso St., Cor. Victor Ignacio Blvd., Pasig City
4. WE Enterprises & Contractors, Inc.	19 Bible St., Karuhatan, Valenzuela City
5. Romari Construction, Inc.	18 Jordan St., Jordan Valley Baesa, Quezon City
6. S.D. Platon Construction	83 Fairlane St., East Fairview Q.C.
7. PM Tadaya Construction Co, Inc	Lot 11, Blk. 7, Brgy.Apalit, Floridablanca, Pampanga
8. Jackbilt Industries Incorporated	2/F, Ferigate Building, 448 EDSA, Guadalupe, Makati City
9. Steel Asia Manufacturing Corporation	2F Bldg. 2 Bonifacio High St. Bonifacio Global City, Taguig
10. Strong Roofing Installation and Maintenance	U-6F Herrera Tower 98 V.A. Rufino St Salcedo Vil. Makati City.

F. Customers

The Group is not dependent on a single or few customers, the loss of any of which would have no material adverse effect on the Group and its subsidiaries taken as a whole.

G. Transactions with and/or dependence on Related Parties

For transactions with and/or dependence on related parties, please refer to Note 21 of **Annex "D"**.

H. Registered Trademarks/Patents, etc.

All marks and other related intellectual property rights used by the Company are either registered or pending registration in the name of SMPI in the Philippines.

I. Government Approval

Prior to the start of a real estate development, the *Sangguniang Bayan* approves the site development plan. The local representative of the Department of Environment and Natural Resources then issues the Environmental Compliance Certificate. The Land Management Bureau approves the survey plan of a residential subdivision.

To be able to sell the subdivided lots and/or house and lot units, the Group is required to obtain a License to Sell from the Housing Land Use Regulatory Board ("HLURB"). The HLURB also issues a certificate of registration for the project name.

J. Government Regulation

The following are the year 2011 government regulations and issuances related to the Group's line of industry:

- *Republic Act No. 9646 (Real Estate Service Act of the Philippines) or RESA Law*

  An act regulating the practice of real estate service in the Philippines and created for the purpose of a professional regulatory board of real estate service, appropriating funds thereof and for other purposes.

  This act was created to recognize the vital role of real estate service practitioners in the social political, economic, development and progress of the country by promoting he real estate market, stimulating economic activity and enhancing government income from real property-based transactions. Hence, it shall develop and nurture through proper and effective regulation and supervision a corps of technically competent, responsible and respected professional real estate service practitioners whose standards of practice and service shall be globally competitive and will promote the growth of the real estate industry.

- *BIR Revenue Regulations 19-2011*

  1. Prescribed new Income Tax Return Form
  2. Requires additional disclosure in the financial statements such as:

     2.1. Taxable revenues and other non-operating income;
     2.2. Deductible costs of sales and services; and
     2.3. itemized deductions

- *PSE Memorandum No. 2010-0505 or "Rule on Minimum Public Ownership"*

  Under this Memorandum, a listed company must comply with the following immediate disclosure obligations, should it fail to comply with the minimum percentage of listed securities held by the public of 10% of the listed company's issued and outstanding shares as of the effectivity date of the Rule:

1. A listed company shall immediately disclose to the Exchange if it becomes aware that the number of listed securities which are in the hands of the public has fallen below the prescribed minimum percentage.

2. Once the listed company becomes aware that the number of its listed securities in the hands of the public has fallen below the prescribed minimum percentage, the listed company shall take steps to ensure compliance at the earliest possible time, and shall immediately disclose to the Exchange such steps.

Other laws, rules and regulations affecting the Group's business as previously disclosed in the Group's annual report remain in effect, except as may be amended by the foregoing.

- *PSE Memorandum CN-No. 2012-0003 , 3 January 2012*

  The Amended MPO Rule requires listed companies to maintain, at all times, a minimum percentage of listed securities held by the public of ten percent (10%) of the listed companies' issued and outstanding shares, exclusive of any treasury shares. Further, the amendments include the following:

  1. Companies which are non-compliant with MPO as of December 31, 2011 may be allowed a grace period to comply with the MPO. The grace period shall be reckoned from the date of effectivity of these amendments and shall not exceed twelve (12) months but not beyond December 31, 2012;

  2. Listed Companies other than those covered in the preceding paragraph that are non-compliant with the MPO may be allowed a grace period to comply with the MPO to be reckoned from either: (i) the date when the listed company makes a disclosure that its public ownership level has fallen below the MPO prescribed by the Exchange; or (ii) when the listed company submits its quarterly Public Ownership Report which shows tha the listed company has not complied with the MPO requirement, whichever comes earlier, and such grace period shall not exceed twelve (12) months but not beyond December 31, 2012;

  3. Immediately, after the grace period, the Exchange shall impose a trading suspension for a period of not more than six (6) months. If after the lapse of the suspension period, a listed company remains non-compliant with the MPO, it shall automatically be delisted.

- *SEC Amended Rule 68.*1
  Special Rule on Financial Statements of Reporting Companies
  Under Section 17.2 of the Securities Regulation Code

  1. Management is required to submit to the SEC its response to the findings, cited below, within 5 business days from the date of submission of the findings by the auditor. In case the Company fails to submit the report to the SEC, the auditor is required by the SEC to submit the report to the SEC within 30 days from the submission of findings to the Company.

     Audit findings include:
     1.1. Any material findings involving fraud or error;
     1.2. Losses or potential losses totaling at least 10% of total assets;
     1.3. Any finding to the effect that the assets are no longer adequate to cover the

total claims of credits; and

1.4. Material internal control weaknesses which may lead to financial reporting problems.

2. Additional reporting requirements such as:

2.1. List of Philippine Financial Reporting Standards (PFRS) effective at the end of the reporting period

2.2. Revised statement of management responsibility

K. Research and Development Activities

The Group has engaged an external service provider to conduct market research activities for the Company in preparation for the launching of its new residential projects.

L. Compliance with Environmental Laws

The Group and its significant subsidiaries' secure the permits, licenses and certificates required for the projects at the start of the development. These are not renewed every year, except if additional units or phases of a project are developed and/or offered for sale. For the last three (3) years of the Group and its significant subsidiaries' operations, no costs were incurred.

M. Human Resources and Labor Matters

As of December 31, 2011, the Group and its significant subsidiaries have 19 regular employees, broken down into the following functions: (i) Executive Office – 1; (ii) Finance – 6; (iii) Legal and Asset Management – 4; (iv) Sales – 1; (v) Business Planning Development and Estate Management – 4; (vi) Marketing – 3. Others are on a per contract and per project basis, subject to renewal, at the option of the Group. The Group and its subsidiaries do not expect any significant change in its existing workforce level within the ensuing twelve (12) months except for the engagement of additional brokers/sales person and documentation staff upon the launching of the Company's various vertical projects.

None of the employees are subject to any Collective Bargaining Agreement. There is no known threat of strike, and there have been none in the last three (3) years.

Please refer to Note 19 of **Annex "C"** for the employees benefits.

N. Major Risks

Inherent in the Group's business as real estate developer are these risks: (a) acquisition of properties with undeclared encumbrances; (b) risk of non-performance of building contractors; and (c) risk of non-payment of buyers of properties for sale.

To manage such risks, the Group and its significant subsidiaries perform due diligence in the acquisition of properties for encumbrances, tax deficiencies or adverse claims, if any, prior to the signing of the purchase contracts and/or full payments thereof.

The Group and its subsidiaries also require all the contractors to submit the standard bonds and insurance (including policy renewals), duly authenticated by the internal Risk and

Insurance Management Group before any release of payments are made. Further, provisions on liquidated damages have also been established for construction contracts to compensate costs in any contractor's delay or non-performance.

The Group also ensures that any processing for transfer of titles to real estate buyers would only commence upon full payment of contract price, for in-house financing, or upon receipt of Letter of Guarantee or Notice of Approval from banks or other financial institutions.

The Group is exposed to a variety of financial risks which result from both its operating and investing activities. The Group's risk management is coordinated with its parent Group, in close cooperation with the Board of Directors, and focuses on actively securing the Group's short- to medium-term cash flows by minimizing the exposure to financial markets. Long-term financial investments are managed to generate optimum returns.

For the Group's other major business risk, please see Note 26 of **Annex "D"**.

Item 2. Properties

The Group's and its significant subsidiaries' residential projects and the Group's leasable properties are described in **Annex "A"**.

The Group and its significant subsidiaries own land held for future development are described in **Annex "B"**

The Group and its significant subsidiary, Excel, do not lease any real properties. The other subsidiary, LHI, however, leases its office space in Cebu City and has paid an annual rental of PhP0.125 million and **Php0.150 million** for the years 2011 and 2010, respectively.

The above properties have no existing mortgages or liens and have no specific limitations in the usage or ownership.

There are no imminent acquisitions of any material property which cannot be funded by the working capital of the Group and its significant subsidiaries.

Item 3. Legal Proceedings

The Group and its significant subsidiaries are not currently involved in any litigation or legal proceedings that could be expected to have a material adverse effect on the Group and its significant subsidiaries or their respective results of operations.

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

There were no matters submitted to a vote of the Company's shareholders through the solicitation of proxies or otherwise during the fourth quarter of 2011.

PART II – OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Group's Common Equity and Related Stockholder Matters –

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

The Company's high and low closing prices for its common shares for each quarter of the last two (2) fiscal years are as follows:

Quarter	*2012*		2011		2010	
	High	*Low*	*High*	*Low*	*High*	*Low*
1st	540	540	1,265.00	86.60	-	-
2nd	-	-	700.00	600.00	-	-
3rd	-	-	590.00	360.00	-	-
4th	-	-	585.00	585.00	57.75	57.75

There are no extraordinary restrictions that limit the ability of the Company to pay dividends in common stock.

The closing price of the Company's common shares as of March 16, 2012, the latest practicable trading date, is P540.00.

The approximate number of shareholders of common shares as of March 31, 2012 is **876.**

The top 20 stockholders of the Company as of March 31, 2012 are as follows:

Rank	Name of Stockholders	Nationality	No. of Shares	% of Total O/S
1	San Miguel Corporation	Filipino	119,811,487	98.45%
2	Philippine Breweries Corporation	Filipino	1,525,672	1.25%
3	San Miguel Foundation	Filipino	280,332	0.23%
4	Heirs of Fidel & Teresita Reyes, Inc.	Filipino	15,667	0.01%
5	PCD Nominee Corporation (Filipino)	Filipino	6,877	0.00%
6	Ronald Manese	Filipino	3,744	0.00%
7	SVD Planning Office	Filipino	3,456	0.00%
8	B.R. Medrano	Filipino	2,196	0.00%
9	Anglo Agricultural Development Corporation	Filipino	1,776	0.00%
10	Benjamin C. Reyes	Filipino	1,744	0.00%
11	Ma. Luisa Llamado	Filipino	1,734	0.00%
12	Arturo C. Reyes	Filipino	1,730	0.00%
13	Varifold Marketing Corporation	Filipino	1,728	0.00%
14	Amado O. Milan and/or Dolores Milan	Filipino	1,728	0.00%
15	Teresita R. Reyes	Filipino	1,458	0.00%
16	Eva S. Recio	Filipino	1,399	0.00%
17	Antonio Q. Sevilla	Filipino	1,000	0.00%
18	Aurelia V. Agonias	Filipino	864	0.00%
19	Manuel Dy	Filipino	720	0.00%
20	FA Realty Corporation	Filipino	540	0.00%

There were no dividends declared or cash dividends payout on the Company's common shares for the last two (2) fiscal years. There were no extraordinary restrictions that limit the ability of the Company to pay dividends on its common stock.

The Company has not sold any unregistered or exempt securities (including issuance of securities constituting an exempt transaction) within the past three (3) fiscal years.

Item 6. Management's Discussion and Analysis of Financial Conditions and Results of Operations

The information required by Part III, Paragraph (A) of "Annex C", as amended is attached hereto as **Annex "C"**.

Item 7. Financial Statements

The 2011 Audited Consolidated Financial Statements of the Group, including its Statement of Management's Responsibility and Auditor's Report, are attached as **Annex "C"** with the Supplementary Schedules (including the Auditor's Report on the Supplementary Schedules) attached as **Annexes "D.1"** to **"D.1.7"** hereof.

Item 8. Information on Independent Accountant and Other Related Matters

A. External Audit Fees and Services

The accounting firm of Punongbayan and Araullo ("P&A") served as the Group's external auditor for the fiscal year.

The Group's total audit fees for 2011 and 2010 amounted to Php5.964 million and Php3.274 million, respectively, inclusive of out-of-pocket expenses. There were no other additional services rendered by P & A to the Group and its subsidiaries in 2011 and 2010.

The stockholders approve the appointment of the Group's external auditors. The Audit Committee reviews the audit scope and coverage, strategy and results for the approval of the board and ensures that audit services rendered shall not impair or derogate the independence of the external auditors or violate SEC regulations.

B. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

There are no disagreements with external accountants on accounting and financial disclosure.

PART III – CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

The names of the incumbent directors, nominees for election as directors and key executive officers of the Group, and their respective ages, periods of service, directorships in other reporting companies and positions in the last five (5) years are as follows:

Ramon S. Ang, Filipino, 58, is the Chairman (since May 28, 2002) and President of the Company (since August 11, 2010). He also holds, among others, the following positions: Vice Chairman, President and Chief Operating Officer of San Miguel Corporation; Chairman of San Miguel Brewery Inc.; The Purefoods-Hormel Company, Inc., San Miguel Yamamura Packaging Corporation, Anchor Insurance Brokerage Corporation and San Miguel Brewery Hong Kong Limited (Hong Kong); and a Director of San Miguel Energy Corporation, Ginebra San Miguel, Inc. and San Miguel Pure Foods Company, Inc. He is also the Chairman and Chief Executive Officer of Petron Corporation; Chairman of Liberty Telecoms Holdings Inc., Philippine Diamond Hotel & Resort, Inc., Philippine Oriental Realty Development, Inc., Atea Tierra Corporation and Cyber Bay Corporation; Vice Chairman of Manila Electric Company; and an Independent Director of Philweb Corporation. Mr. Ang has held directorships in various subsidiaries of SMC in the last six years.

Hector L. Hofileña, Filipino, 82, has been a Director of the Company since May 28, 2002. He is currently a Director of San Miguel Corporation and a former Associate Justice of the Court of Appeals. Justice Hofileña is a lecturer at the Ateneo De Manila University and the Philippine Judicial Academy. He is a Member of the Company's Nominations Committee.

Karlo Marco P. Estavillo, Filipino, 40, is the General Manager of the Company (since March 1, 2006), and has been a Director of the Company since May 10, 2006. He is also the Corporate Secretary and Compliance Officer of the Company (since November 10, 2010). He also holds the following positions: a Director and Vice-President of San Miguel Properties Condominium Corporation; a Director of United Coconut Planters Bank, (COCOLIFE) United Coconut Planters Life Assurance Corporation and Northpine Land Incorporated; Assistant Corporate Secretary of Diamond Hotel, Philippines; and Assistant Corporate Secretary of Asia-Pacific Policy Center.

Cancio C. Garcia, Filipino, 74, has been an Independent Director of the Company since January 11, 2010. He is also an Independent Director of San Miguel Pure Foods Company, Inc. Justice Garcia is a former Associate Justice of the Supreme Court of the Philippines. He was also Acting Presiding Justice (2001-2003) and Presiding Justice (2003-2004) of the Court of Appeals and Associate Justice of the Court of Appeals (1990-2001). He is the Chairman of the Company's Nominations Committee and a Member of both the Audit Committee and the Executive Compensation Committee. He is currently acting as Acting Chairman for the Audit Committee.

Mario C. Garcia, Filipino, 60, has been a Director of the Company since November 3, 2009. He is also a Director of San Miguel Pure Foods Company, Inc. and represents the National Government in the Board of Directors of the Subic Bay Metropolitan Authority. He is a TV Host of Kapihan ng Bayan, NBN-4 and Comentaryo, NBN-4, a Radio Host/Anchorman of Uno Por Dos, PBS Radio ng Bayan, Interim National President of KBP Society of Broadcast Journalists, and Consultant of Radio Affairs, Pulis Ng Bayan, PNP. He was previously a Board member of Clark Development Corporation (November 2009-March 2010), member of the Board of Advisers of Freeport Service Corporation (2007-2008), Consultant for Special Projects at the Philippine Daily Inquirer (February-November 2008), Director and Vice Chairman of the Quezon City Red Cross (2006-2007), and Vice President for Programming and Operations and Station Manager of Radio Veritas (1991-2005).

Aurora T. Calderon, Filipino, 57, has been a Director of the Company since August 11, 2010. She is also the Senior Vice-President-Senior Executive Assistant to the President and Chief Operating Officer of San Miguel Corporation since 1998. She is also a member of the Board of Directors of Thai San Miguel Liquor Co. Ltd., and Premier Capital Venture Corporation (formerly DHB Capital Phils., Inc). She is the President and a director of Total Managers, Inc. and was a director of the Manila Electric Company (2008-2009). She is currently a member of the Audit and Nominations and Hearing Committees of the Company.

Minita V. Chico-Nazario, Filipino, 72, is a nominee for Independent Director of the Company. She is currently a Director of Banco San Juan (Rural Bank) and Legal Consultant of Union Bank of the Philippines, She is also the incumbent Dean of the College of Law of the University of Perpetual Help in Las Pinas City. She has previously held the following positions: Legal Consultant of the Philippine Amusement and Gaming Corporation (January 2010- June 2010) and Metro Manila Development Authority (March 2010-June 2010); and Chairman of the Board of Directors (June 2010-August 2010) and Director (September 2010 – September 2011) of PNOC Exploration Corporation. She has served the judiciary in various capacities for forty-seven years, as Presiding Justice of the Sandiganbayan (February 2003 – February 2004) and Associate Justice of the Supreme Court (February 10, 2004 – December 5, 2009). She is a graduate of the University of the Philippines and a member of the New York State Bar.

Karen V. Ramos, Filipino, 47, is the Marketing Manager of the Company (since April 1, 2007). Ms. Ramos was previously connected with United Coconut Planters Bank as Head of Planning and Design Department, Corporate Services Division (2004 - 2007) and Head of Special Services Department, Asset Management Division (2000 – 2003).

Julio S. Jalandoni, Filipino, 47, is the Sales Manager of the Company (since October 2000). Mr. Jalandoni was previously Sales Manager of Excel Unified Land Resources Corporation (April 2000-September 2000) and Assistant Vice President, Marketing of ASB Realty Corporation (1996-2000).

Jose V. Asuncion, Jr. Filipino, 54, is the Business Development Planning and Estate Management of the Company since November 2011, Previously, he was the Vice President of Arthaland Corporation (2009-2011), Senior Vice-President of Philippine Townships, Inc. (2007-2009) and Assistant Vice President of EDSA Properties Holdings, Inc. (2003-2007).

Karen M. Cas-Caballa, Filipino, 37, is the Head of the Legal and Asset Management Services Department of the Company since April of 2010 and Assistant Corporate Secretary as of November 10, 2010. She used to be a Consultant from April 2006 to April 2010 in the Office of the General Manager likewise tasked to spearhead the Asset Management Department of the Company. She is presently the Assistant Corporate Secretary of the SMPI-GSIS Joint Venture Corporation (to be renamed as SMPI Makati Flagship Realty Corp) and Corporate Secretary of all all subsidiaries of the Company..

Term of Office

Pursuant to the Group By-Laws, the directors are elected at each annual meeting of the stockholders by the stockholders entitled to vote. Each director holds office until the next annual election and until his successor is duly elected and qualified.

The nominees for election to the Board of Directors on May 9, 2012 are as follows:

1. Ramon S. Ang
2. Aurora T. Calderon
3. Karlo Marco P. Estavillo
4. Cancio C. Garcia
5. Mario C. Garcia
6. Hector L. Hofilena
7. Minita V. Chico-Nazario

Independent Directors

The independent directors of the Group is Cancio C. Garcia.

The nominees for election as independent directors of the Board of Directors on May 9, 2012 are as follows:

Nominee for Independent Director (a)	Person/Group recommending nomination (b)	Relation of (a) and (b)
Cancio C Garcia	Ramon S. Ang	None
Minita V. Chico-Nazario[1]	Ramon S. Ang	None

In approving the nominations for independent directors, the Nominations Committee took into consideration the guidelines on the nomination of independent directors prescribed in SRC Rule 38. The Nominations Committee pre-screened the qualifications of the candidates and prepared a final list of the nominees. Under the company's by-laws, the conduct of election of independent directors shall be in accordance with the standard election procedures for regular directors as provided therein; save that specific slots for independent directors shall not be filled up by unqualified nominees and in case of failure of election for independent directors, a separate election shall be called to fill up the vacancy.

The incumbent independent directors have certified that they possess all the qualifications and none of the disqualifications provided for in the SRC. The Certifications of the incumbent directors submitted to the SEC are attached hereto as Annex "A" and "B".

Significant Employees

The Company has no employee who is not an executive officer but who is expected to make a significant contribution to the business.

Family Relationships

There are no family relationships up to the fourth civil degree either by consanguinity or affinity among the directors, executive officers, or nominees for election as directors of the Company.

Certain Relationships and Related Transactions

There were no transactions with directors, officers or any principal stockholders (owning at least 10%) of the total outstanding shares of the Company) not in the ordinary course of business of the Company.

Parent Company

As of March 31, 2012, the Company is 98.45% owned by San Miguel Corporation.

Involvement in Certain Legal Proceedings

None of the directors, nominees for election as director, executive officers, underwriters or control persons of the Company have been involved in any legal proceeding, including without limitation being the subject of any (a) bankruptcy petition, (b) conviction by final judgment, (c) order, judgment or decree, or (d) violation of a securities or commodities law, for the past five (5) years up to the

[1] Former Associate Supreme Court Justice Minita V. Chico-Nazario shall be replacing Dir. Carmelo L. Santiago, who has resigned last March 7, 2012, and shall be elected in the forthcoming stockholders meeting scheduled on May 9, 2012.

latest date that is material to the evaluation of his ability or integrity to hold the relevant position in the Company.

The Company and its significant subsidiaries are not currently involved in any litigation or legal proceedings that could be expected to have a material adverse effect on the Company and its significant subsidiaries of their respective results of operations.

Item 10. Executive Compensation

The following table summarizes the aggregate compensation paid or accrued during the last two (2) fiscal years and estimated to be paid in the ensuing fiscal year to the Group's President and senior executive officers:

NAME	YEAR	SALARY	BONUS	OTHERS	TOTAL
Ramon S. Ang – Chairman and President Karlo Marco P. Estavillo – General Manager Jose V. Asuncion, Jr – Business Development Planning and Estate Management. Karen V. Ramos – Head of Marketing Leonard A. Buela – Head of Finance	2012 (estimated) 2011 2010	P 19.7 Million P 16.2 Million P 15.6 Million	P 7.2 Million P 7.0 Million P 7.3 Million	P 3.8 Million P 3.3 Million P 4.1 Million	P 30.7 Million P 26.5 Million P 27.0 Million
All other officers and directors as a group unnamed	2012 (estimated) 2011 2010	P 0.0 Million P 0.0 Million P 0.0 Million	P 0.0 Million P 0.0 Million P 0.0 Million	P 0.0 Million P 0.0 Million P 0.0 Million	P 0.0 Million P 0.0 Million P 0.0 Million
TOTAL	2012 (estimated) 2011 2010	P 19.7 Million P 16.2 Million P 15.6 Million	P 7.2 Million P 7.0 Million P 7.3 Million	P 3.8 Million P 3.3 Million P 4.1 Million	P 30.7 Million P 26.5 Million P 27.0 Million

Article III, Section 10 of the Amended By-Laws of the Company provides that by resolution of the Board of Directors, each director shall receive a reasonable per diem allowance for his attendance at each meeting of the Board. As compensation, the Board shall receive and allocate an amount of not more than ten percent (10%) of the net income before income tax of the Corporation during the preceding year. Such compensation shall be determined and apportioned among the directors in such manner as the Board may deem proper, subject to the approval of stockholders representing at least a majority of the outstanding capital stock at a regular or special stockholders' meeting.

In 2011, each director receives a per diem of 10,000.00 per attendance at Board meetings of the Company.

There were no other arrangements pursuant to which any of the directors was compensated or is to be compensated, directly or indirectly, during the last fiscal year and the ensuing fiscal year.

There were neither compensatory plans nor arrangements with respect to a named executive officer.

Item 11. Security Ownership of Certain Record and Beneficial Owners

Owner of record of more than 5% of the company's voting securities as of February 28, 2011 is as follows:

Title of Class	Name, Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent
Common	San Miguel Corporation[2] No. 40 San Miguel Avenue, Mandaluyong City 1550, parent company of the issuer	San Miguel Corporation, parent company of the issuer	Filipino	119,811,487	98.45%

The following are the number of shares of the Company's capital stock (all of which are voting shares) owned of record by the Chairman, directors and nominees for election as director and key officers of the Company, as of February 28, 2011:

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Percent of Class
Common	Ramon S. Ang	1(D)	Filipino	0.00%
Common	Aurora T. Calderon	1(D)	Filipino	0.00%
Common	Cancio C. Garcia	1(D)	Filipino	0.00%
Common	Hector L. Hofileña	1(D)	Filipino	0.00%
Common	Karlo Marco P. Estavillo	1(D)	Filipino	0.00%
Common	Mario C. Garcia	1(D)	Filipino	0.00%

The aggregate number of shares owned of record by the key officers and directors as a group as of March 30, 2012 is six (6) shares or approximately 0.00% of the Company's outstanding capital stock.

The aggregate number of shares owned of record by all officers and directors as a group as of March 30, 2012 is six (6) shares or approximately 0.00% of the Company's outstanding capital stock.

The foregoing beneficial or record owners have no right to acquire additional shares within thirty (30) days from options, warrants, conversion privileges or similar obligations or otherwise.

There is no person holding more than 5% of the Company's voting securities under a voting trust or similar agreement.

[2] The Board of Directors of San Miguel Corporation (SMC) authorized any one Group A signatory or any two Group B signatories to act and vote in person or by proxy, shares held by SMC in other corporations. The Group A signatories of SMC are Eduardo M. Cojuangco, Jr., Ramon S. Ang, Ferdinand K. Constantino, Ma. Belen C. Buensuceso, Sergio G. Edeza, Joseph N. Pineda, Virgilio S. Jacinto and Aurora T. Calderon. The Group B signatories of SMC are David S. Santos, Bella O. Navarra, Cecile Caroline U. de Ocampo, Manuel M. Agustin, Virgilio S. de Guzman and Lorenzo G. Formoso III.

Since the beginning of the last fiscal year, there were no arrangements which resulted in a change in control of the Company.

Item 12. Certain Relationships and Related Transactions

For the Group's related party transactions please see Note 21 of **Annex "D"**.

There were no transactions with directors, officers or any principal stockholders (owning at least 10% of the total outstanding shares of the Group) not in the ordinary course of business.

PART IV – CORPORATE GOVERNANCE

Item 13. Corporate Governance

The evaluation by the Company to measure and determine level of compliance of the Board of Directors and top level management with its Manual of Corporate Governance ("Manual") is vested by the Board of Directors in the Compliance Officer. The Compliance Officer is mandated to monitor compliance by all concerned with the provisions and requirements of the Manual of Corporate Governance. The Compliance Officer has certified that for 2011, the Company has substantially adopted all the provisions of the Manual.

Pursuant to its commitment to good governance and business practice, the Company continues to review and strengthen its policies and procedures, giving due consideration to developments in the area of corporate governance which it determines to be in the best interests of the Company and its stockholders.

In 2009, the Company substantially adopted all the provision of the Manual on Corporate Governance as prescribed by SEC Memorandum Circular No.2, Series of 2002 (the "Manual'), save for the non-fulfillment of the requirement for at least two (2) independent directors of the Company in view of Mr. Iñigo Zobel's disqualification under SRC Rule 38.2 (A) and (B) for being director and owner of more than 2% of the outstanding shares of Top Frontier Investment Corporation, which became a substantial shareholder of San Miguel Corporation (SMC) in late November 2009. SMC is a related company of the Company. The Company elected Mr. Cancio C. Garcia on January 11, 2010 to replace Mr. Zobel as independent director. Also, to replace Mr. Carmelo L. Santiago, the Nominations Committee of the Company has nominated Ms. Minita V. Chico-Nazario for election in the forthcoming stockholders's meeting of the Company scheduled on May 9, 2012.

On March 25, 2010, the Board Directors amended its Manual of Corporate Governance in compliance with the Revised Code of Corporate Governance issued by the Securities and Exchange Commission under its Memorandum Circular No.6 of 2009.

PART V – EXHIBITS AND SCHEDULES

Item 14. Exhibits and Reports on SEC Form 17-C

Exhibits

The 2011 Audited Consolidated Financial Statements are attached as Annex "D" and the Supplementary Schedules as **Annexes "D.1" to "D.1.7"**. The other Schedules as indicated in the Index to Schedules are either are either not applicable to the Group or require no answer.

Reports on SEC Form 17-C

A summary list of reports on Form 17-C filed last twelve month period covered by this report is attached as **Annex "E"**.

SIGNATURES

Pursuant to the requirement of the Securities Regulation Code and Section 141 of the Corporation Code, this report has been signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Mandaluyong on April 16, 2012.

By:

RAMON S. ANG
Chairman of the Board

KARLO MARCO P. ESTAVILLO
General Manager/ Corporate Secretary/
Compliance Officer

MA. CYNTHIA V. MARAVILLA
Officer-in-Charge of Finance

APR 13 2012

SUBSCRIBED AND SWORN to before me, this _____ of _________, 2012, the following having presented to me their Passport:

	Passport no.:	Expiry Date:	Place Issued:
Ramon S. Ang	XX4227006	07/26/14	Manila
Karlo Marco P. Estavillo	EB1334453	11/08/15	Manila
Ma. Cynthia V. Maravilla	EB0530323	07/06/15	Manila

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CARMELA T. DELA PAZ
Commission No. 0364-12
Notary Public for Mandaluyong City
Until Dec. 31, 2013
SMC, 40 San Miguel Ave., Mandaluyong City
Roll No. 57052
PTR No. 1972881; 02/03/12; Mandaluyong City
IBP Lifetime Member No. 010580; 02/09/12; Makati City

ANNEX "A"

Products:

San Miguel Properties, Inc. and Subsidiaries
List of Projects
as of December 31, 2011

Project Name	Location
Maravilla	Gen. Trias, Cavite
Bel-Aldea	Gen. Trias, Cavite
Asian Leaf	Gen. Trias, Cavite
The Legacy	Las Piñas, Metro Manila
Primavera Hills (LHI)	Liloan, Cebu
Wedge Woods (Excel)	Silang, Cavite
Makati Diamond Residences	Salcedo Village, Makati City
San Miguel Residences	Pasay Road, Makati City (note: Development Permit and License to Sell for HLURB approval)

The Company has leasable properties in the following areas:

	Location	
Type of Property Leased	City/Municipality	Street/Building
Office building including land	Pasig City	Meralco Avenue
Office spaces (various floors)	Mandaluyong City	San Miguel Properties Centre
Office building including land	Mandaluyong City	San Miguel Avenue
Office spaces (various floors)	Makati City	EL Tower, EDSA
Office spaces (various floors)	Mandaluyong City	EDSA
Warehouse	Cavite	General Trias

ANNEX "B"

PROPERTIES

Land Held For Future Development

Description of the Property

Company Name / Subsidiary	*Properties*	*Address*	*Rented/ Owned*	*Condition*
1. San Miguel Properties, Inc.	The Legacy	Las Piñas, Metro Manila	Owned	Good
	Bel Aldea	Gen. Trias, Cavite	Owned	Good
	Maravilla	Gen. Trias, Cavite	Owned	Good
	Office Spaces	PET Plans Tower, Makati	Owned	Good
	Office Spaces	San Miguel Properties Centre, Mandaluyong	Owned	Good
	Office Building, Land	No. 40, San Miguel Avenue, Mandaluyong City	Owned	Good
	Office Building	Edsa, Ortigas Center, Mandaluyong	Owned	Good
	Land	Lee St., Mandaluyong City	Owned	Good
	Land	Cabuyao, Laguna	Owned	Good
	Land and Building	Meralco Avenue, Pasig	Owned	Good
	Land	Filinvest Corporate City, Muntinlupa	Owned	Good
	Land	Canlubang, Laguna	Owned	Good
	Land	Gen. Trias, Cavite	Owned	Good
	Land	Alfonso, Cavite	Owned	Good
	Land	Lubao, Pampanga	Owned	Good
	Land	Masbate	Owned	Good
	Land	Sta. Cruz, Davao del Sur	Owned	Good
	Land	Polomolok, South Cotabato	Owned	Good
	Land	Boracay Is., Bo. Yapak, Malay, Aklan	Owned	Good
	Land	Cauayan, Isabela	Owned	Good
2. Legacy Homes, Inc.	Villa de Calamba	Calamba, Laguna	Owned	Good
	Primavera Hills	Liloan, Cebu	Owned	Good
	Buenavista Homes	Jugan, Cebu	Owned	Good
3. Excel Unified Land Resources Corp.	Wedge Woods	Silang, Cavite	Owned	Good
4. Bright Ventures Realty, Inc.	Land	Mabini St., Addition Hills, San Juan	Owned	Good
5. Bel-Aldea Realty, Inc.	House and lot	La Loma, Quezon City	Owned	Good
Company Name / Subsidiary	*Properties*	*Address*	*Rented/*	*Condition*

			Owned	
6. Highriser Group, Inc.	Land	Pasay Road, Makati	Owned	Good
7. Tanauan Resources, Inc.	Land	McKinley, Forbes Park, Makati City	Owned	Good
8. Sta. Cruz Resources Management, Inc.	Land	Bel-Air, Makati City	Owned	Good
9. Prestigio Realty, Inc.	Land	Greenhills, Mandaluyong City	Owned	Good
10. Dimanyan Wakes Holdings, Inc.	Land	Coron, Palawan	Owned	Good
11. Busuanga Bay Holdings Inc.	Land	Coron, Palawan	Owned	Good
12. Bulalacao Property Holdings, Inc.	Land	Coron, Palawan	Owned	Good
13. Calamian Prime Holdings, Inc.	Land	Coron, Palawan	Owned	Good
14. Palawan White Sands Holdings Corp.	Land	Coron, Palawan	Owned	Good
15. Coron Islands Holdings, Inc.	Land	Coron, Palawan	Owned	Good
16. Maison 17 Properties, Inc.	Land	Legaspi St., Makati City	Owned	Good
17. SMPI-GSIS Joint Venture Corporation	Land	Legaspi St., Makati City	Owned	Good
18. Carnell Realty, Inc.	Land	Lee St., Mandaluyong City	Owned	Good
19. Brillar Realty and Development Corp.	Land	Nasugbu, Batangas	Owned	Good
20. Grandioso Realty Corporation	Land	Tambler, General Santos City	Owned	Good
21. Rapidshare Realty and Dev’t Corp.	Land	Wack Wack, Mandaluyong City	Owned	Good

ANNEX "C"

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND PERFORMANCE

This discussion summarizes the significant factors affecting the consolidated financial performance, financial position and cash flows of San Miguel Properties, Inc. ("SMPI" or the "Company") and its subsidiaries (collectively referred to as the "Group") for the three-year period ended December 31, 2011. The following discussion should be read in conjunction with the attached audited consolidated statements of financial position of the Group as of December 31, 2011, 2010 and 2009, and the related consolidated statements of comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2011. All necessary adjustments to present fairly the Group's consolidated financial position as of December 31, 2011 and the financial performance and cash flows for the year ended December 31, 2011 and for all the other periods presented, have been made.

All values are rounded to the nearest thousand (P000), except when otherwise indicated.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation of Consolidated Financial Statements

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

(a) Statement of Compliance with Philippine Financial Reporting Standards

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

The consolidated financial statements have been prepared using the measurement bases specified by PFRS for each type of assets, liabilities, income and expense.

In applying the equity method on the Company's investment in Bank of Commerce (BOC), adjustments in BOC's financial statements were made to conform its accounting policies to that of the Group's accounting policies in accordance with PFRS.

(b) Presentation of Consolidated Financial Statements

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

In 2011, the Group presented two comparative periods for the consolidated statements of financial position due to the adjustments made to the balance of retained earnings as of January 1, 2011.

(c) Functional and Presentation Currency

These consolidated financial statements are presented in Philippine pesos, the Company's functional and presentation currency, and all values are stated in thousands except when otherwise indicated.

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

Adoption of New Interpretations, Revisions and Amendments to PFRS

In 2011, the Group adopted the following new amendments, interpretations and annual improvements that are relevant to the Group and effective for the annual period beginning on or after July 1, 2010 or January 1, 2011.

PAS 24 (Amendment)	:	Related Party Disclosures
PAS 32 (Amendment)	:	Financial Instruments Presentation — Classification of Rights Issue
Philippine Interpretations International Financial Reporting Interpretations Committee (IFRIC) 14	:	Prepayments of a Minimum Funding Requirement
IFIRC 19	:	Extinguishing Financial Liabilities with Equity Instruments
Various Standards	:	2010 Annual Improvements to PFRS

Discussed below are the relevant information about these new and amended standards.

(i) PAS 32 (Amendment), Financial Instruments: Presentation — *Classification of Rights Issues* (effective from February 1, 2010). The amendment addresses the accounting for rights issues (e.g., rights, options or warrants) that are denominated in a currency other than the functional currency of the issuer. In particular, rights (and similar derivatives) to acquire a fixed number of an entity's own equity instruments for a fixed price stated in a currency other than the entity's functional currency, would be classified as equity instruments, provided the entity offers the rights pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. The amendment has no effect on the consolidated financial statements as the Group has no rights issues denominated in a currency other than the Company's functional currency.

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

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

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

- the issue of equity instruments to a creditor to extinguish all or part of a financial liability is consideration paid in accordance with PAS 39, *Financial Instruments. Recognition and Measurement*;
- the entity measures the equity instruments issued at fair value, unless this cannot be reliably measured;
- if the fair value of the equity instruments cannot be reliably measured, then the fair value of the financial liability extinguished is used; and,
- the difference between the carrying amount of the financial liability extinguished and the consideration paid is recognized in profit or loss.

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

(v.) 2010 Annual Improvements to PFRS. The FRSC has adopted the *2010 Improvements to PFRS*. Most of these amendments became effective for annual periods beginning on or after July 1, 2010 or January 1, 2011. Among those improvements, only the following amendments were identified to be relevant to the Group's consolidated financial statements:

- PAS 1 (Amendment), *Presentation of Financial Statements. Clarification of Statement of Changes in Equity* (effective from July 1, 2010). The amendment clarifies that, for each component of equity, an entity may present an analysis of other comprehensive income either in the statement of changes in equity or in the notes to the consolidated financial statements. This amendment has no significant impact in the Group's consolidated financial statements since the Group presents the analysis of other comprehensive income in consolidated statements of changes in equity

- PAS 27 (Amendment), *Consolidated and Separate Financial Statements* (effective from July1, 2010). This amendment clarifies that the consequential amendments made to PAS 21, *The Effect of Changes in Foreign Exchange Bates,* PAS 28, *Investment in Associate,* and, PAS 31, *Investment in Joint Ventures*, arising from the PAS 27 (2008) amendments apply prospectively, to be consistent with the related PAS 27 transition requirements. The amendment has no significant impact on the Group's consolidated financial statements.
- PAS 34 (Amendment), *Interim Financial Reporting — Significant Event and Transactions* (effective from January 1, 2011). The amendment provides further guidance to illustrate how to apply disclosure principles under PAS 34 for significant events and transactions to improve interim financial reporting. It requires additional disclosure covering significant changes to fair value measurement and classification of financial instruments, and to update relevant information from the most recent annual report. The amendment has no significant impact on the Group's consolidated financial statements.

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

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

  This amendment also clarifies accounting for all share-based payment transactions that are part of a business combination, including unreplaced and voluntary replaced share-based payment awards. Specifically, this provides guidance for situations where the acquirer does not have an obligation to replace an award but replaces an existing acquiree award that would otherwise have continued unchanged after the acquisition, thus resulting to the accounting for these awards being the same as for the awards that the acquirer is obliged to replace.

  The provisions of this new amendment have no significant impact on the Group's consolidated financial statements.

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

(b) *Effective in 2011 that are not Relevant to the Group*

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

PFRS 1 (Amendment)	:	First—time Adoption of PFRS — Limited Exemption from PFRS 7 Comparative Disclosures
2010 Annual Improvements:		
PAS 34 (Amendment)	:	Interim Financial Reporting — Significant Events and Transactions
PFRS 1 (Amendment)	:	First—time Adoption of PFRS
IFRIC 13 (Amendment)	:	Customer Loyalty Programmes — Fair Value Awards Credits

(c) *Effective Subsequent to 2011 but not Adopted Early*

There are new and amended PFRS that are effective for periods subsequent to 2011. Among those pronouncements, management has initially determined the following to be relevant to its consolidated financial statements which the Group will apply in accordance with their transitional provisions:

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

(ii) PAS 12 (Amendment), *Income Taxes* (effective from January 1, 2012). An entity is required to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. However, when the asset is measured using the fair value model in PAS 40, *Investment Property,* it can be difficult and subjective to assess whether recovery will be through use or through sale; accordingly, an amendment to PAS 12 was made. The amendment introduces a presumption that recovery of the carrying amount will be or normally be through sale. Consequently, Philippine Interpretation SIC 21 *Income Taxes — Recovery of Revalued Non-depreciable Assets* would no longer apply to investment properties carried at fair value. The amendments also incorporate into PAS 12 the remaining guidance previously contained in Philippine Interpretation SIC 21, which is accordingly withdrawn. The management determined that this amendment will not materially affect the consolidated financial statements as the Group has no investment property measured at revalued amount.

(iii) PAS 1 (Amendment), *Financial Statements Presentation — Presentation of Items of Other Comprehensive Income* (effective from July 1, 2012). The amendment requires an entity to group items presented in consolidated other comprehensive income into those that, in accordance with other PFRSs:

(iv)

(a) will not be reclassified subsequently to consolidated profit or loss; and,

(b) will be reclassified subsequently to consolidated profit or loss when specific conditions are met. The Group's management expects that this will not effect in the presentation of items in the consolidated other comprehensive income since the Group's consolidated other comprehensive income, which pertains to unrealized fair value gains and losses on available-for-sale (AFS) financial assets and share in other comprehensive income of BOC, can be reclassified to consolidated profit or loss when specified conditions are met.

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

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

Currently, the Group is using the corridor approach and its unrecognized actuarial loss as of December 31, 2011 amounted to P21,781 (see Note 19.2), which will be retrospectively recognized as loss in other comprehensive income in 2013.

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

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

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

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

The Group does not expect to implement and adopt PFRS 9 until its effective date or until all chapters of this new standard have been published. In addition, management is currently assessing the impact of PFRS 9 on the consolidated financial statements of the Group and is committed to conduct a comprehensive study of the potential impact of this standard early in 2012 to assess the impact of all changes.

(vii) Philippine Interpretation IFRIC 15, *Agreements for Construction of Real Estate.* This Philippine interpretation is based on IFRIC interpretation issued by the IASB in July 2008 effective for annual periods beginning on or after January 1, 2009. The adoption of this interpretation in the Philippines, however, was deferred by the FRSC and Philippine Securities and Exchange Commission after giving due considerations on various application issues and the implication on this interpretation of the IASB's on-going revision of the Revenue Recognition standard. This interpretation provides guidance on how to determine whether an agreement for the construction of real estate is within the scope of PAS 11, *Construction Contracts*, or PAS 18, *Revenue*, and accordingly, when revenue from the construction should be recognized. The main expected change in practice is a shift from recognizing revenue using the percentage of completion method (i.e., as a construction progresses, by reference to the stage of completion of the development) to recognizing revenue at completion upon or after delivery. Management believes that IFRIC 15 will not have significant effect on the Group's operations as all real estate revenue transactions are anticipated to be accounted for under PAS 18.

(viii) Consolidation Standards

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

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

- PFRS 11, *Joint Arrangements*, (effective from January 1, 2013). This standard provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form (as is currently the case). The standard addresses inconsistencies in the reporting of joint arrangements by requiring a single method to account for interests in jointly controlled entities.

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

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

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

II. 2011 KEY TRANSACTIONS

(a) In January 2011, the Company acquired an additional 7.16% of the outstanding capital stock of Bank of Commerce (BOC) for a total consideration of P1,489,698 by way of a Deed of Sale of Shares with Assignment of Subscription Rights from Valiant Ventures and Development Holdings, Inc., consisting of: (i) 2,800,000 outstanding and issued common shares of stock and; (ii) the subscription rights to 5,237,265 common shares of stock. The acquisition by the Company resulted to an increase in its equity interest to 39.93%. As of December 31, 2011, the Company completed the payment for the P1,489,698 additional investment.

(b) In March 2011, the Company sold to BOC its condominium units in San Miguel Properties Centre (SMPC), Mandaluyong City, for a total consideration of P59,870 which was collected in the same month. The carrying value of the property as of the date of sale amounted to P16,118. Total gain recognized from this transaction amounted to P43,752.

(c) During the year, the Company acquired various parcel of land located in Mandaluyong, Makati, Batangas, General Santos, Baguio and Cavite which are intended for future development. Of these properties, those in Mandaluyong, Batangas and General Santos have been paid in full and transfer of titles has been effected.

(d) During the year, the Company incurred total construction costs of P380,444 and P104,189 for its Makati Diamond Hotel project's main building and model units, respectively. The project started as a joint venture with Government Service Insurance System (GSIS) until the Company exercised its option to acquire the interests of GSIS in September 2011 converting the joint venture company into a wholly owned subsidiary of the Company.

(e) During the second quarter, the Company collected in full the remaining balance of the receivable from DMCI for the sale of the Reliance property. The balance was settled by DMCI at a discount cutting the payment period from 2 years to 1 year.

(f) In January 2011, the Company has formally turned over the donated 33 hectares of land in Alfonso Cavite valued at P141,171 to The Philippine Foundation of Blessed Mary Mother of the Poor, Inc.

III. FINANCIAL PERFORMANCE

Comparisons of key financial performance for the last three years are summarized in the following tables:

	Years Ended December 31		
	2011	**2010**	**2009**
Revenues	**844,429**	592,264	711,227
Gross Profit	**620,666**	385,906	442,737
Operating Expenses	**261,918**	240,886	188,223
Finance costs	**(348,093)**	(138,110)	(43,628)
Share in profit of associates - net	**189,911**	188,362	981,649
Donation	**(141,168)**		
Gain on sale of assets	**43,752**	733,949	5,936
Impairment loss on non-financial	**(3,488)**		(162,921)
Gain on derecognition of provision	**23,155**		
Finance income	**12,827**	7,285	35,155
Miscellaneous - net	**19,619**	3,016	(3,512)
Profit before Tax	**155,263**	939,522	1,067,193
Net profit attributable to owners of the parent company	**86,889**	717,006	977,962

2011 vs. 2010

The Group ended 2011 with P87 million net income (excluding non-controlling interests) which is lower by P630 million as compared to 2010. The decrease of 88% in the net income in 2011 is attributable to the gain on sale of the Reliance property and fifteen (15) condo units in SMPCC building in 2010 as against sale of properties to New Ventures Realty, Inc., a subsidiary of Petron Corporation along with the donation of the 33 has. property to The Philippine Foundation of Blessed Mary Mother of the Poor, Inc. in 2011.

Rental income decreased to P293 million or P21 million lower from 2010 due to the sale of the condo units in SMPCC effected in year 2010.

Real estate sales, excluding sales to New Ventures Realty, decreased to P108 million in 2011 or P143 million lower from 2010 due to lengthening of downpayment terms (from 12 to 18 months) to remain competitive.

Management and consultancy fees decreased to P21 million or lower by P61 million due to the 2010's one-time recognition of commissions derived from leasing, disposal and other asset management functions to preserve SMC group's idle properties.

Cost of real estate sold increased to P163 million or by 12% from 2010. There was no significant change in the cost of leasing operations despite reduction in leasable space countered by increase in costs.

Operating expenses increased to P261 million or by P21 million from 2010 primarily due to the higher security charges in connection with the launch of the Asian Leaf project and complementing increased security requirements of the Maravilla and Bel Aldea projects. The increase in taxes and licenses, particularly real property taxes (RPT), was due to property acquisitions in the year and increased RPT rates in the Cavite area.

In 2010, the gain on sale of properties was primarily due to sale of the Reliance property and 15 condo units in SMPCC property while no similar sale took place in 2011.

Share in profit or loss of associates increased to P190 million or 1% from 2010 due to the adjustments made to be consistent with the fair value loss presented in the audited financial statements of BOC as of December 31, 2011, 2010 and 2009 to conform with PFRS and BOC accounting policies. The adjustments were made relate to the correction of: (a) inadequate reserves on non-performing assets, investment properties and financial assets; (b) deferral of losses on sale of non-performing loans; and, (c) misstatement in the values of structured financial instruments and certain investment properties.

Finance costs increased to P348 million or P209 million higher than 2010 as a result of the increased loan availment resulting in a loan balance of P6,368 million as of December 31, 2011.

The Group's income tax expense decreased by P163 million in 2011 from P229 million in 2010 as a result of a higher income subject to regular income tax of 30% recognized in year 2010 as a result of the gain on sale of investment properties. This year, the income subject to the regular income tax was lower but was adversely affected by the non-deductible donation to MMP with a tax consequence of P42M.

2010 vs. 2009

The Group ended 2010 with P717 million net income (excluding non-controlling interests) which is lower by P261 million as compared to 2009. The decrease of 27% in the net income in 2010 is attributable to the share in profit of Associates recognized in 2009 amounting to P971,829 while in 2010 a gain on sale on Reliance property and fifteen (15) condo units in SMPCC building were realized.

Rental income decreased to P314 million or P36 million lower from 2009 due to the sale of investment properties in year 2010.

Real estate sales decreased to P197 million in 2010 or P159 million lower from 2009 due to stricter processing of loan applications to ensure creditworthiness of borrowers. In 2009, the

Company offered a 0% equity tie up policy with BOC, however, a new policy was implemented to require 20% equity to establish credit worthiness of buyers early in 2010.

Management and consultancy fees increased to P81 million or higher by P76 million due to the one-time recognition of commissions derived from leasing, disposal and other asset management functions to preserve SMC group's idle properties.

Cost of real estate sold decreased to P145 million or by 26% from 2009 which is proportionate to the decrease in revenues. Cost of leasing operations also decreased to P61 million or 14% from 2009 due to the decrease in direct cost as a result of sale of Reliance property in May 2010 and sale of SMPCC condo units in September 2010.

Operating expenses increased to P241 million or by P53 million from 2009 due to the higher selling and marketing expenses brought about by the aggressive re-branding initiatives by the Company including the re-launching of its three existing real estate projects.

Gain on sale of assets properties increased to P734 million due to sale of Reliance property and 15 condo units in SMPCC property.

Share in profit or loss of associates decreased to P188 million or 81% from 2009 due to the adjustments made to be consistent with the fair value loss presented in the audited financial statements of BOC as of December 31, 2010, 2009 and 2008 to conform with PFRS and BOC accounting policies. The adjustments were made relate to the correction of: (a) inadequate reserves on non-performing assets, investment properties and financial assets; (b) deferral of losses on sale of non-performing loans; and, (c) misstatement in the values of structured financial instruments and certain investment properties.

Finance costs increased to P138 million or P94 million higher than 2009 as a result of higher loan balance by P924 million from December 31, 2009 balance.

Finance income decreased to P7,285 or P27,870 lower than last year due to the maturity of the market placement in 2009.

Miscellaneous income and expenses resulted to a net debit amount of P3 million in 2010 due to write-off of worthless advances.

The Group's income tax expense increased by P152 million in 2010 from P77 million in 2009 as a result of a higher income subject regular income tax of 30% recognized in year 2010 as a result of the gain on sale of investment properties. In 2010, the Group opted to use Optional Standard Deduction (OSD) instead of itemized deduction in computing its income tax.

IV. FINANCIAL POSITION

2011 vs. 2010

Cash and cash equivalents decreased by 11% or P38,066 due to the following: (a) acquisition of parcels of land in Mandaluyong, Makati, and General Santos; (b) deposits made on Cavite and

Baguio properties; (c) settlement of put option liability; (d) settlement of advances from SMCRP relative to acquisition of BOC shares; and (e) funding requirement for the construction of the Makati Diamond Hotel in Makati and the ongoing real estate development in General Trias, Cavite.

Receivables went up by 42% mainly due to the sale of 3 properties in Tiaong, Quezon, General Trias, Cauayan, Isabela which effect was offset when the remaining balance of DMCI from the sale of the reliance property was fully settled in 2011.

Real estate projects minimally increased by P1,704 due to the ongoing real estate development in General Trias, Cavite where Asian Leaf, a new project, was also launched during the first half of 2011.

Deposits on land for future development did not change P20,104 from 2010.

Advances and investments in associates increased by 32% from 2010 as a result of the advances made for the on-going acquisition of 8,037,265 BOC shares. Additional shares increased the ownership interest of the Group to BOC to 39.93%.

Investment properties increased by P256,225 or 25% from 2010,primarily due to construction costs of Makati Diamond Residences Project.

Property and equipment increased by P9,626 or 95% primarily due to the major upgrade of elevators in SMPC, which the Company shared in, and additional computer purchases.

Other assets increased by P53,852 or 41% from 2010 due to the advance payment of business taxes, real property tax and withholding tax related to the payments to various contractors for their supply of goods and services to the Group particularly in connection with the Makati Diamond project.

Interest-bearing loans increased by P3,678,216 or 137% from 2010, as a result of the Group's financing requirements in the acquisition of various properties, advances to fund the construction of the Makati Diamond Hotel, in settlement of put-option liability with GSIS and the advances from related parties relative to the acquisition of BOC shares, and other properties, and other operational expenditures.

Accounts payable and accrued expenses increased by 51% or a total of P109,458 from 2010, due to increased in real estate activities, particularly construction related.

Advances from related parties decreased by P324,466 or 14% from 2010, due to the settlement of advances from SMC used to acquire BOC shares.

Subscriptions payable decreased by P520,829 or 100% from 2010 attributable to payment of subscription on additional BOC shares acquired from Valiant.

No liability under put option remained in 2011 owing to the Company's settlement of the obligation for a total consideration of P399,300 in 2011.

Income tax payable increased by P23,326 or 175% despite the lower net income in view of the non-deductibility of the donation to the Philippine Foundation of Blessed Mary Mother of the Poor.

Deferred tax liability increased by 43% or P10,195 in 2011 from P23,851 in 2010 due to effect of unrealized portion of revenues in 2011.

Customer's deposit decreased by 26% or a total of P9,161 in view of the application of lease deposits in customers' lease accounts.

The Group's retained earnings increased by 1% or P86,889 from P6,594,798 in 2010 as a result of the Group's income for the period. On May 11, 2011, the BOD approved the appropriation of P5,000,000 of the Company's retained earnings for its capital projects and long-term project development.

2010 vs. 2009

Cash and cash equivalents increased by 175% from P130 million in 2009 to P357 million in 2010 due to following:

Major cash inflows:

(a) Cash proceeds from sale of Reliance property and sale of fifteen (15) condo units in SMPCC building;
(b) Collections from Group's leasing operations, real estate sales and asset management; and,
(c) Cash received from short-term borrowings to finance Group's operations and investing activities.

Major cash outflows:

(a) Full payment of additional 5,117,059 BOC shares acquired from CAP stockholders;
(b) Payment of the consideration in acquiring additional 325,000,000 SMPI-GSIS JVC shares or 52% ownership interest;
(c) Additional advances to SMPI-GSIS JVC for the construction of Makati Diamond Condotel and payment of various operating expenses;
(d) Acquisition of investment property and property and equipment; and,
(e) Loan repayments of short-term borrowings and interest paid during the period.

Receivables increased by 119% to P640 million in 2010 due to the uncollected balance from the sale of Reliance property. As of December 31, 2010, the party acquiring said property has an outstanding receivable of P263 million to the Company. Installment contract receivable also increased to P266 million or 79% from 2009 mainly due to increase in sales in its Wedgewoods project by 89%.

Real estate projects increased to P702 million or by P34 million mainly due to the construction cost incurred on its existing residential projects in Bel Aldea and Maravilla located in General

Trias, Cavite. Increase in cost is also attributable to the 28% decline in real estate sales from 2009 wherein cost remained in inventory at year-end.

Raw land inventory increased to P3,486 million or by 21% from 2009 which represents the carrying amount of the land owned by IGI which was included in the consolidated financial statements in 2010.

Advances and investments in associates increased to P7,540 million or 441% higher than 2009 due to the acquisition of 21,581,382 BOC shares and the reclassification of 16,396,689 BOC shares held for sale in 2009. Net increase also resulted from the consolidation of SMPI-GSIS JVC and IGI in 2010.

Investment property increased to P1,045 from P732 million in 2009 as a result of the consolidation of the SMPI-GSIS JVC to the Group. The SMPI-GSIS JVC carries on its books a land amounting to P305 million and an on-going capital project with a carrying value of P150 million as of December 31, 2010.

Deferred tax assets increased to P50 million or P25 million from 2009 due to increase in advance rental deposit on new or renewed lease contracts of 2010.

Other assets increase to P132 million in 2010 as compared to P121 million in 2009 due to the increase in advance deposits amounting to P20 million for the acquisition of Urdaneta Property located in Makati City.

Noncurrent assets classified as held for sale representing BOC shares with carrying amount of P2,746 million in 2009 was reclassified back to investment account in 2010. Management decided to retain this investment in line with Management's decision to increase ownership in BOC.

Interest-bearing loans increased to P2,690 million or by P924 million from 2009 mainly to finance Group's various property acquisitions, joint ventures and subscription for additional BOC shares.

Advances from related parties were incurred in the amount of P2,342 million in 2010 which was used to finance the exercise of pre-emptive right to acquire 16 million new BOC shares in 2010. The advances were from SMC and SMC Retirement Plan.

Subscriptions payable were incurred amounting to P521 million in 2010 representing the unpaid balance in BOC share subscription payable in year 2011.

Advance rentals and deposits increased by 59% to P202 million in 2010 due to the new lease contracts executed in year 2010.

Obligation under put options amounting to P386 million was recognized in 2010 as a result of joint venture agreement between the Company and GSIS. The joint venture agreement provided for an option for GSIS to sell to the Company its whole ownership of interest to JVC which can be exercised within a period of 10 years. The option exercise is equivalent to P300 million plus interest. The obligation under the put option was finally settled in 2011.

Deferred tax liabilities increased to P24 million in 2010 or by 92% from 2009 due to the increase in accrued rental income in compliance to PAS17 amounting to P4 million and the reversal of unamortized capitalized interest amounting to P10 million.

Accumulated fair value gains (losses) decreased to P177 million in 2010 or lower by P200 million from 2009 which was mainly due to the Group's adjustment to conform with BOC audited financial statements as of December 31, 2010, 2009 and 2008.

Cumulative translation adjustment decreased to P1 million in 2010 or P8 million lower than 2009 due to the Group's adjustment to conform with BOC audited financial statements as of December 31, 2010, 2009 and 2008.

Dilution loss of P52 million was recognized to represent the diluted ownership interest in Maison as a result of the assignment of said ownership interest to SMPI-GSIS JVC in June 2010.

The Group's retained earnings increased by 12% to P6,594 million in 2010 from P5,878 million in 2009 due to the Group's net income for the period.

Noncontrolling interests increased to P366 million in 2010 or higher by P248 million from 2009 resulting from the acquisition of 52% ownership interest in SMPI-GSIS JVC through the assignment of 100% ownership interest in Maison and the acquisition of 51% ownership interest in IGI.

EQUITY

The increase in equity for the years 2011 and 2010 are due to:

(in thousands)	**December 31**	
	2011	**2010**
Net profit for the year	86,889	717,006
Accumulated fair value gains (losses)	455,270	(199,754)
Cumulative translation adjustment	2	(8,076)
Other reserve	(36,251)	(51,949)
	505,910	457,227

SOURCES AND USES OF CASH

A brief summary of cash flow movement is shown below:

(in thousands)	**Year Ended December 31**		
	2011	**2010**	**2009**
Net cash used in operating activites	**(P 216,800)**	(P 741,354)	(P 769,469)
Net Cash From (Used in) Investing Activities	**(3,236,265)**	149,650	(2,145,834)
Net Cash From (Used in) Financing Activities	**3,414,999**	819,137	1,604,739

Net cash from operations basically consists of income for the period less changes in noncash current assets, certain current liabilities and others.

Net cash from (used in) investing activities includes the following:

(in thousands)	Year Ended December 31		
	2011	**2010**	**2009**
Additional invesment in an associate	**(P 2,598,843)**	(P 113,055)	(P 1,960,326)
Acquisition of noncontrolling interest of a subsidiary	**(399,263)**		
Acquisitions of investment property andproperty and equipment	**(300,463)**	**(468,274)**	**(14,215)**
Net proceeds from sale of investment property andproperty and equipment	**59,870**	**587,901**	**109,499**
Changes in advances for future stock subscriptions		**140,462**	**(311,115)**
Interest received	**2,434**	**2,616**	**30,323**

Net cash from (used in) financing activities includes the following:

(in thousands)	Year Ended December 31		
	2011	**2010**	**2009**
Proceeds from borrowings	**P 46,822,980**	P 1,370,896	(P 1,960,326)
Repayment of borrowings	**(43,144,764)**	(446,819)	(261,155)
Interest paid	**(263,217)**	(104,490)	(26,631)

V. ADDITIONAL INFORMATION ON UNAPPROPRIATED RETAINED EARNINGS

The following items are not available for declaration as dividends:

(In thousands)	December 31	
	2011	2010
Accumulated equity in net earnings of subsidiaries and associates	**P 5,000,000**	P 0
Treasury shares(included in the unappropriated retained earnings balance)	**9,474**	9,474

VI. KEY PERFORMANCE INDICATORS

The following are the major performance measures that the Group uses. Analyses are employed by comparisons and measurement based on the financial data of the current periods against the same period of previous year. Please refer to Item III - Financial Performance of the MD&A for the discussion of the computed Key Performance Indicators.

Key Performance Indicators	As of December 31	
	2011	2010
Current Ratio	**0.62**	0.81
Total Assets to Equity Ratio	**1.98**	1.74
Debt to Equity Ratio	**0.98**	0.74
Return on Average Equity	**6.03%**	8.46%
	For the Years Ended December 31	
	2011	2010
Volume Growth		
Lease	**(6.78%)**	(10.22%)
Real Estate Sales	**169.36%**	(44.68%)
Revenue Growth	**42.58%**	(16.73%)
Operating Margin	**122.81%**	(43.02%)
Interest Coverage Ratio	**58.72%**	707.52%

The manner by which the Group calculates the above indicators is as follows:

Key Performance Indicators	Formula
Current Ratio	Current Assets / Current Liabilities
Debt to Equity Ratio	Total Liabilities (Current + Noncurrent) / Noncontrolling Interest + Equity
Return on Average Equity	Net Income Attributable to Equity Holders of the Parent Company / Average Equity Attributable to Equity Holders of the Parent Company
Volume Growth	Sum of all Businesses' Revenue at Prior Period Prices / Prior Period Net Sales - 1
Revenue Growth	Current Period Net Sales / Prior Period Net Sales - 1
Operating Margin	Income from Operating Activities / Net Sales
Total Assets to Equity Ratio	Total Assets / Non-Controlling Interest + Equity

Key Performance Indicators	Formula
Interest Coverage Ratio	EBITDA Interest Expense and Other Financing Charges

VII. OTHER MATTERS

a. Commitments and Contingencies

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

i. Operating Lease

The Company is a lessor under operating leases covering certain real estate properties. The leases have terms ranging from one to five years, with renewal options, and include annual escalation rates of 5% to 10%.

ii. Legal Claims

There are pending claims and legal actions filed by the Group or against the Group arising from the normal course of business. Relative to a case filed against the Group for an alleged illegal dismissal of an employee, provisions for losses were recognized in 2010 amounting to P12 million. The Supreme Court has finally issued a decision in favor of the Group in the first quarter of 2012 resulting in a denial of the adverse party of its motion for reconsideration necessitating a reversal of the contingent liability earlier provided for.

iii. Others

There are other contingencies that arise in the normal course of business that are not recognized in the Group's consolidated financial statements. Among these contingencies is the potential effect of the global economic crisis especially that the Group has ventured into the financial services business through its investment in BOC, the latter also exposed to various commitments and contingencies in the same manner as the Group is exposed. However, management believes that losses, if any, arising from these commitments and contingencies will not materially affect its consolidated financial statements.

b. There are no unusual items as to nature and amount affecting assets, liabilities, equity, net income or cash flows, except those stated in Management's Discussion and Analysis of Financial Position and Performance.

c. There were no material changes in estimates of amounts reported in prior interim periods of the current year or changes in estimates of amounts reported in prior financial years.

d. There were no known trends, demands, commitments, events or uncertainties that will have a material impact on the Group's liquidity.

e. There were no known trends, events or uncertainties that have had or that are reasonably expected to have a favorable or unfavorable impact on net sales or revenues or income from continuing operation.

f. There were no known events that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation and there were no changes in contingent liabilities and contingent assets since the last annual balance sheet date. No material contingencies and any other events or transactions exist that are material to an understanding of the current interim period.

g. There were no material off-statements of financial position transactions, arrangements, obligations (including contingent obligations), and other relationship of the Group with unconsolidated entities or other persons created during the reporting period.

h. The effects of seasonality or cyclicality on the interim operations of the Group's businesses are not material.

Annex "B"

SAN MIGUEL
PROPERTIES

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **San Miguel Properties, Inc. (SMPI)** is responsible for all information and representations contained in the consolidated financial statements as of end December 31, 2011, 2010 and 2009. The financial statements have been prepared in conformity with generally accepted accounting principles in the Philippines and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

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

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

Punongbayan & Araullo, the independent auditors appointed by the stockholders, has examined the financial statements of the Company in accordance with generally accepted auditing standards in the Philippines and has expressed its opinion on the fairness of presentation upon completion of such examination, in its report to the Board of Directors and Stockholders.

RAMON S. ANG
Chairman of the Board

KARLO MARCO P. ESTAVILLO
General Manager

MA. CYNTHIA V. MARAVILLA
Officer-in-Charge of Finance

REPUBLIC OF THE PHILIPPINES)
~~MANDALUYONG CITY~~ PASIG CITY) S.S.

SUBSCRIBED AND SWORN TO BEFORE ME, this 13 of APR 2012, 2012, the following having presented to me their Passport:

	Passport no.:	Expiry Date:	Place Issued:
Ramon S. Ang	XX4227006	07/26/14	Manila
Karlo Marco P. Estavillo	EB1334453	11/08/15	Manila
Ma. Cynthia V. Maravilla	EB0530323	07/06/15	Manila

ATTY. ANTONIOUS G. COLLADO
Notary Public
Pasig, Taguig, Pateros, San Juan, M.M.
Until 31 December 2013
Roll No. 44310
IBP Lifetime No. 06170; 12.05.06; Rizal
PTR No. 7314921; 1.02.12; Pasig City
MCLE Compliance No. IV-0001802; 2.09.11
Appointment No. 10 (2012-2013)

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Series of 2012

Report of Independent Auditors

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The Board of Directors and Stockholders
San Miguel Properties, Inc. and Subsidiaries
3rd Floor, San Miguel Head Office Complex
No. 40 San Miguel Ave., Mandaluyong City

We have audited the accompanying consolidated financial statements of San Miguel Properties, Inc. and subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2011, 2010 and 2009, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of San Miguel Properties, Inc. and subsidiaries as at December 31, 2011, 2010 and 2009, and their consolidated financial performance and their consolidated cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

PUNONGBAYAN & ARAULLO

Ma. Isabel Comedia

By: Maria Isabel E. Comedia
Partner

CPA Reg. No. 0092966
TIN 189-477-563
PTR No. 3174800, January 2, 2012, Makati City
SEC Group A Accreditation
Partner - No. 0629-AR-1 (until Aug. 25, 2013)
Firm - No. 0002-FR-3 (until Jan. 18, 2015)
BIR AN 08-002511-21-2011 (until Feb. 3, 2014)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2012)

March 27, 2012

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION I
DATE APR 16 2012 SDS
RECEIVED
ABEGAIL A. ALAESTANTE

SAN MIGUEL PROPERTIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2011, 2010 AND 2009
(Amounts in Thousand Philippine Pesos)

	Notes	2011	2010 (As Restated - see Note 22)	2009
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	5	**P 319,075**	P 357,141	P 129,708
Receivables - net	6	**770,224**	534,001	204,265
Real estate projects - net	7	**703,373**	701,669	668,104
Raw land inventory	8	**3,689,231**	3,485,963	2,884,033
Deposits on land for future development	9	**20,104**	20,104	-
Other current assets - net		**105,900**	71,668	62,384
Total Current Assets		**5,607,907**	5,170,546	3,948,494
NONCURRENT ASSETS				
Receivables - net	6	**127,234**	105,812	87,085
Advances and investments in associates - net	10	**9,925,778**	7,540,052	1,392,349
Investment property - net	11	**1,301,752**	1,045,527	732,405
Property and equipment - net	12	**19,710**	10,084	10,512
Deposits on land for future development	9	**1,197,560**	1,167,633	1,174,667
Deferred tax assets - net	20	**45,882**	50,346	24,874
Other noncurrent assets - net	13	**79,338**	59,718	58,558
Total Noncurrent Assets		**12,697,254**	9,979,172	3,480,450
NONCURRENT ASSET CLASSIFIED AS HELD FOR SALE	10	**-**	-	2,746,359
TOTAL ASSETS		**P 18,305,161**	P 15,149,718	P 10,175,303

	Note	2011	2010 (As Restated - see Note 22)	2009
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Interest-bearing loans	14	P 6,368,663	P 2,690,447	P 1,766,370
Accounts payable and accrued expenses	15	324,656	215,198	212,168
Advances from related parties	21	2,017,133	2,341,599	-
Subscriptions payable	10	-	520,829	-
Advance rentals and deposits	21	159,044	142,758	50,659
Customers' deposits	2	26,502	35,663	34,997
Obligation under a put option	10	-	386,493	-
Income tax payable		36,679	13,353	7,265
Total Current Liabilities		8,932,677	6,346,340	2,071,459
NONCURRENT LIABILITIES				
Advance rentals and deposits	21	43,671	59,224	76,290
Deferred tax liabilities - net	20	34,046	23,851	12,439
Accounts payable and accrued expenses	15	29,316	-	-
Total Noncurrent Liabilities		107,033	83,075	88,729
Total Liabilities		9,039,710	6,429,415	2,160,188
EQUITY				
Equity attributable to owners of the parent company				
Capital stock	22	1,220,109	1,220,109	1,220,109
Additional paid-in capital		776,461	776,461	776,461
Treasury shares - at cost	22	(9,474)	(9,474)	(9,474)
Accumulated fair value gains (losses)	10	278,628	(176,642)	23,112
Other reserves	22	(88,200)	(51,949)	-
Cumulative translation adjustment	10	1,272	1,270	9,346
Retained earnings	22			
Appropriated		5,000,000	-	-
Unappropriated		1,681,607	6,594,718	5,877,712
Total equity attributable to owners of the parent company		8,860,403	8,354,493	7,897,266
Noncontrolling interest	22	405,048	365,810	117,849
Total Equity		9,265,451	8,720,303	8,015,115
TOTAL LIABILITIES AND EQUITY		P 18,305,161	P 15,149,718	P 10,175,303

See Notes to Consolidated Financial Statements.

SAN MIGUEL PROPERTIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2011, 2010 AND 2009
(Amounts in Thousand Philippine Pesos, Except Per Share Data)

	Notes	2011	2010 (As Restated - see Note 22)	2009
REVENUES				
Real estate sales	2, 6	**P 531,148**	P 197,189	P 356,471
Rental income	21	**292,588**	313,859	349,578
Management fees	21	**20,693**	81,216	5,178
		844,429	592,264	711,227
COST OF RENTALS AND REAL ESTATE SOLD	16			
Real estate sold		**162,780**	145,517	197,909
Rentals		**60,983**	60,841	70,581
		223,763	206,358	268,490
GROSS PROFIT		**620,666**	385,906	442,737
OPERATING EXPENSES	17	**261,918**	240,886	188,223
OPERATING PROFIT		**358,748**	145,020	254,514
OTHER INCOME (CHARGES)				
Finance costs	18	**(348,093)**	(138,110)	(43,628)
Share in profit of associates - net	10	**189,911**	188,362	981,649
Donation	8.2	**(141,168)**	-	-
Gain on sale of assets	10, 11, 12	**43,752**	733,949	5,936
Impairment loss on non-financial assets	3, 10	**(3,488)**	-	(162,921)
Gain on derecognition of provision	15	**23,155**	-	-
Finance income	18	**12,827**	7,285	35,155
Miscellaneous - net	25	**19,619**	3,016	(3,512)
		(203,485)	794,502	812,679
PROFIT BEFORE TAX		**155,263**	939,522	1,067,193
TAX EXPENSE	20	**66,479**	229,133	77,087
NET PROFIT		**88,784**	710,389	990,106
OTHER COMPREHENSIVE INCOME (LOSS)				
Share in other comprehensive income (loss) of an associate	10	**455,067**	(208,980)	62,924
Fair value gains (losses)	13	**205**	1,150	(2,150)
		455,272	(207,830)	60,774
TOTAL COMPREHENSIVE INCOME		**P 544,056**	P 502,559	P 1,050,880
Net profit attributable to:				
Owners of the parent company		**P 86,889**	P 717,006	P 977,962
Noncontrolling interest		**1,895**	(6,617)	12,144
		P 88,784	P 710,389	P 990,106
Total comprehensive income attributable to:				
Owners of the parent company		**P 542,161**	P 509,176	P 1,038,736
Noncontrolling interest		**1,895**	(6,617)	12,144
		P 544,056	P 502,559	P 1,050,880
Earnings Per Share - Basic and Diluted	23	**P 0.71**	P 5.89	P 8.04

See Notes to Consolidated Financial Statements.

SAN MIGUEL PROPERTIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2011, 2010 AND 2009
(Amounts in Thousand Philippine Pesos)

	Notes	Attributable to Owners of the Parent Company: Capital Stock	Additional Paid-in Capital	Treasury Shares - at Cost	Accumulated Fair Value Gains (Losses)	Cumulative Translation Adjustment	Other Reserves	Appropriated Retained Earnings	Unappropriated Retained Earnings	Total	Noncontrolling Interest	Total Equity
Balance at January 1, 2011												
As previously reported		P 1,220,109	P 776,461	(P 9,474)	(P 176,642)	P 1,270	(P 51,949)	P -	P 6,583,611	P 8,343,386	P 393,620	P 8,737,006
Prior period adjustments		-	-	-	-	-	-	-	11,107	11,107	(27,810)	(16,703)
As restated		1,220,109	776,461	(9,474)	(176,642)	1,270	(51,949)	-	6,594,718	8,354,493	365,810	8,720,303
Transaction between owners												
Exercise of put option reserve		-	-	-	-	-	-	-	-	-	384,312	384,312
Acquisition of noncontrolling interest		-	-	-	-	-	(88,200)	-	-	(88,200)	(346,969)	(435,169)
Reversal of dilution loss	22	-	-	-	-	-	51,949	-	-	51,949	-	51,949
		-	-	-	-	-	(36,251)	-	-	(36,251)	37,343	1,092
Appropriation of retained earnings		-	-	-	-	-	-	5,000,000	(5,000,000)	-	-	-
Total comprehensive income												
Net profit		-	-	-	-	-	-	-	86,889	86,889	1,895	88,784
Share in other comprehensive income of an associate	10	-	-	-	455,065	2	-	-	-	455,067	-	455,067
Fair value gains	13	-	-	-	205	-	-	-	-	205	-	205
		-	-	-	455,270	2	-	-	86,889	542,161	1,895	544,056
Balance at December 31, 2011		P 1,220,109	P 776,461	(P 9,474)	P 278,628	P 1,272	(P 88,200)	P 5,000,000	P 1,681,607	P 8,860,403	P 405,048	P 9,265,451
Balance at January 1, 2010		P 1,220,109	P 776,461	(P 9,474)	P 23,112	P 9,346	P -	P -	P 5,877,712	P 7,897,266	P 117,849	P 8,015,115
Transaction between owners												
Additional investments	10	-	-	-	-	-	-	-	-	-	638,890	638,890
Dilution loss	22	-	-	-	-	-	(51,949)		-	(51,949)	-	(51,949)
Put option reserve	22	-	-	-	-	-	-	-	-	-	(384,312)	(384,312)
		-	-	-	-	-	(51,949)	-	-	(51,949)	254,578	202,629
Total comprehensive income												
Net profit		-	-	-	-	-	-	-	717,006	717,006	(6,617)	710,389
Share in other comprehensive losses of an associate	10	-	-	-	(200,904)	(8,076)	-	-	-	(208,980)		(208,980)
Fair value gains	13	-	-	-	1,150	-	-	-	-	1,150	-	1,150
		-	-	-	(199,754)	(8,076)	-	-	717,006	509,176	(6,617)	502,559
Balance at December 31, 2010		P 1,220,109	P 776,461	(P 9,474)	(P 176,642)	P 1,270	(P 51,949)	P -	P 6,594,718	P 8,354,493	P 365,810	P 8,720,303
Balance at January 1, 2009		P 1,220,109	P 776,461	(P 9,474)	(P 28,316)	P -	P -	P -	P 4,899,750	P 6,858,530	P 105,705	P 6,964,235
Total comprehensive income												
Net profit		-	-	-	-	-	-	-	977,962	977,962	12,144	990,106
Share in other comprehensive income of an associate	10	-	-	-	53,578	9,346	-	-	-	62,924	-	62,924
Fair value losses	13	-	-	-	(2,150)	-	-	-	-	(2,150)	-	(2,150)
		-	-	-	51,428	9,346	-	-	977,962	1,038,736	12,144	1,050,880
Balance at December 31, 2009		P 1,220,109	P 776,461	(P 9,474)	P 23,112	P 9,346	P -	P -	P 5,877,712	P 7,897,266	P 117,849	P 8,015,115

See Notes to Consolidated Financial Statements.

Punongbayan & Araullo

Report of Independent Auditors

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The Board of Directors and Stockholders
San Miguel Properties, Inc. and Subsidiaries
3rd Floor, San Miguel Head Office Complex
No. 40 San Miguel Ave., Mandaluyong City

We have audited the accompanying consolidated financial statements of San Miguel Properties, Inc. and subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2011, 2010 and 2009, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of San Miguel Properties, Inc. and subsidiaries as at December 31, 2011, 2010 and 2009, and their consolidated financial performance and their consolidated cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

PUNONGBAYAN & ARAULLO

Ma. Isabel Comedia

By: Maria Isabel E. Comedia
Partner

CPA Reg. No. 0092966
TIN 189-477-563
PTR No. 3174800, January 2, 2012, Makati City
SEC Group A Accreditation
Partner - No. 0629-AR-1 (until Aug. 25, 2013)
Firm - No. 0002-FR-3 (until Jan. 18, 2015)
BIR AN 08-002511-21-2011 (until Feb. 3, 2014)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2012)

March 27, 2012

SAN MIGUEL PROPERTIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2011, 2010 AND 2009
(Amounts in Thousand Philippine Pesos)

	Notes		2011		2010 (As Restated - see Note 22)		2009
ASSETS							
CURRENT ASSETS							
Cash and cash equivalents	5	**P**	**319,075**	P	357,141	P	129,708
Receivables - net	6		**770,224**		534,001		204,265
Real estate projects - net	7		**703,373**		701,669		668,104
Raw land inventory	8		**3,689,231**		3,485,963		2,884,033
Deposits on land for future development	9		**20,104**		20,104		-
Other current assets - net			**105,900**		71,668		62,384
Total Current Assets			**5,607,907**		5,170,546		3,948,494
NONCURRENT ASSETS							
Receivables - net	6		**127,234**		105,812		87,085
Advances and investments in associates - net	10		**9,925,778**		7,540,052		1,392,349
Investment property - net	11		**1,301,752**		1,045,527		732,405
Property and equipment - net	12		**19,710**		10,084		10,512
Deposits on land for future development	9		**1,197,560**		1,167,633		1,174,667
Deferred tax assets - net	20		**45,882**		50,346		24,874
Other noncurrent assets - net	13		**79,338**		59,718		58,558
Total Noncurrent Assets			**12,697,254**		9,979,172		3,480,450
NONCURRENT ASSET CLASSIFIED AS HELD FOR SALE	10		**-**		-		2,746,359
TOTAL ASSETS		**P**	**18,305,161**	P	15,149,718	P	10,175,303

	Note	2011	2010 (As Restated - see Note 22)	2009
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Interest-bearing loans	14	**P 6,368,663**	P 2,690,447	P 1,766,370
Accounts payable and accrued expenses	15	**324,656**	215,198	212,168
Advances from related parties	21	**2,017,133**	2,341,599	-
Subscriptions payable	10	**-**	520,829	-
Advance rentals and deposits	21	**159,044**	142,758	50,659
Customers' deposits	2	**26,502**	35,663	34,997
Obligation under a put option	10	**-**	386,493	-
Income tax payable		**36,679**	13,353	7,265
Total Current Liabilities		**8,932,677**	6,346,340	2,071,459
NONCURRENT LIABILITIES				
Advance rentals and deposits	21	**43,671**	59,224	76,290
Deferred tax liabilities - net	20	**34,046**	23,851	12,439
Accounts payable and accrued expenses	15	**29,316**	-	-
Total Noncurrent Liabilities		**107,033**	83,075	88,729
Total Liabilities		**9,039,710**	6,429,415	2,160,188
EQUITY				
Equity attributable to owners of the parent company				
Capital stock	22	**1,220,109**	1,220,109	1,220,109
Additional paid-in capital		**776,461**	776,461	776,461
Treasury shares - at cost	22	**(9,474)**	(9,474)	(9,474)
Accumulated fair value gains (losses)	10	**278,628**	(176,642)	23,112
Other reserves	22	**(88,200)**	(51,949)	-
Cumulative translation adjustment	10	**1,272**	1,270	9,346
Retained earnings	22			
Appropriated		**5,000,000**	-	-
Unappropriated		**1,681,607**	6,594,718	5,877,712
Total equity attributable to owners of the parent company		**8,860,403**	8,354,493	7,897,266
Noncontrolling interest	22	**405,048**	365,810	117,849
Total Equity		**9,265,451**	8,720,303	8,015,115
TOTAL LIABILITIES AND EQUITY		**P 18,305,161**	P 15,149,718	P 10,175,303

See Notes to Consolidated Financial Statements.

SAN MIGUEL PROPERTIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2011, 2010 AND 2009
(Amounts in Thousand Philippine Pesos, Except Per Share Data)

	Notes	2011	2010 (As Restated - see Note 22)	2009
REVENUES				
Real estate sales	2, 6	**P 531,148**	P 197,189	P 356,471
Rental income	21	**292,588**	313,859	349,578
Management fees	21	**20,693**	81,216	5,178
		844,429	592,264	711,227
COST OF RENTALS AND REAL ESTATE SOLD	16			
Real estate sold		**162,780**	145,517	197,909
Rentals		**60,983**	60,841	70,581
		223,763	206,358	268,490
GROSS PROFIT		**620,666**	385,906	442,737
OPERATING EXPENSES	17	**261,918**	240,886	188,223
OPERATING PROFIT		**358,748**	145,020	254,514
OTHER INCOME (CHARGES)				
Finance costs	18	**(348,093)**	(138,110)	(43,628)
Share in profit of associates - net	10	**189,911**	188,362	981,649
Donation	8.2	**(141,168)**	-	-
Gain on sale of assets	10, 11, 12	**43,752**	733,949	5,936
Impairment loss on non-financial assets	3, 10	**(3,488)**	-	(162,921)
Gain on derecognition of provision	15	**23,155**	-	-
Finance income	18	**12,827**	7,285	35,155
Miscellaneous - net	25	**19,619**	3,016	(3,512)
		(203,485)	794,502	812,679
PROFIT BEFORE TAX		**155,263**	939,522	1,067,193
TAX EXPENSE	20	**66,479**	229,133	77,087
NET PROFIT		**88,784**	710,389	990,106
OTHER COMPREHENSIVE INCOME (LOSS)				
Share in other comprehensive income (loss) of an associate	10	**455,067**	(208,980)	62,924
Fair value gains (losses)	13	**205**	1,150	(2,150)
		455,272	(207,830)	60,774
TOTAL COMPREHENSIVE INCOME		**P 544,056**	P 502,559	P 1,050,880
Net profit attributable to:				
Owners of the parent company		**P 86,889**	P 717,006	P 977,962
Noncontrolling interest		**1,895**	(6,617)	12,144
		P 88,784	P 710,389	P 990,106
Total comprehensive income attributable to:				
Owners of the parent company		**P 542,161**	P 509,176	P 1,038,736
Noncontrolling interest		**1,895**	(6,617)	12,144
		P 544,056	P 502,559	P 1,050,880
Earnings Per Share - Basic and Diluted	23	**P 0.71**	P 5.89	P 8.04

See Notes to Consolidated Financial Statements.

SAN MIGUEL PROPERTIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2011, 2010 AND 2009
(Amounts in Thousand Philippine Pesos)

	Notes	Capital Stock	Additional Paid-in Capital	Treasury Shares - at Cost	Accumulated Fair Value Gains (Losses)	Cumulative Translation Adjustment	Other Reserves	Appropriated Retained Earnings	Unappropriated Retained Earnings	Total	Noncontrolling Interest	Total Equity
		Attributable to Owners of the Parent Company										
Balance at January 1, 2011												
As previously reported		**P 1,220,109**	**P 776,461**	**(P 9,474)**	**(P 176,642)**	**P 1,270**	**(P 51,949)**	**P -**	**P 6,583,611**	**P 8,343,386**	**P 393,620**	**P 8,737,006**
Prior period adjustments		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**11,107**	**11,107**	**(27,810)**	**(16,703)**
As restated		**1,220,109**	**776,461**	**(9,474)**	**(176,642)**	**1,270**	**(51,949)**	**-**	**6,594,718**	**8,354,493**	**365,810**	**8,720,303**
Transaction between owners												
Exercise of put option reserve		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**384,312**	**384,312**
Acquisition of noncontrolling interest		**-**	**-**	**-**	**-**	**-**	**(88,200)**	**-**	**-**	**(88,200)**	**(346,969)**	**(435,169)**
Reversal of dilution loss	22	**-**	**-**	**-**	**-**	**-**	**51,949**	**-**	**-**	**51,949**	**-**	**51,949**
		-	**-**	**-**	**-**	**-**	**(36,251)**	**-**	**-**	**(36,251)**	**37,343**	**1,092**
Appropriation of retained earnings		**-**	**-**	**-**	**-**	**-**	**-**	**5,000,000**	**(5,000,000)**	**-**	**-**	**-**
Total comprehensive income												
Net profit		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**86,889**	**86,889**	**1,895**	**88,784**
Share in other comprehensive income of an associate	10	**-**	**-**	**-**	**455,065**	**2**	**-**	**-**	**-**	**455,067**	**-**	**455,067**
Fair value gains	13	**-**	**-**	**-**	**205**	**-**	**-**	**-**	**-**	**205**	**-**	**205**
		-	**-**	**-**	**455,270**	**2**	**-**	**-**	**86,889**	**542,161**	**1,895**	**544,056**
Balance at December 31, 2011		**P 1,220,109**	**P 776,461**	**(P 9,474)**	**P 278,628**	**P 1,272**	**(P 88,200)**	**P 5,000,000**	**P 1,681,607**	**P 8,860,403**	**P 405,048**	**P 9,265,451**
Balance at January 1, 2010		P 1,220,109	P 776,461	(P 9,474)	P 23,112	P 9,346	P -	P -	P 5,877,712	P 7,897,266	P 117,849	P 8,015,115
Transaction between owners												
Additional investments	10	-	-	-	-	-	-	-	-	-	638,890	638,890
Dilution loss	22	-	-	-	-	-	(51,949)		-	(51,949)	-	(51,949)
Put option reserve	22	-	-	-	-	-	-	-	-	-	(384,312)	(384,312)
		-	-	-	-	-	(51,949)	-	-	(51,949)	254,578	202,629
Total comprehensive income												
Net profit		-	-	-	-	-	-	-	717,006	717,006	(6,617)	710,389
Share in other comprehensive losses of an associate	10	-	-	-	(200,904)	(8,076)	-	-	-	(208,980)	-	(208,980)
Fair value gains	13	-	-	-	1,150	-	-	-	-	1,150	-	1,150
		-	-	-	(199,754)	(8,076)	-	-	717,006	509,176	(6,617)	502,559
Balance at December 31, 2010		P 1,220,109	P 776,461	(P 9,474)	(P 176,642)	P 1,270	(P 51,949)	P -	P 6,594,718	P 8,354,493	P 365,810	P 8,720,303
Balance at January 1, 2009		P 1,220,109	P 776,461	(P 9,474)	(P 28,316)	P -	P -	P -	P 4,899,750	P 6,858,530	P 105,705	P 6,964,235
Total comprehensive income												
Net profit		-	-	-	-	-	-	-	977,962	977,962	12,144	990,106
Share in other comprehensive income of an associate	10	-	-	-	53,578	9,346	-	-	-	62,924	-	62,924
Fair value losses	13	-	-	-	(2,150)	-	-	-	-	(2,150)	-	(2,150)
		-	-	-	51,428	9,346	-	-	977,962	1,038,736	12,144	1,050,880
Balance at December 31, 2009		P 1,220,109	P 776,461	(P 9,474)	P 23,112	P 9,346	P -	P -	P 5,877,712	P 7,897,266	P 117,849	P 8,015,115

See Notes to Consolidated Financial Statements.

SAN MIGUEL PROPERTIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2011, 2010 AND 2009
(Amounts in Thousand Philippine Pesos)

	Notes	2011	2010 (As Restated - see Note 22)	2009
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		**P 155,263**	P 939,522	P 1,067,193
Adjustments for:				
Interest expense	18	**278,444**	126,264	37,839
Share in profit of associates	10	**(189,911)**	(188,362)	(981,649)
Donation of raw land inventory	8	**141,168**	-	-
Gain on sale of investment property and property and equipment	11, 12	**(43,752)**	(733,949)	(5,936)
Depreciation and amortization	11, 12	**37,246**	38,769	38,824
Gain on derecognition of provision	15	**(23,155)**	-	-
Interest income	18	**(12,168)**	(7,265)	(35,155)
Fair value losses	18	**9,950**	10,894	-
Impairment loss on non-financial assets		**3,488**	-	162,921
Operating profit before working capital changes		**355,914**	185,873	289,826
Increase in receivables		**(269,152)**	(96,498)	(112,596)
Decrease (increase) in real estate projects		**(3,456)**	(33,565)	122,675
Increase in raw land inventory		**(361,436)**	(601,930)	(1,028,719)
Decrease (increase) in other current and noncurrent assets		**13,585**	(9,294)	(27,597)
Decrease (increase) in deposits on land for future development		**(29,927)**	(13,070)	46,972
Increase (decrease) in accounts payable and accrued expenses		**139,371**	(16,113)	4,113
Increase (decrease) in advance rentals and deposits		**733**	75,033	(12,135)
Increase (decrease) in customers' deposits		**(9,161)**	666	3,954
Cash used in operations		**(163,529)**	(508,898)	(713,507)
Interest received		**4,187**	4,649	4,832
Cash paid for income taxes		**(57,458)**	(237,105)	(60,794)
Net Cash Used in Operating Activities		**(216,800)**	(741,354)	(769,469)
CASH FLOWS FROM INVESTING ACTIVITIES				
Additional invesment in an associate	10	**(2,598,843)**	(113,055)	(1,960,326)
Acquisition of noncontrolling interest of a subsidiary	10	**(399,263)**	-	-
Acquisitions of investment property and property and equipment	11, 12	**(300,463)**	(468,274)	(14,215)
Net proceeds from sale of investment property and property and equipment	11, 12	**59,870**	587,901	109,499
Interest received		**2,434**	2,616	30,323
Changes in advances for future stock subscriptions		**-**	140,462	(311,115)
Net Cash From (Used in) Investing Activities		**(3,236,265)**	149,650	(2,145,834)

Forward

	Note	2011	2010 As Restated - see Note 22)	2009
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from borrowings	14	**P 46,822,980**	1,370,896	P 1,892,525
Repayments of borrowings	14	**(43,144,764)**	(446,819)	(261,155)
Interest paid		**(263,217)**	(104,940)	(26,631)
Net Cash From Financing Activities		**3,414,999**	819,137	1,604,739
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(38,066)**	227,433	(1,310,564)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**357,141**	129,708	1,440,272
CASH AND CASH EQUIVALENTS AT END OF YEAR		**P 319,075**	P 357,141	P 129,708

Supplemental Information on Noncash Investing and Financing Activities:

(1) In 2011, Legacy Homes, Inc. reclassified portion of its raw land inventory to investment property amounting to P17,969 (see Note 11).

(2) In 2010, the Company subscibed to additional shares of stock of an associate for P3,562,424, of which P2,341,599 was paid by certain related parties on behalf of the Company and a portion amounting to P520,000 remained outstanding as of December 31, 2010 (see Note 10.1).

(3) Also in 2010, the Company acquired 52% equity ownership interest in SMPI-GSIS by assigning its 100% ownership interest in Maison on top of the cash consideration (see Note 10.6). This also resulted in the recognition of dilution loss and obligation under put option of P51,949 and P386,493, respectively (see Note 22.5).

(4) Investment in an associate with a carrying value of P2,746,359 was reclassified from Noncurrent Asset Classified as Held for sale account to the Advances and Investment in an Associate account in 2010 after its reclassification to and from the same accounts, respectively, in 2009 (see Note 10.1).

(5) In 2009, certain raw land, included in Raw Land Inventory account, with cost of P19,166 was reclassified to investment property (see Notes 8.1 and 11.2).

(6) The gain on sale of investment property in 2009 is net of the carrying value of rental receivables amounting toP5,520, derecognized upon assignment of the lease contract on the sold property (see Note 11.1).

(7) Certain properties classified as Investment Property were sold for P850,171 in 2010, of which P262,589 remained outstanding as of December 31, 2010 (see Notes 6.2 and 11).

See Notes to Consolidated Financial Statements.

SAN MIGUEL PROPERTIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2011, 2010 AND 2009
(Amounts in Thousand Philippine Pesos, Except per Share Data and Number of Shares)

1. CORPORATE INFORMATION

San Miguel Properties, Inc. (SMPI or the Company) was incorporated in the Philippines on December 18, 1990. The consolidated financial statements as at and for the years ended December 31, 2011, 2010 and 2009 comprise the financial statements of the Company and its subsidiaries (collectively referred to as the Group). San Miguel Corporation (SMC) is the ultimate parent company of the Group. Both the Company and SMC are domestic companies whose shares of stock are listed for trading at the Philippine Stock Exchange (PSE).

As of December 31, 2011, 2010 and 2009, the Company holds interests in the following subsidiaries and associates which were also incorporated in the Philippines:

Company Name	Explanatory Notes	Percentage of Ownership
Subsidiaries:		
Bel Aldea Realty, Inc. (Bel Aldea)	(a)	100%
Breakeven Realty Corporation (BRC)	(d)	100%
Bright Ventures Realty, Inc. (Bright Ventures)	(a)	100%
Brillar Realty Development Corporation (Brillar)	(a)	100%
Bulalacao Property Holdings, Inc. (Bulalacao)	(a)	100%
Busuanga Bay Holdings, Inc. (Busuanga)	(a)	100%
Calamian Prime Holdings, Inc. (Calamian)	(a)	100%
Carnell Realty, Inc. (Carnell)	(a)	100%
Coron Islands Holdings, Inc. (Coron)	(a)	100%
Dimanyan Wakes Holdings, Inc. (Dimanyan)	(a)	100%
El Montañas Realty Corporation (El Montañas)	(d)	100%
Estima Alta Realty Corporation (Estima)	(d)	100%
Excel Unified Land Resources Corporation (Excel Unified)		51.50%
First HQ Ayala Business Centers, Inc. (First HQ)	(b)	60%
First Monte Sierra Realty Corporation (FMSRC)	(d)	100%
Grandioso Realty Corporation (Grandioso)	(a)	100%
Highriser Group, Inc. (Highriser)	(a)	100%
HQ Business Centers Phil., Inc. (HQ)	(a)	100%
Integrated Geosolutions, Inc. (IGI or Geosolutions)	(e)	51%
Lanes & Bi-ways Realty Corporation (Lanes)	(d)	100%
La Verduras Realty Corporation (La Verduras)	(d)	100%
Legacy Homes, Inc. (Legacy)		100%
Maravilla Housing Project, Inc. (Maravilla)	(a)	100%
Maison 17 Properties, Inc. (Maison)	(f)	100%
Palawan White Sands Holdings Corporation (Palawan)	(a)	100%
Prestigio Realty, Inc. (Prestigio)	(a)	100%

Company Name	Explanatory Notes	Percentage of Ownership
Rapidshare Realty Development Corporation (Rapidshare)	(a)	100%
Roca Pesada Realty Corporation (Roca Pesada)	(d)	100%
Silang Resources, Inc. (Silang)	(a)	100%
SMPI-GSIS Joint Venture Corporation (SMPI-GSIS JVC)	(f)	100%
Sta. Cruz Resource Management, Inc. (Sta. Cruz)	(a)	100%
Tanauan Resources, Inc. (Tanauan)	(a)	100%
Associates:		
Bank of Commerce (BOC)	(c)	39.93%
Northpine Land, Inc. (NLI, formerly Jardine Land, Inc.)		20%

Explanatory Notes:

(a) These subsidiaries were acquired in 2009 and prior years and have not yet started commercial operations as of December 31, 2011.
(b) First HQ is 60% owned by HQ. First HQ has temporarily ceased its operations since June 1, 2003.
(c) As at December 31, 2011, 2010 and 2009, SMPI's equity ownership is 39.93%, 32.77% and 31.23%, respectively (see Note 10.1).
(d) This subsidiary was acquired in 2011 and has not yet started commercial operations as of December 31, 2011.
(e) This subsidiary was acquired in 2010 and has not yet started commercial operations as of December 31, 2011.
(f) In 2011, the Company's equity ownership over these subsidiaries increased to 100% when the Government Service Insurance System (GSIS) exercised the put option which requires the Company to acquire the equity ownership of GSIS over SMPI-GSIS JVC (see Note 10.3).

The Company and its subsidiaries and associates, except for HQ, Sta. Cruz, Silang and BOC, were also incorporated to engage in the development, sale and lease of real estate properties. HQ and Sta. Cruz were incorporated to engage in providing business support services while Silang was incorporated to engage in trading of goods, such as food and beverage, on wholesale and retail basis. BOC is engaged in commercial banking services. The Group's primary projects are the following:

Project	Location
The Legacy	Las Piñas City
Maravilla	General Trias, Cavite
Bel Aldea	General Trias, Cavite
Asian Leaf	General Trias, Cavite
Wedgewoods	Silang, Cavite
Buenavista Homes	Consolacion, Cebu
Villa de Calamba	Calamba, Laguna
Primavera Hills	Liloan, Cebu

The Company's registered office, which is also its principal place of business, is located at 3rd Floor, San Miguel Head Office Complex, No. 40 San Miguel Ave., Mandaluyong City. The principal place of business of SMC is located in the same address.

The consolidated financial statements for the year ended December 31, 2011 (with comparatives for the years ended December 31, 2010 and 2009) were authorized for issue by the Board of Directors (BOD) on March 27, 2012.

The registered addresses of the subsidiaries are the same as the Company, except for the following:

Name of Subsidiary	Registered Address
(a) Bel Aldea	Block 5 Lot 1, Maravilla Subdivision De Fuego, General Trias, Cavite
(b) Maravilla	Block 5 Lot 1, Maravilla Subdivision De Fuego, General Trias, Cavite
(c) First HQ	6th Floor, Locsin Building Corner Ayala and Makati Avenues Makati City
(d) Legacy	GSMI Building, Subangdaku Mandaue, Cebu City

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of Preparation of Consolidated Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

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

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

In applying the equity method on the Company's investment in BOC, adjustments in BOC's audited financial statements were made to conform its accounting policies to that of the Group's accounting policies in accordance with PFRS (see Note 10.1.1).

(b) *Presentation of Consolidated Financial Statements*

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

In 2011, the Group presented two comparative periods for the consolidated statements of financial position due to the retrospective adjustments made to the balance of retained earnings as of January 1, 2011 and certain reclassifications of certain statement of financial position accounts in 2010 (see Note 22.6).

(c) *Functional and Presentation Currency*

These consolidated financial statements are presented in Philippine pesos, the Company's functional and presentation currency, and all values are stated in thousands except when otherwise indicated.

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

2.2 Adoption of New and Amended PFRS

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

In 2011, the Group adopted the following new amendments, interpretations and annual improvements that are relevant to the Group and effective for the annual period beginning on or after July 1, 2010 or January 1, 2011.

PAS 24 (Amendment)	:	Related Party Disclosures
PAS 32 (Amendment)	:	Financial Instruments: Presentation – Classification of Rights Issue
Philippine Interpretations International Financial Reporting Interpretations Committee (IFRIC) 14 (Amendment)	:	Prepayments of a Minimum Funding Requirement
IFIRC 19	:	Extinguishing Financial Liabilities with Equity Instruments
Various Standards	:	2010 Annual Improvements to PFRS

Discussed below are the relevant information about these new and amended standards.

(i) PAS 32 (Amendment), Financial Instruments: Presentation – *Classification of Rights Issues* (effective from February 1, 2010). The amendment addresses the accounting for rights issues (e.g., rights, options or warrants) that are denominated in a currency other than the functional currency of the issuer. In particular, rights (and similar derivatives) to acquire a fixed number of an entity's own equity instruments for a fixed price stated in a currency other than the entity's functional currency, would be classified as equity instruments, provided the entity offers the rights pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. The amendment has no effect on the consolidated financial statements as the Group has no rights issues denominated in a currency other than the Company's functional currency.

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

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

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

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

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

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

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

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

(v) 2010 Annual Improvements to PFRS. The FRSC has adopted the *2010 Improvements to PFRS*. Most of these amendments became effective for annual periods beginning on or after July 1, 2010 or January 1, 2011. Among those improvements, only the following amendments were identified to be relevant to the Group's consolidated financial statements:

- PAS 1 (Amendment), *Presentation of Financial Statements: Clarification of Statement of Changes in Equity* (effective from July 1, 2010). The amendment clarifies that, for each component of equity, an entity may present an analysis of other comprehensive income either in the consolidated statement of changes in equity or in the notes to the consolidated financial statements. This amendment has no significant impact in the Group's consolidated financial statements since the Group presents the analysis of other comprehensive income in consolidated statements of changes in equity.

- PAS 27 (Amendment), *Consolidated and Separate Financial Statements* (effective from July1, 2010). This amendment clarifies that the consequential amendments made to PAS 21, *The Effect of Changes in Foreign Exchange Rates,* PAS 28, *Investment in Associate,* and, PAS 31, *Investment in Joint Ventures*, arising from the PAS 27 (2008) amendments apply prospectively, to be consistent with the related PAS 27 transition requirements. The amendment has no significant impact on the Group's consolidated financial statements.

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

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

  All other components of NCI are measured at fair value unless PFRS requires another measurement basis.

  This amendment also clarifies accounting for all share-based payment transactions that are part of a business combination, including unreplaced and voluntary replaced share-based payment awards. Specifically, this provides guidance for situations where the acquirer does not have an obligation to replace an award but replaces an existing acquiree award that would otherwise have continued unchanged after the acquisition, thus resulting to the accounting for these awards being the same as for the awards that the acquirer is obliged to replace.

  The provisions of this new amendment have no significant impact on the Group's consolidated financial statements.

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

(b) *Effective in 2011 that are not Relevant to the Group*

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

PFRS 1 (Amendment)	:	First–time Adoption of PFRS – Limited Exemption from PFRS 7 Comparative Disclosures
2010 Annual Improvements:		
PAS 34 (Amendment)	:	Interim Financial Reporting – Significant Events and Transactions
PFRS 1 (Amendment)	:	First–time Adoption of PFRS
IFRIC 13 (Amendment)	:	Customer Loyalty Programmes – Fair Value Awards Credits

(c) *Effective Subsequent to 2011 but not Adopted Early*

There are new and amended PFRS that are effective for periods subsequent to 2011. Among those pronouncements, management has initially determined the following to be relevant to its consolidated financial statements which the Group will apply in accordance with their transitional provisions:

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

(ii) PAS 12 (Amendment), *Income Taxes* (effective from January 1, 2012). An entity is required to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. However, when the asset is measured using the fair value model in PAS 40, *Investment Property,* it can be difficult and subjective to assess whether recovery will be through use or through sale; accordingly, an amendment to PAS 12 was made. The amendment introduces a presumption that recovery of the carrying amount will be or normally be through sale. Consequently, Philippine Interpretation SIC 21 *Income Taxes – Recovery of Revalued Non-depreciable Assets* would no longer apply to investment properties carried at fair value. The amendments also incorporate into PAS 12 the remaining guidance previously contained in Philippine Interpretation SIC 21, which is accordingly withdrawn. The management determined that this amendment will not materially affect the consolidated financial statements as the Group has no investment property measured at fair value.

(iii) PAS 1 (Amendment), *Financial Statements Presentation – Presentation of Items of Other Comprehensive Income* (effective from July 1, 2012). The amendment requires an entity to group items presented in consolidated other comprehensive income into those that, in accordance with other PFRSs: (a) will not be reclassified subsequently to profit or loss; and, (b) will be reclassified subsequently to profit or loss when specific conditions are met. The Group's management expects that this will not affect the presentation of items in the consolidated other comprehensive income since the Group's consolidated other comprehensive income, which pertains to unrealized fair value gains and losses on available-for-sale (AFS) financial assets and share in other comprehensive income of BOC, can be reclassified to profit or loss when specified conditions are met.

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

- eliminates the corridor approach under the existing guidance of PAS 19 and requires an entity to recognize all gains and losses arising in the reporting period;

- streamlines the presentation of changes in plan assets and liabilities resulting in the disaggregation of changes into three main components of service costs, net interest on net defined benefit obligation or asset, and remeasurement; and,

- enhances disclosure requirements, including information about the characteristics of defined benefit plans and the risks that entities are exposed to through participation in them.

Currently, the Group is using the corridor approach and its unrecognized actuarial loss as of December 31, 2011 amounted to P21,781 (see Note 19.2), which will be retrospectively recognized as loss in other comprehensive income in 2013.

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

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

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

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

The Group does not expect to implement and adopt PFRS 9 until its effective date or until all chapters of this new standard have been published. In addition, management is currently assessing the impact of PFRS 9 on the consolidated financial statements of the Group and is committed to conduct a comprehensive study of the potential impact of this standard, before its adoption in 2015, to assess the impact of all changes.

(iv) Philippine Interpretation IFRIC 15, *Agreements for Construction of Real Estate*. This Philippine interpretation is based on IFRIC interpretation issued by the IASB in July 2008 effective for annual periods beginning on or after January 1, 2009. The adoption of this interpretation in the Philippines, however, was deferred by the FRSC and Philippine Securities and Exchange Commission after giving due considerations on various application issues and the implication on this interpretation of the IASB's on-going revision of the Revenue Recognition standard. This interpretation provides guidance on how to determine whether an agreement for the construction of real estate is within the scope of PAS 11, *Construction Contracts*, or PAS 18, *Revenue*, and accordingly, when revenue from the construction should be recognized. The main expected change in practice is a shift from recognizing revenue using the percentage of completion method (i.e., as a construction progresses, by reference to the stage of completion of the development) to recognizing revenue at completion upon or after delivery. Management believes that IFRIC 15 will not have significant effect on the Group's operations as all real estate revenue transactions are anticipated to be accounted for under PAS 18.

(v) Consolidation Standards

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

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

- PFRS 11, *Joint Arrangements*, (effective from January 1, 2013). This standard provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form (as is currently the case). The standard addresses inconsistencies in the reporting of joint arrangements by requiring a single method to account for interests in jointly controlled entities.

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

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

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

2.3 Basis of Consolidation, Investments in Subsidiaries and Associates and Interest in a Joint Venture

The Company obtains and exercises control through voting rights. The Group's consolidated financial statements comprise the accounts of the Company, and its subsidiaries enumerated in Note 1, after the elimination of material intercompany transactions. All intercompany balances and transactions with subsidiaries, including income, expenses and dividends, are eliminated in full. Unrealized profits and losses from intercompany transactions that are recognized in assets are also eliminated in full. Intercompany losses that indicate impairment are recognized in the consolidated financial statements.

Except for BOC, the financial statements of subsidiaries and associates are prepared for the same reporting period as the Company, using consistent accounting policies.

Certain accounting policies applied by BOC in the preparation of its financial statements are not in accordance with PFRS. In computing for the Company's share in net profit (loss) and in comprehensive income (loss) of BOC, the Company made adjustments to the 2011, 2010 and 2009 audited financial statements of BOC to conform BOC's accounting policies with PFRS and make them consistent with the Group's accounting policies. The adjustments made by the Company relate to the correction of: (a) inadequate reserves on non-performing assets, investment properties and financial assets; (b) deferral of losses on sale of non-performing loans; (c) recognition of regulatory reserves required by Bangko Sentral ng Pilipinas (BSP); and, (d) misstatement in the values of structured financial instruments and certain investment properties.

The Company accounts for its investments in subsidiaries, associates, joint venture and noncontrolling interests as follows:

(a) Investments in Subsidiaries

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

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

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

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any existing equity interest in the acquiree over the acquisition-date fair value of identifiable net assets acquired, is recognized as goodwill. Goodwill on acquisitions of subsidiaries is presented under Other Noncurrent Assets in the consolidated statements of financial position. On the other hand, if this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in share in profit or (loss) of associates in the consolidated statement of comprehensive income.

For the purpose of impairment testing, goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The cash-generating units or groups of cash-generating units are identified according to operating segment. Goodwill is tested annually for impairment (see Note 2.16). Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(b) Investments in Associates

Associates are those entities over which the Group is able to exercise significant influence but which are neither subsidiaries nor interests in a joint venture. Investments in associates are initially recognized at cost and subsequently accounted for using the equity method in the consolidated financial statements.

Acquired investments in associates are also subject to purchase accounting. However, any goodwill or fair value adjustment attributable to the share in the associate is included in the amount recognized as investment in associates.

All subsequent changes to the share in the equity of the associate are recognized in the carrying amount of the Group's investment. Changes resulting from the profit or loss generated by the associate are reported as Share in Profit (Loss) of Associates in the Group's profit or loss.

Changes resulting from other comprehensive income of the associate or items that have been directly recognized in the associate's equity, for example, resulting from the associate's accounting for available-for-sale (AFS) financial assets, are recognized in other comprehensive income of the Group. Any distributions received from the associate (e.g., dividend) are recognized as reduction in the carrying amount of investment in associate. However, when the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group recognizes its share on those profits only after its share of the profits exceeds the accumulated share of losses that has previously not been recognized.

In computing the Group's share in net profit or loss of associates, unrealized gains or losses on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Where unrealized losses are eliminated, the underlying asset is also tested for impairment from a group perspective.

(c) Transactions with Noncontrolling Interests

The Group's transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transaction with the owners of the Group in their capacity as owners. The difference between the fair value of any consideration paid and the relevant share acquired of the carrying value of the net assets of the subsidiary is recognized in equity. Disposals of equity investments to non-controlling interests result in gains and losses for the Group that are also recognized in equity.

When the Group ceases to have control over a subsidiary, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

(d) Noncontrolling Interest Put Option

Noncontrolling interest put option is a contract that contains an obligation for the Company to acquire its own equity instruments. At initial recognition, a liability is recognized for the present value of the redemption price based on contractually fixed value. It is recognized as a Put Option Reserve, which is presented as a deduction from the noncontrolling interest in the equity section of the consolidated statement of financial position and the corresponding liability is presented as Obligation under a Put Option account in the consolidated statements of financial position (see Note 2.11).

When the option is exercised or has lapsed, the carrying amount of the liability is reversed against the reserve.

(e) Interests in Joint Venture

Jointly controlled entities are entities whose economic activities are controlled jointly by the Group and by other venture independent of the Group.

For interests in jointly controlled assets, the Group recognizes in its consolidated financial statements its share of the assets that it controls, the liabilities and the expenses that it incurs and its share in the income from the sale of goods or services by the joint venture. No adjustment is required since the assets, liabilities, income and expenses of the joint venture are recognized in the financial statements of the venture. The contributions made by the Group in joint ventures are presented as part of Advances and Investments in Subsidiaries and Associates account in the consolidated statement of financial position.

2.4 Business Combinations

Business acquisitions are accounted for using the acquisition method of accounting.

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses (see Note 2.16). Impairment losses on goodwill are not reversed.

Negative goodwill which is the excess of the Group's interest in the net fair value of net identifiable assets acquired over acquisition cost is charged directly to income.

For the purpose of impairment testing, goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The cash-generating units or groups of cash-generating units are identified according to operating segment.

Gains and losses on the disposal of an interest in a subsidiary include the carrying amount of goodwill relating to it.

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

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

2.5 Financial Assets

Financial assets are recognized when the Group becomes a party to the contractual terms of the financial instrument. Financial assets other than those designated and effective as hedging instruments are classified into the following categories: financial assets at fair value through profit or loss (FVTPL), loans and receivables, held-to-maturity investments and AFS financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired.

Regular purchases and sales of financial assets are recognized on their trade date. All financial assets that are not classified as at FVTPL are initially recognized at fair value plus any directly attributable transaction costs. Financial assets carried at FVTPL are initially recorded at fair value and related transaction costs are recognized in profit or loss.

The Group's financial assets are currently categorized as follows:

(a) Loans and Receivables

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

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

The Group's financial assets categorized as loans and receivables are presented as Cash and Cash Equivalents and Receivables accounts in the consolidated statement of financial position. Cash and cash equivalents are defined as cash on hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

(b) AFS Financial Assets

This category includes non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. They are included as part of Other Noncurrent Assets account in the consolidated statement of financial position unless management intends to dispose of the investment within 12 months from the reporting period.

All financial assets within this category are subsequently measured at fair value, unless otherwise disclosed. Gains and losses from changes in fair value are recognized in the consolidated other comprehensive income, net of any income tax effects, and are reported as part of the Accumulated Fair Value Gains (Losses) account in the consolidated statement of changes in equity. When the financial asset is disposed of or is determined to be impaired, the cumulative fair value gains or losses recognized in the consolidated other comprehensive income is reclassified from equity to profit or loss and is presented as reclassification adjustment within the consolidated other comprehensive income.

Reversal of impairment loss is recognized in the consolidated other comprehensive income, except for financial assets that are debt securities which are recognized in profit or loss only if the reversal can be objectively related to an event occurring after the impairment loss was recognized.

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

For investments that are actively traded in organized financial markets, fair value is determined by reference to stock exchange-quoted market bid prices at the close of business on the reporting period. For investments where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the investment.

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

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

2.6 Real Estate Projects

The acquisition costs of properties and other costs and expenses incurred to develop the properties are classified as part of Construction-in-Progress under the Real Estate Projects account when the development of the property starts. The related property development costs are then accumulated in this account.

When the development of the property has been completed, the accumulated costs of the project are transferred as part of Subdivision Houses and Lots which is also presented under the Real Estate Projects account in the consolidated statement of financial position. Real estate projects are carried at the lower of accumulated development cost incurred and net realizable value. Net realizable value is the selling price in the ordinary course of business, less estimated costs of completion and costs to sell.

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

2.7 Raw Land Inventory

Acquisition costs of raw land intended for sale or development, including other costs and expenses incurred to effect the transfer of title of the property to the Group, are charged to Raw land inventory account. When the development of the property starts, the cost of related raw land inventory is then transferred to Construction-in-progress account (see Note 2.6).

The account is carried at the lower of the acquisition cost of the land and net realizable value. Valuation allowance, if any, is provided when the net realizable value of the property is lower than its carrying amount.

Net realizable value for raw land inventory is the estimated selling price in the ordinary course of business, less the estimated costs to sell.

2.8 Investment Property

Properties held for lease under operating lease agreements and for capital appreciation, which comprise mainly of land and buildings and related improvements, are classified as investment property. Buildings and improvements and land improvements are carried at cost, net of accumulated depreciation and amortization and impairment, if any. Land, on the other hand, is carried at cost less any impairment in value (see Note 2.16).

Depreciation and amortization is computed using the straight-line method over the following estimated useful lives of the assets:

Building and improvements	10-50 years
Land improvements	5-10 years

Construction-in-progress pertains to the accumulated costs of putting up assets, additions or improvements. Cost is recognized when materials purchased and services performed in relation to construction have been delivered or rendered. When the asset has become available for use, the accumulated cost is transferred to the appropriate investment property account, and depreciation is recognized based on the estimated useful life of such asset.

The residual values, useful lives and method of depreciation and amortization of the assets are reviewed and adjusted, if appropriate, at the end of each reporting period.

Fully depreciated and amortized investment property is retained in the accounts until this is no longer in use and no further charge for depreciation and amortization is made in respect of this asset.

Transfers from other accounts (such as property and equipment or raw land inventory) are made to investment property when and only when, there is a change in use, evidenced by ending of owner-occupation or commencement of an operating lease to another party, while transfers from investment property are made when, and only when, there is a change in use, evidenced by commencement of the owner-occupation or commencement of development with a view to sell.

For a transfer from investment property to owner-occupied property or inventories, the cost of property for subsequent accounting is its carrying value at the date of change in use.

If the property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under Property and Equipment up to the date of change in use.

Policies on rental income and operating expenses from investment property, reported within Revenues and Cost of Rentals, respectively, are described in Notes 2.13 and 2.14.

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

2.9 Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization and any impairment loss. The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized; expenditures for repairs and maintenance are charged to expense as incurred.

Depreciation and amortization is computed on the straight-line basis over the estimated useful lives of the assets. The estimated useful lives of property and equipment are as follows:

Building and improvements	10-50 years
Transportation equipment	5-15 years
Land improvements	5 years
Furniture, fixtures and other equipment	5 years

Amortization of leasehold and office improvements is recognized over the estimated useful lives of improvements or the term of the lease, whichever is shorter.

Construction-in-progress pertains to the accumulated costs of putting up assets, additions or improvements. Cost is recognized when materials purchased and services performed in relation to construction have been delivered or rendered. When the asset has become available for use, the accumulated cost is transferred to the appropriate property and equipment account. The related depreciation, which will only start when the asset has become available for use, is recognized based on the estimated useful life of such asset.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.16).

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

Fully depreciated and amortized property and equipment are retained in the accounts until they are no longer in use and no further charge for depreciation and amortization is made in respect of those assets.

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

2.10 Noncurrent Asset Classified as Held for Sale

Noncurrent asset classified as held for sale pertains to assets which the Company intends to sell within one year from the date of classification as held for sale. This is measured at the lower of its carrying amount, immediately prior to its classification as held for sale, and the fair value less cost to sell.

When management's plan with respect to the sale changed, the Company ceases to classify the asset as held for sale. At the date of the reclassification, the asset is measured at the lower of the following:

(a) carrying amount before the asset was classified as held for sale, adjusted for its share in net profit of the associate that would have been recognized had it not been classified as held for sale; and,

(b) recoverable amount at the date of the subsequent decision not to sell.

Any gain or loss arising from the sale of asset held for sale is recognized in profit or loss.

2.11 Financial Liabilities

Financial liabilities include interest-bearing loans, accounts payable and accrued expenses (excluding provision and unpaid taxes), obligation under a put option, advances from related parties, subscription payable, and rental deposits. These financial liabilities are measured at amortized cost using the effective interest rate method.

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

Interest-bearing loans are raised for support of long-term funding of operations. These are recognized at proceeds received, net of direct issue costs.

Accounts payable and accrued expenses are recognized initially at their fair value and subsequently measured at amortized cost.

Obligation under a put option is recognized initially at the present value of the liability and subsequently measured at amortized cost using the effective interest rate method. Any charges in the put option arising from remeasurement is recognized in profit or loss.

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

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

2.12 Provisions and Contingencies

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

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

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

2.13 Revenue and Cost Recognition

Revenue comprises revenue from real estate sales, rental income and management fees measured by reference to the fair value of consideration received or receivable by the Group for the sale of real estate, operating leases and services rendered, excluding value-added tax (VAT) and discounts.

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

(a) *Real estate sale* – For financial reporting purposes, revenues from transactions covering sales of real estate projects are recognized under the full accrual method. Under this method, the Group recognizes the revenue and cost from sale of real estates projects in full when 10% or more of the contract price is received and development of the real estate property (e.g., lot or house and lot) has reached 100% completion at which point the buyer may already use the property.

Payments received from buyers which do not meet the revenue recognition criteria are presented as Customers' Deposits account under the liabilities section of the consolidated statements of financial position.

For income tax purposes, revenue on sale of real estate projects is recognized in full when at least 10%, of the contract price is collected within the year of sale. Otherwise, revenue is recognized based on the percentage of collection.

(b) *Rental* – Lease income from operating lease is recognized on a straight-line basis over the lease term for financial reporting purposes (see Note 2.14).

For tax reporting purposes, revenue is recognized based on the rental revenue indicated on the lease contract. Advance rentals are immediately recognized as income and subjected to tax in the year received.

(c) *Management fees* – Revenue is recognized when the contractually agreed tasks has been substantially rendered.

(d) *Interest* – Revenue is recognized as the interest accrues, taking into account the effective yield on the asset, unless collectibility is in doubt.

(e) *Dividends* – Income is recognized when the stockholders' right to receive the payment is established.

The costs of real estate sold include the acquisition cost of the land and development costs incurred for the project (see Note 2.6).

Other costs and expenses are recognized in profit or loss upon receipt of goods, utilization of service or at the date such costs and expenses are incurred. All finance costs are reported in profit or loss on accrual basis, except capitalized borrowing costs which are included as part of the cost of the related qualifying asset (see Note 2.18).

2.14 Leases

The Group accounts for its leases as follows:

(a) Group as Lessor

Leases, which do not transfer to the lessee substantially all the risks and benefits of ownership of the asset, are classified as operating leases. Lease income from operating leases is recognized in profit or loss on a straight-line basis over the lease term (see Note 2.13).

(b) Group as Lessee

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

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

2.15 Foreign Currency Transactions

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

Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

2.16 Impairment of Non-financial Assets

The Group's investments in associates, goodwill, deposits on land for future development, investment property and property and equipment are subject to impairment testing. The assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management controls the related cash flows.

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

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

2.17 Employee Benefits

(a) Post-employment Benefit

Post-employment benefit is provided to employees through a defined benefit plan.

A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for any benefits from this kind of post-employment plan remains with the Group, even if plan assets for funding the defined benefit plan have been acquired. Plan assets may include assets specifically designated to a long-term benefit fund, as well as qualifying insurance policies. The Group's post-employment benefit plan covers all regular full-time employees. The post-employment benefit plan is tax-qualified, noncontributory and administered by a trustee.

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

Actuarial gains and losses are not recognized as an income or expense unless the total unrecognized gain or loss exceeds 10% of the greater of the obligation and related plan assets. The amount exceeding this 10% corridor is charged or credited to profit or loss over the employees' expected average remaining working lives. Actuarial gains and losses within the 10% corridor are disclosed separately.

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

(b) *Compensated Absences*

Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the end of the reporting period. They are included in Accounts Payable and Accrued Expenses account in the consolidated statement of financial position at the undiscounted amount that the Group expects to pay as a result of the unused entitlement.

(c) *Termination Benefits*

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits when it is demonstrably committed to either: (a) terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or, (b) providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

(d) *Bonus Incentives*

The Group recognizes a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Group's shareholders after certain adjustments. The Group recognizes a provision where it is contractually obliged to pay the benefits, or where there is a past practice that has created a constructive obligation.

(e) *Stock Purchase Plan*

Under SMC's Employee Stock Purchase Plan (ESPP), employees of the Group receive remuneration in the form of share-based payments, whereby employees receives equity instruments of SMC for services rendered to the Group. Such transactions are handled centrally by SMC.

Share-based transactions in which SMC grants option rights to its equity instruments directly to the Group's employees are accounted for as equity-settled transactions. SMC charges the Group for the costs related to such transactions with its employees as part of management fee billed every month which the Group records as part of Salaries and Employees Benefits account under Operating Expenses in the consolidated statement of comprehensive income.

2.18 Borrowing Costs

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

In 2011, 2010 and 2009, there were no costs of borrowing which were capitalized as the Group has not obtained specific borrowing for the acquisition, construction or production of a qualifying asset in those years. Moreover, the allocated capitalizable borrowing costs on qualifying assets from the general borrowings are considered not material in the consolidated financial statement.

2.19 Income Taxes

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

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

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

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

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

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

2.20 Related Party Transactions

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

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

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

2.21 Equity

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

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

Treasury shares are stated at the cost of re-acquiring the shares.

Accumulated fair value gains (losses) comprise gains and losses arising from revaluation of AFS financial assets measured at fair value. Cumulative translation adjustment represents the Company's investment in BOC whose books of regular banking unit denominated in foreign currency are translated into its equivalent in Philippine pesos.

Other reserves include dilution loss incurred from disposal of portion of the Group's equity ownership interest from a subsidiary. It also includes the difference between the cost of acquiring a noncontrolling interest over the carrying value of the additional Group share in the net asset of a subsidiary. These acquisitions and disposals of part of investment in a subsidiary did not result in gaining or losing of control by the Company.

Retained earnings, the appropriated portion of which is not available for dividend declaration, include all current and prior period results of operations as reported in the profit or loss section of the consolidated statement of comprehensive income.

Noncontrolling interest is the equity in a subsidiary not attributable, directly or indirectly, to the Company.

2.22 Earnings Per Share

Basic earnings per share (EPS) is computed by dividing net profit attributable to equity holders of the parent company by the weighted average number of shares issued and outstanding, adjusted retroactively for any stock dividend, stock split or reverse stock split declared during the current period.

Diluted earnings per share are computed by adjusting the weighted average number of ordinary shares outstanding to assume conversion of dilutive potential shares. Currently, the Group does not have dilutive potential shares outstanding, hence, the diluted earnings per share is equal to the basic earnings per share.

2.23 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's Management Committee (ManCom); its chief operating decision-maker. The ManCom is responsible for allocating resources and assessing performance of the operating segments. In identifying its operating segments, management generally follows the Group's products and service lines, which represent the main products and services provided by the Group (see Note 4).

The Group's operating segments 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. The activities undertaken by the leasing segment includes the leasing of office and commercial space (collectively referred to as investment property) to the parent company, related parties under common ownership and third parties. Real estate sales segment includes sale of house and/or lots while management and other services segment includes the management of properties owned by the parent company and other services rendered to other related parties which includes project and property management and architectural services.

The measurement policies for segment reporting under PFRS 8 are the same as those used in its consolidated financial statements, except that, share in net profit of associates, impairment loss on investment in associate, finance costs, finance income, gain on sale of assets, and miscellaneous expenses are not included in arriving at the operating profit of the operating segment. In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

There have been no changes from prior years in the measurement methods used to determine reported segment profit or loss.

Financial information on operating segments is presented in Note 4 to the consolidated financial statements.

2.24 Events After the Reporting Period

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

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

The Group's consolidated financial statements prepared in accordance with PFRS require management to make judgments and estimates that affect amounts reported in the consolidated financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under circumstances. Actual results may ultimately vary from these estimates.

3.1 Critical Management Judgments in Applying Accounting Policies

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

(a) Impairment of AFS Financial Assets

The determination when an investment is other-than-temporarily impaired requires significant judgment. In making this judgment, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost, and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, and operational and financing cash flows. Based on the recent evaluation of information and circumstances affecting the Group's AFS financial assets, impairment losses recognized on the assets amounted to P4,075 in 2011 (nil in 2010 and 2009), and is presented as part of Finance Costs in the 2011 consolidated statement of comprehensive income (see Note 18.1). Future changes in those information and circumstance might significantly affect the carrying amount of the assets.

As of December 31, 2011, 2010 and 2009, the carrying value of AFS financial assets, presented as part of Other Noncurrent Assets in the consolidated statements of financial position, amounted to P19,091, P22,961 and P21,811, respectively (see Note 13).

(b) Distinction Between Investment Property and Owner-occupied Property

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

Some properties comprise a portion that is held to earn rental or for capital appreciation and another portion that is held for use in the supply of services or for administrative purposes. If the portions can be sold separately (or leased out separately under finance lease), the Group accounts for the portions separately. If the portion cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the supply of services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgment.

(c) Distinction Between Raw Land Inventory and Investment Property

The Group's management identifies the proper classification of parcels of land acquired as either raw land inventory or investment property at the time of acquisition following the approved plan of the Company's BOD. A property is classified as raw land inventory when management intends to develop the property into real estate project. It is classified as investment property when management intends to hold the property to earn rentals or for capital appreciation.

As of December 31, 2011, 2010 and 2009, parcels of land identified as Raw Land Inventory amounted to P3,689,231, P3,485,963, and P2,884,033, respectively, while parcels of land classified as investment property amounted to P491,453, P473,485 and P174,258, respectively, as of those dates (see Notes 8 and 11).

(d) Accounting for the Company's Investment in SMPI-GSIS JVC

Under normal circumstances, the Group would account for its investment in a joint venture classified as jointly controlled entity using the equity method of accounting (see Note 2.3). In 2010, the Company consummated the joint venture with GSIS (see Note 10.3). The Company exercised significant judgment to determine whether the Company's interest in the joint venture should be accounted for as a jointly controlled entity under PAS 31 or as subsidiary under PAS 27, i.e., whether the equity method or consolidation will be applied.

After considering the salient provisions of the Joint Venture Agreement (JVA), particularly the put option granted to GSIS, management has concluded that it is most appropriate to consider SMPI-GSIS JVC as a subsidiary and to include it in the 2010 consolidated financial statements. Such judgment proved to be reasonable as GSIS has exercised the put option in 2011 giving SMPI 100% equity ownership over SMPI-GSIS JVC (see Note 10.3).

(e) *Operating Leases and Finance Leases*

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

Management has assessed that the lease agreements of the Group are all operating leases.

(f) *Provisions and Contingencies*

Judgment is exercised by management to distinguish between provisions and contingencies. Accounting policies on provisions and contingencies are discussed in Note 2.12 and relevant disclosures are presented in Note 25.

3.2 Key Sources of Estimation Uncertainty

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

(a) *Basis for Revenue Recognition Benchmark*

As discussed in Note 2.13(a), the Group recognized its revenue in full when 10% or more of the total contract price is received and when development of the real estate property is 100% completed. Management believes that the revenue recognition criterion on percentage of collection is appropriate based on the Group's collection history of customers and number of back out sales in prior years. Buyer's interest in the property is considered to have vested when the payment of at least 10% of the contract price has been received from the buyer and the Group ascertained the buyer's commitment to complete the payment of the total contract price.

(b) *Determining Net Realizable Value of Raw Land Inventory and Real Estate Projects*

In determining the net realizable value of raw land inventory and real estate projects, management takes into account the most reliable evidence such as recent sale of adjacent properties and appraisal of the asset available at the time the estimate is made. Changes in the sources of estimation may cause significant adjustments to the Group's assets within the next financial year.

As indicated in Notes 7 and 8, management assessed that the respective net realizable values of the Group's real estate projects and raw land inventory are higher than their respective costs.

(c) *Principal Assumptions for Management's Estimation of Fair Value of Investment Property*

Investment property is measured using the cost model. The fair value of certain investment property disclosed in the consolidated financial statements is determined by the Group based on the appraisal reports of professional and independent appraisers. The fair value is determined by reference to market-based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and seller in an arm's length transaction as at the valuation date. Such amount is influenced by different factors including the location and specific characteristics of the property, quantity of comparable properties in the market, and economic condition and behavior of the buying parties. A significant change in these elements may affect prices and the value of the assets.

For other investment property in which the professional and independent appraisers were not engaged, the Group determines the fair value, as disclosed in the notes to consolidated financial statements, using discounted cash flows valuation technique since the information on current or recent prices of assumptions underlying the discounted cash flow approach of investment property is not available. The Group uses assumptions that are mainly based on market conditions existing at the end of each reporting period.

The principal assumptions underlying management's estimation of fair value are those related to: the receipt of contractual rentals; expected future market rentals; no activity periods; maintenance requirements; and appropriate discount rates. These valuations are regularly compared to actual transactions of the Group and those reported by the market.

Discount rate is the interest rate used to determine the present value of estimated net cash inflows from rentals of the investment property over the term of the lease. In determining the discount rate, the Group considers 9% as the appropriate rate based on financial instruments with similar terms available in the market.

Fair value of the Group's investment property as of December 31, 2011, 2010 and 2009 is disclosed in Note 11.

(d) *Useful Lives of Investment Property and Property and Equipment*

The Group estimates the useful lives of investment property and property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of these assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. Analyses of the carrying amounts of investment property and property and equipment are presented in Notes 11 and 12, respectively. Actual results, however, may vary due to changes in factors mentioned above. Based on management's assessment as of December 31, 2011, 2010 and 2009, no change in the estimated useful lives of the assets is necessary.

(e) *Allowance for Impairment of Receivables*

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

In 2011, the Group recognized additional impairment loss on receivables amounting to P52,083 (see Notes 6 and 18.1). No additional impairment loss was necessary to be recognized in 2010 and 2009 based on management's assessment.

The carrying value of receivables amounted to P897,458, P639,813 and P291,350 as at December 31, 2011, 2010 and 2009, respectively (see Note 6).

(f) *Valuation of AFS Financial Assets*

The Group carries certain financial assets at fair value, which requires the extensive use of accounting estimates and judgment. The fair value measurements were determined using quoted market price of equity securities as of the end of the reporting period. However, the amount of changes in fair value would differ if the Group utilized different valuation methods and assumptions. Any change in fair value of these financial assets would affect equity.

Certain AFS financial assets are carried at cost because the fair value of these investments cannot be reliably determined either by reference to similar financial instruments or through valuation technique.

Fair value gains recognized on AFS financial assets amounted to P205 and P1,105 in 2011 and 2010, respectively. On the other hand, in 2009, fair value losses recognized on AFS financial assets amounted to P2,150. The fair value gains and losses are presented in the other comprehensive income (see Note 13).

(g) *Realizable Amount of Deferred Tax Assets*

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

Management assessed that the deferred tax assets as of December 31, 2011, 2010 and 2009 will be fully utilized as it is expecting sufficient taxable profits against which the assets can be applied (see Note 20).

(h) Impairment of Non-financial Assets

PFRS requires that an impairment review be performed when certain impairment indicators are present. The Group's policy on estimating the impairment of non-financial assets is discussed in detail in Note 2.16. Though management believes that the assumptions used in the estimation of fair values reflected in the consolidated financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

In 2009, the Company intended to sell its 31.23% equity ownership interest in BOC. The agreed selling price was not sufficient to cover the carrying value of the investment. Accordingly, an impairment loss was recognized on investment in BOC amounting to P162,921 in 2009 and presented as Impairment Loss on non-financial assets in the 2009 consolidated statement of comprehensive income. Such impairment loss was reversed in 2010 due to change in the Company's plan (see Note 10.1.1). No additional impairment loss was recognized in investment in BOC in 2011 and 2010.

In 2011, the management assessed that portion of the Company's input VAT is not recoverable. Accordingly, the Company provided allowance for impairment on input VAT amounting to P3,488 and is presented as Impairment Loss on Non-financial Assets account in the 2011 consolidated statement of comprehensive income.

No impairment losses were necessary to be recognized on deposit on land for future development, investment property, property and equipment, investment in associates, goodwill and other non-financial assets in all the years presented based on management's assessment.

(i) Present Value of Obligation Under a Put Option

As of December 31, 2010, the estimated obligation of the Group under a Put Option arrangement with GSIS, amounted to P386,493 (see Note 25.3). In estimating the obligation, significant assumptions were made by management, such as the period in which the option would be exercised by GSIS and the discount rate appropriate to determine the present value of such obligation. Management assumed that the option will be exercised within the next 12 months from December 31, 2010. Accordingly, it used a risk-free rate of 3.9% based on the Company's ordinary and short-term borrowing arrangements.

On June 7, 2011, GSIS has exercised the put option and transferred all its ownership interest to the Company for a total consideration of P399,000, making SMPI-GSIS JVC a wholly owned subsidiary of the Company (see Note 10.3).

(j) Post-employment Benefit

The determination of the Group's obligation and cost of post-employment defined benefit is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 19.2 and include, among others, discount rates, expected return on plan assets and salary increase rate. In accordance with PFRS, actual results that differ from the assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligation in such future periods. The assumption of the expected return on plan assets is determined on a uniform basis, taking into consideration the long-term historical returns, asset allocation and future estimates of long-term investment returns.

The Group determines the appropriate discount rate at the end of each year. It is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the post-employment benefit obligations. In determining the appropriate discount rate, the Group considers the interest rates on government bonds that are denominated in the currency in which the benefits will be paid. The terms to maturity of these bonds should approximate the terms of the related post-employment benefit liability.

Other key assumptions for retirement benefit obligation are based in part on current market conditions. While it is believed that the Group's assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions may materially affect the Group's pension and other pension obligations.

The estimated retirement benefit asset amounted to P58 as of December 31, 2011 while the retirement benefit obligation as of December 31, 2010 and 2009 amounted to P971 and P33, respectively. The fair value of plan assets as of those dates amounted to P10,279, P11,398 and P8,159, respectively (see Note 19.2).

4. SEGMENT INFORMATION

As described in Note 2.23, management currently has three operating segments namely: leasing, sale of real estate and management and other services. These operating segments are monitored and strategic decisions are made on the basis of adjusted segment operating results.

4.1 Analysis of Segment Information

Segment information can be analyzed as follows for the years ended December 31, 2011, 2010 and 2009.

	Leasing	Sale of Real Estate	Management and Other Services	Total
2011				
Segment revenues	P 292,588	P 531,148	P 20,693	P 844,429
Cost of real estate sales	-	(162,780)	-	(162,780)
Cost of rentals	(60,983)	-	-	(60,983)
Other operating expenses	(90,753)	(164,747)	(6,418)	(261,918)
Segment Operating Profit	**P 140,852**	**P 203,621**	**P 14,275**	**P 358,748**
Total Segment Assets	**P 1,653,081**	**P 6,571,365**	**P 30,863**	**P 8,255,309**
Total Segment Liabilities	**P 202,715**	**P 628,509**	**P 6,120,628**	**P 6,951,852**
2010 (As Restated)				
Segment revenues	P 313,859	P 197,189	P 81,216	P 592,264
Cost of real estate sales	-	(145,517)	-	(145,517)
Cost of rentals	(60,841)	-	-	(60,841)
Other operating expenses	(120,449)	(97,277)	(23,160)	(240,886)
Segment Operating Profit (Loss)	P 132,569	(P 45,605)	P 58,056	P 145,020
Total Segment Assets	P 1,137,541	P 4,751,968	P 1,538,420	P 7,427,929
Total Segment Liabilities	P 320,793	P 103,711	P 2,718,786	P 3,143,290
2009				
Segment revenues	P 349,578	P 356,471	P 5,178	P 711,227
Cost of real estate sales	-	(197,909)	-	(197,909)
Cost of rentals	(70,581)	-	-	(70,581)
Other operating expenses	(72,138)	(112,359)	(3,726)	(188,223)
Segment Operating Profit	P 206,859	P 46,203	P 1,452	P 254,514
Total Segment Assets	P 791,469	P 4,999,157	P 100,152	P 5,890,779
Total Segment Liabilities	P 135,058	P 1,883,142	P 122,284	P 2,140,484

Currently, the Group's operations are concentrated in few locations which are in close proximity with each other; hence it has no geographical segment. The Group, however, continues to acquire properties for future development in different regions of the country.

In 2011, the Group sold certain raw land inventories to New Ventures Realty Corporation (NVRC), a related party under common ownership. The revenue earned from this transaction comprises 77% of the total real estate sales reported in the 2011 consolidated statement of comprehensive income. In 2010 and 2009, the Group has no sales to any customer which exceeded 10% of the Group's real estate sales.

Segment assets include all operating assets used by a segment and consist principally of operating cash, receivables, real estate projects, raw land inventory, investment property, property and equipment and deposits on land for future development. Excluded from segment assets are deferred tax assets, noncurrent asset held for sale, advances and investments in associates and other assets which are considered corporate assets and are not allocated to any segment's assets. Segment liabilities include all operating liabilities incurred by management in each particular segment. Excluded from segment liabilities are advances from related parties, subscription payable and obligation under a put option, income tax payable and deferred tax liability.

4.2 Reconciliations

Presented below is a reconciliation of the Group's segment information to the key financial information presented in its consolidated financial statements.

	2011	2010	2009
Segment operating profit	**P 358,748**	P 145,020	P 254,514
Finance costs	**(309,875)**	(138,110)	(43,628)
Share in profit of associates	**189,911**	188,362	981,649
Donation	**(141,168)**	-	-
Gain on sale of assets	**43,752**	733,949	5,936
Impairment loss on receivables	**(38,118)**	-	-
Finance income	**12,827**	7,285	35,155
Impairment loss on non-financial assets	**(3,488)**	-	(162,921)
Gain on derecognition of provision	**23,155**	-	-
Miscellaneous – net	**19,519**	3,016	(3,512)
Tax expense	**(66,479)**	(229,133)	(77,087)
Group Net Profit	**P 88,784**	P 710,389	P 990,106
Total segment assets	**P 8,255,309**	P 7,427,929	P 5,890,779
Advances and investment in associates - net	**9,925,778**	7,540,052	1,392,349
Receivables – net	**28,869**	-	-
Deferred tax assets - net	**45,882**	50,346	24,874
Noncurrent assets held for sale	**-**	-	2,746,359
Goodwill	**27,463**	27,463	-
Other assets	**21,860**	103,928	120,942
Group Total Assets	**P 18,305,161**	P 15,149,718	P 10,175,303
Total segment liabilities	**P 6,951,852**	P 3,143,290	P 2,140,484
Advances from related parties	**2,017,133**	2,341,599	-
Subscription payable	**-**	520,829	-
Obligation under a put option	**-**	386,493	-
Income tax payable	**36,679**	13,353	7,265
Deferred tax liability – net	**34,046**	23,851	12,439
Group Total Liabilities	**P 9,039,710**	P 6,429,415	P 2,160,188

The segment revenues equal the Group revenues for the reporting periods presented, hence, a reconciliation is no longer presented.

The Group generally accounts for intersegment sales and transfers as if the sales or transfers were to third parties at current market prices. In 2011, 2010 and 2009, there were no intersegment sales and transfers.

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are as follows as of December 31:

	2011	2010	2009
Cash on hand and in banks	**P 279,284**	P 236,810	P 55,356
Short-term placements	**39,791**	120,331	74,352
	P 319,075	P 357,141	P 129,708

Cash in banks generally earn interest at rates based on daily bank deposit rates. Short-term placements are made for varying periods of up to one month depending on the immediate cash requirements of the Group and earn effective annual interest ranging from 1.75% to 4.70% in 2011, 1.75% to 3.25% in 2010, and 2.50% to 6.50% in 2009 (see Note 18.2).

6. RECEIVABLES

This account is composed of the following:

	Notes	**2011**	2010 (As Restated – see Note 22.6)	2009
Current:				
Contracts receivable	21.3	**P 124,049**	P 126,634	P 63,421
Rental receivables	21.1	**35,605**	77,318	41636
Advances to:				
Related parties	11.3, 21.6	**14,509**	15,525	13,619
Contractors		**174,611**	14,938	12,921
Officers and employees		**3,808**	3,083	2,610
Accrued interest receivable		**214**	191	147
Accounts receivables	11.1	**460,914**	306,889	50,616
Other receivables		**3,820**	5,111	34,983
		817,530	549,689	219,953
Allowance for impairment		**(47,306)**	(15,688)	(15,688)
		770,224	534,001	204,265
Noncurrent:				
Contracts receivable	21.3	**133,734**	104,733	85,936
Other receivables		**22,685**	23,764	23,834
		156,419	128,497	109,770
Allowance for impairment		**(29,185)**	(22,685)	(22,685)
		127,234	105,812	87,085
		P 897,458	P 639,813	P 291,350

All of the Group's receivables have been reviewed for indicators of impairment. Certain receivables were found to be impaired and allowance for impairment has been recognized accordingly. The impaired receivables are mostly due from various third parties with past due accounts.

A reconciliation of the allowance for impairment at the beginning and end of 2011, 2010 and 2009 is shown below.

	Note	**2011**	2010	2009
Current				
Balance at beginning of year		**P 15,688**	P 15,688	P 15,688
Impairment loss during the year	18.1	**31,618**	-	-
Balance at end of year		**P 47,306**	P 15,688	P 15,688
Noncurrent:				
Balance at beginning of year		**P 22,685**	P 22,685	P 22,685
Impairment loss during the year	18.1	**6,500**	-	-
Balance at end of year		**P 29,185**	P 22,685	P 22,685

6.1 Contracts Receivable

Contracts receivable generally arise from sale of real estate projects of the Group. No contract receivable was recognized for Asian Leaf as the houses and lots were not yet 100% completed as of December 31, 2011.

The contracts receivable of the Company are collectible over five to ten years and are classified as either interest-bearing, the interest rate of which ranges from 9% to 18% per annum, or non-interest bearing, which are measured at amortized cost using the discount rate of 10.5% to 11.5%, based on the interest rate charged by Home Development Mutual Fund to its members.

The fair value of such sales are determined by calculating the present value of the cash inflows anticipated to be received, until the end of the contract term using effective interest rate. This resulted in the recognition of fair value losses, charged to Real Estate Sales of P35,516, P48,875 and P28,426 in 2011, 2010 and 2009, respectively.

6.2 Accounts Receivable

In 2010, the Company sold its Reliance Property to a third party (see Note 11.1). The outstanding receivable from this transaction amounted to P262,859 as of December 31, 2010. In 2011, the Company collected portion of the outstanding receivable and has written-off the remaining balance as management believes that this is no longer recoverable. The loss on write-off, amounting to P13,965, is presented as part of Impairment loss on receivable under Finance Costs in the 2011 consolidated statement of comprehensive income (see Note 18.1).

In 2009, the account includes the earnest money and downpayment paid to another company in connection with a Share Purchase Agreement (SPA). Both parties, however, agreed to discontinue the SPA due to defaults on certain provisions of the SPA. In March 2010, the total receivable was collected in full.

6.3 Other Receivables

Other receivables represent receivables from various individuals and companies arising from various transactions related to the sale and lease of properties such as penalties and interest.

7. REAL ESTATE PROJECTS

This account consists of:

	2011	2010	2009
Construction-in-progress	**P 460,616**	P 527,779	P 417,000
Subdivision houses and lots	**242,922**	174,055	251,292
	703,538	701,834	668,292
Allowance for decline in value	**(165)**	(165)	(188)
	P 703,373	P 701,669	P 668,104

The movements in the subdivision houses and lots account during the years presented are shown below (see Note 16).

	2011	2010	2009
Balance at beginning of year	**P 174,055**	P 251,292	P 143,351
Additions	**128,710**	68,280	305,850
Cost of houses and lots sold	**(59,843)**	(145,517)	(197,909)
Balance at end of year	**P 242,922**	P 174,055	P 251,292

A reconciliation of the allowance for decline in value of real estate projects at the beginning and end of each year is shown below.

	2011	2010	2009
Balance at beginning of year	**P 165**	P 188	P 188
Reversal	**-**	(23)	-
Balance at end of year	**P 165**	P 165	P 188

The net realizable value of real estate projects is higher than its carrying value as of December 31, 2011, 2010 and 2009, based on management's assessment.

8. RAW LAND INVENTORY

Below is a summary of the aggregate cost of raw land as of December 31, 2011, 2010 and 2009.

	Note	2011	2010	2009
SMPI	8.1	**P 1,711,382**	P 1,851,630	P 1,851,629
Geosolutions	8.1	**601,599**	601,599	-
Maison		**310,583**	310,583	310,252
Rapidshare	8.1	**229,806**	-	-
Bright Ventures		**228,465**	228,466	228,466
Tanauan		**187,391**	187,391	187,391
Sta. Cruz		**74,522**	74,522	74,522
Brillar	8.1	**44,953**	-	-
Coron		**36,662**	36,662	36,662
Prestigio		**35,200**	35,200	35,200
Busuanga		**22,096**	22,096	22,096
Highriser		**21,793**	21,793	21,793
Dimanyan		**16,259**	16,259	16,259
Grandioso	8.1	**68,757**	-	-
Carnell		**61,988**	61,988	61,988
Bel Aldea		**11,609**	11,609	11,609
Legacy		**10,319**	10,319	10,319
Bulalacao		**7,656**	7,656	7,656
Calamian		**5,202**	5,202	5,202
Palawan		**2,989**	2,989	2,989
		P 3,689,231	P 3,485,963	P 2,884,033

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

	Notes	2011	2010	2009
Balance at beginning of year		P **3,485,963**	P 2,884,033	P 1,874,480
Additions		**447,373**	601,930	1,040,887
Disposals	16	**(102,937)**	-	-
Donation	8.2	**(141,168)**	-	-
Reclassifications - net	11	**-**	-	(31,334)
Balance at end of year		**P 3,689,231**	P 3,485,963	P 2,884,033

Management has estimated that the net realizable value of raw land inventory is higher than its carrying value as of December 31, 2011, 2010 and 2009.

8.1 Raw Land Acquisitions

The following are the latest significant raw land acquisition of the Group:

(a) Maybunga Property and Acacia Street

In 2011, the Company acquired from NVRC parcels of land (with total land area of about 3,636 square meters) located at Sixto Antonio Avenue, Barangay Maybunga, Pasig City and at Acacia Street, Hagdang Bato, Mandaluyong City for a total consideration of P63,017. The contract price is payable in two years with no interest. The Company measured the outstanding payable at amortized cost using the interest rate rate for a similar instrument in the market.

The total carrying value of the outstanding payable as of December 31, 2011 amounted to P66,269 (P36,953 current and P29,316 noncurrent) and is included under Accounts Payable and Accrued Expenses account in the 2011 consolidated statement of financial position (see Note 15).

(b) Lee Street

In 2011, Company acquired parcel of land from a third party located at Lee Street, Mandaluyong City. The parcel of land has an aggregate area of about 1,013 square meters. The total costs capitalized as raw land inventory amounted to P40,850, which is inclusive of the purchase price, documentary stamp tax, transfer tax and other direct costs relative to the transfer of ownership.

(c) Puka Beach

In 2009, the Company acquired Puka Beach, which has a land area of about 35,515 square meters, for a total consideration of P269,260. The total consideration includes the purchase price, documentary stamp tax, transfer tax and other direct costs relative to the transfer of ownership.

(d) Cauayan Property

In January 2009, the Company acquired certain parcels of land located in Cauayan, Isabela (the Cauayan Property) for a total consideration of P127,976. The Cauayan Property has a total lot area of 80,346 square meters. On the same date, full payment of the selling price was made and transfer of title in the name of the Company was completed in the same year.

In February 2009, the Company entered into an operating lease agreement with a third party to lease a portion of the Cauayan Property equivalent to 12,000 square meters for a period of 10 years with a yearly escalation of 5% commencing on the third year of the lease. Accordingly, the Company classified that portion of the Cauayan Property to Investment Property (see Note 11).

(e) Parcels of Land Acquired by Certain Subsidiaries

In 2011, Rapidshare, Grandioso, and Brillar acquired parcels of land in Metro Manila, General Santos, and Cavite, respectively, for a total consideration of P 229,807, P68,758 and P 44,954, respectively. The related liabilities have been fully paid as of December 31, 2011.

In 2010, Geosolutions acquired parcel of land located in Cabuyao, Laguna for a total consideration of P601,599.

8.2 Donations

On January 11, 2011, the Company entered into a contract with the Philippine Foundation of the Blessed Mary Mother of Poor, Inc. (the Foundation), a non-profit religious organization, for the donation of a 33-hectare parcel of land owned by the Company (the Donated Property). Such property, which is located in Alfonso, Cavite, has a total cost of P141,168. The land title of the Donated Property was transferred in the name of the Foundation on April 28, 2011.

In accordance with the Deed of Donation, the Donated Property shall be used and devoted exclusively by the Foundation for the construction, operation and maintenance of its project, the Montemaria Oratory of the Blessed Virgin Mary (Montemaria Project). Montemaria Project will consist of the Shrine of the Blessed Virgin Mary, churches and chapels, Way of the Cross and such other structures and facilities for Roman Catholic religious purposes, and socio-civic and non-profit activities and program of the Foundation.

Further, the Deed of Donation requires that Montemaria Project must be at least 50% completed by 2015 and fully completed by 2020. If the Foundation will not be able to comply with this requirement, the Donated Property will revert back to the Company. As of December 31, 2011, the Foundation has not yet started with Montemaria Project.

On February 8, 2012, the Company received a letter from the Foundation conveying its intention of returning portion of the Donated Property. The Company's BOD is yet to decide on the appropriate action for the said request.

9. DEPOSITS ON LAND FOR FUTURE DEVELOPMENT

This account consists of deposits classified as follows:

	2011	2010	2009
Current	**P 20,104**	P 20,104	P -
Noncurrent	**1,197,560**	1,167,633	1,174,667
	P 1,217,664	P 1,187,737	P 1,174,667

The movements in the carrying amounts as of December 31 of deposits on land for future development are presented below.

	2011	2010	2009
Balance at beginning of year	**P 1,187,737**	P 1,174,667	P 1,221,639
Additions	**50,032**	23,346	3,528
Write-off	**-**	(10,276)	
Reclassifications	**(20,105)**	-	(50,500)
Balance at end of year	**P 1,217,664**	P 1,187,737	P 1,174,667

This account pertains to the Company's advance payments for certain land acquisitions which are intended for future development. In prior years, the Company made contributions to a real estate project with other domestic companies, under a joint venture arrangement for the development of two parcels of subdivided lots in two separate locations. The contributions to this project are being administered by a trustee bank, the real estate manager. As of December 31, 2009, the Company, through its property consolidator and legal consultant (the Consultant) has already completed the documentations, consolidation and transfer of title under its name of a substantial portion of one of the two parcels of subdivided lots. As such, those subdivided lots amounting to P50,500 were transferred to Raw Land Inventory in 2009.

Based on the assessments by the Consultant, it was determined in 2009 that it will take three years to complete the documentation process, consolidation of the titles and other activities relative to the acquisition of the other parcel. These activities are not yet completed as of December 31, 2011. Accordingly, the Company presented portion of the deposits to Noncurrent Assets section of the consolidated statements of financial position.

In 2010, a prospective property acquisition did not materialize, hence, the Company wrote off P10,276 advances made for such prospective acquisition.

Based on management's evaluation, the recoverable value of deposits on land for future development is higher than its carrying amount.

10. ADVANCES AND INVESTMENTS IN ASSOCIATES

The composition of this account is as follows as of December 31:

	Note	2011	2010 (As Restated – see Note 22.6)	2009
Investment in associates	10.1	**P 8,662,493**	P 6,524,802	P 236,637
Advances for acquisition of additional BOC shares	10.1	**221,071**	221,071	-
		8,883,564	6,745,873	236,637
Equity advances	10.4	**1,042,214**	794,179	794,179
Advances to:				
Geosolutions	10.2	**-**	-	311,115
SMPI-GSIS JVC	10.3	**-**	-	50,418
		P 9,925,778	P 7,540,052	P 1,392,349

The shares of stock of the associates are not listed in the stock exchange; hence, the fair value of the shares cannot be determined reliably. However, management believes that the carrying amount of the investments is fully recoverable.

10.1 Investments in Associates

The components of the carrying amount of investments in associates accounted for under the equity method are as follows:

	Note	2011	2010 (As Restated – see Note 22.6)	2009
Acquisition costs:				
BOC	10.1.1	**P 6,308,783**	P -	P 3,159,125
NLI		**232,000**	232,000	232,000
		6,540,783	232,000	3,391,125
Changes attributable to BOC shares:				
Acquisition of additional BOC shares	10.1.1	**1,492,713**	3,562,424	-
Reclassification of investments in BOC	10.1.1	**-**	2,746,359	(2,746,359)
		1,492,713	6,308,783	(2,746,359)
		8,033,496	6,540,783	644,766

	Note	2011	2010 (As Restated – see Note 22.6)	2009
Accumulated share in comprehensive income (loss) (after BOC adjustments):				
Balance at beginning of year		**(15,981)**	(408,129)	(1,289,781)
Change due to reclassification	10.1.1	**-**	412,766	-
Balance after adjustments		**(15,981)**	4,637	(1,289,781)
Share in profit:				
BOC (after adjustments)		**176,410**	178,348	971,829
NLI		**13,501**	10,014	9,820
Share in other comprehensive income (loss) of BOC (after adjustments)				
Fair value gains (losses) on AFS financial assets		**455,065**	(200,904)	53,578
Cumulative translation adjustment		**2**	(8,076)	9,346
Allowance for impairment	10.1.1	-	-	(162,921)
Change during the year		**628,997**	(15,981)	(408,129)
		P 8,662,493	P 6,524,802	P 236,637

The balance of the Accumulated share in net loss of the associates amounting to P92,780, P282,691, and P471,053 as of December 31, 2011, 2010 and 2009, respectively, which is lodged in the Group's retained earnings as of those dates, is added back to retained earnings available for declaration as dividend.

10.1.1 Investment in BOC

In 2009, the Company's management decided to sell its 31.23% equity ownership interest in BOC to San Miguel Corporation Retirement Plan (SMCRP). Pending the execution of the Share Purchase Agreement as of December 31, 2009, which was expected to be completed in 2010, the investment in BOC shares of stock was reclassified to Noncurrent Asset Classified as Held for Sale (NAC) in the 2009 consolidated statement of financial position. As of December 31, 2009, prior to the reclassification of the investment in BOC to NAC, management determined that the carrying amount of investment in BOC is not fully recoverable based on the agreed selling price of the investment with SMCRP, thus, an impairment loss amounting to P162,921 was recognized. The impairment loss was presented as Impairment Loss on Nonfinancial Assets under Other Income (Charges) in the 2009 consolidated statement of comprehensive income.

However, in April 2010, the Company's management changed its plan and decided to keep its investment in BOC and further increased its equity ownership interest. Accordingly, in that same period, the Company reclassified its investment in BOC back to Advances and Investments in Associates account in the 2010 consolidated statement of financial position. The investment was valued at its adjusted carrying value, which at the time of reclassification was also equivalent to its recoverable amount of P2,746,359.

Further, in 2010, the Company acquired additional 20,838,210 shares amounting to P3,562,424, from various stockholders of BOC. These acquisitions increased the Company's equity ownership interest in BOC to 32.77% as at December 31, 2010. Of the total acquisition cost, P1,799,599 and P542,000 were paid by SMCRP and SMC on behalf of the Company. These amounts remained unpaid as of December 31, 2010 and are presented as Advances from Related Parties in the 2010 consolidated statement of financial position (see Note 21.6). This has been fully settled in 2011. The unpaid subscription to BOC arising from the same transaction amounting to P520,829 as of December 31, 2010, is presented as Subscription Payable in the 2010 consolidated statement of financial position. This has been fully settled in 2011.

In 2011, the Company acquired additional 8,037,265 shares from a certain stockholder of BOC which increased the Company's equity ownership interest in BOC to 39.93% as at December 31, 2011. The total cost of investment amounted to P1,492,713.

As of December 31, 2011, the Company still has pending share purchase transactions with other stockholders of BOC for the acquisition of additional shares which will increase further the Company's equity interest in BOC to 41.02%. Pending consummation of the share purchase transactions, the advance payments made by the Company to the sellers amounting to P221,071 were presented as Advances for acquisition of additional BOC shares under the Advances and Investments in Associates. Accordingly, this was not also considered in the determination of the Company's percentage of equity ownership interest in BOC.

Certain accounting policies applied by BOC in the preparation of its financial statements are not in accordance with PFRS. In computing for the Company's share in profit (loss) and in comprehensive income (loss) of BOC, the Company made adjustments to the 2011, 2010 and 2009 audited financial statements of BOC to conform BOC's accounting policies with PFRS and make them consistent with the Group's accounting policies.

The adjustments made by the Company relate to the correction of: (a) inadequate reserves on non-performing assets, investment properties and financial assets; (b) deferral of losses on sale of non-performing loans; (c) recognition of regulatory reserves required by BSP; and, (d) misstatement in the values of structured financial instruments and certain investment properties. Based on the adjusted account balances of BOC and an analysis of the Bank's discounted net future cash flows from operations in 2008, management determined that the recoverable amount of its investment in BOC was lower than its carrying amount.

BOC is required to meet certain ratios under the BSP regulations to manage the risks inherent in the banking business. As of December 31, 2011, 2010 and 2009, BOC has complied with the statutory and regulatory capital requirements which were computed based on the regulatory accounting policies that differ from PFRS in some aspects. BOC's retained earnings as of December 31, 2011, 2010 and 2009 is restricted from being declared as dividend to common stockholders to the extent of the amount of cumulative cash dividend in arrears of P320,200 declared by BOD on December 16, 2008 in favor of stockholders of certain redeemed preferred shares. The dividend declaration is pending approval from the BSP as of December 31, 2011, 2010 and 2009.

In 2011, the Company, through its ultimate parent company, is negotiating for the sale of a portion of its ownership interest in BOC to CIMB Bank, a financial institution incorporated in Malaysia. As of December 31, 2011, the contracting parties have not yet finalized the agreement due to price consideration and other pending pertinent documents. Further, the investment account is not presented under Noncurrent Asset Classified as Held for Sale since this transaction requires approval from BSP and the possibility of obtaining such approval is uncertain as of December 31, 2011.

10.1.2 Summarized Financial Information of Associates

The aggregated amounts of assets, liabilities, revenues and net profit of the associates are as follows:

	Assets	Liabilities	Revenues	Net Profit
2011:				
BOC	P 95,602,774	P 77,814,727	P 4,563,765	P 462,532
NLI	1,912,592	513,231	381,720	67,506
	P 97,515,366	**P 78,327,958**	**P 4,945,485**	**P 530,038**
2010:				
BOC	P 103,275,196	P 94,007,977	P 5,603,314	P 4,389,302
NLI	1,787,832	514,388	392,379	50,070
	P 105,063,028	P 94,522,365	P 5,995,693	P 4,439,372
2009:				
BOC	P 105,401,967	P 96,828,918	P 6,706,797	P 3,134,932
NLI	1,668,215	441,797	101,055	49,099
	P 107,070,182	P 97,270,715	P 6,807,852	P 3,184,031

The summarized financial information of BOC presented above is after the adjustments made by the Company to BOC's financial statements for the years ended December 31, 2011, 2010 and 2009.

10.2 Advances to Geosolutions

In 2009, the Company entered into a JVA with certain individuals and corporations (collectively referred to as Co-Venturer) to transfer title of the properties and develop and later operate the properties into a mixed commercial and residential estate. On July 28, 2009, as part of the terms of the JVA, Geosolutions was incorporated with an authorized capital stock of P1,000,000 divided into 1 billion common shares with a par value of P1 per share. On the same date, the Co-Venturer subscribed to 600 million common shares of IGI for P600,000.

Pursuant to the terms and conditions of the JVA, the Company made cash advances in favor of the Co-Venturer amounting to P311,115. Under a Deed of Assignment, such advances will be applied as payment for the Company's subscription to sufficient number of Geosolutions shares which will give the Company a 51% ownership interest in Geosolutions. In 2010, the Deed of Assignment between the Company and the Co-Venturer was consummated and the Company became the parent company of Geosolutions. Accordingly, the balance of its advances earmarked for such subscription was applied to the subscription price.

10.3 Advances to SMPI-GSIS JVC

On October 31, 2007, the Company entered into a JVA with GSIS to establish a Joint Venture Corporation (JVC). The JVC will hold ownership and title to the real property owned by GSIS, develop the property into a first class high-rise service apartment and manage and operate the same. The JVC will have an authorized capital stock of P600,000 divided into 600,000,000 shares with a par value of P1 per share. The parties agreed to an equal equity participation wherein the real estate property owned by GSIS is valued at P300,000 while the Company has committed to contribute P300,000 to the JVC. On October 23, 2008, SMPI-GSIS JVC was incorporated.

The Company has made unsecured, noninterest-bearing cash advances to the JVC amounting to P50,418 in 2009. In 2010, the Articles of Incorporation of SMPI-GSIS JVC was amended accordingly to reflect the increase in its authorized capital stock from P600,000 divided into 600,000 shares to P625,000 divided into 625,000 shares, both with par value of P1 per share. The Company then completed the acquisition of the 52% equity ownership in SMPI-GSIS JVC by assigning its 100% equity ownership interest, which has a carrying value of P310,579, in Maison, one of its wholly-owned subsidiaries acquired in 2009, plus additional cash consideration of P180,776, in accordance with the JVA. After this transaction, Maison became a wholly-owned subsidiary of SMPI-GSIS JVC.

Also under the JVA, GSIS has an option to sell to the Company its entire ownership interest in the JVC (see Note 25.3). Total investment in put options amounted to P384,312 as of December 31, 2010. In 2011, GSIS has exercised the put options for P399,000 giving the Company 100% equity ownership in SMPI-GSIS JVC. Accordingly, the Company reclassified the Investment in put options to Investments in Subsidiaries account which was eliminated in the preparation of this consolidated financial statement.

10.4 Equity Advances

Included in this account is unsecured, non-interest bearing cash advances made in 2009 to a future investee of the Group. The advances amounts to P1,042,214 as of December 3, 2011 and P794,179 as of December 31, 2010 and 2009. These advances will be applied against future subscriptions of the Company to the shares of stock of the future investee.

11. INVESTMENT PROPERTY

The reconciliation of the carrying amounts and accumulated depreciation and amortization of investment property at the beginning and end of 2011, 2010 and 2009 are shown below.

	Building and Improvements	Land	Land Improvements	Construction in Progress (As Restated)	Total (As Restated)
December 31, 2011					
Cost	**P 615,289**	**P 491,453**	**P -**	**P 439,273**	**P 1,546,015**
Accumulated depreciation and amortization	**(244,263)**	**-**	**-**	**-**	**(244,263)**
Net carrying amount	**P 371,026**	**P 491,453**	**P -**	**P 439,273**	**P 1,301,752**
December 31, 2010					
Cost	P 630,163	P 473,485	P -	P 158,079	P 1,261,727
Accumulated depreciation and amortization	(216,200)	-	-	-	(216,200)
Net carrying amount	P 413,963	P 473,485	P -	P 158,079	P 1,045,527
December 31, 2009					
Cost	P 787,474	P 174,258	P 1,153	P 1,155	P 964,040
Accumulated depreciation and amortization	(230,482)	-	(1,153)	-	(231,635)
Net carrying amount	P 556,992	P 174,258	P -	P 1,155	P 732,405
January 1, 2009					
Cost	P 821,590	P 155,092	P 1,153	P -	P 977,835
Accumulated depreciation and amortization	(222,941)	-	(1,145)	-	(224,086)
Net carrying amount	P 598,649	P 155,092	P 8	P -	P 753,749

A reconciliation of the carrying amounts at the beginning and end of 2011, 2010 and 2009 of investment property is shown below.

	Building and Improvements	Land	Land Improvements	Construction in Progress	Total
Balance at January 1, 2011, net of accumulated depreciation and amortization	**P 413,963**	**P 473,485**	**P -**	**P 158,079**	**P 1,045,527**
Additions	**-**	**-**	**-**	**288,762**	**288,762**
Reclassifications	**7,568**	**17,969**	**-**	**(7,568)**	**17,968**
Disposals	**(16,118)**	**-**	**-**	**-**	**(16,118)**
Depreciation and amortization charges for the year	**(34,387)**	**-**	**-**	**-**	**(34,387)**
Balance at December 31, 2011, net of accumulated depreciation and amortization	**P 371,026**	**P 491,453**	**P -**	**P 439,273**	**P 1,301,752**
Balance at January 1, 2010, net of accumulated depreciation and amortization	P 556,992	P 174,258	P -	P 1,155	P 732,405
Additions	672	305,448	-	158,357	464,477
Reclassifications	1,433	-	-	(1,433)	-
Disposals	(110,552)	(6,221)	-	-	(116,773)
Depreciation and amortization charges for the year	(34,582)	-	-	-	(34,582)
Balance at December 31, 2010, net of accumulated depreciation and amortization	P 413,963	P 473,485	P -	P 158,079	P 1,045,527

	Building and Improvements	Land	Land Improvements	Construction in Progress	Total
Balance at January 1, 2009, net of accumulated depreciation and amortization	P 598,649	P 155,092	P 8	P -	P 753,749
Additions	236	-	-	5,353	5,589
Reclassifications (see Note 8)	95,915	19,166	-	(4,198)	110,883
Disposals	(103,563)	-	-	-	(103,563)
Depreciation and amortization charges for the year	(34,245)	-	(8)	-	(34,253)
Balance at December 31, 2009, net of accumulated depreciation and amortization	P 556,992	P 174,258	P -	P 1,155	P 732,405

In 2011, Legacy reclassified portions of its raw land inventory to investment property amounting to P17,968. The reclassification is a result of change in management's intention and purpose of such property.

Based on the report of independent appraisers and based on the discounted net cash flows model (for the properties wherein the Group did not engage an independent appraiser), management determined that these properties have a total fair value of P1.8 billion, P0.9 billion and P1.0 billion as of December 31, 2011, 2010 and 2009, respectively.

The total rental income earned from the investment property and the related costs are presented as Rental Income and Cost of Rentals, respectively, in the consolidated statements of comprehensive income (see Note 16).

11.1 Sale of San Miguel Properties Centre and Reliance Properties

In 2011 and 2010, the Company sold certain units that it owns at the San Miguel Properties Centre (SMPC building) to BOC (see Note 10.1). The total gain on sale from this transaction amounted to P43,752 and P315,967 in 2011 and 2010, respectively, and presented as part of Gain on Sale of Assets under other income (charges) account in the 2011 and 2010 consolidated statements of comprehensive income.

In 2010, the Company sold Reliance property, consisting of a piece of land and building, to a third party in 2010. The outstanding receivable from the sale of the Reliance property amounted to P262,859 as at December 31, 2010 and is presented as accounts receivable under Receivables account in the 2010 consolidated statement of financial position. Such receivable was collected in full in 2011 (see Note 6.2).

11.2 Sale of The Enterprise Center Property

In 2009, the Company sold its 38th floor of the The Enterprise Center, Tower 1, to a third party. The gain earned from the sale, amounting to P5,520, is shown as part of Gain on Sale of Assets in the 2009 consolidated statement of comprehensive income.

11.3 Makati Diamond Residences

As discussed in Note 10.3, SMPI-GSIS JVC was established to develop a first class high-rise serviced apartment, the Makati Diamond Residences (MDR). The construction of the building started in 2010 and portion of the related construction costs were recognized by SMPI-GSIS JVC.

12. PROPERTY AND EQUIPMENT

The reconciliation of the carrying amounts and accumulated depreciation and amortization of the property and equipment at the beginning and end of 2011, 2010 and 2009 are shown below.

	Building and Improvements	Land Improvements	Transportation Equipment	Furniture, Fixtures and Other Equipment	Total
December 31, 2011					
Cost	P 13,178	P 2,938	P 8,406	P 79,974	P 104,496
Accumulated depreciation and amortization	(9,393)	(2,938)	(3,055)	(69,400)	(84,786)
Net carrying value	**P 3,785**	**P -**	**P 5,351**	**P 10,574**	**P 19,710**
December 31, 2010					
Cost	P 5,368	P 2,938	P 3,551	P 70,879	P 82,736
Accumulated depreciation and amortization	(1,364)	(2,904)	(818)	(67,566)	(72,652)
Net carrying value	P 4,004	P 34	P 2,733	P 3,313	P 10,084
December 31, 2009					
Cost	P 5,368	P 10,577	P 6,460	P 69,981	P 92,386
Accumulated depreciation and amortization	(1,015)	(10,075)	(6,230)	(64,554)	(81,874)
Net carrying value	P 4,353	P 502	P 230	P 5,427	P 10,512
January 1, 2009					
Cost	P -	P 10,577	P 6,460	P 66,723	P 83,760
Accumulated depreciation and amortization	-	(10,051)	(6,051)	(61,201)	(77,303)
Net carrying value	P -	P 526	P 409	P 5,522	P 6,457

A reconciliation of the carrying amounts at the beginning and end of 2011, 2010 and 2009 of property and equipment is shown below.

	Building and Improvements	Land Improvements	Transportation Equipment	Furniture, Fixtures and Other Equipment	Total
Balance at January 1, 2011, net of accumulated depreciation and amortization	**P 4,004**	**P 34**	**P 2,733**	**P 3,313**	**P 10,084**
Additions	**170**	**-**	**3,219**	**9,096**	**12,485**
Depreciation and amortization charges for the year	**(389)**	**(34)**	**(601)**	**(1,835)**	**(2,859)**
Balance at December 31, 2011, net of accumulated depreciation and amortization	**P 3,785**	**P -**	**P 5,351**	**P 10,574**	**P 19,710**
Balance at January 1, 2010, net of accumulated depreciation and amortization	P 4,353	P 502	P 230	P 5,427	P 10,512
Additions	-	-	2,899	898	3,797
Disposals	-	-	(38)	-	(38)
Depreciation and amortization charges for the year	(349)	(468)	(358)	(3,012)	(4,187)
Balance at December 31, 2010, net of accumulated depreciation and amortization	P 4,004	P 34	P 2,733	P 3,313	P 10,084
Balance at January 1, 2009, net of accumulated depreciation and amortization	P -	P 526	P 409	P 5,522	P 6,457
Additions	5,368	-	-	3,258	8,626
Depreciation and amortization charges for the year	(1,015)	(24)	(179)	(3,353)	(4,571)
Balance at December 31, 2009, net of accumulated depreciation and amortization	P 4,353	P 502	P 230	P 5,427	P 10,512

All the depreciation charges for the year were reported as depreciation and amortization expense under the Operating Expenses in the consolidated statements of comprehensive income (see Note 17).

Certain fully depreciated and fully amortized assets with an original cost of P20,847, P17,823 and P62,702 as of December 31, 2011, 2010 and 2009, respectively, are still being used in operations.

13. OTHER NONCURRENT ASSETS

This account consists of the following:

	2011	2010	2009
Goodwill	**P 27,463**	P 27,463	P 27,463
AFS financial assets - net	**19,091**	22,961	21,811
Others	**32,784**	9,294	9,284
	P 79,338	P 59,718	P 58,558

The Goodwill account pertains to the excess of cost over fair value of net assets of Excel Unified at the time of acquisition. Goodwill is primarily related to growth expectations, expected future profitability and expected cost of synergies. Goodwill has been allocated to cash-generating units and based on management's assessment, no impairment loss was recognized in 2011, 2010 and 2009.

The reconciliation of the carrying value of AFS financial assets is shown below.

	2011	2010	2009
Balance at beginning of year	**P 22,961**	P 21,811	P 23,961
Allowance for impairment loss	**(4,075)**	-	-
Fair value gains (losses)	**205**	1,150	(2,150)
	P 19,091	P 22,961	P 21,811

The impairment loss recognized in 2011 is presented as part of Finance Costs (see Note 18.1).

Included in this account are golf club shares which are proprietary membership club shares. The fair values of AFS financial assets have been determined by reference to published prices in the market.

14. INTEREST-BEARING LOANS

In the normal course of business, the Group obtains from local financial institutions unsecured, short-term interest-bearing loans for the acquisitions of parcels of land and additional investments in associate. These loans are renewable on a monthly basis and bear annual interest rates ranging from 1.93% to 7.00% in 2011, 3.05% to 5.50% in 2010 and 2.63% to 5.25% in 2009. The related loan agreements do not contain any loan covenant provisions.

The outstanding balance of the interest-bearing loans amounted to P6,368,663, P2,690,447 and P1,766,370 as of December 31, 2011, 2010 and 2009, respectively.

Interest expense charged to operations is presented as part of Finance Costs in the consolidated statements of comprehensive income (see Note 18.1). Unpaid interest amounting to P14,888, P9,614 and P2,926 as of December 31, 2011, 2010 and 2009, respectively, is shown as part of Accrued expenses under Accounts Payable and Accrued Expenses account in the consolidated statements of financial position (see Note 15).

The loans were not obtained to finance any qualifying assets, hence, there are no capitalized borrowing costs in 2011, 2010 and 2009.

15. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

This account is composed of:

	Notes	2011	2010	2009
Accounts payable	8.1, 21.2	**P 283,241**	P 150,993	P 136,502
Accrued expenses	14, 19.2	**26,457**	43,237	52,021
Accrued taxes		**10,394**	3,460	6,137
Provisions	24.2	**4,564**	17,508	17,508
		P 324,656	P 215,198	P 212,168

Accrued expenses significantly include accruals of interest expense and short-term employee benefits.

The carrying amount of trade and other payables, which are expected to be settled within the next 12 months from the end of the reporting period, is a reasonable approximation of fair value.

The outstanding provision as of December 31, 2010 relates to a case filed against the Company for an alleged illegal dismissal of an employee. In 2011, the Supreme Court has issued its decision in favor of the Company. Accordingly, the total provision of P23,155 was reversed and the related gain is presented as part of Gain on Derecognition of Provision in the 2011 consolidated statement of comprehensive income.

16. COST OF RENTALS AND REAL ESTATE SOLD

This account is composed of the following:

	Notes	2011	2010	2009
Cost of real estate sold:				
Real estate projects	7	**P 59,843**	P 145,517	P 197,909
Raw land inventory	8	**102,937**	-	-
		162,780	145,517	197,909
Cost of rentals:				
Depreciation and amortization	11	**34,387**	34,582	34,253
Real property tax		**23,560**	26,259	36,265
Repairs and maintenance		**3,036**	-	63
		60,983	60,841	70,581
		P 223,763	P 206,358	P 268,490

17. OPERATING EXPENSES

The details of operating expenses presented by nature are as follows:

	Notes	2011	2010	2009
Outside services	21.2	**P 80,627**	P 74,470	P 65,133
Salaries and employee benefits	19.1	**47,904**	42,433	36,383
Taxes and licenses		**44,645**	29,486	16,528
Commissions		**13,116**	18,484	16,219
Transportation and travel		**8,935**	8,578	7,422
Insurance		**9,468**	3,676	4,292
Corporate special programs		**5,512**	6,094	2,379
Supplies		**3,865**	2,766	3,160
Advertising		**3,853**	22,946	2,220
Dues and subscriptions		**3,776**	3,826	7,898
Fuel and oil		**3,510**	1,754	1,201
Depreciation and amortization	12	**2,859**	4,187	4,571
Utilities		**2,538**	5,645	7,524
Repairs and maintenance		**1,974**	4,446	3,420
Communications		**847**	1,182	829
Miscellaneous		**28,489**	10,913	9,044
		P 261,918	P 240,886	P 188,223

18. FINANCE INCOME (COSTS)

Presented below are the details of finance income and costs.

18.1 Finance Costs

	Notes	2011	2010	2009
Interest expense from:				
Interest-bearing loans	14	**P 272,831**	P 124,083	P 37,839
Accretion of obligation under a put option	24.3	**5,613**	2,181	-
Impairment loss on receivables	6	**52,083**	-	-
Fair value losses	13	**5,260**	10,894	-
Impairment loss on AFS financial assets	13	**4,075**	-	-
Unrealized foreign currency losses		**-**	-	5,789
Otherss		**8,231**	952	-
		P 348,093	P 138,110	P 43,628

18.2 Finance Income

	Notes	2011	2010	2009
Interest income from:				
Contracts receivables	6	**P 10,393**	P 4,649	P 4,832
Cash and cash equivalents	5	**1,775**	2,616	30,323
Dividend income		**659**	20	-
		P 12,827	P 7,285	P 35,155

19. EMPLOYEE BENEFITS

19.1 Salaries and Employee Benefits Expense

The expense recognized for employee benefits as part of Operating Expenses is analyzed below (see Note 17):

	2011	2010	2009
Short-term employee benefits	**P 43,780**	P 38,774	P 34,729
Post-employment benefit	**2,910**	2,392	1,453
Share-based payments	**1,214**	1,267	201
	P 47,904	P 42,433	P 36,383

19.2 Post-employment Benefit

The Group maintains a funded, noncontributory post-employment defined benefit plan that is being administered by a trustee covering all of its permanent employees. It provides a post-employment benefit equal to 100% of the final pay for every year of credited service plus commutation of sick leave credits, if any. Actuarial valuations are made annually to update the retirement benefit obligation and the amount of contributions. Annual cost is determined using the projected unit credit method.

The amounts of retirement benefit obligation (asset), are determined as follows (see Notes 13 and 15):

	2011	2010	2009
Present value of the obligation	**P 32,002**	P 30,120	P 14,295
Fair value of plan assets	**(10,279)**	(11,398)	(8,159)
Deficiency of plan assets	**21,723**	18,722	6,136
Unrecognized actuarial losses	**(21,781)**	(17,751)	(6,103)
	(P 58)	P 971	P 33

The movements in present value of the retirement benefit obligation are as follows:

	2011	2010	2009
Balance at beginning of year	**P 30,120**	P 14,295	P 8,570
Actuarial losses	**9,910**	12,856	3,870
Current service cost	**2,801**	1,688	1,097
Curtailment gain	**(6,699)**	-	-
Benefits paid by the plan	**(6,136)**	-	-
Interest cost	**2,006**	1,281	758
Balance at end of year	**P 32,002**	P 30,120	P 14,295

The movements in the fair value of plan assets are presented below.

	2011	2010	2009
Balance at beginning of year	**P 11,398**	P 8,159	P 4,633
Contributions paid	**3,940**	1,454	2,633
Expected return on plan assets	**1,030**	889	536
Benefits paid by the plan	**(6,136)**	-	-
Actuarial gains	**47**	896	357
Balance at end of year	**P 10,279**	P 11,398	P 8,159

The movements in the retirement benefit obligation (asset) are as follows:

	2011	2010	2009
Balance at beginning of year	**P 971**	P 33	P 1,213
Expense recognized	**2,911**	2,392	1,453
Contributions paid	**(3,940)**	(1,454)	(2,633)
Balance at end of year	**(P 58)**	P 971	P 33

The plan assets consist of the following:

	2011	2010	2009
Fixed-income portfolio (FIP)	**P 7,452**	P 8,013	P 6,011
Stock trading portfolio (STP)	**2,827**	3,397	2,100
Cash	**-**	74	69
Accounts payable	**-**	(86)	(70)
Loans to members	**-**	-	49
	P 10,279	P 11,398	P 8,159

Investments in FIP consist of investments in money market placements, government securities, corporate notes and convertible preferred shares of stock, acquired to match the obligation of the retirement plan. These are carried at ultimate redemption value.

Investments in STP consist mainly of investments in shares of stock of publicly-listed companies that are carried at fair value based on the closing quoted market prices obtained from the PSE as at the end of the statement of net asset available for plan benefits dates.

Actual return on the Group's plan assets amounted to P1,077 in 2011 and P1,786 in 2010 while actual loss amounted to P893 in 2009.

The amounts of post-employment benefit recognized in profit or loss in the consolidated statements of comprehensive income are as follows:

	2011	2010	2009
Current service cost	**P 2,800**	P 1,688	P 1,097
Interest cost	**2,006**	1,281	758
Expected return on plan assets	**(1,030)**	(889)	(536)
Effect of settlement curtailment	**(1,551)**	-	-
Net actuarial loss recognized during the year	**685**	312	134
	P 2,910	P 2,392	P 1,453

Presented below are the historical information related to the present value of the retirement benefit obligation, fair value of plan assets and excess or deficit in the plan.

	2011	2010	2009	2008	2007
Present value of the obligation	**P 32,002**	P 30,120	P 14,295	P 8,570	P 4,658
Fair value of the plan assets	**10,279**	11,398	8,159	4,633	4,091
Deficiency in the plan	**P 21,723**	P 18,722	P 6,136	P 3,937	P 567
Experience adjustments arising on plan liabilities	**P 9,860**	P 9,280	P 3,063	P 3,211	P 4,163
Experience adjustments arising on plan assets	**P 47**	P 897	P 357	(P 1,154)	P 147

The Group has yet to determine the amount of contribution to the retirement benefit plan in 2012.

For determination of the pension liability, the following actuarial assumptions were used:

	2011	2010	2009
Discount rates	**5.4%**	6.66%	9.0%
Expected rate of return on plan assets	**9.0%**	10.0%	10.0%
Expected rate of salary increases	**7.0%**	8.0%	8.0%

The valuation results are based on the employee data as of the valuation dates as provided by the Group to the actuary. The discount rate assumption is based on the Philippine Daily Exchange (PDST-R2) rate as of the valuation dates considering the average year of remaining working life of the employees. The average remaining working life of employees retiring at the age of 55 is 14 years for both males and females as of December 31, 2011, 2010 and 2009.

20. CURRENT AND DEFERRED TAXES

The major components of tax expense reported in profit or loss in the consolidated statements of comprehensive income are as follows for the years ended December 31:

	2011	2010	2009 (As Restated – see Note 22.6)
Current tax expense:			
Regular corporate income tax (RCIT) at 30%	**P 51,441**	P 242,652	P 69,741
Final tax at 20% and 7.5%	**334**	521	6,065
Minimum corporate income tax (MCIT)	**45**	20	178
	51,820	243,193	75,984
Deferred tax relating to origination and reversal of temporary differences	**14,659**	(14,060)	1,103
	P 66,479	P 229,133	P 77,087

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

	2011	2010	2009
Tax on pretax profit	**30.00%**	30.00%	30.00%
Income subjected to lower income tax rates	**(0.07%)**	(0.11%)	(0.28%)
Tax effects of:			
Excess of Optional standard deduction (OSD) over itemized deductions	**-**	(36.88%)	-
Share in profit (loss) of associates	**(36.69%)**	20.71%	(27.40%)
Nondeductible expenses	**50.70%**	8.01%	1.02%
Unrecognized deferred tax assets	**2.36%**	1.99%	0.20%
Benefits from previously unrecognized Net operating loss carryover (NOLCO)	**(0.07%)**	-	(0.74%)
Reduction in RCIT rates	**-**	-	-
Others	**(3.40%)**	(0.26%)	4.42%
Tax expense	**42.83%**	23.46%	7.22%

The deferred tax assets (liabilities) relate to the following as of December 31:

	Consolidated Statements of Financial Position			**Consolidated Statements of Comprehensive Income (Profit or Loss)**		
	2011	2010	2009	**2011**	2010	2009
Deferred tax assets:						
Unearned rental	**P 25,098**	P 24,573	P 14,067	**(P 525)**	(P 10,506)	P 2,870
Allowance for impairment of receivables	**22,461**	10,898	10,898	**(11,563)**	-	-
Provision for loss due to a contingent liability	**1,369**	3,883	3,883	**2,514**	-	(587)
Unrealized foreign currency loss	**1,737**	1,169	1,737	**(568)**	568	(1,737)
Accrued retirement benefit obligation	**-**	292	10	**292**	(282)	354
Decline on market value of AFS	**1,602**	-	-	**(1,602)**	-	-
Unrealized gross profit on installment sales	**-**	-	-	**-**	-	1,317
Deferred tax assets	**P 52,267**	P 40,815	P 30,595			
Deferred tax liabilities:						
Unamortized capitalized interest	**(P 10,829)**	(P 9,686)	(P 14,830)	**1,143**	(5,144)	(2,135)
Unrealized gross profit on installment sales	**(27,144)**	-	-	**27,144**	-	-
Accrued rental receivables	**(2,441)**	(4,634)	(3,330)	**(2,193)**	1,304	1,021
Retirement benefit asset	**(17)**	-	-	**17**	-	-
Deferred tax liabilities	**(P 40,431)**	(P 14,320)	(P 18,160)			
Deferred tax expense (income)				**P 14,659**	**(P 14,060)**	P 1,103

Deferred taxes of the Group are not allowed to be offset against net deferred tax liabilities of other subsidiaries, or vice versa, for purposes of consolidation.

No deferred tax has been recognized on the Group's accumulated share in net profit and other comprehensive income of associates (see Note 10.1) in all the years presented as the Group has no liability for tax should the amounts be declared as dividends since dividend income received from domestic corporations by a domestic corporation is not subject to income tax.

Presented below are the movements in the subsidiaries' NOLCO and the applicable years it is deductible from taxable income.

Year	**Original Amount**	**Applied in Current Year**	**Expired Balance**	**Remaining Balance**	**Valid Until**
2011	P 5,996	P -	P -	P 5,996	2013
2010	13,815	(236)	-	13,579	2012
2009	2,004	(135)	-	1,869	2011
2008	2,649	-	(2,649)	-	2010
	P 24,464	(P 371)	(P 2,649)	P 21,444	

For the years ended December 31, 2011, 2010 and 2009, most of the operating subsidiaries incurred MCIT as MCIT exceeded their respective RCIT. MCIT is equivalent to 2% of gross income, as defined in the tax regulations. The movements in the Group's MCIT and the years until which the MCIT is deductible from the Group's RCIT (applied on a per company basis) are as follows:

Year	Original Amount	Expired Balance	Remaining Balance	Valid Until
2011	P 46	P -	P 46	2013
2010	20	-	20	2012
2009	116	-	116	2011
2008	460	(460)	-	2010
	P 642	(P 460)	P 182	

For financial statement purposes, no deferred tax assets were recognized on the subsidiaries' NOLCO and MCIT since management believes that there is no assurance that their related tax benefits will be realized by the subsidiaries that incurred the NOLCO and/or MCIT within the prescribed period.

In 2011, 2010 and 2009, except for the Company, the Group opted to claim itemized deductions in computing their respective income tax due. In 2010, the Company opted use optional standard deduction (OSD) in computing its RCIT. OSD is equivalent to 40% of gross income.

21. RELATED PARTY TRANSACTIONS

The Group's related parties include SMC, its associates, the Group's key management and others as described below. The following are the significant transactions with related parties:

21.1 Rendering of Services and Rentals

	Amount of Transactions			Outstanding Balances		
	2011	2010	2009	**2011**	2010	2009
Rental income:						
Parent company	**P 110,062**	P 131,557	P 230,944	**P -**	P 1,912	P 585
Other related parties	**143,828**	109,581	52,754	**7,864**	18,277	4,605
Management fees:						
Parent company	**3,903**	48,650	5,178	**1,663**	14,608	-
Other related parties	**16,789**	31,125	-	**-**	-	-
	P 274,582	P 320,913	P 288,876	**P 9,527**	P 34,797	P 5,190

(a) Rental Income

The Group, as lessor, has various lease agreements with SMC and other related parties for the lease of its real properties. The lease term ranges from one to five years and renewable upon mutual agreement between the parties. As part of the terms of leases, each lessee is required to pay advance rental and security deposit. The advance rentals are applied against rental on the last year of the lease while security deposits are refunded at the end of the lease term. The advance rentals and security deposits are presented as Advance Rentals and Deposits in the consolidated statements of financial position.

Rental fee is based on market rate and the same rate being charged to non-related parties. The lease income is presented under Rental Income account in the consolidated statements of comprehensive income while the outstanding balance is presented as Rental receivables in the Receivables account in the consolidated statements of financial position (see Note 6).

(b) Management Fees

The Company provides administrative services to its parent company and the related parties of the parent company. The administrative services rendered to the parent company include management of its SMC Tagaytay Training Center and other properties.

In 2010, the Company entered into a Service Agreement with BOC, whereby the Company shall provide management services to BOC, such as asset management, project management, consultancy and architectural services. In accordance with the agreement, BOC shall pay certain fees as consideration for the services rendered by the Company.

The total management fees earned are presented as part of Management Fees in the consolidated statements of comprehensive income.

21.2 Purchases of Services

The parent company also provides management services to the Group. Management fees recognized amounted to P23,125 in 2011, P20,927 in 2010, P21,000 in 2009, and are presented as part of Outside services under Operating Expenses in the consolidated statements of comprehensive income (see Note 17). The outstanding liability arising from this transaction amounted to P1,612 as of December 31, 2011 and P4,074 as of December 31, 2010 and 2009. The outstanding liability is presented as part of Accounts payable in the Accounts Payable and Accrued Expenses account in the consolidated statements of financial position (see Note 15).

21.3 Sale of raw land inventories

In 2011, the Company sold certain raw land inventory to New Ventures Realty Corporation (NVRC), a related party under common ownership (see Notes 7 and 19.7). The receivable from this transaction is non-interest bearing and payable in two years. The Company measured the receivable at amortized cost using the interest rate of similar instrument available in the market. The outstanding receivables presented as part of contract receivable, as of December 31, 2011 amounted to P401,503 of which, P186,187 is classified under non-current (see Note 6).

Also, the Company purchased certain raw land inventory from NVRC (see Note 8.1)

21.4 Deposits and Placements in BOC

The Group's money market placements and cash deposits in BOC amounted to P38,225 and P254,688 , respectively, in 2011; P82,054 and P20,000, respectively, in 2010; and, P20,000 and P16,085, respectively, in 2009.

21.5 Memorandum of Agreement with NLI

On December 21, 2009, the Company entered into a Memorandum of Agreement with NLI for the development of the Company's parcels of land located at General Trias, Cavite, into a middle income residential subsdivision (the Project). Moreover, on that same date, the parties agreed to prepare the business plan for the Project and form a joint venture for its development. As of December 31, 2011, the parties remain under the planning phase of the Project, which includes the feasibility study of the Project. Accordingly, the joint venture agreement has not yet been executed.

21.6 Advances to and from Related Parties

The Group obtains from and grants advances to SMC, its associates and other related parties for working capital requirements. The net receivables arising from these transactions amounted to P6,134, P7,931, and P5,244 as of December 31, 2011, 2010 and 2009, respectively, and are shown as Advances to related parties under the Receivables account (see Note 6). The details of the transactions are as follows:

	2011	2010	2009
Advances to parent company:			
Balance at beginning of year	**P 8,351**	P 8,685	P 7,411
Additions (collections) - net	**(1,110)**	(334)	1,274
Balance at end of year	**P 7,241**	P 8,351	P 8,685
Advances to (from) other related parties:			
Balance at beginning of year	**(P 420)**	(P 3,441)	P 2,805
Additions	**7,688**	11,396	12.370
Reclassification	**-**	-	(10,241)
	7,268	7,955	4,934
Allowance for impairment	**(8,375)**	(8,375)	(8,375)
Balance at end of year	**(P 1,107)**	(P 420)	(P 3,441)
Total advances to related parties:			
Balance at beginning of year	**P 7,931**	P 5,244	P 10,216
Additions	**6,578**	11,062	13,644
Reclassification	**-**	-	(10,241)
	14,509	15,525	13,619
Allowance for impairment	**(8,375)**	(8,375)	(8,375)
Balance at end of year	**P 6,134**	P 7,931	P 5,244

Advances to related parties are unsecured, noninterest-bearing and payable in cash upon demand.

As discussed in Note 10.1.1, SMCRP and SMC made a total advances of P2,341,599 to the Company as payment for the Company's additional subscription to BOC shares. The total outstanding obligations to SMCRP and SMC amounted to P2,342, as of December 31, 2011 and 2010, respectively.

21.7 Sale of SMPC Building

As discussed in Note 10.1, the Company sold certain units that it owns at SMPC building to BOC. Gain from the sale of the units, amounting to P43,774 and P315,774, in 2011 and 2010, respectively, is shown as part of Gains on Sale of Assets in the 2011 and 2010 consolidated statements of comprehensive income. The receivable from the 2011 and 2010 sales transaction was fully collected in the same year. Of the total gain from the sale to BOC of certain units in SMPC, P103,479 was eliminated in determining the Company's share in net profit of BOC. This amount represents the unrealized gains on downstream sale to the associate.

21.8 Transactions with NVRC

In 2011, the Company sold certain raw land inventory to New Ventures Realty Corporation (NVRC), a related party under common ownership. The receivable from this transaction is non-interest bearing and payable in two years. The Company measured the receivable at amortized cost using the interest rate of similar instrument available in the market. The outstanding receivables as of December 31, 2011 amounted to P401,503 and of which P186,187 is classified under non-current receivables in the 2011 statement of financial position (see Note 8.1).

Also in 2011, the Company purchased two parcels of land from NVRC. The Company's payable has period of two years and is unsecured and non-interest bearing. The outstanding payable amounted to P58,159 as of December 31, 2011 and of which, P29,316 is classified under non-current payables in the 2011 statement of financial position.

21.9 Key Management Personnel Compensation

The compensation of key management personnel is broken down as follows:

	2011	2010	2009
Short-term employee benefits	**P 26,519**	P 35,218	P 26,051
Post-employment benefit	**1,757**	1,012	201
Share-based payments	**1,214**	1,267	709
	P 29,490	P 37,497	P 26,961

22. EQUITY

22.1 Capital Stock

The Company has 128 million shares of authorized capital stock with P10 par value. As of December 31, 2011, 2010 and 2009, there are 122,010,940 shares issued, of which 121,695,478 shares are outstanding and 315,462 shares are held in treasury as of those dates.

22.2 Restriction on Retained Earnings

Retained earnings is restricted in the amount of P9,474 equivalent to the cost of the 315,462 shares held in treasury as of December 31, 2011, 2010 and 2009.

22.3 Retained Earnings Available for Dividend Declaration

Management has not made any declaration of dividends in any of the years presented because it has various outstanding capital commitments as discussed in detail in Notes 9 and 25 for which portion of its retained earnings are earmarked.

On March 9, 2011, the BOD approved the appropriation of P5,000,000 of the Company's retained earnings for its capital projects and long-term projects.

22.4 Noncontrolling Interest

On December 16, 2004, Excel Unified's BOD approved the increase in the authorized capital stock of the subsidiary from P100,000 divided into 1 million common shares to P200,000 divided into 2 million common shares both at P100 par value. Concurrent with the approval of increase in authorized capital stock, the BOD of Excel Unified also approved the conversion of the advances from the Company (eliminated in consolidation) and Pet Plans, Inc. (PPI), Excel Unified's primary stockholders, into shares of stock. Advances to Excel Unified from PPI amounting to P82,904 that was reclassified in 2004 as deposits for future stock subscription under Noncontrolling Interest remains outstanding as of December 31, 2011.

In 2010, the Company acquired 52% equity ownership in SMPI-GSIS JVC by assigning its 100% equity ownership in Maison (see Note 10.3). The resulting noncontrolling interest of SMPI-GSIS JVC amounting to P348,417 is presented as part of Noncontrolling Interest in the 2010 consolidated statement of financial position. In 2011, GSIS exercised the put option granted by the Company which resulted to SMPI-GSIS JVC being 100% owned by the Company. Accordingly, no noncontrolling interest was recognized in the 2011 consolidated statements of interest income from Maison and SMPI-GSIS JVC.

22.5 Other Reserves

In 2010, the Company's ownership interest in Maison was diluted when the Company assigned its ownership interest in Maison to the SMPI-GSIS JVC (see Note 10.3). The effect of dilution in the Company's share in Maison's net assets was recognized directly in the consolidated equity amounting to P51,949 as of December 31, 2010 and presented as Other Reserves.

In 2011, when GSIS exercised the put option which gave the Company 100% equity ownership interest in SMPI-GSIS JVC, the 2010 dilution loss was derecognized. Moreover, the excess of the exercise price paid by the Company and its corresponding share in the additional net asset of SMPI-GSIS JVC amounting to P88,700 was recognized as Other Reserves in the equity section of the consolidated statement of financial position.

22.6 Prior Period Adjustments

The Group restated its consolidated financial statement as of January 1, 2011 due to the prior period adjustments made by the Company, an associate and a subsidiary in their respective separate financial statement. The effect of these prior period adjustments increased equity by P16,703, and retained earnings by P11,107 and decreased NCI by P27,810.

	Attributable to	
	Retained Earnings	NCI
Nature of adjustments:		
Decrease in subsidiary's net profit due to error in measurement of real estate sales	(P 28,480)	(P 27,810)
Increase in share in net profit of associate due to restatement of revalued amount of property and equipment	24,981	-
Recognition of management fees earned in 2010 net of tax	14,606	-
	P 11,107	(P 27,810)

The restatements of certain line items in the consolidated statement of financial position as of January 1, 2011 are summarized below.

	As Previously Reported	Prior Period Adjustments	As Restated
Changes in assets:			
Receivables-net (current)	P 513,135	P 20,866	P 534,001
Receivables-net (noncurrent)	162,102	(56,290)	105,812
Advances and investments in associates - net	7,515,071	24,981	7,540,052
Change in liability:			
Income tax payable	(7,093)	(6,260)	(13,353)
Total adjustments to equity as at January 1, 2011	P 8,183,215	(P 16,703)	P 8,166,512

The effects of reclassifications of certain line items in the 2010 consolidated statement of comprehensive income are summarized below:

	As Previously Reported	Prior Period Adjustments	As Restated
Changes in profit or loss:			
Real estate sales	P 253,479	(P 56,290)	P 197,189
Management fees	60,350	20,866	81,216
Share in profit of associates – net	163,381	24,981	188,362
Tax expense	(222,873)	(6,260)	(229,133)
	P 254,337	(P 16,703)	P 237,634

The adjustments of certain line items in the consolidated statement of financial position as of January 1, 2011 have the following effect on the 2010 consolidated statement of cash flows:

	As Previously Reported	Prior Period Adjustments	As Restated
Changes in cash flows:			
Cash flows from operating activities:			
Profit before tax	P 949,965	(P 10,443)	P 939,522
Share in net profit of associates – net	(163,381)	(24,981)	(188,362)
Increase in receivables	(131,922)	35,424	(96,498)
	(P 654,662)	P -	(P 654,662)

23. EARNINGS PER SHARE

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

	2011	2010 (As Restated see Note 22.6)	2009
Net profit attributable to owners of the parent company for the year	**P 86,889**	P 717,006	P 977,962
Divided by weighted average number of outstanding common shares *(in thousands)*	**121,695**	121,695	121,695
Earnings per share – basic and diluted	**P 0.71**	P 5.89	P 8.04

Diluted earnings per share equal the basic earnings per since the Company does not have dilutive shares as of December 31, 2011, 2010 and 2009.

24. COMMITMENTS AND CONTINGENCIES

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

24.1 Operating Leases

The Company is a lessor under operating leases covering certain real estate properties. The leases have terms ranging from one to five years, with renewal options, and include annual escalation rates of 5% to 10%.

The future minimum lease collections receivable under these operating leases as of December 31 are presented below.

		2011		2010
Within one year	P	89,919	P	90,228
After one year but not more than five years		216,444		149,416
	P	306,363	P	239,644

24.2 Legal Claims

There are pending claims and legal actions filed by the Group or against the Group arising from the normal course of business. Relative to a case filed against the Company for an alleged illegal dismissal of an employee, the Company recognized provisions in prior years totaling to P12,944 which is shown as part of Provision under Accounts Payable and Accrued Expenses in the 2010 and 2009 consolidated statements of financial position (see Note 15). In 2011, the total provision was reversed as the Supreme Court has issued a decision in favor of the Company.

In 2007, a provision amounting to P4,564 in connection with Excel Unified's pending settlement of a dispute regarding a right of way in Wedgewoods was recognized. The provision remains outstanding as of December 31, 2011, 2010 and 2009 (see Note 15).

The Group's management, based on the advice of its legal counsels, believes that the recognized provision with regard to the above legal case is reasonable and additional liabilities or losses that may arise from other claims will not have material effect on its consolidated financial statements.

24.3 Put Option

As discussed in Note 10.3, the Company entered into a JVA with GSIS for the development of certain real estate properties and construction of residential or commercial buildings which includes condominiums, hotels, condotels and service apartments. The JVA also provides for an option to GSIS to sell to the Company its whole ownership interest in SMPI-GSIS JVC, the Put Option. The Put Option can be exercised within a period of 10 years. The option exercise price is equivalent to P300,000 plus interest.

Any dividends declared and paid to stockholders prior to the exercise of the Put Option by GSIS will be deducted from interest provided upon exercise of the option.

As of December 31, 2010, the carrying value of the obligation related to the Put Option amounts to P386,493 and is presented as Obligation under a Put Option in the 2010 statement of financial position. Such obligation was settled in 2011 following GSIS' exercise of the Put Option. The Company paid GSIS a total of P399,000 as consideration for the Put Option. The carrying value of the obligation at the date of exercise is P392,105. Accordingly, the Company accounted for the difference amounting to P6,895 as fair value loss and presented as part of Finance Costs in the 2011 statement of comprehensive income (see Note 18.1).

Interest expense of the obligation under a put option amounts to P5,613 and P2,181 in 2011 and 2010, respectively, and is presented as part of Finance Costs in the 2011 and 2010 consolidated statements of comprehensive income (see Note 8.1).

24.4 Others

There are other contingencies that arise in the normal course of business that are not recognized in the Group's consolidated financial statements. Among these contingencies is the potential effect of the global economic crisis especially that the Group has ventured into the financial services business through its investment in BOC, the latter also exposed to various commitments and contingencies in the same manner as the Group. However, management believes that losses, if any, arising from these commitments and contingencies will not materially affect its consolidated financial statements.

25. RISK MANAGEMENT OBJECTIVES AND POLICIES

It is the Group's policy to ensure that capabilities exist for active and prudent management of its financial risks. The Group does not engage in any speculative derivative transactions. The BOD has the overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Group's principal financial instruments include non-derivative instruments such as cash and cash equivalents, receivables, interest-bearing loans, and accounts payable and accrued expenses, which arise directly from its operations. The most significant financial risks to which the Group is exposed to are described below.

25.1 Market Risk

(a) Foreign Currency Risk

Most of the Group's transactions are carried out in Philippine pesos, its functional currency. Exposures to currency rates arising from the Group's cash advances to a related party, which are primarily denominated in U.S. dollars, have no significant impact to the Group's consolidated financial statements.

(b) Interest Rate Sensitivity

The Group's exposure to changes in interest rates relates primarily to the Group's interest-bearing loans and cash and cash equivalents which are subject to variable interest rates. All other financial assets and liabilities have fixed rates.

The Group's policy is to manage its interest cost using a mix of fixed and variable rate debt.

In managing interest rate, the Group aims to reduce the impact of short-term fluctuations on the Group's earnings. Over the longer term, however, permanent changes in interest rates would have an impact on consolidated earnings.

The following table illustrates the sensitivity of consolidated profit before tax for the years in regards to the Group's cash and cash equivalents and interest-bearing loans. These percentages have been determined based on the average market volatility rates, using standard deviation, in the previous 12 months, estimated at 68% level of confidence.

The sensitivity analysis is based on the Group's financial instruments held at end of the reporting periods.

	2011		2010		2009	
	Reasonably possible change in rate	**Effect in profit before tax**	Reasonably possible change in rate	Effect in profit before in tax	Reasonably possible change in rate	Effect in profit before in tax
Profit before tax:						
Net increase	**+2.72%**	**(P 164,858)**	+2.24%	(P 60,221)	+1.27%	P 20,332
Net decrease	**-2.72%**	**164,858**	-2.24%	60,221	-1.27%	(20,332)

(c) Other Price Risk Sensitivity

The Group's market price risk arises from its AFS financial assets which is considered negligible as the amounts of the assets is not material. It manages its risk arising from changes in market price by monitoring the changes in the market price of the investment.

25.2 Credit Risk

Credit risk, or the risk of counterparties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. It is the Group's policy to enter into transactions with a diversity of creditworthy parties to mitigate any significant concentration of credit risk. The Group ensures that sales of products are made to customers with appropriate credit history and has internal mechanism to monitor the granting of credit and management of credit exposures. The Group has provided allowance for impairment of receivables, where necessary, for potential losses on credits extended. Where appropriate, the Group obtains collateral. The Group's exposure to credit risk arises from default of the counterparty with a maximum exposure equal to the carrying amount of these instruments, net of the value of advance rentals, security deposits and collaterals, if any.

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown on the face of the consolidated statements of financial position as of December 31, 2011, 2010 and 2009 (or in the detailed analysis provided in the notes to the consolidated financial statements), as summarized below.

	Notes	2011	2010 (As restated - see Note 22.6)	2009
Cash and cash equivalents	5	**P 319,075**	P 357,141	P 129,708
Receivables – net	6	**897,458**	639,813	291,350
		P 1,216,533	P 996,954	P 421,058

(a) Cash and Cash Equivalents

The credit risk for cash and cash equivalents is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

(b) Receivables

The Group has no significant concentration of credit risk with any counterparty. Receivables are subject to credit risk exposure; however, the Group does not identify specific concentrations of credit risk with regard to these receivables, as the amount recognized resemble a large number of customers.

The Group's management considers that all the above financial assets are not impaired, except those specifically provided with allowance for impairment, as of the end of the reporting periods.

Financial assets past due but not impaired are as follows:

	2011	2010	2009
Not more than 30 days	**P 11,126**	P 1,663	P 422
More than 30 days but not more than 60 days	**1,220**	360	285
More than 60 days but not more than 90 days	**1,860**	294	250
More than 90 days	**41,082**	30,675	27,236
	P 55,288	P 32,992	P 28,193

25.3 Liquidity Risk

Liquidity risk arises from the possibility that the Group may encounter difficulties in raising funds to meet commitments from financial instruments or that a market for derivatives may not exist in some circumstances.

The Group's objectives to manage its liquidity profile are: (a) to ensure that adequate funding is available at all times; (b) to meet commitments as they arise without incurring unnecessary costs; (c) to be able to access funding when needed at the least possible cost; and, (d) to maintain an adequate time spread of refinancing maturities.

The maturity profile of the Group's financial liabilities (excluding unpaid taxes and provisions) as of December 31, 2011 based on contractual undiscounted payments is as follows:

	Current		Noncurrent	
	Within 6 months	6 to 12 months	1 to 3 years	Later than 3 years
Interest-bearing loans	P 6,407,828	P -	P -	P -
Accounts payable and accrued expenses	308,927	-	-	-
Advances from related parties	2,017,133	-	-	-
Subscription payable	-	-	-	-
Obligation under a put option	-	-	-	-
Rental deposits	-	159,044	43,671	-
	P 8,694,723	**P 159,044**	**P 43,671**	**P -**

The maturity profile of the Group's financial liabilities (excluding unpaid taxes and provisions) as of December 31, 2010 based on contractual undiscounted payments is as follows:

	Current		Noncurrent	
	Within 6 months	6 to 12 months	1 to 3 years	Later than 3 years
Interest-bearing loans	P 2,709,590	P -	P -	P -
Accounts payable and accrued expenses	202,254	-	-	-
Advances from related parties	2,341,599	-	-	-
Subscription payable	520,829	-	-	-
Obligation under a put option	-	399,300	-	-
Rental deposits	-	103,484	16,328	-
	P 5,774,272	P 502,784	P 16,328	P -

The maturity profile of the Group's financial liabilities (excluding unpaid taxes and provisions) as of December 31, 2009 based on contractual undiscounted payments is as follows:

	Current		Noncurrent	
	Within 6 months	6 to 12 months	1 to 3 years	Later than 3 years
Interest-bearing loans	P 1,773,018	P -	P -	P -
Accounts payable and accrued expenses	194,660	-	-	-
Rental deposits	-	3,319	76,217	-
	P 1,967,678	P 3,319	P 76,217	P -

The above contractual maturities reflect the gross cash flows, which may differ from the carrying values of the liabilities at the end of the reporting period.

26. CATEGORIES AND FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

26.1 Comparison of Carrying Amounts and Fair Values

The carrying amounts and fair values of the categories of assets and liabilities presented in the consolidated statements of financial position are shown below.

	2011		2010 (As Restated - see Note 22.6)		2009	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets						
Loan and receivables						
Cash and cash equivalents	**P 319,075**	**P 319,075**	P 357,141	P 375,141	P 129,708	P 129,708
Receivables - net	**909,783**	**909,783**	639,813	639,813	291,350	291,350
Available-for-sale financial assets	**19,091**	**19,091**	22,961	22,961	21,811	21,811
	P 1,247,949	**P 1,247,949**	P 1,037,915	P 1,037,915	P 442,869	P 442,869
Financial Liabilities						
Financial liabilities at amortized cost						
Interest-bearing loans and borrowings	**P 6,368,663**	**P 6,368,663**	P 2,690,447	P 2,690,447	P 1,766,370	P 1,766,370
Accrued payable and Accrued expenses	**308,927**	**308,927**	202,254	202,254	194,660	194,660
Advances from related parties	**1,988,115**	**1,988,115**	2,341,599	2,341,599	-	-
Subscription payable	-	-	520,829	520,829	-	-
Obligation under a put option	-	-	386,493	386,493	-	-
Rental deposits	**116,358**	**116,358**	119,812	119,812	79,536	79,536
	P 8,782,063	**P 8,782,063**	P 6,261,434	P 6,261,434	P 2,040,566	P 2,040,566

See Notes 2.4 and 2.10 for a description of the accounting policies for each category of financial instruments. A description of the Group's risk management objectives and policies for financial instruments is provided in Note 26.

26.2 Fair Value Hierarchy

The table below presents the hierarchy of fair value measurements used by the Group.

	Level 1	Level 2	Level 3	Total
December 31, 2011				
AFS financial assets	**P -**	**P 10,285**	**P -**	**P 10,285**
December 31, 2010				
AFS financial assets	P -	P 15,500	P -	P 15,500
December 31, 2009				
AFS financial assets	P -	P- 14,350	P -	P 14,350

The different levels have been defined as follows:

(a) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

(b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,

(c) Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As of December 31, 2011, 2010 and 2009, portion of the available-for-sale financial assets amounting to P7,461 is carried at cost; hence, such is not categorized in any of the three levels.

27. CAPITAL MANAGEMENT OBJECTIVE, POLICIES AND PROCEDURES

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, pay-off existing debts, return capital to stockholders or issue new shares.

The Group defines capital as paid-in capital stock, which includes additional paid-in capital and retained earnings, both the restricted and available for dividend declaration portions. Other components of equity such as treasury stock and revaluation reserves are excluded from capital for purposes of capital management. The BOD has overall responsibility for monitoring capital in proportion to risk. Profiles for capital ratios are set in the light of changes in the Group's external environment and the risks underlying the Group's business, operation and industry.

The Group monitors capital on the basis of debt-to-equity ratio, which is calculated as total liabilities (excluding deferred tax liabilities) divided by total equity (excluding accumulated fair value gains or losses, cumulative translation adjustment and dilution loss). Capital for the reporting periods December 31, 2011, 2010 and 2009 under review are summarized as follow:

	2011	2010 (As Restated – see Note 22.6)	2009
Total liabilities	**P 9,039,710**	P 6,429,415	P 2,160,188
Total adjusted equity attributable to owners of the parent company	**8,860,403**	8,354,493	7,897,266
Debt-to-Equity ratio	**1.02 : 1.00**	0.77 : 1.00	0.27 : 1.00

The Group, except for BOC which is subject to certain capitalization requirement by the BSP, is not subject to externally imposed capital requirements.

ANNEX "E"

SAN MIGUEL PROPERTIES, INC. AND SUBSIDIARIES

INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES DECEMBER 31, 2011

SAN MIGUEL PROPERTIES, INC. AND SUBSIDIARIES
SCHEDULE A - FINANCIAL ASSETS
DECEMBER 31, 2011
(Amounts in Millions, except No. of Shares Data)

Name of Issuing Entity / Description of Each Issue	Number of shares or Principal Amount of Bonds and Notes	Amount Shown in the Statements of Financial Position	Value Based on Market Quotations at Dec. 31, 2011	Income Received and Accrued
Cash and cash equivalents	-	₱ 319	₱ 319	₱ 2
Trade and other receivables - net	-	897	897	10
Derivative assets	-	-	-	-
Financial assets at FVPL	-	-	-	-
Available for sale financial assets	-	23	23	-
Noncurrent receivables and deposits - net	-	-	-	-
	-	₱ 1,239	₱ 1,239	₱ 12
				-

SAN MIGUEL PROPERTIES, INC. AND SUBSIDIARIES
ATTACHMENT TO SCHEDULE A - AVAILABLE FOR SALE FINANCIAL ASSETS
DECEMBER 31, 2011
(Amounts in Millions, Except No. of Shares Data)

	Beginning Balance						Ending Balance		
	No. of Shares or Principal Amount of Bonds and Notes	**Amount**	**Addition - No. of Shares or Principal Amount of Bonds and Notes**	**Additions/Disposals /Valuation/CTA/ Reclassification**	**Equity in Net Earnings During the Year**	**Dividends Received**	**No. of Shares or Principal Amount of Bonds and Notes**	**Amount**	**Percentage of Ownership**
Available for Sale Financial Assets									
San Miguel Properties Inc.									
Apo Golf & Country Club	1	P 1	-	P -	P -	P -	1	P 1	-do-
Mimosa Golf & Country Club	4	1	-	-	-	-	4	1	-do-
Sta. Elena Golf & Country Club	1	-	-	-	-	-	1	-	-do-
Metro Club	1	-	-	-	-	-	1	-	-do-
Phil. Long Distance Tel Co	12,200	1	-	-	-	-	12,200	1	-do-
Meralco	273,118	8	-	-	-	-	273,118	8	-do-
Italia Country Club	89	5	-	-	-	-	89	5	-do-
Riviera Golf Course and Country Club	1	5	-	-			1	5	-do-
Tagaytay Midlands Country Club	1	2	-	-	-	-	1	2	-do-
Total Available for Sale Financial Assets	**285,416**	**P 23**	**-**	**P -**	**P -**	**P -**	**285,416**	**P 23**	