Annual Report 2011








alphaland
CORPORATION

Beautiful Balesin!

Alphaland Corporation is a joint venture between the Ashmore Group, a private equity fund based in London, with funds under management of about USD 60 Billion, and the RVO Capital Ventures Group.

We are unique in that we are very selective in the property development projects that we undertake. We focus only on high-end and top-of-the-line projects.

We do not intend to be, and will never be, all things to all people.

ALPHALAND - UNIQUE!

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LEFT TO RIGHT:
ROBERTO V. ONGPIN, CHAIRMAN;
ERIC O. RECTO, VICE-CHAIRMAN;
MARIO A. ORETA, PRESIDENT

THE YEAR 2011 MARKED THE THIRD YEAR OF ALPHALAND'S EXISTENCE. It has been an extremely busy and rewarding year. Alphaland has now become a well-known name and almost a household word. Alphaland clearly stands for quality and as our slogan says – "Uniqueness." We are very selective in our projects and will never be all things to all people.

Our 7 major projects are all on schedule and in fact, in the case of Balesin Island Club, our signature project, is almost one year ahead of schedule. The entire island will be completely developed before the end of this year and everyone who has seen the development is at a loss for words to describe how beautiful the island and how magnificent the development is. We are well on the way to creating one of the world's most beautiful island resorts.

Financially, Alphaland had the most successful year in 2011. Total sales in our 3 projects, i.e. The City Club, Makati Place, and Balesin Island Club, have reached close to one billion pesos. The first project which put us on the development map in the Philippines, Alphaland Southgate Tower, has been most successful and is now delivering substantial amounts of cash flow to the company with the tower being 100% occupied and the mall being 90% occupied.

For 2011, Alphaland had an audited net income of Php1.9 billion. The net asset value of Alphaland also increased during the year from Php13.3 billion to Php24.3 billion.

With an equity base exceeding Php24.0 billion and debt of only Php3.1 billion, we are quite unique even in the financial sense in that our equity base far exceeds our debt.

As our promise to our shareholders, we intend to be very selective and while we are having at least one project offered to us almost every week, we are looking seriously at only 3 projects at this time. We will of course report them to you when we have completed our agreements.

We once again acknowledge the support of the Ashmore Group of London, which now has USD60 billion under funds management, without which Alphaland would not be where it is.

We are looking forward with much enthusiasm to completing our projects and bringing you, our shareholders, our partners, and our clients, a most satisfactory result.

March 19, 2012

Roberto V. Ongpin
Chairman

Eric O. Recto
Vice Chairman

Mario A. Oreta
President

ALPHALAND SOUTHGATE TOWER AND MALL LOCATED AT THE CORNER OF EDSA AND CHINO ROCES AVENUE


lphaland SOUTHGATE MALL

ALPHALAND SOUTHGATE TOWER HAS BECOME A WELCOME ADDITION TO THE CITY SKYLINE

alphaland SOUTHGATE

The Southgate Tower and Mall, Alphaland's corporate headquarters, exemplifies the company's vision of superior value transformation.

Alphaland's pioneer project continues to flourish and has become a landmark of the city. Alphaland Southgate Tower is now fully occupied, and the mall is enjoying good traffic. The blue glass tower, with its distinctive LED display, has become an icon, as it welcomes visitors to the metropolis' central business district.

The project began as an unfinished high-rise building that had lain idle for nearly 30 years. Alphaland reinvented it as Southgate, a modern glass office tower with a podium mall. It opened in 2010 with the tower's first tenants being the companies in the group including Alphaland itself, PhilWeb Corporation, ISM Communications Corporation, and Atok-Big Wedge Co., Inc. These were followed by major names in the technology-driven BPO industry such as Rainmaker Asia Inc., Teleperformance, GHD Pty. Ltd., Genie Technologies, and Alorica Inc. Other tenants include Anthem Solutions Inc., MRL Gold Phils., Jorge Yulo Architects, and Western Mindanao Power Corporation. The Tower was fully leased as of the end of 2011.

The sixth floor of the tower houses three distinctive destinations. The Alpha, by fine-dining icon Chef Billy King, is a stylish restaurant that offers a private ambience, a skilfully wrought menu, and a wide assortment of wines. The Tabacalera Cigar Lounge offers the best cigars of the

ABOVE: THE POLISHED WOODEN INTERIORS OF UKIYO RESTAURANT
BELOW: THE TABACALERA CIGAR DIVAN AND THE ALPHA BY CHEF BILLY KING

Philippines, hand-rolled by Tabacalera since 1881, as well as single malt whiskies and wines. Ukiyo, a modern Japanese restaurant and shōchū bar, opened in April 2011 and serves authentic Japanese food and drinks.

Also on the sixth floor, the Boracay and Balesin function rooms have a combined seating capacity of 140 people in a banquet-style layout. Named after two Alphaland projects, these function rooms are equipped with ceiling-mounted LCD projectors, a drop down screen, banquet tables and chairs, a podium with microphones, platforms, and Wi-Fi access.

For larger functions, the Alpha Tents offers a magnificent events space of 575 sq. m., in an air-conditioned glass structure with scenic views of Makati City and Manila Bay. The Alpha Tents allows events planners the flexibility to orchestrate a variety of event formats such as conferences, seminars, social occasions, and corporate milestones.

TOP: THE VIEW OF THE CITY AS SEEN FROM THE AL FRESCO AREA OF THE ALPHA TENTS
BOTTOM: THE SCENIC ELEVATOR CAN BE USED FOR GUESTS; THE SECOND ANNIVERSARY OF ALPHALAND SOUTHGATE MALL

The Alpha Tents includes a reception foyer, an al fresco area, and a dedicated scenic elevator from the ground floor of the mall.

A Tower Operations Team addresses tenants' needs and requests. The team is supported by qualified staff and a 24/7 concierge system, which deals with construction, engineering, housekeeping, parking, and security concerns.

Southgate mall houses a Super 8 supermarket, PBCom and BDO bank branches, fast food and casual dining restaurants, food kiosks, computer shops, a hardware store, beauty and wellness shops, and fashion outlets. Direct access to the Metro Rail Transit (MRT) adds to the convenience of the mall.

Financial performance of the building's LED display increased three-fold in 2011 due to improved awareness of the

ABOVE:THE GLASS WALLS SURROUNDING THE ALPHA TENTS ALLOWS FOR PANORAMIC VIEWS OF MAKATI CITY AND MANILA BAY

display. This improvement was achieved by more relevant content and strategic partnerships with organizations such as Lifeline Rescue, Philippine Daily Inquirer, ABS-CBN Broadcasting Corporation, Petron Corporation, and Habitat for Humanity. Advertisers include Globe Telecoms, Metrobank Card Corporation, SM Group of Companies, Solar Entertainment, Pancake House Group, Citibank, Allied Bank, and Suzuki Philippines, among others. a

THE OPEN-PLAN LIVING ROOM, KITCHEN AND DINING ROOM OF A TYPICAL PREMIUM 2-BEDROOM UNIT OF ALPHALAND MAKATI PLACE

alphaland
MAKATI PLACE
7232 AYALA AVENUE

As the central business district expands outwards under the pressure of a vibrant economy, Alphaland Makati Place leads the charge, located on a premium one hectare property along Ayala Avenue Extension corner Malugay Street.

Alphaland Makati Place is a uniquely intelligent residential and leisure complex, with every detail planned for efficiency, sustainability and enjoyment. It is so advanced in concept and execution that visitors of our model units have described it as "science fiction become real".

The project redefines an area that was once dominated by warehouses and factories. Economic growth is driving the central business district to expand, and the premium one-hectare property along Ayala Avenue corner Malugay Street is right in the center of a newly vibrant quarter of Makati. This strategic location is perfect for dynamic executives, young families, and upwardly mobile singles.

The building is designed by Wong & Ouyang, one of the top architectural firms in Hong Kong, which is known for that city's Pacific Place. Alphaland Makati Place consists of three residential towers (one will be serviced apartments) atop an upscale six-storey podium. The bottom three floors of the podium will be a shopping center, and the top half, a City Club for urban sports and leisure. The result is an integrated urban lifestyle solution, with residential, sports and leisure, and retail necessities all in one complex, conveniently located at the central business

EXTERIOR PERSPECTIVE OF THE ALPHALAND MAKATI PLACE

ABOVE: VIEW OF THE CONSTRUCTION SITE FROM THE POLICE STATION
BELOW: AERIAL VIEW OF THE CONSTRUCTION PROGRESS AS OF FEBRUARY 15, 2012

district. This complete community will cut down on commuting, save time and energy for its residents, and minimize traffic.

The complex was designed from the ground up as an intelligent development with state-of-the-art building management, automation, and security systems, as well as energy-efficient mechanical, electrical, and sanitary systems. Makati Place will consume far less water and energy, minimizing carbon emissions and unnecessary costs, while achieving a high level of comfort. The project is registered under the United States Green Building Council (USGBC) rating system, which administers the Leadership in Energy and Environmental Design (LEED). Makati Place is designed for a Gold level of certification.

Tower One will have 52 levels, Tower Two will have 47 levels, and Tower Three will have 29 levels. The basement will have five levels of underground parking, designed to reduce the building's overall urban heat-island effect. The use of green and sustainable building technology

in the construction of Makati Place is targeted to achieve 35% savings on water and 25% savings on power compared to conventional building design.

The residential units consist of one-, two-, and three-bedroom units with above-average sizes and 11-foot (3.3 meter) ceilings, almost three feet taller than most competitors. The layouts and details are uniquely well thought-out, with no wasted space or energy.

ABOVE: OPEN-PLAN LAYOUT OF A TYPICAL 1-BEDROOM UNIT FOR UNBRIDLED SPACE EFFICIENCY
BELOW: FIXTURES ARE PROVIDED BY LEADING GLOBAL BRANDS

The units are delivered in ready-to-move-in condition; all the residents need to supply are the furniture. All fixtures and major appliances are included in the unit price, and come installed and tested. Apart from the air conditioners, intelligent lighting, bathroom and kitchen fixtures, refrigerator/freezer, clothes washer and dryer, all units come with dishwashers, and some with a wine chiller and high-end wall-mounted coffee maker. Extensive storage space is provided, with shelves and many closets and bins. Fixtures for the units were hand-picked from leading global brands, such as Philippe Starck and Kuysen.

Units are fully-automated at no extra cost to the buyer. Through the use of a provided tablet PC, as well any similar device, unit owners can control appliances and lighting even when they are not at home. For instance, the flat-screen TV can be hidden in a recess when desired. Other applications on the tablet PC will connect to housekeeping, maintenance, security, billing, and other services. The complex incorporates high speed fiber-optic infrastructure, ensuring that it will be technologically advanced for generations to come.

ABOVE: THE LIVING ROOM OF A TYPICAL PREMIUM 2-BEDROOM UNIT IS SPACIOUS AND DESIGNED TASTEFULLY
BELOW: THROUGH THE USE OF ANY DEVICE WITH AN IP ADDRESS, RESIDENTS WILL HAVE FULL CONTROL OVER THEIR HOMES

Alphaland Makati Place was officially launched in September 2011 at The Alpha Tents. Over 400 illustrious guests from the fields of banking, finance, telecommunications, and the media were present – all of them impressed with the fully-automated model units. Various design firms partnered with Alphaland to showcase their collections at the model units.

Demolition of the previous building structures on the site was completed in 2009, and a ground-breaking was celebrated on March 19, 2010. The first concrete pouring was conducted last May. All five levels of basement parking, as well as the Ground Floor are complete. Ongoing construction activity is already visible from Ayala Avenue and Malugay Street, with the steel rebars towering above the perimeter fence.

The podium will be topped-off in May 2012. Immediately after, architectural finishes and fit-out works will commence for both the mall and the City Club, and preparatory works for the construction of the three towers will commence. The mall and the City Club will be completed and ready for operation by the end of 2012.

REPRESENTATION OF THE TOP FLOOR OF THE CITY CLUB SHOWING THE MAIN POOL AREA

THE CITY CLUB IS CONVENIENTLY LOCATED IN THE PODIUM OF ALPHALAND MAKATI PLACE

THE CITY CLUB
alphaland ◆ MAKATI PLACE

Constructing a world-class sports and leisure club in the center of a busy city is an ambitious project that requires vision, experience, and financial capability to execute.

The City Club is two hectares of leisure, entertainment and business options, right in the central business district. No other club offers all these options in one place.

The City Club is an integral component of Alphaland Makati Place. All residential unit owners are automatically members of the City Club, and non-residents may also purchase memberships. Located on the corner of Ayala Avenue and Malugay Street, it occupies the top three floors of the six-storey podium, with an area of 20,000 square meters. It is within walking distance from most of the major offices, residential buildings, and commercial establishments in the city. This provides for convenience from work, home, and everywhere in between.

The top floor: a spa, a main swimming pool, three lap pools, six Jacuzzis, a pool sunbathing area, a children's pool with a lifeguard post, a children's indoor and outdoor play area, a children's indoor playground and activity area, a daycare center, a learning center, a poolside restaurant with an al fresco area, a pool bar, and a barbecue area.

The middle floor: two tennis courts, three badminton courts, a basketball court, a squash court, eight specialty restaurants (Japanese, Thai, Chinese, Seafood, Spanish, Italian, Tex-Mex, and Filipino), a dessert area, a cigar divan,

ABOVE (CLOCKWISE FROM TOP LEFT): THE GYM; CUISINE SERVED AT THE SPECIALTY RESTAURANTS; REPRESENTATION OF THE MALL; THE CHILDREN'S PLAYGROUND; THE SPA; RENDERING OF THE INDOOR BASKETBALL AND TENNIS COURTS
BELOW: STUDIO CLASSES AND SEVERAL SWIMMING POOLS ARE AVAILABLE FOR MEMBERS' FITNESS

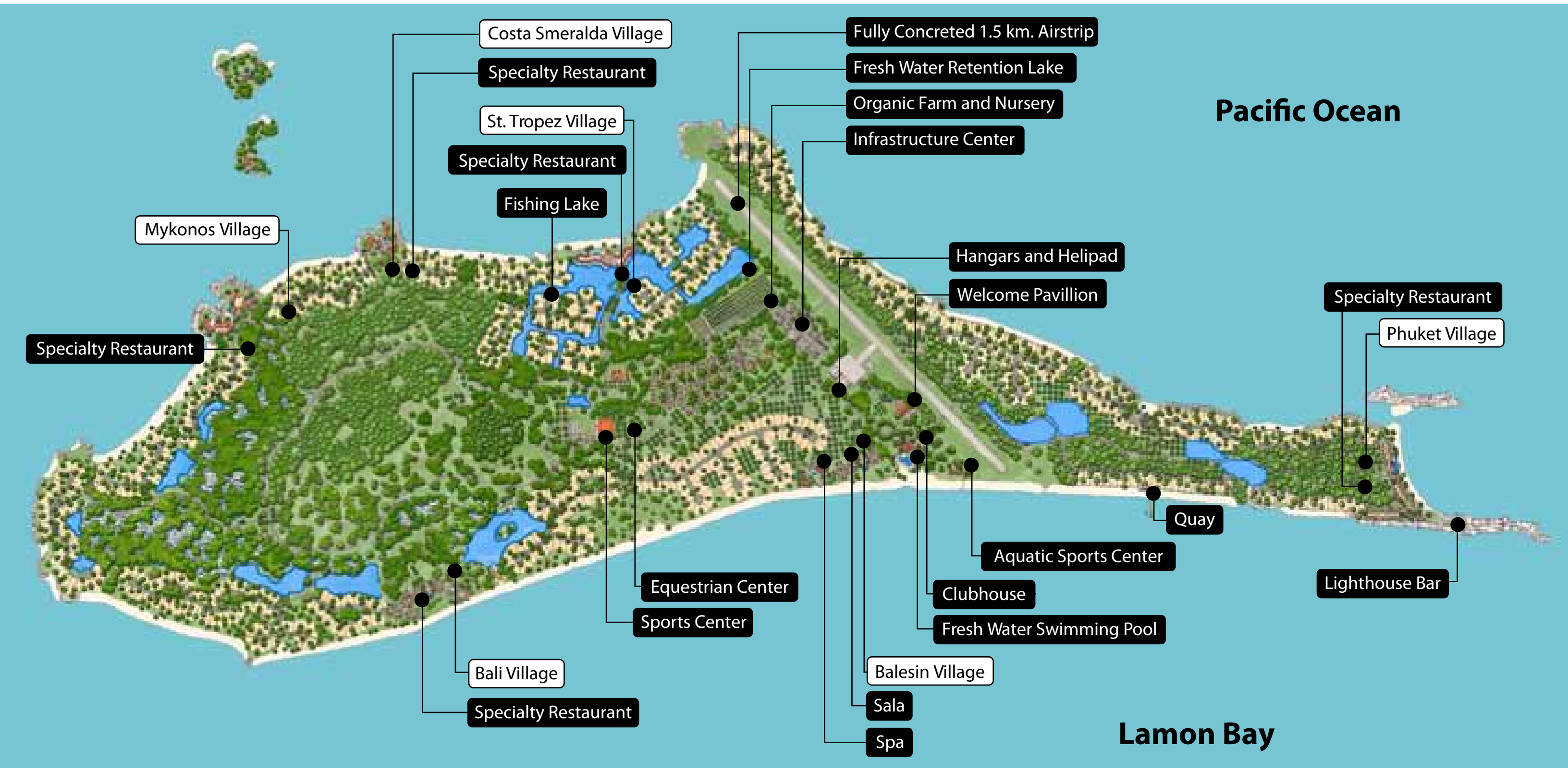
private wine cellars, six private meeting rooms, a lobby gathering area, two large function rooms, a bar/game room, and three KTV rooms.

The entrance floor: a spacious gym/weight lifting area, a table tennis room, a boxing ring, five studios for dance, yoga, Pilates and martial arts, an indoor golf simulator, a Wii© room, two music rooms, a library and conference room, a business center, an Internet café, a beauty salon and barber shop, a pro shop, a juice and salad bar, and a clinic.

The overall quality of the interiors and finishes meet or exceed that of a five-star hotel, providing an elegant but understated background to the many activities available, and making it an attractive place to spend time with friends and family.

As of December 31, 2011, the price of a City Club membership share was valued at PhP 1,000,000.00, nearly double its value at the beginning of 2011. The City Club will open at the end of 2012.

ONE OF THE STRETCHES OF WHITE-SAND BEACHES IN BALESIN



MAP OF BALESIN ISLAND

With more than seven kilometers of white-sand beaches, Balesin Island sits on the Pacific Ocean, 35 kilometers off the eastern coast of Luzon, and 25 minutes by plane from Manila.

Balesin Island Club, Alphaland's flagship project, will be perhaps the finest island resort in the world.

The club inhabits 500-hectare Balesin island, which is covered in a lush, tropical rainforest. It offers villas and amenities patterned after some of the most luxurious beachside resorts around the world. With a grand clubhouse and destination spa as the centerpiece, Balesin has six themed villages, with a total of 251 villas and suites. The villages are inspired by the world-renowned seaside destinations of Mykonos, St. Tropez, the Costa Smeralda, Bali, Phuket, and Balesin. Members and their guests can choose to spend their 14 free villa nights at any of the six villages. In each village, everything from the architecture, interior design, landscaping, and the food will be authentically executed.

Alphaland has built the country's newest international airport on Balesin, with a 1.5 kilometer-long concrete runway that can accommodate regional aircrafts and private jets. The island is easily accessible from Manila via a 25-minute flight on Alphaland's airplanes, departing from the company's private terminal along Airport Road. The resort operates two brand new Cessna Grand Caravan 9-passenger airplanes for

ABOVE: WHITE SAND BEACH FRONTING BALESIN VILLAGE
BELOW: GUESTS CAN TRAVERSE THE ISLAND ON HORSEBACK; A CENTURY-OLD *BALETE* TREE; HENCE, THE NAME "BALESIN"

the exclusive use of members. Members may also opt for a scenic two and a half hours' drive from Manila to Real, Quezon province where they can take a 45 minute transit to Balesin via the club-operated fast boat. From Hong Kong, guests can take an hour and forty-five minute flight to reach Balesin Island directly, where customs, immigration, and quarantine checks are done in the island's Welcome Pavilion, thus avoiding transit to Manila altogether.

Alphaland has used revolutionary technologies and ideas to develop Balesin. The concrete runway actually harvests rain water, diverting over 200 million liters per year into manmade lakes. The water in the lakes is processed via ultrafiltration into potable water and distributed to the six villages around the island. Used water is processed aerobically and anaerobically at modular sewage treatment plants and returned to Class A water. This reclaimed clean water is used for the island's lush landscaping.






ABOVE: (CLOCKWISE FROM TOP LEFT) MYKONOS; ST. TROPEZ; COSTA SMERALDA; BALI; PHUKET; A VILLA OF BALESIN, PHILIPPINES
BELOW: GUESTS WILL HAVE ACCESS TO WATER SPORTS AND OTHER EXCITING ACTIVITIES; OUR CESSNA GRAND CARAVANS WILL BRING MEMBERS TO AND FROM BALESIN ISLAND


Because location and ambience are integral to the vision of Balesin Island Club, its architectural design will ensure that the entire resort remains in harmony with the island setting. Alphaland has accomplished this by partnering with some of the world's eminent hospitality master planners, and Filipino architects Jorge Yulo, Conrad Onglao, and Meloy Casas. The master planner, EcoPlan of Florida, USA, made sure that each structure is in the best place; never overwhelming the environment, and making travel around the island an exploration through forests, beachfronts, plantations, fields and lakefronts. The club aims to enhance everything in its environment; the lushness of the large forest sanctuary and the promulgation of the surrounding marine sanctuaries.

On the island, off-road electric vehicles, horses and *calesas* take guests around the villages, spa, leisure areas, sports facilities, entertainment venues, and scenic points.

ABOVE: AERIAL VIEW OF THE CONSTRUCTION PROGRESS OF THE CLUBHOUSE AS OF MARCH 15, 2012
BELOW: CLOSE-UP AND AERIAL VIEW OF THE EQUESTRIAN CENTER

The island has 8.6 kilometers of horse trails to explore. It also has a 750-meter long private beach where parents can bring their kids for a gallop down a long stretch of sand.

Due to the heightened pace of construction, additional manpower, and heavy machinery added to the project, as well as the two additional Landing Craft Transport and Roll-On-Roll-Off ships dedicated to servicing the logistics needs of transporting materials and labor, Alphaland is almost a year ahead of the schedule declared in 2010. Instead of end-June 2013, the Company is targeting completion in mid-2012.

In the early part of 2011, Balesin Island was declared a tourism zone and its Environmental Compliance Certificate was issued. At the same time, the project's master plan was finalized. In April 2011, the E.L. Tordesillas International Airport concrete runway was started; all 1,520

ABOVE: A VIEW OF THE WHITE-SAND BEACH OF BALESIN VILLAGE
BELOW: REPRESENTATION OF A MYKONOS VILLA; THE MANGROVES NEAR MYKONOS VILLAGE

meters length by 30 meters width was completed in 4 months. By the end of 2011, key infrastructure and services such as the Welcome Pavilion that serves as the airport terminal on the island, warehousing, security, plant nurseries, reverse osmosis plants, the rainwater impounding lakes, and the Balesin Sala restaurant were in place allowing the construction of all six villages to begin in earnest.

Alphaland increased the number of villas and suites from 180 to 251 units, all being constructed simultaneously. Another key addition to the island's facilities is the inclusion of a fully-equipped medical clinic and an air-evacuation option that will ensure the safety, stabilization, and transfer of patients to Manila's top hospitals; a service that no other island destination can match.

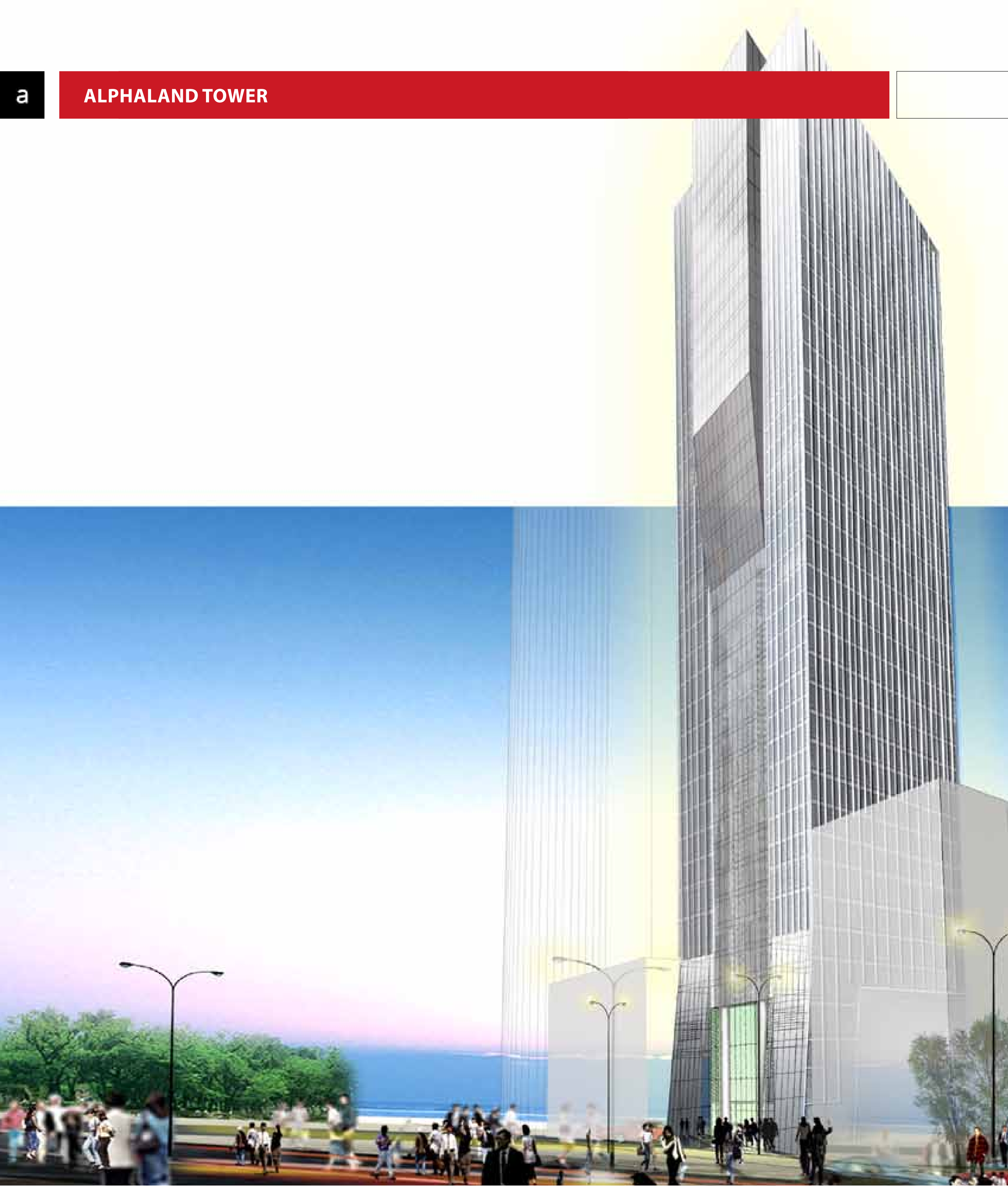
By the first quarter of 2012, the 40 Balesin villas and the Balesin Sala will be operational. The Clubhouse and the destination Spa

ABOVE: THE DESIGN AND AMENITIES OF A BALESIN VILLA GARNERED THE "BEST VILLA DEVELOPMENT" AWARD;
BELOW: THE DECK AND INTERIOR DESIGN OF A BALESIN VILLA

with 10 treatment villas are scheduled for completion in the same period. The Aquatic Sports Center and the Fully Covered Sports Center are under construction, and the Equestrian Center is nearly finished; the horses are already on the island.

Marketing flights have been taking prospective members to the island. Proprietary memberships are being sold by invitation only. It is also worth mentioning that the project won the "Best Villa Development" award in the recently concluded inaugural South East Asia Property Awards held at Hotel Fort Canning in Singapore last November.

Direct flights from Hong Kong are targeted to start by July 2012.



RENDERING OF ALPHALAND TOWER

The Alphaland Tower, at 6789 Ayala Avenue, in the heart of the Makati Central Business District, is the premier high-end corporate office in the Philippines.

Designed by Wong & Ouyang, The Alphaland Tower is the newest of only six premium-grade office buildings in the Makati central business district. It will be the most prestigious business address in the country.

The street entrance leads to a grand lobby, with a 10-meter high ceiling. The lobby is entirely clad in glass, to admit natural light. The 34-storey tower has a gross floor area of 48,000 square meters. Each level has a floor template between 1,100 and 1,600 square meters. The ground and second levels are offered as prime commercial space, while a three-storey penthouse is available as a single lease. The penthouse has its own rooftop gardens and lounge areas. The five-level basement has 480 parking slots. The Alphaland Tower features state-of-the-art conference centers, meeting rooms, dining facilities, and security systems.

The Alphaland Tower features environmentally sustainable technologies and has earned a Pre-certified GOLD rating (Core and Shell) with the United States Green Building Council (USGBC) Leadership in Energy and Environmental Design (LEED) Green Building Rating System. The building's design and features optimize energy performance and improve indoor air quality, which in turn improves the health, comfort, and productivity of its occupants. The use of efficient plumbing design and

EXTERIOR PERSPECTIVE OF ALPHALAND TOWER

ABOVE: RENDERING OF THE ALPHALAND TOWER LOBBY
BELOW: ONGOING CONSTRUCTION OF ALPHALAND TOWER AS OF MARCH 16, 2012

fixtures results in a significant decrease in water consumption.

The Alphaland Tower project is overseen by an outstanding team of builders and designers, in addition to the conceptual architects Wong & Ouyang, including architects of record Rchitect's, Inc., structural engineers SY2 (Formerly Aromin & Sy), plumbing, sanitary, and fire protection engineers NBF Consulting Engineers, mechanical engineers LR Punzalan and Associates, electrical engineers RA Mojica and Partners, project construction managers RM Cabanela Construction Management Co., and environmental sustainability and commissioning authorities Ecosolutions, Inc.

The first concrete pouring ceremony was held in May 2011. Since then, the structure has made extensive progress, with 15 storeys of structure visible along Ayala Avenue and Valero Street. Civil, Structural, and Architectural works have reached a total accomplishment level of 39% as of March 12, 2012. Similarly,

considerable progress has been made for the Mechanical, Electrical, Plumbing, and Fire Protection works.

The structure is expected to be topped off by July 2012. Water-tightness and complete curtain wall installation is scheduled by October 2012. Alphaland Tower has made rapid progress over the year and the building is scheduled to be operational by January 2013.

RENDERING OF BAY CITY AS SEEN FROM MANILA BAY

RENDERING OF THE CITY'S COMMERCIAL AREA AT NIGHT

Alphaland Bay City is a 32-hectare community that will embrace nature and the sea, while coexisting in harmony with modern technology. It will not only be a new place to live, but a new way to live.

Alphaland Bay City is a 32-hectare estate on the Southern coast of Metro Manila, in the city of Parañaque, facing the traditional fishing grounds called Baclaran ("the place of fishtraps"). Alphaland Bay City challenges the paradigm that cities and nature are not compatible. It is a community that turns to and embraces nature and the sea, living in harmony with new technology. It will not only be a new place to live, but a new way to live.

Proximity

Alphaland Bay City is close enough to Makati that the transit is convenient, and yet far enough so that a different quality of life is possible. Today, it takes about 20 minutes to get from Makati's Central Business District to the site of Alphaland Bay City in typical weekday traffic. That's hardly a commute. We see this travel time even improving as certain traffic infrastructures are put in place.

The Bay City experience

Alphaland Bay City is designed in such a way that you won't need a car to get around. Just park at one of our central locations and walk or take a shuttle. Buildings are interconnected by walkways, protecting you from the weather. We did this to make it truly a walking city, and to minimize energy

ABOVE: RENDERING OF A POCKET GARDEN
BELOW: LOCATION MAP OF ALPHALAND BAY CITY

use and pollution, including noise. A broad central park cuts through the entire city in a crescent, not only providing greenery, shade and pleasant public space, but also providing a corridor for wind to circulate. It also allows the buildings to be arranged in a manner that opens the sea view to more of the units, instead of maximizing space utilization in favor of short-term profit. We strongly believe that this kind of planning gives better long-term value to the development as a whole and your property in particular.

The boardwalk is at a slight (about one storey) elevation above sea level that provides privacy and security for the yachts moored at the shore, and a better view of the horizon for strollers. Along the boardwalk, the buildings are low rise: boutiques and nautical shops alternating with open-air cafés, restaurants, terraces, and public squares. A strip of green provides a comfortable running path, and another track, circulating through the park, is reserved for bicycles.

Behind the boardwalk are medium-rise residential buildings, self-contained communities in a prime location, all with magnificent views of the horizon and sunset. The apartments and condominiums are generously proportioned, with high ceilings and broad entertainment spaces.

ABOVE: RENDERING OF THE AERIAL VIEW OF THE BAY CITY SKYLINE
BELOW: THE ENTIRE CITY WAS DESIGNED TO BE PEDESTRIAN-FRIENDLY

The street levels are pedestrian on one side, vehicle traffic at the rear. The ground levels, isolated from the residential floors, will host typical urban commercial outlets, such as convenience stores, laundromats, small eateries, and service offices.

Behind the medium-rise rows are the high-rises, a mix of office and residential. The offices are arranged along the main vehicle thoroughfare, while the residences will face each other across the park, with crossing views of the horizon. The ground levels are commercial, forming an open-air shopping mall. Shops and department stores will ascend to the first few levels.

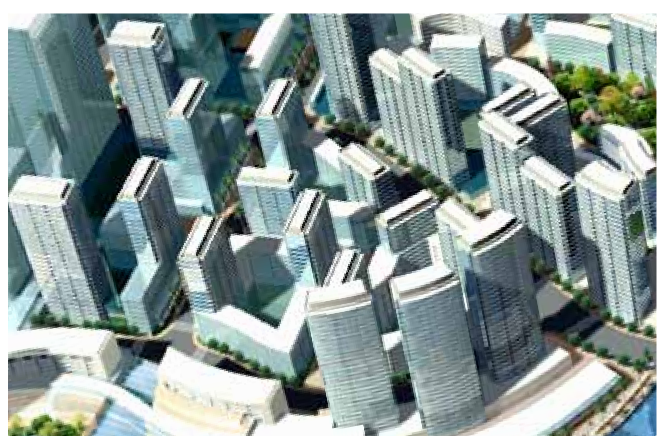
Online when you want it

As an Alphaland Bay City resident, tenant, or Alphaland Marina Club member, you can activate an online account on the Bay City intranet, which you can access from home or on any mobile device, using SMS, the seamless Wi-Fi all over Alphaland Bay City, or via our information desks.

This account allows you to:

- track and pay your charges;
- receive alerts, for instance, if your boat has requested clearance to leave the marina, or if your electrical consumption goes above a certain level;
- check availability and book club facilities, for example, set a hairdresser appointment, make a restaurant reservation, book a cabin cruiser to Corregidor Island for the weekend;
- use our concierge service to access goods or services from our accredited suppliers, for example, send drinks to the park bench where you are holding a meeting, find a technician to fix the depth sounder on your boat, or have drinking water delivered to your apartment;
- see what events are going on at the club and all over Alphaland Bay City;
- see what special offers are available;
- simply check the weather to see if you want to go sailing after work.

Alphaland Bay City will change how you think about city living.



RENDERING OF THE PROMENADE OF THE MARINA CLUB

GUESTS CAN ENJOY RELAXING ON ANY OF THE CLUB'S YACHTS

alphaland MARINA CLUB

The Marina Club is the centerpiece of Alphaland Bay City.

Alphaland Marina Club is an ultramodern yacht club scheduled to open at the end of 2013, located in Parañaque, just south of SM Mall of Asia. Alphaland Bay City, a premium business and residential district, is arranged around the Marina Club's yacht basin, not just for a pleasant panorama, but as a window to nature and the majesty of the sea. Alphaland has set out to create a club that is more than an "amenity" in the parlance of real estate. In fact, we plan to offer some fresh ideas about what a club should be.

Club fleet

Here's our first idea: no need to own a boat. All members of Alphaland Marina Club are issued points per year which they may use to charter boats in the club fleet. These boats are crewed, of modern design, and feature many conveniences. It's just like owning your own fleet of boats, but without the maintenance and administration headaches. You can enjoy the nautical lifestyle with convenience and peace of mind.

Boat owners

For people who already own a boat, The Marina Club provides the safest, most secure, most convenient, cleanest, and most comfortable place to keep a yacht in Manila. The basin has room for about 220 boats of all sizes. All berths can be reached by walking on floating docks, with no need for a service boat. The club will build a team of qualified marine professionals who can maintain members' yachts to their standards, crew the boats for trips, and regularly check on the boats

A FIRST-CLASS FLEET OF VESSELS EXPERTLY MAINTAINED BY A TEAM OF QUALIFIED PROFESSIONALS

when they are on standby. If members have their own crew, the club can provide clean, comfortable quarters and facilities.

Support services

The club will maintain several support vessels to provide services such as waste pumpout and tank cleaning, boat wash, and delivery of heavy items, as well as emergency services, like rescue towing, crash pumping, and firefighting. Small service boats will be available to assist with mooring. A fast rescue boat will be on standby for boats that encounter problems within Manila Bay. Traffic in and out of the marina will be regulated 24/7 by a Port Captain's office.

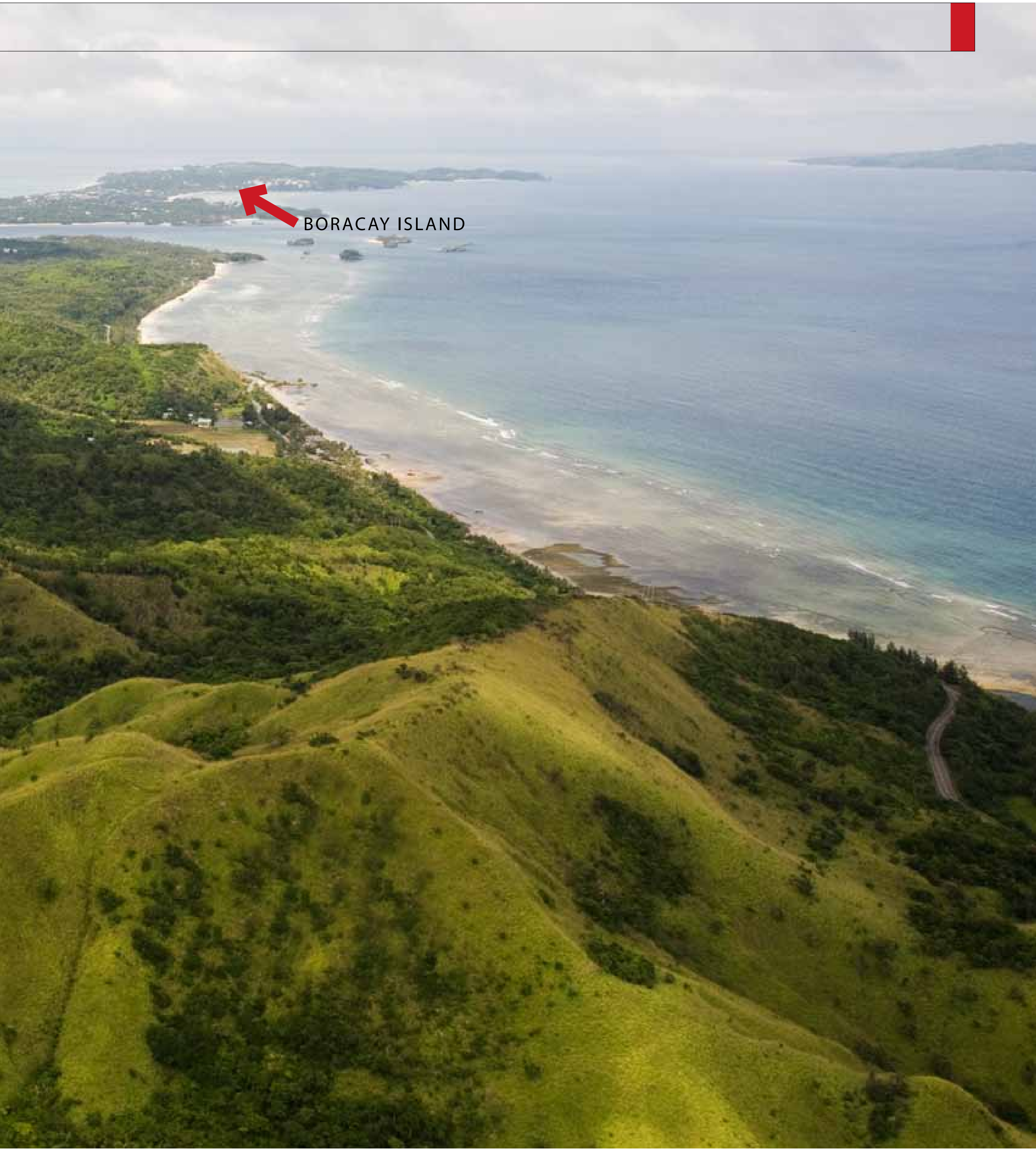
Boat sales

Alphaland will partner with different dealerships, brokerages and suppliers to make available both brand new and pre-owned boats. The marina will have demo boats available for trial. We will create a one-stop shop that provides all items and services necessary for boat ownership, including after-sales support. Soon, buying a boat will be as easy as buying a mobile phone—and could be no more expensive than a second car.

Club facilities

Alphaland Marina Club members and their dependents will have exclusive access to all of our facilities. We will have a swimming pool, a spa, a beauty salon, a barber shop, a game room, a play room, a screening room with state-of-the-art audio and video equipment, karaoke lounges, and a fitness center with studios for aerobic exercise, dance, martial arts, Pilates, and yoga. For your dining pleasure, we will also offer a large banquet-style restaurant and several smaller specialty restaurants and bars, plus a pool with a bar and lounge. And if you can't leave your work, you can also bring it with you as the club will have a business center with a work station café, a library, a secretarial and messaging center, event and meeting rooms, and a cigar bar.

AERIAL VIEW OF THE 500-HECTARE ALPHALAND BORACAY GATEWAY COUNTRY CLUB PROPERTY


BORACAY ISLAND

REPRESENTATION OF THE POLO FIELD

The Alphaland Boracay Gateway Country Club is a 500-hectare estate on the Northern tip of Nabas, Aklan on Panay Island, directly adjacent to Boracay Island, by far the Philippines' most popular beach destination.

Alphaland Boracay Gateway Club recaptures the purity and simplicity of the elemental island life of world-famous Boracay Island as it was 30 years ago, before it became overcrowded.

Alphaland Boracay Gateway Club is located in Caticlan, adjacent to Boracay. It has 1.7 kilometers of powdery white sand beaches, identical to Boracay's, and is surrounded by abundant marine life. The property has a beautifully varied topography of hills, valleys, lakes, springs, waterfalls, and diverse flora and fauna. In particular, the views from the higher points overlooking the sea are breathtaking.

To develop the property, Alphaland entered into a Joint Venture Agreement with Akean Resorts Corporation. Akean is an affiliate of the Prudentialife Group of Companies and is headed by Ambassador Francisco A. Alba.

Boracay Gateway Country Club will be a fully integrated leisure township. It is a master-planned eco-resort community with a wide range of options in the sports, recreation, residential, and retail/commercial areas. The experience will be akin to that of a large New England country estate, with grand villas surrounded by natural expanses, low density development, and assured privacy. The vacation estates will be marketed to affluent individuals, especially those passionate about the sport of polo, as the club will feature an all-weather polo field that can be used year-round. The best part is that, because of the many flights servicing Caticlan,

ABOVE: AERIAL VIEW OF BORACAY GATEWAY
BELOW: VIEW OF THE OCEAN FROM BORACAY GATEWAY; ONGOING CONSTRUCTION OF THE POLO FIELD AND ROADWAYS

access to the estate is extremely convenient, probably quicker than driving from Makati to Quezon City during rush hour, for example. Access to Boracay Island itself will be as quick as a trip to the mall, as the Caticlan jetty is just five minutes away by road and Boracay another five minutes by speedboat.

On March 5, 2010, the Memorandum of Agreement between Akean Resorts Corporation and Alphaland Corporation was signed. The Master Plan for Phase One was completed in June, while the Engineering Plan was done by August. The bulk of the construction equipment and materials arrived in Caticlan in November and construction began immediately.

As of December 2011, Alphaland accomplished 90% excavation of 10 kilometers of roadways, both in the Spine Road and the Village Roads, while preserving the natural terrain and vegetation of the blocks. The earthworks for the polo field, including the major subsurface drainage system, has already been completed. A grass and tree nursery has been started to prepare for the roadway tree planting and Polo field grassing.

RENDERING OF SHANGRI-LA AT THE FORT, THE NEXT PREMIER HOSPITALITY PROPERTY TO BE LOCATED IN FORT BONIFACIO

Shangri-La hotel
AT THE FORT
MANILA

Envisioned as the new flagship luxury development in the Shangri-La portfolio, Shangri-La at the Fort is a premier hospitality property sited within the West Super Block of the Fort Bonifacio Global City development in Taguig City, Metro Manila. Alphaland owns 20% of the equity of Shangri-La at the Fort.

Shangri-La at the Fort is a new multi-use project in Bonifacio Global City. Located on the corner of 5th Avenue and 30th Street, the development, centered by a Shangri-La hotel, will be a hub for business, hospitality, and residential options.

The superstructure will be completed in June 2014, and will consist of four parts. First is the 500-room Shangri-La Hotel. Second are Horizon Homes and The Residences, which will provide longer-term guests with condominium units and serviced apartments. Third is the penthouse Horizon Club and Lounge, exclusive to Horizon Floor members and Horizon Home owners. Fourth is a modern, 10,300 sq. m. Sports Club, which will be a separate brand entity from the hotel.

The Shangri-La Hotel features over 6,800 sq. m. of meeting and banqueting facilities, including a grand ballroom, junior ballroom, 14 function rooms, boardroom, business center, and an individual teleconferencing room. Horizon Homes has its own recreational facilities, including a gymnasium, an outdoor pool, changing facilities, children's play area, and a lounge.

The Horizon Club will offer a host of special amenities, including a lounge for daily breakfast and cocktails, meeting rooms, and express check-in and check-out services. Plans for dining and entertainment options

EXTERIOR PERSPECTIVE OF THE SHANGRI-LA AT THE FORT

ABOVE: 3D RENDERING OF THE SHANGRI-LA AT THE FORT
BELOW: CONSTRUCTION PROGRESS AS OF FEBRUARY 20, 2012

include an all-day café, deli café, specialty restaurant, Chinese restaurant, lobby lounge, poolside bar and barbecue, and an entertainment and bar area that will occupy two levels with private street access. For recreational activities, an extensive sports club will be available that includes swimming pools, an indoor sports hall, boxing and basketball facilities, and several tennis courts; all of which are spread around two large floors. The club will also include a children's Adventure Zone and a Spa.

This project has earned a Gold rating in Leadership in Energy and Environmental Design (LEED). The LEED Consultant will monitor compliance with construction credits. Earthworks and foundation works started in November 2010 and are now complete. Substructure works started in May 2011 and are scheduled to reach level 0-0 by March 2012. Superstructure works will commence immediately after.

For the year 2012, construction milestones will include the topping-off of the podium structure (eight levels) and the ongoing tower works.

Exterior cladding works will also commence within the third quarter of this year. Shangri-la at the Fort is set to open in 2014.

The five existing Shangri-La Hotels in the Philippines all raised the bar for the hotel industry when they were launched. The Shangri-La at The Fort, which will be the largest of these, will once again redefine the industry standard.

2010

March	• Groundbreaking for Alphaland Makati Place. • Contract signing between Alphaland Corporation and AKEAN Resorts Corporation.
April	• Started excavation works for Alphaland Makati Place. • Registration of Alphaland Makati Place with Leadership in Energy and Environmental Design (LEED) including registration with United States Green Building Council (USGBC). • Contract signing between Alphaland Corporation and Balesin Corporation.
May	• Lease signed with Rainmaker Asia for 1,478 sq. m. of the Alphaland Southgate Tower. • Lease signed with Teleperformance for 5,484 sq. m. (additional lease for 5,529 sq. m. added in February 2011).
June	• Completed the master plan for phase one of Boracay Gateway Country Club.
August	• First year anniversary celebration of the Alphaland Southgate Tower. • Completed the engineering plan of Boracay Gateway Country Club.
September	• Applied for pre - certification for Leadership in Energy and Environmental Design (LEED) including registration with United States Green Building Council (USGBC) of Alphaland Tower.
October	• Started dewatering, cleaning, and site preparation for Alphaland Tower.
November	• Started road construction in Boracay Gateway Country Club.
December	• Completed 87% of bulk excavation works of Alphaland Makati Place. • Received SEC registration for, and license to sell, membership shares of The City Club. • 58% increase in foot traffic for the Alphaland Southgate Mall compared to the same month in 2009. • Completed environmental research and development work, including topographic survey, geotechnical investigations, bathymetric surveys, storm surge analysis, and hydrogeological evaluation for Balesin Island. • Secured local permits and approval for ATO Height Clearance and completion of Traffic Impact Analysis Report of Alphaland Tower.

2011

January	• Lease signed with Advanced Contact Solutions, Inc. (ACS) for 7,309 sq. m. in the Alphaland Southgate Tower.
February	• Achieved 82% occupancy for Alphaland Southgate Tower (Alphaland, PhilWeb, Atok-Big Wedge , Teleperformance, ACS, GHD PTY, Rainmaker Asia, Genie Technologies, Jorge Yulo Architects & Associates). • Environmental Compliance Certificate granted by DENR for Balesin Island Club. • Received SEC registration for, and license to sell, membership shares of Balesin Island Club. • Received pre-certified Gold LEED standard rating for Alphaland Tower.
March	• On-going construction of polo field and road network for Alphaland Boracay Gateway Country Club.
April	• Construction and retrofitting of the Alphaland Tower started. • Concreting of the Balesin runway was started.
May	• Conducted the first concrete pouring for Alphaland Makati Place. • Conducted the first concrete pouring for Alphaland Tower.
June	• Completed and launched model units at the 6th floor of the Alphaland Southgate Tower in preparation for the pre-selling of residential units in Makati Place. • Alphaland Balesin Island Resort secured the Certificate of Board Resolution from the Philippine Economic Zone Authority (PEZA) that pre-qualifies its clearance as a Tourist Economic Zone. • Alphaland Makati Place, Inc. acquired the Boy Scouts of the Philippines' 10,000 sq. m. property located along Malugay Street, Ayala Avenue Extension, Makati City.
July	• Completion of Retrofitting Works for Alphaland Tower. • The application of Alphaland Bay City for a Foreshore Lease was approved by the Department of Environment and Natural Resources.
August	• Second year anniversary celebration of the Alphaland Southgate Tower. • The 1,500 m. runway of Balesin Island is now completely concreted. • Construction begins for the villas of the Balesin Village. • Zoning Certification was issued by the Housing and Land Use Regulatory Board for the Alphaland Makati Place. • Price of a City Club share reaches PhP 1,000,000.00.

September	• Alphaland Balesin Island project started selling shares to interested parties. • The 18.75-meter extension of the Balesin runway was completed. • The Welcome Pavilion of Balesin Island was completed. • Permit to Construct the Breakwater for Alphaland Bay City was issued by the Philippine Ports Authority. • Construction of the Balesin Sala and Villa was completed.
October	• Upgrading of two reverse osmosis plants from 20,000 gallons per day to 40,000 gallons per day was accomplished in Balesin Island. • The hangar on Balesin Island was completed.
November	• Alphaland Southgate Tower nears full occupancy as an existing tenant took the remaining space in the 4th floor to increase the total leased area to 97.73%.
December	• Alphaland Southgate Tower reached full occupancy. • Alphaland Makati Place podium reached a 36% level of completion. • Structural work of the 1-BR model unit for Mykonos Village has been completed. • Construction for the Taverna of Mykonos Village was started. • Completed structural/civil works and on-going finishing works for the remaining 33 destination villas of the Balesin Village on Balesin Island.

Ongpin-led Alphaland spending P1.2B on tourism venture

By Neil Jerome C. Morales, BusinessWorld Online

January 24, 2011

Ongpin-led property developer Alphaland Corp. plans to spend as much as P1.2 billion to build new projects and expand existing ones this year.

This year's capital spending will bring the listed company closer to its goal of being a niche player in private and membership-based tourism projects, its top executive said last week.

Alphaland allots P16-B for 4 new projects

By Mary Ann Ll. Reyes, The Philippine Star

February 19, 2011

Publicly-listed Alphaland Corp. is spending at least P16 billion until 2014 on 4 new real estate projects, as the Roberto V. Ongpin-controlled company aims to join the big league in the property sector.

"We will never be all things to all people. But what we do will be unique, and will definitely be done well," Ongpin, Alphaland chairman, said.

Alphaland's net asset value is estimated at P15.87 billion, and its debt-to-equity ratio stands at 20%, making it one of the country's financially strongest and more liquid real estate development firms.

Alphaland okays follow-on offering

By Zinnia B. Dela Peña, The Philippine Star

March 5, 2011

Alphaland Corp. has approved a follow-on offering of shares in the third quarter this year to boost its public float.

In its disclosure to the Philippine Stock Exchange, Alphaland said the share sale is aimed at complying with the bourse's 10-percent minimum public ownership requirement.

At the same time, the company's board approved the issuance to DM Wenceslao & Associates Inc. of 147.375 million common shares, representing 9.35 percent of Alphaland's outstanding capital, at P10 per share.

The board also approved the issuance of a total of 408.15 million shares in favor of some existing shareholders at P10 per share, payable by previously paid deposits.

P5.8B Makati Place project of Alphaland in full swing; First phase to be completed by '12

By Daxim Lucas, Philippine Daily Inquirer

March 9, 2011

Alphaland Corp. said Wednesday that the construction of its mixed-use property development in Makati City is now in full swing, with the first phase slated for completion by next year.

According to Alphaland president Mario Oreta, [the company] will invest a total of P5.8 billion in the project, called The Makati Place, at the former Boy Scouts of the Philippines property on Ayala Avenue Extension. Oreta said that the initial batch of 200 club shares offered at P500,000 has been sold. Another batch of 100 shares will be made available this month at P600,000 each.

Ongpin firm invests P1.5B in urban recreation hub

By Doris Dumlao, Philippine Daily Inquirer

April 03, 2011

Alphaland Corp. has debuted in the urban recreation hub business with a P1.5-billion investment in The City Club, which will rise in the Makati central business district by end-2012.

The strong reception for the club's shares indicated brisk demand for respite in an urban jungle especially among the young upwardly mobile professionals working in Makati. Ongpin's group sees the timing of its entry into this business as "appropriate" as no new facilities of such kind had been built in the metropolis since the completion of the Rockwell Club in 1999 and the Tower Club in 2000.

Robust demand lifts profits of developers

By Neil Jerome C. Morales, Business World

May 05, 2011

Ongpin-led Alphaland Corp. saw its earnings breach the billion-peso mark in 2010 after enjoying less than P100 million beforehand while Anchor Land Holdings, Inc. net income topped the previous year's by more than half.

Alphaland's net income surged to P1.25 billion last year from P73.9 million in 2009. The property developer plans to spend as much as P1.2 billion to build new projects and expand existing ones this year.

Higher rentals lift Alphaland income in Q1

By Neil Jerome C. Morales, Business World

May 24, 2011

Profits of Ongpin-led property firm Alphaland Corp. posted a turnaround in the first quarter on the back of higher rental income, the company said in a financial report.

Tenant occupancy reportedly jumped by 87% for the Alphaland Mall and 82% in Alphaland Southgate Tower, compared with 76% and 10% recorded respectively in the previous year.

Revenues more than doubled to P57.15 million from P22.11 million in the same period last year.

Foot traffic inside the developments also increased by 45% year on year.

The strong revenue flows offset a 74% growth in costs and expenses to P52.51 million from P30.19 million year on year.

Ongpin's Alphaland to spend P4B for capex, eyes share sale

By: Neil Jerome C. Morales, Business World

April 26, 2011

Ongpin-led property firm Alphaland Corp. is spending up to P4 billion for its developments this year with its cash reserves expected to be boosted by a planned share sale, officials yesterday said.

The spending is in line with a P25-billion allotment for the next five to 10 years, the officials said.

It can never be right

By: Manila Bulletin

July 06, 2011

When Bobby Ongpin, former Marcos Trade Minister, told me in an interview about his vision and faith in the Philippine economy, he put his money where his mouth is.

With the financial assistance of his partner, London-based Ashmore Fund Manager, with about US$50 billion in its pocket, RVO, as he is called by his associates, is going full blast with property management under Alphaland with his vice chairman, former finance undersecretary and nephew Eric Recto and Mario A. Oreta, as president.

Ongpin has built Alphaland Southgate Tower and mall, turning an otherwise derelict and abandoned building at the corner of EDSA and the South Superhighway into something that changed the landscape of that area into a prime business and lifestyle hub. With the synergy of Recto and Oreta, RVO has also put up Makati Place, located on a premium one-hectare property along Ayala Avenue Extension corner Malugay Street, where a world-class sports and leisure club - The City Club - will rise and where people of note can have everything they can ask for and more.

Next in line is the Alphaland Tower, along Ayala Avenue at the heart of the Makati Central Business District, which aims to be the premier high-end corporate office in the country.

RVO also has a vision for high-end tourism and leisure by putting up seven or more kilometers of white sand beaches at Balesin Island, 35 kilometers off the eastern coast of Luzon and 25 minutes by plane from Manila. With its small runway being built to accommodate larger planes and private jets, Balesin, with enough accommodation built, promises to be a tourist destination as well.

Alphaland is also building a 32-hectare community between Henry Sy Sr.'s Mall of Asia and Pagcor City but close enough to Makati for commuters. It will surely make the old Manila Yacht Club Jurassic by comparison. It's a mix of office and residential space. The centerpiece of Alphaland Bay City is the Marina club for boat owners and lovers.

Here's something else—the Boracay Gateway Country Club—a 500-hectare estate on the northern tip of Nabas, Aklan on Panay Island, directly adjacent to world-famous Boracay Island. It has the same white and powdery sand beaches as Boracay. Alphaland also has a heavy equipment corporation.

Now, for the clincher—the six-star Shangrila at the Fort of which Alphaland owns 20 percent of the equity. It is now under construction.

People may not know it, but RVO is also deputy chairman of the South China Morning Post, the largest English language circulated newspaper in Hong Kong.

Best liked, so far

By Emil Jurado, Manila Standard Today
August 05, 2011

With Alphaland as his flagship project, and with Mario Oreta as president, Bobby is going places in tourism. He is building a leisure sports complex cum residence and commercial establishments, with a shopping center ready for occupancy by year-end.

This is the Makati Place located at a premium one-hectare property along Ayala Avenue Extension corner Malugay Street, a Boy Scout property where Goodrich used to be.

Makati Place will house City Club aimed for those who long for a place for an integrated urban solution, and for those who need relaxation. It will have all the luxuries and amenities one can ask for. Shares are now priced at P900,000 each and are going very fast. Oreta tells me that price per share may soon hit P1 million.

Alphaland has other projects on stream-the Alphaland Tower along Ayala Avenue, in the heart of Makati's Central Business District aimed to be the high-end and premiere corporate office; Alphaland Bay City, off Mall of Asia, a 32-hectare community with the Marina Club as its centerpiece; the Alphaland Boracay Country Club in an island nearby the famous Boracay; a six-star Shangri-la Hotel at The Fort which is 20 percent owned by Alphaland.

Alphaland seeks P6b in sales from new project

By Jenniffer B. Austria, Manila Standard Today

September 12, 2011

Alphaland Corp. expects to generate up to P6 billion in sales from the upcoming two-tower high-end residential project in Makati.

[According to] Alphaland president Mario Oreta, the company would offer 450 residential units for the first two towers. The company will build the towers on top of a club and shopping mall.

Why tourism remains below target

By Emil Jurado, Manila Standard Today

September 29, 2011

"...Speaking of tourism, an upcoming destination that the country could be proud of is Alphaland's Balesin Island Club. With more than seven kilometers of white-sand beaches, Balesin Island sits on the Pacific Ocean, 35 kilometers off the eastern cost of Luzon. It is only 25 minutes by plane from Manila.

According to Alphaland President/CEO Mario A. Oreta, Balesin Island Club will be a gateway destination for those who want to enjoy modern comforts in a uniquely designed, exclusive island paradise with its 425-hectare island resort patterned after some of the most luxurious beach resorts around the world—Mykonos, St. Tropez, the Costa Smeralda, Bali and Phuket. An airport with a 1.5-kilometer concrete runway is now being built. This can accommodate regional aircrafts as well as private jets. The luxurious Balesin Clubhouse is scheduled for completion by May 2012, and the runway will be usable by private jets by then, Oreta said.

Ongpin remains upbeat about Balesin Island and all the developments of Alphaland. At 74, Ongpin cannot seem to stop inviting foreign investors to the country.

That's what this country needs—people like Ongpin who believe in the Philippines and its future. This despite all the pitfalls thrown along his way...."

To The Point

By Emil Jurado, Manila Standard Today

November 11, 2011

"...My colleague Babe Romualdez who writes a column—in fact two columns in another newspaper—says that members of the Philamlife-owned Tower Club are now regretting buying membership shares there. Amenities and services in that exclusive and elitist club—where a share is valued at P600,000—are deteriorating.

Romualdez adds that many Tower Club members are now looking forward to the opening of the City Club at the corner of Ayala Avenue and Malugay Street. This can make the Tower Club look like a sari-sari store. City Club will boast of all the services and amenities that mark the lifestyle of the rich and famous.

According to Mario Oreta, president of Alphaland Corp., City Club shares are now going at P1 million—and still rising. Construction is in full swing. The establishment will open its doors early next year.

I cannot blame members of Tower Club from getting frustrated. They are now looking forward to becoming members of the City Club."

MANAGEMENT TEAM

LEFT TO RIGHT: MARIO A. ORETA, PRESIDENT; FERNANDO R. SANTICO, CHIEF OPERATING OFFICER AND EVP FOR PROJECT MANAGEMENT & DEVELOPMENT; MARRIANA H. YULO, CHIEF FINANCE OFFICER; MICHELLE S. ONGPIN, ASSISTANT TO THE CHAIRMAN/SVP FOR CORPORATE COMMUNICATIONS; RODOLFO MA. A. PONFERRADA, CORPORATE SECRETARY & GENERAL COUNSEL

LEFT TO RIGHT: JOANNA O. DUARTE, VP FOR SALES AND MARKETING; MARIANNA M. ONGPIN, VP FOR LEASING; RAFAEL G. ONGPIN, PROJECT DIRECTOR FOR ALPHALAND BAY CITY & ALPHALAND MARINA CLUB; MICHAEL A.P. ASPERIN, ASSISTANT TO THE CHAIRMAN

MANAGEMENT TEAM

LEFT TO RIGHT: JOSE LUIS W. ONGPIN, VP FOR SALES; NICK M. CELDRAN, VP FOR CLUB MANAGEMENT AND OPERATIONS; SARAH B. CAMPANILLA, PROJECT DIRECTOR FOR ALPHALAND MAKATI PLACE; KENNETH A. GO, VP FOR PLANNING & DESIGN; LUIS R. VILLANUEVA, PROJECT DIRECTOR FOR ALPHALAND MAKATI TOWER

LEFT TO RIGHT: ENRICO M. SISON, CONSULTANT FOR INTERIOR DESIGN; JOSEFINO B. SIASAT, PURCHASING HEAD; ALEJANDRO B. HONTIVEROS, PROJECT DIRECTOR FOR ALPHALAND BORACAY GATEWAY COUNTRY CLUB; RAMONITO E. DAZ, AVP FOR PLANNING & DESIGN; MARCO L. DIAZ, DIRECTOR FOR TOURS AND LAND CONSOLIDATION;

ROBERTO V. ONGPIN was elected Director and Chairman of the Board on November 11, 2009. He is also the Chairman of the following Philippine-listed Corporations: ISM Communications Corporation, PhilWeb Corporation, Atok-Big Wedge Co., Inc., Philippine Bank of Communications (PBCom) and a Director of San Miguel Corporation, Ginebra San Miguel, Inc. and Petron Corporation. In Hong Kong, he is the Non-Executive Director of Shangri-La Asia and the Deputy Chairman of the South China Morning Post, both listed in the Hong Kong Stock Exchange. He is also the Chairman of Acentic GmbH (Germany) and a Non-Executive Director of Forum Energy PLC (United Kingdom). Mr. Ongpin joined SGV & Co. in 1964 and was Chairman and Managing Partner of the firm from 1970 to 1979. He served as the Minister of Trade and Industry of the Republic of the Philippines from 1979 to 1986. Mr. Ongpin graduated cum laude in Business Administration from the Ateneo de Manila University, is a Certified Public Accountant and has an MBA from the Harvard Business School.

ERIC O. RECTO was elected Director on November 11, 2009, appointed Corporate Information Officer on November 18, 2009, and elected Vice Chairman on December 8, 2009. He is also the Co-Chairman of the Philippine Bank of Communications, the Vice Chairman and Director of PhilWeb Corporation and Atok-Big Wedge Co., Inc., the President and Director of Petron Corporation and ISM Communications Corporation, a Director of Manila Electric Company, San Miguel Corporation, a Member of the Board of Supervisors of Acentic GmbH, and the President and Director of Top Frontier Investment Holdings, Inc., and Q-Tech Alliance Holdings, Inc. Prior to joining the Company, Mr. Recto served for three years as an Undersecretary of the Department of Finance of the Philippine Government in charge of handling both the International Finance Group and the Privatization Office. Before his work with the government, he was the CFO of Alaska Milk Corporation and prior to that, Belle Corporation. Mr. Recto has a degree in Industrial Engineering from the University of the Philippines as well as an MBA from the Johnson School, Cornell University.

MARIO A. ORETA was elected Director on November 11, 2009 and President on December 8, 2009. He is also currently the President and a Director of Alphaland Development, Inc., Alphaland Balesin Island Resort Corporation, Alphaland Makati Place, Inc., Alphaland Makati Tower, Inc., The City Club at Alphaland Makati Place, Inc., Alphaland Balesin Island Club, Inc., Alphaland Marina Corporation, Alphaland Marina Club, Inc., Aklan Boracay Properties, Inc. and Alphaland Property Management Corporation; the Vice Chairman and a Director of Alphaland Heavy Equipment Corporation and Alphaland Reclamation Corporation; and Chief Operating Officer of Jet Eagle International Limited, Inc. He is Chairman of Major Holdings, Inc., Major Properties, Inc. and Major Homes, Inc. He is also a Director of PhilWeb Corporation, ISM Communications Corporation, and Atok-Big Wedge Co., Inc. Mr. Oreta graduated with honors from the Ateneo De Manila University with a degree in Bachelor of Laws and immediately joined the law firm of Siguion Reyna, Montecillo and Ongsiako. He was also the founder and managing partner of Tanjuatco Oreta and Factoran Law Offices.

MICHELLE S. ONGPIN was elected Director on May 26, 2011. Ms. Ongpin is also a Director of Atok-Big Wedge Co., Inc. and a Senior Vice President of Alphaland Corporation, PhilWeb Corporation, Atok-Big Wedge Co., Inc., and ISM Communications Corporation. She has an MA in Communication Sciences from the University of Vienna and a postgraduate degree from the Diplomatic Academy in Vienna.

MARRIANA H. YULO was elected Director last May 26, 2011. She is currently the Chief Finance Officer of Alphaland Corporation and the Head of Corporation Finance for PhilWeb Corporation, ISM Communications Corporation, and Atok-Big Wedge Inc. She graduated with a degree in Business Administration, major in Management at Palawan State University. She also holds an MBA from the University of St. La Salle and has successfully completed Level I of the Chartered Financial Analyst Program.

CRAIG WEBSTER was elected Director on November 27, 2009. In January 2005, he joined Ashmore Group and most recently became a member of its Special Situations Group, focusing on investments in Asia and Latam. Prior to this, he was head of Ashmore's Legal and Transaction Management Department, managing a team of 10 lawyers, and in this role was also a member of the firm's Risk and Compliance Committee. Mr. Webster started his career as a Corporate Finance and Restructuring Lawyer before moving to Ashmore to focus on investments in emerging markets. He has a BA (Hons, First Class) in Marketing from Stirling University and qualified as a solicitor of the Supreme Court of England and Wales in 1998. He also acts as a Director on various Ashmore portfolio companies.

PETER DAVIES was elected Director on December 20, 2011. Mr. Davies is a British citizen and received an Honours degree from the University of London in 1985 (History) and subsequently studied to become a Chartered Surveyor receiving his professional qualifications (Member of the Royal Institution of Chartered Surveyors) in 1990. He has been employed in the real estate business since 1988 and has worked for a number of fund management businesses specializing in real estate including ING Real Estate and Goodman.

FERNANDO ROXAS SANTICO, JR. was elected a Member of the Board of Directors on May 26, 2011. He is currently the Chief Operating Officer (COO) and Executive Vice President (EVP) for Project Management and Development of Alphaland Corporation. As COO, he provides the overall coordination for all company projects from project conceptualization to the master planning and development of the engineering system architecture. He currently handles the following projects of Alphaland Corporation: Alphaland Balesin Island Club, Alphaland Tower, Alphaland Makati Place, Boracay Gateway Country Club and Alphaland Bay City. Prior to joining the Alphaland Group, he was with Belle Corporation as the overall-in-charge of the development of Tagaytay Highlands from inception until 2005 before becoming the President of Thunderbird Poro Development Ventures, Inc. He graduated from De La Salle College with a Bachelor of Science in Business Administration. He holds an MBA from the Asian Institute of Management and ranked 2nd place in the Government Licensure Examination held in 2004.

DELFIN J. WENCESLAO, JR. was elected Director of the Company on May 26, 2011. He is presently the Chairman and President of D.M. Wenceslao & Associates, Inc., Aseana Holdings Inc., the President and Director of Bay Dredging, Inc. and Bay Resources and Development Corporation, the Managing Director of R-I Consortium and a Director of Private Infrastructures Development Corp. (PIDC), PhilWeb Corporation, and Atok-Big Wedge Co., Inc. He is also the Chairman of the Capitol Jaycee Senate foundation and the Katipunan ng Mamamayan ng Bagong Parañaque. Mr. Wenceslao graduated from the Ateneo de Manila University with a Bachelor of Science Degree in Economics (1964) and earned his MBA and DBA from the Pamantasan ng Lungsod ng Maynila.

MARGARITO B. TEVES was elected Independent Director on May 26, 2011 and assumed this position on July 1, 2011. Mr. Teves is currently the Chairman of Think Tank, Inc., Member of the Board of Advisers of Metro Bank and Trust Company and Member of the Board of Directors of Landbank Countryside Development Foundation. He was formerly Secretary of the Department of Finance, Landbank President and CEO and a Member of the House of Representatives (representing the 3rd District of Negros Oriental). He obtained a Higher National Diploma (HND) in Business Studies, equivalent to a BSC in Business Economics from the City of London College and a Master of Arts (MA) in Development Economics from the Center for Development Economics, Williams College, Massachusetts, USA. He was recently conferred an Honorary Degree, Doctor of Laws, by Williams College, and named Senior Adviser to the China-Asean Economic and Culture Research Center and Visiting Professor at the Guilin University of Electronic Technology in China.

MARIO J. LOCSIN was elected Independent Director of the Company on November 11, 2009. He is also currently the President and Director of Atok-Big Wedge Co., Inc., Director and Executive Vice President of ISM Communications Corporation, Vice Chairman and Director of the Philippine Bank of Communications, Director of PhilWeb Corporation, as well as the President of Alphaland Heavy Equipment Corporation and Inpilcom, Inc. In the past, he served as the President and COO of Eastern Telecommunications Philippines, Inc., a Director of Belle Corporation, APC Group, Southwest Resources, Philippine Long Distance Telephone Co., and Pilipino Telephone Co., as well as a Director, Executive Vice President, and COO of Philippine Airlines. Mr. Locsin is also a consultant of Acentic Asia Ltd. He holds a degree in LIA-Honors Math from De La Salle University and a degree of Masters in Business Administration from the University of San Francisco.

DENNIS O. VALDES was elected Treasurer on November 11, 2009. Mr. Valdes is presently the President and Director of PhilWeb Corporation and a Director of ISM Communications Corporation. He also serves as Director and Treasurer of Atok-Big Wedge Co., Inc. His previous work experience includes 10 years with the Inquirer Group of Companies, as Director of the newspaper, and also expanding their Internet, printing, and ink-making operations. Prior to that he spent six years with The NutraSweet Company developing their business in Asia. He is a Certified Public Accountant, graduated magna cum laude in Business Administration and Accountancy from the University of the Philippines, and has an MBA from the Kellogg School of Management, Northwestern University.

RODOLFO MA. A. PONFERRADA was elected Corporate Secretary on November 11, 2009 and was appointed Corporate Information Officer on November 18, 2009. He is also the Corporate Secretary and a Corporate Information Officer of ISM Communications Corporation, Atok-Big Wedge Co., Inc., and the Philippine Bank of Communications, a Senior Vice President of Philweb Corporation, and a Member (representing the private sector) of the Board of Directors of the Social Housing Finance Corporation. Mr. Ponferrada is a Member of the Philippine Bar.

JOSEPHINE A. MANALO was appointed Corporate Information Officer on November 18, 2009. Ms. Manalo is presently connected with PhilWeb Corporation as Executive Assistant to the Chairman. She is also working in various capacities for Mr. Roberto V. Ongpin's Group of Companies. She has a Bachelor of Science in Business Administration degree from St. Theresa's College, Manila.

JOVITA D.S. LARRAZABAL was elected Assistant Corporate Secretary and Corporate Information Officer on May 26, 2011. She is also currently the Assistant Corporate Secretary, Corporate Information Officer, and Legal Counsel of ISM Communications Corporation. Prior to joining the group, she was an associate of SyCip Salazar Hernandez & Gatmaitan and Martinez Vergara Gonzalez & Serrano. Ms. Larrazabal holds a Juris Doctor degree from the Ateneo De Manila University - Law School and a Bachelor of Arts degree major in Management Economics from the Ateneo De Manila University - College of Arts and Sciences. She is a Member of the Philippine Bar.

JESUSA LORETO A. ARELLANO-AGUDA was elected Assistant Corporate Secretary and Corporate Information Officer on May 26, 2011. She also serves as Legal Counsel of Alphaland Development, Inc., and Assistant Corporate Secretary and Corporate Information Officer of Atok-Big Wedge Co., Inc. Prior to joining the group, she was associated with SyCip Salazar Hernandez & Gatmaitan, the Court of Tax Appeals, and SyCip Gorres Velayo & Co. Mrs. Arellano-Aguda holds a Juris Doctor degree from the University of the Philippines College of Law and a Bachelor of Science degree major in Business Administration and Accountancy from the University of the Philippines College of Business Administration. She is a Member of the Philippine Bar and a Certified Public Accountant.

JAN 24, 2011 Alphaland Corporation ("ALPHA") responded to the Philippine Stock Exchange (the "Exchange") regarding a news article entitled "Ongpin-led Alphaland spending P1.2B on tourism ventures" published in the January 24, 2011 issue of BusinessWorld. The accuracy of the article was confirmed but the stated amount in the news article may increase substantially due to the number of projects so specific information regarding ALPHA's investments could not be given yet.

FEB 21, 2011 ALPHA responded to the Exchange in a letter regarding a news article entitled "Alphaland allots P16B for 4 new projects" posted in philSTAR.com on February 19, 2011. The accuracy of the article was confirmed but with clarification that the correct debt-to-equity ratio of the company is 11% and not 20% as stated in the article. The correct ownership structure was also given.

MAR 3, 2011 ALPHA informed the Exchange that it authorized the issuance of One Hundred Forty Seven Million Three Hundred Seventy Five Thousand Seven Hundred (147,375,700) common shares from the unissued portion of its authorized capital stock at an issue price of Ten Pesos (PhP 10.00) per share to D.M. Wenceslao & Associates, Inc. ("DMWAI").

On the same date, it also approved the issuance of Four Hundred Eight Million One Hundred Fifty Thousand Two Hundred Sixty Four (408,150,264) shares in favor of Masrickstar Corporation, Alphaland Holdings (Singapore) Pte Ltd, Boerstar Corporation and Azurestar Corporation, who are all existing shareholders of ALPHA, at the same subscription price of Ten Pesos (PhP 10.00) per share.

Lastly, it approved the appointment of Ms. Marriana H. Yulo as Chief Finance Officer to replace Mr. Raul C. Pagdanganan, effective March 16, 2011.

MAR 29, 2011 ALPHA set the Annual Meeting of the Stockholders on May 26, 2011 at 2:00 p.m. at the Tents, 6th floor, Alphaland Southgate Mall, 2258 Chino Roces Avenue corner EDSA, Makati City. The record date for stockholders who will be eligible and entitled to vote at the said meeting was set to April 12, 2011.

MAY 4, 2011 ALPHA informed the Exchange that the issuance of common shares to DMWAI resulted in changes to the capital stock structure. Outstanding shares increased to One Billion Five Hundred Seventy Five Million Seven Hundred Forty Eight Thousand One Hundred Eighty Seven (1,575,748,187).

MAY 26, 2011 ALPHA informed the Exchange of the results of the annual stockholders' meeting held earlier that afternoon. Specifically, it informed the Exchange of the stockholders' approval of (a) the Company's issuance of the Four Hundred Eight Million One Hundred Fifty Thousand Two Hundred Sixty Four (408,150,264) shares in favor of some of the existing shareholders of ALPHA at the same subscription price of Ten Pesos (PhP 10.00) per share, (b) the waiver of the conduct of a stock rights offering required by the PSE Revised Listing Rules in connection with the said issuance, (c) authorization of the conduct of a follow-on offering for compliance with the minimum public ownership requirement, subject to favorable market conditions, and (d) election of the board of directors for the current year. Elected members of the Board of Directors were: Messrs. Roberto V. Ongpin, Eric O. Recto, Mario A. Oreta, Thomas Donnelly, Michael Moody, Fernando R. Santico, Jr., Dennis O. Valdes, Craig Webster, Delfin J. Wenceslao, Jr., Mario J. Locsin (independent) and Margarito B. Teves (independent) as well as Mmes. Michelle S. Ongpin, Belinda L. Herrera and Marriana H. Yulo.

At the Organizational Meeting of the Board of Directors held immediately afterwards, Mr. Ongpin was elected Chairman of the Board and CEO, Mr. Recto as Vice Chairman and Atty. Oreta as President. Other corporate officers and the members of the various board committees were also elected.

MAY 27, 2011 ALPHA informed the Exchange that SGV & Co. was reappointed as the company's external auditor during the Annual Stockholder's Meeting.

OCT 4, 2011 ALPHA informed the Exchange on the resignation of Ms. Belinda L. Herrera, effective 30 September, 2011, as a member of the company's Board of Directors and as the company's Executive Vice President for Sales, Marketing, and Leasing.

DEC 20, 2011 ALPHA informed the Exchange of the election of Mr. Peter Davies as a member of the Board of Directors to replace Mr. Moody, effective December 20, 2011.

2011 FINANCIAL HIGHLIGHTS

- Alphaland Corporation's (ALPHA) Total Assets grew by PhP 15.8 billion or 88%, from PhP 18.0 billion in December 31, 2010 to PhP 33.9 billion by December 31, 2011 as the combined fair value of available-for-sale (AFS) investments in The City Club at Alphaland Makati Place, Inc. (TCCAMPI) and Alphaland Balesin Island Club, Inc. (ABICI), Alphaland Marina Club, Inc. (AMCI) and Wack Wack Golf and Country Club, Inc. increased from PhP 11.6 million to PhP 10.7 billion. Investment Properties and Land and Development costs also went up by PhP 2.7 billion and PhP 685.9 million, respectively, resulting from extensive project constructions and appreciation of fair value of investment properties.

- Total Equity saw a significant increase of PhP 11.0 billion (82%), from PhP 13.3 billion in 2010 to PhP 24.3 billion in 2011. Comprising the significant increase in 2011 were the additional shareholders' infusions in January 2011 in the amount of PhP 2.0 billion and unrealized gains on AFS investments that jumped from PhP 1.0 million in 2010 to PhP 7.1 billion at the end of 2011.

- The company's debt level is higher in 2011 primarily from partial availment of long-term loans for Alphaland Makati Tower, Inc. (AMTI) in the amount of PhP 1.0 billion and for Alphaland Makati Place, Inc. (AMPI) in the amount of PhP 600 million. Long-term debt, including current portion, ends at PhP 3.1 billion. Liability related to acquisition of AFS investments, also amounting to PhP 2.2 billion (current and non-current), refers to the construction of the two clubs, TCCAMPI and ABICI.

- Cash balance ends at PhP 1.0 billion in 2011, an 85% increase from 2010's PhP 566.6 million.

- 2011 Net Income for ALPHA amounts to PhP 1.9 billion, as lower costs and gains from sale of shares pushes the bottomline 6% higher. Gains from sale of club shares are PhP 208.6 million, while gains from fair value change of investment properties contributed PhP 2.4 billion to ALPHA's earnings. Total Revenue for 2011 reached PhP 413 million, surpassing 2010's PhP 184.3 million. The company also reduced its Costs and Expenses by 1% to PhP 300.8 million, compared to 2010's PhP 298.7 million.

- ALPHA improves liquidity in 2011 with a Current Ratio of 1.20, from 2010's 1.12, while Debt to Equity Ratio reduced to 12% from 13%.

OTHER HIGHLIGHTS

- **January 28, 2011**: ALPHA receives approximately PhP 1.9 billion in Deposits for Future Stock Subscriptions from its major shareholders.

- **August 12, 2011**: AMPI, ABIRC and Alphaland Marina Corp (AMC) each enter into a Deed of Assignment with Alphaland Property Management Corp (APMC) for the assignment of all their common shareholdings in TCCAMPI, ABICI and Alphaland Marina Club, Inc. (AMCI), respectively.

- **December 5, 2011**: AMPI receives temporary license to sell its prime residential units in Alphaland Makati Place.

- **December 28, 2011**: Alorica Pacific Rim signs contract to take the remaining office space in Alphaland Southgate Tower, bringing the Tower's lease rate to a full 100%.

- **December 31, 2011:** Sale Activity - A total of 237 Balesin shares were sold only after 3 months from acquiring the license to sell. Shares sold in October went for PhP 1 million each and PhP 2 million for those sold in November and December. The City Club also saw high interest as 315 shares were sold by year-end 2011, including shares attached to the Alphaland Makati Place residential units.

alphaland
CORPORATION

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA Greenhills
Mandaluyong City

Gentlemen:

The management of Alphaland Corporation and Subsidiaries is responsible for the preparation and fair presentation of the consolidated financial statements for the years ended 31 December 2011 and 2010, including the additional components attached therein, in accordance with the prescribed financial reporting framework indicated therein. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

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

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

15 February 2012

ROBERTO V. ONGPIN
Chairman of the Board

MARIO A. ORETA
President

MARRIANA H. YULO
Chief Financial Officer

SUBSCRIBED AND SWORN to before me this MAR 02 2012 at Makati City, affiants exhibiting to me their respective identification documents, and personally known to me, follows:

Roberto V. Ongpin	PP # XX4358826 - 13 AUG. 2009 / DFA-MANILA
Mario A. Oreta	PP # EB 0611940 - 22 JULY 2010 / DFA- MANILA
Marriana H. Yulo	PP # XX 4182705 - 17 JULY 2009 / DFA - MANILA

MARIANO T. VILLAFRANCA II
Notary Public Makati City
Appointment No. M-444 Until Dec. 31, 2012
Roll of Attorney 50927
PTR No. [illegible]; 01/12/2012; Makati City
IBP No. [illegible]; 12/2012; Makati City
[illegible] Corporation
[illegible] Alphaland Southgate Tower
2258 Chino Roces Ave. cor. EDSA, Makati City

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Series of 2012

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

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Alphaland Corporation

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

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

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

SYCIP GORRES VELAYO & CO.

Maria Vivian C. Ruiz
Maria Vivian C. Ruiz
Partner
CPA Certificate No. 83687
SEC Accreditation No. 0073-AR-2 (Group A), February 4, 2010, valid until February 3, 2013
Tax Identification No. 102-084-744
BIR Accreditation No. 08-001998-47-2009, June 1, 2009, valid until May 31, 2012
PTR No. 3174823, January 2, 2012, Makati City

February 15, 2012

ALPHALAND CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31	
	2011	2010
ASSETS		
Current Assets		
Cash and cash equivalents (Note 6)	**₱975,055,018**	₱566,642,921
Trade and other receivables (Note 7)	**167,723,644**	60,031,010
Land and development costs (Notes 8 and 17)	**685,887,592**	–
Advances to related parties (Note 19)	**24,929,300**	102,674,638
Other current assets (Notes 9 and 14)	**1,800,262,928**	421,889,044
	3,653,858,482	1,151,237,613
Assets held for sale (Note 5)	**–**	571,427,261
Total Current Assets	**3,653,858,482**	1,722,664,874
Noncurrent Assets		
Investments in and advances to associates (Notes 10 and 19)	**928,511,430**	757,470,866
Available-for-sale (AFS) investments (Notes 4 and 11)	**10,747,425,000**	11,600,000
Investment properties (Notes 4, 12 and 17)	**18,046,169,798**	15,337,579,953
Property and equipment (Notes 13 and 20)	**351,201,224**	110,925,870
Other noncurrent assets (Notes 4, 7 and 14)	**128,420,211**	44,471,573
Total Noncurrent Assets	**30,201,727,663**	16,262,048,262
	₱33,855,586,145	₱17,984,713,136
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Notes 11 and 15)	**₱2,309,283,083**	₱437,002,691
Loans payable (Note 16)	**–**	128,000,000
Current portion of long-term debt (Note 17)	**193,750,100**	137,499,100
Current portion of customers' deposits (Note 20)	**19,551,074**	9,412,959
Advances from related parties (Note 19)	**9,297,589**	10,347,098
Subscription payable (Note 4)	**523,549,500**	523,549,500
	3,055,431,346	1,245,811,348
Liabilities directly associated with assets held for sale (Note 5)	**–**	292,382,542
Total Current Liabilities	**3,055,431,346**	1,538,193,890
Noncurrent Liabilities		
Long-term debt - net of current portion (Note 17)	**2,833,716,202**	1,459,168,417
Customers' deposits - net of current portion (Note 20)	**57,995,948**	40,251,703
Retirement benefits obligation (Note 22)	**10,032,206**	4,919,700
Deferred tax liabilities (Note 23)	**3,115,165,012**	1,592,577,535
Obligation under finance lease - net of current portion (Note 20)	**3,790,556**	4,932,788
Other noncurrent liabilities (Notes 11 and 20)	**441,669,208**	–
Total Noncurrent Liabilities	**6,462,369,132**	3,101,850,143
Equity Attributable to Equity Holders of the Parent		
Capital stock (Notes 1 and 18)	**1,838,370,551**	1,429,220,287
Additional paid-in capital (Note 18)	**9,672,052,401**	5,998,700,015
Deposits for future stock subscriptions (Note 18)	**–**	2,147,819,426
Gain on sale of preferred shares of a subsidiary (Note 4)	**–**	2,559,163
Unrealized valuation gains on AFS investments (Note 11)	**7,129,834,932**	1,000,000
Excess of acquisition price over acquired interest (Note 4)	**(159,018,215)**	(159,018,215)
Retained earnings (Note 18)	**5,857,759,524**	3,921,710,715
	24,338,999,193	13,341,991,391
Less cost of 423,900 shares in treasury (Note 18)	**1,213,526**	1,213,526
	24,337,785,667	13,340,777,865
Non-controlling Interests (Note 4)	**–**	3,891,238
Total Equity	**24,337,785,667**	13,344,669,103
	₱33,855,586,145	₱17,984,713,136

See accompanying Notes to Consolidated Financial Statements.

ALPHALAND CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2011	2010	2009 (Note 2)
REVENUES			
Rent (Notes 12 and 20)	**₱257,730,242**	₱110,045,959	₱32,734,478
Others (Note 12)	**155,294,045**	74,218,351	6,761,828
	413,024,287	184,264,310	39,496,306
COSTS AND EXPENSES (Note 21)	**300,848,420**	298,670,905	130,920,529
OTHER INCOME (EXPENSES)			
Gain on fair value change of investment properties (Note 12)	**2,356,792,867**	958,615,184	298,902,598
Gain on sale of AFS investments (Notes 1 and 11)	**208,631,416**	–	–
Interest expense and other finance charges (Notes 16, 17 and 21)	**(71,406,981)**	(93,676,292)	(28,873,000)
Interest income (Notes 6 and 9)	**44,887,264**	7,810,466	6,213,567
Gain on loss of control (Note 4)	**8,939,415**	–	–
Loss on sale of an investment (Note 5)	**(1,298,081)**	–	–
Foreign exchange gain (loss) - net	**53,223**	(5,720,557)	(2,201)
Equity in net income of associates (Note 10)	**48,567**	27,044,818	3,486,918
Gain on bargain purchase (Note 4)	**–**	761,886,845	–
Others - net	**–**	(5,030,352)	241,249
	2,546,647,690	1,650,930,112	279,969,131
INCOME BEFORE INCOME TAX FROM CONTINUING OPERATIONS	**2,658,823,557**	1,536,523,517	188,544,908
PROVISION FOR INCOME TAX (Note 23)			
Current	**5,220,444**	1,967,708	6,565
Deferred	**730,461,376**	311,030,730	114,617,926
	735,681,820	312,998,438	114,624,491
NET INCOME FROM CONTINUING OPERATIONS	**1,923,141,737**	1,223,525,079	73,920,417
INCOME FROM DISCONTINUED OPERATIONS (Note 5)	**12,907,072**	26,336,041	–
NET INCOME	**1,936,048,809**	1,249,861,120	73,920,417
OTHER COMPREHENSIVE INCOME			
Unrealized valuation gains on AFS investments (Note 11)	**6,416,346,189**	1,000,000	–
Income tax effect	**(641,634,619)**	–	–
	5,774,711,570	1,000,000	–
TOTAL COMPREHENSIVE INCOME	**₱7,710,760,379**	₱1,250,861,120	₱73,920,417
Net income attributable to:			
Equity holders of the Parent	**₱1,936,048,809**	₱1,246,756,322	₱71,147,021
Non-controlling interests	**–**	3,104,798	2,773,396
	₱1,936,048,809	₱1,249,861,120	₱73,920,417
Total comprehensive income attributable to:			
Equity holders of the Parent	**₱7,710,760,379**	₱1,247,756,322	₱71,147,021
Non-controlling interests	**–**	3,104,798	2,773,396
	₱7,710,760,379	₱1,250,861,120	₱73,920,417
Basic/Diluted Earnings Per Share (Note 24)			
Income from continuing operations attributable to equity holders of the Parent	**₱1.096**	₱0.882	₱0.056
Net income attributable to equity holders of the Parent	**₱1.103**	₱0.901	₱0.056

See accompanying Notes to Consolidated Financial Statements.

ALPHALAND CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2011, 2010 AND 2009

	Attributable to Equity Holders of the Parent											
	Capital Stock	Additional Paid-in Capital	Equity Reserves	Deposits for Future Stock Subscriptions	Gain on Sale of Preferred Shares of a Subsidiary	Unrealized Valuation Gains on AFS Investments	Excess of Acquisition Price over Acquired Interest	Retained Earnings	Treasury Shares	Total	Non-controlling Interests	Total Equity
Balances at January 1, 2009	₱125,562,000	₱–	₱6,917,057,464	₱–	₱–	₱–	₱–	(₱87,586,623)	(₱557,328)	₱6,954,475,513	₱24,156,783	₱6,978,632,296
Total comprehensive income	–	–	–	–	–	–	–	71,147,021	–	71,147,021	2,773,396	73,920,417
Stock dividends (Note 18)	25,026,900	–	–	–	–	–	–	–	–	25,026,900	–	25,026,900
Purchase of treasury shares (Note 18)	–	–	–	–	–	–	–	–	(656,198)	(656,198)	–	(656,198)
Decrease in equity reserves (Note 2)	–	–	(24,370,702)	–	–	–	–	–	–	(24,370,702)	–	(24,370,702)
Effect of change in accounting policy for investment properties, net of related tax effect	–	–	–	–	–	–	–	2,691,393,995	–	2,691,393,995	–	2,691,393,995
Balances at December 31, 2009	150,588,900	–	6,892,686,762	–	–	–	–	2,674,954,393	(1,213,526)	9,717,016,529	26,930,179	9,743,946,708
Total comprehensive income	–	–	–	–	–	1,000,000		1,246,756,322	–	1,247,756,322	3,104,798	1,250,861,120
Issuance of capital stock (Notes 1 and 18)	8,897,346	80,076,114	–	–	–	–	–	–	–	88,973,460	–	88,973,460
Deposits for future stock subscriptions (Note 18)	–	–	–	2,147,819,426	–	–	–	–	–	2,147,819,426	–	2,147,819,426
Sale of preferred shares of a subsidiary (Note 4)	–	–	–	–	2,559,163	–	–	–	–	2,559,163	3,890,838	6,450,001
Acquisition of non-controlling interest (Note 4)	–	–	–	–	–	–	(159,018,215)	–	–	(159,018,215)	(30,034,977)	(189,053,192)
Effect of share swap agreement (Notes 1, 4 and 18)	1,269,734,041	5,918,623,901	(6,892,686,762)	–	–	–	–	–	–	295,671,180	–	295,671,180
Increase in non-controlling interests	–	–	–	–	–	–	–	–	–	–	400	400
Balances at December 31, 2010	1,429,220,287	5,998,700,015	–	2,147,819,426	2,559,163	1,000,000	(159,018,215)	3,921,710,715	(1,213,526)	13,340,777,865	3,891,238	13,344,669,103
Total comprehensive income	–	–	–	–	–	5,774,711,570	–	1,936,048,809	–	7,710,760,379	–	7,710,760,379
Deposits for future stock subscriptions (Note 18)	–	–	–	1,933,683,224	–	–	–	–	–	1,933,683,224	–	1,933,683,224
Conversion of deposits for future stock subscriptions into common stock (Note 18)	408,150,264	3,673,352,386	–	(4,081,502,650)	–	–	–	–	–	–	–	–
Subscription - net of subscription receivable of ₱1,472.8 million (Note 18)	1,000,000	–	–	–	–	–	–	–	–	1,000,000	–	1,000,000
Effect of deconsolidation (Note 4)	–	–	–	–	(2,559,163)	1,354,123,362	–	–	–	1,351,564,199	(3,891,238)	1,347,672,961
Balances at December 31, 2011	**₱1,838,370,551**	**₱9,672,052,401**	**₱–**	**₱–**	**₱–**	**₱7,129,834,932**	**(₱159,018,215)**	**₱5,857,759,524**	**(₱1,213,526)**	**₱24,337,785,667**	**₱–**	**₱24,337,785,667**

See accompanying Notes to Consolidated Financial Statements.

ALPHALAND CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2011	2010	2009 (Note 2)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax from continuing operations	**₱2,658,823,557**	₱1,536,523,517	₱188,544,908
Income before income tax from discontinued operations (Note 5)	**18,409,725**	37,726,399	–
Income before income tax	**2,677,233,282**	1,574,249,916	188,544,908
Adjustments for:			
Gain on fair value change of investment properties (Note 12)	**(2,356,792,867)**	(958,615,184)	(298,902,598)
Gain on sale of AFS investments (Note 11)	**(208,631,416)**	–	–
Interest expense and other finance charges (Note 21)	**71,406,981**	93,676,292	28,873,000
Interest income (Notes 6 and 9)	**(44,887,264)**	(7,810,466)	(6,213,567)
Depreciation and amortization (Note 21)	**15,477,187**	6,179,362	2,128,862
Gain on loss of control (Note 4)	**(8,939,415)**	–	–
Amortization of customers' deposit	**(2,496,539)**	–	–
Loss on sale of an investment (Note 5)	**1,298,081**	–	–
Unrealized foreign exchange losses (gains)	**(53,223)**	(104,578)	2,201
Equity in net income of associates (Note 10)	**(48,567)**	(27,044,818)	(3,486,918)
Gain on bargain purchase (Note 4)	**–**	(761,886,845)	–
Operating income (loss) before working capital changes	**143,566,240**	(81,356,321)	(89,054,112)
Provision for impairment losses on trade receivables (Note 7)	**–**	5,700,000	–
Decrease (increase) in:			
Trade and other receivables	**103,564,307**	145,005,965	(29,104,527)
Other current assets	**(1,383,594,328)**	(106,310,433)	(42,088,229)
Increase (decrease) in:			
Trade and other payables	**(787,480,962)**	148,846,186	(410,782,486)
Customers' deposits	**25,030,807**	18,216,908	28,230,915
Retirement benefits obligation (Note 20)	**5,112,506**	4,919,700	–
Net cash generated from (used for) operations	**(1,893,801,430)**	135,022,005	(542,798,439)
Interest received	**44,887,264**	7,810,466	6,866,397
Income taxes paid	**–**	(4,007,642)	(6,565)
Net cash flows provided by (used in) operating activities	**(1,848,914,166)**	138,824,829	(535,938,607)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Property and equipment (Note 13)	**(137,796,827)**	(110,284,414)	(651,249)
AFS investments (Note 11)	**–**	(10,600,000)	–
Decrease (increase) in:			
Investment properties	**(972,890,166)**	(1,699,271,709)	(331,064,184)
Investments in and advances to associates	**(170,991,997)**	(78,259,576)	–
Other noncurrent assets	**(85,692,111)**	11,821,278	6,574
Investment in a joint venture	**–**	(1,000,000,000)	–
Proceeds from sale of AFS investments	**338,418,644**	4,562,500	–
Proceeds from sale of an investment (Note 5)	**124,157,782**	–	–
Cash of subsidiaries disposed, net of proceeds from sale	**(14,142,500)**	–	–
Increase in subscription payable (Note 4)	**–**	523,549,500	–
Cash acquired from business combination (Note 4)	**–**	11,526,934	–
Net cash flows used in investing activities	**(918,937,175)**	(2,346,955,487)	(331,708,859)

(Forward)

	Years Ended December 31		
	2011	2010	2009 (Note 2)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from availments of:			
Long-term debt (Note 17)	**₱1,568,297,885**	₱227,917,217	₱740,000,000
Loans payable (Note 16)	**–**	128,000,000	–
Finance lease (Note 20)	**–**	6,279,400	–
Payments of:			
Long-term debt (Note 17)	**(137,499,100)**	(31,249,700)	–
Loans payable	**(128,000,000)**	–	–
Interest and other finance charges	**(99,611,636)**	(101,509,750)	(25,855,493)
Finance lease (Note 20)	**(1,016,537)**	(236,139)	–
Deposits for future stock subscriptions (Note 18)	**1,933,683,224**	2,147,819,426	–
Net changes in accounts with related parties	**(37,265,669)**	342,681,731	(96,642,000)
Movement in other noncurrent liabilities	**76,622,048**	–	–
Subscription of capital stock (Note 18)	**1,000,000**	–	–
Purchase of own shares (Note 18)	**–**	–	(656,198)
Net cash flows provided by financing activities	**3,176,210,215**	2,719,702,185	616,846,309
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**53,223**	(79,713)	(2,201)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**408,412,097**	511,491,814	(250,803,358)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**566,642,921**	55,151,107	305,954,465
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)	**₱975,055,018**	₱566,642,921	₱55,151,107

See accompanying Notes to Consolidated Financial Statements.

ALPHALAND CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. **Organization and Business**

Corporate Information of the Parent Company
Alphaland Corporation (ALPHA or Parent Company) is a holding company incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC). The principal business of ALPHA and its subsidiaries (collectively referred to as the "Group") is real property development.

ALPHA's shares of stock are publicly traded in the Philippine Stock Exchange (PSE).

The registered office address of ALPHA is Alphaland Southgate Tower, 2258 Chino Roces Avenue corner EDSA, Makati City.

The accompanying consolidated financial statements were authorized for issue by the Executive Committee of the Board of Directors (BOD) on February 15, 2012.

Share Swap Agreement (SSA) between ALPHA and the Stockholders of Alphaland Development Inc. (ADI)
On November 18, 2009, ALPHA (then named "Macondray Plastics, Inc." before it was changed to "Alphaland Corporation") and all the stockholders of ADI entered into a SSA for a share-for-share swap of all of ADI's issued and outstanding shares (as well as existing shareholders' advances/deposits for future stock subscriptions) in exchange for new shares to be issued by ALPHA. Each ADI share was exchanged for approximately 5.08 shares (or a total of 1,269,734,041 shares) of ALPHA. After the share-for-share swap, ADI became a wholly owned subsidiary of ALPHA thereby allowing the diversification into the property development sector (see Note 4).

In view of the foregoing, ALPHA's stockholders approved various amendments to its Articles of Incorporation and By-laws in a special stockholders' meeting held on December 23, 2009.

The following matters were taken up and approved by ALPHA's stockholders:

- Amendments to the Articles of Incorporation. Among them are as follows:

    a. Change in corporate name from "Macondray Plastics, Inc." to "Alphaland Corporation"
    b. Change in ALPHA's primary purpose from that of a manufacturing company to that of a holding company
    c. Change in principal place of business from "Km. 13, Agusan National Highway, Barangay Panacan, Davao City" to "Alphaland Southgate Tower, 2258 Chino Roces Avenue corner EDSA, Makati City"
    d. Increase in ALPHA's authorized capital stock from ₱400.0 million to ₱5,000.0 million to accommodate the share-for-share swap with the stockholders of ADI

- Amendment to ALPHA's By-laws to provide for the creation of the executive, audit and compensation committees of the BOD.

- ALPHA's application for additional listing with the PSE with respect to the 1,269,734,041 primary shares to be issued to the stockholders of ADI out of the increase in authorized capital stock in connection with the share-for-share swap between ALPHA and the stockholders of ADI.

The amendments to ALPHA's Articles of Incorporation and By-laws enumerated above were approved by the Philippine SEC on April 7, 2010. Further, on August 26, 2010, the Bureau of Internal Revenue (BIR) confirmed the tax free exchange and issued the tax clearance on the exchange of shares of stock between ALPHA and the stockholders of ADI.

<u>Issuance of New ALPHA Shares to Noble Care Management Corporation (Noble Care)</u>
On November 11, 2010, the Executive Committee of the BOD of ALPHA authorized ALPHA to enter into an agreement with Noble Care and ADI involving the following:

- Issuance by ALPHA of 8,897,346 common shares from the unissued portion of its authorized capital stock at an issue price of ₱10 per share in favor of Noble Care;

- Simultaneously with the issuance of ALPHA shares, ADI shall cancel the outstanding obligation of Noble Care in the amount of ₱100.4 million (the "Loan"). In consideration thereof, Noble Care will convey to ADI 2,031 common shares (5.88%) of Alphaland Makati Place, Inc. (AMPI); and,

- Simultaneously with the issuance of ALPHA shares to Noble Care and the cancellation of the Loan, ADI shall issue 88,974 from the unissued portion of its authorized capital stock at ₱1,000 per share in favor of ALPHA (all the foregoing collectively referred to as the "Transactions").

Thus, at the conclusion of the Transactions:

a. ALPHA will continue to own 100% of ADI;
b. ADI will increase its ownership in AMPI from 94.12% to 100.00% (see Note 4);
c. Noble Care will cease to have any direct ownership interest in AMPI;
d. Noble Care will no longer have any obligation to ADI in connection with the Loan; and,
e. Noble Care will own 8,897,346 new ALPHA shares representing approximately 0.62% of the then resulting outstanding capital of ALPHA.

<u>ALPHA's Significant Legal Subsidiaries as of December 31, 2011</u>

a. *Alphaland Balesin Island Resort Corporation (ABIRC), 100%-owned by ALPHA,* was incorporated in the Philippines and registered with the Philippine SEC on May 26, 2010. ABIRC's primary purpose is to invest in, purchase, or otherwise acquire and own, hold use, sell, assign, transfer, mortgage, pledge, and exchange or otherwise dispose, as may be permitted by law, of real and personal property of every kind and description.

b. *ADI, 100%-owned by ALPHA*, was incorporated and registered with the Philippine SEC on May 29, 2007. After its incorporation, ADI became 40%-owned by Alphaland Holdings (Singapore) Pte. Limited, a company incorporated in Singapore, and 60%-owned by other companies incorporated in the Philippines [namely, Masrickstar Corporation (Masrickstar), Boerstar Corporation (Boerstar), and Azurestar Corporation (Azurestar)]. On April 7, 2010, ADI became a wholly owned subsidiary of ALPHA as an effect of the SSA (see Note 4). ADI's primary purpose is to engage in real property acquisition and development.

c. *AMPI, 100%-owned by ADI*, was incorporated and registered with the Philippine SEC on March 6, 1991 as Silvertown Property Development Corporation. In June 2008, ADI acquired from Sime Darby Pilipinas, Inc. its 100% stake in AMPI, the leasehold owner of a real property then owned by the Boy Scouts of the Philippines (BSP) located at the corner of Ayala Avenue and Malugay Street in Makati City (the "Malugay Property"). Subsequently, in August 2008, ADI's interest in AMPI was diluted to 94.12% with the subscription of new shares by Noble Care, representing 5.88% of the 34,531 total subscribed shares. On February 26, 2010, the Philippine SEC approved the change in corporate name from "Silvertown Property Development Corporation" to "Alphaland Makati Place, Inc.". On November 11, 2010, Noble Care's 5.88% interest in AMPI was transferred to ADI, making AMPI a 100% subsidiary of ADI.

   AMPI's primary purpose is to lease and sublease the Malugay Property, a premium one hectare property. AMPI entered into a joint venture with BSP to develop the Malugay Property into a first class commercial development to be known as Alphaland Makati Place (see Note 4). It will be a mixed-use property development consisting of high end residential towers atop an upscale six-storey podium with a shopping center and a City Club, including a Boy Scout Convention Center.

d. *Alphaland Makati Tower, Inc. (AMTI), 100%-owned by ADI,* was incorporated and registered with the Philippine SEC on July 28, 2010, with primary purpose of developing, leasing and subleasing a property situated along Ayala Avenue, which is the center of the Makati Central District. The property measuring 2,400 square meters, more or less, was acquired by ADI from Sta. Lucia Land, Inc. in June 2008. This was conveyed by ADI to AMTI in exchange for shares of stock of AMTI in 2011. A 34-storey building is being constructed on the site to be called Alphaland Tower.

e. *Alphaland Marina Corporation (AMC), 100%-owned by ADI,* was incorporated and registered with the Philippine SEC on December 2, 2010, with primary purpose of dealing and engaging in the real estate business. AMC's plan is to develop (together with the Group) an ultra-modern marina and yacht club that will have various dining, sports, recreation, boating, yachting, sailing and other similar amenities exclusively to its members and their guests and dependents (the "Marina Club"). The Marina Club will be the centerpiece of the Alphaland Bay City, a joint venture project of the Group and D.M. Wenceslao & Associates, Inc. (DMWAI) and Wendel Holdings Co., Inc. (Wendel) (DMWAI and Wendel collectively referred to as "Wenceslao"), to be located in 32-hectares, more or less, of reclaimed land at Aseana Business Park in Parañaque City. On December 10, 2010, AMC's BOD authorized the application for incorporation of Alphaland Marina Club, Inc. (AMCI) to own and operate the Marina Club.

f. *Alphaland Reclamation Corporation (ARC), 100%-owned by ALPHA,* was incorporated and registered with the Philippine SEC on April 5, 2011, and primarily engaged in the construction of reclamation projects and to contract for and perform reclamation works.

2. Summary of Significant Accounting Policies

Basis of Preparation

The consolidated financial statements have been prepared under the historical cost basis, except for AFS investments and investment properties which are carried at fair value. The consolidated financial statements are presented in Philippine peso, the Parent Company's functional currency and presentation currency, and all values are rounded off to the nearest peso, except when otherwise indicated.

On April 7, 2010, ALPHA completed the legal acquisition of ADI and its subsidiary through the share-for-share swap (see Note 4). ADI was deemed to be the accounting acquirer for accounting purposes under the principles of Philippine Financial Reporting Standards (PFRS) 3, *Business Combinations*. Therefore, the share-for-share swap transaction was accounted for as a reverse acquisition under PFRS 3. Accordingly, the consolidated financial statements of ALPHA have been prepared as a continuation of the consolidated financial statements of ADI. ADI has accounted for the acquisition of ALPHA from April 7, 2010. The comparative 2009 information presented in the consolidated statement of comprehensive income and consolidated statement of cash flows is that of ADI and its subsidiary.

The equity structure appearing in the consolidated financial statements (i.e., the number and type of capital stock issued) reflects the equity structure of ALPHA, the legal parent. In 2009, the equity structure was retroactively adjusted to reflect the legal capital (i.e., the number and type of capital stock issued) of ALPHA (legal parent/accounting acquiree). The adjustment, which is the difference between the paid-up capital of ADI and ALPHA, was recognized as equity reserves.

Reverse acquisition applies only to the consolidated financial statements. The parent company financial statements will continue to represent ALPHA as a stand-alone entity starting 2010.

Statement of Compliance

The consolidated financial statements have been prepared in compliance with PFRS. PFRS also include Philippine Accounting Standards (PAS) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC).

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and amended PFRS and Philippine Interpretations that became effective during the year. Except as otherwise indicated, adoption of the new and amended PFRS and Philippine Interpretations has no impact on the Group's financial statements.

- PAS 24, *Related Party Disclosures* (Amendment) (effective for annual periods beginning on or after January 1, 2011)

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

- PAS 32, *Financial Instruments: Presentation* (Amendment) - *Classification of Rights Issues* (effective for annual periods beginning on or after February 1, 2010)

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

- Philippine Interpretation IFRIC 14 (Amendment), *Prepayments of a Minimum Funding Requirement* (effective for annual periods beginning on or after January 1, 2011, with retrospective application)

  The amendment removes an unintended consequence when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover such requirements. The amendment permits a prepayment of future service cost by the entity to be recognized as a pension asset. The Group is not subject to minimum funding requirements in the Philippines.

Improvements to PFRS (Issued 2010). Improvements to PFRSs, an omnibus of amendments to standards, deal primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Group.

- PFRS 3, *Business Combinations*: The measurement options available for non-controlling interest (NCI) were amended. Only components of NCI that constitute a present ownership interest that entitles their holder to a proportionate share of the entity's net assets in the event of liquidation should be measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components are to be measured at their acquisition date fair value.

  The amendments to PFRS 3 are effective for annual periods beginning on or after 1 July 2011. The Group, however, adopted these as of January 1, 2011 and changed its accounting policy accordingly as the amendment was issued to eliminate unintended consequences that may arise from the adoption of PFRS 3.

- PFRS 7, *Financial Instruments - Disclosures*: The amendment was intended to simplify the disclosures provided by reducing the volume of disclosures around collateral held and improving disclosures by requiring qualitative information to put the quantitative information in context.

- PAS 1, *Presentation of Financial Statements*: The amendment clarifies that an entity may present an analysis of each component of other comprehensive income maybe either in the statement of changes in equity or in the Notes to the financial statements. The Group provides this analysis in the consolidated statement of changes in equity.

Other amendments resulting from the 2010 improvements to PFRSs to the following standards did not have any impact on the accounting policies, financial position or performance of the Group:

- PFRS 3, *Business Combinations* [contingent consideration arising from business combination prior to adoption of PFRS 3 (as revised in 2008)]
- PFRS 3, *Business Combinations* (un-replaced and voluntarily replaced share-based payment awards)
- PAS 27, *Consolidated and Separate Financial Statements*
- PAS 34, *Interim Financial Statements*

The following interpretation and amendments to interpretations did not have any impact on the accounting policies, financial position or performance of the Group:

- Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes* (determining the fair value of award credits)
- Philippine Interpretation IFRIC 19, *Extinguishing Financial Liabilities with Equity Instruments*

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

Effective in 2012

- PAS 12, *Income Taxes - Recovery of Underlying Assets* (effective for annual periods beginning on or after January 1, 2012)

  The amendment clarified the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in PAS 40 should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in PAS 16 always be measured on a sale basis of the asset.

- PFRS 7, *Financial Instruments: Disclosures - Enhanced Derecognition Disclosure Requirements* (effective for annual periods beginning on or after July 1, 2011)

  The amendment requires additional disclosure about financial assets that have been transferred but not derecognized to enable the user of the Group's financial statements to understand the relationship with those assets that have not been derecognized and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognized assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognized assets. The amendment affects disclosures only and has no impact on the Group's financial position or performance.

Effective Subsequent to 2012

- PAS 1, *Financial Statement Presentation - Presentation of Items of Other Comprehensive Income* (effective for annual periods beginning on or after July 1, 2012)

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

- PAS 19, *Employee Benefits* (Amendment) (effective for annual periods beginning on or after January 1, 2013)

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

- PAS 27, *Separate Financial Statements* (as revised in 2011) (effective for annual periods beginning on or after January 1, 2013)

  As a consequence of the new PFRS 10, *Consolidated Financial Statements*, and PFRS 12, *Disclosure of Interests in Other Entities*, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements.

- PAS 28, *Investments in Associates and Joint Ventures* (as revised in 2011) (effective for annual periods beginning on or after January 1, 2013)

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

- PFRS 7, *Financial instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities* (effective for annual periods beginning on or after January 1, 2013, with retrospective application)

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

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

  The amendment affects disclosures only and has no impact on the Group's financial position or performance.

- PFRS 10, *Consolidated Financial Statements* (effective for annual periods beginning on or after January 1, 2013)

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

- PFRS 11, *Joint Arrangements* (effective for annual periods beginning on or after January 1, 2013)

  PFRS 11 replaces PAS 31, *Interests in Joint Ventures*, and SIC-13, *Jointly-controlled Entities - Non-monetary Contributions by Venturers*. PFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. The application of this new standard will impact the financial position of the Group. This is due to the cessation of proportionate consolidating the joint venture in A.A. Land Properties Developers Corporation (A.A. Land) (see Note 4) to equity accounting for this investment.

- PFRS 12, *Disclosure of Involvement with Other Entities* (effective for annual periods beginning on or after January 1, 2013)

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

- PFRS 13, *Fair Value Measurement* (effective for annual periods beginning on or after January 1, 2013)

  PFRS 13 establishes a single source of guidance under PFRS for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS when fair value is required or permitted. The Group is currently assessing the impact that this standard will have on the financial position and performance.

- Philippine Interpretation IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine* (effective for annual periods beginning on or after January 1, 2013)

  This interpretation applies to waste removal costs that are incurred in surface mining activity during the production phase of the mine ("production stripping costs") and provides guidance on the recognition of production stripping costs as an asset and measurement of the stripping activity asset.

- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (effective for annual periods beginning on or after January 1, 2014, with retrospective application)

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

- PFRS 9, *Financial Instruments: Classification and Measurement* (effective for annual periods beginning on or after January 1, 2015)

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

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*

  This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, *Construction Contracts*, or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The SEC and the Financial Reporting Standards Council have deferred the effectivity of this interpretation until the final revenue standard is issued by International Accounting Standards Board and an evaluation of the requirements of the final revenue standard against the practices of the Philippine real estate industry is completed. The adoption of this interpretation will result in the change in the Group's revenue and cost recognition from percentage of completion method to completed contract once the Group starts recognizing revenue arising from sale of real estate.

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

<u>Basis of Consolidation and Non-controlling Interest</u>
Following is a list of the legal subsidiaries as of December 31, 2011, 2010 and 2009:

		Percentage of Effective Ownership		
Company	Nature of Business	**2011**	2010	2009
ADI	Real property development	**100**	100	–
AMPI [(a)]	Real property development	**100**	100	–
AMTI [(a) (d)]	Real property development	**100**	100	–
AMC [(a) (d)]	Real property development	**100**	100	–
ABIRC [(d)]	Real property development	**100**	100	–
ARC [(e)]	Real property development	**100**	–	–
Macondray Plastics Products, Inc. (MPPI) (see Note 5)	Plastics manufacturing	**–**	100	100
The City Club at Alphaland Makati Place, Inc. (TCCAMPI) (see Note 4) [(b) (d) (f)]	City club operation	**–**	99	–
Alphaland Balesin Island Club Inc. (ABICI) (see Note 4) [(c) (d) (f)]	Island club operation	**–**	100	–

[(a)] *Through ADI*
[(b)] *Through AMPI*
[(c)] *Through ABIRC*
[(d)] *Incorporated in 2010*
[(e)] *Incorporated in 2011*
[(f)] *Ownership of TCCAMPI and ABICI was transferred to Alphaland Property Management Corporation (APMC), a related party, as a result of the Deed of Assignment dated August 12, 2011 (see Note 4).*

All subsidiaries are incorporated in the Philippines.

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

Non-controlling interests represent the portion of net results and net assets not held by the Group. They are presented in the consolidated balance sheet within equity, apart from equity attributable to equity holders of the parent and are separately disclosed in the consolidated statement of comprehensive income. This includes the equity interest in TCCAMPI in 2010.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if that results in a deficit balance.

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

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

<u>Business Combinations and Goodwill</u>
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in accordance with PAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured. Subsequent settlement is accounted for within equity. In instance where the contingent consideration does not fall within the scope of PAS 39, it is measured in accordance with the appropriate PFRS.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss. If the initial accounting for business combination can be determined only provisionally by the end of the period by which the combination is effected because either the fair values to be assigned to the acquiree's identifiable assets, liabilities or contingent liabilities or the cost of the combination can be determined only provisionally, the Group accounts the combination using provisional values. Adjustments to these provisional values as a result of completing the initial accounting shall be made within 12 months from the acquisition date. The carrying amount of an identifiable asset, liability or contingent liability that is recognized as a result of completing the initial accounting shall be calculated as if its fair value at the acquisition date had been recognized from that date and goodwill or any gain recognized shall be adjusted from the acquisition date by an amount equal to the adjustment to the fair value at the acquisition date of the identifiable asset, liability or contingent liability being recognized or adjusted.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

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

<u>Financial Instruments</u>

Date of Recognition. The Group recognizes a financial instrument in the consolidated balance sheet when it becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using trade date accounting. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Initial Recognition of Financial Instruments. Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). Transaction costs are included in the initial measurement of all financial instruments, except for financial instruments measured at fair value through profit or loss (FVPL).

Determination of Fair Value. The fair value of financial instruments traded in active markets at the balance sheet date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid and asking prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction. For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions, reference to the current market value of another instrument which is substantially the same, discounted cash flows analysis and option pricing models.

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

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

As of December 31, 2011, the Group has AFS investments measured based on Level 1 fair value measurements.

Day 1 Difference. Where the transaction price in a non-active market is different from the fair value based on other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a Day 1 difference) in profit or loss unless it qualifies for recognition as some other type of asset. In cases where unobservable data is used, the difference between the transaction price and model value is only recognized in profit and loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the Day 1 difference amount.

Financial assets are classified into the following categories: financial assets at FVPL, loans and receivables, held-to-maturity (HTM) investments and AFS investments. Financial liabilities are classified as financial liabilities at FVPL or other financial liabilities.

The classification depends on the purpose for which the instruments are acquired and whether they are quoted in an active market. Management determines the classification at initial recognition and, where allowed and appropriate, re-evaluates this classification at every balance sheet date.

<u>Financial Assets</u>
The Group's financial assets consist of loans and receivables and AFS investments.

Loans and Receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are subsequently carried at amortized cost using the effective interest rate (EIR) method, less any allowance for impairment. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are integral part of the EIR and transaction costs. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process. Loans and receivables are included in current assets if maturity is within 12 months from the balance sheet date. Otherwise, these are classified as noncurrent assets.

The Group's loans and receivables consist of cash and cash equivalents, trade and other receivables, advances to associates and related parties, restricted cash and refundable deposits (see Note 25).

AFS Financial Assets. AFS financial assets are nonderivative financial assets that are designated as AFS or are not classified as financial assets at FVPL or loans and receivables. They are purchased indefinitely and may be sold in response to liquidity requirements or changes in market conditions.

After initial recognition, AFS financial assets that are quoted in an active market are carried at fair value. AFS financial assets that are unquoted are carried at cost less any impairment in value. The unrealized gains and losses arising from the change in fair value of AFS financial assets are reported under other comprehensive income.

AFS financial assets are included in current assets if management intends to sell these financial assets within 12 months from the balance sheet date. Otherwise, these are classified as noncurrent assets.

Classified under this category is ALPHA's investment in shares of stock of Wack Wack Golf and Country Club, Inc. (Wack Wack) and preferred shares of TCCAMPI, ABICI and AMCI (see Note 11).

<u>Financial Liabilities</u>
The Group's financial liabilities consist of other financial liabilities.

Other Financial Liabilities. Financial liabilities are classified in this category if they are not held for trading or not designated as at FVPL upon the inception of the liability.

Other financial liabilities which include loans and borrowings are initially recognized at fair value of the consideration received less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the EIR method. Amortized cost is calculated by taking into account any related issue costs, discount or premium. Gains or losses are recognized in profit or loss when the liabilities are derecognized, as well as through the amortization process.

Other financial liabilities are included in current liabilities if maturity is within 12 months from the balance sheet date. Otherwise, these are classified as noncurrent liabilities.

The Group's other financial liabilities consist of trade and other payables, loans payable, long-term debt, customers' deposits and advances from related parties (see Note 25).

Impairment of Financial Assets

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

Financial Assets Carried at Amortized Cost. An assessment is made at each balance sheet date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognized in profit or loss.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in the collective assessment of impairment.

If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded in profit or loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

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

<u>Derecognition of Financial Assets and Liabilities</u>

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

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

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

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

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

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

<u>Land and Development Costs</u>
Land and development costs is stated at the lower of cost and net realizable value. Expenditures for development are capitalized as part of the cost of the land. Borrowing costs are capitalized while development is in progress. Net realizable value is the estimated selling price in the ordinary course of business less estimated costs to complete and sell. A valuation allowance is provided for land and development costs that are no longer recoverable.

<u>Other Current Assets</u>

Advances to Contractors. Advances to contractors represent advance payments on services to be incurred in connection with the Group's operations. These are charged to expense or capitalized to projects in the consolidated balance sheet, upon actual receipt of services, which is normally within 12 months or within the normal operating cycle.

Restricted Cash. Restricted cash includes cash in banks under trust and to be used for interest and principal loan payments and escrow funds to be used for the sale of preferred shares and condominium units and development of the clubs. This is classified under current assets if the expected release is within 12 months from the balance sheet date. Otherwise, this is classified as a noncurrent asset.

Input Value-added Taxes (VAT). Input VAT represents VAT imposed on the Group by its suppliers and contractors for the acquisition of goods and services required under Philippine taxation laws and regulations. The portion of excess input VAT that will be used to offset the Group's output VAT is recognized under the "Other current assets" account in the consolidated balance sheet.

The portion of input VAT which represents VAT imposed on the Group for the acquisition of depreciable assets with an estimated useful life of at least one year is required to be amortized over the life of the related asset or a maximum period of 60 months. This is recognized under "Other noncurrent assets" account in the consolidated balance sheet.

Input VAT is stated at its estimated NRV.

Creditable Withholding Taxes (CWT). CWT represents the amount withheld by the Group's customers in relation to its rent income. These are recognized upon collection of the related billings and are utilized as tax credits against income tax due as allowed by the Philippine taxation laws and regulations. CWT is stated at its estimated NRV.

Prepayments. Prepayments are carried at cost and are amortized on a straight-line basis over the period of expected usage, which is equal to or less than 12 months or within the normal operating cycle.

<u>Assets Held for Sale</u>
Assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

In the consolidated statement of comprehensive income of the reporting period, and of the comparable period of the previous year, income and expenses associated with assets held for sale are reported separately from income and expenses from continuing operations, down to the level of profit after taxes, even when the Group retains a non-controlling interest in the subsidiary after the sale. The resulting profit or loss (after taxes) is reported separately in the consolidated statement of comprehensive income.

<u>Interests in Joint Ventures</u>
The Group has interests in the following joint ventures: jointly controlled entity and jointly controlled operation.

Jointly Controlled Entity. A jointly controlled entity is a joint venture that involves the establishment of a corporation, partnership or other entity in which each venturer has an interest. The entity operates in the same way as any other entity, except that a contractual arrangement between the venturers establishes joint control over the economic activity of the entity. A jointly controlled entity controls the assets of the joint venture, incurs liabilities and expenses and earns income. It may enter into contracts in its own name and raise finance for the purposes of the joint venture activity. The agreement requires unanimous agreement for financial and operating decisions among the venturers.

The Group recognizes its interest in the joint venture using the proportionate consolidation method. The Group combines its proportionate share of each of the assets, liabilities, income and expenses of the joint venture with similar items, line by line, in its consolidated financial statements. The financial statements of the joint venture are prepared for the same reporting period as the Group. Adjustments are made where necessary to bring the accounting policies in line with those of the Group.

Adjustments are made in the Group's consolidated financial statements to eliminate the Group's share of intragroup balances, transactions and unrealized gains and losses on such transactions between the Group and its jointly controlled entities. Losses on transactions are recognized immediately if the loss provides evidence of a reduction in the net realizable value of current assets or an impairment loss. The joint venture is proportionately consolidated until the date on which the Group ceases to have joint control over the joint venture.

Upon loss of joint control, the Group measures and recognizes its remaining investment at its fair value. Any difference between the carrying amount of the former joint controlled entity upon loss of joint control and the fair value of the remaining investment and proceeds from disposal is recognized in profit or loss. When the remaining investment constitutes significant influence, it is accounted for as investment in an associate.

Jointly Controlled Operation. A jointly controlled operation involves the use of assets and other resources of the Group and other venturers, rather than the establishment of a corporation, partnership or other entity, or a financial structure, separate from the venturers themselves. The Group accounts for the assets its controls, the liabilities and expenses it incurs and the share of income that it earns from the sale of goods or services by the joint venture.

<u>Investments in Associates</u>
The Group's investments in its associates are accounted for using the equity method. An associate is an entity in which the Group has significant influence.

Under the equity method, investments in associate are carried in the consolidated balance sheet at cost plus post acquisition changes in the Group's share of net assets of the associates. Goodwill relating to an associate is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The consolidated statement of comprehensive income reflects the share of the results of operations of the associates. Where there has been a change recognized directly in the equity of the associates, the Group recognizes its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associates are eliminated to the extent of the interest in the associates.

The share in net income of the associates is shown as "Equity in net income of associates" in the consolidated statement of comprehensive income. This is the income attributable to equity holders of the associates and therefore is profit after tax and non-controlling interests in the subsidiaries of the associates.

The financial statements of the associates are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an additional impairment loss on the Group's investment in its associates. The Group determines at each balance sheet date whether there is any objective evidence that the investments in associates are impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associates and their carrying values and recognizes the amount in profit or loss under the "Equity in net income of associates" account.

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

Investment Properties

Investment properties comprise completed property and property under construction or re-development held to earn rentals or for capital appreciation or both. Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment properties at the time that cost is incurred and if the recognition criteria are met, and excludes the costs of day-to-day servicing of an investment properties. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the balance sheet date. Gains and losses arising from changes in the fair values of investment properties are recognized in profit or loss under "Gain on fair value change of investment properties" account in the year in which they arise.

Transfers are made to or from investment properties only when there is a change in use. For a transfer from investment properties to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy on property and equipment up to the date of change in use.

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

Property and Equipment

Property and equipment, except for land, is stated at cost less accumulated depreciation, amortization and impairment in value, if any. Land is stated at cost less any impairment in value.

The initial cost of property and equipment consists of its purchase price, including import duties, nonrefundable taxes and any directly attributable costs in bringing the asset to its working condition and location for its intended use. Such cost includes the cost of replacing part of such property and equipment when that cost is incurred if the recognition criteria are met.

Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance, are normally charged against income in the period when the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property and equipment.

Each part of the property and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

Depreciation and amortization is computed using the straight-line basis over the following estimated useful lives of the assets, except for land and leasehold improvements, which are amortized over the term of the lease or their estimated useful lives, whichever is shorter:

Category	Number of Years
Leasehold improvements	2–10
Buildings and structures	20–35
Machinery, equipment and tools	2–15
Transportation equipment	2–5
Office furniture and equipment	2–5

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

Construction-in-progress represents property and equipment under construction and is stated at cost. This includes cost of construction and other direct costs. Construction-in-progress is transferred to the related property and equipment when the construction or installation and related activities necessary to prepare the property and equipment for their intended use have been completed and the property and equipment are ready for service. Construction-in-progress is not depreciated until such time that the assets are completed and available for use.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. 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 asset) is included in profit or loss in the year the asset is derecognized.

Fully depreciated items are retained as property and equipment until these are no longer in use.

Intangible Assets

Intangible assets are measured initially at cost. Intangible assets are recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise and the cost of the asset can be measured reliably. After initial recognition, intangible assets are measured at cost less accumulated amortization and any impairment loss. Intangible assets are amortized on a straight-line basis over the best estimate of their useful lives. The amortization period and method are reviewed periodically to ensure that these are consistent with expected pattern of economic benefits from the intangible assets.

Intangible assets are acquired computer software licenses which have been capitalized on the basis of the costs to acquire and bring to use the specific software. These costs are amortized on a straight-line basis over five years starting from the date of its operation. Intangible asset, net of amortization, is included under "Other noncurrent assets" in the consolidated balance sheet.

Impairment of Nonfinancial Assets

The Group assesses at each balance sheet date whether there is an indication that nonfinancial assets may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the assets recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators. Impairment losses from continuing operations are recognized in profit or loss.

For nonfinancial assets excluding goodwill, an assessment is made at each balance sheet date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss.

Goodwill. The Group assesses whether there are any indicators that goodwill is impaired at each balance sheet date. Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating units, to which the goodwill relates. Where the recoverable amount of the cash-generating units is less than their carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods. The Group performs impairment test of goodwill annually or when an impairment indicator exists.

Capital Stock and Additional Paid-in Capital
The Group has issued capital stock that is classified as equity. Incremental costs directly attributable to the issue of new capital stock are shown in equity as a deduction, net of tax, from the proceeds. Additional paid-in capital represents the excess of the investors' total contribution over the stated par value of shares.

Deposits for Future Stock Subscriptions
Deposits for future stock subscriptions represent cash received from stockholders for a subscription of a specific number of shares and will be represented as capital stock upon its issuance.

Retained Earnings
The amount included in retained earnings includes profit attributable to the Group's stockholders and reduced by dividends. Dividends are recognized as a liability and deducted from retained earnings when they are declared. Dividends for the year that are approved after the balance sheet date are dealt with as an event after the balance sheet date. Retained earnings may also include effect of changes in accounting policy as may be required by the standard's transitional provisions.

Treasury Shares
Own equity instruments which are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in share premium. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them respectively.

Revenue Recognition
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the enterprise and the revenue can be reliably measured. The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue. The following specific recognition criteria must also be met before revenue is recognized:

Real Estate Sales. Revenue and costs from sales of completed projects is accounted for using the full accrual method. The percentage of completion method will be used to recognize income from sales of projects where the Group has material obligations under the sales contracts to complete the project after the property is sold. Under this method, sales is recognized as the related obligations are fulfilled, measured principally on the basis of the estimated completion of a physical portion of the contract work. Costs that relate to the acquisition, development, improvement and construction of the real estate projects are capitalized and are charged to operations when the related revenues are recognized.

The Group accounts for any cash received from buyers as deposits from pre-selling of condominium units when the construction is not beyond a preliminary stage. Construction is not beyond a preliminary stage if engineering and design work, execution of construction contracts, site clearance and preparation, excavation, and completion of the building foundation are incomplete. Proceeds shall be accounted for as deposits until the criteria for percentage of completion method are met. Excess of collections over the recognized receivables under the percentage of completion method, if any, are included in the "Trade and other payables" account in the consolidated balance sheet.

For sale of condominium units and preferred shares under a single contract to sell, the selling price is allocated to each component using the residual method. Collections received are initially applied to the selling price of the preferred share and the remainder to the selling price of the condominium unit.

Rent. Rent income from operating leases less the Group's initial direct costs of entering into the leases, is recognized on a straight-line basis over the term of the lease; except for contingent rent income which is recognized when it arises.

Gain on Sale of AFS. Revenue is recognized upon transfer of risks and rewards to the buyer.

Interest Income. Interest income from bank deposits is recognized as it accrues using EIR method.

Other Revenue. This includes common utilities, services and maintenance charges, as well as other incidental income in providing the service. Revenue is recognized when services are rendered.

Costs and Expenses

Costs and expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Costs and expenses are generally recognized when the services are used or the expenses arise while interest expense is accrued in the appropriate period.

Retirement Benefit Costs

Retirement benefit costs are actuarially determined using the projected unit credit method. This method reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries. Retirement benefit costs include current service cost plus amortization of past service cost, experience adjustments and changes in actuarial assumptions. Past service cost is recognized as an expense on a straight-line basis over the average period until the benefits become vested. Actuarial gains and losses are recognized as income or expense when the net cumulative unrecognized actuarial gains and losses at the end of the previous reporting period exceeded 10% of the higher of the defined benefit obligation and the fair value of plan assets at that date. These gains and losses are recognized over the expected average remaining working lives of the employees participating in the plan.

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

Income Taxes

Current Income Tax. Current income tax assets and liabilities for the current and prior year periods are measured at the amount expected to be recovered or paid to the tax authority. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted as at the balance sheet date.

Deferred Tax. Deferred tax is provided, using the balance sheet liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced 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. Unrecognized deferred tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

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 based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Foreign Currency Transactions

Foreign currency-denominated monetary assets and liabilities of the Group are translated to Philippine peso based on the Philippine Dealing Exchange System (PDEx) closing rate prevailing at end of the year and foreign currency-denominated income and expenses, at the PDEx weighted average rate for the year. Foreign exchange differences arising from revaluation and translation of foreign currency-denominated assets and liabilities are credited to or charged against operations in the year in which the rates change.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Leases

Group as a Lessee. Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to current operations. Capitalized leased assets are depreciated over the shorter of the estimated useful lives of the assets or the respective lease terms.

Group as a Lessor. Leases in which the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same bases as rent income. Contingent rents are recognized as revenue in the period in which they are earned.

Borrowing Costs

Borrowing costs are capitalized if they are directly attributable to the acquisition or construction of a qualifying asset. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use. If the carrying amount of the asset exceeds its estimated recoverable amount, an impairment loss is recorded. All other borrowing costs are expensed in the period they occur.

Provisions

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

Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss, net of any reimbursement.

Contingencies

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

Events After Balance Sheet Date

Post year-end events that provide additional information on the Group's financial position at the balance sheet date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the Notes to consolidated financial statements when material.

Earnings Per Share

The Group presents basic and diluted earnings per share data for its ordinary shares.

Basic earnings per share is calculated by dividing the net income attributable to ordinary shareholders of the Parent by the weighted average number of ordinary shares issued and outstanding during the year.

Diluted earnings per share amounts are computed in the same manner, adjusted for the dilutive effect of any potential common shares. As the Group has no dilutive potential common shares outstanding, basic and diluted earnings per share are stated at the same amount.

Segment Reporting

The Group's operating businesses are organized and managed separately into two business activities. Such business segments are the bases upon which the Group reports its operating segment information.   The Group operates in one geographical area where it derives its revenue. Financial information on segment reporting is presented in Note 27.

3. **Summary of Accounting Judgments, Estimates and Assumptions**

The consolidated financial statements prepared in accordance with PFRS require management to make judgments, estimates and assumptions that affect amounts reported in the consolidated financial statements and related notes. The judgments, estimates and assumptions used in the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements. Actual results could differ from such estimates.

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

Judgments

Revenue Recognition. Selecting an appropriate revenue recognition method for a particular real estate sale transaction requires certain judgments based on the buyer's commitment on the sale which may be ascertained through the significance of the buyer's initial investment and completion of development. The buyers' commitment is evaluated based on collections and credit standing of the buyers. Completion of development is determined based on engineer's judgment and estimates on the physical portion of contract work done and that the development is beyond the preliminary stage.

For the year ended December 31, 2011, no revenue was recognized in the sale of real estate because the development is not yet beyond the preliminary stage.

Determination of Functional Currency. The Parent Company determined that its functional currency is Philippine peso. The determination of functional currency was based on the currency that mainly influences the Parent Company's estimated revenue and cost of rendering services.

Operating Leases. The Group entered into a number of operating lease agreements as a lessor. As a lessor, the Group has determined that it retains substantially all the risks and rewards of ownership of the assets being leased out under operating lease agreements. As a lessee, the Group has determined that it does not obtain the significant risks and rewards of ownership of these properties which are being leased out under operating lease arrangements.

Finance Leases. The Group entered into finance lease agreements as a lessee covering transportation equipment. As a lessee, the Group has determined that it bears substantially all the risks and benefits incidental to ownership of the said property which is on a finance lease agreement.

The carrying value of the transportation equipment under finance lease agreements amounted to ₱5.5 million and ₱7.1 million as of December 31, 2011 and 2010, respectively (see Notes 13 and 20). Obligation under finance lease amounted to ₱4.9 million and ₱5.9 million as of December 31, 2011 and 2010, respectively (see Note 20).

Classification of Financial Instruments. The Group exercises judgments in classifying a financial instrument on initial recognition either as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated balance sheet.

In addition, the Group classifies financial assets by evaluating, among others, whether the asset is quoted or not in an active market. Included in the evaluation on whether a financial asset is quoted in an active market is the determination on whether the quoted prices are readily and regularly available, and whether those prices represent actual and regularly occurring market transactions on an arm's length basis.

Assets Held for Sale and Discontinued Operations. As discussed in Note 5, the Group reclassified the assets of MPPI as "Assets held for sale" and liabilities as "Liabilities directly associated with assets held for sale" in the 2010 consolidated balance sheet, and reported the operations of the plastics manufacturing segment as "Income from discontinued operations" in the consolidated statement of comprehensive income for the year ended December 31, 2010 for the following reasons:

- The carrying amount of the net assets of MPPI will be recovered principally through a sale transaction rather than through continuing use;
- The net assets of MPPI is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets and the sale is highly probable based on signed Memorandum of Understanding (MOU);
- The sale is expected to occur within one year from the date of the MOU and it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn; and,
- Shareholders' approval would be obtained in relation to the sale no later than in May 2011.

On October 28, 2011, ALPHA entered into a Deed of Absolute Sale with Macondray Philippines Co., Inc. (MPCI) for the sale of the 225,250,000 shares of MPPI held by ALPHA (see Note 5).

Investments in Associates. The Group has a 50% interest in Alphaland Heavy Equipment Corporation (AHEC) and Alphaland Ukiyo, Inc. (AUI). The Group accounts for its interests as investments in associates as management has assessed that there is no joint control between the parties.

Interests in Joint Ventures. The Group's investment in A.A. Land is accounted for as an investment in a jointly controlled entity while the joint venture agreements with BSP and Akean Resorts Corporation are accounted for as jointly controlled operations. Management has assessed that it has joint control based on its joint venture agreements with its joint venture partners (see Note 4).

Transfers of Investment Properties. The Group transfers to investment properties after determining that there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are also made from investment properties when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale. These transfers are recorded using the carrying amount of the investment properties at the date of change in use.

Transfers from investment properties amounted to ₱685.9 million and nil in 2011 and 2010, respectively (see Note 12). There were no transfers to investment properties in 2011 and 2010.

Estimates and Assumptions

Revenue Recognition. Revenue from sale of condominium units and preferred shares under a single contract to sell is allocated to each component using the residual method. The fair value of the preferred share is measured at its current cash selling price to third parties on a stand-alone basis and the fair value of the condominium unit is the residual amount of the transaction price.

Fair Value of Financial Instruments. PFRS requires certain financial assets and liabilities to be carried at fair value, which requires extensive use of accounting estimates. While significant components of fair value measurement were determined using verifiable objective evidence, the amount of changes in fair value would differ if the Group utilized different valuation methodologies. Any changes in fair value of these financial assets would affect profit and loss and equity.

The fair value of the Group's financial assets and liabilities are disclosed in Note 25.

Estimating Impairment Losses of Receivables and Advances to Associates and Related Parties. The Group estimates the allowance for impairment losses related to receivables and advances to associates and related parties based on specific evaluation of accounts and collectively for receivables that are not individually significant, and where the Group has information that certain customers are unable to meet their financial obligations. In these cases, the use of estimate is based on the best available facts and circumstances, including but not limited to, the length of relationship with the debtors and known market factors, to record specific reserves against amounts due from debtors to reduce the receivable amount that is expected to be collected.

Provisions for impairment losses on receivables and advances amounted to nil, ₱5.7 million and nil in 2011, 2010 and 2009, respectively. As of December 31, 2011 and 2010, the aggregate carrying amount of trade and other receivables (including noncurrent portion), net of allowance for impairment losses, receivable from a third party and advances to associates and related parties, amounted to ₱1,315.8 million and ₱835.4 million, respectively (see Notes 7, 9, 10, 14 and 19).

Fair Value of Investments in Preferred Shares. Where fair value of financial assets recorded in the consolidated balance sheets cannot be derived from active markets, the Group establishes fair value by using valuation techniques which include recent arm's length market transactions between knowledgeable, willing parties. The fair value of investments in preferred shares is determined based on the current selling price to third parties.

The fair value of investments in preferred shares amounted to ₱10,736.1 million as of December 31, 2011 (see Note 11).

Impairment of AFS Investments. The Group treats AFS investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or whether other objective evidence of impairment exists. The determination of what is significant or prolonged requires judgment. The Group treats significant generally as 20% or more of the original cost of investment, and prolonged as period more than 12 months. In addition, the Group evaluates other factors, including normal volatility in share price for quoted equities and future cash flows and the discount factors for unquoted equities.

The Group's AFS investments amounted to ₱10,747.4 million and ₱11.6 million as of December 31, 2011 and 2010, respectively (see Note 11).

Estimating Useful Lives of Property and Equipment and Software Costs. The Group estimates the useful lives of the property and equipment and software costs based on the period over which these assets are expected to be available for use. The estimated useful lives 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 these assets. In addition, estimation of the useful life is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. There was no change in the estimated useful lives of property and equipment.

Depreciation and amortization (including capitalized depreciation expense) amounted to ₱46.3 million, ₱6.2 million and ₱2.1 million in 2011, 2010 and 2009, respectively. As of December 31, 2011 and 2010, the aggregate net book values of property and equipment and software costs amounted to ₱356.5 million and ₱114.3 million, respectively (see Notes 13 and 14).

Estimating Impairment of Nonfinancial Assets. The Group assesses impairment on nonfinancial assets whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable. The factors that the Group considers important which could trigger an impairment review include the following:

- Significant underperformance relative to expected historical or projected future operating results;
- Significant changes in the manner of use of the acquired assets or the strategy for overall business; and,
- Significant negative industry or economic trends.

An impairment loss is recognized whenever the carrying amount of an asset exceeds its estimated recoverable amount. The estimated recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs. For impairment loss on specific assets, the recoverable amount represents the fair value less costs to sell.

In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Group is required to make estimates and assumptions that can materially affect the consolidated financial statements.

No provision for impairment losses were recognized in 2011, 2010 and 2009. The carrying values of nonfinancial assets that are subjected to impairment testing are as follows:

	2011	2010
Investments in associates (see Note 10)	**₱94,804,626**	₱84,756,108
Property and equipment (see Note 13)	**351,201,224**	110,925,870
Other noncurrent assets (see Note 14)	**57,376,291**	36,244,168
	₱503,382,141	₱231,926,146

Revaluation of Investment Properties. The Group engaged an independent appraiser to determine the fair value of its investment properties. In 2011, 2010 and 2009, fair values of investment properties were based on the valuation performed in November and December 2011, August and October 2010 and October 2009, respectively. Management evaluated that the fair values of investment properties determined in November 2011, August and October 2010, and October 2009 approximate the fair values as of reporting date since there were no significant changes in the condition of these properties between those dates. The fair values of investment properties, including properties held for lease, were determined using the Market Data Approach for the land and Cost Approach for the improvements. Market Data Approach involves the comparison of the land to those that are more or less located within the vicinity of the appraised property and are subject of recent sales and offerings. The comparison is based on the location, size, shape, utility, desirability and time element. Cost Approach involves the estimate of the reproduction cost of the improvements based on prevailing cost of labor, materials, contractor's fee and other costs necessary to build the improvements. Depreciation brought about by physical wear and tear, functional obsolescence and economic obsolescence are deducted to arrive at the market value of improvements.

Fair value change in 2011, 2010 and 2009, which was recognized in the consolidated statements of comprehensive income, amounted to ₱2,356.8 million, ₱958.6 million and ₱298.9 million, respectively. Carrying values of investment properties amounted to ₱18,046.2 million and ₱15,337.6 million as of December 31, 2011 and 2010, respectively (see Note 12).

Determining Liability Related to Acquisition of AFS Investments. Management has assessed that the Group has the primary obligation to develop and construct the City Club and Island Club facilities in exchange for these AFS investments. The liability related to acquisition of AFS investments has been developed in consultation with the Group's executives and project managers.

As of December 31, 2011, the liability related to acquisition of AFS investments amounted to ₱2,238.9 million (see Note 11).

Determination of Retirement Benefits. The determination of the Group's obligation and cost for retirement benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 22 to the consolidated financial statements.

Retirement benefit cost amounted to ₱5.1 million and ₱4.9 million in 2011 and 2010, respectively. Retirement benefits obligation amounted to ₱10.0 million and ₱4.9 million as of December 31, 2011 and 2010, respectively (see Note 22).

Assessing Realizability of Deferred Tax Assets. The Group reviews its deferred tax assets at each balance sheet date and reduces their carrying amounts 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. The Group's assessment of the recognition of deferred tax assets is based on the projected taxable income in the following periods. Unrecognized deferred tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Unrecognized deferred tax assets amounted to ₱130.0 million and ₱131.2 million as of December 31, 2011 and 2010, respectively (see Note 23). Management believes that it is not probable that sufficient taxable income will be available to allow all of the deferred tax assets to be utilized.

4. Deconsolidation, Combination, Acquisition of Non-controlling Interest and Interests in Joint Ventures

a. Deconsolidation of TCCAMPI, ABICI and AMCI (collectively referred to as "Clubs")

The Group's investments in the Clubs consist of common and preferred shares. Common shares are voting while preferred shares are nonvoting and have preference over the common shareholders in the distribution of assets in case of dissolution and liquidation.

As of December 31, 2010, TCCAMPI and ABICI are subsidiaries of ALPHA through its wholly owned subsidiaries AMPI and ABIRC, respectively. AMCI became a subsidiary of ALPHA in February 2011 through its subsidiary, AMC.

On March 30, 2011, AMPI, ABIRC and AMC assigned their voting rights in the common shares of the Clubs which appointed their proxies to represent and vote all of its shares of stock standing in their name and that of their nominees in any and all meetings of the stockholders of the Clubs, and any adjournments or postponements thereof, as fully and for all intents and purposes as if they were present and acting thereat. Thereafter, in relation to the said assignment of voting rights, AMPI, ABIRC and AMC entered into a Deed of Assignment on August 12, 2011 with APMC, a related party, for the assignment of all of their respective shareholdings in the common shares of the Clubs totaling ₱2.2 million. The Deed of Assignment likewise included a waiver of their economic rights over the Club's common shares effective March 31, 2011. By virtue of the assignment of voting rights and the Deed of Assignment, the Group has lost control over the Clubs effective March 31, 2011, thus, were deconsolidated effective that date. The Group, however, retained its preferred shares in the Clubs (see Note 11).

The difference between the selling price of the common shares and the Group's carrying value of its common shares amounting to ₱6.3 million, is recognized as a gain on loss of control in the 2011 consolidated statement of comprehensive income. Further, the gain on sale of preferred shares amounting to ₱2.6 million, presented as "Gain on sale of preferred shares of a subsidiary" account in the equity section attributable to equity holders of the parent in the 2010 consolidated balance sheet, was credited to profit or loss as part of gain on loss of control in the 2011 consolidated statement of comprehensive income. The Group's residual interest in the preferred shares of the Club was then carried at fair value. The increase in the fair value amounting to ₱1,354.1 million was credited to "Unrealized valuation gains on AFS investments" account in the equity section of the 2011 consolidated balance sheet (see Note 11). Such increase in the fair value represents unrealized valuation gains prior to the deconsolidation of TCCAMPI. There is no unrealized valuation gains for ABICI and AMCI as there are no available market price yet for these preferred shares at deconsolidation. These are carried at cost less allowance for impairment losses, if any, because fair value cannot be measured reliably due to lack of reliable estimates of future cash flows and discount rates necessary to calculate the fair value.

b. SSA

In accounting for the share-for-share swap transaction discussed in Note 1, the Group is required to apply revised PFRS 3 which is effective for the Group beginning January 1, 2010. In applying the revised PFRS 3, ADI is the accounting acquirer in the business combination. Therefore, the share-for-share swap is accounted for as a reverse acquisition. In a reverse acquisition, the entity that issues securities (the legal parent) is identified as the acquiree for accounting purposes because based on the substance of the transaction, the legal subsidiary is adjudged to be the entity that gained control over the legal parent. Accordingly, the consolidated financial statements of the Group have been prepared as a continuation of the consolidated financial statements of ADI. ADI, as the acquirer, has accounted for the acquisition of ALPHA from April 7, 2010.

In a reverse acquisition, the acquisition-date fair value of the consideration transferred by the accounting acquirer for its interest in the accounting acquiree is based on the number of equity interests the legal subsidiary would have had to issue to give the owners of the legal parent the same percentage equity interest in the combined entity that results from the reverse acquisition. The consideration assumed to have been transferred by ADI for its interest in ALPHA is the fair value of the additional shares of 29,567,118 assumed to have been issued by ADI to give the owners of the legal parent the same percentage of equity ownership in the combined entity. The fair value of such additional shares is ₱295.7 million.

ALPHA issued 1,269,734,041 new shares with par value of ₱1 per share to all ADI stockholders. The issue price for the new shares of ALPHA is ₱10 per share which is based on the valuation of ADI's total assets as of September 30, 2009 amounting to ₱12,697.3 million. Each ADI share was exchanged for approximately 5.08 shares of ALPHA. In effect, 1,269,734,041 new shares of ALPHA were issued in exchange for 250,007,500 shares of ADI representing its entire issued and outstanding common shares (see Note 18).

Purchase Price Allocation

In applying the revised PFRS 3, acquisition date is determined to be April 7, 2010 which is the date the SEC approved the increase in ALPHA's capitalization (see Note 1). The Group engaged the services of an independent appraiser to determine the fair values of the consolidated assets and liabilities of ALPHA (as accounting acquiree) as of acquisition date. Based on the final purchase price allocation, the fair value of the assets and liabilities are as follows:

Account	Fair Value at Acquisition Date
Cash and cash equivalents	₱11,526,934
Trade and other receivables	140,334,825
Inventories	91,566,535
Prepaid expenses and other current assets	20,117,149
Property and equipment - net	245,342,422
Other assets	18,332,145
Loans payable	(143,000,000)
Trade and other payables	(22,545,237)
Liabilities under trust receipts and acceptances	(81,033,196)
Income tax payable	(4,058,833)
Retirement benefits obligation	(4,141,248)
Net assets acquired	272,441,496
Goodwill (see Note 14)	23,229,684
Fair value of the consideration transferred	₱295,671,180

The acquisition is treated as a non-cash transaction in the 2010 consolidated statement of cash flows.

The fair value and gross amount of trade and other receivables amounted to ₱140.3 million and ₱144.2 million, respectively. Trade and other receivables amounting to ₱3.9 million doubtful of collection were provided with full valuation allowance.

From the date of acquisition, ALPHA (including MPPI) has incurred net loss of ₱21.1 million. If the combination had taken place at the beginning of the year, consolidated net income in 2010 would have been ₱1,254.6 million.

c. Acquisition of Non-controlling Interest in AMPI

On November 11, 2010, ADI acquired 2,031 common shares of AMPI from Noble Care for a total consideration of ₱189.8 million. The purchase of Noble Care's 5.88% interest increased ADI's interest in AMPI from 94.12% to 100.00% (see Note 1). ADI's excess of acquisition price over its acquired interest in AMPI amounting to ₱159.0 million was presented under equity section of the consolidated balance sheets.

d. Interests in Joint Ventures

i. A.A. Land (Jointly Controlled Entity)

A.A. Land was incorporated and registered with the Philippine SEC on July 11, 2007, with purpose of owning, using, improving, developing, subdividing, leasing, and holding of investments or otherwise, real estate of all kinds, including buildings, houses, apartments, and structures.

On July 14, 2010, ADI, Wenceslao and A.A. Land entered into an Investment Agreement for the transfer of a total of 32 hectares of land respectively owned by Wenceslao and ADI to A.A. Land in exchange for the latter's shares of stock.

On the same date, A.A. Land's Board of Directors and stockholders approved the amendment of A.A. Land's articles of incorporation for the following:

a) Change in corporate name from "A.A. Land Properties Developers Corporation" to "Alphaland Bay City Corporation";
b) Change in the number of Board of Directors from five to six; and,
c) Increase in the authorized capital stock from ₱10,000 divided into 10,000 shares, with ₱1 par value per share, to ₱120.0 million divided into 120,000,000 shares, with ₱1 par value per share.

On December 23, 2010, A.A. Land, Wenceslao and ADI executed a Deed of Assignment and Memorandum of Agreement to form A.A. Land as a jointly controlled entity (the Joint Venture Company), that is, 50-50 owned by Wenceslao and ADI. By virtue of these agreements, A.A. Land is in substance, a 50-50 owned entity of Wenceslao and ADI as of December 31, 2011 and 2010.

Through various Deeds of Exchange and Memorandum of Agreement dated October 14, 2010, Wenceslao and ADI conveyed a total of 28 hectares of land in Aseana Business Park to A.A. Land in exchange for the latter's shares of stock. Wenceslao and ADI have filed with the BIR the request for a confirmation that the mentioned transfer is tax-free. As of February 15, 2012, the confirmatory ruling has not yet been issued by the BIR. Accordingly, the SEC has not yet approved A.A. Land's amendment of the Articles of Incorporation and increase in its authorized capital stock with the corresponding issuance of shares in exchange for the properties.

The Group's total initial investment cost in the Joint Venture Company of ₱7,979.5 million represents 10 hectares of land, more or less, with fair value of ₱6,456.0 million, cash of ₱1,000.0 million and subscription payable of ₱523.5 million. The Group's proportionate share in the net assets of the Joint Venture Company which primarily consists of investment properties (see Note 12) amounted to ₱9,415.5 million and ₱8,741.4 million as of December 31, 2011 and 2010, respectively. The excess of ADI's share in the Joint Venture Company over its investment cost amounting to ₱761.9 million was recognized as "Gain on bargain purchase" in the 2010 consolidated statement of comprehensive income.

The Group's accounting policy on investment properties is different from that of the Joint Venture Company. An adjustment was made to bring the accounting policy in line with that of the Group.

The summarized financial information of the Joint Venture Company, aligned with the accounting policy of the Group, is as follows:

	2011	20l0
Cash and prepayments	**₱14,050**	₱10,450
Investment properties	**19,502,770,000**	17,552,493,000
Deposits intended for equity subscriptions	**17,552,493,000**	17,552,493,000
Retained earnings (deficit)	**1,278,480,436**	(69,654,310)

Share in the Joint Venture Company's revenue and expenses:

	2011	20l0
Gain on fair value change of investment properties	**₱975,138,500**	₱–
Expenses	**301,071,127**	34,892,992
Share in net income (loss)	**₱674,067,373**	(₱34,892,992)

ii. AMPI and BSP (Jointly Controlled Operation)

On June 30, 2008, AMPI and BSP entered into a Joint Venture Agreement to develop the Malugay Property into a first class commercial development to be known as Alphaland Makati Place (the Project) whereby BSP shall contribute the Malugay Property while AMPI shall contribute the improvements (the development costs) and its exclusive rights (the leasehold rights) over the Malugay Property, as well as to provide all necessary funds, equipment, materials, construction works, expertise and related undertakings for the development of the Project.

The Project consists of three high-end residential atop an upscale six-storey podium, the bottom half of which is a shopping center and the top half a City Club for urban sports and leisure. The Project also includes a Boy Scout Convention Center as provided in the Joint Venture Agreement.

AMPI and BSP agreed to share at 85% and 15%, respectively, of the total gross floor area of completed and disposable units in the Project, excluding the City Club and Boy Scout Convention Center, which are specifically allocated to AMPI and BSP, respectively. As provided in the Joint Venture Agreement, AMPI shall submit progress reports of the development works in the Project on a regular basis to BSP.

On June 2, 2011, BSP sold the Malugay Property to AMPI for a total consideration of ₱600.0 million. The amount of consideration paid to BSP was then contributed by BSP to the Project which is being held by AMPI in trust for BSP. The leasehold right was effectively terminated when AMPI acquired the land from BSP in June 2011.

Pursuant to the Joint Venture Agreement, ALPHA has issued a corporate guaranty in favor of BSP whereby, in the event AMPI, is unable to complete the Project (for reasons attributable to the fault of AMPI), ALPHA shall pay BSP the amount of ₱600.0 million in exchange for BSP's 15% share in the sharing scheme as defined in the Joint Venture Agreement.

The Group accounts for the joint venture agreement as a jointly controlled operation. As of December 31, 2011 and 2010, the Group recognized its share in the development costs of the Project (excluding the costs related to the City Club - see Note 11) in the following accounts:

	2011	2010
Land and development costs (see Note 8)	**₱533,644,509**	₱–
Investment properties (see Note 12)	**1,393,137,986**	745,273,299
	₱1,926,782,495	₱745,273,299

iii. ADI and Akean Resorts Corporation (Jointly Controlled Operation - see Note 12)

5. **Assets Held for Sale and Discontinued Operations**

ALPHA spun off the operation and maintenance of its plastic manufacturing business to MPPI. In view of this, ALPHA and MPPI entered into a deed of conveyance on October 13, 2009 where ALPHA transferred and conveyed in favor of MPPI all of its rights, titles and interests in, and obligations to, its net assets in consideration of, and solely in exchange for shares of stock of MPPI (the "Assignment"). MPPI has secured a ruling from the BIR confirming that the transfer of the specific assets and liabilities of ALPHA to MPPI is tax free. The transfer of properties and obligations to MPPI from ALPHA became effective upon the approval by the SEC of the increase in the authorized capital stock of MPPI.

Effective December 1, 2009, MPPI assumed the management of ALPHA's plastic products manufacturing operations. On the same date, all the employees of ALPHA at that time (all of whom were connected to the plastics manufacturing business) were transferred to MPPI.

Further to the spin-off of MPPI, ALPHA signed a MOU on December 23, 2010 with MPCI where the latter is offering to buy ALPHA's entire interest in MPPI upon completion of the Assignment, which ALPHA accepted for a reasonable consideration to be determined nearer to the Assignment. With the foregoing agreement, ALPHA presented the assets of MPPI as "Assets held for sale" and liabilities as "Liabilities directly associated with assets held for sale" in the 2010 consolidated balance sheet, and reported the operations of the plastics manufacturing segment as "Income from discontinued operations" in the 2010 consolidated statement of comprehensive income.

On September 30, 2011, ALPHA acquired the machinery and equipment from MPPI for ₱147.0 million. As a result, the machinery and equipment with a carrying value of ₱147.0 million, was reclassified from "Assets held for sale" to "Property and equipment" account in the 2011 consolidated balance sheet effective September 30, 2011 (see Note 13).

On October 28, 2011, the sale of MPPI was consummated with the execution of a Deed of Absolute Sale between ALPHA and MPCI for a consideration of ₱254.0 million which resulted to a loss on sale of an investment of ₱1.3 million.

The results of operations attributable to the manufacturing plastics business in 2011 and 2010 are as follows:

	2011 (Nine Months)	2010 (One Year)
Net sales	**₱461,523,368**	₱544,535,527
Costs of sales	**(374,344,011)**	(421,019,419)
General and administrative expenses	**(60,482,159)**	(71,919,773)
Other expenses	**(8,287,473)**	(13,869,936)
	(443,113,643)	(506,809,128)
Income from discontinued operations	**18,409,725**	37,726,399
Provision for income tax (see Note 23)	**5,502,653**	11,390,358
Net income from discontinued operations	**₱12,907,072**	₱26,336,041

The net cash flows attributable to discontinued operations in 2011 and 2010 are as follows:

	2011 (Nine Months)	2010 (One Year)
Cash flows provided by (used in):		
Operating activities	**₱29,191,528**	₱146,273,337
Investing activities	**(22,012,760)**	(62,286,148)
Financing activities	**6,700,000**	(72,157,616)
Net increase in cash	**₱13,878,768**	₱11,829,573

The major classes of assets and liabilities of MPPI classified as held for sale as of December 31, 2010 are as follows:

Assets	
Cash	₱20,397,687
Trade and other receivables	131,022,077
Inventories	96,701,757
Prepaid expenses and other current assets	33,116,054
Property and equipment (see Note 13)	279,446,168
Deferred tax assets	3,340,378
Other noncurrent assets	7,403,140
Assets classified as held for sale	₱571,427,261
Liabilities	
Loans payable	₱126,000,000
Trade and other payables	37,868,024
Liabilities under trust receipts and acceptances	122,844,011
Income tax payable	2,214,139
Retirement benefits obligation	3,456,368
Liabilities directly associated with the assets classified as held for sale	₱292,382,542

The basic/diluted earnings per share of income from discontinued operations attributable to equity holders of the Parent amounted to ₱0.007 and ₱0.019 in 2011 and 2010, respectively (see Note 24).

6. Cash and Cash Equivalents

	2011	2010
Cash on hand and with banks (Note 19)	**₱226,147,173**	₱132,642,921
Short-term placements (Note 19)	**748,907,845**	434,000,000
	₱975,055,018	₱566,642,921

Cash with banks earns interest at the respective bank deposit rates. Short-term placements are made for varying periods of up to three months, depending on the immediate cash requirements of the Group and earn interest at the respective short-term placement rates.

Interest income earned related to cash and cash equivalents amounted to ₱39.3 million, ₱6.2 million and ₱6.2 million in 2011, 2010 and 2009, respectively.

7. Trade and Other Receivables

	2011	2010
Trade receivables from:		
Tenants (see Note 19)	**₱50,530,600**	₱36,800,789
Sale of club shares - net of noncurrent portion (see Note 14)	**78,486,851**	1,437,500
Officers and employees (see Note 19)	**40,014,884**	27,100,236
Others	**3,396,324**	392,485
	172,428,659	65,731,010
Less allowance for impairment losses	**4,705,015**	5,700,000
	₱167,723,644	₱60,031,010

Receivables from tenants are noninterest-bearing and are generally on 30 to 90 days term. Receivables from sale of club shares are noninterest-bearing with terms ranging from one to three years. Noncurrent portion of trade receivables from sale of club shares is presented under "Other noncurrent assets" account in the consolidated balance sheets (see Note 14).

Receivables from officers and employees and other receivables are noninterest-bearing and will be settled within one year.

The movement of the allowance for impairment losses on trade receivables is shown below:

	2011	2010
Balance at beginning of year	**₱5,700,000**	₱–
Provision during the year (see Note 21)	**–**	5,700,000
Reversal	**(994,985)**	–
Effect of share swap agreement (see Note 4)	**–**	3,867,273
Reclassification to assets held for sale (see Note 5)	**–**	(3,867,273)
Balance at end of year	**₱4,705,015**	₱5,700,000

Provision for impairment losses pertains to receivables from several lessees of ADI that are 90 days past due and impaired.

8. Land and Development Costs

In 2011, the details of the account are as follows:

Project	Amount
Alphaland Makati Place (see Notes 4, 12 and 17)	₱533,644,509
Alphaland Tower (see Notes 12 and 17)	152,243,083
	₱685,887,592

Alphaland Makati Place

The Group's project, named Alphaland Makati Place, which is a joint venture with BSP (see Note 4), is located on a one-hectare premium property along Ayala Avenue Extension corner Malugay Street, Makati City. Alphaland Makati Place consists of three high-end residential towers atop an upscale six-storey podium, the bottom half of which is a shopping center and the top half, a City Club for urban sports and leisure (see Note 11).

Project cost classified as land and development costs pertains to the Group's proportionate interest in Towers One and Two of Alphaland Makati Place which are intended for sale.

In December 2011, the Group started the pre-selling of condominium units in Tower One of Alphaland Makati Place. The terms and conditions of the Contract to Sell (CTS) involve the sale of one condominium unit and one City Club share, i.e., a preferred share of TCCAMPI, in which ownership of the unit and the City Club share are inseparable. Under the CTS, the components are sold under a single selling price with downpayment payable upon signing of the CTS and the unpaid balance payable in monthly installments for a period of three years from date of CTS. Ownership of the City Club share will allow the buyer to enjoy the amenities and facilities of TCCAMPI.

On December 5, 2011, the Housing and Land Use Regulatory Board (HLURB) issued a temporary License to Sell to AMPI for the sale of condominium units in Tower One of Alphaland Makati Place.

Total estimated cost to complete the project amounted to ₱7,060.4 million as of December 31, 2011.

Alphaland Tower
Alphaland Tower will be constructed on the site with a 34-storey building and with gross floor area of 67,909 square meters. This is located along Ayala Avenue and will be a premier high-end corporate office.

Based on current development plans, the Group has determined that upon completion of the project, 6,014 square meters and 61,895 square meters are to be sold and leased out, respectively.

Total estimated cost to complete the project amounted ₱1,563.1 million as of December 31, 2011.

Interest and other financing costs amounting to ₱11.0 million were capitalized as part of land and development costs in 2011 (see Note 17).

9. **Other Current Assets**

	2011	2010
Advances to contractors (see Note 28)	**₱583,051,437**	₱47,921,786
Input VAT - net (see Note 14)	**424,082,236**	272,275,847
Restricted cash - net of noncurrent portion (see Note 14)	**384,854,045**	4,562,500
Receivable from a third party	**289,525,857**	–
Deferred rent (see Note 20)	**48,856,092**	26,991,563
CWT	**23,909,860**	8,209,853
Prepayments	**22,012,065**	48,603,826
Others	**23,971,336**	13,323,669
	₱1,800,262,928	₱421,889,044

Advances to Contractors
Advances to contractors are considered as nonfinancial instruments as these will be applied against future billings from contractors normally within one year.

Input VAT
Input VAT arises from the acquisition of land and payments to suppliers and contractors for the acquisition of goods and development of the Group's projects. This can be claimed as credit against the Group's output VAT payable. The portion of input VAT which is required to be amortized over the life of the related asset or a maximum period of 60 months is recognized as part of "Other noncurrent assets" account (see Note 14).

Restricted Cash

Debt Service Reserve Account (DSRA) (₱90.4 million). Under the Omnibus Loan and Security Agreement (OLSA), ADI, AMPI and AMTI (collectively, the Borrowers) are required to maintain a DSRA for the security of interest and/or principal repayments to the lenders. The Borrowers are required to deposit cash to the DSRA equivalent to the upcoming interest and/or principal repayment (see Note 17).

Escrow Funds - Preferred Shares (₱331.6 million). These represent funds with an escrow agent, Philippine Bank of Communications (PBCom), a related party (see Note 19), in compliance with Section 8E of Rule 12.1 of the Amended Implementing Rules and Regulations of the Securities Regulation Code and in connection with AMPI and ABIRC's public offering of the preferred shares, classified under "AFS investments" account in the consolidated balance sheets. The proceeds from the sale of preferred shares shall only be disbursed in portions upon written instructions of AMPI and ABIRC for the purpose of paying direct costs incurred to sell the preferred shares. The release shall be in accordance with the percentage of completion of the City Club and Island Club. The escrow account shall be closed upon completion of the construction of the City Club and Island Club by AMPI and ABIRC, respectively.

Escrow Funds - Condominium Units (₱18.9 million). In 2011, AMPI designated PBCom, a related party (see Note 19), as an escrow agent in compliance with Presidential Decree No. 957, as amended, in connection with the Company's application for a Certificate of Registration and License to Sell with the HLURB. The proceeds from the pre-selling of residential units of the Project, received from the date of issuance of the temporary License to Sell by HLURB, are temporarily restricted until receipt by the Company of its Certificate of Registration and permanent License to Sell. The escrow account shall only be disbursed for purposes of payment of refunds to buyers, cancellation charges to the developer, fees, charges and other expenses incurred in the management and administration of the escrow agent. The permanent license to sell is expected to be issued to AMPI in 2012.

Interest income earned from restricted cash amounted to ₱5.6 million, ₱1.6 million and nil in 2011, 2010 and 2009, respectively.

Receivable from a Third Party
This account pertains to a noninterest-bearing receivable which is secured by certain assets of the third party.

Prepayments
Prepayments include prepaid rent, insurance and commissioning fees.

10. Investments in and Advances to Associates

	2011	2010
Investments in associates	**₱94,804,626**	₱84,756,108
Advances to associates (see Note 19)	**833,706,804**	672,714,758
	₱928,511,430	₱757,470,866

Details of investments in associates are as follows:

	2011	2010	2009
Acquisition costs:			
Balance at beginning of year	**₱50,533,779**	₱533,779	₱533,779
Additions	**9,999,951**	50,000,000	–
Balance at end of year	**60,533,730**	50,533,779	533,779
Accumulated equity in net income:			
Balance at beginning of year	**34,222,329**	7,177,511	3,690,593
Equity in net income during the year	**48,567**	27,044,818	3,486,918
Balance at end of year	**34,270,896**	34,222,329	7,177,511
	₱94,804,626	₱84,756,108	₱7,711,290

Details of investments in and advances to associates are as follows:

	2011		2010	
	Investments	**Advances**	Investments	Advances
Shang Global City Properties, Inc. (SGCPI)	**₱33,493,772**	**₱671,500,000**	₱35,977,062	₱671,500,000
AHEC	**50,815,163**	**9,639,614**	48,753,602	1,214,758
AUI	**4,730,584**	**12,190**	–	–
Alphaforce Security Agency Inc. (ASAI)	**3,790,176**	**55,000**	–	–
Fort Bonifacio Shangri-la Hotel, Inc. (FBSHI)	**1,974,931**	**152,500,000**	25,444	–
	₱94,804,626	**₱833,706,804**	₱84,756,108	₱672,714,758

The following are the associates of the Group:

		Percentage of Ownership		
Company	Principal Activities	**2011**	2010	2009
SGCPI	Real property development	**20%**	20%	20%
FBSHI	Real property development	**20%**	20%	20%
AHEC	Sale and lease of heavy equipment	**50%**	50%	–
AUI	Restaurant	**50%**	–	–
ASAI	Security agency	**40%**	–	–

All associates are incorporated in the Philippines.

<u>SGCPI</u>

SGCPI, 20%-owned by ADI, was incorporated and registered with the Philippine SEC on December 13, 2007, primarily to acquire by purchase and to own, use, improve, sell, mortgage, exchange, lease and hold for investment or otherwise, real estate of all kinds, whether to improve, manage, or otherwise dispose of said properties together with their appurtenances.

<u>FBSHI</u>

FBSHI, 20%-owned by ADI, was incorporated and registered with the Philippine SEC on February 15, 2008, primarily to own, carry, operate conduct and engage in hotel business, high and low residential condominium/apartment development and related business and, for this purpose, to purchase or own any interest in real property (except land) and personal property of all kinds.

SGCPI and FBSHI entered into an unincorporated joint venture agreement for the construction of a six-star hotel and high-end development at SGCPI's land property in Bonifacio Global City, Taguig, Metro Manila, to be known as Shangri-La at the Fort. It will be a mixed-use business, hospitality, residential and retail tower, envisioned as the new flagship luxury development in the Shangri-La portfolio. Shangri-La at the Fort is planned to commence operations by year 2014.

<u>AHEC</u>

In January 2010, ADI subscribed to 125,000 common shares of AHEC representing 50% of the outstanding shares of AHEC. AHEC is 50% owned by ADI and 50% owned by Fabricom-XCMG Phils., Inc. Its purpose is to purchase, import, or otherwise acquire, as well as to lease (except financial leasing), sell, distribute, market, convey, or otherwise dispose heavy equipment, machinery and related implements. AHEC's target markets are the local government units and private entities, among them are ADI and ABIRC, with big infrastructure projects and construction requirements. In 2011 and 2010, AHEC sold several units of heavy equipment to ADI and ABIRC for their development projects in Caticlan and Balesin, respectively (see Note 19).

<u>AUI</u>

On March 15, 2011, ADI subscribed to 4,999,988 common shares of AUI representing 50% of the outstanding shares of AUI. Its purpose is to establish, maintain and operate restaurants, coffee shops, refreshment parlors and cocktail lounge.

ASAI

ASAI is 40%-owned by ALPHA and was incorporated and registered with the Philippine SEC on March 18, 2011 primarily engaged in the business of providing security and investigation services to private institutions and government organizations for the purpose of protecting lives and properties.

The condensed financial information of the associates follows:

	2011	2010
Total assets	**₱6,098,438,431**	₱4,372,677,764
Total liabilities	**5,796,206,194**	4,090,871,151
Net income (loss)	**(1,574,377)**	138,963,381

11. **AFS Investments**

	2011	2010
Unquoted Clubs' preferred shares (see Note 4):		
ABICI	**₱6,564,000,000**	₱–
TCCAMPI	**4,172,000,000**	–
AMCI	**125,000**	–
Quoted -		
Wack Wack	**11,300,000**	11,600,000
	₱10,747,425,000	₱11,600,000

Balance at beginning of year	**₱11,600,000**	₱10,600,000
Effect of deconsolidation (see Note 4)	**4,530,680,762**	–
Sale of AFS investments	**(211,201,951)**	–
Fair value adjustments	**6,416,346,189**	1,000,000
Balance at end of year	**₱10,747,425,000**	₱11,600,000

The preferred shares held by the Group are not required to gain control of the Clubs and are intended to be disposed over time to third parties, the proceeds of which will be used to raise funding for the construction of the club facilities which AMPI, ABIRC and AMC committed to deliver to TCCAMPI, ABICI and AMCI, respectively. The preferred shareholders are entitled to name one nominee per share to become a member and avail of the amenities and facilities of the Clubs. They are not entitled to vote and be voted for in all meetings of the shareholders of the Clubs. The preferred shares have preference over the issuer's common shares in the distribution of assets in case of dissolution and liquidation.

Liability Related to Acquisition of AFS Investments

The cost of the Group's investments in the preferred shares of TCCAMPI and ABICI includes the cash consideration and the cost of the obligation to deliver and complete the Clubs' facilities (see Note 3).

a. ABICI

On February 10, 2011, ALPHA, ABIRC and ABICI entered into a Development Agreement (DA) for the development and construction of a resort club (the "Island Club"). It is agreed that ABIRC will develop and construct the Island Club with ALPHA extending any financing required for the completion of the Island Club and its amenities in exchange for the ABICI shares.

It was clarified that, in consideration for the Island Club's construction, ABICI agrees that the excess of the construction costs over the par value of the shares issued by ABICI shall be treated as additional paid-in capital after the completion of the Island Club. Furthermore, it was clarified that the ownership of the Island Club, its facilities and amenities will be transferred to ABICI after its completion, which is expected by the second quarter of 2013.

The initial liability related to acquisition of AFS investments amounting to ₱1,834.0 million is allocated for luxury villa clusters (75%), clubhouse (11%) and utilities and other facilities (14%). As of December 31, 2011, this amounted to ₱1,154.5 million, of which ₱786.9 million is shown as part of "Trade and other payables" account in the 2011 consolidated balance sheet (see Note 15). The noncurrent portion was included as part of "Other noncurrent liabilities" account in the 2011 consolidated balance sheet.

b. TCCAMPI

In October 2010, ADI, AMPI and TCCAMPI entered into a DA for the development and construction of a City Club in Alphaland Makati Place. It is agreed that ADI and/or AMPI will develop and construct the City Club with AMPI extending any financing required for its completion and amenities in exchange for the TCCAMPI shares.

In December 2010, ADI, AMPI and TCCAMPI entered into a supplemental development agreement to clarify that under the DA, it is AMPI who has the primary obligation to develop and construct the City Club. Moreover, it was clarified that, in consideration for the City Club's construction, TCCAMPI agrees to convert any and all advances provided by ADI and AMPI to additional paid-in capital after the completion of the City Club. Furthermore, it was clarified that the ownership of the City Club, its facilities and amenities will be transferred to TCCAMPI after its completion, which is expected by the second quarter of 2013.

The initial liability related to acquisition of AFS investments amounting to ₱1,190.6 million is allocated for the construction of podium and club equipment (88%) and land (12%). As of December 31, 2011, this amounted to ₱1,084.4 million and is shown as part of "Trade and other payables" account in the 2011 consolidated balance sheet (see Note 15).

In 2010, the liability related to acquisition of AFS investments was eliminated and does not form part of the Group's consolidated balance sheet. In 2011, the liability related to acquisition of AFS investments is no longer eliminated as a result of the deconsolidation of TCCAMPI, ABICI and AMCI (see Note 4).

Unrealized Valuation Gain on AFS Investments

The Group's AFS investments is marked to market using the fair value equivalent to the selling price of a recent sale to the public for the unquoted preferred shares and published price quotations in an active market for the quoted ordinary shares.

	Fair Value per Share
TCCAMPI	₱1,000,000
ABICI	2,000,000
AMCI*	100
Wack Wack	11,300,000

* *Fair value per share cannot be measured reliably due to lack of reliable estimates of future cash flows and discount rates necessary to calculate the fair value.*

Movements in the unrealized gain on AFS investments, net of related tax effect, are as follows:

	2011	2010
Balance at beginning of year	**₱1,000,000**	₱–
Unrealized valuation gains on AFS investments	**5,774,711,570**	1,000,000
Effect of deconsolidation (see Note 4)	**1,354,123,362**	–
Balance at end of year	**₱7,129,834,932**	₱1,000,000

Receivable arising from the sale of AFS investments amounted to ₱82.9 million as of December 31, 2011 (see Notes 7 and 14). Gain on sale of AFS investments and provision for selling expenses amounted to ₱208.6 million and ₱4.6 million, respectively.

In 2011, customers' deposits from sale of preferred shares amounting to ₱10.2 million was recorded under "Deposits from sale of preferred shares" under "Trade and other payables" account in the 2011 consolidated balance sheet (see Note 15).

12. Investment Properties

	2011	2010
Balance at beginning of year	**₱15,337,579,953**	₱11,447,118,738
Fair value change	**2,356,792,867**	958,615,184
Additions:		
Capital expenditures/development costs	**1,014,687,905**	601,095,992
Capitalized borrowing costs	**22,996,665**	10,491,539
Reclassification to land and development costs (see Note 8)	**(685,887,592)**	–
Share in the investment property of the Joint Venture Company (see Note 4)	**–**	8,776,246,500
Contribution to the Joint Venture Company (see Note 4)	**–**	(6,455,988,000)
Balance at end of year	**₱18,046,169,798**	₱15,337,579,953

Investment properties carried at fair value consist of:

	2011	2010
Alphaland Bay City (see Note 4)	**₱9,751,385,000**	₱8,776,246,500
Alphaland Southgate Tower	**3,247,177,567**	3,212,699,964
Alphaland Tower	**1,645,265,975**	1,392,695,574
Alphaland Balesin Island Club	**1,601,011,149**	910,607,104
Alphaland Makati Place (see Note 4)	**1,393,137,986**	745,273,299
Silang Property	**247,925,855**	245,995,553
Caticlan Property (see Note 4)	**159,784,266**	54,061,959
Alphaland Marina Club	**482,000**	–
	₱18,046,169,798	₱15,337,579,953

<u>Alphaland Bay City</u>
This represents ADI's 50% proportionate share in the landholdings of A.A. Land, the Joint Venture Company, which comprised 28 hectares of land in Aseana Business Park, Parañaque, Bay City, Metro Manila. A.A. Land will develop the property into a high-end, mixed-use property project to be known as Alphaland Bay City (see Note 4).

<u>Alphaland Southgate Tower</u>
In January 2008, ADI acquired from South China Resources, Inc. and the Puyat family two parcels of land measuring a total of 9,497 square meters, more or less, at the corner of EDSA and Chino Roces Avenue in Makati City together with the existing improvements thereon. The property is now a fully developed and operational 20-storey office tower building with a 6-storey podium shopping mall known as Alphaland Southgate Tower. It was declared an Information Technology Zone on January 12, 2009 by the Philippine Economic Zone Authority, pursuant to Presidential Proclamation No. 1692 dated December 22, 2008. The property currently secures the long-term debt obtained by ADI in 2008 for its development (see Note 17).

Rent income from Alphaland Southgate Tower amounted to ₱257.5 million, ₱110.0 million and ₱32.7 million in 2011, 2010 and 2009, respectively. Common utilities, services and maintenance charges, presented as "Other revenues" in the consolidated statements of comprehensive income, amounted to ₱155.3 million, ₱74.2 million and ₱6.8 million in 2011, 2010 and 2009, respectively (see Note 20). Direct costs related to rent income amounted to ₱75.2 million, ₱32.4 million and ₱5.9 million in 2011, 2010 and 2009, respectively, which is mainly comprised of utilities and commissary costs.

Alphaland Tower

In June 2008, ADI acquired from Sta. Lucia Land, Inc., two parcels of land measuring a total of 2,400 square meters, more or less, along Ayala Avenue, Makati City. Due to current zoning height restrictions, ADI also acquired air rights from the owner of the adjacent property for a consideration of ₱95.0 million as it plans to build a 34-storey building to be known as Alphaland Tower. Total capitalized borrowing cost in 2011 amounted to ₱6.3 million. The property, including the project cost classified as land and development costs (see Note 8), currently secures the long-term debt obtained by AMTI (see Note 17).

Alphaland Balesin Island Club

ABIRC acquired approximately 394 hectares of land in Balesin Island, Polillo, Quezon. ABIRC is in the process of acquiring additional parcels of land in the island for development into a premier tourism resort facility.

Alphaland Makati Place

This represents the Group's proportionate interest in Podium and Tower Three of Alphaland Makati Place which is intended for lease to third parties (see Notes 4 and 8). Total capitalized borrowing costs amounted to ₱16.7 million and ₱10.5 million in 2011 and 2010, respectively. The property, including the project cost classified as land and development costs (see Note 8), currently secures the long-term debt obtained by AMPI (see Note 17).

Silang Property

ADI's three parcels of land in Silang Cavite, measuring a total of 300,000 square meters, more or less, is reserved for future development.

Caticlan Property

On December 3, 2010, ADI entered into a DA with Akean Resorts Corporation to develop a 500-hectare property in the northern tip of Nabas, Aklan, which faces Boracay Island, one of the world's best beach resort islands. ADI aims to transform this prime property into a high-end mixed-use resort complex anchored by a Polo and Country Club as well as water recreational activities, which will later be called Alphaland Boracay Gateway Country Club.

Alphaland Marina Club

Alphaland Marina Club is the centerpiece of the Alphaland Bay City. The Club is envisioned to provide world-class facilities for about 200 yachts, including several megayachts.

The fair values of the investment properties, including properties held for lease, as of December 31, 2011 and 2010 were based on the valuation performed by an independent appraiser using Market Data Approach for the land and Cost Approach for the improvements. Market Data Approach involves the comparison of the land to those that are more or less located within the vicinity of the appraised property and are subject of recent sales and offerings. The comparison is based on the location, size, shape, utility, desirability and time element. Cost Approach involves the estimate of the reproduction cost of the improvements based on prevailing cost of labor, materials, contractor's fee and other costs necessary to build the improvements. Depreciation brought about by physical wear and tear, functional obsolescence and economic obsolescence are deducted to arrive at the market value of improvements.

13. **Property and Equipment**

	2011					
	Leasehold Improvements	**Buildings and Structures**	**Machinery, Equipment and Tools**	**Transportation Equipment**	**Office Furniture and Equipment**	**Total**
Cost						
Balances at beginning of year	**₱4,498,300**	**₱328,900**	**₱86,784,977**	**₱25,131,402**	**₱8,769,438**	**₱125,513,017**
Additions	**–**	**35,781,549**	**96,299,237**	**770,000**	**4,946,041**	**137,796,827**
Reclassifications (see Note 5)	**–**	**–**	**183,891,968**	**(6,229,647)**	**(639,545)**	**177,022,776**
Balances at end of year	**4,498,300**	**36,110,449**	**366,976,182**	**19,671,755**	**13,075,934**	**440,332,620**
Accumulated Depreciation and Amortization						
Balances at beginning of year	**4,498,300**	**109,633**	**3,742,239**	**4,233,601**	**2,003,374**	**14,587,147**
Depreciation and amortization	**–**	**1,765,321**	**35,535,010**	**3,908,687**	**3,353,955**	**44,562,973**
Reclassifications (see Note 5)	**–**	**–**	**28,565,003**	**2,055,818**	**(639,545)**	**29,981,276**
Balances at end of year	**4,498,300**	**1,874,954**	**67,842,252**	**10,198,106**	**4,717,784**	**89,131,396**
Net Book Values	**₱–**	**₱34,235,495**	**₱299,133,930**	**₱9,473,649**	**₱8,358,150**	**₱351,201,224**

In 2011, the Group capitalized a portion of the depreciation expense amounting to ₱30.8 million, which is related to machinery and equipment being used for the construction of the Caticlan Project and Alphaland Balesin Island Club (see Note 12).

Reclassifications in 2011 include machinery and equipment acquired from MPPI which was transferred from asset held for sale (see Note 5).

	2010							
	Land and Improvements	Leasehold Improvements	Buildings and Structures	Machinery, Equipment and Tools	Transportation Equipment	Office Furniture and Equipment	Construction in Progress	Total
Cost								
Balances at beginning of year	₱–	₱4,498,300	₱–	₱–	₱9,827,054	₱903,249	₱–	₱15,228,603
Additions	–	–	328,900	86,784,977	15,304,348	7,866,189	–	110,284,414
Effect of share swap agreement (see Note 4)	37,657,227	4,963,815	131,616,962	230,451,309	13,957,291	7,408,337	6,340,241	432,395,182
Reclassifications	(37,657,227)	(4,963,815)	(131,616,962)	(230,451,309)	(13,957,291)	(7,408,337)	(6,340,241)	(432,395,182)
Balances at end of year	–	4,498,300	328,900	86,784,977	25,131,402	8,769,438	–	125,513,017
Accumulated Depreciation and Amortization								
Balances at beginning of year	–	4,498,300	–	–	3,597,408	231,451	–	8,327,159
Depreciation and amortization	–	–	109,633	3,742,239	636,193	1,190,127	–	5,678,192
Effect of share swap agreement (see Note 4)	5,356,441	4,963,815	44,665,616	116,974,365	9,007,772	6,084,751	–	187,052,760
Reclassifications	(5,356,441)	(4,963,815)	(44,665,616)	(116,974,365)	(9,007,772)	(5,502,955)	–	(186,470,964)
Balances at end of year	–	4,498,300	109,633	3,742,239	4,233,601	2,003,374	–	14,587,147
Net book values	₱–	₱–	₱219,267	₱83,042,738	₱20,897,801	₱6,766,064	₱–	₱110,925,870

In 2010, the Group acquired transportation equipment under a finance lease agreement. The carrying value of these transportation equipment amounted to ₱5.5 million and ₱7.1 million as of December 31, 2011 and 2010, respectively (see Note 20).

Reclassifications include property and equipment classified as assets held for sale in 2010 (see Note 5).

14. **Other Noncurrent Assets**

	2011	2010
Noncurrent portion of restricted cash (see Note 9)	**₱55,993,931**	₱–
Input VAT (see Note 9)	**28,880,554**	9,609,163
Goodwill (see Note 4)	**23,229,684**	23,229,684
Refundable deposits	**8,227,573**	8,218,951
Software costs - net	**5,266,053**	3,405,321
Noncurrent portion of trade receivables from sale of club shares (see Notes 7 and 19)	**4,365,372**	–
Others	**2,457,044**	8,454
	₱128,420,211	₱44,471,573

Refundable deposits include billing and meter deposits from Manila Electric Company (Meralco). These are refundable upon termination of the contract with Meralco.

ADI purchased computer software license amounting to ₱3.6 million and ₱3.9 million in 2011 and 2010, respectively. Corresponding amortization amounted to ₱1.7 million and ₱0.5 million in 2011 and 2010, respectively.

15. **Trade and Other Payables**

	2011	2010
Trade (see Note 19)	**₱279,957,597**	₱301,656,518
Liability related to acquisition of AFS investments (see Note 11)	**1,871,330,969**	–
Accrued expenses	**70,415,007**	15,960,959
Retention payable (see Note 28)	**46,942,654**	50,148,544
Deposit from sale of preferred shares (see Note 11)	**10,150,000**	–
Accrued interest	**5,880,251**	2,971,317
Unearned rent income (see Note 20)	**3,385,264**	22,335,096
Current portion of obligation under finance lease (see Note 20)	**1,142,232**	1,016,537
Others	**20,079,109**	42,913,720
	₱2,309,283,083	₱437,002,691

Trade payables are noninterest-bearing and are due for payment within 30 to 120 days.

Accrued expenses mainly pertain to accruals for development costs and general and administrative expenses. Other payables consist of government payables and nontrade payables. Accrued expenses and other payables are generally settled within one year.

16. **Loans Payable**

In May 2010, ADI entered into a loan agreement with Bank of Commerce (BOC) totalling ₱128.0 million to finance the Group's working capital requirements. The said loan is subject to 8.5% annual interest, which is payable quarterly. ADI's property in Silang, Cavite was used as collateral for the loan. The loan has been fully settled in May 2011.

Interest expense on loans payable amounted to ₱3.9 million and ₱6.9 million in 2011 and 2010, respectively (see Note 21).

17. **Long-term Debt**

	2011			2010		
Borrower	**Current**	**Noncurrent**	**Total**	Current	Noncurrent	Total
ADI	**₱193,750,100**	**₱1,037,501,100**	**₱1,231,251,200**	₱137,499,100	₱1,231,251,200	₱1,368,750,300
AMPI	**–**	**824,372,687**	**824,372,687**	–	227,917,217	227,917,217
AMTI	**–**	**971,842,415**	**971,842,415**	–	–	–
	₱193,750,100	**₱2,833,716,202**	**₱3,027,466,302**	₱137,499,100	₱1,459,168,417	₱1,596,667,517

ADI

On September 11, 2008, ADI entered into an OLSA with the Development Bank of the Philippines (DBP), Land Bank of the Philippines (LBP) and Bank of the Philippine Islands (BPI), collectively referred to as the "Lenders," for a loan facility of ₱1,400.0 million for the purpose of funding the development of Alphaland Southgate Tower. On September 18, 2008, ADI made the first drawdown amounting to ₱660.0 million. The second and third drawdown amounting to ₱380.0 million and ₱360.0 million, respectively, were made on February 24, 2009 and May 25, 2009, respectively.

The loan has a term of seven years from initial drawdown date, payable in 20 consecutive quarterly installments commencing at the end of the ninth quarter from the initial drawdown date. Interest, which is based on floating rate equivalent to applicable three-month PDEx rate plus 1.75% spread per annum, is payable quarterly. Interest expense and other finance charges recognized in the consolidated statements of comprehensive income amounted to ₱63.8 million, ₱86.3 million and ₱28.9 million in 2011, 2010 and 2009, respectively (see Note 21). Further, ADI's Alphaland Southgate Tower was used as collateral for the loan (see Note 12). Alphaland Southgate Tower has a fair value of ₱3,247.2 million and ₱3,212.7 million as of December 31, 2011 and 2010, respectively (see Note 12).

The scheduled maturities of ADI's outstanding long-term debt as of December 31, 2011 are as follows:

2012	₱193,750,100
2013	250,000,400
2014	337,500,400
2015	450,000,300
Total	1,231,251,200
Less current portion	193,750,100
Noncurrent portion	₱1,037,501,100

AMPI

On April 22, 2010, AMPI entered into an OLSA with DBP, LBP, BOC and Maybank Philippines, Inc. (Maybank) for a loan facility of ₱1,750.0 million exclusively for the purpose of partially financing the development, construction and operation of the Phase I of Alphaland Makati Place consisting of a six-storey podium mall, City Club and basement parking.

On June 10, 2010, AMPI made the first drawdown amounting to ₱250.0 million. On March 16, 2011 and July 6, 2011, AMPI made its second and third drawdown of ₱270.0 million and ₱330.0 million, respectively.

The scheduled maturities of AMPI's outstanding loan as of December 31, 2011 are as follows:

	DBP	LBP	BOC	Maybank	Total
2013	₱4,553,661	₱3,035,670	₱2,428,661	₱607,009	₱10,625,001
2014	40,982,946	27,321,027	21,857,946	5,463,080	95,624,999
2015	104,734,196	69,820,402	55,859,197	13,961,205	244,375,000
2016	141,163,482	94,105,759	75,288,482	18,817,277	329,375,000
2017	72,858,571	48,570,714	38,858,572	9,712,143	170,000,000
	364,292,856	242,853,572	194,292,858	48,560,714	850,000,000
Less deferred financing costs	24,563,877	554,749	425,358	83,329	25,627,313
	₱339,728,979	₱242,298,823	₱193,867,500	₱48,477,385	₱824,372,687

AMPI shall fully pay and liquidate the principal amount of the loan within seven years from and after the date of the initial borrowing. Payments are to be made in 16 quarterly installments beginning at the end of the 39th month from the date of initial borrowing. Interest, which is based on a floating rate equivalent to applicable three-month PDEx rate plus 3.50% spread per annum, is payable quarterly. Interest rates of the long-term debt range from 5.0% to 6.0% and from 7.0% to 8.0% in 2011 and 2010, respectively. The loan is secured by Alphaland Makati Place, which includes the land and buildings, structures and improvements to be constructed thereon (see Notes 8 and 12).

Interest and other financing costs on the loan amounting to ₱27.1 million and ₱10.5 million were capitalized as part of investment properties and land and development costs in 2011 and 2010, respectively (see Note 12). The rate used to determine the amount of borrowing cost eligible for capitalization was 5.1% and 6.7% in 2011 and 2010, respectively, which is the effective interest rate of the specific borrowing.

AMTI

On October 13, 2010, AMTI, the borrower, and ADI, the co-borrower, entered into an OLSA with DBP, LBP, BOC and Maybank for a loan facility of ₱2,400.0 million exclusively for the purpose of partially financing the development, construction and operation of the 34-storey premium-grade office building named Alphaland Tower. On September 22, 2011 and December 22, 2011, AMTI made its first and second drawdown amounting to ₱360.0 million and ₱660.0 million, respectively. Interest, which is based on a floating rate equivalent to applicable three-month PDEx rate plus 3.5% spread per annum, is payable quarterly. Interest rates of the long-term debt range from 4.44% to 5.23% in 2011. Mortgaged collaterals for the loan are the land where Alphaland Tower is being constructed and property under construction (see Notes 8 and 12).

The scheduled maturities of AMTI's outstanding loan as of December 31, 2011 are as follows:

	DBP	LBP	BOC	Maybank	Total
2013	₱1,593,750	₱1,062,330	₱2,125,170	₱318,750	₱5,100,000
2014	8,765,625	5,842,815	11,688,435	1,753,125	28,050,000
2015	19,921,875	13,279,125	26,564,625	3,984,375	63,750,000
2016	34,265,625	22,840,095	45,691,155	6,853,125	109,650,000
2017	43,031,250	28,682,910	57,379,590	8,606,250	137,700,000
2017 and onwards	211,171,875	140,758,725	281,585,025	42,234,375	675,750,000
	318,750,000	212,466,000	425,034,000	63,750,000	1,020,000,000
Less deferred financing costs	7,403,627	35,941,600	3,701,814	1,110,544	48,157,585
	₱311,346,373	₱176,524,400	₱421,332,186	₱62,639,456	₱971,842,415

Interest and other financing costs on the loan amounting to ₱6.9 million were capitalized as part of investment properties and land and development costs in 2011 (see Note 12). The rate used to determine the amount of borrowing cost eligible for capitalization was 4.4% in 2011, which is the effective interest rate of the specific borrowing.

Details of deferred financing costs, presented as deduction from the Group's long-term debt, as of December 31 are as follows:

	2011	2010
Balance at beginning of year	**₱22,082,783**	₱–
Additions	**57,470,688**	23,720,760
Amortization	**(5,768,573)**	(1,637,977)
Balance at end of year	**₱73,784,898**	₱22,082,783

Amortization of deferred financing costs amounting to ₱5.8 million and ₱1.6 million in 2011 and 2010, respectively, was included in the interest and other financing costs capitalized as part of investment properties and land and development costs.

The loan agreements of the Group contain provisions regarding establishment of debt service reserve account, maintenance of debt service coverage ratio, collateral coverage ratio and debt to equity ratio, change in business, liquidation or sale of assets, material change in ownership, declaration and payment of dividends, additional indebtedness and guarantees, negative pledge, purchase, redemption or retirement of capital stock and extension of loans, advances or subsidies to investees, directors, officers and stockholders.

The agreements also contain cross default provisions triggered by failure of the Group to comply with any term, obligation or covenant contained in any loan agreement.

As of December 31, 2011 and 2010, the Group is in compliance with all the requirements of the loan agreements.

18. **Equity**

a. Capital Stock

The composition of ALPHA's capital stock consisting of all common shares as of December 31, 2011, 2010 and 2009 is as follows:

	2011	2010	2009
Authorized - ₱1 par value	**5,000,000,000**	5,000,000,000	400,000,000
Issued and subscribed	**1,984,746,251**	1,429,220,287	150,588,900
Treasury	**(423,900)**	(423,900)	(423,900)
Outstanding	**1,984,322,351**	1,428,796,387	150,165,000

The rollforward of issued and subscribed common shares follows:

	2011	2010	2009
At beginning of year	**1,429,220,287**	150,588,900	125,562,000
Issuances during the year:			
Conversion of deposits for future stock subscriptions	**408,150,264**	–	–
Subscription of DMWAI	**147,375,700**	–	–
Share swap agreement (see Notes 1 and 4)	**–**	1,269,734,041	–
Noble Care (see Note 1)	**–**	8,897,346	–
Stock dividends	**–**	–	25,026,900
At end of year	**1,984,746,251**	1,429,220,287	150,588,900

Common shareholders are entitled to vote and be voted for in all meetings of the shareholders of ALPHA.

All common shares shall be entitled to a pro rata share, on a per share basis, in the profits of ALPHA in the event it declares any dividends in accordance with the By-Laws or applicable law and not have any pre-emptive or similar right with respect to any issuance or disposition of any shares of stock by or of ALPHA.

On March 3, 2011, the Executive Committee of the BOD approved a follow-on public offering to ensure that ALPHA will comply with the minimum public ownership requirement.

ALPHA was incorporated on November 19, 1990 as "Agro Plastics, Inc.". On March 15, 1995, it changed its corporate name to "Macondray Plastics, Inc.". On November 23, 2000, it had its initial public offering. On April 7, 2010, it changed its corporate name to "Alphaland Corporation" (see Note 1).

Below is a summary of the capital stock movement of the Company:

Corporate Name	Date of Approval	Increase in Authorized Capital Stock	New Subscriptions/ Issuances	Issue/ Offer Price
Agro Plastics, Inc.	November 19, 1990	10,000,000	2,500,000	₱1.00
Macondray Plastics, Inc.	June 1, 2000	90,000,000	30,000,000	1.00
Macondray Plastics, Inc.	November 23, 2000	–	16,740,000	5.38
Macondray Plastics, Inc.	September 1, 2001	300,000,000	76,322,000*	1.00
Macondray Plastics, Inc.	May 27, 2009	–	25,026,900*	1.00
Alphaland Corporation	April 7, 2010	4,500,000,000	1,269,734,041**	10.00
Alphaland Corporation	November 11, 2010	–	8,897,346	10.00
Alphaland Corporation	March 3, 2011	–	147,375,700***	10.00
Alphaland Corporation	June 27, 2011	–	408,150,264	10.00

** This represents 155% and 20% stock dividend, respectively.*
*** Share-for-share swap with shareholders of ADI (see Note 1).*
**** Partially paid, with subscription receivable of ₱1,472.8 million.*

From the initial public offering on November 23, 2000, all shares were listed except for the shares issued on November 11, 2010, March 3, 2011 and June 27, 2011. Beginning April 7, 2010, the resulting outstanding shares do not include 423,900 shares held in treasury, which are listed and currently lodged with PCD Nominee Corporation.

The total number of shareholders, which includes PCD Nominee Corporation, as of December 31, 2011 and 2010 is 39 and 37, respectively.

b. Deposits for Future Stock Subscriptions

In 2010, ALPHA received deposits for future stock subscriptions from its major stockholders amounting to ₱2,147.8 million.

Additional Shareholders' Infusion

On January 28, 2011, the following shareholders of ALPHA contributed a total of ₱1,933.7 million as an additional capital infusion and this was recorded as deposits for future stock subscriptions of the following shareholders:

Shareholders	Deposits for Future Stock Subscriptions
Alphaland Holdings (Singapore) Pte. Ltd. (AH)	₱1,701,641,237
Boerstar	193,368,322
Azurestar	38,673,665
Total	₱1,933,683,224

Conversion of Deposits for Future Subscriptions into Common Stock

On March 3, 2011, the Executive Committee of the BOD authorized the issuance of 408,150,264 shares in favor of some of the existing shareholders of ALPHA at the same subscription price of ₱10 per share payable by previously paid deposits in 2011 and 2010 as follows:

Shareholders	Deposits for Future Stock Subscriptions	New Shares Issued
AH	₱2,591,722,332	259,172,233
Masrickstar	1,000,000,000	100,000,000
Boerstar	408,150,265	40,815,026
Azurestar	81,630,053	8,163,005
Total	₱4,081,502,650	408,150,264

Masrickstar agreed to assume the ₱1,000.0 million deposits for future stock subscriptions of AH.

The additional deposits for future stock subscriptions of ₱1,933.7 million received by ALPHA on January 28, 2011 and deposits for future stock subscriptions as of December 31, 2010 of ₱2,147.8 million were converted to 408,150,264 common shares.

During the annual stockholders' meeting of ALPHA held in May 2011, all deposits for future stock subscriptions as of the said date were approved for conversion into common stock of ALPHA.

Authorization for Issuance of Additional Shares to DMWAI

On March 3, 2011, the Executive Committee of the BOD of ALPHA authorized the issuance to DMWAI of 147,375,700 common shares from the unissued portion of its authorized capital stock at an issue price of ₱10 per share. This resulted in an increase in the issued and subscribed shares of ALPHA from 1,428,796,387 shares to 1,576,172,087 as of February 28, 2011. The shares issued to DMWAI represent approximately 9.35% of the resulting outstanding capital stock of ALPHA.

Out of the total subscription made by DMWAI, ₱1.0 million was paid in cash with the balance of ₱1,472.8 million to be paid by conveyance to ADI of shares of stock of the Joint Venture Company. The conveyance of shares of stock to ADI will be effected immediately after DMWAI has conveyed the additional four hectares of land to the Joint Venture Company to bring the total development area of the Alphaland Bay City project to at least 32 hectares. ADI will then issue common shares to ALPHA in payment of the Joint Venture Company's shares it received from DMWAI.

The resulting shareholder structure of ALPHA, after the equity conversion and issuance of stocks mentioned above, is as follows:

Shareholders	Number of Shares	Percentage
AH	767,065,849	38.66%
Masrickstar	709,472,340	35.75%
Boerstar	167,788,430	8.46%
DMWAI	147,375,700	7.43%
RVO Capital Ventures Corporation	142,656,748	7.19%
Azurestar	33,557,686	1.69%
Public	16,405,598	0.82%
Total issued and outstanding capital stock	1,984,322,351	100.00%

As of December 31, 2011, there was no conveyance yet of the Joint Venture Company's shares of stock from DMWAI to ADI nor has DMWAI conveyed the additional four hectares of land to the Joint Venture Company. Consequently, ADI has not issued its common shares to ALPHA in payment of the Joint Venture Company's shares it will receive from DMWAI. The related subscription receivable of ₱1,472.8 million was recognized as deduction from the subscribed capital stock in the equity section of the consolidated balance sheets.

c. Retained Earnings

Accumulated equity in net income of associates and subsidiaries not available for dividend declaration amounted to ₱5,729.0 million and ₱3,844.4 million as of December 31, 2011 and 2010, respectively.

d. Treasury Shares

In accordance with the buy-back of ₱10.0 million worth of ALPHA's shares as approved by the BOD on February 12, 2001, ALPHA bought 217,000 shares in 2009 and 4,000 shares in 2008 amounting to ₱0.7 million and ₱0.01 million, respectively.

Total cost of 423,900 treasury shares amounted to ₱1.2 million as of December 31, 2011 and 2010.

19. **Related Party Disclosures**

Parties are considered to be related if one party has the ability to control, directly or indirectly, the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control.

The Group, in its regular conduct of business, has transactions with its associates, which principally consist of the following:

	Year	Advances	Purchases	Rental	Outstanding Balance (see Note 10)
Associates					
SGCPI	**2011**	**₱–**	**₱–**	**₱–**	**₱671,500,000**
	2010	671,500,000	–	–	671,500,000
FBSHI	**2011**	**152,500,000**	**–**	**–**	**152,500,000**
	2010	–	–	–	–
AHEC	**2011**	**8,424,856**	**258,161,266**	**259,232**	**9,639,614**
	2010	1,214,758	79,681,811	564,039	1,214,758
ASAI	**2011**	**55,000**	**–**	**–**	**55,000**
	2010	–	–	–	–
AUI	**2011**	**122,190**	**82,760**	**787,379**	**12,190**
	2010	–	–	–	–
Total	**2011**	**₱161,102,046**	**₱258,244,026**	**₱1,046,611**	**₱833,706,804**
	2010	672,714,758	79,681,811	564,039	672,714,758

Other transactions of the Group with its related parties are as follows:

- Net advances from and to related parties under common key management amounted to ₱5.4 million in 2011 and ₱92.3 million in 2010, respectively. Rental income amounting to ₱60.5 million in 2011 and ₱47.3 million in 2010. Outstanding balance of advances to related parties amounted to ₱24.9 million and ₱102.7 million as of December 31, 2011 and 2010, respectively. Outstanding balance of advances from related parties amounted to ₱9.3 million and ₱10.3 million as of December 31, 2011 and 2010, respectively. The advances are noninterest-bearing and payable on demand.

- The Group holds certain bank accounts, which earn interest based on prevailing market interest rates, in PBCom. Cash and cash equivalents and restricted cash maintained with PBCom amounted to ₱1,282.7 million as of December 31, 2011 (see Notes 6, 9 and 14). Interest income earned amounted to ₱13.9 million in 2011. PBCom and the Group have a common shareholder.

- AMPI, ABIRC and AMC entered into a Deed of Assignment with APMC for the assignment of all their respective shareholdings in the common shares of the Club (see Note 4). The Group and APMC have common shareholders.

- Advances to officers and employees amounting to ₱40.0 million and ₱27.1 million as of December 31, 2011 and 2010, respectively (see Note 7).

The consolidated balance sheets include the following amounts:

- Trade and other receivables amounting to ₱0.2 million and ₱0.1 million as of December 31, 2011 and 2010, respectively, pertaining to ADI's receivable on its rent income from AUI and AHEC (see Note 7).

- Trade and other payables amounting to ₱2.0 million and ₱80.5 million as of December 31, 2011 and 2010, respectively, pertaining to payables of ABIRC and ADI to AHEC on their purchase of equipment (see Note 15).

Terms and Conditions of Transactions with Related Parties
The transactions with related parties are made at normal market prices. Outstanding balances as of year end are unsecured, interest-free and settlement occurs in cash. The Group has not made any provision for impairment losses relating to the amounts owed by related parties. This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

Compensation of Key Management Personnel
The details of compensation of key management personnel, which include its senior managers, follow:

	2011	2010	2009
Short-term employee benefits	**₱49,311,613**	₱31,321,660	₱26,907,660
Post-employment benefits	**2,465,581**	1,398,715	1,073,715
	₱51,777,194	₱32,720,375	₱27,981,375

20. **Lease Commitments**

a. Operating Lease

ADI entered into various operating lease agreements as a lessor covering mall and office spaces at Alphaland Southgate Tower for a period of one to ten years, which may be renewed or extended under such new or additional terms or conditions agreed by the parties. Upon inception of the lease agreements, tenants are required to pay certain amounts of deposits. Tenants likewise pay either a fixed monthly rent, which is calculated with reference to a fixed sum per square meter of area leased, or pay rent on a percentage rental basis, which comprises a basic monthly amount and a percentage of gross sales or a minimum set amount, whichever is higher.

Customers' deposits on lease contracts are as follows:

	2011	2010
Current	**₱19,551,074**	₱9,412,959
Noncurrent	**57,995,948**	40,251,703
	₱77,547,022	₱49,664,662

Customers' deposits on lease contracts are generally equivalent to six months rental and refundable at the end of the lease term. Current portion pertains to one year operating lease agreements while noncurrent portion pertains to two to five years operating lease agreements.

The terms of the lease agreements also provide for an increase in the rent generally at the rate of 5%, 7% and 10% starting on the second year and annually thereafter, as applicable.

Rent income and common utilities, services and maintenance charges from Alphaland Southgate Tower amounted to ₱412.8 million, ₱184.3 million and ₱39.5 million in 2011, 2010 and 2009, respectively. Direct costs related to rent income amounted to ₱75.2 million, ₱32.4 million and ₱5.9 million in 2011, 2010 and 2009, respectively, which mainly comprised utilities and commissary costs.

The Group recognizes the customers' deposit at fair value. The fair value of the deposit is determined based on the prevailing market rate of interest for a similar loan. The excess of the principal amount of the deposit over its fair value amounted to ₱13.3 million and is accounted for as deferred lease income and amortized on a straight-line basis. Amortization of deferred lease income amounted to ₱2.5 million in 2011. Interest on the customers' deposits accounted for using the effective interest method amounted to ₱2.9 million in 2011. The deferred lease income amounted to ₱10.8 million as of December 31, 2011 and is included under "Other noncurrent liabilities" account in the consolidated balance sheets.

Aside from customers' deposits paid by tenants, advance rentals generally equivalent to two months rental are also paid and included in the initial billing to tenants, which shall be applied to the monthly rental at the end of the lease term. Advance rental amounted to ₱63.3 million as of December 31, 2011 and is included under "Other noncurrent liabilities" account in the consolidated balance sheets.

Estimated minimum future rental receivable under the lease agreements are as follows:

Within one year	₱255,481,105
After one year but not more than five years	728,358,115

On October 1, 2011, ALPHA and MPPI, a former subsidiary, entered into an operating lease agreement for the lease of machinery and equipment until December 31, 2012.

b. Finance Lease

The Group acquired various transportation equipment under finance lease arrangements. As of December 31, 2011 and 2010, the present value of future annual minimum lease payments under the lease arrangements follows:

	2011	2010
Within one year	**₱1,668,204**	₱1,668,204
After one year but not more than five years	**4,438,728**	6,106,932
Total minimum lease payments	**6,106,932**	7,775,136
Less amount representing interest	**1,174,144**	1,825,811
Present value of lease payments	**4,932,788**	5,949,325
Less current portion (see Note 15)	**1,142,232**	1,016,537
Noncurrent portion	**₱3,790,556**	₱4,932,788

The carrying value of the transportation equipment as of December 31, 2011 and 2010 amounted to ₱5.5 million and ₱7.1 million, respectively. Interest expense charged to operations under the agreements amounted to ₱0.7 million and ₱0.2 million in 2011 and 2010, respectively (see Note 21).

21. **Costs and Expenses**

	2011	2010	2009
Utilities and rent	**₱123,827,293**	₱65,281,966	₱20,785,769
Service and professional fees	**36,660,639**	49,622,955	33,175,682
Listing and filing fees	**30,426,771**	37,683,721	–
Sales and marketing (see Note 11)	**29,481,774**	5,977,745	9,701,078
Taxes and licenses	**28,520,473**	61,922,051	3,243,244
Salaries and employees' benefits (see Note 22)	**19,192,190**	43,694,877	18,599,273
Depreciation and amortization (see Notes 13 and 14)	**15,477,187**	6,179,362	2,128,862
Repairs and maintenance	**7,113,401**	2,640,136	13,839,165
Travel and transportation	**1,589,866**	1,841,521	5,476,884
Supplies	**1,206,783**	4,332,857	2,803,982
Insurance	**800,059**	4,306,694	5,667,116
Representation	**647,806**	1,296,990	3,477,096
Communication	**365,146**	1,427,690	2,380,431
Provision for impairment losses (see Note 7)	**–**	5,700,000	–
Others	**5,539,032**	6,762,340	9,641,947
	₱300,848,420	₱298,670,905	₱130,920,529

Details of interest expense and other finance charges:

	2011	2010	2009
Long-term debt (see Note 17)	**₱63,797,311**	₱86,263,607	₱28,873,000
Loans payable (see Note 16)	**3,937,847**	6,942,153	–
Accretion of customers' deposits (see Note 20)	**2,851,553**	–	–
Obligation under finance lease (see Note 20)	**651,667**	235,809	–
Other financing charges	**168,603**	234,723	–
	₱71,406,981	₱93,676,292	₱28,873,000

22. **Retirement Benefits Obligation**

The Group has an unfunded defined benefit plan covering all its regular employees. Benefits are computed using an amount equivalent to one-half month's salary for every year of service, with six months or more of service considered as one year. The retirement benefit obligation is determined using the projected unit credit method.

The following tables summarize the components of retirement benefit cost recognized in the consolidated statements of comprehensive income and retirement benefit liability recognized in the consolidated balance sheets.

	2011	2010
Retirement benefit cost:		
Current service cost	**₱4,669,733**	₱4,919,700
Interest cost	**442,773**	–
	₱5,112,506	₱4,919,700
Retirement benefit liability -		
Present value of defined benefit obligation	**₱10,032,206**	₱4,919,700

	2011	2010
Present value of defined benefit obligation:		
Balance at beginning of year	**₱4,919,700**	₱–
Current service cost	**4,669,733**	4,919,700
Interest cost	**442,773**	–
Balance at end of year	**₱10,032,206**	₱4,919,700

Principal actuarial assumptions used to determine retirement benefit obligations in 2011 and 2010 are as follows:

	2011	2010
Discount rate	**7%**	9%
Salary increase rate	**6%**	6%

23. **Income Taxes**

In 2011 and 2010, the provision for current income tax represents MCIT for ADI and regular corporate income tax (RCIT) for the other companies within the Group.

The following are the components of the Group's provision for current income tax:

	2011	2010	2009
From continuing operations	**₱5,220,444**	₱1,967,708	₱6,565
From discontinued operations (see Note 5)	**5,502,653**	11,390,358	–
	₱10,723,097	₱13,358,066	₱6,565

For income tax purposes, full recognition is applied when more than 25% of the selling price has been collected in the year of sale. Otherwise, the installment method is applied.

The following are the components of the Group's deferred tax liabilities:

	2011	2010
Gain on fair value change of investment properties	**₱2,237,201,905**	₱1,530,709,904
Unrealized gain on AFS investments	**792,126,101**	–
Accumulated depreciation for tax purposes	**36,748,999**	21,122,241
Capitalized borrowing costs	**34,378,490**	32,647,919
Excess rent income under operating lease computed on a straight-line basis	**14,709,517**	8,097,471
	₱3,115,165,012	₱1,592,577,535

No deferred tax assets were recognized for the following temporary differences, unused tax credits from excess MCIT and unused NOLCO of ALPHA and certain subsidiaries as it is not probable that sufficient taxable profit will be available to allow the benefit of the deferred tax assets to be utilized in the future:

	2011	2010
NOLCO	**₱394,571,028**	₱419,531,209
Retirement benefits obligation	**10,032,206**	4,919,700
MCIT	**7,194,717**	2,001,732
Allowance for probable losses	**4,705,015**	5,700,000
Unrealized foreign exchange losses	**53,223**	–
Others	**–**	615,916
	₱416,556,189	₱432,768,557

As of December 31, 2011 and 2010, the Group has NOLCO and MCIT that can be claimed as deduction from future taxable income and income tax liabilities, respectively, as follows:

Year Incurred	Year of Expiry	NOLCO	MCIT
2009	2012	₱196,809,885	₱6,565
2010	2013	123,332,069	1,967,708
2011	2014	74,429,074	5,220,444
		₱394,571,028	₱7,194,717

The following are the movements in NOLCO and MCIT:

NOLCO

	2011	2010
Balances at beginning of year	**₱419,531,209**	₱310,724,433
Additions	**74,429,074**	123,332,069
Expired	**(99,389,255)**	(14,525,293)
Balances at end of year	**₱394,571,028**	₱419,531,209

MCIT

	2011	2010
Balances at beginning of year	**₱2,001,732**	₱34,024
Additions	**5,220,444**	1,967,708
Expired	**(27,459)**	–
Balances at end of year	**₱7,194,717**	₱2,001,732

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

	2011	2010	2009
Income tax computed at statutory tax rates	**₱797,647,067**	₱460,957,055	₱56,563,472
Additions to (reductions in) income tax resulting from:			
Nontaxable income	**(63,338,387)**	–	–
Interest income subjected to final tax	**(13,466,179)**	(2,343,140)	(1,864,070)
Nondeductible expenses	**6,873,486**	3,234,303	1,722,414
Gain on loss of control	**(2,681,825)**	–	–
Loss on sale of an investment	**389,424**	–	–
Equity in net income of associates	**(14,570)**	(8,113,445)	(1,046,075)
Gain on bargain purchase	**–**	(228,566,054)	–
Others	**–**	(23,912)	–
Excess of MCIT over RCIT	**11,501,425**	–	–
Change in unrecognized deferred tax assets	**(1,228,621)**	87,853,631	59,248,750
	₱735,681,820	₱312,998,438	₱114,624,491

24. **Earnings per Share Computations**

Basic/diluted earnings per share on income before income from discontinued operations attributable to equity holders of the parent:

	2011	2010	2009
Net income attributable to equity holders of the Parent	**₱1,936,048,809**	₱1,246,756,322	₱71,147,021
Less income from discontinued operations (see Note 5)	**12,907,072**	26,336,041	–
(a) Income from continuing operations attributable to equity holders of the Parent	**₱1,923,141,737**	₱1,220,420,281	₱71,147,021
(b) Weighted average number of shares outstanding			
At beginning of year	**461,386,202**	317,433,510	423,261,611
Conversion of deposits for future stock subscriptions	**1,194,872,581**	–	846,472,429
Subscription of DMWAI	**98,250,467**	–	–
Share swap agreement	–	828,521,716	–
Issuance to Noble Care	–	238,203,381	–
At end of year	**1,754,509,250**	1,384,158,607	1,269,734,040
Basic/diluted earnings per share (a/b)	**₱1.096**	₱0.882	₱0.056

Basic/diluted earnings per share on net income attributable to equity holders of the Parent:

	2011	2010	2009
(a) Net income attributable to equity holders of the Parent	**₱1,936,048,809**	₱1,246,756,322	₱71,147,021
(b) Weighted average number of shares outstanding			
At beginning of year	**461,386,202**	317,433,510	423,261,611
Conversion of deposits for future stock subscriptions	**1,194,872,581**	–	846,472,429
Subscription of DMWAI	**98,250,467**	–	–
Share swap agreement	–	828,521,716	–
Issuance to Noble Care	–	238,203,381	–
At end of year	**1,754,509,250**	1,384,158,607	1,269,734,040
Basic/diluted earnings per share (a/b)	**₱1.103**	₱0.901	₱0.056

The Group has no dilutive potential common shares outstanding, therefore basic earnings per share is the same as diluted earnings per share.

25. **Financial Instruments**

Fair Values of Financial Instruments

The carrying and fair values of the Group's financial assets and liabilities per category as of December 31, 2011 and 2010 are as follows:

	Carrying Values		Fair Values	
	2011	2010	**2011**	2010
Financial Assets				
Loans and receivables:				
Cash and cash equivalents	**₱975,055,018**	₱566,642,921	**₱975,055,018**	₱566,642,921
Trade and other receivables*	**151,108,444**	60,031,010	**151,108,444**	60,031,010
Advances to associates and related parties	**858,636,104**	775,389,396	**858,636,104**	775,389,396
Restricted cash	**440,847,976**	4,562,500	**440,847,976**	4,562,500
Receivable from a third party	**289,525,857**	–	**289,525,857**	–
Noncurrent portion of trade receivables from sale of club shares**	**4,365,372**	–	**4,268,902**	–
Refundable deposits**	**8,227,573**	8,218,951	**8,227,573**	8,218,951
	2,727,766,344	1,414,844,778	**2,727,669,874**	1,414,844,778
AFS investments:				
Unquoted	**10,736,125,000**	–	**10,736,125,000**	–
Quoted	**11,300,000**	11,600,000	**11,300,000**	11,600,000
	10,747,425,000	11,600,000	**10,747,425,000**	11,600,000
	₱13,475,191,344	₱1,426,444,778	**₱13,475,094,874**	₱1,426,444,778
Financial Liabilities				
Other financial liabilities:				
Trade and other payables***	**₱433,424,618**	₱413,651,058	**₱433,424,618**	₱413,651,058
Loans payable	**–**	128,000,000	**–**	128,000,000
Long-term debt	**3,027,466,302**	1,596,667,517	**3,027,466,302**	1,596,667,517
Customers' deposits	**77,547,022**	49,664,662	**61,584,516**	47,770,551
Advances from related parties	**9,297,589**	10,347,098	**9,297,589**	10,347,098
	₱3,547,735,531	₱2,198,330,335	**₱3,531,773,025**	₱2,196,436,224

**Excludes receivables to be settled through exchange of land amounting to ₱16.6 million.*
***Included under "Other noncurrent assets" account.*
****Excluding liability related to acquisition of AFS investments, unearned income and obligation under finance lease.*

Cash and Cash Equivalents, Trade and Other Receivables, Advances to Related Parties, Restricted Cash, Receivable from a Third Party, Trade and Other Payables, Loans Payable and Advances from Related Parties. Due to the short-term nature of the transactions, the fair values approximate the carrying values at balance sheet date.

Advances to Associates. The Group has no intention to collect these advances within one year. As such, these are presented as noncurrent assets. However, since the timing and amounts of future cash flows cannot be reasonably and reliably estimated, these are presented at cost.

Noncurrent Portion of Trade Receivables from Sale of Club Shares. The fair value is based on the discounted value of future cash flows using the applicable risk free rates for similar types of accounts adjusted for credit risk.

Refundable Deposits. These are presented at cost since the timing and amounts of future cash flows related to the refundable deposits are linked to the termination of the contract which cannot be reasonably and reliably estimated.

AFS Investments. The fair values of unquoted Club's preferred shares were determined based on the current selling price to third parties. The fair value of quoted ordinary shares was determined by reference to market bid quotes as of balance sheet date.

Long-term Debt. The carrying value of the variable interest-bearing long-term debt approximates its fair value due to recent and regular re-pricing based on market conditions.

Customers' Deposits. The fair value of the customers' deposits is based on the discounted value of future cash flows using the applicable risk free rates for similar types of accounts adjusted for credit risk.

26. **Financial Risk Management Objectives and Policies**

The Group's principal financial instruments comprise cash and cash equivalents, loans payable and long-term debt. The main purpose of these financial instruments is to raise funds for the Group operations. The Group has various financial instruments such as trade and other receivables, trade and other payables, customers' deposits and advances to and from related parties, which arise directly from its operations.

The BOD has 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 manage the Group's exposure to financial risks, to set appropriate transaction limits and controls, and to monitor and assess risks and compliance to internal control policies. Risk management policies and structure are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Group has exposure to equity price risk, credit risk, interest rate risk and liquidity risk from the use of its financial instruments. The Group's exposure to foreign currency risk is minimal as it does not normally enter into transactions in currencies other than its functional currency. The BOD reviews and approves the policies for managing each of these risks.

<u>Equity Price Risk</u>
The Group's exposure to equity price pertains to its investment in quoted ordinary shares which is classified as AFS investment in the consolidated balance sheets. Equity price risk arises from the changes in the levels of equity indices and value of individual stocks traded in the stock exchange. The effect of possible change in equity indices on the Group's equity is minimal.

<u>Credit Risk</u>
The Group trades only with recognized and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the Parent Company, the Group does not offer credit terms without the specific approval of the Chief Finance Officer.

With respect to credit risk arising from the other financial assets, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Since the Group trades with recognized third parties and related parties, there is no requirement for collateral. There are no other concentrations of credit risk within the Group.

Credit Quality of Financial Assets. The credit quality of financial assets is managed by the Group using internal credit ratings such as high grade and standard grade.

High Grade - pertains to deposits or placements to counterparties with good credit rating or bank standing. For receivables, this covers accounts of good paying customers, with good credit standing and are not expected by the Group to default in settling its obligations, thus credit risk exposure is minimal. This normally includes large prime financial institutions, companies and government agencies.

Standard Grade - other financial assets not belonging to high quality financial assets are included in this credit rating.

The table below shows the credit quality of the Group neither past due nor impaired financial assets as of December 31, 2011 and 2010 as follows:

	2011					
		Neither Past Due nor Impaired			Past Due but not Impaired	Past Due and Impaired
	Total	High Grade	Standard Grade	Total		
Loans and Receivables						
Cash and cash equivalents*	₱972,462,247	₱972,462,247	₱–	₱972,462,247	₱–	₱–
Trade and other receivables:						
Trade**	112,402,251	97,275,494	–	97,275,494	10,421,742	4,705,015
Officers and employees	40,014,884	–	40,007,834	40,007,834	7,050	–
Others	3,396,324	3,355,077		3,355,077	41,247	–
Advances to associates and related parties	858,636,104	858,636,104	–	858,636,104	–	–
Restricted cash	440,847,976	440,847,976	–	440,847,976	–	–
Receivable from a third party	289,525,857	289,525,857	–	289,525,857	–	–
Noncurrent portion of trade receivables from sale of club shares***	4,365,372	4,365,372	–	4,365,372	–	–
Refundable deposits***	8,227,573	8,227,573	–	8,227,573	–	–
	2,729,878,588	2,674,695,700	40,007,834	2,714,703,534	10,470,039	4,705,015
AFS Investments						
Unquoted Clubs' preferred shares	10,736,125,000	10,736,125,000	–	10,736,125,000	–	–
Ordinary shares - quoted	11,300,000	11,300,000	–	11,300,000	–	–
	10,747,425,000	10,747,425,000	–	10,747,425,000	–	–
	₱13,477,303,588	₱13,422,120,700	₱–	₱13,462,128,534	₱10,470,039	₱4,705,015

**Excluding cash on hand.*
***Excludes receivables to be settled through exchange of land amounting to ₱16.6 million.*
****Included as part of "Other noncurrent assets" account in the consolidated balance sheets.*

	2010					
		Neither Past Due nor Impaired			Past Due but not Impaired	Past Due and Impaired
	Total	High Grade	Standard Grade	Total		
Loans and Receivables						
Cash and cash equivalents*	₱506,206,865	₱506,206,865	₱–	₱506,206,865	₱–	₱–
Trade and other receivables:						
Trade	36,800,789	21,447,884	–	21,447,884	9,652,905	5,700,000
Officers and employees	27,100,236	–	20,362,047	20,362,047	6,738,189	–
Others	1,829,985	1,829,985	–	1,829,985	–	–
Advances to associates and related parties	775,389,396	775,389,396	–	775,389,396	–	–
Restricted cash	4,562,500	4,562,500		4,562,500		
Refundable deposits**	8,218,951	8,218,951	–	8,218,951	–	–
	1,360,108,722	1,317,655,581	20,362,047	1,338,017,628	16,391,094	5,700,000
AFS Investments						
Ordinary shares - quoted	11,600,000	11,600,000	–	11,600,000	–	–
	₱1,371,708,722	₱1,329,255,581	₱20,362,047	₱1,349,617,628	₱16,391,094	₱5,700,000

**Excluding cash on hand.*
***Included as part of "Other noncurrent assets" account in the consolidated balance sheets.*

The following are the aging analyses of financial assets as of December 31, 2011 and 2010:

			2011				
			Past Due but not Impaired				Past Due
	Total	Neither Past Due nor Impaired	1–30 Days	31–60 Days	61–90 Days	More than 90 Days	and Impaired
Loans and Receivables							
Cash and cash equivalents	**₱972,462,247**	**₱972,462,247**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**
Trade and other receivables	**155,813,459**	**140,638,405**	**1,946,528**	**685,813**	**3,736,707**	**4,100,991**	**4,705,015**
Advances to associates and related parties	**858,636,104**	**858,636,104**	**–**	**–**	**–**	**–**	**–**
Restricted cash	**440,847,976**	**440,847,976**	**–**	**–**	**–**	**–**	**–**
Receivable from a third party	**289,525,857**	**289,525,857**	**–**	**–**	**–**	**–**	**–**
Noncurrent portion of trade receivables from sale of club shares	**4,365,372**	**4,365,372**	**–**	**–**	**–**	**–**	**–**
Refundable deposits	**8,227,573**	**8,227,573**	**–**	**–**	**–**	**–**	**–**
	2,729,878,588	**2,714,703,534**	**1,946,528**	**685,813**	**3,736,707**	**4,100,991**	**4,705,015**
AFS Investments							
Unquoted Clubs' preferred shares	**10,736,125,000**	**10,736,125,000**	**–**	**–**	**–**	**–**	**–**
Ordinary shares - quoted	**11,300,000**	**11,300,000**	**–**	**–**	**–**	**–**	**–**
	10,747,425,000	**10,747,425,000**	**–**	**–**	**–**	**–**	**–**
	₱13,477,303,588	**₱13,462,128,534**	**₱1,946,528**	**₱685,813**	**₱3,736,707**	**₱4,100,991**	**₱4,705,015**

			2010				
			Past Due but not Impaired				
	Total	Neither Past Due nor Impaired	1–30 Days	31–60 Days	61–90 Days	More than 90 Days	Impaired
Loans and Receivables							
Cash and cash equivalents	₱506,206,865	₱506,206,865	₱–	₱–	₱–	₱–	₱–
Trade and other receivables	65,731,010	43,639,916	8,365,541	1,493,445	1,394,375	5,137,733	5,700,000
Advances to associates and related parties	775,389,396	775,389,396	–	–	–	–	–
Restricted cash	4,562,500	4,562,500	–	–	–	–	–
Refundable deposits	8,218,951	8,218,951	–	–	–	–	–
	1,360,108,722	1,338,017,628	8,365,541	1,493,445	1,394,375	5,137,733	5,700,000
AFS Investments							
Ordinary shares - quoted	11,600,000	11,600,000	–	–	–	–	–
	₱1,371,708,722	₱1,349,617,628	₱8,365,541	₱1,493,445	₱1,394,375	₱5,137,733	₱5,700,000

Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Group's exposure to interest rate risk relates primarily to its financial instruments with floating interest and/or fixed interest rates. Fixed rate financial instruments are subject to fair value interest rate risk while floating rate financial instruments are subject to cash flow interest rate risk. Re-pricing of floating rate financial instruments is done every three to six months. Interest on fixed rate financial instruments is fixed until maturity of the instrument. The details of financial instruments that are exposed to interest rate risk are disclosed in Notes 16 and 17.

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt subject to floating interest rates as discussed in Note 17.

The other financial instruments of the Group are noninterest-bearing and, therefore, not subject to interest rate risk.

The following table demonstrates the sensitivity of the Group's profit before tax due to a reasonably possible change in interest rates in the next reporting period with all other variables held constant. There is no other impact on the Group's equity other than those already affecting profit and loss.

	Increase/Decrease in Interest Rate	Effect on Income before Tax
2011	**+1.0%**	**(₱31,012,512)**
	–1.0%	**31,012,512**
2010	+1.0%	(16,187,503)
	–1.0%	16,187,503

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to settle or meet its obligations on time. Management is responsible for liquidity, funding as well as settlement management. In addition, liquidity and funding risks, related processes and policies are overseen by management. The Group manages its liquidity risk based on business needs, tax, capital or regulatory considerations, if applicable, through numerous sources of finance in order to maintain flexibility.

The Group also maintains a balance between continuity of funding and flexibility. The policy of the Group is to first exhaust lines available from affiliated companies before local bank lines are availed of. The Group seeks to manage its liquid funds through cash planning on a weekly basis. The Group uses historical figures and experiences and forecasts from its collections and disbursements. As part of its liquidity risk management, the Group regularly evaluates its projected and actual cash flows. It also continuously assesses conditions in the financial markets for opportunities to pursue fund raising activities. Also, the Group only places funds in the money market which are exceeding the Group requirements. Placements are strictly made based on cash planning assumptions and covers only a short period of time.

The tables below summarize the maturity profile of the Group's financial assets use for liquidity management and the maturity profile of financial liabilities as of December 31, 2011 and 2010 based on undiscounted cash flows:

	2011					
	On Demand	**1–30 Days**	**31–60 Days**	**61–90 Days**	**More than 90 Days**	**Total**
Financial Assets						
Cash and cash equivalents	**₱975,055,018**	**₱–**	**₱–**	**₱–**	**₱–**	**₱975,055,018**
Trade and other receivables	**25,080,507**	**117,316,178**	**698,413**	**1,117,867**	**6,895,479**	**151,108,444**
Advances to associates and related parties	**858,636,104**	**–**	**–**	**–**	**–**	**858,636,104**
Noncurrent portion of trade receivables from sale of club shares	**–**	**–**	**–**	**–**	**4,365,372**	**4,365,372**
AFS investments	**–**	**–**	**–**	**–**	**10,747,425,000**	**10,747,425,000**
	₱1,858,771,629	**₱117,316,178**	**₱698,413**	**₱1,117,867**	**₱10,758,685,851**	**₱12,736,589,938**
Financial Liabilities						
Trade and other payables:						
Trade	**₱227,004,614**	**₱36,265,654**	**₱12,710,152**	**₱441,631**	**₱3,535,546**	**₱279,957,597**
Accrued expenses	**56,803,021**	**13,611,986**	**–**	**–**	**–**	**70,415,007**
Retention payable	**5,816,571**	**–**	**–**	**–**	**41,126,083**	**46,942,654**
Accrued interest	**1,344,025**	**–**	**1,939,221**	**2,597,004**	**–**	**5,880,250**
Others*	**12,834,060**	**700,734**	**–**	**–**	**16,694,316**	**30,229,110**
Customers' deposits	**37,379,854**	**281,177**	**–**	**107,782**	**39,778,209**	**77,547,022**
Long-term debt:						
Principal	**–**	**–**	**–**	**43,750,000**	**2,983,716,302**	**3,027,466,302**
Interest	**–**	**–**	**–**	**39,303,057**	**690,313,046**	**729,616,103**
Advances from related parties	**9,297,589**	**–**	**–**	**–**	**–**	**9,297,589**
	₱350,479,734	**₱50,859,551**	**₱14,649,373**	**₱86,199,474**	**₱3,775,163,502**	**₱4,277,351,634**

**Excluding tax related obligations and current portion of obligation under finance lease.*

	2010					
	On Demand	1–30 Days	31–60 Days	61–90 Days	More than 90 Days	Total
Financial Assets						
Cash and cash equivalents	₱132,642,921	₱–	₱–	₱434,000,000	₱–	₱566,642,921
Trade and other receivables	–	54,893,277	–	–	5,137,733	60,031,010
Advances to associates and related parties	775,389,396	–	–	–	–	775,389,396
AFS investments	–	11,600,000	–	–	–	11,600,000
	₱908,032,317	₱66,493,277	₱–	₱434,000,000	₱5,137,733	₱1,413,663,327
Financial Liabilities						
Trade and other payables:						
Trade	₱110,796,558	₱–	₱113,533,094	₱487,576	₱76,839,290	₱301,656,518
Accrued expenses	–	15,960,959	–	–	–	15,960,959
Retention payable	50,148,544	–	–	–	–	50,148,544
Accrued interest	–	–	2,971,317	–	–	2,971,317
Others*	–	42,913,720	–	–	–	42,913,720
Loans payable:						
Principal	–	–	–	128,000,000	–	128,000,000
Interest	–	–	–	2,640,000	–	2,640,000
Customers' deposits	9,412,959	–	–	–	40,251,703	49,664,662
Long-term debt:						
Principal	–	–	–	137,499,100	1,459,168,417	1,596,667,517
Interest	–	–	–	78,873,695	167,065,730	245,939,425
Advances from related parties	10,347,098	–	–	–	–	10,347,098
	₱180,705,159	₱58,874,679	₱116,504,411	₱347,500,371	₱1,743,325,140	₱2,446,909,760

**Excluding tax related obligations and current portion of obligation under finance lease.*

Capital Management

The primary objective of the Group's capital management is to ensure that the Group has sufficient funds in order to support its business, pay existing obligations and maximize shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To manage or adjust the capital structure, the Group may obtain additional advances from stockholders, adjust the return capital to stockholders or issue new shares. No changes were made in the objectives, policies or processes in 2011 and 2010. The Group monitors capital using the monthly cash position report and financial statements. The Parent Company is not subject to externally imposed capital requirements. Certain subsidiaries, however, are required to maintain a debt to equity ratio as provided in the loan agreements (see Note 17).

The components of the Group's capital as of December 31, 2011 and 2010 follow:

	2011	2010
Layer I:		
Capital stock	**₱1,838,370,551**	₱1,429,220,287
Additional paid-in capital	**9,672,052,401**	5,998,700,015
	11,510,422,952	7,427,920,302
Layer II:		
Retained earnings - operating income	**2,313,366,733**	1,972,223,946
Excess of acquisition price over acquired interest	**(159,018,215)**	(159,018,215)
Treasury shares	**(1,213,526)**	(1,213,526)
Deposits for future stock subscriptions	**–**	2,147,819,426
Gain on sale of preferred shares of a subsidiary	**–**	2,559,163
	2,153,134,992	3,962,370,794
Layer III:		
Unrealized valuation gains on AFS investments	**7,129,834,932**	1,000,000
Retained earnings - gain on fair value change of investment properties	**3,544,392,791**	1,187,599,924
Retained earnings - gain on bargain purchase	**–**	761,886,845
	10,674,227,723	1,950,486,769
Total capital	**₱24,337,785,667**	₱13,340,777,865

- Layer I is composed of the Group's contributed capital;
- Layer II is composed of deposits for future stock subscriptions, income from operations, gain on sale of preferred shares of a subsidiary, excess of acquisition price over acquired interest and treasury shares; and
- Layer III is composed of income from fair value changes of investment properties, gain on bargain purchase and unrealized valuation gains on AFS investments.

27. Segment Information

PFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker.

For management purposes, the Group's operating segments is determined to be business segments as the risks and rates of return are affected predominantly by differences in the products and services produced. The operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating income or loss and is measured consistently with income before income tax in the consolidated statement of comprehensive income.

Business Segments
The following tables present revenue, costs and expenses, certain assets and liabilities information regarding the Group's real property development and plastics manufacturing business segments in 2011 and 2010. In 2009, there is only one reportable segment which is the real property development.

	2011				
	Real Property Development	Plastics Manufacturing (Discontinued Operations)	Total	Eliminations	Consolidated
Revenues					
External customers	**₱413,024,287**	**₱461,523,368**	**₱874,547,655**	**(₱461,523,368)**	**₱413,024,287**
Gain on fair value change of investment properties	**2,356,792,867**	**–**	**2,356,792,867**	**–**	**2,356,792,867**
Gain on sale of AFS investments	**208,631,416**	**–**	**208,631,416**	**–**	**208,631,416**
Interest income	**44,887,264**	**–**	**44,887,264**	**–**	**44,887,264**
Gain on loss of control	**8,939,415**	**–**	**8,939,415**	**–**	**8,939,415**
Equity in net income of associates	**48,567**	**–**	**48,567**	**–**	**48,567**
Other income	**53,223**	**–**	**53,223**	**–**	**53,223**
	3,032,377,039	**461,523,368**	**3,493,900,407**	**(461,523,368)**	**3,032,377,039**
Costs and Expenses					
Costs and expenses	**285,371,233**	**374,344,011**	**659,715,244**	**(374,344,011)**	**285,371,233**
Interest expense and other finance charges	**71,406,981**	**–**	**71,406,981**	**–**	**71,406,981**
Depreciation and amortization	**15,477,187**	**4,808,138**	**20,285,325**	**(4,808,138)**	**15,477,187**
Loss on sale of an investment	**1,298,081**	**–**	**1,298,081**	**–**	**1,298,081**
Other expenses	**–**	**63,961,494**	**63,961,494**	**(63,961,494)**	**–**
	373,553,482	**443,113,643**	**816,667,125**	**(443,113,643)**	**373,553,482**
Provision for (benefit from) income tax:					
Current	**5,220,444**	**5,502,653**	**10,723,097**	**(5,502,653)**	**5,220,444**
Deferred	**730,461,376**	**–**	**730,461,376**	**–**	**730,461,376**
	735,681,820	**5,502,653**	**741,184,473**	**(5,502,653)**	**735,681,820**
Income from continuing operations after tax	**1,923,141,737**	**–**	**1,923,141,737**	**–**	**1,923,141,737**
Income from discontinued operations after tax	**–**	**12,907,072**	**12,907,072**	**–**	**12,907,072**
Net income	**₱1,923,141,737**	**₱12,907,072**	**₱1,936,048,809**	**₱–**	**₱1,936,048,809**
Operating assets	**₱33,855,586,145**	**₱–**	**₱33,855,586,145**	**₱–**	**₱33,855,586,145**
Operating liabilities	**₱9,517,800,478**	**₱–**	**₱9,517,800,478**	**₱–**	**₱9,517,800,478**

			2011		
	Real Property Development	**Plastics Manufacturing (Discontinued Operations)**	**Total**	**Eliminations**	**Consolidated**
Other Disclosures					
Investments in associates	**₱94,804,626**	**₱–**	**₱94,804,626**	**₱–**	**₱94,804,626**
Investment properties	**18,046,169,798**	**–**	**18,046,169,798**	**–**	**18,046,169,798**
Goodwill	**23,229,684**	**–**	**23,229,684**	**–**	**23,229,684**
AFS investments	**10,747,425,000**	**–**	**10,747,425,000**	**–**	**10,747,425,000**
Capital expenditures	**1,316,215,750**	**–**	**1,316,215,750**	**–**	**1,316,215,750**
Cash Flows Provided by (Used in)					
Operating activities	**(₱1,122,705,669)**	**₱29,191,528**	**(₱1,093,514,141)**	**₱–**	**(₱1,093,514,141)**
Investing activities	**(1,686,918,976)**	**(22,012,760)**	**(1,708,931,736)**	**–**	**(1,708,931,736)**
Financing activities	**3,204,104,751**	**6,700,000**	**3,210,804,751**	**–**	**3,210,804,751**

			2010		
	Real Property Development	Plastics Manufacturing	Total	Eliminations	Consolidated
Revenues					
External customers	₱184,264,310	₱544,535,527	₱728,799,837	(₱544,535,527)	₱184,264,310
Gain on fair value change of investment properties	958,615,184	–	958,615,184	–	958,615,184
Gain on bargain purchase	761,886,845	–	761,886,845		761,886,845
Equity in net income of associates	27,044,818	–	27,044,818	–	27,044,818
Interest income	7,810,466	94,047	7,904,513	(94,047)	7,810,466
Gain on sale of AFS investments	2,559,163	–	2,559,163	(2,559,163)	–
Other income	46,566,490	2,088,452	48,654,942	(35,688,452)	12,966,490
	1,988,747,276	546,718,026	2,535,465,302	(582,877,189)	1,952,588,113
Costs and Expenses					
Costs and expenses	298,670,905	465,679,201	764,350,106	(465,679,201)	298,670,905
Interest expense and other finance charges	93,676,292	9,688,301	103,364,593	(9,688,301)	93,676,292
Depreciation and amortization	6,179,362	27,259,992	33,439,354	(27,259,992)	6,179,362
Impairment losses	5,700,000	–	5,700,000	–	5,700,000
Other expenses	11,838,037	6,364,133	18,202,170	(6,364,133)	11,838,037
	416,064,596	508,991,627	925,056,223	(508,991,627)	416,064,596
Provision for (benefit from) income tax:					
Current	1,967,708	10,756,260	12,723,968	(10,756,260)	1,967,708
Deferred	311,030,730	634,098	311,664,828	(634,098)	311,030,730
	312,998,438	11,390,358	324,388,796	(11,390,358)	312,998,438
Income from continuing operations after tax	1,259,684,242	–	1,286,020,283	(62,495,204)	1,223,525,079
Income from discontinued operations after tax	–	26,336,041	26,336,041	–	26,336,041
Net income	₱1,259,684,242	₱26,336,041	₱1,312,356,324	(₱62,495,204)	₱1,249,861,120
Operating assets	₱16,841,858,614	₱571,427,261	₱17,413,285,875	₱–	₱17,413,285,875
Operating liabilities	₱5,245,888,247	₱294,191,987	₱5,540,080,234	(₱1,809,445)	₱5,538,270,789
Other Disclosures					
Investments in associates	₱84,756,108	₱–	₱84,756,108	₱–	₱84,756,108
Investment properties	15,337,579,953	–	15,337,579,953	–	15,337,579,953
AFS investments	2,255,100,000	–	2,255,100,000	(2,243,500,000)	11,600,000
Goodwill	23,229,684	–	23,229,684	–	23,229,684
Assets held for sale	–	571,427,261	571,427,261	–	571,427,261
Liabilities directly associated to assets held for sale	–	294,191,987	294,191,987	(1,809,445)	292,382,542
Capital expenditures	3,031,638,906	58,588,156	3,090,227,062	–	3,090,227,062
Cash Flows Provided by (Used in)					
Operating activities	₱138,824,829	₱146,273,337	₱285,098,166	(₱146,273,337)	₱138,824,829
Investing activities	(3,569,038,270)	(62,286,148)	(3,631,324,418)	62,286,148	(3,569,038,270)
Financing activities	3,941,784,968	(72,157,616)	3,869,627,352	72,157,616	3,941,784,968

Capital expenditures consist of additions to investment properties and property and equipment.

Inter-segment revenues are eliminated upon consolidation and reflected in the 'eliminations' column. All other adjustments and eliminations in 2010 are part of detailed reconciliations presented further below.

Reconciliation of income:

Segment income	₱1,312,356,324
Management service income (eliminations)	(33,600,000)
Gain on sale of AFS investments	(2,559,163)
Income from discontinued operations (see Note 5)	(26,336,041)
Group income	₱1,249,861,120

Reconciliation of assets:

Segment operating assets	₱17,413,285,875
Assets classified as held for sale (see Note 5)	571,427,261
Group reporting assets	₱17,984,713,136

Reconciliation of liabilities:

Segment operating liabilities	₱5,540,080,234
Liabilities directly associated with assets held for sale (see Note 5)	292,382,542
Advances to related parties	(1,809,445)
Liability related to acquisition of AFS investments	(1,190,609,298)
Group reporting liabilities	₱4,640,044,033

28. **Commitments and Contingencies**

Corporate Guaranty
AMPI, a wholly owned subsidiary through ADI, entered into a Joint Venture Agreement with BSP to develop the Alphaland Makati Place Project (see Note 4). Pursuant to the Joint Venture Agreement, ALPHA has issued a corporate guaranty in favor of BSP whereby, in the event AMPI is unable to complete the Project (for reasons attributable to the fault of AMPI), ALPHA shall pay BSP the amount of ₱600.0 million in exchange for BSP's 15% share in the sharing scheme as defined in the Joint Venture Agreement.

Construction Contracts
The Group entered into various construction contracts for the development of its projects (see Note 12). Total contract value committed for the significant construction contracts as of December 31, 2011 amounted to ₱2,249.6 million. Total advances to contractors amounted to ₱583.1 million and ₱47.9 million as of December 31, 2011 and 2010, respectively (see Note 9). The significant construction contracts that gave rise to the advances are as follows:

a. ADI

Total advances to contractors amounted to ₱7.6 million and ₱15.7 million as of December 31, 2011 and 2010, respectively, for the supply of labor, materials and installation of pathways, exterior glass and others for Alphaland Southgate Tower and supply of petroleum for the Caticlan Project.

b. AMPI

Total advances to contractors amounted to ₱153.5 million and ₱16.6 million as of December 31, 2011 and 2010, respectively, for the civil, structural and masonry works and supply and installation of materials for Alphaland Makati Place.

c. ABIRC

Total advances to contractors amounted to ₱125.4 million and ₱14.6 million as of December 31, 2011 and 2010, respectively, for the supply of labor, materials and equipment and all related construction works in various parts of Alphaland Balesin Island Club.

d. AMTI

Total advances to contractors amounted to ₱296.6 million and ₱1.0 million as of December 31, 2011 and 2010, respectively, for the mechanical, civil, structural, architectural, demolition and structural retrofitting works and supply of materials for Alphaland Tower.

Retention Payable

Retention payable is based upon specifically identified construction contracts that stipulate the right of the Group to retain a portion of the progress billings of contractors. Depending on the terms of the contract, all retention payable shall be released to contractors upon 100% completion and acceptance of works. Total retention payable amounted to ₱46.9 million and ₱50.1 million as of December 31, 2011 and 2010, respectively. Significant contracts with retention clause are as follows:

a. ADI

As of December 31, 2011 and 2010, total retention payable due from ADI amounted to ₱5.8 million and ₱43.1 million, respectively, for the contracts on structural and architectural works for the rehabilitation of Alphaland Southgate Tower and mechanical works of the Tabacalera and Executive Lounge at the 6th floor of Alphaland Southgate Tower.

b. AMPI

Total retention payable as of December 31, 2011 and 2010 amounting to ₱30.6 million and ₱7.0 million, respectively, which is allocable to the contract for the complete bulk excavation and slope protection works of Alphaland Makati Place.

c. ABIRC

Total retention payable as of December 31, 2011 amounted to ₱10.5 million for the contract on the supply of labor and materials for the Atimonan Warehouse.

29. Note to Consolidated Statements of Cash Flows

In 2011, noncash investing and financing activities are as follows:

- Transfer from investment properties to land and development costs amounting to ₱685.9 million (see Notes 8 and 2)
- Assignment of payable to MPCI as settlement for the sale of investment in MPPI amounting to ₱129.8 million (see Note 5)
- Conversion of deposits for future stock subscriptions into common stock amounting to ₱4,081.5 million (see Note 18)

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Bank of Commerce

Banco de Oro Unibank

Maybank Philippines, Inc.

Sterling Bank of Asia

Philippine Bank of Communications

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