COVER SHEET

0	0	0	0	0	3	7	3	3	8

S. E. C. Registration Number

SAN MIGUEL PROPERTIES, INC.

(Company's Full Name)

NO. 40 SAN MIGUEL AVE. MANDALUYONG CITY

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

Atty. Karen Cas-Caballa
Contact Person

632-3228
Company Telephone Number

1	2		3	1

Month Day

17-Q (1st Qtr. 2012)
FORM TYPE

2nd Wednesday of

0	5		-	-

Month Day
Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I. D.

Cashier

STAMPS

Remarks = pls. Use black ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-Q
QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended **MARCH 31, 2012**

2. Commission identification number **37338**

3. BIR Tax Identification No. **000-133-166- 000**

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

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

6. Industry Classification Code: [ ] (SEC Use Only)

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

   (632) 632-3000
8. Issuer's telephone number, including area code

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

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

	Number of shares of Common Stock and Debt outstanding as of March 31, 2012
Common shares	**121,695,478**
Total Liabilities (in '000)	P9,343,238

11. Are any or all of the securities listed on Stock Exchange?

    Yes [/] No [ ]

    If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

    Philippine Stock Exchange **Common shares**

12. Indicate by check mark whether the issuer:

    (a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule17 thereunder or Sections 11 of the RSA and RSA Rule 11(a) -1 thereunder and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months.

    Yes [/] No [ ]

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

Yes [/] No [ ]

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

The unaudited consolidated financial statements of San Miguel Properties, Inc. ("SMPI" or the "the Company") and its subsidiaries (collectively, the "Group") as of and for the period ended March 31, 2012 (with comparative figures as of December 31, 2011 and for the period ended March 31, 2012) and Selected Notes to Consolidated Financial Statements are attached hereto as **Annex "A"**.

Item 2. Management's Discussion and Analysis of Financial Position and Financial Performance

The information required by Part III, Paragraph (A)(2)(b) of "Annex C, as amended" is attached hereto as **Annex "B"**.

PART II – OTHER INFORMATION

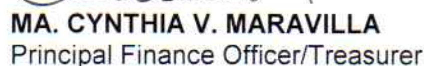
The Company may, at its option, report under this item any information not previously reported in a report on SEC Form 17-C. If disclosure of such information is made under this Part II, it need not be repeated in a report on Form 17-C, which otherwise be required to be filed with respect to such information, or in a subsequent report on Form 17-Q.

NONE

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Issuer **SAN MIGUEL PROPERTIES, INC.**



Signature and Title **MA. CYNTHIA V. MARAVILLA**
Principal Finance Officer/Treasurer

Date May 15, 2012

ANNEX "A"

SAN MIGUEL PROPERTIES, INC. AND SUBSIDIARIES

Consolidated Financial Statements
For the period ended March 31, 2012
(With comparative figures for 2011)

SAN MIGUEL PROPERTIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
March 31, 2012 and December 31, 2011
(Amounts in Thousands)

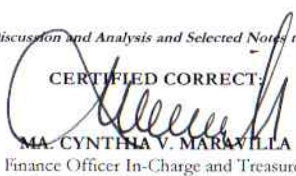
A S S E T S

	Note	2012 Unaudited	2011 Audited
CURRENT ASSETS			
Cash and cash equivalents	11, 12	P 259,764	P 319,075
Receivables - net	11, 12	860,684	770,224
Real estate projects - net		785,249	703,373
Raw land inventory	4	3,689,231	3,689,231
Deposits on land for future development	5	100,146	20,104
Other current assets - net		120,435	105,900
Total Current Assets		5,815,509	5,607,907
NONCURRENT ASSETS			
Receivables - net	11, 12	127,234	127,234
Advances and investments in associates - net	6	10,029,570	9,925,778
Investment property - net	7	1,301,997	1,301,752
Property and equipment - net	8	11,298	19,710
Deposits on land for future development	5	1,197,560	1,197,560
Deferred tax assets - net		45,821	45,882
Other noncurrent assets - net	12	78,208	79,338
Total Noncurrent Assets		12,791,688	12,697,254
		P 18,607,197	P 18,305,161

L I A B I L I T I E S   A N D   E Q U I T Y

	Note	2012 Unaudited	2011 Audited
CURRENT LIABILITIES			
Interest-bearing loans	11, 12	P 6,626,711	P 6,368,663
Accounts payable and accrued expenses	11, 12	361,091	324,656
Advances from related parties	11, 12	2,017,133	2,017,133
Advance rentals and deposits	11, 12	151,565	159,044
Customers' deposits	11, 12	41,613	26,502
Income tax payable		38,092	36,679
Total Current Liabilities		9,236,205	8,932,677
NONCURRENT LIABILITIES			
Advance rentals and deposits	11, 12	43,671	43,671
Deferred tax liabilities - net		34,046	34,046
Accounts payable and accrued expenses		29,316	29,316
Total Noncurrent Liabilities		107,033	107,033
Total Liabilities		9,343,238	9,039,710
EQUITY			
Equity attributable to owners of the parent company			
Capital stock		1,220,109	1,220,109
Additional paid-in capital		776,461	776,461
Treasury shares - at cost		(9,474)	(9,474)
Accumulated fair value losses		278,628	278,628
Other reserves		(88,200)	(88,200)
Cumulative translation adjustment		1,272	1,272
Retained earnings			
Appropriated		5,000,000	5,000,000
Unappropriated		1,684,984	1,681,607
		8,863,780	8,860,403
Non-controlling interests		400,179	405,048
Total Equity		9,263,959	9,265,451
		P 18,607,197	P 18,305,161

See accompanying Management Discussion and Analysis and Selected Notes to Consolidated Financial Statements.



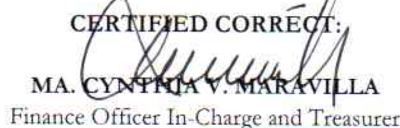
CERTIFIED CORRECT:

MA. CYNTHIA V. MARAVILLA
Finance Officer In-Charge and Treasurer

SAN MIGUEL PROPERTIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the Period Ended March 31, 2012 and 2011
(Amounts in Thousands, Except Per Share Data)

	Note		2012 Unaudited		2011 Unaudited
REVENUES					
Rental income	2, 3	P	75,703	P	74,196
Real estate sales	2		23,090		12,082
Management fees	2, 3		983		17,654
			99,776		103,932
COST OF RENTALS AND REAL ESTATE SOLD					
Rentals			12,863		17,816
Real estate sold			16,093		8,476
			28,956		26,292
GROSS PROFIT			70,820		77,640
OPERATING EXPENSES			90,362		48,631
OPERATING PROFIT		(	19,542)		29,009
OTHER INCOME (CHARGES)					
Gain on sale of assets			-		43,752
Share in profit of associates - net			103,792		18,621
Finance cost		(	89,559)	(	33,825)
Finance income			1,661		482
Miscellaneous - net			2,156		968
			18,050		29,998
PROFIT BEFORE TAX		(	1,492)		59,007
TAX EXPENSE			-		13,306
NET PROFIT		(P	1,492)	P	45,701
Net profit attributable to:					
Owners of the parent company			3,377		47,564
Non-controlling interests		(	4,869)	(	1,863)
		(P	1,492)	P	45,701
Earnings Per Share - Basic and Diluted	9	P	0.03	P	0.39

See accompanying Management Discussion and Analysis and Selected Notes to Consolidated Financial Statements.



CERTIFIED CORRECT:

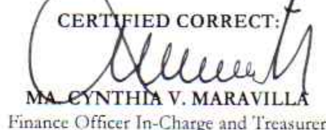
MA. CYNTHIA V. MARAVILLA
Finance Officer In-Charge and Treasurer

SAN MIGUEL PROPERTIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Period Ended March 31, 2012 and 2011
(Amounts in Thousands)

	2012 Unaudited	2011 Unaudited
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	(P 1,492)	P 59,007
Adjustments for:		
Gain on sale of assets	-	(43,752)
Share in profit of associates - net	-	(18,621)
Finance income	(1,661)	(482)
Depreciation and amortization	8,168	8,755
Finance costs	89,559	33,825
Operating profit before working capital changes	94,573	38,732
Decrease (increase) in receivables	(90,460)	(4,864)
Increase in real estate projects	(81,876)	(29,464)
Increase in deposits on land for future development	(80,042)	(534,605)
Decrease (increase) in other current and noncurrent assets	(13,405)	11,046
Increase (decrease) in advances and investment in associates	(103,792)	-
Increase (decrease) in accounts payable and accrued expenses	36,435	(31,617)
Increase (decrease) in income tax payable	1,413	-
Increase (decrease) in customers' deposits	15,112	(3,201)
Increase (decrease) in advance rentals and deposits	(7,479)	3,687
Cash used in operations	(229,521)	(550,286)
Interest received	-	482
Cash paid for income taxes	-	(7,093)
Net cash used in operating activities	(229,521)	(556,897)
CASH FLOWS FROM INVESTING ACTIVITIES		
Amounts invested in an associate	-	(219,052)
Net proceeds from sale of investment properties	-	59,870
Decrease in Deferred tax-assets - net	61	-
property and equipment	-	(141,747)
Net cash used in investing activities	61	(300,929)
CASH FLOWS FROM FINANCING ACTIVITY		
Proceeds from borrowings	258,048	2,193,986
Repayments of borrowings	-	(1,574,534)
Finance Income	1,661	-
Interest paid	(89,559)	(33,825)
Advances from related parties	-	220,000
Net cash provided by (used in) financing activities	170,150	805,627
NET DECREASE IN CASH AND CASH EQUIVALENTS	(59,311)	(52,199)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	319,075	357,141
CASH AND CASH EQUIVALENTS AT END OF PERIOD	P 259,764	P 304,942

is and Selected Notes to Consolidated Financial Statements.

CERTIFIED CORRECT:



MA. CYNTHIA V. MARAVILLA
Finance Officer In-Charge and Treasurer

SAN MIGUEL PROPERTIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the Period Ended March 31, 2012 and 2011
(Amounts in Thousands)

	Note	Attributable to Owners of the Parent Company									Non-controlling Interests	Total Equity
		Capital Stock	Additional Paid-in Capital	Treasury Shares-at Cost	Accumulated Fair Value Gains (Losses)	Cummulative Translation Adjustment	Other Reserves	Appropriated Retained Earnings	Unappropriated Retained Earnings	Total		
Balance at January 1, 2012		P 1,220,109	P 776,461	(P 9,474)	P 278,628	P 1,272	(P 88,200)	5,000,000	P 1,681,607	P 8,860,403	P 405,048	P 9,265,451
Net profit		-	-	-	-	-	-	-	3,377	3,377	(4,869)	(1,492)
Balance at March 31, 2012		P 1,220,109	P 776,461	(P 9,474)	P 278,628	P 1,272	(P 88,200)	P 5,000,000	P 1,684,984	P 8,863,780	P 400,179	P 9,263,959
Balance at January 1, 2011		P 1,220,109	P 776,461	(P 9,474)	(P 176,642)	P 1,270	(P 51,949)	-	P 6,583,611	P 8,343,386	P 393,620	P 8,737,006
Net profit		-	-	-	-	-	-		47,564	47,564	(P 1,863)	45,701
Appropriations		-	-	-	-	-	-	P 5,000,000	(P 5,000,000)	-		-
Balance at March 31, 2011		P 1,220,109	P 776,461	(P 9,474)	(P 176,642)	P 1,270	(P 51,949)	P 5,000,000	P 1,631,175	P 8,390,950	P 391,757	P 8,782,707

See accompanying Management Discussion and Analysis and Selected Notes to Consolidated Financial Statements.

CERTIFIED CORRECT:

MA. CYNTHIA V. MARAVILLA
Finance Officer In-Charge and Treasurer

SAN MIGUEL PROPERTIES, INC. AND SUBSIDIARIES
SELECTED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in Thousands, Except per Share Data)

1. SUMMARY OF SIGNIFICANT ACCOUNTING AND FINANCIAL REPORTING POLICIES

The Group prepared its consolidated interim financial statements as of and for the period ended March 31, 2012 and comparative financial statements for the same period in 2011 following the new presentation rules under Philippine Accounting Standard (PAS) No. 34, Interim Financial Reporting. The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

The consolidated financial statements are presented in Philippine peso and all values are rounded to the nearest thousand (P000), except when otherwise indicated.

The principal accounting policies and methods adopted in preparing the interim consolidated financial statements of the Group are the same as those followed in the most recent annual audited financial statements.

Adoption of New and Amended PFRS

The Financial Reporting Standards Council (FRSC) approved the adoption of new or revised standards, amendments to standards, and interpretations [based on International Financial Reporting Interpretation Committee (IFRIC) Interpretations] as part of PFRS.

(a) Effective in 2012 that are Relevant to the Group

In 2012, the Group adopted the following new amendments, interpretations and annual improvements that are relevant to the Group and effective for the annual period beginning on or after July 1, 2011 or January 1, 2012:

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

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

(b) *Effective Subsequent to 2012 but not Adopted Early*

There are new and amended PFRS that are effective for periods subsequent to 2012. Among those pronouncements, management has initially determined the following to be relevant to its consolidated financial statements which the Group will apply in accordance with their transitional provisions:

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

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

- eliminates the corridor approach under the existing guidance of PAS 19 and requires an entity to recognize all gains and losses arising in the reporting period;
- streamlines the presentation of changes in plan assets and liabilities resulting in the disaggregation of changes into three main components of service costs, net interest on net defined benefit obligation or asset, and

remeasurement; and,

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

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

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

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

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

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

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

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

(vi) Consolidation Standards

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

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

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

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

- PAS 27 (Revised), Separate Financial Statements (effective from January 1, 2013). This revised standard now covers the requirements pertaining solely to separate financial statements after the relevant discussions on control and consolidated financial statements have been standard have been transferred and included in the new

PFRS 10. No new major changes relating to separate financial statements have been introduced as a result of the revision.

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

2. SEGMENT INFORMATION

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

The Group's operating segments are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The activities undertaken by the leasing segment includes the leasing of office and commercial space (collectively referred to as investment property) to the parent company, related parties under common ownership and third parties. Real estate sales segment includes sale of house and/or lots while management and other services segment includes the management of properties owned by the parent company and other services rendered to other related parties which includes project and property management and architectural services.

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

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

Segment information can be analyzed as follows for the period ended March 31, 2012 and 2011:

	Leasing		Sale of Real Estate		Management and Other Services		TOTAL	
	2012	2011	2012	2011	2012	2011	2012	2011
Segment revenues	P 75,703	P 74,196	P 23,090	P 12,082	P 983	P 17,654	P 99,776	P103,932
Operating profit	(17,584)	56,380	(1,958)	9,097	-	(36,468)	(19,542)	29,009
Share in profit of Associates – net	-	-	-	-	561	18,621	561	18,621

3. RELATED PARTY TRANSACTIONS

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

3.1. Rendering of Services and Rentals

	Amount of Transactions		Outstanding Balances	
	31-Mar-12	31-Dec-11	31-Mar-12	31-Dec-11
Rental income:				
SMC	P 26,479	P 110,062	P 23,333	P -
Other related parties	41,179	143,828	33,275	7,864
Management fees:				
SMC	983	3,903	-	1,663
Other related parties	-	16,789	-	-
	P 68,641	P 274,582	P 561	P 9,527

(a) Rental Income

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

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

(b) Management fees

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

In 2010, the Company entered into a Service Agreement with Bank of Commerce (BOC), whereby the Company shall provide management services to BOC, such as asset management, project management, consultancy and architectural services. In accordance with the agreement, BOC shall pay certain fees as consideration for the services rendered by the Company. The total management fees earned are presented as part of Management Fees in the consolidated statements of comprehensive income.

3.2. Purchases of Services

SMC also provides management services to the Group. Management fees recognized amounted to P12,439 and P23,125 as of March 31, 2012 and December 31, 2011, respectively, and are presented as part of outside services under Operating Expenses in the consolidated statements of comprehensive income. The outstanding liability arising from this transaction amounted to P2,159 and P1,612as of March 31, 2012 and December 31, 2011 respectively. The outstanding liability is presented as part of accounts payable in Accounts Payable and Accrued Expenses account in the consolidated statements of financial position.

3.3. Sale of Raw Land Inventories

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

3.4. Deposits and Placements in BOC

The Group money market placements and cash deposits in BOC amounted to P259,764 as of March 31, 2012 and P229,835, as of December 31, 2011.

3.5. Memorandum of Agreement with Northpine Land, Inc. (NLI)

On December 21, 2009, the Company entered into a Memorandum of Agreement with NLI for the development of the Company's parcels of land located at General Trias, Cavite, into a middle income residential subdivision (the Project). Moreover at the same date, the parties agreed to prepare the business plan for the Project and formed a joint venture for its development. As of March 31, 2012, the parties remain under the planning phase of the Project, which includes the feasibility study of the project. Accordingly, the joint venture agreement has not yet been executed.

3.6. Advances to and from Related Parties

The Group obtains from and grants advances to SMC its associated and other related parties for working capital requirements. The net receivables arising from these transactions amounting to P6,134 and P6,134 as of March 31, 2012 and December 31, 2011, respectively, which are shown as part of Receivables account in the consolidated statements of financial position. The details of this account are as follows:

		March 31, 2012		December 31, 2011
Balance at beginning of year	P	6,134	P	7,931
Additions		-		6,578
		6,134		14,509
Allowance for impairment		-	(	8,375)
Balance at the end of period	P	6,134	P	6,134

Advances to related parties are unsecured, noninterest-bearing and payable on demand.

As discussed in Note 6.2, SMC made total advances of P2,017,133 as of March 31, 2012 to the Company as payment for the Company's additional subscription to BOC shares.

3.7. Sale of San Miguel Properties Centre (SMPC) Building

As discussed in Note 7.1, the Company sold units that it owns in SMPC to BOC, which was fully collected during the period. Gain from sale of the units amounting to P43,774 is shown as part of Gain on Sale of Assets in the 2011 consolidated statement of comprehensive income.

3.8. Transaction with New Ventures Realty Corporation (NVRC)

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

Also in 2011, the Company purchased two parcels of land from NVRC. The Company's payable has period of two years and is unsecured and non-interest bearing. The outstanding payable amounted to P85,159 as of December 31, 2011 and of which P26,316 is classified under non-current payables in 2011 statement of financial position.

4. RAW LAND INVENTORY

Below is a summary of the aggregate cost of raw land as of March 31, 2012 and December 31, 2011:

	March 31, 2012	December 31, 2011
San Miguel Properties, Inc	P 1,711,382	P 1,711,382
Integrated Geosolutions, Inc.	601,599	601,599
Maison 17 Properties, Inc.	310,583	310,583
Rapidshare Realty	229,806	229,806
Bright Ventures Realty, Inc.	228,465	228,465
Tanauan Resources, Inc	187,391	187,391
Sta. Cruz Realty Management, Inc.	74,522	74,522
Grandioso Realty Corp.	68,757	68,757
Carmell Realty, Inc	61,988	61,988
Brillar Realty	44,953	44,953
Coron	36,662	36,662
Prestigio Realty, Inc.	35,200	35,200
Busuanga Bay	22,096	22,096
Highriser Group, Inc	21,793	21,793
Dimanyan Wakes	16,259	16,259
Bel Aldea Realty, Inc.	11,609	11,609
Legacy Homes, Inc	10,319	10,319
Bulalacao Property Holdings, Inc.	7,656	7,656
Calamian Property	5,201	5,201
Palawan	2,989	2,989
	P 3,689,231	P 3,689,231

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

	March 31, 2012	December 31, 2011
Balance at the beginning of year	P 3,689,231	P 3,485,963
Additions	-	447,373
Disposal	-	(102,937)
Donation	-	(141,168)
Balance at end of period	P 3,689,231	P 3,689,231

Management has estimated that the net realizable value of raw land inventory is higher than its carrying value as of March 31, 2012 and December 31, 2011.

5. DEPOSITS ON LAND HELD FOR FUTURE DEVELOPMENT

This account consists of deposits classified as follows:

	March 31, 2012	December 31, 2011
Current	P 100,146	P 20,104
Noncurrent	1,197,560	1,197,560
Total	P 1,297,706	P 1,217,664

The movements in the carrying amounts of deposits on land for future development are presented below:

	March 31, 2012	December 31, 2011
Balance at the beginning of year	P 1,217,664	P 1,187,737
Additions	80,042	50,032
Reclassification	-	(20,105)
Balance at end of period	P 1,297,706	P 1,217,664

This account pertains to the Company advance payments for certain land acquisitions which are intended for future development.

During the first quarter of 2012, the Company made deposit amounting to P80,042 which is for acquisitions of parcels of land located in Mandaluyong. As of March 31, 2012, pending the transfer of titles of the properties and the full payment of the purchase price, the amounts advanced are classified as Deposits on Land for Future Development in the consolidated statements of financial position.

6. ADVANCES AND INVESTMENTS IN ASSOCIATES

The composition of this account is as follows:

	March 31, 2012	December 31, 2011
Investments in associates	P 8,662,492	P 8,662,493
Advances for acquisition of additional BOC shares	221,071	221,071
	8,883,564	8,883,564
Equity Advances	1,146,006	1,042,214
	P 10,029,570	P 9,925,778

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

6.1. Investments in Associates

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

	Equity Ownership Interest		March 31, 2011		December 31, 2011
Acquisition costs:					
BOC	39.93%	P	6,308,783	P	6,308,783
NLI	20.00%		**232,000**		232,000
Equity in net earnings:					
Balance at beginning of year			1,492,713		1,492,713
Equity in net earnings			**103,792**		
Balance at end of year			**1,596,505**		1,492,713
Total investments in associates		**P**	**8,137,288**	P	8,033,496

6.1.1 Investment in BOC

In 2008 and 2007, the Company made a series of acquisitions of BOC shares and at the end of 2008, the Company has acquired a total of 11,749,779 shares amounting to P1, 749,400,000 and equivalent to 30.00% equity ownership interest in BOC. In 2009, the Company subscribed to additional shares of BOC for a total consideration of P1, 409,725 thereby increasing its equity ownership interest from 30.00% to 31.23% as of December 31, 2009. Prior to such reclassification, the investment had original cost and valuation allowance of P3, 159,125 and P412, 766, respectively.

Towards the end of 2009, the Company's management decided to sell its 31.23% equity ownership interest in BOC to SMCRP. Pending execution of the Share Purchase Agreement on December 31, 2009, which was expected to be completed in 2010, the investment in BOC shares of stock was reclassified to Noncurrent Asset Classified as Held for Sale in the 2009 consolidated statement of financial position. As of December 31, 2009, prior to the reclassification of the investment in BOC to Noncurrent Asset Classified as Held for Sale, management determined that the carrying amount of investment in BOC is not fully recoverable based on the agreed selling price of the investment with SMCRP, thus, an impairment loss amounting to P162,921 was recognized.

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

In the same year, the Company acquired additional 20,383,210 shares amounting to P3, 562,424, from various stockholders of BOC. These acquisitions increased the Company's equity ownership interest in BOC to 32.77% as of December 31, 2010. Of the total acquisition cost, P1, 799,599 and P542, 000 were paid by SMCRP and SMC,

respectively, in 2010 on behalf of the Company. These amounts remained unpaid as of March 31, 2011 and are presented as Advances from Related Parties in the consolidated statements of financial position (see Note 3.5). The unpaid subscription to BOC arising from the same transaction and amounting to P520, 829 as of March 31, 2011, is presented as Subscriptions Payable in the consolidated statements of financial position.

As of December 31, 2010, the Company has pending share purchase transactions with certain other stockholders of BOC for the acquisition of sufficient number of shares to increase further the Company's equity ownership interest in BOC to 33.86%. Pending consummation of the share purchase transactions, advance payments made by the Company to the sellers amounting to P221, 071 as of December 31, 2010 were presented as Advances for acquisition of additional BOC shares under the Advances and Investments in Associates. Accordingly, this was not also considered in the determination of the Company's percentage of equity ownership interest in BOC.

In January 2011, the Company acquired additional 7.16% of outstanding capital stock of BOC, by way of a Deed of Sale of Shares with Assignment of Subscription Rights from Valiant Ventures and Development Holdings, Inc., consisting of: (i) 2,800,000 outstanding and issued common shares of stock and; (ii) the subscription rights to 5,237,265 common shares of stock for a total consideration of P876,208 which increased the company's equity ownership interest in BOC to 39.93% as at December 31, 2011. The total cost of investment amounted to P1, 492,713.

The company, through its ultimate parent company, is negotiating for the sale of a portion of its ownership interest in BOC to CIMB Bank, a financial institution incorporated in Malaysia.

6.2. Equity Advances

In 2009, the Group made unsecured, non-interest bearing cash advances to a future investee of the Company. The advances amount to P1, 042,214 as of December 31, 2011. These advances will be applied against future subscriptions of the Group to the shares of stock of the future investee.

7. INVESTMENT PROPERTY

Investment property consists of:

March 31, 2012

	Balance, January 1, 2012	Additions and Transfers	Disposals and Reclassifications	Balance, March 31, 2012
Cost:				
Building and improvements	371,026	0	0	371,026
Land	491,453	0	0	491,453
Construction in progress	439,273	245	0	439,518
	1,301,752	245	0	1,301,997
Accumulated depreciation and amortization:				
Building and improvements	0	0	0	0
Land	0	0	0	0
Construction in progress	0	0	0	0
	0	0	0	0
Net book value	1,301,752	245	0	1,301,997

March 31, 2011

	Balance, January 1, 2011	Additions and Transfers	Disposals and Reclassifications	Balance, March 31, 2011
Cost:				
Building and improvements	615,289	0	0	615,289
Land	491,453	0	0	491,453
Land improvements	0	0	0	0
Construction in progress	439,273	0	0	439,273
	1,546,015	0	0	1,546,015
Accumulated depreciation and amortization:				
Building and improvements	-244,263	0	0	-244,263
Land	0	0	0	0
Land improvements	0	0	0	0
Construction in progress	0	0	0	0
	-244,263	0	0	-244,263
Net book value	1,301,752	0	0	1,301,752

7.1. Sale of San Miguel Properties Condominium Centre Units

In March 2011, the Company sold its condominium units in 18th Floor of San Miguel Properties Condominium Centre (SMPCC), Mandaluyong City, for a total consideration of P59, 870 which was collected in the same month. Total gain recognized from this transaction amounted to P43, 752 which is presented as Gain on Sale of Assets in the consolidated statement of comprehensive income.

8. PROPERTY AND EQUIPMENT

Property and equipment consist of:

March 31, 2012

	Balance, January 1, 2012	Additions and Transfers	Disposals and Reclassifications	Balance, March 31, 2012
Cost:				
Building and improvements	3,785	0	0	3,785
Land Improvements	0	0	0	0
Transportation Equipment	5,351	0	0	5,351
Furnitures, Fixtures and Othe	10,574	220	0	10,794
	19,710	220	0	19,930
Accumulated depreciation and amortization:				
Building and improvements	(7,354)	0	0	(7,354)
Land Improvements	0	0	0	0
Transportation Equipment	(95)	0	0	(95)
Furnitures, Fixtures and Othe	(1,166)	(17)	0	(1,183)
	(8,615)	(17)	0	(8,632)
Net book value	11,095	203	0	11,298

March 31, 2011

	Balance, January 1, 2011	Additions and Transfers	Disposals and Reclassifications	Balance, March 31, 2011
Cost:		0		
Building and improvements	13,178	0	0	13,178
Land Improvements	2,938	0	0	2,938
Transportation Equipment	8,406	0	0	8,406
Furnitures, Fixtures and Othe	79,974	0	0	79,974
	104,496	0	0	104,496
Accumulated depreciation and amortization:				
Building and improvements	(9,393)	0	0	(9,393)
Land Improvements	(2,938)	0	0	(2,938)
Transportation Equipment	(3,055)	0	0	(3,055)
Furnitures, Fixtures and Othe	(69,400)	0	0	(69,400)
	(84,786)	0	0	(84,786)
Net book value	19,710	0	0	19,710

9. EARNINGS PER SHARE

Basic and diluted earnings per share are computed as follows:

		March 31, 2011		March 31, 2011
Net profit attributable to owners of the parent company for the period	P	**3,376**	P	86,889
Divided by weighted average number of outstanding common shares (in thousands)		**121,695**		121,695
Earnings per share - basic and diluted		**0.03**		0.71

Diluted earnings per share equal the basic earnings per share since the Company does not have dilutive shares as of March 31, 2012 and 2011.

10. RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

Management has not made any declaration of dividends in 2010 and 2009 because it has various outstanding capital commitments for which portion of its retained earnings are earmarked. However, on March 9, 2011, the BOD approved the appropriation of P5, 000,000 of the Company's retained earnings for its capital projects and long-term project development.

11. RISK MANAGEMENT OBJECTIVES AND POLICIES

It is the Group's policy to ensure that capabilities exist for active and prudent management of its financial risks. The Group does not engage in any speculative derivative transactions. The BOD has the overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Group's principal financial instruments include non-derivative instruments such as cash and cash equivalents, receivables, interest-bearing loans and accounts payable and accrued expenses which arise directly from its operations. The most significant financial risks to which the Group is exposed to are described below.

11.1. Market Risk

(a) Foreign Currency Risk

Most of the Group's transactions are carried out in Philippine pesos, its functional currency. Exposures to currency rates arising from the Group's cash advances to a related party, which are primarily denominated in U.S. dollars, have no significant impact to the Group's financial statements.

(b) Interest Rate Risk

The Group's exposure to changes in interest rates relates primarily to the Group's interest-bearing loans and cash and cash equivalents which are subject to variable interest rates. All other financial assets and liabilities have fixed rates.

The Group's policy is to manage its interest cost using a mix of fixed and variable rate debt.

In managing interest rate, the Group aims to reduce the impact of short-term fluctuations on the Group's earnings. Over the longer term, however, permanent changes in interest rates would have an impact on consolidated earnings.

The following table illustrates the sensitivity of consolidated profit before tax in regards to the Group's cash and cash equivalents and interest-bearing loans. These percentages have been determined based on the average market volatility rates, using standard deviation, in the previous 12 months, estimated at 68% level of confidence.

The sensitivity analysis is based on the Group's financial instruments held at end of the reporting periods.

	March 31, 2012		March 31, 2011	
	Reasonably possible change in rate	**Effect in profit before tax**	Reasonably possible change in rate	Effect in profit before tax
Profit before tax				
Net increase	**+ 2.64 %**	**(P 39,794)**	+ 2.72%	(P 164,858)
Net decrease	**- 2.64%**	**39,794**	- 2.72%	164,858

(c) Other Price Risk

The Group's market price risk arises from its available-for-sale (AFS) financial assets which is considered negligible as the amounts of the assets are not material. It manages its risk arising from changes in market price by monitoring the changes in the market price of the investment.

11.2. Credit Risk

Credit risk, or the risk of counterparties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. It is the Group's policy to enter into transactions with a diversity of creditworthy parties to mitigate any significant concentration of credit risk. The Group ensures that sales of products are made to customers with appropriate credit history and has internal mechanism to monitor the granting of credit and management of credit exposures. The Group has provided allowance for impairment of receivables, where necessary, for potential losses on credits extended. Where appropriate, the Group obtains collateral. The Group's exposure to credit risk arises from default of the counterparty with a maximum

exposure equal to the carrying amount of these instruments, net of the value of advance rentals, security deposits and collaterals, if any.

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown on the face of the consolidated statements of financial position as of March 31, 2012 and December 31, 2011, as summarized below:

		March 31, 2012		December 31, 2011
Cash and cash equivalents	**P**	**259,764**	P	319,075
Receivables - net		**987,918**		897,457
	P	**1,247,68**	P	1,216,532

The Group has no significant concentration of credit risk with any counterparty.

(a) Cash and cash equivalents

The credit risk for cash and cash equivalents is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

(b) Receivables

The Group has no significant concentration of credit risk with any counterparty. Receivables are subject to credit risk exposure. However, the Group does not identify specific concentrations of credit risk with regard to these receivables, as the amount recognized resemble a large number of customers.

The Group's management considers that all the above financial assets are not impaired, except those specifically provided with allowance for impairment, as of the end of the reporting periods.

Financial assets past due but not impaired are as follows:

		March 31, 2012		December 31, 2011
Not more than 30 days	P	11,126	P	11,126
More than 30 days but not more than 60 days		1,220		1,220
More than 60 days but Not more than 90 days		1,860		1,860
More than 90 days		41,082		41,082
	P	55,288	P	11,126

11.3. Liquidity Risk

Liquidity risk arises from the possibility that the Group may encounter difficulties in raising funds to meet commitments from financial instruments or that market for derivatives may not exist in some circumstances.

The Group's objectives to manage its liquidity profile are: (a) to ensure that adequate funding is available at all times; (b) to meet commitments as they arise without incurring unnecessary costs; (c) to be able to access funding when needed at the least possible cost; and (d) to maintain an adequate time spread of refinancing maturities.

The maturity profile of the Group's financial liabilities (excluding provisions) as of March 31, 2011 and December 31, 2010 based on contractual undiscounted payments is as follows:

31-Mar-12	Current		Noncurrent	
	Within 6 months	6 to 12 months	1 to 3 years	Later than 3 years
Interest-bearing loans	P 6,626,711	P -	P -	P -
Accounts payable and accrued expenses	390,407	-	-	-
Advances from related parties	2,017,133	-	-	-
Subscriptions payable	-		-	
Advance rentals and deposits	-	151,565	43,671	-
Customers' deposits	-	41,613	-	-
Obligation under put option	-	-	-	-

31-Dec-11	Current		Noncurrent	
	Within 6 months	6 to 12 months	1 to 3 years	Later than 3 years
Interest-bearing loans	P 6,368,663	P -	P -	P -
Accounts payable and accrued expenses	324,656	-	-	-
Advances from related parties	2,017,133	-	-	
Subscriptions payable	-		-	
Advance rentals and deposits	-	159,044	43,671	-
Obligation under put option	-	-	-	-

11.4. Capital Management Objectives, Policies and Procedures

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, pay-off existing debts, return capital to shareholders or issue new shares.

The Group defines capital as paid-in capital stock, which includes additional paid-in capital and retained earnings, both the restricted and available for dividend declaration portions. Other components of equity such as treasury stock and revaluation reserves are excluded from capital for purposes of capital management. The BOD has overall responsibility for monitoring capital in proportion to risk. Profiles for capital ratios are set in the light of changes in the Group's external environment and the risks underlying the Group's business, operation and industry.

The Group monitors capital on the basis of debt-to-equity ratio, which is calculated as total liabilities (excluding deferred tax liabilities) divided by total equity (excluding accumulated fair value losses cumulative translation adjustment and dilution loss).

Capital for the reporting periods March 31, 2011 and December 31, 2010 under review is summarized as follows:

		March 31, 2011		December 31, 2011
Total liabilities	**P**	**9,343,238**	P	9,039,710
Total adjusted equity attributable t owners of the parent company		**8,863,779**		8,860,403
Debt-to-equity ratio		1.01 : **1.00**		**0.98 : 1**.00

The Group, except for BOC which is subject to certain capitalization requirement by the BSP, is not subject to external imposed capital requirements.

12. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

12.1. Financial Assets

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

Regular purchases and sales of financial assets are recognized on their trade date. All financial assets that are not classified as financial assets at FVPL are initially

recognized at fair value, plus any directly attributable transaction costs. Financial assets carried at FVPL are initially recorded at fair value and transaction costs related to it are recognized in profit or loss.

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

(a) Loans and Receivables

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

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

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

(b) Available-for-sale Financial Assets

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

All AFS financial assets are measured at fair value, unless otherwise disclosed, with changes in value recognized in consolidated other comprehensive income, net of any effects arising from income taxes. When the asset is disposed of or is determined to be impaired, the cumulative gain or loss recognized in consolidated other comprehensive income is reclassified from revaluation reserve to profit or loss and presented as a reclassification adjustment within the consolidated comprehensive income.

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

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

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

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

Derecognition of financial assets occurs when the rights to receive cash flows from the financial instrument expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

12.2. Financial Liabilities

Financial liabilities include interest-bearing loans, accounts payable and accrued expenses (except provision), advances from related parties, subscriptions payable, customers' deposits, advance rentals and deposits and obligation under put option, which are measured at amortized cost using the effective interest rate method.

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

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

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

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

Dividend distributions to shareholders are recognized as financial liabilities upon declaration by the Group and upon approval by the BOD.

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

12.3. Comparison of Carrying Amounts and Fair Values

The comparison by category of carrying amounts and fair values of the categories of the Group's financial instruments is shown below:

	31-Mar-12		31-Dec-11	
	Carrying Amounts	Fair Value	Carrying Amounts	Fair Value
Financial Assets				
Cash and cash equivalents	P 259,764	P 259,764	P 319,075	P 319,075
Receivables - net (including noncurrent portion)	987,918	987,918	909,783	909,783
AFS financial assets (included under "Other noncurrent assets" account in the consolidated statements of financial position)	19,091	19,091	19,091	19,091
Financial Liabilities				
Interest-bearing loans	6,626,711	6,626,711	6,368,663	6,368,663
Accounts payable and accrued expenses	390,407	390,407	308,927	308,927
Advances from related parties	2,017,133	2,017,133	1,988,115	1,988,115
Subscriptions payable	0	0	0	0
Advance rentals and deposits (including noncurrent portion)	195,236	195,236	202,715	202,715
Customers' deposits	41,613	41,613	26,502	26,502
Obligation under a put option	0	0	0	0

See Notes 12.1 and 12.2 for description of the accounting policies for each category of financial instruments. A description of the Group's risk management objectives and policies for financial instruments is provided in Note 11.

12.4. Fair Value Hierarchy

The table below presents the hierarchy of fair value measurements used by the Group.

	Level 1	Level 2	Level 3	Total
March 31, 2012				
AFS financial assets	P	P 10,285 -	P -	P 10,285 -
December 31, 2011				
AFS financial assets	P	P 10,285 -	P -	P 10,285 -

The different levels have been defined as follows:

(a) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

(b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,

(c) Level 3: inputs for the asset or liability of that are not based on observable market data (unobservable inputs).

As of March 31, 2012 and December 31, 2011, the Group has no financial instruments valued based on Level 3. During the periods, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

13. OTHER MATTERS

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

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

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

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

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

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

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

SAN MIGUEL PROPERTIES, INC.

ANNEX "B"

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND PERFORMANCE

INTRODUCTION

The following discussion should be read in conjunction with the attached unaudited consolidated financial statements of San Miguel Properties, Inc. ("SMPI" or the "Company") and its subsidiaries (collectively referred to as the "Group") as of and for the period ended March 31, 2012 (with comparative figures as of December 31, 2011 and for the period ended March 31, 2012). All necessary adjustments to present fairly the consolidated financial position, performance and cash flows of the Group as at March 31, 2012, and for all the other periods presented, have been made. Certain information and footnote disclosure normally included in the audited consolidated financial statements prepared in accordance with Philippine Financial Reporting Standards have been omitted.

I. 2012 KEY TRANSACTIONS

(a) In February 2012, the Company acquired 100% of outstanding capital stock of 512 Acacia Holdings, Corp. consisting for a total consideration of P340 million. As of March 31, the Company had already made partial payment of P68M out of the total purchase price.

(b) During the first quarter, the Company incurred a total construction cost of P90 million to support its project in Makati Diamond Hotel. And 6 million for advances to contractors for the Mixed-use Condo at Pasay Road.

II. FINANCIAL PERFORMANCE

2012 vs. 2011

The Group ended the first quarter of 2012 with P3 million net income attributable to the owners of parent company, or 93% lower than 2011. The decline is mainly attributable to lower sales revenue recognized for the period and increase in operating expenses to promote its future projects.

Rental income increased to P75 million, or by 2% from 2011, due to additional lessor at 155 Edsa Bldg.

Real estate sales increased to P23 million, or by 91% from 2011, as a result of 2011 sales marketing promotional tactics.

Management and consultancy fees decreased to P1 million in 2011 from P18 million in 2011 due to asset management services rendered to San Miguel Corporation only.

Cost of rentals and real estate sold increased to P29 million, or by 12% from 2011, due to the increase in real estate sales during the first quarter.

Operating expenses increased to P90 million, or by 84% from 2011, due to higher consultancy and legal expenses, marketing expenses to support its laser pointed initiatives on targeting sea-based overseas workers, taxes and licenses to frontload the RPT payment for the whole year 2012.

Finance cost increased to P89 million, or P56 million higher than 2011 as a result of higher loan balance by P663 as of March 2012.

Finance income increased to P2 million, or by 100% from 2011 due to close monitoring of penalty and interest held on real estate installment sales.

Share in profit of associates increased to P5 million, or by 150% from 2011 due to the higher net income of BOC during the first quarter as compared to last year.

<u>2011 vs. 2010</u>

The Group ended the first quarter of 2011 with P48 million net income attributable to the owners of parent company, or 17% lower than 2010. The decline is mainly attributable to lower sales revenue recognized for the period and increase in operating expenses to promote its future projects.

Rental income decreased to P74 million, or by 12% from 2010, due to sale of Reliance property and certain SMPC condominium units in 2010.

Real estate sales decreased to P12 million, or by 64% from 2010, due to more stringent loan approval process by Home Development Mutual Fund and BOC. Coming from a 0% equity loan grant in 2009, BOC have become more rigid in reviewing the creditworthiness of their borrowers. As a result, booked sales for the first quarter of 2011 went down as compared to the same period of last year.

Management and consultancy fees increased to P18 million in 2011 from P2 million in 2010 due to additional asset management services rendered to San Miguel Corporation and its subsidiaries and the commissions derived from leasing and disposition of properties.

Cost of rentals and real estate sold decreased to P26 million, or by 31% from 2010, due to the decrease in real estate sales during the first quarter and lesser number of leasable properties as a result of the sale of certain SMPCC units and Reliance property in 2010.

Operating expenses increased to P49 million, or by 27% from 2010, due to higher consultancy and legal expenses to support its aggressive re-branding initiatives to promote pipeline projects and the taxes incurred in the acquisition of BOC shares in 2011.

Finance cost increased to P34 million, or P14 million higher than 2010 as a result of higher loan balance by P619 million from December 31, 2010 balance.

Finance income decreased to P0.48 million, or by 63% from 2010 due to maturity of market placements in year 2011.

Share in profit of associates decreased to P19 million, or by 56% from 2010 due to the lower net income of BOC during the first quarter as compared to last year.

The Company recognized a gain amounting to approximately P44 million in 2011 from the sale of condominium units in 18th floor of the SMPC together with 11 parking slots to a related party.

III. FINANCIAL POSITION

2012 vs. 2011

Cash and cash equivalents decreased to P260 million, or by 19% from 2011, due to the following:

Major cash inflows:

(a) Collections from Group's leasing operations, real estate sales and asset management, and,
(b) Cash received from short-term borrowings to finance operating and investing activities

Major cash outflows:

(a) Construction payment for Makati Diamond Hotel,
(b) Acquisition of 100% capital stock of 512 Acacia Holdings, Corp.,
(c) Advances on various investments
(d) Annual payment of Real Property Taxes for various properties; and,
(e) Payments of short-term borrowings

Deposits on land for future development increased to P1,298 million, or by 398% from 2011, due to purchased of Acacia Holding and other deposit for various properties.

Other current assets decreased to P120 million, or 14% from 2011, due to increase in creditable input VAT and withholding taxes on purchases of goods and services.

Investment properties increased to P1,302, or by .02% from 2011, due to the filling and certificate fee for Mixed-use Condo at Pasay Road.

Property and equipment decreased to P11 million, or by 43% from 2011, due to depreciation for the period.

Interest-bearing loans increased to P6,627 million, or by 4% from 2011, as a result of the Group's financing requirement on operation.

Accounts payable and accrued expenses increased to P390 million, or by 11% from 2011, due to payment of current payables for the quarter.

Advances from related parties has no movement as of first quarter.

Customers' deposit increased to P42 million, or by 57% from 2011 due to increase in reservations for housing units particularly in Wedgewood and Maravilla.

Income tax payable increased to P38 million in 2012 from P37 million in 2011, proportionate to the profit realized for the quarter.

Deferred tax liability no changes were effected for the first quarter.

The Group's retained earnings increased to P6,685 million in 2012 from P6,682 million in 2011 as a result of the Group's net income for the period. On March 9, 2011, the BOD approved the appropriation of P5,000 million of the Company's retained earnings for its capital projects and long-term project development.

2011 vs. 2010

Cash and cash equivalents decreased to P305 million, or by 15% from 2010, due to the following:

Major cash inflows:

(c) Cash proceeds from sale of condominium units in 18th floor of SMPC together with 11 parking slots,
(d) Collections from Group's leasing operations, real estate sales and asset management, and,
(e) Cash received from short-term borrowings to finance operating and investing activities

Major cash outflows:

(f) Advances to SMPI-GSIS JVC for the construction of Makati Diamond Hotel,
(g) Acquisition of additional BOC shares,
(h) Deposits for acquisition of properties in various locations; and,
(i) Payments of short-term borrowings

Deposits on land for future development increased to P1,722 million, or by 45% from 2010, due to deposits made by the Company amounting to P535 million for acquisitions of parcels of land in various locations which is intended for future development. Pending the transfer of titles from the land owners, said advances remained as deposits as of reporting period.

Other current assets increased to P110 million, or 54% from 2010, due to increase in creditable input VAT and withholding taxes on sale of properties.

Investment properties increased to P1,162, or by 11% from 2010, due to the advances made to SMPI-GSIS JVC for the construction of Makati Diamond Hotel.

Property and equipment decreased to P9 million, or by 6% from 2010, due to depreciation for the period.

Interest-bearing loans increased to P3,310 million, or by 23% from 2010, as a result of the Group's financing requirement in the acquisition of various properties, joint ventures and subscription for additional BOC shares.

Accounts payable and accrued expenses decreased to P184 million, or by 15% from 2010, due to payment of current payables for the quarter.

Advances from related parties increased to P2,562 million, or by 9% from 2010 due to advances received by the Company from SMC in the first quarter.

Customers' deposit increased to P32 million, or by 9% from 2010 due to increase in reservations for housing units particularly in Asian Leaf, an introductory project.

Income tax payable increased to P14 million in 2011 from P7 million in 2010, proportionate to the profit realized for the quarter.

Deferred tax liability increased to P51 million in 2011 from P24 million in 2010 due to effect of unrealized portion of gross profit in 2010.

The Group's retained earnings increased to P6,631 million in 2011 from P6,584 million in 2010 as a result of the Group's net income for the period. On March 9, 2011, the BOD approved the appropriation of P5,000 million of the Company's retained earnings for its capital projects and long-term project development.

IV. SOURCES AND USES OF CASH

A brief summary of cash flow movement is shown below:

(In thousands)	March 31	
	2012	2011
Net cash used in operating activities	**(P 229,521)**	(P 556,897)
Net cash used in investing activities	**(61)**	(300,929)
Net cash provided by (used in) financing activities	**(170,150)**	(805,627)

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

Net cash used in investing activities included the following:

(In thousands)	March 31	
	2012	2011
Amounts invested in an associate	-	(P 219,052)
Net proceeds from sale of investment properties	-	59,870
Advances for future stock subscriptions	-	(11)
Net cash used in investing activities	(61)	(300,929)

Major components of net cash flows provided by financing activities are as follows:

(In thousands)	March 31	
	2012	2011
Proceeds from borrowings	**258,048**	2,193,986
Repayments of borrowings	-	(1,574,534)
Advances from related parties	-	-

V. KEY PERFORMANCE INDICATORS

The following are the major performance measures that the Group uses. Analyses are employed by comparisons and measurement based on the financial data of the current period against same period of previous year. Please refer to item II "Financial Performance" for the discussions of the computed certain Key Performance Indicators.

Key Performance Indicators	March 31, 2012	December 31, 2011
Current Ratio	**0.63 : 1**	0.62 : 1
Total Assets to Equity Ratio	**2.01 : 1**	1.98 : 1
Debt to Equity Ratio	**1.01 : 1**	0.98 : 1
Return on Average Equity Attributable to Owners of the Parent Company	**2.27%**	6.03%
	Period Ended March 31	
	2012	2011
Volume Growth		
Lease	**91%**	(6.78%)
Real Estate Sales	**2%**	169.36%
Revenue Growth	**(4%)**	42.58%
Operating Margin	**27.59%**	122.81%
Interest Coverage Ratio	**111%**	707.52%

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

Key Performance Indicators	Formula
Current Ratio	Current Assets / Current Liabilities
Total Assets to Equity Ratio	Total Assets / Non-Controlling Interest+Equity
Debt to Equity Ratio	Total Liabilities (Excluding deferred tax liabilities) / Total Equity (Excluding Accumlated Fair Value Loss, CTA, Dilution Loss)
Return on Average Equity Attributable to Owners of the Parent Company	Net Income Attributable to Owners of the Parent Company * / Average Equity Attributable to Owners of the Parent Company
Volume Growth	(Sum of all Businesses' Revenue at Prior Period Prices / Prior Period Net Sales) - 1
Revenue Growth	(Current Period Net Sales / Prior Period Net Sales) - 1
Operating Margin	Income from Operating Activities / Net Sales
Interest Coverage Ratio	EBITDA / Interest Expense and Other Financing Charges

* *Annualized for quarterly reporting.*