

Dasmariñas Village Association, Inc. (A Nonstock, Not-for-profit Organization)

Financial Statements December 31, 2011 and 2010

and

Independent Auditors' Report

SyCip Gorres Velayo & Co.





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INDEPENDENT AUDITORS' REPORT

The Board of Governors
Dasmariñas Village Association, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Dasmariñas Village Association, Inc. (A Nonstock, Not-for-profit Organization), which comprise the statements of assets, liabilities and fund balance as at December 31, 2011 and 2010, and the statements of revenue, members' support and expenses, statements of changes in fund balance and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

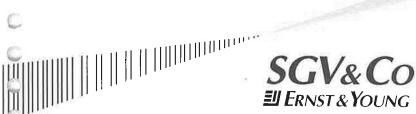
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards for Small and Medium-sized Entities, and for such internal control as management determines is necessary to enable the preparation of financial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

Auditors' Responsibility

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

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

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



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Dasmariñas Village Association, Inc. as of December 31, 2011 and 2010, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards for Small and Medium-sized Entities.

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

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 19-2011 and 15-2010 in Notes 21 and 22, respectively, to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of Dasmariñas Village Association, Inc. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

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Partner

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BIR Accreditation No. 08-001998-73-2009,

June 1, 2009, Valid until May 31, 2012

PTR No. 3174824, January 2, 2012, Makati City

February 11, 2012

(A Nonstock, Not-for-profit Organization)

STATEMENTS OF ASSETS, LIABILITIES AND FUND BALANCE

	December 31		
	2011	2010	
ASSETS			
Current Assets			
Cash and cash equivalents (Note 5)	₱113,253,589	₱101,704,279	
Short-term investments (Note 6)	2,200,000	33,355,362	
Accounts receivable (Note 7)	619,186	981,410	
Investment in debt securities - current (Note 8)	10,000,000	-	
Prepayments	95,659	214,984	
Total Current Assets	126,168,434	136,256,035	
Noncurrent Assets			
Investment in debt securities (Note 8)	22,984,537	24,954,248	
Property and equipment (Note 9)	30,396,801	29,706,267	
Refundable deposits	253,239	243,239	
Total Noncurrent Assets	53,634,577	54,903,754	
	₽179,803,011	₱191,159,789	
LIABILITIES AND FUND BALANCE			
Current Liabilities			
Accounts payable and accrued expenses (Note 10)	₱10,694,743	₱10,523,165	
Pension liability (Note 11)	3,791,276	5,552,556	
Membership dues received in advance (Note 12)	6,560,796	5,761,007	
Construction bond (Note 13)	85,077,159	96,376,583	
Total Current Liabilities	106,123,974	118,213,311	
Fund Balance	73,679,037	72,946,478	
1 did Balance	13,017,031	12,770,770	

(A Nonstock, Not-for-profit Organization)

STATEMENTS OF REVENUE, MEMBERS' SUPPORT AND EXPENSES

	Years Ended December 31	
	2011	2010
REVENUE		
Stickers, permits and other fees (Note 14)	₽25,411,222	₱27,249,409
Interest income (Notes 5, 6 and 8)	5,816,600	5,725,852
	31,227,822	32,975,261
COSTS AND EXPENSES		
Direct Costs		
Security services	19,271,859	18,153,520
Garbage services	10,265,114	9,808,194
Street repairs	7,879,309	921,520
Street lights	4,205,098	4,930,547
Depreciation (Note 9)	1,224,748	1,253,454
	42,846,128	35,067,235
Commend and Administrative E		
General and Administrative Expenses	0.205.120	10.594.660
Personnel costs (Notes 11 and 15)	9,395,129	10,584,662
Depreciation (Note 9)	5,723,587	5,808,174
Repairs, sanitation and maintenance	4,064,831	4,452,150
Stationery and supplies Communication and utilities	3,366,064	842,006
	3,132,134	3,144,009
Professional fees and legal expenses Taxes and licenses	2,354,221	1,206,635
	828,261	841,893
Community affairs Insurance	665,630	720,703
	239,295	212,702
Miscellaneous	1,003,410	1,250,147
	30,772,562	29,063,081
DEFICIENCY OF REVENUE OVER COSTS AND		
EXPENSES BEFORE MEMBERS' SUPPORT	(42,390,868)	(31,155,055)
MEMBERS' SUPPORT		
Membership dues (Note 17)	43,123,427	43,674,996
EVCESS OF DEVENUE AND MEMBERS SYROOM		
EXCESS OF REVENUE AND MEMBERS' SUPPORT OVER COSTS AND EXPENSES	₽732,559	₱12,519,941

(A Nonstock, Not-for-profit Organization)

STATEMENTS OF CHANGES IN FUND BALANCE

	Years Ended December 31		
Table 1	2011	2010	
BALANCE AT BEGINNING OF YEAR Excess of revenue and member's support over costs and	₽72,946,478	₽60,426,537	
expenses	732,559	12,519,941	
BALANCE AT END OF YEAR	₽73,679,037	₽72,946,478	

(A Nonstock, Not-for-profit Organization)

STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenue and members' support over costs		
and expenses	₽732,559	₱12,519,941
Adjustments for:	1,02,000	112,515,511
Depreciation (Note 9)	6,948,335	7,061,628
Retirement cost (Note 11)	238,720	757,460
Loss (gain) on disposal of property and equipment	(88,958)	415,338
Interest income	(5,816,600)	(5,725,852)
Operating income before working capital changes	2,014,056	15,028,515
Decrease (increase) in:	, , , , ,	, , , , ,
Accounts receivable	170,318	926,772
Prepayments	119,325	(62,933)
Increase in:	ŕ	,
Accounts payable and accrued expenses	171,578	4,104,234
Membership dues received in advance	799,789	6,508
Net cash generated from operations	3,275,066	20,003,096
Contributions paid (Note 11)	(2,000,000)	-
Interest received	5,978,217	5,584,639
Net cash provided by operating activities	7,253,283	25,587,735
CASH FLOWS FROM INVESTING ACTIVITIES		
Deposits received as construction bond (Note 13)	46,784,946	47,853,500
Refund of construction bond (Note 13)	(58,084,370)	(42,860,774)
Acquisitions of property and equipment items (Note 9)	(7,705,111)	(10,692,452)
Proceeds from sale of property and equipment items	155,200	-
Increase in refundable deposits	(10,000)	(7,000)
Proceeds from maturities (acquisitions) of investments:		
Investment in debt securities (Note 8)	(8,000,000)	(2,954,248)
Investment in short-term investments	31,155,362	(16,262,405)
Net cash used in investing activities	4,296,027	(24,923,379)
NET INCREASE IN CASH AND CASH EQUIVALENTS	11,549,310	664,356
CASH AND CASH EQUIVALENTS AT BEGINNING		
OF YEAR	101,704,279	101,039,923
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 5)	₽113,253,589	₽101,704,279
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(A Nonstock, Not-for-profit Organization)

NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

Dasmariñas Village Association, Inc, (the Association) was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on January 1, 1965 as a non-stock, not-for-profit organization organized to promote, advance and safeguard the interest, general welfare and well-being of the owners, lessees and occupants of the properties in Dasmariñas Village, Makati City.

No part of the income of the Association inures to the benefit of any officer, member or private individual. As such, the Association is exempt from the payment of income tax on income related to its operations and activities as provided for under Section 30 (C) of the National Internal Revenue Code of 1997.

The Association's registered address and principal place of business is 1417 Campanilla Street, Dasmariñas Village, Makati City.

2. Basis of Preparation

The accompanying financial statements of the Association have been prepared using the historical cost basis and are presented in Philippine Peso (P), which is also the Association's functional currency. All amounts are rounded to the nearest peso unless otherwise indicated. There are no items representing other comprehensive income for the years ended December 31, 2011 and 2010.

Statement of Compliance

The accompanying financial statements of the Association have been prepared in compliance with Philippine Financial Reporting Standards for Small and Medium-sized Entities (PFRS for SMEs).

3. Summary of Significant Accounting Policies

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Association and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized.

Stickers, permits and other fees

Stickers and permits are recognized upon issuance while other fees are recognized when the earning process is complete.

Interest income

Interest income on cash and cash equivalents is recognized as it accrues.

Cash and Cash Equivalents

Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three (3) months or less and are subject to an insignificant risk of change in value.

Financial Instruments

As appropriate, the Association classifies its financial instruments in the following categories: (1) Basic financial instruments and (2) Other financial instruments. The following are basic financial instruments:

- Cash;
- A debt instrument that satisfies specific criteria;
- A commitment to receive a loan that cannot be settled net in cash and when the commitment is executed, is expected to meet the conditions of a debt instrument above; or
- An investment in non-convertible preference shares and non-puttable ordinary shares or preference shares.

Basic financial instruments are measured at their transaction price including transaction costs. If the contract constitutes a financing agreement, it is measured at the present value of future payments discounted at a market rate of interest for a similar instrument (this is not applicable to assets and liabilities classified as current, unless they incorporate a finance agreement).

If interest is not at a market rate, the fair value would be future payments discounted at a market rate of interest. Other financial instruments are initially measured at fair value, which is usually their transaction price. This will exclude transaction costs.

The basic financial instruments of the Association consist of cash and cash equivalents, short-term investments, accounts receivable and investment in debt securities. The Association's debt instruments are measured at amortized cost using the effective interest method.

The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount, after deducting from the instrument as a whole, the amount separately determined as the fair value of the liability component on the date of issue.

Impairment of Financial Assets

The carrying value of all financial assets is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. The identification of impairment and the determination of recoverable amounts is a process involving various assumptions and factors, including the financial condition of the counterparty, expected future cash flows, observable market prices and expected net selling prices.

In order to determine whether negative revaluations on investment securities correctly represent impairment, all investment securities for which the market value has been significantly below cost for a considerable period of time, are individually reviewed. A distinction is made between negative revaluations due to general market fluctuations and due to issuer specific developments. The impairment review focuses on issuer specific developments regarding financial condition and future prospects, taking into account the intent and ability to hold the securities under the Association's long-term investment strategy.

Derecognition of Financial Assets and Liabilities

Financial asset

A financial asset (or, where applicable a part of financial asset or part of a group of similar financial asset) is derecognized when:

- (a) the rights to receive cash flows from the asset have expired;
- (b) the Association 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
- (c) the Association has transferred its rights to receive cash flows from the asset and either has transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial liability

A financial liability is derecognized when the obligation under the liability are discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of revenue, members' support and expenses.

Receivables

Receivables are recognized and carried at billed amount less allowance for any uncollectible amounts. Specific valuation allowances are provided when collections become doubtful and amounts expected to be received in settlement of the receivable are less than the amounts due.

Property and Equipment

The Association measures all items of property and equipment after initial recognition at cost less any accumulated depreciation and any accumulated impairment losses.

Factors such as change in how an asset is used, significant unexpected wear and tear, technological advancement and changes in market prices may indicate that the residual value of useful life of an asset has changed since the most recent annual reporting date. If such indicators are present and if current expectations differ, the residual value should be reviewed.

The initial cost of property and equipment consists of its purchase price, including taxes and any directly attributable costs of bringing the assets to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance, are normally charged to income in the period in which 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 an additional cost of property and equipment.

Depreciation is computed using the straight-line basis over the estimated useful lives of the assets as follows:

	Years
Building and improvements	3-20
Furniture, fixtures and equipment	3-10
Transportation equipment	3-5
Security and park equipment	2-10

Where parts of an item of property and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both useful life of an asset and its residual value, if any, are reviewed annually.

The asset's residual value, estimated useful life and depreciation method are reviewed periodically to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

When property and equipment are retired or otherwise disposed of, the cost of the related accumulated depreciation, if any, are removed from the accounts and any resulting gain or loss is credited or charged against current operations.

Impairment of Assets

This accounting policy applies to the Association's property and equipment. An assessment is made at each reporting date to determine whether there is any indication of impairment of any long-lived assets, or whether there is any indication that an impairment loss previously recognized for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to operations in the year in which it arises.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however, not to an amount higher than the carrying amount that would have been determined (net of any accumulated depreciation and amortization), had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is credited to current operations.

Retirement Benefits

The Association has a funded, noncontributory defined benefit retirement plan, administered by a trustee, covering their regular and permanent employees. Retirement costs are actuarially determined using the projected unit credit method.

This method reflects services rendered by employees up to the date of valuation and incorporates assumptions concerning employees' projected salaries. Retirement costs include current service cost plus amortization of past service cost, experience adjustments and changes in actuarial assumptions over the expected average remaining working lives of the covered employees.

Actuarial gains and losses are recognized in full in the statement of revenue, members' support and expenses.

<u>Provisions</u>

Provisions are recognized when the Association has a present obligation (legal or constructive) as a result of a past event, and 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.

Contingencies

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

Income Tax

Current tax

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

Deferred tax

Deferred tax is recognized on the differences between the carrying amounts of assets and liabilities in the Association's financial statements and their corresponding tax bases (known as temporary differences). Deferred tax liabilities are recognized for all temporary differences that are expected to increase taxable profit in the future. Deferred tax assets are recognized for all temporary differences that are expected to reduce taxable profit in the future. Deferred tax assets are recognized for all temporary differences that are expected to reduce taxable profit in the future. Deferred tax assets are measured at the highest amount that, on the basis of current or estimated future taxable profit, is more likely than not to be recovered.

The net carrying amount of the deferred tax assets is reviewed at each reporting date and is adjusted to reflect the current assessment of future taxable profit. Any adjustment is recognized in profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the taxable profit or loss of the periods in which it expects the deferred tax asset to be realized or the deferred tax liability to be settled, on the basis of tax rates that have been enacted or substantially enacted at the end of the reporting period. Allowance valuation is provided, on the basis of past years and future expectations, when it is not probable that the taxable profits will be available against which the future income tax deductions can be utilized.

Members' Support

Membership dues computed on the basis of a fixed rate per square meter of lot occupied by the homeowner/member are recognized when due. Membership dues received in advance are shown as part of liabilities in the statement of assets, liabilities and fund balance. Donations are recognized upon receipt or accrued when there is reasonable assurance of receipt.

Fund Accounting

The accounts of the Association are maintained in accordance with the principle of fund accounting to ensure observance of limitations and restrictions placed on the use of resources available to the Association. This is the procedure by which resources for various purposes are classified for accounting and financial reporting purposes into funds that are in accordance with specified activities and objectives. Separate accounts are maintained for each fund, if any. Funds that have similar characteristics have been combined into fund groups. Accordingly, all financial transactions have been recorded and reported by fund group, if applicable.

Events after the Reporting Date

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

4. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the financial statements in compliance with PFRS for SMEs requires the Association to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities.

Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the financial statements, as they become reasonably determinable.

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.

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Allowance for Impairment Losses

Allowances for doubtful accounts are estimated at a level considered adequate to provide for potential uncollectible receivables. The level of the allowance is evaluated by management based on factors that affect the collectability of the accounts. The Association reviews the age and status of receivables, and identifies accounts that are to be provided with allowances. The amount and timing of recorded expenses for any period would therefore differ depending on the judgments and estimates made for each period.

As of December 31, 2011 and 2010, the carrying amounts of accounts receivable amounted to \$\mathbb{P}619,186\$ and \$\mathbb{P}981,410\$, respectively, while allowance for impairment losses amounted to \$\mathbb{P}278,354\$ in 2011 and 2010 (Note 7).

Asset Impairment

The Association assesses the impairment of assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Indicators of impairment include significant changes in asset usage, significant decline in assets' market value, obsolescence or physical damage of an asset and significant negative economic trends. If such indicators are present and where the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. The recoverable amount is the higher of the asset's net selling price and value in use. Determining the value in use of an asset involves the determination of the present value of future cash flows expected to be generated from the continued use and ultimate disposition of the asset and requires the Association to make estimates and assumptions that can materially affect the financial statements.

As of December 31, 2011 and 2010, the carrying value of the Association's property and equipment amounted to \$\mathbb{P}\$30,396,801 and \$\mathbb{P}\$29,706,267, respectively (Note 9).

Estimating useful lives of property and equipment

The Association estimates the useful lives of its property and equipment based on the period over which the assets are expected to be available for use. The Association reviews annually the estimated useful lives of property and equipment based on factors that include asset utilization, internal technical evaluation, technological changes, environmental and anticipated use of the assets. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned.

A reduction in the estimated useful lives of property and equipment would increase the recorded depreciation and amortization expense and decrease noncurrent assets.

As of December 31, 2011 and 2010, the carrying value of the Association's property and equipment amounted to ₱30,396,801 and ₱29,706,267, respectively (Note 9). The related balances follow:

	2011	2010
Property and equipment cost	₽92,899,893	₽86,809,455
Accumulated depreciation	62,503,092	57,103,188
Depreciation	6,948,335	7,061,628

Pension cost

The determination of the Association's obligation and cost for retirement benefits is dependent on selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include, among others, interest and salary increase rates. While the Association believes that the assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions may materially affect the retirement cost and obligation.

Deferred tax assets

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

The deferred tax effects of the deductible temporary differences for which deferred tax assets were recognized amounted to \$\mathbb{P}\$35,632,740 and \$\mathbb{P}\$32,891,807 as of December 31, 2011 and 2010, respectively (Note 16). Accordingly a full valuation allowance was recognized on these deferred tax assets.

5. Cash and Cash Equivalents

This account consists of:

	2011	2010
Petty cash, security and postage funds	₽93,000	₽73,000
Current and savings accounts with banks	11,638,066	8,469,950
Short-term deposits	101,522,523	93,161,329
	₽113,253,589	₱101,704,279

Current and savings accounts with banks earn interest at the respective bank deposit rates. Short-term deposits are made for varying periods of up to three (3) months and earn interest ranging

from 3.55% to 3.65% in 2011 and 3.50% to 4.20% in 2010. Interest income earned on cash in banks amounted to \$\mathbb{P}75,694\$ and \$\mathbb{P}31,878\$ in 2011 and 2010, respectively. Interest income earned on short-term deposits amounted to \$\mathbb{P}3,364,145\$ and \$\mathbb{P}3,331,161\$ in 2011 and 2010, respectively.

6. Short-term Investments

This account consists of:

	2011	2010
Fixed rate treasury notes	₽2,200,000	₽11,000,000
Treasury bills		22,355,362
	₽2,200,000	₱33,355,362

Short-term investments have maturities of more than three (3) months up to one (1) year and earn annual interest of 3.35% and from 3.81% to 4.50% in 2011 and 2010, respectively. Interest income earned on short-term investments amounted to \$\mathbb{P}71,500\$ and \$\mathbb{P}824,960\$ in 2011 and 2010, respectively.

7. Accounts Receivable

This account consists of:

	2011	2010
Accrued interest on investment in debt securities	₽666,390	₽858,296
Unpaid membership dues	119,562	247,096
Advances to officer	_	131,770
Others	111,588	22,602
	897,540	1,259,764
Less allowance for impairment losses	278,354	278,354
	₽619,186	₽981,410

The Association has no provision for impairment losses for the years ended December 31, 2011 and 2010.

Details of unpaid membership dues follow:

	2011	2010
Unpaid membership dues:		
2011	₽52,321	₽_
2010	14,743	90,154
2009	14,759	70,081
2008	13,461	26,355
2007	11,538	22,590
2006	9,615	18,825
2005	3,125	11,107
2004 and prior years	<u> </u>	7,984
	₽119,562	₽247,096

Unpaid membership dues constitute a lien on the property of the members.

Advances to officer are noninterest-bearing and a portion amounting ₱47,042 is collectible in equal monthly installments of ₱3,356 until February 2011. The amount was fully paid in 2011.

Others consist mainly of receivable from sponsorships and rental of the Association's facilities.

8. Investment in Debt Securities

Investment in debt securities consists of investments in fixed rate high grade corporate notes with net of tax interest rates ranging from 5.20% to 8.75% a year, as follows:

	2011	2010
Due within one year	₽10,000,000	₽-
Due beyond one year but within five years	22,984,537	24,954,248
	₽32,984,537	₽24,954,248

Interest income on investment in debt securities amounted to ₱2,305,261 and ₱1,537,853 in 2011 and 2010, respectively.

Association's investment in debt securities are measured at amortized cost using the effective interest rate.

9. Property and Equipment

The rollforward analysis of this account follows:

<u>2011</u>

	Building and Land Improvements	Furniture, Fixtures and Equipment	Transportation Equipment	Security and Park Equipment	Software and Licenses	Total
Cost						
At January 1	₽53,762,008	₽16,621,332	₽9,512,270	₽6,461,356	₽452,489	₽86,809,455
Additions	3,471,167	3,813,452	-	116,542	303,950	7,705,111
Disposals	(19,707)	(1,594,966)	_		-	(1,614,673)
At December 31	57,213,468	18,839,818	9,512,270	6,577,898	756,439	92,899,893
Accumulated Depreciation and Amortization						
At January 1	34,691,754	11,272,557	6,233,881	4,882,372	22,624	57,103,188
Depreciation and amortization	2,837,712	2,122,505	1,224,748	638,375	124,995	6,948,335
Disposals	(19,707)	(1,528,724)	_		-	(1,548,431)
At December 31	37,509,759	11,866,338	7,458,629	5,520,747	147,619	62,503,092
Net Book Value	₽19,703,709	₽6,973,480	₽2,053,641	₽1,057,151	P608,820	. P30,396,801

2010

2010	Building and Land Improvements	Furniture, Fixtures and Equipment	Transportation Equipment	Security and Park Equipment	Software and Licenses	Total
Cost		,				
At January 1	₱48,474,210	₱14,224,319	₽8,869,236	₽6,461,356	₽	₱78,029,121
Additions	5,873,842	2,563,521	1,802,600	-	452,489	10,692,452
Disposals	(586,044)	(166,508)	(1,159,566)	_	-	(1,912,118)
At December 31	53,762,008	16,621,332	9,512,270	6,461,356	452,489	86,809,455
Accumulated Depreciation and Amortization		The second secon				
At January 1	31,586,423	9,662,132	6,139,993	4.149.792	74	51,538,340
Depreciation and amortization	3,276,037	1,776,933	1,253,454	732,580	22,624	7,061,628
Disposals	(170,706)	(166,508)	(1,159,566)		-	(1,496,780)
At December 31	34,691,754	11,272,557	6,233,881	4,882,372	22,624	57,103,188
Net Book Value	₱19,070,254	₽5,348,775	₽3,278,389	₽1,578,984	P429,865	P29,706,267

The developer of the subdivision has donated street lots, which have an assessed value of \$\mathbb{P}\$1.00 per square meter at the time of donation. Under the terms of the donation, the donated property shall be used and maintained as private roads or streets for the use of the members of the Association, their families, personnel and domestic help and, under reasonable conditions and restrictions, by the general public. In the event that the properties are no longer used as such, the same shall automatically revert to the donor.

The Association leases in perpetuity (co-terminus with the corporate life of the Association) from Makati Development Corporation six parcels of land within the subdivision at a nominal rent of \$\frac{1}{2}1.00\$ a year. Under the terms of the lease, the property shall be used exclusively as park and playground for the recreation, athletic and social activities of the members of the Association and the residents of the area; provided, however, that the Association, subject to the prior consent of the lessor, may reserve and dedicate a portion of the leased premises for the construction of the Community Center Building.

All taxes assessments arising out of or imposed because of the ownership or possession of the leased premises shall be borne by the Association.

Depreciation charged to costs and expenses follows:

	2011	2010
General and administrative expenses	₽5,723,587	₽5,808,174
Direct costs	1,224,748	1,253,454
	₽6,948,335	₽7,061,628

Transportation equipment amounting ₱2,793,000 was fully depreciated as of December 31, 2011 and 2010.

10. Accounts Payable and Accrued Expenses

This account consists of:

· ·	2011	2010
Accounts payable	₽6,596,229	₽5,678,099
Accrued expenses	3,144,987	3,899,408
Christmas fund	525,654	538,239
Employees' educational and loan fund	134,127	191,699
Other payables	293,746	215,720
	₽10,694,743	₱10,523,165

Accounts payable represent amounts owed to suppliers and vendors which are noninterest-bearing.

Accrued expenses consist mainly of accruals for payments for security services.

Other payables consist mainly of withholding taxes payable deposits from players for the Association's tournaments and from canteen concessionaires.

11. Pension Liability

The Association has a funded, noncontributory defined benefit retirement plan covering substantially all of its employees. The benefits are based on years of service and compensation on the last year of employment.

The following tables summarize the components of net pension expense, the net pension liability, the changes in the fair value of plan assets, the changes in present value of pension obligation, the composition of plan assets and the principal assumptions used in the actuarial valuation at December 31, 2011 and 2010.

Net pension expense included in personnel costs under general and administrative expenses account in the statement of revenue, members' support and expenses follows:

	2011	2010
Current service cost	₽258,615	₱245,471
Interest cost	446,658	348,609
Actuarial loss (gain) recognized	(299,249)	340,487
Expected return on plan assets	(167,304)	(177,107)
Total pension expense	₽238,720	₱757,460

The funded status and amounts recognized in the statement of assets, liabilities and fund balance for the retirement plan as of December 31, 2011 and 2010 follow:

	2011	2010
Benefit obligation	₽7,121,852	₽8,340,953
Plan assets	(3,330,576)	(2,788,397)
Pension liability	₽3,791,276	₽5,552,556

Changes in the present value of the defined benefit obligation follow:

	2011	2010
Present value of the benefit obligation, beginning	₽8,340,953	₽7,746,873
Interest cost	446,658	348,609
Current service cost	258,615	245,471
Actuarial loss on obligation	_	<u> 1111</u>
Benefits paid	(1,924,374)	_
Present value of the benefit obligation, ending	₽7,121,852	₽8,340,953

Changes in fair value of plan assets follow:

	2011	2010
Fair value of plan assets, beginning	₽2,788,397	₱2,951,777
Expected return on plan assets	167,304	177,107
Actuarial gain (loss) on plan assets	299,249	(340,487)
Contributions paid	2,000,000	-
Benefits paid	(1,924,374)	_
Fair value of plan assets, ending	₽3,330,576	₽2,788,397

The distribution of plan assets as of December 31, 2011 and 2010 follows:

	2011	2010
Cash and cash equivalents	₽1,993,651	₱1,962,504
Investment in debt securities	428,213	442,821
Investment in equity securities	355,400	374,500
Receivables	561,817	15,661
	3,339,081	2,795,486
Less accrued trust fees and other payables	(8,505)	7,089
	₽3,330,576	₱2,788,397

The principal assumptions used in determining pension benefits are as follows:

	2011	2010	2009
Discount rate	5.36%	4.50%	9.50%
Salary increase rate	5.00%	5.00%	5.00%
Expected rate of return on plan assets	6.00%	6.00%	6.00%

Amounts for the current and previous periods follow:

	2011	2010	2009	2008
Defined benefit obligation	₽7,121,852	₽8,340,953	₽7,746,873	₽5,321,947
Plan assets	3,330,576	2,788,397	2,951,777	2,835,725
Deficit	(3,791,276)	(5,552,556)	(4,795,096)	(2,486,222)

12. Membership Dues Received in Advance

This account pertains to advance collection of membership dues from property owners or leases which are recognized as support in the proper period.

13. Construction Bond

This account pertains to cash deposits from members or their contractors, as required by the Association before any house construction or major renovation work is undertaken within the village. The deposit is non-interest bearing and refundable upon completion of the construction or renovation work and upon presentation of receipts and determination of the depositor's liability for any violation of the Association's regulations relating to said construction or renovation.

The movement in this account follows:

A	2011	2010
Balance at January 1	₽96,376,583	₱91,383,857
Deposits	46,784,946	47,853,500
Refunds	(58,084,370)	(42,860,774)
Balance at December 31	₽85,077,159	₽96,376,583

14. Stickers, Permits and Other Fees

Car stickers and entry permits are issued to homeowners, residents and others on a yearly basis.

15. Personnel Costs

· ·	2011	2010
Salaries and wages	₽6,720,920	₽7,868,609
Retirement costs (Note 11)	238,720	757,460
Other employee benefits	2,435,489	1,958,593
Balance at December 31	₽9,395,129	₽10,584,662

16. Income Tax

There is no provision for income tax in 2011 and 2010 as the Association is in a tax loss position.

As of December 31, 2010, net operating loss carryover (NOLCO) that can be claimed as deduction from future taxable income and used is shown below:

		Applications/		
Inception Year	Amount	Expirations	Balance	Expiry Year
2008	₱38,402,525	₱38,402,525	₽-	2011
2009	35,528,724	-	35,528,724	2012
2010	35,708,109	=	35,708,109	2013
2011	47,538,966	-	47,538,966	2014
-	₱157,178,324	₽38,402,525	₱118,775,799	

The recognized deferred tax assets on NOLCO as of December 31, 2011 and 2010 amounted to ₱35,632,740 and ₱32,891,807, respectively; however, the Association deemed that there is no enough taxable income in the future from which NOLCO may be applied. Accordingly, a full valuation allowance was recognized on the NOLCO.

17. Membership Dues

Membership dues are collected from members to cover the revenue deficiency and for special projects.

18. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party in making financial and operating decisions or the parties are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/ or their close family members) or other entities and include entities which are under the significant influence of related parties of the Association where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the Association or of any entity that is a related party of the Association.

Related parties may be individuals or corporate entities (referred to as affiliates).

Affiliates are related entities of the companies by virtue of common ownership and representation to management where significant influence is apparent.

The following are the significant transactions with related parties:

- a. Advances to an officer with outstanding balance of nil and ₱131,770 in 2011 and 2010, respectively.
- b. Short-term compensation and benefits of key management personnel amounted to \$\frac{P}479,283\$ and \$\frac{P}828,912\$ in 2011 and 2010, respectively. There is no long-term, share-based or other compensation arrangement with key management personnel.

Terms and conditions of transactions with related parties

Outstanding balances at year-end are unsecured and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables.

19. Lawsuit and Claims

The Association is a party to various lawsuit involving claims and counter claims arising from the ordinary course of operations. Management believes that the Association's liability with respect to these claims, if any, is not material.

20. Approval of Financial Statements

The accompanying financial statements were authorized for issue by the Board of Governors on February 11, 2012.

21. Supplementary Tax Information under Revenue Regulations (RR) 19-2011

Sales/Receipts/Fees

The Association's income from stickers, permits and other fees amounted to ₹25,411,222 in 2011.

Cost of Sales/Services

Details of the Association's cost of services in 2011 follow:

Security services	₽19,271,859
Garbage services	10,265,114
Street repairs	7,879,309
Street lights	4,205,098
Depreciation	1,224,748
	₽42,846,128

Non-operating and Taxable Other Income

The Association has no non-operating and taxable other income for 2011.

Itemized Deduction

Details of the Association's itemized deductions in 2011 follow:

Personnel costs	₽9,395,129
Depreciation	5,723,587
Repairs, sanitation and maintenance	4,064,831
Communication and utilities	3,132,134
Professional fees and legal expenses	2,354,221
Stationery and supplies	3,366,064
Taxes and licenses	828,261
Community affairs	665,630
Insurance	239,295
Miscellaneous	1,003,410
	₽30,772,562

Taxes and Licenses

Details of the Association's taxes and licenses for 2011 follow:

Real estate taxes	₽805,605
Licenses and permits fees	500
Community taxes	500
Others	21,656
	₽828,261

22. Supplementary Tax Information under Revenue Regulations (RR) 15-2010

As of and for the year ended, the Association reported and paid the following taxes for the year 2011:

Value Added Tax (VAT)

The Association has no output VAT and input VAT as it is a nonVAT-registered entity.

Information on the Association's Importationss

The Association does not undertake importation activities.

Other Taxes and Licenses

This includes all other taxes, local and national, including real estate taxes, licenses and permit fees included as "Taxes and licenses" under "General and Administrative Expenses" account in the statement of revenue, members' support and expenses. Details of other taxes and licenses in 2011 follow:

Real estate taxes	₽805,605
Licenses and permits fees	500
Community taxes	500
Others	21,656
	₽828,261

The Company has no excise taxes paid on locally produced excisable items and imported excisable items, documentary stamp taxes and real estate taxes.

Withholding Taxes

Details of taxes withheld in 2011 follow:

Expanded withholding taxes	₽671,421
Withholding taxes on compensation and benefits	484,263
Final withholding taxes	-
	₽1,155,684

Tax Assessments and Cases

The Association has no deficiency tax assessments or any tax cases under preliminary investigation, litigation, and/or prosecution in courts or bodies outside the Bureau of Internal Revenue as of December 31, 2011.