

OUR WORLD JUST GOT BIGGER



MEGAWORLD

Annual Report 2012





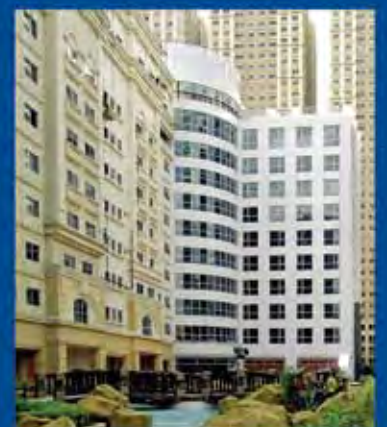


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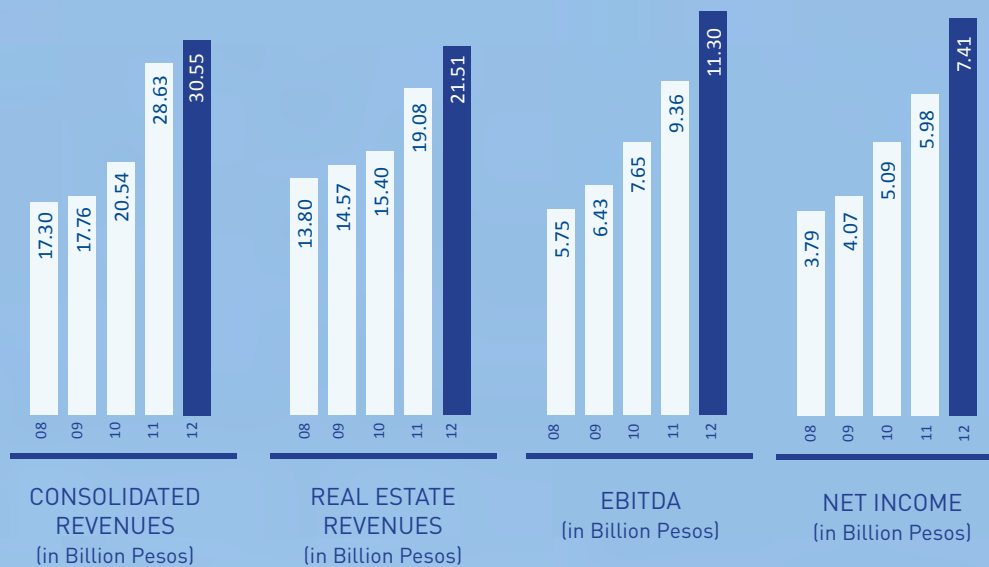
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Financial Highlights



	2008	2009	2010	2011	2012
Consolidated Revenues	17.30	17.76	20.54	28.63	30.55
Real Estate Revenues	13.80	14.57	15.40	19.08	21.51
EBITDA	5.75	6.43	7.65	9.36	11.30
Net Income	3.79	4.07	5.09	5.98*	7.41

*excludes non-recurring gains from sale of AGI shares in 2011



A year of Impressive growth. The year 2012 was indeed a year of growth, in more ways than one. For one thing, the year saw the Philippine economy grow by an impressive 6.6% due, mainly, to the robust performance of the trade, services, real estate, and construction sectors. The economy actually did better than even the brightest forecasts from market analysts and media agencies, which was an achievement in itself.

The Philippine economy's impressive growth in 2012 was driven, more than anything else, by increased private sector activity and heightened consumer spending, particularly in the fourth quarter of the year as inward remittances from our overseas Filipino workers expectedly fueled holiday spending. An 8.7% surge in private investments for the year also helped drive economic activity and, consequently, growth.

Another piece of good news is that 2012 also saw an unprecedented boom in the Philippine real estate sector, something the country had not experienced in almost 20 years. According to reports from the National Statistical Coordination Board, the real estate sector posted a growth of 28.1% in the first quarter of the year alone, outpacing major Philippine industries and setting the tone for the sector's fine performance for the whole year.

Amid this backdrop, Megaworld turned in an equally impressive performance in 2012 as demand for our world-class townships and first-rate BPO office spaces continued to rise. During the year, consolidated net income amounted to P7.41 billion, a hefty 24% increase from the 2011 consolidated net income of P5.98 billion, net of the P2.18 billion non-recurring gain from the sale of investments.

Consolidated total revenues composed of real estate sales, rental income, hotel income, and other revenues also grew by 16%, excluding the 2011 non-recurring gain on sale of investments. The bulk of generated consolidated revenues came from the sale of condominium units amounting to P18.17 billion in 2012, a 14% increase from P15.89 billion in 2011.

In turn, rental income for the year contributed 16% to our consolidated revenue figure and amounted to P4.99 billion, a huge 31% increase from the P3.83 billion in rental income in 2011. Contributing to the growth in rental income are the escalation and completion of additional leasing properties and the increased demand for our office spaces from BPO companies.

I am happy to report that Megaworld is still the leading BPO office developer and landlord in the country, a distinction that we have worked hard to achieve and maintain. As the Philippines



continues to be one of the prime destinations of investors looking to put up job outsourcing firms, Megaworld also continues to provide first-class, modern office spaces that perfectly fit the needs of BPO companies. It is testament to our foresight. Long before the actual BPO boom happened in our country, we were already putting up office spaces that were designed to effectively accommodate the modular office layouts of BPO firms. As of end-2012, we had a total BPO office space inventory of more than 450,000 square meters, the largest in the Philippines.

Indeed, we have been doing excellently in our BPO office space developer and landlord tasks. However, our flagship products are our fully integrated townships which, I am proud to say, continue to draw buyers and investors. Our pioneering “live-work-play-learn-shop” development concept has succeeded in making our communities stand out in terms of convenience and comfort. This has made our townships all the more attractive to Filipino families.

Our real estate projects have been highly successful in Metro Manila which is why we have decided to extend our reach and start building new communities in provincial growth centers, starting with Cebu and Iloilo.

In line with this, we recently launched a new township project in Cebu that is aptly named The Mactan Newtown, our first major community development outside Metro Manila. Mactan Newtown is a sprawling 25-hectare mega-community and, much like our other townships, effectively combines high-quality office spaces, luxury condominiums, leisure amenities, retail shops, a modern hotel, and a business park in one setting.

We also launched a major real estate project in Iloilo City, the business and commercial center of Western Visayas. We will call the township the Iloilo Business Park, a sprawling 72-hectare mixed-use development project in Mandurriao, Iloilo City. Upon completion, the Iloilo Business Park will have world-class hotels, a commercial area, a modern lifestyle mall, BPO office buildings, and a convention center that can accommodate thousands of people at a time.

Aside from these two provincial projects, we are also currently developing Uptown Bonifacio in Bonifacio Global City under a joint venture arrangement with the Bases Conversion and Development Authority. The 15-hectare Uptown Bonifacio is our newest township project in the area and is envisioned to be a large community of modern condominiums, offices, and retail establishments.

There is also the McKinley West project, which is a 34.5-hectare mixed-use community development located in the former Jusmag property in Fort Bonifacio, behind Forbes Park. It is one of the largest projects of Megaworld by far. We will be investing around P22 billion over the next 20 years to develop the huge McKinley West property, and around 60 percent of the entire area will be used for residential development projects, while the rest will be used for leisure amenities, access roads and wide open spaces with lush greenery. This project brings our total development portfolio in Bonifacio Global City to around 105 hectares.

All in all, Megaworld has initiated new major projects in 2012, complementing all the ongoing projects that have been launched in previous years.

As we gear up for more challenges and opportunities in the years to come, we look back and see how far we have gone in our journey to build a solid foundation for long-term growth and sustainability. We have grown exponentially since our beginnings and have undeniably made our mark in the property development industry. We, however, are not resting on our laurels.

We are sure that the new projects we launched in 2012 and the existing communities we continuously expand will help us keep our position as the largest residential condominium property developer and the leading BPO office space developer and landlord in the country.

Moreover, we are excited about the prospects that a steadily improving economy brings. Not only will this encourage greater investor confidence in our country, it will also allow our target markets to be more capable of purchasing their dream homes. For our part, we will always be ready to provide whatever our target markets want and need.

In the coming year and beyond, we will continue to do what has worked for us in the past. We will strive to keep growing by launching new projects, tapping new markets, developing new land, and offering new conveniences. We will also continue to be on the lookout for new investment partners who share our vision of growth and development. Finally, we will make sure that Megaworld remains committed to reshaping and enhancing the Philippine landscape.

Andrew L. Tan
Chairman and President

OUR WORLD JUST GOT BIGGER





OUR COMMUNITIES

Megaworld has been at the forefront of the real estate boom in the Philippines for the longest time. The company is not only recognized as the country's largest residential condominium developer in the past few years, it is also hailed as the leading BPO office space provider in the land.

With its reputation of careful project planning, prudent decision-making and continuous innovating, Megaworld has always developed world-class communities that anyone would love to live in. The company's success hinges on its efforts to ensure that its residential projects stand out as complete, first-class mega-townships that provide nearly everything that residents and tenants need.

Its line of world-class mega-communities speak for themselves for they are true examples of what one can get in a prime "live-work-play-learn-shop" setting. Indeed, as its world gets bigger and bigger with every property development project it undertakes, Megaworld continues to etch its mark as a world-class property developer.



LIVE



EASTWOOD CITY

Eastwood City has already become an icon in the local property development arena. It is Megaworld's first-ever integrated township project that offers complete facilities, amenities, and establishments for living, working, playing, and shopping. Indeed, Eastwood City is the very first "live-work-play" community in the Philippines and is Megaworld's most successful township project to date.

Eastwood City is 18 hectares of prime community property with 15 completed luxury condominium towers, 10 first-class corporate office buildings, seven ongoing residential projects, and a modern IT park. The community is also home to more than 25,000 residents and more than a hundred office tenants and BPO office companies.

Eastwood City's IT park is the Philippines' first-ever IT park and the first project to be granted special economic zone status by the Philippine Economic Zone Authority (PEZA). The Eastwood City CyberPark was established to meet the growing demand for prime office space with facilities that support IT-based operations.



As such, the cyberpark became home to several IT-based companies, medium-sized BPO firms, and other corporate offices that require IT-based office infrastructure.

Eastwood City has been so successful in more ways than one that it has earned for itself the distinction of being the top employer and dollar-earner among all the 70 IT special economic zones in the Philippines.

That's not to say, however, that Eastwood City is pure business. There are elements of fun in the community as well. Take the Eastwood Mall, for instance. The mall has become the center of middle-class and affluent shopping not only within the township itself but also in the vicinity of Quezon City as well. Adjudged the "Best Shopping Center of 2010 and 2012" by the Philippine Retailers Association, the Eastwood Mall has four levels of commercial space housing several upper-class boutiques, specialty shops, a huge

atrium, restaurants, and seven modern cinemas. The mall definitely provides a complete shopping experience, especially with its Central Park, a wide open area with a botanical garden and a lagoon which adds a bit more class to the shopping experience.

Eastwood City was launched in 1997 and was met with cynicism among property development critics since it was situated literally in the middle of nowhere. But what started as a textile mill plant back then is now a continuously growing mega-township that is envisioned to be a sprawling community of 20 high-rise residential towers housing 8,087 condominium units upon its completion. Moreover, it will have more than 270,000 square meters of high-grade office buildings and 60,000 square meters of entertainment and retail space. With everything going for it, Eastwood City has definitely become a standard that other aspiring mega-communities should be able to live up to.



WORK



CITYPLACE

Cityplace is definitely one of the most important real estate development projects in the Binondo area in recent years. For one thing, the 2.5-hectare residential and commercial complex is the largest and most modern real estate development project in that part of Manila in the last 20 years. Moreover, it is envisioned to bring back the former glory of Old Manila by improving and modernizing the area's aging landscape and creating what may be deemed as the "New Chinatown," combining the best of the old and new worlds.

One of the attractions within the Cityplace complex is the newly opened Lucky Chinatown Mall, a world-class shopping center offering Hong Kong-style shopping that's perfect for Filipinos. The new five-level mall—the first full-scale establishment of its kind in the area—features 168 shops and restaurants, a supermarket, and an arcade. Spanning 108,000 square meters, the mall also has four state-of-the-art movie houses for 2D and 3D screening and a cinema with reclining love seats.



Cityplace also features the Chinatown Walk, a 20-meter-wide and 200-meter-long stretch of retail shops and restaurants in a typically Oriental setting. To aid motorists in going to and from Cityplace, Megaworld constructed a public car park facility, a welcome addition in that highly congested part of the city, and started the construction of bypass roads that aim to give private motorists easier access to Cityplace.

Cityplace Twin Towers will have 525 residential condominium units located in the upper levels. Tower A has 142 units while Tower B has 383 units; these were designed so that shop-owners who own stores, restaurants and offices in the lower floors can set up their homes in the upper floors. Indeed, Cityplace is not only a much-needed breath of fresh air in the congested Chinatown district, it has also become a distinct landmark that clearly shows the modernization of old Manila.

FORBES TOWN CENTER

Forbes Town Center is a P15-billion, five-hectare mega-township in Bonifacio Global City and is one of the newest landmarks to emerge in that newest

center of business in Metro Manila. Forbes Town Center has 12 residential towers which will house more than 3,500 units upon completion. The community is adjacent to the Manila Polo Club and Forbes Park, as well as the Manila Golf and Country Club which gives the residents of Forbes Town Center a panoramic half-a-kilometer-long view of its golf course.

The focal point of activity in Forbes Town Center is the aptly named Forbes Town Road, a retail strip with 37 restaurants and shops that cater to the diverse needs of residents of the community's three Bellagio towers, the six towers of Forbeswood Heights, the two towers of Forbeswood Parklane, and the 53-story Eight Forbes Town Road Golf View Residences.

Forbes Town Center's newest attraction is the Burgos Circle, a leisure spot with residential condominiums and a small park. The Burgos Circle is designed for the young and hip residents and visitors of the community. The Burgos Circle has establishments that serve young professionals working or living in the community and which allow them to grab a quick lunch during weekdays or have breakfast before or after their shifts.



PLAY



NEWPORT CITY

Newport City is probably one of the busiest real estate development projects of Megaworld in recent times. Since its official launch in 2005, the 25-hectare Newport City has grown to become a world-class tourist city, the first of its kind in the country.

This development project is designed to fully integrate luxury residences with prime office spaces and a world-class entertainment complex, and is located in Pasay City, right across from the Terminal 3 of the Ninoy Aquino International Airport (NAIA).

Several projects are currently under construction in the complex including The Residential Resort, which will host 16 medium-rise buildings with a total floor area of around 140,000 square meters; The Palmtree Villas, which will have four 10-story luxury condominium buildings made mostly of glass with bedroom units that offer a refreshing view of gardens and recreational facilities; and 101 Newport Boulevard, a condominium project with four clusters rising 10 stories each. Upon completion, Newport City will have a total of over 6,100 world-class condominium units.



The focal point of serious business activity in the community is the Newport City CyberPark, designed to accommodate BPO offices, cargo logistics services, and other airline-related businesses that require proximity to the airport. Aside from hosting the offices of renowned companies and new BPO firms, the cyber park is also home to the Star Cruises Centre, the area's very first locator and home to the offices of Megaworld affiliate Travellers International Hotel Group Inc. and Genting Hong Kong, formerly known as Star Cruises Ltd.

Undoubtedly, the heart and soul of Newport City is Resorts World Manila, the country's first integrated tourism estate. Resorts World Manila is a 12-hectare joint project of AGI subsidiary Travellers International and Genting Hong Kong, an Asian leader in the resort business. The leisure complex has come to be known as the "Leisure Capital of the Philippines," complete with an upscale shopping mall, multi-cultural fine dining restaurants, a state-of-the-art performing arts theater that features international acts and world-class musicals, and a first-class gaming center.

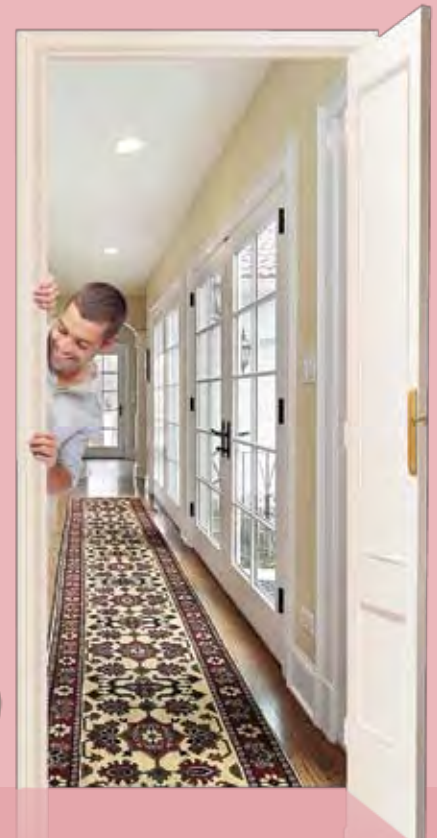
Resorts World Manila also has three modern hotels for local and international travelers: the five-star Marriott Hotel; the six-star all-suites Maxims Hotel, the first of its kind in the country; and the budget-class three-star Remington Hotel.

Newport City has definitely grown to be an important tourist attraction in the country. After only seven years of development, the complex now has first-rate buildings, state-of-the-art facilities, world-class attractions, and top-notch show offerings. As the projects within Newport City slowly reach completion, the complex is expected to contribute even more to reviving the country's tourism industry in the years to come.

McKINLEY WEST

McKinley West is Megaworld's newest mega-township project. The groundbreaking 34.5-hectare mixed-use community development is located in the former Jusmag property in Fort Bonifacio, behind Forbes Park, and stands as one of the largest projects of Megaworld to date.

Megaworld will be investing around P22 billion over the next 20 years to develop the huge McKinley West property. Around 60 percent of the entire area will be used for residential development projects while the rest will be used for leisure amenities, access roads and wide open spaces with lush greenery. This project will bring the total development portfolio of Megaworld at the Bonifacio Global City to around 105 hectares.



LEARN



McKINLEY HILL

If there is one community that abides perfectly with Megaworld's "live-work-play-learn-shop" development concept is McKinley Hill, a huge 50-hectare township in Fort Bonifacio, Taguig City. McKinley Hill is by far Megaworld's largest and most important development project in Metro Manila and is designed to be the perfect community with complete residential and office facilities and amenities.

Upon its completion, the community will have single-detached homes, townhouses, a mid-rise condominium, high-rise luxury residences, BPO office buildings, a Venetian-themed mall, and a special events venue. All these projects are ongoing and are in different stages of development. In fact, McKinley Hill will have 34 residential condominium buildings with a total of around 4,713 condominium units, 482 residential lots, and 18 different offices with a total area of around 300,000 square meters.

Moreover, McKinley Hill hosts three international schools—the Chinese International School of Manila, the first English-Mandarin bilingual school in the country; the Enderun Colleges,



a world-renowned hospitality management school; and the Korean International School, the first-ever Korean school in the country—and three international embassies: the British, Korean, and Qatar embassies.

The focal point of business activity in the community is the 14-hectare McKinley Hill CyberPark, a sprawling PEZA-accredited economic zone. The cyber park is home to the corporate headquarters of some big-name companies as well as several BPO buildings like One World Square, Two World Square, and Three World Square. These three BPO buildings boast scalable layouts that allow the edifices to be customized to the needs and preferences of BPO and call center tenants.

The McKinley Hill CyberPark also hosts other BPO-suited buildings like the 18 and 20 Upper McKinley Road buildings, 8 Park Avenue, and the Commerce and Industry Plaza, which is one of the biggest BPO buildings in the community. The Plaza features 15 levels of open-plan floors with 2,000 square meters of uninterrupted office space, perfect for modular workspace layouts of BPO offices. The Philippine Chamber of Commerce and Industry aptly has its head office in the building.

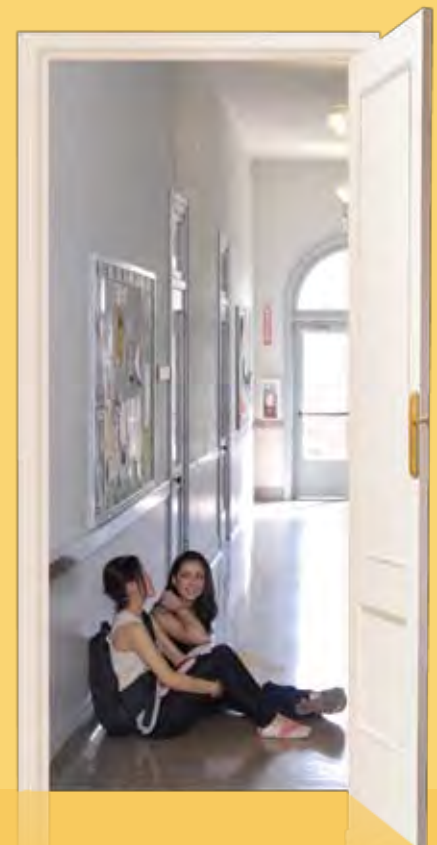
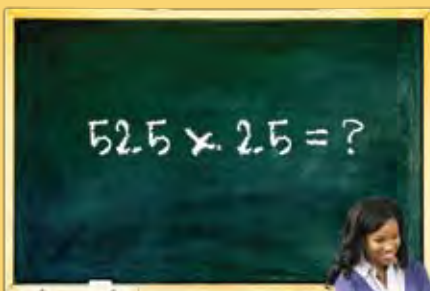
One of the most important residential projects in McKinley Hill is The Venice Luxury Residences, which was designed to capture the visual grandeur and the romantic ambience of the Italian city after which it

was named. The Venice features seven residential towers, each one designed to resemble a ferrò – the gondola’s uniquely shaped iron head.

Another major attraction in The Venice is the man-made Grand Canal, the first of its kind in the country, where one can ride in an authentic gondola while taking in the unique sights of reconstructed Venetian landmarks and enjoying the music of singing gondoliers.

The community’s other residential projects, all in varying stages of completion, are the McKinley Hill Village, the Spanish-Mediterranean-inspired McKinley Garden Villas, the Stamford Executive Residences, the Italian-themed Tuscany, the affordable yet luxurious Woodridge Residences, the three-tower Morgan Suites Executive Residences, and the four towers of The Viceroy.

The focal point of activity inside the community is The Venice Piazza, an upscale Italian-inspired mall in McKinley Hill Town Center, the community’s commercial center. The Venice Piazza is strategically located near the residential towers and was designed to provide the “shop” element of the community’s “live-work-play-learn-shop” principle. The mall also features replicas of well-known Venetian icons like the St. Mark’s Clock Tower, one of Venice’s most recognizable landmarks.



SHOP



MANHATTAN GARDEN CITY

Situated at the Araneta Center in Quezon City, Manhattan Garden City stands out as the very first transit-oriented residential development project in the country. In fact, Manhattan Garden City was designed to seamlessly integrate with the city's mass-transit system. Launched in 2006, Manhattan Garden City also stands as Megaworld's share in the Quezon City government's redevelopment plan for the once-glorious Araneta Center, the city's premier commercial center back in the 60s and 70s.

The sprawling 5.7-hectare complex is also considered the largest single residential development in the country to date with a total of about 9,000 units upon completion. The complex features a 720-meter elevated garden walkway that connects the City's 20 towers. Another first in Philippine real estate development, the walkway links the condominium complex to the Light Rail Transit 2 and Metro Rail Transit 3 systems, providing residents with easy access to trains bound for other parts of Metro Manila.



Still a work in progress, Manhattan Garden City is envisioned to revive the former glory of Araneta Center and transform it again into a popular family destination as it once was.

THE MACTAN NEWTOWN

In a huge step to broaden its reach and bring its highly successful “live-work-play-shop” development concept to the province, Megaworld launched a new township project in Cebu named The Mactan Newtown, the company’s first major community development outside Metro Manila. The Mactan Newtown is a sprawling 25-hectare mega-community that combines office spaces, luxury condominiums, leisure amenities, retail shops, and a hotel in one setting like most of Megaworld’s communities. The Mactan Newtown is just minutes away from the Mactan-Cebu International Airport, the country’s second largest international airport. This is a definite boon for businessmen, BPO executives, and frequent travelers.

The community also features a cyber park, which is home to several office buildings like the recently completed One World Center, a five-level office building that offers more than 6,000 square meters of office space, and the newly launched Two World

Center, which has around 6,500 square meters of available office space. The cyber park will also be home to Eight Newtown Boulevard, Pacific Garden Tower, and Pacific World Tower, all of which host prime BPO offices.

The Mactan Newtown is also adjacent to Shangri-La Mactan and Portofino and is near the Magellan Bay, thus offering residents easy access to beaches and resorts. On the other hand, the nearby Marcelo Fernan Bridge links the community to more commercial centers and establishments in the larger island of Cebu.

ILOILO BUSINESS PARK

In line with Megaworld’s efforts to extend its reach to provincial centers, the company also launched a major project in Western Visayas particularly in Iloilo City, the region’s business and commercial center. The project is dubbed the Iloilo Business Park, a sprawling 72-hectare mixed-use development project in Mandurriao, Iloilo City.

On a piece of prime property that used to be a major airport, Megaworld intends to put up first-class hotels, a commercial area, a modern lifestyle mall, BPO office buildings, and a convention center a can accommodate thousands of people.



SALE SALE SALE SALE

One of the major attractions of the business park is the Iloilo Convention Center, a joint venture between Megaworld and the local government. The planned edifice will be built on a 1.7-hectare lot and is designed to host big conventions, trade fairs, and even major concerts of local and international artists. The convention center is slated to open in 2015.

Part of the project's master plan includes the construction of the Richmonde Hotel which will also host several BPO offices. Megaworld will also construct several other BPO buildings in an allotted 8.15-hectare area. More than 17 hectares, in turn, will be devoted to a mixed-use development which includes retail shops that cater not only to the needs of tourists but to the lifestyle of the residents of Western Visayas as well. The Megaworld Center Mall will probably be the focal point of attention in the business park since it will become Iloilo's first upscale mall. The Festive Walk, in turn, was patterned after American outlet shops and will feature a wide, open-air strolling area lined with shops of various signature brands.

This move to Iloilo City is part of the company's plan to transform cities Metro Manila to become progressive and financially viable investment centers and even tourism hot spots.

PROJECTS IN MAKATI, SAN JUAN

Since its inception, Megaworld's main strategy has always been to develop untapped locations and mold them to become active centers of business and commerce or beautiful residential communities. This doesn't mean, however, that the Company doesn't tap established business and residential areas as well. As such, complementing the aforementioned six major communities of Megaworld are its residential projects in the cities of Makati and San Juan.

Megaworld's ongoing projects in Makati City are the 31-story Greenbelt Madison, located on Salcedo Street in Legaspi Village near Ayala Avenue; the Greenbelt Chancellor, a 35-story condominium project, the Company's very first pre-furnished condominium in Makati City; the Greenbelt Excelsior, a 35-story residential tower in Legaspi Village; Three Central, a 51-story residential tower on Valero Street in Salcedo Village; and the new Paseo Heights, a 30-story condominium in Salcedo Village. Megaworld has a total of 15 projects in Makati City, in varying stages of completion.

In turn, Megaworld's project in San Juan is aptly named Greenhills Heights, an exclusive community of 215 residential units designed for families who want a private refuge in a low-density community but still within the city. Greenhills Heights is located near the Pinaglabanan Shrine and is composed of four clusters of seven- and eight-story buildings.

UPTOWN BONIFACIO

Megaworld is also currently developing Uptown Bonifacio in Bonifacio Global City under a joint venture arrangement with the Bases Conversion and Development Authority. The 15.4-hectare Uptown Bonifacio is Megaworld's newest township project in the area and is envisioned to be a huge community of modern condominiums, offices, and retail establishments.

To be developed in phases, Uptown Bonifacio will have 500,000 square meters of residential space, 400,000 square meters of office space and 90,000 square meters of commercial space upon completion. The very first residential development project in the community was launched in 2011 and is called One Uptown Residence, a 45-story, 660-unit condominium that is expected to be completed in 2016.

GETTING BIGGER

Taking into consideration all of the projects that Megaworld is currently undertaking, including the 11 new projects that were launched in 2012, it is quite an understatement to say that the company's world just got bigger. In fact, the company's world has been getting bigger and bigger every year and, as Megaworld continuously adds new major projects in its agenda, the company is poised to get even bigger in the years to come. The Mactan Newtown, the McKinley West township, the Uptown Bonifacio community development projects, and the upcoming Iloilo Business Park are all testament to the fact that Megaworld does not intend to stop growing.



PROJECTS LAUNCHED





BAYSHORE RESIDENTIAL RESORT



Bayshore Residential Resort is Megaworld's new residential community project in Bayshore City which is, in turn, located within Entertainment City Manila, a 100-hectare tourism estate and entertainment complex in Manila Bay. Bayshore Residential Resort is a unique project in that it offers a lifestyle that's a fun blend of beach, Broadway, and family-friendly Las Vegas-style entertainment. The complex has six residential clusters that have direct access to

a 135-meter-long beach-type free-form pool with white sand. Moreover, as part of Entertainment City, the complex offers residents instant access to different attractions, including the soon-to-be-built Grand Opera House, which is expected to establish Bayshore City's image as the new Broadway of Asia. The residential resort complex also sits beside international brand hotels, themed parks, and a world-class retail center.



GOLFHILL GARDENS



Golfhill Gardens is Megaworld's newest residential project in Quezon City. Situated inside Golfhill Terraces in Capitol Hills, Golfhill Gardens is an exclusive, low-density community with six low-rise residential condominiums with only six floors each. Golfhill Gardens is connected to an efficient road network that allows residents easy access to important thoroughfares like Tandang Sora, Katipunan, and Commonwealth avenues. The community is also near topnotch schools like the University of the Philippines, Ateneo de Manila, and Miriam College as well as high-caliber secondary schools like Philippine Science High School, Claret School of Quezon City, and Holy Family School, among other important learning institutions. Golfhill Gardens also features amenities such as a lap pool with a sunbathing area, a picnic area with barbecue pits, kiddie pool, function rooms, massage rooms, fitness gym, business center, daycare center, children's playgrounds, a jogging path, and a koi pond.

PASEO HEIGHTS



Paseo Heights, Megaworld's newest residential offering in Makati City, is a modern 30-story condominium in swanky Salcedo Village. Located at the corner of San Agustin and Leviste streets, Paseo Heights is just across the lush Jaime C. Velasquez Park, a cool visual respite from the view of neighboring office buildings in Makati's Central Business District (CBD). Paseo Heights' residential offerings include pre-furnished executive studios and two-bedroom units, most of which have floor-to-ceiling windows overlooking the park. Amenities include a lap pool, pool deck, outdoor lounge, indoor gym and function rooms. And with the strategic location of Paseo Heights, residents are always just a short walk away from restaurants, bars, coffee shops, and malls. Since the condominium is at the heart of the Makati CBD, going to and from is a breeze for those working in the city. Indeed, Paseo Heights offers a cool mix of serious business and fun in one first-class residential setting.





UPTOWN RITZ RESIDENCES



The Uptown Ritz is an upscale 45-story residential condominium in Uptown Bonifacio, Megaworld's huge 15.4-hectare master-planned township in Fort Bonifacio in Taguig City. The Uptown Ritz features a streamlined glass-and-aluminum façade with a retail center in the ground floor. The condominium offers residents all

the usual first-rate features and amenities found in Megaworld residential projects, including a huge fitness center overlooking the nearby decorative rock formation and six-story cascading water feature of One Uptown Residence. Residents are also just a short walk away from the three-level Uptown Place mall.



NOBLE PLACE



Noble Place is Megaworld's newest project in Binondo, considered the oldest Chinatown in the world, having been established by the Spaniards way back in 1594. The newest state-of-the-art condominium in the area, the 47-story Noble Place will stand at the corner of Juan Luna and Dasmariñas streets and, upon completion, will give a fresh and modern element to the Old Manila skyline. Like all of its Megaworld peers, Noble Place will have all the modern features, facilities, and amenities that Megaworld residential projects have come to be known for. The condominium also offers unparalleled views of the Intramuros golf course, Manila Bay and the Pasig River. Some units even offer a 180-degree view of Manila.

Noble Place is also perfect for residents who work or do business in nearby areas like Juan Luna, Dasmariñas, Soler, QuintinParedes, Escolta, Ongpin or Reina Regente. These can be reached from Noble Place in a matter of minutes, whether by car or public transport. Student residents also have easy access to learning institutions like Chang Kai Shek College, UNO High School, and Hope Christian School, not to mention the fact that the University Belt is just minutes



away. Finally, it is a foregone conclusion that Binondo is the bargain shopper's haven, allowing Noble Place residents easy access to nearby Divisoria, Chinatown Mall, and Cityplace Square, plus the old shops in Ilaya and Juan Luna.

SAVOY HOTEL



Savoy Hotel is the fifth and newest hotel to rise in Newport City, Megaworld's 25-hectare tourism estate in Pasay City across the spanking new Terminal 3 of the Ninoy Aquino International Airport. Since in real estate, location is everything, Savoy Hotel's location has everything going for it. The hotel is set on Newport Boulevard, Newport City's main avenue and the country's first-ever tourist street. Just outside the hotel are first-rate restaurants along the boulevard and a retail center called the Newport Arcade. Since Newport City is also home to Resorts World Manila, the country's first-ever integrated tourism destination, Savoy Hotel visitors will have easy access to the complex's gaming center, luxury mall, and the performing arts theater. Savoy Hotel has 10 stories and a total of 684 executive suites, twin-bedroom suites, queen suites and special units for the specially abled.





ONE PACIFIC RESIDENCE



One Pacific Residence is a residential condominium in the 16-hectare The Mactan Newtown, Megaworld's first-ever integrated township in the Visayas. One Pacific Residence has all the features and amenities that one has come to expect in Megaworld residential condominiums like pools, gyms, function rooms, and perfectly finished bedrooms, among other things. What sets it apart, however, is the modern cinema and the commercial center right in the first two floors of the condominium complex. Another interesting feature of the condominium is that, depending on the

unit that residents choose, they are treated to stunning views of Hilutungan Channel, Magellan Bay or the Mactan Shrine, one of Cebu's most famous landmarks, from the privacy of their balcony.

One Pacific Residence will have three residential towers with a total of 540 units. A fourth tower is designed as an office building for business process outsourcing (BPO) firms. One Pacific Residence comes on the heels of the 17-story 8 Newtown Boulevard, the first residential condominium project in the township.



THE VENICE LUXURY RESIDENCES DOMENICO TOWER



The Venice Luxury Residences is the most important of seven Megaworld residential projects in McKinley Hill. The Venice Luxury Residences was designed from the ground up to capture the visual grandeur and the romantic ambience of Venice, Italy, itself and features seven residential towers, with each one designed to resemble a fèrro – the gondola’s uniquely shaped iron head. In 2012, Megaworld launched the construction of the project’s fourth tower named the Domenico Tower which is expected to be completed by the 3rd quarter of 2014. The residents of Venice Luxury Residences are not only treated to the community’s Venetian romanticism and grandeur, they are also treated to the project’s main draw, which is the man-made Grand Canal, the first of its kind in the country. Residents and guests can enjoy rides in authentic gondolas steered by singing gondoliers while taking in the sights of reconstructed Venetian landmarks seen along the Canal’s waterway.



VICEROY RESIDENCES TOWER 3



The Viceroy was designed to offer a cosmopolitan kind of lifestyle that’s perfect for young professionals and career-oriented couples. The four-tower condominium project at the heart of the McKinley Hill township offers affordable studio and one-bedroom units aimed at young bachelors and bachelorettes and starting families. Back in 2011, the construction of the first two towers of the project was unveiled, with a total of 40 floors and 623 units. The two towers are slated for completion by the second quarter of 2016. In 2012, the construction of the third and newest tower was launched. Tower 3 will have 19 floors and a total of 304 units and will be completed by 2nd quarter of 2016. The Viceroy offers all the conveniences of a modern condominium complex, plus some unique perks like the retail arcade at the ground level and the nearby Venice Piazza mall which offers more exciting retail and leisure attractions. Residents are also just a few steps away from the offices and schools in McKinley Hill.





THREE CENTRAL



Three Central is a towering 50-story structure right at the heart of the Makati CBD. The high-rise condominium is located on the prime financial side of Ayala Avenue in Salcedo Village and is close to other high-rise landmarks like the RCBC Plaza and the GT Tower International. Three Central offers residents not only proximity to Metro Manila's undisputed financial center, it also offers a unique shopping lifestyle through its own retail arcade

located at the building's podium as well as through high-end commercial centers like the Greenbelt and Glorietta malls which are just nearby. Much like the other residential condominiums of Megaworld, Three Central has first-rate amenities and features like a swimming pool complex, outdoor spa, children's playground, linear garden, palm court, a pavilion and reading nook and trellised and alfresco seating areas.



MANHATTAN HEIGHTS TOWER C



Manhattan Heights is the newest residential phase of Megaworld's highly successful Manhattan Garden City at the Araneta Center in Cubao, Quezon City. Launched in 2009, the four-tower condominium complex is currently under construction with the first two towers slated for completion by 2014. Launched in 2012 is the construction of Manhattan Heights Tower C, the third tower of the condominium complex. The 21-story tower is expected to be completed by the 4th quarter of 2014.

The project's four towers will enhance the Cubao skyline with a unique curved design that is rarely seen in local high-rise condominiums. Moreover,

each tower is rendered in glass and concrete and painted with cool hues of blue and white. Manhattan Heights also offers residents the convenience of living in the country's first transit-oriented community, which Manhattan Garden City is known for. The Manhattan Heights complex has a direct link to two train stations, the MRT3 and the LRT2, which makes commuting very convenient for residents. And since the township is at the heart of the metropolis, there are bus terminals nearby for those who prefer to take that public transport option. Residents also have easy access to hundreds of commercial establishments in Araneta Center.

Review of December 31, 2012 versus December 31, 2011.

The Group posted an increase in its revenues as of December 31, 2012 by 15.51% year on year excluding the 2011 non-recurring gain on sale of investment. The consolidated net income as of December 31, 2012 amounted to Php7.41 billion while for the same period of 2011, consolidated net income amounted to Php5.98 net of the Php2.18 billion non-recurring gain from sale of investment. Consolidated total revenues is composed of real estate sales, rental income, hotel income and other revenues.

Development

Among product portfolios, the bulk of generated consolidated revenues came from the sale of condominium units amounting to Php18.17 billion in 2012 compared to Php15.89 billion in 2011, an increase of 14.39%. The Group's registered sales mostly came from the following projects: Eight Newtown Residence; One Uptown Residence; 8 Forbes Town Road; One Central; Two Central; One Eastwood Avenue; Eastwood LeGrand in Eastwood City; Morgan Suites; The Venice Luxury Residences in McKinley; Manhattan Heights in Quezon City; 81 Newport Boulevard and Newport City in Pasay.

Leasing

Rental income contributed 16.35% to the consolidated revenue and amounted to Php4.99 billion compared to Php3.83 billion reflected last year, a 30.54% increase. Contributing to the growth are the escalation and completion of additional leasing properties and increase in demand for office space from BPO Companies.





Hotel Operations

The Group's hotel operations posted an amount of Php462.31 million in 2012, an increase of 17.89%, from Php392.17 million in 2011. The increase is primarily due to the increase in hotel occupancy rates.

In general, the increase in cost and expenses by 13.16% from Php20.45 billion in 2011 to Php23.14 billion in 2012 was due mainly to the increase in recognized real estate sales, as well as marketing and selling expenses resulting from aggressive marketing activities and increase in other administrative and corporate overhead expenses. Income tax expense in 2012 amounting to Php2.25 billion resulted to a 12.79% increase from 2011 reported amount of Php2.00 billion due to higher taxable income.

There were no seasonal aspects that had a material effect on the financial condition or financial performance of the Group. Neither were there any trends, events or uncertainties that have had or that are reasonably expected to have a material impact on net sales or revenues or income from continuing operations. The Group is not aware of events that will cause material change in the relationship between costs and revenues.

There are no significant elements of income or loss that did not arise from the Group's continuing operations.



Financial Condition

The Group maintains a prudent financial policy as it engages to a more competitive and challenging environment. The Group's Statement of Financial Position reflects stable financial growth. Total resources as of December 31, 2012 amounted to Php142.72 billion, an increase of 10.64% compared to Php129.00 billion as of December 31, 2011.

The Group shows liquid position as of December 31, 2012 by having its current assets amounted to Php81.73 billion as against its current obligations of Php25.76 billion. Current assets posted an increase of 5.24% from December 31, 2011, balance of Php77.66 billion. Current obligations reflected an increase of 11.26% from December 31, 2011, balance of Php23.16 billion.

Cash and cash equivalents decreased by 11.53% from Php30.32 billion in 2011 to Php26.83 billion in 2012 due to capital expenditure and operating activities for business expansion. A 5.01% increase from its current and non-current trade and other receivables – Php39.26 billion as of December 31, 2012 compared to Php37.39 billion as of December 31, 2011, was due to higher sales for the period. An increase by 48.17% from Php19.50 billion in 2011 to Php28.89 billion in 2012 in residential and condominium units for sale pertains to additional construction cost attributable to on-going projects. Property development cost decreased by 1.54% from last year-end's amount of Php8.75 billion to Php8.62 billion in 2012. The Group's

investment in available-for-sale securities increased by 25.66%, from Php2.59 billion in 2011 to Php3.26 billion in 2012 was due to changes in market value of investments.

Trade and other payables amounted to Php7.90 billion and Php7.30 billion as of December 31, 2012 and 2011, respectively. The rise of 8.26% was due to increase in amounts payable to the Group's suppliers and contractors in relation to its real estate developments. Total customers' deposits as of December 31, 2012 amounted to P5.94 billion compared to Php4.07 billion as of December 31, 2011 with a 45.96% increase due to aggressive marketing and pre-sales of various projects. The combined effect of current and non-current deferred income on real estate sales increased by 22.48% which amounted to Php6.44 billion as of December 31, 2012 compared to Php5.26 billion as of December 31, 2011 due to increase in unearned revenue.

Total Interest-bearing loans and borrowings amounted to Php6.50 billion representing a 18.18% decrease from previous year-end's Php7.94 billion mainly due to principal payments. Total other liabilities as of December 31, 2012 amounted to P3.77 billion representing a 3.28% increase from P3.65 in 2011.

Total equity (including minority interest) increased by 11.84% from Php72.77 billion as of December 31, 2011 to Php81.39 billion as of





December 31, 2012 due to the Group's continuous profitability and issuance of common shares from exercised stock warrants amounting to Php3.1 billion in 2012.

With its strong financial position, the Group will continue investing in and pursuing expansion activities as it focuses on identifying new markets, maintaining established markets and tapping business opportunities.

The top five (5) key performance indicators of the Group are shown below:

	2012	2011
Current Ratio *1	3.17:1	3.35:1
Quick Ratio *2	1.04:1	1.31:1
Debt to Equity Ratio*3	0.25:1	0.30:1
Return on Assets *4	5.45%	7.22%
Return on Equity *5	10.20%	13.18%

*1 – Current Assets / Current Liabilities

*2 – Cash and Cash Equivalents / Current Liabilities

*3 – Interest Bearing Loans and Borrowings and Bonds payable /
Stockholders' Equity

*4 – Net Income / Average total assets

*5 – Net Income / Equity (Computed using figures attributable
only to parent company shareholders)



COMPLIANCE WITH LEADING PRACTICES ON CORPORATE GOVERNANCE

In 2002, the Company adopted a Manual on Corporate Governance in order to institutionalize the principles of good corporate governance in the entire organization. Pursuant to the Company's Manual on Corporate Governance, the Company's Board of Directors created each of the following committees and appointed board members there to.

Audit Committee

The Audit Committee assists the Board in the performance of its oversight responsibility for the financial reporting process, system of internal control, audit process and monitoring of compliance with applicable laws, rules and regulations, provides oversight over financial management functions and over internal and external auditors and the financial statements of the Company. On October 3, 2012, the Board approved the Audit Committee Charter which provides for the purpose, membership, structure, operations, duties and responsibilities of the Audit Committee. The Audit Committee has three members, two of whom are independent directors. An independent director serves as the head of the committee.

Compensation and Remuneration Committee

The Compensation and Remuneration Committee is responsible for establishing a formal and transparent procedure for developing a policy on remuneration of the directors and officers to ensure that their compensation is consistent with the Company's culture, strategy and the business environment in which it operates. The Compensation and Remuneration Committee consists of three members, including at least one independent director.

Nomination Committee

The Nomination Committee reviews and evaluates the qualifications of all persons nominated to the Board and other appointments that require Board approval. The Nomination Committee has three members, including at least one independent director.

In 2005, the Company engaged the services of the Institute of Corporate Directors (ICD) to facilitate a Corporate Governance Training/Seminar for its Board of Directors and executives. The Training/Seminar included a discussion on the Main Principles of Corporate Governance contained in the Organization for Economic Cooperation and Development (OECD),





the Pacific Economic Cooperation Council (PECC) and the Philippine SEC Corporate Governance Code, Responsible Citizenship and Corporate Social Responsibility, Finance in the Corporate Governance Setting and Best Practices of Corporate Governance. In 2004, the Company designated a new engagement partner of Punongbayan and Araullo for the audit of its financial statements beginning the year ending December 31, 2004 in compliance with its Manual on Corporate Governance requirement that the Company rotate its external auditor or change the handling partner every five (5) years or earlier. During the same year, the Company increased the number of independent directors in its Audit Committee, from one independent director to two (2) independent directors, and appointed an independent director to head the Audit Committee, in accordance with SEC Memorandum Circular No. 6. In 2011, Ms. Nelson J. Dinio was designated as the new handling partner for the audit of the Company's financial statements.

Evaluation System

The Company has designated a Compliance Officer who is tasked with monitoring compliance with the provisions and requirements of its Manual on Corporate Governance. The Compliance Officer has

established an evaluation system, patterned after the CG Scorecard of the Institute of Corporate Directors to measure or determine the level of compliance by the Company with its Manual.

Deviations from Manual and Sanctions Imposed

In 2012, the Company substantially complied with its Manual on Corporate Governance and did not materially deviate from its provisions.

No sanctions were imposed on any director, officer or employee on account of non-compliance with the Company's Manual on Corporate Governance.

Plan to Improve Corporate Governance

Pursuant to SEC Memorandum Circular No. 6, Series of 2009, the Company has revised its Manual of Corporate Governance to make the same compliant with the Revised Code of Corporate Governance. The Company will continue to adopt best practices in Corporate Governance as may be prescribed by the Commission.





Venice Piazza, McKinley Hill. Painted by Mica Reyes, Megaworld Scholar, as her token of appreciation for the scholarship program.

Megaworld stands by on the principle that a corporation exists to serve others. We believe that we must not only do well but also do good in the community we are part of. This belief has been our driving force to continuously give back to society through the company's socio-civic arm, the Megaworld Foundation.

This 2012, our foundation celebrated its 15th year anniversary. As a young foundation, we take pride in our

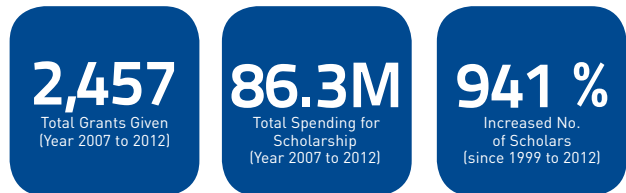
humble accomplishments and contributions in the fields of education, health, environment, people empowerment and other noble undertakings. With our corporate social responsibility efforts, we were awarded Best CSR in the 3rd Asian Excellence Awards Special of Corporate Governance Asia.



VISION: To be a leading foundation that organizes and supports educational and charitable programs geared toward social and economic development of the less privileged.

- MISSION:**
- To provide scholarship grants to financially handicapped but academically qualified students.
 - To provide financial assistance to foundations and socio-civic organizations that share the same vision as the Foundation.

SCHOLARSHIP PROGRAM



Since the beginning, the Foundation has been actively promoting education through its scholarship program. From two initial partner schools in 1999—University of the Philippines and Mapua Institute of Technology—the Foundation now extends a helping hand to 25 partner universities and colleges.

With an average of 100 college scholars in its early years, the Foundation is currently supporting more than 400 students a year. These students show academic excellence in the fields of business, engineering, accountancy, information technology, architecture, communication arts, interior design, social sciences, hotel and restaurant management and tourism.

This year, the foundation has added high school scholarships both for public and private high schools. Aside from full scholarship grants, these students receive stipend and allowances.





INSTITUTIONAL PARTNERSHIP

50M

endowment fund for
Dr. Andrew L. Tan
Center for Tourism

19M

for the construction of
166 houses
in Navotas and Laguna

5M

for the construction
of a school building
in Malaguip Integrated
School in Ilocos Norte

3.8M

to support cleft lip
palate operations



Strengthening the Country's Education System

We aspire to strengthen the educational system of the country in any way we can—from constructing classrooms and providing school facilities to research sponsorships.

Providing Shelter and Affordable Housing

We partner with international institutions to help offer decent shelter to the less privileged and the displaced victims of calamities.

Supporting Welfare Projects for Children, Women, and the Elderly

We give financial assistance to projects that involve alleviating the welfare of children and the youth, women, and the elderly.

Improving the Delivery of Philippine Health Care

We help improve the delivery of Philippine health care by donating to major hospitals and institutions that bring basic healthcare at the grassroots level.

Responding to Environmental Concern and Calamities

We also partner with institutions to help answer current environmental issues and to extend help to victims of calamities that struck the country in 2012.



Asian Institute of Management Scientific Research Foundation, ERDA Foundation, Philippine Children's Medical Center, East Avenue Medical Center, PGH Medical Foundation, Philippine Red Cross, Operation Smile Philippines Foundation, I Can Serve Foundation, Philippine Cancer Society, Kythe Foundation, UNICEF, World Vision Philippines, Children's Hour, Casa Miani (Somascan Fathers) Foundation, C.R.I.B.S (Create Responsive Infants By Sharing), Tuloy Foundation, ANAWIM Foundation, Golden Acres, Hospicio de San Jose, ABS-CBN Foundation, Hand's-On Manila, GMA Kapuso Foundation, ABS-CBN Sagip Kapamilya, Alagang Kapatid Foundation.

Board of Directors



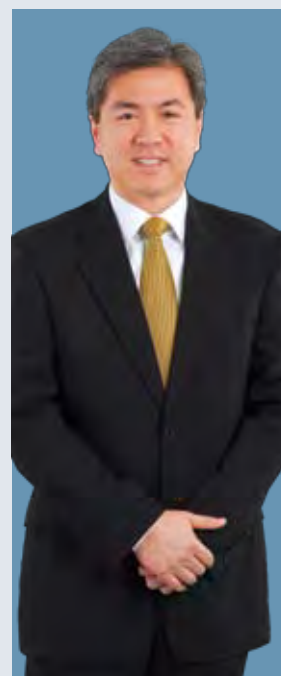
Andrew L. Tan
Chairman of the Board/
President



Miguel B. Varela
Independent Director/
Vice Chairman



Katherine L. Tan
Director



Kingson U. Sian
Executive Director



Enrique Santos L. Sy
Director



Gerardo C. Garcia
Independent Director



Roberto S. Guevara
Independent Director



Andrew L. Tan Chairman of the Board/President

Mr. Tan is the founder of the Company and has served as its Chairman and President since its incorporation in 1989. He pioneered the live-work-play-learn model in real estate development through the Company's integrated township communities, fueling the growth of the business process outsourcing (BPO) industry. He embarked on the development of integrated tourism estates through Alliance Global Group, Inc. and Global-Estate Resorts, Inc., which he both chairs, while continuing to focus on consumer-friendly food and beverage and quick service restaurants. Mr. Tan serves as Chairman of the Board of Empire East Land Holdings, Inc., a publicly-listed subsidiary of the Company, and Suntrust Properties, Inc., a subsidiary engaged in the development and marketing of affordable housing projects. He also serves in the boards of other Megaworld subsidiaries including Eastwood Cyber One Corporation, Megaworld Land, Inc., Megaworld Central Properties, Inc., Townsquare Development, Inc. and Richmond Hotel Group International Limited. Mr. Tan is Chairman of Megaworld Foundation, the Company's corporate social responsibility arm, which primarily focuses on the promotion of education through scholarship programs for financially handicapped but deserving students, and supports causes that promote poverty alleviation, people empowerment, social justice, good governance and environmental conservation. He is a director of Travellers International Hotel Group, Inc., which owns Resorts World Manila, and the food and beverage companies, Emperador Distillers, Inc. Alliance Global Brands, Inc. and Golden Arches Development Corporation. Mr. Tan is a Director and President and CEO of Twin Lakes Corporation.

Miguel B. Varela Independent Director/Vice Chairman

A man who wears many hats, Miguel B. Varela holds significant positions in various public and private institutions.

Mr. Varela has been a member of the Company's Board of Directors since June 2006. He is presently the President of the Philippine Chamber of Commerce and Industry (PCCI), was formerly President and now presently Director of Manila Bulletin Publishing Corporation, Director of Ausphil Tollways Corporation, Director of NPC Alliance Corporation, Vice Chairman

of Richmond Hotel, Chairman of the Employers Confederation of the Philippines (ECOP), Board of Trustee of Philippines Trade Foundation, Inc., Chairman of Pribadong Institusyon Laban sa Kahirapan (PILAK), Chairman of the Philippine Association of Voluntary Arbitration Foundation (PAVAF), and Vice Chairman of Philippine Dispute Resolution Center, Inc. (PDRCI). He is also the Vice President of the International Labor Organization, Inc., and Vice Chairman and Trustee of the Foundation for Crime Prevention. He is an accredited international arbitrator of the Paris-based International Court of Arbitration. A member of the Philippine Bar, he pursued his Bachelor of Laws in the Ateneo de Manila Law School and his Associate in Liberal Arts from the San Beda College. He attended a Top Management and Productivity Program from the Asian Institute of Management (AIM) as well as special courses sponsored by ILO, Geneva, Switzerland, Asian Productivity Organization (APO), and the Nikkeren, Japan, covering areas of Managerial Management and Organizational Development, Productivity, Legal Management, Labor and Industrial Relations, and Development of SME's, among others. He is a member of the Philippine Bar Association, a Commissioner of the Consultative Commission on Constitutional Reform and a Lifetime Member of the Philippine Constitution Association (PHILCONSA). He is the recipient of various awards and citations such as San Beda College's Outstanding Alumni Award for Business Leadership, and San Beda Hall of Fame Awardee, Presidential Medal of Merit for Outstanding Service to the Republic of the Philippines, Tamaraw Leadership Award, Katipunan Leadership Award and Leadership Award from ECOP, PCCI and ASEAN Productivity Organization and Confederation of Asia-Pacific Chamber of Commerce and Industry (CACCI) Medallion for Distinguished Service Award. He was also conferred by the Central Luzon State University with the degree of Doctor of Humanities (*honoris causa*), and by the Eulogio "Amang" Rodriguez University of Science and Technology with a Doctorate in Business Technology (*honoris causa*).

Board of Directors

Katherine L. Tan

Director

Ms. Tan, has served as Director of the Company since 1989. She is concurrently Director of Empire East Land Holdings, Inc. and Director and Treasurer of Alliance Global Group, Inc. She has extensive experience in the food and beverage industry and is currently Director of The Bar Beverage, Inc. and Choice Gourmet Banquet, Inc. She is Director and President of Raffles & Company, Inc. and Director and Treasurer of Alliance Global Brands, Inc. and Emperador Distillers, Inc.

Kingson U. Sian

Executive Director

Mr. Sian has served as Director of the Company since April 13, 2007. He joined the Megaworld Group in September 1995 as Senior Vice President and is currently Executive Director of the Company. He is concurrently Director and President of Alliance Global Group, Inc., Travellers International Hotel Group, Inc. He is also Chairman and President of Prestige Hotels & Resorts, Inc. He is the Chief Operating Officer of Megaworld Land, Inc. Mr. Sian was formerly a Vice President of FPB Asia Ltd/First Pacific Bank in Hong Kong from 1990 to 1995. Prior to that, he was connected with Citicorp Real Estate, Inc. in the United States from 1988 to 1990. Mr. Sian graduated from the University of the Philippines with the degree of Bachelor of Science in Business Economics. He obtained his Masters Degree in Business Administration for Finance and Business Policy from the University of Chicago.

Enrique Santos L. Sy

Director

Mr. Sy has served as Director of the Company since July 2009. He was Vice President for the Corporate Communications & Advertising Division of the Company until his retirement in March 2011. He is concurrently a Director of Empire East Land Holdings, Inc. and First Oceanic Property Management Inc. He is Director and the Corporate Secretary of Asia Finest Cuisine, Inc. and Corporate Secretary of Empire East Communities, Inc.

Mr. Sy previously worked as Advertising Manager of Consolidated Distillers of the Far East, Inc., Creative Director of AdCentrum Advertising, Inc., Copy Chief of Admakers, Inc. and Peace Advertising Corporation, and Creative Associate of Adformatix, Inc. Mr. Sy graduated with honors from the Ateneo de Manila University with the degree of Bachelor of Arts in Communication Arts.

Gerardo C. Garcia

Independent Director

Mr. Garcia has served in the Company's Board of Directors since 1994. He concurrently serves as independent director in the boards of Empire East Land Holdings, Inc. and Global-Estate Resorts, Inc. He also serves as an independent director of Megaworld Land, Inc. and Suntrust Properties, Inc. He is a private sector representative in the board of Philippine National Railways. He is also President of Philippine Tech. & Development Ventures, Inc. From October 1994 to December 1997, Mr. Garcia served as President of Empire East Land Holdings, Inc. Prior to joining Empire East Land Holdings, Inc. Mr. Garcia served as Executive Vice President of UBP Capital Corporation. He holds a bachelor's degree in Chemical Engineering and a Masters Degree in Business Administration from the University of the Philippines.

Roberto S. Guevara

Independent Director

Mr. Guevara has been a member of the Company's Board of Directors since June 20, 2001. He is Chairman of the Board of Directors of Seed Capital Ventures, Inc. He serves on the board of other companies, such as G & S Transport Corporation, a licensee of Avis Car Rentals, Guevent Industrial Development Corporation and Radiowealth Finance Corporation, and as independent director of First Centro, Inc. He is also the President of Seed Capital Corporation and RFC (HK) Limited. Mr. Guevara graduated from San Beda College in 1974, and received a graduate degree from the Asian Institute of Management and a post graduate course at the Institute for Management Development (IMD), in Lausanne, Switzerland.

Key Officers



Andrew L. Tan
President



Kingson U. Sian
Executive Director



Lourdes T. Gutierrez
Chief Operating Officer



Philipps C. Cando
Senior Vice President
for Operations



Francisco C. Canuto
Senior Vice President
and Treasurer



Giovanni C. Ng
Finance Director



Monica T. Salomon
First Vice President for
Corporate Management



Noli D. Hernandez
Senior Vice President
for Sales and Marketing



Garry V. de Guzman
First Vice President
for Legal Affairs



Maria Victoria M. Acosta
Managing Director for
International Sales



Kimberly Hazel A. Sta. Maria
Assistant Vice President for
Corporate Communications
and Advertising

Statement of Management's Responsibility for Financial Statements

The management of **Megaworld Corporation and Subsidiaries**, is responsible for the preparation and fair presentation of the consolidated financial statements for the years ended December 31, 2012 and 2011, in accordance with Philippine Financial Reporting Standards (PFRS), including the following additional supplemental information filed separately from the basic financial statements:

- a. Supplementary Schedules Required under Annex 68-E of the Securities Regulation Code Rule 68
- b. Reconciliation of Retained Earnings Available for Dividend Declaration
- c. Schedule of PFRS Effective as of December 31, 2012
- d. Schedule of Financial Indicators for December 31, 2012 and 2011
- e. Map Showing the Relationship Between and Among the Company and its Related Entities

Management's responsibility on the consolidated financial statements includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the consolidated financial statements, and the additional supplementary information, and submits the same to the stockholders.

Punongbayan & Araullo, the independent auditors appointed by the stockholders, has examined the consolidated financial statements of the Group in accordance with Philippine Standards on Auditing and in its report to the Board of Directors and stockholders, has expressed its opinion on the fairness of presentation upon completion of such examination.



ANDREW L. TAN
Chairman of the Board



ANDREW L. TAN
Chief Executive Officer




FRANCISCO C. CANUTO
SVP and Treasurer
(Chief Financial Officer)

Signed this 1st day of March 2013

SUBSCRIBED AND SWORN to before me on this 21st day of March 2013 at Makati City, Philippines affiants exhibiting to me their Community Tax Certificate Nos. as follows:

Andrew L. Tan	13755402	January 12, 2013	Quezon City
Francisco C. Canuto	22014326	January 07, 2013	Makati City

Doc. No. 319;
Page No. 65;
Book No. 15;
Series of 2013



ATTY. CERVACIO B. ORTIZ JR.
Notary Public City of Makati
Until December 31, 2014
IBP No. 656155-Lifetime Member
MCLE Compliance No. III-0014282
Appointment No. M-199-(2013-2014)
PTR No. 3664330 Jan. 2, 2013
Makati City Roll No. 40091
101 Urban Ave., Brgy. Pio del Pilar,
Makati City

**The Board of Directors and Stockholders
Megaworld Corporation and Subsidiaries
(A Subsidiary of Alliance Global Group, Inc.)**

28th Floor, The World Centre Building
Sen . Gil Puyat Avenue, Makati City

We have audited the accompanying consolidated financial statements of Megaworld Corporation and Subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2012 and 2011, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2012, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

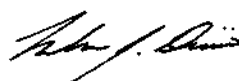
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements,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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Megaworld Corporation and Subsidiaries as at December 31, 2012 and 2011, and their consolidated financial performance and their consolidated cash flows for each of the three years in the period ended December 31, 2012 in accordance with Philippine Financial Reporting Standards.

PUNONGBAYAN & ARAULLO



By: Nelson J. Dinio
Partner

CPA Reg. No. 0097048
TIN 201-771-632
PTR No. 3671455, January 2, 2013, Makati City
SEC Group A Accreditation
Partner- No. 1036-A (until Sept. 29, 2013)
Firm- No. 0002-FR-3 (until Jan. 18, 2015)
BIR AN 08-002511-32-2011 (until Feb. 3, 2014)
Firm's BOA/ PRC Cert. of Reg. No. 0002 (until Dec. 31, 2015)

March 1, 2013

Consolidated Statements of Financial Position

December 31, 2012 and 2011 (Amounts in Philippine Pesos)

	Notes	2012	2011
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5	P 26,826,715,439	P 30,324,479,180
Trade and other receivables - net	6	15,345,700,853	17,178,451,090
Financial assets at fair value through profit or loss	7	167,600,000	109,203,260
Residential and condominium units for sale	3	28,889,616,581	19,497,662,902
Property development costs	3	8,618,320,424	8,753,452,084
Prepayments and other current assets - net	2	1,884,456,257	1,801,123,705
Total Current Assets		<u>81,732,409,554</u>	<u>77,664,372,221</u>
NON-CURRENT ASSETS			
Trade and other receivables	6	23,916,156,834	20,209,042,452
Advances to landowners and joint ventures	9	3,782,781,280	3,888,345,313
Land for future development	2	4,324,634,536	4,366,523,063
Investments in available-for-sale securities	8	3,256,786,619	2,591,747,678
Investments in and advances to associates and other related parties	10	7,782,205,062	6,745,964,129
Investment property - net	11	16,632,035,663	12,372,290,665
Property and equipment - net	12	596,965,678	540,859,730
Deferred tax assets - net	22	42,259,622	7,333,579
Other non-current assets	13	657,972,598	609,047,834
Total Non-current Assets		<u>60,991,797,892</u>	<u>51,331,154,443</u>
TOTAL ASSETS		<u>P 142,724,207,446</u>	<u>P 128,995,526,664</u>
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Interest-bearing loans and borrowings	14	P 1,587,594,400	P 1,950,115,400
Trade and other payables	16	7,900,017,312	7,296,966,494
Customers' deposits	2	4,193,247,506	3,610,212,295
Income tax payable		12,560,956	36,897,538
Reserve for property development	2	6,231,192,522	5,107,725,787
Deferred income on real estate sales	2	4,126,291,119	3,446,835,596
Other current liabilities	17	1,712,794,842	1,707,673,963
Total Current Liabilities		<u>25,763,698,657</u>	<u>23,156,427,073</u>
NON-CURRENT LIABILITIES			
Interest-bearing loans and borrowings	14	4,910,569,450	5,991,475,388
Bonds payable	15	13,556,628,075	13,538,914,490
Customers' deposits	2	1,741,951,677	456,003,854
Reserve for property development	2	4,094,681,043	3,719,081,747
Deferred income on real estate sales	2	2,311,173,838	1,809,305,117
Deferred tax liabilities - net	22	5,814,797,077	5,112,895,527
Advances from other related parties	23	692,604,550	210,242,443
Retirement benefit obligation	21	390,201,956	285,421,740
Other non-current liabilities	17	2,058,307,552	1,943,654,006
Total Non-current Liabilities		<u>35,570,915,218</u>	<u>33,066,994,312</u>
Total Liabilities		<u>61,334,613,875</u>	<u>56,223,421,385</u>
EQUITY			
Total equity attributable to the company's shareholders	24	71,504,234,954	60,956,151,542
Non-controlling interests		9,885,358,617	11,815,953,737
Total Equity		<u>81,389,593,571</u>	<u>72,772,105,279</u>
TOTAL LIABILITIES AND EQUITY		<u>P 142,724,207,446</u>	<u>P 128,995,526,664</u>

See Notes to Consolidated Financial Statements.

Consolidated Statements of Income

For The Years Ended December 31, 2012, 2011 And 2010 (Amounts in Philippine Pesos)

	Notes	2012	2011	2010
REVENUES AND INCOME				
Real estate sales	6	P 18,173,071,093	P 15,887,590,800	P 13,110,567,020
Interest income on real estate sales	6	1,327,541,711	1,218,788,823	933,424,160
Realized gross profit on prior years' sales	2	2,007,159,684	1,970,174,052	1,355,982,007
Rental income	11	4,994,769,197	3,826,341,215	2,694,310,554
Hotel operations	2	462,313,446	392,171,105	232,757,023
Equity in net earnings of associates	10	794,347,508	597,834,536	442,281,307
Interest and other income - net	19	2,792,225,642	4,732,197,210	1,772,461,024
		<u>30,551,428,281</u>	<u>28,625,097,741</u>	<u>20,541,783,095</u>
COSTS AND EXPENSES				
Real estate sales	2	11,491,174,383	10,157,277,262	8,606,699,164
Deferred gross profit	2	3,188,317,305	3,055,851,217	2,431,379,388
Hotel operations	2	235,441,633	223,731,697	124,463,666
Operating expenses	18	4,934,193,655	4,116,225,061	2,140,225,634
Interest and other charges - net	20	1,044,391,039	903,526,435	544,401,114
Tax expense	22	2,250,736,998	1,995,469,148	1,609,101,525
		<u>23,144,255,013</u>	<u>20,452,080,820</u>	<u>15,456,270,491</u>
PROFIT FOR THE YEAR				
BEFORE PREACQUISITION INCOME		7,407,173,268	8,173,016,921	5,085,512,604
PREACQUISITION INCOME				
OF SUBSIDIARIES	1, 10	-	(17,326,952)	-
NET PROFIT FOR THE YEAR				
		<u>P 7,407,173,268</u>	<u>P 8,155,689,969</u>	<u>P 5,085,512,604</u>
Net profit attributable to:				
Company's shareholders		P 7,294,070,482	P 8,031,884,511	P 5,026,180,575
Non-controlling interests		113,102,786	123,805,458	59,332,029
		<u>P 7,407,173,268</u>	<u>P 8,155,689,969</u>	<u>P 5,085,512,604</u>
Earnings per Share:				
Basic	25	<u>P 0.281</u>	<u>P 0.319</u>	<u>P 0.200</u>
Diluted		<u>P 0.275</u>	<u>P 0.319</u>	<u>P 0.200</u>

See Notes to Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

For The Years Ended December 31, 2012, 2011 and 2010 (Amounts in Philippine Pesos)

	Notes	2012	2011	2010
NET PROFIT FOR THE YEAR		P 7,407,173,268	P 8,155,689,969	P 5,085,512,604
OTHER COMPREHENSIVE INCOME (LOSS)				
Net unrealized gains (losses) on available-for-sale (AFS) securities	8	592,528,177	(690,525,167)	4,031,843,227
Share in other comprehensive income (loss) of associates	10	1,092,535	(147,365)	71,176,649
Reclassification adjustments for gains on disposed AFS securities included in profit or loss	8	-	(2,997,737,000)	(473,319,584)
Reversal of unrealized losses on AFS securities of a deconsolidated subsidiary		-	-	63,656,553
		<u>593,620,712</u>	<u>(3,688,409,532)</u>	<u>3,693,356,845</u>
Translation adjustments		(235,983,560)	(12,808,786)	(186,558,030)
Less related tax	22, 2.4	<u>70,795,068</u>	<u>3,842,636</u>	<u>55,967,408</u>
		<u>(165,188,492)</u>	<u>(8,966,150)</u>	<u>(130,590,622)</u>
		<u>428,432,220</u>	<u>(3,697,375,682)</u>	<u>3,562,766,223</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		P 7,835,605,488	P 4,458,314,287	P 8,648,278,827
Total comprehensive income attributable to:				
Company's shareholders		<u>P 7,722,502,702</u>	<u>P 4,334,508,829</u>	<u>P 8,588,946,798</u>
Non-controlling interests		<u>113,102,786</u>	<u>123,805,458</u>	<u>59,332,029</u>
		<u>P 7,835,605,488</u>	<u>P 4,458,314,287</u>	<u>P 8,648,278,827</u>

See Notes to Consolidated Financial Statements.

Consolidated Statements of Changes in Equity

For the Years Ended December 31, 2012, 2011 and 2010 (Amounts in Philippine Pesos)

	Notes	2012	2011	2010
CAPITAL STOCK				
	24			
Balance at beginning of year		P 25,829,203,626	P 25,829,203,626	P 25,829,203,626
Additional issuances during the year		<u>3,109,659,359</u>	<u>-</u>	<u>-</u>
Balance at end of year		<u>28,938,862,985</u>	<u>25,829,203,626</u>	<u>25,829,203,626</u>
ADDITIONAL PAID-IN CAPITAL				
	24	<u>8,432,990,413</u>	<u>8,432,990,413</u>	<u>8,432,990,413</u>
TREASURY STOCK - At Cost				
	24			
Balance at beginning of year		(1,188,836,744)	(633,721,630)	(1,188,836,744)
Reduction representing the shares held by a deconsolidated subsidiary		555,115,114	-	555,115,114
Additions during the year		<u>-</u>	<u>(555,115,114)</u>	<u>-</u>
Balance at end of year		<u>(633,721,630)</u>	<u>(1,188,836,744)</u>	<u>(633,721,630)</u>
NET UNREALIZED GAINS ON AVAILABLE-FOR-SALE SECURITIES				
	8			
Balance at beginning of year		121,203,880	3,809,613,412	116,256,567
Other comprehensive income (loss) for the year		<u>593,620,712</u>	<u>(3,688,409,532)</u>	<u>3,693,356,845</u>
Balance at end of year		<u>714,824,592</u>	<u>121,203,880</u>	<u>3,809,613,412</u>
ACCUMULATED TRANSLATION ADJUSTMENTS				
	2.4			
Balance at beginning of year		(261,301,420)	(252,335,270)	(121,744,648)
Other comprehensive loss for the year, net of tax		<u>(165,188,492)</u>	<u>(8,966,150)</u>	<u>(130,590,622)</u>
Balance at end of year		<u>(426,489,912)</u>	<u>(261,301,420)</u>	<u>(252,335,270)</u>
RETAINED EARNINGS				
Balance at beginning of year		28,022,891,787	20,590,273,079	16,043,977,969
Net profit attributable to the company's shareholders		7,294,070,482	8,031,884,511	5,026,180,575
Cash dividends	24	<u>(839,193,763)</u>	<u>(599,265,803)</u>	<u>(479,885,465)</u>
Balance at end of year		<u>34,477,768,506</u>	<u>28,022,891,787</u>	<u>20,590,273,079</u>
Total Equity Attributable to the Company's Shareholders		<u>71,504,234,954</u>	<u>60,956,151,542</u>	<u>57,776,023,630</u>
NON-CONTROLLING INTERESTS				
	10			
Balance at beginning of year		11,815,953,737	743,113,007	723,869,377
Additions (deductions)		<u>(2,043,697,906)</u>	<u>10,949,035,272</u>	<u>(40,088,399)</u>
Net profit attributable to non-controlling interests		<u>113,102,786</u>	<u>123,805,458</u>	<u>59,332,029</u>
Balance at end of year		<u>9,885,358,617</u>	<u>11,815,953,737</u>	<u>743,113,007</u>
TOTAL EQUITY		<u>P 81,389,593,571</u>	<u>P 72,772,105,279</u>	<u>P 58,519,136,637</u>

See Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

For the Years Ended December 31, 2012, 2011 and 2010 (Amounts in Philippine Pesos)

	Notes	2012	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax	P	9,657,910,266	P 10,151,159,117	P 6,694,614,129
Adjustments for:				
Interest income	19	(1,840,964,871)	(1,618,727,549)	(835,944,617)
Finance costs	20	887,476,458	818,237,019	516,440,321
Equity in net earnings of associates	10	(794,347,508)	(597,834,536)	(442,281,307)
Depreciation and amortization	18	752,578,923	566,641,137	443,203,639
Donation expense		95,491,514	-	-
Fair value losses (gains) - net	19	(64,200,000)	7,851,631	(83,500,000)
Dividend income	19	(53,887,430)	(32,661,662)	(40,630,134)
Gain on sale of investments in available-for-sale securities	8, 19	-	(2,242,526,309)	(646,720,788)
Operating profit before working capital changes		8,640,057,352	7,052,138,848	5,605,181,243
Increase in trade and other receivables		(1,904,743,617)	(2,332,556,852)	(5,467,069,558)
Decrease (increase) in residential and condominium units for sale		(9,372,972,184)	(1,056,701,557)	412,044,886
Decrease (increase) in property development costs		725,377,207	(236,023,249)	(77,405,610)
Increase in prepayments and other current assets		(77,529,292)	(660,103,590)	(69,471,133)
Decrease (increase) in advances to landowners and joint ventures		105,564,033	698,482,342	(1,500,000,001)
Increase in trade and other payables		624,802,137	2,461,337,793	204,094,188
Increase (decrease) in customers' deposits		1,868,983,034	(543,697,574)	382,569,679
Increase in deferred income on real estate sales		1,181,324,244	1,195,329,212	1,075,230,757
Increase in reserve for property development		1,499,066,031	1,535,423,535	1,636,248,793
Increase in other liabilities		461,175,874	149,045,609	424,798,078
Cash generated from operations		3,751,104,819	8,262,674,517	2,626,221,322
Cash paid for income taxes		(1,773,286,565)	(1,259,507,902)	(946,782,440)
Net Cash From Operating Activities		1,977,818,254	7,003,166,615	1,679,438,882
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to:				
Investment property	11	(4,871,545,620)	(2,874,137,207)	(991,266,588)
Property and equipment	12	(201,938,395)	(87,466,426)	(62,373,098)
Land for future development		(53,602,987)	(2,803,899,896)	(213,000,015)
Increase in investments in and advances to associates and other related parties		(422,898,535)	(2,049,692,784)	(408,034,396)
Decrease (increase) in investments in available-for-sale securities		(71,418,229)	3,944,596,595	1,119,081,403
Interest received		1,768,082,480	1,618,727,549	835,944,617
Proceeds from redemption of preferred shares held	10	428,410,000	-	-
Payment for acquisition of shares of stock of an associate	10	(1,248,571,429)	-	-
Increase in other non-current assets		(48,924,764)	(179,971,650)	(221,527,843)
Dividends received	19	53,887,430	32,661,662	40,630,134
Net Cash From (Used in) Investing Activities		(4,668,520,049)	(2,399,182,157)	99,454,214
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from exercise of stock rights and warrants	24	3,109,659,359	-	2,272,642,649
Payments of long-term liabilities		(1,889,072,723)	(4,934,748,567)	(1,052,209,181)
Interest paid		(1,518,454,819)	(818,237,019)	(1,323,861,629)
Cash dividends paid	24	(839,193,763)	(599,265,803)	(519,885,465)
Proceeds from availments of long-term liabilities	14, 15	330,000,000	9,013,788,580	-
Net Cash From (Used in) Financing Activities		(807,061,946)	2,661,537,191	(623,313,626)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS				
		(3,497,763,741)	7,265,521,649	1,155,579,470
BEGINNING BALANCE OF CASH AND CASH EQUIVALENTS OF ACQUIRED SUBSIDIARIES				
		-	1,624,146,150	-
PREACQUISITION CHANGES IN CASH AND CASH EQUIVALENTS OF ACQUIRED SUBSIDIARIES				
		-	(596,773,562)	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR				
		30,324,479,180	22,031,584,943	20,876,005,473
CASH AND CASH EQUIVALENTS AT END OF YEAR				
	P	26,826,715,439	P 30,324,479,180	P 22,031,584,943

Supplemental Information on Non-cash Investing and Financing Activities:

In the normal course of business, the Group enters into non-cash transactions such as exchanges or purchases on account of real estate and other assets. Other non-cash transactions include transfers of property from Land for Future Development to Property Development Costs or Investment Property as the property goes through its various stages of development. These non-cash activities are not reflected in the consolidated statements of cash flows (see Notes 9 and 11).

Notes to Consolidated Financial Statements

December 31, 2012, 2011 and 2010 (Amounts In Philippine Pesos)

1. CORPORATE INFORMATION

Megaworld Corporation (the Company) was incorporated in the Philippines on August 24, 1989, primarily to engage in the development of large scale mixed-use planned communities or townships that integrate residential, commercial, leisure and entertainment components. The Company is presently engaged in property-related activities, such as, project design, construction and property management. The Company's real estate portfolio includes residential condominium units, subdivision lots and townhouses, as well as office projects and retail spaces.

All of the Company's common shares of stock are listed at the Philippine Stock Exchange (PSE).

The registered office of the Company, which is also its principal place of business, is located at the 28th Floor, The World Centre Building, Sen. Gil Puyat Avenue, Makati City.

Alliance Global Group, Inc. (AGI or parent company), also a publicly listed company in the Philippines, is the ultimate parent company of Megaworld Corporation and its subsidiaries (the Group). AGI is a holding company and is presently engaged in the food and beverage business, real estate, quick service restaurant and tourism-oriented businesses. AGI's registered office, which is also its primary place of business, is located at the 7th Floor, 1880 Eastwood Avenue, Eastwood City CyberPark, 188 E. Rodriguez Jr. Avenue, Quezon City.

The Company holds interests in the following subsidiaries and associates:

Subsidiaries/Associates	Explanatory Notes	Percentage of Ownership		
		2012	2011	2010
Subsidiaries:				
Megaworld Land, Inc. (MLI)		100%	100%	100%
Prestige Hotels and Resorts, Inc. (PHRI)		100%	100%	100%
Mactan Oceanview Properties and Holdings, Inc. (MOPHI)		100%	100%	100%
Megaworld Cayman Islands, Inc. (MCII)		100%	100%	100%
Richmonde Hotel Group International (RHGI)		100%	100%	100%
Eastwood Cyber One Corporation (ECOC)		100%	100%	100%
Forbes Town Properties and Holdings, Inc. (FTPHI)		100%	100%	100%
Megaworld Newport Property Holdings, Inc. (MNPHI)		100%	100%	100%
Oceantown Properties, Inc. (OPI)		100%	100%	100%
Piedmont Property Ventures, Inc. (PPVI)	(a)	100%	100%	100%
Stonehaven Land, Inc. (SLI)	(a)	100%	100%	100%
Streamwood Property, Inc. (SP)	(a)	100%	100%	100%
Suntrust Properties, Inc. (SPI)	(b)	88.20%	82.45%	-
Empire East Land Holdings, Inc. and Subsidiaries (EELHI)	(c)	78.59%	61.13%	-
Megaworld Central Properties, Inc. (MCPI)	(d)	75.90%	51%	51%
Megaworld-Daewoo Corporation (MDC)		60%	60%	60%
Manila Bayshore Property Holdings, Inc. (MBPHI)	(e)	55%	55%	-
Megaworld Resort Estates, Inc. (MREI)	(f)	51%	51%	51%
Megaworld Globus Asia, Inc. (MGAI)		50%	50%	50%
Philippine International Properties, Inc. (PIPI)	(g)	50%	50%	50%
Townsquare Development, Inc. (TDI)	(f)	31%	31%	31%
Gilmore Property Marketing Associates, Inc. (GPMAI)	(h)	-	46.45%	-
Associates:				
Suntrust Home Developers, Inc. (SHDI)		42.48%	42.48%	42.48%
Megaworld Global Estates, Inc. (MGEI)	(i)	40%	40%	-
Palm Tree Holdings and Development Corporation (PTHDC)		40%	40%	40%
Alliance Global Properties Ltd. (AGPL)	(j)	39.44%	39.44%	39.44%
GPMAI	(h)	37.23%	-	39.83%
Twin Lakes Corporation (TLC)	(k)	19%	-	-
Travellers International Hotel Group, Inc. (TIHGI)	(l)	10%	10%	10%
EELHI	(c)	-	-	48.38%

Explanatory Notes:

- (a) These were acquired subsidiaries in 2008 but have not yet started commercial operations as of December 31, 2012.
- (b) In March 2011, the Company acquired 58.80% direct ownership in SPI. The Company also held an indirect ownership in SPI of 29.40% through SHDI and EELHI. In 2012, as a result of the Company's increase in ownership in EELHI, the Company's ownership in SPI also increased to 88.20%.
- (c) On various dates in 2011, the Company acquired additional shares of EELHI, increasing its ownership to 61.13% and thereby making EELHI a subsidiary of the Company. In 2012, the Company acquired additional shares of EELHI, resulting in an increase in ownership interest in EELHI to 78.59% as of December 31, 2012.
- (d) The Company held indirect ownership in MCPI of 51% through EELHI and GPMAI. As a result of the Company's increase in ownership in EELHI, the Company's ownership in MCPI also increased to 75.90%.
- (e) MBPHI was incorporated in October 2011 and started commercial operations on January 1, 2012. The Company holds 50% direct ownership in MBPHI; the latter is also 50% owned by TIHGI, thereby increasing the Company's ownership to 55%.
- (f) MREI was incorporated in 2007 while TDI was incorporated in 2006. MREI owns 60% of TDI resulting in the Company's indirect interest of 31% of TDI.
- (g) PIPI was incorporated in 2002 and acquired by the Company in 2006 but has not yet started commercial operations as of December 31, 2012.
- (h) GPMAI was an associate of the Group in 2010. In 2011, GPMAI became a subsidiary of the Company through EELHI, its intermediate parent company. In 2012, GPMAI was deconsolidated and treated as an associate of both the Company and EELHI, as EELHI lost its control due to the decrease in ownership interest, but has retained significant influence, over GPMAI.
- (i) MGEI was incorporated on March 14, 2011 but has not yet started commercial operation as of December 31, 2012.
- (j) In February 2009, RHGI acquired 44.34% ownership in AGPL, which resulted in the Company's indirect interest of 44.34% as of December 31, 2009. In October 2010, AGPL issued additional shares of stock which resulted in the decrease in RHGI's ownership in AGPL to 39.44%. AGPL is considered as an associate due to the Company's significant influence, but not control, over AGPL.
- (k) TLC was incorporated in 2011 and has started commercial operation in June 2012. In September 2012, the Company acquired ownership in TLC which stands at 19% as of December 31, 2012. TLC is considered as an associate due to the Company's significant influence over TLC.
- (l) TIHGI was incorporated in 2003 and started commercial operations in August 2009. In 2008, the Company acquired 10% ownership in TIHGI through a share swap agreement. In August 2010, the Company's investment in TIHGI was converted to 10.0 million common shares and 990.0 million preferred shares of TIHGI. Subsequently, TIHGI redeemed 430.0 million in November 2010 and 428.41 million in March 2012 preferred shares held by the Company. The conversion of common shares and the redemption of preferred shares did not change the Company's ownership in TIHGI. Although the Company's percentage ownership is only 10%, TIHGI was considered as an associate due to the Company's significant influence over TIHGI.

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Except for MCII, RHGI and AGPL, all the subsidiaries and associates were incorporated in the Philippines and operate within the country. MCII and AGPL were incorporated and operate in the Cayman Islands while RHGI was incorporated and operates in the British Virgin Islands.

The Company and its subsidiaries collectively, except for entities which have not yet started commercial operations as of December 31, 2012, are presently engaged in the real estate business, hotel operations and marketing services.

EELHI and SHDI are publicly listed companies in the Philippines.

The consolidated financial statements of the Group for the year ended December 31, 2012 (including the comparatives for the years ended December 31, 2011 and 2010) were authorized for issue by the Company's Board of Directors (BOD) on March 1, 2013.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of Preparation of Consolidated Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

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

The consolidated financial statements have been prepared using the measurement bases specified by PFRS for each type of asset, liability, income and expense. These consolidated financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial assets. The measurement bases are more fully described in the accounting policies that follow.

(b) Presentation of Consolidated Financial Statements

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

(c) Functional and Presentation Currency

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

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

2.2 Adoption of New and Amended PFRS

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

In 2012, the Group adopted the following amendments to PFRS that are relevant to the Group and effective for its consolidated financial statements for the annual period beginning on or after July 1, 2011 or January 1, 2012.

PFRS 7 (Amendment)	:	Financial Instruments: Disclosures – Transfers of Financial Assets
PAS 12 (Amendment)	:	Income Taxes – Deferred Taxes Recovery of Underlying Assets

Below is a discussion of the impact of these accounting standards.

- (i) PFRS 7 (Amendment), *Financial Instruments: Disclosures – Transfers of Financial Assets*. The amendment requires additional disclosures that will allow users of 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 did not transfer any financial asset involving this type of arrangement; hence, the amendment did not result in any significant change in the Group's disclosures in its consolidated financial statements.
- (ii) PAS 12 (Amendment), *Income Taxes – Deferred Tax: Recovery of Underlying Assets*. The amendment introduces a rebuttable presumption that the measurement of a deferred tax liability or asset that arises from investment property measured at fair value under PAS 40, *Investment Property* should reflect the tax consequence of recovering the carrying amount of the asset entirely through sale. The presumption is rebutted for depreciable investment property (e.g., building) that is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the asset over time, rather than through sale. Moreover, Standing Interpretation Committee (SIC) 21, *Income Taxes – Recovery of Revalued Non-Depreciable Assets*, is accordingly withdrawn and is incorporated in PAS 12 requiring that deferred tax on non-depreciable assets that are measured using the revaluation model in PAS 16, *Property, Plant and Equipment*, should always be measured on a sale basis of the asset. The amendment has no significant impact on the Group's consolidated financial statements as the Group's investment property and land classified as property and equipment are measured at cost.

(b) Effective in 2012 that is not Relevant to the Group

PFRS 1, *First-time Adoption of PFRS*, was amended to provide relief for first-time adopters of PFRS from having to reconstruct transactions that occurred before the date of transition to PFRS and to provide guidance for entities emerging from severe hyperinflation either to resume presenting PFRS financial statements or to present PFRS financial statements for the first time. The amendment became effective for annual periods beginning on or after July 1, 2011 but is not relevant to the Group's consolidated financial statements.

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

There are new PFRS, amendments and annual improvements to existing standards that are effective for periods subsequent to 2012. Management has initially determined the following pronouncements, which the Group will apply in accordance with their transitional provisions, to be relevant to its consolidated financial statements:

- (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 Other Comprehensive Income into those that, in accordance with other PFRS: (a) will not be reclassified subsequently to profit or loss and (b) will be reclassified subsequently to profit or loss when specific conditions are met. The Group's management expects that this will change the current presentation of items in other comprehensive income (i.e., unrealized fair value gains and losses on AFS Securities and share in other comprehensive income (loss) of associates).
- (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 losses as of December 31, 2012 amounted to P221.0 million which will be retrospectively recognized as losses in other comprehensive income in 2013 (see Note 21.3).

(iii) Consolidation Standards

The Company is currently reviewing the impact on its consolidated financial statements of the following consolidation standards which will be effective from January 1, 2013:

- PFRS 10, *Consolidated Financial Statements*. 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*. This standard provides a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. This standard replaces the three categories under PAS 31, *Interests in Joint Venture*, mainly, jointly controlled entities, jointly controlled operations and jointly controlled assets, with two new categories – joint operations and joint ventures. Moreover, this also eliminates the option of using proportionate consolidation for joint ventures.
- PFRS 12, *Disclosure of Interest in Other Entities*. 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 (Amendment), *Separate Financial Statements*. This revised standard now covers the requirements pertaining solely to separate financial statements after the relevant discussions on control and consolidated financial statements have been transferred and included in PFRS 10. No new major changes relating to separate financial statements have been introduced as a result of the revision.
- PAS 28 (Amendment), *Investments in Associate and Joint Venture*. 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*.

Subsequent to the issuance of the foregoing consolidation standards, the IASB made some changes to the transitional provisions in International Financial Reporting Standard (IFRS) 10, IFRS 11 and IFRS 12, which were also adopted by the FRSC. The guidance confirms that an entity is not required to apply PFRS 10 retrospectively in certain circumstances and clarifies the requirements to present adjusted comparatives. The entity also made changes to PFRS 10 and PFRS 12 which provide similar relief from the presentation or adjustment of comparative information for periods prior to the immediately preceding period. Further, it provides relief by removing the requirement to present comparatives for disclosures relating to unconsolidated structured entities for any period before the first annual period for which PFRS 12 is applied.

- (iv) PFRS 7 (Amendment), *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities* (effective from January 1, 2013). The amendment requires qualitative and quantitative disclosures relating to gross and net amounts of recognized financial instruments that are set-off in accordance with PAS 32, *Financial Instruments: Presentation*. The amendment also requires disclosure of information about recognized financial instruments subject to enforceable master netting arrangements or similar agreements, even if they are not set-off in the statement of financial position, including those which do not meet some or all of the offsetting criteria under PAS 32, and amounts related to a financial collateral. These disclosures will allow financial statement users to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with recognized financial assets and financial liabilities on the entity's financial position. The Group has initially assessed that the adoption of the amendment will not have a significant impact on its consolidated financial statements.
- (v) PFRS 13, *Fair Value Measurement* (effective from January 1, 2013). This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across PFRS. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards. Management is in the process of reviewing its valuation methodologies for conformity with the new requirements and has yet to assess the impact of the new standard on the Group's consolidated financial statements.
- (vi) 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 the 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 upon completion or after delivery. The Group is currently evaluating the impact of this interpretation on its consolidated financial statements in preparation for its adoption when this becomes mandatorily effective in the Philippines.

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(vii) PAS 32 (Amendment), *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities* (effective from January 1, 2014). The amendment provides guidance to address inconsistencies in applying the criteria for offsetting financial assets and financial liabilities. It clarifies that a right of set-off is required to be legally enforceable, in the normal course of business, in the event of default and in the event of insolvency or bankruptcy of the entity and all of the counterparties. The amendment also clarifies the principle behind net settlement and includes an example of a gross settlement system with characteristics that would satisfy the criterion for net settlement. The Group does not expect this amendment to have a significant impact on its consolidated financial statements.

(viii) PFRS 9, *Financial Instruments: Clarification 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, *Financial Instruments: Recognition and Measurement* 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 arrangements, do 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 Group's consolidated financial statements and is committed to conduct a comprehensive study of the potential impact of this standard in the last quarter of 2014 before its adoption in 2015 to assess the impact of all changes.

(ix) 2009-2011 Annual Improvements to PFRS. Annual Improvements to PFRS (2009-2011 Cycle) made minor amendments to a number of PFRS, which are effective for annual period beginning on or after January 1, 2013. Among those improvements, the following amendments are relevant to the Group but management does not expect a material impact on the Group's consolidated financial statements:

(a) PAS 1 (Amendment), *Presentation of Financial Statements – Clarification of the Requirements for Comparative Information*. The amendment clarifies the requirements for presenting comparative information for the following:

- Requirements for opening statement of financial position

If an entity applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items that has a material effect on the information in the statement of financial position at the beginning of the preceding period (i.e., opening statement of financial position), it shall present such third statement of financial position.

Other than disclosure of certain specified information in accordance with PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, related notes to the opening statement of financial position as at the beginning of the preceding period are not required to be presented.

- Requirements for additional comparative information beyond minimum requirements

If an entity presented comparative information in the financial statements beyond the minimum comparative information requirements, the additional financial statements information should be presented in accordance with PFRS including disclosure of comparative information in the related notes for that additional information. Presenting additional comparative information voluntarily would not trigger a requirement to provide a complete set of financial statements.

(b) PAS 32 (Amendment), *Financial Instruments – Presentation – Tax Effect of Distributions to Holders of Equity Instruments*. The amendment clarifies that the consequences of income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction shall be accounted for in accordance with PAS 12, *Income Taxes*. Accordingly, income tax relating to distributions to holders of an equity instrument is recognized in profit or loss while income tax related to the transaction costs of an equity transaction is recognized in equity.

2.3 Basis of Consolidation

The Company obtains and exercises control through voting rights. The Group's consolidated financial statements comprise the accounts of the Company and its subsidiaries as enumerated in Note 1, after the elimination of material intercompany transactions. All intercompany balances and transactions with subsidiaries, including income, expenses and dividends are eliminated in full. Unrealized profits and losses from intercompany transactions that are recognized in assets are also eliminated in full. In addition, shares of stock of the Company held by the subsidiaries are recognized as treasury stock and these are presented as deduction in the consolidated statement of changes in equity. Any changes in the market values of such shares as recognized separately by the subsidiaries are likewise eliminated in full. Intercompany losses that indicate impairment are recognized in the consolidated financial statements.

The financial statements of subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Company accounts for its investments in subsidiaries, associates, interests in jointly controlled operations and non-controlling interests as follows:

(a) Investments in Subsidiaries

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

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

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

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any existing equity interest in the acquiree over the acquisition-date fair value of the identifiable net assets acquired is recognized as goodwill (see also Note 2.12). If the consideration transferred is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in profit or loss as gain.

(b) Investments in Associates

Associates are those entities over which the Company is able to exert significant influence but not control and are neither subsidiaries nor interests in a joint venture. Investments in associates are initially recognized at cost and subsequently accounted for in the consolidated financial statements using the equity method.

Acquired investments in associates are also subject to purchase accounting. However, any goodwill or fair value adjustment attributable to the share in the associate is included in the amount recognized as Investment in Associates. All subsequent changes to the share of interest in the equity of the associate are recognized in the Group's carrying amount of the investment.

Changes resulting from the profit or loss generated by the associate are shown as Equity in Net Earnings of Associates in the Group's consolidated statements of income and, therefore, affect the net results of the Group. Changes resulting from other comprehensive income of the associates or items recognized directly in the associates' equity are recognized in other comprehensive income or equity of the Group, as applicable.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has commitments, has incurred obligations or made payments on behalf of the associate.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the assets transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(c) Interests in Jointly Controlled Operations

For interests in jointly controlled operations, the Group recognized in its consolidated financial statements the assets that it controls, the liabilities and the expenses that it incurs and its share in the income from the sale of goods or services by the joint venture. The amounts of these related accounts are presented as part of the regular asset and liability accounts and income and expense accounts of the Group.

No adjustment or other consolidation procedures are required for the assets, liabilities, income and expenses of the joint venture that are recognized in the separate financial statements of the venturers.

(d) Transactions with Non-controlling Interests

The Group applies a policy of treating transactions with non-controlling interests as transactions with equity owners of the Group. Any difference between any consideration paid and the relevant share acquired of the carrying value of the net assets of the subsidiary is recognized in equity. Disposals of equity investments to non-controlling interests result in gains and losses that are also recognized in equity.

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

2.4 Foreign Currency Transactions and Translation

(a) Transactions and Balances

Except for MCII, RHGI and AGPL, which use the U.S. dollars as their functional currency, the accounting records of the Company and its subsidiaries are maintained in Philippine pesos. Foreign currency transactions during the year are translated into the functional currency at exchange rates which approximate those prevailing on transaction dates.

Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized under Interest and Other Income – net in the consolidated statement of income.

(b) Translation of Financial Statements of Foreign Subsidiaries and an Associate

The operating results and financial position of MCII and RHGI, which are measured using the U.S. dollars, their functional currency, are translated to Philippine pesos, the Company's functional currency, as follows:

- (i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the end reporting period;
- (ii) Income and expenses for each profit or loss account are translated at the annual average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and,
- (iii) All resulting exchange differences are recognized as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in MCII and RHGI are recognized as Translation Adjustments in the consolidated statement of comprehensive income. As these entities are wholly owned subsidiaries, the translation adjustments are fully allocated to the Company's shareholders.

Goodwill arising on the acquisition of a foreign entity is recognized as an asset of the foreign entity and translated at the closing rate.

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The translation of the financial statements into Philippine pesos should not be construed as a representation that the U.S. dollar amounts could be converted into Philippine peso amounts at the translation rates or at any other rates of exchange.

The Company's equity in net earnings or loss of AGPL, which is also measured in U.S. dollars, is translated to Philippine pesos using the annual average exchange rates.

2.5 Financial Assets

Financial assets are recognized when the Group becomes a party to the contractual terms of the financial instruments. Financial assets other than those designated and effective as hedging instruments are classified into the following categories: financial assets at fair value through profit or loss (FVTPL), loans and receivables, held-to-maturity investments and available-for-sale (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 dates. All financial assets that are not classified as at FVTPL are initially recognized at fair value plus any directly attributable transaction costs. Financial assets carried at FVTPL are initially recorded at fair value and transaction costs related to it are recognized in profit or loss.

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

(a) Financial Assets at FVTPL

This category includes financial assets that are either classified as held for trading or that meets certain conditions and are designated by the entity to be carried at fair value through profit or loss upon initial recognition. All derivatives fall into this category, except for those designated and effective as hedging instruments. Assets in this category are classified as current if they are either held for trading or are expected to be realized within 12 months from the end of the reporting period.

Financial assets at FVTPL are measured at fair value, and changes therein are recognized in profit or loss. Financial assets (except derivatives and financial instruments originally designated as financial assets at FVTPL) may be reclassified out of FVTPL category if they are no longer held for the purpose of being sold or repurchased in the near term.

(b) Loans and Receivables

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

Loans and receivables are subsequently measured at amortized cost using the effective interest method, less impairment losses, if any. Impairment loss is provided when there is an 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 discounted at the effective interest rate.

Loans and receivables are presented as Cash and Cash Equivalents, Trade and Other Receivables (excluding Advances to Contractors and Suppliers), Guarantee and other deposits (presented as part of Other Non-current Assets), and Advances to Associates and Other Related Parties (presented as part of Investments in and Advances to Associates and Other Related Parties) in the consolidated statement of financial position. Cash and cash equivalents are defined as cash on hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

Trade receivables, which generally have one-year to five-year terms, are noninterest-bearing instruments recognized initially at fair value and subsequently stated at amortized cost using the effective interest method for maturities beyond one year, less accumulated impairment losses, if any. An impairment loss is provided when there is an objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired.

(c) AFS Securities

This includes non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. They are included as Investments in AFS Securities under non-current assets section in the consolidated statement of financial position unless management intends to dispose of the investment within 12 months of the reporting period.

All AFS Securities are measured at fair value, unless otherwise disclosed, with changes in value recognized in 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 other comprehensive income is reclassified from Net Unrealized Gains (Losses) on AFS Securities to profit or loss and presented as reclassification adjustment within other 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 Interest and Other Income - net and Interest and Other Charges - net accounts in the consolidated statement of income.

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

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

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

2.6 Real Estate Transactions

Acquisition costs of raw land intended for future development, including other costs and expenses incurred to effect the transfer of title of the property to the Group, are charged to the Land for Future Development account. These costs are reclassified to Property Development Costs account when the development of the property starts. Related property development costs are then accumulated in this account. Borrowing costs on certain loans incurred during the development of the real estate properties are also capitalized by the Group as part of the property development costs (see Note 2.20). Once a revenue transaction occurred, on a per project basis, up to the stage the unit is sold, the related property development costs are reclassified to Residential and Condominium Units for Sale. The cost of real estate property sold before completion of the development is determined based on the actual costs incurred to date plus estimated costs to complete the development of the property. The estimated expenditures for the development of sold real estate property, as determined by the project engineers, are charged to the Cost of Real Estate Sales presented in the consolidated statement of income with a corresponding credit to a liability account, Reserve for Property Development.

Costs of properties and projects accounted for as Land for Future Development, Property Development Costs and Residential and Condominium Units for Sale are assigned using specific identification of their individual costs. These properties and projects are valued at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs to complete and the estimated costs necessary to make the sale.

The Group recognizes the effect of revisions in the total project cost estimates in the year in which these changes become known.

2.7 Prepayments and Other Current Assets

Prepayments and other current assets pertain to other resources controlled by the Group as a result of past events. They are recognized in the financial statements when it is probable that the future economic benefits will flow to the Group and the asset has a cost or value that can be measured reliably.

Other recognized assets of similar nature, where future economic benefits are expected to flow to the Group beyond one year after the end of the reporting period (or in the normal operating cycle of the business, if longer), are classified as non-current assets.

2.8 Investment Property

Properties held for lease under operating lease agreements, which comprise mainly of land, buildings and condominium units, are classified as Investment Property, and carried at cost, net of accumulated depreciation and any impairment in value, except for land which is not subjected to depreciation. Depreciation of investment property, excluding land, is computed using the straight-line method over the estimated useful lives of the assets ranging from 5 to 25 years. Investment property is subject to impairment testing as described in Note 2.17.

Investment property is derecognized upon disposal or when permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognized in the consolidated statement of income in the year of retirement or disposal.

2.9 Property and Equipment

Property and equipment are carried at acquisition or construction cost less subsequent depreciation, amortization and any impairment losses, if any.

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized; expenditures for repairs and maintenance are charged to expenses as incurred.

Depreciation is computed on the straight-line basis over the estimated useful lives of the assets. Amortization of office and land improvements is recognized over the estimated useful lives of improvements or the term of the lease, whichever is shorter. The depreciation and amortization periods for property and equipment, based on the above policies, are as follows:

Condominium units	10-25 years
Office and land improvements	5-20 years
Transportation equipment	5 years
Office furniture, fixtures and equipment	3-5 years

Construction in progress represents properties under construction and is stated at cost. This includes cost of construction, applicable borrowing costs (see Note 2.20) and other direct costs. The account is not depreciated until such time that the assets are completed and available for use.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see also Note 2.17).

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

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. When assets are sold, retired or otherwise disposed of, their cost and related accumulated depreciation and amortization and any impairment losses are removed from the accounts. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the profit or loss in the year the item is derecognized.

2.10 Financial Liabilities

Financial liabilities of the Group include Interest-bearing Loans and Borrowings, Bonds Payable, Trade and Other Payables [excluding value-added tax (VAT) and other tax-related payables] and Advances from Other Related Parties.

Financial liabilities are recognized when the Group becomes a party to the contractual terms of the instrument. All interest related charges are recognized as expense in profit or loss under the caption Interest and Other Charges – net account in the consolidated statement of income.

Interest-bearing Loans and Borrowings and Bonds Payable are raised for support of long-term funding of operations. These are recognized at proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to profit or loss except for capitalized borrowing cost, on an accrual basis using the effective interest method and are added to the carrying amount of the instrument to the extent that these are not settled in the period in which they arise.

Trade and Other Payables and Advances from Other Related Parties are initially recognized at their fair value and subsequently measured at amortized cost using effective interest method for maturities beyond one year, less settlement payments.

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Dividend distributions to shareholders are recognized as financial liabilities when the dividends are approved by the BOD.

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

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

2.11 Offsetting Financial Instruments

Financial assets and liabilities are offset and the resulting net amount is reported in the consolidated statement of financial position when there is a legally enforceable right to set-off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

2.12 Business Combination

Business acquisitions are accounted for using the acquisition method of accounting (previously called "purchase method").

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses (see also Note 2.17). Impairment losses on goodwill are not reversed.

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

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

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

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

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

2.13 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's Strategic Steering Committee (SSC), its chief operating decision-maker. The SSC 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 as disclosed in Note 4, which represent the main products and services provided by the Group.

Each of these operating segments is managed separately as each of these service lines requires different technologies and other resources as well as marketing approaches. All inter-segment transfers are carried out at arm's length prices.

The measurement policies the Group uses for segment reporting under PFRS 8 are the same as those used in its financial statements, except that the following are not included in arriving at the operating profit of the operating segments:

- post-employment benefit expenses;
- expenses relating to share-based payments;
- research costs relating to new business activities; and,
- revenue, costs and fair value gains from investment property.

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 periods in the measurement methods used to determine reported segment profit or loss.

2.14 Provisions and Contingencies

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

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

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

2.15 Revenue and Expense Recognition

Revenue comprises revenue from the sale of goods and the rendering of services measured by reference to the fair value of consideration received or receivable by the Group for goods sold and services rendered, excluding VAT and trade discounts.

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

- (a) *Sale of residential and condominium units* – For financial reporting purposes, revenues from transactions covering sales of residential and condominium units are recognized under the percentage-of-completion method. Under this method, realization of gross profit is recognized by reference to the stage of development of the properties, i.e., revenue is recognized in the period in which the work is performed. The unrealized gross profit on a year's sales is presented as Deferred Gross Profit in the consolidated statement of income; the cumulative unrealized gross profit as of the end of the year is shown as Deferred Income on Real Estate Sales (current and non-current liabilities) in the consolidated statements of financial position.

The sale is recognized when a certain percentage of the total contract price has already been collected. The amount of real estate sales recognized in the consolidated statement of income is equal to the total contract price, net of day-one loss related to the discounting of noninterest-bearing receivables. If the transaction does not yet qualify as sale, the deposit method is applied until all conditions for recording the sale are met. Pending the recognition of sale, payments received from buyers are presented under the Customers' Deposits account in the liabilities section of the consolidated statements of financial position. Revenues and costs relative to forfeited or back out sales are reversed in the current year as they occur.

For tax reporting purposes, a modified basis of computing the taxable income for the year based on collections from sales is used by the Company, MGAI, EELHI and ECOC, while MDC reports revenues for tax purposes based also on the percentage-of-completion method.

- (b) *Sale of undeveloped land* – Revenues on sale of undeveloped land are recognized using the full accrual method. Under the full accrual method, revenue is recognized when the risks and rewards of ownership on the undeveloped land have passed to the buyer and the amount of revenue can be measured reliably.
- (c) *Rental income, commission income and hotel operations* – Revenue is recognized when the performance of contractually agreed tasks has been substantially rendered. Rental income is recognized on a straight-line basis over the lease term. Advance rentals received are recorded as deferred rental income. Unearned Revenues pertain to advanced collections from real estate customers. For tax purposes, rental income is recognized based on the contractual terms of the lease.
- (d) *Construction contracts* – Revenue is recognized when the performance of contractually agreed tasks have been substantially rendered using the cost recovery and percentage-of-completion methods. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined.
- (e) *Interest* – Revenue is recognized as the interest accrues taking into account the effective yield on the asset.
- (f) *Dividends* – Revenue is recorded when the stockholders' right to receive the payment is established.

Costs of residential and condominium units sold before completion of the projects include the acquisition cost of the land, development costs incurred to date, applicable borrowing costs (see Note 2.20) and estimated costs to complete the project, determined based on estimates made by the project engineers (see also Note 2.6).

Operating expenses and other costs (other than costs of real estate sold) are recognized in profit or loss upon utilization of the service or receipt of goods or at the date they are incurred.

2.16 Leases

The Group accounts for its leases as follows:

- (a) *Group as Lessee*

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

- (b) *Group as Lessor*

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

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

2.17 Impairment of Non-financial Assets

The Group's Investments in Associates, Goodwill (included as part of Other Non-current Assets), Investment Property and Property and Equipment are subject to impairment testing. All other individual assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, assets are tested for impairment either individually or at the cash-generating unit level.

Impairment loss is recognized for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of its fair value less costs-to-sell and its value in use. In determining value in use, management estimates the expected future cash flows from each cash-generating unit and determines the suitable interest rate in order to calculate the present value of those cash flows.

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

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2.18 Employee Benefits

(a) Defined Benefit Plan

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

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

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

Actuarial gains and losses are not recognized as an income or expense unless the total unrecognized gain or loss exceeds 10% of the greater of the obligation and related plan assets. The amount exceeding this 10% corridor is charged or credited to profit or loss over the employees' expected average remaining working lives. Actuarial gains and losses within the 10% corridor are disclosed separately. Past-service costs are recognized immediately in profit or loss, unless the changes to the post-employment plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortized on a straight-line basis over the vesting period.

(b) Termination Benefits

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

(c) Compensated Absences

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

2.19 Share-based Employee Remuneration

The Company grants share options to qualified employees of the Group eligible under a stock option plan. The services received in exchange for the grant, and the corresponding share options, are valued by reference to the fair value of the equity instruments granted at grant date. This fair value excludes the impact of non-market vesting conditions (for example profitability and sales growth targets and performance conditions), if any. The share-based remuneration is recognized as an expense in profit or loss and the corresponding share option is presented as Share Options Outstanding account in the equity section of the statement of financial position.

The expense is recognized during the vesting period based on the best available estimate of the number of share options expected to vest. The estimate is subsequently revised, if necessary, such that it equals the number that ultimately vests on vesting date. No subsequent adjustment is made to expense after vesting date, even if share options are ultimately not exercised.

Upon exercise of share option, the proceeds received net of any directly attributable transaction costs up to the nominal value of the shares issued are allocated to capital stock with any excess being recorded as additional paid-in capital (APIC), and the cost of the stock option under Share Options Outstanding account is reclassified to APIC.

2.20 Borrowing Costs

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

For income tax purposes, interest and other borrowing costs are charged to expense when incurred.

2.21 Income Taxes

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

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

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

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

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

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

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

2.22 Related Party Relationships and Transactions

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

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

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

2.23 Equity

Capital stock is determined using the nominal value of shares that have been issued.

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

Treasury stock are stated at the cost of re-acquiring such shares and are deducted from equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of.

Net unrealized gains (losses) on AFS securities represent gains or losses recognized due to changes in fair values of these assets.

Accumulated translation adjustments represent the translation adjustments resulting from the translation of foreign-currency denominated financial statements of certain foreign subsidiaries into the Group's functional and presentation currency.

Retained earnings represent all current and prior period results of operations as reported in the consolidated statement of income, reduced by the amounts of dividends declared.

2.24 Earnings Per Share

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

Diluted EPS is computed by adjusting the weighted average number of ordinary shares outstanding to assume conversion of potential dilutive common shares. Potential dilutive common shares as of December 31, 2012 refer to stock warrants not yet exercised. The Group does not have potential dilutive common shares as of December 31, 2011 and 2010.

2.25 Events after the Reporting Period

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

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

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

3.1 Critical Management Judgments in Applying Accounting Policies

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

(a) Impairment of Investments in AFS Securities

The determination when an investment is other-than-temporarily impaired requires significant judgment. In making this judgment, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and in operational and financing cash flows.

Based on the recent evaluation of information and circumstances affecting the Group's investments in AFS securities, management concluded that the assets are not impaired as of December 31, 2012 and 2011. Future changes in such information and circumstance might significantly affect the carrying amount of the assets.

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(b) *Distinction Among Investment Property, Owner-Occupied Properties and Land for Future Development*

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

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

(c) *Distinction between Operating and Finance Leases*

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

(d) *Recognition of Provisions and Contingencies*

Judgment is exercised by management to distinguish between provisions and contingencies. Accounting policies on recognition and disclosure of provision are discussed in Note 2.14 and disclosures on relevant provisions and contingencies are presented in Note 26.

3.2 Key Sources of Estimation Uncertainty

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

(a) *Revenue Recognition Using the Percentage-of-Completion Method*

The Group uses the percentage-of-completion method in accounting for its gross profit on real estate sales. The use of the percentage-of-completion method requires the Group to estimate the portion completed using relevant information such as costs incurred to date as a proportion of the total budgeted cost of the project and estimates by engineers and other experts. Should the proportion of the percentage of completed projects differ by 5% from management's estimates, the amount of revenue recognized in 2012 would have increased by P371.85 million or would have decreased by P352.93 million if the proportion performed decreased. There were no changes in the assumptions or basis for estimation during the year.

(b) *Determining Net Realizable Value of Residential and Condominium Units for Sale, Property Development Costs and Land for Future Development*

In determining the net realizable value of residential and condominium units for sale, property development costs and land for future development, management takes into account the most reliable evidence available at the times the estimates are made. The future realization of the carrying amounts of real estate for sale and property development costs is affected by price changes in the different market segments as well as the trends in the real estate industry. These are considered key sources of estimation and uncertainty and may cause significant adjustments to the Group's Residential and Condominium Units for Sale, Property Development Costs and Land for Future Development within the next financial year.

Considering the Group's pricing policy, the net realizable values of real estate units for sale are higher than their related costs.

The carrying values of the Group's Residential and Condominium Units for Sale, Property Development Costs, and Land for Future Development amounted to P28.9 billion, P8.6 billion and P4.3 billion, respectively, as of December 31, 2012 and P19.5 billion, P8.8 billion and P4.4 billion, respectively, as of December 31, 2011.

(c) *Fair Value Measurement of Investment Property*

Investment Property is measured using the cost model. The fair value disclosed in Note 11 to the consolidated financial statements is determined by the Group using the discounted cash flows valuation technique since the information on current or recent prices of investment property is not available. The Group uses assumptions that are mainly based on market conditions existing at each reporting period, such as: the receipt of contractual rentals; expected future market rentals; void periods; maintenance requirements; and appropriate discount rates. These valuations are regularly compared to actual market yield data and actual transactions by the Group and those reported by the market. The expected future market rentals are determined on the basis of current market rentals for similar properties in the same location and condition.

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

The Group estimates the useful lives of property and equipment and investment property based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment and investment property are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, estimation of the useful lives of property and equipment and investment property is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets.

The carrying amounts of Investment Property and Property and Equipment are disclosed in Notes 11 and 12, respectively. Based on management's assessment as at December 31, 2012 and 2011, there is no change in the estimated useful lives of these assets during those years. Actual results, however may vary due to changes in estimates brought by changes in factors mentioned above.

(e) *Impairment of Trade and Other Receivables*

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

The carrying value of trade and other receivables and the analysis of allowance for impairment on such financial assets are shown in Note 6.

(f) *Valuation of Financial Assets Other than Trade and Other Receivables*

The Group carries certain financial assets at fair value, which requires the extensive use of accounting estimates and judgment. In cases when active market quotes are not available, 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 base of the instrument. The amount of changes in fair value would differ had the Group utilized different valuation methods and assumptions. Any change in fair value of these financial assets and liabilities would affect profit and loss and equity. The carrying amounts of cash and cash equivalents, financial assets at FVTPL and AFS Securities and the amounts of fair value changes recognized during the years on those assets are disclosed in Notes 5, 7 and 8, respectively.

(g) *Determining Realizable Amount of Deferred Tax Assets*

The Group reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Management assessed that the balance of deferred tax assets as at December 31, 2012 and 2011 will be utilized within the next two to three years.

The carrying amount of the net deferred tax assets as of December 31, 2012 and 2011 is disclosed in Note 22.

(h) *Impairment of Non-financial Assets*

In assessing impairment, management estimates the recoverable amount of each asset or a cash-generating unit based on expected future cash flows and uses an interest rate to calculate the present value of those cash flows. Estimation uncertainties relates to assumptions about future operating results and the determination of suitable discount rate. Also, the Group's policy on estimating the impairment of non-financial assets is discussed in detail in Note 2.17. Though management believes that the assumptions used in the estimation of fair values reflected in the consolidated financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

There were no impairment losses required to be recognized in 2012 and 2011 based on management's assessment.

(i) *Valuation of Post-employment Benefit*

The determination of the Group's obligation and cost of post-employment benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 21.3 and include, among others, discount rates, expected return on plan assets, employee turnover and salary increase rate. In accordance with PFRS, actual results that differ from the assumptions are accumulated and amortized over future periods and, therefore, generally affect the recognized expense and recorded obligation in such future periods.

The amounts of retirement benefit obligation and expense and an analysis of the movements in the estimated present value of retirement benefit obligation are presented in Note 21.3.

(j) *Business Combinations*

On initial recognition, the assets and liabilities of the acquired business and the consideration paid for them are included in the consolidated financial statements at their fair values. In measuring fair value, management uses estimates of future cash flows and discount rates. Any subsequent change in these estimates would affect the amount of goodwill if the change qualifies as a measurement period adjustment. Any other change would be recognized in profit or loss in the subsequent period.

4. SEGMENT INFORMATION

4.1 Business Segments

The Group's operating businesses are organized and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The Group is engaged in the development of residential and office units including urban centers integrating office, residential and commercial components. The Real Estate segment pertains to the development and sale of residential and office developments. The Rental segment includes leasing of office and commercial spaces. The Hotel Operations segment relates to the management of hotel business operations. The Corporate and Others segment includes marketing services, general and corporate income and expense items. Segment accounting policies are the same as the policies described in Note 2.13. The Group generally accounts for intersegment sales and transfers as if the sales or transfers were to third parties at current market prices.

4.2 Segment Assets and Liabilities

Segment assets are allocated based on their physical location and use or direct association with a specific segment and they include all operating assets used by a segment and consist principally of operating cash, receivables, real estate inventories, property and equipment, and investment property, net of allowances and provisions. Similar to segment assets, segment liabilities are also allocated based on their use or direct association with a specific segment. Segment liabilities include all operating liabilities and consist principally of accounts, wages, taxes currently payable and accrued liabilities.

4.3 Intersegment Transactions

Segment revenues, expenses and performance include sales and purchases between business segments. Such sales and purchases are eliminated in consolidation.

4.4 Analysis of Segment Information

The following tables present revenue and profit information regarding industry segments for the years ended December 31, 2012, 2011 and 2010 and certain asset and liability information regarding segments at December 31, 2012, 2011 and 2010.

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2012

	<u>Real Estate</u>	<u>Rental</u>	<u>Hotel Operations</u>	<u>Corporate and Others</u>	<u>Elimination</u>	<u>Consolidated</u>
TOTAL REVENUES						
Sales to external customers	P 21,507,772,488	P 4,994,769,197	P 462,313,446	P 886,134,955	P -	P 27,850,990,086
Intersegment sales	-	110,085,770	-	222,831,481	(332,917,251)	-
Total revenues	<u>P 21,507,772,488</u>	<u>P 5,104,854,967</u>	<u>P 462,313,446</u>	<u>P 1,108,966,436</u>	<u>(P 332,917,251)</u>	<u>P 27,850,990,086</u>
RESULTS						
Segment results	<u>P 3,936,964,620</u>	<u>P 3,848,300,987</u>	<u>P 122,321,275</u>	<u>P 4,097,830</u>	<u>P 17,601,370</u>	P 7,929,286,082
Unallocated expenses						(84,337,571)
Interest income						1,840,964,871
Finance costs						(887,476,458)
Equity in net earnings of associates						794,347,508
Fair value gains – net						64,200,000
Dividend income						53,887,430
Foreign currency losses – net						(52,961,596)
Profit before tax						9,657,910,266
Tax expense						(2,250,736,998)
Net profit before non-controlling interests						7,407,173,268
Non-controlling interests' share in net profit						(113,102,786)
Net profit attributable to Company's shareholders						<u>P 7,294,070,482</u>
ASSETS AND LIABILITIES						
Segment assets	P 104,426,551,477	P 16,424,538,688	P 259,410,181	P 13,831,502,038	P -	P134,942,002,384
Investments in and advances to associates and other related parties - net	-	-	-	7,782,205,062	-	7,782,205,062
Total assets	<u>P 104,426,551,477</u>	<u>P 16,424,538,688</u>	<u>P 259,410,181</u>	<u>P 21,613,707,100</u>	<u>P -</u>	<u>P142,724,207,446</u>
Segment liabilities	<u>P 52,847,673,565</u>	<u>P 2,203,461,213</u>	<u>P 121,671,842</u>	<u>P 6,161,807,255</u>	<u>P -</u>	<u>P 61,334,613,875</u>
OTHER SEGMENT INFORMATION						
Project and capital expenditures						<u>P 24,001,473,831</u>

2011

	<u>Real Estate</u>	<u>Rental</u>	<u>Hotel Operations</u>	<u>Corporate and Others</u>	<u>Elimination</u>	<u>Consolidated</u>
TOTAL REVENUES						
Sales to external customers	P 19,076,553,675	P 3,826,341,215	P 392,171,105	P 3,023,156,092	P -	P 26,318,222,087
Intersegment sales	-	53,969,793	-	166,500,934	(220,470,727)	-
Total revenues	<u>P 19,076,553,675</u>	<u>P 3,880,311,008</u>	<u>P 392,171,105</u>	<u>P 3,189,657,026</u>	<u>(P 220,470,727)</u>	<u>P 26,318,222,087</u>
RESULTS						
Segment results	<u>P 3,532,707,027</u>	<u>P 2,903,020,448</u>	<u>P 99,220,101</u>	<u>P 2,184,832,849</u>	<u>P 25,888,853</u>	P 8,745,669,278
Unallocated expenses						(65,821,843)
Interest income						1,618,727,549
Finance costs						(818,237,019)
Equity in net earnings of associates						597,834,536
Foreign currency gains – net						65,503,537
Dividend income						32,661,662
Fair value gains (losses) – net						(7,851,631)
Profit before tax						10,168,486,069
Tax expense						(1,995,469,148)
Net profit before non-controlling interests and preacquisition income						8,173,016,921
Preacquisition income of a subsidiary						(17,326,952)
Non-controlling interests' share in net profit						(123,805,458)
Net profit attributable to Company's shareholders						<u>P 8,031,884,511</u>

(Forward)

	<u>Real Estate</u>	<u>Rental</u>	<u>Hotel Operations</u>	<u>Corporate and Others</u>	<u>Elimination</u>	<u>Consolidated</u>
ASSETS AND LIABILITIES						
Segment assets	P 93,027,684,187	P 13,098,763,945	P 261,591,040	P 15,861,523,363	P -	P122,249,562,535
Investments in and advances to associates and other related parties - net	-	-	-	6,745,964,129	-	6,745,964,129
Total assets	<u>P 93,027,684,187</u>	<u>P 13,098,763,945</u>	<u>P 261,591,040</u>	<u>P 22,607,487,492</u>	<u>P -</u>	<u>P128,995,526,664</u>
Segment liabilities	<u>P 46,802,707,496</u>	<u>P 1,853,118,305</u>	<u>P 111,753,205</u>	<u>P 7,455,842,379</u>	<u>P -</u>	<u>P 56,223,421,385</u>
OTHER SEGMENT INFORMATION						
Project and capital expenditures						<u>P 19,825,843,992</u>

2010

	<u>Real Estate</u>	<u>Rental</u>	<u>Hotel Operations</u>	<u>Corporate and Others</u>	<u>Elimination</u>	<u>Consolidated</u>
TOTAL REVENUES						
Sales to external customers	P 15,399,973,187	P 2,694,310,554	P 232,757,023	P 808,477,515	P -	P 19,135,518,279
Intersegment sales	-	52,014,865	-	179,885,935	(231,900,800)	-
Total revenues	<u>P 15,399,973,187</u>	<u>P 2,746,325,419</u>	<u>P 232,757,023</u>	<u>P 988,363,450</u>	<u>(P 231,900,800)</u>	<u>P 19,135,518,279</u>
RESULTS						
Segment results	<u>P 3,042,478,040</u>	<u>P 2,062,875,628</u>	<u>P 38,125,649</u>	<u>P 635,421,436</u>	<u>P 25,888,854</u>	P 5,804,789,634
Interest income						835,944,617
Finance costs						(516,440,321)
Equity in net earnings of associates						442,281,307
Fair value gains – net						83,500,000
Dividend income						40,630,134
Foreign currency gains – net						3,908,758
Profit before tax						6,694,614,129
Tax expense						(1,609,101,525)
Net profit before non-controlling interests						5,085,512,604
Non-controlling interests' share in net profit						(59,332,029)
Net profit attributable to Company's shareholders						<u>P 5,026,180,575</u>
ASSETS AND LIABILITIES						
Segment assets	P 63,241,644,678	P 5,919,037,407	P 178,376,810	P 14,019,131,426	P -	P 83,358,190,321
Investments in and advances to associates and other related parties - net	-	-	-	13,671,332,490	-	13,671,332,490
Total assets	<u>P 63,241,644,678</u>	<u>P 5,919,037,407</u>	<u>P 178,376,810</u>	<u>P 27,690,463,916</u>	<u>P -</u>	<u>P 97,029,522,811</u>
Segment liabilities	<u>P 32,027,981,425</u>	<u>P 1,530,032,850</u>	<u>P 78,854,006</u>	<u>P 4,873,517,893</u>	<u>P -</u>	<u>P 38,510,386,174</u>
OTHER SEGMENT INFORMATION						
Project and capital expenditures						<u>P 13,460,175,204</u>

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components as of December 31:

	<u>2012</u>	<u>2011</u>
Cash on hand and in banks	P 1,807,234,630	P 2,049,865,776
Short-term placements	<u>25,019,480,809</u>	<u>28,274,613,404</u>
	<u>P 26,826,715,439</u>	<u>P 30,324,479,180</u>

Cash in banks generally earn interest at rates based on daily bank deposit rates. Short-term placements are made for varying periods between 15 to 30 days and earn effective interest ranging from 3.66% to 4.13% in 2012 and 3.5% to 4.9% in 2011 (see Note 19).

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6. TRADE AND OTHER RECEIVABLES

This account is composed of the following:

	<u>2012</u>	<u>2011</u>
Current:		
Trade	P 13,228,178,001	P 15,414,359,792
Allowance for impairment	(18,364,972)	(18,458,087)
	13,209,813,029	15,395,901,705
Advances to contractors and suppliers	1,399,294,183	1,173,135,782
Others	736,593,641	609,413,603
	15,345,700,853	17,178,451,090
Non-current:		
Trade	23,924,555,970	20,207,201,820
Allowance for impairment	(12,224,936)	(12,224,936)
	23,912,331,034	20,194,976,884
Others	3,825,800	14,065,568
	23,916,156,834	20,209,042,452
	P 39,261,857,687	P 37,387,493,542

A reconciliation of the allowance for impairment at the beginning and end of 2012 and 2011 is shown below.

	<u>2012</u>	<u>2011</u>
Balance at beginning of year	P 30,683,023	P 3,324,211
Allowance carried from new subsidiaries (EELHI and SPI)	-	26,302,376
Impairment loss during the year	18,300	1,139,783
Write-off of trade receivables previously provided with allowance	(111,415)	(83,347)
Balance at end of year	P 30,589,908	P 30,683,023

The installment period of sales contracts averages to five years. Trade receivables are noninterest-bearing and are remeasured at amortized cost using the effective interest rate of 10%. Interest income recognized amounted to P1.3 billion in 2012, P1.2 billion in 2011 and P933.4 million in 2010; these amounts are presented as Interest Income on Real Estate Sales in the consolidated statements of income.

All trade receivables are subject to credit risk exposure. However, the Group does not identify specific concentrations of credit risk with regard to Trade and Other Receivables as the amounts recognized consist of a large number of receivables from various customers. Most receivables from trade customers are covered by postdated checks. Certain past due accounts are not provided with allowance for impairment to the extent of the expected market value of the property sold to the customer. The titles to the real estate properties remain with the Group until the receivables are fully collected.

The fair values of trade and other receivables are disclosed in Note 28.

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

This account consists of investments in equity securities which are presented at their fair values determined directly by reference to published prices quoted in the PSE as of December 31, 2012 and 2011. The changes in fair values of these financial assets are presented as Fair Value Gains (Losses) - net under Interest and Other Income - net account in the consolidated statements of income (see Note 19).

8. INVESTMENTS IN AVAILABLE-FOR-SALE SECURITIES

AFS securities comprise the following as of December 31:

	<u>2012</u>	<u>2011</u>
Equity securities	P 2,704,469,578	P 2,030,052,709
Debt securities	552,317,041	561,694,969
	P 3,256,786,619	P 2,591,747,678

The reconciliation of the carrying amounts of AFS securities are as follows:

	<u>2012</u>	<u>2011</u>
Balance at the beginning of year	P 2,591,747,678	P 6,211,184,496
Disposals	(138,241,416)	(2,997,737,000)
Gains (losses)	803,280,357	(621,699,818)
Balance at end of year	P 3,256,786,619	P 2,591,747,678

Equity securities significantly pertain to investments in a publicly-listed holding company with fair values determined directly by reference to published prices in the PSE while debt securities consist of U.S. dollar-denominated corporate bonds quoted in a foreign active market.

A portion of the Group's AFS equity securities amounting to P189.2 million as of December 31, 2012 and 2011 refers to unquoted equity securities of certain investee companies. These AFS equity securities have no quoted market price; hence, are carried at cost.

The aggregate cost of AFS Securities as of December 31, 2012 and 2011 amounted to P2.6 billion and P2.5 billion, respectively. The fair value gains or losses arising from these financial assets which comprised the movements in the carrying amounts of AFS, are reported as part of Net Unrealized Gains (Losses) on AFS Securities in the consolidated statements of comprehensive income.

The resulting gain from sale of investments in 2011 is presented as Gain on Sale of AFS Securities under Interest and Other Income - net account in the 2011 statement of income (see Note 19). There was no gain or loss on disposals made in 2012.

A portion of the AFS securities are owned by RHGI and EELHI, which are subsidiaries of the Company. Hence, the movements in the AFS Securities arising from fair value gains or losses are allocated to the Company's shareholders.

9. ADVANCES TO LANDOWNERS AND JOINT VENTURES

The Group enters into numerous joint venture agreements for the joint development of various projects. These are treated as jointly controlled operations; there were no separate entities created under these joint venture agreements. The joint venture agreements stipulate that the Group's joint venturer shall contribute parcels of land and the Group shall be responsible for the planning, conceptualization, design, demolition of existing improvements, construction, financing and marketing of residential and condominium units to be constructed on the properties. Costs incurred by the Group for these projects are recorded under the Property Development Costs account in the consolidated statements of financial position (see Note 2.6). The amounts of other related accounts are presented as part of the regular asset and liability accounts and income and expense accounts of the Group (see Note 2.3).

The Group also grants noninterest-bearing, secured cash advances to a number of landowners and joint ventures under agreements they entered into with landowners covering the development of certain parcels of land. Under the terms of the agreements, the Group, in addition to providing specified portion of total project development costs, also commits to advance mutually agreed-upon amounts to the landowners to be used for pre-development expenses such as the relocation of existing occupants.

Repayment of these advances shall be made upon completion of the project development either in the form of the developed lots corresponding to the owner's share in saleable lots or in the form of cash to be derived from the sales of the landowner's share in the saleable lots and residential and condominium units.

Total amount of advances made by the Group less repayments, is presented as part of the Advances to Landowners and Joint Ventures account in the consolidated statements of financial position.

The net commitment for cash advances under the joint venture agreements amounts to:

	<u>2012</u>	<u>2011</u>
Total commitment for cash advances	P -	P 20,000,000
Total cash advances granted	<u>-</u>	<u>(20,000,000)</u>
Net Commitment	<u>P -</u>	<u>P -</u>

The net commitment for construction expenditures amounts to:

	<u>2012</u>	<u>2011</u>
Total commitment for construction expenditures	P 9,580,606,292	P 7,973,154,005
Total expenditures incurred	<u>(6,797,658,256)</u>	<u>(5,732,041,177)</u>
Net commitment	<u>P 2,782,948,036</u>	<u>P 2,241,112,828</u>

The Group's interests in jointly-controlled operations and projects range from 73% to 95% in 2012 and 2011. The listing and description of the Group's jointly controlled projects are as follows:

Company:

- McKinley Hills
- Newport City
- Manhattan Parkway Residences
- Greenbelt Excelsior
- Forbeswood Heights
- Forbeswood Parklane 1 & 2
- The Noble Place

EELHI:

- Pioneer Woodlands
- San Lorenzo Place
- Various Metro Manila and Calabarzon projects

SPI:

- Adriatico Gardens
- Capitol Plaza
- Governor's Hill
- Mandara
- Sta. Rosa Heights
- Sta. Rosa Hills
- Sentosa

The aggregate amounts of the current assets, long-term assets, current liabilities, long-term liabilities, income and expenses as of December 31, 2012 and 2011 and for each of the three years in the period ended December 31, 2012 related to the Group's interests in joint ventures are not presented or disclosed as the joint ventures in which the Group is involved are not jointly-controlled entities (see Note 2.3).

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As of December 31, 2012 and 2011, the Group either has no other contingent liabilities with regard to these joint ventures or has assessed that the probability of loss that may arise from contingent liabilities is remote.

10. INVESTMENTS IN AND ADVANCES TO ASSOCIATES AND OTHER RELATED PARTIES

10.1 Breakdown of Carrying Values

The details of investments in and advances to associates and other related parties, are as follows:

	% Interest Held (see Note 1)	2012	2011
Investments in associates – at equity			
Acquisition costs:			
SHDI	42.48%	P 875,445,000	P 875,445,000
MGEI	40.00%	5,000,000	5,000,000
PTHDC	40.00%	64,665,000	64,665,000
AGPL	39.44%	2,463,056,417	2,463,056,417
GPMAL	37.23%	86,830,455	-
TLC	19.00%	1,248,571,429	-
TIHGI	10.00%	141,590,000	570,000,000
		4,885,158,301	3,978,166,417
Accumulated equity in net earnings:			
Balance at beginning of year		207,621,276	1,826,240,632
Equity share in net earnings for the year		794,347,508	597,834,536
Share in other comprehensive income (loss)		1,092,535	(147,365)
Reversal resulting from the consolidation of EELHI and GPMAL		-	(2,216,306,527)
Balance at end of year		1,003,061,319	207,621,276
Advances to associates and other related parties (see Note 23.3)		1,893,985,442	2,560,176,436
		P 7,782,205,062	P 6,745,964,129

In 2012, the Company acquired 19% ownership in TLC. TLC became an associate as the Company is able to exert significant influence over TLC's operations through the 4 out of the 10 directors of TLC who are also members of the BOD of the Company.

In 2012, TIHGI redeemed 428.41 million preferred shares held by the Company at a par value of P1 per share. There are no outstanding receivables as of December 31, 2012 arising from TIHGI's redemption of preferred shares held by the Company. There was no change in the Group's share of ownership in TIHGI as a result of the said redemption. Despite the 10% ownership, the Company considers TIHGI as an associate as it is able to exert significant influence over TIHGI through the two out of the five directors of TIHGI who are also members of the Company's BOD.

In 2011, EELHI, SPI and GPMAL became subsidiaries of the Company (see Note 1). The increase in ownership in EELHI from 48.38% to 61.13% in 2011 resulted in the consolidation of the entity and increase in non-controlling interests and also in the presentation of the amount of preacquisition income in the consolidated statement of income. In 2011, the Company's indirect ownership in GPMAL also increased to 46.45% through the Company's increased ownership interest in EELHI, which has a 52% ownership in GPMAL. Consequently, GPMAL is also treated as a subsidiary of the Company in 2011. In 2012, however, GPMAL ceased to be a subsidiary of both EELHI and the Company (see Note 1).

The shares of stock of SHDI are listed in the PSE. The total quoted or market value of investments in this associate amounted to P516.1 million and P498.0 million as of December 31, 2012 and 2011, respectively, compared to its carrying value of P123.7 million and P124.5 million, respectively. The related book values of the Group's holdings in all other associates are in excess of their carrying values; hence, management deemed that the recognition of impairment loss is not necessary. The fair values of all other investments in associates are not available.

The balance of the Accumulated Equity in Net Earnings of P1.0 billion and P207.6 million as of December 31, 2012 and 2011, respectively, which is mainly lodged in the Group's Retained Earnings as of those dates, is not available for dividend declaration.

10.2 Summarized Financial Information

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

	Assets	Liabilities	Revenues	Net Profit (Loss)
2012:				
SHDI	P 153,559,159	P 45,232,263	P 1,318,257	(P 1,838,513)
MGEI	12,275,979	50,582	392,240	192,136
PTHDC	1,136,626,722	1,004,828,741	71,301	(327,871)
AGPL	6,380,453,088	6,848,129	431,546,120	404,975,974
GPMAL	632,627,552	12,044,026	-	(93,998,746)
TLC	5,525,542,334	1,394,926,449	13,734,389	(43,885,015)
TIHGI	47,996,781,321	26,710,158,052	29,078,020,445	6,734,216,200
	P 61,837,866,155	P 29,174,088,242	P 29,525,082,752	P 6,999,334,165

2011:				
SHDI	P	155,088,710	P	44,923,301
PTHDC		1,137,402,691		1,005,276,839
MGEI		12,032,991		-
AGPL		6,043,588,479		8,263,874
TIHGI		45,595,379,043		26,801,261,974
		<u>P</u>	<u>P</u>	<u>P</u>
		52,943,491,914	27,859,725,988	26,658,943,008
				<u>P</u>
				5,130,675,475

11. INVESTMENT PROPERTY

The gross carrying amounts and accumulated depreciation of investment property at the beginning and end of 2012 and 2011 are shown below.

		<u>Land</u>	<u>Buildings</u>	<u>Condominium Units</u>	<u>Total</u>			
December 31, 2012								
Cost	P	1,412,634,527	P	8,115,587,002	P	9,694,515,537	P	19,222,737,066
Accumulated depreciation		<u>-</u>	<u>(1,518,791,093)</u>	<u>(1,071,910,310)</u>	<u>(2,590,701,403)</u>			
Net carrying amount		<u>P 1,412,634,527</u>	<u>P 6,596,795,909</u>	<u>P 8,622,605,227</u>	<u>P 16,632,035,663</u>			
December 31, 2011								
Cost	P	1,412,634,527	P	7,960,842,147	P	4,977,714,772	P	14,351,191,446
Accumulated depreciation		<u>-</u>	<u>(1,191,162,815)</u>	<u>(787,737,966)</u>	<u>(1,978,900,781)</u>			
Net carrying amount		<u>P 1,412,634,527</u>	<u>P 6,769,679,332</u>	<u>P 4,189,976,806</u>	<u>P 12,372,290,665</u>			
January 1, 2011								
Cost	P	1,412,634,527	P	5,878,941,281	P	3,954,063,399	P	11,245,639,207
Accumulated depreciation		<u>-</u>	<u>(930,323,176)</u>	<u>(598,785,986)</u>	<u>(1,529,109,162)</u>			
Net carrying amount		<u>P 1,412,634,527</u>	<u>P 4,948,618,105</u>	<u>P 3,355,277,413</u>	<u>P 9,716,530,045</u>			

A reconciliation of the carrying amounts at the beginning and end of 2012 and 2011 of investment property is shown below.

		<u>Land</u>	<u>Buildings</u>	<u>Condominium Units</u>	<u>Total</u>			
Balance at January 1, 2012, net of accumulated depreciation	P	1,412,634,527	P	6,769,679,332	P	4,189,976,806	P	12,372,290,665
Additions		-		154,744,855		4,716,800,765		4,871,545,620
Depreciation charges for the year		<u>-</u>	<u>(327,628,278)</u>	<u>(284,172,344)</u>	<u>(611,800,622)</u>			
Balance at December 31, 2012, net of accumulated depreciation		<u>P 1,412,634,527</u>	<u>P 6,596,795,909</u>	<u>P 8,622,605,227</u>	<u>P 16,632,035,663</u>			
Balance at January 1, 2011, net of accumulated depreciation	P	1,412,634,527	P	4,948,618,105	P	3,355,277,413	P	9,716,530,045
Additions		-		1,831,474,260		1,042,662,947		2,874,137,207
Transfers		-		-		(19,011,574)		(19,011,574)
Investment property of a deconsolidated subsidiary		-		250,426,606		-		250,426,606
Depreciation charges for the year		<u>-</u>	<u>(260,839,639)</u>	<u>(188,951,980)</u>	<u>(449,791,619)</u>			
Balance at December 31, 2011, net of accumulated depreciation		<u>P 1,412,634,527</u>	<u>P 6,769,679,332</u>	<u>P 4,189,976,806</u>	<u>P 12,372,290,665</u>			

Investment property with carrying values of P0.9 billion and P2.2 billion as of December 31, 2012 and 2011, respectively, are used as collateral by the Group for its various loans obtained from local banks (see Note 14).

Rental income earned from these properties amount to P5.0 billion, P3.8 billion and P2.7 billion in 2012, 2011 and 2010, respectively, and is shown as Rental Income in the consolidated statements of income. The direct operating costs, exclusive of depreciation, incurred by the Group relating to these investment property amounted to P174.31 million in 2012, P135.08 million in 2011 and P91.4 million in 2010. The operating lease commitments of the Group as a lessor are fully disclosed in Note 26.1.

The fair market values of these properties are P85.5 billion and P73.8 billion as of December 31, 2012 and 2011, respectively. These are determined by calculating the present value of the cash inflows anticipated until the end of the life of the investment property using a discount rate of 10% in 2012 and 2011.

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12. PROPERTY AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization of property and equipment at the beginning and end of 2012 and 2011 are shown below.

	<u>Condominium Units</u>	<u>Office Furniture, Fixtures and Equipment</u>	<u>Office and Land Improvements</u>	<u>Transportation Equipment</u>	<u>Land</u>	<u>Total</u>
December 31, 2012						
Cost	P 786,366,715	P 364,319,866	P 161,106,262	P 133,312,797	P 81,095,000	P 1,526,200,640
Accumulated depreciation and amortization	(522,192,653)	(222,366,914)	(97,063,452)	(87,611,943)	-	(929,234,962)
Net carrying amount	<u>P 264,174,062</u>	<u>P 141,952,952</u>	<u>P 64,042,810</u>	<u>P 45,700,854</u>	<u>P 81,095,000</u>	<u>P 596,965,678</u>
December 31, 2011						
Cost	P 707,071,366	P 295,154,303	P 146,350,111	P 99,645,611	P 81,095,000	P 1,329,316,391
Accumulated depreciation and amortization	(463,382,815)	(180,626,286)	(82,351,477)	(62,096,083)	-	(788,456,661)
Net carrying amount	<u>P 243,688,551</u>	<u>P 114,528,017</u>	<u>P 63,998,634</u>	<u>P 37,549,528</u>	<u>P 81,095,000</u>	<u>P 540,859,730</u>
January 1, 2011						
Cost	P 629,423,370	P 208,009,574	P 125,515,520	P 73,056,949	P -	P 1,036,005,413
Accumulated depreciation and amortization	(419,607,035)	(137,705,039)	(68,848,502)	(49,326,636)	-	(675,487,212)
Net carrying amount	<u>P 209,816,335</u>	<u>P 70,304,535</u>	<u>P 56,667,018</u>	<u>P 23,730,313</u>	<u>P -</u>	<u>P 360,518,201</u>

A reconciliation of the carrying amounts at the beginning and end of 2012 and 2011 of property and equipment is shown below.

	<u>Condominium Units</u>	<u>Office Furniture, Fixtures and Equipment</u>	<u>Office and Land Improvements</u>	<u>Transportation Equipment</u>	<u>Land</u>	<u>Total</u>
Balance at January 1, 2012, net of accumulated depreciation and amortization	P 243,688,551	P 114,528,017	P 63,998,634	P 37,549,528	P 81,095,000	P 540,859,730
Additions	79,295,349	69,142,747	14,784,675	38,715,624	-	201,938,395
Reclassification	-	28,524	(28,524)	-	-	-
Disposals	-	(5,708)	-	(5,048,438)	-	(5,054,146)
Depreciation and amortization charges for the year	(58,809,838)	(41,740,628)	(14,711,975)	(25,515,860)	-	(140,778,301)
Balance at December 31, 2012, net of accumulated depreciation and amortization	<u>P 264,174,062</u>	<u>P 141,952,952</u>	<u>P 64,042,810</u>	<u>P 45,700,854</u>	<u>P 81,095,000</u>	<u>P 596,965,678</u>
Balance at January 1, 2011, net of accumulated depreciation and amortization	P 209,816,335	P 70,304,535	P 56,667,018	P 23,730,313	P -	P 360,518,201
Additions	21,209,000	49,572,739	6,886,910	9,797,777	-	87,466,426
Disposals	-	(3,613,201)	(3,026,364)	(2,383,407)	-	(9,022,972)
Property and equipment of newly-acquired subsidiaries	56,783,508	41,185,190	16,974,045	22,709,850	81,095,000	218,747,593
Depreciation and amortization charges for the year	(44,120,292)	(42,921,246)	(13,502,975)	(16,305,005)	-	(116,849,518)
Balance at December 31, 2011, net of accumulated depreciation and amortization	<u>P 243,688,551</u>	<u>P 114,528,017</u>	<u>P 63,998,634</u>	<u>P 37,549,528</u>	<u>P 81,095,000</u>	<u>P 540,859,730</u>

Depreciation and amortization is presented as part of operating expenses account (see Note 18).

The Group's fully depreciated assets that are still being used amounted to P354.0 million and P322.0 million as of December 31, 2012 and 2011, respectively.

None of the Group's Property and Equipment are used as collateral for its interest-bearing loans and borrowings.

13. OTHER NON-CURRENT ASSETS

This account consists of:

	<u>2012</u>	<u>2011</u>
Goodwill	P 343,095,101	P 343,095,101
Guarantee and other deposits	295,356,231	251,854,749
Miscellaneous	19,521,266	14,097,984
	<u>P 657,972,598</u>	<u>P 609,047,834</u>

Goodwill is subject to impairment testing at least annually. No impairment losses were recognized in 2012 and 2011.

Guarantee deposits pertain mainly to payments made for compliance with construction requirements in relation to the Group's real estate projects.

14. INTEREST-BEARING LOANS AND BORROWINGS

Interest-bearing Loans and Borrowings account represents the following loans of the Group as of December 31:

	<u>2012</u>	<u>2011</u>
Current:		
Company	P 1,203,380,952	P 1,203,380,952
EELHI	152,989,611	221,870,556
SPI	231,223,837	470,822,754
ECOC	-	54,041,138
	<u>1,587,594,400</u>	<u>1,950,115,400</u>
Non-current:		
Company	3,667,833,333	4,871,214,286
SPI	1,005,842,266	702,883,979
EELHI	236,893,851	417,377,123
	<u>4,910,569,450</u>	<u>5,991,475,388</u>
	<u>P 6,498,163,850</u>	<u>P 7,941,590,788</u>

14.1 Company

In 2008, the Company signed a financing deal with a local bank under which the Company may avail of a P5.0 billion unsecured loan, divided into Tranche A (P3.5 billion) and Tranche B (P1.5 billion). The Company had availed of P4.5 billion out of the P5.0 billion facility in 2008 while the remaining P500.0 million was availed of in 2009. The proceeds of the loan were used to fund the development of the Group's various real estate projects. The loan is payable in seven years with a grace period of two years, divided into 21 consecutive equal quarterly payments. Interest is payable every quarter based on the Philippine Dealing System Treasury Fixing rate (PDSTF-R) plus a certain spread. The outstanding balance pertaining to these loans amounted to P2.62 billion and P3.57 billion as of December 31, 2012 and 2011, respectively.

In February 2009, the Company issued unsecured corporate notes to several financial institutions in the aggregate principal amount of P1.4 billion which will mature in seven years from the issue date. The principal repayments on this loan commenced in February 2010 and interest is paid semi-annually based on a fixed 9.0% annual interest rate. The outstanding balance pertaining to this loan amounted to P1.35 billion and P1.37 billion as of December 31, 2012 and 2011, respectively.

Also, in May 2009, the Company obtained an unsecured long-term loan from a local bank amounting to P500.0 million. The loan is payable for a term of seven years and interest is payable semi-annually based on a floating six-month PDSTF-R plus a certain spread, subject to semi-annual reprising. The outstanding balance pertaining to this loan amounted to P482.5 million and P487.5 million as of December 31, 2012 and 2011, respectively.

The remaining portion of the loans payable by the Company pertains to the balance of a long-term loan obtained in 2003 from a local bank with an original amount of P950.0 million which is payable in 10 years, inclusive of a three-year grace period on principal payments. Interest is payable every quarter based on 91-day treasury bill plus a certain spread. The Company also obtained an additional loan with original amount of P387 million in 2005 and P403.0 million in 2006 from the same local bank subject to the same terms and conditions. The outstanding balance pertaining to this loan amounted to P418.7 million and P650.7 million as of December 31, 2012 and 2011, respectively. Collateral for the loans consisted of a mortgage over certain investment property of the Company with carrying value of P43.5 million and P46.7 million as of December 31, 2012 and 2011, respectively (see Note 11).

14.2 EELHI

EELHI has outstanding secured and unsecured loans from local banks amounting to 389.9 million. The loans bear annual interest rates ranging from 7.8% to 9.5% in 2012 and 7.9% to 10.5% in 2011. Certain investment property with an estimated carrying value of P861.1 million and P1.6 billion as of December 31, 2012 and 2011, respectively, are used as collateral for these bank loans (see Note 11).

Bank loans of EELHI also include amounts arising from trade receivables discounted on a with-recourse basis amounting to 332.7 million (see Note 6). Included also in the balance is the portion of a P400.0 million loan obtained in 2006. This loan bears annual interest of 10.5%. The principal amount is payable in seven equal annual amortization beginning March 15, 2007. Outstanding balances relating to these loans amounted to P389.9 million and P639.2 million as of December 31, 2012 and 2011, respectively.

14.3 SPI

In 2011, SPI availed of a short-term loan from a local bank amounting to P400.0 million with an annual interest rate of 5.5% payable upon maturity in 2012. The loan was fully settled in 2012. In 2012, the Company also availed of long-term loans from a local bank amounting to P330.0 million. These unsecured loans, which will mature in 2016, bear an annual interest of 5.5%.

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SPI partially manages its cash flows for use in operations through discounting its trade receivables on a with-recourse basis with certain local banks. The outstanding loans to the banks arising from receivables assigned as of 31, 2012 and 2011 amounted to P907.1 million and P773.7 million, respectively, and is shown as part of Interest-bearing Loans and Borrowings account in the statements of financial position.

14.4 ECOC

The amount payable by ECOC pertains to the balance of a long-term loan facility obtained in 2002 with an original amount of U.S.\$25 million (approximately P1.3 billion) from a foreign financial institution. The proceeds of the loan were used in the construction of several information technology buildings at the Eastwood CyberPark which is operated by ECOC. The drawdown from the loan facility amounting to U.S.\$20 million (P1.0 billion) was made on October 15, 2002. The loan was payable in 10 years, inclusive of a two-and-a-half year grace period on principal payment. Interest was payable every six months at London Inter-bank Offer Rate plus certain spread. Collaterals for the loan consisted of a mortgage over ECOC's certain Investment Property amounting to P553.1 million, and a full guarantee from the Company. The said loan was fully settled in 2012 and the related mortgage was released.

Finance costs arising from the above loans and borrowings that are directly attributable to construction of the Group's projects are capitalized as part of Residential and Condominium Units for Sale and Property Development Costs. The remaining interest costs are expensed outright.

Total finance costs attributable to all the loans of the Group amounted to P509.18 million and P596.8 million in 2012 and 2011, respectively. Of these amounts, portion expensed is presented as part of Finance Costs under Interest and Other Charges - net in the consolidated statements of income (see Note 20). Interest capitalized in 2012 and 2011 amounted to P183.0 million and P355.6 million, respectively. Capitalization rate used in determining the amount of interest charges qualified for capitalization is 6.73% in 2012 and 8.29% in 2011.

15. BONDS PAYABLE

On April 15, 2011, the Group issued seven-year term bonds totaling U.S.\$200 million. The bonds bear interest at 6.75% per annum payable semi-annually in arrears every April 15 and October 15 each year starting October 15, 2011. The bonds will mature on April 15, 2018. Also, on November 18, 2009, the Group issued P5.0 billion fixed rate unsecured bonds with a term of five years and six months which bear an interest of 8.46% per annum. The bonds were issued at par and will be redeemed at 100% of the face value on maturity date. The proceeds received are being used by the Group to finance its capital expenditures from 2009 up to 2013 mainly for the development of its real estate projects.

On August 4, 2006, the Group issued five-year term bonds totaling U.S.\$100 million at a discount of U.S.\$1.5 million. The bonds bear interest at 7.875% per annum payable semi-annually in arrears every February 4 and August 4 of each year, starting on February 4, 2007. The bond matured and was fully settled in August 2011.

Total interest incurred on these bonds amounted to P984.3 million in 2012 and P1.0 billion in 2011, of which portions capitalized amounted to P423 million in 2012 and 2011. The remaining amounts are expensed and presented as part of Finance Costs under Interest and Other Charges in the consolidated statement of income (see Note 20). Capitalization rate used in determining the amount of interest charges qualified for capitalization is 8.46% both in 2012 and 2011.

16. TRADE AND OTHER PAYABLES

This account consists of:

	<u>2012</u>	<u>2011</u>
Trade payables	P 5,081,234,403	P 5,241,397,638
Retention payable	2,084,707,464	1,349,444,587
Accrued interest	292,296,901	303,706,055
Accrued construction cost	72,057,733	64,837,800
Miscellaneous	369,720,811	337,580,414
	<u>P 7,900,017,312</u>	<u>P 7,296,966,494</u>

Trade payables mainly represent obligations to subcontractors and suppliers of construction materials for the Group's projects.

Retention payable pertains to amount withheld from payments made to contractors to ensure compliance and completion of contracted projects equivalent to 10% of every billing made by the contractor. Upon completion of the contracted projects, the amounts are returned to the contractors.

Miscellaneous payable consist primarily of withholding taxes payable and accrual of salaries and wages and utilities.

17. OTHER LIABILITIES

This account consists of:

	<u>2012</u>	<u>2011</u>
Current:		
Unearned revenues	P 1,463,820,018	P 1,601,422,726
Deferred rental income	246,307,507	27,698,235
Other payables	2,667,317	78,553,002
	<u>1,712,794,842</u>	<u>1,707,673,963</u>
Non-current -		
Deferred rental income	2,058,307,552	1,943,654,006
	<u>P 3,771,102,394</u>	<u>P 3,651,327,969</u>

18. OPERATING EXPENSES

Presented below are the details of this account.

	Notes	2012	2011	2010
Salaries and employee benefits	21	P 940,407,850	P 775,558,589	P 437,045,219
Commission		940,106,924	934,748,085	467,977,819
Depreciation and amortization	11, 12	752,578,923	566,641,137	443,203,639
Advertising and promotions		643,939,022	572,052,650	189,619,585
Utilities and supplies		338,239,281	215,840,286	141,065,957
Rent		264,382,431	163,714,850	60,263,992
Professional fees and outside services		225,648,686	176,664,004	68,426,284
Transportation		223,735,372	142,590,321	103,626,296
Taxes and licenses		172,504,165	196,304,569	110,188,073
Association dues		188,226,417	103,023,327	51,261,055
Miscellaneous		244,424,584	269,087,243	67,547,715
		<u>P 4,934,193,655</u>	<u>P 4,116,225,061</u>	<u>P 2,140,225,634</u>

19. INTEREST AND OTHER INCOME

Presented below are the details of this account.

	2012	2011	2010
Interest income from cash and cash equivalents and others	P 1,840,964,871	P 1,618,727,549	P 835,944,617
Construction income	130,162,337	138,492,457	101,962,175
Commission income	112,417,366	73,432,592	352,578
Fair value gains (losses) – net	64,200,000	(7,851,631)	83,500,000
Dividend income	53,887,430	32,661,662	40,630,134
Foreign currency gains (losses) – net	(52,961,596)	65,503,537	3,908,758
Gain on sale of AFS securities	-	2,242,526,309	646,720,788
Miscellaneous – net	643,555,234	568,704,735	59,441,974
	<u>P 2,792,225,642</u>	<u>P 4,732,197,210</u>	<u>P 1,772,461,024</u>

Miscellaneous income refers to forfeited deposits, collections, marketing fees and others.

20. INTEREST AND OTHER CHARGES

Presented below are the details of this account.

	2012	2011	2010
Finance costs	P 887,476,458	P 818,237,019	P 516,440,321
Loss on write-off and impairment of property development cost	61,518,212	-	-
Miscellaneous – net	95,396,369	85,289,416	27,960,793
	<u>P 1,044,391,039</u>	<u>P 903,526,435</u>	<u>P 544,401,114</u>

Finance costs mainly pertain to interest incurred from the bonds payable and interest-bearing loans and borrowings (see Notes 14 and 15).

Miscellaneous pertains to amortization of discounts on security deposits, bank charges and other related fees.

21. EMPLOYEE BENEFITS

21.1 Salaries and Employee Benefits

Expenses recognized for salaries and employee benefits are presented below (see Note 18).

	2012	2011	2010
Short-term benefits	P 819,561,121	P 697,892,237	P 399,773,554
Post-employment benefits	120,846,729	77,666,352	37,271,665
	<u>P 940,407,850</u>	<u>P 775,558,589</u>	<u>P 437,045,219</u>

21.2 Employee Stock Option Plan

On November 27, 2012 and December 21, 2012, the Company granted stock options to qualified employees of the Group, giving them the right to subscribe to a total of 190 million and 55 million common shares of the Company at the exercise price of P1.77 and P1.89 per share, respectively. The employee stock options shall generally vest on the 60th birthday of the option holder and may be exercised until the date of his or her retirement from the Group. Based on management assessment, the amount of employee benefits relative to the stock option is not significant to the consolidated financial statements in 2012; hence, the Group will accrue for such granted employee benefits starting 2013 and throughout the vesting period of the stock options granted.

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21.3 Post-employment Benefit

The Group maintains a funded, tax-qualified, non-contributory retirement plan that is being administered by a trustee covering all regular full-time employees. Actuarial valuations are made annually to update the retirement benefit costs and the amount of contributions.

The amounts of retirement benefit obligation, presented as non-current liability in the consolidated statements of financial position, are determined as follows:

	<u>2012</u>	<u>2011</u>
Present value of the obligation	P 716,070,125	P 557,555,467
Fair value of plan assets	(89,869,629)	(76,027,689)
Deficiency of plan assets	626,200,496	481,527,778
Unrecognized past service costs	(14,971,655)	(3,656,813)
Unrecognized actuarial losses	(221,026,885)	(192,449,225)
	<u>P 390,201,956</u>	<u>P 285,421,740</u>

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

	<u>2012</u>	<u>2011</u>
Balance at beginning of year	P 557,555,467	P 209,714,448
Current service costs	85,607,785	54,081,117
Actuarial losses	40,829,191	150,015,737
Balance carried from new subsidiaries (EELHI and SPI)	-	121,158,535
Interest costs	33,193,412	25,966,462
Benefits paid	(1,115,730)	(3,380,832)
Balance at end of year	<u>P 716,070,125</u>	<u>P 557,555,467</u>

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

	<u>2012</u>	<u>2011</u>
Balance at beginning of year	P 76,027,689	P 53,207,861
Contributions paid into the plan	12,000,000	13,900,000
Benefits paid	(1,115,730)	(3,380,832)
Expected return on plan assets	4,243,265	3,316,664
Additions due to consolidation of EELHI and SPI	-	3,104,807
Actuarial gain (loss)	(1,285,595)	5,879,189
Balance at end of year	<u>P 89,869,629</u>	<u>P 76,027,689</u>

The Group's plan assets as of December 31, 2012 and 2011 are solely in the form of cash and cash equivalents which are being administered by a trustee. The contributions to the plan are made annually by the Group based on availability of funds. The Group expects to pay P12.0 million in contributions to the retirement benefit plans in 2013.

The amounts of retirement benefits expense recognized in the consolidated statements of income are as follows:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Current service costs	P 85,607,785	P 54,081,117	P 23,934,917
Net actuarial losses recognized during the year	6,089,217	735,957	676,151
Interest costs	33,193,412	25,966,462	15,086,241
Expected return on plan assets	(4,243,265)	(3,316,764)	(2,425,644)
Past service cost	199,580	199,580	-
	<u>P 120,846,729</u>	<u>P 77,666,352</u>	<u>P 37,271,665</u>

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

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Present value of the obligation	P 716,070,125	P 557,555,467	P 209,714,448	P 163,802,833	P 91,871,990
Fair value of plan assets	(89,869,629)	(76,027,689)	(53,207,861)	(40,427,396)	(26,200,243)
Deficiency of plan assets	<u>P 626,200,496</u>	<u>P 481,527,778</u>	<u>P 156,506,587</u>	<u>P 123,375,437</u>	<u>P 65,671,747</u>

In determining the amount of retirement benefit obligation, the following actuarial assumptions were used:

	<u>2012</u>	<u>2011</u>
Discount rates	5.6 %	8.0%
Expected rate of return on plan assets	8.0 %	6.0%
Expected rate of salary increases	10.0 %	10.0%

Assumptions regarding future mortality are based on published statistics and mortality tables. The average life expectancy of an individual retiring at the age of 65 is 29 for both males and females.

22. TAXES

The components of tax expense as reported in the consolidated statements of income and consolidated statements of comprehensive income are as follows:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
<i>Reported in consolidated statements of income:</i>			
Current tax expense:			
Regular corporate income tax (RCIT) at 30%	P 1,341,243,457	P 1,054,538,463	P 813,802,554
Final tax at 20% and 7.5%	171,404,904	181,904,031	111,933,084
Minimum corporate income tax (MCIT) at 2%	318,062	1,029,759	425,765
Special tax rate at 5%	-	18,802,816	19,479,041
	<u>1,512,966,423</u>	<u>1,256,275,069</u>	<u>945,640,444</u>
Deferred tax expense relating to origination and reversal of temporary differences	<u>737,770,575</u>	<u>739,194,079</u>	<u>663,461,081</u>
	<u>P 2,250,736,998</u>	<u>P 1,995,469,148</u>	<u>P 1,609,101,525</u>
<i>Reported in consolidated statements of comprehensive income –</i>			
Deferred tax income relating to origination and reversal of temporary differences	<u>(P 70,795,068)</u>	<u>(P 3,842,636)</u>	<u>(P 55,967,408)</u>

A reconciliation of tax on pretax profit computed at the applicable statutory rates to income tax expense reported in the consolidated statements of income is as follows:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Tax on pretax profit at 30%	P 2,897,373,080	P 3,045,347,735	P 2,008,384,239
Adjustment for income subjected to lower income tax rates	(528,127,818)	(310,945,790)	(152,228,235)
Tax effects of:			
Non-taxable income	(526,514,475)	(1,215,511,134)	(462,560,168)
Non-deductible expenses	386,505,896	461,886,444	214,450,368
Non-deductible interest expense	18,208,891	5,576,527	49,245,102
Excess of optional standard deduction over itemized deductions	(11,665,340)	(4,906,889)	(5,784,318)
Unrecognized deferred tax assets	6,666,883	2,789,101	10,225,726
Net operating loss carry over (NOLCO)	5,058,368	10,266,270	1,000,962
Dividend income	(11,445)	(1,858,980)	(52,444,145)
Miscellaneous	<u>3,242,958</u>	<u>2,825,864</u>	<u>(1,188,006)</u>
Tax expense	<u>P 2,250,736,998</u>	<u>P 1,995,469,148</u>	<u>P 1,609,101,525</u>

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

	<u>2012</u>	<u>2011</u>
<i>Deferred tax assets:</i>		
Accrued rental expense	P 15,703,397	P 35,829
Allowance for impairment of receivables	9,176,972	-
Retirement benefit obligation	7,591,689	3,818,787
MCIT	651,213	-
NOLCO	-	2,881,547
Others	<u>9,136,351</u>	<u>597,416</u>
	<u>P 42,259,622</u>	<u>P 7,333,579</u>
<i>Deferred tax liabilities:</i>		
Uncollected gross profit	P 4,745,139,010	P 4,184,468,051
Capitalized interest	967,478,399	785,595,394
Difference between the tax reporting base and financial reporting base of:		
- Investment property	219,416,534	163,048,030
- Property and equipment	(19,249,915)	(19,520,145)
Uncollected rental income	126,978,198	76,840,485
Accrued retirement cost	(116,694,851)	(55,361,532)
Translation adjustments	(102,276,919)	(31,481,851)
Bond issuance cost	20,754,688	23,908,448
Others	<u>(26,748,067)</u>	<u>(14,601,353)</u>
	<u>P 5,814,797,077</u>	<u>P 5,112,895,527</u>

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The components of deferred tax expense (income) are as follows:

	Consolidated Statements of Income			Consolidated Statements of Comprehensive Income		
	2012	2011	2010	2012	2011	2010
Changes in deferred tax assets:						
Accrued rent expense	(P 15,667,568)	P 32,588	P 149,927	P -	P -	P -
Allowance for impairment of receivables	(9,176,972)	-	-	-	-	-
Retirement benefit obligation	(3,772,902)	(632,228)	(601,240)	-	-	-
NOLCO	2,881,547	1,260,059	793,817	-	-	-
MCIT	(651,213)	-	-	-	-	-
Others	(8,538,935)	(133,459)	(315,330)	-	-	-
Changes in deferred tax liabilities:						
Uncollected gross profit	560,670,959	1,487,033,750	402,504,512	-	-	-
Capitalized interest	181,883,005	341,878,304	221,065,942	-	-	-
Accrued retirement cost	(61,333,319)	(12,059,776)	(10,131,499)	-	-	-
Difference between tax reporting base and financial reporting base of:						
- Investment property	56,368,504	(38,648,833)	52,892,299	-	-	-
- Property and equipment	270,230	270,771	259,714	-	-	-
Uncollected rental income	50,137,713	76,840,485	-	-	-	-
Bond issuance cost	(3,153,760)	23,908,448	-	-	-	-
Translation adjustments	-	-	-	(70,795,068)	(3,842,636)	(55,967,408)
Others	(12,146,714)	(11,171,036)	(3,157,061)	-	-	-
	737,770,575	1,868,579,073	663,461,081	(70,795,068)	(3,842,636)	(55,967,408)
Effect of consolidation of EELHI, SPI and GPMAL	-	(1,129,384,994)	-	-	-	-
Deferred Tax Expense (Income)	P 737,770,575	P 739,194,079	P 663,461,081	(P 70,795,068)	(P 3,842,636)	(P 55,967,408)

No deferred tax liability has been recognized on the accumulated equity in net earnings of associates. The Group has no liability for tax should the amounts be declared as dividends since dividend income received from domestic corporation is not subject to income tax.

Majority of the entities within the Group are subject to the MCIT which is computed at 2% of gross income, as defined under the tax regulations. The details of MCIT paid by certain subsidiaries, which can be applied as deduction from their respective future RCIT payable within three years from the year the MCIT was incurred, are shown below.

Subsidiary	Year incurred	Amount	Valid Until
SPI	2011	P 10,025,324	2014
	2010	7,679,761	2013
MNPPI	2011	187,256	2014
	2010	233,530	2013
MREI	2012	5,019	2015
	2011	9,286	2014
	2010	9,898	2013
MLI	2012	312,872	2015
	2011	308,076	2014
	2010	37,824	2013
FTPHI	2011	4,556	2014
	2010	7,052	2013

The details of NOLCO incurred by certain subsidiaries, which can be claimed as deduction from their respective future taxable income within three years from the year the loss was incurred, are shown below.

Subsidiary	Year incurred	Amount	Valid Until
MCPI	2011	P 11,471,042	2014
	2010	39,698,367	2013
MBPHI	2012	9,873,462	2015
	2011	10,100,510	2014
MLI	2010	12,118,518	2013
OPI	2010	4,508,189	2013
FTPHI	2010	159,226	2013
PIPI	2010	81,682	2013

Certain subsidiaries within the Group did not recognize the deferred tax assets on their MCIT and NOLCO as realization of such amounts is uncertain.

The aggregated amounts of assets, retained earnings (deficit), revenues and net profit (loss) of the subsidiaries which incurred NOLCO are as follows:

	<u>Assets</u>	<u>Retained Earnings (Deficit)</u>	<u>Revenues</u>	<u>Net Profit (Loss)</u>
2012				
OPI	P 1,105,941,029	(P 12,437,575)	P 8,410,743	P 126,645
MBPHI	360,666,527	(10,063,266)	6,920,603	37,244
MLI	138,408,082	(41,605,727)	29,819,809	12,816,577
MCPI	147,946,743	(135,021,288)	115,980,789	11,933,398
FTPHI	174,607,368	74,461,814	68,342,651	68,072,301
PIPI	5,176,884	101,814	173,892	59,562
	P 1,932,746,633	(P 124,564,228)	P 229,648,487	P 93,045,727
2011				
OPI	P 1,086,365,526	(P 12,564,220)	P 6,048,050	(P 694,531)
MBPHI	312,500,000	(10,100,510)	-	(10,100,510)
MLI	135,872,604	(54,422,304)	20,306,444	5,206,285
MCPI	107,535,282	(116,465,030)	73,844,321	(11,811,530)
FTPHI	106,476,993	6,389,515	3,844,829	(17,935,479)
PIPI	5,113,748	42,252	178,147	58,774
	P 1,753,864,153	(P 187,120,297)	P 104,221,791	(P 35,276,991)

Except for certain subsidiaries, management has assessed that the net losses incurred, as well as the related NOLCO, can be recovered through future operations and are not significant to the overall financial condition and financial performance of the Group.

In 2012, 2011 and 2010, the Group opted to continue claiming itemized deductions, except for MDC which opted to use OSD in those years.

ECOC, as the developer and operator of Eastwood City Cyberpark, is registered with PEZA pursuant to Presidential Proclamation No. 191, dated October 6, 1999. As a PEZA-registered entity, ECOC is entitled to a preferential tax rate of 5% on gross income earned from registered activities, in lieu of all local and national taxes, and to other tax privileges.

In November 2011, the Board of Investments approved SPI's application for registration on a certain project. SPI shall be entitled to income tax holiday for three years from November 2011 or actual start of commercial operations/selling, whichever is earlier but in no case earlier than the date of registration, with certain terms.

23. RELATED PARTY TRANSACTIONS

The Group's related parties include the parent company, associates, the Group's key management and other related parties under common ownership as described below. Transactions with related parties are also discussed below.

The summary of the Group's transactions with its related parties as of and for the years ended December 31, 2012 and 2011 are as follows:

Related Party Category	Notes	2012		2011	
		Amount of Transaction	Outstanding Balance	Amount of Transaction	Outstanding Balance
Parent Company:					
Exercise of stock rights	24.2	P 2,585,362,642	P -	P -	P -
Investment in equity securities:					
FVTPL	7	-	167,600,000	-	103,400,000
AFS	8	-	2,515,228,241	-	1,840,811,372
Dividend income	19	53,549,026	-	26,463,662	-
Dividends paid	24.4	(299,741,330)	-	(201,996,002)	-
Associates:					
Sale of land	23.1	2,100,814,973	1,168,739,781	1,605,212,930	561,843,281
Rendering of services	23.1	28,655,442	1,991,972	21,290,221	21,321,394
Granting (collection) of advances	23.3	37,288,275	1,060,440,574	(376,384,848)	1,023,152,299
Obtaining (payment) of advances	23.4	47,509,568	50,559,415	(218,972,857)	3,049,847
Related Parties Under Common Ownership:					
Obtaining of services	23.2	141,474,682	96,390,635	109,239,723	89,006,474
Lease of property		21,283,194	1,123,111	14,085,487	1,173,045
Granting (collection) of advances	23.3	(703,479,269)	833,544,868	889,590,452	1,537,024,137
Obtaining of advances	23.4	434,852,539	642,045,135	139,347,043	207,192,596

The Group's outstanding receivables from and payables to related parties arising from the above transactions are unsecured and noninterest-bearing.

None of the companies under the Group is a joint venture. The Company is not subject to joint control and none of its related parties exercise significant influence over it.

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23.1 Sale of Land and Rendering of Services to Related Parties

	Amount of Transactions		
	2012	2011	2010
Associates	P 2,129,470,415	P 1,626,503,151	P 5,289,782
Other related parties under common ownership	<u>21,283,194</u>	<u>14,085,487</u>	<u>13,659,040</u>
	<u>P 2,150,753,609</u>	<u>P 1,640,588,638</u>	<u>P 18,948,822</u>

Sale of Land and Rendering of Services to Related Parties are usually on a cost-plus basis, allowing a certain margin agreed upon by the parties.

In 2012, the Company sold to an associate parcels of land with a total contract price of P2.2 billion collectible in installments. Outstanding balance related to these transactions amounted to P1.0 billion as of December 31, 2012.

In 2010, the same associate entered into a Management Agreement with the Company, who will provide management services for the overall administration of the associate's leasing operations for a fee, which is based on certain rates of collection plus commission. Total payments received from the associate amount to P42.0 million in 2012 and P17.2 million in 2011.

There were no impairment losses recognized on the trade and other receivables resulting from the above transactions.

23.2 Obtaining Services from Related Parties

	Amount of Transactions			Outstanding Balances		
	2012	2011	2010	2012	2011	2010
Other related parties under common ownership	<u>P 141,474,682</u>	<u>P 109,239,723</u>	<u>P 126,454,782</u>	<u>P 96,390,635</u>	<u>P 89,006,474</u>	<u>P 84,088,445</u>

Services obtained are usually on a cost-plus basis, allowing a margin ranging from 10% to 20%. There are no outstanding payables for services obtained from the associates as of December 31, 2012 and 2011. The outstanding balances of payable to other related parties under common ownership pertain to unpaid commissions presented as part of Advances from Other Related Parties in the consolidated statements of financial position (see Note 23.4).

23.3 Advances to Associates and Other Related Parties

Associates and other related parties under common ownership are granted noninterest-bearing, unsecured advances by the Company and other entities in the Group with no repayment terms for working capital purposes. The outstanding balances of Advances to Associates and Other Related Parties shown as part of Investments in and Advances to Associates and Other Related Parties in consolidated statements of financial position (see Note 10) are as follows:

	2012	2011
Advances to associates:		
PTHDC	P 1,004,534,615	P 1,004,987,335
TLC	<u>37,415,119</u>	-
SHDI	<u>18,490,840</u>	<u>18,164,964</u>
	<u>1,060,440,574</u>	<u>1,023,152,299</u>
Advances to other related parties:		
Asia's Finest Cuisine, Inc.	117,080,720	111,946,376
Citylink Coach Services, Inc.	26,285,973	26,013,600
Global-Estate Resorts Inc.	6,449,325	28,693,918
Twin Lakes Corporation	-	373,331,075
Other related parties under common ownership	<u>683,728,850</u>	<u>997,039,168</u>
	<u>833,544,868</u>	<u>1,537,024,137</u>
	<u>P 1,893,985,442</u>	<u>P 2,560,176,436</u>

The movements in advances to associates and other related parties are as follows:

	2012	2011
Balance at beginning of year	P 2,560,176,436	P 2,046,990,832
Additions	26,969,408	1,087,794,342
Repayments	(693,160,402)	(574,608,738)
Balance at end of year	<u>P 1,893,985,442</u>	<u>P 2,560,176,436</u>

Advances to other related parties pertain to advances granted to entities under common ownership of the parent company. No impairment losses on the advances to associates and other related parties were recognized in 2012 and 2011.

23.4 Advances from Associates and Other Related Parties

Certain expenses of the entities within the Group are paid by other related parties on behalf of the former. The advances are non-interest bearing, unsecured and with no repayment terms. The outstanding balances from these transactions are presented as Advances from Other Related Parties account in the consolidated statements of financial position and are broken down as follows:

	<u>2012</u>	<u>2011</u>
TIHGI	P 50,559,415	P 3,049,847
Other related parties under common ownership	642,045,135	207,192,596
	<u>P 692,604,550</u>	<u>P 210,242,443</u>

The movements in advances from other related parties are as follows:

	<u>2012</u>	<u>2011</u>
Balance at beginning of year	P 210,242,443	P 289,868,257
Additions	482,362,107	139,347,043
Repayments	-	(218,972,857)
Balance at end of year	<u>P 692,604,550</u>	<u>P 210,242,443</u>

23.5 Key Management Personnel Compensations

The Group's key management personnel compensation includes the following:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Short-term benefits	P 93,436,092	P 78,370,241	P 47,174,219
Post-employment benefits	14,893,828	9,974,137	4,962,292
	<u>P 108,329,920</u>	<u>P 88,344,378</u>	<u>P 52,136,511</u>

24. EQUITY

Capital stock consists of:

	Shares			Amount		
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Preferred shares Series A – P0.01 par value						
Authorized	6,000,000,000	6,000,000,000	6,000,000,000	P 60,000,000	P 60,000,000	P 60,000,000
Issued and outstanding	6,000,000,000	6,000,000,000	6,000,000,000	P 60,000,000	P 60,000,000	P 60,000,000
Common shares – P1 par value						
Authorized	30,140,000,000	30,140,000,000	30,140,000,000	P30,140,000,000	P 30,140,000,000	P30,140,000,000
Issued and outstanding:						
Balance at beginning of year	25,769,203,626	25,769,203,626	25,769,203,626	P25,769,203,626	P 25,769,203,626	P25,769,203,626
Issued during the year	3,109,659,359	-	-	3,109,659,359	-	-
Balance at end of year	<u>28,878,862,985</u>	<u>25,769,203,626</u>	<u>25,769,203,626</u>	<u>P28,878,862,985</u>	<u>P 25,769,203,626</u>	<u>P25,769,203,626</u>

On June 15, 1994, the SEC approved the listing of the Company's common shares totaling 140,333,333. The shares were initially issued at an offer price of P4.8 per common share. As of December 31, 2012, there are 2,756 holders of the listed shares, which closed at P2.77 per share as of that date.

The following also illustrates the additional listings made by the Company: May 23, 1996 – 1.6 billion; January 8, 1997 – 2.1 billion; November 23, 1998 – 2.0 billion; August 19, 1999 – 3.0 billion; October 12, 2005 – 7.0 billion; November 21, 2006 – 10.0 billion; and, July 17, 2007 – 3.9 billion.

24.1 Preferred Shares Series "A"

The preferred shares are voting, cumulative, non-participating, non-convertible and non-redeemable with a par value of P0.01 per share. The shares earn dividends at 1% of par value per annum cumulative from date of issue. Dividends paid on cumulative preferred shares amounted to P600,000 in 2012 and 2011.

24.2 Common Shares

On April 28, 2009, the Company offered 5,127,556,725 common shares, by way of pre-emptive stock rights offering, to eligible existing common shareholders at the rate of one right for every four common shares held as of May 4, 2009 at an exercise price of P1 per share. Moreover, shareholders were given four additional stock warrants for every five stock rights subscribed. For every stock warrant, shareholders can avail of one common share at P1 per share.

As a result of the stock rights offering, 5,127,556,725 common shares were subscribed and issued on June 1, 2009. Of the total exercise price, 50% was paid as of May 31, 2009 and the remaining 50% was payable within one year from issue date. Unpaid subscriptions amounting to P2.3 million as of December 31, 2009 were fully paid by the subscribers in 2010. Relative to the stock subscription, 4,102,045,380 stock warrants were issued and these will be exercisable beginning on the second year until the fifth year from issue date.

In 2012, out of the Company's 4,102,045,380 stock warrants, 3,109,659,359 warrants were exercised at P1 per share. The remaining warrants are exercisable

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until 2015.

24.3 Additional Paid-in Capital

The APIC pertains to the excess of the total proceeds received from the Company's shareholders over the total par value of the common shares. There were no movements in the Company's Additional Paid-in Capital accounts in 2012, 2011 and 2010.

24.4 Cash Dividends

The details of the Company's cash dividend declarations, both for preferred and common shares, are as follows:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Declaration date / date of approval by BOD	June 14,2012	June 16, 2011	May 18, 2010
Date of record	June 29,2012	July 6, 2011	July 6, 2010
Date paid	July 25,2012	July 29, 2011	July 30, 2010
Amounts declared and paid	<u>P 839,193,763</u>	<u>P 599,265,803</u>	<u>P 519,885,465</u>

24.5 Treasury Shares

In 2008, the Company's BOD approved the buy-back of shares of up to P2.0 billion worth of common shares in the open market at prevailing market prices. The share buy-back program is made through the trading facilities of the PSE and the funds used for the buy-back were taken from internally-generated funds. As of December 31, 2012, the Company reacquired 131.4 million shares at a total cost of P118.6 million.

This account also includes the Company's common shares held and acquired by RHGI and GPMAI. The number of treasury common shares aggregated to 537.4 million as of December 31, 2009. The changes in market values of these shares recognized as fair value gains (losses) were eliminated in full and not recognized in the consolidated financial statements.

In 2010, when GPMAI was deconsolidated, the cost of the treasury shares held by GPMAI of P555.1 million was removed from the Treasury Stock account presented under equity. In 2011, GPMAI was consolidated back through EELHI and, accordingly, the cost of the treasury shares held by GPMAI as of December 31, 2011 amounting to P555.1 million was included back to Treasury Stock. In 2012, however, GPMAI was deconsolidated by EELHI and, thus, became an associate of both the Company and EELHI in that year; hence, the same cost of the treasury shares held by GPMAI was deducted from the balance of Treasury Stock account.

A portion of the Company's retained earnings is restricted for dividend declaration up to the cost of treasury stock as of the end of the reporting period.

25. EARNINGS PER SHARE

Earnings per share (EPS) amounts were computed as follows:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Net profit attributable to Company's shareholders	P 7,294,070,482	P 8,031,884,511	P 5,026,180,575
Dividends on cumulative preferred shares series "A"	(600,000)	(600,000)	(600,000)
Profit available to Company's common shareholders	P 7,293,470,482	P 8,031,284,511	P 5,025,580,575
Divided by weighted number of outstanding common shares	<u>25,970,748,295</u>	<u>25,149,519,186</u>	<u>25,130,015,061</u>
Basic	<u>P 0.281</u>	<u>P 0.319</u>	<u>P 0.200</u>
Diluted	<u>P 0.275</u>	<u>P 0.319</u>	<u>P 0.200</u>

There were no outstanding convertible preferred shares and bonds or other stock equivalents that may be considered as potential dilutive common shares as of December 31, 2011 and 2010. In 2012, the potential dilutive common shares relating to the unexercised stock warrants were considered in the computation of diluted EPS totaling 992,386,021 (see Note 24.2).

26. COMMITMENTS AND CONTINGENCIES

26.1 Operating Lease Commitments – Group as Lessor

The Group is a lessor under several operating leases covering real estate properties for commercial use (see Note 11). The leases have terms ranging from 3 to 20 years, with renewal options, and include annual escalation rates of 5% to 10%. The average annual rental covering these agreements amounts to about P6.1 billion for the consolidated balances. Future minimum lease payments receivable under these agreements are as follows:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Within one year	P 5,043,673,839	P 4,144,019,854	P 3,145,772,222
After one year but not more than five years	25,817,849,759	21,253,587,459	14,998,070,516
More than five years	<u>8,144,777,814</u>	<u>6,704,886,317</u>	<u>4,731,453,360</u>
	<u>P 39,006,301,412</u>	<u>P 32,102,493,630</u>	<u>P 22,875,296,098</u>

26.2 Operating Lease Commitments – Group as Lessee

The Group is a lessee under several operating leases covering condominium units for administrative use. The leases have terms ranging from 1 to 11 years, with renewal options, and include a 5% to 10% annual escalation rate. The average annual rental covering these agreements amounts to about P18.3 million for the consolidated balances. The future minimum rental payables under these non-cancelable leases as of December 31, are as follows:

	2012	2011	2010
Within one year	P 35,901,531	P 19,395,713	P 12,247,168
After one year but not more than five years	58,183,558	41,710,168	19,039,825
More than five years	7,395,348	11,093,022	18,908,935
	<u>P 101,480,437</u>	<u>P 72,198,903</u>	<u>P 50,195,928</u>

26.3 Others

As of December 31, 2012 and 2011, the Group does not have unused credit lines.

There are other commitments, guarantees and contingent liabilities that arise in the normal course of operations of the Group which are not reflected in the consolidated financial statements. The management of the Group is of the opinion that losses, if any, from these items will not have any material effect on its consolidated financial statements.

27. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group has various financial instruments such as cash and cash equivalents, financial assets at FVTPL, AFS securities, interest-bearing loans and borrowings, bonds payable, trade receivables and payables which arise directly from the Group's business operations. The financial liabilities were issued to raise funds for the Group's capital expenditures.

The Group does not actively engage in the trading of financial assets for speculative purposes.

27.1 Foreign Currency Sensitivity

Most of the Group's transactions are carried out in Philippine pesos, its functional currency. Exposures to currency exchange rates arise mainly from the Group's U.S. dollar-denominated cash and cash equivalents and bonds payable which have been used to fund new projects and to refinance certain indebtedness for general corporate purposes.

Foreign currency-denominated financial assets and liabilities, translated into Philippine pesos at the closing rate are as follows:

	2012		2011	
	U.S. Dollars	Pesos	U.S. Dollars	Pesos
Financial assets	\$ 172,024,451	P 7,443,028,714	\$ 196,929,685	P 8,749,989,037
Financial liabilities	(207,848,467)	(8,561,694,049)	(195,759,303)	(8,599,314,640)
	<u>(\$ 35,824,016)</u>	<u>(P 1,118,665,335)</u>	<u>\$ 1,170,382</u>	<u>P 150,674,397</u>

The following table illustrates the sensitivity of the consolidated net results for the year with regards to the Group's financial assets and financial liabilities as shown previously and the U.S. dollar – Philippine peso exchange rate:

Increase (decrease) in exchange rate	Effect on consolidated profit before tax	
	2012	2011
P 1	(P 35,824,016)	P 1,170,382
(P 1)	35,824,016	(1,170,382)

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions and mainly affect consolidated profit or loss of the Group. There are no material exposures on foreign exchange rate that affect the Group's other comprehensive income (loss). Nonetheless, the analysis above is considered to be representative of the Group's currency risk.

27.2 Interest Rate Sensitivity

The Group interest risk management policy is to minimize interest rate cash flow risk exposures to changes in interest rates. The Group maintains a debt portfolio unit of both fixed and floating interest rates. These long-term borrowings and all other financial assets and liabilities are subject to variable interest rates.

The Group's ratio of fixed to floating rate debt stood at 16.24:1.00, 12.85:1.00, and 7.68:1.00 as of December 31, 2012, 2011 and 2010, respectively.

The following table illustrates the sensitivity of the consolidated net result for the year and consolidated equity to a reasonably possible change in interest rates of +1% and -1% in 2012 and 2011. The calculations are based on the Group's financial instruments held at each reporting date. All other variables are held constant.

	2012		2011	
	+1%	-1%	+1%	-1%
Consolidated net results for the year	(P 9,438,380)	P 9,438,380	(P 17,638,794)	P 17,638,794
Consolidated equity	(6,606,866)	6,606,866	(12,347,156)	12,347,156

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27.3 Credit Risk

Generally, the Group's credit risk is attributable to trade receivables, rental receivables and other financial assets. The Group maintains defined credit policies and continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. Where available at a reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. The Group's policy is to deal only with creditworthy counterparties. In addition, for a significant proportion of sales, advance payments are received to mitigate credit risk.

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown in the consolidated statements of financial position (or in the detailed analysis provided in the notes to consolidated financial statements), as summarized below.

	Notes	2012	2011
Cash and cash equivalents	5	P 26,826,715,439	P 30,324,479,180
Trade and other receivables	6	37,862,563,504	36,214,357,760
Advances to associates and other related parties	10, 23.3	1,893,985,442	2,560,176,436
AFS securities	8	552,317,041	561,694,969
		P 67,135,581,426	P 69,660,708,345

None of the Company's financial assets are secured by collateral or other credit enhancements, except for cash and cash equivalents as described below.

(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. Included in the cash and cash equivalents are cash in banks and short-term placements which are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P500,000 for every depositor per banking institution.

(b) Trade and Other Receivables

All trade receivables are subject to credit risk exposure. However, the Group does not identify specific concentrations of credit risk with regard to Trade and Other Receivables as the amounts recognized resemble a large number of receivables from various customers. Certain receivables from trade customers are covered by post-dated checks. Certain past due accounts are not provided with allowance for impairment to the extent of the expected market value of the property sold to the customer. The title to the real estate properties remains with the Group until the receivables are fully collected.

Some of the unimpaired trade receivables are past due as at the end of the reporting period. The trade receivables that are past due but not impaired are as follows:

	2012	2011
Not more than 3 months	P 841,118,917	P 880,160,167
More than 3 months but not more than 6 months	670,846,015	469,684,169
More than 6 months but not more than one year	207,286,843	182,748,702
More than one year	45,793,567	35,707,777
	P 1,765,045,342	P 1,568,300,815

27.4 Liquidity Risk

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash outflows due in a day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week, as well as on the basis of a rolling 30-day projection. Long-term needs for a six-month and one-year period are identified monthly.

The Group maintains cash to meet its liquidity requirements for up to 60-day periods. Excess cash is invested in time deposits or short-term marketable securities. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.

As at December 31, 2012 and 2011, the Group's financial liabilities have contractual maturities which are presented below.

	2012			
	Current		Non-current	
	Within 6 Months	6 to 12 Months	1 to 5 Years	Later 5 Years
Interest-bearing loans and borrowings	P 793,797,200	P 793,797,200	P 4,910,569,540	P -
Trade and other payables	2,662,082,166	5,237,935,146	-	-
Bonds payable	-	-	5,000,000,000	8,556,628,075
Advances from other related parties	-	-	692,604,550	-
	P 3,455,879,366	P 6,031,732,346	P 10,603,174,090	P 8,556,628,075

	2011			
	Current		Non-current	
	Within 6 Months	6 to 12 Months	1 to 5 Years	Later 5 Years
Interest-bearing loans and borrowings	P 1,202,078,269	P 748,037,131	P 5,991,475,388	P -
Trade and other payables	2,590,019,174	4,706,947,320	-	-
Bonds payable	-	-	5,000,000,000	8,538,914,490
Advances from other related parties	-	-	210,242,443	-
	<u>P 3,792,097,443</u>	<u>P 5,454,984,451</u>	<u>P 11,201,717,831</u>	<u>P 8,538,914,490</u>

The above contractual maturities reflect the gross cash flows, which may differ from the carrying values of the liabilities at the reporting dates.

27.5 Other Price Risk Sensitivity

The Group's market price risk arises from its investments carried at fair value (financial assets classified as FVTPL and AFS). It manages its risk arising from changes in market price by monitoring the changes in the market price of the investments.

For equity securities listed in the Philippines, the observed volatility rates of the fair values of the Group's investments held at fair value and their impact on the Group's consolidated net profit and consolidated equity as of December 31, 2012, 2011 and 2010 are summarized as follows:

2012

	Observed Volatility Rates		Impact of Increase		Impact on Decrease	
	Increase	Decrease	Net Profit	Equity	Net Profit	Equity
Investment in equity securities in a holding company	+49.09%	-49.09%	<u>P 82,274,840</u>	<u>P 1,234,725,543</u>	<u>(P 82,274,840)</u>	<u>(P 1,234,725,543)</u>

2011

	Observed Volatility Rates		Impact of Increase		Impact on Decrease	
	Increase	Decrease	Net Profit	Equity	Net Profit	Equity
Investment in equity securities in a holding company	+47.56%	-47.56%	<u>P 51,937,070</u>	<u>P 875,489,889</u>	<u>(P 51,937,070)</u>	<u>(P 875,489,889)</u>

2010

	Observed Volatility Rates		Impact of Increase		Impact on Decrease	
	Increase	Decrease	Net Profit	Equity	Net Profit	Equity
Investment in equity securities in:						
Holding company	+51.53%	-51.53%	<u>P 64,414,912</u>	<u>P 2,073,193,927</u>	<u>(P 64,414,912)</u>	<u>(P 2,073,193,927)</u>
Property company	+51.54%	-51.54%	<u>-</u>	<u>71,024,936</u>	<u>-</u>	<u>(71,024,936)</u>
			<u>P 64,414,912</u>	<u>P 2,144,218,863</u>	<u>(P 64,414,912)</u>	<u>(P 2,144,218,863)</u>

The investments in listed equity securities are considered long-term strategic investments. In accordance with the Group's policies, no specific hedging activities are undertaken in relation to these investments. The investments are continuously monitored and voting rights arising from these equity instruments are utilized in the Group's favor.

28. CATEGORIES AND FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

28.1 Comparison of Carrying Amounts and Fair Values

The carrying amounts and fair values of the categories of financial assets and liabilities presented in the consolidated statements of financial position are shown below.

	Notes	2012		2011	
		Carrying Values	Fair Values	Carrying Values	Fair Values
Financial Assets					
Loans and receivables:					
Cash and cash equivalents	5	<u>P 26,826,715,439</u>	<u>P 26,826,715,439</u>	<u>P 30,324,479,180</u>	<u>P 30,324,479,180</u>
Trade and other receivables - net	6	<u>37,862,563,504</u>	<u>37,862,563,504</u>	<u>36,214,357,760</u>	<u>36,214,357,760</u>
Advances to associates and other related parties	10	<u>1,893,985,442</u>	<u>1,893,985,442</u>	<u>2,560,176,436</u>	<u>2,560,176,436</u>
		<u>P 66,583,264,385</u>	<u>P 66,583,264,385</u>	<u>P 69,099,013,376</u>	<u>P 69,099,013,376</u>
Financial assets at fair value through profit or loss	7	<u>P 167,600,000</u>	<u>P 167,600,000</u>	<u>P 109,203,260</u>	<u>P 109,203,260</u>
Available-for-sale financial securities:	8				
Equity securities		<u>P 2,704,469,578</u>	<u>P 2,704,469,578</u>	<u>P 2,030,052,709</u>	<u>P 2,030,052,709</u>
Debt securities		<u>552,317,041</u>	<u>552,317,041</u>	<u>561,694,969</u>	<u>561,694,969</u>
		<u>P 3,256,786,619</u>	<u>P 3,256,786,619</u>	<u>P 2,591,747,678</u>	<u>P 2,591,747,678</u>

Notes to Consolidated Financial Statements

December 31, 2012, 2011 and 2010 (Amounts In Philippine Pesos)

	Notes	2012		2011	
		Carrying Values	Fair Values	Carrying Values	Fair Values
Financial Liabilities					
Financial liabilities at amortized cost:					
Interest-bearing loans and borrowings	14	P 6,498,163,850	P 6,498,163,850	P 7,941,590,788	P 7,941,590,788
Bonds payable	15	13,556,628,075	13,556,628,075	13,538,914,490	13,538,914,490
Trade and other payables	16	7,900,017,312	7,900,017,312	7,296,966,494	7,296,966,494
Advances from other related parties		692,604,550	692,604,550	210,242,443	210,242,443
		<u>P 28,647,413,787</u>	<u>P 28,647,413,787</u>	<u>P 28,987,714,215</u>	<u>P 28,987,714,215</u>

See Notes 2.5 and 2.10 for a description of the accounting policies for each category of financial instrument. A description of the Group's risk management objectives and policies for financial instruments is provided in Note 27.

28.2 Fair Value Hierarchy

The Group's investments in financial assets at FVTPL and AFS Securities are comprised of equity and debt instruments listed in foreign and local stock exchanges. Fair value measurements of these financial assets were determined directly by reference to published prices quoted in an active market (Level 1 of the fair value hierarchy).

29. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Group's capital management objective is to ensure its ability to continue as a going concern and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Group manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. It monitors capital using the debt-to-equity ratio.

	2012	2011
Interest-bearing loans and borrowings	P 6,498,163,850	P 7,941,590,788
Bonds payable	13,556,628,075	13,538,914,490
	<u>P 20,054,791,925</u>	<u>P 21,480,505,278</u>
Total equity	<u>P 81,389,593,571</u>	<u>P 72,772,105,279</u>
Debt-to-equity ratio	<u>0.25 : 1.00</u>	<u>0.30 : 1.00</u>

The Group has complied with its covenant obligations, including maintaining the required debt-to-equity ratio for the years presented above.

30. OTHER MATTERS

30.1 Registration with Philippine Economic Zone Authority (PEZA)

ECOC, as operator of the Eastwood City CyberPark, is registered with PEZA. As a PEZA registered entity, it is entitled to a preferential tax rate of 5% on gross income earned from its PEZA registered activities, in lieu of all local and national taxes, and to other tax privileges.

30.2 International Organization for Standardization (ISO) Certification

The Company was awarded a Certificate of Registration ISO 9001:1994 effective November 26, 1999 by Certification International Philippines, Inc. Effective November 21, 2002, the Company has upgraded its Certification to ISO 9001:2000 series. The scope of the certification covers all areas of the Company's operations, which include planning, design, project management and customer service for its real estate business. Among others, the Company is required to undergo surveillance audits every six months.

30.3 Awards

As a testament to the Company was recognized by various award-giving bodies in 2012 and 2011 as follows:

2012

- Finance Asia's Best Managed Philippine Company, Best in Investor Relations and Best Mid-Cap Company;
- Corporate Governance Asia's 2nd Asian Excellence Awards- Best Investor Relations;
- Corporate Governance Asia's 8th Corporate Governance Asia Recognition Awards;
- Alpha Southeast Asia 2nd Annual Southeast Asia's Institutional Investor Corporate Poll- Most Organized Investor Relations and Strong Adherence to Corporate Governance.

2011

- Alpha Southeast Asia Most Organized Investor Relations and Strong Adherence to Corporate Governance;
- World HRD Congress Best Employer;
- Asia's Best Managed Company by Finance Asia;
- Best in Investor Relations by Finance Asia.

OFFICE/POSTAL ADDRESS

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SUBSIDIARIES

Megaworld Land, Inc.
Prestige Hotels and Resorts, Inc.
Mactan Oceanview Properties and Holdings, Inc.
Megaworld Cayman Islands, Inc.
Richmonde Hotel Group International Limited
Eastwood Cyber One Corporation
Empire East Land Holdings, Inc.
Forbes Town Properties and Holdings, Inc.
Megaworld Newport Property Holdings, Inc.
Oceantown Properties, Inc.
Piedmont Property Ventures, Inc.
Stonehaven Land, Inc.
Streamwood Property, Inc.
Megaworld-Daewoo Corporation
Megaworld Central Properties, Inc.
Megaworld Resort Estates, Inc.
Megaworld Globus Asia, Inc.
Philippine International Properties, Inc.
Townsquare Development, Inc.
Manila Bayshore Property Holdings, Inc.
Suntrust Properties, Inc.

ASSOCIATES

Suntrust Home Developers, Inc.
Twin Lakes Corporation
Palm Tree Holdings and Development Corporation
Alliance Global Properties Ltd.
Travellers International Hotel Group, Inc.
Gilmore Property Marketing Associates, Inc.
Megaworld Global-Estate, Inc.

STOCK TRANSFER AGENT

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Tel. No.: (632) 840 7000 local 6975 to 6978

BANKERS

Banco de Oro
Bank of the Philippine Islands
Hong Kong and Shanghai Banking Corporation
Chinatrust Commercial Bank Corporation
Metropolitan Bank & Trust Company
Philippine National Bank
Planters Development Bank
Rizal Commercial Banking Corporation
Standard Chartered Bank
UnionBank of the Philippines

AUDITORS

Punongbayan & Araullo
Grant Thornton International

DATE OF INCORPORATION

August 24, 1989

DATE OF CONVERSION TO A PUBLIC COMPANY

June 15, 1994

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