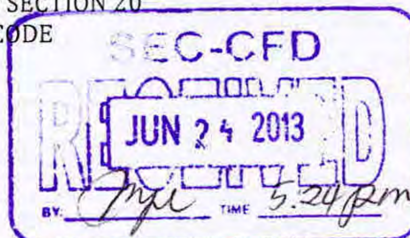
SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE



1. Check the appropriate box:
   [ ] Preliminary Information Statement
   [ ] Definitive Information Statement
   [√] Amended Definitive Information Statement

2. Name of Registrant as specified in its charter **GLOBAL-ESTATE RESORTS, INC.**

3. **Metro Manila, Philippines**
   Province, country or other jurisdiction of incorporation or organization

4. SEC Identification Number **AS094-4462**

5. BIR Tax Identification Code **000-426-523-000**

6. **7th Floor, Renaissance Tower, Meralco Avenue, Pasig City** **1600**
   Address of principal office Postal Code

7. Registrant's telephone number, including area code **(632) 576-3376; 576-4804**

8. **30 July 2013, 9:00 A.M., Grand Ballroom, Eastwood Richmonde Hotel, Orchard Road, Eastwood City, Bagumbayan, Quezon City, Philippines**
   Date, time and place of the meeting of security holders

9. **9 July 2013**
   Approximate date on which the Information Statement is first to be sent or given to security holders

10. [*No Proxy Solicitations*]

11. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

Title of Each Class	Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding (As of 14 May 2013)
Common shares	**8,486,000,000**

12. Are any or all of registrant's securities listed on a Stock Exchange?

    Yes ✓ No ____

    The Registrant's common shares are listed on the Philippine Stock Exchange.

WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE REQUESTED NOT TO SEND US A PROXY

GLOBAL-ESTATE RESORTS, INC.

NOTICE AND AGENDA OF ANNUAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that **GLOBAL-ESTATE RESORTS, INC.** (the "Company") will hold its Annual Meeting of Shareholders (the "Annual Meeting") at the Grand Ballroom, Eastwood Richmonde Hotel, Orchard Road, Eastwood City, Bagumbayan, Quezon City on Tuesday, 30 July 2013 at 9:00 in the morning.

The AGENDA for the Annual Meeting shall be as follows:

1. Call to Order
2. Certification of Notice and Quorum
3. Approval of Minutes of the Annual Shareholders' Meeting on 28 June 2012
4. Annual Report of Management
5. Approval of the 2012 Audited Financial Statements
6. Approval and/or ratification of the resolution of the Board of Directors on 21 June 2013 approving the implementation of the increase in authorized capital stock from 10 Billion to 20 Billion common shares, as approved at the Special Shareholders' Meeting on 08 November 2011, and the subscription by Megaworld Corporation to 2.5 Billion common shares of the 10 Billion increase in capital at a subscription price of Php2.26 per share which represents a 5% premium over the Company's volume weighted average price per share at market
7. Ratification of all other acts and resolutions of the Board of Directors, and all acts of the Corporate officers during the preceding year
8. Election of Directors (including Independent Directors) for the ensuing year
9. Appointment of External Auditors
10. Other matters as may properly come before the meeting
11. Adjournment

Only shareholders of record at the close of business hours on 14 May 2013 are entitled to notice and to vote at the Annual Meeting.

Registration for the Annual Meeting will start at 8:00 A.M. and will close at 8:50 A.M. For your convenience in registering your attendance, please present some valid form of identification such as Passport, Driver's License, or Company ID.

WE ARE NOT SOLICITING YOUR PROXY. However, if you are unavailable to attend the Annual Meeting but would like to be represented thereat, you may at your option appoint a representative by accomplishing the attached Proxy Form and submitting the same to the Office of the Corporate Secretary of the Company, 6th Floor Renaissance Tower, Meralco Avenue, Ortigas, Pasig City, Metro Manila not later than end of business hours on 23 July 2013. Validation of the written proxies shall be held at the same office on 24 July 2013 at 10:00 A.M.

By Order of the Board of Directors.

Pasig City, 24 June 2013.

ATTY. DOMINIC V. ISBERTO
Corporate Secretary

PROXY

The undersigned shareholder(s) of **GLOBAL-ESTATE RESORTS, INC.** (the "Company) hereby appoint/s ______________________ or in his absence, the Chairman of the Annual Shareholders' Meeting, as proxy of the undersigned shareholder(s) at the Annual Meeting of Shareholders scheduled on 30 July 2013 at 9:00 in the morning at the Grand Ballroom, Eastwood Richmonde Hotel, Orchard Road, Eastwood City, Bagumbayan, Quezon City and/or at any postponement or adjournment thereof, and/or any annual shareholders' meeting of the Company, which appointment shall not exceed five (5) years from date hereof.

The undersigned shareholder(s) hereby direct/s the said proxy to vote all shares on the agenda items set forth below as expressly indicated by marking the same with [√] or [X]:

ITEM NO.	SUBJECT	ACTION		
		FOR	AGAINST	ABSTAIN
3	Approval of the Minutes of the Annual Meeting of Shareholders held on 28 June 2012			
5	Approval of the 2012 Audited Financial Statements			
6	Approval and/or ratification of the resolution of the Board of Directors on 21 June 2013 approving the implementation of the increase in authorized capital stock from 10 Billion to 20 Billion common shares, as approved at the Special Shareholders' Meeting on 08 November 2011, and the subscription by Megaworld Corporation to 2.5 Billion common shares of the 10 Billion increase in capital at a subscription price of Php2.26 per share which represents a 5% premium over the Company's volume weighted average price per share at market			
7	Ratification of all acts and resolutions of the Board of Directors and Corporate Officers adopted during the preceding year			
8	Election of Directors (including Independent Directors) for the ensuing year:			
	Andrew L. Tan			
	Robert John L. Sobrepeña			
	Ferdinand T. Santos			
	Wilbur L. Chan			
	Lourdes T. Gutierrez			
	Garry V. de Guzman			
	Robert Edwin C. Lim			
	Miguel B. Varela - Independent Director			
	Gerardo C. Garcia - Independent Director			
9	Appointment of Punongbayan & Araullo as External Auditors			
10	Authority to vote, at the proxy's own discretion, on such other matters as may properly come before the meeting			

PRINTED NAME OF SHAREHOLDER	SIGNATURE OF SHAREHOLDER/ AUTHORIZED SIGNATORY	NUMBER OF SHARES TO BE REPRESENTED	DATE

This proxy should be received by the Corporate Secretary not later than end of business hours on **23 July 2013.**

This proxy when properly executed will be voted in the manner as directed herein by the shareholder. If no direction is made, the proxy will be voted for the election of all nominees and for the approval of all matters stated above and for such other matters as may properly come before the meeting in the manner described in the information statement.

A shareholder giving a proxy has the power to revoke it at any time before the right granted is exercised. A proxy is also considered revoked if the shareholder attends the meeting in person and expressed his intention to vote in person.

This proxy does not need to be notarized. (Partnerships, Corporations and Associations must attach certified resolutions thereof designating Proxy/Representative and Authorized Signatories.)

PART I

A. GENERAL INFORMATION

ITEM 1. Date, time and place of meeting of security holders

(a) The Annual Meeting of the Shareholders of Global-Estate Resorts, Inc. (the "Corporation") is scheduled to be held on 30 July 2013, 9:00 in the morning at the Grand Ballroom, Eastwood Richmonde Hotel, Orchard Road, Eastwood City, Bagumbayan, Quezon City, Philippines.

The complete mailing address of the principal office of the registrant is 7th Floor, Renaissance Tower, Meralco Avenue, Pasig City.

(b) The approximate date on which the Information Statement is first to be sent or given to security holders is on or before 9 July 2013.

The Corporation is not soliciting any proxy -

WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE REQUESTED NOT TO SEND US A PROXY.

ITEM 2. Dissenters' Right of Appraisal

A shareholder has the right to dissent and demand payment of the fair value of his shares in the following instances stated in the Corporation Code, to wit:

(1) In case any amendment to the Articles of Incorporation has the effect of changing or restricting the rights of any shareholder or class of shares, or authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence *(Section 81)*;

(2) In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets *(Section 81)*;

(3) In case of merger or consolidation of the Corporation with or into another entity *(Section 81)*; and,

(4) In case of any investment of corporate funds in any other corporation or business or for any purpose other than the primary purpose for which the Corporation was organized *(Section 42)*.

The procedures and conditions for the exercise by a dissenting shareholder of his appraisal right shall be in accordance with Sections 81 to 86 of the Corporation Code, to wit:

(1) A shareholder voted against a proposed action of the Corporation;

(2) The dissenting shareholder shall make a written demand on the Corporation within thirty (30) days after the date on which the vote was taken for payment of the fair value of his shares. The failure of the shareholder to make the demand within the thirty (30)-day period shall be deemed a waiver of his appraisal right;

(3) If the proposed corporate action is implemented, the Corporation shall pay to such shareholder, upon surrender of the corresponding certificates of stock representing his shares within ten (10) days after demanding payment for his shares *(See Section*

86), the fair market value thereof as of the day prior to the date on which the vote was taken;

(4) If the dissenting shareholder and the Corporation cannot agree on the fair value of the shares within sixty (60) days from the date of shareholders' approval of the corporate action, then the fair value of the shares shall be determined and appraised by three (3) disinterested persons, one (1) of whom shall be named by the dissenting shareholder, one (1) by the Corporation and a third to be named by the two already chosen. The findings of the majority of the appraisers shall be final and their award shall be paid by the Corporation within thirty (30) days after such award.

(5) No payment shall be made to any dissenting shareholder unless the Corporation has unrestricted retained earnings in its books to cover such payment.

(6) Upon payment of the agreed or awarded price, the shareholder shall transfer his shares to the Corporation.

The proposed corporate actions to be voted upon at the Annual Shareholders' Meeting are not among the matters provided under the Corporation Code which will give rise to the possible exercise of appraisal right by a dissenting shareholder.

ITEM 3. Interest of Certain Persons in or Opposition to Matters to be Acted Upon

(a) No director, officer, or nominee for election as director, or the associate of any of the foregoing, has any substantial interest, direct or indirect, by security holdings or otherwise, in any matter which will be acted upon during the Annual Shareholders' Meeting, other than election to office.

(b) No director has informed the Corporation in writing that he intends to oppose any action to be taken by the Corporation at the Annual Shareholders' Meeting.

B. CONTROL AND COMPENSATION INFORMATION

ITEM 4. Voting Securities and Principal Holders Thereof

(a) *Number of Shares Outstanding*

The Corporation has 8,486,000,000 common shares outstanding as of 14 May 2013. Each of the common shares is entitled to one (1) vote with respect to all matters to be taken up during the Annual Shareholders' Meeting.

(b) *Record Date*

Under the By-Laws of the Corporation, for the purpose of determining the shareholders entitled to notice of or to vote at any meeting of shareholders or any adjournment thereof, the Board of Directors may provide that the stock and transfer books be closed for a stated period which shall not be more than sixty (60) days nor less than thirty (30) days before the date of such meeting. In the event that the Board fails to specify a date for the closing of the stock and transfer books, the closing date shall be deemed to be the thirtieth (30th) calendar day prior to the intended date of the meeting. In lieu of closing the stock and transfer books, the Board may fix in advance a date as the record date for any such determination of stockholders which shall not be less than twenty (20) days prior the meeting. Pursuant to these By-Laws provisions, the Board of Directors of the Corporation set 14 May 2013 as the record date for determining the shareholders entitled to notice and to vote at the said Annual Shareholders' Meeting on 30 July 2013. As such, only shareholders as of such record date are entitled to notice and to vote at the Annual Shareholders' Meeting.

(c) *Cumulative Voting Rights*

All shareholders have cumulative voting rights with respect to the election of the members of the Board of Directors of the Corporation. Cumulative voting entitles each shareholder to cast the vote to which the number of shares he owns entitles him for as many persons as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he may see fit, provided, that the whole number of votes cast by him shall not exceed the number of shares owned by him multiplied by the whole number of directors to be elected. (*Section 7, Article V of the By-Laws*)

For other matters requiring shareholders' approval, each shareholder is entitled to one vote for each share of stock standing in his name in the books of the Corporation. (*Section 6, Article V of the By-Laws*)

(d) *Security Ownership of Certain Record and Beneficial Owners and Management*

(i) *Security ownership of certain record and beneficial owners*

Security ownership of certain record and beneficial owners owning more than five percent (5%) of any class of the Corporation's voting securities as of 21 June 2013 –

SECURITY OWNERSHIP OF CERTAIN RECORD AND BENEFICAL OWNERS

Title of Class	Name, address of record owner and relationship with issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizen-ship	No. of Shares Held	Percent (Based on total shares)
Common shares	Alliance Global Group, Inc. 7th/F 1880 Eastwood Avenue, Eastwood City, E. Rodriguez Jr. Avenue, Bagumbayan, Quezon City	Alliance Global Group, Inc.	Filipino	5,405,000,000	63.69%
Common shares	PCD Nominee Corporation (Filipino) 6/F MKSE Bldg. Ayala Avenue, Makati City	Various shareholders	Filipino	1,443,824,630	17.01%
Common shares	Fil-Estate Management, Inc. 6/F Renaissance Tower, Meralco Avenue, Pasig City	Fil-Estate Management, Inc.	Filipino	1,065,774,606	12.56%
Common shares	PCD Nominee Corporation (Foreign) 6/F MKSE Bldg. Ayala Avenue, Makati City	Various shareholders	Foreign	457,878,360	5.40%

Other than the abovementioned, the Corporation has no knowledge of any person who, as of 14 May 2013, is directly or indirectly the beneficial owner of, or who has voting power or investment power (pursuant to a voting trust or other similar agreement) with respect to shares comprising more than five percent (5%) of the outstanding capital stock of the Corporation.

(ii) Security ownership of Management

Security ownership of directors and executive officers of the Corporation as of 21 June 2013 representing original issues and stock dividends -

SECURITY OWNERSHIP OF MANAGEMENT

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Percent of Class
Common	Andrew L. Tan	1 (direct) 5,405,000,000 (indirect) [1]	Filipino	0.00% 63.69%
Common	Robert John L. Sobrepeña	1,617,485 (direct) 1,065,774,606 (indirect) [2]	Filipino	0.02% 12.56%
Common	Ferdinand T. Santos	30,009 (direct)	Filipino	0.00%
Common	Wilbur L. Chan	2,611,826 (direct)	Filipino	0.03%
Common	Miguel B. Varela	511 (direct)[3]	Filipino	0.00%
Common	Garry V. de Guzman	1 (direct)	Filipino	0.00%
Common	Lourdes T. Gutierrez	1 (direct)	Filipino	0.00%
Common	Robert Edwin C. Lim	1 (direct)	Filipino	0.00%
Common	Gerardo C. Garcia	1 (direct)	Filipino	0.00%
Other Executive Officers				
Common	Roberto S. Roco	266,448 (direct)	Filipino	0.00%
Common	Emelyn C. Martinez	0	Filipino	n/a
Common	Jennifer L. Romualdez	0	Filipino	n/a
Common	Abraham M. Mercado	0	Filipino	n/a
Common	Catherine D. Marcelo	0	Filipino	n/a

[1] The shares are directly held by Alliance Global Group, Inc. (AGI). However, Andrew L. Tan, in his capacity as Chairman of the Board, or in his absence the Corporate Secretary, is normally authorized to vote AGI's common shares in the Corporation.

[2] The shares are directly held by Fil-Estate Management Inc. (FEMI). However, Robert John L. Sobrepeña, in his capacity as Chairman of the Board, or in his absence the Chairman of the Meeting, is normally authorized to vote FEMI's common shares in the Corporation.

[3] Five hundred ten (510) out of the five hundred eleven (511) shares are registered in the books of the Corporation under the names "MIGUEL B. VARELA &/OR CECILIA M. VARELA."

Common	Atty. Dominic V. Isberto	0	Filipino	n/a
Common	Rolando D. Siatela	0	Filipino	n/a
Aggregate for above named Directors and Officers as a Group		**4,526,284[4]**		**0.0533%[5]**

(iii) Voting Trust Holders of 5% or more –

The Corporation has no knowledge of persons holding more than five percent (5%) of its voting securities under a voting or similar agreement.

(e) *Changes in Control*

No change in control of the Corporation occurred since the beginning of its last fiscal year. Neither does the Corporation have any knowledge of any arrangement which may result in a change in control of the Corporation.

ITEM 5. Directors and Executive Officers

(a) *Incumbent Directors, Independent Directors, and Executive Officers*

The following are the names, ages, citizenship and periods of service of the incumbent directors and independent directors of the Corporation:

Name	Age	Citizenship	Period during which individual has served as such
Andrew L. Tan	63	Filipino	January 2011 up to present
Robert John L. Sobrepeña	57	Filipino	1994 up to present
Ferdinand T. Santos	62	Filipino	1994 up to present
Wilbur L. Chan	53	Filipino	January 2011 up to present
Lourdes T. Gutierrez	49	Filipino	June 2011 up to present
Garry V. de Guzman	45	Filipino	January 2011 up to present
Robert Edwin C. Lim	55	Filipino	June 2011 up to present
Miguel B. Varela (Independent Director)	73	Filipino	September 2012 up to present

[4] Does not include the shares directly owned by AGI and by FEMI.
[5] *Supra*

Gerardo C. Garcia (Independent Director)	71	Filipino	August 2011 up to present

The following are the names, ages, positions, citizenship and periods of service of the incumbent executive officers of the Corporation:

Name	Age	Position	Citizenship	Period during which individual has served as such
Andrew L. Tan	63	Chairman & CEO	Filipino	January 2011 up to present
Robert John L. Sobrepeña	57	Co-Chairman	Filipino	January 2011 up to present
Wilbur L. Chan	53	Executive Director	Filipino	August 2011 up to present
Ferdinand T. Santos	62	President	Filipino	1994 up to present
Roberto S. Roco	60	Chief Financial Officer/ Chief Information Officer	Filipino	1995 up to present
Garry V. de Guzman	45	Treasurer	Filipino	January 2011 up to present
Atty. Dominic V. Isberto	38	Corporate Secretary	Filipino	January 2011 up to present
Rolando D. Siatela	52	Assistant Corporate Secretary	Filipino	January 2011 up to present
Emelyn C. Martinez	48	SVP for Legal Division	Filipino	February 2012 up to present
Jennifer L. Romualdez	43	VP for Contracts, Procurement and Management	Filipino	July 2012 up to present
Catherine D. Marcelo	37	VP for HR & Corporate Services	Filipino	January 2011 up to present
Abraham Ramon M. Mercado	34	VP for Sales & Marketing	Filipino	January 2011 up to present

The term of office of these executive officers is coterminous with that of the Directors who elected or appointed them, unless such officers are sooner removed for cause.

Brief Background of the Directors and Officers

The business experiences of the Directors and Executive Officers of the Corporation for the last five (5) years are as follows:

Board of Directors -

ANDREW L. TAN, Filipino, 63 years old, was elected as Chairman of the Board and Chief Executive Officer of the Company on 12 January 2011. He is also the Chairman of the Board of Alliance Global Group, Inc. since 2006. He has broad experience in the real estate, food and beverage, and quick service restaurants industries. Mr. Tan is concurrently the Chairman of the Board and President of Megaworld Corporation, Megaworld Land, Inc., Megaworld Globus Asia, Inc., Megaworld Newport Property Holdings, Inc., Mactan Oceanview Properties and Holdings, Inc., Richmonde Hotel Group International Limited, The Bar Beverage, Inc. and Yorkshire Holdings, Inc. He is also the Chairman of Alliance Global Group Cayman Islands, Inc., Empire East Land Holdings, Inc., Alliance Global Brands, Inc., Suntrust Properties, Inc., Adams Properties, Inc., Townsquare Development, Inc., and Emperador Distillers, Inc. He sits in the boards of Megaworld Cayman Islands, Inc., Forbes Town Properties & Holdings, Inc., Gilmore Property Marketing Associates, Inc., Eastwood Cyber One Corporation, Megaworld Central Properties, Inc., Raffles & Company, Inc., Travellers International Hotel Group, Inc., The Andresons Group, Inc., Fairways & Bluewater Resort Golf & Country Club, Inc. and Twin Lakes Corporation He is also the Vice-Chairman and Treasurer of Golden Arches Development Corporation and Golden Arches Realty Corporation and a Director and Treasurer of Andresons Global, Inc. Mr. Tan graduated Magna Cum Laude from the University of the East with a degree of Bachelor of Science in Business Administration.

ROBERT JOHN L. SOBREPEÑA, Filipino, 57 years old, is Co-Chairman of the Board. Currently, he is also the Chairman of the Board of various companies such as Fil-Estate Management Inc., Fil-Estate Corporation, Fil-Estate Properties Inc., Fil-Estate Ecocentrum Corp., Fil-Estate Golf & Development Inc., Fil-Estate Urban & Development Corporation, Fil-Estate Realty Corporation, Fil-Estate Marketing Association, Inc., Fil-Estate Network, Inc., Camp John Hay Development Corporation, Camp John Hay Hotel, Inc., Sherwood Hills Development, Inc., Club Leisure Management, Inc., Manila Southwoods Golf & Country Club, Sherwood Hills Golf & Country Club, Camp John Hay Golf Club, Summit Estate Realty & Development Corporation, Pacific Touch Group Ltd., Metro Rail Transit Holdings, Inc., Metro Rail Transit Holdings II, Inc., Metro Rail Transit Corporation, MRT Development Corporation, and Monumento Rail Transit Corporation. A member of the American Chamber of Commerce and the Rotary Club of Manila, he earned his Bachelor's Degree in Psychology and Marketing from the De La Salle University in 1978.

WILBUR L. CHAN, Filipino, 53 years old, was appointed as Executive Director of the Company on 01 August 2011. He is currently the Chairman and Director of Fairways & Bluewater Resorts Golf & Country Club, Inc. He is also Director in the following corporations: Harbortown Development Corporation, La Compaña de Sta. Barbara, Inc., Sto. Domingo Place Development Corporation, Fil-Estate Urban Development Corporation, Blue Sky Airways, Inc., Fil-Estate Ecocentrum Corporation, and MRT Development Corporation. He is also a Director in Uni-Asia Properties,Inc. He has a Masters Degree in Business Management at Asian Institute of Management, Masters Degree in National Security Administration (Silver Medalist) at National Defense College of the Philippines and a Degree in Command & General Staff Course at Command & General Staff College.

FERDINAND T. SANTOS, Filipino, 62 years old, is currently the President of the Company. He has been with the Company since its incorporation in 1994. He is also the President of Fil-Estate Management Inc., Fil-Estate Development Inc., Fil-Estate Properties Inc., Fairways & Bluewater Resort Golf & Country Club, Inc., MRT Development Corporation, St. Benedict Realty & Development Inc., Royal Jade Memorial Inc., and Mt. Zion Memorial Inc. He graduated from Arellano University with Bachelor of Arts degree in 1970 and took his Bachelor of Laws at San Beda College where he

graduated Valedictorian and Magna Cum Laude in 1974. He was a topnotcher in the 1974 Philippine Bar (2nd Place).

LOURDES T. GUTIERREZ, Filipino, 49 years old, was elected as Director of the Company on 30 June 2011. She is currently the Chief Operating Officer of Megaworld Corporation. Ms. Gutierrez joined Megaworld in 1990. She is a Certified Public Accountant and is a member of Megaworld's Management Executive Committee. Ms. Gutierrez graduated Cum Laude from the Far Eastern University with the degree of Bachelor of Science Major in Accounting. She is the Chairman of Megaworld's property management arm, First Oceanic Property Management, Inc. and Eastwood Cinema 2000, Inc. She is currently the Director and Vice Chairman of Suntrust Properties, Inc., also a Director of Forbes Town Properties & Holdings, Inc., Megaworld Resort Estates, Inc., Megaworld Homes, Inc., Oceantown Properties, Inc., Palm Tree Holdings & Development Corporation, Eastwood Cyber One Corporation, Prestige Hotels & Resorts, Inc., and Lucky Chinatown Cinemas, Inc. She is a trustee and Corporate Secretary of Megaworld Foundation, Inc. Prior to joining Megaworld, she was Audit Manager of Philippine Aluminum Wheels, Inc. and Senior Auditor in Cabanero Katigbak Clemente & Associates and RubberWorld Philippines.

GARRY V. DE GUZMAN, Filipino, 45 years old, was elected as Director of the Company on 12 January 2011 and currently the Treasurer of the Company. He heads the Legal Affairs Department of Megaworld Corporation. Mr. De Guzman serves as director of ERA Real Estate Exchange, Inc., Megaworld Resort Estates, Inc., and Oceanic Realty International Group, Inc. He is concurrently Director, Corporate Secretary and Treasurer of Fairways & Bluewater Resort Golf & Country Club, Inc. and Corporate Secretary & Director of Megaworld Global-Estate, Inc. Mr. De Guzman has been in continuous litigation practice for more than twelve (12) years. Before joining Megaworld, he was an Associate at the ACCRA Law Offices and Tax Assistant in Punongbayan and Araullo, CPAs. He obtained his Bachelor of Laws in 1994 from San Beda College where he graduated Class Salutatorian and was admitted to the Integrated Bar of the Philippines in 1995. In 1989, he obtained his bachelor's degree in Commerce Major in Accounting from the same institution graduating Magna Cum Laude and Class Valedictorian. Mr. De Guzman is a member of the Commercial Law Affiliates, Asia Law, Philippine Institute of Certified Accountants and is Past President of the Rotary Club, Parañaque City Chapter.

ROBERT EDWIN C. LIM, Filipino, 55 years old, was elected as Director of the Company on 30 June 2011. He is currently the Vice President for Corporate Planning and Landbanking of Empire East Land Holdings, Inc., a position he has held since 1994. Prior to joining Empire East, he worked with Woodland Real Estate Development, Inc. as Head of Project Planning, Supervision and Control. He also worked as Staff Consultant of PSR Consulting, Inc. He worked as Contracts Administrator and Structural Engineer at the DCCD Engineering Corporation. Mr. Lim obtained his bachelor's degree in Civil Engineering and Masters Degree in Business Administration from the University of the Philippines.

MIGUEL B. VARELA, Filipino, 73 years old, was elected as Independent Director on 28 September 2012. He has been an Independent Director of Megaworld Corporation 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, NPC Alliance Corporation, Vice Chairman Richmonde Hotel, among others. 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, 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, 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*).

GERARDO GARCIA, Filipino, 71 years old, was elected as Independent Director of the Company on 01 August 2011. He concurrently serves as Independent Director in the boards of Megaworld Corporation since June 1994, and Empire East Land Holdings, Inc. since October 1994. He is also a Director of Megaworld Land, Inc., Suntrust Properties, Inc. and 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.
Executive Officers -

ROBERTO S. ROCO, Filipino, 60 years old, is Senior Vice President and Chief Finance Officer, Compliance Officer and Corporate Information Officer of the Company. He is also a Director of Fil-Estate Properties, Inc. and Fil-Estate Ecocentrum Corporation. Mr. Roco was formerly the Executive Vice President and Chief Operating Officer of Smith Bell & Co., Inc. He also held concurrent positions in various Smith Bell companies.

EMELYN C. MARTINEZ, Filipino, 48 years old, is the Senior Vice President for Legal. She is also a Director of Fil-Estate Properties, Inc. and the Assistant Corporate Secretary of Fairways and Bluewater Resort Golf and Country Club, Inc. Before joining GERI, she was the Chief of Staff of the Office of COMELEC Commissioner Augusto C. Lagman. She was a Partner in Ponce Enrile Reyes & Manalastas (PECABAR) Law Offices and in Nisce Mamuric Guinto Rivera & Alcantara Law Offices. She was admitted to the Bar in 1991 after obtaining her Bachelor of Laws degree from University of the Philippines and her Bachelor of Arts Major in Economics from the same university.

JENNIFER LIM-ROMUALDEZ, 43 years old, joined the Company on 1 July 2012 as Vice President for Contracts and Procurement. In September 2012, she was appointed Vice President for Contracts Procurement and Project Management. Previously, she worked for Megaworld Corporation which engaged her in 1995 as Purchasing Supervisor/Coordinator, eventually was promoted to Assistant Purchasing Manager. She became Assistant Vice President for Special Projects/Interior Design Group in 1999, managing and coordinating the design and construction of various projects. She was promoted as Vice President to head the Contracts & Procurement Group of Megaworld and was responsible for all construction-related contracts and materials procurement. She served as Corporate Manager for Quantity Surveying & Tender of Ding Feng Real Estate Development Co., Ltd. in Shanghai, PRC. She was also engaged by Ho Cheng (China) Co. Ltd. (HCG) in Shanghai, PRC, as Assistant Director for Marketing-Interior Design & Graphics, and subsequently as Consultant for the HCG Beijing Flagship Showroom project. She graduated from the University of the Philippines in Diliman, Quezon City with a degree in Bachelor of Science Major in Architecture. She completed and passed the Philippine Licensure Examination for Architects in 1993.

ABRAHAM M. MERCADO, Filipino, 35 years old, is the Vice President for Sales and Marketing of the Company since 2011. He is a Market Strategy Analyst in Real Estate Selling with cross-functional expertise in real estate brokering. He holds a degree in Marketing taken at De La Salle University-

College of Saint Benilde in 1998. He also took a course at International Academy of Management and Economics (AIME) in 2001.

CATHERINE D. MARCELO, Filipino, 38 years old, is the Vice President for Human Resources and Corporate Services of the Company since 2011. Prior to joining the Company she worked with Lufthansa Technik Philippines, Inc. and ABS-CBN Broadcasting Corporation as Human Resources Head. From May 1996 to July 2001, she was the Human Resources Division Senior Supervisor and Recruitment Officer, Training and Development Officer, and Overall HR Officer for Fil-Estate Group of Companies. She graduated from the University of Santo Tomas with a degree of BS in Psychology in 1996.

DOMINIC V. ISBERTO, Filipino, 38 years old, was elected Corporate Secretary and Assistant Corporate Information Officer of the Company on 12 January 2011. He is also the Corporate Secretary of Alliance Global Group, Inc., Twin Lakes Corporation, Fil-Estate Properties, Inc., Suntrust Properties, Inc. and Eastwood City Estates Association, Inc. He is currently a Senior Assistant Vice President for Corporate Management of Megaworld Corporation, where he is primarily responsible for negotiation, preparation and review of joint venture and sale and purchase agreements for the acquisition of property, lease agreements, loan agreements, and other corporate contracts and agreements, and the handling of legal cases. Mr. Isberto has experience in litigation and banking and corporate law. He has a degree in Management Engineering from the Ateneo de Manila University and obtained his Bachelor of Laws degree from the University of the Philippines.

ROLANDO D. SIATELA, Filipino, 52 years old, was elected Assistant Corporate Secretary of the Company on 12 January 2011. He concurrently serves in PSE-listed companies, Alliance Global Group, Inc. and Megaworld Corporation as Assistant Corporate Secretary, and in Suntrust Home Developers, Inc. as Corporate Secretary and Corporate Information Officer. He is also the Assistant Vice President for Corporate Management of Megaworld Corporation. Prior to joining Megaworld Corporation, he was employed as Administrative and Personnel Officer with Batarasa Consolidated, Inc. and served as Assistant Corporate Secretary and Chief Administrative Officer of The Andresons Group, Inc. He is a member of the board of Asia Finest Cuisine, Inc., serves as Corporate Secretary of ERA Real Estate Exchange, Inc. and Oceanic Realty Group International, Inc. and as Documentation Officer of Megaworld Foundation.

Significant Employees

There is no employee who is not an executive officer who is expected by the Company to make a significant contribution to the business. The business is not highly dependent on the services of certain key personnel.

Family Relationships

There are no family relationships up to the fourth civil degree either by consanguinity or affinity among directors, executive officers or persons nominated or chosen by the Corporation to become directors or executive officers.

Involvement in Certain Legal Proceedings

The Company has no knowledge of any of the following events that occurred during the past five (5) years up to the date of this report which are material to an evaluation of the ability or integrity of any director or executive officer:

a. None of them has been involved in any bankruptcy petition.

b. None of them has been convicted by final judgment in a criminal proceeding or being subject to a pending criminal proceeding both domestic and foreign.

c. None of them has been subject to any order, judgment or decree of any court of competent jurisdiction (domestic or foreign) permanently or temporarily, enjoining, barring, suspending or otherwise limiting their involvement in any type of business, securities, commodities or banking activities.

d. None of them has been found by a domestic or foreign court of competent jurisdiction (in a civil action), the commission or comparable foreign body or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation.

Certain Relationships and Related Transactions

No transaction was undertaken or to be undertaken by the Corporation in which any Director or Executive Officer, or any nominee for election as Director, or any member of their immediate family was or to be involved or had or will have a direct or indirect material interest.

No single Director or Executive Officer, or any nominee for election as Director, or any member of their immediate family owns or holds more than 10% of the Corporation's voting shares.

Advances granted to and obtained from subsidiaries, associates and other related parties are for purposes of working capital requirements. Related party transactions of the Group were discussed on Note 20 of the Consolidated Notes to Financial Statements.

(b) *Disagreement with the Corporation*

No director has resigned or declined to stand for re-election to the Board of Directors since the date of the last Annual Shareholders' Meeting because of disagreement with the Corporation on any matter relating to the Corporation's operations, policies or practices.

(c) *Procedure for Nomination and Election of Independent Directors*

The Board of Directors of the Corporation has nine (9) members, two (2) of which should be independent directors.

The Nomination Committee, tasked to nominate candidates for election at least thirty (30) days prior to the date of the annual stockholders' meeting, shall conduct the nominations in accordance with SRC Rule 38.

The Nomination Committee shall pre-screen the qualifications and prepare a final list of candidates for directors, specifying the nominated independent directors.

The qualifications of the candidates for nomination shall be ascertained pursuant to the Revised Code of Corporate Governance and applicable issuances from the SEC.

(d) *Nominees*

Members of the Board of Directors are elected annually by the shareholders during the Annual Shareholders' Meeting to serve for a period of one (1) year and shall serve until their successors shall have been elected and qualified.

The Corporation's Nomination Committee, in accordance with the guidelines in the Revised Code of Corporate Governance and the Requirements on Nomination and Election of Independent Directors under SRC Rule 38 submitted the following complete and Final List of Candidates for the election of the members of the Board of Directors:

1. Andrew L. Tan
2. Robert John L. Sobrepeña
3. Ferdinand T. Santos
4. Wilbur L. Chan
5. Lourdes T. Gutierrez
6. Garry V. de Guzman
7. Robert Edwin C. Lim
8. Miguel B. Varela - Independent Director
9. Gerardo C. Garcia - Independent Director

Messrs. Varela and Garcia, as candidates for independent directors of the Corporation for the forthcoming year, were recommended for nomination by Alliance Global Group, Inc.

Mr. Garcia's first-term election as an independent director was in August 2011. Mr. Varela, on the other hand, was elected independent director in September 2012, replacing an independent director who resigned in July 2012. Both Messrs. Garcia and Varela have not exceeded the term limits for independent director as prescribed under SEC Memorandum Circular No. 9 Series of 2011.

In compliance with SEC Notice dated 20 October 2006, the Corporation will require the elected independent directors to submit to SEC their respective Certifications on Qualification of Independent Directors within thirty (30) days from their election.

The Nomination Committee determined that the Messrs. Andrew L. Tan, Robert John L. Sobrepeña, Ferdinand T. Santos, Wilbur L. Chan, Ms. Lourdes T. Gutierrez, Garry V. de Guzman, Robert Edwin C. Lim, Miguel B. Varela, and Gerardo C. Garcia have all the qualifications and none of the disqualifications of a director.

The Nomination Committee is composed of Mr. Miguel B. Varela as Chairman, and Messrs. Wilbur L. Chan and Garry V. De Guzman as Members.

ITEM 6. Compensation of Directors and Executive Officers

Executive Officers

NAME & POSITION	YEAR	SALARY	BONUS	OTHER ANNUAL COMPENSATION	TOTAL
A. 5 Most Highly Compensated Officers Ferdinand T. Santos, *President* Roberto S. Roco, *SVP & CFO* Emelyn C. Martinez, *SVP* Jennifer L. Romualdez, *VP* Catherine M. Marcelo, *VP*	2013 (Estimated)	12.5 Million	-	1.34 Million	13.84 Million
B. All other officers and directors as a group unnamed	2013 (Estimated)	10.2 Million	-	0.89 Million	11.09 Million

NAME & POSITION	YEAR	SALARY	BONUS	OTHER ANNUAL COMPENSATION	TOTAL
C. 5 Most Highly Compensated Officers Ferdinand T. Santos, *President* Roberto S. Roco, *SVP and CFO* Edgardo S. Pinga, *VP* Abraham M. Mercado, *VP* Catherine M. Marcelo, *VP*	2012	11.2 Million	-	1.2 Million	12.4 Million
D. All other officers and directors as a group unnamed	2012	7.8 Million	-	0.8 Million	8.6 Million

NAME & POSITION	YEAR	SALARY	BONUS	OTHER ANNUAL COMPENSATION	TOTAL
E. 5 Most Highly Compensated Officers Ferdinand T. Santos, *President* Roberto S. Roco, *SVP & CFO* Edgardo S. Pinga, *VP* Abraham M. Mercado, *VP* Catherine D. Marcelo, *VP*	2011	6.8 Million	-	0.7 Million	7.5 Million
F. All other officers and directors as a group unnamed	2011	4.9Million	-	0.4 Million	5.3 Million

Mr. Andrew L. Tan does not receive any compensation from the Corporation by virtue of his position as the Chief Executive Officer (CEO) of the Corporation.

The total annual compensation paid to all senior personnel from AVP and up is all payable in cash. The total annual compensation includes the basic salary and 13th month pay. The Corporation has no other arrangement with regard to the remuneration of its existing officers aside from the compensation received as herein stated.

Directors

Article III, Section 8 of the Corporation's By-laws provides -

> "Section 8. Compensation - By resolution of the Board, each director shall receive a reasonable per diem allowance for his attendance at each meeting of the Board. As compensation, the Board shall receive and allocate an amount of not more than five (5%) percent of the net income before income tax of the corporation during the preceding year. Such compensation shall be determined and apportioned among the directors in such manner as the Board may deem proper."

Other than payment of per diem per attendance at board meetings, there are neither standard nor other arrangements pursuant to which directors of the Corporation are compensated or are to be compensated, for any service provided as director for the last completed year and the ensuing year.

Employment Contracts and Termination of Employment and Change-in-Control Arrangements.

The Corporation has no existing employment contract with any executive officer or any existing compensatory plan or arrangement, including payments to be received from the Corporation or from a change-in-control of the Corporation or a change in the named executive officer's responsibilities following a change-in-control and the amount involved, if any, including all periodic payments or installments, which exceeds P2,500,000.

Warrants and Options Outstanding held by Directors or Officers

On 23 September 2011, the Board of Directors of the Company approved an Executive Stock Option Plan and this was approved on 8 November 2011 by stockholders holding at least 2/3 of the outstanding capital stock. The purpose of the Plan is to enable the key Company executives and senior officers who are largely responsible for its further growth and development to obtain an ownership interest in the Company, thereby encouraging long-term commitment to the Company. The Plan is being administered by the Executive Compensation Committee of the Board.

Under the Plan, the Company shall initially reserve for exercise of stock options up to 500 million common shares of the Company's outstanding shares to be issued, in whole or in part, out of the authorized but unissued shares. Stock options may be granted within ten (10) years from the adoption of the Plan and may be exercised within seven (7) years from date of grant. The exercise price shall be at a 15% discount from the volume weighted average closing price of the Company's shares for twelve (12) months immediately preceding the date of grant. The options shall vest within three (3) years from date of grant and the holder of an option may exercise only a third of the option at the end of each year of the three (3) year period. The Company shall receive cash for the stock options.

Pursuant to this ESOP, on 16 February 2012, the Company granted the options to its key company executives to subscribe to 100 million shares of the Company, at an exercise price of Php1.93. As of 31 December 2012, no options have vested. An Option Holder may exercise in whole or in part his vested Option provided, that, an Option exercisable but not actually exercised within a given year shall accrue and may be exercised at any time thereafter but prior to the expiration of said Option's Life Cycle.

ITEM 7. Independent Public Accountants

(a) Punongbayan & Araullo is being recommended to the shareholders at the scheduled Annual Shareholders' Meeting on 30 July 2013 for approval as external auditor of the Corporation for the calendar year ending 31 December 2013.

(b) Punongbayan & Araullo was the same entity recommended to and approved by the shareholders at the Annual Shareholders' Meeting in 2012 as external auditor of the Corporation for the calendar year ending 31 December 2012. Punongbayan & Araullo was likewise appointed external auditor of the Corporation for the fiscal year ending 30 September 2011 and period 31 December 2011.

The appointment of Punongbayan & Araullo is compliant with the provisions of SRC Rule 68 paragraph 3 (b) (ix) on rotation of external auditors, and the Corporation's Manual on Corporate Governance, which require that the external auditor be rotated or the handling partner changed every five (5) years or earlier.

(c) Representatives of Punongbayan & Araullo are expected to be present during the Annual Shareholders' Meeting and they will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions.

The selection of the external auditor is upon the recommendation of the Audit Committee which is chaired by Mr. Miguel B. Varela, with Mr. Wilbur L. Chan and Ms. Lourdes T. Gutierrez as members, and is made on the basis of credibility, professional reputation, accreditation with Securities and Exchange Commission, and affiliation with a reputable foreign partner.

(d) There are no disagreements with the auditors on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which, if not resolved to their satisfaction, would have caused the auditors to make reference thereto in their reports on the financial statements of the Corporation and its subsidiaries.

ITEM 8. Compensation Plans

No action is to be taken up during the Annual Shareholders' Meeting with respect to any plan pursuant to which cash or non-cash compensation may be paid or distributed.

C. ISSUANCE AND EXCHANGE OF SECURITIES

ITEM 9. Authorization or Issuance of Securities other than for Exchange

Subscription of Megaworld Corporation to Increase in Capital

The Corporation currently has an authorized capital stock of Ten Billion Pesos (Php10,000,000,000.00) divided into Ten Billion (10,000,000,000) common shares with a par value of One Peso (Php1.00) each. As of Record Date, the Corporation has 8,468,000,000 issued and outstanding common shares.

During the Special Shareholders' Meeting held on 8 November 2011, shareholders present in person or by proxy and representing 80.12% of the issued and outstanding capital stock of the Company ratified the increase in authorized capital stock of the Corporation from Ten Billion Pesos (Php10,000,000,000.00) divided into Ten Billion (10,000,000,000) common shares with a par value of One Peso (Php1.00) each to Twenty Billion Pesos (Php20,000,000,000.00) divided into Twenty Billion (20,000,000,000) common shares with a par value of One Peso (Php1.00) each. The said shareholders further approved that the securities to be issued from the planned increase in capital stock may be made by way of a follow-on offering, rights offering or private placement.

On 21 June 2013, the Board of Directors approved the implementation of the subject increase in capital stock to Twenty Billion (20,000,000,000) common shares and approved the subscription by Megaworld Corporation to Two Billion Five Hundred Million (2,500,000,000) common shares (hereinafter the **"Shares"**), which represents 25% of the increase in capital, for a subscription price of Two Pesos and 26/100 (Php2.26) per share or a total subscription price of Five Billion Six Hundred Fifty Million Pesos (Php5,650,000,000.00). The subscription price represents a premium of 5% over the thirty (30) trading-day volume weighted average price (VWAP) of the common shares of the Company immediately preceding the date of the subscription.

The subscription by Megaworld Corporation to the increase in capital is exempt from registration with the SEC, it being an exempt transaction by express provision of Section 10.1 (i) of the Securities Regulations Code (SRC). No notice of exemption or fee is required for the transaction pursuant to SRC Rule 10.1(2).

The Company will submit the planned increase in capital for approval by the Securities and Exchange Commission through an application for amendment of Article Seven of the Company's Amended Articles of Incorporation.

The Company will likewise apply the Shares for listing with the Philippine Stock Exchange (PSE) as soon as practicable.[6] To comply with the requirements of the Revised Listing Rules of the PSE, the Company will present the transaction for approval and/or ratification by the shareholders at the Annual Meeting of Shareholders scheduled on 30 July 2013.

Twenty-five percent (25%) of the subject total subscription price shall be paid on 26 June 2013 and the balance within ten (10) business days after the approval by the Securities and Exchange Commission of the increase in capital stock, grant of PSE exemption from the rights or public offer requirement, and approval by the Company's shareholders of the subscription. The Company intends to use the subscription proceeds for project development (estimated at Php4,500,000,000), land acquisition (estimated at Php700,000,000), and general corporate purposes (estimated at Php450,000,000).

Dividend, Voting, and Preemption Rights of the Shares

The Shares shall enjoy equal rank, preference, and priority with the presently issued and outstanding common shares of the Company.

Each common share has complete voting rights. The holder of a common share shall be entitled to one vote in all matters submitted to stockholders for their approval and shall have cumulative voting rights with respect to the election of the members of the Board of Directors of the Company. Cumulative voting entitles each stockholder to cumulate his shares and give one nominee as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or distribute them on the same principle among as many nominees as he shall see fit; provided, that the total number of votes cast by him shall not exceed the number of shares owned by him multiplied by the number of directors to be elected.

Each common share entitles the holder to full dividend rights. In the event of liquidation or dissolution of the Company, holders are entitled to receive their proportionate share of all assets available for distribution, after satisfaction of the Company's debts and liabilities.

Article Seven of the Amended Articles of Incorporation of the Company expressly provides that there shall be no pre-emptive right on the part of any stockholder to subscribe to any and all issues or other disposition of shares from the Corporation.

Other Material Rights pertaining to the Shares

The Shares shall be entitled to such other rights as may have been conferred upon issued and outstanding common shares of the Company under the Company's By-Laws and the Corporation Code.

Charter or By-Laws Provision Affecting Change in Control of the Registrant

There are no provisions in the Amended Articles of Incorporation of the Company or its Amended By-Laws that would cause a delay or deferment or in any manner prevent a change in control of the Company.

The Shares will be issued by way of private placement to Megaworld Corporation, and other shareholders of the Company will not be given the opportunity to subscribe to the Shares. In view of the dilutive effect of the proposed issuance of Shares on the shareholdings of other stockholders, the Shares will be issued at a premium to market price.

[6] A copy of the Company's Comprehensive Corporate Disclosure dated 24 June 2013 as filed with the Philippine Stock Exchange (PSE) is attached to this Amended Definitive Information Statement.

ITEM 10. Modification or Exchange of Securities

No action is to be taken up during the Annual Shareholders' Meeting with respect to the modification of any class of securities of the Corporation, or the issuance or authorization for issuance of one class of securities of the Corporation in exchange for outstanding securities of another class.

ITEM 11. Financial and Other Information

Financial Statements of the Corporation for the immediately preceding year as well as the Management's Discussion and Analysis of Operations and Financial Condition for the corresponding period are included in the Corporation's Management Report and are incorporated herein by reference.

ITEM 12. Mergers, Consolidations, Acquisitions and Similar Matters

No action is to be taken up during the Annual Shareholders' Meeting with respect to any transaction involving (a) merger or consolidation of the Corporation into or with any other person or of any other person into or with the Corporation; (b) the acquisition by the Corporation or any of its security holders of securities of another person; (c) the acquisition by the Corporation of any other going business or of the assets thereof; (d) the sale or other transfer of all or any substantial part of the assets of the Corporation; or (e) the liquidation or dissolution of the Corporation.

ITEM 13. Acquisition or Disposition of Property

No action is to be taken up during the Annual Shareholders' Meeting with respect to the acquisition or disposition of any property.

ITEM 14. Restatement of Accounts

No action is to be taken up during the Annual Shareholders' Meeting with respect to the restatement of any asset, capital, or surplus account of the Corporation.

D. OTHER MATTERS

ITEM 15. Action with Respect to Reports

The following are to be submitted for the approval and/or ratification of the shareholders at the Annual Shareholders' Meeting:

1. Minutes of the Annual Shareholders' Meeting of held on 28 June 2012;
2. 2012 Audited Financial Statements
3. Resolution of the Board of Directors on 21 June 2013 approving the implementation of the increase in authorized capital stock from 10 Billion to 20 Billion common shares, as approved at the Special Shareholders' Meeting on 08 November 2011, and the subscription by Megaworld Corporation to 2.5 Billion common shares of the 10 Billion increase in capital at a subscription price of Php2.26 per share which represents a 5% premium over the Company's volume weighted average price per share at market

The 28 June 2012 Minutes refers to adoption of shareholder's resolutions pertaining to approval of the previous annual meeting, appointment of external auditors, ratification of acts and resolutions of the Board of Directors, Board Committees and Management, ratification of the amendment to the Articles of Incorporation of the Company to include an additional Secondary Purpose and election of directors.

The approval or disapproval of the reports will constitute merely an approval or disapproval of the correctness of said reports but will not constitute an approval or disapproval of the matters referred to therein.

The shareholders' ratification of the Board resolution of 21 June 2013 approving the subscription of Megaworld Corporation to 2.5 Billion common shares of the increase in capital is being sought in compliance with the requirements of the Philippine Stock Exchange for the listing of the subject shares pursuant to the Revised Listing Rules.

ITEM 16. Matters not Required to be Submitted

No action is to be taken up during the Annual Shareholders' Meeting with respect to any matter which is not required to be submitted to a vote of security holders. Only matters which require shareholders' approval will be taken up during the shareholders' meeting.

ITEM 17. Amendment of Charter, By-Laws or Other Documents

No action is to be taken with respect to any amendment of the Corporation's Articles of Incorporation, By-Laws, or other documents as to which information is not required in the preceding items.

ITEM 18. Other Proposed Actions

a. Ratification of all acts of the Board of Directors and the management from the date of the last Annual Shareholders' Meeting up to the date of the scheduled Annual Shareholders' Meeting for year 2013, pertaining to acts covered by Resolutions of the Board of Directors duly adopted in the normal course of trade or business, such as appointment of officers of the Corporation, opening and maintenance of bank accounts and other bank transactions, approval of projects, investments and land acquisitions, appointment of proxies and nominees of the Corporation, designation of authorized signatories and representatives, approval of sale transactions of real and personal properties, appointment of legal counsels for cases arising from the ordinary course of business, approval of agreements relating to settlement of debt obligations and other corporate activities;

b. Election of the Board of Directors;

c. Appointment of external auditor; and,

d. Other matters as may properly come before the meeting.

ITEM 19. Voting Procedures

(a) Vote required

The required votes for the approval of the matters included in the agenda of the Annual Shareholders' Meeting are as follows:

Plurality Vote

The top seven (7) candidates for regular directors with the highest number of votes and the top two (2) candidates for independent directors with the highest number of votes shall be deemed elected as members of the Board of Directors of the Corporation.

Majority Vote

For all other matters proposed to be acted upon (i.e., approval of the Minutes of the Annual Shareholders' Meeting held on 28 June 2012; approval of the Audited Financial Statements for the year ended 31 December 2012; approval and/or ratification of the subscription by Megaworld Corporation to the 2.5B common shares of the 10B increase in capital; general ratification of the Board of Directors and the management; appointment of external auditors, and other matters as may properly come before the meeting), the vote of majority of the stockholders entitled to vote and who are either present in person or represented by proxy, will be required for approval. These matters shall be deemed approved when the required vote is met, provided a quorum is present.

(b) Method by which votes will be counted

Only owners of shares of common stock at the time of Record Date who are present in person or by proxy at the Annual Shareholders Meeting shall be entitled to vote on the election of members of the Board of Directors and on the other matters in the agenda which will be submitted for shareholders' approval.

Each shareholder shall be entitled to one (1) vote for each share of stock standing in his name in the books of the Corporation. Generally, a shareholder may vote his share only by straight voting. However, in case of election of members of the Board of Directors, all shareholders shall have cumulative voting which entitles each shareholder to cast the vote to which the number of shares he owns entitles him for as many persons as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he may see fit, provided, that the whole number of votes cast by him shall not exceed the number of shares owned by him multiplied by the whole number of directors to be elected.

Voting may be done by viva voce or by show of hands of the shareholders unless a shareholder requests that voting be done by secret ballot. In which case, a Committee shall be created to supervise the same in the presence of the external auditor. However, voting by secret ballot may be dispensed with upon assent of shareholders owning majority of the outstanding shares, through a proper motion which should be duly seconded. In case of election of members of the Board of Directors by secret ballot, the Chairman shall appoint two (2) tellers to supervise the said election as required in the Corporation's By-Laws.

PART II

The Corporation is not soliciting any proxy -

WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE REQUESTED NOT TO SEND US A PROXY.

PART III

SIGNATURE PAGE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Pasig on 24 June 2013.

GLOBAL-ESTATE RESORTS, INC.

By:

ROBERTO S. ROCO
SVP-CFO/Corporate Information Officer
Authorized Signatory

GLOBAL-ESTATE RESORTS, INC.

MANAGEMENT REPORT

For the
2013 Annual Meeting of the Stockholders
Pursuant to SRC Rule 20 (4)

Item 8. Financial and Other Information

Audited Financial Statements

The consolidated financial statements as of 31 December 2012 are attached hereto including the interim financial statements as of March 31, 2013. The statement of Management Responsibility, Schedules Required under Part IV (c) of Rule 48 are included in the Annual Report (Form 17-A).

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.

1.1 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. The measurement bases are more fully described.in the accounting policies that follow.

(b) Presentation of 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 a single 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 Group'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 Group's functional currency. Functional currency is the currency of the primary economic environment in which the Group operates.

1.2 Adoption of New and Amended PFRS

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

In 2012, the Group adopted the following amendments to PFRS that are relevant to the Group and effective for 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

Discussed below are the relevant information about these amended 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 under 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 became effective for annual periods beginning on or after January 1, 2012 but has no significant impact on the Group's consolidated financial statements as its investment property only includes several properties 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, annual improvements and interpretations 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 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 amendment will change the current presentation of items in other comprehensive income [i.e., unrealized fair value gains and losses on available-for-sale (AFS) financial assets].

(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.

(iii) Consolidation Standards

The Group 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 Ventures,* 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.

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 guidance 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 does not expect this amendment to 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. The Group is yet to assess the impact of this new standard.

(vi) 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.

(vii) 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 arrangement, does not require separation from the host contract.

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

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

Further, in November 2011, the IASB tentatively decided to consider making limited modifications to IFRS 9's financial asset classification model to address certain application issues.

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.

(viii) Philippine Interpretation IFRIC 15, *Agreements for Construction of Real Estate.* This Philippine interpretation is based on IFRIC interpretation issued by the IASB in July 2008 effective for annual periods beginning on or after January 1, 2009. The adoption of this interpretation in the Philippines, however, was deferred by the FRSC and Philippine SEC after giving due considerations on various application issues and the implication on this interpretation of the IASB's on-going revision of the Revenue Recognition standard. This interpretation provides guidance on how to determine whether an agreement for the construction of real estate is within the scope of PAS 11, *Construction Contracts*, or PAS 18, *Revenue*, and accordingly, when revenue from the construction should be recognized. The main expected change in practice is a shift from recognizing revenue using the percentage of completion method (i.e., as a construction progresses, by reference to the stage of completion of the development) to recognizing revenue at completion upon or after delivery. 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.

(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 16 (Amendment), *Property, Plant and Equipment – Classification of Servicing Equipment.* The amendment addresses a perceived inconsistency in the classification requirements for servicing equipment which resulted in classifying servicing equipment as part of inventory when it is used for more than one period. It clarifies that items such as spare parts, stand-by equipment and servicing equipment shall be recognized as property, plant and equipment when they meet the definition of property, plant and equipment, otherwise, these are classified as inventory.

(c) 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. 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.

1.3 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, if any, 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.

Financial statements of entities in the Group that are prepared as of a date different from that of the date of these consolidated financial statements were adjusted to recognize the effects of significant transactions or events that occur between that date of their reporting period and the date of these consolidated financial statements. Adjustments are also 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 transactions with Non-Controlling Interests (NCI) as follows:

(a) Investments in Subsidiaries

Subsidiaries are all entities over which the Group has the power to control the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date the Group 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 NCI 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 Group, if any. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred and subsequent change in the fair value of contingent consideration is recognized directly in profit or loss.

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

The excess of the consideration transferred, the amount of any NCI in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the group's share of the identifiable net assets acquired is recognized as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in profit or loss as gain.

(b) Investments in Associates

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

Acquired investments in associates are also subject to purchase accounting. However, any goodwill or fair value adjustment attributable to the share in the associates 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 carrying amount of the Group's investment. Changes resulting from the profit or loss generated by the associate are shown as Equity Share in Net Profits Losses of Associates in the Group's consolidated statement of comprehensive income and therefore affect the net results of operations of the Group.

These changes include subsequent depreciation, amortization or impairment of the fair value adjustments of the associate's assets and liabilities.

Changes resulting from other comprehensive income of the associates or items that have been directly recognized in the associate's equity, for example, resulting from the associate's accounting for AFS financial assets, are recognized in consolidated other comprehensive income or equity of the Group, as applicable. Any non-income related equity movements of the associate that arise, for example, from the distribution of dividends or other transactions with the associate's shareholders, are charged against the proceeds received or granted. No effect on the Group's net result or equity is recognized in the course of these transactions. However, when the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments in behalf of the associate. If the associate subsequently reports profits, the Group resumes recognizing its share of those profits only after its share of the profits exceeded the accumulated share of losses that has previously not been recognized.

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 asset 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 interest in jointly controlled operations, the Group recognizes in its consolidated financial statements its share of the assets that it controls, the liabilities and the expenses that it incurs and its share in the income from the sale of goods or services by the joint venture. No adjustment or other consolidation procedures are required since the assets, liabilities, income and expenses of the joint venture are recognized in the separate financial statements of the venturers.

(d) Transactions with NCI

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

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

1.4 Financial Assets

Financial assets are recognized when the Group becomes a party to the contractual terms of the financial instrument. Financial assets other than those designated and effective as hedging

instruments are classified into the following categories: financial assets at fair value through profit or loss (FVTPL), loans and receivables, held-to-maturity investments and AFS financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired.

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

The financial asset categories currently relevant to the Group are as follows:

(a) Loans and Receivables

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

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

The Group's financial assets categorized as loans and receivables are presented in the consolidated statement of financial position as Cash and Cash Equivalents, Trade and Other Receivables (except Advances to Contractors and Suppliers) and Advances to Related Parties. Cash and cash equivalents include cash on hand, demand deposits and short-term, highly liquid investments with original maturities of three months or less, readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

(b) AFS Financial Assets

This category includes non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. They are classified as non-current assets in the consolidated statement of financial position unless management intends to dispose of the investment within 12 months from the reporting period. The Group's AFS financial assets include proprietary golf club membership shares and are presented as part of the Other Non-current Assets account in the consolidated statement of financial position.

All financial assets within this category are subsequently measured at fair value. Gains and losses from changes in fair value are recognized in other comprehensive income, net of any income tax effects, and are reported as part of the Unrealized Losses on AFS Financial Assets account in equity. When the financial asset is disposed of or is determined to be impaired, the cumulative fair value gains or losses recognized in other comprehensive income is reclassified from equity to profit or loss and is presented as reclassification adjustment within other comprehensive income.

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

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

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

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

1.5 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, if any, incurred during the development of the real estate properties are also capitalized by the Group as part of Property Development Costs.

The cost of real estate property sold before completion of the development, if any, 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 residential and condominium units sold presented in the consolidated statement of comprehensive income with a corresponding credit to the liability account, Reserve for Property Development account.

Costs of properties and projects accounted for as Land for Future Development, Property Development Costs and Real Estate and Resort Shares 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. Any impairment loss from a real estate project is charged to operations during the period in which the loss is determined.

Revenue and cost relative to forfeited or back-out sales are reversed in the current year as they occur.

1.6 Prepayments and Other Assets

Prepayments and other assets pertain to other resources controlled by the Group as a result of past events. They are recognized in the consolidated financial statements when it is probable that the future economic benefits will flow to the entity 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.

1.7 Property and Equipment

Property and equipment, except land, are carried at acquisition or construction cost less subsequent depreciation, amortization and any impairment losses. As no finite useful life for land can be determined, related carrying amount are not depreciated. Land is stated at cost less any impairment losses.

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 and amortization is computed on the straight-line basis over the estimated useful lives of the assets as follows:

Building	50 years
Building and office improvements	5-10 years
Office furniture, fixtures and equipment	3-5 years
Transportation and other equipment	5 years

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.

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, including the related accumulated depreciation, amortization and impairment losses, is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year the item is derecognized.

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

1.8 Investment Property

Investment property consists of parcels of land and buildings held for lease. Buildings are carried at cost less accumulated depreciation and any impairment losses. Land is stated at cost less any impairment losses.

The cost of an asset comprises its purchase price and any directly attributable expenditure. Expenditures for additions, major improvements and renewals are capitalized; expenditures for repairs and maintenance are charged to expense as incurred.

Amortization is computed on a straight-line basis over the estimated useful life of the assets as follows:

Land development and improvements	20 years
Building and improvements	10-50 years

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its recoverable amount.

Transfers to, or from, investment property shall be made when and only when there is a change in use.

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

1.9 Financial Liabilities

Financial liabilities, which include Trade and Other Payables (except tax-related liabilities, if any), Advances from Related Parties, Due to Joint Venture Partners and Redeemable Preferred Shares, are recognized when the Group becomes a party to the contractual terms of the instrument. All interest-related charges, if any, incurred on financial liability are recognized as an expense in profit or loss under the caption Finance Costs in the consolidated statement of comprehensive income.

Financial liabilities are recognized initially at their fair values and subsequently measured at amortized cost less settlement payments.

Preferred shares, which carry a mandatory coupon or are redeemable on specific date or at the option of the shareholder, are classified as financial liabilities and presented as a separate line item in the consolidated statement of financial position as Redeemable Preferred Shares.

Dividend distributions to shareholders, if any, are recognized as financial liabilities when the dividends are approved by the BOD. The dividends on the redeemable preferred shares of a subsidiary are recognized in the consolidated statement of comprehensive income as interest expense on an amortized cost basis using the effective interest method.

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.

1.10 Business Combination

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

Goodwill, if any, 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, if any, is measured at cost less any accumulated impairment losses. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed.

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

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

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

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

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

1.11 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's BOD; its chief operating decision-maker. The BOD is responsible for allocating resources and assessing performance of the operating segments.

In identifying its operating segments, management generally follows the Group's products and service lines, which represent the main products and services provided by the Group.

Each of these operating segments is managed separately as each of these service lines requires different 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 is the same as those used in its consolidated financial statements. 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.

1.12 Provisions and Contingencies

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still

be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events.

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

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

1.13 Offsetting of Financial Instruments

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

1.14 Revenue and Expense Recognition

Revenue is measured by reference to the fair value of consideration received or receivable by the Group for goods sold and services rendered, excluding value-added tax (VAT).

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

(a) *Real estate sales* – For financial reporting purposes, revenues from transactions covering sales of real estate 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 period's sales is presented as Deferred Gross Profit on Real Estate Sales in the consolidated statement of comprehensive income; the cumulative unrealized gross profit as of the end of the year is shown as Deferred Income on Real Estate Sales in the consolidated statement of financial position.

    The sale is recognized when a certain percentage of the total contract price has already been collected. 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 buyer are initially recorded as part of Customers' Deposits account in the consolidated statement of financial position.

Revenues on sales of undeveloped land and golf and resort shares for sale, on the other hand, are recognized using the full accrual method. Under the full accrual method, revenue is recognized when the risks and rewards of ownership in the undeveloped land and golf and resort shares have passed to the buyer and the amount of revenue can be measured reliably. Revenues and costs relative to forfeited or back out sales are reversed in the current year as they occur.

Any adjustments relative to previous periods' sales are recorded in the current period as they occur.

For tax reporting purposes, a modified basis of computing the taxable income for the period based on collections from sales is used by the Group.

(b) *Maintenance income* – Revenue is recognized when performance of mutually agreed tasks has been rendered.

(c) *Rental 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. For tax purposes, rental income is recognized based on the contractual terms of the lease.

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

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

Cost of real estate sales before completion of the projects include the acquisition cost of the land, development costs incurred to date, applicable borrowing costs and estimated costs to complete the project, determined based on estimates made by the project engineers on the stage of completion of the real estate project.

Cost and expenses and other costs (other than costs of real estate sold) are recognized in profit or loss upon utilization of the services or goods or at the date they are incurred. All finance costs are reported in profit or loss on an accrual basis, except capitalized borrowing costs which are included as part of the cost of the related qualifying asset.

1.15 Operating 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 incentive received from the lessor) are recognized as expense in 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. Lease income from operating leases is recognized 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.

1.16 Foreign Currency Transactions and Translation

The accounting records of the Group 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 in the consolidated statement of comprehensive income as part of income or loss from operations.

1.17 Impairment of Non-financial Assets

The Group's Investments in Associates, Investment Property, Property and Equipment and other non-financial assets are subject to impairment testing whenever events or changes in circumstances indicate that their carrying amounts 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. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

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.

1.18 Employee Benefits

(a) Defined Benefit Plan

The Group has an unfunded, non-contributory defined benefit plan covering all regular employees.

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 entity, 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 defined benefit post-employment plan covers all regular full-time employees.

The liability recognized in the consolidated statement of financial position for defined benefit post-employment plans is the present value of the defined benefit obligation (DBO) at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs. The DBO is calculated annually by independent actuaries using the projected unit credit method. The present value of the DBO is determined by discounting the estimated future cash outflows using interest rates derived from the interest rates of a zero coupon government bonds as published by the Philippine Dealing and 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 Company 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.

1.19 Share-based Employee Remuneration

The Company grants share options to key executive officers 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 consolidated 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 vest 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.

1.20 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 cost of such asset. The capitalization of borrowing costs commences when expenditures for the asset and 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 as incurred.

1.21 Related Party Relationships and Transactions

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

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These 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.

1.22 Equity

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

APIC represents premium received on the initial issuance of capital stock. Any transaction costs associated with the issuance of shares are deducted from APIC, net of any related income tax benefits.

Share options outstanding represents the corresponding credit upon recognition of share-based remuneration expense in profit or loss.

Unrealized losses on AFS financial assets represent losses recognized due to changes in fair values of these assets.

Retained earnings represent all current and prior period results of operations as reported in the profit or loss section of the consolidated statements of comprehensive income, reduced by the amounts of dividends declared, if any.

1.23 Basic and Diluted Earnings Per Share

Basic earnings per share is determined by dividing the consolidated net profit by the weighted average number of common shares subscribed and issued during the year, after giving retroactive effect to any stock dividends, stock split or reverse stock split declared in the current year.

Diluted earnings per share is computed in the same manner as the basic earnings per share and assuming further that at the beginning of the year or at the time of issuance during the year, all outstanding convertible instruments were converted to common stock and the conversion would result to a decrease in the basic earnings per share or increase in the basic loss per share.

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

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

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

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in profit or loss. 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, respectively.

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.

1.25 **Events After the Reporting Period**

Any post-year-end event that provides additional information about the Group's consolidated 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.

External Auditor

The Group has engaged the services of Punongbayan & Araullo during the most recent calendar year. There were no disagreements with Punongbayan & Araullo on any matter of accounting and financial disclosure.

Attendance of Accountants at the Meeting

Representatives of the Corporation's external accountants, Punongbayan & Araullo, for the Calendar Year 2012, are expected to be present at the Annual Stockholders' Meeting scheduled on 30 July 2013. Said accountants will be given the opportunity to make a statement if they desire to do so and will be available to respond to appropriate questions on the Corporation's financial statements.

BUSINESS AND GENERAL INFORMATION

Form and Date of Organization

Global-Estate Resorts, Inc. ("GERI" or the "Company") formerly Fil-Estate Land, Inc. was incorporated on May 18, 1994 to consolidate the real estate interests and development activities of the Fil-Estate Group of Companies. GERI is also tasked to engage in land acquisitions and to maintain an inventory of raw land for future development by the Company and its subsidiaries. GERI went public in November 1995 when its common shares were listed in the Philippine Stock Exchange (PSE).

GERI is one of the leading property development companies in the Philippines and has operated through predecessor companies since 1981. The Company engages primarily in the horizontal development of residential subdivision lots, integrated residential, golf and other leisure-related properties, integrated tourism estates development and vertical development of mixed-use towers.

The Company reduces its capital exposure substantially by acquiring its land bank through joint ventures with landowners. These agreements generally provide that the Company will undertake the development and marketing of the project.

GERI has seven (7) subsidiaries:

Fil-Estate Properties, Inc. ("FEPI"), was incorporated and organized under the laws of the Philippines on February 13, 1990. FEPI is involved in the development/construction and sale of residential subdivisions and commercial lots, condominium buildings and townhouses and sale of golf and resort shares.

Fil-Estate Golf and Development, Inc. ("FEGDI"), was registered with the Securities and Exchange Commission (SEC) on March 6, 1990 to engage primarily in golf and leisure development. Among the notable projects undertaken/completed by FEGDI are The Manila Southwoods Golf Course in Carmona, Cavite, and Forest Hills Golf Course in Antipolo City .

Fil-Estate Urban Development Corporation ("FEUDC") was incorporated and organized under the laws of the Philippines on March 6, 2000. FEUDC's primary purpose is to acquire by purchase, lease,

donation, or otherwise or to own, use, improve, develop, subdivide, sell, exchange, lease, hold for investment or otherwise, real estate of all kinds, including building, houses, apartments and other structures and to construct, improve, manage or otherwise dispose of buildings, condominiums and other structures of whatever kinds, together with their appurtenances; and to perform all and everything necessary and proper for the attainment of or in furtherance of this purpose, either alone or with other corporations or individuals. In 2011, FEUDC amended its Articles of Incorporation to include, as part of its primary purpose, operation of buildings, condominiums and other structures such as hotels, including but not limited to the operation of dining, function, and lodging facilities. Its development projects include townhouses and hotels.

Novo Sierra Holdings Corporation ("Novo Sierra") was incorporated and organized under the laws of the Philippines on March 4, 2010. Novo Sierra's primary purpose is to invest in, purchase or otherwise acquire and hold, use, sell, assign, transfer, mortgage, pledge, exchange, or otherwise dispose of personal property of every kind and description, including shares of stocks, bonds, debentures, notes, evidence of indebtedness, contracts and other securities and obligations of any corporation, partnership, company or association, whether domestic or foreign for whatever lawful purpose or purposes the same way have been organized; and to pay therefore in money or by exchanging therefore in stocks, bonds, debentures, notes or other evidences of indebtedness or securities, and while the owner or holder of such notes, evidence of indebtedness, contracts and other securities and obligations of any corporation; to receive, collect and dispose of the interest, dividends and income arising from such property and investments and to possess and exercise in respect thereof, all rights and powers and privileges of ownership to the extent authorized by law, without however engaging in any banking or quasi-banking activities, nor shall the corporation engage in the business of an investment company as defined in the Investment Company Act (R.A. 2629) without complying with the provisions of the said act; provided it shall not engage in stock brokerage and dealer in securities.

Twin Lakes Corporation ("Twin Lakes") was incorporated and organized under the laws of the Philippines on March 2, 2011. Twin Lakes primary purpose is to acquire by purchase, lease, donation or otherwise and to own, use, improve, develop and hold for investment or otherwise, real estate of all kinds, and to construct, improve, manage or otherwise deal in or dispose lots, buildings, house and lots, as well as condominium units, townhouses, shopping malls, commercial centers, retirement communities, schools and dormitories, mixed-use property projects and other structures of whatever kind and description, together with any and all of their appurtenances, with the end in view of building and establishing new communities, towns, cities and urban centers.

Megaworld Global-Estate, Inc. ("MGEI") was incorporated and organized under the laws of the Philippines on March14, 2011. MGEI primary purpose is to market, acquire, hold, operate, dispose of by purchase, sale, exchange, mortgage, barter, lease or in any other manner, conditionally or absolutely, real estate and/or improvements thereon or other properties for residential, commercial or recreational purposes, or any interest therein, and to own, hold, improve, develop and manage any real estate, golf course, buildings, structures or other properties or interest therein so acquired, as well as erect or cause to be erected on any real estate or other properties, held or occupied by the corporation buildings, plants, factories, recreation facilities, or other similar structures with their appurtenances. It acts as the marketing arm of the Company and its subsidiaries.

Oceanfront Properties, Inc. ("OPI") was incorporated on October 12, 2010 and started commercial operations on August 9, 2012. OPI was incorporated primarily to own, use, improve, develop, subdivide, sell, exchange, lease and hold for investment or otherwise, real estate of all kinds, including buildings, houses, apartments and other structures.

GERI also owns 20% of the equity of four (4) marketing companies namely Fil-Estate Realty Corporation ("FERC"), Fil-Estate Network, Inc. ("FENI"), Fil-Estate Sales, Inc. ("FESI") and Fil-Estate Realty Sales Associates, Inc. ("FERSAI") which formerly marketed the old projects of GERI prior to the formation of MGEI.

PLAN OF OPERATION

On January 20, 2011, Alliance Global Group, Inc. (AGI) acquired a 60% majority stake in the company. It was envisioned by AGI that the company would be the vehicle for the Group for the development of master planned integrated tourism estates in the country's prime tourist destinations.

In line with this primary objective of becoming a leading developer of master planned integrated tourism estates in the country, on March 29, 2011 the company was renamed Global-Estate Resorts, Inc.

The company intends to focus on the development of master planned integrated tourism estates in Boracay, Laurel, Batangas, and Nasugbu, Batangas which shall provide the bulk of the company's revenues in the long term.

For the year 2012, the company launched four new projects within these major tourism estates and one in IloIlo. These are Oceanway Residences 1 & 2 and Boracay Savoy Hotel in Newcoast Boracay, Domaine Le Jardin in Twin Lakes, Laurel, Batangas, and Sta. Barbara Heights Phase 2 in IloIlo.

The company intends to launch in 2013 other components of these major tourism estates such as the Vineyard in Twin Lakes, a 177-hectare development, Sta. Barbara Heights Phase 3 in Iloilo, and Belmont Hotel and Oceanway Residences 3, 4 & 5 in Newcoast Boracay.

While focus will be on integrated tourism estates, the company also plans to continue completion of ongoing residential subdivisions and high-rise developments as well as launch other subdivision projects.

The company intends to utilize equity and internally generated funds to meet the development requirements for these projects.

The company shall be open to co-development arrangements and other sources of financing should additional funds be required.

The company also intends to build up its recurring income by increasing its rental income and income from hotel operations. In 2012, the company increased the number of available rooms for hotel operations from 192 to 297. With the upbeat tourist arrivals projected by the Department of Tourism, hotel revenues are expected to contribute substantially to the company's recurring income.

Marketing of the company's products shall be exclusively handled by its subsidiary Megaworld-Global Estate, Inc.

Management's Discussion and Analysis of Financial Condition and Results of Operations

KEY PERFORMANCE INDICATORS

LIQUIDITY RATIOS

	March 31, 2013	December 31, 2012	December 31, 2011
Current Ratio	3.22	3.33	3.41
Quick Ratio	0.38	0.40	0.83

Current Ratio (Current Assets/Current Liabilities)
Liquidity ratio measures a company's ability to pay short-term obligations.

Quick Ratio *(Cash and cash equivalents + Current Trade receivables/Current Liabilities)*
It measures a company's ability to meet its short-term obligations with its most liquid assets.

LEVERAGE OR LONG-RANGE SOLVENCY RATIOS

	March 31, 2013	December 31, 2012	December 31, 2011
Debt to Total Assets	30%	29%	24%
Equity to Total Assets	70%	71%	76%
Debt to Equity	42%	40%	32%
Asset To Equity	1.42	1.40	1.32

Debt to Total Assets
It shows the creditors' contribution to the total resources of the organization.

Equity to Total Assets
It shows the extent of owners' contribution to the total resources of the organization.

Debt to Equity
It relates the exposure of the creditors to that of the owners.

Asset To Equity (Total Assets/Total Owner's Equity)
It measures the company's leverage.

PROFITABILITY RATIOS

	March 31,2013	December 31,2012	December 31, 2011
Return on Equity	0.58%	2.1%	1.7%
Return on Assets	0.33%	1.2%	1.1%
Earnings per Share	₱ 0.0098	₱ 0.035	₱ 0.029

Return on Equity (Net Income/Equity Attributable to Parent Company's shareholders)
It tests the productivity of the owners' investments.

Return on Assets (Net Income/Total Assets)
This ratio indicates how profitable a company is relative to its total assets.

Earnings per Share (EPS)
It indicates the earnings for each of the common shares held.

ACTIVITY RATIOS

	March 31, 2013	December 31, 2012	December 31, 2011
Asset Turnover	0.91%	3%	2%

Asset Turnover (Sales/Total Assets)
It measures the level of capital investment relative to sales volume.

Management Discussion and Analysis

Review of Interim period March 31, 2013

Results of Operations

Consolidated revenues for the three-month period ended March 31, 2013 amounted to ₱ 436.4 million with an increase of 15% compared to ₱ 378.9 million in March 31, 2012. The Company's real estate sale of ₱ 229.5 million came mainly from sale of lots in Newcoast Shophouse District and Newcoast Village in Malay, Aklan, Sta. Barbara Heights in Ilo-Ilo City, and Twin Lakes Domaine Le Jardin in Laurel, Batangas. Income from rentals and golf course maintenance contracts amounted to ₱ 48.5 million. Realized gross profit on prior years' real estate sales amounted to ₱ 27.2 million. Hotel revenues as of March 31, 2013 amounted to ₱ 72.6 million, an increase of 168% from ₱ 27.0 million as of March 31, 2012 due to expansion of hotel operations in Boracay. Balance of revenues was contributed by interest and other income of ₱-58.7 million.

Cost and expenses posted an increase of ₱ 27.3 million or 8% from ₱ 328.1 million in March 31, 2012 to ₱ 355.4 million as of March 31, 2013 mainly due to deferred gross profit on real estate sales and cost of hotel operations.

The company posted a ₱80.9 million Net Income or 59% increase for the three-month period ended March 31, 2013, as compared to a Php50.8 million net income realized as of March 31, 2012, mainly due to increase in real estate sales and hotel revenue.

As a result, Earnings per share increased to Php 0.0098 from the previous year's level of Php 0.0068.

Major Movements of Income Statement Accounts are as follows:

- 20% Increase in Real Estate Sales - mainly due to increase in sales generated from new projects.
- 57% Decrease in Realized gross profit on prior years' real estate sales – due to majority of the deferred income from old projects were realized in 2012.
- 23% Decrease in Service and Rental Income – Due to decrease in revenue from golf course maintenance
- 168% Increase in Hotel Operations – due to expansion of hotel operations
- 68% Increase in Equity in Net Earnings of Associates, interest and other income – Primarily due to increase in interest and other income.
- 7% Decrease in Cost of Real Estate Sales - due to majority of the sales realized for the period came from sale of lots.
- 49% Increase in Deferred Gross Profit on Real Estate Sales– mainly due to sales realized for the period came from newly launched projects.
- 240% Increase in Cost of Hotel Operations – mainly due to increase in hotel revenue.
- 31% Decrease in Cost of Services – mainly due to decrease in service revenue.
- 12% Decrease in Operating Expenses – mainly due to decrease in registration fee and tax expense.
- 14% Decrease in Interest and other charges – mainly due to decrease in other charges
- 68% Increase in Income Tax expense – due to increase in taxable income

Financial Condition

The Group's financial position remained stable. Total assets as of March 31, 2013, Php25.2 billion compared to Php24.6 billion as of December 31, 2012, posted an increase of Php623 million or 3%.

Trade and other receivables increased by 7% due to the increase in installment sales booked for the period, from Php1.99 billion in December 2012 to Php2.13 billion in March 2013. Advances to related parties increased from Php930.2 million in December 2012 by 5% to Php973.6 million in March 2013. Real estate and resort shares for sale increased by 7% from Php 7.8 billion in December 2012 to Php8.3 billion in March 2013 due to increase in percentage of completion of on-going projects. Property Development Cost increased by 6% due to development of new projects.

Advances from related parties increased by 25% mainly due to additional advances from parent company. Reserve for property development cost increased by 6% due to increase in accrual of development cost incurred for the period. Deferred Income on real estate sales increased by 6% due to deferred gross profit from sales recognized for the period. Deferred Tax Liability also increased from Php125.2 million in December 2012 to Php153.3 million in March 2013. The 22% increase is due to increase in taxable temporary difference.

Major movements of Balance Sheet Accounts are as follows:

- 7% Increase in Trade and other receivables – due to increase in installment sales booked during the period.
- 5% increase in Advances to Related Parties – mainly due to additional advances.

- 7% Increase in Real estate and resorts share for sale – due to increase in percentage of completion of on-going project.
- 6% Increase in Property development cost – due to increase in development of new projects
- 25% Increase in Advances from related parties – mainly due to additional advances from parent company
- 6% Increase in Reserve for Property Development Cost – due to increase in accrual of development cost for the period
- 6% Increase in Deferred Income – due to deferred gross profit from real estate sales recognized for the period. .
- 22% Increase in Deferred Tax Liability – due to increase in taxable temporary difference.
- 16% Increase in Other non-current liability – mainly due to non-current portion of customer's deposit from sales reservation for the period.

Others

As of the quarter ended March 31, 2013, there are no material events and uncertainties known to management that would have an impact on the future operations such as:

a. Known trends, demands, commitments, events or uncertainties that would have an impact on the Company;
b. Material commitments for capital expenditures, the general purpose of such commitment and the expected sources of funds for such expenditures;
c. Known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on the net sales/revenues/income from continuing operations;
d. Significant elements of income or loss that did not arise from the Company's continuing operations;
e. Causes for any material changes from period to period in one or more line item of the Company's financial operations;
f. Seasonal aspects that had a material effect on the financial condition or results of the operations;
g. Events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation;
h. All material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities of other persons created during the reporting period.

Review for the year ended December 31, 2012

On January 15, 2011, the Company's Board of Directors (BOD) approved the change in accounting period of the Company from fiscal year ending September 30 to calendar year ending December 31. The change in accounting period was approved by the Securities and Exchange Commission (SEC) on March 29, 2011.

In line with the change in accounting period approved by SEC on March 29, 2011, for the year 2012, SEC required the Group to file comprehensive income statement with three comparative periods, for the year ended December 31, 2012, short period three months ended December 31, 2011 and for the year ended September 30, 2011.

Results of Operations

For the year ended December 31, 2012 the Group consolidated net income amounted to Php265.1million.

Consolidated total revenues amounted to Php1.39 billion. The bulk of revenues came from real estate sales, realized profit on prior years' sales, hotel operations, rental and finance and other income. Real estate sales came from the sale of residential subdivision lots amounting to Php684.9 million. The Group's

registered sales came from sale of lots in Newcoast Shophouse District and Boutique Hotel in Malay, Aklan, Sta. Barbara Heights in Iloilo City, and Twin Lakes Domaine Le Jardin in Laurel, Batangas.

Total cost and expenses amounted to Php1.07 billion, mainly from cost of real estate sales and operating expenses resulting from aggressive marketing activities as well as other administrative and corporate overhead.

Financial Condition

The Group's financial position remained stable. Total Assets of Php24.6 billion as of December 31, 2012 compared to Php21.0 billion as of December 31, 2011 posted an increase of Php3.6 billion or 17%.

Cash and cash equivalents decreased by 53% from Php993 million in December 2011 to Php466 million as of December 31, 2012 as result of project development. Trade and other receivables increased by 16% mainly due to real estate sale of new projects. Other current and non-current assets increased by 50% due input tax. Land for future development increased by 51%, mainly due to land acquisition and land investment of stockholders in Twin Lakes Corporation. Real estate and resorts shares for sale increased by 8%, from Php7.2 billion as of December 31, 2011 to Php7.8 billion as of December 31, 2012, mainly due to development of various projects. Investment properties increased by Php27.8 million due to project development. Property and equipment increased by Php163.6 million due to construction of additional buildings used for hotel operations.

Trade and other payables increased by 23% mainly due to payable to contractors and suppliers. Reserve for property development decreased by 14% due to increase in development of various projects. Advances from related parties increased by 46% due to additional advances. Redeemable preferred shares increased by 100% due to redeemable preferred shares issued to stockholders of Twin Lakes Corporation.

Shareholders' Equity increased by 11% from Php15.9 billion to Php17.6 billion mainly due to increase in minority equity in Twin Lakes Corporation.

Material Changes in the year December 2012 Financial Statements
(Increase/decrease of 5% or more versus December 31, 2011)
Financial Position

- Cash and cash equivalents decreased by Php526.9 million (53%) to Php466.0 million from the end of December 2011 level of Php993 million as a result of project development.
- 16% increase in Trade and other receivable mainly due to increase in real estate sale
- 8% increase in Real estate for sale due to increase in project development
- 15% increase in Advances to related party mainly due to additional advances
- 50% increase on other current and non-current assets mainly due to input tax
- 51% increase in Land for future development due to land acquisition and land investment in one of the subsidiaries
- 8% increase in Investment Property mainly due to project development
- 33% increase in Property and equipment due to construction of additional buildings used for hotel operations
- 46% increase in Advances from Related Party due to additional advances
- 23% increase in Trade Payables mainly due to increase in payable to contractors and suppliers
- 12% decrease in Customers' deposits due to sales recognized for the period
- 14% decrease in Reserve for property development due to increase in development of various projects
- 100% increase in Redeemable preferred shares due to redeemable preferred shares issued to stockholders of Twin Lakes Corporation.

- 56% increase in Deferred tax liabilities due to increase in temporary tax difference
- 8% increase in Retirement benefit obligation due to accrual of retirement benefit
- 143% increase in Other non-current liability mainly due to reclassification of account
- 11% increase in equity mainly due to increase in investment in Twin Lakes Corporation

Others

As of the year ended December 31, 2012, there are no material events and uncertainties known to management that would have an impact on the future operations such as:

a. Known trends, demands, commitments, events or uncertainties that would have an impact on the Company;
b. Material commitments for capital expenditures, the general purpose of such commitment and the expected sources of funds for such expenditures;
c. Known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on the net sales/revenues/income from continuing operations;
d. Significant elements of income or loss that did not arise from the Company's continuing operations;
e. Causes for any material changes from period to period in one or more line item of the Company's financial operations;
f. Seasonal aspects that had a material effect on the financial condition or results of the operations;
g. Events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation;
h. All material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities of other persons created during the reporting period.

Review of the short period covering the three months ended December 31, 2011

Results of Operations

For the three months ended December 31, 2011 the Group consolidated net income amounted to Php33.3 million. Consolidated total revenues composed of real estate sales, rental income, and other income amounted to P252.4 million.

Total cost and expenses amounted to P205.6 million, mainly from operating expenses resulting from aggressive marketing activities as well as other administrative and corporate overhead.

The bulk of consolidated revenues came from real estate sales and finance and other income.

Real estate sales came from the sale of horizontal residential subdivision lots and condominium units amounting to Php167.1 million. The Group's registered sales came from sale of horizontal residential subdivision lots in Riverina in San Pablo Laguna, Sta. Barbara Heights in Ilo-Ilo City and Newcoast Boracay.

Review for the year ended December 31, 2011

For the year ended December 31, 2011, the Group consolidated net income amounted to Php220.1 million. Consolidated total revenues composed of real estate sales, rental income, maintenance income and other income amounted to Php1.05 billion.

Total cost and expenses amounted to Php783 million, mainly from operating expenses resulting from aggressive marketing activities as well as other administrative and corporate overhead and from cost of real estate sales.

The bulk of consolidated revenues came from real estate sales and finance and other income.

Real estate sales came from the sale of horizontal residential subdivision lots and condominium units amounting to Php470.7 million. The Group's registered sales came from sale of condominium units in Eight Sto Domingo Place in Quezon City, residential lots in Magnificat Exec. Village in Lipa Batangas, Riverina in San Pablo Laguna, Monte Cielo De Naga in Naga City, Sta. Barbara Heights in Ilo-Ilo City, Boracay Newcoast in Malay Aklan and sale of commercial lots in Carmona Cavite.

As of December 31, 2011

Financial Condition

The Group's stable financial position has improved further. Total assets as of December 31, 2011 of Php21.0 billion compared to Php18.6 billion as of September 30, 2011 posted an increase of Php2.4 billion or 13% primarily due to increase in land held for future development..

Cash and cash equivalents decreased by 44.36% from Php1.78 billion in September 2011 to Php993 million as of December 31, 2011 as a result of land acquisition and project development. Land for future development increased by 92%. Real estate and resorts share for sale increased by 5% from Php6.9 billion as of September 30, 2011 to Php7.2 billion as of December 31, 2011 mainly due to development of various projects. Investment property increased by Php126.0 million due to project development. Other current and non-current assets increased by 46% due to input tax.

Shareholders' equity increased by 15% from Php13.8 billion to Php15.9 billion

Material Changes in the year December 2011 Financial Statements
(Increase/decrease of 5% or more versus September 30, 2011)

Financial Position

- Cash and cash equivalents decreased by Php791.6 million (44%) to Php993 million from the end of September 2011 level of Php1.78 billion as a result of land acquisition and project development.
- 5% Increase in Real Estate for Sales due to additional project development
- 9% Increase in Advances to Related parties mainly due to reclassification of accounts
- 46% Increase in Other Current and non-current assets mainly due to pre-payments
- 92% Increase in Land for future development due to land investment in a subsidiary
- 61% Increase in Investment property mainly due to project development
- 111% Increase in Advances from related party due to additional advances
- 11% Decrease in Trade payables mainly due to payment and reclassification of account
- 19% Increase in Reserve for property development cost due to reclassification of account
- 15% Increase in Equity due to investment to Twin Lakes Corporation

Others

As of the year ended December 31, 2011, there are no material events and uncertainties known to management that would have an impact on the future operations such as:

a. Known trends, demands, commitments, events or uncertainties that would have an impact on the Company;
b. Material commitments for capital expenditures, the general purpose of such commitment and the expected sources of funds for such expenditures;

c. Known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on the net sales/revenues/income from continuing operations;
d. Significant elements of income or loss that did not arise from the Company's continuing operations;
e. Causes for any material changes from period to period in one or more line item of the Company's financial operations;
f. Seasonal aspects that had a material effect on the financial condition or results of the operations;
g. Events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation;
h. All material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities of other persons created during the reporting period.

Review of 2011 versus 2010 (for the year ended September)

Results of Operations

During the fiscal year 2011, the Group consolidated net income amounted to Php19.4 million, a significant improvement from the previous year net loss of Php153.3 million. Consolidated total revenues composed of real estate sales, rental income, service income and other income increased by 12% from Php776.3 million to Php867.5 million.

Cost and expenses decreased by 16% from Php957.1 million in 2010 to Php802.5 million in 2011, mainly due to decrease in finance cost and operating expenses.

The bulk of consolidated revenues came from real estate sales and finance and other income.

Real estate sales came from the sale of horizontal residential subdivision lots and condominium units amounting to Php326.0 million in 2011 compared to Php381.8 million in 2010, a slight decrease of 15%. The Group's registered sales came from sale of condominium units in Eight Sto Domingo Place in Quezon City, residential lots in Magnificat Exec. Village in Lipa Batangas, Riverina in San Pablo Laguna, Monte Cielo De Naga in Naga City, Sta. Barbara Heights in Ilo-Ilo City and sale of commercial lots in Carmona Cavite.

Financial Condition

The Group's stable financial position has improved further with the Php5.0 billion equity infusion by Alliance Global Group, Inc. (AGI) Total assets as of September 30, 2011 Php18.6 billion compared to Php15.3 billion as of September 30, 2010 posted an increase of Php3.3 billion or 22%.

Cash and cash equivalents increased by 2,078% to Php1.78 billion as a result of the equity infused by AGI. Trade and other receivables increased by 7% mainly due to revenue recognized for the period. Land for future development increased by 50% due to additional land acquisition for the period. Bank loan and bonds payable were fully paid during the period.

Shareholders' equity increased by 62% from Php8.5 billion to Php13.8 billion

Material Changes in the year 2011 Financial Statements
(Increase/decrease of 5% or more versus September 30, 2010)

Financial Position

- Cash and cash equivalents increased by Php1.80 billion (2,078%) to Php1.78 billion from the end of September 2010 level of Php81.96 million as a result of the subscriptions received from Alliance Global Group Inc.(AGI).
- 7% Increase in Trade and other receivables mainly due to revenue recognized for the period.
- 10% Increase in Real Estate for Sale due to additional project development
- 41% Decrease in Advances to Related parties mainly due to collection and proper classification of accounts.
- 9% Decrease in Other Current and non-current asset mainly due to pre-payments
- 17% Increase in Property development cost as a result of project development
- 50% Increase in Land for future development due to additional land acquisition during the period.
- 19% Decrease in Investment property mainly due to reclassification of account.
- 37% Increase in Property Plant and Equipment due to reclassification of account and additional property acquisition for the period.
- 8% Increase in Customers' deposit as a result of new project launched during the year.
- 7% Increase in Reserve for Property Development Cost due to additional accrual.
- 6% Increase in Deferred Income in relation to sales recognized during the period.
- 60% Decrease in Advances from related party due to payment and reclassification of account.
- Loans payable and Bonds payable were fully paid during the period.
- 14% Decrease in Deferred tax liability pertains to tax effects of taxable deductible temporary difference.

Results of Operations

- 15% Decrease in Sale of Real Estate due to lower sales recognized for the period.
- 100% Increase in Income from assignment of development rights due to agreements with related parties.
- 888% Increase in Realized Gross Profit in prior years sale mainly due to revenue recognition in prior years sales.
- 14% Increase in Rental Income due to escalation and additional tenant for the period.
- 17% Decrease in Finance and otber income mainly due to previous year recognition of forex gain.
- 10% Increase in Cost of Sales due to costs adjustment during the period
- 52% Increase in Cost of Services mainly due to increase in prices of materials for the maintenance of golf course.
- 153% Increase in Deferred Gross profit in relation to uncompleted portion of sales recognized during the period.
- 50% Decrease in Finance Cost mainly due to full settlement of loans and bonds payable

<u>Others</u>

As of the year ended September 30, 2011, there are no material events and uncertainties known to management that would have an impact on the future operations such as:

a. Known trends, demands, commitments, events or uncertainties that would have an impact on the Company;

b. Material commitments for capital expenditures, the general purpose of such commitment and the expected sources of funds for such expenditures;
c. Known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on the net sales/revenues/income from continuing operations;
d. Significant elements of income or loss that did not arise from the Company's continuing operations;
e. Causes for any material changes from period to period in one or more line item of the Company's financial operations;
f. Seasonal aspects that had a material effect on the financial condition or results of the operations;

There are no events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation

CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

In compliance with SEC Memorandum Circular No. 8, Series of 2003, and the Company's Manual of Corporate Governance, which require that the Company's external auditor be rotated or the handling partner changed every five (5) years or earlier, the Company's Board of Directors approved, on 30 June 2011, the designation of Punongbayan & Araullo for the audit of the financial statements of the Company starting the year ending 30 September 2011. The handling partner then designated was Mr. Leonardo D. Cuaresma Jr. who is one of the Audit & Assurance partners of Punongbayan & Araullo.
For the year 2012, the partner designated is Mr. Nelson J. Dinio who is one of the Audit and Assurance partners of Punongbayan and Araullo.

There are no disagreements with the auditors on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which, if not resolved to their satisfaction, would have caused the auditors to make reference thereto in their reports on the financial statements of the Company and its subsidiaries.

AUDIT AND AUDIT- RELATED FEES

For the audit of the registrant's financial statements provided by the external auditors in connection with statutory and regulatory filings for the calendar and fiscal year report of 2012, 2011 and 2010, audit fee was approximately ₱ 0.85 million for the year 2012, ₱ 0.75 million for the calendar year report and ₱ 1.2 million for the fiscal year report in 2011 and ₱ 1.0 million in 2010

No other assurance and related services have been rendered by the external auditors to the Corporation other than the items discussed above.

Item 9. Market for Registrant's Common Equity and Related Stockholder Matters

(1) Stock Prices

Global-Estate Resorts, Inc. common shares are listed in the Philippine Stock Exchange. Share prices have been retroactively adjusted to reflect the effects of stock dividends paid by the Company up to 31 December 2012.

	Philippine Stock Exchange Average Closing Price per Share (₱)	
	High	Low
2012		
First Quarter	2.19	2.11
Second Quarter	1.89	1.83
Third Quarter	1.99	1.93
Fourth Quarter	1.91	1.87
March 31, 2013	2.32	2.26
2011		
First Quarter	1.98	1.85
Second Quarter	2.04	1.97
Third Quarter	2.58	2.46
Fourth Quarter	2.19	2.11

The market capitalization of GERI as of 14 May 2013 based on the closing price at P2.50 per share of GERI's shares at that date, was approximately P21.22 billion.

(2) Holders

GERI has a total of about 4,442 common shareholders as of record date May 14, 2013.

TOP 20 STOCKHOLDERS AS OF JUNE 21, 2013

No.	Stockholder	No. of Shares	% of Ownership
1	Alliance Global Group, Inc.	5,405,000,000	63.69%
2	PCD Nominee Corporation(Filipino)	1,443,824,630	17.01%
3	Fil-Estate Management, Inc.	1,065,774,606	12.56%
4	PCD Nominee Corporation(Foreign)	457,878,360	5.40%
5	CAP Pension Trust Fund	9,263,280	0.11%
6	Greenfield Development Corporation	8,640,000	0.10%
7	John T. Lao	7,035,100	0.08%
8	Lucio W. Yan	5,755,000	0.07%
9	Romeo G. Roxas	3,716,000	0.04%
10	Avesco Marketing Corp.	3,512,106	0.04%
11	RBL Finishing Corporation	2,924,998	0.03%
12	Wilbur L. Chan	2,611,825	0.03%
13	Jennifer C. Lee or Josephine C. Lim	2,000,000	0.02%
14	Gilmore Property Marketing Associates, Inc.	1,983,000	0.02%
15	Federal Homes, Inc.	1,939,860	0.02%
16	Philippine Veterans Bank FAO	1,837,428	0.02%
	Comprehensive Annuity Plans & Pension Corp		0.00%
17	Fritz L. Dy	1,813,500	0.02%
18	Dynaland Properties & Developers, Inc.	1,700,001	0.02%

	Robert John L. Sobrepena	1,617,485	0.02%
20	Maximo S. Uy &/or Lim Hue Hua	1,478,400	0.02%
	Total	**8,430,305,579**	**99.34%**

Dividends

The retained earnings account as of December 31, 2012 is restricted from being declared as dividends to the extent of the undistributed net earnings of subsidiaries associates and joint ventures amounting to ₱ 3.97 billion in December 2012,₱ 3.67 billion in December 2011 and ₱ 3.63 billion in September 2011 . No declaration of cash dividends was made in the last three (3) years.

(4) Recent Sale of Unregistered or Exempt Securities including Recent Issuance of Securities Constituting an Exempt Transaction

On August 28, 2010, the Company's stockholders approved the increase in the Company's authorized capital stock from P5 billion to P10 billion. The Company's application for increase in authorized capital stock was approved by the SEC on January 20, 2011. Thereafter, the Company issued 5.0 billion fully-paid shares to AGI representing sixty-percent (60%) of the outstanding capital stock of the Company.

The issuance to AGI is an exempt transaction under Sec. 10.1 (i). Nonetheless, the Company filed on December 5, 2011 a Notice of Exempt Transaction in connection with the issuance of shares to AGI, citing Sec. 10.1 (i) of SEC.

On September 2011, Lim Asia Multi-Strategy Fund, Inc. (LAMSFI) a holder of the Company's warrants, converted six million (6,000,000) warrants into six million (6,000,000) common shares of the Company at an exercise price of P1.00 per share.

On 18 May 2012, LAMSFI converted another sixty-two million (62,000,000) warrants into sixty-two million (62,000,000) common shares of the Company at an exercise price of P1.00 per share.

On July 30, 2012, Lim Asia Alternative Real Estate Fund SPC (LAAREF), also a holder of GERI warrants, converted sixty-eight million (68,000,000) warrants into sixty-eight million (68,000,000) common shares of the Company at an exercise price of P1.00 per share.

The LAMSFI and LAAREF warrants comprise the one hundred thirty-six million (136,000,000) warrants that were issued by the Company for which an exemptive relief was sought. The Commission issued a Resolution dated February 16, 2007 confirming that issuance of the one hundred thirty-six (136) million warrants is exempt from registration requirements of the Securities Regulation Code.

No underwriters were involved in the sales of the above unregistered or exempt securities.

Discussion on Compliance with Leading Practice on Corporate Governance

The Corporation had adopted the Self-Rating System on Corporate Governance being implemented by the Securities and Exchange Commission through SEC Memorandum Circular No. 5, Series of 2003 to assess compliance with leading practices on corporate governance. The Compliance Officer meets with the directors and top-level management from time to time to evaluate compliance with the Corporation's Manual on Corporate Governance.

In order to comply fully with the adopted leading practice on good corporate governance, the Compliance Officer is present at all meetings of the Board of Directors and closely coordinates with the Chairman and the President to ensure full compliance with the adopted leading practices on good corporate governance. The Compliance Officer furnishes the Board of Directors and top-level management with copies of new

rules, regulations, circulars and orders of the Securities and Exchange Commission and the Philippine Stock Exchange to continuously update its Directors and top-level management with new requirements for compliance with leading practices on corporate governance. In addition, the Compliance Officer requires and encourages its Directors and top-level management to attend seminars on good corporate governance.

There are no material deviations to date from the Corporation's Manual of Corporate Governance. The Board has no immediate plans to adopt new policies for corporate governance.

Undertaking to Provide Annual Report

The Corporation undertakes to provide each stockholder without charge a copy of its Annual Report on SEC Form 17-A upon written request addressed to either of:

Mr. Roberto S. Roco
Corporate Information Officer
5th Floor Renaissance Tower
Meralco Ave., Pasig City

Banco de Oro Unibank, Inc.
Stock Transfer Department
Makati Ave. Cor. H.V. dela Costa St.
Makati City

COVER SHEET

AS094004462

S.E.C. Registration Number

GLOBAL-ESTATE RESORTS INC.

AND SUBSIDIARIES

(Company's Full Name)

7TH FLOOR RENAISSANCE TOWERS

MERALCO AVENUE, PASIG CITY

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

Roberto S. Roco

Contact Person

6370100

Company Telephone Number

12 31

Month *Day*

Calendar year

AFS

FORM TYPE

Last Thursday of June

Month *Day*

Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Sect.

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

BUREAU OF INTERNAL REVENUE
RDO 43B WEST PASIG CITY
RECEIVED
11 APR 2013
JESSE F. COBANGBANG
COLLECTION SECTION

Remarks = pls. use black ink for scanning purposes.

GLOBAL-ESTATE RESORTS, INC.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

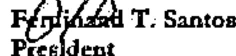
a. Supplementary Schedules Required under Annex 68-E of the Securities Regulation Code Rule 68
b. Reconciliation of Retained Earnings Available for Dividend Declaration.
c. Schedule of PFRS Effective as of December 31, 2012
d. Schedule of Financial Indicators for December 31, 2012 and 2011.
e. Map showing the Relationship Between and Among the Company and its Related Entities
f. Schedule of Proceeds and Expenditures for the Recent Public Offering
g. Details of Transactions with DOSRI

Management responsibility on 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.

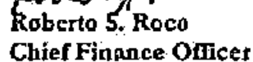
The Board of Directors reviews and approves the financial statements, and the additional supplementary information, and submits the same to the stockholders.

Punongbayan & Araullo, the independent auditors and appointed by the stockholders, has examined the financial statements of the Company 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

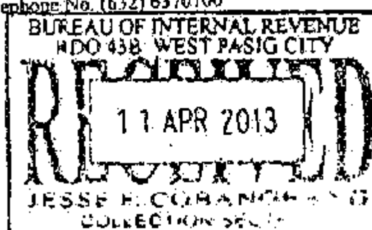


Ferdinand T. Santos
President



Roberto S. Roco
Chief Finance Officer

6th Floor, Renaissance Tower, Meralco Avenue, Pasig City 1600
Telephone No. (632) 6370100



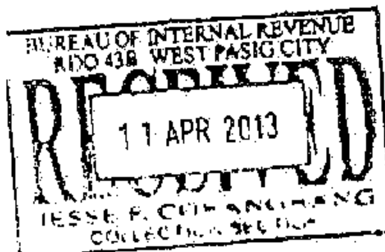
SUBSCRIBED AND SWORN to before me this 2 1 day of MAR 2013 at **PASIG CITY**, Philippines, affiants exhibited to me their respective Identification Cards, as follows:

NAMES	Identification Card No:
Andrew L. Tan	Philippine Passport No. EB1964603
Ferdinand T. Santos	Philippine Passport No. XX4696095
Roberto S. Roco	Social Security System ID No. 03-3359076-6

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my Notarial Seal on the date and place above written.

ALAN B. QUINTANA
NOTARY PUBLIC
Pasig, San Juan, Pateros, Taguig
Appt. No. 75 until Dec. 31, 2014
6F Renaissance Towers, Meralco Ave., Pasig City
ATTORNEY'S ROLL NO. 39468
IBP No. 887162, Pasig 1-2-12
PTR No. 0410445, Pasig 1-2-2013
MCLE Compliance No. IV - 0002924

Doc. No. 191;
Page No. 29;
Book No. 1;
Series of 2013.



Punongbayan & Araullo

An instinct for growth™

Consolidated Financial Statements and Independent Auditors' Report

Global-Estate Resorts, Inc. and Subsidiaries

For the Year Ended December 31, 2012,
For the Three Months Ended December 31, 2011
and for the Year Ended September 30, 2011

Member of Grant Thornton International Ltd

Punongbayan & Araullo

An instinct for growth™

Report of Independent Auditors

19th and 20th Floors, Tower 1
The Enterprise Center
6766 Ayala Avenue
1200 Makati City
Philippines

T +63 2 886 5511
F +63 2 885 5506
www.punongbayan-araullo.com

The Board of Directors and Stockholders
Global-Estate Resorts, Inc. and Subsidiaries
(A Subsidiary of Alliance Global Group, Inc.)
7th Floor, Renaissance Towers
Meralco Avenue
Pasig City

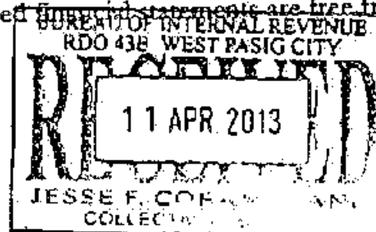
We have audited the accompanying consolidated financial statements of Global-Estate Resorts, Inc. and Subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2012 and 2011 and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the year ended December 31, 2012, for the three months ended December 31, 2011 and for the year ended September 30, 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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



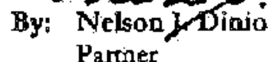
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements,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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Global-Estate Resorts, Inc. and Subsidiaries as at December 31, 2012 and 2011, and their consolidated financial performance and their consolidated cash flows for the year ended December 31, 2012, for the three months ended December 31, 2011 and for the year ended September 30, 2011, in accordance with Philippine Financial Reporting Standards.

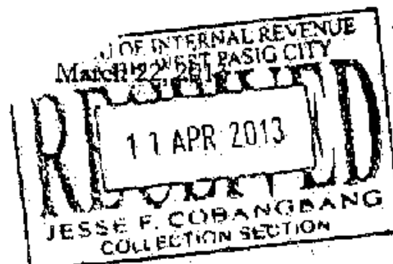
PUNONGBAYAN & ARAULLO



By: Nelson J. Dinio
Partner

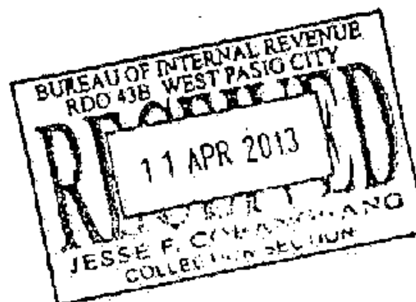
CPA Reg. No. 0097048
TIN 201-771-632
PTR No. 3671455, January 2, 2013, Makati City
SEC Group A Accreditation
Partner - No. 1036-A (until Sept. 29, 2013)
Firm - No. 0002-FR-3 (until Jan. 18, 2015)
BIR AN 08-002511-32-2011 (until Feb. 3, 2014)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2015)

March 22, 2013



GLOBAL-ESTATE RESORTS, INC. AND SUBSIDIARIES
(A Subsidiary of Alliance Global Group, Inc.)
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 466,229,767	P 993,080,142
Trade and other receivables - net	6	1,127,461,108	1,343,829,960
Advances to related parties	20	930,172,521	805,678,513
Real estate, golf and resort shares for sale - net	7	7,802,354,339	7,235,332,857
Property development costs	7	1,943,662,718	1,943,077,281
Prepayments and other current assets	8	909,000,685	583,652,238
Total Current Assets		13,178,881,138	12,904,650,991
NON-CURRENT ASSETS			
Trade and other receivables - net	6	859,460,082	364,002,779
Advances to real estate property owners	9	1,066,412,697	988,122,369
Land for future development	7	7,644,655,356	5,053,267,216
Investments in associates	10	740,852,066	749,686,444
Investment property - net	11	359,863,773	332,043,416
Property and equipment - net	12	661,782,739	498,174,413
Other non-current assets	2	105,749,458	92,422,490
Total Non-current Assets		11,438,776,171	8,077,719,127
TOTAL ASSETS		P 24,617,657,309	P 20,982,370,118



	Notes	2012	2011
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Trade and other payables	13	P 2,006,418,817	P 1,628,197,042
Customers' deposits	2	549,694,152	625,121,726
Advances from related parties	20	1,045,853,526	717,119,587
Reserve for property development	7	50,525,392	223,537,180
Deferred income on real estate sales	2	305,236,742	520,538,660
Total Current Liabilities		3,957,728,629	3,714,514,195
NON-CURRENT LIABILITIES			
Due to joint venture partners	14	214,397,376	194,549,367
Redeemable preferred shares	15	1,257,987,900	-
Reserve for property development	7	673,397,082	618,493,326
Deferred income on real estate sales	2	553,161,688	350,978,083
Deferred tax liabilities - net	19	125,180,487	80,302,966
Retirement benefit obligation	18	63,017,860	58,579,000
Other non-current liabilities		180,382,963	74,153,261
Total Non-current Liabilities		3,067,525,356	1,377,056,002
Total Liabilities		7,025,253,985	5,091,570,197
EQUITY			
Equity attributable to owners of the parent company:			
Capital stock	21	8,486,000,000	8,356,000,000
Additional paid-in capital		1,597,739,274	1,597,739,274
Share options outstanding	21	38,515,271	-
Unrealized losses on available-for-sale financial assets		(1,100,000)	(1,100,000)
Retained earnings		3,967,853,339	3,672,994,267
		14,089,007,884	13,625,633,541
Non-controlling interest		3,503,395,440	2,265,166,380
Total Equity		17,592,403,324	15,890,799,921
TOTAL LIABILITIES AND EQUITY		P 24,617,657,309	P 20,982,370,118

See Notes to Consolidated Financial Statements.

GLOBAL-ESTATE RESORTS, INC. AND SUBSIDIARIES
(A Subsidiary of Alliance Global Group, Inc.)
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2012, THREE MONTHS ENDED DECEMBER 31, 2011
AND YEAR ENDED SEPTEMBER 30, 2011
(Amounts in Philippine Pesos)

	Attributable to Parent Company's Shareholders			
	Capital Stock (Note 21)	Additional Paid-in Capital	Share Options Outstanding	Unrealized Losses On Available-for-sale Financial Assets
Balance at January 1, 2012	P 8,356,000,000	P 1,597,739,274	P -	(P 1,100,000)
Additions	130,000,000	-	38,515,271	-
Total comprehensive income for the period	-	-	-	-
Balance at December 31, 2012	**P 8,486,000,000**	**P 1,597,739,274**	**P 38,515,271**	**(P 1,100,000)**
Balance at October 1, 2011	P 8,356,000,000	P 1,597,739,274	P -	(P 1,100,000)
Additions	-	-	-	-
Total comprehensive income for the period	-	-	-	-
Balance at December 31, 2011	P 8,356,000,000	P 1,597,739,274	P -	(P 1,100,000)
Balance at October 1, 2010	P 3,350,000,000	P 1,597,739,274	P -	(P 891,026)
Additions	5,006,000,000	-	-	
Total comprehensive income for the period	-	-	-	(208,974)
Balance at September 30, 2011	P 8,356,000,000	P 1,597,739,274	P -	(P 1,100,000)

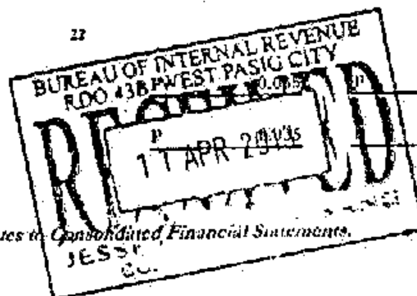
See Notes to Consolidated Financial Statements.

GLOBAL-ESTATE RESORTS, INC. AND SUBSIDIARIES
(A Subsidiary of Alliance Global Group, In.c)
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2012, THREE MONTHS ENDED DECEMBER 31, 2011
AND YEAR ENDED SEPTEMBER 30, 2011
(Amounts in Philippine Pesos)

Retained Earnings	Total	Non-controlling Interest	Total Equity
P 3,672,994,267	P 13,625,633,541	P 2,265,166,380	P 15,890,799,921
-	168,515,271	1,268,036,230	1,436,551,501
289,617,405	289,617,405	(24,565,493)	265,051,912
P 3,962,611,672	P 14,083,766,217	P 3,508,637,117	P 17,592,403,334
P 3,630,016,207	P 13,582,655,481	P 265,549,569	P 13,848,205,050
-	-	2,009,330,283	2,009,330,293
42,978,060	42,978,060	(9,713,472)	33,264,588
P 3,672,994,267	P 13,625,633,541	P 2,265,166,380	P 15,890,799,921
P 3,610,047,664	P 8,556,895,912	P 261,159,078	P 8,818,054,990
-	5,006,000,000	5,000,002	5,011,000,002
19,968,543	19,759,569	(609,511)	19,150,058
P 3,630,016,207	P 13,582,655,481	P 265,549,569	P 13,848,205,050

GLOBAL-ESTATE RESORTS, INC. AND SUBSIDIARIES
(A Subsidiary of Alliance Global Group, Inc.)
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2012,
FOR THE THREE MONTHS ENDED DECEMBER 31, 2011,
AND FOR THE YEAR ENDED SEPTEMBER 30, 2011
(Amounts in Philippine Pesos)

	Notes	December 31, 2012 (One Year)	December 31, 2011 (Three Months - see Note 1.2)	September 30, 2011 (One Year)
REVENUES AND INCOME				
Real estate sales	2	P 684,883,471	P 157,108,367	P 326,066,713
Rental income	11	64,292,641	8,693,959	37,029,022
Hotel operations	2	131,330,139	4,791,033	-
Realized gross profit on prior years' real estate sales	2	287,942,717	-	38,989,311
Maintenance income	2	22,315,085	-	99,530,252
Income from assignment of developmental rights	7, 20	-	-	153,872,321
Finance and other income	16	199,455,739	71,864,585	212,013,305
		1,390,219,792	252,457,944	867,501,824
COSTS AND EXPENSES				
Cost of real estate sales	17	264,521,139	23,865,753	142,739,219
Cost of services	17	30,155,257	9,898,334	75,528,892
Cost of hotel operations	17	42,217,660	3,647,360	-
Deferred gross profit on real estate sales	2	283,778,041	8,015,824	37,114,660
Operating expenses	17	340,734,964	132,383,596	335,019,369
Equity share in net losses of associates	10	5,890,949	2,668,991	8,621,107
Finance costs and other charges	16	103,181,682	25,137,896	203,511,939
		1,070,479,692	205,617,754	803,535,186
PROFIT BEFORE TAX		319,740,100	46,840,190	64,966,638
TAX EXPENSE	19	54,688,188	13,575,602	45,607,606
NET PROFIT		265,051,912	33,264,588	19,359,032
OTHER COMPREHENSIVE LOSS				
Unrealized fair value losses on available-for-sale financial assets		-	-	208,974
TOTAL COMPREHENSIVE INCOME		P 265,051,912	P 33,264,588	P 19,150,058
Net profit (loss) attributable to:				
Parent company's shareholders		P 294,859,072	P 42,978,060	P 19,968,543
Non-controlling interest		(29,807,160)	(9,713,472)	(609,511)
		P 265,051,912	P 33,264,588	P 19,359,032
Total comprehensive income (loss) attributable to:				
Parent company's shareholders		P 294,859,072	P 42,978,060	P 19,759,569
Non-controlling interest		(29,807,160)	(9,713,472)	(609,511)
		P 265,051,912	P 33,264,588	P 19,150,058
EARNINGS PER SHARE	22			
Basic		P [illegible]	P 0.005	P 0.003
Diluted		P [illegible]	P 0.005	P 0.003



See Notes to Consolidated Financial Statements.

GLOBAL-ESTATE RESORTS, INC. AND SUBSIDIARIES
(A Subsidiary of Alliance Global Group, Inc.)
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2012,
FOR THE THREE MONTHS ENDED DECEMBER 31, 2011,
AND FOR THE YEAR ENDED SEPTEMBER 30, 2011
(Amounts in Philippine Pesos)

	Notes	December 31, 2012 (One Year)	December 31, 2011 (Three Months – see Note 1.3)	September 30, 2011 (One Year)
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		P 319,740,160	P 46,840,190	P 64,966,638
Adjustments for:				
Finance income	16	(118,717,108)	(31,663,977)	(139,033,283)
Finance costs	16	74,060,059	27,723,971	183,547,312
Depreciation and amortization	13	40,550,406	7,075,345	23,934,[illegible]
Share-based employee compensation	21	38,515,271	-	-
Impairment losses	16	20,121,662	-	10,349,736
Equity share in net losses of associates	10	5,890,949	2,668,991	8,621,197
Gain on settlement of advances	16	-	(40,000,000)	-
Operating profit before working capital changes		369,161,300	7,344,922	151,733,318
Decrease (increase) in trade and other receivables		(317,748,543)	53,835,956	(256,919,310)
Increase in real estate, golf and resort shares for sale		(567,021,462)	(359,068,003)	(617,171,447)
Increase in property development costs		(585,437)	(17,653,808)	(278,137,085)
Increase in prepayments and other current assets		(331,709,757)	(212,570,254)	(8,507,350)
Decrease (increase) in advances to real estate property owners		4,769,254	(5,163,321)	(33,034,194)
Increase (decrease) in trade and other payables		378,221,775	(102,096,152)	(98,111,828)
Increase (decrease) in customers' deposits		(75,427,574)	3,248,066	45,657,934
Increase (decrease) in reserve for property development		(118,108,032)	(1,518,563)	44,175,405
Increase (decrease) in deferred income on real estate sales		(73,188,312)	2,131,171	47,848,038
Increase (decrease) in retirement benefit obligation		4,438,860	488,435	(5,447,829)
Increase in other non-current liabilities		106,529,702	74,153,261	-
Cash used in operations		(540,878,246)	(356,368,080)	(1,009,595,757)
Interest received		17,807,516	18,398,561	73,330,288
Interest paid		(7,929,908)	(13,384,428)	(163,669,304)
Cash paid for income taxes		(3,011,357)	(2,910,923)	(16,290,750)
Net Cash Used in Operating Activities		(534,036,295)	(354,164,870)	(1,116,325,523)
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to:				
Property and equipment	12	(395,857,751)	(8,335,908)	(10,209,690)
Investment property	11	(63,150,811)	(137,302,661)	(3,512,539)
Land for future development		(55,151,658)	(446,542,024)	(833,488,280)
Proceeds from disposals of:				
Property and equipment	12	1,773,745	-	266,438
Investment property	11	-	-	3,200,000
Cash advances granted to related parties	20	(303,648,993)	(260,936,816)	(375,915,211)
Collections of advances to related parties	20	179,154,985	197,011,151	885,843,539
Increase in other non-current assets		(15,326,968)	(6,868,017)	(20,860,855)
Additional investments in associates		-	-	1,874,777
Net Cash Used in Investing Activities		(432,470,656)	(653,034,297)	(362,611,201)
CASH FLOWS FROM FINANCING ACTIVITIES				
Cash advances obtained from related parties	20	623,165,970	662,617,889	83,145,096
Repayments of advances from related parties	20	(303,746,694)	(284,937,661)	(588,087,547)
Proceeds from issuance of shares of stock	21	130,000,000	-	5,000,000,000
Proceeds from equity call		-	37,900,712	-
Payment of bonds payable		-	-	(1,797,400,000)
Payments of loans and mortgage payable		-	-	(505,101,457)
Collections of subscriptions receivable	21	-	-	283,132,036
Net Cash From Financing Activities		449,419,276	415,580,940	3,381,676,928
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(526,850,575)	(791,617,227)	1,702,740,204
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		993,080,142	1,784,697,369	81,957,165
CASH AND CASH EQUIVALENTS AT END OF PERIOD		466,229,767	P 993,080,142	P 1,784,697,369

Supplemental Information on Non-cash Investing [illegible] In the normal course of business, the Group [illegible] such as exchanges [illegible] purchases on account of real estate and other assets. Other non-cash transactions include transfers of property from [illegible] Development to Property Development Costs or Investment Properties or Real Estate and Resort Shares for Sale as the property goes through its various stages of development (see Notes [illegible] Company [illegible] Properties, Inc. also subscribed to additional shares of stock of Twin Lakes Corporation in exchange for certain parcels of land. Also, [illegible] reclassifications [illegible] investment properties and property and equipment have been made. These non-cash activities are not reflected in the consolidated statements of cash flows (see Notes 1, [illegible]).

See Notes to Consolidated Financial Statements.

GLOBAL-ESTATE RESORTS, INC. AND SUBSIDIARIES
(A Subsidiary of Alliance Global Group, Inc.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2012, DECEMBER 31, 2011 AND SEPTEMBER 30 2011
(Amounts in Philippine Pesos)

1. GENERAL INFORMATION

1.1 Corporate Information

Global-Estate Resorts, Inc. (the Company or GERI) was incorporated in the Philippines on May 18, 1994, primarily to engage in the horizontal development of residential subdivision lots, integrated residential, golf and other leisure-related properties, and vertical development of mixed-use towers in Metro Manila. The Company also engages in land acquisitions and maintains an inventory of raw land for future development.

The Company's 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 7th Floor, Renaissance Towers, Meralco Avenue, Pasig City.

In January 20, 2011, Alliance Global Group, Inc. (AGI), also a publicly listed company in the Philippines, became the Company's parent company with its acquisition of 60% of the Company's shares of stock. As of December 31, 2012 and 2011, AGI owns 64% and 61%, respectively, of the Company's shares. AGI is a holding company with diversified investments in real estate, food and beverage, manufacturing, quick service restaurants 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 (collectively, together with the Company, hereinafter referred to as the Group):

Subsidiaries/Associates	Explanatory Notes	Percentage of Ownership: December 31, 2012	December 31, 2011	September 30, 2011
Subsidiaries:				
Fil-Estate Properties, Inc. (FEPI)		100%	100%	100%
Aklan Holdings Inc. (AHI)	(a)	100%	100%	100%
Blu Sky Airways, Inc. (BSAI)	(a)	100%	100%	100%
Fil-Estate Subic Development Corp. (FESDC)	(a)	100%	100%	100%
Fil-Power Construction Equipment Leasing Corp. (FPCELC)	(a)	100%	100%	100%
Golden Sun Airways, Inc. (GSAI)	(a)	100%	100%	100%
La Compaña De Sta. Barbara, Inc. (LCSBI)	(a)	100%	100%	100%
MCX Corporation (MCX)	(a)	100%	100%	100%
Pioneer L-5 Realty Corp. (PLRC)	(a)	100%	100%	100%
Prime Airways, Inc. (PAI)	(a)	100%	100%	100%
Sto. Domingo Place Development Corp. (SDPDC)	(a)	100%	100%	100%
Fil-Power Concrete Blocks Corp. (FPCBC)	(a)	100%	100%	100%
Boracay Newcoast Hotel Group, Inc. (BNHGI)	(a)	100%	-	-
Fil-Estate Industrial Park, Inc. (FEIPI)	(a)	79%	79%	79%
Sherwood Hills Development Inc. (SHDI)	(a)	55%	55%	55%

Subsidiaries/Associates	Explanatory Notes	Percentage of Ownership December 31, 2012	December 31, 2011	September 30, 2011
Subsidiaries:				
Fil-Estate Golf and Development, Inc. (FEGDI)		100%	100%	100%
Golforce, Inc. (Golforce)	(b)	100%	100%	100%
Fil-Estate Ecocentrum Corp. (FEEC)	(b)	56%	56%	56%
Philippine Aquatic Leisure Corp. (PALC)	(c)	56%	56%	56%
Fil-Estate Urban Development Corp. (FEUDC)		100%	100%	100%
Novo Sierra Holdings Corp. (NSHC)		100%	100%	100%
Megaworld Global-Estates, Inc. (MGEI)	(d)	60%	60%	60%
Twin Lakes Corp. (TLC)	(e)	50%	53%	100%
Oceanfront Properties, Inc. (OPI)	(f)	50%	-	-
Associates:				
Fil-Estate Network, Inc. (FENI)		20%	20%	20%
Fil-Estate Sales, Inc. (FESI)		20%	20%	20%
Fil-Estate Realty and Sales Associates Inc. (FERSAI)		20%	20%	20%
Fil-Estate Realty Corp. (FERC)		20%	20%	20%
Nasugbu Properties, Inc. (NPI)		14%	14%	14%
OPI	(f)	-	50%	50%

Non-controlling interests (NCI) in 2012 and 2011 represent the interests not held by the Group in FEPI, SHDI, FEEC, PALC, MGEI, TLC and PALC.

Explanatory notes:

(a) Subsidiaries of FEPI; percentage ownership represents effective ownership of GERI.

(b) Subsidiaries of FEGDI; percentage ownership represents effective ownership of GERI.

(c) Subsidiary of FEEC.

(d) Subsidiary acquired in 2011 primarily to market the Group's projects.

(e) Subsidiary acquired in 2011; engaged in the real estate business. On June 6, 2011, TLC approved the additional issuance of its common shares through exchange of certain parcels of land owned by several parties, including the Company and FEPI. This transaction resulted to the decrease of the Company's effective ownership over TLC from 100% to 53%. On September 4, 2012, TLC issued additional shares to third parties which further decreased the Company's effective ownership over TLC from 53% to 50%.

(f) In 2012, the Company gained control over OPI's financial and reporting policies; hence, considered as a subsidiary starting 2012; engaged in the real estate business.

All subsidiaries and associates were incorporated in the Philippines, operate within the country and are engaged in businesses related to the main business of the Company.

1.2 Change in Accounting Period

On January 15, 2011, the Company's Board of Directors (BOD) approved the change in accounting period of the Company from fiscal year ending September 30 to calendar year ending December 31. The change in accounting period was approved by the Securities and Exchange Commission (SEC) on March 29, 2011.

1.3 Approval of the Financial statements

The consolidated financial statements of the Group for the year ended December 31, 2012 (including the comparatives for the three months ended December 31, 2011 and the year ended September 30, 2011) were authorized for issue by the Company's BOD on March 22, 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. The measurement bases are more fully described in the accounting policies that follow.

(b) Presentation of 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 a single 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 Group'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 Group's functional currency. Functional currency is the currency of the primary economic environment in which the Group operates.

2.2 Adoption of New and Amended PFRS

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

In 2012, the Group adopted the following amendments to PFRS that are relevant to the Group and effective for 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

Discussed below are the relevant information about these amended 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 under 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 became effective for annual periods beginning on or after January 1, 2012 but has no significant impact on the Group's consolidated financial statements as its investment property only includes several properties 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, annual improvements and interpretations 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 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 amendment will change the current presentation of items in other comprehensive income [i.e., unrealized fair value gains and losses on available-for-sale (AFS) financial assets].

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

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

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

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

Currently, the Group is using the corridor approach and its unrecognized actuarial loss as of December 31, 2012 amounted to P27.8 million which will be retrospectively recognized as loss in other comprehensive income in 2013 (see Note 18.2).

(iii) Consolidation Standards

The Group 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 Ventures,* 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.

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 guidance 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 does not expect this amendment to 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. The Group is yet to assess the impact of this new standard.

(vi) 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.

(vii) 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 arrangement, does not require separation from the host contract.

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

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

Further, in November 2011, the IASB tentatively decided to consider making limited modifications to IFRS 9's financial asset classification model to address certain application issues.

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.

(viii) Philippine Interpretation IFRIC 15, *Agreements for Construction of Real Estate*. This Philippine interpretation is based on IFRIC interpretation issued by the IASB in July 2008 effective for annual periods beginning on or after January 1, 2009. The adoption of this interpretation in the Philippines, however, was deferred by the FRSC and Philippine SEC after giving due considerations on various application issues and the implication on this interpretation of the IASB's on-going revision of the Revenue Recognition standard. This interpretation provides guidance on how to determine whether an agreement for the construction of real estate is within the scope of PAS 11, *Construction Contracts*, or PAS 18, *Revenue*, and accordingly, when revenue from the construction should be recognized. The main expected change in practice is a shift from recognizing revenue using the percentage of completion method (i.e., as a construction progresses, by reference to the stage of completion of the development) to recognizing revenue at completion upon or after delivery. 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.

(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 16 (Amendment), *Property, Plant and Equipment – Classification of Servicing Equipment.* The amendment addresses a perceived inconsistency in the classification requirements for servicing equipment which resulted in classifying servicing equipment as part of inventory when it is used for more than one period. It clarifies that items such as spare parts, stand-by equipment and servicing equipment shall be recognized as property, plant and equipment when they meet the definition of property, plant and equipment; otherwise, these are classified as inventory.

(c) 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. 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, if any, 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.

Financial statements of entities in the Group that are prepared as of a date different from that of the date of these consolidated financial statements were adjusted to recognize the effects of significant transactions or events that occur between that date of their reporting period and the date of these consolidated financial statements. Adjustments are also 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 transactions with NCI as follows:

(a) Investments in Subsidiaries

Subsidiaries are all entities over which the Group has the power to control the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date the Group 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 NCI 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 Group, if any. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred and subsequent change in the fair value of contingent consideration is recognized directly in profit or loss.

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

The excess of the consideration transferred, the amount of any NCI in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the group's share of the identifiable net assets acquired is recognized as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in profit or loss as gain (see also Note 2.10).

(b) Investments in Associates

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

Acquired investments in associates are also subject to purchase accounting. However, any goodwill or fair value adjustment attributable to the share in the associates 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 carrying amount of the Group's investment. Changes resulting from the profit or loss generated by the associate are shown as Equity Share in Net Profits Losses of Associates in the Group's consolidated statement of comprehensive income and therefore affect the net results of operations of the Group. These changes include subsequent depreciation, amortization or impairment of the fair value adjustments of the associate's assets and liabilities.

Changes resulting from other comprehensive income of the associates or items that have been directly recognized in the associate's equity, for example, resulting from the associate's accounting for AFS financial assets, are recognized in consolidated other comprehensive income or equity of the Group, as applicable. Any non-income related equity movements of the associate that arise, for example, from the distribution of dividends or other transactions with the associate's shareholders, are charged against the proceeds received or granted. No effect on the Group's net result or equity is recognized in the course of these transactions. However, when the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments in behalf of the associate. If the associate subsequently reports profits, the Group resumes recognizing its share of those profits only after its share of the profits exceeded the accumulated share of losses that has previously not been recognized.

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 asset 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 interest in jointly controlled operations, the Group recognizes in its consolidated financial statements its share of the assets that it controls, the liabilities and the expenses that it incurs and its share in the income from the sale of goods or services by the joint venture. No adjustment or other consolidation procedures are required since the assets, liabilities, income and expenses of the joint venture are recognized in the separate financial statements of the venturers.

(d) Transactions with NCI

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

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

2.4 Financial Assets

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

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

The financial asset categories currently relevant to the Group are as follows:

(a) Loans and Receivables

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

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

The Group's financial assets categorized as loans and receivables are presented in the consolidated statement of financial position as Cash and Cash Equivalents, Trade and Other Receivables (except Advances to Contractors and Suppliers) and Advances to Related Parties. Cash and cash equivalents include cash on hand, demand deposits and short-term, highly liquid investments with original maturities of three months or less, readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

(b) AFS Financial Assets

This category includes non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. They are classified as non-current assets in the consolidated statement of financial position unless management intends to dispose of the investment within 12 months from the reporting period. The Group's AFS financial assets include proprietary golf club membership shares and are presented as part of the Other Non-current Assets account in the consolidated statement of financial position.

All financial assets within this category are subsequently measured at fair value. Gains and losses from changes in fair value are recognized in other comprehensive income, net of any income tax effects, and are reported as part of the Unrealized Losses on AFS Financial Assets account in equity. When the financial asset is disposed of or is determined to be impaired, the cumulative fair value gains or losses recognized in other comprehensive income is reclassified from equity to profit or loss and is presented as reclassification adjustment within other comprehensive income.

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

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

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

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

2.5 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, if any, incurred during the development of the real estate properties are also capitalized by the Group as part of Property Development Costs (see Note 2.20).

The cost of real estate property sold before completion of the development, if any, 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 residential and condominium units sold presented in the consolidated statement of comprehensive income with a corresponding credit to the liability account, Reserve for Property Development account.

Costs of properties and projects accounted for as Land for Future Development, Property Development Costs and Real Estate, Golf and Resort Shares 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. Any impairment loss from a real estate project is charged to operations during the period in which the loss is determined.

Revenue and cost relative to forfeited or back-out sales are reversed in the current year as they occur.

2.6 Prepayments and Other Assets

Prepayments and other assets pertain to other resources controlled by the Group as a result of past events. They are recognized in the consolidated financial statements when it is probable that the future economic benefits will flow to the entity 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.

2.7 Property and Equipment

Property and equipment, except land, are carried at acquisition or construction cost less subsequent depreciation, amortization and any impairment losses. As no finite useful life for land can be determined, related carrying amount are not depreciated. Land is stated at cost less any impairment losses.

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 and amortization is computed on the straight-line basis over the estimated useful lives of the assets as follows:

Building	50 years
Building and office improvements	5-10 years
Office furniture, fixtures and equipment	3-5 years
Transportation and other equipment	5 years

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, including the related accumulated depreciation, amortization and impairment losses, is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year the item is derecognized.

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

2.8 Investment Property

Investment property consists of parcels of land and buildings held for lease. Buildings are carried at cost less accumulated depreciation and any impairment losses. Land is stated at cost less any impairment losses.

The cost of an asset comprises its purchase price and any directly attributable expenditure. Expenditures for additions, major improvements and renewals are capitalized; expenditures for repairs and maintenance are charged to expense as incurred.

Amortization is computed on a straight-line basis over the estimated useful life of the assets as follows:

Land development and improvements	20 years
Building and improvements	10-50 years

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

Transfers to, or from, investment property shall be made when and only when there is a change in use.

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

2.9 Financial Liabilities

Financial liabilities, which include Trade and Other Payables (except tax-related liabilities, if any), Advances from Related Parties, Due to Joint Venture Partners and Redeemable Preferred Shares, are recognized when the Group becomes a party to the contractual terms of the instrument. All interest-related charges, if any, incurred on financial liability are recognized as an expense in profit or loss under the caption Finance Costs in the consolidated statement of comprehensive income.

Financial liabilities are recognized initially at their fair values and subsequently measured at amortized cost less settlement payments.

Preferred shares, which carry a mandatory coupon or are redeemable on specific date or at the option of the shareholder, are classified as financial liabilities and presented as a separate line item in the consolidated statement of financial position as Redeemable Preferred Shares.

Dividend distributions to shareholders, if any, are recognized as financial liabilities when the dividends are approved by the BOD. The dividends on the redeemable preferred shares of a subsidiary are recognized in the consolidated statement of comprehensive income as interest expense on an amortized cost basis using the effective interest method.

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.

2.10 Business Combination

Business acquisitions are accounted for using the acquisition method of accounting (see Note 2.3).

Goodwill, if any, 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, if any, is measured at cost less any accumulated impairment losses. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed.

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

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

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

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

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, 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.

2.11 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's BOD; its chief operating decision-maker. The BOD 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 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 is the same as those used in its consolidated financial statements. 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.

2.12 Provisions and Contingencies

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

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

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

2.13 Offsetting of Financial Instruments

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

2.14 Revenue and Expense Recognition

Revenue is measured by reference to the fair value of consideration received or receivable by the Group for goods sold and services rendered, excluding value-added tax (VAT).

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

(a) *Real estate sales* – For financial reporting purposes, revenues from transactions covering sales of real estate 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 period's sales is presented as Deferred Gross Profit on Real Estate Sales in the consolidated statement of comprehensive income; the cumulative unrealized gross profit as of the end of the year is shown as Deferred Income on Real Estate Sales in the consolidated statement of financial position.

The sale is recognized when a certain percentage of the total contract price has already been collected. 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 buyer are initially recorded as part of Customers' Deposits account in the consolidated statement of financial position.

Revenues on sales of undeveloped land and golf and resort shares for sale, on the other hand, are recognized using the full accrual method. Under the full accrual method, revenue is recognized when the risks and rewards of ownership in the undeveloped land and golf and resort shares have passed to the buyer and the amount of revenue can be measured reliably. Revenues and costs relative to forfeited or back out sales are reversed in the current year as they occur.

Any adjustments relative to previous periods' sales are recorded in the current period as they occur.

For tax reporting purposes, a modified basis of computing the taxable income for the period based on collections from sales is used by the Group.

(b) *Maintenance income* – Revenue is recognized when performance of mutually agreed tasks has been rendered.

(c) *Rental 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. For tax purposes, rental income is recognized based on the contractual terms of the lease.

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

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

Cost of real estate sales 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 on the stage of completion of the real estate project (see Note 2.5).

Cost and expenses and other costs (other than costs of real estate sold) are recognized in profit or loss upon utilization of the services or goods or at the date they are incurred. All finance costs are reported in profit or loss on an accrual basis, except capitalized borrowing costs which are included as part of the cost of the related qualifying asset (see Note 2.20).

2.15 Operating 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 incentive received from the lessor) are recognized as expense in 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. Lease income from operating leases is recognized 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.

2.16 Foreign Currency Transactions and Translation

The accounting records of the Group 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 in the consolidated statement of comprehensive income as part of income or loss from operations.

2.17 Impairment of Non-financial Assets

The Group's Investments in Associates, Investment Property, Property and Equipment and other non-financial assets are subject to impairment testing whenever events or changes in circumstances indicate that their carrying amounts 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. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

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.

2.18 Employee Benefits

(a) Defined Benefit Plan

The Group has an unfunded, non-contributory defined benefit plan covering all regular employees.

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 entity, 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 defined benefit post-employment plan covers all regular full-time employees.

The liability recognized in the consolidated statement of financial position for defined benefit post-employment plans is the present value of the defined benefit obligation (DBO) at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs. The DBO is calculated annually by independent actuaries using the projected unit credit method. The present value of the DBO is determined by discounting the estimated future cash outflows using interest rates derived from the interest rates of a zero coupon government bonds as published by the Philippine Dealing and 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 Company 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 key executive officers 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 consolidated 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 vest 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 cost of such asset. The capitalization of borrowing costs commences when expenditures for the asset and 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 as incurred.

2.21 Related Party Relationships and Transactions

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

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These 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.

2.22 Equity

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

APIC represents premium received on the initial issuance of capital stock. Any transaction costs associated with the issuance of shares are deducted from APIC, net of any related income tax benefits.

Share options outstanding represents the corresponding credit upon recognition of share-based remuneration expense in profit or loss (see Note 2.19).

Unrealized losses on AFS financial assets represent losses recognized due to changes in fair values of these assets.

Retained earnings represent all current and prior period results of operations as reported in the profit or loss section of the consolidated statements of comprehensive income, reduced by the amounts of dividends declared, if any.

2.23 Basic and Diluted Earnings Per Share

Basic earnings per share is determined by dividing the consolidated net profit by the weighted average number of common shares subscribed and issued during the year, after giving retroactive effect to any stock dividends, stock split or reverse stock split declared in the current year.

Diluted earnings per share is computed in the same manner as the basic earnings per share and assuming further that at the beginning of the year or at the time of issuance during the year, all outstanding convertible instruments were converted to common stock and the conversion would result to a decrease in the basic earnings per share or increase in the basic loss per share.

2.24 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. These 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 accounted for using the liability method on temporary differences at the end of the reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carryforward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the temporary differences 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 in the period when the asset is realized or the liability is settled provided such tax rates have been enacted or substantively enacted at the end of the reporting period.

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in profit or loss. 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, respectively.

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.

2.25 Events After the Reporting Period

Any post-year-end event that provides additional information about the Group's consolidated 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 the 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) *Distinction between Investment Property, Owner-occupied Properties and Land for Future Development*

The Group determines whether an asset qualifies as an item of investment property, owner-occupied property or land for future development. In making its judgment, the Group considers whether the property generates cash flows largely independently of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to property but also to other assets used in the operations of the Group or for administrative purposes 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 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 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.

(b) 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 a 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.

(c) Recognition of Provisions and Contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition and disclosure of provision and contingencies are discussed in Note 2.12 and relevant disclosures are presented in Note 23.

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) Determining Net Realizable Value of Real Estate, Golf and Resort Shares For Sale, Property Development Costs and Land For Future Development

In determining the net realizable value of real estate and resort shares 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 these assets 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 Real Estate and Resort Shares for Sale, Property Development Costs and Land For Future Development within the next financial period.

Considering the Group's pricing policy, the net realizable values of real estate and resort shares for sale, property development costs and land for future development are higher than their related carrying values as of the end of the reporting periods.

(b) Fair Value of Stock Option

The Company estimates the fair value of the executive stock option by applying an option valuation model, taking into account the terms and conditions on which the executive stock option were granted. The estimates and assumptions used are presented in Note 21.2 which include, among other things, the option's time of expiration, applicable risk-free interest rate, expected dividend yield, volatility of the Company's share price and fair value of the Company's common shares. Changes in these factors can affect the fair value of stock options at grant date.

The fair value of the executive stock option recognized as part of salaries and employee benefits shown under Operating Expenses in the 2012 consolidated statement of comprehensive income amounted to P38.5 million for the year ended December 31, 2012. A corresponding credit to Share Options Outstanding of the same amount is presented in the equity portion of the 2012 consolidated statement of financial position (see Notes 17 and 21.2).

(c) Fair Value of Measurement of Investment Property

Investment Property are measured using the cost model. The fair value disclosed in Note 11 to the consolidated financial statements is estimated by the Group using the fair value of similar properties in the same location and condition. The Group uses assumptions that are mainly based on market conditions existing at the end of each reporting period.

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

The Group estimates the useful lives of investment property and property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of investment property and property and equipment 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. The carrying amounts of investment property and property and equipment are analyzed in Notes 11 and 12, respectively. Based on management's assessment as at December 31, 2012 and 2011, there are no changes in the estimated useful lives of those assets as of the end of the reporting periods. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

(e) Impairment of Trade and Other Receivables

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

No impairment losses on trade and other receivables were recognized for the periods ended December 31, 2012, December 31, 2011 and September 30, 2011.

(f) Determining the 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 deferred tax assets recognized as at December 31, 2012 and 2011 will be fully utilized within the next two to three years. The carrying value of deferred tax assets as of those dates is disclosed in Note 19.

(g) Impairment of Non-financial Assets

PFRS requires that an impairment review be performed when certain impairment indicators are present. The Group's policy on estimating the impairment of non-financial assets is discussed in detail in Note 2.17. 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.

No impairment losses were recognized on investments in associates, investment property and property and equipment for the periods ended December 31, 2012, December 31, 2011 and September 30, 2011(see Notes 10, 11 and 12).

(h) Valuation of Post-employment Benefit

The determination of the Group's obligation and cost of post-employment defined benefit is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include, among others, discount rates, expected rate of return on plan assets, salary rate increase, and employee turnover. 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 18.2.

(i) Revenue Recognition Using the Percentage-of-Completion Method

The Group uses the percentage-of-completion method in accounting for its realized 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 5.0% from management's estimates, the amount of revenue recognized in 2012 would have increased or decreased by P117.1 million. There were no changes in the assumptions or basis for estimation during the 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 projects. The Rental segment includes leasing of office and commercial spaces. The Maintenance Services segment relates to maintenance of golf courses. 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 2.11. 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 tables in the succeeding pages present revenue and profit information regarding industry segments for the periods ended December 31, 2012, December 31, 2011 and September 30, 2011 and certain asset and liability information regarding segments at December 31, 2012, December 31, 2011 and September 30, 2011.

As of and for the Year Ended December 31, 2012

	Real Estate	Rental	Hotel Operations	Maintenance Services	Corporate and Others	Elimination	Consolidated
TOTAL REVENUES							
Sales to external customers	P 972,826,188	P 64,292,641	P131,330,139	P 22,315,085	P 82,114,351	P -	P 1,272,878,404
Intersegment sales	-	43,602,685	-	-	21,973,904	(65,576,589)	-
Total revenues	P 972,826,188	P 107,895,326	P131,330,139	P 22,315,085	P 104,088,255	(P 65,576,589)	P 1,272,878,404
RESULTS							
Segment results	P 250,049,251	P 44,812,470	P 36,966,281	P 6,639,929	P 10,809,633	P -	P 349,278,136
Unallocated expenses							(77,411,728)
Income from operations							271,866,408
Interest income	-	-	-	-	117,341,388	-	117,341,388
Finance costs	-	-	-	-	(63,576,747)	-	(63,576,747)
Equity in net losses of associates	-	-	-	-	(5,890,949)	-	(5,890,949)
Foreign currency gains – net	-	-	-	-	-	-	-
Income before tax							319,740,100
Tax expense							(54,688,188)
Net income before non-controlling interest							265,051,912
Non-controlling interest share in net income							(20,807,160)
Net income attributable to parent company's shareholders							P 224,890,072
ASSETS AND LIABILITIES							
Segment assets	P18,460,532,053	P 302,745,010	P817,015,076	P115,953,042	P2,666,229,767	-	P22,362,474,948
Investments in and advances to associates and other related parties	-	-	-	-	1,671,024,587	-	1,671,024,587
Unallocated assets	-	-	-	-	578,157,774	-	578,157,774
Total assets	P18,460,532,053	P 302,745,010	P817,015,076	P115,953,042	P4,915,412,128	-	P24,611,657,309
Total segment liabilities	P 6,220,316,257	P 19,927,135	P108,830,611	P 87,981,635	P 588,198,347	P -	P 7,025,253,985
OTHER SEGMENT INFORMATION							
Project and capital expenditures	P 855,581,124	P 46,562,965	P145,941,866	P 25,834,722	P 22,257,279	P -	P 1,096,177,956
Depreciation and amortization	7,980,053	8,522,513	11,497,301	4,777,635	7,772,904	-	40,550,406

As of and for the Three Months Ended December 31, 2011

	Real Estate	Rental	Maintenance Services	Corporate and Others	Elimination	Consolidated
TOTAL REVENUES						
Sales to external customers	P 156,507,125	P 8,142,420	P -	P 56,132,840	P -	P 220,782,385
Intersegment sales	-	1,689,164	-	-	(1,689,164)	-
Total revenues	P 156,507,125	P 9,831,584	P -	P 56,132,840	(P 1,689,164)	P 220,782,385
RESULTS						
Segment results	P 37,759,133	P 3,116,401	P -	P 16,348,116	(P 1,689,164)	P 55,534,486
Unallocated expenses						(12,562,968)
Income from operations						42,971,518
Interest income	-	-	-	31,665,977	-	31,665,977
Finance costs	-	-	-	(25,137,896)	-	(25,137,896)
Equity in net losses of associates	-	-	-	(2,668,991)	-	(2,668,991)
Dividend Income	-	-	-	8,750	-	8,750
Foreign currency gains – net	-	-	-	832	-	832
Profit before tax						46,840,190
Tax expense						(13,575,622)
Net profit before non-controlling interest						33,264,568
Non-controlling interest share in net profit						(9,713,472)
Net profit attributable to parent company's shareholders						P 42,978,040
ASSETS AND LIABILITIES						
Segment assets	P 15,905,800,645	P 256,228,216	P 115,762,247	P 2,591,935,372	P -	P 18,869,726,480
Investments in and advances to associates and other related parties	-	-	-	1,555,364,957	-	1,555,364,957
Unallocated assets	-	-	-	559,278,681	-	559,278,681
Total assets	P 15,905,800,645	P 256,228,216	P 115,762,247	P 4,706,579,010	P -	P 20,984,370,118
Total segment liabilities	P 4,305,944,406	P 12,641,564	P 107,559,488	P 663,033,649	P -	P 5,091,570,197
OTHER SEGMENT INFORMATION						
Project and capital expenditures	P 560,269,215	P 4,537,840	P 39,377,008	P 15,262,953	P -	P 619,447,016
Depreciation and amortization	1,663,575	2,042,361	1,700,293	1,749,528	-	7,175,745

As of and for the Year Ended September 30, 2011

	Real Estate	Rental	Maintenance Services	Corporate and Others	Elimination	Consolidated
TOTAL REVENUES						
Sales to external customers	P 365,056,024	P 37,029,922	P 99,530,252	P 225,975,056	P -	P 727,591,254
Intersegment sales	-	10,268,491	-	-	(10,268,491)	-
Total revenues	P 365,056,024	P 47,298,413	P 99,530,252	P 225,975,056	(P 10,268,491)	P 727,591,254
RESULTS						
Segment results	P 79,841,585	P 25,068,870	P 7,622,566	P 61,385,218	P -	P 193,918,239
Unallocated expenses						(56,729,125)
Income from operations						137,189,114
Interest income	-	-	-	139,635,283	-	139,635,283
Finance costs	-	-	-	(203,511,939)	-	(203,511,939)
Equity in net losses of associates	-	-	-	(8,621,107)	-	(8,621,107)
Foreign currency gains – net	-	-	-	275,287	-	275,287
Profit before tax						64,966,638
Tax expense						(45,607,606)
Net profit before non-controlling interest						19,359,032
Non-controlling interest share in net profit						(609,511)
Net profit attributable to parent company's shareholders						P 12,968,533
ASSETS AND LIABILITIES						
Segment assets	P 13,221,620,808	P 205,975,437	P 114,262,247	P 3,047,184,210	P -	P 16,589,042,702
Investments in and advances to associates and other related parties	-	-	-	1,494,108,261	-	1,494,108,261
Unallocated assets	-	-	-	568,420,783	-	568,420,783
Total assets	P 13,221,620,808	P 205,975,437	P 114,262,247	P 5,109,713,254	P -	P 18,651,571,746
Total segment liabilities	P 4,274,811,836	P 11,285,722	P 107,550,483	P 369,718,650	P -	P 4,763,366,690
OTHER SEGMENT INFORMATION						
Project and capital expenditures	P 514,919,401	P 3,172,983	P 32,011,626	P 13,480,952	P -	P 563,584,962
Depreciation and amortization	5,623,275	4,954,526	6,012,532	7,343,675	-	23,934,008

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components as of end of reporting period:

	2012	2011
Cash on hand and in banks	P 277,984,102	P 247,683,104
Short-term placements	188,245,665	745,397,038
	P 466,229,767	P 993,080,142

Cash in banks generally earn interest at rates based on daily bank deposit rates. Short-term placements are made between 15 to 42 days at prevailing market rates and earn effective interest of up to 3.75% and 5.00% per annum for 2012 and 2011, respectively.

6. TRADE AND OTHER RECEIVABLES

This account is composed of the following as of December 31:

	Notes	2012	2011
Current:			
Installment contract receivables		P 1,071,291,616	P1,369,588,478
Advances to contractors and suppliers		399,012,499	258,826,353
Advances to officers and employees	20.4	66,306,978	44,403,440
Advances to raw landowners		27,264,155	40,784,250
Others	20.1	114,108,467	151,628,444
		1,677,983,715	1,865,230,965
Allowance for impairment		(550,522,607)	(521,401,005)
		1,127,461,108	1,343,829,960
Non-current:			
Installment contract receivables		887,852,321	399,105,492
Unearned discount and interest		(28,392,239)	(35,102,713)
		859,460,082	364,002,779
		P1,986,921,190	P1,707,832,739

Installment contract receivables represent receivables from sale of real estate and resort shares for sale and are normally collectible monthly within one to five years without interest. The titles to the real estate and resort shares sold remain with the Group until such receivables are fully collected. The installment period of sales contracts averages from three to five years.

Installment contract receivables are noninterest-bearing and are measured at amortized cost using the effective interest method based on the interest rate of comparable financial instruments in the market. Interest income from amortization amounted to P6.7 million, P2.4 million and P4.4 million for the periods ended December 31, 2012, December 31, 2011 and September 30, 2011, respectively. These amounts are presented as part of Finance Income under the Finance and Other Income account in the consolidated statements of comprehensive income (see Note 16.1).

Advances to contractors and suppliers, which are noninterest-bearing and unsecured, pertain to amounts advanced to the Group's contractors and suppliers as downpayment for services to be rendered and goods to be delivered to the Group.

Advances to officers and employees are noninterest-bearing, unsecured and settled through salary deduction or liquidation.

Advances to raw landowners are non-interest bearing cash advances pertaining to amounts paid by the Group to certain raw landowners as downpayment for lots to be acquired.

All of the Group's receivables have been reviewed for indicators of impairment. Certain receivables were found to be impaired; hence, adequate amounts of allowance for impairment have been recorded. The additional impairment losses recognized for the periods ended December 31, 2012, December 31, 2011 and September 30, 2011 amounting to P29.1 million, nil and P10.3 million, respectively, are presented as Impairment Losses on Trade and Other Receivables under Finance Costs and Other Charges account in the consolidated statements of comprehensive income (see Note 16.2).

A reconciliation of the allowance for impairment at beginning and end of the reporting periods is shown below.

	Note	**December 31, 2012 (One Year)**	December 31, 2011 (Three Months)
Balance at beginning of period		**P 521,401,005**	P 535,000,577
Impairment losses during the period	16.2	**29,121,602**	-
Write-off of trade receivables previously provided with allowance		-	(13,599,572)
Balance at end of period		**P 550,522,607**	P 521,401,005

The net carrying value of trade and other receivables is considered a reasonable approximation of its fair value (see Note 25).

7. REAL ESTATE TRANSACTIONS

7.1 Real Estate, Golf and Resort Shares for Sale

The composition of this account as of December 31 is shown below.

	2012	2011
Real estate for sale	P5,719,268,204	P5,169,534,070
Golf and resort shares for sale	2,171,497,637	2,154,210,289
	7,890,765,841	7,323,744,359
Allowance for impairment	(88,411,502)	(88,411,502)
	P7,802,354,339	P7,235,332,857

Real estate for sale mainly pertains to the accumulated costs incurred in developing the Group's horizontal and condominium projects and certain integrated-tourism projects, including capitalized borrowing costs amounting to P9.8 million for the period ended September 30, 2011. The capitalization rate averaged 3.21% for the period ended September 30, 2011. No borrowing costs were capitalized for the periods ended December 31, 2012 and December 31, 2011.

Golf and resort shares for sale pertain to proprietary or membership shares (landowner shares and founders shares) that are of various types and costs. The cost of the landowner resort shares is based on the acquisition and development costs of the land and the project. The cost of the founders shares is based on the par value of the resort shares which is P100 per share.

There are no additional allowance for impairment recognized for the periods ended December 31, 2012 and December 31, 2011. For the period ended September 30, 2011, a P10.2 million impairment loss was recognized that pertains to the amount of net realizable value being lower than the cost. This is presented as Impairment Losses on Real Estate and Resort Shares for Sale under Cost of Real Estate Sales in the consolidated statements of comprehensive income (see Note 17).

7.2 Property Development Costs

Property development costs include on-going costs incurred by the Group for its own projects. In additinn, this account also includes the costs incurred by the Group for the joint development of various projects that are treated as jointly controlled operations; there were no separate entities created by these joint venture agreements. The jointly controlled operations are undertaken under project agreements with different venture partners. The costs relating to these joint projects represent the amount of investments placed by the Group as original investor/developer or the amount assigned/transferred to the Group associates or by related parties who were the original investors/developers in the project agreement.

In June 2011, FEPI agreed to enter into a joint venture/co-development agreement with Suntrust Properties, Inc. (SPI), a related party whose ultimate parent is also AGI. Under the terms of the agreement, FEPI shall transfer the right to complete a mixed-used, high-rise, commercial and residential condominium located at Diliman, Quezon City to SPI for a consideration. FEPI received from SPI an upfront non-refundable cash consideration amounting to P93.5 million in 2011. Also, FEPI will share in the sales proceeds of the project based on agreed terms. The upfront non-refundable cash consideration is presented as part of Income from Assignment of Developmental Rights in revenue and income portion of the consolidated statement of comprehensive income for the period ended September 30, 2011.

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

7.3 Land for Future Development

Land for future development pertains to 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.

On June 6, 2011, the BOD of TLC approved the additional issuance of its common shares through exchange of certain parcels of land with total fair value of P2.4 billion owned by several parties, including the Company and FEPI. This transaction was approved by the SEC on November 26, 2012. This transaction resulted to the decrease of the Group's effective ownership in TLC from 100% to 53%. The parcels of land exchanged by the Company and FEPI were previously included as part of Land for Future Development in the consolidated statements of financial position.

7.4 Reserve for Property Development

The movement of the Reserve for Property Development account is shown below.

	2012	2011
Current:		
Balance at beginning of year	P 223,537,180	P 225,055,543
Additions	26,846,810	27,743,242
Reductions	(199,858,598)	(29,261,605)
Balance at end of year	P 50,525,392	P 223,537,180
Non-current:		
Balance at beginning of year	P 618,493,326	P 618,493,326
Additions	103,151,533	-
Reductions	(48,247,777)	-
Balance at end of year	P 673,397,082	P 618,493,326

8. PREPAYMENTS AND OTHER CURRENT ASSETS

The composition of this account is shown below.

	2012	2011
Input VAT	P 644,126,316	P 402,009,225
Creditable withholding tax	187,375,009	60,463,257
Deferred commission	59,998,394	62,113,766
Others	17,500,966	59,065,990
	P 909,000,685	P 583,652,238

Deferred commission represents commission advanced to the agents of the Group for the sale of real estate inventory that are to be realized as incurred upon reaching certain percentage of collection from customers.

9. ADVANCES TO REAL ESTATE PROPERTY OWNERS

This account represents advances to real estate property owners and charges in connection with various project agreements entered into by the Group. The terms of the agreements provide that the Group will undertake the improvement, subdivision and development of the properties. The agreements further stipulate that the Group and the property owners share either in the form of the developed real estate properties or upon collection of sales proceeds using certain pre-agreed sharing ratios. Collections of the advances from the said property owners are generally received upon sale of property owners' shares in the project.

The outstanding amounts, net of unearned discount and interest, at the end of the reporting periods are as follows:

	2012	2011
Advances to real estate property owners	P 1,137,209,419	P 1,125,945,839
Unearned discount and interest	(70,796,722)	(137,823,470)
	P1,066,412,697	P 988,122,369

The net commitment for construction expenditures of the Group amounted to:

	2012	2011
Total commitment for construction expenditures	P3,726,938,121	P 3,665,062,711
Total expenditures incurred	(3,369,822,021)	(3,214,289,816)
Net commitment	P 357,116,100	P 450,772,895

The Group's interests on jointly-controlled operations and projects range from 55% to 78% for both 2012 and 2011. The list of the Company's jointly controlled projects (which are not jointly-controlled entities) are as follows:

- Caliraya Spring
- Forest Hills
- Kingsborough
- Monte Cielo de Peñafrancia
- Mountain Meadows
- Newport Hills
- Parklane Square
- Southwoods Peak

As of December 31, 2012 and 2011, the Group 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.

The amortization of unearned discount and interest amounting to P67.0 million, P10.1 million and P62.2 million for the periods ended December 31, 2012, December 31, 2011 and September 30, 2011, respectively, are presented as part of Finance Income under Finance and Other Income account in the consolidated statements of comprehensive income (see Note 16.1).

All of the Group's advances have been reviewed for indicators of impairment. Based on management's evaluation, no allowance for impairment loss needs to be recognized for the periods ended December 31, 2012, December 31, 2011 and September 30, 2011.

10. INVESTMENTS IN ASSOCIATES

The components of the carrying values of investments in associates accounted for under the equity method at the end of the reporting periods are as follows:

	2012	2011
Acquisition costs:		
NPI	P 734,396,528	P 734,396,528
FERC	28,000,000	28,000,000
FENI	10,000,003	10,000,003
FESI	7,808,360	7,808,360
FERSAI	4,000,000	4,000,000
OPI	-	3,125,225
Balance carried forward	P 784,204,891	P 787,330,116

	2012	2011
Balance brought forward	P 784,204,891	P 787,330,116
Accumulated equity share in net losses:		
Balance at beginning of period	37,643,672	34,974,681
Equity share in net losses for the period	5,890,949	2,668,991
Reversal due to the consolidation of OPI	(181,796)	-
Balance at end of period	43,352,825	37,643,672
	P 740,852,066	P 749,686,444

FEPI also has 15% equity investment in MRT Development Corporation amounting to P169.9 million but the investment was derecognized when it was assessed that it is no longer recoverable.

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

	Assets	Liabilities	Revenues	Net Loss
December 31, 2012				
NPI	P 1,329,025,655	P 1,319,025,655	P -	P -
FERC	341,188,752	285,550,037	4,042,661	(8,469,533)
FERSAI	155,071,351	162,621,484	4,459,850	(8,857,655)
FESI	131,506,514	32,824,108	24,693,264	(2,547,617)
FENI	100,222,828	108,257,827	6,887,379	(9,579,941)
	P 2,057,015,100	P 1,908,279,111	P 40,083,154	(P 29,454,746)
December 31, 2011				
NPI	P 1,325,049,848	P 1,315,149,848	P -	P -
OPI	614,462,412	607,853,626	-	1,511,972
FERC	337,533,457	258,943,926	1,140,231	(4,116,162)
FERSAI	149,518,495	154,299,367	4,779,930	(9,927,387)
FESI	141,823,000	40,590,202	5,580,833	(1,652,202)
FENI	102,514,872	100,907,865	4,272,122	(1,429,133)
	P 2,670,902,084	P 2,477,744,834	P 15,773,116	(P 15,612,912)

	Assets	Liabilities	Revenues	Net Profit (Loss)
September 30, 2011				
NPI	P 1,325,049,848	P 1,315,149,848	P -	P -
FERC	373,125,164	427,591,626	4,869,737	(9,594,150)
FERSAI	155,357,445	149,006,025	5,489,074	(20,748,792)
FESI	145,640,573	40,117,440	20,872,124	(3,288,191)
OPI	120,720,311	115,735,187	-	(1,265,326)
FENI	101,122,956	101,593,862	10,867,204	(9,474,402)
	P 2,221,016,297	P 2,149,193,988	P 42,098,139	(P 44,370,861)

In January 2012, the Company obtained control over the financial and operating policies of OPI, hence, was considered as a subsidiary (see Note 1).

On November 30, 2012, the Company subscribed to additional 53.8 million shares out of the additional 598.6 million common shares issued by TLC at P1 par. Such additional issuance by TLC resulted in a decrease in the Company's effective ownership over TLC from 53% to 50% as of December 31, 2012.

The fair values of the associates' shares of stock are not available as of the end of the reporting periods.

Based on the assessment of the management, the investments in associates were not impaired due to the active efforts of the Group to raise funds in order to push through with the associates' projects.

11. INVESTMENT PROPERTY

The Group's investment property comprises of buildings and several parcels of land which are owned to earn rental income or for capital appreciation or for both. The gross carrying amounts and accumulated depreciation of investment property at the beginning and end of the reporting periods are shown below.

	Building and Improvements	Land and Land Development and Improvements	Total
December 31, 2012			
Cost	P 488,220,155	P 239,293,047	P 727,513,202
Accumulated depreciation and amortization	(235,169,651)	(132,479,778)	(367,649,429)
Net carrying value	P 253,050,504	P 106,813,269	P 359,863,773
December 31, 2011			
Cost	P 441,657,190	P 250,960,932	P 692,618,122
Accumulated depreciation and amortization	(230,024,398)	(130,550,308)	(360,574,706)
Net carrying value	P 211,632,792	P 120,410,624	P 332,043,416

	Building and Improvements	Land and Land Development and Improvements	Total
October 1, 2011			
Cost	P 314,354,529	P 250,960,932	P 565,315,461
Accumulated depreciation and amortization	(229,272,084)	(130,067,940)	(359,340,024)
Net carrying value	P 85,082,445	P 120,892,992	P 205,975,437

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

	Building and Improvements	Land and Land Development and Improvements	Total
Balance at January 1, 2012, net of accumulated depreciation and amortization	P 211,632,792	P 120,410,624	P 332,043,416
Additions	46,562,965	36,587,846	83,150,811
Reclassifications	-	(48,255,731)	(48,255,731)
Depreciation and amortization charges for the period	(5,145,253)	(1,929,470)	(7,074,723)
Balance at December 31, 2012, net of accumulated depreciation and amortization	P 253,050,504	P 106,813,269	P 359,863,773
Balance at October 1, 2011, net of accumulated depreciation and amortization	P 85,082,445	P 120,892,992	P 205,975,437
Additions	127,302,661	-	127,302,661
Depreciation and amortization charges for the period	(752,314)	(482,368)	(1,234,682)
Balance at December 31, 2011, net of accumulated depreciation and amortization	P 211,632,792	P 120,410,624	P 332,043,416
Balance at October 1, 2010, net of accumulated depreciation and amortization	P 88,091,707	P 167,061,157	P 255,152,864
Additions	-	3,512,539	3,512,539
Reclassifications	-	(44,548,000)	(44,548,000)
Disposals	-	(3,200,000)	(3,200,000)
Depreciation and amortization charges for the period	(3,009,262)	(1,932,704)	(4,941,966)
Balance at September 30, 2011, net of accumulated depreciation and amortization	P 85,082,445	P 120,892,992	P 205,975,437

Rental revenues recognized for the periods ended December 31, 2012, December 31, 2011 and September 30, 2011 amounted to P64.3 million, P8.7 million and P37.0 million, respectively, and are presented as Rental Income in the consolidated statements of comprehensive income. Depreciation charges substantially represent the major direct costs in leasing these properties.

The fair value of building and improvements amounted to P773.1 million and P235.0 million, as determined by reference to similar properties within the area where the building is situated, as of December 31, 2012 and 2011 respectively. On the other hand, the fair value of land and land improvements amounted to P209.0 million and P138.0 million, as determined by reference to current prices for similar properties in the same location and condition as of December 31, 2012 and 2011, respectively.

In 2012, certain parcels of land with a total carrying amount of P48.3 million, which were previously classified as part of Investment Property, were reclassified to Property Development Costs. The Group decided to develop these certain parcels of land for resale. These were initially intended to be developed by the Group as part of Investment Property for lease to third parties.

In 2011, certain parcels of land with a total carrying amount of P44.5 million, which were previously classified as part of Investment Property, were reclassified to Land for Future Development. The Group decided to develop these certain parcels of land for resale. These were initially intended to be developed by the Group as part of Investment Property for lease to third parties.

For the period ended September 30, 2011, certain parcels of land, which were previously intended for leasing and classified as Investment Property, were reclassified to Land for Future Development.

12. PROPERTY AND EQUIPMENT

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

	Land	Building	Office Furniture, Fixtures and Equipment	Transportation and Other Equipment	Building and Office Improvements	Total
December 31, 2012						
Cost	P 1,600,000	P 825,769,380	P 73,124,828	P 33,845,034	P 27,414,635	P 961,753,877
Accumulated depreciation and amortization	-	(225,291,163)	(54,464,307)	(16,562,439)	(3,653,229)	(299,971,138)
Net carrying amount	P 1,600,000	P 600,478,217	P 18,660,521	P 17,282,595	P 23,761,406	P 661,782,739
December 31, 2011						
Cost	P 1,750,000	P 679,827,514	P 55,526,681	P 23,575,811	P 3,989,860	P 764,669,866
Accumulated depreciation and amortization	-	(202,972,799)	(48,168,550)	(12,914,673)	(2,439,431)	(266,495,453)
Net carrying amount	P 1,750,000	P 476,854,715	P 7,358,131	P 10,661,138	P 1,550,429	P 498,174,413
October 1, 2011						
Cost	P 1,750,000	P 679,827,514	P 53,658,735	P 17,245,028	P 3,852,681	P 756,333,958
Accumulated depreciation and amortization	-	(198,125,205)	(47,552,749)	(12,485,758)	(2,390,678)	(260,554,390)
Net carrying amount	P 1,750,000	P 481,702,309	P 6,105,986	P 4,759,270	P 1,462,003	P 495,779,568

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

	Land	Building	Office Furniture, Fixtures and Equipment	Transportation and Other Equipment	Building and Office Improvements	Total
Balance at January 1, 2012, net of accumulated depreciation and amortization	P 1,750,000	P 476,854,715	P 7,358,131	P 10,661,138	P 1,550,429	P 498,174,413
Additions		145,941,866	18,256,550	11,220,742	23,438,596	198,857,754
Disposals	(150,000)	-	(658,404)	(951,519)	(13,822)	(1,773,745)
Depreciation and amortization charges for the period	-	(22,318,364)	(6,295,756)	(3,647,766)	(1,213,797)	(33,475,683)
Balance at December 31, 2012, net of accumulated depreciation and amortization	P 1,600,000	P 600,478,217	P 18,660,521	P 17,282,595	P 23,761,406	P 661,782,739
Balance at October 1, 2011, net of accumulated depreciation and amortization	P 1,750,000	P 481,702,309	P 6,105,986	P 4,759,270	P 1,462,003	P 495,779,568
Additions	-	-	1,867,946	6,330,783	137,179	8,335,908
Depreciation and amortization charges for the period	-	(4,847,594)	(615,801)	(428,915)	(48,753)	(5,941,063)
Balance at December 31, 2011, net of accumulated depreciation and amortization	P 1,750,000	P 476,854,715	P 7,358,131	P 10,661,138	P 1,550,429	P 498,174,413
Balance at October 1, 2010, net of accumulated depreciation and amortization	P 150,000	P 358,766,842	P 2,657,340	P 1,449,764	P 141,900	P 363,165,846
Additions	-	400,000	4,214,006	4,169,693	1,435,392	10,219,091
Disposals	-	-	(21,833)	(244,625)	-	(266,458)
Reclassifications	1,600,000	140,053,132	-	-	-	141,653,132
Depreciation and amortization charges for the period	-	(17,517,665)	(743,527)	(615,561)	(115,289)	(18,992,042)
Balance at September 30, 2011, net of accumulated depreciation and amortization	P 1,750,000	P 481,702,309	P 6,105,986	P 4,759,270	P 1,462,003	P 495,779,568

The Group's fully depreciated assets that are still being used amounted to P210.2 million and P206.8 million as of December 31, 2012 and 2011, respectively.

For the period ended September 30, 2011, the Group decided to operate the condominium units and parcels of land in Boracay as hotels. These units were initially intended to be developed by the Group for resale. The Group reclassified these real estate for sale from Property Development Costs account to Property and Equipment under the line item Building and Land.

13. TRADE AND OTHER PAYABLES

This account consists of:

	2012	2011
Trade payables	P1,325,109,697	P1,134,189,541
Liabilities for land acquisition	575,300,558	375,325,778
Accrued expenses	91,023,187	65,193,504
Others	14,985,375	53,488,219
	P2,006,418,817	P1,628,197,042

Liabilities for land acquisition represent the unpaid portion of land for future development acquired by the Group.

Accrued expenses represent accruals for salaries and wages, utilities, professional fees, outside services and other expenses incurred in the normal operations of the Group.

Other payables consist primarily of unearned rentals and payables to government and other regulatory agencies.

Due to their short duration, the carrying amounts of current trade and other payables recognized in the statements of financial position are considered by management to be a reasonable approximation of fair value.

14. DUE TO JOINT VENTURE PARTNERS

This account represents the share of joint venture (JV) partners in the proceeds from the sale of certain projects in accordance with various JV agreements entered into by the Group.

The details of the account are as follows:

	2012	2011
Due to golf share partners and lot owners	P 324,410,959	P 324,410,959
Deferred interest expense	(110,013,583)	(129,861,592)
	P 214,397,376	P 194,549,367

The amortization of deferred interest amounting to P19.8 million, P5.0 million and P19.8 million for the periods ended December 31, 2012, December 31, 2011 and September 30, 2011 is presented as part of Finance Costs under Finance Costs and Other Charges account in the consolidated statements of comprehensive income (see Note 16.2).

15. REDEEMABLE PREFERRED SHARES

On September 4, 2012, the TLC's BOD approved the additional subscriptions of 1,258.0 million preferred shares out of TLC's authorized capital stock as partial payment for certain parcels of land with total fair value of P1,338.2 million. As of December 31, 2012, the SEC has not yet issued an approval on subscription to these redeemable preferred shares.

Generally non-voting, these preferred shares earn dividends at a fixed annual rate of 2.5% subject to the existence of TLC's unrestricted retained earnings. For the period ended December 31, 2012, TLC did not declare any dividends. The accrued dividends on these preferred shares is presented as part of Other Non-Current Liabilities account in the 2012 consolidated statement of financial position and presented under Finance Costs under the Finance Costs and Other Charges account in the 2012 consolidated statement of comprehensive income (see Note 16.2).

The preferred shares shall have a maturity of 10 years and shall be redeemed on every anniversary date beginning on the sixth anniversary date until expiration of the ten-year period. Only 1/5 of the aggregate face value of preferred shares may be redeemed per year during such redemption period, with all remaining shares to be redeemed on the 10th anniversary date.

The preferred shares are considered as financial liabilities. Accordingly, the redeemable preferred shares are recognized at fair value on the date of issuance and are classified as a non-current liability in the 2012 consolidated statement of financial position. The fair values of the redeemable preferred shares on the date of issuance approximate their par value.

16. FINANCE INCOME AND FINANCE COSTS

16.1 Finance and Other Income

Presented below are the details of this account.

	Notes	December 31, 2012 (One Year)	December 31, 2011 (Three Months)	September 30, 2011 (One Year)
Finance income	6, 9	P 118,717,108	P 31,665,977	P 139,635,283
Gain on refunds		30,645,216	-	-
Foreign currency gains – net		-	832	275,287
Guarantee income	20.2	-	-	50,000,000
Miscellaneous		50,093,415	40,197,776	22,102,735
		P 199,455,739	P 71,864,585	P 212,013,305

A gain or loss on refunds arises when the amount to settle a refund claimed by a customer is lower or higher than the total amount previously collected from the said customer.

In 2010, FEPI assumed certain liabilities of Fil-Estate Management, Inc. (FEMI) to Cameron Granville Asset Management, Inc. (CGAMI). In 2011, FEPI and CGAMI agreed that certain lots in Boracay owned by FEPI shall be sold to settle the advances amounting to P96.0 million. The proceeds from the sale amounting to P56.0 million were then used to settle the advances. CGAMI agreed that such payment will be considered as full settlement of the advances and that CGAMI will no longer collect the balance of P40.0 million, which amount is shown above as part of Miscellaneous income under Finance and Other Income account in the consolidated statement of comprehensive income for the period ended September 30, 2011.

16.2 Finance Costs and Other Charges

Presented below are the details of this account.

	Notes		December 31, 2012 (One Year)		December 31, 2011 (Three Months)		September 30, 2011 (One Year)
Finance costs	14, 20.5, 15	P	74,060,080	P	22,725,973	P	183,517,312
Impairment losses on trade and other receivables	6		29,121,602		-		10,349,736
Miscellaneous			-		2,411,923		9,644,891
		P	103,181,682	P	25,137,896	P	203,511,939

For the period ended September 30, 2011, finance costs include interest expense and additional charges amounting to P103.9 million from the Company's convertible bonds which were fully paid on February 1, 2011 (see Note 20.2) and P27.3 million from the loan and mortgage payable pertaining to a loan facility which was also paid in full in 2011 (see Note 20.5).

17. OPERATING EXPENSE BY NATURE

Presented below are the details of this account.

	Notes	December 31, 2012 (One Year)	December 31, 2011 (Three Months)	September 30, 2011 (One Year)
Cost of real estate sales		P 264,521,139	P 23,865,753	P 142,739,219
Cost of hotel operations		42,217,660	3,647,360	-
Salaries and employee benefits	18.1, 21	153,072,027	77,669,001	75,835,996
Taxes and licenses		65,763,025	9,987,884	112,554,176
Depreciation and amortization	11, 12	40,550,406	7,175,745	23,934,008
Commission		20,891,492	1,904,048	4,052,570
Professional fees and outside services		13,934,111	9,567,623	59,656,600
Utilities and supplies		9,269,476	2,859,581	26,285,748
Transportation		7,250,417	2,630,326	10,647,874
Loss on refund		5,581,395	11,943,889	21,777,361
Rent		4,694,971	1,588,289	13,492,437
Gas and oil		1,773,756	723,553	2,170,661
Representation		1,732,732	609,241	9,154,063
Repairs and maintenance		1,363,124	1,467,470	3,733,346
Advertising and promotions		1,351,427	3,985,533	6,894,023
Impairment losses on real estate and resort shares for sale	7	-	-	10,203,547
Miscellaneous		43,661,862	10,169,747	30,155,851
		P 677,629,020	P 169,795,043	P 553,287,480

These expenses are classified in the consolidated statements of comprehensive income as follows:

	December 31, 2012 (One Year)	December 31, 2011 (Three Months)	September 30, 2011 (One Year)
Cost of real estate sales	P 264,521,139	P 23,865,753	P 142,739,219
Cost of services	30,155,257	9,898,334	75,528,892
Cost of hotel operations	42,217,660	3,647,360	-
Operating expenses	340,734,964	132,383,596	335,019,369
	P 677,629,020	P 169,795,043	P 553,287,480

18. EMPLOYEE BENEFITS

18.1 Salaries and Employee Benefits

Expenses recognized for salaries and employee benefits are presented below (see Note 17).

	Note		December 31, 2012 (One Year)		December 31, 2011 (Three Months)		September 30, 2011 (One Year)
Short-term benefits		P	111,165,572	P	27,443,343	P	56,659,746
Share-based employee compensation	21.2		38,515,271		-		-
Post-employment benefits			3,391,184		488,435		19,176,250
Termination benefits			-		49,737,223		-
		P	153,072,027	P	77,669,001	P	75,835,996

18.2 Post-employment Benefits

The Group has an unfunded, non-contributory defined benefit plan covering all regular employees. The plan provides for lump-sum benefits equivalent to 85% to 150% of the employee's monthly salary for every year of service depending on the number of years of service. The normal retirement age is 60 years old and applicable upon completion of five years of faithful and continuous service to the Group. However, an employee who attains the age of 50 with the completion of no less than 10 years of service or has completed 15 years of service and opts for an early retirement is likewise entitled to the same benefits. Actuarial valuations are made annually to update the retirement benefit costs.

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

		2012		2011
Present value of the obligation	P	35,231,633	P	44,505,135
Unrecognized actuarial loss		27,786,227		14,073,865
	P	63,017,860	P	58,579,000

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

		2012		2011
Balance at beginning of period	P	44,505,135	P	43,982,504
Current service cost		2,079,073		100,447
Interest cost		2,752,111		387,988
Actuarial loss (gain)	(	14,104,686)		34,196
Balance at end of period	P	35,231,633	P	44,505,135

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

	December 31, 2012 (One Year)	December 31, 2011 (Three Months)	September 30, 2011 (One Year)
Current service cost	P 2,079,073	P 100,447	P 1,745,179
Interest cost	2,752,111	387,988	3,372,549
Net actuarial gain recognized during the period	(1,440,000)	-	(404,886)
Effects of settlement/curtailment	-	-	14,463,408
	P 3,391,184	P 488,435	P 19,176,250

The amounts of post-employment benefit expense are presented as part of Salaries and employee benefits under Operating Expenses in the consolidated statements of comprehensive income.

Presented below is the historical information related to the present value of the retirement benefit obligation.

	December 31, 2012	December 31, 2011	September 30, 2011	September 30, 2010	September 30, 2009
Present value of the obligation	P 35,231,633	P 44,505,135	P 43,982,504	P 51,266,535	P 50,839,336

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

	December 31, 2012 (One Year)	December 31, 2011 (Three Months)	September 30, 2011 (One Year)
Discount rates	6.14%	7.30%	7.30%
Expected rate of salary increase	3.00%	3.00%	3.00%

Assumptions regarding future mortality are based on published statistics and mortality tables. The average expected working lives of an individual retiring at the age of 60 is 27 years for both males and females.

The Group is currently assessing the amount it will contribute to the plan in 2013.

19. TAXES

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

	December 31, 2012 (One Year)	December 31, 2011 (Three Months)	September 30, 2011 (One Year)
Current tax expense:			
Regular corporate income tax (RCIT) at 30%	P 9,709,182	P -	P -
Minimum corporate income tax (MCIT) at 2%	5,633,157	5,889,369	7,216,886
Final tax at 20%	3,449,357	2,910,923	16,200,750
	18,791,696	8,800,292	23,417,636
MCIT applied during the year	(8,981,029)	-	-
Deferred tax expense relating to origination and reversal of temporary differences	44,877,521	4,775,310	22,189,970
	P 54,688,188	P 13,575,602	P 45,607,606

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

	December 31, 2012 (One Year)	December 31, 2011 (Three Months)	September 30, 2011 (One Year)
Tax on pretax profit at 30%	P 95,922,030	P 14,052,057	P 19,489,991
Adjustments for income subjected to lower income tax rates	(1,490,927)	(1,455,507)	(6,440,701)
Tax effects of:			
Income tax benefit from previously unrecognized deferred tax assets	(66,083,897)	-	-
Non-taxable income	(23,618,111)	(31,678,465)	(3,859,826)
Unrecognized deferred tax assets	19,885,418	27,218,298	22,504,523
Non-deductible expenses	15,585,782	370,303	13,118,973
Expired deferred tax assets	13,540,576	4,775,310	791,698
Non-deductible interest expense	947,317	293,606	2,948
	P 54,688,188	P 13,575,602	P 45,607,606

The Group's net deferred tax liabilities relate to the following as of December 31:

	2012	2011
Deferred tax liabilities:		
Unrealized gross profit on real estate sales	P 327,319,448	P 227,377,112
Capitalized interest	167,901,377	167,901,377
Deferred commission	17,768,660	18,277,256
	512,989,485	413,555,745
Deferred tax assets:		
Net-operating loss carry-over (NOLCO)	(179,396,467)	(161,050,170)
Allowance for impairment	(145,635,112)	(141,486,275)
Retirement benefit obligation	(18,905,358)	(17,573,700)
Gross profit per tax	(17,446,954)	-
MCIT	(14,870,526)	(13,142,634)
Share-based employee compensation	(11,554,581)	-
	(387,808,998)	(333,252,779)
	P 125,180,487	P 80,302,966

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

Period Incurred	Original Amount	Applied During the Period	Expired During the Period	Remaining Balance	Valid Until
2012 (one year)	P 49,589,710	P -	P -	P 49,589,710	2015
2011 (3 months)	21,226,831	-	-	21,226,831	2014
2011 (one year)	12,221,017	-	-	12,221,017	2014
2010 (one year)	641,148,319	126,197,654	-	514,950,665	2013
2009 (one year)	44,491,541	-	44,491,541	-	2012
	P 768,677,418	P 126,197,654	P 44,491,541	P 597,988,223	

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 total of the 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.

Period Incurred	Original Amount	Applied During the Period	Expired During the Period	Remaining Balance	Valid Until
2012 (one year)	P 5,439,088	P -	P -	P 5,439,088	2015
2011 (3 months)	3,997,268	-	-	3,997,268	2014
2011 (one year)	5,434,170	-	-	5,434,170	2014
2010 (one year)	8,981,029	8,981,029	-	-	2013
2009 (one year)	5,382,234	-	5,382,234	-	2012
	P 29,233,789	P 8,981,029	P 5,382,234	P 14,870,526	

Certain subsidiaries within the Group did not recognize the deferred tax assets on their NOLCO and MCIT in accordance with relevant accounting standards.

Management has assessed that for other entities within the Group, the net losses incurred as well as the related NOLCO, can be recovered through their respective future operations.

The Group opted to continue claiming itemized deductions for the periods ended December 31, 2012, December 31, 2011 and September 30, 2011 in computing for its income tax due.

20. RELATED PARTY TRANSACTIONS

The Group's related parties include its associates, stockholders, the Company's key management personnel and others as described below.

Transactions with related parties are also discussed below.

20.1 Lease of Investment Property

The Company leases its investment property to certain related parties with rental payments mutually agreed before commencement of the lease. The revenues earned from these related parties, which are included as part of Rental Income in the consolidated statements of comprehensive income, are shown below.

	Amount of Transactions		
	December 31, 2012 (One Year)	December 31, 2011 (Three Months)	September 30, 2011 (One Year)
Associates	P 1,174,635	P 1,139,903	P 5,246,590
Other investee companies of shareholders	77,943	549,261	3,158,725
	P 1,252,578	P 1,689,164	P 8,405,315

The outstanding receivables from these transactions amounting to P0.8 million, P0.8 million, and P8.4 million as of December 31, 2012, December 31, 2011, and September 30, 2011, respectively, are presented as part of Others under Trade and Other Receivables (see Note 6). Outstanding receivables from these transactions are short-term, unsecured and noninterest-bearing. These are also generally settled in cash on a monthly basis. These receivables have been reviewed for indications of impairment. Based on management's evaluation, no impairment loss needs to be recognized for the periods ended December 31, 2012, December 31, 2011 and September 30, 2011.

20.2 Memorandum of Agreement with CJH Development Corporation

On July 1, 2008, the Company and FEUDC entered into a Memorandum of Agreement (MOA) with Camp John Hay Development Corporation (CJDEVCO). The MOA was entered into by the parties for the completion of the development of Camp John Hay Suites and Forest Cabins. CJDEVCO shall contribute leasehold rights over the projects and technical data undertaken in relation to the projects. FEUDC shall finance the completion of the projects and shall assume CJDEVCO's specific development obligations with respect to the projects while the Company shall guarantee the funding necessary to complete the projects by drawdowns from the bonds facility (see Note 16.2).

By virtue of the MOA and in consideration of the guarantee of the Company, CJDEVCO assigned to the Company the rights to construct the buildings for leisure homes over certain lots and rights to another development agreement previously entered into by CJDEVCO with a landowner including the right to be reimbursed for advances made to the landowner amounting to P50.0 million. The assigned development agreement with the landowners did not push through. In 2011, in accordance with the MOA, the landowners refunded to the Company the P50.0 million advances previously given to them by CJDEVCO. The Company recorded the amount it received as Guarantee Income which is shown under Finance and Other Income account in the consolidated statement of comprehensive income for the period ended September 30, 2011 (see Note 16.1).

20.3 Deed of Assignment

In June 2011, FEPI has agreed to assign to Empire East Land Holdings, Inc. (EELHI), a related party under common ownership, the right to develop the Pioneer lot project known as the "Central Park Place". In consideration of the assignment, EELHI shall pay FEPI a non-refundable cash consideration amounting to P60.0 million. The non-refundable cash consideration is presented as part of Income from Assignment of Development Rights in the consolidated statement of comprehensive income for the period ended September 30, 2011.

20.4 Advances to Related Parties

The Group grants advances to its associates and other related parties for working capital purposes. These advances to related parties are unsecured, noninterest-bearing and repayable upon demand. Settlement is generally made in cash. The balances of these advances, shown as Advances to Related Parties account in the consolidated statements of financial position as of December 31, are as follows:

	2012	2011
Associates	P 246,293,062	P 257,666,033
Other investee companies of shareholders	683,879,459	548,012,480
	P 930,172,521	P 805,678,513

A summary of transactions with these related parties are as follows:

	Amount of Transactions		
	December 31, 2012 (One Year)	December 31, 2011 (Three Months)	September 30, 2011 (One Year)
Associates:			
Balance at beginning of period	P 257,666,033	P 215,904,195	P 105,409,663
Cash advances granted	103,266,123	41,761,838	110,494,532
Collections	(114,639,094)	-	-
Balance at end of period	P 246,293,062	P 257,666,033	P 215,904,195

	Amount of Transactions		
	December 31, 2012 (One Year)	December 31, 2011 (Three Months)	September 30, 2011 (One Year)
Other investee companies of shareholders:			
Balance at beginning of period	P 548,012,480	P 525,848,631	P 1,145,471,491
Cash advances granted	200,382,870	219,174,980	265,420,679
Collections	(64,515,891)	(197,011,131)	(885,043,539)
Balance at end of period	P 683,879,459	P 548,012,480	P 525,848,631

As at December 31, 2012 and 2011, based on management's assessment, the outstanding balances of Advances to Related Parties are not impaired, hence, no allowance for impairment losses were recognized.

The Group also has short-term unsecured and noninterest-bearing outstanding Advances to Officers and Employees which are presented under Trade and Other Receivables account in the consolidated statements of financial position (see Note 6). These are settled through salary deductions or liquidation.

As at December 31, 2012 and 2011, based on management's assessment, the outstanding balances of Advances to Officers and Employees are not impaired, hence, no allowance for impairment losses were recognized.

20.5 Advances from Related Parties

Certain expenses of the entities within the Group are paid mainly by AGI and Megaworld Corporation, a company under common ownership, and by other related parties on behalf of the former. These advances are unsecured and repayable generally in cash upon demand. Also, except for a portion of the advances from Megaworld Corporation, these advances are non-interest bearing. The balances of these advances, shown as Advances from Related Parties account in the consolidated statements of financial position as of end of the reporting periods, are as follows:

	2012	2011
Parent company	P 482,414,086	P -
Related parties under common ownership	257,333,256	401,966,163
Other investee companies of shareholders	306,106,184	315,153,424
	P1,045,853,526	P 717,119,587

The advances from the parent company and a portion of the advances from related parties under common ownership bear annual interest of 8.5% and 6.0%, respectively. Interest expense from these advances totaling P9.3 million is presented as part of Finance Costs under Finance Costs and Other Charges account in the consolidated statement of comprehensive income for the period ended December 31, 2012 (see Note 16.2).

A summary of transactions with these related parties are as follows:

	Amount of Transactions		
	December 31, 2012 (One Year)	December 31, 2011 (Three Months)	September 30, 2011 (One Year)
Parent company:			
Balance at beginning of period	P -	P -	P -
Cash advances obtained	479,765,080	-	-
Interest expense	2,649,006	-	-
Balance at end of period	P 482,414,086	P -	P -
Related parties under common ownership:			
Balance at beginning of period	P 401,966,163	P 27,715,232	P -
Cash advances obtained	83,273,493	374,250,931	27,715,232
Repayments	(234,572,057)	-	-
Interest expense	6,665,657	-	-
Balance at end of period	P 257,333,256	P 401,966,163	P 27,715,232
Other investee companies of shareholders:			
Balance at beginning of period	P 315,153,424	P 311,724,127	P 844,383,010
Cash advances obtained	60,127,397	288,366,958	55,430,464
Repayments	(69,174,637)	(284,937,661)	(588,089,347)
Balance at end of period	P 306,106,184	P 315,153,424	P 311,724,127

20.6 *Key Management Personnel Compensations*

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

	December 31, 2012 (One Year)	December 31, 2011 (Three Months)	September 30, 2011 (One Year)
Share-based employee compensation	P 38,515,271	P -	P -
Short-term benefits	10,351,675	2,885,216	8,823,400
Post-employment benefits	1,120,651	411,426	1,151,950
	P 49,987,597	P 3,296,642	P 9,975,350

21. EQUITY

21.1 Capital Stock

Capital stock consists of:

	Shares			Amount		
	December 31, 2012	December 31, 2011	September 30, 2011	December 31, 2012	December 31, 2011	September 30, 2011
Common shares – P1 par value						
Authorized	10,000,000,000	10,000,000,000	10,000,000,000	P 10,000,000,000	P 10,000,000,000	P 10,000,000,000
Issued and outstanding:						
Balance at beginning of period	8,356,000,000	8,356,000,000	3,350,000,000	8,366,000,000	8,356,000,000	3,350,000,000
Issued during the period	130,000,000	-	5,006,000,000	130,000,000	-	5,006,000,000
Balance at end of period	8,486,000,000	8,356,000,000	8,356,000,000	8,486,000,000	8,356,000,000	8,356,000,000
Subscriptions receivable:						
Balance at beginning of period				-	-	(283,122,036)
Collections during the period				-	-	283,122,036
Balance at end of period				-	-	-
				P 8,486,000,000	P 8,356,000,000	P 8,356,000,000

On August 28, 2010, the Company's stockholders approved the increase in the Company's authorized capital stock from P5.0 billion divided into 5.0 billion shares to P10.0 billion divided into 10.0 billion shares, both with P1 par value. The Company's application for increase in authorized capital stock was approved by the SEC on January 20, 2011. Thereafter, the Company issued 5.0 billion fully paid shares to AGI representing 60% of the outstanding capital stock of the Company.

On February 8, 2007, as part of the consideration for the private placement subscriptions made by Lim Asia Multi-Strategy Fund, Inc. (LAMSFI) and LIM Asia Alternative Real Estate Fund (LAAREF) and their agreement to provide a financial facility for ongoing and future real estate projects, the Company's BOD authorized the issuance of 136.0 million warrants resulting to 136.0 million unissued shares of common stock of the Company with an exercise price of P1 per share for which an exemptive relief was sought. The SEC issued a resolution dated February 16, 2007 confirming that issuance of the 136.0 million warrants is exempt from registration requirements of the Securities Regulation Code. There is no value assigned to the warrants since the interest rate of the loan granted is higher than the prevailing market rates at the time the loans were availed.

In September 2011, LAMSFI, a holder of the Company's warrants, converted 6.0 million of its holdings into 6.0 million common shares of the Company at an exercise price of P1.00 per share.

On May 18, 2012, LAMSFI converted another 62.0 million warrants into 62.0 million common shares of the Company at an exercise price of P1.00 per share.

On July 30, 2012, LAAREF converted 68.0 million warrants into 68.0 million common shares of the Company at an exercise price of P1.00 per share.

There are no outstanding warrants as of December 31, 2012.

On November 23, 1995, the SEC approved the listing of the Company's common shares totaling 150 million. The shares were initially issued at an offer price of P19.50 per common share. As of December 31, 2012 and 2011, there are 4,484 and 4,611 holders of the listed shares, respectively, which closed at P1.96 and P2.12 per share, respectively.

The Company also made additional listings of 2.2 billion and 5.0 billion shares on January 11, 2007 and January 20, 2011, respectively.

21.2 Employee Stock Option Plan

On September 23, 2011, the BOD of the Company approved an Executive Stock Option Plan (the ESOP) for its key executive officers. This was approved on November 8, 2011 by stockholders holding at least 2/3 of the outstanding capital stock. The purpose of the ESOP is to enable the key executives and senior officers of the Company, who are largely responsible for its further growth and development, to obtain an ownership interest in the Company, thereby encouraging long-term commitment to the Company. The ESOP is being administered by the Executive Compensation Committee of the BOD.

Under the ESOP, the Company shall initially reserve for exercise of stock options up to 500.0 million common shares of the Company's outstanding shares to be issued, in whole or in part, out of the authorized but unissued shares. Stock options may be granted within ten years from the adoption of the ESOP and may be exercised within seven years from date of grant. The exercise price shall be at a 15% discount from the volume weighted average closing price of the Company's shares for twelve months immediately preceding the date of grant. The options shall vest within three years from date of grant and the holder of an option may exercise only a third of the option at the end of each year of the three-year period. The Company shall receive cash for the stock options.

Pursuant to this ESOP, on February 16, 2012, the Company granted the options to its key company executives to subscribe to 100.0 million shares of the Company, at an exercise price of P1.93. As of December 31, 2012, no options have vested. An option holder may exercise in whole or in part his vested option provided, that, an option exercisable but not actually exercised within a given year shall accrue and may be exercised at any time thereafter but prior to the expiration of said option's life cycle.

The fair value of the option granted was estimated using a variation of the Black-Scholes valuation model that takes into account factors specific to the ESOP. The following principal assumptions were used in the valuation:

Grant date	February 16, 2012
Vesting period ends	February 15, 2015
Option life	Seven years
Share price at grant date	P 2.10
Exercise price at grant date	P 1.93
Average fair value at grant date	P 2.27
Average standard deviation of share price returns	57.10%
Average risk-free investment rate	2.46%

The underlying expected volatility was determined by reference to historical date of the Company's shares over a period of time consistent with the option life.

A total of P38.5 million share-based employee compensation is included as part of Salaries and employee benefits under Operating Expenses in the consolidated statement of comprehensive income for the period ended December 31, 2012 (see Note 17) and credited to Share Options Outstanding in the equity portion of the 2012 consolidated statement of financial position.

22. EARNINGS PER SHARE

Earnings per share amounts were computed as follows:

	December 31, 2012 (One Year)	December 31, 2011 (Three Months)	September 30, 2011 (One Year)
Basic:			
Net profit attributable to owners of the parent company	P 294,859,072	P 42,978,060	P 19,968,543
Divided by weighted number of outstanding common shares	8,420,500,000	8,356,000,000	6,592,959,321
	P 0.035	P 0.005	P 0.003
Diluted:			
Net profit attributable to owners of the parent company	P 294,859,072	P 42,978,060	P 19,968,543
Divided by weighted number of outstanding common shares	8,420,500,000	8,486,000,000	6,722,959,321
	P 0.035	P 0.005	P 0.003

In 2012, all 130 million outstanding warrants were exercised. Further, in relation to the approved ESOP for key executive officers during the year, no share options have vested yet as of December 31, 2012. Hence, there are no potentially dilutive shares as of December 31, 2012 (see Notes 21.1 and 21.2).

As of September 30, 2011, the convertible bonds were already settled and 6.0 million warrants were exercised out of the 136 million warrants, hence, there are 130 million remaining warrants that can be considered as potentially dilutive shares as of December 31, 2011 and September 30, 2011.

23. COMMITMENTS AND CONTINGENCIES

23.1 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 1 to 33 years, with renewal options, and include annual escalation rates of 5% to 10%. The average annual rental covering these agreements amounts to P29.5 million.

Future minimum lease payments receivable under these agreements are as follows:

	December 31, 2012 (One Year)	December 31, 2011 (Three Months)	September 30, 2011 (One Year)
Within one year	P 59,248,009	P 46,920,399	P 45,329,587
After one year but not more than five years	203,160,436	146,575,278	172,098,897
More than five years	665,907,844	393,188,047	403,944,228
	P 928,316,289	P 586,683,724	P 621,372,712

23.2 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 P1.2 million. The future minimum rental payables under these non-cancelable leases as of the end of the reporting periods are as follows:

	December 31, 2012 (One Year)	December 31, 2011 (Three Months)	September 30, 2011 (One Year)
Within one year	P 1,029,000	P 1,020,000	P 1,280,125
After one year but not more than five years	617,400	376,031	401,100
	P 1,646,400	P 1,396,031	P 1,681,225

23.3 Others

There are other commitment and contingent liabilities that may arise in the normal course of the Group's operations that are not reflected in the consolidated financial statements. As of the end of the reporting period, management is of the opinion that losses, if any, from these items will not have a material effect on the Group's consolidated financial statements.

24. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group has various financial instruments such as cash and cash equivalents, financial assets at FVTPL, AFS securities, bank loans, bonds, 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.

24.1 Foreign Currency Risk

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 which have been used to fund new projects.

Management assessed that the foreign currency risks related to these U.S. dollar-denominated cash and cash equivalents to be not material.

24.2 Interest Rate Risk

The Group has no significant exposure to interest rate risk as financial assets and liabilities are non-interest bearing (trade and other receivables and payables) or are carried at fixed interest rates (cash in banks).

24.3 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 incorporate 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 466,229,767	P 993,080,142
Trade and other receivables – net	6	1,587,908,691	1,449,006,386
Advances to related parties	20.4	930,172,521	805,678,513
		P 2,984,310,979	P3,247,765,041

(a) *Cash and Cash Equivalents*

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

(b) *Trade and Other Receivables*

All trade and other receivables (excluding advances to contractors and suppliers) 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 secured by titles to the real estate properties sold since these remain to the Group until such receivables are fully collected. 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.

24.4 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 of end of the reporting periods, the Group's financial liabilities have contractual maturities which are presented below.

	Current		Noncurrent	
	Within 6 Months	6 to 12 Months	1 to 5 Years	Later than 5 Years
December 31, 2012				
Trade and other payables	P 1,175,950,078	P 830,468,739	P -	P -
Advances from related parties	1,045,853,526	-	-	-
Due to joint venture partners	-	-	214,397,376	-
Redeemable preferred shares	-	-	1,352,336,993	-
Accrued interest on preferred shares	-	-	-	10,483,333
	P 2,221,803,604	P 830,468,739	P 1,566,734,369	P 10,483,333
December 31, 2011				
Trade and other payables	P 1,012,873,635	P 615,323,407	P -	P -
Advances from related parties	717,119,587	-	-	-
Due to joint venture partners	-	-	194,549,367	-
	P 1,729,993,222	P 615,323,407	P 194,549,367	P -

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

25. CATEGORIES AND FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

25.1 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.

		December 31, 2012		December 31, 2011	
	Notes	Carrying Values	Fair Values	Carrying Values	Fair Values
Financial assets					
Loans and receivables:					
Cash and cash equivalents	5	P 466,229,767	P 466,229,767	P 993,080,142	P 993,080,142
Trade and other receivables - net	6	1,587,908,691	1,587,908,691	1,449,006,386	1,449,006,386
Advances to related parties	20.4	930,172,521	930,172,521	805,678,513	805,678,513
		2,984,310,979	2,984,310,979	3,247,765,041	3,247,765,041
AFS financial assets		1,250,000	1,250,000	1,250,000	1,250,000
		P 2,985,560,979	P2,985,560,979	P 3,249,015,041	P 3,249,015,041

	Notes	December 31, 2012		December 31, 2011	
		Carrying Values	Fair Values	Carrying Values	Fair Values
Financial liabilities					
Financial liabilities at amortized cost:					
Trade and other payables	13	P 1,997,466,325	P1,997,466,325	P 1,621,709,729	P 1,621,709,729
Advances from related parties	20.5	1,045,853,526	1,045,853,526	717,119,587	717,119,587
Due to joint venture partners	14	214,397,376	214,397,376	194,549,367	194,549,367
Redeemable preferred shares	15	1,257,987,900	1,257,987,900	-	-
Accrued interest on preferred shares		10,483,333	10,483,333	-	-
		P 4,526,188,460	P 4,526,188,460	P 2,533,378,683	P 2,533,378,683

See Notes 2.4 and 2.9 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 24.

25.2 Fair Value Hierarchy

The Group's AFS financial assets are comprised of golf club shares. 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).

26. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide an adequate return to shareholders.

The Group sets the amount of capital in proportion to its overall financing structure, i.e., equity and financial liabilities. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the carrying amount of equity as presented on the face of the consolidated statements of financial position. Capital for the reporting periods under review is summarized as follows:

	2012	2011
Total Liabilities	P 7,025,253,985	P 5,091,570,197
Total Equity	17,592,403,324	15,890,799,921
Debt-to-equity ratio	0.40:1.00	0.32:1.00

Punongbayan & Araullo

An instinct for growth™

Report of Independent Certified Public Accountants to Accompany the Securities and Exchange Commission Schedules Filed Separately from the Basic Financial Statements

19th and 20th Floors, Tower 1
The Enterprise Center
6766 Ayala Avenue
1200 Makati City
Philippines

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www.punongbayan-araullo.com

The Board of Directors and Stockholders
Global-Estate Resorts, Inc. and Subsidiaries
(A Subsidiary of Alliance Global Group, Inc.)
7th Floor, Renaissance Towers
Meralco Avenue
Pasig City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Global-Estate Resorts, Inc. and Subsidiaries (the Group) for the year ended December 31, 2012, on which we have rendered our report dated March 22, 2013. Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The applicable supplementary information (see List of Supplementary Information) is presented for purposes of additional analysis in compliance with the requirements of the Securities Regulation Code Rule 68, and is not a required part of the basic financial statements prepared in accordance with Philippine Financial Reporting Standards. Such supplementary information is the responsibility of the Group's management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

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 22, 2013

GLOBAL-ESTATE RESORTS, INC. AND SUBSIDIARIES
(A Subsidiary of Alliance Global Group, Inc.)
INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES
DECEMBER 31, 2012

Statement of Management's Responsibility for Financial Statements

Report of Independent Auditors on Supplementary Schedules Filed Separately from the Basic Financial Statements

(1) Supplementary Schedules to Financial Statements
(Annex 68-E, SRC Rule 68)

Schedule		
A	Financial Assets (Marketable Securities)	1
B	Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related Parties)	2
C	Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements	n/a
D	Intangible Assets - Other Assets	n/a
E	Long-Term Debt	n/a
F	Indebtedness to Related Parties	3
G	Guarantees of Securities of Other Issuers	n/a
H	Capital Stock	4

(2) Reconciliation of Retained Earnings Available for Dividend Declaration — n/a

(3) Map Showing the Relationship Between and Among Related Entities

(4) List of Standards and Interpretations under Philippine Financial Reporting Standards as of December 31, 2012

GLOBAL-ESTATE RESORTS, INC. AND SUBSIDIARIES
(A Subsidiary of Alliance Global Group, Inc.)
SCHEDULE A - FINANCIAL ASSETS (MARKETABLE SECURITIES)
DECEMBER 31, 2012
(Amounts in Philippine Pesos)

Name of issuing entity and association of each issue	Amount shown December 31, 2012	Interest Income Received and Accrued
Global-Estate Resorts, Inc (GERI)		
Banco De Oro	105,266,544.77	130,485.98
UNIONBANK	82,979,120.86	58,930.20
TOTAL	188,245,665.63	189,416.18

GLOBAL-ESTATE RESORTS, INC. AND SUBSIDIARIES
(A Subsidiary of Alliance Global Group, Inc.)
SCHEDULE C - AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)
DECEMBER 31, 2012
(Amounts in Philippine Pesos)

Name and designation of debtor	Balance at beginning of period	Additions	Deductions: Amounts collected	Deductions: Amounts written off	Ending Balance: Current	Ending Balance: Not current	Balance at end of period
Amounts Due from Related Parties:							
Oceanfront Properties	P 114,125		-	-	114,125	-	P 114,125
Fil-Estate Marketing Companies	P 143,543	-	-	-	143,543	-	P 143,543
Others-Net	P 548,012	P 124,494	-	-	672,506	-	P 672,506
TOTAL	P 805,680	P 124,494	-	-	930,172	-	P 930,172
Advances to Officers and Employees:							
Filipp, Edgardo	P 577,046	-	114,973	-	462,073	-	P 462,073
Marcelo, Catherine	P 910,440	-	189,213	-	721,227	-	P 721,227
Mercado, Alexander	-	P 2,725,422	329,768	-	2,395,654	-	P 2,395,654
Hernandez, Jennifer	-	P 864,264	117,044	-	747,220	-	P 747,220
Macaraig-Rivera, Melody	-	P 843,676	119,389	-	724,287	-	P 724,297
TOTAL	P 1,487,486	P 4,433,362	P 870,301		P 5,050,461	-	P 5,050,461

GLOBAL-ESTATE RESORTS, INC. AND SUBSIDIARIES

(A Subsidiary of Alliance Global Group, Inc.)

SCHEDULE F - INDEBTEDNESS TO RELATED PARTIES (LONG-TERM LOANS FROM RELATED COMPANIES)

DECEMBER 31, 2012

(Amounts in Philippine Pesos)

Name of related party	*Balance at beginning of period*	*Balance at end of period*
Alliance Global Group, Inc.	-	482,414,086.00
Travellers International Hotel Group, Inc.	-	89,939,150.00
Megaworld Corporation	401,966,163.00	43,851,913.00
Fil-Estate Management, Inc.	30,646,114.00	33,213,586.00
Others	284,507,310.00	396,434,791.00
TOTAL	717,319,587.00	1,045,853,526.00

GLOBAL-ESTATE RESORTS, INC. AND SUBSIDIARIES
(A Subsidiary of Alliance Global Group, Inc.)
SCHEDULE H - CAPITAL STOCK
DECEMBER 31, 2012

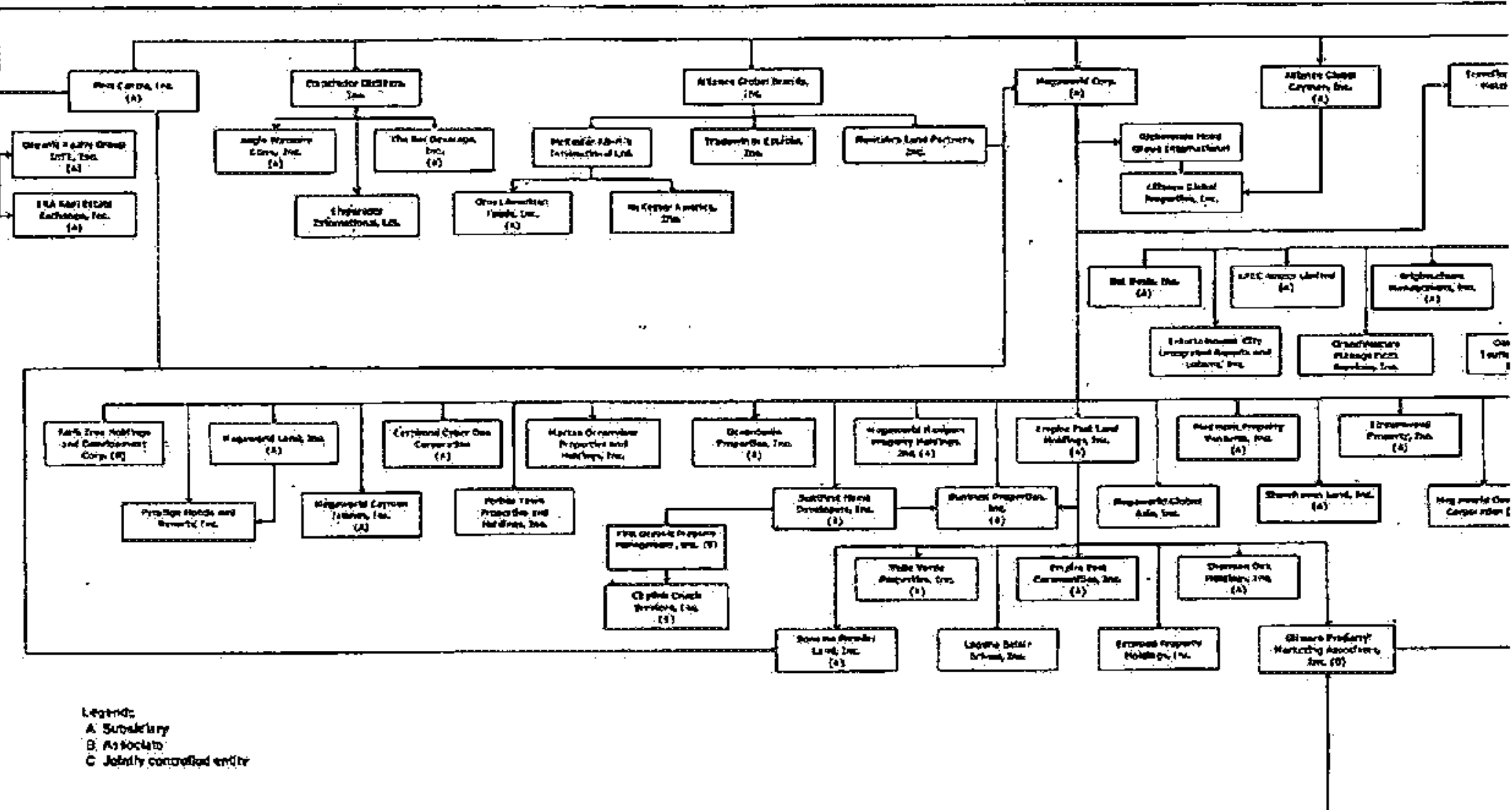
				Number of Shares Held By		
Title of Issue	*Number of Shares Authorized*	*Number of Shares Issued and Outstanding under Related Balance Sheet Caption*	*Number of Shares Reserved for Options, Warrants, Conversions and Other Rights*	*Related Parties (Parent, Affiliates)*	*Directors, Officers and Employees*	*Others*
Common Shares	10,000,000,000	8,486,000,000	-	6,578,893,126	4,525,774	1,902,581,100

GLOBAL-ESTATE RESORTS, INC.
(A Subsidiary of Alliance Global Group, Inc.)
7th Floor, Renaissance Towers, Meralco Avenue, Pasig City

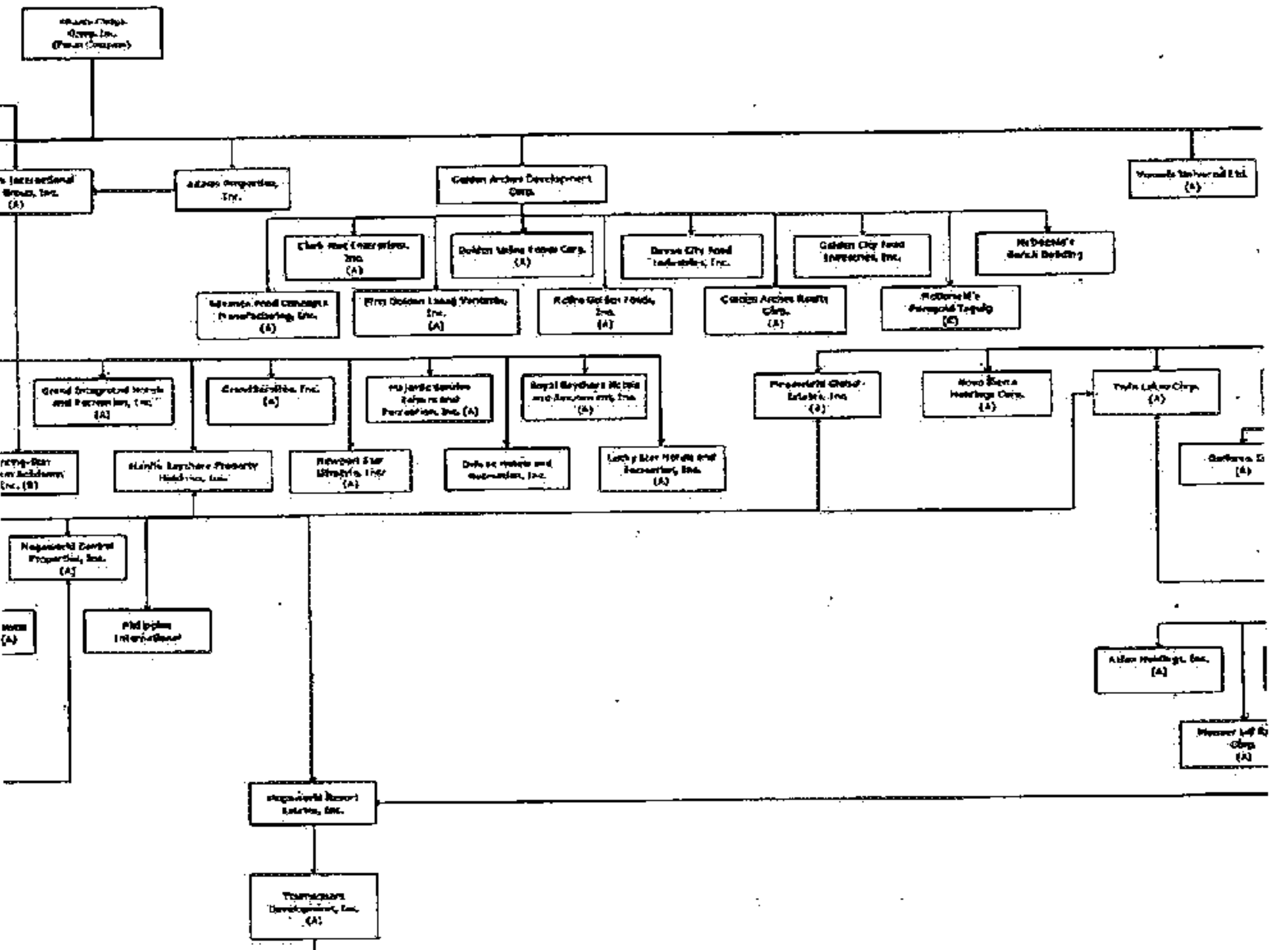
Reconciliation of Retained Earnings Available for Dividend Declaration
For the Year Ended December 31, 2012

Unappropriated Retained Earnings at Beginning of Year	P	389,384,344
Net Profit Realized during the Year		
Net profit per audited financial statements		8,523,708
Non-actual/unrealized income, net of tax		
Income tax benefit arising from recognition of deferred tax assets	(	64,271,048)
Unappropriated Retained Earnings Available for Dividend Declaration at End of Year	P	333,637,004

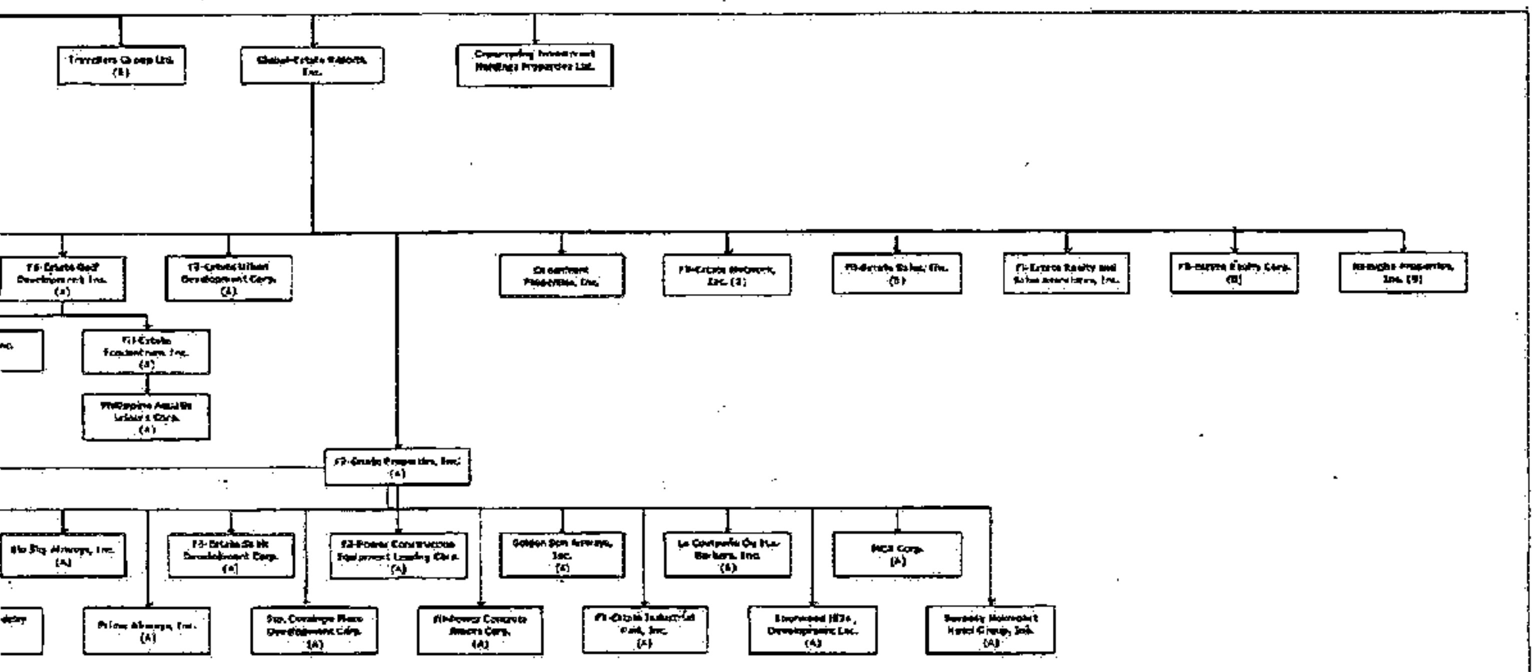
ALLIANCE GLOBAL GROUP, INC.
Map of Investment
December 31, 201[illegible]



Legend:
A Subsidiary
B Associate
C Jointly controlled entity



Adams Properties, Inc.
Golden Arches Development Corp.
Golden Valley Foods Corp. (A)
Golden City Food Industries, Inc.
Golden Arches Realty Corp. (A)
Grand Integrated Hotels and Recreation, Inc. (A)
Majestic Sunrise Leisure and Recreation, Inc. (A)
Royal Bayshore Hotels and Amusement, Inc. (A)
Newport Star Lifestyle, Inc. (A)
Deluxe Hotels and Recreation, Inc.
Lucky Star Hotels and Recreation, Inc. (A)
Twin Lakes Corp. (A)
Megaworld Resort Estates, Inc.
Townsquare Development, Inc. (A)



Global-Estate Resorts, Inc. and Subsidiaries
(A Subsidiary of Alliance Global Group, Inc.)
Schedule of Philippine Financial Reporting Standards and Interpretations
Adopted by the Securities and Exchange Commission and the
Financial Reporting Standards Council as of December 31, 2012

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements		✓		
Conceptual Framework Phase A: Objectives and Qualitative Characteristics		✓		
Practice Statement Management Commentary			✓	
Philippine Financial Reporting Standards (PFRS)				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters	✓		
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters	✓		
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters	✓		
	Amendments to PFRS 1: Government Loans* *(effective January 1, 2013)*			✓
PFRS 2	Share-based Payment	✓		
	Amendments to PFRS 2: Vesting Conditions and Cancellations	✓		
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions	✓		
PFRS 3 (Revised)	Business Combinations	✓		
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations	✓		
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities* *(effective January 1, 2013)*			✓
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures* *(effective January 1, 2015)*			✓
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments *(effective January 1, 2015)*			✓
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures* *(effective January 1, 2015)*			✓
PFRS 10	Consolidated Financial Statements* *(effective January 1, 2013)*			✓
	Amendments to PFRS 10: Transition Guidance* *(effective January 1, 2013)*			✓
	Amendments to PFRS 10: Investment Entities* *(effective January 1, 2013)*			✓
PFRS 11	Joint Arrangements* *(effective January 1, 2013)*			✓
	Amendments to PFRS 11: Transition Guidance* *(effective January 1, 2013)*			
PFRS 12	Disclosure of Interests in Other Entities* *(effective January 1, 2013)*			✓
	Amendments to PFRS 12: Transition Guidance* *(effective January 1, 2013)*			✓
	Amendments to PFRS 12: Investment Entities* *(effective January 1, 2013)*			✓
PFRS 13	Fair Value Measurement* *(effective January 1, 2013)*			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Philippine Accounting Standards (PAS)				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts	✓		
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
PAS 16	Property, Plant and Equipment	✓		
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19	Employee Benefits	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures	✓		
PAS 19 (Revised)	Employee Benefits* *(effective January 1, 2013)*			✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation	✓		
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27	Consolidated and Separate Financial Statements	✓		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in Subsidiary, Jointly Controlled Entity or Associate	✓		
PAS 27 (Amended)	Separate Financial Statements* *(effective January 1, 2013)*			✓
	Amendments to PAS 27 (Amended): Investment Entities* *(effective January 1, 2013)*			✓
PAS 28	Investments in Associates	✓		
PAS 28 (Amended)	Investments in Associates and Joint Ventures* *(effective January 1, 2013)*			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 31	Interests in Joint Ventures	✓		
PAS 32	Financial Instruments: Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendment to PAS 32: Classification of Rights Issues	✓		
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities* *(effective January 1, 2014)*			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
PAS 36	Impairment of Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets			✓
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions	✓		
	Amendments to PAS 39: The Fair Value Option	✓		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC 9 and PAS 39: Embedded Derivatives	✓		
	Amendment to PAS 39: Eligible Hedged Items	✓		
PAS 40	Investment Property	✓		
PAS 41	Agriculture			✓
Philippine Interpretations - International Financial Reporting Interpretations Committee (IFRIC)				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities**	✓		
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds**	✓		
IFRIC 6	Liabilities Arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29, Financial Reporting in Hyperinflationary Economies			✓
IFRIC 9	Reassessment of Embedded Derivatives**	✓		
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives**	✓		
IFRIC 10	Interim Financial Reporting and Impairment	✓		
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓		
	Amendments to Philippine Interpretations IFRIC - 14, Prepayments of a Minimum Funding Requirement and their Interaction	✓		
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners**	✓		
IFRIC 18	Transfers of Assets from Customers**	✓		
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments**	✓		
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine* *(effective January 1, 2013)*			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Philippine Interpretations - Standing Interpretations Committee (SIC)				
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers	✓		
SIC-15	Operating Leases - Incentives	✓		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders**	✓		
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services**	✓		
SIC-32	Intangible Assets - Web Site Costs**			✓

* These standards will be effective for periods subsequent to 2012 and are not early adopted by the Company.

** These standards have been adopted in the preparation of financial statements but the Company has no significant transactions covered in both years presented.

SEC Number **ASO94004462**
File Number ______________

GLOBAL-ESTATE RESORTS, INC.
(Company's Full Name)

6/F Renaissance Towers, Meralco Avenue, Pasig City
(Company's Address)

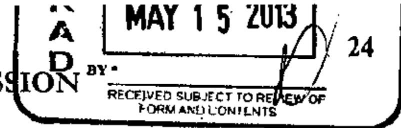
(632) 637-0100
(Tel. No.)

December 31, 2013
(Calendar Year Ending)

SEC FORM 17-Q (1st QUARTER)
(Form Type)

March 31, 2013
(Period ended date)

REGISTERED AND LISTED
(Secondary License Type and File Number)



SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

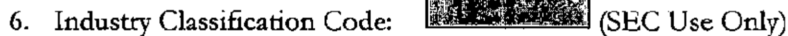
QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended ....: **March 31, 2013**
2. Commission identification number................ : **ASO94004462**
3. BIR Tax Identification No...............................: **043-000-426-523-V**
4. Exact name of issuer as specified in its charter

GLOBAL-ESTATE RESORTS, INC

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

Pasig City, Philippines

6. Industry Classification Code:  (SEC Use Only)

7. Address of issuer's principal office — Postal Code

Renaissance Tower, Meralco Avenue, Pasig City — **1600**

8. Issuer's telephone number, including area code

Tel. No. (632) 637-0100

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

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

Title of each class	Number of shares of common stock outstanding and amount of debt outstanding
Common stock	**8,486,000,000**
Loans payable	**₱ -**
Bonds payable	**₱ -**

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

Yes [X] No [ ]

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

Philippine Stock Exchange (PSE) **Common stock**

12. Indicate by check mark whether the registrant:

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

Yes [X] No [ ]

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

Yes [X] No [ ]

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements.

Please refer to attached Annex A-1 for the Consolidated Statements of Financial Position as of March 31, 2013 and December 31, 2012; Annex A-2 for the Consolidated Statements of Comprehensive Income for the period ended March 31, 2013 and March 31, 2012; Annex A-3 for Consolidated Statements of Changes in Stockholders' Equity for the three-month period ended March 31, 2013 and March 31, 2012; Annex A-4 for the Consolidated Statements of Cash Flows for the three-month period ended March 31, 2013 and March 31, 2012 and Annex A-5 for the Aging of Receivables for the 1st Quarter ended March 31, 2013.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Refer to attached Analysis of Operations.

PART II--OTHER INFORMATION

Not Applicable.

SIGNATURES

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

Principal Financial/Accounting Officer/ Controller/Authorized Representative:	Mr. Roberto S. Roco
Title :	Chief Financial Officer
Signature :	[signature]
Date :	5/15/13

REVIEW OF RESULTS OF OPERATIONS

Consolidated revenues for the three-month period ended March 31, 2013 amounted to ₱ 436.4 million with an increase of 15% compared to ₱ 378.9 million in March 31, 2012. The Company's real estate sale of ₱ 229.5 million came mainly from sale of lots in Newcoast Shophouse District and Newcoast Village in Malay, Aklan, Sta. Barbara Heights in Ilo-Ilo City, and Twin Lakes Domaine Le Jardin in Laurel Batangas. Income from rentals and golf course maintenance contracts amounted to ₱ 48.5 million. Realized gross profit on prior years' real estate sales amounted to ₱ 27.2 million. Hotel revenues as of March 31, 2013 amounted to ₱ 72.6 million, an increase of 168% from ₱ 27.0 million as of March 31, 2012 due to expansion of hotel operations in Boracay. Balance of revenues was contributed by interest and other income of ₱58.7 million.

Cost and expenses posted an increase of ₱ 27.3 million or 8% from ₱ 328.1 million in March 31, 2012 to ₱ 355.4 million as of March 31, 2013 mainly due to deferred gross profit on real estate sales and cost of hotel operations.

The company posted a ₱80.9 million Net Income or 59% increase for the three-month period ended March 31, 2013, as compared to a Php50.8 million net income realized as of March 31, 2012, mainly due to increase in real estate sales and hotel revenue.

As a result, Earnings per share increased to Php 0.0098 from the previous year's level of Php 0.0068.

Major Movements of Income Statement Accounts are as follows:

- 20% Increase in Real Estate Sales - mainly due to increase in sales generated from new projects.
- 57% Decrease in Realized gross profit on prior years' real estate sales – due to majority of the deferred income from old projects were realized in 2012.

- 23% Decrease in Service and Rental Income – Due to decrease in revenue from golf course maintenance
- 168% Increase in Hotel Operations – due to expansion of hotel operations
- 68% Increase in Equity in Net Earnings of Associates, interest and other income – Primarily due to increase in interest and other income.
- 7% Decrease in Cost of Real Estate Sales - due to majority of the sales realized for the period came from sale of lots.
- 49% Increase in Deferred Gross Profit on Real Estate Sales– mainly due to sales realized for the period came from newly launched projects.
- 240% Increase in Cost of Hotel Operations – mainly due to increase in hotel revenue.
- 31% Decrease in Cost of Services – mainly due to decrease in service revenue.
- 12% Decrease in Operating Expenses – mainly due to decrease in registration fee and tax expense.
- 14% Decrease in Interest and other charges –_mainly due to decrease in other charges
- 68% Increase in Income Tax expense – due to increase in taxable income

REVIEW OF FINANCIAL CONDITION

The Group's financial position remained stable. Total assets as of March 31, 2013, Php25.2 billion compared to Php24.6 billion as of December 31, 2012, posted an increase of Php623 million or 3%.

Trade and other receivables increased by 7% due to the increase in installment sales booked for the period, from Php1.99 billion in December 2012 to Php2.13 billion in March 2013. Advances to related parties increased from Php930.2 million in December 2012 to Php973.6 million in March 2013. The 5% increase is because of the additional advances made to related parties. Real estate and resort shares for sale increased by 7% from Php 7.8 billion in December 2012 to Php8.3 billion in March 2013 due to increase in percentage of completion of on-going project. Property Development Cost increased by 6% due to development of new project.

Advances from related parties increased by 25% mainly due to additional advances from parent company. Reserve for property development cost increased by 6% due to increase in accrual of development cost for the period. Deferred Income on real estate sales increased by 6% due to deferred gross profit from sales recognized for the period. Deferred Tax Liability also increased from Php125.2 million in December 2012 to Php153.3 million in March 2013. The 22% increase is due to increase in taxable temporary difference.

Major movements of Balance Sheet Accounts are as follows:

- 7% Increase in Trade and other receivables – due to increase in installment sales booked during the period.
- 5% increase in Advances to Related Parties – mainly due to additional advances.

- 7% Increase in Real estate and resorts share for sale – due to increase in percentage of completion of on-going project.
- 6% Increase in Property development cost – due to increase in development of new project
- 25% Increase in Advances from related parties – mainly due to additional advances from parent company
- 6% Increase in Reserve for Property Development Cost – due to increase in accrual of development cost for the period
- 6% Increase in Deferred Income – due to deferred gross profit from real estate sales recognized for the period. .
- 22% Increase in Deferred Tax Liability – due to increase in taxable temporary difference.
- 16% Increase in Other non-current liability – mainly due to non-current portion of customer's deposit from sales reservation for the period.

KEY PERFORMANCE INDICATORS

LIQUIDITY RATIOS

	March 31, 2013	December 31, 2012
Current Ratio	3.22	3.33
Quick Ratio	0.38	0.40

Current Ratio (Current Assets/ Current Liabilities)
Liquidity ratio measures a company's ability to pay short-term obligations.

Quick Ratio *(Cash and cash equivalents + Current Trade receivables/ Current Liabilities)*
It measures a company's ability to meet its short-term obligations with its most liquid assets.

LEVERAGE OR LONG-RANGE SOLVENCY RATIOS

	March 31, 2013	December 31, 2012
Debt to Total Assets	30%	29%
Equity to Total Assets	70%	71%
Debt to Equity	42%	40%
Asset To Equity	1.42	1.40

Debt to Total Assets
It shows the creditors' contribution to the total resources of the organization.

Equity to Total Assets
It shows the extent of owners' contribution to the total resources of the organization.

Debt to Equity
It relates the exposure of the creditors to that of the owners.

Asset To Equity (Total Assets/Total Owner's Equity)
It measures the company's leverage.

PROFITABILITY RATIOS

	March 31, 2013	March 31, 2012
Return on Equity	0.58%	0.32%
Return on Assets	0.33%	0.27%
Earnings per Share	₱ 0.0098	₱ 0.0068

Return on Equity (Net Income/Equity Attributable to Parent Company's shareholders)
It tests the productivity of the owners' investments.

Return on Assets (Net Income/Total Assets)
This ratio indicates how profitable a company is relative to its total assets.

Earnings per Share (EPS)
It indicates the earnings for each of the common shares held.

ACTIVITY RATIOS

	March 31, 2013	March 31, 2012
Asset Turnover	0.91%	0.90%

Asset Turnover (Sales/Total Assets)
It measures the level of capital investment relative to sales volume.

OTHERS

As of the 1st quarter ended March 31, 2013, there are no:

- Known trend, demands, commitments, events or uncertainties that would have a material impact on the Company.
- Material commitments for capital expenditures, the general purpose of such commitments and the expected sources of funds for such expenditures.
- Known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on the net sales/revenues/income from continuing operations.
- Significant elements of income or loss that did not arise from the Company's continuing operations.
- Causes for any material changes from period to period in one or more line items of the Company's financial operations.
- Seasonal aspects that had a material effect on the financial condition or results of the operations.

1. GENERAL INFORMATION

1.1 Corporate Information

Global-Estate Resorts, Inc. (the Company or GERI) was incorporated in the Philippines on May 08, 1994, primarily to engage in the horizontal development of residential subdivision lots, integrated residential, golf and other leisure-related properties. The Company also engages in land acquisitions and maintains an inventory or raw land for future development.

The registered office of the Company, which is also its principal place of business, is located at the 7th Floor, Renaissance Towers, Meralco Avenue, Pasig City.

The ultimate parent company of the Group is Alliance Global Group Inc. (AGI) with office address at 7th Floor, 1880 Eastwood Avenue, Eastwood City CyberPark, 188 E. Rodriguez, Jr. Avenue, Bagumbayan Quezon City.

The Company holds interests in the following subsidiaries and associates (collectively, together with the Company, hereinafter referred to as the Group):

		Percentage of Ownership	
Subsidiaries/Associates	Explanatory Notes	March 31, 2013	December 31, 2012
Subsidiaries:			
Fil-Estate Properties, Inc. (FEPI)		100%	100%
Aklan Holdings Inc. (AHI)	(a)	100%	100%
Blu Sky Airways, Inc. (BSAI)	(a)	100%	100%
Fil-Estate Subic Development Corp. (FESDC)	(a)	100%	100%
Fil-Power Construction Equipment Leasing Corp. (FPCELC)	(a)	100%	100%
Golden Sun Airways, Inc. (GSAI)	(a)	100%	100%
La Compaña De Sta. Barbara, Inc. (LCSBI)	(a)	100%	100%
MCX Corporation (MCX)	(a)	100%	100%
Pioneer L-5 Realty Corp. (PLRC)	(a)	100%	100%
Prime Airways, Inc. (PAI)	(a)	100%	100%
Sto. Domingo Place Development Corp. (SDPDC)	(a)	100%	100%
Fil-Power Concrete Blocks Corp. (FPCBC)	(a)	100%	100%
Boracay Newcoast Hotel Group, Inc. (BNHGI)	(a)	96%	100%
Fil-Estate Industrial Park, Inc. (FEIPI)	(a)	79%	79%
Sherwood Hills Development Inc. (SHDI)	(a)	55%	55%

Subsidiaries/Associates	Explanatory Notes	Percentage of Ownership March 31, 2013	December 31, 2012
Subsidiaries:			
Fil-Estate Golf and Development, Inc. (FEGDI)		100%	100%
Golforce, Inc. (Golforce)	(b)	100%	100%
Fil-Estate Ecocentrum Corp. (FEEC)	(b)	56%	56%
Philippine Aquatic Leisure Corp. (PALC)	(c)	56%	56%
Fil-Estate Urban Development Corp. (FEUDC)		100%	100%
Novo Sierra Holdings Corp. (NSHC)		100%	100%
Megaworld Global-Estates, Inc. (MGEI)	(d)	60%	60%
Twin Lakes Corp. (TLC)	(e)	50%	50%
Oceanfront Properties, Inc. (OPI)	(f)	50%	50%
Associates:			
Fil-Estate Network, Inc. (FENI)		20%	20%
Fil-Estate Sales, Inc. (FESI)		20%	20%
Fil-Estate Realty and Sales Associates Inc. (FERSAI)		20%	20%
Fil-Estate Realty Corp. (FERC)		20%	20%
Nasugbu Properties, Inc. (NPI)		14%	14%
OPI	(f)	-	50%

Non-controlling interests (NCI) in 2013 and 2012 represent the interests not held by the Group in FEIPI, SHDI, FEEC, PALC, MGEI, TLC and PALC.

Explanatory notes:

a.).Subsidiaries of FEPI; percentage ownership represents effective ownership of GERI.

b.).Subsidiaries of FEGDI; percentage ownership represents effective ownership of GERI.

c.)Subsidiary of FEEC.

d.)Subsidiary acquired primarily to market the Group's projects.

e.)Subsidiary acquired in 2011; engaged in the real estate business.

f.)In 2012, the Company gained control over OPI's financial and reporting policies, hence, considered as a subsidiary starting 2012; engaged in the real estate business.

All subsidiaries and associates were incorporated in the Philippines, operate within the country and are engaged in businesses related to the main business of the Company.

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. The measurement bases are more fully described in the accounting policies that follow.

(b) Presentation of 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 a single 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 Group'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 Group's functional currency. Functional currency is the currency of the primary economic environment in which the Group operates.

2.2 Adoption of New and Amended PFRS

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

In 2012, the Group adopted the following amendments to PFRS that are relevant to the Group and effective for 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

Discussed below are the relevant information about these amended 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 under 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 became effective for annual periods beginning on or after January 1, 2012 but has no significant impact on the Group's consolidated financial statements as its investment property only includes several properties 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, annual improvements and interpretations 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 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 amendment will change the current presentation of items in other comprehensive income [i.e., unrealized fair value gains and losses on available-for-sale (AFS) financial assets].

(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.

(iii) Consolidation Standards

The Group 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 Ventures,* 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.

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 guidance 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 does not expect this amendment to 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. The Group is yet to assess the impact of this new standard.

(vi) 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.

(vii) 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 arrangement, does not require separation from the host contract.

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

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

Further, in November 2011, the IASB tentatively decided to consider making limited modifications to IFRS 9's financial asset classification model to address certain application issues.

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.

*(viii)*Philippine Interpretation IFRIC 15, *Agreements for Construction of Real Estate*. This Philippine interpretation is based on IFRIC interpretation issued by the IASB in July 2008 effective for annual periods beginning on or after January 1, 2009. The adoption of this interpretation in the Philippines, however, was deferred by the FRSC and Philippine SEC after giving due considerations on various application issues and the implication on this interpretation of the IASB's on-going revision of the Revenue Recognition standard. This interpretation provides guidance on how to determine whether an agreement for the construction of real estate is within the scope of PAS 11, *Construction Contracts*, or PAS 18, *Revenue*, and accordingly, when revenue from the construction should be recognized. The main expected change in practice is a shift from recognizing revenue using the percentage of completion method (i.e., as a construction progresses, by reference to the stage of completion of the development) to recognizing revenue at completion upon or after delivery. 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.

(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 16 (Amendment), *Property, Plant and Equipment – Classification of Servicing Equipment.* The amendment addresses a perceived inconsistency in the classification requirements for servicing equipment which resulted in classifying servicing equipment as part of inventory when it is used for more than one period. It clarifies that items such as spare parts, stand-by equipment and servicing equipment shall be recognized as property, plant and equipment when they meet the definition of property, plant and equipment, otherwise, these are classified as inventory.

(c) 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. 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, if any, 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.

Financial statements of entities in the Group that are prepared as of a date different from that of the date of these consolidated financial statements were adjusted to recognize the

effects of significant transactions or events that occur between that date of their reporting period and the date of these consolidated financial statements. Adjustments are also 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 transactions with NCI as follows:

(a) Investments in Subsidiaries

Subsidiaries are all entities over which the Group has the power to control the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date the Group 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 NCI 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 Group, if any. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred and subsequent change in the fair value of contingent consideration is recognized directly in profit or loss.

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

The excess of the consideration transferred, the amount of any NCI in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the group's share of the identifiable net assets acquired is recognized as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in profit or loss as gain.

(b) Investments in Associates

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

Acquired investments in associates are also subject to purchase accounting. However, any goodwill or fair value adjustment attributable to the share in the associates 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 carrying

amount of the Group's investment. Changes resulting from the profit or loss generated by the associate are shown as Equity Share in Net Profits Losses of Associates in the Group's consolidated statement of comprehensive income and therefore affect the net results of operations of the Group. These changes include subsequent depreciation, amortization or impairment of the fair value adjustments of the associate's assets and liabilities.

Changes resulting from other comprehensive income of the associates or items that have been directly recognized in the associate's equity, for example, resulting from the associate's accounting for AFS financial assets, are recognized in consolidated other comprehensive income or equity of the Group, as applicable. Any non-income related equity movements of the associate that arise, for example, from the distribution of dividends or other transactions with the associate's shareholders, are charged against the proceeds received or granted. No effect on the Group's net result or equity is recognized in the course of these transactions. However, when the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments in behalf of the associate. If the associate subsequently reports profits, the Group resumes recognizing its share of those profits only after its share of the profits exceeded the accumulated share of losses that has previously not been recognized.

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 asset 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 interest in jointly controlled operations, the Group recognizes in its consolidated financial statements its share of the assets that it controls, the liabilities and the expenses that it incurs and its share in the income from the sale of goods or services by the joint venture. No adjustment or other consolidation procedures are required since the assets, liabilities, income and expenses of the joint venture are recognized in the separate financial statements of the venturers.

(d) Transactions with NCI

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

When the Group ceases to have control over a subsidiary, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in

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

2.4 Financial Assets

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

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

The financial asset categories currently relevant to the Group are as follows:

(a) Loans and Receivables

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

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

The Group's financial assets categorized as loans and receivables are presented in the consolidated statement of financial position as Cash and Cash Equivalents, Trade and Other Receivables (except Advances to Contractors and Suppliers) and Advances to Related Parties. Cash and cash equivalents include cash on hand, demand deposits and short-term, highly liquid investments with original maturities of three months or less, readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

(b) AFS Financial Assets

This category includes non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. They are classified as non-current assets in the consolidated statement of financial position unless management intends to dispose of the investment within 12 months from the reporting period. The Group's AFS financial assets include proprietary golf club membership shares and are presented as part of the Other Non-current Assets account in the consolidated statement of financial position.

All financial assets within this category are subsequently measured at fair value. Gains and losses from changes in fair value are recognized in other comprehensive income, net of any income tax effects, and are reported as part of the Unrealized Losses on AFS Financial Assets account in equity. When the financial asset is disposed of or is determined to be impaired, the cumulative fair value gains or losses recognized in other comprehensive income is reclassified from equity to profit or loss and is presented as reclassification adjustment within other comprehensive income.

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

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

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

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

2.5 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, if any, incurred during the development of the real estate properties are also capitalized by the Group as part of Property Development Costs.

The cost of real estate property sold before completion of the development, if any, 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 residential and condominium units sold presented in the consolidated statement of comprehensive income with a corresponding credit to the liability account, Reserve for Property Development account.

Costs of properties and projects accounted for as Land for Future Development, Property Development Costs and Real Estate and Resort Shares 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. Any impairment loss from a real estate project is charged to operations during the period in which the loss is determined.

Revenue and cost relative to forfeited or back-out sales are reversed in the current year as they occur.

2.6 Prepayments and Other Assets

Prepayments and other assets pertain to other resources controlled by the Group as a result of past events. They are recognized in the consolidated financial statements when it is probable that the future economic benefits will flow to the entity 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.

2.7 Property and Equipment

Property and equipment, except land, are carried at acquisition or construction cost less subsequent depreciation, amortization and any impairment losses. As no finite useful life for land can be determined, related carrying amount are not depreciated. Land is stated at cost less any impairment losses.

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 and amortization is computed on the straight-line basis over the estimated useful lives of the assets as follows:

Building	50 years
Building and office improvements	5-10 years
Office furniture, fixtures and equipment	3-5 years
Transportation and other equipment	5 years

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.

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, including the related accumulated depreciation, amortization and impairment losses, is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year the item is derecognized.

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

2.8 Investment Property

Investment property consists of parcels of land and buildings held for lease. Buildings are carried at cost less accumulated depreciation and any impairment losses. Land is stated at cost less any impairment losses.

The cost of an asset comprises its purchase price and any directly attributable expenditure. Expenditures for additions, major improvements and renewals are capitalized; expenditures for repairs and maintenance are charged to expense as incurred.

Amortization is computed on a straight-line basis over the estimated useful life of the assets as follows:

Land development and improvements	20 years
Building and improvements	10-50 years

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its recoverable amount.

Transfers to, or from, investment property shall be made when and only when there is a change in use.

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

2.9 Financial Liabilities

Financial liabilities, which include Trade and Other Payables (except tax-related liabilities, if any), Advances from Related Parties, Due to Joint Venture Partners and Redeemable Preferred Shares, are recognized when the Group becomes a party to the contractual terms of the instrument. All interest-related charges, if any, incurred on financial liability are recognized as an expense in profit or loss under the caption Finance Costs in the consolidated statement of comprehensive income.

Financial liabilities are recognized initially at their fair values and subsequently measured at amortized cost less settlement payments.

Preferred shares, which carry a mandatory coupon or are redeemable on specific date or at the option of the shareholder, are classified as financial liabilities and presented as a separate line item in the consolidated statement of financial position as Redeemable Preferred Shares.

Dividend distributions to shareholders, if any, are recognized as financial liabilities when the dividends are approved by the BOD. The dividends on the redeemable preferred shares of a subsidiary are recognized in the consolidated statement of comprehensive income as interest expense on an amortized cost basis using the effective interest method.

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.

2.10 Business Combination

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

Goodwill, if any, 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, if any, is measured at cost less any accumulated impairment losses. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed.

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

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

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

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

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with PAS 37, Provisions, Contingent Liabilities and Contingent Assets, 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.

2.11 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's BOD; its chief operating decision-maker. The BOD 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 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 is the same as those used in its consolidated financial statements. 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.

2.12 Provisions and Contingencies

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

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

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

2.13 Offsetting of Financial Instruments

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

2.14 Revenue and Expense Recognition

Revenue is measured by reference to the fair value of consideration received or receivable by the Group for goods sold and services rendered, excluding value-added tax (VAT).

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

(a) *Real estate sales* – For financial reporting purposes, revenues from transactions covering sales of real estate 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 period's sales is presented as Deferred Gross Profit on Real Estate Sales in the consolidated statement of comprehensive income; the cumulative unrealized gross profit as of the end of the year is shown as Deferred Income on Real Estate Sales in the consolidated statement of financial position.

The sale is recognized when a certain percentage of the total contract price has already been collected. 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 buyer are initially recorded as part of Customers' Deposits account in the consolidated statement of financial position.

Revenues on sales of undeveloped land and golf and resort shares for sale, on the other hand, are recognized using the full accrual method. Under the full accrual method, revenue is recognized when the risks and rewards of ownership in the undeveloped land and golf and resort shares have passed to the buyer and the amount of revenue can be measured reliably. Revenues and costs relative to forfeited or back out sales are reversed in the current year as they occur.

Any adjustments relative to previous periods' sales are recorded in the current period as they occur.

For tax reporting purposes, a modified basis of computing the taxable income for the period based on collections from sales is used by the Group.

(b) *Maintenance income* – Revenue is recognized when performance of mutually agreed tasks has been rendered.

(c) *Rental 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. For tax purposes, rental income is recognized based on the contractual terms of the lease.

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

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

Cost of real estate sales before completion of the projects include the acquisition cost of the land, development costs incurred to date, applicable borrowing costs and estimated costs to complete the project, determined based on estimates made by the project engineers on the stage of completion of the real estate project.

Cost and expenses and other costs (other than costs of real estate sold) are recognized in profit or loss upon utilization of the services or goods or at the date they are incurred. All finance costs are reported in profit or loss on an accrual basis, except capitalized borrowing

costs which are included as part of the cost of the related qualifying asset.

2.15 Operating 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 incentive received from the lessor) are recognized as expense in 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. Lease income from operating leases is recognized 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.

2.16 Foreign Currency Transactions and Translation

The accounting records of the Group 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 in the consolidated statement of comprehensive income as part of income or loss from operations.

2.17 Impairment of Non-financial Assets

The Group's Investments in Associates, Investment Property, Property and Equipment and other non-financial assets are subject to impairment testing whenever events or changes in circumstances indicate that their carrying amounts 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. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

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.

2.18 <u>Employee Benefits</u>

(a) Defined Benefit Plan

The Group has an unfunded, non-contributory defined benefit plan covering all regular employees.

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 entity, 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 defined benefit post-employment plan covers all regular full-time employees.

The liability recognized in the consolidated statement of financial position for defined benefit post-employment plans is the present value of the defined benefit obligation (DBO) at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs. The DBO is calculated annually by independent actuaries using the projected unit credit method. The present value of the DBO is determined by discounting the estimated future cash outflows using interest rates derived from the interest rates of a zero coupon government bonds as published by the Philippine Dealing and 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 Company 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 key executive officers 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 consolidated 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 vest 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 cost of such asset. The capitalization of borrowing costs commences when expenditures for the asset and 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 as incurred.

2.21 Related Party Relationships and Transactions

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

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These 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.

2.22 Equity

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

APIC represents premium received on the initial issuance of capital stock. Any transaction costs associated with the issuance of shares are deducted from APIC, net of any related income tax benefits.

Share options outstanding represents the corresponding credit upon recognition of share-based remuneration expense in profit or loss.

Unrealized losses on AFS financial assets represent losses recognized due to changes in fair values of these assets.

Retained earnings represent all current and prior period results of operations as reported in the profit or loss section of the consolidated statements of comprehensive income, reduced by the amounts of dividends declared, if any.

2.23 Basic and Diluted Earnings Per Share

Basic earnings per share is determined by dividing the consolidated net profit by the weighted average number of common shares subscribed and issued during the year, after giving

retroactive effect to any stock dividends, stock split or reverse stock split declared in the current year.

Diluted earnings per share is computed in the same manner as the basic earnings per share and assuming further that at the beginning of the year or at the time of issuance during the year, all outstanding convertible instruments were converted to common stock and the conversion would result to a decrease in the basic earnings per share or increase in the basic loss per share.

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

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

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

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in profit or loss. 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, respectively.

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.

2.25 Events After the Reporting Period

Any post-year-end event that provides additional information about the Group's consolidated 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 the 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) Distinction between Investment Property, Owner-occupied Properties and Land for Future Development

The Group determines whether an asset qualifies as an item of investment property, owner-occupied property or land for future development. In making its judgment, the Group considers whether the property generates cash flows largely independently of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to property but also to other assets used in the operations of the Group or for administrative purposes 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 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 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.

(b) 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 a 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.

(c) Recognition of Provisions and Contingencies

Judgment is exercised by management to distinguish between provisions and contingencies.

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) Determining Net Realizable Value of Real Estate and Resort Shares For Sale, Property Development Costs and Land For Future Development

In determining the net realizable value of real estate and resort shares 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 these assets 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 Real Estate and Resort Shares for Sale, Property Development Costs and Land For Future Development within the next financial period.

Considering the Group's pricing policy, the net realizable values of real estate and resort shares for sale, property development costs and land for future development are higher than their related carrying values as of the end of the reporting periods.

(b) Fair Value of Stock Option

The Company estimates the fair value of the executive stock option by applying an option valuation model, taking into account the terms and conditions on which the executive stock option were granted.

The fair value of the executive stock option recognized as part of salaries and employee benefits shown under Operating Expenses in the consolidated statement of comprehensive income A corresponding credit to Share Options Outstanding of the same amount is presented in the equity portion of the consolidated statement of financial position.

(c) Fair Value of Measurement of Investment Property

Investment Property are measured using the cost model. The fair value disclosed in Note 11 to the consolidated financial statements is estimated by the Group using the fair value of similar properties in the same location and condition. The Group uses assumptions that are mainly based on market conditions existing at the end of each reporting period.

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

The Group estimates the useful lives of investment property and property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of investment property and property and equipment 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. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

(e) Impairment of Trade and Other Receivables

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

(f) Determining the 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 deferred tax assets recognized as at March 31, 2013 and December 31, 2012 will be fully utilized within the next two to three years.

(g) Impairment of Non-financial Assets

PFRS requires that an impairment review be performed when certain impairment indicators are present. 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.

(h) Valuation of Post-employment Benefit

The determination of the Group's obligation and cost of post-employment defined benefit is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include, among others, discount rates, expected rate of return on plan assets, salary rate increase, and employee turnover. 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.

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

The Group uses the percentage-of-completion method in accounting for its realized 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. There were no changes in the assumptions or basis for estimation during the period.

4. Segment revenue and segment results for business segments or geographical segments, whichever is the enterprise's primary basis of segment reporting.

The following table present revenue and income information for the 1st quarter ended March 31, 2013 and 2012.

March 31, 2013
(Amount in thousands)

	Sales of Real Estate	Service and Rental	Total
Revenue	₱229,482	₱48,503	₱277,985
Cost of sales and services	93,043	25,083	118,126
Gross profit	136,439	23,420	159,859
Realized gross profit – net	27,161	–	27,161
Realized gross profit	**₱163,600**	**₱23,420**	**₱187,020**

March 31, 2012
(Amount in thousands)

	Sales of Real Estate	Service and Rental	Total
Revenue	₱191,604	₱62,746	₱254,350
Cost of sales and services	99,655	36,228	135,883
Gross profit	91,949	26,518	118,467
Realized gross profit – net	62,610	–	62,610
Realized gross profit	**₱154,559**	**₱26,518**	**₱181,077**

5. Material events subsequent to the end of the interim period that have not been reflected in the financial statements for the period.
   There have been no material events that happened subsequent to the interim period that need disclosure herein.

6. Effect of changes in the composition of the enterprise during the interim period, including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings, and discontinuing operation.
   Not applicable.

7. Changes in contingent liabilities or contingent assets since the last annual balance sheet date
   The Company is a party to certain lawsuits or claims arising from the ordinary course of business and from several of its joint venture agreements. The Group's management and legal counsels believe that the eventual liabilities under these lawsuits or claims, if any, will not have a material effect on the consolidated financial statements, and thus, no provision has been made for these contingent liabilities.

8. Existence of material contingencies and any other events or transactions that are material to an understanding of current interim period.
   There have been no material contingencies and any other events or transactions that are material to an understanding of current interim period.

9. Any events that will trigger direct or contingent financial obligations that is material to the company, including any default or acceleration of an obligation.
   There have been no events that will trigger direct or contingent financial obligations that is material to the company, including any default or acceleration of an obligation.

10. All material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.
    There have been no material off-balance sheet transactions and other relationships of the company with unconsolidated entities or other persons created during the reporting period.

11. Dividends paid separately for ordinary shares and other shares
    Not applicable.

12. Seasonality or cyclicality of interim operations
    Not applicable

13. Nature and amount of items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size and incidence.
    Not applicable

14. Issuances, repurchases, and repayments of debt and equity securities
    There have been no issuance, repurchase and repayment of debt and equity securities for the period.

RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's financial instruments comprise of cash, short-term bank deposits and investments.

Exposures to credit and liquidity risk arise in the normal course of the Group's business activities. The main objectives of the Group's financial risk management are as follows:

1. To identify and monitor such risks on an ongoing basis;
2. To minimize and mitigate such risks; and
3. To provide a degree of certainty about costs.

Credit Risk

The investment of the Group's cash resources is managed so as to minimize risk while seeking to enhance yield. The Group's holding of cash and marketable securities expose the Group to credit risk of the counterparty if the counterparty is unwilling or unable to fulfill its obligations, and the Group consequently suffers financial loss. Credit risk management involves entering into financial instruments only with counterparties with acceptable credit standing. The treasury policy sets aggregate credit limits of any one counterparty and annually reviews the exposure limits and credit ratings of the counterparties.

The Group has credit management policies in place to ensure that rental contracts are entered into with customers who have sufficient financial capacity and good credit history.

Sales to buyers of real estate which are collectible on installment are relatively risk-free. Sales to real estate buyers are documented under Contract to Sell agreements which allow cancellation of the sale and forfeiture of payments made in the event of default by buyers. Transfer of title is made to buyers only upon full payment of the account.

Receivable balances are being monitored on a regular basis to ensure timely execution of necessary intervention efforts.

Liquidity Risk

The Group monitors its cash flow position, debt maturity profile and overall liquidity position in assessing its exposure to liquidity risk.

The Group has no bank debt and has reduced payables to suppliers, contractors and other creditors via asset swap arrangements utilizing the Group's real estate and golf and resort shares inventory.

As a matter of policy, no new bank debt shall be secured unless for project development purposes which are expected to provide sufficient cash flows to ensure repayment.

Interest Rate Risk

The Group has no significant exposure to interest rate risk as financial assets and liabilities are non-interest bearing (trade and other receivables and payables).

Currently, the Group has no outstanding interest bearing loans from any financial institution.

Foreign Exchange Risk

Most of the Group's transactions are carried out in Philippine pesos, its functional currency. The currency exchange rates arise from Group's United States (U.S.) dollar-denominated cash and cash equivalents.

Management assessed that the foreign currency risks related to these U.S. dollar-denominated cash and cash equivalents to be not material.

CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide an adequate return to shareholders.

The Group sets the amount of capital in proportion to its overall financing structure, i.e., equity and financial liabilities. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the carrying amount of equity as presented on the face of the consolidated statements of financial position. Capital for the reporting periods under review is summarized as follows:

	March 2013	December 2012
Total Liabilities	P 7,497,352,931	P7,025,253,985
Total Equity	17,743,631,568	17,592,403,324
Debt-to-equity ratio	0.42:1	0.40:1

CATEGORIES AND FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. In determining the fair value of its financial assets and liabilities, the Company takes into account its current circumstances and the costs that would be incurred to exchange or settle the underlying financial assets and liabilities.

The carrying amounts and fair value of the categories of financial assets and liabilities presented in the consolidated financial statement of financial position are shown below:

Figures in thousands

	March 31, 2013		December 31, 2012	
	Carrying Values	Fair Values	Carrying Values	Fair Values
Financial assets				
Loans and receivables:				
Cash and cash equivalents	P 485,073	P 485,073	P 466,230	P 466,230
Trade and other receivables - net	2,131,668	2,131,668	1,986,921	1,986,921
Advances to related parties	973,614	973,614	930,172	930,172
	3,590,355	3,590,355	3,383,323	3,383,323
AFS financial assets	1,250	1,250	1,250	1,250
	P 3,591,605	P 2,591,605	P 3,384,573	P 3,384,573

	December 31, 2012		December 31, 2012	
	Carrying Values	Fair Values	Carrying Values	Fair Values
Financial liabilities				
Financial liabilities at amortized cost:				
Trade and other payables	P 2,044,845	P 2,044,845	P 2,006,419	P 2,006,419
Advances from related parties	1,310,681	1,310,681	1,045,854	1,045,854
Due to joint venture partners	218,733	218,733	214,397	214,397
Redeemable preferred shares	1,257,988	1,257,988	1,257,988	1,257,988
Accrued interest on preferred shares	18,346	18,346	10,483	10,483
	P 4,850,593	P 4,850,593	P 4,535,141	P 4,535,141

See notes to financial statements 2.4 and 2.9 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 page 38.

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

GLOBAL-ESTATE RESORTS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS OF MARCH 31, 2013

(Amount in Thousands)

Annex A-1

	Unaudited Mar-13	Audited December 2012
ASSETS		
CURRENT ASSETS		
Cash and Cash equivalent	485,073	466,230
Trade and other receivables - net	1,141,386	1,127,461
Advances to related parties	973,614	930,172
Real estate, golf and resort shares for sale-net	8,323,663	7,802,354
Property Development Costs	2,068,542	1,943,663
Prepayments and other current assets	900,430	909,001
Total Current Assets	13,892,708	13,178,881
NON-CURRENT ASSETS		
Trade and other receivables - net	990,283	859,460
Advances to real estate property owners	1,073,257	1,066,413
Land for future development	7,391,487	7,644,655
Investment in associates	739,379	740,852
Investment Properties - net	358,792	359,864
Property and equipment - net	679,444	661,783
Other non-current assets	115,634	105,749
Total Non-current Assets	11,348,276	11,438,776
TOTAL ASSETS	25,240,984	24,617,657
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Trade and other payables	2,044,845	2,006,419
Customer's deposit	561,434	549,694
Advances from related parties	1,310,681	1,045,854
Reserve for property development	63,665	50,525
Deferred income on real estate sales	334,491	305,237
Total Current Liabilities	4,315,116	3,957,729
NON-CURRENT LIABILITIES		
Due to joint venture partners	218,733	214,397
Redeemable preferred shares	1,257,988	1,257,988
Reserve for property development	702,502	673,397
Deferred income on real estate sales	577,773	553,162
Deferred tax liabilities-net	153,265	125,180
Retirement benefit obligation	63,018	63,018
Other non-current liabilities	208,958	180,383
Total Non-current Liabilities	3,182,237	3,067,525
Total Liabilities	7,497,353	7,025,254
EQUITY		
Equity attributable to parent company's shareholder	14,182,335	14,089,008
Non-controlling interest	3,561,296	3,503,395
Total Equity	17,743,631	17,592,403
TOTAL LIABILITIES AND EQUITY	25,240,984	24,617,657

GLOBAL-ESTATE RESORT, INC. AND SUBSIDIARIES

Annex A-2

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD 1Q2013 VS. 1Q2012
(Amount in Thousands)

	1st quarter 2013	1st quarter 2012
REVENUES		
Real Estate Sales	229,482	191,604
Realized gross profit on prior years' real estate sales	27,161	62,610
Service and rental income	48,503	62,746
Hotel Operations	72,564	27,038
Equity in net earnings (losses) of associates, interest and other income	58,650	34,922
	436,360	378,920
COST AND EXPENSES		
Cost of real estate sales	93,043	99,655
Deferred gross profit on real estate sales	88,221	59,066
Cost of hotel operations	22,857	6,727
Cost of services	25,083	36,228
Operating expenses	80,269	91,688
Interest and other charges	13,051	15,199
Income tax expense	32,882	19,568
	355,406	328,131
Net Profit (Loss)	80,954	50,789
Other Comprehensive Loss		
Revaluation reserve	(2,162)	(2,162)
Total Comprehensive Income (Loss)	78,792	48,627
Net profit (loss) attributable to:		
Parent Company's shareholder	82,927	56,904
Non-controlling interest	(1,973)	(6,115)
	80,954	50,789
Total Comprehensive Income(loss) attributable to:		
Parent Company's shareholders	80,765	54,742
Non-controlling interest	(1,973)	(6,115)
	78,792	48,627
Earnings per share	0.0098	0.0068

GLOBAL-ESTATE RESORTS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Amount in Thousands)

Annex A-3

	1st quarter 2013	1st quarter 2012
EQUITY ATTRIBUTABLE TO PARENT COMPANY'S SHAREHOLDER		
CAPITAL STOCK	8,486,000	8,356,000
ADDITIONAL PAID IN CAPITAL	1,597,739	1,597,739
SHARE OPTION OUTSTANDING	49,947	
REVALUATION RESERVE	(2,132)	(2,132)
RETAINED EARNINGS	4,050,781	3,729,898
	14,182,335	13,681,505
MINORITY INTEREST	3,561,296	2,259,051
TOTAL STOCKHOLDERS' EQUITY	17,743,631	15,940,556

GLOBAL-ESTATE RESORTS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOW

(Amounts in Thousands)

Annex A-4

	Mar-13	Mar-12
Net Income before tax	113,836	70,357
Add(less)		
Interest expense	8,089	5,857
Amortization of deferred interest	4,962	9,342
Depreciation and amortization	8,337	4,327
Interest income	(6,299)	(8,262)
Equity in net earnings (loss) of associates	1,473	1,767
Operating Income(loss) before working capital changes	130,398	83,388
Net Changes in Operating Assety and Liabilities		
Decrease(Increase) current and non current asset	(501,885)	(311,815)
(Decrease)Increase current and non current liabilities	161,800	128,215
Cash paid for income taxes	(4,798)	(6,958)
Cash from(used in) Operating Activities	(214,485)	(107,170)
Cash from(used in) Investing Activities	(31,499)	(91,851)
Cash from (used in) Financing Activities	264,827	(14,865)
Net Increase (decrease) in cash and cash equivalent	18,843	(213,886)
Cash and cash equivalent at the beginning of the year	466,230	993,080
Cash and cash equivalent at the end of the year	485,073	779,194

Annex A-5

GLOBAL-ESTATE RESORTS, INC, AND SUBSIDIARIES

AGING OF ACCOUNTS RECEIVABLE

AS OF MARCH 31, 2013

(Amounts in Thousands)

1 Aging of Accounts Receivable

Type of receivables:	TOTAL	CURRENT/NOT YET DUE	1 Month	2-3 Months	4-6 Months	7 Months to 1 Year	1-2 Years	3-5 Years
a. Trade/Other Receivable	2,131,669	1,913,310	107,363	66,774	40,569	3,653	-	
Net Receivable	2,131,669							

GLOBAL-ESTATE RESORTS, INC.

24 June 2013

PHILIPPINE STOCK EXCHANGE
3/F Philippine Stock Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City

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

Dear Ms. Encarnacion:

In compliance with the Rule on Additional Listing of Shares, Global-Estate Resorts, Inc. (GERI) hereby submits the attached Comprehensive Corporate Disclosure in relation to a private placement transaction signed on 21 June 2013.

Thank you.

Very truly yours,

Dominic V. Isberto
Corporate Secretary

COMPREHENSIVE CORPORATE DISCLOSURE
IN CONNECTION WITH THE SUBSCRIPTION AGREEMENT
BETWEEN GLOBAL-ESTATE RESORTS, INC.
AND MEGAWORLD CORPORATION

The transaction as described below is made pursuant to the resolution of the Board of Directors of Global-Estate Resorts, Inc. (hereinafter the "Company") in a special meeting held on 21 June 2013 to implement the increase in authorized capital stock as approved in the Special Meeting of the Shareholders on 08 November 2011.

a. Name of the Listed Company

Global-Estate Resorts, Inc.

b. Description of the transaction including timetable for implementation and related regulatory requirements

The Company has an authorized capital stock of Ten Billion Pesos (Php10,000,000,000) divided into Ten Billion (10,000,000,000) common shares with a par value of One Peso (Php1.00) per share. On 08 November 2011, the shareholders of the Company approved an increase in authorized capital stock to Twenty Billion Pesos (Php20,000,000,000) divided into Twenty Billion (20,000,000,000) common shares with a par value of One Peso (Php1.00) per share.

On 21 June 2013, the Board of Directors of the Company resolved to implement the increase in capital and approved the subscription by Megaworld Corporation to Two Billion Five Hundred Million (2,500,000,000) common shares of the increase in capital (hereinafter, the "Shares"), at the price per share of Two Pesos and Twenty-six Centavos (Php2.26), or a total subscription price of Five Billion Six Hundred Fifty Million Pesos (Php5,650,000,000.00).

The planned increase in capital will be submitted to the Securities and Exchange Commission (SEC) for approval through an application for amendment of Article Seven of the Company's Amended Articles of Incorporation.

The subscription to the increase in capital is exempt from registration with the SEC, it being an exempt transaction by express provision of Section 10.1 (i) of the Securities Regulations Code (SRC). No notice of exemption or fee is required for the transaction pursuant to SRC Rule

10.1(2). Nevertheless, the Company will file SEC Form 10.1 (Notice of Exemption).

The Shares will be applied for listing with the Philippine Stock Exchange as soon as practicable. To comply with the listing requirements of the PSE, the Company will present the transaction for ratification by the shareholders at the Annual Meeting of Shareholders scheduled on 30 July 2013.

c. Rationale for the transaction

The subscription by Megaworld allows the Company to raise equity funds in a most expeditious and efficient manner, at the least cost to the Company, to finance the development of its various projects, for land acquisition, and general corporate purposes.

d. **Aggregate value of the consideration**

The total subscription price for the Subscribed Shares is Five Billion Six Hundred Fifty Million Pesos (Php5,650,000,000.00). Twenty-five percent (25%) of the total subscription price shall be paid on 26 June 2013 and the balance within ten (10) business days after approval by the SEC of the increase in capital stock, grant of PSE exemption from the rights or public offer requirement, and approval by the Company's shareholders of the subscription.

e. **Basis upon which the consideration or the issue value was determined**

The subscription price represents a premium of 5% over the thirty (30) trading-day volume weighted average price (VWAP) of the common shares of the Company immediately preceding the date of the subscription.

f. Detailed work program of the application of the proceeds

The proceeds of the transaction will be used for funding of the development of the Company's projects, namely:

- Boracay Newcoast in Boracay Island, Aklan;
- Twin Lakes in Batangas; and,
- Sta Barbara Heights in Iloilo;

and for land acquisition and general corporate purposes.

g. Identity of the beneficial owners of the Shares

Name of Subscriber : Megaworld Corporation ("Subscriber")

Date of incorporation: 24 August 1989

Nature of business : The Subscriber is one of the leading property developers in the Philippines and is primarily engaged in the development in Metro Manila of large-scale mixed-use planned communities, or community townships, that integrate residential, commercial, educational/training, leisure and entertainment components. The Subscriber's real estate portfolio includes residential condominium units, subdivision lots and townhouses, as well as office projects and retail space. The Company has three primary business segments: (i) real estate sales of residential and office developments, (ii) leasing of office space, primarily to business process outsourcing ("BPO") enterprises, and retail space, and (iii) management of hotel operations.

Major projects and investments of the Subscriber : Among the Subscriber's main projects and investments are:

- Eastwood City which is a mixed-use project on approximately 18 hectares of land in Quezon City that integrates corporate, residential, education/training, leisure and entertainment components;

- Forbes Town Center which is located on 5 hectares of land in Bonifacio Global City, Taguig, which, upon completion, will consist of residential, retail, and entertainment properties;

- McKinley Hill which is a community township located on approximately 50 hectares of land in Fort Bonifacio, Taguig and consists of office, residential, retail, educational, entertainment, and recreational center;

- Newport City which is also a community township located on 25 hectares of land at the Villamor Air Base in Pasay City which integrates the live-work-play concept of Eastwood City and which, upon completion, will comprise a residential zone, a corporate zone, a leisure and entertainment zone, and a hotel zone including the Marriott Hotel, Maxims Hotel, Remington Hotel, Belmont Luxury Hotel, and Savoy Hotel;

- Manhattan Garden City which is a residential development project consisting of 20 residential towers on a 5.7 hectare-land at the Araneta Center in Quezon City;

- Cityplace which a mixed-use project under development on a 2.5 hectare-lot in Binondo, Manila;

- Uptown Bonifacio which is located on an approximately 15.4-hectare property in Fort Bonifacio in Taguig City and is comprised of a residential portion in the northern part of Fort Bonifacio, and a portion for mixed-use (office and retail space) on a parcel of land owned by Napolcom, under joint venture arrangements with BCDA and Napolcom;

- McKinley West which is a mixed-use project, under joint venture with BCDA, located on an approximately 34.5-hectare portion of the JUSMAG property owned by BCDA and located across McKinley Hill in Taguig;

- The Mactan Newtown which is an expected mixed-use township development on a 25-hectare property near Shangri-La's Mactan Resort and Spa in Mactan, Cebu;

- Iloilo Business Park which is a mixed-planned community in a 54.5-hectare property in Mandurriao, Iloilo, site of the old Iloilo airport, and which, upon completion, will have BPO office buildings, boutique hotels, a convention center, retail centers, and a lifestyle center.

Capital structure of the Subscriber as of 11 June 2013 :

	In Shares	In Amount
Common shares	30,140,000,000 P1.00 par	P30,140,000,000
Preferred shares	6,000,000,000 P0.01 par	60,000,000
Total Authorized Capital Stock	36,140,000,000	P30,200,000,000
Authorized Common Capital Stock	30,140,000,000	P30,140,000,000
Issued as of June 11, 2013 (including Treasury Shares)	29,535,080,402	29,535,080,402
Outstanding Common as of 11 June 2013	29,403,660,402	P29,403,660,402
Treasury Shares	131,420,000	131,420,000
Preferred	6,000,000,000	60,000,000
Total Outstanding (excluding Treasury Shares)	35,403,660,402	P35,403,660,402

Audited Financial Statements for the last three (3) fiscal years :
Please refer to Annexes “1,” “2,” and “3.”

List of subsidiaries and affiliates of the Subscriber :

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

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

Board of directors of the Subscriber :

Andrew L. Tan	Chairman
Katherine L. Tan	Director
Kingson U. Sian	Director
Enrique Santos L. Sy	Director
Miguel B. Varela	Independent Director
Gerardo C. Garcia	Independent Director
Roberto S. Guevarra	Independent Director

Principal officers of the Subscriber :

Andrew L. Tan	Chairman and President
Kingson U. Sian	SVP and Executive Director
Lourdes T. Gutierrez	Chief Operating Officer
Francisco C. Canuto	SVP, Treasurer, Compliance Officer, and Chief Information Officer
Philipps C. Cando	SVP for Operations
Monica T. Salomon	First Vice-President for Corporate Management
Garry V. de Guzman	First Vice-President for Legal Affairs
Maria Victoria M. Acosta	Managing Director for International Sales
Kimberly Hazel A. Sta. Maria	AVP for Corporate Communications and Advertising
Edwin B. Maquinto	Corporate Secretary
Rolando D. Siatela	Assistant Corporate Secretary

h. Change in the ownership structure of the Company Before and After the transaction

Name of Shareholders of GERI	Before the Subscription (As of 21 June 2013)		After the Subscription	
	No. of Shares	% of Ownership	No. of Shares	% of Ownership
Alliance Global Group, Inc.	5,405,000,000	63.69%	5,405,000,000	49.20%
Megaworld Corporation	0	0	2,500,000,000	22.76%
PCD Nominee Corporation (Filipino)	1,443,824,630	17.01%	1,443,824,630	13.14%
Fil-Estate Management, Inc.	1,065,774,606	12.56%	1,065,774,606	9.70%
PCD Nominee Corporation (Foreign)	457,878,360	5.40%	457,878,360	4.17%

CAP Pension Trust Fund	9,263,280	0.11%	9,263,280	0.08%
Greenfield Development Corporation	8,640,000	0.10%	8,640,000	0.08%
John T. Lao	7,035,100	0.08%	7,035,100	0.06%
Lucio W. Yan	5,755,000	0.07%	5,755,000	0.05%
Romeo G. Roxas	3,716,000	0.04%	3,716,000	0.03%
Avesco Marketing Corp.	3,512,106	0.04%	3,512,106	0.03%
RBL Finishing Corporation	2,924,998	0.03%	2,924,998	0.03%
Wilbur L. Chan	2,611,825	0.03%	2,611,825	0.02%
Jennifer C. Lee or Josephine C. Lim	2,000,000	0.02%	2,000,000	0.02%
Gilmore Property Marketing Associates, Inc.	1,983,000	0.02%	1,983,000	0.02%
Federal Homes, Inc.	1,939,860	0.02%	1,939,860	0.02%
Philippine Veterans Bank FAO Comprehensive Annuity Plans & Pension Corp	1,837,428	0.02%	1,837,428	0.02%
Fritz L. Dy	1,813,500	0.02%	1,813,500	0.02%
Dynaland Properties & Developers, Inc.	1,700,001	0.02%	1,700,001	0.02%
Robert John L. Sobrepena	1,617,485	0.02%	1,617,485	0.01%
Maximo S. Uy &/or Lim Hue Hua	1,478,400	0.02%	1,478,400	0.01%
Others	55,694,421	0.01%	55,694,421	.51%
Total	8,486,000,000	100.00%	10,986,000,000	100.00%

Change in the ownership structure of the Subscriber Before and After the transaction

None.

i. Interest which directors of the Company or of Megaworld have in the transaction.

None.

j. Statement as to the steps to be taken, if any, to safeguard the interests of independent shareholders.

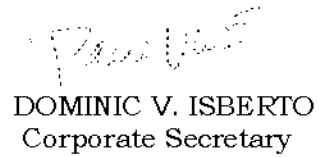
As mentioned above, the Company will present the transaction for approval by the shareholders at the Annual Meeting of Shareholders on 30 July 2013.

Attached is a copy of the Subscription Agreement dated 21 June 2013.

GLOBAL-ESTATES RESORTS, INC.
Issuer

24 June 2013

By:



DOMINIC V. ISBERTO
Corporate Secretary

SUBSCRIPTION AGREEMENT

This Subscription Agreement (the "Agreement") is executed this [illegible] June 2013 at Makati City, by and between:

> **GLOBAL-ESTATE RESORTS, INC.**, a corporation duly organized and existing under Philippine laws, with principal office address at the 7/F Renaissance Tower, Meralco Avenue, Pasig City, represented herein by its President, Ferdinand T. Santos (hereafter, the **Company**);
>
> \- and -
>
> **MEGAWORLD CORPORATION**, a corporation duly organized and existing under Philippine laws, with principal office address at the 28/F The World Centre, 330 Sen. Gil Puyat Avenue, Makati City, represented herein by its Chief Operating Officer, Lourdes T. Gutierrez (hereinafter, the **Subscriber**).
>
> (Each of the Company and the Subscriber is hereinafter referred to as a "Party" and collectively referred to as the "Parties".)

WHEREAS, the Company is a publicly-listed company with an authorized capital stock of TEN BILLION PESOS (Php10,000,000,000) divided into 10,000,000,000 common shares each with a par value of One Peso (Php1.00);

WHEREAS, on 08 November 2011, the shareholders of the Company approved the increase in the authorized capital stock of the Company to TWENTY BILLION PESOS (Php20,000,000,000) divided into 20,000,000,000 common shares each with a par value of One Peso (Php1.00) (the "Capital Increase");

WHEREAS, the Company shall file an application with the Securities and Exchange Commission ("SEC") for the approval of the Capital Increase and an application with the Philippine Stock Exchange ("PSE") for the listing of the shares to be issued out of the same;

WHEREAS, the Subscriber has offered to subscribe to shares of the Company to be issued out of the Capital Increase, and the Company has accepted the offer of the Subscriber, under the terms and conditions set forth below;

NOW, THEREFORE, premised on the foregoing premises, and in consideration of the mutual covenants of the Parties set forth herein, the Parties hereby agree as follows:

1. SUBSCRIPTION TO SHARES

1.1 The Subscriber hereby subscribes to **TWO BILLION FIVE HUNDRED MILLION (2,500,000,000)** common shares of the capital stock of the Company (the "Subscribed Shares") at the price of Php2.26 per share, which represents a premium of [illegible] over the [illegible]-trading day volume weighted average price (VWAP) of the common shares of the Company immediately preceding the date of this Subscription Agreement. The Subscribed Shares shall be issued out of the Capital Increase for an aggregate subscription price of **PESOS: FIVE BILLION SIX HUNDRED FIFTY MILLION (Php5,650,000,000)** (the "Subscription Price"), which Subscribed Shares represent

approximately 22.75% of the outstanding shares of common stock of the Company after giving effect to the Capital Increase.

1.2 The Subscription Price shall be paid by the Subscriber to the Company in the following manner:

(a) The amount of PESOS: ONE BILLION FOUR HUNDRED TWELVE MILLION FIVE HUNDRED THOUSAND (Php1,412,500,000.00) representing 25% of the Subscription Price shall be paid in cash by the Subscriber to the Company on 19 June 2019.

(b) The amount of PESOS: FOUR BILLION TWO HUNDRED THIRTY SEVEN MILLION FIVE HUNDRED THOUSAND (Php4,237,500,000.00) representing 75% of the Subscription Price shall be paid to the Company within ten (10) business days after [illegible] by the Company of its covenants under Sections 3.1, 3.2 and 3.3 hereof.

II. REPRESENTATIONS, WARRANTIES AND COVENANTS

2.1 Each Party represents to each other that:

(a) It is a corporation duly organized, validly existing and in good standing under the laws of the Philippines and has the corporate power and authority necessary to carry on its business as now conducted.

(b) It has all the requisite corporate power and authority to enter into this Agreement and to consummate the transactions contemplated hereby and thereby.

(c) This Agreement has been duly executed and delivered by it and constitutes its valid and binding obligation, enforceable against it in accordance with its terms.

2.2 The Company represents that it has the power and authority to issue the Subscribed Shares, subject to the approval by the SEC of the Capital Increase.

2.3 The Company represents that upon approval by the SEC of the Capital Increase, the Subscribed Shares shall have all rights and privileges attaching to them including, without limitation, the right to receive all dividends or distributions declared, made or paid on or after the approval by the SEC of the Capital Increase.

2.4 The Company represents that upon the approval by the SEC of the Capital Increase and full payment of the Subscription Price, the capital structure of the Company shall be as follows:

Authorized Capital Stock	Php[illegible]
Outstanding Capital Stock	Php[illegible]
Paid-up Capital Stock	Php[illegible]

III. COVENANTS AND UNDERTAKINGS

The Company undertakes that it shall as soon as practicable:

3.1 obtain approval from its stockholders of the subscription by the Subscriber to the Subscribed Shares in a regular or special meeting in compliance with the Revised [illegible] Rules of the PSE.

[illegible]

[illegible] RESORTS, INC.

[illegible]. SANTOS

ACKNOWLEDGMENT

[illegible]

MEGAWORLD CORPORATION

28/F The World Centre, 330 Sen. Gil Puyat Avenue, Makati City 1200, Philippines
Tels: (632) 867-8826 to 40
www.megaworldcorp.com • E-mail: infodesk@megaworldcorp.com

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 financial statements for the years ended **December 31, 2010, 2009 and 2008,** in accordance with Philippine Financial Reporting Standards. This responsibility 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 financial statements and submits the same to the stockholders.

Punongbayan & Araullo, the independent auditors and appointed by the stockholders, has examined the financial statements of the Company 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.

Signed under oath by the following:

Signature :
ANDREW L. TAN
Chairman of the Board

Signature :
ANDREW L. TAN
Chief Executive Officer (President)

Signature :
FRANCISCO C. CANUTO
Chief Financial Officer (Treasurer)

MEGAWORLD CORPORATION

28/F The World Centre, 330 Sen. Gil Puyat Avenue, Makati City 1200, Philippines
Tels: (632) 867-8826 to 40
www.megaworldcorp.com • E-mail: infodesk@megaworldcorp.com

SUBSCRIBED AND SWORN to before me on this _____day of Apr 04 2011 at MAKATI CITY, Philippines affiants exhibiting to me their Community Tax Certificate Nos. as follows:

Andrew L. Tan	10575590	January 06, 2011	Quezon City
Francisco C. Canuto	05944515	January 11, 2011	Makati City

Doc. No. 464;
Page No. 96;
Book No. 17;
Series of 2011

ATTY FIDEL L. EVANGELISTA
NOTARY PUBLIC
UNTIL DEC. 31, 2012
ROLL 31498
IBP NO. 835882 11-10-2010 P A S I G
PTR NO. 2641660 01-03-2011 MAKATI
MCLE COMPLIANCE NO. I-0005897
MCLE EXEMPTION NO. III-000664
APPOINTMENT NO. M-144
TIN NO. 120-884-559-000 (4)

Punongbayan & Araullo

Report of Independent Auditors

20th Floor, Tower 1
The Enterprise Center
6766 Ayala Avenue
1200 Makati City
Philippines

T +63 2 886 5511
F +63 2 886 5506; +63 2 886-5507
www.punongbayan-araullo.com

The Board of Directors and Stockholders
Megaworld Corporation and Subsidiaries
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 (the Group), which comprise the consolidated statements of financial position as at December 31, 2010, 2009 and 2008, and the consolidated statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the 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.

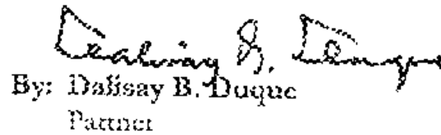
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, 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, 2010, 2009 and 2008, and of their consolidated financial performance and their cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

PUNONGBAYAN & ARAULLO



By: Dalisay B. Duque
Partner

CPA Reg. No. 0022692
TIN 140-240-854
PTR No. 2641851, January 3, 2011, Makati City
Partner's SEC Accreditation No. 0012-AR-2 (until Feb. 1, 2012)
BIR AN 08-002511-9-2008 (until Nov. 24, 2011)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2012)
Firm's SEC Accreditation No. 0002-FR-2 (until Feb. 1, 2012)

March 15, 2011

MEGAWORLD CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2010, 2009 AND 2008
(Amounts in Philippine Pesos)

	Notes	2010	2009	2008
A S S E T S				
CURRENT ASSETS				
Cash and cash equivalents	5	**P 22,031,584,943**	P 20,876,005,473	P 12,325,333,064
Trade and other receivables - net	6	**14,133,801,384**	10,749,643,934	11,420,125,379
Subscriptions receivable	24	-	2,272,642,649	-
Financial assets at fair value through profit or loss	7	**125,000,000**	41,500,000	17,400,000
Residential and condominium units for sale	3	**6,286,477,215**	5,719,854,891	5,847,104,417
Property development costs	3	**3,798,108,537**	3,720,702,927	2,821,399,894
Prepayments and other current assets - net		**437,227,590**	367,756,457	390,067,827
Total Current Assets		**46,812,199,669**	43,748,106,331	32,821,430,581
NON-CURRENT ASSETS				
Trade and other receivables	6	**15,617,214,463**	13,534,302,355	6,661,850,041
Advances to landowners and joint ventures	9	**2,708,026,497**	1,208,026,496	335,048,101
Land for future development	2	**1,482,561,015**	1,269,561,000	1,809,743,589
Investments in available-for-sale securities	8	**6,211,184,496**	2,926,531,713	4,350,224,672
Investments in and advances to associates and other related parties	10	**13,671,332,490**	12,665,714,849	10,982,670,783
Investment property - net	11	**9,716,530,045**	9,105,785,069	7,140,319,564
Property and equipment - net	12	**360,518,201**	381,176,983	430,180,785
Deferred tax assets - net	22	**7,860,539**	7,887,713	2,418,273
Other non-current assets	13	**442,095,396**	406,679,936	367,389,073
Total Non-current Assets		**50,217,323,142**	41,505,666,114	32,079,844,881
TOTAL ASSETS		**P 97,029,522,811**	P 85,253,772,445	P 64,901,275,462

	Notes	2010	2009	2008
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Interest-bearing loans and borrowings	14	**P 1,311,354,897**	P 850,744,029	P 348,831,327
Bonds payable	15	**3,416,062,159**	-	-
Trade and other payables	16	**4,037,713,348**	3,662,373,258	2,689,022,672
Customers' deposits	2	**1,013,053,489**	960,106,021	1,024,881,409
Income tax payable		**29,061,975**	50,108,777	10,816,032
Reserve for property development	2	**3,640,068,354**	2,468,349,023	2,078,799,883
Deferred income on real estate sales	2	**2,220,540,650**	1,515,687,720	1,180,849,892
Other current liabilities	17	**1,741,665,060**	1,347,443,261	931,751,599
Total Current Liabilities		**17,409,519,932**	10,854,812,089	8,264,952,814
NON-CURRENT LIABILITIES				
Interest-bearing loans and borrowings	14	**6,128,583,476**	7,449,057,858	5,906,746,354
Bonds payable	15	**5,000,000,000**	8,608,407,826	3,696,290,569
Customers' deposits	2	**1,222,422,709**	892,800,498	969,510,257
Reserve for property development	2	**2,487,557,735**	2,023,028,273	1,743,300,891
Deferred income on real estate sales	2	**1,588,240,851**	1,217,863,024	1,014,902,786
Deferred tax liabilities - net	22	**3,249,030,654**	2,641,563,555	1,843,353,761
Advances from other related parties	23	**289,868,257**	625,936,481	836,258,246
Retirement benefit obligation	21	**116,039,185**	90,767,520	81,219,560
Other non-current liabilities	17	**1,019,123,375**	1,013,818,761	851,789,377
Total Non-current Liabilities		**21,100,866,242**	24,563,243,796	16,943,371,801
Total Liabilities		**38,510,386,174**	35,418,055,885	25,208,324,615
EQUITY	24			
Total equity attributable to parent company's shareholders		**57,776,023,630**	49,111,847,183	38,980,292,755
Non-controlling interest		**743,113,007**	723,869,377	712,658,092
Total Equity		**58,519,136,637**	49,835,716,560	39,692,950,847
TOTAL LIABILITIES AND EQUITY		**P 97,029,522,811**	P 85,253,772,445	P 64,901,275,462

See Notes to Consolidated Financial Statements.

MEGAWORLD CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2010, 2009 AND 2008
(Amounts in Philippine Pesos)

	Notes	2010	2009	2008
REVENUES				
Real estate sales	6	**P 13,110,567,020**	P 12,574,801,962	P 12,430,321,088
Interest income on real estate sales	6	**933,424,160**	714,213,230	612,320,924
Realized gross profit on prior years' sales	2	**1,355,982,007**	1,277,434,472	752,681,262
Rental income	11	**2,694,310,554**	2,000,477,427	1,300,910,039
Hotel operations	2	**232,757,023**	216,143,646	246,919,573
Equity in net earnings of associates, interest and other income - net	19	**2,214,742,331**	975,587,944	1,954,942,770
		20,541,783,095	17,758,658,681	17,298,095,656
COSTS AND EXPENSES				
Real estate sales	2	**8,606,699,164**	7,940,756,662	8,082,125,043
Deferred gross profit	2	**2,431,379,388**	1,815,065,914	1,624,410,655
Operating expenses	18	**2,140,225,634**	1,808,120,886	1,744,978,492
Interest and other charges - net	20	**544,401,114**	587,544,169	990,784,498
Hotel operations	2	**124,463,666**	103,017,443	110,169,420
Tax expense	22	**1,609,101,525**	1,437,541,131	951,101,304
		15,456,270,491	13,692,046,205	13,503,569,412
NET PROFIT FOR THE YEAR		**P 5,085,512,604**	P 4,066,612,476	P 3,794,526,244
Net profit attributable to:				
Parent company's shareholders		**P 5,026,180,575**	P 4,055,401,191	P 3,771,127,007
Non-controlling interest		**59,332,029**	11,211,285	23,399,237
		P 5,085,512,604	P 4,066,612,476	P 3,794,526,244
Earnings per Share				
Basic and Diluted	25	**P 0.200**	P 0.176	P 0.187

See Notes to Consolidated Financial Statements.

MEGAWORLD CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2010, 2009 AND 2008
(Amounts in Philippine Pesos)

	Notes	2010	2009	2008
NET PROFIT FOR THE YEAR		P 5,085,512,604	P 4,066,612,476	P 3,794,526,244
OTHER COMPREHENSIVE INCOME (LOSS)				
Net unrealized gains (losses) on available-for-sale (AFS) financial assets	8	4,031,843,227	1,211,879,519	(1,250,778,389)
Reversal of unrealized losses on AFS financial assets of a deconsolidated subsidiary		63,656,553	-	-
Reclassification adjustments for gains (losses) of disposed AFS financial assets included in profit or loss	8	(473,319,584)	276,543,393	(51,926,367)
Share in other comprehensive income of associates		71,176,649	-	-
		3,693,356,845	1,488,422,912	(1,302,704,756)
Translation adjustments		(186,558,030)	(86,806,621)	410,292,926
Less related tax	22, 2.4	55,967,408	26,041,986	(11,728,077)
		(130,590,622)	(60,764,635)	398,564,849
		3,562,766,223	1,427,658,277	(904,139,907)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		P 8,648,278,827	P 5,494,270,753	P 2,890,386,337
Total comprehensive income attributable to:				
Parent company's shareholders		P 8,588,946,798	P 5,483,059,468	P 2,866,987,100
Non-controlling interest		59,332,029	11,211,285	23,399,237
		P 8,648,278,827	P 5,494,270,753	P 2,890,386,337

See Notes to Consolidated Financial Statements.

MEGAWORLD CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2010, 2009 AND 2008
(Amounts in Philippine Pesos)

	Notes	2010	2009	2008
CAPITAL STOCK	24			
Balance at beginning of year		P 25,829,203,626	P 20,701,646,901	P 20,701,646,901
Additional issuance during the year		-	5,127,556,725	-
Balance at end of year		25,829,203,626	25,829,203,626	20,701,646,901
ADDITIONAL PAID-IN CAPITAL	24	8,432,990,413	8,432,990,413	8,432,990,413
TREASURY STOCK - at cost	24			
Balance at beginning of year		(1,188,836,744)	(1,188,836,744)	(871,543,094)
Reduction representing the shares held by a deconsolidated subsidiary		555,115,114	-	-
Additions during the year		-	-	(317,293,650)
Balance at end of year		(633,721,630)	(1,188,836,744)	(1,188,836,744)
NET UNREALIZED GAINS (LOSSES) ON AVAILABLE-FOR-SALE FINANCIAL ASSETS	8			
Balance at beginning of year		116,256,567	(1,372,166,345)	(69,461,589)
Other comprehensive income (loss) for the year		3,693,356,845	1,488,422,912	(1,302,704,756)
Balance at end of year		3,809,613,412	116,256,567	(1,372,166,345)
ACCUMULATED TRANSLATION ADJUSTMENTS	2.4			
Balance at beginning of year		(121,744,648)	(60,980,013)	(459,544,862)
Other comprehensive income (loss) for the year, net of tax		(130,590,622)	(60,764,635)	398,564,849
Balance at end of year		(252,335,270)	(121,744,648)	(60,980,013)
RETAINED EARNINGS				
Balance at beginning of year		16,043,977,969	12,467,638,543	9,098,865,349
Net profit attributable to parent company's shareholders		5,026,180,575	4,055,401,191	3,771,127,007
Cash dividends	24	(479,885,465)	(479,061,765)	(402,353,813)
Balance at end of year		20,590,273,079	16,043,977,969	12,467,638,543
Total Equity Attributable to Parent Company's Shareholders		57,776,023,630	49,111,847,183	38,980,292,755
NON-CONTROLLING INTEREST				
Balance at beginning of year		723,869,377	712,658,092	772,956,023
Deductions		(40,088,399)	-	(83,697,168)
Net profit attributable to non-controlling interest		59,332,029	11,211,285	23,399,237
Balance at end of year		743,113,007	723,869,377	712,658,092
TOTAL EQUITY		P 58,519,136,637	P 49,835,716,560	P 39,692,950,847

See Notes to Consolidated Financial Statements.

MEGAWORLD CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2010, 2009 AND 2008
(Amounts in Philippine Pesos)

	Notes	2010	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		P 6,694,614,129	P 5,504,153,607	P 4,745,627,548
Adjustments for:				
Interest income	19	(835,944,617)	(690,238,144)	(1,486,040,236)
Finance costs	20	516,440,321	556,326,705	766,416,111
Depreciation and amortization	18	443,203,639	365,795,590	238,834,323
Equity in net earnings of associates	10, 19	(442,281,307)	(157,958,213)	(109,464,838)
Fair value losses (gains) - net	19, 20	(83,500,000)	(24,100,000)	42,653,717
Dividend income	19	(40,630,134)	(44,247,127)	(48,880,085)
Operating profit before working capital changes		6,251,902,031	5,509,732,418	4,149,146,540
Increase in trade and other receivables		(5,467,069,558)	(6,201,387,858)	(5,394,041,435)
Decrease (increase) in residential and condominium units for sale		412,044,886	127,249,526	(37,609,566)
Decrease (increase) in property development costs		(77,405,610)	112,428,459	557,922,101
Decrease (increase) in prepayments and other current assets		(69,471,133)	22,311,370	104,566,830
Increase in advances to landowners and joint ventures		(1,500,000,001)	(872,978,395)	(165,664,462)
Increase (decrease) in trade and other payables		204,094,188	854,376,714	(222,761,682)
Increase (decrease) in customers' deposits		382,569,679	(141,485,147)	(397,825,551)
Increase in deferred income on real estate sales		1,075,230,757	537,798,066	871,380,840
Increase in reserve for property development		1,636,248,793	669,276,522	1,228,583,888
Increase in other liabilities		424,798,078	415,691,663	283,434,290
Cash generated from operations		3,272,942,110	1,033,013,338	977,131,793
Cash paid for income taxes		(946,782,440)	(559,614,717)	(568,856,191)
Net Cash From Operating Activities		2,326,159,670	473,398,621	408,275,602
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to:				
Investment property	11	(991,266,588)	(2,261,263,607)	(1,759,545,786)
Land for future development		(213,000,015)	-	(204,162,180)
Property and equipment	12	(62,373,098)	(33,162,257)	(64,209,436)
Interest received		835,944,617	689,655,133	1,228,937,506
Net decrease (increase) in other non-current assets		(221,527,843)	17,607,943	(19,963,210)
Net decrease (increase) in available-for-sale securities		472,360,615	2,912,115,871	(1,237,996,955)
Net increase in investments in and advances to associates and other related parties		(408,034,396)	(238,527,057)	(2,631,219,346)
Dividends received	19	40,630,134	44,247,127	48,880,085
Payments made for the subscribed common stock of an associate	10	-	(1,583,687,182)	(1,967,194,514)
Proceeds from disposals of property and equipment		-	-	341,384
Proceeds from sale of investments in subsidiaries and associate		-	-	1,205,107,503
Net decrease in financial assets at fair value through profit or loss		-	-	1,016,639,571
Payments made for the acquisitions of new subsidiaries		-	-	(140,725,295)
Net Cash Used in Investing Activities		(547,266,574)	(453,014,029)	(4,525,110,673)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from exercise of stock rights	24	2,272,642,649	2,854,914,076	-
Interest paid		(1,323,861,629)	(896,733,166)	(519,186,181)
Payments of long-term liabilities		(1,052,209,181)	(348,831,328)	(457,345,854)
Cash dividends paid	24	(519,885,465)	(479,061,765)	(402,353,813)
Proceeds from long-term liabilities	14	-	7,400,000,000	4,500,000,000
Acquisition of treasury stock	24	-	-	(317,293,650)
Net Cash From (Used in) Financing Activities		(623,313,626)	8,530,287,817	2,803,820,502
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		1,155,579,470	8,550,672,409	(1,313,014,569)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		20,876,005,473	12,325,333,064	13,638,347,633
CASH AND CASH EQUIVALENTS AT END OF YEAR		P 22,031,584,943	P 20,876,005,473	P 12,325,333,064

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).

See Notes to Consolidated Financial Statements.

MEGAWORLD CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2010, 2009 AND 2008
(Amounts in Philippine Pesos)

1. CORPORATE INFORMATION

Megaworld Corporation (the Company or parent 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 space.

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), also a publicly listed company in the Philippines, is the Group's ultimate parent company. AGI is a holding company and also presently engaged in the food and beverage business, real estate and quick service restaurant. AGI's registered office, which is also its primary place of business, is located at the 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 2010	2009	2008
Subsidiaries:				
Megaworld Land, Inc. (MLI)		**100%**	100%	100%
Prestige Hotels and Resorts, Inc. (PHRI)	(a)	**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)	(b)	**100%**	100%	100%
Stonehaven Land, Inc. (SLI)	(b)	**100%**	100%	100%
Streamwood Property, Inc. (SPI)	(b)	**100%**	100%	100%
Megaworld-Daewoo Corporation (MDC)		**60%**	60%	60%
Megaworld Central Properties, Inc. (MCPI)		**51%**	51%	51%
Megaworld Resort Estates, Inc. (MREI)	(c)	**51%**	51%	51%
Megaworld Globus Asia, Inc. (MGAI)		**50%**	50%	50%
Philippine International Properties, Inc. (PIPI)	(d)	**50%**	50%	50%
Townsquare Development, Inc. (TDI)	(e)	**31%**	31%	31%

Subsidiaries/Associates	Explanatory Notes	Percentage of Ownership 2010	2009	2008
Associates:				
Empire East Land Holdings, Inc. (EELHI)		**48.38%**	48.38%	48.38%
Suntrust Home Developers, Inc. (SHDI)		**42.48%**	42.48%	42.48%
Palm Tree Holdings and Development Corporation (PTHDC)		**40%**	40%	40%
Gilmore Property Marketing Associates, Inc. (GPMAI)	(f)	**39.83%**	31%	31%
Alliance Global Properties Ltd. (AGPL)	(g)	**39.44%**	44.34%	-
Travellers International Hotel Group, Inc. (TIHGI)	(h)	**10%**	10%	10%

Explanatory Notes:

(a) Wholly owned subsidiary of MLI.

(b) Acquired subsidiaries in 2008 but have not yet started commercial operations as of December 31, 2010.

(c) Subsidiary was incorporated in 2007. MREI owns 100% of TDI and GPMAI as of December 31, 2007. In June 2008, MREI's ownership in TDI and GPMAI decreased to 60% which resulted in the Company's indirect interest of 31% as of December 31, 2009 and 2008. MREI has not yet started commercial operations as of December 31, 2010.

(d) Subsidiary was incorporated in 2002 and acquired by the Company in 2006; has not yet started commercial operations as of December 31, 2010.

(e) Subsidiary was incorporated in 2006. In September 2007, the Company's 100% ownership in TDI was acquired by MREI which resulted in the Company's indirect interest of 51% as of December 31, 2007. In June 2008, TDI issued additional shares of stock which resulted in a decrease in MREI's ownership in TDI to 60%. In this regard, the Company has indirect interest in TDI of 31% as of December 31, 2010, 2009 and 2008.

(f) In November 2007, MREI acquired 100% ownership in GPMAI which resulted in the Company's indirect interest of 51% as of December 31, 2007. In 2008, MREI's ownership in GPMAI decreased to 60%; it further decreased to 28.85% in 2010. GPMAI was consolidated starting 2007 up to 2009; in 2010, it was deconsolidated and treated as an associate of the Group. As of December 31, 2010, the Company has 39.83% indirect interest in GPMAI.

(g) 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, on AGPL.

(h) The associate 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, in November 2010, TIHGI redeemed the 430.0 million 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 classified as an associate due to the Company's significant influence on TIHGI.

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 (the Group), except for MREI, PIPI, PPVI, SLI and SPI which are not yet in commercial operations as of December 31, 2010, 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, 2010 (including the comparatives for the years ended December 31, 2009 and 2008) were authorized for issue by the Company's Board of Directors (BOD) on March 15, 2011.

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.

The consolidated financial statements have been prepared using the measurement basis specified by PFRS for each type of asset, liability, income and expense. 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) (Revised 2007), *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.

The Group has opted to present two comparative periods for the consolidated statement of financial position even when it is not required to do so.

(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 Interpretations, Revisions and Amendments to PFRS

(a) Effective in 2010 that are Relevant to the Group

In 2010, the Group adopted the following revisions, interpretations and annual improvements to existing PFRS that are relevant to the Group and effective for its consolidated financial statements for the annual period beginning on or after January 1, 2010.

PAS 27 (Revised)	:	Consolidated and Separate Financial Statements
PFRS 3 (Revised 2008)	:	Business Combinations
Philippine Interpretation International Financial Reporting Interpretations Committee (IFRIC) 17	:	Distribution of Non-cash Assets to Owners
Various Standards	:	2009 Annual Improvements to PFRS

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

(i) PAS 27 (Revised 2008), *Consolidated and Separate Financial Statements* (effective from July 1, 2009). The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value and a gain or loss is recognized in profit or loss. The adoption of the standard did not result in any adjustment to the financial statements as there was no gain or loss recognized from the changes in the Group's ownership interests in GPMAI and AGPL.

(ii) PFRS 3 (Revised 2008), *Business Combinations* (effective from July 1, 2009). The revised standard continues to apply the acquisition method to business combination with significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the profit or loss. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share in the acquiree's identifiable assets. All acquisition-related costs should be expensed. The adoption of the revised standard has no significant effect on the 2010 consolidated financial statements as the Group did not have any business acquisition during the year.

(iii) Philippine Interpretation IFRIC 17, *Distribution of Non-cash Assets to Owners* (effective from July 1, 2009). IFRIC 17 clarifies that dividend payable should be recognized when the dividend is appropriately authorized and is no longer at the discretion of the entity. Also, an entity should measure the dividend payable at the fair value of the net assets to be distributed and the difference between the dividend paid and the carrying amount of the net assets distributed should be recognized in profit or loss. The Group's adoption of this interpretation did not have a material impact on the financial statements because the Group did not distribute non-cash assets to stockholders during the year.

(iv) 2009 Annual Improvements to PFRS. The FRSC has adopted the *Improvements to PFRS 2009*. Most of these amendments became effective for annual periods beginning on or after July 1, 2009, or January 1, 2010. Among those improvements, only the following amendments were identified to be relevant to the Group's consolidated financial statements but which did not also have any material impact on its consolidated financial statements:

- PAS 1 (Amendment), *Presentation of Financial Statements* (effective from January 1, 2010). The amendment clarifies the current and non-current classification of a liability that can, at the option of the counterparty, be settled by the issue of the entity's equity instruments.

- PAS 7 (Amendment), *Statement of Cash Flows* (effective from January 1, 2010). The amendment clarifies that only an expenditure that results in a recognized asset can be classified as a cash flow from investing activities. Under its current policies, only recognized assets are classified by the Group as cash flows from investing activities.

- PAS 17 (Amendment), *Leases* (effective from January 1, 2010). The amendment clarifies that when a lease includes both land and building elements, an entity assesses the classification of each element as finance or an operating lease separately in accordance with the general guidance on lease classification set out in PAS 17. The Group currently has no lease agreements that include both land and building.

- PAS 18 (Amendment), *Revenue* (effective from January 1, 2010). The amendment provides guidance on determining whether an entity is acting as a principal or as an agent. Presently, the Group is the principal in all of its business undertakings.

- PAS 36 (Amendment), *Impairment of Assets* (effective from January 1, 2010). PAS 36 clarifies that the largest unit permitted for the purpose of allocating goodwill to cash-generating units for goodwill impairment is the operating segment level defined in PFRS 8 before aggregation.

- PAS 38 (Amendment), *Intangible Assets* (effective from July 1, 2009). The amendment clarifies the description of valuation techniques commonly used by entities when measuring the fair value of intangible assets acquired in a business combination that are not traded in active markets.

- PFRS 8 (Amendment), *Operating Segments* (effective from January 1, 2010). It clarifies that a measure of segment assets should be disclosed only if the amount is regularly provided to the chief operating decision maker (CODM). The Company reports total assets for each of its reportable segments as they are regularly provided to the CODM, hence, does not have any significant effect on the Company's segment reporting.

(b) Effective in 2010 that are not Relevant to the Group

The following amendment and interpretations to published standards are mandatory for accounting periods beginning on or after January 1, 2010 but are not relevant to the Group's consolidated financial statements:

PAS 39 (Amendment)	:	Financial Instruments: Recognition and Measurement – Eligible Hedged Items
PFRS 1 (Amendment)	:	Additional Exemptions for First-time Adopters
PFRS 2 (Amendment)	:	Group Cash-settled Shared-based Payment Transactions
Philippine Interpretations		
IFRIC 9	:	Embedded Derivatives – Amendments to IFRIC 9 and PAS 39
IFRIC 18	:	Transfers of Assets from Customers

(c) Effective Subsequent to 2010

There are new PFRS and revisions, amendments, annual improvements and interpretations to existing standards that are effective for periods subsequent to 2010. 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 12 (Amendment), *Income Taxes* (effective from January 1, 2012). An entity is required to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. However, when the asset is measured using the fair value model in PAS 40, *Investment Property*, it can be difficult and subjective to assess whether recovery will be through use or through sale; accordingly, an amendment to PAS 12 was made.

As a practical solution to the problem, the amendment introduces a presumption that recovery of the carrying amount will be or normally be through sale. Consequently, Standing Interpretations Committee (SIC) - 21 *Income Taxes – Recovery of Revalued Non-Depreciable Assets* would no longer apply to investment properties carried at fair value. The amendments also incorporate into PAS 12 the remaining guidance previously contained in SIC-21, which is accordingly withdrawn.

Since the amendment is related to the issuance of PFRS 9 in 2009, management is still evaluating the effect of this amendment to the Company's financial statements in conjunction with its adoption of PFRS 9 in 2013 (see PFRS 9 below).

(ii) PAS 24 (Revised), *Related Party Disclosures* (effective from January 1, 2011). Earlier application of the standard, in whole or in part, is permitted but the Group opted not to early adopt the standard. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The Group is currently reviewing the impact of the standard on its related party disclosures in time for its adoption of the revised standard in 2011.

(iii) PAS 32 (Amendment), *Financial Instruments: Presentation – Classification of Rights Issues* (effective from February 1, 2010). The amendment addresses the accounting for rights issues (rights, options or warrants) that are denominated in a currency other than the functional currency of the issuer. In particular, when the amendment is applied, rights (and similar derivatives) to acquire a fixed number of an entity's own equity instruments for a fixed price stated in a currency other than the entity's functional currency, would be equity instruments, provided the entity offers the rights pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. The adoption of this amendment is not expected to have a significant effect on the Group's financial statements as it does not frequently issue rights that are denominated in currency other than its functional currency.

(iv) Philippine Interpretation IFRIC 14, *Prepayments of a Minimum Funding Requirement – Amendment to IFRIC 14* (effective from January 1, 2011). This interpretation addresses unintended consequences that can arise from the previous requirements when an entity prepays future contributions into a defined benefit pension plan. It sets out guidance on when an entity recognizes an asset in relation to a PAS 19, *Employee Benefits*, surplus for defined benefit plans that are subject to a minimum funding requirement. Management does not expect that its future adoption of the amendment will have a material effect on its consolidated financial statements because it does not usually make substantial advance contributions to its retirement fund.

(v) Philippine Interpretation IFRIC 15, *Agreements for Construction of Real Estate*, (effective from January 1, 2012). This interpretation provides guidance on how to determine whether an agreement for the construction of real estate is within the scope of PAS 11, *Construction Contracts*, or PAS 18, *Revenue*, and accordingly, when revenue from the construction should be recognized. The main expected change in practice is a shift from recognizing revenue using the percentage-of-completion method (i.e., as a construction progresses, by reference to the stage of completion of the development) to recognizing revenue at a single time (i.e., at completion upon or after delivery). The Group will adopt this interpretation in 2012 and is currently evaluating the impact of such adoption in the consolidated financial statements.

(vi) Philippine Interpretation IFRIC 19, *Extinguishing Financial Liabilities with Equity Instruments* (effective from July 1, 2010). It addresses accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor to extinguish all or part of the financial liability. These transactions are sometimes referred to as "debt for equity" exchanges or swaps. The interpretation requires the debtor to account for a financial liability which is extinguished by equity instruments as follows:

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

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

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

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

Management has determined that the adoption of the interpretation will not have a material effect on its consolidated financial statements as management does not anticipate to extinguish financial liabilities through equity swap in the subsequent periods.

(vii) PFRS 7 (Amendment), *Financial Instruments: Disclosures* (effective for annual periods beginning on or after July 1, 2011). The amendments will allow users of financial statements to improve their understanding of transfer transactions of financial assets (e.g., securitizations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken at the end of a reporting period. The Group believes that adoption of the amendments in 2012 will not have any significant effect on its consolidated financial statements as they only affect disclosures and the Group usually provides adequate information in its financial statements in compliance with disclosure requirements.

(viii) PFRS 9, *Financial Instruments* (effective from January 1, 2013). PAS 39 will be replaced by PFRS 9 in its entirety which is being issued in phases. The main phases are (with a separate project dealing with derecognition):

- Phase 1: Classification and Measurement
- Phase 2: Impairment Methodology
- Phase 3: Hedge Accounting

To date, the chapters dealing with recognition, classification, measurement and derecognition of financial assets and liabilities have been issued. These chapters are effective for annual periods beginning January 1, 2013. Other chapters dealing with impairment methodology and hedge accounting are still being finalized.

Management is yet to assess the impact that this amendment is likely to have on the consolidated financial statements of the Group. However, it does not expect to implement the amendments until all chapters of PFRS 9 have been published at which time the Group expects it can comprehensively assess the impact of the revised standard.

(ix) 2010 Annual Improvements to PFRS. The FRSC has adopted the *Improvements to PFRS 2010* (the 2010 Improvements). Most of these amendments became effective for annual periods beginning on or after July 1, 2010, or January 1, 2011. The 2010 Improvements amend certain provisions of PFRS 3 (Revised 2008), clarify presentation of the reconciliation of each of the components of other comprehensive income and clarify certain disclosure requirements for financial instruments. The Group's preliminary assessments indicate that the 2010 Improvements will not have a material impact on its consolidated financial statements.

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 and unrealized profits and losses from intercompany transactions that are recognized in assets are also 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 interest (previously called "minority interest") 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 previous equity interest in the acquiree over the fair value of the group's share of the identifiable net assets acquired is recognized as goodwill (see also Note 2.10). If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in 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 part of Equity in Net Earnings of Associates, Interest and Other Income - net in the Group's consolidated statement 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 Interest*

The Group applies a policy of treating transactions with non-controlling interest 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 amounts previously recognized in other comprehensive income in respect of that entity are 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.

Upon adoption in 2010 of PAS 27 (Revised 2008), *Consolidated and Separate Financial Statements*, the Group has changed its accounting policy for transactions with non-controlling interests and the accounting for loss of control or significant influence. It has applied the new policy prospectively as required by the standards beginning January 1, 2010. As a result, no adjustments were necessary to any of the amounts previously recognized and reported in the consolidated financial statements.

Before the adoption of the revised PAS 27, transactions with non-controlling interests were treated as transactions with parties external to the Group. As such, disposals resulted in gains or losses in profit or loss and purchases resulted in the recognition of goodwill. On disposal or partial disposal, a proportionate interest in reserves attributable to the subsidiary was reclassified to profit or loss or directly to retained earnings.

Also previously, when the Group ceased to have control or significant influence over an entity, the carrying amount of the investment at the date control or significant influence was lost became its cost for the purposes of subsequently accounting for the retained interests as associates, jointly controlled entity or financial assets.

2.4 Foreign Currency Transactions

(a) Functional and Presentation Currency

Except for MCII, RHGI and AGPL, which use the U.S. dollars as their functional currency, the accounting records of the Group are maintained in Philippine pesos. Items included in the consolidated financial statements of the Group are measured using the currency of the primary economic environment in which the Company operates (the functional currency). The consolidated financial statements are presented in Philippine pesos, which is the Company's functional and presentation currency.

(b) Transactions and Balances

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 Charges – net in the consolidated statement of income.

(c) 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 reporting date;

(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 parent company's shareholders.

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

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 date. All financial assets that are not classified as at fair value through profit or loss are initially recognized at fair value plus any directly attributable transaction costs. Financial assets carried at fair value through profit or loss are initially recorded at fair value and transaction costs related to it are recognized in profit or loss.

The Group's financial instruments are currently lodged in the following classifications:

(a) Financial Assets at FVTPL

This category includes financial assets that are either classified as held for trading or that meet 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 assets 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. Any change in their value is recognized in profit or loss. Impairment loss is provided when there is objective evidence that the Group will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the impairment loss is determined as the difference between the assets' carrying amount and the present value of estimated cash flows.

Loans and receivables are presented as Cash and Cash Equivalents, Trade and Other Receivables, 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, less accumulated impairment losses, if any. An impairment loss is provided when there is 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 Financial Assets

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 Available-for-Sale 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 financial assets 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 Financial Assets 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 Equity in Net Earnings of Associates, 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.

A financial asset is presented net of a financial liability when the Group: (a) currently has a legally enforceable right to set off the recognized amounts; and (b) intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

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

Derecognition of financial assets occurs when the rights to receive cash flows from the financial 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 the 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.

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 residential and condominium units sold presented in the consolidated statement of income with a corresponding credit to the liability account Reserve for Property Development account.

Property Development Costs and Residential and Condominium Units for Sale 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. Any impairment loss from a real estate project is charged to operations during the period in which the loss is determined (see also Note 2.15).

2.7 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, (see also Note 2.15). Depreciation of investment property is computed using the straight-line method over the estimated useful lives of the assets ranging from 5 to 25 years.

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.

2.8 Property and Equipment

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

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. 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 and any resulting gain or loss is reflected in income for the period.

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

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 2.15).

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. 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.

2.9 *Financial Liabilities*

Financial liabilities of the Group include Interest-bearing Loans and Borrowings, Bonds Payable, Trade and Other 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 comprehensive 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 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 are initially recognized at their fair value and subsequently measured at amortized cost less settlement payments.

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

A financial liability is presented net of a financial asset when the Group: (a) currently has a legally enforceable right to set off the recognized amounts; and (b) intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

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

2.10 *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 2.15). 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.

Prior to January 1, 2010, certain items are treated as follows as opposed to how they will now be treated based on the changes in accounting policy of the Group as a result of the adoption of the revised PFRS 3 and PAS 27 (see Note 2.2):

(a) Transaction costs directly attributable to business acquisition previously formed part of the acquisition costs. These costs are now required to be expensed.

(b) The non-controlling interest was previously measured at the proportionate share of the acquiree's identifiable net assets. There is now an option to measure this at fair value.

(c) Business combinations achieved in stages were accounted for as separate steps or acquisitions. Any additional shares acquired of interest did not affect previously recognized goodwill. Currently, business combination achieved in stages requires the acquirer 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 profit or loss or other comprehensive income, as appropriate.

(d) Contingent consideration was recognized if, and only if, payment was probable; i.e. the Group had a present obligation, the economic outflow was more likely than not, and a reliable estimate is determinable. Subsequent adjustment to the contingent consideration was recognized as an adjustment to goodwill. Changes in the fair value of contingent consideration as a result of additional information that existed after the acquisition date are now accounted for as follows:

(i) Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

(ii) Contingent consideration classified as an asset or liability that:

- is a financial instrument and is within the scope of PFRS 9 or PAS 39 is measured at fair value, with any resulting gain or loss recognized either in profit or loss or in other comprehensive income in accordance with PFRS 9 or PAS 29, as applicable.

- is not within the scope of PFRS 9 or PAS 39 is accounted for in accordance with PAS 37 or other PFRSs, as appropriate.

2.11 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 is the same as those used in its consolidated financial statements. 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.

2.12 Provisions and Contingencies

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

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

2.13 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 value-added tax (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 statement 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 statement of financial position.

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

Any adjustments relative to previous years' sales are recorded in the current year as they occur.

(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 and hotel income* – 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 and refundable rental deposits are recorded as deferred rental income. Deferred rental income is measured at amortized cost using the effective interest rate method.

(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 2.17) 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 the profit or loss upon utilization of the service or receipt of goods or at the date they are incurred.

2.14 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 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.

2.15 Impairment of Non-financial Assets

The Group's Investments in Associates, Goodwill (included as part of Other Non-current Assets), Investment Property, Land for Future Development, and Property and Equipment are subject to impairment testing. 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. The recoverable amount is the higher of fair value, reflecting market conditions less costs-to-sell, and value-in-use, based on an internal discounted cash flow evaluation. Impairment loss is charged pro-rata to other assets in the cash generating unit.

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

2.16 Employee Benefits

(a) Post-employment Benefit

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

A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for any benefits from this kind of post-employment plan remains with the Group, even if plan assets for funding the defined benefit plan have been acquired. Plan assets may include assets specifically designated to a long-term benefit fund, as well as qualifying insurance policies. The Group's post-employment 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 statement of financial position for post-employment defined benefit pension 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 interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related post-employment liability.

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

(b) Compensated Absences

Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the end of the reporting period. They are included in 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.

2.17 Borrowing Costs

For financial reporting purposes, borrowing costs are recognized as expenses in the period in which they are incurred, except to the extent that they are capitalized. Borrowing costs that are attributable to the acquisition, construction or production of a qualifying asset (i.e., an asset that takes a substantial period of time to get ready for its intended use or sale) are capitalized as part of 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.

2.18 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 income 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 the 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.

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 a change in value of assets or liabilities that is charged directly to equity are charged or credited directly to equity.

2.19 Related Party 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. This includes: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Company; (b) associates; and (c) individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the Company 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.

2.20 Equity

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

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

Treasury stock is stated at the cost of re-acquiring such shares.

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

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

Retained earnings include all current and prior period results of operations as reported in the consolidated statement of income.

2.21 Earnings Per Share

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

Diluted earnings per share is computed by adjusting the weighted average number of ordinary shares outstanding to assume conversion of potential dilutive common shares. As of December 31, 2010, 2009 and 2008, the Group does not have potential dilutive common shares.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

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

3.1 Critical Management Judgments in Applying Accounting Policies

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

(a) Impairment of AFS 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 operational and financing cash flows. Based on the recent evaluation of information and circumstances affecting the Group's AFS financial assets, management concluded that the assets are not impaired as of December 31, 2010, 2009 and 2008. Future changes in those information and circumstance might significantly affect the carrying amount of the assets.

(b) Distinction Between Investment Properties, 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 generate 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.

(c) 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) 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 2.12 and relevant disclosures of 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 realized 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.

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

In determining the net realizable value of residential and condominium units for sale and property development costs, 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 Company's Residential and Condominium Units for Sale and Property Development Costs 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 value of the Company's Residential and Condominium Units for Sale and Property Development Costs amounted to P6.3 billion and P3.8 billion, respectively, as of December 31, 2010, P5.7 billion and P3.7 billion, respectively, as of December 31, 2009 and P5.8 billion and P2.8 billion, respectively, as of December 31, 2008.

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

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.

For financial assets, fair value determination is discussed in Note 2.5.

(d) 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. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in the factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of property and equipment and investment property would increase recorded operating expenses and decrease non-current assets.

Investment Property, net of accumulated depreciation, amounted to P9.7 billion, P9.1 billion and P7.1 billion as of December 31, 2010, 2009 and 2008, respectively (see Note 11). Property and equipment, net of accumulated depreciation and amortization, amounted to P360.5 million, P381.2 million and P430.2 million as of December 31, 2010, 2009 and 2008, respectively (see Note 12).

(e) Allowance for Impairment of Trade and Other Receivables

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

Allowance for impairment on Trade and Other Receivables amounted to P3.3 million at the end of 2010, P7.9 million at the end of 2009 and P8.0 million at the end of 2008 (see 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 financial assets are disclosed in Notes 5, 7 and 8, respectively.

(g) *Realizable Amount of Deferred Tax Assets*

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

Net deferred tax assets amounted to P7.9 million as of December 31, 2010 and 2009, and P2.4 million as of December 31, 2008 (see Note 22).

(h) *Impairment of Non-financial Assets*

Except for intangible assets with indefinite useful lives, PFRS requires that an impairment review be performed when certain impairment indicators are present. The Group's policy on estimating the impairment of non-financial assets is discussed in detail in Note 2.15. 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 2010, 2009 and 2008 based on management's assessment.

(i) *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 21.2 and include, among others, discount rates, expected return on plan assets and salary increase rate. In accordance with PFRS, actual results that differ from the assumptions are accumulated and amortized over future periods and, therefore, generally affect the recognized expense and recorded obligation in such future periods.

The retirement benefit obligation amounted to P116.0 million, P90.8 million and P81.2 million as of December 31, 2010, 2009 and 2008, respectively (see Note 21.2).

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 2.11. 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, 2010, 2009 and 2008 and certain asset and liability information regarding segments at December 31, 2010, 2009 and 2008.

2010

	Real Estate	Rental	Hotel Operations	Corporate and Others	Elimination	Consolidated
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 -	P19,135,518,279
Intersegment sales	-	52,014,865	-	179,885,935	(231,900,800)	-
Total revenues	P 15,399,973,187	P 2,746,325,419	P 232,757,023	P 988,363,450	(P 231,900,800)	P19,135,518,279
RESULTS						
Segment results	P 3,042,478,040	P 2,062,875,628	P 38,125,649	P 752,871,759	P 25,888,854	P 5,922,239,930
Unallocated expenses						(117,450,295)
Income from operations						5,804,789,635
Interest income	-	-	-	835,944,617	-	835,944,617
Finance costs	-	-	-	(516,440,321)	-	(516,440,321)
Equity in net earnings of associates	-	-	-	442,281,306	-	442,281,306
Fair value gains – net	-	-	-	83,500,000	-	83,500,000
Dividend income	-	-	-	40,630,134	-	40,630,134
Foreign currency gains – net	-	-	-	3,908,758	-	3,908,758
Profit before tax						6,694,614,129
Tax expense						(1,609,101,525)
Net profit before non-controlling interest						5,085,512,604
Non-controlling interest share in net profit						(59,332,029)
Net profit attributable to parent company's shareholders						P 5,026,180,575
ASSETS AND LIABILITIES						
Segment assets	P 63,241,644,678	P 5,919,037,407	P 178,376,810	P13,025,093,222	P -	P82,364,152,117
Investments in and advances to associates and other related parties - net	-	-	-	13,671,332,490	-	13,671,332,490
Unallocated assets	-	-	-	994,038,204	-	994,038,204
Total assets	P 63,241,644,678	P 5,919,037,407	P 178,376,810	P27,690,463,916	P -	P97,029,522,811
Segment liabilities	P 32,027,981,425	P 1,530,032,850	P 78,854,006	P 4,873,517,893	P -	P38,510,386,174
OTHER SEGMENT INFORMATION						
Project and capital expenditures	P 11,043,392,051	P 2,364,995,996	P 27,258,790	P 24,528,367	P -	P13,460,175,204
Depreciation and amortization	18,632,235	378,357,035	22,631,161	23,583,208	-	443,203,639

2009

	Real Estate	Rental	Hotel Operations	Corporate and Others	Elimination	Consolidated
TOTAL REVENUES						
Sales to external customers	P 14,566,449,663	P 2,000,477,427	P 216,143,646	P 59,044,461	P -	P 16,842,115,197
Intersegment sales	-	62,047,938	-	71,112,463	(133,160,401)	-
Total revenues	P 14,566,449,663	P 2,062,525,365	P 216,143,646	P 130,156,924	(P 133,160,401)	P 16,842,115,197
RESULTS						
Segment results	P 3,721,385,850	P 1,535,784,727	P 44,321,641	P 31,021,942	P 25,888,853	P 5,358,403,013
Unallocated expenses						(206,001,589)
Income from operations						5,152,401,424
Interest income	-	-	-	690,238,144	-	690,238,144
Finance costs	-	-	-	(556,326,705)	-	(556,326,705)
Equity in net earnings of associates	-	-	-	157,958,213	-	157,958,213
Dividend income	-	-	-	44,247,127	-	44,247,127
Fair value gains – net	-	-	-	24,100,000	-	24,100,000
Foreign currency loss – net	-	-	-	(8,464,596)	-	(8,464,596)
Profit before tax						5,504,153,607
Tax expense						(1,437,541,131)
Net profit before non-controlling interest						4,066,612,476
Non-controlling interest share in net profit						(11,211,285)
Net profit attributable to parent company's shareholders						P 4,055,401,191
ASSETS AND LIABILITIES						
Segment assets	P 55,378,759,577	P 5,072,588,995	P 182,070,130	P 11,172,314,788	P -	P 71,805,733,490
Investments in and advances to associates and other related parties - net	-	-	-	12,665,714,849	-	12,665,714,849
Unallocated assets	-	-	-	782,324,106	-	782,324,106
Total assets	P 55,378,759,577	P 5,072,588,995	P 182,070,130	P 24,620,353,743	P -	P 85,253,772,445
Segment liabilities	P 28,887,111,381	P 1,102,204,707	P 51,504,125	P 5,377,235,672	P -	P 35,418,055,885
OTHER SEGMENT INFORMATION						
Project and capital expenditures	P 8,450,184,072	P 2,212,988,366	P 36,106,669	P 1,205,765	P -	P 10,700,484,872
Depreciation and amortization	13,553,509	325,257,171	7,729,572	19,255,338	-	365,795,590

2008

	Real Estate	Rental	Hotel Operations	Corporate and Others	Elimination	Consolidated
TOTAL REVENUES						
Sales to external customers	P 13,795,323,274	P 1,300,910,039	P 246,919,573	P 310,557,611	P -	P15,653,710,497
Intersegment sales	-	76,532,769	-	76,702,719	(153,235,488)	-
Total revenues	P 13,795,323,274	P 1,377,442,808	P 246,919,573	P 387,260,330	(P 153,235,488)	P15,653,710,497
RESULTS						
Segment results	P 3,081,106,749	P 998,942,887	P 54,807,975	P 194,364,735	P 25,888,852	P 4,355,111,198
Unallocated expenses						(267,810,547)
Income from operations						4,087,300,651
Interest income	-	-	-	1,486,040,236	-	1,486,040,236
Finance costs	-	-	-	(766,416,111)	-	(766,416,111)
Foreign currency loss – net	-	-	-	(176,988,434)	-	(176,988,434)
Equity in net earnings of associates	-	-	-	109,464,838	-	109,464,838
Dividend income	-	-	-	48,880,085	-	48,880,085
Fair value losses – net	-	-	-	(42,653,717)	-	(42,653,717)
Profit before tax						4,745,627,548
Tax expense						(951,101,304)
Net profit before non-controlling interest						3,794,526,244
Non-controlling interest share in Net profit						(23,399,237)
Net profit attributable to parent company's shareholders						P 3,771,127,007
ASSETS AND LIABILITIES						
Segment assets	P 40,952,630,176	P 3,013,855,655	P 167,402,312	P 9,289,609,706	P -	P53,423,497,849
Investment in and advances to associates and other related parties - net	-	-	-	10,982,670,783	-	10,982,670,783
Unallocated assets	-	-	-	495,106,830	-	495,106,830
Total assets	P 40,952,630,176	P 3,013,855,655	P 167,402,312	P20,767,387,319	P -	P64,901,275,462
Segment liabilities	P 19,236,885,198	P 553,618,261	P 54,366,165	P 5,363,454,991	P -	P25,208,324,615
OTHER SEGMENT INFORMATION						
Project and capital expenditures	P 8,688,100,952	P 1,978,303,096	P 1,875,428	P 142,646,426	P -	P10,810,925,902
Depreciation and amortization	17,368,238	182,199,244	796,349	38,470,492	-	238,834,323

5. CASH AND CASH EQUIVALENTS

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

	2010	2009	2008
Cash on hand and in banks	**P 1,109,041,947**	P 6,384,861,752	P 731,319,856
Short-term placements	**20,922,542,996**	14,491,143,721	11,594,013,208
	P 22,031,584,943	P 20,876,005,473	P 12,325,333,064

Cash in banks and short-term placements 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 3.5% to 4.8% in 2010, 3.5% to 8.5% in 2009 and 3.0% to 8.5% in 2008.

6. TRADE AND OTHER RECEIVABLES

This account is composed of the following:

	2010	2009	2008
Current:			
Trade receivables	**P 12,899,356,339**	P 9,938,940,019	P 11,012,739,154
Allowance for impairment	**(3,324,211)**	(7,895,021)	(8,043,660)
	12,896,032,128	9,931,044,998	11,004,695,494
Advances to contractors and suppliers	**710,223,731**	570,214,061	382,752,035
Others	**527,545,525**	248,384,875	32,677,850
	14,133,801,384	10,749,643,934	11,420,125,379
Non-current:			
Trade receivables	**15,617,214,463**	13,533,275,932	6,660,823,617
Others	**-**	1,026,423	1,026,424
	15,617,214,463	13,534,302,355	6,661,850,041
	P 29,751,015,847	P 24,283,946,289	P 18,081,975,420

A reconciliation of the allowance for impairment at the beginning and end of 2010, 2009 and 2008 is shown below.

	2010	2009	2008
Balance at beginning of year	**P 7,895,021**	P 8,043,660	P 3,502,310
Write-off of trade receivables previously provided with allowance	**(4,570,810)**	(937,382)	(1,783,690)
Impairment loss during the year	**-**	788,743	6,325,040
	P 3,324,211	P 7,895,021	P 8,043,660

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 P933.4 million in 2010, P714.2 million in 2009 and P612.3 million in 2008; 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 resemble a large number of receivables from various customers. Certain 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 title to the real estate properties remains 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 marketable securities which are presented at their fair values determined directly by reference to published prices quoted in an active market as of December 31, 2010, 2009 and 2008. The changes in fair values of these financial assets are presented as Fair Value Gains - net in 2010 and 2009 under Equity in Net Earnings of Associates, Interest and Other Income - net (see Note 19) and as Fair Value Losses - net in 2008 under Interest and Other Charges - net (see Note 20) in the consolidated statements of income.

RHGI has sold certain marketable securities and recognized a net loss amounting to P5.3 million in 2008 which amounts are presented as part of Miscellaneous - net under the Interest and Other Charges account in the 2008 consolidated statement of income (see Note 20). In addition, RHGI entered into forward contracts covering U.S. dollars in 2007, which were settled in 2008. Foreign exchange losses on this transaction are presented as part of Foreign Currency Losses - net under Interest and Other Charges - net account in the 2008 consolidated statement of income (see Note 20).

8. INVESTMENTS IN AVAILABLE-FOR-SALE SECURITIES

AFS financial assets comprise the following as of December 31:

	2010	2009	2008
Investment in equity instruments	**P 5,535,716,669**	P 2,778,231,823	P 1,076,571,258
Investment in debt instruments	**675,467,827**	148,299,890	3,273,653,414
	P 6,211,184,496	P 2,926,531,713	P 4,350,224,672

The fair values of AFS financial assets have been determined directly by reference to published prices in an active market.

The aggregate cost of AFS financial assets as of December 31, 2010, 2009 and 2008 amounted to P2.4 billion, P2.8 billion and P5.7 billion, respectively. The fair value gains/losses arising from these financial assets which significantly comprised the movements in the carrying amounts of AFS, are reported as part of Net Unrealized Gains (Losses) on AFS Financial Assets in the consolidated statements of comprehensive income.

A portion of the AFS financial assets of RHGI placed with a certain bank is covered by a set-off provision. The amount of compensating loan set-off against AFS financial assets amounted to U.S.$3.1 million (P145.8 million) and U.S.$6.9 million (P325.6 million) as of December 31, 2009 and 2008, respectively. There was no compensating loan set-off against AFS financial assets in 2010.

A portion of the AFS financial assets are owned by RHGI and FTPHI, which are wholly owned subsidiaries of the Company. Hence, the movements in the AFS financial assets arising from fair value gains/losses are fully allocated to the parent 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 by 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 condominium 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:

	2010	2009	2008
Total commitment for cash advances	**P 1,500,000,000**	P 958,720,120	P 247,730,000
Total cash advances granted	**(1,500,000,000)**	(958,720,120)	(247,730,000)
	P -	P -	P -

The net commitment for construction expenditures amounts to:

	2010	2009	2008
Total commitment for construction expenditures	**P 7,911,278,595**	P 6,999,089,356	P 6,164,100,646
Total expenditures incurred	**(5,505,759,467)**	(4,014,820,948)	(3,244,787,600)
	P 2,405,519,128	P 2, 984,268,408	P 2,919,313,046

The Group's interests in jointly-controlled operations and projects range from 72% to 95% in 2010, 2009 and 2008. The listing and description of the Group's jointly controlled projects are as follows:

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

The aggregate amounts of the current assets, long-term assets, current liabilities, long-term liabilities, income and expenses as of and for the years ended December 31, 2010, 2009 and 2008 related to the Group's interests in joint ventures are not presented as the joint ventures in which the Group is involved are not jointly-controlled entities (see Note 2.3).

As of December 31, 2010 and 2009, 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

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

	% Interest Held as of End of 2010 (see Note 1)	2010	2009	2008
Investments in associates – at equity				
Acquisition costs:				
EELHI	48.38%	**P 5,726,128,415**	P 5,726,128,415	P 5,726,128,415
SHDI	42.48%	**875,445,000**	875,445,000	875,445,000
PTHDC	40.00%	**64,665,000**	64,665,000	64,665,000
GPMAI	39.83%	**98,806,194**	-	-
AGPL	39.44%	**2,463,056,417**	1,583,687,182	-
TIHGI	10.00%	**570,000,000**	1,000,000,000	1,000,000,000
		9,798,101,026	9,249,925,597	7,666,238,415
Accumulated equity in comprehensive income :				
Balance at beginning of year		**1,403,518,676**	1,245,560,463	1,148,146,700
Dividends received from TIHGI		**(90,736,000)**	-	-
Equity in net earnings for the year (see Note 19)		**442,281,307**	157,958,213	109,464,838
Share in other comprehensive income		**71,176,649**	-	-
Deduction due to sale of investment		**-**	-	(12,051,075)
Balance at end of year		**1,826,240,632**	1,403,518,676	1,245,560,463
Advances to associates and other related parties (see Note 23.3)		**2,046,990,832**	2,012,270,576	2,070,871,905
		P 13,671,332,490	P 12,665,714,849	P 10,982,670,783

The shares of stock of EELHI and SHDI are listed in the PSE. The total quoted or market value of investments in these two listed associates amounted to P3.3 billion, P2.7 billion and P2.4 billion as of December 31, 2010, 2009 and 2008, respectively. Overall, the related book values of the Group's holdings in all of its associates are substantially in excess of both the investments' cost and market values, hence, management has assessed that the recognition of impairment losses was not deemed necessary.

On April 30, 2008, AGI, TIHGI and the Company entered into a Deed of Exchange to swap certain real estate properties for TIHGI's shares of stock. The Company and AGI initially received 6.125 billion shares of TIHGI in exchange for parcels of land and the hotel and office buildings with approximate aggregate values of P6.125 billion at the time of exchange. Several transactions with other related parties covering the TIHGI's shares held by the Company took place thereafter, and as a result of these transactions, the Company holds 1.0 billion shares or 10% ownership in TIHGI as of December 31, 2010, 2009 and 2008.

In August 2010, TIHGI amended its Articles of Incorporation to convert P9.9 billion or 99% of its common shares to redeemable, voting and participating preferred shares. This was approved by the Securities and Exchange Commission on October 14, 2010. Consequently, the investment of the Company in TIHGI of 1.0 billion common shares was converted to 10.0 million common shares and 990.0 million preferred shares of TIHGI. As this was just a conversion of shares and did not change the Company's 10% ownership in TIHGI, no gain or loss from the transaction was recorded in the Company's books. In November 2010, TIHGI redeemed 430.0 million preferred shares held by the Company at par value. There are no outstanding receivables as of December 31, 2010 arising from TIHGI' redemption of preferred shares held by the Company. Despite of the 10% ownership, the Company considers TIHGI as an associate due to the presence of significant influence over TIHGI's operations since two out of the five directors of TIHGI are also members of the Company's BOD.

In 2010, the Company received cash dividends from TIHGI amounting to P90.7 million. The amount received is considered a return of investment and is presented as deduction from the Accumulated Equity in Comprehensive Income shown in the previous table presented.

In October 2010, AGPL issued additional 57.7 million common shares. Out of the total number of shares that AGPL issued, RHGI, a 100% owned subsidiary of the Company, subscribed to only 19.1 million shares (lesser than its proportionate share) at a cost of P20.4 million. This resulted in the decline of RHGI's percentage ownership in AGPL to 39.44% in 2010.

Also, in October 2010, GPMAI issued additional 27.0 million shares to EELHI resulting in the decline of TDI's percentage ownership in GPMAI to 48.08% and MREI's and the Company's indirect ownership to 28.85% and 39.83%, respectively. Accordingly, GPMAI was deconsolidated and treated as an associate as of December 31, 2010. GPMAI's issuance of new shares was made at book value, hence, no dilution gain or loss was recognized.

The balance of the Accumulated Equity in Comprehensive Income of P1.8 billion, P1.4 billion and P1.3 billion as of December 31, 2010, 2009 and 2008, respectively, which is mainly lodged in the Group's Retained Earnings as of those dates, is not available for declaration as dividend.

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

	Assets	Liabilities	Revenues	Net Profit (Loss)
2010:				
EELHI	P 27,830,579,495	P 8,313,108,199	P 2,313,768,713	P 225,222,976
SHDI	574,744,907	463,771,003	8,263,029	4,730,857
PTHDC	1,137,581,235	1,005,298,094	64,128	(178,157)
GPMAI	748,619,721	157,143,964	252,107,804	165,840,133
AGPL	6,352,873,392	7,846,770	205,630,984	95,518,781
TIHGI	41,043,334,923	27,086,278,378	14,876,965,463	3,220,646,817
	P 77,687,733,673	**P 37,033,446,408**	**P 17,656,800,121**	**P 3,711,781,407**

	Assets	Liabilities	Revenues	Net Profit (Loss)
2009:				
EELHI	P 25,401,749,839	P 7,459,494,647	P 2,171,236,867	P 155,035,423
AGPL	2,786,358,428	8,288,592	242,641,296	182,881,935
SHDI	569,630,769	463,451,254	7,987,805	3,917,117
PTHDC	1,142,753,539	1,010,292,242	350,027	21,676
TIHGI	23,125,565,794	7,186,796,066	2,305,037,279	5,430,402
	P 53,026,058,369	P 16,128,322,801	P 4,727,253,274	P 347,286,553
2008:				
EELHI	P 26,023,446,296	P 8,567,842,527	P 1,978,904,355	P 215,545,491
SHDI	581,036,188	478,773,790	9,716	(74,297,845)
PTHDC	1,143,271,195	1,010,831,573	4,558,843	663,210
TIHGI	16,072,026,556	138,687,230	303,496,167	115,680,708
	P 43,819,780,235	P 10,196,135,120	P 2,286,969,081	P 257,591,564

11. INVESTMENT PROPERTY

The gross carrying amounts and accumulated depreciation at the beginning and end of 2010, 2009 and 2008 are shown below.

	Land	Buildings	Condominium Units	Total
December 31, 2010				
Cost	P 1,412,634,527	P 5,878,941,281	P 3,954,063,399	P 11,245,639,207
Accumulated depreciation	-	(930,323,176)	(598,785,986)	(1,529,109,162)
Net carrying amount	**P 1,412,634,527**	**P 4,948,618,105**	**P 3,355,277,413**	**P 9,716,530,045**
December 31, 2009				
Cost	P 1,427,094,149	P 5,621,910,029	P 3,219,937,754	P 10,268,941,932
Accumulated depreciation	-	(724,584,211)	(438,572,652)	(1,163,156,863)
Net carrying amount	P 1,427,094,149	P 4,897,325,818	P 2,781,365,102	P 9,105,785,069
December 31, 2008				
Cost	P 1,288,942,006	P 3,869,991,271	P 2,865,320,562	P 8,024,253,839
Accumulated depreciation	-	(581,313,122)	(302,621,153)	(883,934,275)
Net carrying amount	P 1,288,942,006	P 3,288,678,149	P 2,562,699,409	P 7,140,319,564
January 1, 2008				
Cost	P 1,222,942,006	P 3,862,879,850	P 1,112,886,197	P 6,198,708,053
Accumulated depreciation	-	(481,146,675)	(232,318,198)	(713,464,873)
Net carrying amount	P 1,222,942,006	P 3,381,733,175	P 880,567,999	P 5,485,243,180

A reconciliation of the carrying amounts at the beginning and end of 2010, 2009 and 2008 of investment property is shown below.

	Land	Buildings	Condominium Units	Total
Balance at January 1, 2010, net of accumulated depreciation	P 1,427,094,149	P 4,897,325,818	P 2,781,365,102	P 9,105,785,069
Additions	-	257,140,943	734,125,645	991,266,588
Transfers	-	(109,691)	-	(109,691)
Investment property of a deconsolidated subsidiary	(14,459,622)	-	-	(14,459,622)
Depreciation charges for the year	-	(205,738,965)	(160,213,334)	(365,952,299)
Balance at December 31, 2010, net of accumulated depreciation	**P 1,412,634,527**	**P 4,948,618,105**	**P 3,355,277,413**	**P 9,716,530,045**
Balance at January 1, 2009, net of accumulated depreciation	P 1,288,942,006	P 3,288,678,149	P 2,562,699,409	P 7,140,319,564
Additions	138,152,143	1,751,918,758	371,192,706	2,261,263,607
Transfers	-	-	(12,168,571)	(12,168,571)
Depreciation charges for the year	-	(143,271,089)	(140,358,442)	(283,629,531)
Balance at December 31, 2009, net of accumulated depreciation	P 1,427,094,149	P 4,897,325,818	P 2,781,365,102	P 9,105,785,069
Balance at January 1, 2008, net of accumulated depreciation	P 1,222,942,006	P 3,381,733,175	P 880,567,999	P 5,485,243,180
Additions	-	7,111,421	1,752,434,365	1,759,545,786
Transfers	66,000,000	-	-	66,000,000
Depreciation charges for the year	-	(100,166,447)	(70,302,955)	(170,469,402)
Balance at December 31, 2008, net of accumulated depreciation	P 1,288,942,006	P 3,288,678,149	P 2,562,699,409	P 7,140,319,564

Certain properties held for lease with a net book value of P2.0 billion as of December 31, 2007 were used as collateral for ECOC's Interest-bearing Loan (see Note 14). In 2008, ECOC asked for the partial release of the mortgage which was approved by the creditor. As of December 31, 2010, 2009 and 2008, the carrying value of investment properties that remained as collateral to this loan amounted to P800.0 million.

Rental income earned from these properties amount to P2.7 billion, P2.0 billion and P1.3 billion in 2010, 2009 and 2008, respectively, and are shown as Rental Income in the consolidated statements of income. The direct operating costs, exclusive of depreciation, incurred by the Group relating to the investment property amounted to P91.4 million in 2010, P94.7 million in 2009 and P109.7 million in 2008. 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 P52.9 billion, P36.1 billion and P22.7 billion as of December 31, 2010, 2009 and 2008, 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 2010, 2009 and 2008.

12. PROPERTY AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization at the beginning and end of 2010, 2009 and 2008 are shown below.

	Condominium Units	Office Furniture, Fixtures and Equipment	Office and Land Improvements	Transportation Equipment	Land	Total
December 31, 2010						
Cost	P 629,423,370	P 208,009,574	P 125,515,520	P 73,056,949	P -	P1,036,005,413
Accumulated depreciation and amortization	(419,607,035)	(137,705,039)	(68,848,502)	(49,326,636)	-	(675,487,212)
Net carrying amount	**P 209,816,335**	**P 70,304,535**	**P 56,667,018**	**P 23,730,313**	**P -**	**P 360,518,201**
December 31, 2009						
Cost	P 636,068,482	P 164,774,710	P 110,228,731	P 68,340,932	P -	P 979,412,855
Accumulated depreciation and amortization	(384,211,287)	(112,828,976)	(62,091,448)	(39,104,161)	-	(598,235,872)
Net carrying amount	P 251,857,195	P 51,945,734	P 48,137,283	P 29,236,771	P -	P 381,176,983
December 31, 2008						
Cost	P 632,401,752	P 143,937,386	P 109,833,026	P 62,607,743	P -	P 948,779,907
Accumulated depreciation and amortization	(339,497,192)	(92,673,661)	(55,230,345)	(31,197,924)	-	(518,599,122)
Net carrying amount	P 292,904,560	P 51,263,725	P 54,602,681	P 31,409,819	P -	P 430,180,785
January 1, 2008						
Cost	P 601,292,072	P 123,945,281	P 109,663,808	P 50,010,694	P 66,000,000	P 950,911,855
Accumulated depreciation and amortization	(300,540,877)	(74,922,406)	(47,108,599)	(27,662,319)	-	(450,234,201)
Net carrying amount	P 300,751,195	P 49,022,875	P 62,555,209	P 22,348,375	P 66,000,000	P 500,677,654

A reconciliation of the carrying amounts at the beginning and end of 2010, 2009 and 2008 of property and equipment is shown below.

	Condominium Units	Office Furniture, Fixtures and Equipment	Office and Land Improvements	Transportation Equipment	Land	Total
Balance at January 1, 2010, net of accumulated depreciation and amortization	P 251,857,195	P 51,945,734	P 48,137,283	P 29,236,771	P -	P 381,176,983
Additions	2,476,163	43,273,546	14,583,113	2,040,275	-	62,373,098
Transfers	(9,121,275)	(38,682)	703,675	2,675,742	-	(5,780,540)
Depreciation and amortization charges for the year	(35,395,748)	(24,876,063)	(6,757,054)	(10,222,475)	-	(77,251,340)
Balance at December 31, 2010, 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**

	Condominium Units	Office Furniture, Fixtures and Equipment	Office and Land Improvements	Transportation Equipment	Land	Total
Balance at January 1, 2009, net of accumulated depreciation and amortization	P 292,904,560	P 51,263,725	P 54,602,681	P 31,409,819	P -	P 430,180,785
Additions	3,666,730	20,837,324	395,705	8,262,498	-	33,162,257
Depreciation and amortization charges for the year	(44,714,095)	(20,155,315)	(6,861,103)	(10,435,546)	-	(82,166,059)
Balance at December 31, 2009 net of accumulated depreciation and amortization	P 251,857,195	P 51,945,734	P 48,137,283	P 29,236,771	P -	P 381,176,983
Balance at January 1, 2008, net of accumulated depreciation and amortization	P 300,751,195	P 49,022,875	P 62,555,209	P 22,348,375	P 66,000,000	P 500,677,654
Additions	31,109,680	19,992,105	185,825	12,921,826	-	64,209,436
Transfers	-	-	(16,607)	(324,777)	(66,000,000)	(66,341,384)
Depreciation and amortization charges for the year	(38,956,315)	(17,751,255)	(8,121,746)	(3,535,605)	-	(68,364,921)
Balance at December 31, 2008 net of accumulated depreciation and amortization	P 292,904,560	P 51,263,725	P 54,602,681	P 31,409,819	P -	P 430,180,785

13. OTHER NON-CURRENT ASSETS

This account consists of:

	2010	2009	2008
Goodwill	**P 264,768,344**	P 264,768,344	P 264,768,344
Guarantee and other deposits	**174,767,810**	135,516,056	99,014,532
Others	**2,559,242**	6,395,536	3,606,197
	P 442,095,396	P 406,679,936	P 367,389,073

Goodwill is subject to impairment testing at least annually. No impairment losses were recognized in 2010, 2009 and 2008.

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:

	2010	2009	2008
Current:			
Megaworld Corporation	**P 1,203,380,952**	P 736,690,476	P 232,000,000
ECOC	**107,973,945**	114,053,553	116,831,327
	1,311,354,897	850,744,029	348,831,327
Non-current:			
Megaworld Corporation	**6,074,595,238**	7,277,976,191	5,614,666,667
ECOC	**53,988,238**	171,081,667	292,079,687
	6,128,583,476	7,449,057,858	5,906,746,354
	P 7,439,938,373	P 8,299,801,887	P 6,255,577,681

In 2008, the Company signed a financing deal with local bank in 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.

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 shall commence in February 2010 and interest shall be paid semi-annually based on a 9.0% annual interest rate.

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 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 P403.0 million in 2006 from the same local bank subject to the same terms and conditions. Collateral for the loans consisted of a mortgage over certain investment property of the Company (see Note 11).

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 (P1.06 billion) was made on October 15, 2002. The loan is payable in 10 years, inclusive of a two-and-a-half year grace period on principal payment. Interest is 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 (see Note 11), and a full guarantee from the parent company.

The Group complied with loan covenants, including maintaining certain financial ratios at the reporting date.

Total finance costs attributable to these loans amounted to P620.6 million, P647.0 million, and P394.4 million in 2010, 2009 and 2008, respectively. Of these amounts, the balance of the interest is presented as part of Finance Costs under Interest and Other Charges - net in the consolidated statements of income (see Note 20). Interest charges capitalized in 2010 and 2009 amount to P384.1 million and P408.0 million, respectively. Capitalization rate used in determining the amount of interest charges qualified for capitalization is 8.29%. There were no interest charges capitalized in 2008.

15. BONDS PAYABLE

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 intended to be used by the Group to finance its capital expenditures from 2009 until 2011 mainly for the development of its real estate projects. Interest charges capitalized arising from these bonds amounted to P423.0 million and P50.5 million in 2010 and 2009, respectively.

On August 4, 2006, the Group issued five-year term bonds totalling 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 will mature in August 2011. Interest expense from bonds payable is presented as part of Finance Costs under Interest and Other Charges in the consolidated statements of income (see Note 20). During 2008, RHGI bought a portion of the five-year term bonds aggregating to U.S.$22.2 million (P1.1 billion) and these were classified as financial assets at FVTPL by RHGI. The bonds' fair market value as of December 31, 2010, 2009 and 2008 amounted to U.S.$22.2 million (P972.4 million), U.S.$20.5 million (P950.3 million) and U.S.$20.5 million (P972.7 million), respectively. The effects of this transaction were eliminated in the preparation of consolidated financial statements.

16. TRADE AND OTHER PAYABLES

This account consists of:

	2010	2009	2008
Trade	**P 2,203,109,184**	P 2,141,390,249	P 1,557,670,470
Retention	**1,211,950,863**	1,022,182,625	746,002,184
Accrued interest	**285,314,152**	278,921,115	178,849,672
Accrued construction cost	**77,369,336**	119,191,945	126,320,491
Miscellaneous	**259,969,813**	100,687,324	80,179,855
	P 4,037,713,348	P 3,662,373,258	P 2,689,022,672

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:

	2010	2009	2008
Current:			
Unearned income	**P 939,203,207**	P 917,778,341	P 724,444,707
Deferred rent	**797,618,036**	429,664,920	203,755,106
Other payables	**4,843,817**	-	3,551,786
	P 1,741,665,060	P 1,347,443,261	P 931,751,599
Non-current:			
Deferred rent	**P 732,378,814**	P 554,608,690	P 320,518,099
Other payables	**286,744,561**	459,210,071	531,271,278
	P 1,019,123,375	P 1,013,818,761	P 851,789,377

Other payables is mainly comprised of commission payable to the Group's real estate agents.

18. OPERATING EXPENSES

Presented below are the details of this account.

	Notes	2010	2009	2008
Commission		**P 467,977,819**	P 471,837,004	P 418,549,272
Depreciation and amortization	11, 12	**443,203,639**	365,795,590	238,834,323
Salaries and employee benefits	21	**437,045,219**	343,257,217	310,302,336
Advertising and promotions		**189,619,585**	148,996,615	147,650,445
Utilities and supplies		**141,065,957**	79,752,963	118,649,476
Taxes and licenses		**110,188,073**	134,286,970	97,278,394
Transportation		**103,626,296**	100,083,640	172,123,399
Professional fees and outside services		**68,426,284**	28,773,878	30,601,649
Rent		**60,263,992**	47,103,336	94,944,445
Association dues		**51,261,055**	28,355,868	31,242,652
Miscellaneous		**67,547,715**	59,877,805	84,802,101
		P 2,140,225,634	P 1,808,120,886	P 1,744,978,492

19. EQUITY IN NET EARNINGS OF ASSOCIATES, INTEREST AND OTHER INCOME – Net

Presented below are the details of this account.

	Notes	2010	2009	2008
Interest income		**P 835,944,617**	P 690,238,144	P 1,486,040,236
Gain on sale of AFS financial assets		**646,720,788**	-	-
Equity in net earnings of associates	10	**442,281,307**	157,958,213	109,464,838
Construction income – net		**101,962,175**	26,473,236	216,754,914
Fair value gains – net	7	**83,500,000**	24,100,000	-
Dividend income		**40,630,134**	44,247,127	48,880,085
Foreign currency gains – net		**3,908,758**	-	-
Miscellaneous – net		**59,794,552**	32,571,224	93,802,697
		P 2,214,742,331	P 975,587,944	P 1,954,942,770

In 2008, RHGI entered into contracts wherein it sold certain European bond put options and knock-out put options. In consideration of these contracts, RHGI received premiums amounting to U.S.$2,094,000 (P93,129,812) in 2008, which are shown as part of Miscellaneous Income above.

20. INTEREST AND OTHER CHARGES - Net

Presented below are the details of this account.

	Notes	2010	2009	2008
Finance costs	14, 15	P **516,440,321**	P 556,326,705	P 766,416,111
Underwriting fees		**-**	21,505,376	-
Foreign currency losses – net	7	**-**	8,464,596	176,988,434
Fair value losses – net	7	**-**	-	42,653,717
Miscellaneous – net	7	**27,960,793**	1,247,492	4,726,236
		P **544,401,114**	P 587,544,169	P 990,784,498

21. EMPLOYEE BENEFITS

21.1 Salaries and Employee Benefits

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

	2010	2009	2008
Salaries and wages	P **271,233,637**	P 229,301,717	P 196,098,245
Retirement benefit expense	**37,271,665**	23,547,960	34,747,913
13th month and other employee benefits	**128,539,917**	90,407,540	79,456,178
	P **437,045,219**	P 343,257,217	P 310,302,336

21.2 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:

	2010	2009	2008
Present value of the obligation	P **209,714,448**	P 163,802,833	P 91,871,990
Fair value of plan assets	**(53,207,861)**	(40,427,396)	(26,200,243)
Deficiency of plan assets	**156,506,587**	123,375,437	65,671,747
Unrecognized actuarial gains (losses)	**(40,467,402)**	(32,607,917)	15,547,813
	P **116,039,185**	P 90,767,520	P 81,219,560

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

	2010	2009	2008
Balance at beginning of year	**P 163,802,833**	P 91,871,990	P 128,399,196
Actuarial loss (gain)	**11,732,057**	47,992,843	(70,297,468)
Current service costs	**23,934,917**	14,995,640	23,074,609
Interest costs	**15,086,241**	10,363,160	10,695,653
Benefits paid	**(4,841,600)**	(1,420,800)	-
Balance at end of year	**P 209,714,448**	P 163,802,833	P 91,871,990

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

	2010	2009	2008
Balance at beginning of year	**P 40,427,396**	P 26,200,243	P 21,000,000
Expected return on plan assets	**2,425,644**	1,545,814	651,000
Contributions paid into the plan	**12,000,000**	14,000,000	9,000,000
Actuarial gain (loss)	**3,196,421**	102,139	(4,450,757)
Benefits paid	**(4,841,600)**	(1,420,800)	-
Balance at end of year	**P 53,207,861**	P 40,427,396	P 26,200,243

The Group's plan assets as of December 31, 2010, 2009 and 2008 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 Company based on availability of funds.

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

	2010	2009	2008
Current service costs	**P 23,934,917**	P 14,995,640	P 23,074,609
Interest costs	**15,086,241**	10,363,160	10,695,653
Expected return on plan assets	**(2,425,644)**	(1,545,814)	(651,000)
Net actuarial losses (gains) recognized during the year	**676,151**	(265,026)	1,628,651
	P 37,271,665	P 23,547,960	P 34,747,913

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.

	2010	2009	2008	2007	2006
Present value of the obligation	**P 209,714,448**	P 163,802,833	P 91,871,990	P 128,399,196	P 51,601,897
Fair value of plan assets	**(53,207,861)**	(40,427,396)	(26,200,243)	(21,000,000)	(5,000,000)
Deficiency of plan assets	**P 156,506,587**	P 123,375,437	P 65,671,747	P 107,399,196	P 46,601,897

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

	2010	2009	2008
Discount rates	**9.2%**	11.3%	8.3%
Expected rate of return on plan assets	**6.0%**	5.9%	3.1%
Expected rate of salary increase	**10.0%**	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

22.1 Current and Deferred Tax

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

	2010	2009	2008
Reported in consolidated statements of income:			
Current tax expense:			
Regular corporate income tax (RCIT) at 30% in 2010 and and 2009 and 35% in 2008	**P 813,802,554**	P 512,512,346	P 463,489,162
Final tax at 20% and 7.5%	**111,933,084**	86,375,275	87,996,370
Special tax rate at 5%	**19,479,041**	15,866,373	14,373,247
Minimum corporate income tax (MCIT) at 2%	**425,765**	26,324	97,773
	945,640,444	614,780,318	565,956,552
Deferred tax expense relating to origination and reversal of temporary differences	**663,461,081**	822,760,813	385,144,752
	P 1,609,101,525	P 1,437,541,131	P 951,101,304
Reported in consolidated statements of comprehensive income –			
Deferred tax expense (income) relating to origination and reversal of temporary differences	**(P 55,967,408)**	(P 26,041,986)	P 11,728,077

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:

	2010	2009	2008
Tax on pretax profit at 30% in 2010 and 2009 and 35% in 2008	P 2,008,384,239	P 1,651,246,082	P 1,660,969,642
Adjustment for income subjected to lower income tax rates	(152,228,235)	(139,778,356)	(156,474,496)
Tax effects of:			
Non-taxable income	(462,560,168)	(170,042,598)	(921,295,050)
Non-deductible expenses	214,450,368	50,688,383	496,265,189
Dividend income	(52,444,145)	(1,356,764)	(45,613,386)
Non-deductible interest expense	49,245,102	38,308,284	60,251,011
Unrecognized deferred tax assets	10,225,726	3,514,346	934,000
Excess of optional standard deduction over itemized deductions	(5,784,318)	(3,672,931)	-
Net operating loss carry over (NOLCO)	1,000,962	8,483,984	11,121,784
Reduction in deferred tax rate	-	-	(150,082,436)
Miscellaneous	(1,188,006)	150,701	(4,974,954)
Tax expense	P 1,609,101,525	P 1,437,541,131	P 951,101,304

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

	2010	2009	2008
Deferred tax assets:			
NOLCO	P 4,141,606	P 4,935,423	P 44,797
Retirement benefit obligation	3,186,559	2,585,319	1,987,731
Accrued rent expense	68,417	218,344	358,495
Allowance for impairment on receivables	-	-	24,859
Others	463,957	148,627	2,391
	P 7,860,539	P 7,887,713	P 2,418,273
Deferred tax liabilities:			
Uncollected gross profit	P 2,697,434,301	P 2,294,929,189	P 1,527,833,787
Capitalized interest	443,717,090	222,651,148	108,100,501
Difference between the tax reporting base and financial reporting base of:			
Investment property	201,696,863	148,804,564	172,865,496
Property and equipment	(19,790,916)	(20,050,630)	(19,478,257)
Translation adjustments	(70,281,317)	(14,313,909)	11,728,077
Accrued retirement cost	(43,301,756)	(33,170,257)	(33,095,868)
Uncollected rental income	-	-	32,091,485
Others	39,556,389	42,713,450	43,308,540
	P 3,249,030,654	P 2,641,563,555	P 1,843,353,761

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

	Consolidated Statements of Income			Consolidated Statements of Comprehensive Income		
	2010	2009	2008	**2010**	2009	2008
Changes in deferred tax assets:						
NOLCO	**P 793,817**	(P 4,890,626)	(P 231,143)	**P -**	P -	P -
Retirement benefit obligation	**(601,240)**	(597,588)	(340,712)	-	-	-
Accrued rent expense	**149,927**	140,151	55,402	-	-	-
Allowance for impairment losses on receivables	-	24,859	947,948	-	-	-
Depreciation expense	-	-	(7,667)	-	-	-
Others	**(315,330)**	(146,236)	(425,483)	-	-	-
Changes in deferred tax liabilities:						
Uncollected gross profit	**402,504,512**	767,095,402	359,278,205	-	-	-
Capitalized interest	**221,065,942**	114,550,647	(26,071,447)	-	-	-
Difference between tax reporting base and financial reporting base of						
- Investment property	**52,892,299**	(24,060,932)	32,345,673	-	-	-
- Property and equipment	**259,714**	(572,373)	2,592,215	-	-	-
Translation adjustments	-	-	-	**(55,967,408)**	(26,041,986)	11,728,077
Accrued retirement cost	**(10,131,499)**	(74,389)	(6,330,792)	-	-	-
Uncollected rental income	-	(32,091,485)	26,374,103	-	-	-
Amortization of preoperating expenses	-	-	30,415	-	-	-
Others	**(3,157,061)**	3,383,383	(3,071,965)	-	-	-
Deferred Tax Expense (Income)	**P 663,461,081**	P822,760,813	P 385,144,752	**(P55,967,408)**	(P 26,041,986)	P11,728,077

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
MNPHI	2010	P 233,530	2013
	2009	230,427	2012
MLI	2010	37,479	2013
	2008	83,571	2011
FTPHI	2010	7,052	2013
	2009	2,386	2012
	2008	1,909	2011
		P 596,354	

Certain subsidiaries within the Group did not recognize the deferred tax assets on their MCIT.

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	2009	P 29,346,465	2012
	2008	27,347,116	2011
MLI	2010	12,118,518	2013
	2009	9,932,923	2012
	2008	4,950,545	2011
OPI	2010	4,508,189	2013
	2009	4,036,439	2012
	2008	4,169,609	2011
MNPHI	2010	227,849	2013
	2009	189,760	2012
FTPHI	2010	159,226	2013
	2009	323,508	2012
	2008	72,322	2011
PIPI	2010	81,682	2013
	2009	83,140	2012
		P 97,547,291	

Certain subsidiaries within the Group did not recognize the deferred tax assets on their NOLCO.

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

2010

	Assets	**Retained Earnings (Deficit)**	**Revenues**	**Net Profit (Loss)**
OPI	P 924,044,751	(P 11,869,688)	P 5,409	(P 3,231,949)
MLI	163,934,861	(59,590,765)	4,467,567	7,673,047
FTPHI	126,445,219	24,324,992	967,688	84,000,630
MNPHI	88,640,039	2,485,828	75,840,143	334,225
MCPI	73,900,576	(136,355,521)	68,714,334	(40,417,472)
PIPI	5,049,628	(16,522)	40,251	(47,949)
	P 1,382,015,074	**(P 181,021,676)**	**P 150,035,392**	**P 48,310,532**

2009

	Assets	Retained Earnings (Deficit)	Revenues	Net Profit (Loss)
OPI	P 889,329,679	(P 8,637,739)	P 23,930	(P 2,808,135)
GPMAI	658,718,614	251,993,072	2,554,950	938,907
MLI	191,642,758	(51,917,718)	2,334,341	(12,171,355)
MREI	63,360,474	814,274	1,345,935	1,030,840
MCPI	47,291,076	(96,024,989)	5,672,878	29,399,277
FTPHI	42,639,638	(59,675,638)	136,043	23,886,928
PIPI	5,094,427	31,427	49,960	(40,055)
	P 1,898,076,666	P 36,582,689	P 12,118,037	P 40,236,407

2008

	Assets	Retained Earnings (Deficit)	Revenues	Net Profit (Loss)
GPMAI	P 308,020,556	P 250,064,414	P -	P 962,384
MLI	202,369,120	242,937,331	7,258,976	(3,355,478)
MCPI	43,726,583	79,102,295	4,570,750	(27,278,908)
PIPI	5,131,482	60,000	185,846	132,358
	P 559,247,741	P 572,164,040	P 12,015,572	(P 29,539,644)

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.

22.2 Optional Standard Deduction

Effective July 2008, Republic Act (RA) 9504 was approved giving corporate taxpayers an option to claim itemized deductions or optional standard deduction (OSD) equivalent to 40% of gross sales. Once the option to use OSD is made, it shall be irrevocable for that particular taxable year.

In 2010, 2009 and 2008, the Group opted to continue claiming itemized deductions, except for MDC which opted to use OSD for 2010 and 2009.

22.3 Change in Applicable Tax Rate

In accordance with RA 9337, RCIT rate was reduced from 35% to 30% and nonallowable deductions for interest expense from 42% to 33% of interest income subjected to final tax effective January 1, 2009.

23. RELATED PARTY TRANSACTIONS

The Group's related parties include associates, the Group's key management and others as described below. Transactions with related parties are also discussed below.

23.1 Rendering of Services to Related Parties and Rentals

	Amount of Transactions		
	2010	2009	2008
Associates	**P 5,289,782**	P 3,381,056	P 1,798,628
Other related parties	**13,659,040**	13,809,067	12,533,262
	P 18,948,822	P 17,190,123	P 14,331,890

Services rendered are usually on a cost-plus basis, allowing a margin ranging from 10% to 20%. The related receivables from these transactions were all settled and collected as of December 31, 2010, 2009 and 2008.

23.2 Obtaining of Services from Related Parties

	Amount of Transactions			Outstanding Balances		
	2010	2009	2008	**2010**	2009	2008
Associates	**P -**	P 2,286,178	P 3,048,237	**P -**	P -	P -
Other related parties	**126,454,782**	146,626,602	152,278,332	**84,088,445**	81,408,167	79,678,432
	P 126,454,782	P 148,912,780	P155,326,569	**P 84,088,445**	P 81,408,167	P 79,678,432

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, 2010, 2009 and 2008. The outstanding balances payable to other related parties pertain to unpaid commissions presented as part of Other Non-current Liabilities in the consolidated statements of financial position (see Note 17).

23.3 Advances to Associates and Other Related Parties

Associates and other related parties are granted noninterest-bearing, unsecured advances by the parent company and other entities in the Group 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:

	2010	2009	2008
Advances to Associates			
EELHI	**P 394,211,729**	P 378,888,334	P 69,356
SHDI	**338,598**	-	15,813,306
PTHDC	**1,004,986,820**	1,009,986,216	1,009,173,481
AGPL	**-**	211,708,104	-
	1,399,537,147	1,600,582,654	1,025,056,143
Advances to other related parties	**647,453,685**	411,687,922	1,045,815,762
	P 2,046,990,832	P 2,012,270,576	P 2,070,871,905

Advances to other related parties pertain to advances granted to entities under common ownership of the ultimate parent company.

23.4 Advances from Other Related Parties

Certain expenses of the entities within the Group are paid by other related parties on behalf of the former. 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:

	2010	2009	2008
EELHI	**P 209,116,174**	P 547,523,599	P 721,047,847
TIHGI	**12,906,530**	-	-
Others	**67,845,553**	78,412,882	115,210,399
	P 289,868,257	P 625,936,481	P 836,258,246

23.5 Key Management Personnel Compensations

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

	2010	2009	2008
Short-term benefits	**P 47,174,219**	P 42,243,477	P 38,009,337
Post-employment benefits	**4,962,292**	4,437,829	4,002,041
	P 52,136,511	P 46,681,306	P 42,011,378

24. EQUITY

Capital stock consists of:

	Shares			Amount		
	2010	2009	2008	**2010**	2009	2008
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	**P 30,140,000,000**	P 30,140,000,000	P 30,140,000,000
Issued and outstanding:						
Balance at beginning of year	**25,769,203,626**	20,641,646,901	20,641,646,901	**P 25,769,203,626**	P 20,641,646,901	P 20,641,646,901
Issued during the year	**-**	5,127,556,725	-	**-**	5,127,556,725	-
Balance at end of year	**25,769,203,626**	25,769,203,626	20,641,646,901	**P 25,769,203,626**	P 25,769,203,626	P 20,641,646,901
Subscribed:						
Balance at beginning of year	-	-	-	**P -**	P	P -
Subscribed during the year	-	5,127,556,725	-	-	5,127,556,725	-
Issued during the year	-	(5,127,556,725)	-	-	(5,127,556,725)	-
Balance at end of year	-	-	-	**P -**	P -	P -
Total Capital Stock				**P 25,829,203,626**	P 25,829,203,626	P 20,701,646,901

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 2010, 2009 and 2008.

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% shall be paid within one year from issue date. Unpaid subscriptions amounted to P2.3 billion as of December 31, 2009 and are presented as Subscriptions Receivable under the current assets section of the 2009 consolidated statement of financial position. The amount was fully paid by the subscribers in 2010. Relative to the issuance of pre-emptive stock rights, 4,102,045,380 stock warrants were issued and these will be exercisable beginning on the second year until five years from issue date.

24.3 Additional Paid-in Capital

The additional paid-in capital 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 2010, 2009 and 2008.

24.4 Cash Dividends

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

	2010	2009	2008
Declaration date / date of approval by BOD	**May 18, 2010**	June 19, 2009	June 5, 2008
Date of record	**July 6, 2010**	July 17, 2009	July 4, 2008
Date paid	**July 30, 2010**	August 12, 2009	July 30, 2008
Amounts declared and paid	**P 479,885,465**	P 479,061,765	P 402,353,813

On May 18, 2010, MDC's BOD approved the declaration of cash dividends amounting to P100.0 million to stockholders of record as of said date. Out of the P100.0 million dividends declared, P60.0 million was eliminated during consolidation.

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, 2008, 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 and 2008. The changes in market values of these shares recognized as fair value gains (losses) by RHGI and GPMAI were eliminated in full and were not recognized in the consolidated financial statements. Accordingly, in 2010, the cost of the treasury held by GPMAI of P555.1 million was removed from the Treasury Stock account presented under equity. GPMAI was deconsolidated starting 2010 (see Note 10).

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

25. EARNINGS PER SHARE

Earnings per share amounts were computed as follows:

	2010	2009	2008
Net profit attributable to parent company's shareholders	**P 5,026,180,575**	P 4,055,401,191	P 3,771,127,007
Dividends on cumulative preferred shares series "A"	**(600,000)**	(600,000)	(600,000)
Profit available to parent company's common shareholders	**P 5,025,580,575**	P 4,054,801,191	P 3,770,527,007
Divided by weighted number of outstanding common shares	**25,130,015,061**	23,088,192,857	20,132,817,980
Basic and diluted earnings per share	**P 0.200**	P 0.176	P 0.187

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, 2010, 2009 and 2008.

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 P2.7 billion for the consolidated balances. Future minimum lease payments receivable under these agreements are as follows:

	2010	2009	2008
Within one year	**P 3,145,772,222**	P 3,000,082,437	P 2,001,508,184
After one year but not more than five years	**14,998,070,516**	10,809,294,660	7,582,583,273
More than five years	**4,731,453,360**	3,410,016,874	1,922,768,964
	P 22,875,296,098	P 17,219,393,971	P 11,506,860,421

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 P10.0 million for the consolidated balances. The future minimum rental payables under these non-cancelable leases as of December 31, are as follows:

	2010	2009	2008
Within one year	**P 12,247,168**	P 16,891,737	P 17,583,865
After one year but not more than five years	**19,039,825**	17,951,311	26,489,885
More than five years	**18,908,935**	23,528,646	27,886,864
	P 50,195,928	P 58,371,694	P 71,960,614

26.3 Others

There are commitments, guarantees and contingent liabilities that arise in the normal course of operations of the Group which are not reflected in the accompanying 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, bank loans, bonds, 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.

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

	2010		2009		2008	
	U.S. Dollars	**Pesos**	U.S. Dollars	Pesos	U.S. Dollars	Pesos
Financial assets	**$ 245,812,793**	**P10,790,198,346**	$ 186,778,590	P 8,658,308,333	$ 138,542,551	P6,578,693,016
Financial liabilities	**(7,098,646)**	**(311,602,166)**	(87,449,638)	(4,053,815,436)	(90,043,539)	(4,275,717,458)
	$ 238,714,147	**P10,478,596,180**	$ 99,328,952	P 4,604,492,897	$ 48,499,012	P2,302,975,558

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

Increase (decrease)	**Effect on consolidated profit before tax**		
in exchange rate	**2010**	2009	2008
P1	**P 238,714,147**	P 99,328,952	P 48,499,011
(P1)	**(238,714,147)**	(99,328,952)	(48,499,011)

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions and only affect consolidated profit or loss of the Group. There are no 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 88.12, 87.13 and 86.14 as of December 31, 2010, 2009 and 2009, 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 2010, 2009 and 2008. The calculations are based on the Group's financial instruments held at each reporting date. All other variables are held constant.

	2010		2009		2008	
	+1%	**-1%**	+1%	-1%	+1%	-1%
Consolidated net results for the year	**(P 15,873,037)**	**P 15,873,037**	(P 23,850,402)	P 23,850,402	(P 30,111,330)	P 30,111,330
Consolidated equity	**(11,111,126)**	**11,111,126**	(16,695,282)	16,695,282	(19,572,364)	19,572,364

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 incorporate 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	**2010**	2009	2008
Cash and cash equivalents	5	**P 22,031,584,943**	P 20,876,005,473	P 12,325,333,064
Trade and other receivables	6	**29,040,792,116**	23,713,732,228	17,699,223,385
Advances to associates and other related parties	10, 23.3	**2,046,990,832**	2,012,270,576	2,070,871,905
AFS financial assets	8	**675,467,827**	148,299,890	3,273,653,414
		P 53,794,835,718	P 46,750,308,167	P 35,369,081,768

(a) *Cash and Cash Equivalents*

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

(b) *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.

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, 2010, 2009 and 2008, the Group's financial liabilities have contractual maturities which are presented below.

	2010			
	Current		**Non-current**	
	Within 6 Months	**6 to 12 Months**	**1 to 5 Years**	**Later 5 Years**
Interest-bearing loans and borrowings	P 655,677,449	P 655,677,448	P 6,128,583,476	P -
Bonds payable	-	3,416,062,159	5,000,000,000	-
Trade and other payables	1,847,488,610	2,190,224,738	-	-
Advances from other related parties	-	-	289,868,257	-
	P2,503,166,059	**P 6,261,964,345**	**P 11,418,451,733**	**P -**

	2009			
	Current		Non-current	
	Within 6 Months	6 to 12 Months	1 to 5 Years	Later 5 Years
Interest-bearing loans and borrowings	P 192,026,776	P 658,717,253	P 5,672,557,858	P 1,776,500,000
Bonds payable	-	-	8,608,407,826	-
Trade and other payables	1,474,550,021	2,187,823,237	-	-
Advances from other related parties	-	-	625,936,481	-
	P1,666,576,797	P2,846,540,490	P14,906,902,165	P 1,776,500,000

	2008			
	Current		Non-current	
	Within 6 Months	6 to 12 Months	1 to 5 Years	Later 5 Years
Interest-bearing loans and borrowings	P 174,415,663	P 174,415,664	P 5,257,857,465	P 648,888,889
Bonds payable	-	-	3,696,290,569	-
Trade and other payables	1,227,141,699	1,461,880,973	-	-
Advances from other related parties	-	-	836,258,246	-
	P1,401,557,362	P1,636,296,637	P 9,790,406,280	P 648,888,889

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 financial assets at FVTPL and AFS financial assets). It manages its risk arising from changes in market price by monitoring the changes in the market price of the investments.

For corporate bonds and equity securities listed in other countries, an average volatility of 105%, 71% and 107% has been observed during 2010, 2009 and 2008, respectively. If quoted price for these securities increased or decreased by that amount, profit before tax would have changed by P2.7 billion, P14.6 million, P21.7 million in 2010, 2009 and 2008, respectively.

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 in 2010 and consolidated equity as of December 31, 2010 are summarized as follows:

	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%	P 64,414,912	P 2,073,193,927	(P 64,414,912)	(P2,073,193,927)
Property company	+51.54%	-51.54%	-	71,024,936	-	(71,024,936)
			P 64,414,912	P 2,144,218,863	(P 64,414,912)	(P2,144,218,863)

This compares with the following volatility rates and impact on consolidated net profit in 2009 and 2008:

2009

	Observed Volatility Rates		Impact of Increase		Impact on Decrease	
	Increase	Decrease	Net Profit	Equity	Net Profit	Equity
Investment in equity securities in:						
Holding company	+50.32%	-50.32%	P 20,883,283	P 900,762,327	(P 20,883,283)	(P 900,762,327)
Property company	+61.55%	-61.55%	-	85,613,014	-	-
			P 20,883,283	P 986,375,341	(P 20,883,283)	(P 900,762,327)

2008

	Observed Volatility Rates		Impact of Increase		Impact on Decrease	
	Increase	Decrease	Net Profit	Equity	Net Profit	Equity
Investment in equity securities in:						
Holding company	+78.04%	-78.04%	P 240,225	P 426,127,945	(P 240,225)	(P 426,127,945)
Property company	+106.24%	-106.24%	-	145,010,939	-	(145,010,939)
Bank	+111.21%	-111.21%	-	324,464	-	(324,464)
			P 240,225	P 571,463,348	(P 240,225)	(P 571,463,348)

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 favour.

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.

	2010		2009		2008	
	Carrying Values	**Fair Values**	Carrying Values	Fair Values	Carrying Values	Fair Values
Financial Assets						
Loans and receivables:						
Cash and cash equivalents	**P 22,031,584,943**	**P 22,031,584,943**	P 20,876,005,473	P 20,876,005,473	P 12,325,333,064	P 12,325,333,064
Trade and other receivables – net	**29,040,792,116**	**29,040,792,116**	23,713,732,228	23,713,732,228	17,699,223,385	17,699,223,385
Advances to associates and other related parties	**2,046,990,832**	**2,046,990,832**	2,012,270,576	2,012,270,576	2,070,871,905	2,070,871,905
	P 53,119,367,891	**P 53,119,367,891**	P 46,602,008,277	P 46,602,008,277	P 32,095,428,354	P 32,095,428,354
Financial assets at FVTPL	**P 125,000,000**	**P 125,000,000**	P 41,500,000	P 41,500,000	P 17,400,000	P 17,400,000
AFS financial assets:						
Equity instruments	**P 5,535,716,669**	**P 5,535,716,669**	P 2,778,231,823	P 2,778,231,823	P 1,076,571,258	P 1,076,571,258
Debt instruments	**675,467,827**	**675,467,827**	148,299,890	148,299,890	3,273,653,414	3,273,653,414
	P 6,211,184,496	**P 6,211,184,496**	P 2,926,531,713	P 2,926,531,713	P 4,350,224,672	P 4,350,224,672
Financial Liabilities						
Financial liabilities at amortized cost						
Interest-bearing loans and borrowings	**P 7,439,938,373**	**P 7,439,938,373**	P 8,299,801,887	P 8,299,801,887	P 6,255,577,681	P 6,255,577,681
Bonds payable	**8,416,062,159**	**8,416,062,159**	8,608,407,826	8,608,407,826	3,696,290,569	3,696,290,569
Trade and other payables	**4,037,713,348**	**4,037,713,348**	3,662,373,258	3,662,373,258	2,689,022,672	2,689,022,672
Advances from other related parties	**289,868,257**	**289,868,257**	625,936,481	625,936,481	836,258,246	836,258,246
	P 20,183,582,137	**P 20,183,582,137**	P 21,196,519,452	P 21,196,519,452	P 13,477,149,168	P 13,477,149,168

See Notes 2.5 and 2.9 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 financial assets are comprised of equity and debt instruments listed in foreign and local stocks exchange. 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.

	2010	2009	2008
Interest-bearing loans and borrowings	**P 7,439,938,373**	P 8,299,801,887	P 6,255,577,681
Bonds payable	**8,416,062,159**	8,608,407,826	3,696,290,569
	P 15,856,000,532	P 16,908,209,713	P 9,951,868,250
Equity attributable to parent company's shareholders	**P 57,776,023,630**	P 49,111,847,183	P 38,980,292,755
Debt-to-equity ratio	**0.27 : 1**	0.34 : 1	0.26 : 1

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

30.3 Awards

As a testament to the Company's industry leadership, the Company was recognized by various award-giving bodies in 2009 and 2008 as follows:

2009

- Best Investor Relations by Finance Asia
- Best Managed Philippine Company by Finance Asia
- Asia's Best Managed Company by Finance Asia

2008

- Small Cap Corporate of the Year by Asia Money Polls
- Best in Investor Relations by Finance Asia
- Best Managed Philippine Company by Finance Asia

MEGAWORLD CORPORATION

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STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

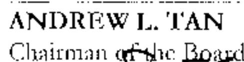
The management of **Megaworld Corporation and Subsidiaries**, is responsible for the preparation and fair presentation of the financial statements for the years ended December 31, 2011 and 2010, in accordance with Philippine Financial Reporting Standards (PFRS), including the following additional supplemental 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, 2011
d. Schedule of Financial Indicators for December 31, 2011 and 2010
e. Map Showing the Relationship Between and Among the Company and its Related Entities

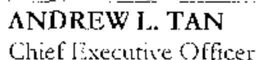
Management responsibility on the financial statements includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting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

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

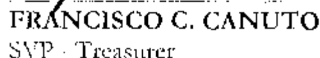
Punongbayan & Araullo, the independent auditors appointed by the stockholders, has examined the financial statements of the Company in accordance with Philippine Standards on Auditing and, and in its report to the Board of Directors and stockholders, has expressed its opinion on the fairness of presentation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



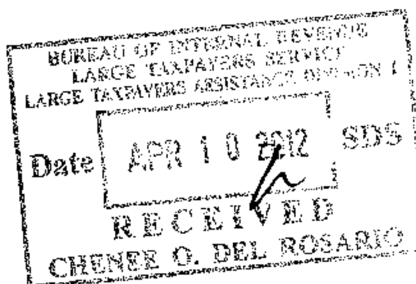
ANDREW L. TAN
Chairman of the Board



ANDREW L. TAN
Chief Executive Officer



FRANCISCO C. CANUTO
SVP - Treasurer



ISO 9001
2008 SERIES
CERTIFIED
CIP/2652/98/11/168

APR 0 3 2012

SUBSCRIBED AND SWORN to before me on this ____ day of ________ at ______________________, Philippines affiants exhibiting to me their Community Tax Certificate Nos. as follows.

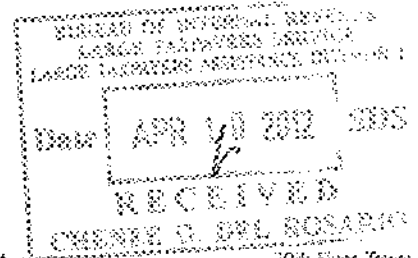
Andrew L. Tan	03208915	January 09, 2012	Quezon City
Francisco C. Canuto	06982391	January 04, 2012	Makati City

Doc. No. ____;
Page No. ____;
Book No. ____;
Series of 2012

NOTARY PUBLIC
UNTIL DEC. 31, 2013
PTR NO. 3184588, MAKATI CITY
IBP NO. 867717 PASIG CITY
APPOINTMENT NO. M-245 (2012-2013)
MCLE EXEMPTION NO. 1-003083
ROLL NO. 4375

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date APR 1 0 2012
RECEIVED

Punongbayan & Araullo



Report of Independent Auditors

20th Floor, Tower 1
The Enterprise Center
6766 Ayala Avenue
1200 Makati City
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www.punongbayan-araullo.com

The Board of Directors and Stockholders
Megaworld Corporation and Subsidiaries
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 (the Group), which comprise the consolidated statements of financial position as at December 31, 2011 and 2010, 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, 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

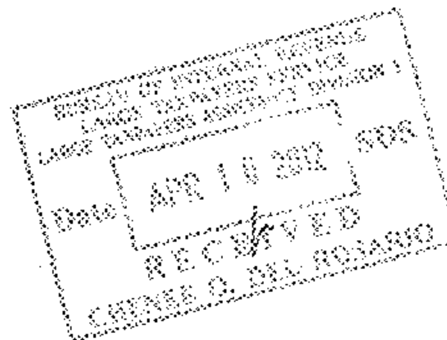
Punongbayan & Araullo

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.

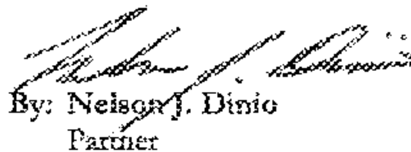
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



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, 2011 and 2010, and their consolidated financial performance and their consolidated cash flows for each of the three years in the period ended December 31, 2011 in accordance with Philippine Financial Reporting Standards.

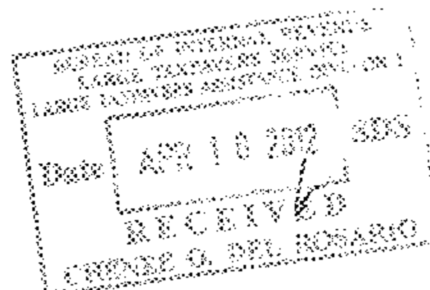
PUNONGBAYAN & ARAULLO

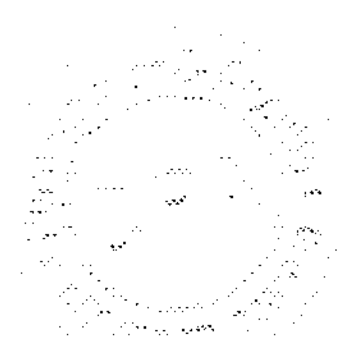


By: Nelson J. Dinio
Partner

CPA Reg. No. 0097048
TIN 201-771-632
PTR No. 3174906, January 2, 2012, 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, 2012)

March 26, 2012





MEGAWORLD CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2011 AND 2010
(Amounts in Philippine Pesos)

	Notes	2011	2010
A S S E T S			
CURRENT ASSETS			
Cash and cash equivalents	5	**P 30,324,479,180**	P 22,031,584,943
Trade and other receivables - net	6	**17,178,451,090**	14,133,801,384
Financial assets at fair value through profit or loss	7	**109,203,260**	125,000,000
Residential and condominium units for sale	3	**19,497,662,902**	6,286,477,215
Property development costs	3	**8,753,452,084**	3,798,108,537
Prepayments and other current assets - net		**1,801,123,705**	437,227,590
Total Current Assets		**77,664,372,221**	46,812,199,669
NON-CURRENT ASSETS			
Trade and other receivables	6	**20,209,042,452**	15,617,214,463
Advances to landowners and joint ventures	9	**3,888,345,313**	2,708,026,497
Land for future development	2	**4,366,523,063**	1,482,561,015
Investments in available-for-sale securities	8	**2,591,747,678**	6,211,184,496
Investments in and advances to associates and other related parties	10	**6,745,964,129**	13,671,332,490
Investment property - net	11	**12,372,290,665**	9,716,530,045
Property and equipment - net	12	**540,859,730**	360,518,201
Deferred tax assets - net	22	**7,333,579**	7,860,539
Other non-current assets	13	**609,047,834**	442,095,396
Total Non-current Assets		**51,331,154,443**	50,217,323,142
TOTAL ASSETS		**P 128,995,526,664**	P 97,029,522,811

	Notes	2011	2010
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Interest-bearing loans and borrowings	14	**P 1,879,292,646**	P 1,311,354,897
Bonds payable	15	**-**	3,416,062,159
Trade and other payables	16	**7,296,966,494**	4,037,713,348
Customers' deposits	2	**3,610,212,295**	1,013,053,489
Income tax payable		**36,897,538**	29,061,975
Reserve for property development	2	**5,107,725,787**	3,640,068,354
Deferred income on real estate sales	2	**3,446,835,596**	2,220,540,650
Other current liabilities	17	**1,778,496,717**	1,741,665,060
Total Current Liabilities		**23,156,427,073**	17,409,519,932
NON-CURRENT LIABILITIES			
Interest-bearing loans and borrowings	14	**5,288,591,409**	6,128,583,476
Bonds payable	15	**13,538,914,490**	5,000,000,000
Customers' deposits	2	**456,003,854**	1,222,422,709
Reserve for property development	2	**3,719,081,747**	2,487,557,735
Deferred income on real estate sales	2	**1,809,305,117**	1,588,240,851
Deferred tax liabilities - net	22	**5,112,895,527**	3,249,030,654
Advances from other related parties	23	**210,242,443**	289,868,257
Retirement benefit obligation	21	**285,421,740**	116,039,185
Other non-current liabilities	17	**2,646,537,985**	1,019,123,375
Total Non-current Liabilities		**33,066,994,312**	21,100,866,242
Total Liabilities		**56,223,421,385**	38,510,386,174
EQUITY	24		
Total equity attributable to parent company's shareholders		**60,956,151,542**	57,776,023,630
Non-controlling interests		**11,815,953,737**	743,113,007
Total Equity		**72,772,105,279**	58,519,136,637
TOTAL LIABILITIES AND EQUITY		**P 128,995,526,664**	P 97,029,522,811

See Notes to Consolidated Financial Statements.

MEGAWORLD CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2011, 2010 AND 2009
(Amounts in Philippine Pesos)

	Notes	2011	2010	2009
REVENUES				
Real estate sales	6	**P 15,887,590,800**	P 13,110,567,020	P 12,574,801,962
Interest income on real estate sales	6	**1,218,788,823**	933,424,160	714,213,230
Realized gross profit on prior years' sales	2	**1,970,174,052**	1,355,982,007	1,277,434,472
Rental income	11	**3,826,341,215**	2,694,310,554	2,000,477,427
Hotel operations	2	**392,171,105**	232,757,023	216,143,646
Equity in net earnings of associates, interest and other income - net	19	**5,330,031,746**	2,214,742,331	975,587,944
		28,625,097,741	20,541,783,095	17,758,658,681
COSTS AND EXPENSES				
Real estate sales	2	**10,157,277,262**	8,606,699,164	7,940,756,662
Operating expenses	18	**4,116,225,061**	2,140,225,634	1,808,120,886
Deferred gross profit	2	**3,055,851,217**	2,431,379,388	1,815,065,914
Interest and other charges - net	20	**903,526,435**	544,401,114	587,544,169
Hotel operations	2	**223,731,697**	124,463,666	103,017,443
Tax expense	22	**1,995,469,148**	1,609,101,525	1,437,541,131
		20,452,080,820	15,456,270,491	13,692,046,205
PROFIT FOR THE YEAR BEFORE PREACQUISITION INCOME		**8,173,016,921**	5,085,512,604	4,066,612,476
PREACQUISITION INCOME OF SUBSIDIARIES	1, 10	**(17,326,952)**	-	-
NET PROFIT FOR THE YEAR		**P 8,155,689,969**	P 5,085,512,604	P 4,066,612,476
Net profit attributable to:				
Parent company's shareholders		**P 8,031,884,511**	P 5,026,180,575	P 4,055,401,191
Non-controlling interests		**123,805,458**	59,332,029	11,211,285
		P 8,155,689,969	P 5,085,512,604	P 4,066,612,476
Earnings per Share				
Basic and Diluted	25	**P 0.319**	P 0.200	P 0.176

See Notes to Consolidated Financial Statements.

MEGAWORLD CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2011, 2010 AND 2009
(Amounts in Philippine Pesos)

	Notes	2011	2010	2009
NET PROFIT FOR THE YEAR		**P 8,155,689,969**	P 5,085,512,604	P 4,066,612,476
OTHER COMPREHENSIVE INCOME (LOSS)				
Net unrealized gains (losses) on available-for-sale (AFS) securities	8	**(690,525,167)**	4,031,843,227	1,211,879,519
Reclassification adjustments for gains (losses) on disposed AFS financial securities included in profit or loss	8	**(2,997,737,000)**	(473,319,584)	276,543,393
Reversal of unrealized losses on AFS securities of a deconsolidated subsidiary		**-**	63,656,553	-
Share in other comprehensive income (loss) of associates	10	**(147,365)**	71,176,649	-
		(3,688,409,532)	3,693,356,845	1,488,422,912
Translation adjustments		**(12,808,786)**	(186,558,030)	(86,806,621)
Less related tax	22, 2.4	**3,842,636**	55,967,408	26,041,986
		(8,966,150)	(130,590,622)	(60,764,635)
		(3,697,375,682)	3,562,766,223	1,427,658,277
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**P 4,458,314,287**	P 8,648,278,827	P 5,494,270,753
Total comprehensive income attributable to:				
Parent company's shareholders		**P 4,334,508,829**	P 8,588,946,798	P 5,483,059,468
Non-controlling interests		**123,805,458**	59,332,029	11,211,285
		P 4,458,314,287	P 8,648,278,827	P 5,494,270,753

See Notes to Consolidated Financial Statements.

MEGAWORLD CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2011, 2010 AND 2009
(Amounts in Philippine Pesos)

	Notes	2011	2010	2009
CAPITAL STOCK	24			
Balance at beginning of year		P 25,829,203,626	P 25,829,203,626	P 20,701,646,901
Additional issuance during the year		-	-	5,127,556,725
Balance at end of year		25,829,203,626	25,829,203,626	25,829,203,626
ADDITIONAL PAID-IN CAPITAL	24	8,432,990,413	8,432,990,413	8,432,990,413
TREASURY STOCK - At Cost	24			
Balance at beginning of year		(633,721,630)	(1,188,836,744)	(1,188,836,744)
Additions during the year		(555,115,114)	-	-
Reduction representing the shares held by a deconsolidated subsidiary		-	555,115,114	-
Balance at end of year		(1,188,836,744)	(633,721,630)	(1,188,836,744)
NET UNREALIZED GAINS ON AVAILABLE-FOR-SALE FINANCIAL ASSETS	8			
Balance at beginning of year		3,809,613,412	116,256,567	(1,372,166,345)
Other comprehensive income (loss) for the year		(3,688,409,532)	3,693,356,845	1,488,422,912
Balance at end of year		121,203,880	3,809,613,412	116,256,567
ACCUMULATED TRANSLATION ADJUSTMENTS	2.4			
Balance at beginning of year		(252,335,270)	(121,744,648)	(60,980,013)
Other comprehensive loss for the year, net of tax		(8,966,150)	(130,590,622)	(60,764,635)
Balance at end of year		(261,301,420)	(252,335,270)	(121,744,648)
RETAINED EARNINGS				
Balance at beginning of year		20,590,273,079	16,043,977,969	12,467,638,543
Net profit attributable to parent company's shareholders		8,031,884,511	5,026,180,575	4,055,401,191
Cash dividends	24	(599,265,803)	(479,885,465)	(479,061,765)
Balance at end of year		28,022,891,787	20,590,273,079	16,043,977,969
Total Equity Attributable to Parent Company's Shareholders		60,956,151,542	57,776,023,630	49,111,847,183
NON-CONTROLLING INTERESTS	10			
Balance at beginning of year		743,113,007	723,869,377	712,658,092
Additions (deductions)		10,949,035,272	(40,088,399)	-
Net profit attributable to non-controlling interests		123,805,458	59,332,029	11,211,285
Balance at end of year		11,815,953,737	743,113,007	723,869,377
TOTAL EQUITY		P 72,772,105,279	P 58,519,136,637	P 49,835,716,560

See Notes to Consolidated Financial Statements.

MEGAWORLD CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2011, 2010 AND 2009
(Amounts in Philippine Pesos)

	Notes	2011	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		**P 10,151,159,117**	P 6,694,614,129	P 5,504,153,607
Adjustments for:				
Gain on sale of investments in available-for-sale securities	8	**(2,178,458,080)**	-	-
Interest income	19	**(1,618,727,549)**	(835,944,617)	(690,238,144)
Finance costs	20	**884,058,862**	516,440,321	556,326,705
Equity in net earnings of associates	10, 19	**(597,834,536)**	(442,281,307)	(157,958,213)
Depreciation and amortization	18	**566,641,137**	443,203,639	365,795,590
Dividend income	19	**(32,661,662)**	(40,630,134)	(44,247,127)
Fair value losses (gains) - net	19	**7,851,631**	(83,500,000)	(24,100,000)
Operating profit before working capital changes		**7,182,028,920**	6,251,902,031	5,509,732,418
Increase in trade and other receivables		**(2,332,556,852)**	(5,467,069,558)	(6,201,387,858)
Decrease (increase) in residential and condominium units for sale		**(1,056,701,557)**	412,044,886	127,249,526
Decrease (increase) in property development costs		**(236,023,249)**	(77,405,610)	112,428,459
Decrease (increase) in prepayments and other current assets		**(660,103,590)**	(69,471,133)	22,311,370
Decrease (increase) in advances to landowners and joint ventures		**698,482,342**	(1,500,000,001)	(872,978,395)
Increase in trade and other payables		**2,461,337,793**	204,094,188	854,376,714
Increase (decrease) in customers' deposits		**(543,697,574)**	382,569,679	(141,485,147)
Increase in deferred income on real estate sales		**1,195,329,212**	1,075,230,757	537,798,066
Increase in reserve for property development		**1,535,423,535**	1,636,248,793	669,276,522
Increase in other liabilities		**149,045,609**	424,798,078	415,691,663
Cash generated from operations		**8,392,564,589**	3,272,942,110	1,033,013,338
Cash paid for income taxes		**(1,259,507,902)**	(946,782,440)	(559,614,717)
Net Cash From Operating Activities		**7,133,056,687**	2,326,159,670	473,398,621
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to:				
Investment property	11	**(2,874,137,207)**	(991,266,588)	(2,261,263,607)
Land for future development		**(2,803,899,896)**	(213,000,015)	-
Property and equipment	12	**(87,466,426)**	(62,373,098)	(33,162,257)
Net increase in investments in and advances to associates and other related parties		**(2,049,692,784)**	(408,034,396)	(238,527,057)
Net decrease in investment in available-for-sale securities		**3,880,528,366**	472,360,615	2,912,115,871
Interest received		**1,618,727,549**	835,944,617	689,655,133
Net decrease (increase) in other non-current assets		**(179,971,650)**	(221,527,843)	17,607,943
Dividends received	19	**32,661,662**	40,630,134	44,247,127
Payments made for the subscribed common stock of an associate	10	**-**	-	(1,583,687,182)
Net Cash Used in Investing Activities		**(2,463,250,386)**	(547,266,574)	(453,014,029)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from long-term liabilities	14, 15	**9,013,788,580**	-	7,400,000,000
Payments of long-term liabilities		**(4,934,748,567)**	(1,052,209,181)	(348,831,328)
Interest paid		**(884,058,862)**	(1,323,861,629)	(896,733,166)
Cash dividends paid	24	**(599,265,803)**	(519,885,465)	(479,061,765)
Proceeds from exercise of stock rights	24	**-**	2,272,642,649	2,854,914,076
Net Cash From (Used in) Financing Activities		**2,595,715,348**	(623,313,626)	8,530,287,817
NET INCREASE IN CASH AND CASH EQUIVALENTS		**7,265,521,649**	1,155,579,470	8,550,672,409
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		**22,031,584,943**	20,876,005,473	12,325,333,064
CASH AND CASH EQUIVALENTS AT END OF YEAR		**P 30,324,479,180**	P 22,031,584,943	P 20,876,005,473

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) .

MEGAWORLD CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2011, 2010 AND 2009
(Amounts in Philippine Pesos)

1. CORPORATE INFORMATION

Megaworld Corporation (the Company or parent 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), also a publicly listed company in the Philippines, is the Group's ultimate parent company. 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		
		2011	2010	2009
Subsidiaries:				
Megaworld Land, Inc. (MLI)		**100%**	100%	100%
Prestige Hotels and Resorts, Inc. (PHRI)	(a)	**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)	(b)	**100%**	100%	100%
Stonehaven Land, Inc. (SLI)	(b)	**100%**	100%	100%
Streamwood Property, Inc. (SP)	(b)	**100%**	100%	100%
Suntrust Properties, Inc. (SPI)	(c)	**82.45%**	-	-
Empire East Land Holdings, Inc. and Subsidiaries (EELHI)	(d)	**61.13%**	-	-
Megaworld-Daewoo Corporation (MDC)		**60%**	60%	60%
Manila Bayshore Property Holdings, Inc. (MBPHI)	(e)	**55%**	-	-
Megaworld Central Properties, Inc. (MCPI)		**51%**	51%	51%
Megaworld Resort Estates, Inc. (MREI)	(f)	**51%**	51%	51%

Subsidiaries/Associates	Explanatory Notes	Percentage of Ownership 2011	2010	2009
Subsidiaries:				
Megaworld Globus Asia, Inc. (MGAI)		**50%**	50%	50%
Philippine International Properties, Inc. (PIPI)	(g)	**50%**	50%	50%
Gilmore Property Marketing Associates, Inc. (GPMAI)	(h)	**46.45%**	-	31%
Townsquare Development, Inc. (TDI)	(i)	**31%**	31%	31%
Associates:				
Suntrust Home Developers, Inc. (SHDI)		**42.48%**	42.48%	42.48%
Palm Tree Holdings and Development Corporation (PTHDC)		**40%**	40%	40%
Megaworld Global Estates, Inc. (MGEI)	(l)	**40%**	-	-
Alliance Global Properties Ltd. (AGPL)	(j)	**39.44%**	39.44%	44.34%
Travellers International Hotel Group, Inc. (TIHGI)	(k)	**10%**	10%	10%
EELHI	(d)	**-**	48.38%	48.38%
GPMAI	(h)	**-**	39.83%	-

Explanatory Notes:

(a) Wholly owned subsidiary of MLI.

(b) Acquired subsidiaries in 2008 but have not yet started commercial operations as of December 31, 2011.

(c) In March 2011, the Company acquired 59% ownership in SPI. On December 31, 2011, the Company held a 42.48% share in SHDI and a 61.13% share in EELHI. However, since SHDI and EELHI in turn own 8% and 33% of SPI, respectively, this results to an additional indirect ownership of 23.5%. As a result, the Company owns SPI by 82.45%.

(d) On various dates in2011,the Company acquired an additional 12.75% ownership in EELHI, thereby making EELHI a subsidiary of the Company.As of December 31, 2011, the Company's ownership in EELHI stands at 61.13%.

(e) MBPHI was incorporated in October 2011 and has not yet started commercial operations as of December 31, 2011. MBPHI is also 50% owned by TIHGI, thereby increasing the Company's ownership to 55%. TIHGI is 10% owned by the Company.

(f) MREI was incorporated in 2007. MREI owns 60% of TDI as of December 31, 2011 resulting in the Company's indirect interest of 31% of TDI.

(g) PIPI was incorporated in 2002 and acquired by the Company in 2006; has not yet started commercial operations as of December 31, 2011.

(h) In November 2007, MREI acquired 100% ownership in GPMAI which resulted in the Company's indirect interest of 51% as of December 31, 2007. In 2008, MREI's ownership in GPMAI decreased to 60%; it further decreased to 28.85% in 2010. GPMAI was consolidated starting 2007 up to 2009; in 2010, it was deconsolidated and treated as an associate of the Group. As of December 31, 2011, EELHI has a 51.92% ownership in GPMAI bringing the Company's indirect ownership to 46.45%. Consequently, GPMAI became a subsidiary of the Company through EELHI, its intermediate parent company.

(i) TDI was incorporated in 2006 and is owned by MREI at 60%. In this regard, the Company has indirect interest in TDI of 31%.

(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, on AGPL.

(k) 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, in November 2010, TIHGI redeemed the 430.0 million 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 on TIHGI.

(*l*) MGEI was registered with the Securities and Exchange Commission on March 14, 2011 and has not yet started commercial operations as of December 31, 2011.

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 MBPHI, MGEI, PIPI, PPVI, SLI and SP, which are not yet in commercial operations as of December 31, 2011, 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, 2011 (including the comparatives for the years ended December 31, 2010and 2009) were authorized for issue by the Company's Board of Directors (BOD) on March 26, 2012.

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.

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 2011 that are Relevant to the Group*

In 2011, the Group adopted the following amendments, revisions, interpretations and annual improvements to existing PFRS that are relevant to the Group and effective for its consolidated financial statements for the annual period beginning on or after July 1, 2010 or January 1, 2011.

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

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

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

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

(iii) Philippine Interpretation IFRIC 14 (Amendment), *Prepayments of a Minimum Funding Requirement* (effective from January 1, 2011). This interpretation addresses unintended consequences that can arise from the previous requirements when an entity prepays future contributions into a defined benefit pension plan. It sets out guidance on when an entity recognizes an asset in relation to a surplus for defined benefit plans based on PAS 19, *Employee Benefits* that are subject to a minimum funding requirement. The adoption to the amendment did not have a material effect on its consolidated financial statements because it does not usually make substantial advance contributions to its retirement fund and the Group is not subject to a minimum funding requirement.

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

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

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

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

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

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

(v) *2010* Annual Improvements to PFRS. The FRSC has adopted the *2010 Improvements to PFRS*. Most of these amendments became effective for annual periods beginning on or after July 1, 2010 or January 1, 2011. Among those improvements, only the following amendments were identified to be relevant to the consolidated financial statements which did not have any material impact:

- PAS 1 (Amendment), *Presentation of Financial Statements: Clarification of Statement of Changes in Equity* (effective from July 1, 2010). The amendment clarifies that, for each component of equity, an entity may present an analysis of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements. The Group opted to continue to present other comprehensive income in the statement of comprehensive income.

- PAS 27 (Amendment), *Consolidated and Separate Financial Statements* (effective from July 1, 2010). This amendment clarifies that the consequential amendments made to PAS 21, *The Effect of Changes in Foreign Exchange Rates*, PAS 28, *Investment in Associate,* and, PAS 31, *Investment in Joint Ventures,* arising from the PAS 27 (2008) amendments apply prospectively, to be consistent with the related PAS 27 transition requirements.

- PAS 34 (Amendment), *Interim Financial Reporting – Significant Event and Transactions* (effective from January 1, 2011). The amendment provides further guidance to illustrate how to apply disclosure principles under PAS 34 for significant events and transactions to improve interim financial reporting. It requires additional disclosure covering significant changes to fair value measurement and classification of financial instruments, and to update relevant information from the most recent annual report.

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

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

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

- PFRS 7 (Amendment), *Financial Instruments: Clarification of Disclosures* (effective from January 1, 2011). The amendment clarifies the disclosure requirements which emphasize the interaction between quantitative and qualitative disclosures about the nature and extent of risks arising from financial instruments. It also amends the required disclosure of financial assets including the financial effect of collateral held as security.

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

The following amendments and interpretations to published standards are mandatory for accounting periods beginning on or after January 1, 2010 but are not relevant to the Group's consolidated financial statements:

PFRS 1 (Amendment)	:	First-Time Adoption of PFRS – Financial Instruments Disclosures
2010 Annual Improvements		
PFRS 1 (Amendment)	:	First-Time Adoption of PFRS
IFRIC 13 (Amendment)	:	Customer Loyalty Programmes – Fair Value Awards Credits

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

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

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

(iii) 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 Company is currently evaluating the impact of this interpretation on its financial statements in preparation for its adoption when this becomes mandatorily effective in the Philippines.

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

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

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

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

(v) Consolidation Standards

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

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

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

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

  The Group is currently reviewing the impact of the above consolidation standards on its financial statements in time for its adoptionin 2013.

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 interest 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 2.10). 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 part of Equity in Net Earnings of Associates, Interest and Other Income - net 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 amounts previously recognized in other comprehensive income in respect of that entity are 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.

Upon adoption in 2010 of PAS 27 (Revised 2008), *Consolidated and Separate Financial Statements*, the Group has changed its accounting policy for transactions with non-controlling interests and the accounting for loss of control or significant influence. It has applied the new policy prospectively as required by the standards beginning January 1, 2010. As a result, no adjustments were necessary to any of the amounts previously recognized and reported in the consolidated financial statements.

Before the adoption of the revised PAS 27 in 2010, transactions with non-controlling interests were treated as transactions with parties external to the Group. As such, disposals resulted in gains or losses in profit or loss and purchases resulted in the recognition of goodwill. On disposal or partial disposal, a proportionate interest in reserves attributable to the subsidiary was reclassified to profit or loss or directly to retained earnings.

Also prior to 2010, when the Group ceased to have control or significant influence over an entity, the carrying amount of the investment at the date control or significant influence was lost became its cost for the purposes of subsequently accounting for the retained interests as associates, jointly controlled entity or financial assets.

2.4 Foreign Currency Transactions

(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 Group 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 Charges – 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 parent company's shareholders.

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

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 date. All financial assets that are not classified as at FVTPL are initially recognized at fair value plus any directly attributable transaction costs. Financial assets carried at FVTPL are initially recorded at fair value and transaction costs related to it are recognized in profit or loss.

The Group's financial instruments are currently lodged in the following classifications:

(a) *Financial Assets at FVTPL*

This category includes financial assets that are either classified as held for trading or that meet 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. Impairment loss is provided when there is objective evidence that the Group will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the impairment loss is determined as the difference between the assets' carrying amount and the present value of estimated cash flows 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), 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 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 Financial Assets

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 financial assets 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 Financial Assets 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 Equity in Net Earnings of Associates, 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.

A financial asset is presented net of a financial liability when the Group: (a) currently has a legally enforceable right to set off the recognized amounts; and (b) intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

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 Company, 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 Company as part of the property development costs. 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 residential and condominium units sold presented in the statement of income with a corresponding credit to the liability account, Reserve for Property Development account.

Property Development Costs and Residential and Condominium Units for Sale 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. Any impairment loss from a real estate project is charged to operations during the period in which the loss is determined (see also Note 2.15).

2.7 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 is computed using the straight-line method over the estimated useful lives of the assets ranging from 5 to 25 years.

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.

2.8 Property and Equipment

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

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 2.17) 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 2.15).

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.

2.9 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 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 comprehensive 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 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.

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

A financial liability is presented net of a financial asset when the Group: (a) currently has a legally enforceable right to set off the recognized amounts; and (b) intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

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 Company does not have an unconditional right to defer settlement of the liability for atleast 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.

2.10 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 2.15). 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 accountedfor within equity.

2.11 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.

2.12 Provisions and Contingencies

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

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

2.13 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 statement 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 statement of financial position.

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

Any adjustments relative to previous years' sales are recorded in the current year as they occur.

(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 and hotel income* – 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 and refundable rental deposits are recorded as deferred rental income. Deferred rental income is measured at amortized cost using the effective interest rate method.

(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 2.17) 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 the profit or loss upon utilization of the service or receipt of goods or at the date they are incurred.

2.14 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.

2.15 Impairment of Non-financial Assets

The Group's Investments in Associates, Goodwill (included as part of Other Non-current Assets), Investment Property, Land for Future Development, 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.

2.16 Employee Benefits

(a) *Post-employment Benefit*

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

A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for any benefits from this kind of post-employment plan remains with the Group, even if plan assets for funding the defined benefit plan have been acquired. Plan assets may include assets specifically designated to a long-term benefit fund, as well as qualifying insurance policies. The Group's post-employment 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 statement of financial position for post-employment defined benefit pension 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 interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related post-employment liability.

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

(b) Compensated Absences

Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the end of the reporting period. They are included in 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.

2.17 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.

2.18 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 the 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.

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.

2.19 Related Party 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 Company; (b) associates; and, (c) individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the Company 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.

2.20 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 is stated at the cost of re-acquiring such shares.

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 conversion of foreign-currency denominated financial statements of certain subsidiaries into the Group's functional and presentation currency.

Retained earnings include all current and prior period results of operations as reported in the consolidated statement of income.

2.21 Earnings Per Share

Basic earnings per share (EPS) is computed by dividing consolidated net profit attributable to equity holders of the parent company by the weighted average number of shares issued and outstanding, adjusted retroactively for any stock dividend, stock split 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. As of December 31, 2011 and 2010, the Group does not have potential dilutive common shares.

2.22 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 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, 2011 and 2010. Future changes in such information and circumstance might significantly affect the carrying amount of the assets.

(b) *Distinction Between Investment Properties, 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 generate 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.

(c) *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) *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 2.12 and relevant disclosures of 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 realized 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.

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

In determining the net realizable value of residential and condominium units for sale and property development costs, 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 and Property Development Costs 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 Company's Residential and Condominium Units for Sale and Property Development Costs amounted to P19.5 billion and P8.8 billion, respectively, as of December 31, 2011 andP6.3 billion and P3.8 billion, respectively, as of December 31, 2010.

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

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.

For financial assets, fair value determination is discussed in Note 2.5.

(d) *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. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in the factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of property and equipment and investment property would increase recorded operating expenses and decrease non-current assets.

The carrying amounts of investment property and property and equipment are disclosed in Notes 11 and 12, respectively.

(e) *Allowance for Impairment of Trade and Other Receivables*

Allowance is made 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 financial assets are disclosed in Notes 5, 7 and 8, respectively.

(g) *Realizable Amount of Deferred Tax Assets*

The Group reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Management assessed that the balance of deferred tax assets as at December 31, 2011 and 2010 will be utilized within the next two to three years.

The carrying amount of the net deferred tax assets as of December 31, 2011 and 2010 is disclosed in Note 22.

(h) *Impairment of Non-financial Assets*

The Group's policy on estimating the impairment of non-financial assets is discussed in detail in Note 2.15. 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 2011and 2010 based on management's assessment.

(i) *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 21.2 and include, among others, discount rates, expected return on plan assets and salary increase rate. In accordance with PFRS, actual results that differ from the assumptions are accumulated and amortized over future periods and, therefore, generally affect the recognized expense and recorded obligation in such future periods.

The 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 21.2.

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 2.11. 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, 2011, 2010 and 2009 and certain asset and liability information regarding segments at December 31, 2011, 2010 and 2009.

2011

	Real Estate	Rental	Hotel Operations	Corporate and Others	Elimination	Consolidated
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	P 19,076,553,675	P 3,880,311,008	P 392,171,105	P 3,189,657,026	(P 220,470,727)	P 26,318,222,087
RESULTS						
Segment results	P 3,532,707,027	P 2,903,020,448	P 99,220,101	P 2,384,111,424	P 25,888,853	P 8,944,947,853
Unallocated expenses						(199,278,575)
Income from operations						8,745,669,278
Interest income	-	-	-	1,618,727,549	-	1,618,727,549
Finance costs	-	-	-	(884,058,862)	-	(884,058,862)
Equity in net earnings of associates	-	-	-	597,834,536	-	597,834,536
Foreign currency gains – net	-	-	-	65,503,537	-	65,503,537
Dividend income	-	-	-	32,661,662	-	32,661,662
Fair value gains (losses) – net	-	-	-	(7,851,631)	-	(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 parent company's shareholders						P 8,031,884,511
ASSETS AND LIABILITIES						
Segment assets	P 93,027,684,188	P13,098,763,945	P 261,591,040	P13,444,018,245	P -	P119,832,057,418
Investments in and advances to associates and other related parties - net	-	-	-	6,745,964,129	-	6,745,964,129
Unallocated assets	-	-	-	2,417,505,117	-	2,417,505,117
Total assets	P 93,027,684,188	P13,098,763,945	P 261,591,040	P22,607,487,491	P -	P 128,995,526,664
Segment liabilities	P 46,802,707,496	P 1,853,118,305	P 111,753,205	P 7,455,842,379	P -	P 56,223,421,385
OTHER SEGMENT INFORMATION						
Project and capital expenditures						P19,825,843,992

2010

	Real Estate	Rental	Hotel Operations	Corporate and Others	Elimination	Consolidated
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 -	P19,135,518,279
Intersegment sales	-	52,014,865	-	179,885,935	(231,900,800)	-
Total revenues	P 15,399,973,187	P 2,746,325,419	P 232,757,023	P 988,363,450	(P 231,900,800)	P19,135,518,279
RESULTS						
Segment results	P 3,042,478,040	P 2,062,875,628	P 38,125,649	P 752,871,759	P 25,888,853	P 5,922,239,929
Unallocated expenses						(117,450,295)
Income from operations						5,804,789,634
Interest income	-	-	-	835,944,617	-	835,944,617
Finance costs	-	-	-	(516,440,321)	-	(516,440,321)
Equity in net earnings of associates	-	-	-	442,281,307	-	442,281,307
Fair value gains – net	-	-	-	83,500,000	-	83,500,000
Dividend income	-	-	-	40,630,134	-	40,630,134
Foreign currency gains – net	-	-	-	3,908,758	-	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 parent company's shareholders						P 5,026,180,575
ASSETS AND LIABILITIES						
Segment assets	P 63,241,644,678	P 5,919,037,407	P 178,376,810	P13,022,093,222	P -	P82,364,152,117
Investments in and advances to associates and other related parties - net	-	-	-	13,671,332,490	-	13,671,332,490
Unallocated assets	-	-	-	994,038,204	-	994,038,204
Total assets	P 63,241,644,678	P 5,919,037,407	P 178,376,810	P27,690,463,916	P -	P97,029,522,811
Segment liabilities	P 32,027,981,425	P 1,530,032,850	P 78,854,006	P 4,873,517,893	P -	P38,510,386,174
OTHER SEGMENT INFORMATION						
Project and capital expenditures						P13,460,175,204

2009

	Real Estate	Rental	Hotel Operations	Corporate and Others	Elimination	Consolidated
TOTAL REVENUES						
Sales to external customers	P 14,566,449,663	P 2,000,477,427	P 216,143,646	P 59,044,461	P -	P16,842,115,197
Intersegment sales	-	62,047,938	-	71,112,463	(133,160,401)	-
Total revenues	P 14,566,449,663	P 2,062,525,365	P 216,143,646	P 130,156,924	(P 133,160,401)	P16,842,115,197
RESULTS						
Segment results	P 3,721,385,850	P 1,535,784,727	P 44,321,641	P 31,021,942	P 25,888,853	P 5,358,403,013
Unallocated expenses						(206,001,589)
Income from operations						5,152,401,424
Interest income	-	-	-	690,238,144	-	690,238,144
Finance costs	-	-	-	(556,326,705)	-	(556,326,705)
Equity in net earnings of associates	-	-	-	157,958,213	-	157,958,213
Dividend income	-	-	-	44,247,127	-	44,247,127
Fair value gains – net	-	-	-	24,100,000	-	24,100,000
Foreign currency loss – net	-	-	-	(8,464,596)	-	(8,464,596)
Profit before tax						5,504,153,607
Tax expense						(1,437,541,131)
Net profit before non-controlling interests						4,066,612,476
Non-controlling interests' share in net profit						(11,211,285)
Net profit attributable to parent company's shareholders						P 4,055,401,191
ASSETS AND LIABILITIES						
Segment assets	P 55,378,759,577	P 5,072,588,995	P 182,070,130	P11,172,314,788	P -	P71,805,733,490
Investments in and advances to associates and other related parties - net	-	-	-	12,665,714,849	-	12,665,714,849
Unallocated assets	-	-	-	782,324,106	-	782,324,106
Total assets	P 55,378,759,577	P 5,072,588,995	P 182,070,130	P24,620,353,743	P -	P85,253,772,445
Segment liabilities	P 28,887,111,381	P 1,102,204,707	P 51,504,125	P 5,377,235,672	P -	P35,418,055,885
OTHER SEGMENT INFORMATION						
Project and capital expenditures						P 10,700,484,872

5. CASH AND CASH EQUIVALENTS

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

	2011	2010
Cash on hand and in banks	**P 2,049,865,776**	P 1,109,041,947
Short-term placements	**28,274,613,404**	20,922,542,996
	P 30,324,479,180	P22,031,584,943

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 3.5% to 4.9% in 2011and 3.5% to 4.8% in 2010(see Note 19).

6. TRADE AND OTHER RECEIVABLES

This account is composed of the following:

	2011	2010
Current:		
Trade	**P 15,414,359,792**	P 12,899,356,339
Allowance for impairment	**(18,458,087)**	(3,324,211)
	15,395,901,705	12,896,032,128
Advances to contractors and suppliers	**1,173,135,782**	710,223,731
Others	**609,413,603**	527,545,525
	17,178,451,090	14,133,801,384
Non-current:		
Trade	**20,207,201,820**	15,617,214,463
Allowance for impairment	**(12,224,936)**	-
	20,194,976,884	15,617,214,463
Others	**14,065,568**	-
	20,209,042,452	15,617,214,463
	P37,387,493,542	P 29,751,015,847

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

	2011	2010
Balance at beginning of year	**P 3,324,211**	P 7,895,021
Allowance carried from new subsidiaries (EELHI and SPI)	**26,302,376**	-
Impairment loss during the year	**1,139,783**	-
Write-off of trade receivables previously provided with allowance	**(83,347)**	(4,570,810)
Balance at end of year	**P 30,683,023**	P 3,324,211

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 P1.2 billion in 2011, P933.4 million in 2010 and P714.2 million in 2009; 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 resemble a large number of receivables from various customers. Certain 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 title to the real estate properties remains 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 marketable securities which are presented at their fair values determined directly by reference to published prices quoted in an active market as of December 31, 2011 and 2010. The changes in fair values of these financial assets are presented as Fair Value Gains - net in 2011 and 2010 under Equity in Net Earnings of Associates, Interest and Other Income - net (see Note 19).

8. INVESTMENTS IN AVAILABLE-FOR-SALE SECURITIES

AFS securities comprise the following as of December 31:

	2011	2010
Investments in equity instruments	**P2,030,052,709**	P5,535,716,669
Investments in debt instruments	**561,694,969**	675,467,827
	P2,591,747,678	P6,211,184,496

The fair values of AFS financial assets have been determined directly by reference to published prices in an active market.

The aggregate cost of AFS financial assets as of December 31, 2011 and 2010 amounted to P2.5 billion andP2.4 billion, respectively. The fair value gains/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 Financial Assets in the consolidated statements of comprehensive income.

The decrease in the carrying amount of AFS securities resulted from the disposal of investments during the year. The resulting gain is presented as Gain on Sale of AFS securities under Equity in Net Earnings account in the 2011 statement of income (see Note 19).

A portion of the AFS securities are owned by RHGI and EELHI, which are subsidiaries of the Company. Hence, the movements in the AFS financial assets arising from fair value gains/losses are fully allocated to the parent 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 by 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 condominium 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:

	2011	2010
Total commitment for cash advances	**P 20,000,000**	P1,500,000,000
Total cash advances granted	**(20,000,000)**	(1,500,000,000)
Net Commitment	**P -**	P -

The net commitment for construction expenditures amounts to:

	2011	2010
Total commitment for construction expenditures	**P 7,973,154,005**	P 7,911,278,595
Total expenditures incurred	**(5,732,041,177)**	(5,505,759,467)
Net commitment	**P 2,241,112,828**	P 2,405,519,128

The Group's interests in jointly-controlled operations and projects range from 72% to 95% in 2011 and 2010. The listing and description of the Group's jointly controlled projects are as follows:

Parent company:
- McKinley Hills
- Newport City
- Manhattan Parkway Residences
- Greenbelt Excelsior
- Forbeswood Heights
- ForbeswoodParklane 1 & 2
- The Noble Place

EELHI:
- Pioneer Woodlands
- San Lorenzo Place
- Governor Hills
- Sta. Rosa Heights
- Various Metro Manila and Calabarzon projects

The aggregate amounts of the current assets, long-term assets, current liabilities, long-term liabilities, income and expenses as of and for the years ended December 31, 2011, 2010 and 2009related to the Group's interests in joint ventures are not presented as the joint ventures in which the Group is involved are not jointly-controlled entities (see Note 2.3).

As of December 31, 2011 and 2010,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)	**2011**	2010
Investments in associates – at equity			
Acquisition costs:			
SHDI	42.48%	**P 875,445,000**	P 875,445,000
PTHDC	40.00%	**64,665,000**	64,665,000
MGEI	40.00%	**5,000,000**	-
AGPL	39.44%	**2,463,056,417**	2,463,056,417
TIHGI	10.00%	**570,000,000**	570,000,000
EELHI	-	**-**	5,726,128,415
GPMAI	-	**-**	98,806,194
		3,978,166,417	9,798,101,026
Accumulated equity in net (losses) earnings:			
Balance at beginning of year		**1,826,240,632**	1,403,518,676
Reversal resulting from the consolidation of EELHI and GPMAI		**(2,216,306,527)**	-
Equity share in net earnings for the year (see Note 19)		**597,834,536**	442,281,307
Share in other comprehensive income(loss)		**(147,365)**	71,176,649
Dividends received from TIHGI		**-**	(90,736,000)
Balance at end of year		**207,621,276**	1,826,240,632
Advances to associates and other related parties (see Note 23.3)		**2,560,176,436**	2,046,990,832
		P 6,745,964,129	P13,671,332,490

In 2011, EELHI and GPMAI became subsidiaries of 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 P498.0 million and P439.4million as of December 31, 2011 and 2010, respectively. Overall, the related book values of the Group's holdings in all of its associates are in excess of both the investments' cost and market values, hence, management has assessed that the recognition of impairment losses was not deemed necessary.

At the beginning of 2010, the Company held 1.0 billion shares of TIHGI which represents 10% ownership interest. In August 2010, TIHGI amended its Articles of Incorporation to convert P9.9 billion or 99% of its common shares to redeemable, voting and participating preferred shares. This was approved by the Securities and Exchange Commission (SEC) on October 14, 2010. Consequently, the investment of the Company in TIHGI of 1.0 billion common shares was converted to 10.0 million common shares and 990.0 million preferred shares of TIHGI. As this was just a conversion of shares and did not change the Company's 10% ownership in TIHGI, no gain or loss from the transaction was recorded in the Company's books. In November 2010, TIHGI redeemed 430.0 million preferred shares held by the Company at par value. There are no outstanding receivables as of December 31, 2010 arising from TIHGI's redemption of preferred shares held by the Company. Despite of the 10% ownership, the Company considers TIHGI as an associate due to the presence of significant influence over TIHGI's operations since two out of the five directors of TIHGI are also members of the Company's BOD.

In 2010, the Company received cash dividends from TIHGI amounting to P90.7 million. The amount received is considered a return on investment and is presented as deduction from the Accumulated Equity in Net Earnings shown in the previous table presented. No dividend was declared by TIHGI in 2011.

In October 2010, AGPL issued additional 57.7 million common shares. Out of the total number of shares that AGPL issued, RHGI, a 100% owned subsidiary of the Company, subscribed to only 19.1 million shares (lesser than its proportionate share) at a cost of P20.4 million. This resulted in the decline of RHGI's percentage ownership in AGPL to 39.44% in 2010. No additional shares was issued by AGPL in 2011.

Also, in October 2010, GPMAI issued additional 27.0 million shares to EELHI resulting in the decline of TDI's percentage ownership in GPMAI to 48.08% and MREI's and the Company's indirect ownership to 28.85% and 39.83%, respectively. Accordingly, GPMAI was deconsolidated and treated as an associate as of December 31, 2010. GPMAI's issuance of new shares was made at book value, hence, no dilution gain or loss was recognized.

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 interest and also in the presentation of the amount of preacquisition income in the statement of income. In 2011, the Company's indirect ownership in GPMAI also increased to 46.45% through the Company's increased ownership interest in EELHI, which has a 52% ownership in GPMAI. Consequently, GPMAI is also treated as a subsidiary of the Company in 2011.

The balance of the Accumulated Equity in Net Earnings of P0.2 billion and P1.8 billion as of December 31, 2011 and 2010, 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)
2011:				
SHDI	P 346,218,249	P 238,560,591	P 174,125,973	(P 3,271,785)
PTHDC	1,137,402,691	1,005,276,839	115,409	(157,289)
MGEI	12,032,991	-	34,940	(467,014)
AGPL	6,043,588,479	8,263,874	295,614,455	282,114,487
TIHGI	45,595,379,043	26,801,261,974	26,348,582,418	4,838,534,174
	P 53,134,621,453	**P 28,053,363,278**	**P 26,818,473,195**	**P 5,116,752,573**
2010:				
EELHI	P 27,802,956,436	P 8,272,469,687	P 2,252,537,377	P 250,265,682
SHDI	574,763,978	463,834,535	8,292,806	4,749,928
PTHDC	1,137,581,235	1,005,298,094	64,128	(178,157)
GPMAI	749,039,928	157,143,964	185,277,507	166,260,340
AGPL	6,352,873,392	7,846,770	205,630,984	95,518,781
TIHGI	40,779,934,827	26,822,878,282	14,876,965,463	3,220,646,817
	P 77,397,149,796	P 36,729,471,332	P 17,528,768,265	P 3,737,263,391

11. INVESTMENT PROPERTY

The gross carrying amounts and accumulated depreciation at the beginning and end of 2011 and 2010 are shown below.

	Land	Buildings	Condominium Units	Total
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	-	(1,191,162,815)	(787,737,966)	(1,978,900,781)
Net carrying amount	**P 1,412,634,527**	**P 6,769,679,332**	**P 4,189,976,806**	**P 12,372,290,665**
December 31, 2010				
Cost	P 1,412,634,527	P 5,878,941,281	P 3,954,063,399	P 11,245,639,207
Accumulated depreciation	-	(930,323,176)	(598,785,986)	(1,529,109,162)
Net carrying amount	P 1,412,634,527	P 4,948,618,105	P 3,355,277,413	P 9,716,530,045
January 1, 2010				
Cost	P 1,427,094,149	P 5,621,910,029	P 3,219,937,754	P 10,268,941,932
Accumulated depreciation	-	(724,584,211)	(438,572,652)	(1,163,156,863)
Net carrying amount	P 1,427,094,149	P 4,897,325,818	P 2,781,365,102	P 9,105,785,069

A reconciliation of the carrying amounts at the beginning and end of 2011 and2010 of investment property is shown below.

	Land	Buildings	Condominium Units	Total
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
Disposals	-	-	(19,011,574)	(19,011,574)
Investment property of newly-acquired subsidiaries	-	250,426,606	-	250,426,606
Depreciation charges for the year	-	(260,839,639)	(188,951,980)	(449,791,619)
Balance at December 31, 2011, net of accumulated depreciation	**P 1,412,634,527**	**P 6,769,679,332**	**P 4,189,976,806**	**P 12,372,290,665**
Balance at January 1, 2010, net of accumulated depreciation	P 1,427,094,149	P 4,897,325,818	P 2,781,365,102	P 9,105,785,069
Additions	-	257,140,943	734,125,645	991,266,588
Transfers	-	(109,691)	-	(109,691)
Investment property of a deconsolidated subsidiary	(14,459,622)	-	-	(14,459,622)
Depreciation charges for the year	-	(205,738,965)	(160,213,334)	(365,952,299)
Balance at December 31, 2010, net of accumulated depreciation	P 1,412,634,527	P 4,948,618,105	P 3,355,277,413	P 9,716,530,045

Certain properties held for lease with appraised value of P800.0 million as of December 31, 2011 and 2010 were used as collateral for ECOC's Interest-bearing Loan (see Note 14).

Rental income earned from these properties amount to P3.8 billion, P2.7 billion and P2.0 billionin 2011, 2010 and 2009, 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 the investment property amounted to P135.08 million in 2011,P91.4 million in 2010 and P94.7 million in 2009. 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 P73.8 billion and P52.9 billion as of December 31, 2011 and 2010, 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 2011 and 2010.

12. PROPERTY AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization at the beginning and end of 2011 and 2010 are shown below.

	Condominium Units	Office Furniture, Fixtures and Equipment	Office and Land Improvements	Transportation Equipment	Land	Total
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	**P 243,688,551**	**P 114,528,017**	**P 63,998,634**	**P 37,549,528**	**P 81,095,000**	**P 540,859,730**
December 31, 2010						
Cost	P 629,423,370	P 208,009,574	P 125,515,520	P 73,056,949	P -	P1,036,005,413
Accumulated depreciation and amortization	(419,607,035)	(137,705,039)	(68,848,502)	(49,326,636)	-	(675,487,212)
Net carrying amount	P 209,816,335	P 70,304,535	P 56,667,018	P 23,730,313	P -	P 360,518,201
January 1, 2010						
Cost	P 636,068,482	P 164,774,710	P 110,228,731	P 68,340,932	P -	P 979,412,855
Accumulated depreciation and amortization	(384,211,287)	(112,828,976)	(62,091,448)	(39,104,161)	-	(598,235,872)
Net carrying amount	P 251,857,195	P 51,945,734	P 48,137,283	P 29,236,771	P -	P 381,176,983

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

	Condominium Units	Office Furniture, Fixtures and Equipment	Office and Land Improvements	Transportation Equipment	Land	Total
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 andequipment 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	**P 243,688,551**	**P 114,528,017**	**P 63,998,634**	**P 37,549,528**	**P 81,095,000**	**P 540,859,730**

	Condominium Units	Office Furniture, Fixtures and Equipment	Office and Land Improvements	Transportation Equipment	Land	Total
Balance at January 1, 2010, net of accumulated depreciation and amortization	P 251,857,195	P 51,945,734	P 48,137,283	P 29,236,771	P -	P 381,176,983
Additions	2,476,163	43,273,546	14,583,114	2,040,275	-	62,373,098
Disposals	(9,121,275)	(38,682)	703,675	2,675,742	-	(5,780,540)
Depreciation and amortization charges for the year	(35,395,748)	(24,876,063)	(6,757,054)	(10,222,475)	-	(77,251,340)
Balance at December 31, 2010 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

13. OTHER NON-CURRENT ASSETS

This account consists of:

	2011	2010
Goodwill	**P 345,053,732**	P 264,768,344
Guarantee and other deposits	**260,906,603**	174,767,810
Others	**3,087,499**	2,559,242
	P 609,047,834	P 442,095,396

Goodwill is subject to impairment testing at least annually. No impairment losses were recognized in 2011 and 2010.

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:

	2011	2010
Current:		
Megaworld Corporation	**P 1,203,380,952**	P1,203,380,952
SPI	**400,000,000**	-
EELHI	**221,870,556**	-
ECOC	**54,041,138**	107,973,945
Balance brought forward	**P 1,879,292,646**	P1,311,354,897

	2011	2010
Balance forwarded	**P 1,879,292,646**	P1,311,354,897
Non-current:		
Megaworld Corporation	**4,871,214,286**	6,074,595,238
EELHI	**417,377,123**	-
ECOC	**-**	53,988,238
	5,288,591,409	6,128,583,476
	P 7,167,884,055	P7,439,938,373

14.1 Megaworld Corporation

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.

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 shall commence in February 2010 and interest shall be paid semi-annually based on a 9.0% annual interest rate.

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 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 P403.0 million in 2006 from the same local bank subject to the same terms and conditions. Collateral for the loans consisted of a mortgage over certain investment property of the Company (see Note 11).

14.2 EELHI

EELHI has outstanding secured and unsecured loans from local banks. The loans bear annual interest rates ranging from9.5% to 10.5% in 2011. Certain properties with an estimated carrying value of P1.6 billion as of December 31, 2011, are used as collateral for the P639.2 million bank loan.

Bank loans also include amounts arising from trade receivables discountedon a with-recourse basis(see Note 6). Finance costs that are directly attributable to construction of the EELHI's projects are capitalized as part of Residential and Condominium Units for Sale. The remaining interest costs are expensed outright and are presented as part of Interest and Other Charges - net in the 2011 consolidated statement of income.

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.

14.3 SPI

In 2011, SPI availed of short-term loans from a local bank amounting to P400.0 million. This loan bears an annual interest rate of 5.5% upon maturity in 2012.

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 is payable in 10 years, inclusive of a two-and-a-half year grace period on principal payment. Interest is 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 (see Note 11), and a full guarantee from the parent company.

The Group complied with loan covenants, including maintaining certain financial ratios at the reporting date.

Total finance costs attributable to these loans amounted to P523.4 million, P620.6 million in 2011 and 2010, respectively. Of these amounts, the balance of the interest is presented as part of Finance Costs under Interest and Other Charges - net in the consolidated statements of income (see Note 20). Interest charges capitalized in 2011 and 2010 amount to P355.6 million and P384.1 million, respectively. Capitalization rate used in determining the amount of interest charges qualified for capitalization is 8.29%.

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 bond will mature on April 15, 2018.

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 were used by the Group to finance its capital expenditures from 2009 until 2011 mainly for the development of its real estate projects.Interest charges capitalized arising from these bonds amounted to P423.0 million in 2011 and 2010.

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 in August 2011. Interest expense from bonds payable is presented as part of Finance Costs under Interest and Other Charges in the consolidated statements of income (see Note 20). During 2008, RHGI bought a portion of the five-year term bonds aggregating to U.S.$22.2 million (P1.1 billion) and these were classified as financial assets at FVTPL by RHGI. The bonds' fair market value as of December 31, 2010 amounted to U.S.$22.2 million (P972.4 million). The effects of this transaction were eliminated in the preparation of consolidated financial statements.

16. TRADE AND OTHER PAYABLES

This account consists of:

	2011	2010
Trade payables	**P5,241,397,638**	P2,203,109,184
Retention payable	**1,349,444,587**	1,211,950,863
Accrued interest	**303,706,055**	285,314,152
Accrued construction cost	**64,837,800**	77,369,336
Miscellaneous	**337,580,414**	259,969,813
	P7,296,966,494	P4,037,713,348

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:

	2011	2010
Current:		
Unearned income	**P 1,513,744,516**	P 939,203,207
Deferred rent	**27,698,235**	797,618,036
Other payables	**237,053,966**	4,843,817
	P 1,778,496,717	P1,741,665,060
Non-current:		
Deferred rent – net	**P 1,943,654,006**	P 732,378,814
Other payables	**702,883,979**	286,744,561
	P 2,646,537,985	P1,019,123,375

Other payables mainly comprised of commission payable to the Group's real estate agents and SPI's liability on assigned receivables.

18. OPERATING EXPENSES

Presented below are the details of this account.

	Notes	**2011**	2010	2009
Commission		**P 934,748,085**	P 467,977,819	P 471,837,004
Salaries and employee benefits	21	**775,558,589**	437,045,219	343,257,217
Advertising and promotions		**572,052,650**	189,619,585	148,996,615
Depreciation and amortization	11, 12	**566,641,137**	443,203,639	365,795,590
Utilities and supplies		**215,840,286**	141,065,957	79,752,963
Taxes and licenses		**196,304,569**	110,188,073	134,286,970
Professional fees and outside services		**176,664,004**	68,426,284	28,773,878
Rent		**163,714,850**	60,263,992	47,103,336
Transportation		**142,590,321**	103,626,296	100,083,640
Association dues		**103,023,327**	51,261,055	28,355,868
Miscellaneous		**269,087,243**	67,547,715	59,877,805
		P 4,116,225,061	P 2,140,225,634	P 1,808,120,886

19. EQUITY IN NET EARNINGS OF ASSOCIATES, INTEREST AND OTHER INCOME

Presented below are the details of this account.

	Notes	**2011**	2010	2009
Gain on sale of available-for-sale securities		**P 2,242,526,309**	P 646,720,788	P -
Interest income		**1,618,727,549**	835,944,617	690,238,144
Equity in net earnings of associates	10	**597,834,536**	442,281,307	157,958,213
Construction income – net		**138,492,457**	101,962,175	26,473,236
Foreign currency gains – net		**65,503,537**	3,908,758	-
Dividend income		**32,661,662**	40,630,134	44,247,127
Fair value gains (losses) – net	7	**(7,851,631)**	83,500,000	24,100,000
Miscellaneous – net		**642,137,327**	59,794,552	32,571,224
		P 5,330,031,746	P 2,214,742,331	P 975,587,944

20. INTEREST AND OTHER CHARGES

Presented below are the details of this account.

	Notes	2011	2010	2009
Finance costs	14, 15	**P 884,058,862**	P 516,440,321	P 556,326,705
Foreign currency losses – net	7	**-**	-	8,464,596
Underwriting fees		**-**	-	21,505,376
Miscellaneous – net		**19,467,573**	27,960,793	1,247,492
		P 903,526,435	P 544,401,114	P 587,544,169

Finance costs pertain to interest expense incurred from the bonds payable and interest-bearing loans.

21. EMPLOYEE BENEFITS

21.1 Salaries and Employee Benefits

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

	2011	2010	2009
Salaries and wages	**P 562,075,202**	P 271,233,637	P 229,301,717
Retirement benefit expense	**77,666,352**	37,271,665	23,547,960
13th month and other employee benefits	**135,817,035**	128,539,917	90,407,540
	P 775,558,589	P 437,045,219	P 343,257,217

21.2 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:

	2011	2010
Present value of the obligation	**P 557,555,467**	P 209,714,448
Fair value of plan assets	**(76,027,689)**	(53,207,861)
Deficiency of plan assets	**481,527,778**	156,506,587
Unrecognized past service costs	**(3,656,813)**	-
Unrecognized actuarial losses	**(192,449,225)**	(40,467,402)
	P 285,421,740	P 116,039,185

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

	2011	2010
Balance at beginning of year	**P 209,714,448**	P 163,802,833
Actuarial loss	**150,015,737**	11,732,057
Balance carried from new subsidiaries (EELHI and SPI)	**121,158,535**	-
Current service costs	**54,081,117**	23,934,917
Interest costs	**25,966,462**	15,086,241
Benefits paid	**(3,380,832)**	(4,841,600)
Balance at end of year	**P 557,555,467**	P 209,714,448

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

	2011	2010
Balance at beginning of year	**P 53,207,861**	P 40,427,396
Contributions paid into the plan	**13,900,000**	12,000,000
Expected return on plan assets	**3,316,664**	2,425,644
Additions due to consolidation of EELHI and SPI	**3,104,807**	-
Actuarial gain	**5,879,189**	3,196,421
Benefits paid	**(3,380,832)**	(4,841,600)
Balance at end of year	**P 76,027,689**	P 53,207,861

The Group's plan assets as of December 31, 2011 and 2010 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 amounts of retirement benefits expense recognized in the consolidated statements of income are as follows:

	2011	2010	2009
Current service costs	**P 54,081,117**	P 23,934,917	P 14,995,640
Interest costs	**25,966,462**	15,086,241	10,363,160
Expected return on plan assets	**(3,316,764)**	(2,425,644)	(1,545,814)
Past service cost	**199,580**	-	-
Net actuarial losses (gains) recognized during the year	**735,957**	676,151	(265,026)
	P 77,666,352	P 37,271,665	P 23,547,960

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.

	2011	2010	2009	2008	2007
Present value of the obligation	**P 557,555,467**	P209,714,448	P 163,802,833	P 91,871,990	P 128,399,196
Fair value of plan assets	**(76,027,689)**	(53,207,861)	(40,427,396)	(26,200,243)	(21,000,000)
Deficiency of plan assets	**P 481,527,778**	P 156,506,587	P 123,375,437	P 65,671,747	P 107,399,196

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

	2011	2010
Discount rates	**8.0%**	9.2%
Expected rate of return on plan assets	**6.0%**	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. CURRENT AND DEFERRED TAXES

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

	2011	2010	2009
Reported in consolidated statements of income:			
Current tax expense:			
Regular corporate income tax (RCIT) at 30%	**P 1,054,538,463**	P 813,802,554	P 512,512,346
Final tax at 20% and 7.5%	**181,904,031**	111,933,084	86,375,275
Special tax rate at 5%	**18,802,816**	19,479,041	15,866,373
Minimum corporate income tax (MCIT) at 2%	**1,029,759**	425,765	26,324
	1,256,275,069	945,640,444	614,780,318
Deferred tax expense relating to origination and reversal of temporary differences	**739,194,079**	663,461,081	822,760,813
	P 1,995,469,148	P 1,609,101,525	P1,437,541,131
Reported in consolidated statements of comprehensive income –			
Deferred tax income relating to origination and reversal of temporary differences	**(P 3,842,636)**	(P 55,967,408)	(P 26,041,986)

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:

	2011	2010	2009
Tax on pretax profit at 30%	P 3,045,347,735	P 2,008,384,239	P 1,651,246,082
Adjustment for income subjected to lower income tax rates	(310,945,790)	(152,228,235)	(139,778,356)
Tax effects of:			
Non-taxable income	(1,215,511,134)	(462,560,168)	(170,042,598)
Non-deductible expenses	461,886,444	214,450,368	50,688,383
Net operating loss carry over (NOLCO)	10,266,270	1,000,962	8,483,984
Non-deductible interest expense	5,576,527	49,245,102	38,308,284
Excess of optional standard deduction over itemized deductions	(4,906,889)	(5,784,318)	(3,672,931)
Unrecognized deferred tax assets	2,789,101	10,225,726	3,514,346
Dividend income	(1,858,980)	(52,444,145)	(1,356,764)
Miscellaneous	2,825,864	(1,188,006)	150,701
Tax expense	P 1,995,469,148	P 1,609,101,525	P 1,437,541,131

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

	2011	2010
Deferred tax assets:		
Retirement benefit obligation	P 3,818,787	P 3,186,559
NOLCO	2,881,547	4,141,606
Accrued rent expense	35,829	68,417
Others	597,416	463,957
	P 7,333,579	P 7,860,539
Deferred tax liabilities:		
Uncollected gross profit	P4,184,468,051	P2,697,434,301
Capitalized interest	785,595,394	443,717,090
Difference between the tax reporting base and financial reporting base of:		
- Investment property	163,048,030	201,696,863
- Property and equipment	(19,520,145)	(19,790,916)
Uncollected rental income	76,840,485	-
Accrued retirement cost	(55,361,532)	(43,301,756)
Translation adjustments	(31,481,851)	(70,281,317)
Bond issuance cost	23,908,448	-
Others	(14,601,353)	39,556,389
	P5,112,895,527	P3,249,030,654

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

	Consolidated Statements of Income			Consolidated Statements of Comprehensive Income		
	2011	2010	2009	**2011**	2010	2009
Changes in deferred tax assets:						
NOLCO	**P 1,260,059**	P 793,817	(P 4,890,626)	**P -**	P -	P -
Retirement benefit obligation	**(632,228)**	(601,240)	(597,588)	**-**	-	-
Accrued rent expense	**32,588**	149,927	140,151	**-**	-	-
Allowance for impairment losses on receivables	**-**	-	24,859	**-**	-	-
Others	**(133,459)**	(315,330)	(146,236)	**-**	-	-
Changes in deferred tax liabilities:						
Uncollected gross profit	**1,487,033,750**	402,504,512	767,095,402	**-**	-	-
Capitalized interest	**341,878,304**	221,065,942	114,550,647	**-**	-	-
Uncollected rental income	**76,840,485**	-	(32,091,485)	**-**	-	-
Difference between tax reporting base and financial reporting base of:						
- Investment property	**(38,648,833)**	52,892,299	(24,060,932)	**-**	-	-
- Property and equipment	**270,771**	259,714	(572,373)	**-**	-	-
Bond issuance cost	**23,908,448**	-	-	**-**	-	-
Accrued retirement cost	**(12,059,776)**	(10,131,499)	(74,389)	**-**	-	-
Translation adjustments	**-**	-	-	**(3,842,636)**	(55,967,408)	(26,041,986)
Others	**(11,171,036)**	(3,157,061)	3,383,383	**-**	-	-
	1,868,579,073	663,461,081	822,760,813	**(3,842,636)**	(55,967,408)	(P 26,041,986)
Effect of consolidation of EELHI, SPI and GPMAI	**(1,129,384,994)**	-	-	**-**	-	-
Deferred Tax Expense (Income)	**P 739,194,079**	P663,461,081	P 822,760,813	**(P 3,842,636)**	(P 55,967,408)	(P26,041,986)

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
MNPHI	2011	P 133,459	2014
	2010	233,530	2013
	2009	230,427	2012
MLI	2011	308,076	2014
	2010	37,479	2013
	2009	83,571	2012
FTPHI	2011	4,556	2014
	2010	7,052	2013
	2009	2,386	2012
		P 1,040,536	

Certain subsidiaries within the Group did not recognize the deferred tax assets on their MCIT.

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
	2009	29,346,465	2012
MLI	2010	12,118,518	2013
	2009	9,932,923	2012
OPI	2010	4,508,189	2013
	2009	4,036,439	2012
FTPHI	2010	159,226	2013
	2009	320,405	2012
PIPI	2010	81,682	2013
	2009	83,140	2012
		P 111,756,396	

Certain subsidiaries within the Group did not recognize the deferred tax assets on their NOLCO.

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

	Assets	**Retained Earnings (Deficit)**	**Revenues**	**Net Profit (Loss)**
2011				
OPI	P 1,083,452,864	(P 12,564,220)	P 6,023,863	(P 718,719)
MLI	135,872,604	(54,422,304)	20,304,951	5,206,285
MNPHI	115,434,685	3,263,008	102,240,730	1,052,383
MCPI	107,535,283	(148,029,736)	76,280,512	(9,690,045)
FTPHI	106,476,993	6,389,513	3,848,171	(17,932,137)
PIPI	5,113,748	42,252	178,147	58,774
	P 1,553,886,177	**(P 205,321,487)**	**P 208,876,374**	**(P 22,023,459)**
2010				
OPI	P 924,044,751	(P 11,869,688)	P 5,409	(P 3,231,949)
MLI	163,934,861	(59,590,765)	4,467,567	7,673,047
FTPHI	126,445,219	24,324,992	967,688	84,000,630
MNPHI	88,640,039	2,485,828	75,840,143	334,225
MCPI	73,900,576	(136,355,521)	68,714,334	(40,417,472)
PIPI	5,049,628	(16,522)	40,251	(47,949)
	P 1,382,015,074	(P 181,021,676)	P 150,035,392	P 48,310,532

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 2011, 2010 and 2009, the Group opted to continue claiming itemized deductions, except for MDC which opted to use OSD for 2011, 2010 and 2009.

23. RELATED PARTY TRANSACTIONS

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

23.1 Sale of Goods and Rendering of Services to Related Parties

	Amount of Transactions		
	2011	2010	2009
Associates	**P 1,626,503,151**	P 5,289,782	P 3,381,056
Other related parties under common ownership	**14,085,487**	13,659,040	13,809,067
	P 1,640,588,638	P 18,948,822	P 17,190,123

Sale of Goods and Services rendered are usually on a cost-plus basis, allowing a certain margin agreed upon by the parties.

23.2 Obtaining Services from Related Parties

	Amount of Transactions			Outstanding Balances		
	2011	2010	2009	**2011**	2010	2009
Associates	**P -**	P -	P 2,286,178	**P -**	P -	P -
Other related parties under common ownership	**109,239,723**	126,454,782	146,626,602	**89,006,474**	84,088,445	81,408,167
	P 109,239,723	P 126,454,782	P148,912,780	**P 89,006,474**	P 84,088,445	P 81,408,167

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, 2011 and 2010. The outstanding balances of payable to other related parties pertain to unpaid commissions presented as part of Other Liabilities in the consolidated statements of financial position (see Note 17).

23.3 Advances to Associates and Other Related Parties

Associates and other related parties are granted noninterest-bearing, unsecured advances by the parent company and other entities in the Group 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:

	2011	2010
Advances to associates:		
PTHDC	**P 1,004,987,335**	P 1,004,986,820
SHDI	**18,164,964**	338,598
EELHI	**-**	394,211,729
	1,023,152,299	1,399,537,147
Advances to other related parties	**1,537,024,137**	647,453,685
	P 2,560,176,436	P 2,046,990,832

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

	2011	2010
Balance at beginning of year	**P2,046,990,832**	P2,012,270,576
Net additions	**513,185,604**	34,720,256
Balance at end of year	**P2,560,176,436**	P2,046,990,832

Advances to other related parties pertain to advances granted to entities under common ownership of the ultimate parent company.

23.4 Advances from 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 and unsecured. 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:

	2011	2010
TIHGI	**P 3,049,847**	P 12,906,530
EELHI	**-**	209,116,174
Other related parties under common control	**207,192,596**	67,845,553
	P 210,242,443	P 289,868,257

The details of advances from other related parties are as follows:

	2011	2010
Balance at beginning of year	**P 289,868,257**	P 625,936,481
Net repayments	**(79,625,814)**	(336,068,224)
Balance at end of year	**P 210,242,443**	P 289,868,257

23.5 Key Management Personnel Compensations

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

	2011	2010	2009
Short-term benefits	**P 91,539,715**	P 47,174,219	P 42,243,477
Post-employment benefits	**10,793,002**	4,962,292	4,437,829
	P 102,332,717	P 52,136,511	P 46,681,306

24. EQUITY

Capital stock consists of:

	Shares			Amount		
	2011	2010	2009	**2011**	2010	2009
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	**P 30,140,000,000**	P 30,140,000,000	P 30,140,000,000
Issued and outstanding:						
Balance at beginning of year	**25,769,203,626**	25,769,203,626	20,641,646,901	**P 25,769,203,626**	P 25,769,203,626	P 20,641,646,901
Issued during the year	**-**	-	5,127,556,725	**-**	-	5,127,556,725
Balance at end of year	**25,769,203,626**	25,769,203,626	25,769,203,626	**P 25,769,203,626**	P 25,769,203,626	P 25,769,203,626
Subscribed:						
Balance at beginning of year	-	-	-	**P -**	P -	P -
Subscribed during the year	-		5,127,556,725	-	-	5,127,556,725
Issued during the year	-	-	(5,127,556,725)	-	-	(5,127,556,725)
Balance at end of year	-	-	-	**P -**	P -	P -
				P 25,829,203,626	P 25,829,203,626	P 25,829,203,626

On June 15, 1994, the SEC approved the listing of the Company's shares totaling 140,333,333. The shares were initially issued at an offer price of P4.8 per share. As of December 31, 2011, there are 2,854 holders of the listed shares, which closed at P1.7 per share as of that date.

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 2011 and 2010.

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% shall be paid 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 issuance of pre-emptive stock rights, 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.

24.3 Additional Paid-in Capital

The additional paid-in capital 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 2011, 2010 and 2009.

24.4 Cash Dividends

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

	2011	2010	2009
Declaration date / date of approval by BOD	**June 16, 2011**	May 18, 2010	June 19, 2009
Date of record	**July 6, 2011**	July 6, 2010	July 17, 2009
Date paid	**July 29, 2011**	July 30, 2010	August 12, 2009
Amounts declared and paid	**P 599,265,803**	P 519,885,465	P 479,061,765

On May 18, 2010, MDC's BOD approved the declaration of cash dividends amounting to P100.0 million to stockholders of record as of said date. Out of the P100.0 million dividends declared, P60.0 million was eliminated during consolidation.

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, 2008, 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) by RHGI and GPMAI were eliminated in full and were not recognized in the consolidated financial statements. GPMAI was deconsolidated starting 2010 (see Note 10). Accordingly, in 2010, the cost of the treasury held by GPMAI of P555.1 million was removed from the Treasury Stock account presented under equity. In 2011, GPMAI is consolidated back and, accordingly, the cost of the treasury held by GPMAI amounting to P555.1 million is included as part of the Treasury Stock account presented under equity.

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 amounts were computed as follows:

	2011	2010	2009
Net profit attributable to parent company's shareholders	**P 8,031,884,511**	P 5,026,180,575	P 4,055,401,191
Dividends on cumulative preferred shares series "A"	**(600,000)**	(600,000)	(600,000)
Profit available to parent company's common shareholders	**P 8,031,284,511**	P 5,025,580,575	P 4,054,801,191
Divided by weighted number of outstanding common shares	**25,149,519,186**	25,130,015,061	23,088,192,857
Basic and diluted earnings per share	**P 0.319**	P 0.200	P 0.176

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, 2010 and 2009.

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 P3.8 billion for the consolidated balances. Future minimum lease payments receivable under these agreements are as follows:

	2011	2010	2009
Within one year	**P 4,144,019,854**	P 3,145,772,222	P 3,000,082,437
After one year but not more than five years	**21,253,587,459**	14,998,070,516	10,809,294,660
More than five years	**6,704,886,317**	4,731,453,360	3,410,016,874
	P 32,102,493,630	P 22,875,296,098	P 17,219,393,971

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 P14.4 million for the consolidated balances. The future minimum rental payables under these non-cancelable leases as of December 31, are as follows:

	2011	2010	2009
Within one year	**P 19,395,713**	P 12,247,168	P 16,891,737
After one year but not more than five years	**41,710,168**	19,039,825	17,951,311
More than five years	**11,093,022**	18,908,935	23,528,646
	P 72,198,903	P 50,195,928	P 58,371,694

26.3 Others

There are 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, bank loans, bonds, 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:

	2011		2010	
	U.S. Dollars	**Pesos**	U.S. Dollars	Pesos
Financial assets	**$ 196,929,685**	**P 8,749,989,037**	$ 245,812,793	P10,790,198,346
Financial liabilities	**(195,759,303)**	**(8,599,314,640)**	(7,098,646)	(311,602,166)
	$ 1,170,382	**P 150,674,397**	$ 238,714,147	P 10,478,596,180

The following table illustrates the sensitivity of the consolidated net results for the year in 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 2011	2010
P 1	P 1,170,382	P 238,714,147
(P 1)	(1,170,382)	(238,714,147)

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions and only affect consolidated profit or loss of the Group. There are no 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 88.12 as of December 31, 2011 and 2010and 87.13 as of December 31, 2009.

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 2011, 2010 and 2009. The calculations are based on the Group's financial instruments held at each reporting date. All other variables are held constant.

	2011		2010	
	+1%	**-1%**	+1%	-1%
Consolidated net results for the year	**(P 17,638,794)**	**P 17,638,794**	(P 15,873,037)	P 15,873,037
Consolidated equity	**(12,347,156)**	**12,347,156**	(11,111,126)	11,111,126

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 incorporate 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	**2011**	2010
Cash and cash equivalents	5	**P 30,324,479,180**	P 22,031,584,943
Trade and other receivables	6	**36,214,357,760**	29,040,792,116
Advances to subsidiaries, associates and other related parties	10, 23.3	**2,560,176,436**	2,046,990,832
AFS financial securities	8	**561,694,969**	675,467,827
		P 69,660,708,345	P 53,794,835,718

(a) *Cash and Cash Equivalents*

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

(b) *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.

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, 2011 and 2010, the Group's financial liabilities have contractual maturities which are presented below.

	2011			
	Current		Non-current	
	Within 6 Months	6 to 12 Months	1 to 5 Years	Later 5 Years
Interest-bearing loans and borrowings	P 1,166,666,892	P 712,625,754	P 5,288,591,409	P -
Bonds payable	-	-	5,000,000,000	8,538,914,490
Trade and other payables	2,590,019,174	4,706,947,320	-	-
Advances from other related parties	-	-	210,242,443	-
	P3,756,686,066	P 5,419,573,074	P 10,498,833,852	P 8,538,914,490

	2010			
	Current		Non-current	
	Within 6 Months	6 to 12 Months	1 to 5 Years	Later 5 Years
Interest-bearing loans and borrowings	P 655,677,449	P 655,677,448	P 6,128,583,476	P -
Bonds payable	-	3,416,062,159	5,000,000,000	-
Trade and other payables	1,847,488,610	2,190,224,738	-	-
Advances from other related parties	-	-	289,868,257	-
	P 2,503,166,059	P 6,261,964,345	P 11,418,451,733	P -

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 financial assets at FVTPL and AFS financial assets). It manages its risk arising from changes in market price by monitoring the changes in the market price of the investments.

For corporate bonds and equity securities listed in other countries, an average volatility of 54%, 105% and 71% has been observed during 2011, 2010 and 2009, respectively. If quoted price for these securities increased or decreased by that amount, profit before tax would have changed by nil in 2011, P2.7billion in 2010, and P14.6 million in 2009.

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 in 2010 and 2009 and consolidated equity as of December 31, 2010 and 2009 are summarized as follows:

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%	P 64,414,912	P 2,073,193,927	(P 64,414,912)	(P2,073,193,927)
Property company	+51.54%	-51.54%	-	71,024,936	-	(71,024,936)
			P 64,414,912	P 2,144,218,863	(P 64,414,912)	(P2,144,218,863)

2009

	Observed Volatility Rates		Impact of Increase		Impact on Decrease	
	Increase	Decrease	Net Profit	Equity	Net Profit	Equity
Investment in equity securities in:						
Holding company	+50.32%	-50.32%	P 20,883,283	P 900,762,327	(P 20,883,283)	(P 900,762,327)
Property company	+61.55%	-61.55%	-	85,613,014	-	-
			P 20,883,283	P 986,375,341	(P 20,883,283)	(P 900,762,327)

There are no listed equity securities held by the Company in 2011.

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	2011		2010	
		Carrying Values	Fair Values	Carrying Values	Fair Values
Financial Assets					
Loans and receivables:					
Cash and cash equivalents	5	**P30,324,479,180**	**P30,324,479,180**	P22,031,584,943	P22,031,584,943
Trade and other receivables - net	6	**36,214,357,760**	**36,214,357,760**	29,040,792,116	29,040,792,116
Advances to associates and other related parties	10	**2,560,176,436**	**2,560,176,436**	2,046,990,832	2,046,990,832
		P69,099,013,376	**P69,099,013,376**	P53,119,367,891	P53,119,367,891
Financial assets at fair value through profit or loss	7	**P 109,203,260**	**P 109,203,260**	P 125,000,000	P 125,000,000
Available-for-sale financial securities:	8				
Equity instruments		**P 2,030,052,709**	**P 2,030,052,709**	P 5,535,716,669	P 5,535,716,669
Debt instruments		**561,694,969**	**561,694,969**	675,467,827	675,467,827
		P 2,591,747,678	**P 2,591,747,678**	P 6,211,184,496	P 6,211,184,496
Financial Liabilities					
Financial liabilities at amortized cost:					
Interest-bearing loans and borrowings	14	**P 7,167,884,055**	**P 7,167,884,055**	P 7,439,938,373	P 7,439,938,373
Bonds payable	15	**13,538,914,490**	**13,538,914,490**	8,416,062,159	8,416,062,159
Trade and other payables	16	**7,296,966,494**	**7,296,966,494**	4,037,713,348	4,037,713,348
Advances from other related parties		**210,242,443**	**210,242,443**	289,868,257	289,868,257
		P28,214,007,482	**P28,214,007,482**	P20,183,582,137	P20,183,582,137

See Notes 2.5 and 2.9 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 financial assets are comprised of equity and debt instruments listed in foreign and local stocks exchange. 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.

	2011	2010
Interest-bearing loans and borrowings	**P 7,167,884,055**	P 7,439,938,373
Bonds payable	**13,538,914,490**	8,416,062,159
	P20,706,798,545	P 15,856,000,532
Equity attributable to parent company's shareholders	**P60,956,151,542**	P 57,776,023,630
Debt-to-equity ratio	**0.34 : 1:00**	0.27 : 1:00

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

30.3 Awards

As a testament to the Company's industry leadership, the Company was recognized by various award-giving bodies in 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

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Megaworld Corporation and Subsidiaries
List of Supplementary Information
December 31, 2011

Schedule	Content	Page No.
Schedules Required under Annex 68-E of the Securities Regulation Code Rule 68		
A	Financial Assets	1
B	Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related Parties)	2
C	Indebtedness of Unconsolidated Subsidiaries and Affiliates	3
D	Intangible Assets - Other Assets	4
E	Long-term Debt	5
F	Indebtedness to Related Parties	N/A
G	Guarantees of Securities of Other Issuers	N/A
H	Capital Stock	6
Others Required Information		
	Summary of Philippine Financial Reporting Standards Effective as of December 31, 2011	7
	Map Showing the Relationship Between the Company and its Related Entities	8

Megaworld Corporation and Subsidiaries
Schedule A - Financial Assets (Financial Assets at fair VaLue Through Profit or Loss)
December 31, 2011

Name of issuing entity and association of each issue	*Number of shares or principal amount of bonds or notes*	*Amount shown on the balance sheet*	*Valued based on the market quotation at balance sheet date*	*Income received and accrued*
Alliance Global Inc.	10,000,000	P 103,400,000	P 103,400,000	3,600,000
Global Estate Resorts, Inc.	1,983,000	5,803,260	5,803,260	-
	11,983,000	P 109,203,260	P 109,203,260	P 3,600,000

Megaworld Corporation and Subsidiaries
Schedule B - Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)
December 31, 2011

			Deductions		Ending Balance		
Name and designation of debtor[1]	*Balance at beginning of period*	*Additions*	*Amounts collected*	*Amounts written off*	*Current*	*Not current*	*Balance at end of period*
Advances to Officers and Employees:							
Philipps Cando	622,033		(135,716)		486,317		486,317
First VP - Operations							
Garry V. de Guzman	225,463		(142,316)	-	83,147	-	83,147
First VP - Legal Affairs							
Monica Salomon	327,024		(130,810)	-	196,214	-	196,214
First VP - Corporate Management							
	P 1,174,520	-	(P 408,842)	-	P 765,678	-	P 765,678
Loans to Directors:	-	-	-	-	-	-	-

Megaworld Corporation and Subsidiaries
Schedule C - Indebtedness of Unconsolidated Subsidiaries and Related Parties (Other than Affiliates)
December 31, 2011

Name of Related Parties		*Balance at beginning of period*		*Balance at end of period*
Unconsolidated Subsidiary:				
Empire East Land holdings, Inc.	P	394,211,729		-
Suntrust Home Developers, Inc.*		338,598		18,164,964
Palm Tree Holdings, Inc.		1,004,986,820		1,004,987,335
Other Related Parties:				
Suntrust Properties, Inc.		156,959,179		-
Asia's Finest Cuisine, Inc.		55,028,018		111,946,376
Eastwood Cinema		7,698,925		7,717,302
First Oceanic Property Management		6,364,604		5,127,839
Eastwood Property Holdings, Inc.		124,873,829		-
Eastwoood Locator		151,065		-
Adams Properties, Inc.		-		
Alliance Global Group, Inc.		54,664		213,545
Others		296,323,401		1,412,019,076
	P	2,046,990,832	P	2,560,176,437

**Formerly Fairmont Holdings, Inc.*

Megaworld Corporation and Subsidiaries
Schedule D - Intangible Assets - Other Assets
December 31, 2011

Description	Beginning balance	Additions at cost	Deduction: Charged to cost and expenses	Deduction: Charged to other accounts	Deduction: Other changes additions (deductions)	Ending balance
Goodwill	P 264,768,344	P 80,285,388	P -	P -	P -	P 345,053,732

Megaworld Corporation and Subsidiaries
Schedule E - Long-Term Debt
December 31, 2011

Title of issue and type of obligation		*Amount authorized by indenture*		*Amount shown under caption"Current portion of long-term debt" in related balance sheet*		*Amount shown under caption"Long-Term Debt" in related balance sheet*
Long -term loan	P	14,679,247,679		1,825,251,508		10,288,591,409
Foreign borrowings		9,417,474,490		54,041,138		8,538,914,490
	P	24,096,722,169	P	1,879,292,646	P	18,827,505,899

Megaworld Corporation

Schedule of Philippine Financial Reporting Standards
Effective as of December 31, 2011

Standards and Interpretations		Adoption	Remarks
Philippine Financial Reporting Standards (PFRS)			
PFRS 1	First-time Adoption of Philippine Financial Reporting Standards	Adopted	
PFRS 2	Share-based Payment	Adopted	
PFRS 3	Business Combinations	Adopted	
PFRS 4	Insurance Contracts	Not Applicable	
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations	Not Applicable	
PFRS 6	Exploration for and Evaluation of Mineral Resources	Not Applicable	
PFRS 7	Financial Instruments: Disclosures	Adopted	
PFRS 8	Operating Segments	Adopted	
Philippine Accounting Standards (PAS)			
PAS 1	Presentation of Financial Statements	Adopted	
PAS 2	Inventories	Adopted	
PAS 7	Statement of Cash Flows	Adopted	
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	Adopted	
PAS 10	Events after the Reporting Period	Adopted	
PAS 11	Construction Contracts	Adopted	
PAS 12	Income Taxes	Adopted	
PAS 16	Property, Plant and Equipment	Adopted	
PAS 17	Leases	Adopted	
PAS 18	Revenue	Adopted	
PAS 19	Employee Benefits	Adopted	
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance	Not Applicable	
PAS 21	The Effects of Changes in Foreign Exchange Rates	Adopted	
PAS 23	Borrowing Costs	Adopted	
PAS 24	Related Party Disclosures	Adopted	
PAS 26	Accounting and Reporting by Retirement Benefit Plans	Not Applicable	
PAS 27	Consolidated and Separate Financial Statements	Adopted	
PAS 28	Investments in Associates	Adopted	
PAS 29	Financial Reporting in Hyperinflationary Economies	Not Applicable	
PAS 31	Interests in Joint Ventures	Adopted	
PAS 32	Financial Instruments: Presentation	Adopted	
PAS 33	Earnings per Share	Adopted	
PAS 34	Interim Financial Reporting	Adopted	
PAS 36	Impairment of Assets	Adopted	
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	Adopted	
PAS 38	Intangible Assets	Adopted	
PAS 39	Financial Instruments: Recognition and Measurement	Adopted	
PAS 40	Investment Property	Adopted	
PAS 41	Agriculture	Not Applicable	

Megaworld Corporation

Schedule of Philippine Financial Reporting Standards
Effective as of December 31, 2011

Standards and Interpretations		Adoption	Remarks
Philippine Interpretations - International Financial Reporting Interpretations Committee (IFRIC)			
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	Not Applicable	
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments	Not Applicable	
IFRIC 4	Determining Whether an Arrangement Contains a Lease	Adopted	
IFRIC 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	Not Applicable	
IFRIC 6	Liabilities Arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment	Not Applicable	
IFRIC 7	Applying the Restatement Approach under PAS 29, Financial Reporting in Hyperinflationary Economies	Not Applicable	
IFRIC 9	Reassessment of Embedded Derivatives	Not Applicable	
IFRIC 10	Interim Financial Reporting and Impairment	Adopted	
IFRIC 12	Service Concession Arrangements	Not Applicable	
IFRIC 13	Customer Loyalty Programmes	Not Applicable	
IFRIC 14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	Adopted	
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	Not Applicable	
IFRIC 17	Distributions of Non-cash Assets to Owners	Adopted	
IFRIC 18	Transfers of Assets from Customers	Not Applicable	
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	Adopted	
Philippine Interpretations - Standing Interpretations Committee (SIC)			
SIC 7	Introduction of the Euro	Not Applicable	
SIC 10	Government Assistance - No Specific Relation to Operating Activities	Not Applicable	
SIC 12	Consolidation - Special Purpose Entities	Not Applicable	
SIC 13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers	Adopted	
SIC 15	Operating Leases - Incentives	Adopted	
SIC 21	Income Taxes - Recovery of Revalued Non-Depreciable Assets	Not Applicable	
SIC 25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders	Not Applicable	
SIC 27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	Adopted	
SIC 29	Service Concession Arrangements: Disclosures	Not Applicable	
SIC 31	Revenue - Barter Transactions Involving Advertising Services	Not Applicable	
SIC 32	Intangible Assets - Web Site Costs	Not Applicable	

Alliance Global Group, Inc.
(Parent)

Megaworld Corporation

Megaworld Land, Inc.
(subsidiary)

Philippine International Properties, Inc.
(subsidiary)

Megaworld Global-Estate, Inc.
(subsidiary)

Megaworld Central Properties, Inc.
(subsidiary)

Manila Bayshore Property Holdings, Inc.
(subsidiary)

Travellers International Hotel Group, Inc.

Global-Estate Resorts, Inc.
(subsidiary)

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MEGAWORLD CORPORATION

28/F The World Centre, 330 Sen. Gil Puyat Avenue, Makati City 1200, Philippines
Tels: (632) 867-8826 to 40
www.megaworldcorp.com • E-mail: infodesk@megaworldcorp.com

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

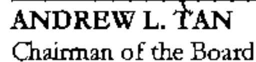
The management of **Megaworld Corporation and Subsidiaries**, is responsible for the preparation and fair presentation of the consolidated financial statements for the years ended December 31, 2012 and 2011, in accordance with Philippine Financial Reporting Standards (PFRS), including the following additional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

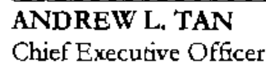
Management's responsibility on the consolidated financial statements includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate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

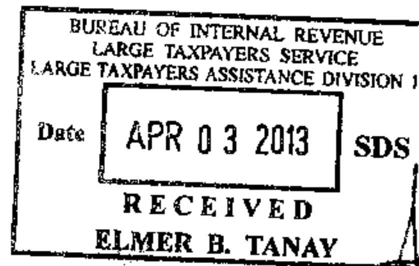
Punongbayan & Araullo, the independent auditors appointed by the stockholders, has examined the consolidated financial statements of the Group in accordance with Philippine Standards on Auditing and in its report to the Board of Directors and stockholders, has expressed its opinion on the fairness of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

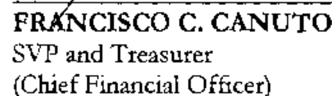


ANDREW L. TAN
Chairman of the Board



ANDREW L. TAN
Chief Executive Officer





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

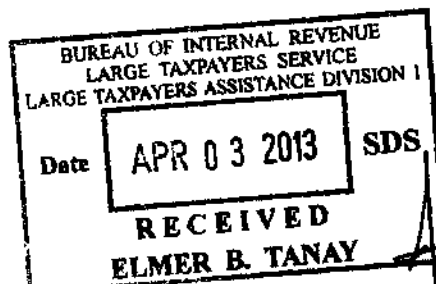
Signed this 1st day of March 2013

SUBSCRIBED AND SWORN to before me on this 2 1 day of MAR 2013 at CITY OF MAKATI 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

ATTY. GERVACIO 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

Doc. No. 319 ;
Page No. 64 ;
Book No. XV ;
Series of 2013



Punongbayan & Araullo

An instinct for growth™

Report of Independent Auditors

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The Enterprise Center
6766 Ayala Avenue
1200 Makati City
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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

MEGAWORLD CORPORATION AND SUBSIDIARIES
(A Subsidiary of Alliance Global Group, Inc.)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2012 AND 2011
(Amounts in Philippine Pesos)

	Notes	2012	2011
A S S E T S			
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		**81,732,409,554**	77,664,372,221
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		**60,991,797,892**	51,331,154,443
TOTAL ASSETS		P **142,724,207,446**	P 128,995,526,664

	Notes	2012	2011
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		25,763,698,657	23,156,427,073
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		35,570,915,218	33,066,994,312
Total Liabilities		61,334,613,875	56,223,421,385
EQUITY	24		
Total equity attributable to the company's shareholders		71,504,234,954	60,956,151,542
Non-controlling interests		9,885,358,617	11,815,953,737
Total Equity		81,389,593,571	72,772,105,279
TOTAL LIABILITIES AND EQUITY		P 142,724,207,446	P 128,995,526,664

See Notes to Consolidated Financial Statements.

MEGAWORLD CORPORATION AND SUBSIDIARIES
(A Subsidiary of Alliance Global Group, Inc.)
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
		30,551,428,281	28,625,097,741	20,541,783,095
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
		23,144,255,013	20,452,080,820	15,456,270,491
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		**P 7,407,173,268**	P 8,155,689,969	P 5,085,512,604
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
		P 7,407,173,268	P 8,155,689,969	P 5,085,512,604
Earnings per Share:	25			
Basic		**P 0.281**	P 0.319	P 0.200
Diluted		**P 0.275**	P 0.319	P 0.200

See Notes to Consolidated Financial Statements.

MEGAWORLD CORPORATION AND SUBSIDIARIES
(A Subsidiary of Alliance Global Group, Inc.)
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		**3,109,659,359**	-	-
Balance at end of year		**28,938,862,985**	25,829,203,626	25,829,203,626
ADDITIONAL PAID-IN CAPITAL	24	**8,432,990,413**	8,432,990,413	8,432,990,413
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		-	(555,115,114)	-
Balance at end of year		**(633,721,630)**	(1,188,836,744)	(633,721,630)
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		**593,620,712**	(3,688,409,532)	3,693,356,845
Balance at end of year		**714,824,592**	121,203,880	3,809,613,412
ACCUMULATED TRANSLATION ADJUSTMENTS	24			
Balance at beginning of year		(261,301,420)	(252,335,270)	(121,744,648)
Other comprehensive loss for the year, net of tax		(165,188,492)	(8,966,150)	(130,590,622)
Balance at end of year		**(426,489,912)**	(261,301,420)	(252,335,270)
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	(839,193,763)	(599,265,803)	(479,885,465)
Balance at end of year		**34,477,768,506**	28,022,891,787	20,590,273,079
Total Equity Attributable to the Company's Shareholders		**71,504,234,954**	60,956,151,542	57,776,023,630
NON-CONTROLLING INTERESTS	10			
Balance at beginning of year		**11,815,953,737**	743,113,007	723,869,377
Additions (deductions)		(2,043,697,906)	10,949,035,272	(40,088,399)
Net profit attributable to non-controlling interests		**113,102,786**	123,805,458	59,332,029
Balance at end of year		**9,885,358,617**	11,815,953,737	743,113,007
TOTAL EQUITY		**P 81,389,593,571**	P 72,772,105,279	P 58,519,136,637

See Notes to Consolidated Financial Statements.

MEGAWORLD CORPORATION AND SUBSIDIARIES

(A Subsidiary of Alliance Global Group, Inc.)

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**	(692,525,167)	4,031,843,227
Share in other comprehensive income (loss) of associates	10	**1,092,535**	(347,365)	71,176,649
Reclassification adjustments for gains on disposed AFS securities included in profit or loss	8	**-**	(2,996,237,000)	(473,319,584)
Reversal of unrealized losses on AFS securities of a deconsolidated subsidiary		**-**	-	63,656,553
		593,620,712	(3,689,109,532)	3,693,356,845
Translation adjustments		**(235,983,560)**	(12,108,786)	(186,558,030)
Less related tax	22, 2.4	**70,795,068**	3,842,636	55,967,408
		(165,188,492)	(8,266,150)	(130,590,622)
		428,432,220	(3,697,375,682)	3,562,766,223
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		**P 7,722,502,702**	P 4,334,508,829	P 8,588,946,798
Non-controlling interests		**113,102,786**	123,805,458	59,332,029
		P 7,835,605,488	P 4,458,314,287	P 8,648,278,827

See Notes to Consolidated Financial Statements.

MEGAWORLD CORPORATION AND SUBSIDIARIES
(A Subsidiary of Alliance Global Group, Inc.)
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**	318,237,019	516,440,321
Equity in net earnings of associates	10	[illegible]	[illegible]	[illegible]
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**	598,482,342	(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	335,944,617
Proceeds from redemption of preferred shares held	10	**428,410,000**	-	-
Payment for acquisition of shares of stock of an associate	10	[illegible]	-	-
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		[illegible]	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			[illegible]	-
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).

See Notes to Consolidated Financial Statements.

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MEGAWORLD CORPORATION AND SUBSIDIARIES
(A Subsidiary of Alliance Global Group, Inc.)
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:

	Explanatory	Percentage of Ownership		
Subsidiaries/Associates	Notes	**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%

Subsidiaries/Associates	Explanatory Notes	Percentage of Ownership 2012	2011	2010
Subsidiaries:				
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)	**40.00%**	40.00%	-
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.

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 guidance 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.

(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.

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.

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.

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.

(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.

2012

	Real Estate	Rental	Hotel Operations	Corporate and Others	Elimination	Consolidated
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	P 21,507,772,488	P 5,104,854,967	P 462,313,446	P 1,108,966,436	(P 332,917,251)	P 27,850,990,086
RESULTS						
Segment results	P 3,936,964,620	P 3,848,300,987	P 122,321,275	P 4,097,830	P 17,601,370	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						P 7,294,070,482
ASSETS AND LIABILITIES						
Segment assets	P104,426,551,477	P16,424,538,688	P 259,410,181	P13,831,502,038	P -	P 134,942,002,384
Investments in and advances to associates and other related parties - net	-	-	-	7,782,205,062	-	7,782,205,062
Total assets	P 104,426,551,477	P16,424,538,688	P 259,410,181	P 21,613,707,100	P -	P 142,724,207,446
Segment liabilities	P 52,847,673,565	P 2,203,461,213	P 121,671,842	P 6,161,807,255	P -	P 61,334,613,875
OTHER SEGMENT INFORMATION						
Project and capital expenditures						P 24,001,473,831

2011

	Real Estate	Rental	Hotel Operations	Corporate and Others	Elimination	Consolidated
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 -	P26,318,222,087
Intersegment sales	-	53,969,793	-	166,500,934	(220,470,727)	-
Total revenues	P 19,076,553,675	P 3,880,311,008	P 392,171,105	P 3,189,657,026	(P 220,470,727)	P26,318,222,087
RESULTS						
Segment results	P 3,532,707,027	P 2,903,020,448	P 99,220,101	P 2,184,832,849	P 25,888,853	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						P 8,031,884,511
ASSETS AND LIABILITIES						
Segment assets	P 93,027,684,187	P13,098,763,945	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	P 93,027,684,187	P13,098,763,945	P 261,591,040	P22,607,487,492	P -	P128,995,526,664
Segment liabilities	P 46,802,707,496	P 1,853,118,305	P 111,753,205	P 7,455,842,379	P -	P 56,223,421,385
OTHER SEGMENT INFORMATION						
Project and capital expenditures						P 19,825,843,992

2010

	Real Estate	Rental	Hotel Operations	Corporate and Others	Elimination	Consolidated
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 -	P19,135,518,279
Intersegment sales	-	52,014,865	-	179,885,935	(231,900,800)	-
Total revenues	P 15,399,973,187	P 2,746,325,419	P 232,757,023	P 988,363,450	(P 231,900,800)	P 19,135,518,279
RESULTS						
Segment results	P 3,042,478,040	P 2,062,875,628	P 38,125,649	P 635,421,436	P 25,888,854	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						P 5,026,180,575
ASSETS AND LIABILITIES						
Segment assets	P 63,241,644,678	P 5,919,037,407	P 178,376,810	P14,019,131,426	P -	P83,358,190,321
Investments in and advances to associates and other related parties - net-	-	-	-	13,671,332,490	-	13,671,332,490
Total assets	P 63,241,644,678	P 5,919,037,407	P 178,376,810	P27,690,463,916	P -	P97,029,522,811
Segment liabilities	P 32,027,981,425	P1,530,032,850	P 78,854,006	P 4,873,517,893	P -	P38,510,386,174
OTHER SEGMENT INFORMATION						
Project and capital expenditures						P13,460,175,204

5. CASH AND CASH EQUIVALENTS

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

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

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).

6. TRADE AND OTHER RECEIVABLES

This account is composed of the following:

	2012	2011
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.

		2012		2011
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:

	2012	2011
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:

	2012	2011
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:

	2012	2011
Total commitment for cash advances	**P -**	P 20,000,000
Total cash advances granted	**-**	(20,000,000)
Net Commitment	**P -**	P -

The net commitment for construction expenditures amounts to:

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

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).

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
GPMAI	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 GPMAI		**-**	(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	P6,745,964,129

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 GPMAI 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 GPMAI also increased to 46.45% through the Company's increased ownership interest in EELHI, which has a 52% ownership in GPMAI. Consequently, GPMAI is also treated as a subsidiary of the Company in 2011. In 2012, however, GPMAI 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
GPMAI	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	P 14,595,786	P 10,651,117
PTHDC	1,137,402,691	1,005,276,839	115,409	(157,289)
MGEI	12,032,991	-	34,940	(467,014)
AGPL	6,043,588,479	8,263,874	295,614,455	282,114,487
TIHGI	45,595,379,043	26,801,261,974	26,348,582,418	4,838,534,174
	P 52,943,491,914	P 27,859,725,988	P 26,658,943,008	P 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.

	Land	Buildings	Condominium Units	Total
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	-	(1,518,791,093)	(1,071,910,310)	(2,590,701,403)
Net carrying amount	**P 1,412,634,527**	**P 6,596,795,909**	**P 8,622,605,227**	**P 16,632,035,663**
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	-	(1,191,162,815)	(787,737,966)	(1,978,900,781)
Net carrying amount	P 1,412,634,527	P 6,769,679,332	P 4,189,976,806	P 12,372,290,665
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	-	(930,323,176)	(598,785,986)	(1,529,109,162)
Net carrying amount	P 1,412,634,527	P 4,948,618,105	P 3,355,277,413	P 9,716,530,045

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

	Land	Buildings	Condominium Units	Total
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	-	(327,628,278)	(284,172,344)	(611,800,622)
Balance at December 31, 2012, net of accumulated depreciation	**P 1,412,634,527**	**P 6,596,795,909**	**P 8,622,605,227**	**P 16,632,035,663**
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	-	(260,839,639)	(188,951,980)	(449,791,619)
Balance at December 31, 2011, net of accumulated depreciation	P 1,412,634,527	P 6,769,679,332	P 4,189,976,806	P 12,372,290,665

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.

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.

	Condominium Units	Office Furniture, Fixtures and Equipment	Office and Land Improvements	Transportation Equipment	Land	Total
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	**P 264,174,062**	**P 141,952,952**	**P 64,042,810**	**P 45,700,854**	**P 81,095,000**	**P 596,965,678**
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	P 243,688,551	P 114,528,017	P 63,998,634	P 37,549,528	P 81,095,000	P 540,859,730
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	P 209,816,335	P 70,304,535	P 56,667,018	P 23,730,313	P -	P 360,518,201

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

	Condominium Units	Office Furniture, Fixtures and Equipment	Office and Land Improvements	Transportation Equipment	Land	Total
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	**P 264,174,062**	**P 141,952,952**	**P 64,042,810**	**P 45,700,854**	**P 81,095,000**	**P 596,965,678**
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	P 243,688,551	P 114,528,017	P 63,998,634	P 37,549,528	P 81,095,000	P 540,859,730

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:

	2012	2011
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
	P 657,972,598	P 609,047,834

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:

	2012	2011
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
	1,587,594,400	1,950,115,400
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
	4,910,569,450	5,991,475,388
	P 6,498,163,850	P 7,941,590,788

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 repricing. 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%.

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:

	2012	2011
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
	P 7,900,017,312	P 7,296,966,494

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:

	2012	2011
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
	1,712,794,842	1,707,673,963
Non-current -		
Deferred rental income	**2,058,307,552**	1,943,654,006
	P 3,771,102,394	P3,651,327,969

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 P437,045,219
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
		P 4,934,193,655	P 4,116,225,061	P 2,140,225,634

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
	P 2,792,225,642	P 4,732,197,210	P 1,772,461,024

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
	P 1,044,391,039	P 903,526,435	P 544,401,114

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
	P 940,407,850	P 775,558,589	P 437,045,219

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.

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:

	2012	2011
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)
	P 390,201,956	P 285,421,740

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

	2012	2011
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	**P 716,070,125**	P 557,555,467

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

	2012	2011
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	**P 89,869,629**	P 76,027,689

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:

	2012	2011	2010
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	-
	P 120,846,729	P 77,666,352	P 37,271,665

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.

	2012	2011	2010	2009	2008
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	**P 626,200,496**	P481,527,778	P 156,506,587	P 123,375,437	P 65,671,747

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

	2012	2011
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:

	2012	2011	2010
Reported in consolidated statements of income:			
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
	1,512,966,423	1,256,275,069	945,640,444
Deferred tax expense relating to origination and reversal of temporary differences	**737,770,575**	739,194,079	663,461,081
	P2,250,736,998	P 1,995,469,148	P1,609,101,525
Reported in consolidated statements of comprehensive income –			
Deferred tax income relating to origination and reversal of temporary differences	**(P 70,795,068)**	(P 3,842,636)	(P 55,967,408)

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:

	2012	2011	2010
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	3,242,958	2,825,864	(1,188,006)
Tax expense	P 2,250,736,998	P 1,995,469,148	P 1,609,101,525

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

	2012	2011
Deferred tax assets:		
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	9,136,351	597,416
	P 42,259,622	P 7,333,579
Deferred tax liabilities:		
Uncollected gross profit	P4,745,139,010	P4,184,468,051
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	(26,748,067)	(14,601,353)
	P5,814,797,077	P 5,112,895,527

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 GPMAI	-	(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)	(P55,967,408)

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
MNPHI	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:

	Assets	**Retained Earnings (Deficit)**	**Revenues**	**Net Profit (Loss)**
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:

		2012		2011	
Related Party Category	Notes	**Amount of Transaction**	**Outstanding Balance**	Amount of Transaction	Outstanding Balance
Parent Company:					
Exercise of stock rights	24.2	**P2,585,362,642**	**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.

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	**21,283,194**	14,085,487	13,659,040
	P 2,150,753,609	P 1,640,588,638	P 18,948,822

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	**P 141,474,682**	P 109,239,723	P126,454,782	**P 96,390,635**	P 89,006,474	P 84,088,445

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	**37,415,119**	-
SHDI	**18,490,840**	18,164,964
	1,060,440,574	1,023,152,299
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	**683,728,850**	997,039,168
	833,544,868	1,537,024,137
	P 1,893,985,442	P 2,560,176,436

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

	2012	2011
Balance at beginning of year	**P2,560,176,436**	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	**P1,893,985,442**	P 2,560,176,436

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:

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

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

	2012	2011
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	**P 692,604,550**	P 210,242,443

23.5 Key Management Personnel Compensations

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

	2012	2011	2010
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
	P 108,329,920	P 88,344,378	P 52,136,511

24. EQUITY

Capital stock consists of:

	Shares			Amount		
	2012	2011	2010	**2012**	2011	2010
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	**P 30,140,000,000**	P 30,140,000,000	P 30,140,000,000
Issued and outstanding:						
Balance at beginning of year	**25,769,203,626**	25,769,203,626	25,769,203,626	**P 25,769,203,626**	P 25,769,203,626	P 25,769,203,626
Issued during the year	**3,109,659,359**	-	-	**3,109,659,359**	-	
Balance at end of year	**28,878,862,985**	25,769,203,626	25,769,203,626	**P 28,878,862,985**	P 25,769,203,626	P 25,769,203,626

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 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:

	2012	2011	2010
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	**P 839,193,763**	P 599,265,803	P 519,885,465

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:

	2012	2011	2010
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	**25,970,748,295**	25,149,519,186	25,130,015,061
Basic	**P 0.281**	P 0.319	P 0.200
Diluted	**P 0.275**	P 0.319	P 0.200

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:

	2012	2011	2010
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	**8,144,777,814**	6,704,886,317	4,731,453,360
	P 39,006,301,412	P 32,102,493,630	P 22,875,296,098

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
	P	**101,480,437**	P	72,198,903	P	50,195,928

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)
	($ 35,824,016)	**(P 1,118,665,335)**	$ 1,170,382	P 150,674,397

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

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
	P1,765,045,342	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	-
	P 3,792,097,443	P 5,454,984,451	P 11,201,717,831	P 8,538,914,490

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%	P 82,274,840	P 1,234,725,543	(P 82,274,840)	(P1,234,725,543)

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%	P 51,937,070	P 875,489,889	(P 51,937,070)	(P 875,489,889)

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%	P 64,414,912	P 2,073,193,927	(P 64,414,912)	(P2,073,193,927)
Property company	+51.54%	-51.54%	-	71,024,936	-	(71,024,936)
			P 64,414,912	P 2,144,218,863	(P 64,414,912)	(P2,144,218,863)

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	**P26,826,715,439**	**P26,826,715,439**	P30,324,479,180	P 30,324,479,180
Trade and other receivables - net	6	**37,862,563,504**	**37,862,563,504**	36,214,357,760	36,214,357,760
Advances to associates and other related parties	10	**1,893,985,442**	**1,893,985,442**	2,560,176,436	2,560,176,436
		P66,583,264,385	**P66,583,264,385**	P69,099,013,376	P 69,099,013,376
Financial assets at fair value through profit or loss	7	**P 167,600,000**	**P 167,600,000**	P 109,203,260	P 109,203,260
Available-for-sale financial securities:	8				
Equity securities		**P 2,704,469,578**	**P 2,704,469,578**	P 2,030,052,709	P 2,030,052,709
Debt securities		**552,317,041**	**552,317,041**	561,694,969	561,694,969
		P 3,256,786,619	**P 3,256,786,619**	P 2,591,747,678	P 2,591,747,678

	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**	**P6,498,163,850**	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
		P28,647,413,787	**P28,647,413,787**	P 28,987,714,215	P 28,987,714,215

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
	P20,054,791,925	P 21,480,505,278
Total equity	**P81,389,593,571**	P 72,772,105,279
Debt-to-equity ratio	**0.25 : 1:00**	0.30 : 1:00

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.

Punongbayan & Araullo

An instinct for growth™

Report of Independent Auditors to Accompany Supplementary Information Required by the Securities and Exchange Commission Filed Separately from the Basic Financial Statements

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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 in accordance with Philippine Standards on Auditing, the consolidated financial statements of Megaworld Corporation and Subsidiaries (the Group) for the year ended December 31, 2012, on which we have rendered our report dated March 1, 2013. Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The applicable supplementary information (see List of Supplementary Information) is presented for purposes of additional analysis in compliance with the requirements of the Securities Regulation Code Rule 68, and is not a required part of the basic consolidated financial statements prepared in accordance with Philippine Financial Reporting Standards. Such supplementary information is the responsibility of the Group's management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

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

Megaworld Corporation and Subsidiaries
List of Supplementary Information
December 31, 2012

Schedule	Content	Page No.
Schedules Required under Annex 68-E of the Securities Regulation Code Rule 68		
A	Financial Assets	
	Financial Assets at Fair Value Through Profit or Loss	1
	Held-to-maturity Investments	N/A
	Available-for-sale Financial Assets	1
B	Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related Parties)	2
C	Amounts Receivable/Payable from/to Related Parties which are Eliminated during the Consolidation of Financial Statements	3
D	Intangible Assets - Other Assets	4
E	Long-term Debt	5
F	Indebtedness to Related Parties	N/A
G	Guarantees of Securities of Other Issuers	N/A
H	Capital Stock	6
Other Required Information		
	Summary of Philippine Financial Reporting Standards and Interpretations Adopted by Securities and Exchange Commission and the Financial Reporting Standards Council as of as of December 31, 2012	
	Map Showing the Relationship Between the Company and its Related Entities	
	Schedule of Financial Soundness Indicator	
	Reconciliation of Retained Earnings Available for Dividend Declaration	

Megaworld Corporation and Subsidiaries
Schedule A - Financial Assets
December 31, 2012

Name of issuing entity and association of each issue	*Number of shares or principal amount of bonds or notes*	*Amount shown on the balance sheet*	*Valued based on the market quotation at balance sheet date*	*Income received and accrued*
Alliance Global Group Inc.	159,953,200	P 2,682,828,241	P 2,682,828,241	P 53,549,026
Shui on Land Ltd.	P 44,424,007	45,092,017	45,092,017	76,461
Shui on Development Hold	P 126,925,692	129,012,437	129,012,437	241,084
Shimao Property Holdings Ltd.	P 206,268,940	238,151,548	238,151,548	550,000
Yanlord Land Group Ltd.	P 123,699,576	140,061,038	140,061,038	318,750
Asia E-Commerce, Inc.	12,500,000	3,425,000	3,425,000	
Bonifacio West Development Corp.	4,611	185,816,338	185,816,338	
		P 3,424,386,619	P 3,424,386,619	P 54,735,321

Megaworld Corporation and Subsidiaries
Schedule B - Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)
December 31, 2012

Name and designation of debtor[1]	Balance at beginning of period	Additions	Deductions: Amounts collected	Deductions: Amounts written off	Ending Balance: Current	Ending Balance: Not current	Balance at end of period
Advances to Officers and Employees:							
Philipps Cando	486,317		(135,717)		350,600		350,600
First VP - Operations							
Garry V. de Guzman	83,147		(83,147)	-	-	-	-
First VP - Legal Affairs							
Monica Salomon	196,214		(130,810)	-	65,404	-	65,404
First VP - Corporate Management							
Rolando D. Siatela	-	463,210	-	-	463,210	-	463,210
Assistant Corporate Secretary							
	P 765,678	P 463,210	(P 349,674)	-	P 879,214	-	P 879,214
Loans to Directors:	-	-	-	-	-	-	-

MEGAWORLD CORPORATION AND SUBSIDIARIES

SCHEDULE C- Amounts Receivable/Payable from/to Related Parties which are Eliminated During the Consolidation of Financial Statements

December 31, 2012

Name and designation of debtor	Balance at beginning of period	Additions	Deductions		Current	Not current	Balance at end of period
			Amounts collected	Amounts written off			
Due from Related Parties:							
Megaworld Land Inc. (MLI)	189,413,422	-	10,752,638	-	-	178,660,784	178,660,784
Megaworld Newport Property Holdings, Inc. (MNPHI)	91,771,977	989,091	-	-	-	92,761,068	92,761,068
Oceantown Properties, Inc. (OPI)	217,244,113	41,594,023	-	-	-	258,838,136	258,838,136
Piedmont Property Ventures, Inc. (PPVI)	92,080	24,801	-	-	-	116,880	116,880
Stonehaven Land, Inc.(SLI)	92,080	24,801	-	-	-	116,880	116,880
Streamwood Property, Inc. (SP)	117,620	24,470	-	-	-	142,089	142,089
Richmonde Hotel Group International, Ltd. (RHGI)	6,844,261,846	-	4,714,186,269	-	-	2,130,075,576	2,130,075,576
Suntrust Properties Inc. (SPI)	326,116,391	284,016,293	-	-	-	610,132,684	610,132,684
Empire East Landholdings Inc. (EELHI)	653,659,919	1,569,814,244	-	-	-	2,223,474,163	2,223,474,163
Eastwood Property Holdings, Inc.	160,175,472	-	59,221,453	-	-	100,954,019	100,954,019
Due to Related Parties:							
Prestige Hotels, Inc.(PHRI)	-	22,456,427	-	-	-	22,456,427	22,456,427
Megaworld Daewoo Corporation (MDC)	236,472,977	-	5,322,138	-	-	231,150,840	231,150,840
Megaworld Central Properties, Inc. (MCPI)	37,395,882	30,106,519	-	-	-	67,502,401	67,502,401
Townsquare Development Inc. (TDI)	832,863,205	-	63,287,452	-	-	769,575,753	769,575,753
Mega Globus Asia, Inc. (MGAI)	206,579,082	32,000,000	-	-	-	238,579,082	238,579,082
Philippine International Properties, Inc. (PIPI)	4,028,804	-	273,972	-	-	3,754,831	3,754,831

Megaworld Corporation and Subsidiaries
Schedule D - Intangible Assets - Other Assets
December 31, 2012

Description	*Beginning balance*	*Additions at cost*	*Deduction*			*Ending balance*
			Charged to cost and expenses	*Charged to other accounts*	*Other changes additions (deductions)*	
Goodwill	P 343,095,101	-	-	-	-	P 343,095,101

Megaworld Corporation and Subsidiaries
Schedule E - Long-Term Debt
December 31, 2012

Title of issue and type of obligation	*Amount authorized by indenture*	*Amount shown under caption"Current portion of long-term debt" in related balance sheet*	*Amount shown under caption"Long-Term Debt" in related balance sheet*
Long-term loan	P 17,274,202,511	P 1,587,594,400	P 9,910,569,450
Foreign borrowings	8,556,628,075	-	8,556,628,075
	P 25,830,830,586	P 1,587,594,400	P 18,467,197,525

Megaworld Corporation and Subsidiaries
Schedule H - Capital Stock
December 31, 2012

				Number of shares held by		
Title of Issue	*Number of shares authorized*	*Number of shares issued and outstanding as shown under the related balance sheet caption*	*Number of shares reserved for options, warrants, conversion and other rights*	*Related parties*	*Directors, officers and employees*	*Others*
Common shares - P1 par value	30,140,000,000	28,747,442,985	992,386,005	18,784,521,882	99,068,543	9,863,852,560
Preferred shares - P.01 par value	6,000,000,000	6,000,000,000		6,000,000,000		

MEGAWORLD CORPORATION AND SUBSIDIARIES
(A Subsidiary of Alliance Global Group, Inc.)

Schedule of Philippine Financial Reporting Standards and Interpretations Adopted by the Securities and Exchange Commission and the Financial Reporting Standards Council as of December 31, 2012

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements		✓		
Conceptual Framework Phase A: Objectives and Qualitative Characteristics		✓		
Practice Statement Management Commentary			✓	
Philippine Financial Reporting Standards (PFRS)				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans* *(effective January 1, 2013)*			✓
PFRS 2	Share-based Payment	✓		
	Amendments to PFRS 2: Vesting Conditions and Cancellations	✓		
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions	✓		
PFRS 3 (Revised)	Business Combinations	✓		
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities* *(effective January 1, 2013)*			✓
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures* *(effective January 1, 2015)*			✓
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments *(effective January 1, 2015)*			✓
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures* *(effective January 1, 2015)*			✓
PFRS 10	Consolidated Financial Statements* *(effective January 1, 2013)*			✓
	Amendments to PFRS 10: Transition Guidance* *(effective January 1, 2013)*			✓
	Amendments to PFRS 10: Investment Entities* *(effective January 1, 2013)*			✓
PFRS 11	Joint Arrangements* *(effective January 1, 2013)*			✓
	Amendments to PFRS 11: Transition Guidance* *(effective January 1, 2013)*			✓
PFRS 12	Disclosure of Interests in Other Entities* *(effective January 1, 2013)*			✓
	Amendments to PFRS 12: Transition Guidance* *(effective January 1, 2013)*			✓
	Amendments to PFRS 12: Investment Entities* *(effective January 1, 2013)*			✓
PFRS 13	Fair Value Measurement* *(effective January 1, 2013)*			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Philippine Accounting Standards (PAS)				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts	✓		
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
PAS 16	Property, Plant and Equipment	✓		
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19	Employee Benefits	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures	✓		
PAS 19 (Revised)	Employee Benefits* *(effective January 1, 2013)*			✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation	✓		
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans	✓		
PAS 27	Consolidated and Separate Financial Statements	✓		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in Subsidiary, Jointly Controlled Entity or Associate	✓		
PAS 27 (Amended)	Separate Financial Statements* *(effective January 1, 2013)*			✓
	Amendments to PAS 27 (Amended): Investment Entities* *(effective January 1, 2013)*			✓
PAS 28	Investments in Associates	✓		
PAS 28 (Amended)	Investments in Associates and Joint Ventures* *(effective January 1, 2013)*			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 31	Interests in Joint Ventures	✓		
PAS 32	Financial Instruments: Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues	✓		
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities* *(effective January 1, 2014)*			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓
PAS 36	Impairment of Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions	✓		
	Amendments to PAS 39: The Fair Value Option	✓		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC 9 and PAS 39: Embedded Derivatives	✓		
	Amendment to PAS 39: Eligible Hedged Items	✓		
PAS 40	Investment Property	✓		
PAS 41	Agriculture			✓
Philippine Interpretations - International Financial Reporting Interpretations Committee (IFRIC)				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds**	✓		
IFRIC 6	Liabilities Arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29, Financial Reporting in Hyperinflationary Economies			✓
IFRIC 9	Reassessment of Embedded Derivatives**	✓		
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives**	✓		
IFRIC 10	Interim Financial Reporting and Impairment			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓		
	Amendments to Philippine Interpretations IFRIC - 14, Prepayments of a Minimum Funding Requirement and their Interaction	✓		
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners**	✓		
IFRIC 18	Transfers of Assets from Customers**	✓		
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments**	✓		
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine* *(effective January 1, 2013)*			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Philippine Interpretations - Standing Interpretations Committee (SIC)				
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers	✓		
SIC-15	Operating Leases - Incentives			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders**	✓		
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services**	✓		
SIC-32	Intangible Assets - Web Site Costs**	✓		

* These standards will be effective for periods subsequent to 2012 and are not early adopted by the Company.

** These standards have been adopted in the preparation of financial statements but the Company has no significant transactions covered in both years presented.

MEGAWORLD CORPORATION AND SUBSIDIARIES
SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
DECEMBER 31, 2012 AND DECEMBER 31, 2011

	DECEMBER 31, 2012	DECEMBER 31, 2011
Current ratio	3.17 :1.00	3.35 :1.00
Quick ratio	1.04 :1.00	1.31 :1.00
Debt-to-equity ratio	0.25 :1.00	0.30 :1.00
Interest-bearing debt to total capitalization	0.22 :1.00	0.26 :1.00
Asset-to-equity ratio	1.75 :1.00	1.77 :1.00
Interest rate coverage ratio	706%	551%
Net profit margin	24.24%	28.49%
Return on assets	5.45%	7.22%
Return on equity/investment	9.10%	11.21%
Return on equity/investment of owners	10.20%	13.18%

LIQUIDITY RATIOS measure the business' ability to pay short-term debt.
Current ratio – computed as current assets divided by current liabilities
Quick ratio – computed as cash and cash equivalents divided by current liabilities

SOLVENCY RATIOS measure the business' ability to pay all debts, particularly long-term debt.
Debt to equity ratio – computed as interest bearing loans and borrowings and bonds payable divided by total stockholders' equity.
Interest-bearing debt to total capitalization ratio – computed as interest-bearing debt divided by interest-bearing debt+stockholders' equity attributable to the company's shareholders.

ASSET-TO-EQUITY RATIOS measure financial leverage and long-term solvency. It shows how much of the assets are owned by the company. It is computed as total assets divided by total stockholders' equity.

INTEREST RATE COVERAGE RATIOS measure the business' ability to meet its interest payments. It is computed as Earnings before income tax and interest expense (EBIT excluding non-recurring gain) divided by interest payments.

PROFITABILITY RATIOS
Net margin – computed as net profit divided by revenues
Return on assets – net profit divided by average total assets
Return on investment – net profit divided by total stockholders' equity.
Return on investment of equity owners – net profit attributable to the company's shareholders divided by equity attributable to the company's shareholders.

MEGAWORLD CORPORATION

(A Subsidiary of Alliance Global Group Inc.)

28th Floor, The World Centre Building

Sen. Gil Puyat Avenue, Makati City

Reconciliation of Retained Earnings Available for Dividend Declaration

For the Year Ended December 31, 2012

Unappropriated Retained Earnings at Beginning of Year		P 20,143,175,348
Prior Years' Outstanding Reconciling Items, net of tax		
Deferred tax income	(55,361,532)	
Day-one gain on initial measurement of security deposits at amortized cost	(152,963,442)	(208,324,974)
Unappropriated Retained Earnings Available for Dividend Declaration at Beginning of Year, as Adjusted		19,934,850,374
Net Profit Realized during the Year		
Net profit per audited financial statements		5,230,989,653
Non-actual/ unrealized income, net of tax		
Deferred tax income	(25,452,694)	
Day-one gain on initial measurement of security deposits at amortized cost	(65,630,604)	(91,083,298)
		5,139,906,355
Other Transactions During the Year		
Dividends declared		(853,146,163)
Retained Earnings Restricted for Treasury Shares		(118,555,453)
Unappropriated Retained Earnings Available for Dividend Declaration at End of Year		**P 24,103,055,113**